

Addressing Cohesion Policy's identity crisis in a changing European Union

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Table of contents

Executive summary	3
Introduction	4
Current context	5
Conclusions	23
Endnotes	25

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Executive summary

This paper focuses on the upcoming review of the post-2027 Multi-annual Financial Framework and the debate concerning the post-2027 EU Cohesion Policy. A different, bolder Cohesion debate is needed, reflecting a radically changed global environment. The Policy's purpose requires reinvention, not an incremental upgrade.

Four overarching themes are analysed, reframing Cohesion Policy with a strategic, long-term investment perspective: EU resilience, security, strategic autonomy and reforms. Five recommendations weave together these themes with the policy's long-standing, core features:

RECOMMENDATION 1 ACKNOWLEDGE THE NEED TO REVIEW COHESION POLICY'S PURPOSE

Key messages:

- ▶ Confront the reality of an eroding Cohesion Policy purpose.
- ▶ Respond to the EU's convergence stagnation challenge.
- ▶ Review the Policy's future role in addressing new challenges for the EU Single Market and level playing field commitment.

Key takeaway: Breathe new life into the post-2027 Cohesion Policy's debate.

RECOMMENDATION 2 REVITALISE COHESION POLICY'S LONG-TERM VALUE BY DEFENDING ITS PILLARS

Key messages:

- ▶ Upgrade Cohesion's 3 'pillars' towards EU economic, social and territorial security.
- ▶ Champion the Policy's investment orientation, addressing illusions of a future (default) remit focused on crisis response.
- ▶ Articulate the risk of "taking Cohesion Policy hostage" in the EU's future 'gameplan' vacuum.

Key takeaway: Re-confirm Cohesion Policy in the post-2027 debate as a long-term structural policy.

RECOMMENDATION 3 POSITION COHESION POLICY AS THE 'GUARDIAN' OF EU PLACE-BASED POLICYMAKING

Key messages:

- ▶ Cohesion Policy should lead the EU's place-based policymaking efforts.

- ▶ Territorial Impact Assessments should be embedded in the post-2027 Cohesion Policy's toolkit.
- ▶ The uptake of Territorial Impact Assessments should be synonymous with delivering a 'just transition' across all EU territories.

Key takeaway: Cohesion Policy can champion the 'future-proofing' of regional resilience.

RECOMMENDATION 4 ARTICULATE COHESION POLICY'S ROLE IN THE EVOLVING EU GOVERNANCE AND REFORM AGENDA

Key messages:

- ▶ The EU's multi-level governance system requires upgrading.
- ▶ Re-energise Cohesion Policy's reform orientation, clarifying its relationship with the European Semester.
- ▶ Sustain momentum for EU reforms through targeted support in the post-2027 Cohesion Policy.

Key takeaway: Reach beyond the Recovery and Resilience Facility to reclaim Cohesion Policy's structural reform role.

RECOMMENDATION 5 IMPROVE COHESION POLICY'S CONVENING POWER TO CATALYSE DEEPER EU INNOVATION COOPERATION

Key messages:

- ▶ Position the post-2027 Cohesion Policy as a cornerstone of the EU's innovation collaboration agenda.
- ▶ Cohesion Policy should coordinate the bottom-up efforts of EU innovation ecosystems and their value chain orientation.
- ▶ Cohesion Policy innovation collaboration conditionality should drive EU 'open innovation' and strategic autonomy.

Key takeaway: The future Cohesion Policy must deliver a more connected approach to EU innovation collaboration.

A large-scale consultation exercise would ensure that the future Cohesion Policy evolves in lockstep with the needs of EU citizens and places. This will not be easy. Critical discussions about the EU's future have been side-lined in the crisis-prone era. The challenges ahead require more EU leadership and cooperation. As the EU rebuilds its future vision, the post-2027 Cohesion Policy - with a legacy of championing EU convergence and solidarity - has much to contribute.

Introduction

RATIONALE FOR THE PAPER

The overall aim of the paper is to contribute to the current debate about the post-2027 Cohesion Policy by setting out a bolder direction and pathway to secure its 'place' in the EU's Multi-annual Financial Framework (MFF). The window of opportunity for the Cohesion debate is now, positioning the Policy as a key investment priority for the post-2027 period. The MFF review will take place in an extraordinary era of fiscal and capacity constraints due to the ongoing impact of global crises and geopolitical tensions.

The waning interest in Cohesion Policy over successive years at the EU's most senior political levels has meant that a strong and reinforced future is by no means guaranteed. Selecting and reviewing four core themes, the paper focuses on the strategic direction of the future Cohesion Policy. It does not address wider management and implementation issues. While important, these are second-order matters compared to the Policy's aims and overall value.

It is intended that the paper can make a contribution to a new group of high-level appointees on the future of Cohesion Policy, who will work together during 2023 and report in 2024 on their findings and conclusions. This group was assembled in January 2023 by the European Commission to consider the strategic direction for the future Cohesion Policy. Furthermore, the paper supports the wider Cohesion Policy community – those with an interest in the Policy's future from EU networks, to regions, member states and institutional actors – to further consolidate arguments and build consensus in the debate regarding the Policy's future direction.

COHESION POLICY'S HISTORY AND LEGACY

EU Cohesion Policy (variously referred to as Regional Policy) is managed by the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) and covers a raft of policies and programmes, with the aim of strengthening the EU's economic, social and territorial solidarity. Under the EU's MFF, the policy is subject to review every seven years. The current 2021-2027 Cohesion Policy commands €378 billion – just over one third of the overall MFF-related budget of slightly more than €1 trillion.

The vast majority of the Policy's financing operates through a shared management model between DG REGIO and the programme authorities of the EU27 (at national and regional levels, depending on national governance structures). Financing is mainly driven through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), supporting the EU27 and its territories to deliver on Cohesion's three pillars: territorial, social and economic cohesion. These pillars form the core of agreed, national

Partnership Agreements (PAs) and related programmes. PAs are drawn up at the start of each new programming period. Due to the crises of recent years, the 2021-2027 PAs were delayed, and it was only at the end of 2022 that they were all concluded.

Cohesion Policy's investments are also strongly aligned with the EU's strategic objectives, such as the Green Deal and the European Semester. The Policy seeks to promote EU solidarity by addressing disparities between poor and wealthy EU regions. Cohesion Policy's long-term investment focus seeks to target support in the places most in need, and was conceived as a way to 'close the gap' between the EU's 'more developed' and 'less developed' territories (based on GDP per capita).

A common EU Cohesion Policy did not take shape until the 1970s, owing to a lack of consensus across member states regarding the need for an EU response to national and regional economic disparities. The 1970s oil crisis led to a commitment across EU nations for a common Policy. Incremental reforms to the Policy's objectives saw an increase in budget in 1988 (when it reached 30% of the overall MFF). The 1999 enlargement reform, heralding the accession of the Central and Eastern European countries to the EU was accompanied by a commitment from member states to ensure that the less prosperous and less developed EU territories (mainly from Central and Eastern Europe) would be cushioned from the negative impacts and early 'costs' of globalisation, including the deepening of the EU Single Market.

Today, Cohesion Policy still commands approximately one third of the EU Budget. Successive Policy innovations have seen its current (2021-2027) focus concentrated on five objectives: competition / smart; green and low carbon transition; connected Europe; social and inclusion; an EU closer to citizens. A stylised illustration of Cohesion Policy's evolution is outlined below.¹

While it is not the purpose of this paper to review the performance of Cohesion Policy, its more recent results show a very mixed picture² concerning how it has supported the EU's regions. The global financial crisis of 2008 already signalled a clear departure from the predicted convergence pathway for the EU's least developed territories. Total public investment from Cohesion Policy increased from the period 2007-2013 to 2014-2020 by 18 percentage points (from 34% to 52%).³ Furthermore, the shocks and crises of the 2020 decade are compounding economic scarring effects, creating even greater distance to achieving the EU's convergence vision. The Eighth Cohesion Report⁴ sets out these challenges, referring to a range of disparities, 'divides' and inequalities that have become embedded features for many EU territories. A recent Eurobarometer study⁵ laid bare issues ranging from the cost-of-living crisis (where 92% of those surveyed expressed worry) and fears about poverty and social inclusion (with 82% expressing worry).

These concerns, while widespread, are particularly strong in Southern Europe (e.g. in Greece, Italy, and Portugal), countries with concentrated, long-standing challenges related to inequalities.

With clear capacity constraints across the EU27, political vision and commitment to reshape the future Cohesion Policy into an effective, long-term, and Union-wide response is not a given.

There is no doubt that the future challenges facing the EU’s Cohesion Policy are wide-ranging and significant. Its history and legacy place strong expectations on its role in supporting the EU and its territories. However, navigating the stormy waters that lie ahead poses a challenge of much greater magnitude than before. Under this context, and with clear capacity constraints across the EU27, political vision and commitment to reshape the future Cohesion Policy into an effective, long-term, and Union-wide response is not a given.

Table 1. The evolution of Cohesion Policy

Period	EU context	Policy shifts and narratives
1989-93	Budget crisis, Single Market’s programme “1992”, EU9-12	Common objectives and principles for different funds, multi-annual
1994-99	EMU preparation, Maastricht Treaty, EU12-15	Cohesion Fund
2000-06	“Agenda 2000”, EU15-25	Effectiveness, decentralisation, concentration, capping, “audit explosion”
2007-13	“Lisbon Strategy”, “Sapir threat”, EU25-28, financial crisis	Alignment with broader EU strategy, evidence-based, academic debate
2014-20	“Europe 2020”, economic crisis, European Semester	Place-based approach, conditionality (ex-ante, macro-economic)
2021-27	Brexit, White Paper, pandemic, rule of law, Next Generation EU (NGEU), war in Ukraine	Results-orientation, simplification, differentiation, JFT

Current context

Significant changes to the EU project are taking place, both by accident and design, in responding to demographic trends and the crises / shocks cycle we currently face. These pose threats to the EU’s resilience to cope with what lies ahead. At the same time the EU’s future is being heavily influenced by a radically altered global landscape, with strong risks of what Kristalina Georgieva, Managing Director of the International Monetary Fund (IMF), refers to as “geoeconomic fragmentation”.⁶

This permacrisis⁷ context will continue to influence how the EU27 responds – both individually and collectively – to the headwinds it faces. Ongoing uncertainty, limited capacity and constrained financial flexibility are likely to remain in place for quite some time⁸ - and certainly well beyond the timeline for the planned 2023 review⁹ of the EU’s MFF. This year will also see a particular focus on EU Cohesion Policy, including perspectives for its future.

As part of this process, a group of high-level appointees (Reflection Group) on the future of Cohesion Policy¹⁰ has been convened by the European Commission.

