Cohesion Policy, SMEs and Regional Resilience in a Polycrisis Era: Evidence from the 2014-2020 Crisis Response

Introduction – From Structural Policy to Crisis Instrument?

The past decade has been marked by what has increasingly been conceptualised as a "polycrisis": the interaction of multiple, overlapping shocks that amplify uncertainty and strain institutional capacities. The COVID-19 pandemic, the energy crisis, and the geopolitical disruption following the Russian aggression against Ukraine exposed structural vulnerabilities in European regional economies. Small and medium-sized enterprises (SMEs), deeply embedded in local production systems and value chains, were disproportionately affected.

Traditionally, EU Cohesion Policy operates as a long-term, programming-based instrument aimed at reducing territorial disparities through structural investments. Its logic is developmental and place-based rather than counter-cyclical. However, the introduction of the Coronavirus Response Investment Initiatives (CRII/CRII+), REACT-EU, and subsequent crisis-related amendments effectively repositioned Cohesion Policy as a rapid-response mechanism within an ongoing programming period.

This paper draws on Case Study I of the Ex-Post Evaluation of Cohesion Policy 2014–2020 (Work Package 12 on crisis response) and situates the findings within broader debates in regional science on resilience, institutional adaptability, and multi-level governance. It asks:

- To what extent did Cohesion Policy contribute to SME resilience under crisis conditions?
- Did crisis-driven flexibility reinforce or dilute the structural objectives of the policy?
- What institutional trade-offs emerge when a long-term development instrument is mobilised for emergency stabilisation?

SMEs play a critical role for regional resilience in time of crises. Their survival affects employment stability (absorptive capacity), their innovation and digitalisation strategies shape adaptive capacity, and their integration into new sectors or green transitions underpins transformative resilience. Cohesion Policy's intervention logic traditionally supports transformative resilience through structural investments in innovation, infrastructure, and competitiveness. Crisis-response flexibilities, however, introduced a strong absorptive dimension – focusing on liquidity support and short-term survival. Institutionally, the paper draws on debates on multi-level governance and policy flexibility. Flexibility in shared management systems may enhance responsiveness, but excessive reallocation or simplification risks undermining strategic coherence and long-term policy credibility.

Methodological Approach

The paper relies on the SME case study conducted within Work Package 12 of the Ex-Post Evaluation. The analysis covers six Member States (Denmark, Germany, Italy, Poland, Romania, and Spain), selected to reflect diversity in fiscal capacity, governance structures, and regional economic profiles. The analysis covers programme monitoring data and Open Data Platform indicators, as well as builds on the findings from Member States evaluations. These sources were combined with an impact pathway analysis, semi-structured interviews with managing authorities and stakeholders and comparative cross-country assessment. The assessment follows the standard evaluation criteria of relevance, effectiveness, efficiency, coherence, and EU added value, but interprets findings through a resilience-oriented lens.

Evidences

From a relevance perspective, crisis-response mechanisms addressed immediate liquidity shortages among SMEs. Flexibilities enabled ERDF support for working capital, the widening of financial instruments, and retroactive eligibility of expenditures. This marked a significant departure from the traditional investment-oriented logic of Cohesion Policy. The crisis transformed ERDF into a quasi-stabilisation instrument, allowing it to complement national fiscal packages.

The relevance of ERDF interventions varied across Member States. In countries with strong fiscal capacity, national measures dominated. In Member States with constrained budgets, ERDF funding played a more central role in cushioning economic shocks. Thus, the EU added value of crisis-response measures was partly contingent on national fiscal asymmetries. However, the timing of the crisis – late in the programming period – limited available resources in some programmes. Reprogramming often required difficult reallocations, illustrating the tension between planned structural objectives and emergency adaptation. The ERDF crisis mechanisms effectively supported absorptive resilience. Working capital grants and liquidity loans reduced bankruptcy risks and maintained employment. Supported SMEs exhibited higher survival rates compared to non-supported firms. Financial instruments, whose use was simplified under CRII+, gained renewed prominence. The removal of ex-ante assessment requirements and streamlined procedures accelerated deployment. In some regions, this led to improved administrative proficiency in managing financial instruments. However, transformative effects were more limited. The urgency of the crisis prioritised short-term survival over structural upgrading. While REACT-EU allocations supported digitalisation and green investments in some contexts, the dominant orientation remained liquidity-focused.

