

Minutes
**Second meeting of the group of high-level specialists on the future of
Cohesion Policy – Enhancing resilience of regions against emerging
challenges**

09 March 2023, Brussels

1. Nature of the meeting

The second meeting of the group of high-level specialists on the future of Cohesion Policy took place on 9 March 2023. The recording of the public and webstreamed 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 the members of the group.

15 group members attended the meeting in person and one online.

The Commission services were represented by Peter Berkowitz, Directorate B —Policy, Directorate General for Regional and Urban Policy (DG REGIO), Andriana Sukova, Deputy Director-General – Funds, Fair Transition and Analysis, Directorate General for Employment, Social Affairs & Inclusion (DG EMPL), and Ruth Paserman, Director, Directorate G – Investment, (DG EMPL), accompanied by staff from both Commission DGs and the Secretariat General.

2. List of points discussed

A. Opening speeches

The meeting opened with a welcome speech by Commissioner Elisa Ferreira, followed by an introduction from the Chair.

Opening and welcome by Commissioner Elisa Ferreira

The Commissioner for Cohesion and Reforms welcomed all participants and thanked them for participating in the second meeting of the group of high-level specialists on the future of Cohesion Policy. The Commissioner highlighted the importance of the discussion on the modernisation of Cohesion Policy, which is essential to the EU.

Referring to the first meeting discussions on the modernisation of cohesion policy in the context of challenges to European integration and the development of the European Growth Model, Commissioner Ferreira recalled that enhancing resilience of regions is essential for their convergence, given in particular that the less developed regions are often the most vulnerable. She underlined the five main challenges faced by regions as identified in the 8th Cohesion report (climate transition, digital transition, innovation, demographic change, skills gaps and mismatches) and opened the meeting suggesting keeping in mind the linkages between them and the varying levels of preparedness of European regions to tackle these multiple challenges and to reap the benefits brought by structural transformations. The Commissioner briefly introduced the agenda for the public session, followed by an internal session. The morning session included presentations by academics, Ron Boschma and Paula Kivimaa, and a presentation by Richard Filcak for the European Environmental Agency.

Welcome and introduction by Andrés Rodríguez-Pose

The Chair of the group, Andrés Rodríguez-Pose, welcomed the Commissioner and participants. He highlighted that Europe is facing several challenges including ageing, geopolitical problems from Russian aggression in Ukraine and from the shift in economic power blocks, as well as the green and digital transitions. Many of the challenges, though, will create significant opportunities. Green and digital transitions are expected to have enormous benefits in the medium and long-term, but the transition period is bound to generate considerable upheaval. During this process there will be winning regions, but also vulnerable areas that will suffer from the transition. Important questions include:

- How do we make sure no region is left behind?
- How do we make sure that vulnerable regions maximise potential opportunities and minimise the economic, social, and political risks of transitions?
- How can we ensure that supporting vulnerable regions benefits not only them, but the whole of Europe?

B - Academic Inputs

The ‘Academic Inputs’ session included two presentations, each followed by a discussion.

Ron Boschma, invited academic expert (Professor, Department of Human Geography and Spatial Planning, Utrecht University):

‘Cohesion Policy and its Contribution to Enhancing Regional Resilience against Emerging Challenges’

Ron Boschma focused his presentation on how resilience can be defined in the long run, and what capabilities do regions need to diversify successfully. He noted two dimensions of regional resilience: (a) the ability to cope with and recover from negative effects of shocks (‘bouncing back’ capacity), and (b) the ability to exploit opportunities and develop new activities.

Understanding these dimensions involves two questions:

- What capabilities do regions need to successfully diversify into new activities?
- How can Cohesion Policy support regions on this path and enhance their resilience to challenges, in particular with the digital and green transitions?

Innovation seems to be an issue, as it tends to widen the regional income disparities in the EU: favourable factors (skills, knowledge infrastructure, connectivity) concentrate in more developed regions, particularly because complex knowledge is cumulative and path dependent. Regions have different challenges and opportunities, depending on their local capabilities in terms of knowledge, skills, institutions, networks. Taking the examples of the Île-de-France (FR), Silesia (CZ) and Extremadura (ES) regions, Prof Boschma highlighted how, based on both relatedness density and complexity, regions vary in their capacity to generate innovation. While low-income regions tend to have more capabilities and opportunities linked to simpler technologies and industries, in high-income regions these are often linked to more complex technologies and industries. In addition, some European regions remain ‘trapped’ in the development of less complex activities.

