# Economic and social cohesion. 1st report

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OBJECTIVE: This, the first Commission report on economic and social cohesion in 1996 concerns the impact of structural aid on economic and social development in the EU's regions. In particular, the document analyses the effects of the Structural Funds and the efforts made by the EU and the Member States to reduce regional disparities over the past ten years. One of the main lessons of the report is that whilst the development gap between Member States is tending to become narrower it is growing wider between the regions. SUBSTANCE: Social and economic fortunes - over the past decade, economic growth in the EU has averaged 2% a year, whilst employment has grown at only 0.5% a year. Disparities in per-capita income between Member States have narrowed significantly over the same period. This is largely because the cohesion countries (Spain, Portugal, Greece and Ireland) have caught up, with per-capita income rising from 66% to 74% of the Community average. Ireland has shown the most remarkable performance with an average annual growth rate of 4.5% between 1983 and 1995. The experience with regard to employment was more mixed. Across the EU as a whole, the incidence of unemployment have become much more uneven: from 1983 to 1993, the 25 regions with the lowest rates of unemployment were able to reduce their rate to 4.6% whilst the regions with the highest rates saw them increase to 22.4% of the workforce. - effect of the Community contribution on the different Member States: according to the document, the primary purpose of Community transfers is not to redistribute money. Instead they are intended to strengthen the economic base in the recipient regions, including human capital formation. EU structural policies have contributed to a significant narrowing of the gaps between poorer and richer Member States but not unfortunately between the regions themselves. The added value of the EU's structural policies mainly takes the form of innovation with undeniable advances in terms of environmental protection, creation of infrastructure, education and training. At the same time, income disparities between rich and poor regions widened (in the twenty-five best-off regions, per- capita income rose from 140% to 142% of the EU average whilst in the poorest regions it rose from 53% to 55%). The main role of Community support has been to help the Member States target resources on the most serious problems and the most severely affected regions. - Outlook: the EU faces major challenges including globalization, rapid technological change, EMU and enlargement. The Commission believes that the European model of society remains the most appropriate framework for confronting them. Market forces and entrepreneurial initiative are necessary as are solidarity and mutual support. Cohesion must therefore be further strengthened. The report avoids making concrete proposals for change. Rather, a number of themes are identified as a basis for further discussion. It does, however, provide several pointers for the future of cohesion policy: - how to secure sufficient investment (including human resource development); - how to favour job creation; - how to make national structural and social programmes more effective in coping with widening disparities. In any event, the Commission believes that cohesion policies must be more effective and better tailored to citizens' needs. Efforts must be concentrated on job creation, research and development, environmental protection and equal opportunities. Several issues remain outstanding at EU level. The overriding one is how to improve the effectiveness of Community action: - scarce resources must be better targeted to the most serious problems; - the best combination should be made of subsidies and loans and public and private funds; - procedures should be simplified; - the respective roles of the Member States and the EU should be clarified and participation at regional and local level should be increased; - sufficient flexibility must be maintained in order to respond to new challenges and opportunities. The Commission also mentions the problem of additionality of EU transfers, the Member States' capacity for absorbing credit, and the problem of injecting more competition into the allocation of resources. Finally, it underlines the problem of the budgetary austerity programmes launched in the Member States. The main question is how to balance budgetary discipline with solidarity towards the poorest Member States and regions and towards the most disadvantaged regions and people in the wealthiest Member States.