

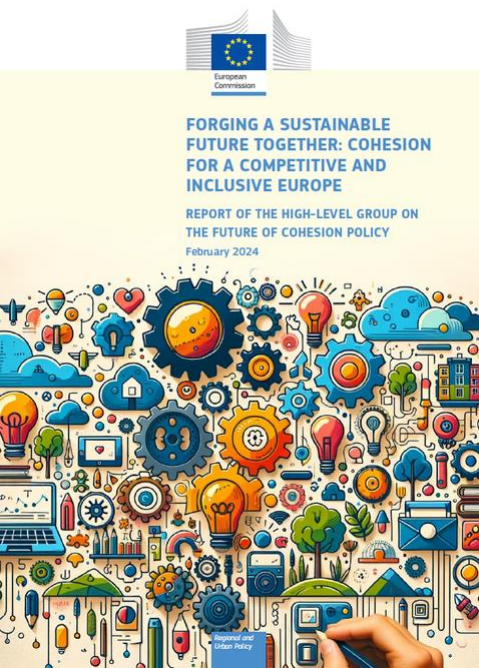
# Forging a sustainable future together: Cohesion for a competitive and inclusive Europe

## REPORT OF THE HIGH-LEVEL GROUP ON THE FUTURE OF COHESION POLICY

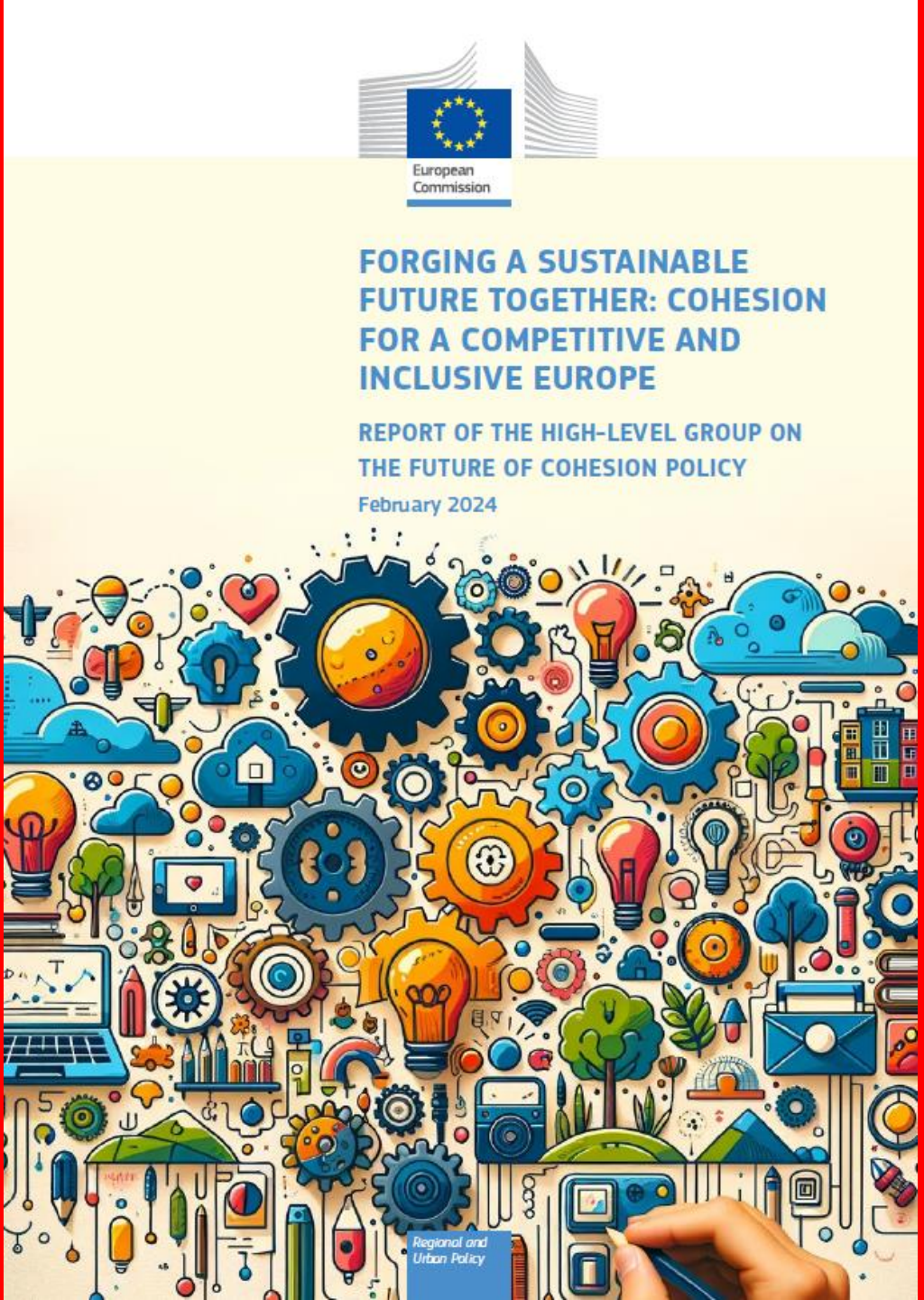
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*Brussels, 16.4 2024*