As the EU’s ‘external’ environment becomes more hostile, this impacts on the quality and effectiveness of ‘internal’ EU policies (such as healthcare, social, education and innovation investments). The importance of this ‘external / internal’ dynamic is currently under-acknowledged in the EU’s policy design and development process. Indeed, the parameters of the MFF review planned for this year are currently very fuzzy.

This context presents a significant ‘proviso’ to the content of this paper. At a time of global upheaval, a serious and wide-ranging debate concerning the EU’s strategic purpose and direction is currently missing at national and Union levels. In its absence, the Union’s solidarity

and strategic coordination are being tested. A spectrum of conflicting views across many policy domains has been exposed – such as in dealing with the energy crisis, navigating a changing security pathway and managing new global trading developments. Conflicting views are also creating inertia and disunity across the EU27. In a context of radical change, the permacrisis context cannot be managed by incremental upgrades to the EU project.

At a time of global upheaval, a serious and wide-ranging debate concerning the EU's strategic purpose and direction is currently missing at national and Union levels.

This backdrop will have a powerful influence on the upcoming Cohesion Policy debate, which will take place in something of a vacuum, where there appears to be rather limited capacity and appetite across the EU27 to set out a future EU 'gameplan' and direction.

Cohesion Policy alone cannot fill that void. Indeed, the Policy's future effectiveness will be based on the EU's wider vision. The post-2027 Cohesion Policy will be relevant and valuable to the Union if – and only if – it supports delivery of relevant EU goals. If these are missing, the future Cohesion Policy risks being debated on rather ambiguous policy foundations, weakening its design and ambition.

An example of this relates to the objectives of the new Reflection Group set up to explore the future of Cohesion Policy. One of its key areas of review is Europe's future growth model. The discourse around this subject is complex, contentious and inextricably connected to the EU's historical social model, committed to effective redistribution, supporting convergence and solidarity across the EU27. However, conditions have promoted agglomeration effects that have led to a stark contrast between Europe's wealthiest and most innovative regions and those characterised by poor growth and stagnation. The EU's growth model is perhaps best described as a default one, comprising uncomfortable trade-offs and ambiguous responsibility for the outcomes it generates. Furthermore, this reaches far beyond the role and influence of Cohesion Policy.

Successive EU growth strategies (including the Lisbon Strategy of the 2000s and the Europe 2020 Strategy of the 2010 decade) were neither conceived in Cohesion Policy, nor were they successful in delivering a more even pathway to growth. In the absence of a new EU growth model, the Green Deal has become the default driver of Europe's economy. In the context of a vastly changed world since 2020, the EU requires a fundamental review of its future growth model. Cohesion Policy and its community can certainly contribute to this process but they are highly unlikely to be the driving force in determining

its future design. In its absence, the post-2027 Cohesion Policy's foundations risk being built upon a rather unclear rationale concerning its relationship with EU growth. The Reflection Group could accelerate and stimulate a new EU perspective on the future growth model by pushing the boundaries of this debate beyond the parameters of Cohesion Policy.

A narrowly-defined debate on the future Cohesion Policy risks reheating an old policy narrative (e.g. the size of the financial envelope and the management architecture). With challenges of a much greater magnitude occupying the EU27, rehearsing these old arguments could prove to be counter-productive to securing the Policy's future at the heart of the EU project.

The remainder of the paper sets out five, detailed recommendations to support the debate and future direction of the post-2027 Cohesion Policy, driven by four core themes that have risen in importance in recent years: EU resilience, security, strategic autonomy and reforms. Cohesion Policy should have a stronger connection to these themes because they will be significant drivers of the future EU project. This should not mean that Cohesion Policy simply subsumes a supporting role for these areas in addition to the objectives it currently serves. Indeed, the Policy has been heavily criticised in the past for this very reason. Being subjected to a radical review of its future should entail confronting the Policy's continued relevance, objectives and associated programmes.

Furthermore, a Policy that invests in every EU territory and commands a significant chunk of the EU budget must be connected to the EU's 'big ticket' challenges and drivers; not least because these themes affect all territories and citizens. Having a stake in them matters. Any separation between the EU's (emerging) future direction and Cohesion Policy risks marginalising the Policy and its function while failing to leverage related investments and actions across the EU's portfolio.

RECOMMENDATION 1 ACKNOWLEDGE THE NEED TO REVIEW COHESION POLICY'S PURPOSE

Key messages:

- ▶ Confront the reality of an eroding Cohesion Policy purpose.
- ▶ Respond to the EU's convergence stagnation challenge.
- ▶ Review the Policy's future role in addressing new challenges for the EU Single Market and level playing field commitment.

CONFRONT THE POLICY'S WEAKENED COHESION FOUNDATIONS

The EU's Regional Policy ethos has, over many years, traversed a development pathway that has been heavily influenced by debate about its ongoing relevance and value. The re-shaping of the Policy's architecture every

seven years is testament to this complex, upgrading process. However, its more recent performance¹¹ in relation to cohesion and convergence – especially since the 2008 global financial crisis – has led to many questions and soul-searching across the Cohesion Policy community concerning the Policy’s value in the context of its cohesion rationale.

The Policy’s once strong cohesion-driven foundations are less stable than ever before. Its capacity to ‘bounce-back’ is tied to the trajectory of the EU territories it serves, especially those with the least resilience to recover from the current context of shocks and crises. An erosion of Cohesion Policy’s purpose is beginning to emerge and is unlikely to be halted in the immediate future. The new Reflection Group to support the direction for the post-2027 Cohesion Policy has commenced its work in this challenging context. Wide-ranging perceptions of the Policy’s effectiveness from a number of groups require sensitive consideration; not least, the views of high-level officials and politicians from the EU27 who have considerable sway over its future.

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A truly demand-led Policy should be underpinned by extensive and inclusive debate about its future. Championing a relevant consultation process across all EU territories, this Reflection Group could help to revitalise and deepen support for Cohesion Policy. The key themes and recommendations in this paper could offer stimulus for such an exercise.

EXPOSE THE REALITY OF CONVERGENCE STAGNATION

The EU project has a proud history of supporting solidarity across its territories and championing national and regional integration. This is an intrinsic characteristic of the EU project, and Cohesion Policy’s three ‘pillars’ (economic, social and territorial cohesion) have long been the bulwark of this mission. However, Cohesion Policy’s convergence imperative is being strongly tested in a context of ongoing crises and shocks. A recent World Bank¹² report noted that – even in the EU15 – divergence across metro areas has been prevalent since the mid-2000s. It is now widely understood that, for many places, the distance to convergence remains very significant. Endemic challenges prevail – especially in some Southern Europe territories, including Spain, Portugal, Italy and Greece, with high levels of poverty, material deprivation, and unemployment. Demographic change, Green Deal-related transitions and battling the impact of shocks and crises will be felt much more acutely in these places.

At the same time, there is a raft of new challenges in these and other (historically better-off) regions, experiencing ‘development traps’.¹³ These include digital and innovation divides and social disparities. In addition, the Eighth Cohesion Report contains some very stark messages relating to ongoing challenges to address social, economic and territorial cohesion across the EU.

The EU’s convergence vision was already under question in the decade leading up to the health pandemic¹⁴ with significant ‘hotspots’ of social and economic decline (especially in the South). New negative influences – including the global health pandemic, the impact of climate change, the war in Ukraine, and its relationship with both the energy crisis and cost-of-living crisis are weighing on the EU’s convergence machine.

There is also a growing body of evidence¹⁵ to show that a territory’s ability (or otherwise) to re-invent itself is a key driver of renewal, while places with a more stagnant economy tend to have less capacity to respond to crises or prepare for future ones. The current crisis-prone cycle could endure for quite some time, making short-to-medium term ambitions of economic and social stability across the EU difficult to achieve. It should not be taboo to review the convergence objective of Cohesion Policy. Indeed, it will not serve Cohesion Policy well if the debate about its future design emphasises a convergence ambition which continues to be out-of-reach for many EU territories.

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The EU’s convergence agenda is also strongly linked to the ‘places left behind’¹⁶ debate, where prospects for positive change are often hard to generate. This threatens the stability of the EU project and its capacity to ‘protect’ citizens and communities, especially during a protracted period of low growth. Where worry turns to discontent, this can create increased tensions across the bloc and anti-EU sentiment. Challenges that are well-detailed in the Eighth Cohesion Report now require solutions that Cohesion Policy can champion.

UPDATE COHESION POLICY’S RELEVANCE IN A ‘NEW NORMAL’

It is not clear that the post-2020 challenges we face will be sufficiently anchored in the emerging debate about Cohesion Policy’s future. However, this is not a new phenomenon. Over progressive programming cycles, there has been a tendency for the wider Cohesion Policy community¹⁷ to ground the debate about the Policy’s next cycle in a rather defensive perspective, seeking stability

in structure and securing financing to deliver it. This is often characterised by gearing up for a familiar ‘show-down’ about how Cohesion Policy is (under)valued within the wider MFF, and how the related financial envelope compares to previous allocations.

Recent contributions¹⁸ to the early debate about Cohesion Policy’s future have (necessarily) been characterised by a reliance on historical data of the Policy’s pre-crises performance. These inputs often also contain a plea for incremental design upgrades to the Policy’s management and implementation (e.g. simplification measures, the categorisation of regions to determine funding support, co-financing rates). However, it is clear that the profound impact of recent crises has significantly affected the Policy’s ability to generate stability. The Conclusions from the November 2020 General Affairs Council¹⁹ do not signal solutions to these challenges, beyond acknowledging the importance of regional “territorial specificities” and “doing no harm to Cohesion”.

Most surprisingly, the Conclusions do not refer to the complex and uncertain global context in which the future Cohesion Policy will be designed. Debated at a distance from a very new and stark reality, the Policy risks criticism, inviting questions about its relevance and credibility at a time when new EU responses are required to address current-day problems.

EU financing instruments are changing radically (e.g. the introduction of the Recovery and Resilience Facility (RRF), updated state aid rules, new flexibilities in the use of MFF tools and the influence of government debt on fiscal capacity). In a permacrisis context, there is no foreseeable ‘reverse gear’ on the West’s expansion of public policy intervention and ‘big government’. Cohesion Policy must be reinvented in this context to better understand how and where the Policy’s added value can be best channelled. Even before the crisis, a strong case was being made for new and tailored support measures to help the Union’s less developed regions²⁰ across the EU, characterised by stagnant economies.

For the above reasons, the post-2027 MFF is likely to look very different from its predecessors. It is critical that the upcoming Cohesion Policy debate pivots significantly towards a new fiscal environment, requiring a review of its investment capacity in a more fragile financial context.

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ENHANCING COHESION POLICY’S CORRECTIVE ROLE TO RESTORE A LEVEL PLAYING FIELD TO THE EU SINGLE MARKET

An increasing, global trend towards ‘me-first’ national policies in support of industry is shaking up the international, trading environment. This new era of geopolitics requires a new push for industrial support and collaboration across the EU. Member states’ current inertia in reacting to this reflects the different perspectives of the EU27, while highlighting the relative infancy of its strategic autonomy approach.