For the twin transitions, more developed regions can foster more complex green and digital transition technologies. Transition regions have more capabilities to develop green technologies, but less potential for new digital technologies. Less developed regions are a more

variegated group. Some of them may be well placed for both green and digital technologies, whereas others may be ill-equipped to adapt to the transformations of the twin transitions.

The regional potential to develop new hydrogen technology illustrates the diversity across the EU as well as the need to collaborate with players in other parts of Europe to exploit complementarities. Inter-regional collaboration can provide access to missing capabilities in a region and enhance diversification, especially for helping less developed regions (with less capabilities) moving into more complex activities. However, EU regions tend to connect to regions in their own country, exploiting complementarities with regions in other countries to a limited extent.

In conclusion, local capabilities should be a point of departure for policies aiming to strengthen resilience and foster development. Moreover, policies need to focus on reducing bottlenecks to ensure opportunities are exploited. However, some regions might be trapped in a low complexity trap. These regions can diversify into sectors which can profit from local skills and capabilities. Moving out from different trap means huge investments in education, research, infrastructure and people, building capabilities in terms of networks and institutions, and attracting from outside entrepreneurs, migrants, and multinational enterprises to increase skills and capabilities in the region.

Key issues discussed

The discussion following the presentation involved Alva Finn, Andreea-Alexandra Scrioşteanu, Constanze Krehl, Helga Trüpel, Jasna Gabrič, John Bachtler, Karl-Heinz Lambertz, Pervenche Berès, Peter Osvald, Riccardo Crescenzi, Sari Rautio, Zornitsa Roussinova, and Richard Filcak.

The first issue was the ability to measure capabilities using existing data on economic activities, occupations, types of industries, patents, etc. Also, the possibility to address labour shortages by training low-educated migrants was discussed. This was linked to the brain drain and the risk of educating people who then move to more prosperous regions, which could be addressed by building on capabilities existing already in the region.

A lack of information and institutional bottlenecks were seen as key reasons for inadequate interregional cooperation.

During the discussion, it was highlighted that the most innovative regions often have the highest inequality rates. The high cost of living in the most innovative regions was mentioned, which is also linked to high intra-regional social inequalities. The investments in the less developed regions would also decrease the risk of brain drain, and foster the feeling of integration, particularly for the migrants. It is important that regions exploit the collaborating opportunities and cope with the lack of proximity effect. Cohesion policy can help in this regard: its development, coordination- and knowledge-sharing functions have then to be activated in connection with other EU policies, keeping in mind that local connexions can also have an impact at international scale, and enhance regions' potential for economic specialization.

Demographic trends were discussed, highlighting ageing and population decline in less developed regions.

The potential of regions that depend on agriculture was emphasised as these areas can promote the green transition. Also, the potential of industrial regions was highlighted because the local labour force could advance the green transition.

The importance of collaboration in regions between national, local and regional governments, academia, non-governmental organisations, etc. was mentioned as crucial to achieving better cohesion.

Paula Kivimaa, invited academic expert (Research Professor, Finnish Environment Institute):

Capabilities for regions to support net-zero-carbon transitions and implications for cohesion policy

Paula Kivimaa further detailed the concept of regions' capabilities, focusing on net zero carbon transition and its implications for cohesion policy. She stressed the climate change urgency and its increasing impact: growing number and scale of forest fires, floods, heat waves, etc. The impacts of climate change and global trends combined with local developments differ substantially from region to region. So do the capabilities to deal with these impacts.

Emphasis needs to be put on horizontal governance. A successful transition to carbon neutrality is essential, not least for changes in socio-technical systems, how new innovations emerge in an interplay with destabilising socio-technical regimes, and 'landscape' conditions.

Sustainability transition research highlights five key capabilities:

- Shared visioning and institutional change,
- Intermediating and orchestrating,
- Unlocking and destabilising high-carbon regimes (with a call here to further develop the EU just transition mechanism and the ESF+),
- Managing change and resilience to respond to disruptions, and
- Transformative innovation policy.