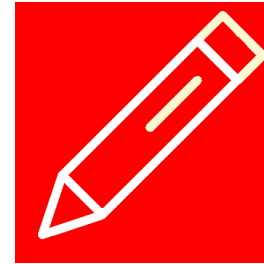
# The Report



# Key questions driving the Report



**Why?**



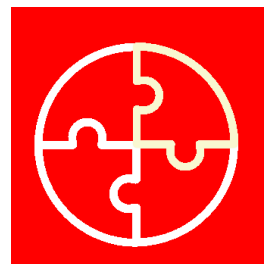
**How?**



**What?**



**With whom?**



**Enlargement**

**The policy**

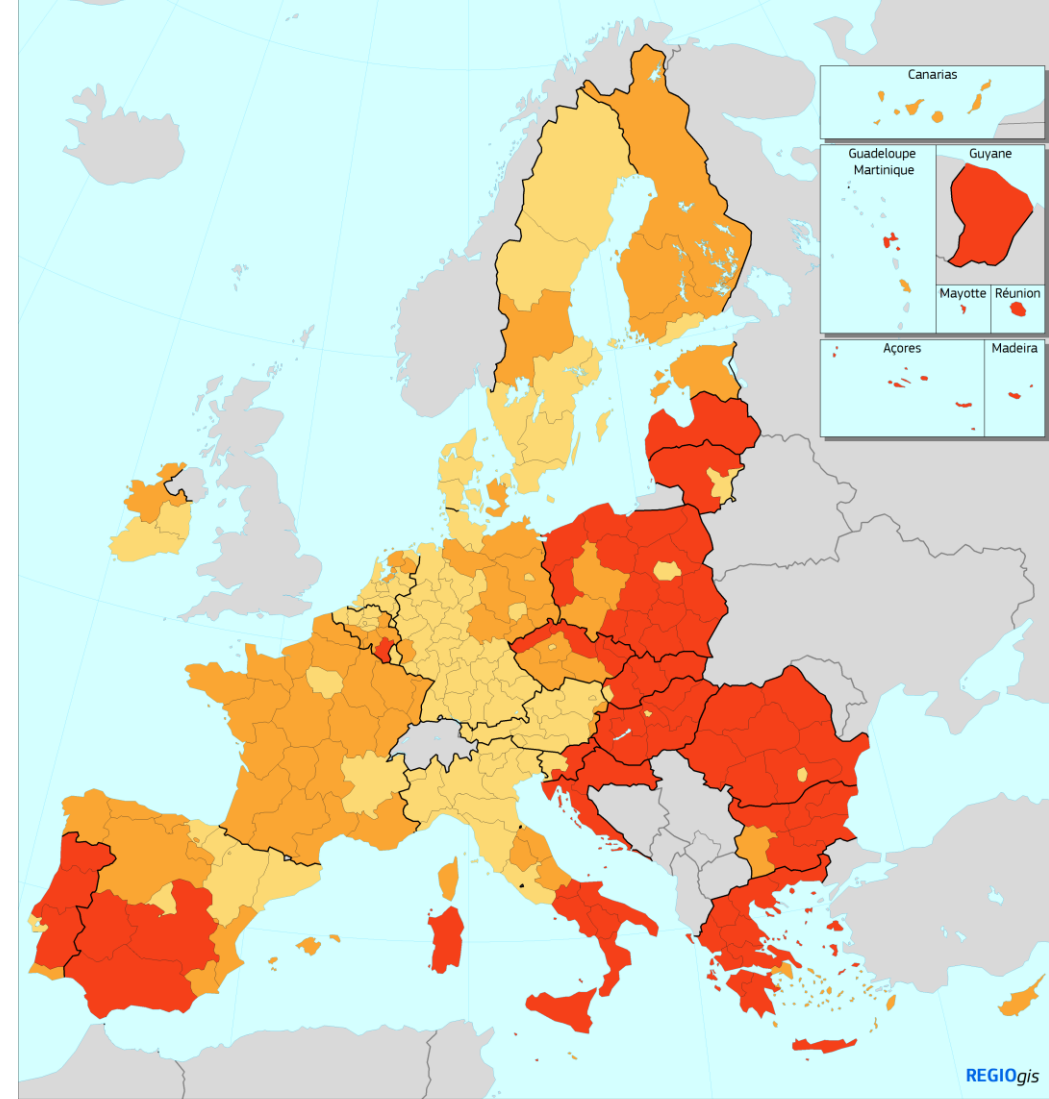


# Cohesion policy

- Invested **€1,040 billion** between the 1989 reform and 2023
- **€392 billion** earmarked for 2021-2027

## Results

- **Fundamental driver** of social and economic progress
- **Lifted many Europeans out of poverty**
- **Amazing catch-up**, especially by post-2004 Member States
- **A policy that has been replicated across the world**



Investment for jobs and growth goal (ERDF and ESF+) eligibility, 2021-2027

Categories of regions

- Less developed regions (GDP/head (PPS) less than 75% of the EU-27 average)
- Transition regions (GDP/head (PPS) between 75% and 100% of the EU-27 average)
- More developed regions (GDP/head (PPS) above 100% of the EU-27 average)

GDP/head: average 2015-2016-2017

0 500 km

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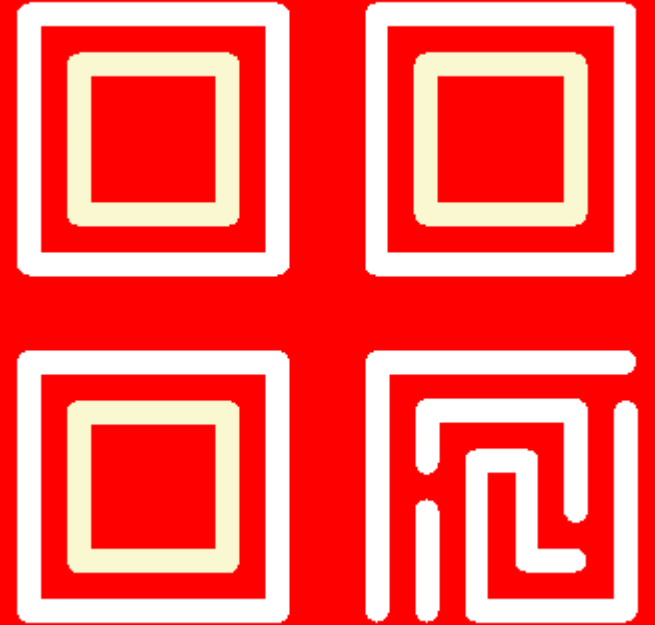
	2000		2023	
	Population	% of EU	Population	% of EU
<b>EU population living in less developed countries</b>	106M	24.6	24M	5.4
<b>EU population living in less developed regions</b>	123M	28.8	120M	26.7

1.