The US response to China’s growing power - the Inflation Reduction Act (IRA) - also has clear impacts for the EU, with Commissioner Thierry Breton calling it an “existential challenge”²¹ for Europe. The multi-billion-dollar subsidy boost to US green technologies could reduce the EU’s competitiveness in areas such as electric vehicles, while incentivising EU industrial investments away from the Union and towards the US market. A new European Commission Communication²² seeks to connect a number of existing and new EU responses, including a new state aid regime and a ‘sovereign fund’²³ mechanism, to support EU industry.

However, there is strong resistance to this direction from the EU’s subsidy-phobic community, with growing concerns about how a new EU industrial subsidies programme could impact the Single Market and level playing field. Since 2020, the loosening of EU state aid rules to support national economies through the worst of the economic impacts of the health pandemic has seen a clear default position in financial support that benefits the EU’s wealthiest economies. In 2022, almost 80% of financing approved for emergency state aid went to Germany and France.²⁴

In a context of deepening inequalities and disparities across some of the EU’s most vulnerable territories, enhanced state aid provisions could further exacerbate existing divides in innovation and economic performance.

This imbalance reflects uneven national capacity across the EU27 to take advantage of state aid support. In a context of deepening inequalities and disparities across some of the EU’s most vulnerable territories, enhanced state aid provisions could further exacerbate existing divides in innovation and economic performance. While the November 2022 General Affairs Council Conclusions²⁵ reiterated the role of Cohesion Policy in, among others, “ensuring a balanced internal market”, the evidence would suggest that a key bottleneck to achieving this is the impact of a new geopolitical trading environment.

In this new era of international trading, Cohesion Policy's long-standing role of responding to threats against EU solidarity will be imperative. It can play a key role in 'correcting' for negative and unintended impacts, especially in the EU's most vulnerable places. This role should not be solely based on financial compensation. Cohesion Policy's bottom-up orientation would allow for improved and ongoing collection of data and evidence, demonstrating how different EU economies are coping with and responding to a new, more hostile international trading environment. Such evidence would provide the impetus for corrective action.

The post-2027 Cohesion Policy has a critical role to play in generating ongoing, foresight analysis of the impact of new international trading dynamics across EU territories, as well as supporting how affected EU regions can respond to the challenges they face. Early planning and designing of a support framework could be considered by the Reflection Group on the future of Cohesion Policy.

KEY TAKEAWAY: BREATHE NEW LIFE INTO THE POST-27 COHESION POLICY DEBATE

The EU's democratic legitimacy²⁶ cannot be taken for granted in a fast-changing world, where policy decisions (or the absence of them) have profound effects on the lives of citizens and communities. The EU has never before had to deal with the intensity of crises and shocks we currently face. At this time, there is no coherent set of EU policy instruments to respond to this 'new normal'. For Cohesion Policy to remain relevant to the EU's future direction, it will require an upgrade in rhetoric and action, reflecting a much-changed world. Acknowledging this context will be critical for the Post-2027 Cohesion Policy's Reflection Group.

For Cohesion Policy to remain relevant to the EU's future direction, it will require an upgrade in rhetoric and action, reflecting a much-changed world.

A mandate underpinned by a bold and fundamental review of the Policy's purpose and value is needed - both in how it contributes to securing the EU's economic future and in supporting our most vulnerable societies and citizens to cope with radical change. It is imperative that the future Cohesion Policy debate does not shy away from the complex challenges we face, but, instead, generates sufficient scope to facilitate bold thinking to preserve the core values of the Policy and embrace its re-invention and renewal.

An example of renewed relevance for Cohesion Policy relates to the current debate concerning how to manage uneven impacts of new EU support and subsidy regimes. The post-2027 Cohesion Policy should be underpinned by a new monitoring imperative to understand impacts on EU territories of new global trading dynamics, and deliver corrective support to places that are less able to benefit from a new trading landscape.

RECOMMENDATION 2 REVITALISE COHESION POLICY'S LONG-TERM VALUE BY DEFENDING ITS PILLARS

Key messages:

- ▶ Upgrade Cohesion's 3 'pillars' towards EU economic, social and territorial security.
- ▶ Champion the Policy's investment orientation, addressing illusions of a future (default) remit focused on crisis response.
- ▶ Articulate the risk of "taking Cohesion Policy hostage" in the EU's future 'gameplan' vacuum.

UNDERSTANDING THE NEW 'SECURITY' NEEDS OF EU CITIZENS AND THEIR COMMUNITIES

Cohesion Policy's credibility rests on its ability to reflect the social, economic and territorial realities of its regions, and provide support for the challenges they face. In the wake of the permacrisis and a more uncertain world for EU citizens and their communities, this paper advocates a stronger security-driven narrative for Cohesion Policy's future role. This is not to replace the EU's vision for cohesion and convergence but rather to reflect a more complex set of needs in a global environment where security has become a strong feature of EU citizens' well-being.

In the wake of the permacrisis and a more uncertain world for EU citizens and their communities, this paper advocates a stronger security-driven narrative for Cohesion Policy's future role.

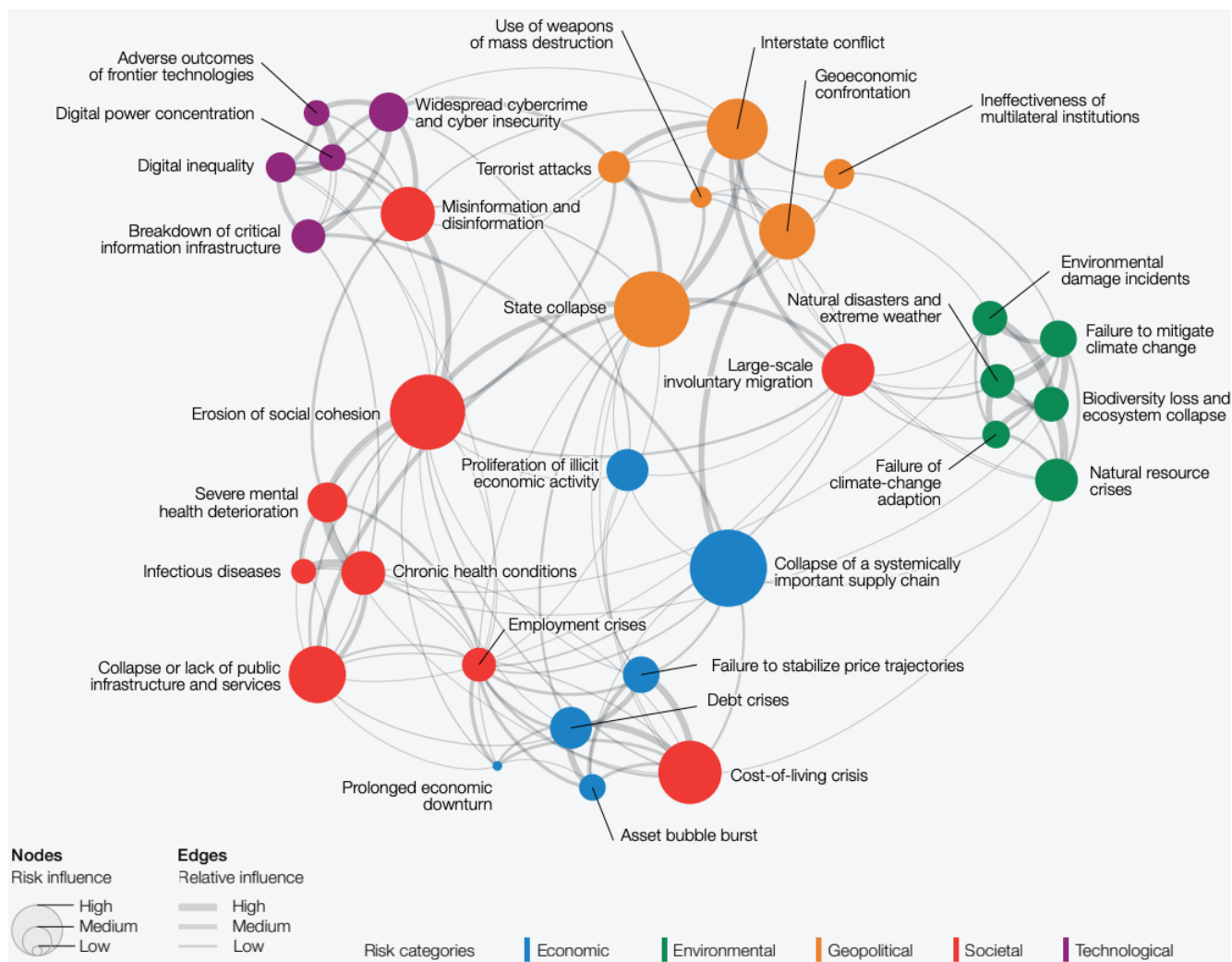
Complex interactions between the shocks and crises we are facing are generating new and deeper risks that impact on citizens' lives in a number of ways. The World Economic Forum's Global Risks Perception Survey

2022-2023²⁷ has set out a strong visual illustrating the extent and interconnectivity of these risks. There are many key themes represented in this diagram that have

clear connections to Cohesion Policy’s three pillars of economic, social and territorial cohesion.

Fig. 1

GLOBAL RISKS LANDSCAPE: AN INTERCONNECTIONS MAP



Source: World Economic Forum

How we support EU citizens’ sense of security – from economic, territorial and social perspectives – can be strongly shaped by the EU’s flagship Cohesion Policy. This requires debate and engagement with EU regions and communities to explore and articulate what EU security should look like across these three perspectives.

The term ‘security’ has wide connotations, including for example defence, cybersecurity, and – more recently – the pressing need to address energy security. It is intrinsically linked to the concept of protection but extends further than security and defence considerations. Furthermore, security is connected to health and well-being (for

example, in the context of the health pandemic), as well as climate change and its effects. Like the concept of cohesion, security is a highly subjective term, yet it is becoming more visible in academic and policy literature²⁸ and in the context of creating a more holistic understanding of citizens’ needs in a ‘new normal’.

Clearly, different EU places and social groups will have different views and priorities relating to perceptions of security. In turn, policymakers can adopt tailored, systemic and holistic responses to address these needs and concerns (compared to piecemeal, disconnected interventions). This links to a growing public policy

narrative – activated by the health pandemic - concerning ‘whole of government’²⁹ responses to the challenges we face today.

Cohesion Policy can play a strong orchestration role in marshalling efforts (at EU, national and local levels) to improve strategic capacity in responding to citizens’ security needs. An EU ‘security narrative’ seems especially pertinent to the challenging task of reviewing the EU’s place in a new world order. This should be underpinned by associated monitoring and foresight analysis. Designing an EU Cohesion Policy security ‘radar’ mechanism could help bring citizens closer to the EU by tracking and responding to their concerns about economic, social and territorial security.