Supporting climate neutrality transitions via shared visioning and institutional change needs explicit and inclusive vision building, supportive legislative and organisational changes, political ambition, and long-term political commitment to match public and private sector resources for a multiple socio-technical pathway. Advanced intermediation for climate neutrality requires assessing the level of intermediation and setting up new brokers as well as intermediary functions for response and resilience. Unlocking a climate neutrality transition needs phasing out and exnovation, changing governance culture to deep learning and unlearning, new regional industrial and innovation policies and just transition mechanisms. When managing change and resilience to respond to disruptions, it is important to have the capacity to respond to disturbances, develop anticipatory capacity with foresight on future development and build regional resilience. Transformative innovation policy (TIP) is a complementary approach to vision building and unlocking high-carbon regimes. TIP can support the just transition and inclusive vision building by considering civil society and other atypical innovation process and policy stakeholders.

Opportunities for post-2027 cohesion policy can then be listed as follows: Cohesion Policy could support these key capabilities, e.g., by:

- increasing the climate target of Cohesion Policy programmes,
- using, even partly, the EU Recovery and Resilience Facility (RRF) model and funding tied to specific reforms,
- creating other enabling conditions embedding new carbon neutrality visions and cross-regional carbon neutrality transition intermediaries,
- focusing on opportunities for EU members states and regions by helping identify placed-based processes and encourage institutional change, also in order to attract (new) people,
- as well as improving horizontal and vertical coherence between EU initiatives and policies.

In conclusion, it is important to identify place-based processes and future opportunities. These should advance net-zero carbon transitions and build resilience against future external developments and crises, encourage institutional change and support new innovations and industries, while attracting new resources into regions via the changes.

Key issues discussed

The discussion following the presentation involved the chair, Andrés Rodríguez-Pose, Aleksandra Dulkiewicz, Alva Finn, Andreea-Alexandra Scioşteanu, Constanze Krehl, Karl-Heinz Lambertz, Peter Osvald, Riccardo Crescenzi, Sari Rautio, Zornitsa Roussinova, and Ron Boschma.

In the discussion, the importance of adapting agriculture to address climate change was highlighted. The agriculture sector (that embraces energy, technology but also consumption habits) seems to be the most difficult to change and transform, particularly as change towards a zero net economy also needs to be tackled at national level. In addition, the building sector was mentioned as important for enhancing resilience and the green transition goals of regions. The need to implement place-based approaches was emphasised several times. The idea of utilising the model of the RRF to achieve carbon neutrality was called into question as the aims of RRF and Cohesion Policy differ significantly.

In some regions, civil society plays a bigger role than public services towards change and can help build new systems, also in terms of increasing and improving capacity: cohesion policy needs to play an incentivizing role, particularly for less developed regions where clean investments are often not enough prioritized. Green and digital transition can redistribute the cards, raising the question of governance and regional differentiation in terms of way of implementing. Prof Kivimaa called the Group members to explore the question on how to change practices while keeping a balance between sustainability and viability of regions.

Introducing climate targets into Cohesion Policy programmes was recognised as a good proposal. However, the challenge for less developed regions to prioritise clean industries and the green transition was stressed. Also, the challenge of changing everyday consumption to achieve sustainability was mentioned several times. Shocks such as war and the COVID-19 pandemic showed the ability of people to change everyday habits. Finally, the importance of social and economic consequences of the war in Ukraine on all EU regions was highlighted.

C - Institutional Input

The public session also included a presentation by the European Environment Agency followed by a discussion.

Richard Filcak, invited expert (Head of Group, Systems, foresight and SOER and Sustainability Transitions, European Environment Agency):

Sustainability Transition and Cohesion Policy

Richard Filcak introduced his presentation by highlighting that Europe lacks a knowledge system to match the long-term transformative framing of the European Green Deal. He also emphasised the need to develop clear targets, pathways and milestones to give direction and assess progress. The sustainability transition needs data, digitalisation and earth observation services for more timely and relevant indicators on progress. Moreover, synergies between the environmental, social and economic dimension of transformation are important. Foresight is much needed at all levels to help plan strategically amidst uncertainty and crises.

He explained how social aspects are now more and more included in sustainability monitoring systems, also as part of foresight and post 2050 imaginaries exercises based on four main pathways in terms of energy production, industry and services, Smart Green Agriculture, Smart mobility. Progress in decarbonisation has been uneven across Europe's economic sectors (which encompass, among others, energy supply, industry, transport, buildings, agriculture, waste, international aviation): ambitious targets require a paradigm shift (current speed should be amplified by 2,7 to meet the EU 2050 long term strategy targets), with main change in terms of production and consumption patterns (circular economy in particular). Agriculture is here one of the most challenging sectors and requires special attention towards mitigation and adaptation measures.