**Why** do we need cohesion?

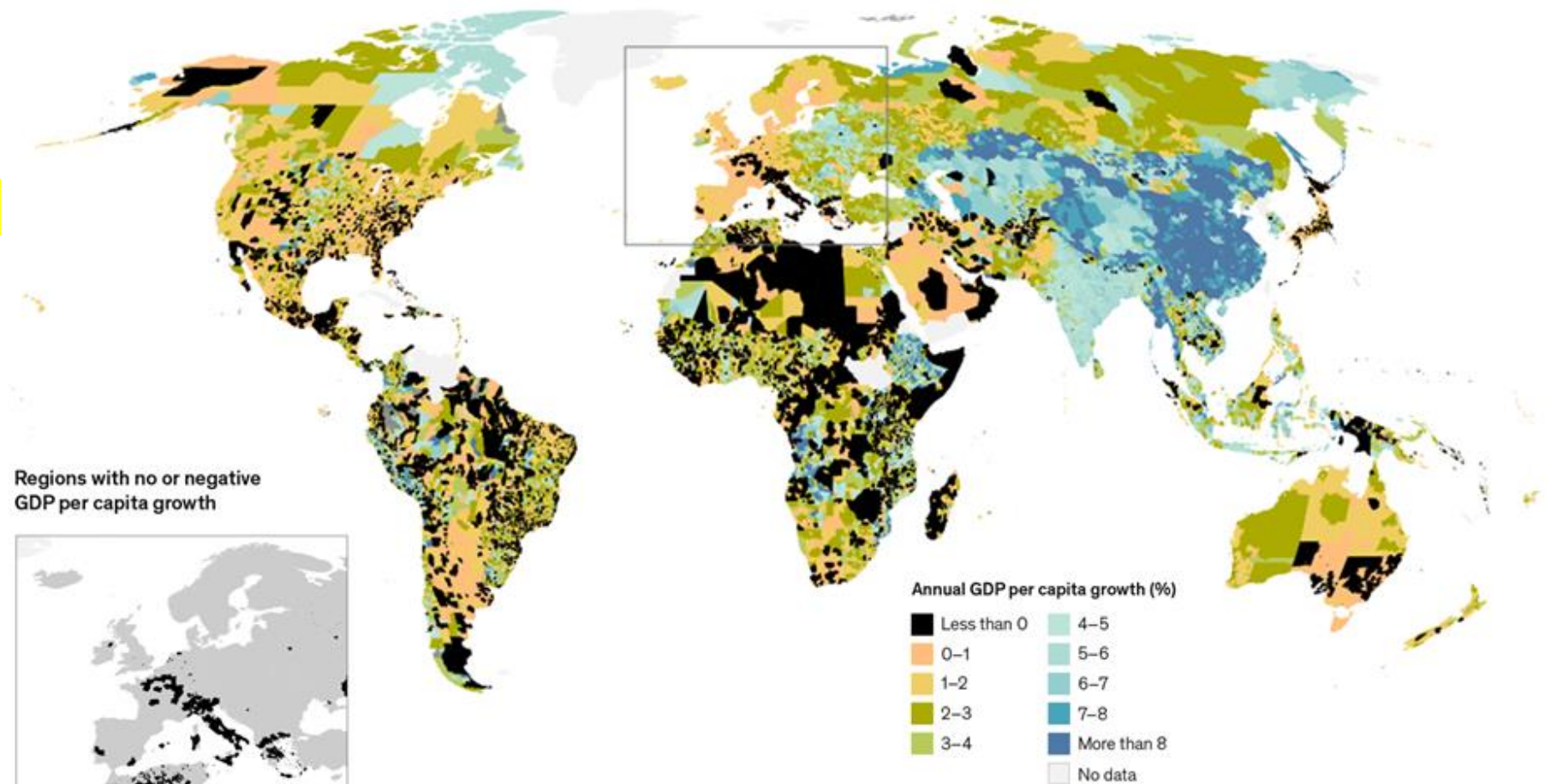
# The challenges



# 1. Competitiveness

## Growth in the last two decades (GDP per capita, 2000-2019)

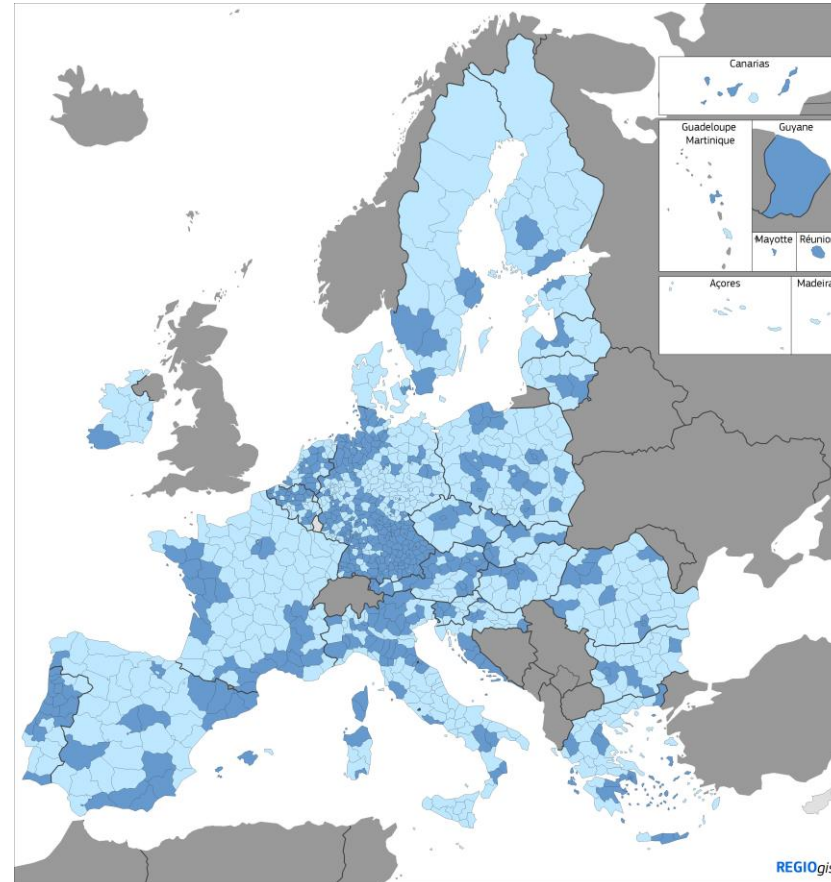
- **EU economy was 25% of the world economy in 1991. By 2022 it was 17%**
- **60 million EU citizens live in regions with GDP per capita lower than in 2000**
- **75 in regions with near-zero growth**
- **One third of the EU population in places that have slowly fallen behind**



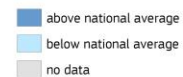


## 2. Polarisation

- **Economic growth increasingly concentrated in a few large urban areas**
- **Many regions falling into development traps**
- **Traps from which, in contrast to other parts of the world, escaping is challenging**



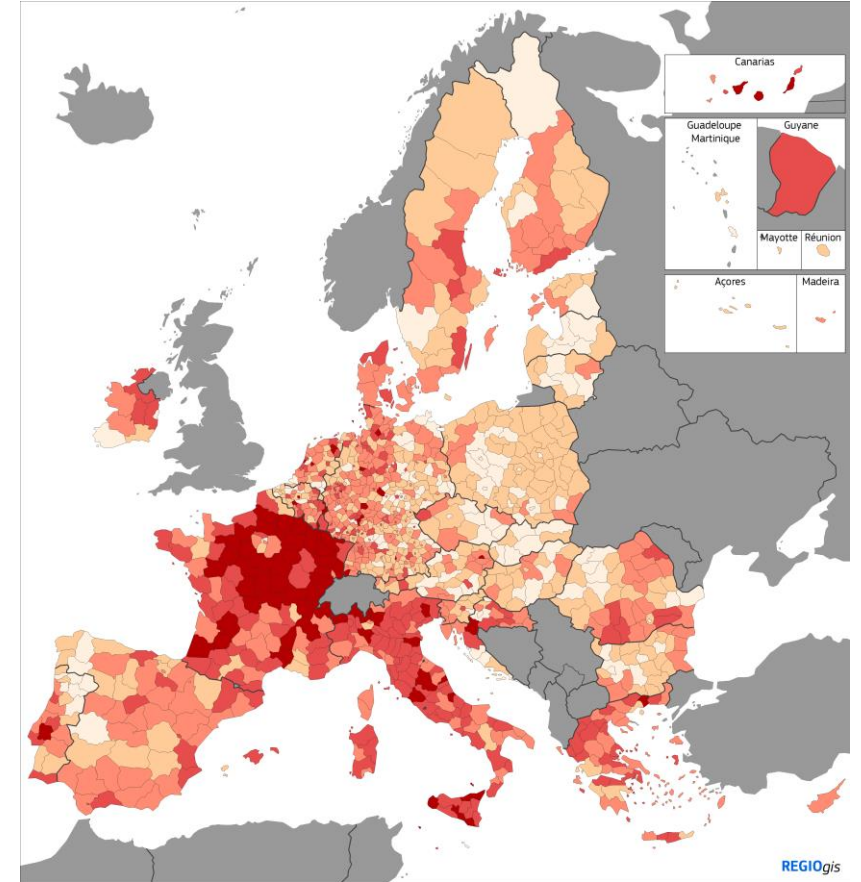
Regional economic growth relative to national growth, 1991-2023



LV, LT: 1992-2023; EE: 1993-2023; SK: 1994-2023; EL: 1995-2023.  
Source: JRC (ARDECO)

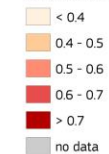
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Development Trap Index 1 at NUTS 3 level, 2001-2021

Likelihood of being in a development trap



This index measures if a region's growth is lower than that of the EU, of its country, or of the region itself during the previous five years. It considers growth of GDP per head, productivity, and employment per head over a five-year period. A region scores 1 for each time its growth is higher. This score between 0 and 9 is then rescaled to 0 and 1.