This outcome reflects a broader structural dilemma: emergency intervention strengthens absorptive resilience but may postpone or dilute transformative objectives. In theoretical terms, Cohesion Policy temporarily shifted from a development paradigm to a stabilisation paradigm. Efficiency findings highlight the importance of established delivery systems. The decentralised, shared-management model allowed rapid adaptation by building on existing governance structures. Compared to newly designed instruments such as the Recovery and Resilience Facility (RRF), ERDF demonstrated greater procedural agility. Yet agility came at a cost. Managing authorities faced simultaneous demands: crisis response, ongoing programme implementation, and preparations for the 2021–2027 period. Although reporting requirements were softened, administrative burdens remained substantial. Simplification measures – such as 100% co-financing, simplified cost options, and faster programme amendments – improved responsiveness but also introduced potential risks. Rapid decision-making under uncertainty occasionally resulted in suboptimal targeting or financial product design mismatches. Thus, flexibility enhanced temporal efficiency but raised questions about procedural sustainability and strategic consistency.

Internal coherence was generally preserved, as flexibilities operated within established programme structures. However, exemptions from thematic concentration temporarily weakened alignment with long-term EU priorities, particularly in relation to climate objectives. External coherence depended heavily on coordination with national instruments. In wealthier Member States, ERDF played a complementary role. In fiscally constrained regions, it filled critical funding gaps, reinforcing EU solidarity.

The decentralised governance model allowed tailored responses reflecting territorial specificities. Local and regional authorities were directly involved in adapting measures, preserving the place-based character of the policy even under emergency conditions. This confirms a key insight from multi-level governance theory: institutional layering and accumulated administrative capacity can enhance crisis responsiveness without dismantling long-term policy architectures.

The SME case study illustrates structural trade-offs that are likely to persist in a polycrisis era: flexibility versus predictability, speed versus strategic alignment, and absorption versus transformation. Crisis-response flexibility strengthened political legitimacy and demonstrated the adaptability of Cohesion Policy. Yet repeated reliance on extraordinary amendments risks normalising emergency governance, potentially eroding the stability of long-term programming. The experience suggests the need to institutionalise “prepared flexibility”: pre-defined crisis activation clauses embedded within the regulatory framework, rather than ad hoc amendments. Such an approach would preserve structural objectives while enabling rapid response.

Implications for Post-2027 Cohesion Policy

In light of increasing systemic uncertainty, Cohesion Policy design may need to incorporate resilience explicitly. Several implications emerge:

1. Embed crisis-response triggers within programming regulations.
2. Strengthen monitoring systems capable of capturing resilience outcomes.
3. Maintain thematic safeguards to protect long-term transformation goals.
4. Invest in administrative capacity to prevent flexibility from generating overload.

Rather than viewing crisis response as an exception, future policy cycles may need to integrate resilience as a structural objective.

Conclusion

The crisis-response experience demonstrates that Cohesion Policy can act as both a structural development instrument and a stabilisation mechanism. Its shared-management model, place-based orientation, and accumulated institutional capacity enabled effective support to SMEs during unprecedented shocks. However, the shift toward absorptive support revealed tensions between emergency responsiveness and transformative ambition. The challenge for the next programming period is to reconcile these logics within a coherent institutional framework. In a polycrisis era, resilience is not only an outcome but a design principle. The SME case study thus contributes empirical evidence to ongoing debates on the future of European regional policy, highlighting the need to balance flexibility with strategic continuity in pursuit of sustainable territorial development.