

Minutes

Seventh meeting of the group of high-level specialists on the future of Cohesion Policy – Increasing Cohesion Policy effectiveness through the reassessment of conditionality mechanisms

10 October 2023, Brussels

1. Nature of the meeting

The seventh meeting of the group of high-level specialists on the future of Cohesion Policy took place on 10 October 2023. The recording of the public and web streamed session of the meeting is available at https://ec.europa.eu/regional_policy/policy/how/future-cohesion-policy_en. This session was followed by a non-public discussion between members of the group.

15 members attended the meeting in person.

The Commission was represented by Ms Elisa Ferreira, Commissioner for Cohesion and Reforms accompanied by her deputy Head of Cabinet; Ms Themis Christophiou, Director-General and Mr Peter Berkowitz, Director from the Directorate-General Regional and Urban Policy; Mr Mario Nava, Director-General of Directorate-General for Structural Reform Support; Ms Andriana Sukova, Deputy Director-General and Ms Ruth Paserman, Director from the Directorate-General Employment, Social Affairs and Inclusion accompanied by staff from the Directorates-General.

2. Points discussed

A. Opening remarks

The meeting started with opening remarks from Ms Elisa Ferreira, Commissioner for Cohesion and Reforms. The Chair, Mr Andrés Rodríguez-Pose introduced the meeting's topic.

Opening and welcome by Commissioner for Cohesion and Reforms, Elisa Ferreira

The Commissioner welcomed all participants and thanked them for participating in the seventh meeting of the group and apologised for her absence at the sixth meeting. The Commissioner emphasised the technical and political importance of the topic of the seventh meeting. In addition, she thanked the speakers: Ms Ramona Coman, Ms Anelia Stefanova and Mr Mario Nava for their participation. The Commissioner introduced the new Director-General of the Directorate-General Regional and Urban Policy, Ms Themis Christophiou.

The Commissioner recalled the importance to draw some lessons, in terms of benefits and limitations, from the use of enabling conditions and macro-economic conditionalities, as well as the rule of law conditionality mechanism. These concepts may sound technical and complex. However, when talking about these several types of conditions, we touch upon some of the most important elements of the Cohesion Policy's delivery system. These elements will be at the core of the future reform, in an attempt to further link the policy investments to reforms, the payments to results and performance, in the broader context of the EU economic governance,

also considering the lessons learned from the Recovery and Resilience Facility (RRF). It is nevertheless equally essential to continue ensuring a right balance between regional, territorial needs, capacities, and responsibilities, on one hand, and conditionality mechanisms, on the other. She highlighted the importance of reflecting on recommendations for balanced development objectives and mentioned two types: macro variables that are spaceless and place-based variables.

Welcome and introduction by Andrés Rodríguez-Pose

The Chair of the group, Mr Andrés Rodríguez-Pose, welcomed Commissioner Ferreira and all participants and thanked the Commissioner for the opening speech. He recalled that ex-ante conditionalities have been in the EU regulatory framework since early on, with a considerable expansion in the 2010s, especially after the financial crisis: they are not new, but now is the time to question their relevance, suitability, and ability to make the funds more efficient.

The Chair raised questions relevant to the topic of the seventh meeting:

- Are conditionalities (or enabling conditions, as they are currently known) fulfilling their objectives?
- Do we need conditionalities to deliver better policies and more cohesion for European citizens?
- Why are conditionalities important for policies such as Cohesion Policy and not for others? What are the implications?
- To what extent does the proliferation of conditionalities create complexity or bureaucratic malaise that may undermine policy effectiveness? Who should be paying for this?
- Should these conditions affect the whole functioning of the policy, affecting municipalities and regions, which have the most limited capacities?

B - Academic Inputs

The Academic Inputs session involved one presentation, followed by a discussion.

Ramona Coman (Institute for European Studies, Université Libre de Bruxelles, Professor and President):

Increasing policy effectiveness through renewed conditionality mechanisms

The focus of the presentation was on the origins and expansion of conditionality in EU governance. Conditionalities have been used in the EU since the 1990s, but also in other parts of the world such as the USA and in international organisations. In the last 10 years, especially after the advent of the Eurozone Debt Crisis, EU conditionalities have become a management crisis tool. Today, the EU has a complex conditionality regime with interrelated conditions and methods of government which affects Cohesion Policy.

Professor Coman introduced the two questions determining her input:

- How should Cohesion Policy macroeconomic conditionality be further designed and articulated with the Rule of Law conditionality?
- How to increase policy effectiveness through renewed conditionality mechanisms, including enabling, macroeconomic and rule of law conditionalities?