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The current reflection process for the future Cohesion Policy could review and set out parameters for a more extensive debate on this topic.

RECAPTURE THE STRUCTURAL VALUE OF COHESION POLICY

Cohesion Policy’s recent value as a crisis response mechanism provides strong evidence of its capacity to flex support, as witnessed by the uptake of the REACT-EU³⁰ mechanism. It is, as yet, too early to sing the praises of this instrument. Indeed, questions have been raised³¹ about REACT-EU’s spending absorption capacity. Even so, important EU discussions about a possible permanent crisis response mechanism have emerged, with speculations about potential continuity through the post-2027 Cohesion Policy.

At institutional level, little has been done to counter this perception. Such inertia risks embedding Cohesion Policy’s recent crisis response role as the future, default focus for the post-2027 period, effectively removing its long-term investment focus. It would be a mistake to embark on a permanent, structural diversion of Cohesion Policy’s funds for this purpose. Indeed, this risks creating a significant gap in the EU’s structural investment capacity. Such a move would also signal a lack of commitment across the EU27 to the Union’s solidarity ethos.

Cohesion Policy was created as a long-term structural policy. Indeed, the term ‘structural funds’ is wholly aligned to the Policy’s *raison d’être*. This purpose needs to be revitalised from the perspective of EU additionality

in a changing Union – i.e. what role can Cohesion Policy play to support the EU’s new, long-term and strategic investment agenda?

THE RISK OF “TAKING COHESION POLICY HOSTAGE” IN THE EU’S FUTURE ‘GAMEPLAN’ VACUUM

The extent to which Cohesion Policy can avoid becoming a default emergency response instrument is far from certain. This depends on EU national and institutional responses to the future outlook for the European project – presently lacking in the permacrisis context.

This paradox reflects the concern expressed at the outset of this paper that Cohesion Policy’s future role and value will be determined by the future direction of the EU project. While the Policy must be front-of-foot in re-setting its post-2027 agenda, the EU’s future vision (and associated policy and investment architecture) must first provide the overall direction. At this current juncture, the EU27 do not seem to be anywhere close to setting out a new vision for the EU project. The negative impacts of this could be far-reaching, ranging from questionable international credibility to diminishing effectiveness of the EU’s strategic policy levers. The future Cohesion Policy risks being caught in this crossfire, exposing wider risks to the EU’s vulnerable societies, citizens and places.

While the Policy must be front-of-foot in re-setting its post-2027 agenda, the EU’s future vision (and associated policy and investment architecture) must first provide the overall direction.

The debate concerning the future Cohesion Policy needs to acknowledge the current vacuum in re-imagining the EU project. This makes it all the more important that the Policy debate adopts a strong, strategic orientation, with the aim of positioning the future Cohesion agenda at the core of the post-2027 MFF.

KEY TAKEAWAY: RE-CONFIRM COHESION POLICY IN THE FUTURE DEBATE AS A LONG-TERM STRUCTURAL POLICY

As for the debate about the future Cohesion Policy, it should emphasise the rebuilding of its structural value across economic, social and territorial pillars. The post-2027 Policy should not become – by default – an emergency response mechanism for times of crisis. Rather, an upgrade of its three pillars in the direction of ‘security’ could generate a more relevant and impactful foundation

for the design of the future Policy. This could generate a very strong signal of the Policy's capacity to reflect and respond to a changing world, characterised by many structural breaks (e.g. in energy markets and security, global trading, and the functioning of labour markets).

As EU citizens and places seek to rebound from recent shocks and crises, the current EU 'architecture' looks ill-equipped to deal with a different world. Clearly, adjusting to a 'new normal' (where the impacts are still unfolding) is a work-in-progress for the EU. The future Cohesion Policy is intrinsically linked to the Union's wider architecture.

RECOMMENDATION 3 POSITION COHESION POLICY AS THE 'GUARDIAN' OF EU PLACE-BASED POLICYMAKING AND TERRITORIAL IMPACT ASSESSMENTS

Key messages:

- ▶ Cohesion Policy should lead the EU's place-based policymaking (PBPM) efforts.
- ▶ Territorial Impact Assessments (TIAs) should be embedded in the post-2027 Cohesion Policy's toolkit.
- ▶ The uptake of TIAs should be synonymous with delivering a 'just transition' across all EU territories.

A NEW PUSH FOR PLACE-BASED POLICYMAKING

Cohesion Policy's territorial obligation facilitates an EU voice for regions that might otherwise be drowned out or overruled by member states. The EU's programming process enforces a level of regional analysis that is - otherwise - not inevitable across all the EU27. This process is far from uniform or perfect, but it does allow for the identification of territorial challenges and opportunities that might be far from the radar of our member state capitals. However, the extent to which pre-programming, regional *ex-ante* analyses translate into targeted, place-based Cohesion Policy's investments remains a key challenge. This is why place-based policymaking and the development of more granular tools to understand local trends and policy impacts should be positioned at the heart of the post-2027 Cohesion Policy.

Cohesion Policy's territorial obligation facilitates an EU voice for regions that might otherwise be drowned out.

The Eighth Cohesion Report together with findings from the OECD's report - Regions and Cities at a Glance³² - shows the status of disparities across the EU, with a worrying persistence of inequalities, not least in territories with pre-existing vulnerabilities before the 2020 crisis period. Furthermore, regions experiencing development traps have shown that a lack of local agency can affect long-term growth prospects. Most likely, this will limit the capacity of these regions to address the additional challenges they face in a crisis era. New and different support measures are needed for these places and their citizens.

A recent revival of interest in PBPM has been supported by the conclusions of the Eighth Cohesion Report, indicating the need for improved data and evidence to underpin targeted responses to specific issues across the EU's vulnerable places. This is an agenda long championed by the European Spatial Planning Observation Network (ESPON) and recently promoted through the Territorial Agenda 2030.³³

The future Cohesion Policy could increase its 'guardianship' of the PBPM agenda, championing its value across European Commission services and wider EU institutions (especially the European Council) to improve policymaking.

The future Cohesion Policy could increase its 'guardianship' of the PBPM agenda, championing its value across European Commission services and wider EU institutions (especially the European Council) to improve policymaking. Cohesion Policy's territorial legacy can provide unique value by helping local policymakers to apply a place-based 'lens' to how member states and regions apply crisis response mechanisms.

Improved guidance and direction are required in the future Cohesion Policy to empower territories to adopt a place-based approach to policymaking. There are many constraints that less developed regions and those in or approaching development traps face that prevent them from taking a more granular approach to structural policy investments. These include missing data, an absence of mandate (or limited scope) to collect and analyse relevant data, limited capacity and know-how to generate the analysis and design the tailored responses needed.

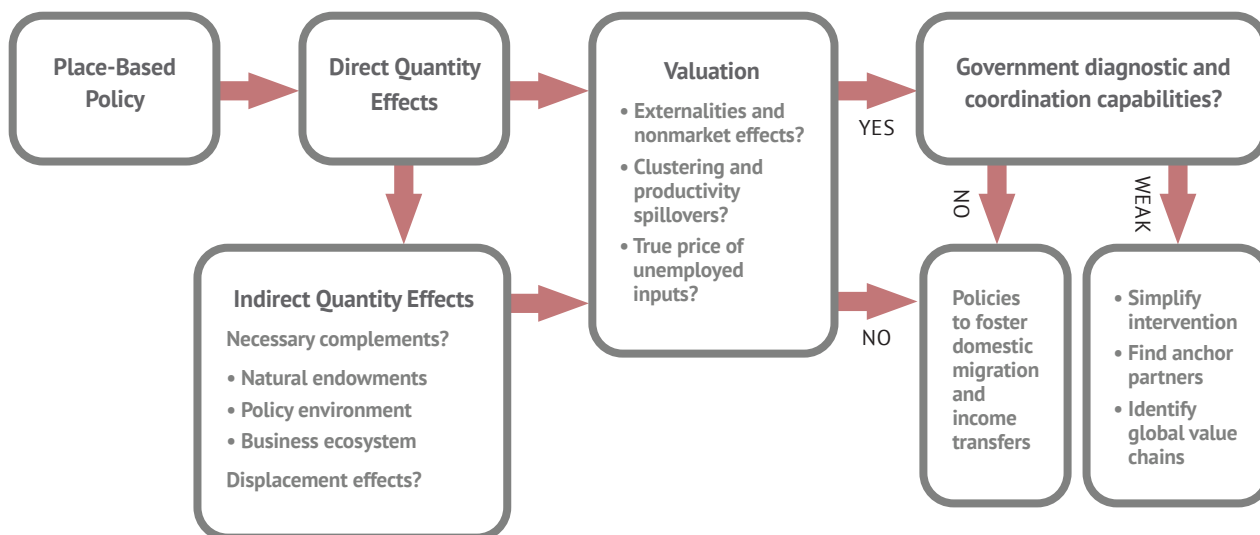
The post-2027 Cohesion Policy should place stronger importance on boosting agency at the regional level to plan, design and implement local interventions and investments through a PBPM 'mindset' and approach. The OECD³⁴ has contributed strongly to this agenda, engaging the role of the private sector and applying PBPM as a means to boost regional productivity.

Building regional capacity for PBPM could be designed through an EU toolkit to help bridge gaps and allow different territories to pick, choose and tailor support according to local characteristics and needs.

The World Bank³⁵ has developed a framework for the appraisal of place-based policies. This could serve as inspiration to design support tools for EU regions.

Fig. 2

A FRAMEWORK FOR APPRAISING PLACE-BASED POLICIES



Source: Elaboration based on Duranton and Venables, 2018

For those territories with the least capacity, place-based approaches should be complimented by more extensive support to address governance and knowledge constraints. DG REFORM has a role to play here. Their work with member states to address reforms has strong demand and has shown significant progress in areas such as building administrative capacity and addressing governance challenges. It is now time to strengthen this support at sub-national levels by championing a PBPM approach across EU regions.

THE RELEVANCE OF TERRITORIAL IMPACT ASSESSMENTS TO ALL EU REGIONS

Regionally-driven PBPM frameworks should enable the targeting of highly differentiated investment support to EU territories based on their social, economic and territorial circumstances. In this respect, the European Commission’s 2021 Better Regulation³⁶ agenda makes explicit reference to the role of TIAs. However, the rationale for applying these is largely predicated on territorial characteristics (such as coastal, rural, remote, or mountainous places).

The relevance and value of TIAs should not be confined to places characterised by geographical disadvantages. Regions – especially those with less developed status - with challenges related to stagnation, inequalities,

innovation ‘divides’ and disparities are particularly vulnerable to the impacts of shocks and crises. The debate on the future of Cohesion Policy should make a strong case for the wider value and relevance of TIAs across different EU territories.