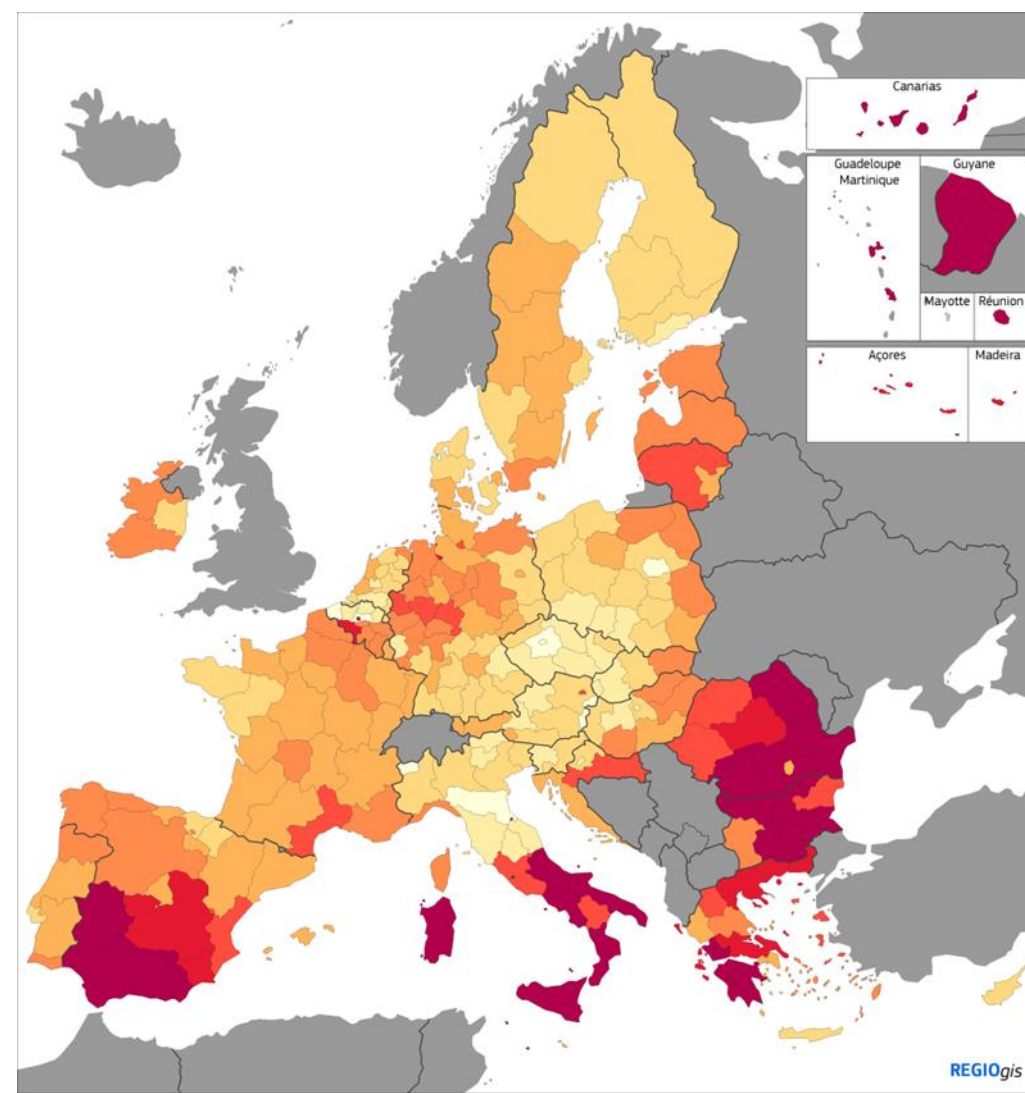
Source: DG REGIO calculations based on JRC and Eurostat data

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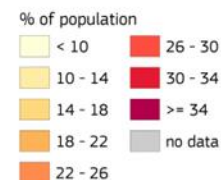
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# 3. Lack of opportunities

- **Serious pockets of lack of opportunities and barriers to inclusion**
- **Fundamentally affecting vulnerable groups: women, children, young and elderly people, people with disabilities, persons with low education, migrants, Roma people and other ethnic and religious minorities**
- **Population at risk of poverty or social exclusion often geographically concentrated in vulnerable regions but also in our most dynamic cities**



Population at risk of poverty or social exclusion, 2022



EU-27 = 21.7  
Source: Eurostat (ilc\_peps11n and ilc\_peps01n)

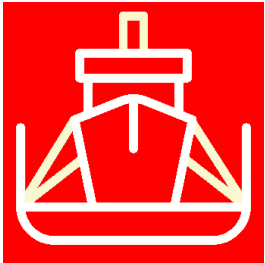
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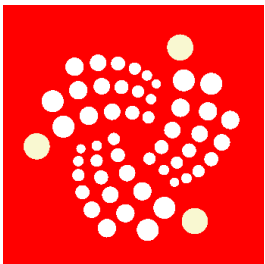
# 4. Adapting to a turbulent global landscape