Professor Coman summarised the lessons learned on the conditionality mechanisms put forward by academia. Firstly, introducing conditionalities was a complex political process with top down and bottom-up tensions. Secondly, despite being a contested way of governance, conditionality is extensively used. Thirdly, the multiplication of conditionalities also raised the issue of legitimacy, as the conditionalities regime has been adapted over time. In addition, the process has undergone many changes, from coercion to flexibility and coordination, evolving along with the different crises of the last decades. Finally, limited outcomes in terms of policy change have been recognised.

There are both old and new issues that need to be addressed. The old ones relate to the ‘leftovers of the Eurozone crisis’, especially macroeconomic conditionalities and EU funds, as well as democratic concerns. The new ones, which have emerged with the NGEU, are related to the coordination between the RRF and Cohesion Policy and the issue of policy effectiveness.

Macroeconomic conditionality was not supported by the European Parliament, as regions cannot be considered responsible for national excessive deficits, particularly in the policy remit and its focus on solidarity. And still, it was maintained.

The RRF brings more coordination between Member States and the Commission, and more complementarity with the other policy areas. This is useful, but it does it with too little transparency and too much bureaucracy. Other elements which merit further consideration in the implementation of the RRF are the issue of dealing properly with (administrative) capacity and the duplication of exercises. Essential questions here are related to the principle of subsidiarity and the role of regional actors within this conditionalities regime, questioning some of the core principles and identity of Cohesion Policy. Conditionality should not be idealised; particularly as having too many conditions has an impact in terms of outcome (e.g., difficulty to manage) and might lead to symbolic, formal, even fake compliance.

Also, to stress: thanks to the RRF, Cohesion Policy has been strengthened in the EU. However, it is more important than ever for this policy to retain its specificity/identity so it is not torn between different objectives that may be in competition, conflict, or tension with each other. If ex-ante and enabling conditionalities can play a key role in Cohesion Policy, macroeconomic conditionalities are superfluous. The articulation between conditionalities in this complex regime needs to be reconsidered. Finally, there is a need to pay greater attention to the national dimension, which is vital for the political, economic, and social cohesion of Member States. It is time to reconnect the policy with the EU citizens, especially in the current political context and upcoming European Parliament elections.

Key issues discussed

The discussion involved: László Andor, Pervenche Berès, Riccardo Crescenzi, Jasna Gabrič, Constanze Krehl, Karl-Heinz Lambertz, Joaquim Oliveira Martins, Petr Osvald, Sari Rautio, Andrés Rodríguez-Pose, Andreea-Alexandra Scioşteanu and Helga Trüpel.

The first issue raised concerned the disadvantages of macroeconomic conditionalities as they create complex bureaucratic burdens for local and regional governments for factors out of their control. The need to minimise/drop macroeconomic conditionality in the post-2027 period was mentioned. The worry that affecting individual citizens instead of national governments can create discontent was also noted. Academic consensus states that macroeconomic conditionalities create imbalances, and have even proven useless to some extent: today is an

opportunity to step back and think about the role of conditionalities and their impact within and beyond Cohesion Policy.

However, solidarity cannot work without any (budgetary) conditionality at all (see Report of the Franco-German working group on EU institutional reform '[Sailing on High Seas – Reforming and Enlarging the EU for the 21st Century](#)'). Hence, there is a need for some enabling conditions to remain in Cohesion Policy. In addition, the need to respect the Treaty was noted with the importance of contributing to Article 2 of TEU. Conditionality mechanisms for other policies were also mentioned (e.g., for the Common Agricultural Policy).

Two categories of conditionalities can be identified: endogenous (to support the primary function of Cohesion Policy), and exogenous (to pursue a legitimate goal that is not linked to the CP itself). We should question how conditionalities have fulfilled their objectives and how more complementarities can be introduced, keeping in mind that budgetary discipline is necessary also for Cohesion Policy to be efficient.

The importance of Cohesion Policy as a driver for other policies was highlighted. All other policies need to serve cohesion. The need to focus on policy complementarity, instead of on conditionalities was raised.

Three suggestions for the future of Cohesion Policy were identified: (1) insist on cohesion, (2) emphasise solidarity more strongly, and (3) use rules that make sense for the purpose of the policy.

C - Institutional Input

The public session also included presentations by the CEE Bankwatch Network and by Mario Nava — Director-General, Directorate-General for Structural Reform Support.

Anelia Stefanova (CEE Bankwatch Network, Strategic Area Leader — Energy Transformation):

The resilience of the cohesion policy — Lessons learnt from Cohesion fund programming in crisis circumstances

She recalled the nature, composition, and missions of the CEE Bankwatch Network, which has more than 20 years of experience in monitoring Cohesion Policy. It covers eight CEE countries: Bulgaria, Romania, Hungary, Poland, Slovakia, Czechia, Latvia, and Estonia. CEE Bankwatch Network focuses on the partnership principle, climate, just transition, and biodiversity.