To achieve the sustainability transition by 2050, it is important to revise energy production, accelerate the EU's industry transition, as well as develop smart green agriculture and smart mobility. It is also necessary to address the uneven progress in decarbonising the European economy as well as speed up and scale up the sustainable transition to achieve European Green Deal goals. The European Green Deal sets the right direction but we need to accelerate innovation, reconfiguration and phasing out, also by enhancing the policy and legislative framework that supports sustainability transformation and cooperation between science and policy. In this framework, cohesion policy needs to be seen as a pilot to test how to best embed economic, social and environmental goals in sustainability prospects and implementation.

A resilient and climate neutral economy means minimising the use of resources, while maximising recycling and clean materials. Consequently, climate neutrality requires accelerating decarbonisation. Prosperity for citizens, businesses and regions includes enhancing the policy and legislative framework, supporting sustainability, improving communication between science and policy, focusing on innovations and changing from an economic welfare state to an environmental welfare state.

Key issues discussed

The discussion following the presentation involved the chair, Andrés Rodríguez-Pose, Peter Berkowitz, Alva Finn, Helga Trüpel, John Bachtler, Peter Osvald, Riccardo Crescenzi, Sari Rautio, Ron Boschma and Paula Kivimaa.

The discussion started with highlighting the importance of involving citizens in the climate neutral economy. A transition to greener jobs means that educating citizens is crucial. The socio-cultural implications of decarbonising regions were also mentioned.

The discussion then centred on long-term scenarios for EU water resources. It is important to connect long-term scenarios for water resources provided by EEA with Cohesion Policy.

Moreover, the importance of political and people's determination and changing cultural habits towards sustainability and European Green Deal goals was emphasised. Also, a future reforestation of Europe was proposed as a contribution to carbon neutrality.

Cohesion Policy could support carbon neutrality by 2050 by investing in technology and the circular economy, optimising production and consumption and investing in low profile sectors such as agriculture and forestry. Communication and cross sectoral approaches are key in this area: we need to have better concepts of cohesion policy that go beyond short term 'survival measures' and tackle green jobs and developments as chances and opportunities. Education and culture of change need to be part of the process, as solutions exist but are all costly, also in social terms. Ensuring a smooth transition should remain part of the cohesion policy backbone, investing in circular economy, also in terms of skills. Question on (re)distributional effect between groups and parts in Europe of cohesion policy also remains open.

Finally, one question mentioned the importance of cost-benefit analysis for different EU regions and different social groups when tackling climate change and achieving carbon neutrality.

E - Key discussion points of the internal session

The internal session of the group was an open discussion about the future of Cohesion Policy in broader EU integration and the economy as well as the tasks and organisation of the group.

The discussion centred on how to adapt Cohesion Policy to maximise its potential for structural change so all regions can reap the benefits of the EU's green and digital transitions and face geo-economic and demographic challenges including increased global industrial competition.

The members stressed that policies are fundamental to help places and people strengthen their resilience and harness the opportunities that transitions offer everywhere while minimising the risks. Cohesion Policy in particular plays an important role.

Given the complex challenges that places and people face in Europe, the following points were raised during the discussion to frame the scope and role of Cohesion Policy in the future:

Cohesion Policy is fundamental to harness the opportunities that transitions offer everywhere and minimise their risks. However, regions cannot start from scratch. Their local capabilities determine what they can diversify into. These variations in capabilities can exacerbate existing disparities, as the capacity to move into more complex technologies and activities is higher in the most developed regions. Hence, the role of Cohesion Policy is to support regions and territories in diversifying their growth and development capabilities and support/accompany the people in these territories on this transition path.

Members also stressed the need to revise the policy as to get it closer to the people in the territories by also taking more into account the demographic challenges. Equally important, the discussion emphasised the need to strengthen collaboration and networks as essential tools to harness development capabilities and increase resilience.

At the same time, members agreed that cohesion policy needs more experimentation and flexibility and that more needs to be done to improve the quality of governance and institutions at all levels, including involving further regional and local stakeholders in the funding decisions.

The members also underscored the need for a new narrative for Cohesion Policy focusing on concrete aspects of what it can do, spelling out its advantages and how its effects can be measured.