Uneven impacts of large-scale national reforms could also be avoided or better managed through applying TIAs. The relationship between TIAs and a place-based appraisal framework (such as the one outlined above by the World Bank) could be reviewed as part of the remit of the Reflection Group on the future Cohesion Policy.

Emphasis should be placed on the strong self-assessment approach that TIAs can generate.

TIAs have wider resonance in the EU’s current context of crises and shocks, supporting regional governments and authorities in how they engage communities in complex change and reform processes to boost local recovery and resilience. Emphasis should be placed on the strong self-

assessment approach that TIAs can generate, allowing for broad engagement of different regional actors (including citizens) in the process of planning for and undertaking TIAs.

EU policymaking has adopted a much stronger citizen engagement ethos over the last decade (e.g. ‘citizen science’ and the design of many new Horizon Europe programmes, living labs, the LEADER³⁷ programme for EU Rural Development). TIAs can be designed and adapted for local use to ensure strong citizen engagement and ownership to deliver successful transitions. A framework to upgrade the EU’s TIA agenda could be led by the Reflection Group on the future of Cohesion Policy.

TIAs AS CATALYSTS FOR PLACE-BASED GREEN TRANSFORMATION AND REFORMS

Successful, large-scale reform processes require acknowledgement, acceptance and ownership across affected groups. The EU’s Green Deal and its associated energy and digital transitions need to be grounded in regional realities for smooth transformation processes to be realised. Cohesion Policy’s Just Transition Fund³⁸ (JTF) – a new instrument targeted at selected NUTS3 territories (nomenclature of territorial units at level 3 – small regions for specific diagnoses) to facilitate energy transition reforms – champions a territorial approach to reforms linked to climate neutrality. The JTF has sought to facilitate the bringing together of different communities that will be affected by changes in specific territorial settings. By collectively planning for energy transition impacts (including structural change planning processes in energy systems, costs and associated investments, changes to employment sectors and wider spatial planning), smoother transitions can be achieved than might otherwise take place under conditions where citizens and specific groups feel disempowered or marginalised.

The JTF is a clear example of Cohesion Policy’s capacity to support a territorially-driven approach to energy transition. In the post-2027 era, it should be embedded across the Policy and rolled out to all territories.

The JTF’s rationale to managing large-scale, climate-related change processes seeks to overcome (or avoid) the ‘pushback’ and resistance to reforms that involve perceived or actual personal costs. It stands in stark contrast to the situation of several years ago in France with the *gilets jaunes*³⁹ movement, catalysed in 2018 as a protest against proposed French fuel taxes.

The JTF is a clear example of Cohesion Policy’s capacity to support a territorially-driven approach to energy transition. In the post-2027 era, it should be embedded across the Policy and rolled out to all territories. Given the long-term nature of the energy transition and the challenges this will bring for some time to come, the JTF is an instrument with considerable longevity and widespread value across EU territories.

Much has been written about the economic geography of energy, low carbon transition⁴⁰ over at least the last decade. While some of the emerging impacts are strongly linked to the structural fabric of places with pre-existing industries, the complexity of value chains across the renewables sector makes it difficult to interpret long-term impacts, concerning ‘winner and losers’ from the industrial transition.

EU regions will need to be better prepared for the long-term changes brought about by the twin transitions. Some territories (and their industrial sectors) will be especially affected (e.g. in chemicals, energy and transport sectors). The concentration of disruption (e.g. in places with several sectors that will undergo radical change or where a region has a particular dependency on a specific sector) will vary considerably across different EU geographies. Indeed, some of these effects will not necessarily be felt in those places considered to be the most vulnerable EU territories.

The future Cohesion Policy should champion the design and uptake of flexible tools to support regions to better understand their industrial transition pathways, with TIAs an embedded part of this design process.

As improved methods and tools for monitoring industrial transition evolve, so too should the use of TIAs, directly engaging affected places (and their business communities) to apply granular data and insights that might otherwise be overlooked at the macro-level. This type of assessment would allow places to plan for their future – both in terms of opportunities and threats (e.g. skills needs, long-term employment trends, and migration). This kind of support is relevant to all places across the EU, in the context of the industrial transition. The future Cohesion Policy should champion the design and uptake of flexible tools to support regions to better understand their industrial transition pathways, with TIAs an embedded part of this design process.

Currently, a number of TIA tools exist with varying degrees of user-friendliness. What is less clear is how well-known these are in EU regions. New efforts are

needed to develop flexible TIA approaches that can be tailored to regional interests, governance conditions and geographical needs. The post-2027 Cohesion Policy could position TIAs in a wider Cohesion Policy-driven PBPM toolkit, highlighting broad value across EU regions.

Going further, there is significant scope for the uptake of TIAs beyond Cohesion Policy's domain, across a wide raft of EU, national and local policies and instruments (e.g. in R&I projects, climate-driven interventions, renewable energy infrastructures and digital investment support). This could help policymakers to better understand the territorial impact of major policies and investments.

KEY TAKEAWAY: 'FUTURE-PROOFING' REGIONAL RESILIENCE THROUGH COHESION POLICY'S STRATEGIC FRAMEWORK FOR PLACE-BASED POLICYMAKING

The debate about the future Cohesion Policy should position people and places at its core, considering how they are engaged in, affected by, and must adapt to the unprecedented changes they face. Cohesion Policy's territorial focus facilitates an EU voice for regions which might otherwise go unheard.

All EU regions are subject to different challenges, including: reform implementation; responding to crisis impacts; industrial transition trends and fallouts. More sophisticated methods and tools are needed to build regional capacity in using TIAs and deliver place-based responses. Analytical tools and processes that shine a light on regional issues are crucial for responsible policymaking. Without improved support and analysis, there are very significant risks that the current group of EU regions in distress will expand far beyond those already identified as vulnerable or in development traps. The future Cohesion Policy can add significant value across all EU territories by championing the development, diffusion and uptake of PBPM tools and TIA techniques to counter the many different challenges that lie ahead. The EU's growing toolbox in this space (e.g. TIAs, foresight analysis, resilience dashboards and diagnostic tools) needs to be coordinated and adapted for local use across the EU.

The future Cohesion Policy can add significant value across all EU territories by championing the development, diffusion and uptake of PBPM tools and TIA techniques to counter the many different challenges that lie ahead.

There is also clear scope to connect a PBPM toolkit to the 'security' concept previously outlined in this paper. This could evolve into a 'community of practice' supported by DG REFORM, based on exchange of experiences and sharing of ideas and models of implementation across EU territories.

RECOMMENDATION 4 ARTICULATE COHESION POLICY'S ROLE IN THE EVOLVING EU GOVERNANCE AND REFORM AGENDA

Key messages:

- ▶ The EU's multi-level governance system requires improvements to respect the 'do no harm to Cohesion' principle.
- ▶ Re-energise Cohesion Policy's reform orientation, designing a closer and better-defined relationship with the European Semester.
- ▶ Sustain momentum for EU reforms through targeted support in the post-2027 Cohesion Policy reform agenda.

IMPROVE INVESTMENT COORDINATION BETWEEN COHESION POLICY AND OTHER EU INSTRUMENTS

A number of EU initiatives in recent years have been designed through coordinated efforts of DG REGIO with other European Commission services and EU institutions, delivering cross-policy and advisory support to EU regions. These include Digital Innovation Hubs (involving DG REGIO and DG CNECT and the Joint Research Centre - JRC); Smart Specialisation (S3) Platforms and Partnerships (involving – among others – DG REGIO, DG GROW, and JRC); and Partnerships for Regional Innovation (involving JRC, DG R&I, the Committee of the Regions, and DG REGIO).

Regional demand for this type of support has increased in recent years as regions seek to deliver more holistic policy responses to present-day challenges (e.g. in addressing the multi-dimensional challenges of climate change and improving innovation performance).

However, there are also examples of European Commission services delivering support in EU regions and territories but with no systemic coordination across Cohesion Policy's programmes or services. DG GROW's Industrial Policy agenda and support for EU clusters have, arguably, made rather limited in-roads in connecting industrial opportunities to innovation-driven priorities set out in regional Operational Programmes. The recent NetZeroCities initiative through the European Institute of Innovation and Technology (EIT) has also lacked a systemic connection to net zero efforts directed through Cohesion Policy. In reality, the challenge of connecting two very different management approaches (direct delivery and shared management) creates confusion

and bureaucracy, generating a significant disincentive for improved coordination at implementation stage. However, there is rarely enough consideration of this challenge at policy design stage. Improved coordination design at the European Commission level could certainly help smooth the implementation.

This lack of 'read-across' to related investments through Cohesion Policy poses a systemic challenge across European Commission services, preventing policy coordination and concentrated scaling of public investments / support. This represents both a challenge and opportunity for the future Cohesion Policy. Improving scaling and directionality of public interventions, policy and funding coordination is critical; yet the EU's multi-level governance system is currently ill-equipped to deliver this.

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As with many large-scale public sector organisations, the 'machinery' of the European Commission is frequently criticised⁴¹ for its operational governance model, where different services (or Directorates-General) operate in relative isolation to organise and deliver their respective policy and funding responsibilities. A silo mentality⁴² has long prevailed, despite ongoing (and often very significant) efforts to create improved connections across related policy areas and interventions. Cohesion Policy is subject to a further operating complexity in its 'shared management' model with EU member states and regions. As a necessary pre-condition for adopting a truly 'regional' approach to Cohesion Policy, this model is fraught with challenges relating to capacity, effective engagement and outreach with relevant actors. This has led to a permanent tension between balancing the EU's 'top-down' and regional 'bottom-up' Policy priorities.

While there is a long-standing recognition that governance deficits⁴³ at national and sub-national levels often impede effective policy and investment directionality, there is much less acknowledgement that a similar challenge⁴⁴ exists within the European Commission. Together, these governance deficits make the goal of EU multi-level policy and funding coordination very difficult to achieve. Funding calls across different DGs usually have different timeframes and conditions while the 'unit' of engagement (national, city, NUTS2 or NUTS3 level) can make it difficult for regions to connect relevant opportunities to wider Cohesion Policy's goals and investments.

Furthermore, there is no coordination oversight within the European Commission that could provide regional signposting or support for these opportunities. Even DG REGIO's country desks, which have close ties to EU regions and member states, have limited capacity and awareness to assist regions in maximising policy and funding synergies across Commission services. Under these conditions, the common request from DG REGIO (and other Commission services) for regions to improve coordination efforts across EU opportunities lacks credibility and reinforces regional perceptions about the EU red tape.

