Economic and social cohesion: regional trends, debate on future developments: 2nd interim report

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PURPOSE : to present the second progress report on economic and social cohesion. CONTENT : the report mainly covers three topics: - analysis of the situation and trends concerning economic and social cohesion in the EU with 15 and with 25 Member States; - the main topics of the debate on future cohesion policy in 2002; - preparing for enlargement up to the end of 2006; 1) Economic and Social Cohesion: Situation and Trends : EU enlargement in 2004 will present an unprecedented challenge for cohesion. Several factors need to be considered, including: - An unprecedented widening of economic disparities within the Union: the gap in per capita GDP between the 10% of the population living in the most prosperous regions and the same percentage living in the least prosperous ones will more than double in EU 25 compared with the situation in EU15. - The geographical shift in the pattern of disparities: in EU25, 116 million people, or 25% of the total population, will live in regions with a per capita GDP below 75% of the EU average as opposed to 68 million people, or 18% of the total, in EU 15. - A less advantageous employment situation : three million jobs will have to be created if the average level of employment in the new Member States is to be aligned with that of the rest of the EU. On the other hand, other factors demonstrate the economic potential of an enlarged EU: the candidate countries in general have had a higher rate of economic growth than the present Member States and overall will help raise the average level of education in the Union. 2) The debate on future cohesion policy continues : the debate on the future of cohesion policy has remained intense throughout 2002 since the publication of the first progress report a year ago. Contributors have stressed the added value of EU regional policy in generating jobs and incomes in less well-off Member States and regions, promoting territorial integration, achieving Community priorities, and contributing to better governance. The following issues emerged as central to the agenda for future policy: - Less developed regions : there is a broad consensus on the need to continue to concentrate resources on the less developed regions. On the definition of these regions, the contributions to the debate have not seriously questioned the continued use of the present eligibility criteria based on regional GDP. - Special cases : there are concerns, as well as demands for special treatment, for some of today's generation of less developed (Objective 1) regions. These include those that will experience an increase in their relative income per head simply as a result of the decline in average per capita GDP in the enlarged Union, with consequences for their eligibility for EU support. Other concerns relate to the future of the least densely populated regions in the North. A particular case is that of the outermost regions whose particular handicaps are explicitly recognised in Article 299 of the Treaty. - Action outside the less developed regions : in the current period, 2000-06, approximately one-third of the Structural Funds is allocated to regions which are not eligible under Objective1. This is because of the many problems faced even in relatively prosperous Member States where the Union has a particular added value to contribute in terms of raising competitiveness, promoting sustainable development, and contributing to economic restructuring. - Co-operation : co-operation across frontiers and between regions is a European responsibility par excellence and there is universal demand for such efforts to be continued beyond 2006, possibly on the basis of new cross-border legal frameworks. - Simplifying management : simplification and greater decentralisation of responsibilities is an issue to be addressed both for current and future programmes. There is a general agreement that current management systems with very detailed rules are inappropriate, given the vast differences in needs, types of assistance and resources made available. There is also wide recognition that enlargement will aggravate the tension between the need for a more decentralised delivery system and the need for effective control. An avenue to be explored is that of a contractual approach involving the Commission, the national authorities, and the regional authorities perhaps in some official tripartite arrangement. - Financial resources : when establishing the future budgetary allocations for economic and social cohesion, the Union will need to take account of the

unprecedented scale of disparities in an enlarged Union. The Commission will put forward its proposals on the new financial perspective in due course. Many contributions to the debate, especially at regional level, relate to a figure equivalent to 0.45% of EU GDP as a minimum level for the resources to be allocated to cohesion policy for the period after 2006, a position which was endorsed notably by the European Parliament. 3) Preparing for enlargement up to the end of 2006 : accession negotiations with Estonia, Latvia, Lithuania, Slovakia, Slovenia, Hungary, the Czech Republic, Cyprus, Malta and Poland were completed at the Copenhagen European Council in December 2002 which finally opted for an envelope of almost Euro 21.7 billion for the Structural Funds and the Cohesion Fund for the period 2004-06. Aid from the Structural Funds will inevitably be delivered mainly through Objective 1 programmes. One third of the global financial allocation will be delivered through the Cohesion Fund. As regards the future deadlines : the third report on economic and social cohesion will be adopted at the end of 2003. Wide-ranging consultations will take place in 2003, including a major event in March 2003 on the future management of the Structural Funds. There are also plans to arrange consultations on the proposals of the third report in 2004 as part of a Forum on cohesion. The Commission will present its overall proposals for all policies together with the financial perspectives for the period after 2006. The objective is to ensure that 2006 is devoted to the negotiations with the Member States and the regions on the new programmes for 2007-13.