

Minutes
**First Meeting of the Group of high-level specialists on the future of
Cohesion Policy - Cohesion Policy and the European Growth Model**
31 January 2023, Brussels

1. Nature of the meeting

The first meeting of the Group of high-level specialists on the future of Cohesion policy took place on 31 January 2023. The morning session of the meeting was public and webstreamed, and it is available here - https://ec.europa.eu/regional_policy/policy/how/future-cohesion-policy_en. The afternoon session was a non-public discussion between the members of the Group.

12 members of the Group attended the meeting in person and 4 members attended online.

The Commission services were represented by Mr Marc Lemaître, Director-General, Directorate General for Regional and Urban Policy (DG REGIO), Mr Peter Berkowitz, Directorate B – Policy, DG REGIO, Ms Andriana Sukova, Deputy Director-General - Funds, Fair Transition and Analysis, Directorate General for Employment, Social Affairs & Inclusion (DG EMPL), accompanied by staff from both DGs.

2. List of points discussed

A. Opening speeches

The meeting opened with welcome speeches by Commissioner Elisa Ferreira and Commissioner Nicolas Schmit, followed by an introduction from the Chair.

Opening and welcome by Commissioner Elisa Ferreira

Elisa Ferreira, Commissioner for Cohesion and Reforms, welcomed all participants and thanked them for participating in the first meeting and in the process of reflecting on the future of Cohesion Policy. The Commissioner highlighted the importance of this Group of high-level specialists on the future of Cohesion Policy, bringing together representatives of academia, national, regional and local politicians, socio-economic partners, representatives of civil society and institutions. She also emphasised the importance of learning from past crises along with the need to bring practical and theoretical knowledge together.

The Commissioner emphasised the need to build and shape the future according to our visions and needs, learning from the recent crisis and from the structural (twin green and digital transition as well as the demographic transition) and global challenges (COVID 19 crisis recovery, Russian invasion of Ukraine) the European Union has faced in the last decade. She highlighted the growing risk of disparities among EU Member States and regions, as put forward in the Eighth Cohesion Report. Addressing these challenges at the territorial level remains vital for cohesion in the EU, along with supporting collective resilience and prosperity. Hence the need to further adapt and modernise the future Cohesion Policy. Future policy should take into account the continuously evolving EU priorities as well as related growing territorial needs. She invited the Group to focus on questions of which growth model to pursue; how to implement the most efficient redistributing policy; how to combine tailored support and flexibility towards the different needs of the regions; how to create synergies with other policies; and on how to create resilience in a repeatedly changing environment.

In her view, the know-how of the members of the Group will provide orientation and recommendations for how to do better and how to improve policy options. The recommendations and the final report will feed into the reflection process on Cohesion Policy post 2021-2027. The main question for Cohesion Policy was raised – ‘Is Cohesion Policy a redistributive policy or a growth policy? Or both?’

Opening and welcome by Commissioner Nicolas Schmit

Nicolas Schmit, Commissioner for Jobs and Social Rights, welcomed the participants and insisted on the success of cohesion policy in terms of economic but also social convergence, recalling that the European Social Fund is part of cohesion policy and one of the oldest instrument to invest precisely in people and human capital. He invited members of the Group to reflect on how to improve social cohesion while simultaneously tackling the issue of jobs mismatches and skills shortages. He stressed the need to keep in mind that Europe should invest in services fostering social fairness.

Welcome and introduction by Andrés Rodríguez-Pose

The Chair of the Group, Andrés Rodríguez-Pose, welcomed the Commissioners and participants, introduced the members of the Group and the agenda of the meeting. The rules of procedure of the group were adopted.

B - Academic Inputs

The morning session included two presentations, each followed by a discussion.