The 'do no harm to Cohesion Policy' motto does not appear to account for related 'harm' caused by the EU's multi-level governance flaws and lack of coordination in Commission-driven programme design. The impact of this implies an opportunity cost to Cohesion Policy's effectiveness at the regional level. A considerable effort to overhaul the EU's governance system is needed to maximise the efficiency and effectiveness of EU support to regions. The post-2027 Cohesion Policy's design - underpinned by an upgraded EU governance system - would serve to optimise the scale and directionality of policy and investment support across Commission services and at domestic (national and sub-national) levels. This task goes far beyond Cohesion Policy's parameters. Nevertheless, the effectiveness of the EU's multi-level governance system has significant impacts on Cohesion Policy. Without its reform, Cohesion's effectiveness will always be limited, regardless of other changes and upgrades to the Policy.

A considerable effort to overhaul the EU's governance system is needed to maximise the efficiency and effectiveness of EU support to regions.

EMPHASISE THE BENEFITS OF COHESION POLICY'S REFORM ORIENTATION

The world's current cycle of crises and shocks has accelerated EU concerns about negative effects on different regions, not least the most vulnerable. These impacts are especially acute in EU territories with reform needs across a wide range of regulatory and policy areas that are strongly connected to Cohesion Policy's objectives, such as health, social systems, education and industrial structures.

The EU's policy architecture to drive reforms was not developed by Cohesion Policy. Nonetheless, reform effectiveness is heavily influenced by Cohesion Policy. The European Semester, as a surveillance mechanism to drive fiscal stability and reforms, has yet to secure an

influential role in the EU project. Outside of obligatory fiscal surveillance measures, it remains largely negotiable and voluntary. Furthermore, Cohesion's reform orientation and its relationship with the European Semester remain something of an EU anomaly. In turn, this affects Cohesion's reform effectiveness.

The EU's reform agenda has a complex governance system. There is no requirement for member states to consult with regions, yet – according to different regulatory powers of regions in different EU countries – reforms may require approval and engagement (for example, at the point of local delivery). In EU territories with more devolved and federal systems, wide-ranging reform powers exist at regional levels across many policy and regulatory areas (e.g. specific R&I measures to upgrade innovation systems, healthcare upgrades, or education-related reforms).

RE-ENERGISE COHESION POLICY'S REFORM ORIENTATION, CLARIFYING ITS RELATIONSHIP WITH THE EUROPEAN SEMESTER

A renewed national focus on EU reforms has been significantly enabled by conditional financing through the Recovery and Resilience Facility. The RRF has the 'teeth' and financial capacity to tackle reforms in a way that the European Semester has hitherto been unable to generate. Cohesion Policy has had a contested history regarding its reform orientation. Many from the community fear reputational damage due to threats of financial 'punishments' for national reform under-performance, especially related to economic governance measures through the Stability and Growth Pact.

However, with the RRF pushing the EU's reform agenda more persistently than ever before, the future Cohesion Policy can boost delivery through improved coordination with Cohesion-related structural reform priorities. These goals are set out in Cohesion Policy's Partnership Agreements and Operational Programmes. In planning towards the post-2027 period it will be essential to review the specific reform-focus for Cohesion – i.e. what reforms should Cohesion address and how to maximise coordination with wider reform efforts and investments?

With the RRF pushing the EU's reform agenda more persistently than ever before, the future Cohesion Policy can boost delivery through improved coordination with Cohesion-related structural reform priorities.

Beyond the RRF's mandate, a new EU multi-level governance structure is needed, supported by an updated narrative and commitment to addressing long-standing tensions concerning Cohesion Policy's reform role.

There is a strong rationale for applying improved territorial analyses in identifying specific reform challenges, directing their implementation and understanding their impact. This is especially the case in the context of a crisis-prone environment, which has depleted local capacity for reforms in the worst affected places. This underlines the often under-acknowledged reality that reforms cannot be implemented uniformly across EU territories. The EU's governance architecture – with an historically strong top-down orientation – often exhibits a lack of sensitivity to specific place-based challenges. This is also one of the key reasons why the European Semester has struggled to gain traction at sub-national levels.⁴⁵

There is a strong rationale for applying improved territorial analyses in identifying specific reform challenges, directing their implementation and understanding their impact. This underlines the often under-acknowledged reality that reforms cannot be implemented uniformly across EU territories.

Recent debates concerning the relationship between the RRF and Cohesion Policy have revealed a number of tensions between the two⁴⁶ that could serve to undermine their collective value in addressing the EU's reform agenda. From a policy goal perspective, there is a rather strongly-held view across the Cohesion Policy community that the top-down and rapid-spend orientation of the RRF is diametrically opposed to Cohesion Policy's bottom-up, long-term perspective. The design and timing of the RRF (launched in 2021), coming ahead of the delayed 2021-2027 Cohesion Policy,⁴⁷ created a missed opportunity to align these instruments and improve EU reform directionality. Further complicated by EU governance challenges, a rather siloed approach to reforms and investments that are linked to the RRF and Cohesion Policy has emerged. This is not helped by the RRF's short lifespan (until 2026) which encourages member states to focus their spending efforts on the RRF, often sidelining or monopolising investments foreseen for Cohesion Policy.⁴⁸

These tensions between the RRF and Cohesion Policy could be alleviated through: 1) revitalising Cohesion Policy's reform orientation, and 2) designing a closer relationship between Cohesion Policy and the European

Semester. The RRF's reform legacy could support the design of the post-2027 Cohesion Policy, targeting delivery of key reform themes commenced or accelerated by the RRF that are relevant to Cohesion Policy's spheres of interest. This would serve to embed the recovery and resilience focus of the RRF beyond its lifetime, boosting the effectiveness of its large-scale investments through Cohesion Policy's bottom-up orientation. Furthermore, with improved directionality of reform investment, this could help to reduce scarring effects from recent crises in the EU's most vulnerable territories.

Overall, there is much greater mileage that could be generated from Cohesion Policy through improved coordination with the European Semester and by seeking to optimise the Policy's reform orientation.

SUSTAIN MOMENTUM FOR EU REFORMS THROUGH TARGETED SUPPORT IN THE POST-2027 COHESION POLICY

The EU has built a strong narrative about striving for greater policy and investment impact through policy alignment and synergies. While this is welcome in theory, it is often extremely difficult in practice, not least due to the siloed environment in which different policies are conceived and designed. Furthermore, retrospective attempts to create policy synergies often create significant bureaucracy and complexity, diminishing an overall EU goal of improving simplification measures across policy and funding instruments.

Cohesion Policy's long-term, investment orientation should guard against any default attempts to position the Policy as a connected 'after-thought' to other EU instruments. Indeed, making Cohesion Policy subservient to the goals of other instruments can diminish its focus on regional development. A more systemic approach to generating EU policy connectivity needs to be scrutinised for 'do no harm to Cohesion' risks, not least in marginalising or cancelling out Cohesion Policy's value and impact.

Cohesion Policy's long-term, investment orientation should guard against any default attempts to position the Policy as a connected 'after-thought' to other EU instruments.

Cohesion Policy's relationship with the RRF is a strong case in point. Attempts to illustrate the combined impact and potential of the two have tended to highlight their incompatibility. However, as the previous section illustrated, there is clear potential and added value

in reviewing how Cohesion Policy's investments can adopt a more targeted approach to reform delivery and embedding, initiated through the RRF. This reinforces Cohesion Policy's long-term structural capacity. A lack of place-based sensitivity has been identified⁴⁹ in many National Recovery and Resilience Plans (NRRPs). Cohesion Policy's territorial focus can shine a light on these gaps and make a case for targeted support, especially in those territories badly affected by current crises. To achieve this, there is a need to shift policy thinking concerning the RRF and Cohesion Policy from a policy *alignment* perspective to one of policy *sequencing*.

There is a need to shift policy thinking concerning the RRF and Cohesion Policy from a policy *alignment* perspective to one of policy *sequencing*.

Achieving this requires a step-change in the nature of the debate across the Cohesion Policy community. As noted above, there persists a strong perception that the RRF's investment capacity has served to marginalise the role of the Policy. This logic maintains that the future Cohesion Policy is under threat because its purpose has been displaced or substituted by the top-down direction of the RRF with its immense financial firepower, closely managed by member states.

Going forward, a fresh narrative is needed that shifts from a perceived dominance of the RRF to an updated purpose for the future Cohesion Policy to 'continue the reform job' which has been mobilised by the RRF. An evidence base is emerging where the gaps exist, including:

- ▶ An absence of data and measures to understand how NRRPs are impacting on cohesion: "There are generally no well-defined indications for assessing the cohesion impact of the NRRPs".⁵⁰
- ▶ Lack of consistency in NRRPs regarding their intended impact on social and territorial cohesion: "Substantial variation in how each NRRP treats social and territorial cohesion".⁵¹
- ▶ Lack of coherence in how reforms are to be supported through coordination of instruments: "Plans aim to ensure the sustainability of the supported measures via reforms, capacity-building and complementarities... there remain substantial strategic and operational challenges in achieving potential synergies and a risk of duplication and rivalry".⁵²

While evidence of the RRF's performance will take time to emerge, its top-down orientation⁵³ risks overlooking how reforms should be delivered to the places most in need. The future Cohesion Policy is uniquely placed to adopt a

‘cohesion’ and ‘consolidation’ role in addressing reform gaps that the RRF has been unable to tackle. Driven by an economic, social, and territorial ‘security’ logic, this would also re-position the post-2027 Cohesion Policy’s long-term, structural transformation orientation.

KEY TAKEAWAY: REACH BEYOND THE RRF TO RECLAIM COHESION POLICY’S STRUCTURAL REFORM ROLE

The post-2027 Cohesion Policy debate should focus on the question of what reforms it can address to support the EU’s economic, social and territorial security. A clearer and more strategic relationship between Cohesion Policy and the European Semester will be necessary to facilitate this. Furthermore, Cohesion Policy’s ‘staying power’ can significantly boost RRF’s investments beyond 2026, by adopting a more targeted, bottom-up approach to embedding reforms, especially in the places most negatively affected by current crises and with the greatest risk of long-term scarring.

Cohesion Policy’s ‘staying power’ can significantly boost RRF’s investments beyond 2026, by adopting a more targeted, bottom-up approach to embedding reforms.

The Reflection Group for the post-2027 Cohesion Policy should recommend launching a bold review of the Policy’s capacity to deliver on the EU’s reform agenda, connecting this to the evidence base of the RRF’s reform performance, including where and how key gaps can be addressed through Cohesion Policy’s place-based orientation. The future Policy also needs to upgrade its territorial dimension. Here, the remit of DG REFORM could be expanded to include direct engagement with EU regions. This should include reform support that is specific to regional needs and for the implementation of national reforms where local specificities require more tailored solutions.

The effectiveness of the future Cohesion Policy’s reform agenda will depend on significant upgrades to the EU’s multi-level governance system (including the effectiveness of national and sub-national structures). This will require clear ‘lines of sight’ across the EU’s policy and delivery framework for reforms. Good intentions will not be translated into action without improved governance. Equally, reform impacts are unlikely to be delivered without improved governance. While not in the ‘give’ of DG REGIO to deliver this, the whole Cohesion Policy community should work together

to champion wholesale change to the EU’s multi-level governance system. The recommended consultation programme noted in this paper to underpin a fresh demand-led evidence base of EU citizens’ needs should also review EU governance, building on the findings from the 2022 Conference on the Future of Europe.

