Economic and social cohesion: consequences of enlargement, policy after 2006. 1st report

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PURPOSE : the Commission's first progress report on economic and social cohesion. CONTENT : This progress report on cohesion has two principal objectives: -to update the analysis of economic and social cohesion presented in the Second Cohesion Report of January 2001, including for the first time, an analysis of disparities in a Europe of 25 in the light of the enlargement to include the 10 new Member States, which according to the Laeken European Council, will be ready to join the EU in 2004; -to outline the state of the debate on future cohesion policy for the period after 2006, and to prepare the next steps. In terms of regional incomes (GDP), the analysis confirms a major fall in the average level of GDP per head as the Union enlarges to 25 or 27 Member States and a widening of regional and territorial disparities on a scale without precedent in any previous enlargement. In a Europe of 25 (excluding Romania and Bulgaria who, in their negotiating position, foresee accession at a later stage) the disparities are narrower, and the increase in the relative prosperity of regions in the 15 less pronounced, compared with the situation in the Europe of 27. According to 1999 data, in passing from 15 to 27 Member States, average GDP per head falls by 18%, and by only 13% in a Europe of 25. In terms of employment, there is a general improvement across EU15. A mixed picture emerges in the candidate countries. Where the EU saw a net gain of 3 million jobs in the year 2000, the candidate countries lost some 600000 jobs. The candidate countries' long-term growth rate has tended to exceed that of the Member States by nearly 1% per annum on average. There are, however, wide disparities in levels of income and employment which are unlikely to be reduced appreciably before the long-term. An additional factor is a possible downturn in economic performance in Europe. With regard to human resources, there are a number of challenges: the sheer scale of regional imbalances in the labour market and economic development following enlargement; the polarisation of the labour market and society; the increasing skill need; the persistent gender inequality; the need for modernisation of economic and social systems in response to demographic changes, and the growing pressures from migration and mobility. The debate on cohesion policies after 2006 is only just beginning and very few national governments have so far committed themselves to a particular position. The priorities identified by the Commission are as follows: -cohesion policy should continue to target the least developed regions. While a number of alternative ways for identifying these regions has been put forward, there does not seem to be a viable alternative synthetic indicator to that of GDP per head, as currently used for Objective 1. The need to target aid on the regions in the candidate countries is generally uncontested, but the Objective 1 regions in EU15 - that would otherwise lose their priority status as their relative prosperity increases in an enlarged EU - should not experience a cut-off of aid, especially where this is due to the statistical effect of enlargement. There is no clear consensus, however, on how to ensure equal treatment for these regions that have yet to complete the process of economic convergence with the rest of the Union. At regional level, there is a clear demand the future policy should not focusexclusively on the least developed regions. It should continue to take account of urban areas, areas undergoing economic restructuring or with permanent natural handicap as well as the cross-border dimension. -cohesion policies should also target the Lisbon objectives: more and better jobs, greater social inclusion, equal opportunities, and continued push towards the knowledge-based society. On financial aspects and management, the efficient use of resources requires that the national and regional authorities concerned address challenges at the administrative level, the financial level and the economic level. In the light of experience, the Commission remains attached to three principles: -sound and efficient management; -transfers conditioned by results, exemplified by the introduction of the performance reserve for 2000-06. -due account of absorptive capacity. The existing acquis provides for a ceiling on total transfers to Member States of 4% of national GDP. The Commission has said this ceiling could be raised after 2006, for example to permit the realisation of certain major projects of particular Community interest, financed by the Cohesion Fund.