**G**eopolitical fragmentation, conflict, war

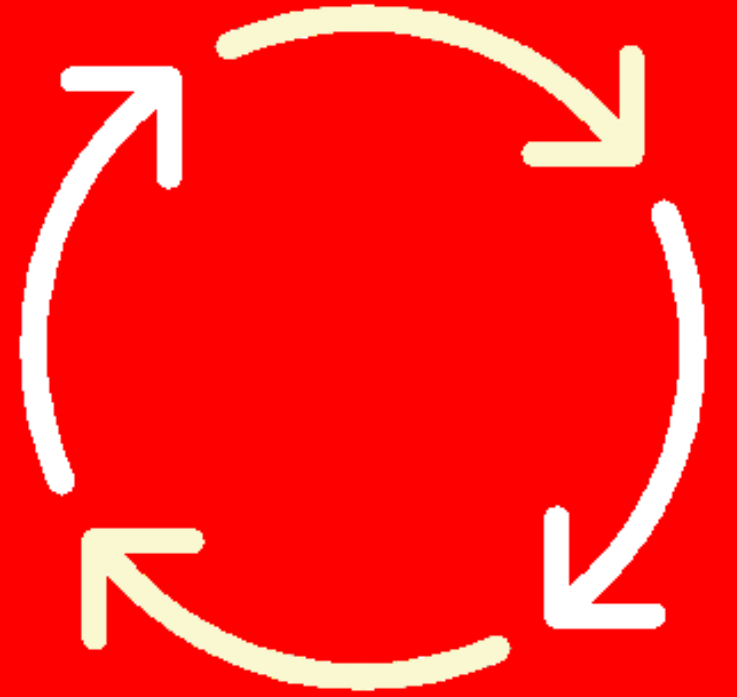


**D**eglobalisation, disruption of global value chains



**A**daptation to automation, AI and robotisation

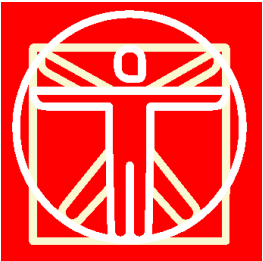
**The risks**



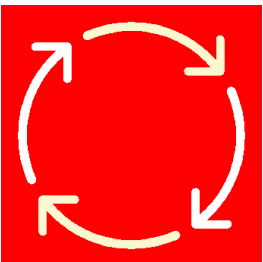
# Economic risks



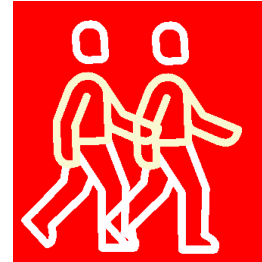
**We need dynamic big cities**



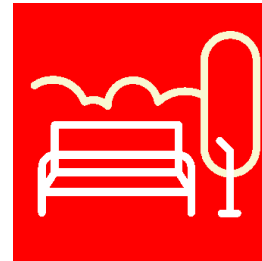
**But big cities alone cannot do the trick: automatic stabilisers don't work**



**Spillovers are limited**



**Migration can only go so far and has considerable costs**



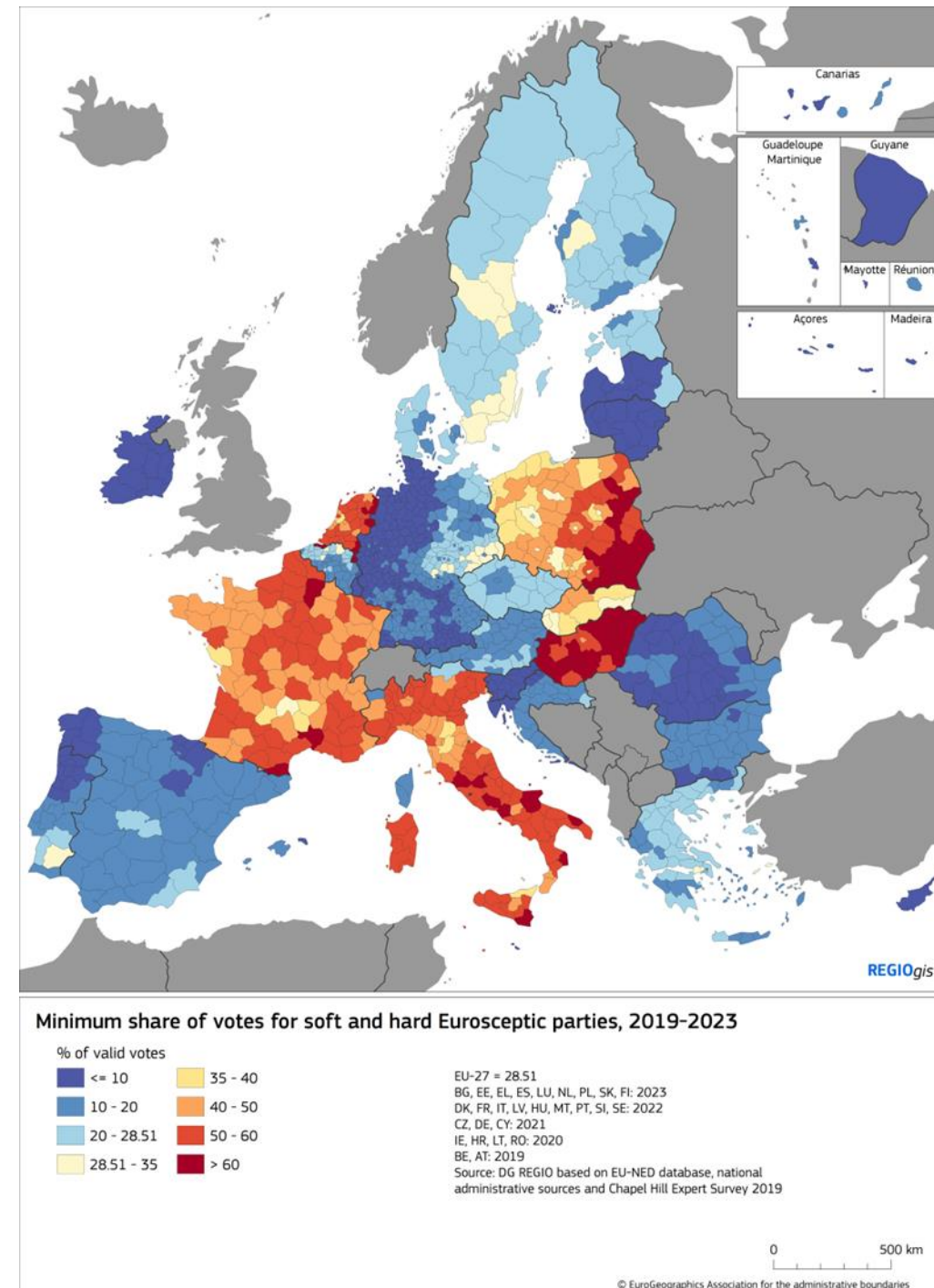
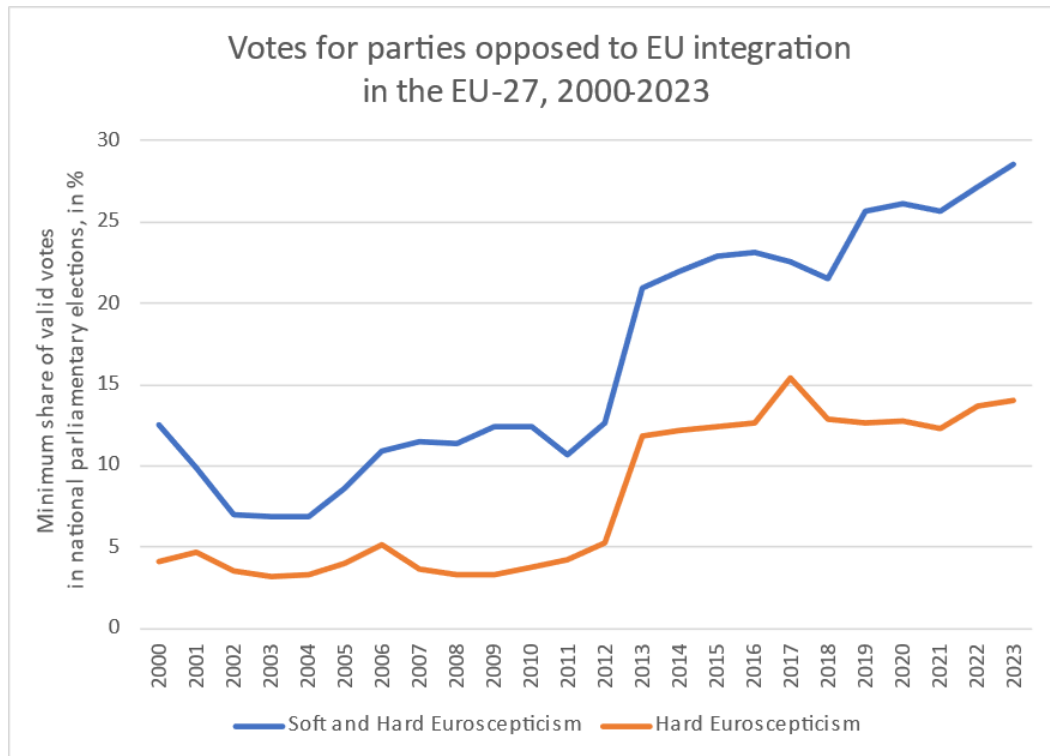
**Not all large cities are dynamic and there is great potential in smaller places**