Michael Storper, invited expert (Centennial Professor of Economic Geography at the London School of Economics): **‘Development: A conceptual framework for Cohesion Policy’**

He focused his presentation on how to define a conceptual framework for development, questioning the definition of development based on per capita income (PCI) itself, and providing an analytical comparison between the European and the American growth models in terms of labour productivity and labour force participation. He also focused on variations between both systems in innovation and productivity. Three key questions were raised in his presentation:

- What is a viable development model for high-income countries in today’s world?
- What is the European model, and how does it compare to this viable development model?
- How can we situate the needs of lagging or less-dynamic regions within the context of an updated European development model?

According to Michael Storper, development happens when per capita personal income (PCI) increases. When absolute PCI is stagnant or declining, there is no development. PCI has an extremely high correlation with positive aspects of economic development such as health, longevity, quality of life, housing and the environment. In addition, PCI’s impact on the welfare of the ‘average’ inhabitant of a region is conditioned by the interpersonal income distribution of the region. Substantial social science research converges on the idea that the income distribution ‘goldilocks zone’ is a Gini coefficient for income of 0.30-0.35.

He discussed the limitations of inter-regional redistribution, also highlighting the concept of ‘star metropolitan regions’ (example discussed with the members: the Silicon Valley), which

trickle down considerable income but limit redistribution. He insisted on the need to reflect on the catch up regions, while focussing more on growth than on convergence

Europe's PCI growth limitations come from sluggish demographics, limited work time, and short working years compared to the rest of the world, as well as low labour force participation in certain regions and weak first-mover labour augmenting innovation. The opportunity for raising PCI is especially narrow for the EU because it is unlikely to increase the quantity of work through labour force growth. Therefore, the EU needs to find a European growth model with more high-skilled labour-augmenting innovation. Europe should also try to avoid the collateral damage of such a strategy: a rise in inequality, which is far more salient in the United States and incompatible with the European social model. Convergence should not be the goal, the goal should be for PCI to grow in all EU regions. The two key levers for achieving such inclusive development are labour force participation and labour augmenting innovation.

Hence, his answer to the question of 'how can we promote inclusive development and harness the economic potential of territories and regions?' is to focus on the difference between measuring the number of jobs created and their development effect, also calling to re-think the natural tendency of today's economy to geographically concentrate. Making the existing (smaller) centres more attractive for higher potential workers, that can support increased innovation and productivity, must be part of the strategy. He also emphasised that Europe should tap onto the potential of most of intermediate cities, without undermining the growth capacity of its metropolitan hubs.

Key issues discussed

The Chair, Rodríguez-Pose, and members, Contanze Krehl, Karl-Heinz Lambertz, Pervenche Berès, Helga Trupel, Sari Rautio, John Bachtler, Peter Osvald, Enrico Rossi, Alva Finn and Zornitsa Roussinova intervened and asked a series of questions. There have also been written comments by Joaquim Oliveira.

The discussion focused on whether PCI is a valid indicator of the standard of living, potential conflicts between growth and environmental challenges, demographic challenges, comparison between the EU and US growth models, the importance of social innovation and labour force challenges. Still, within the EU there are several growth regimes, which may make it misleading to talk about a single EU growth model.

If PCI is adjusted to the cost of living, gaps between countries are smaller. In the decades following world war two, there was a strong convergence of real income per capita across regions. While national convergence remains a reality, regional convergence has stopped. This makes generating income growth in all regions far more urgent from an economic, but also from a social and political perspective.

Issues of green growth and sustainability were highlighted during the discussion. As for the potential conflict between environmental challenges and growth, according to Michael Storper, growth can be compatible with decarbonisation, though there should be an enormous change to the existing growth model to incorporate decarbonisation.

The comparison between the US and EU economic models highlighted the importance of the European social model and the need of avoiding the social inequalities of the US economic model. Furthermore, the importance of social innovation was noted. Also, the challenge of increasing labour force participation, upskilling the labour force and talent distribution were noted. It was stated that the EU also needs additional labour in the care, social, and health systems. The complex relationships between market and non-market sectors were raised at the end of the discussion.

It was concluded that Europe should be the first mover continent for the new augmented labour approach. The question remains, however, whether there is sufficient labour force in the EU for such an approach.