In 2019 Cohesion Policy programming started while planning and negotiations took place during major crises in 2020-2022. The Code of Conduct on Partnership is legally binding. Time was not the issue as the process had an early start. Interest from civil society organisations with experiences from previous periods was high. Moreover, there was political support from DG REGIO — Community of Practice on Partnership.

Enabling conditions are needed for green transition ambitions. The Just Transition Fund was mentioned as a positive example. However, the new instruments and principles (e.g., 'do no significant harm') were not fully enforced which resulted in Cohesion Policy funds financing

investments that do not favour climate ambitions. Weak enabling conditions did not enable more transformative investments in the climate sector.

Four key recommendations for the Future of Cohesion Policy were emphasised: develop a more consistent policy framework, do significant benefit principle with a horizontal approach, allow EU funds going more local and reinforce the role of citizens at the heart of planning and implementation.

Key issues discussed

The discussion involved: László Andor, Riccardo Crescenzi, Petr Osvald, Andrés Rodríguez-Pose and Andreea-Alexandra Scioşteanu.

The discussion started by highlighting the importance of predictability and forward-looking conditionalities. The predictability of conditionalities is important to create a framework for investment: the efficiency of investments will grow with knowledge (notably in terms of implementation in MAs), what is even more important than stability.

Conditionalities alone are not enough. There is a need for systemic programmes for reforms, as well as to identify what are the investments for the future in a better way. Engaging with the audience and the local level is also key. A systemic reform and capacity building programme is essential to make authorities understand the investments of the future.

The importance of horizontal conditionalities was noted, especially the need for stronger horizontal conditionalities concerning transparency, access to information, public participation, and environmental impact assessment. Such conditionalities are still not implemented in many Member States, resulting in significant mistrust and unhappiness for citizens. New instruments and measures for research and innovation could be combined with conditionality. In addition, the tendency to nationalise and disempower local or regional authorities was highlighted.

The energy transition is widening disparities between the regions, particularly in terms of access, research, and development. We need a balanced approach that fosters the inclusion of shareholders and goes beyond the current rules of the European code of conduct. The multilevel governance needs to be further underlined; the partnership principle further implemented.

In the end, her recommendations for the future of the Cohesion Policy were: (1) raise the importance of multi-level governance and (2) add the ‘do significant benefit’ principle.

Mario Nava (Director-General, Directorate-General for Structural Reform Support)

He opened his speech by recalling that the 2023 Nobel Prize in Economics was awarded to Claudia Goldin for her work giving insight on women’s participation in the labour market and gender gap. In his view, this should be interpreted as a sign that cohesion does matter. He then highlighted the support provided by the European Commission to Member-States and regions through the Technical Support Instrument (TSI) — towards regional and local growth (on skills, research and innovation, governance, digital and green transitions, demographic challenges in particular).

Over the past few years, his Directorate-General received many requests from regions for TSI, a sign that the impact of this instrument really matters, emphasising the ‘will’ of Member States to do things. The TSI addresses most key dimensions of local and regional growth: education and digital skills, entrepreneurship, research and innovation, transport, and infrastructure, green and just transitions, governance, public administration and demographic challenges. The discussion on conditionalities concerns the will of Member States. The TSI intervenes one step later: on how to implement that will. Often the issue is not a lack of will but a lack of capacity.

The demand for public administration services has increased dramatically, in quantity and quality. There is a need to supplement the supply. By the end of the month the Commission will present a new initiative ComPAct (Commission Communication on enhancing the European Administrative Space). This will deepen administrative cooperation between Member States, but also between regions. One initiative is PACE (Public Administration Cooperation Exchange) — an ‘Erasmus’ for public servants. PACE puts public servants from different regions together to learn one from another.

Examples from all over Europe include:

- In Italy the ‘Implementation of national and regional operational programmes’ helps develop project designing, management and monitoring skills.
- 11 regions from Sweden and Finland were involved in fostering multi-level governance and administration communication between regions.
- 10 regions from Portugal, Spain, Greece, Sweden, and Finland aim to give new life to mining regions.
- Territorial Just Transition involves 70 EU regions and supports territories most affected by the transition towards climate neutrality, to avoid increased regional inequalities.
- Flagship TSI addresses the quality of governance and public services, strengthening productivity, innovation, and the green transition while harnessing talent and employment opportunities.

Several lessons were highlighted: (1) links between policy areas and administrative levels; (2) the importance of considering local and regional implementation; (3) engagement of local and regional stakeholders is never enough; and (4) building capacity.

E - Key discussion points of the internal session

The internal session evolved into an open discussion addressing (a) the understanding of Cohesion Policy; (b) the role of conditionalities in Cohesion Policy; (c) implications of future EU enlargement; and (d) relations to other policies.