**Europe needs to fire on all cylinders, using European talent to its full potential**

# Political risks

- **Rise of discontent**
- **Disenfranchisement of large layers of the population**
- **Loss of faith in the European project**



# Risks to the fundamental EU values



**Cohesion is the glue that binds all Europeans together**



**Cohesion promotes a shared sense of belonging (*Zusammenhalt*, Togetherness) and strengthens the European project**



**Cohesion ensures that no European is left behind**

2.



**What Cohesion Policy?**



# What should Cohesion Policy do?



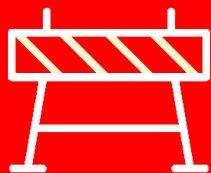
Cohesion policy is **a systemic and dynamic** policy that **taps into the EU's untapped economic potential**, especially in less developed and vulnerable areas, enhancing development throughout the continent and encouraging the generation and diffusion of economic activity



**A** policy that promotes territorial fairness



**A** policy that addresses **the main structural challenges** of the EU: low development; long-term economic stagnation; and lack of opportunities across all regions.



**A** policy that knows no borders and builds bridges across the EU's internal and external borders

# A policy that tackles challenges head on

Challenge	Type of region	Intervention
<b>Low development</b>	Lagging behind	Improve infrastructure and other forms of productive capital, enhance education and upskilling, bolster institutional quality, develop local ecosystems capable of harnessing trade, FDI and Global Value Chains
<b>Lack of economic dynamism</b>	Development trap	Integrate education with upskilling and lifelong learning, drive innovation, improve institutional quality and address governance bottlenecks, target structural interventions to foster structural change and sustainable growth and jobs, mitigate the economic impact of internal and external borders, and prepare regions to withstand the shocks of changes in value chains, automation and AI
<b>Lack of opportunities</b>	Regions at Risk of Poverty & Social Exclusion	Invest in education and upskilling, provide early childhood education and care, implement effective labour market policies (including navigating the challenges from the adoption of digital technologies and automation), promote work-life balance, encourage active ageing, prioritise poverty reduction and social inclusion.

3.



**How** should it do it?

# A place-based policy exploiting local potential



**A place-based and transformative policy, with future-oriented investments sensitive to the unique strengths, challenges and needs of regions**

- A policy that drives regional and local transformation
- Promotes innovation and diversification opportunities
- Allows regions to reinvent themselves
- Enhances inter-regional links and collaboration
- Integrates cohesion with broader development goals



**A policy that exploits local capabilities and potential and develops future opportunities for inclusive and sustainable growth through diversification and collaboration**

# A policy that builds institutions and connects



**A policy that builds better institutions, putting institution and capacity building on par with investment in infrastructure and productive capital, human capital and innovation as the basic pillars to achieve development**

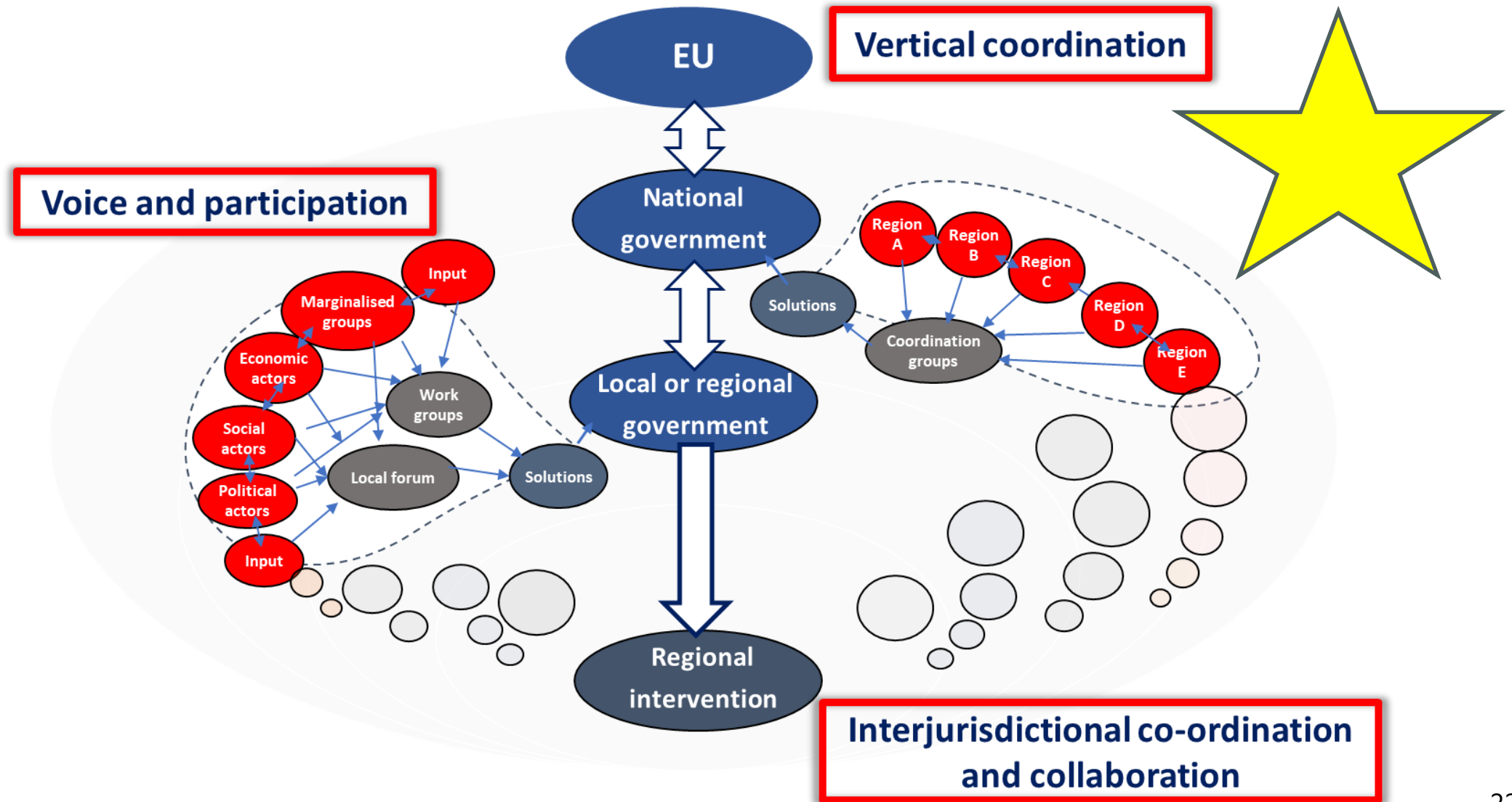
- A policy that reinforces capacity-building across the whole administrative ecosystem
- Supports stakeholder involvement and participations innovation and diversification opportunities
- Provides professional and technical assistance
- Promotes participatory approaches
- Gives voice to marginalised groups
- Creates integrated policy frameworks and conflict resolution mechanisms