RECOMMENDATION 5 IMPROVE COHESION POLICY’S CONVENING POWER TO CATALYSE DEEPER EU INNOVATION COOPERATION

Key messages:

- ▶ Position the post-2027 Cohesion Policy as a cornerstone of the EU’s innovation collaboration agenda.
- ▶ Cohesion Policy should coordinate the bottom-up efforts of EU innovation ecosystems and their value chain orientation.
- ▶ Cohesion Policy’s innovation collaboration conditionality should drive EU ‘open innovation’ and strategic autonomy.

STRENGTHENING EU COLLABORATION THROUGH INTERREG PROGRAMMES

Cohesion Policy mobilises a collective response from EU regions to work together in cross-border, interregional, transnational, and macro-regional configurations that would – otherwise – be difficult to generate. This is where the ‘engine room’ of EU collaboration - at the ‘coal-face’ of EU regions - takes place (in joint learning, sharing, exchange and partnerships across a huge spectrum of interest, including Sustainable Development Goals and net zero objectives, industrial innovation, tech and skills upgrading). Cohesion Policy’s solidarity ethos is promoted and diffused through these interregional cooperation efforts. While the EU promotes a wide range of cooperation programmes, both within and beyond the bloc’s territory (such as Horizon Europe and International Partnerships), it is Cohesion Policy’s European Territorial Cooperation programmes (or Interreg) that form the backbone of the Union’s collaboration spirit. Arguably, Cohesion Policy’s interregional cooperation remit also helps manage relations across the EU’s territories, not least in times of crisis and uncertainty. This role and value tend to be under-acknowledged.

Funded to the tune of just over €8 billion⁵⁴ in the 2021-2027 programming period, Cohesion Policy’s Interreg instrument supports interregional partnerships across multiple geographies within and beyond the EU to address shared challenges through cooperation. While the European Parliament⁵⁵ and EU regional actors are enthusiastic champions of this effort, negotiations during successive programming periods have tended to demonstrate less uniform enthusiasm from the Council. In addition, the management and implementation set-up for Interreg programmes tend to prioritise financial and

technical project management, often to the detriment of promoting their wider value. This can serve to undermine the purpose of Interreg cooperation.

The recent global cycle of crises and shocks has exposed a number of ‘cracks’ in the EU project relating to – for example – the extent of unity on key, strategic matters and the amplified tension between acting at national and EU levels to address crises-related challenges. It is hard to imagine how the EU will navigate future challenges in the context of creeping disunity across the bloc. International commentators^{56,57} have noted the unprecedented and interconnected nature of the crises we face and have equally called for a stepping up of global, collaborative efforts to combat the long-term, negative effects. However, the EU still has a lot of work to do to improve cooperation inside its own borders. There is currently no shortage of EU rhetoric concerning the need for improved Union collaboration. The future Cohesion Policy could provide the impetus and fresh momentum to reignite this cooperative ethos through an upgraded Interreg programme.

The future Cohesion Policy should seek to improve connectivity between Interreg’s energy project investments and National Energy and Climate Plans.

The EU’s energy transition challenge could be underpinned by improved cooperation. The recent Commission Communication⁵⁸ on updating guidance for national energy and climate plans makes a distinct ‘pitch’ for improving regional collaboration. Indeed, the EU’s Green Deal agenda emphasises the value of energy and climate collaboration projects across the EU, including improving intelligence about energy ecosystems and exchange on related technologies, and deepening efforts to build a stronger value chain orientation across project territories. The future Cohesion Policy should seek to improve connectivity between Interreg’s energy project investments and National Energy and Climate Plans (NECPs), thus demonstrating the value of connecting the EU’s energy supply and security agenda with a wider policy interface (e.g. across NRRPs, Just Transition Plans and Cohesion Policy’s projects and investments).

LEVERAGING EU INNOVATION EFFORTS AND INVESTMENTS THROUGH COHESION POLICY

There is a strong and growing consensus that innovation collaboration improves economic performance, while generating faster and more effective responses to societal challenges (such as health pandemics, cancer treatments, climate change and addressing global poverty and inequalities). In responding to the crises we face, the EU is adopting a stronger narrative in this direction. However,

a number of bottlenecks exist that impede how we can convert rhetoric into systemic action. Different capacities and appetite for greater innovation collaboration exist across EU territories. Significant information deficiencies constrain greater collective action, while affecting performance. These challenges exist at regional, national and EU levels, including:

- ▶ Lack of a readily available EU ‘picture’ concerning the status of domain-driven and geographical innovation ecosystems (including current and planned efforts and investments, gaps and bottlenecks).
- ▶ A myopic, member state-driven approach to addressing innovation gaps that further fragment⁵⁹ EU innovation and R&D collaboration efforts.
- ▶ Lack of commitment to avoiding costly duplications of investment and lack of strategic oversight.

These deficits are part of the problem that Commission President Ursula von der Leyen referred to recently,⁶⁰ when she noted that, for the clean energy transition, Europe requires a ‘structural’ response – i.e. a more systemically, connected EU approach to addressing the challenges we face. This should include a new strategic coordination effort to join up EU innovation investments, not only for Europe’s clean energy transition goals but right across our innovation and strategic value chain priorities.

The Conclusions from the EU’s Competitiveness Council in December 2022⁶¹ are long on the rhetoric of innovation collaboration but short on the routes to accelerating this. Its call to embrace a European innovation ecosystem does not acknowledge the challenges that exacerbate a fragmented framework, often making it unattractive for innovation actors to join forces across national borders, outside of mainstream programmes such as Horizon. The lack of coordination and connectivity across programmes and policies (e.g. Horizon, Important Project of Common European Interest - IPCEIs, S3 Partnerships) creates an opportunity cost to leveraging EU innovation investment.

The future Cohesion Policy should be designed to generate an evidence base (at national and regional levels) that identifies existing and planned EU and national innovation investments from well beyond those associated with direct Cohesion Policy funding.

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Making this a stronger component of national *ex-ante* assessments, linked to Partnership Agreements, would support better coordination of EU innovation investments. Indeed, such an evidence base is critical to inform innovation policy design at EU, national and sub-national levels.

The absence of a coordinated, EU innovation intelligence system has – arguably – perpetuated the current, fragmented, EU innovation landscape.⁶² In turn, this prevents the harmonisation of strategic EU value chains across the Union’s many innovation ecosystems. Furthermore, this stymies the stronger strategic autonomy direction that the EU has recently advocated, as a response to a more challenging global trading landscape.

Cohesion Policy should drive a process of promoting EU innovation intelligence. An example of action would be to coordinate efforts across Cohesion Policy’s innovation agenda with European Innovation Partnerships.⁶³ This would also help address current siloes across the EU’s innovation policy landscape.

Over successive programming periods, Cohesion Policy has been subject to a range of innovation-focused conditionalities related to Smart Specialisation, of which the most recent has encouraged regions to engage in international collaboration. In reality, this condition promotes EU interregional collaboration and - together with support instruments and programmes – aims to improve capacity for regions to work together on innovation priorities across regional and national borders. However, there is a wide range of bottlenecks that prevent many regions from taking more than superficial action in this area. These include: regulatory challenges such as restricting the use of publicly financed innovation resources and facilities to actors in the regional and national territory; an inability and unwillingness to coordinate innovation funding calls across territories to leverage innovation collaboration and investment; and an under-investment in or absence of support to connect innovation actors across different EU territories. The future Cohesion Policy could upgrade S3 conditionalities, requiring regions and member states to reform their innovation ecosystems in the direction of improved interregional collaboration. By making this conditional on receipt of related financing, a stronger reciprocity dynamic could be harnessed to generate a stronger EU ‘open’ innovation orientation across all geographies of the Union.

An improved evidence base of the barriers to achieving the above should be generated. This should include resistance to change and understanding the limitations (and their impacts) in territories characterised by more limited decision making powers concerning the design of ecosystems and their governance structures. The future of Cohesion Policy’s Reflection Group could explore this issue, seeking to set the groundwork for an acceleration of the direction that S3 has already created, acknowledging that more decisive action is needed.

Overall, a bottom-up drive for more systemic interregional innovation collaboration is needed to avoid the rather limited returns from the EU’s current

approach to innovation collaboration. To achieve this, the future Cohesion Policy requires a stronger innovation connectivity role across different territories. It should facilitate a more streamlined approach to cross-EU innovation collaboration and improve coordination of innovation efforts across domestic and EU policy⁶⁴ levels, including across investment pathways.

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ENHANCING COHESION POLICY’S SPATIAL DIMENSION TO CREATE DEEPER EU VALUE CHAINS

The post-2027 Cohesion Policy should invest greater efforts in analysing the spatial impacts⁶⁵ of Cohesion Policy investments (especially associated with innovation). This is an under-researched area due to its complexity. However, an improved understanding of spatial benefits could support the EU’s ambitions to deepen a value chain orientation, while generating better evidence to direct strategic autonomy investments. Specifically, research analysis in this area could improve understanding of how regional, innovation-driven Cohesion Policy investments affect other EU territories (both neighbouring places and those beyond, where innovation cooperation takes place).

Evidencing spill-in and spill-over effects (catalysed or leveraged by Cohesion Policy’s investments) is highly relevant to the EU’s New Innovation Agenda. Here, the European Commission has proposed ‘deep tech innovation valleys’ – spurred by interregional innovation investments in green value chain domains. Cohesion Policy’s role in convening interregional innovation communities and investments also supports the EU Competitiveness Council’s recent statement⁶⁶ about fostering an EU innovation ecosystem ethos.

POSITION COHESION POLICY AS AN ‘OPEN INNOVATION’ BROKERAGE TOOL TO UNDERPIN THE UNION’S STRATEGIC AUTONOMY DIRECTION

Under the current EU Presidency, the Swedish Prime Minister has called for a “long-term new strategy on EU level to boost competitiveness and productivity”.⁶⁷ Yet, whether this will be sufficiently different from previous efforts remains to be seen. Cohesion Policy – with its bottom-up orientation – has generated significant interest and appetite across regional innovation actors to join

forces across regions and member states to improve competitiveness through innovation collaboration. The EU's S3 agenda has been a strong catalyst of this effort. Yet, many barriers exist to realising this ambition. These are related to the EU27's lack of appetite for deeper, EU 'open innovation'.