3. Conclusions/recommendations/opinions

The exchanges highlighted that the development and development prospects of regions differ because regions have accumulated different capabilities. That is why some are more developed and some less so, why some are more and others less dynamic. Furthermore, to prosper and become more resilient, regions need to continuously diversify and increase the complexity of their activities. The sectors a region can diversify into are also determined by the capabilities – or 'gold mines' – it can harness.

To enhance resilience against emerging challenges – e.g., the green, digital and demographic transitions, de-globalisation, geopolitical change and other external shocks – requires innovation and imagination in equal measure. However, innovation tends to concentrate in prosperous areas and thus risk accelerating inequalities between people and places.

How can this be addressed by policies, to better harness the opportunities provided by transitions (e.g., new green jobs and growth) without exacerbating existing inequalities? The starting point is the local capability which determines what a place or person can diversify into. Variations in capabilities exacerbate existing disparities as there is more capacity to move into more complex technologies and activities in the most developed regions. However, a ‘gold mine’ of potential can be unleashed in most, if not all regions.

The group members highlighted ways this potential ‘gold mine’ could be harnessed and how Cohesion Policy could support places and people in tackling development challenges and taking advantage of these opportunities: the added value of Cohesion policy interventions:

1. **Addressing bottlenecks.** Lack of finance, mismatches between supply and demand for skills, as well as the quality of institutional and government are often bottlenecks to fully exploiting the economic potential of all regions. Policies need to better address these bottlenecks.
2. **Policy experimentation and coordination.** There is a need for policy experimentation. Cohesion Policy can play a fundamental role in this. However, policy experimentation will require capacity building and knowledge sharing at all levels of policy-making, stewardship, anticipatory capacity and empowerment for regional resilience building. It also entails moving towards a transformative innovation policy, including coordination and coherence between different EU policies, while also monitoring the territorial impact of EU missions and ensuring coordination with national and regional policies.
3. **Participation and institutions.** In most cases, good practices come from places with strong institutional capacities and decision-making cultures involving social and economic stakeholders. To harness the huge ‘gold mine’ of potential, it is essential to bring together economic, social and political stakeholders in decision making processes, and to change governance cultures.
4. **Involvement in networks.** Knowledge creation and sharing are essential to ensure that economic and social players can mobilise internal potential and participate in broader European and world networks that facilitate innovation locally. In too many cases, networks are mainly within countries and therefore miss out on major possibilities to benefit from the capabilities of potential partners in other countries.
5. **Involving all territories in these transitions.** There is a need to strengthen collaboration between players in all types of places, especially involving less dynamic and weaker places. Such collaborations are economically vital, as we do not operate in ‘an archipelago economy’. Geopolitical challenges calling for reshoring or nearshoring, the green transition involving proximity agriculture and local sourcing, renewable energy production, etc. can only be solved by collaboration between players in different types of places. Such collaboration is also a social and political necessity. Leaving places behind increases the political risk of populism turning on strong dynamic regions and blaming rich regions for their problems.
6. **Better narrative.** Cohesion Policy needs to develop a new narrative which highlights the potential benefits of development intervention. This narrative must be realistic, so Cohesion Policy must also be able to deliver on it, involving local firms and communities in the benefits and not relying on large firms with handouts at the local level.

4. Next steps

The group has seven scheduled meetings up to December 2023, each with an established agenda. All information about these meetings will be published on the group web page on Inforegio: https://ec.europa.eu/regional_policy/policy/how/future-cohesion-policy_en

Next meetings

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 to 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

5. List of participants

Speakers:

- Ferreira, Elisa – Commissioner for Cohesion and Reforms
- Boschma, Ron – Professor at University of Utrecht
- Filcak, Richard – Head of Group, Systems, foresight and SOER and Sustainability Transitions, European Environment Agency
- Kivimaa, Paula – Research Professor at Finish Environment Institute

Members of the reflection group:

In person:

- Bachtler, John
- Berès, Pervenche
- Crescenzi, Riccardo
- Dulkiewicz, Aleksandra
- Finn, Alva
- Gabrič, Jasna
- Krehl, Constanze
- Lambertz, Karl-Heinz
- Osvald, Petr
- Rautio, Sari
- Rodríguez-Pose, Andrés
- Rossi, Enrico
- Roussinova, Zornitsa

- Scrioşteanu, Andreea-Alexandra
- Trüpel, Helga

Online:

- Andor, László,