**A policy to harness global opportunities**

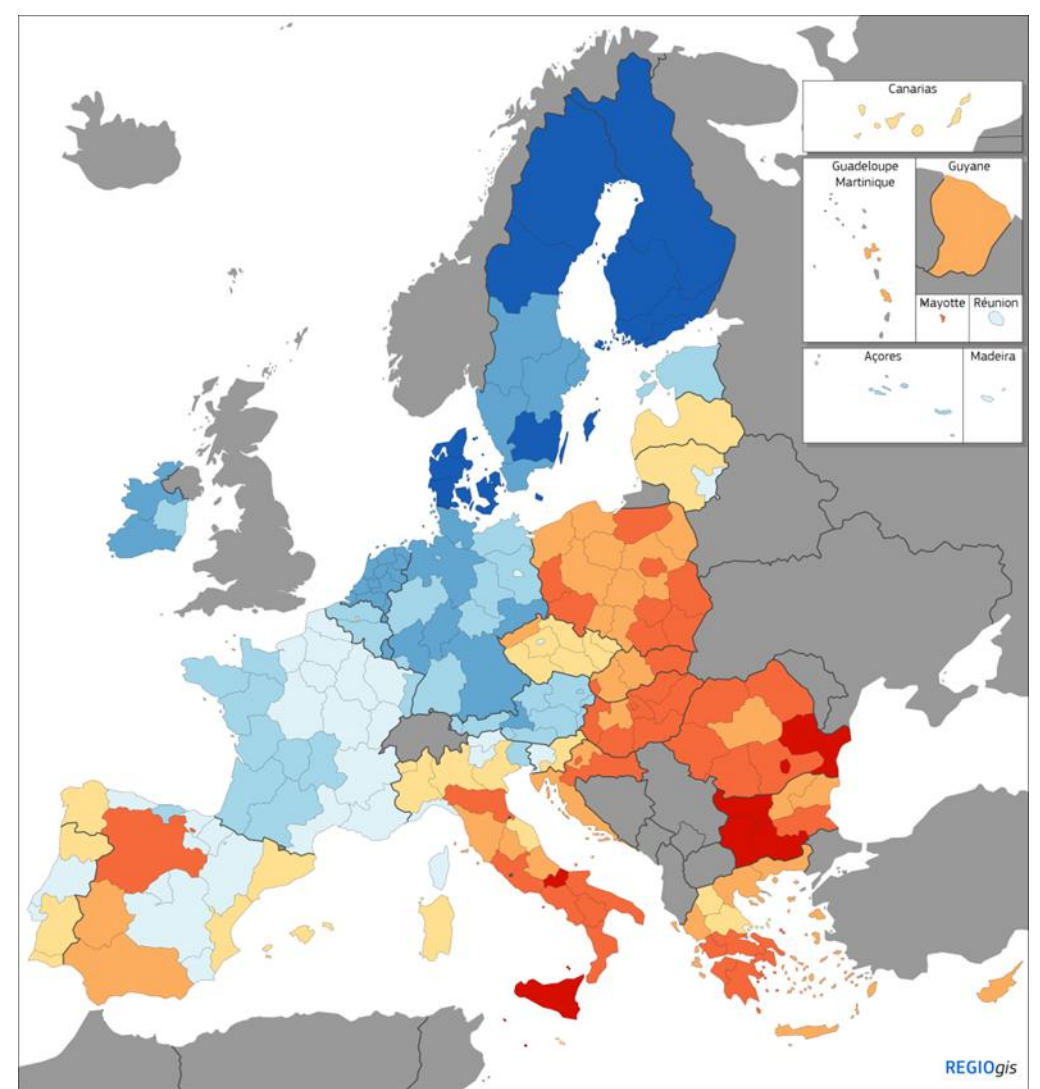
- A policy that connects local economic stakeholders to sources of knowledge and skills, tapping into a wider pool of ideas and expertise, wherever they are
- A policy that invests in creating the ecosystems that can effectively absorb and transform new knowledge into viable and sustainable economic activity

# Improving governance



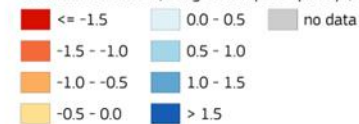
# In a Europe with big differences in institutional quality

- Differences that undermine the effectiveness of Cohesion investments
- Dent economic activity
- And the design, implementation and returns of all other public policies



European Quality of Government Index, 2024

Standard deviation, range from poor quality (negative) to high quality (positive)

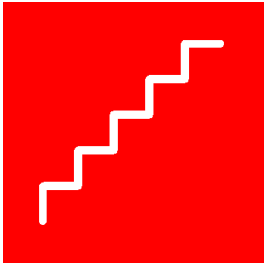


EU = 0

Source: The Quality of Government Institute, University of Gothenburg

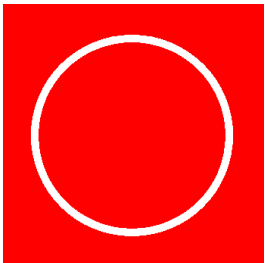
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# A simplified performance-based policy



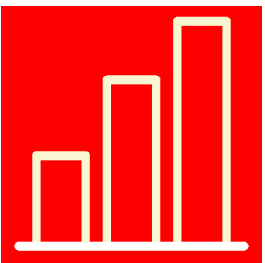
**A policy that becomes even more performance-based, blending this approach with its territorial dimension**

- A policy veering towards a territorially-sensitive performance-based model, complementing investments with reforms to achieve development goals without diverting from its foundational objectives of promoting social and economic convergence



**A policy that streamlines its administrative procedures, reducing paperwork, and adopts more efficient approaches to simplify processes and make them more user-friendly**

- More technical support, clearer guidelines and greater hands-on assistance for applicants would make the policy more accessible