There is a wealth of academic research^{68,69} advocating for a stronger, EU 'open innovation' direction, driven by more purposeful collaboration across EU countries and territories to improve a wide range of innovation-related measures (such as scaled-up investment; deeper and more connected value chains; and increased access to innovation facilities and expertise across the EU27). These dynamics are not typical of present-day EU innovation cooperation. They imply a high degree of structural change and associated reforms in a context of rather closed innovation systems where the 'radar' of cooperation is often only within the immediate, territorial setting (whether regional or national).

How we define open innovation matters. There are clearly different degrees of openness, and - across the EU - the concept has a wide range of interpretations. DG R&I⁷⁰ delivers a number of initiatives under the open innovation banner. However, open innovation's place in EU policymaking lacks strategic coherence, with different views on the degree of desired 'openness'. For example, the Swedish Presidency has noted a new push for more 'open science', including improved open access to national research infrastructures – a topic that has lacked progressive debate for many years. Yet, wider, strategic debate about EU open innovation is absent at national and European Council levels.

The open innovation idea is also aligned with the concept of an effective innovation ecosystem that – among other things - encourages an open approach to collaboration across its actors, allows for high-value exchange, leverages expertise and investment, and generates more seamless coordination of innovation efforts. Arguably, EU regions at the innovation frontier are operating with conditions similar to this description. This is far from the case for most of the EU's territories.

It is difficult to imagine how EU strategic autonomy, highly dependent on improved connectivity of strategic EU value chains to reduce external dependency, can be achieved without greater open innovation.

The EU's stated ambition to deliver a high-performing innovation ecosystem⁷¹ implies a shift from the current reality of discrete ecosystems to one that is truly connected. Making this shift will require a stronger

commitment to improving innovation 'openness' across the EU's territories. In turn, the EU's strategic autonomy direction, relying on a stronger innovation ecosystem orientation is linked to open innovation. Indeed, it is difficult to imagine how EU strategic autonomy, highly dependent on improved connectivity of strategic EU value chains to reduce external dependency, can be achieved without greater EU open innovation.

There is a high degree of 'fuzziness' concerning what EU strategic autonomy is and how it can be achieved. This is strongly related to a lack of commitment from the EU27 to accelerate an open innovation direction. More open innovation implies structural change to how regional and national innovation ecosystems operate. Without this, we will not deepen our innovation collaboration efforts and – in turn – we will fail to direct these efforts towards strategic autonomy. Addressing this impasse is imperative and requires an acknowledgement – at the highest political and policy levels across the EU – of the relationship between strategic autonomy, open innovation and the drive to create an EU innovation ecosystem.

The post-2027 Cohesion Policy should articulate how S3 supports EU strategic autonomy.

Cohesion Policy's S3 agenda offers both inspiration and direction to 'unblock' the above challenge. Based on demand-led, bottom-up, interregional innovation collaboration, S3 has embarked on a pathway for improved innovation performance that is underpinned by an ambition for stronger, open innovation. Furthermore, its innovation ecosystem orientation is accelerating the EU's value chain connectivity. The post-2027 Cohesion Policy should articulate how S3 supports EU strategic autonomy.

Deepening interregional and trans-national innovation collaboration efforts in the post-2027 Cohesion Policy would help further consolidate these ambitions. This would require a bold expansion of EU interventions that offer 'test grounds' for deeper and more open innovation collaboration across territories. These efforts should be directed towards strategic autonomy objectives, and require investments that go beyond the 'goodwill' of regional actors. The EU's credibility to deliver improved innovation performance depends on new investment to support targeted actions. This should be a key driver in the future EU Cohesion Policy. It requires a new approach, building on pre-existing efforts and addressing the bottlenecks to effective interregional, innovation collaboration. This could create new momentum to improve EU innovation performance, better connecting this to EU strategic autonomy ambitions, and a new push for open innovation.

Correspondingly, a greater shift towards EU open innovation could boost the (as yet) untapped potential⁷² to link interregional innovation collaboration efforts to the EU's large-scale innovation investments (e.g. in IPCEIs and the Horizon programme). Cohesion Policy could play a more strategic role in connecting the EU's various collaborative innovation initiatives, while bridging the current silo between EU interregional innovation efforts (such as innovation-driven Interreg collaborations, S3 Partnerships and the new Partnerships for Regional Innovation) and more nationally-driven efforts in initiatives, such as IPCEIs and Industrial Alliances.

The Cohesion Policy debate should champion a new EU innovation collaboration drive, steering the EU's strategic autonomy direction and building collective confidence across member states and regions.

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Conclusions

As the EU grapples with rapid and disruptive change in the context of the permacrisis and changing geopolitical dynamics, a new form of statecraft is required at national and Union levels. Standing at a new policy crossroads, characterised by a range of dichotomies and tensions, the 2023 mid-term review of the MFF commences with significant uncertainty. The paper sets out a bolder direction for Cohesion Policy's value and positioning in the MFF. The window of opportunity for this debate is now. There are no guarantees about the status of the future Policy in a context of long-term fiscal and capacity challenges for the Union. However, an incremental upgrading of the Policy is unlikely to be sufficient to secure Cohesion's long-term future as a driver of the EU project.

Change across the board is inevitable for the whole EU project, including its direction and financing. As the Union looks to its future, Cohesion Policy must be part of the solution. Tweaks to the current design of Cohesion Policy will be insufficient to deliver this. Failure to champion a more radical direction for its reform could result in its marginalisation, both in policy and financial terms. Given the policy's historical importance, as a flagship investment framework for EU convergence, any

KEY TAKEAWAY: THE FUTURE COHESION POLICY SHOULD DRIVE A MORE CONNECTED AND COMPREHENSIVE APPROACH TO EU INNOVATION COLLABORATION

There is significant potential for the post-2027 Cohesion Policy to drive new EU innovation efforts far beyond the EU's interregional dimension. An improved evidence base and greater connectivity with both EU value chains and the emerging direction for strategic autonomy could help position the future Cohesion Policy as a strategic catalyst for the EU's innovation agenda.

Unlocking the EU's open innovation agenda to generate a more systemic approach to innovation collaboration is needed. The future Cohesion Policy should consider how a new conditionality could enhance interregional innovation, better incentivising and upgrading the reciprocity dynamic behind collaborative innovation across EU territories.

Cohesion Policy's evolving focus on interregional innovation collaboration could be significantly boosted in the post-2027 period by deepening the EU's drive for a more effective innovation ecosystem. Strengthening the EU's "innovation 'pipeline'"⁷³ for more connected, strategic value chains could direct new efforts for the Union's strategic autonomy ambitions, with a clear bottom-up orientation. This also requires an improved evidence base concerning spill-in and spill-over effects linked to Cohesion Policy innovation investments.

future downgrading could have a detrimental impact on Europe's economic, social and territorial trajectory. Furthermore, a more limited role for Cohesion Policy could negatively impact the capacity of EU regions to work together. This would seriously undermine the EU's solidarity ethos.

As the Union looks to its future, Cohesion Policy must be part of the solution.

EU resilience, security, strategic autonomy and reform delivery are set to remain key priorities for the post-2027 EU project. There is a need to boldly position the post-2027 Cohesion Policy's relevance and added value across these themes. Their relevance to all EU territories and citizens should be emphasised.

The Policy's three pillars (economic, social and territorial) and its regional collaboration legacy offer new opportunities to better connect EU priorities to Cohesion Policy's delivery. Furthermore, delivering the EU's Green Deal agenda will depend on a stronger role for place-based policymaking and improved innovation performance. Cohesion Policy's bottom-up ethos and place-based orientation can inject new thinking, tools and approaches to boost efforts across EU territories, in responding to the challenges that lie ahead.

The detailed recommendations aim to spark a new kind of debate about the future Cohesion Policy. Navigating this pathway will not be easy nor will it be automatic that these topics have immediate resonance at local levels. However, their strategic importance makes it imperative that they form part of a bottom-up consultation process that will require political support and investment at all EU government and governance levels.

1. Acknowledge the need for Cohesion Policy's purpose to be reviewed and its supporting narrative upgraded.

The EU's democratic legitimacy is under threat at a time of significant global change. Cohesion Policy's future relevance depends on its renewal to reflect the changes we face. The post-2027 Cohesion Policy Reflection Group should spearhead a bold and fundamental review of the Policy - both its role in securing the EU's economic future and in supporting vulnerable societies and citizens to cope with radical change. The post-2027 Cohesion Policy should be designed to monitor uneven impacts on EU territories that are generated by a radically different global landscape, as well as coordinating efforts across EU tools and responses intended to address these challenges. This includes responding to (unintended) uneven impacts of new EU support and subsidy regimes, as a new era of global trading dynamics takes shape.

2. Revitalise Cohesion Policy's long-term value in defending its economic, social and territorial pillars.

The future Cohesion Policy should emphasise the rebuilding of its structural value across economic, social and territorial pillars, avoiding any default designation as an emergency response mechanism for times of crisis. An upgrade of its three pillars in the direction of security could generate a more relevant and impactful foundation. In turn, this could provide a very strong signal of the Policy's capacity to reflect and respond to a changing world, characterised by many structural breaks (e.g. in energy markets and security, global trading, and the functioning of labour markets).

3. Position Cohesion Policy as the 'guardian' of EU place-based policymaking and Territorial Impact Assessments.

Cohesion Policy's territorial remit facilitates an EU voice for regions that might otherwise go unheard. The Policy's territorial remit now needs to be strengthened. Analytical tools and processes that shine a light on regional issues are crucial for responsible policymaking. In the absence of a stronger place-based approach, the current group of EU regions in distress could expand far beyond those already identified as vulnerable or in development traps. The EU's growing toolbox in this space (e.g. TIAs, foresighting analysis, resilience dashboards and diagnostic tools) needs to be coordinated and adapted for local use across the EU territories. A 'community of practice' facilitated by DG REFORM could strengthen the value of both PBPM and TIAs.

4. Articulate Cohesion Policy's value in an evolving EU governance and reform agenda.

A clearer and more strategic relationship between Cohesion Policy and the European Semester is needed to reinforce Cohesion's reform capacity. The Policy's 'staying power' can boost RRF reforms and investments beyond 2026. Expanding the remit of DG REFORM to include direct engagement with EU regions is needed to boost reform delivery. Significant upgrades to the EU's multi-level governance system are also required. While not in the 'give' of DG REGIO to deliver this, the whole Cohesion Policy community should work together to champion change.

5. Improve Cohesion Policy's strategic convening power as a catalyst for deeper EU cooperation.

Cohesion Policy's evolving focus on interregional innovation collaboration could support efforts to deepen the EU's strategic autonomy agenda and improve the Union's innovation ecosystem orientation. Strengthening the EU's innovation pipeline for more connected, strategic value chains could generate new momentum, through a clear bottom-up orientation. Unlocking the EU's open innovation agenda to generate a more systemic approach to innovation collaboration could be accelerated through a new post-2027 Cohesion Policy conditionality, incentivising improved reciprocity of collaborative innovation practices and investments across EU regions and member states.

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