Nadim Ahmad, invited expert (Deputy Director OECD Centre for Entrepreneurship, SMEs, Regions and Cities): **Balanced regional development in an age of transitions**

Nadim Ahmad started by stressing why growth cannot be defined only through the concept of income, and why cohesion still is an important vehicle to drive resilience and critical to secure long term growth. He underlined that the figures for 2000-2020 show that inequalities between OECD countries have declined, but not within countries. This is triggered by four main factors (globalisation, digitalisation, climate change, and demographic change). Moreover, globalisation is shifting as a result of increased trade restrictions and geopolitical changes.

The population is expected to shrink in half of OECD countries which will impact labour markets, productivity, income, government revenue, and pensions. Non-metropolitan areas especially have increasing relative costs for services such as education, health, and long-term care.

According to an OECD report (2022), 41 European regions are very vulnerable to the transition to climate neutrality. On the one hand, they lag on socio-economic characteristics such as GDP per capita and wages. Also, rural areas could slip further behind due to poor digital infrastructure and skills gaps, which may lead to missed opportunities from teleworking. On the other, rural regions provide 2/3 of the renewable energy in OECD countries.

He indicated that there is a need to address the false dichotomy between growth and cohesion. In the short-term there are trade-offs between GDP per capita growth and cohesion. A focus on cohesion provides a longer-term scope as it can enhance resilience in the EU. Also, such a focus could value activities outside GDP and minimise many negative externalities.

Cohesion Policy, when addressing equalities of opportunity, can support the European Growth Model: ensuring a fair and inclusive economic transformation towards a green, digital and resilient economy. Nevertheless, there is a need to discuss:

- Cohesion Policy's multiple objectives and the original focus on addressing territorial disparities,
- Trade-offs between long-term priorities and short-term needs to address crises,

He went on to underline the links between Cohesion Policy and national structural reforms, discussing that a focus on structural reforms that pay off over the longer term is needed.

Key issues discussion

The discussion following the presentation involved the the Chair, Rodríguez-Pose, and members, Pervenche Berès, Karl-Heinz Lambertz, Peter Osvald, Contanze Krehl, Andreea-Alexandra Scioşteanu, Helga Trupel, and Riccardo Crescenzi.

This discussion highlighted the importance of high-quality data for Cohesion Policy, the impacts of innovation on rural areas, linking this discussion with local and regional challenges, the future of the Eurozone, and the importance for Cohesion Policy to adapt to the digital and green transitions.

Better quality data for Cohesion Policy should improve their use for achieving EU goals. More innovative ways of collecting data outside of official institutions were proposed.

Cohesion Policy should recognise opportunities to enable rural areas to generate jobs and income. Moreover, the links between urban and rural areas were discussed as was the impact of innovation on rural areas. Innovations applied to urban areas should not all be translated to

rural areas. Also, the importance of linking this high-level discussion with local and regional challenges was highlighted.

The last part of the discussion focused on the ability of Cohesion Policy to make the most of the digital and green transitions. It is important to identify which regions will be highly exposed to the transitions and making sure there are policies to buffer them from the shocks. Finally, the significant issue of how the future of the Eurozone could influence the future of Cohesion Policy was raised.

C - Institutional Input

The morning session also included the presentation from the representatives of the European Economic and Social Committee, followed by a discussion.

