

Minutes

Ninth meeting of the group of high-level specialists on the future of Cohesion Policy – Enhancing policy capacity to respond to sudden shocks and crises

14-15 December 2023, Brussels

1. Nature of the meeting

The ninth meeting of the group of high-level specialists on the future of Cohesion Policy took place on 14 and 15 December 2023. The first day of the meeting included public and non-public discussions between members. 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. The second day was dedicated to a non-public discussion between members about the group's final report.

On the first day 14 members attended the meeting in person, on the second day 13 did.

The Commission was represented by Elisa Ferreira, Commissioner for Cohesion and Reforms; Themis Christophidou, Director-General and Peter Berkowitz, Director from the Directorate-General Regional and Urban Policy; Andriana Sukova, Deputy Director-General and 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

Opening and welcome by Director-General for Regional and Urban Policy, Themis Christophidou

The Director-General welcomed all participants and thanked them for participating in the ninth meeting of the group. She recalled that given the increasing uncertainty on the global stage, it is relevant to explore the significance of Cohesion Policy in fostering resilience and managing unforeseen challenges. Cohesion Policy is a flagship investment framework for EU convergence, which supports long-term transformation, addressing economic, social, and territorial disparities between EU regions, while promoting a balanced and resilient internal market. The policy's adaptability has been demonstrated in the last years, by stepping in to help in recent, successive crises and alleviating their socio-economic consequences. At the same time, there are certain limits to this flexibility, as in the past years we have witnessed a process of permanent adaptation and multiple legislative changes. The reflection should bring forward solutions on how to ensure policy flexibility without endangering the long-term development and growth objectives of the policy.

Welcome and introduction by Andrés Rodríguez-Pose

The Chair of the group, Andrés Rodríguez-Pose, welcomed all participants and introduced the topic of enhancing policy capacity to respond to sudden shocks and crises. He recalled the

importance of reflecting on how to stabilise investments and ensure trust among partners in a world in permanent crisis. He presented the agenda for the two-day meeting, with the first day including inputs from institutional representatives and internal discussion. The second day was dedicated to internal discussion between group members.

Institutional Input

The public session included presentations by Ms Eleni Marianou (Conference of Peripheral Maritime Regions), Mr Christoph Kuhn (EIB) and Ms Monica Scatista (EIB).

Eleni Marianou (CPMR, Secretary General) accompanied by **Jorge Núñez Ferrer** (CPMR Director for Cohesion Policy and EU Budget). She recalled that the CPMR, with 50 years of existence, is an old bottom-up organisation able to claim some ‘wisdom’ gained over the years. Cohesion Policy (CP) and territorial dynamics are important for regions, both in terms of financing and on how much they are involved in decision-making to articulate EU priorities on the ground. The territorial level is the closest level to the citizens and the best placed one to transmit the message from the EU to the stakeholders (i.e. private companies, local companies, members, universities, economic partners). The policy has created jobs, growth, and has been going on for number of years, creating institutional capacity, also in terms of partnership with ministries and stakeholders.

However, there seems to be a distortion of truth across the Member States that overlooks these positive effects. Hence, we need to have a positive narrative about Cohesion Policy to address these reputational challenges mainly related to its complexity.

Further simplification is needed without however centralising its governance, as shared management should remain fundamental in the implementation of programmes and related funds. Additionally, Cohesion Policy should preserve its a long-term focus for structural change, but in the future, it should be quicker and more flexible to respond to sudden shocks and crises. This should not result in a multiplication of new funds characterised by different rules, but it should be done within the framework of Cohesion Policy. Finally, the negotiations for new Cohesion Policy budget should carefully consider not only the response to new crises but also consider the consequences of future enlargements on the Policy and the categorization of regions. Hence a clear need to maintain if not increase the budget for the future policy. Finally, it is important to emphasise that Cohesion Policy is in the Treaty for a reason and that any future arrangement needs to guarantee the continuation of this policy.

Key issues discussed

The discussion involved: John Bachtler, Themis Christophidou, Alva Finn, Jasna Gabrič, Andrés Rodríguez-Pose, Andriana Sukova and Helga Trüpel.

Firstly, the issue of simplification was raised. This could be achieved by minimizing the proliferation of processes, controls, and audits, along with placing more trust in regions. On the one hand, national management is not always better, but on the other hand, it is essential to acknowledge that some regions may lack the capacity to deliver, leading to a gap between expectations and actual results on the ground. Consequently, reinforced capacity building is crucial to enable all regions to benefit from Cohesion Policy. The complexity for beneficiaries of many different funds was also mentioned. Further reflection on direct management also needs to be conducted, together with a reflection on how to communicate better for the citizens to become more aware of the benefits of the EU and Cohesion Policy.