The impact and scope of the argument and narrative put forward by the group will largely depend on the underlying understanding of Cohesion Policy and its primary objective(s). Cohesion Policy invests in places, people, and institutions to advance their development and increase their capacity to deliver growth, good policies, and high-quality governance. European cohesion and solidarity are consequences of Cohesion Policy.

Conditionalities have often been inserted in policies to fulfil aims laid down in the Treaty on the European Union (TEU). They ensure that values laid down in the TEU are honoured and help policies to be more effective. Still, there are questions about the meaningfulness of conditionalities and whether they are the best way to achieve objectives.

For geopolitical reasons, the EU will most likely see new rounds of enlargement. These will be game changers in many ways. The main question is whether Cohesion Policy can integrate the new members. This concerns support to new and present Member States.

Cohesion Policy is well placed to contribute to overarching EU policy objectives as well as to objectives of other policies. However, it can and should only do so when the contribution is a tool for development (the primary objective of Cohesion Policy). It should be in the interest of other policies to contribute to development in the EU, strengthening cohesion and solidarity. High synergies with Cohesion Policy will help a policy pursue its objectives more efficiently, building on place-based approaches. Consequently, it is in the interest of all to transform the interplay between EU policies into positive synergies.

3. Conclusions/recommendations/opinions

Over the past decade, the EU has developed a methodology concerning conditionalities. It inserts different conditionalities into policies which leads to a paradox. On the one hand, conditionalities have been put in place to help fulfil the Treaty and EU goals, while ensuring the needed requirements for successful policy investments and improving the effectiveness of a policy. On the other hand, these may have led to a certain level of complexity and may have undermined the overall implementation, delivery, and efficiency of the policy on the ground, especially due to the increased administrative burden, which risks overstretching capacity at programme level. To overcome this paradox, the future Cohesion Policy needs to make conditionalities an essential part of the policy itself while, at the same time, ensuring that institutional capacity is sufficient. Cutting down conditionalities might lead to pile up long term problems and tension in the future without resolving the short terms issues we are trying to resolve. Overall, despite a general scepticism towards conditionalities, there is a rationale for some degree of conditionalities.

Endogenous and/or efficiency conditionalities aim at helping the implementation of Cohesion Policy and address issues in the power of the programme authorities. Still, an open question is whether they need to be conditionalities or could they be essential parts of the policy.

Exogenous and/or compliance conditionalities ensure a sound use of EU funding in line with the objectives and values of the TEU. This links to the need to ensure that the rule of law and democratic standards are applied. An open question is whether Cohesion Policy is the right place for these conditionalities. Furthermore, there is a concern that such conditionalities hold Cohesion Policy programmes responsible and possibly sanction them — and in the end citizens — for decisions made by national governments.

Cohesion Policy is a high-level instrument of the EU to increase development, integration, and solidarity. It is an investment policy that supports regions, people and institutions to advance their development and improve governance. By promoting development and building institutional capacity, it equips regions and individuals to make the most of opportunities offered by the EU, contributing to cohesion and solidarity. In that sense, development and growth improve people's wellbeing. Furthermore, by improving governance throughout the EU, Cohesion Policy supports integration and solidarity as well as the objectives and values laid down in the TEU and the Charter of Fundamental Rights. This includes the values outlined in Article 2 TEU such as human dignity, freedom, democracy, equality, the rule of law and respect for human rights and rights of persons belonging to minorities.

Cutting Cohesion Policy investments in place-based development strategies, human resources and capacity building will increase future problems and impede efforts to strengthen institutions and good governance. The EU needs a policy that goes beyond narrow sector-policy-objectives and invests in change and collaboration with other policies.

4. Next meetings

Eighth meeting	13-14 November 2023	Revisiting the delivery mode
Ninth meeting	14-15 December 2023	Enhancing the policy capacity to respond to sudden shocks and crises
Tenth meeting	23 January 2024	Discussion on the final report

List of participants

Speakers:

- Ferreira, Elisa – Commissioner for Cohesion and Reforms
- Coman, Ramona – Professor and President, Institute for European Studies, Université Libre de Bruxelles
- Stefanova, Anelia – Strategic Area Leader – Energy Transformation, CEE Bankwatch Network
- Nava, Mario – Director-General, Directorate-General for Structural Reform Support

Members of the high-level group:

In person:

- Andor, László
- Berès, Pervenche
- Crescenzi, Riccardo
- Dulkiwicz, Aleksandra
- Finn, Alva
- Gabrič, Jasna
- Krehl, Constanze
- Lambertz, Karl-Heinz
- Oliveira Martins, Joaquim
- Osvald, Petr
- Rautio, Sari
- Rodríguez-Pose, Andrés
- Roussinova, Zornitsa
- Scioșteanu, Andreea-Alexandra
- Trüpel, Helga