Krzysztof Balon & Gonçalo Lobo Xavier (European Economic and Social Committee): The views of the EESC on the future of Cohesion Policy

The EESC acknowledges the importance of economic, social, and territorial cohesion policy as a principle beyond crises, as well as being well-run and a founding pillar of the EU. They believe that Cohesion Policy should put a stronger emphasis on contributing to the delivery of EU objectives and policies. The importance of multi-level governance and partnerships with regional stakeholders, citizens, and civil society partners, as well as across the different EU policy fields was highlighted. The balance between the ability to respond to future crises and achieving long-term Cohesion Policy goals was also emphasised. The main principle of Cohesion Policy that 'no one should be left behind' is seen as an accurate and valid principle, which should be followed by social partners. According to the EESC, it is important to call on member states and EU regions to involve social partners and other civil society organisations as broadly and genuinely as possible in shaping Cohesion Policy and monitoring its effects. It is particularly important to set up 'enabling conditions' tailored to investments, to counteract pressure on democracy and its values, expand the Just Transition Mechanism, invest more in skills, stimulate people's creativity and entrepreneurship, and increase investment in R&D. It is also important to emphasise territorial policy tools like (Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD) more. Their aim is to strengthen cross-border and interregional cooperation; protect SMEs and their sustainability, ensure that the use of funds under the Recovery and Resilience Facility is fully compatible with the implementation of Cohesion Policy through the proper use of resources; streamline Cohesion Policy for beneficiaries through simplification and flexibility; and to ensure clear and simple rules for EU funds implemented under shared management in a single rulebook. In conclusion, Cohesion Policy should be a policy for all regions and tailored to local needs.

Key issues discussion

The discussion following the presentation included the Chair, Rodríguez-Pose, and members, Alva Finn, Karl-Heinz Lambertz, John Bachtler, and Aleksandra Dulkiewicz.

The discussion covered governance, the division between people-based and place-based policy, differences between measuring growth and development and citizen representation.

The opportunity to participate in policy making, implementation and evaluation should be given to different organisations. Also, it was explained why Cohesion Policy should be based on development, rather than only on growth. The last issue focused on how citizens are represented in the EU, including by independent civil society players as a means of representing often overlooked groups and issues. Part of the discussion centred around participative and representative democracy, stressing the example of Roma populations representativeness.

E - Key discussion points of the afternoon session

The session was organised as an open discussion, around the future of the policy in the wider EU integration and economic model and the tasks and organisation of the Group.

The key elements of discussion centred on (a) the wider context of Cohesion Policy and the need to re-think the policy, (b) possible features of Cohesion Policy, (c) the need for a better narrative and communication, and (d) the interplay with other policies.

The members put forward a number of questions, such as: How do we fit cohesion policy in the European agenda, especially in combination with Next Generation and the twin digital and green transition, whose objectives and results might not coincide with the ones of cohesion policy? Should cohesion policy not only generate cohesion, but also help alleviate the costs of these transitions? On which territories should cohesion policy focus (regions lagging-behind, or the whole EU, with a focus on most vulnerable people)? How to incorporate learning from past experiences, in light of what we know is happening (changes in the way we work (more from home), changes in global value chains, growing geopolitical risks)? Considering what might happen after 2027? What is the role of the policy and how can we strengthen a narrative that defines cohesion policy as a policy ‘that can help’? In terms of indicators, do we need to bring on board wellbeing and perceptions?

The members recognised the need to strengthen the policy narrative, while knowing that people living in small cities and towns, in rural areas or in stagnating areas feel now ‘left behind’ (example given: Gilets Jaunes movement in France, 2018).

They also advocated for a policy that covers the whole Europe with clearer and simpler objectives.

Central to the debate was the future of Cohesion Policy, including the need for policy recommendations. These policy recommendations need to be radical and provocative, aiming to re-invent the policy from different angles such as ‘no harm to cohesion’ or ‘cohesion as an overall EU objective’.

3. Conclusions/recommendations/opinions

The exchanges highlighted that the EU needed to see how growth is stimulated and distributed, as well as address growth and convergence both between and within member states. The challenges go beyond territorial disparities and include interpersonal dimensions, to ensure no one is left behind, which also links to demographic trends.

In essence, Europe needs to ensure future development and growth, with greater equality and equality of opportunities, resilience, sustainability. The long-term perspective should be to allow growth and cohesion to converge.