**A policy that remains fundamentally concerned with its original mission of driving sustainable development and boosting competitiveness, while maintaining flexibility to address urgent challenges**

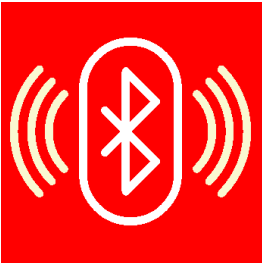


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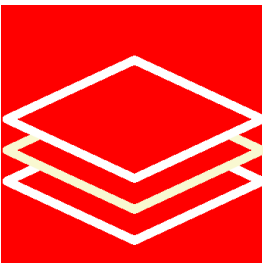
**With whom should it work?**

# A policy that builds synergies



**A policy that builds synergies with other EU and national initiatives to ensure that all policies deliver on their goals**

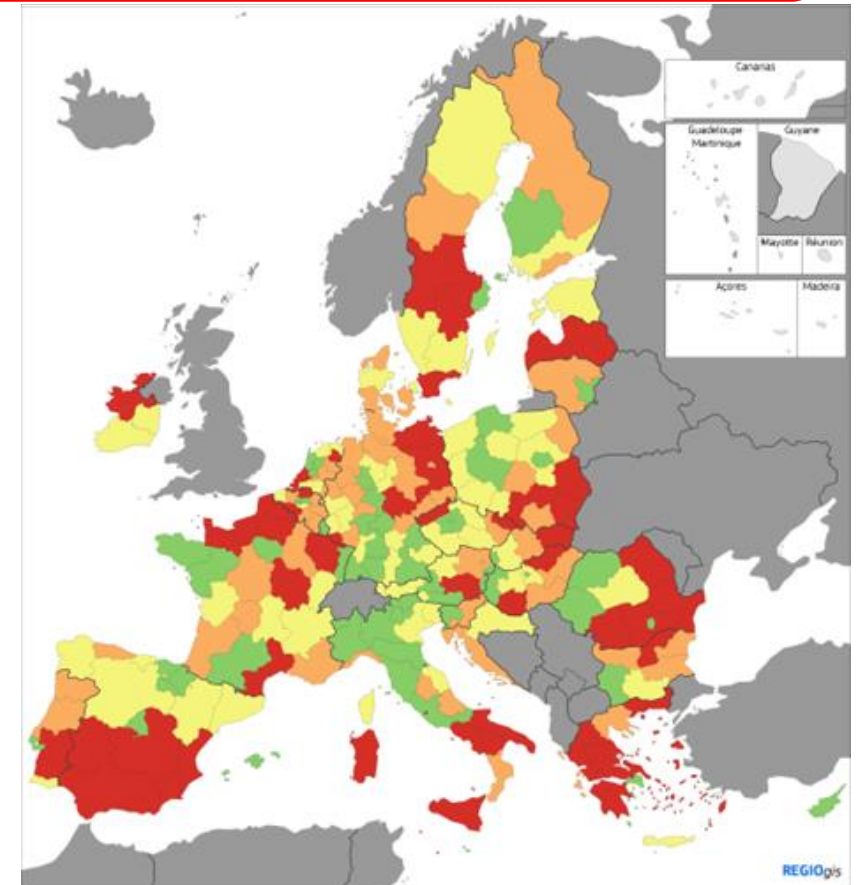
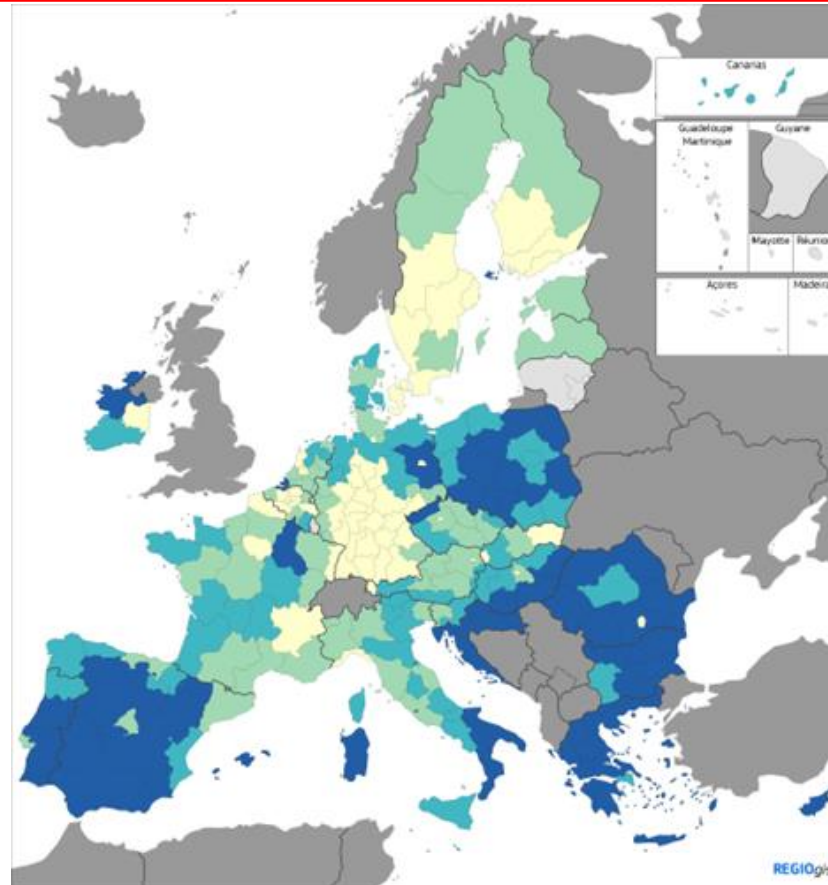
- Cohesion is far too important to be left to Cohesion Policy alone.
- There is no cohesion if the benefits of other EU and national policies concentrate in a few spaces
- **But there can be no green or digital transition, nor a well-functioning Single Market, nor a more innovative or competitive Europe without cohesion**
- Hence, Cohesion Policy and other EU initiatives, as well as national policies, are mutually dependent and need to work in concert to achieve their collective goals



**A policy with a strategic framework **uniting competitiveness and cohesion** and other relevant policies as part of the European Semester process**

# The green transition and cohesion

- **T**he green transition will ultimately deliver considerable benefits
- **B**ut many EU regions are highly vulnerable to the transition itself
- **M**ost of these regions are either less developed or already vulnerable
- **A** disregard for its impact on vulnerable regions could derail the green transition



5.

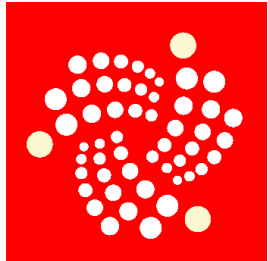
**Enlargement**



# A simplified performance-based policy



**Cohesion Policy was created as a mechanism to help integrate new Member States. It has been quite successful in this task**



**Cohesion Policy is vital to guarantee an effective integration of future Member States**



**But enlargement should not compromise investment in current EU regions**

- Investment should be channelled to regions in Member States bordering Candidate Countries
- **A**nd to regions most severely affected by changes of European and global value chains