There were three recommendations for the future of Cohesion Policy: (1) shared management needs to continue with regions at the heart, (2) simplification and (3) keep the long-term perspective of the policy, while addressing crises within it.

Christoph Kuhn (EIB) and Monica Scatasta (EIB)
EIB contribution to the reflection on Cohesion Policy post-2027

The presentation focused on the modalities employed by the European Investment Bank (EIB) Group to support Cohesion Policy, highlighting the importance of effectively tackling ongoing challenges and emerging issues without compromising its long-term perspective. Given that shocks and crises, with their asymmetric impact, can affect the objectives of Cohesion Policy, it is necessary to ensure that while Cohesion Policy responds rapidly to these circumstances, its long-term goals are not compromised. Therefore, the Policy needs to continue to enhance societal, economic, and territorial resilience and building back better.

Three EIB Group modalities to support Cohesion Policy are lending (loans – EIB financing in cohesion regions, including co-financing of EU projects– diverse offering), blending (combining EU grants with EIB loans and financial instruments), and advising (advisory capacity building and project preparation, accelerates investment).

The often-limited local capacity in implementing investments, as well as in selecting, accessing, and utilizing many funds with complex procedures makes it necessary to increase the impact of advisory support. Advisory capacity building and project preparation, in the form of financial and technical support, accelerate investments, making a difference in Cohesion regions. EIB Cohesion Orientation 2021-2027 targets include increasing EU-27 lending for less developed regions (to 23% by 2025) and for cohesion regions (transition & less developed - to 45% by 2025).

First results observed:

- Increase of the share of climate action and environmental lending across cohesion regions
- Direct financing to the deployment of proven technologies by mid-caps in less developed regions
- Facilitation of the access to finance through direct lending to mid-caps in cohesion regions
- Targeted advisory support to cohesion regions.

EIB Cohesion lending is a powerful instrument to support cohesion regions as it complements and reinforces EU cohesion instruments and ensures a level playing field. As regards trends in EIB Cohesion lending, €124 bn were financed in 2014-20, and €44.7 bn were lent in 2021-22. This complements and reinforces the EU Cohesion instruments, while ensuring a level playing field across Member States, regions, and counterparts. EIB also plays a role when coming to financial instruments – those being useful in leveraging more public and private investment, particularly in support of climate, innovation, and competitiveness objectives. See example from PT (IFFREU), where more than 300 municipalities committed to mobilise investments with the whole idea to bring in the private sector with the condition to double up the amount coming from public money.

Advisory support is key to achieve Cohesion Policy goals. The EIB provides a diverse offering of advisory services for capacity building, project identification, preparation, and implementation in line with Cohesion policy priorities. Majority of advisory assignments under various EU mandates are in Cohesion regions, and both EU level and Member State-specific

support is provided, including for “new” instruments like the Just Transition Mechanism and/or for enlargement (e.g., JASPERS tripled advisory to Western Balkans and supporting Ukraine, Moldova). Needs of investments in the regions is higher than any public sector can mobilise – it is important to foster the private sector, even if not for all the projects and to keep on building on a smart way to combine public and private sector funding.

Recommendations for the future of Cohesion Policy include, firstly, built-in flexibility to enhance resilience and facilitate crisis response, e.g., reallocating a share of Cohesion Policy funds based on clear triggers. Secondly, there is a need to encourage and support strategic financial planning by Member States and regions in choosing and utilizing funding mechanisms. Thirdly, a single co-financing rate may not be optimal, it is important to avoid over-granting for viable investment and leverage public funds. In addition, more flexible combinations with other EU funds are necessary. Mobilising private finance and increasing the use of financial instruments, especially through fewer but larger financial instruments, are also important for the future of Cohesion Policy. Lastly, it is crucial to better integrate advisory and funding support, in the form of financial and technical assistance.

Key issues discussed

The discussion involved: László Andor, John Bachtler, Pervenche Berès, Alva Finn, Karl-Heinz Lambertz, Joaquim Oliveira Martins, Andrés Rodríguez-Pose, Zornitsa Roussinova and Rautio Sari.

Using financial instruments to support small companies and micro-enterprises should be at the core of Cohesion Policy. The discussion focused on the extent to which Cohesion Policy lending should address social investments and social infrastructure. The EIB reported that in 2022, approximately 20% of Cohesion lending targeted human capital, development, and innovation.