Growth is about income per capita (IPC) with limited disparities (GINI coefficient), also taking into account social and environmental issues. This would strengthen the role and competitiveness of the EU in the world, and ensure resources for redistributive policies. Historically PCI is closely related to well-being indices, stable governments, etc. A key element for increasing IPC is to attract labour augmenting innovation and increase labour force participation.

The focus on PCI brings a risk of increased spatial and social disparities, so it is important to connect growth to wider development considerations. Development is about long-term growth,

which also makes places more resilient. This implies sustainability, quality of life, and greater equality of opportunities, taking into account regional exposure to challenges and transitions. Among these are:

- **Changing global context.** Europe needs to adjust to global economic changes including the shift from just-in-time to just-in-case economies. These often imply shorter value chains. To do so, Europe needs highly skilled and social innovation.
- **Transitions.** In the years to come, the green and digital transitions need to enhance the performance of the EU and not increase disparities by concentrating new jobs in the most prosperous regions. How can we make the transitions work for all regions? How can transition work for cohesion and cohesion work for transition?
- **Demographic change.** Aging and shrinking populations in large parts of the EU pose challenges to growth. A shrinking and territorially concentrated labour force risks increasing disparities and hampering growth.

To address these challenges the discussion focused on the need for more innovation that is spatially better distributed. Particular attention needs to be paid to labour augmenting innovation which creates rather than automates jobs, and social innovation.

Possible pathways include strengthening ‘superstar’ metropolitan areas as engines of development, while simultaneously stimulating potential in all other regions. It is important to mobilise opportunities in all parts of the EU, including medium-sized cities, towns, and rural areas to avoid increasing concentration and fragmentation.

Cohesion can also be boiled down to people- and place-based policy, and a strong coordination role for EU institutions.

Cohesion Policy needs to build on involving a wide range of players and good governance, including multilevel governance and civil society involvement. This may include a stronger focus on civil dialogue.

4. Next steps

Further work of the High Level group will take place in the context of the next eight scheduled meetings until December 2023. Each meeting has an established agenda. All information about the next meetings will be published on the Group dedicated web page on Inforegio: https://ec.europa.eu/regional_policy/policy/how/future-cohesion-policy_en

5. Next meeting

The next meetings:

Second meeting	09 March 2023	Enhancing resilience of regions against emerging challenges
Third meeting	27 April 2023	Tailored support / flexibility to support different development needs of regions
Fourth meeting	23 May 2023	Role of place-based policies and development strategies
Fifth meeting	04 July 2023	Reinforcing territorial cooperation and addressing challenges on European integration
Sixth meeting	14 September 2023	Anchoring financial support from the policy in reforms, in the context of European Semester and in synergy with other EU policies

Seventh meeting	10 October 2023	Increasing the policy effectiveness through renewed conditionality mechanisms
Eighth meeting	14 November 2023	Revisiting the delivery mode/ mechanics taking into account priorities
Ninth meeting	14 December 2023	Enhancing the policy capacity to respond to sudden shocks and crises

6. List of participants

Speakers:

- Ferreira, Elisa – Commissioner for Cohesion and Reforms
- Smith, Nicolas – Commissioner for Jobs and Social Rights
- Ahmad, Nadim - Deputy Director OECD Centre for Entrepreneurship, SMEs, Regions and Cities
- Balon, Krzysztof - European Economic and Social Committee
- Lobo Xavier, Gonçalo - European Economic and Social Committee
- Storper, Michael - Professor of Economic Geography at the London School of Economics

Members of the reflection group:

In person:

- Bachtler, John
- Berès, Pervenche
- Crescenzi, Riccardo,
- Dulkiewicz, Aleksandra
- Finn, Alva
- Krehl, Constanze
- Lambertz, Karl-Heinz
- Osvald, Petr
- Rodríguez-Pose, Andrés
- Rossi, Enrico
- Roussinova, Zornitsa
- Scioşteanu, Andreea-Alexandra

Online:

- Andor, László,
- Rautio, Sari
- Kratsa, Rodi
- Trüpel, Helga

Written comments:

- Joaquim Oliveira