Another aspect under consideration was the role of national promotional institutions employing financial instruments for Cohesion regions. These institutions could facilitate maximum ownership on the ground. However, the exchanges emphasised significant differences between Member States in the use of financial instruments. Key factors contributing to these disparities are (1) lack of human capacity, (2) differences between markets, and (3) substantial support from the Recovery and Resilience Facility.

Support to institutions and capacity building is key, considering how to reconcile national requirements and central EU instruments. Raising ownership on the ground is important, particularly as the Cohesion Policy world is “a world of grants”. Revolving aspect of money is interesting on the long term, but often the projects financed are big: we need to have loans for smaller projects. The bulk of the investments goes to the poorest regions: to remain consistent with blending public and private financing, we need to be in favour of an enhanced capital market union. The importance of microfinance investments in supporting specific regional needs was highlighted, emphasizing their role in providing small loans in regions and moving away from a ‘grant-only’ mindset.

Combining grants and loans should remain the line for the future Cohesion Policy, considering the differences in implementation between funds and regions. Informal, reputational ‘Money for corruption’ categorisation seems to be outdated now but some further effort should be put into better training of staff at local and regional level.

Cristoph Kuhn put forward three recommendations for the future of Cohesion Policy: (1) maintain and increase the use of financial instruments, (2) further simplification and combining grants and loans, and (3) strengthen the crucial role of advisory services.

Monica Scatasta’s recommendations were: (1) better integrate the advisory board with financing, (2) review how grant financing is determined for revenue-generating projects, and (3) strengthen flexibility mechanisms within Cohesion Policy rather than creating new instruments.

E - Key discussion points of the internal session

The focus of the internal sessions was on the final report of the high-level group, revisiting the topics discussed in previous, with the aim to agree on several messages and recommendations. These included the need to further emphasise the performance-based approach and strengthen multi-level governance, including shared management and partnership. The members discussed also the possible accession of Western Balkan countries (i.e. Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) as well as Ukraine, Moldova and Georgia with its implication for Cohesion Policy.

Members also debated about the potential target groups for the report, the level of detail of the recommendations, the visuals, and possible titles. In addition, there were comments on the draft chapters structured around three main questions: why, what, and how for the way forward of Cohesion Policy.

3. Conclusions

The discussions underlined the need for flexibility, better governance, simplification, mobilising private funding, capacity building and advisory services, as well as local and regional involvement and ownership when it comes to the design and implementation of Cohesion Policy.

The members emphasised also that there would be no coming back to the pre-crisis equilibrium. The future Cohesion Policy will have to integrate factors and tools to address multi-faceted crises, particularly in case of short-term shocks. It is possible nevertheless to push for investments within a framework of constant changes, while remaining consistent with a long-term development and growth approach.

The final report will be developed and circulated to members of the group before the next meeting, to be held on 22 (pm) and 23 January 2024. That meeting will be entirely dedicated to the finalisation of the report.

4. Next meetings

Tenth meeting 22-23 January 2024 Discussion on the final report

List of participants - 14 December 2023

Speakers:

- Ferreira, Elisa – Commissioner for Cohesion and Reforms
- Christophidou, Themis – Director-General for Regional and Urban Policy
- Marianou, Eleni – Secretary General, Conference of Peripheral Maritime Regions
- Kuhn, Christoph – EIB, Director of EIB Operations
- Scatasta, Monica – EIB, Head of Division at EIB Projects

Members of the high-level group:

In person:

- Andor, László
- Bachtler, John
- Berès, Pervenche
- Crescenzi, Riccardo
- Finn, Alva
- Gabrič, Jasna
- Lambertz, Karl-Heinz
- Oliveira Martins, Joaquim
- Osvald, Petr
- Rautio, Sari
- Rodríguez-Pose, Andrés
- Roussinova, Zornitsa
- Scioşteanu, Andreea-Alexandra
- Trüpel, Helga

List of participants – 15 December 2023

Speakers:

- Ferreira, Elisa – Commissioner for Cohesion and Reforms
- Christophidou, Themis – Director-General for Regional and Urban Policy

Members of the high-level group:

In person:

- Andor, László
- Bachtler, John
- Berès, Pervenche
- Crescenzi, Riccardo
- Finn, Alva
- Lambertz, Karl-Heinz
- Oliveira Martins, Joaquim
- Osvald, Petr
- Rautio, Sari
- Rodríguez-Pose, Andrés
- Roussinova, Zornitsa
- Scioşteanu, Andreea-Alexandra
- Trüpel, Helga