4th report on economic and social cohesion

2007/2148(INI) - 30/05/2007 - Non-legislative basic document

PURPOSE: to present the fourth report on the EU's economic and social cohesion policy.

BACKGROUND: Treaty provision require the Commission to submit a report, every three years, on progress towards achieving the specific objectives of the EU's economic and social cohesion policy. The report has to assess the various methods used in the Member States to contribute towards realising these objectives. This is the fourth such report to be prepared by the Commission. It provides, firstly an update on the situation and outlook on the EU's cohesion policy and secondly, an analysis of the impact of policy at national and Community level. Particular attention is given to the 2000-2006 programming period. A first assessment of the preparation for the new programming period, 2007-2013 is analysed.

CONTENT: in summary, the following findings have been made:

The added value of a cohesion policy:

The EU's cohesion policy is succeeding in making a difference to living standards across the Union. The fourth evaluation of the EU's cohesion policy finds, *inter alia*, that:

- **Convergence is occurring at national and regional level**: measured in terms of GDP per capita, regions have been showing strong economic performance and estimates suggest that these trends will continue;

- **Cohesion policy supports job creation outside of the convergence regions**: estimates suggest that between 2000-2005 over 450 000 new jobs in six countries were created, which accounts for some two-third of the European assistance allocated to Objective 2;

- **Cohesion policy investment in people has high returns**: the cohesion programme has co-financed the training of some 9 million people annually – more than half of them being women. A strong percentage of those trained either (re)enter into employment after training or report better employment conditions and higher income;

- **Cohesion policy leverages public and private capital in support of product investment**: between 2000 and 2006 every euro invested by the cohesion policy led to further expenditure in Objective 1 regions averaging EUR 0.9. In the Objective 2 regions, this expenditure can go as high as three times the amount initially invested. This is achieved through policy rules such as co-financing and partnership and through increased private capital participation, including a variety of public private partnership agreements.

Situation and trends in economic, social and territorial disparities:

Between 1994 and 2006 Greece, Spain, Ireland and Portugal benefited the most from the EU's cohesion policy. They all achieved impressive growth rates. For example, between 1995 and 2005, Greece reduced the gap with the rest of the EU-27, moving from 74% to reach 88% of the EU-27 average in 2005. In 2005, Spain and Ireland moved from 91% and 102%, respectively, to reach 102% and 145% of the EU's average. Portugal, on the other hand, continues to return figures below the EU average. In 2005 its GDP per head was 74% o the EU average.

However, it is among the new Member States, especially those with a very low GDP per capita, where faster growth and more rapid catching up are visible. The GDP of the three Baltic States has almost doubled over the decade from 1995 to 2005. Poland, Hungary and Slovakia have performed well with growth rates more than double that of the EU average. At the same time, estimates suggest that it will take Poland, Bulgaria and Romania fifteen years to reach a GDP per head of 75% of the EU-27.

As far as the regional level is concerned relatively strong economic growth in regions with a low GDP per head over the past decade has meant that, overall, EU regions have been converging. Between 1995 and 2004 the number of regions with a GDP per head below 75% of the EU average fell from 78 to 70 and the number of those below 50% of the EU average declined from 39 to 32. Yet, in spite of progress, absolute disparities remain large. Between 2000 and 2004, real GDP per head fell in 27 regions.

In terms of employment and productivity those regions lagging behind the rest of the EU are beginning to catch up rapidly – particularly so in the three Baltic States and in parts of Poland. As far as social cohesion is concerned disparities in unemployment rates have decreased though for some regions poverty remains a real challenge. In 2004, the proportion of those falling into poverty reached around 20% in Lithuania, Poland, Ireland, Greece, Spain and Portugal compared to only 10 % in the Netherlands, the Check Republic and Sweden. On average those at risk of poverty in 2004 totalled 16% of the EU population - equivalent to 75 million people. This risk is higher for women, young children, the elderly and unemployed.

On the matter of territorial cohesion, evidence suggests that economic prosperity in the EU is becoming less geographically concentrated than was previously the case. The traditional "core of Europe" (London-Paris-Milan-Munich and Hamburg) contributed a substantially smaller share of the EU-27 GDP in 2004 than in 1995 due to the emergence of new growth centres such as Dublin, Madrid, Helsinki and Stockholm – but also Warsaw, Prague, Bratislava and Budapest. Within the Member States, economic activity is becoming more concentrated in capital city regions and there is a dominant trend in European cities toward suburbanisation. Thus, the concentration of deprivation in urban neighbourhoods remains an issue in many European cities. In addition, significant outward migration from rural areas is still the prevailing trend in large parts of the EU notably in the South of Italy, the North of Finland, Sweden and Scotland, Eastern Germany and the eastern parts of Poland.

New challenges:

New challenges to growth and employment are particularly relevant to cohesion policy since they have an uneven impact on Europe's territory and may widen social and economic disparities. The kind of challenges identified by the Commission include an increasing global pressure to restructure and modernise; climate change; increased energy prices; emerging demographic imbalance and social tensions; and national policies that face increasing difficulties in keeping up with the rapid pace of change imposed by these trends.

Next steps:

To conclude, in the course of 2007 and 2008, the Commission will develop its approach to the budgetary review setting the criteria for policy assessment and future policies. This review will assess and examine what kind of challenges cohesion policy may be faced with in the future. The Cohesion Policy Forum will discuss these challenges with stakeholders. During these discussions the Commission suggests that the following questions may be aired:

- What lessons can be drawn from preparing the 2007-2013 programmes?

- How can the regions react to restructuring pressures from dynamic competitors in low and medium tech sectors?
- What role can cohesion policy plan in responding to demographic change?
- To what extend is climate change a challenge for cohesion policy?
- How can cohesion policy develop and integrate further growth and jobs in this new context?
- How can the cohesion policy promote harmonious, balance and sustainable development?
- What key future skills are needed to face new challenges?
- What responsibilities should the regions develop to make the regions more globally competitive?
- What is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?
- What could make the cohesion policy more performance based and more user friendly?
- How can synergies between the cohesion policy and other national/Community policies be improved?
- What new opportunities are there for co-operation between the regions both within, and outside of, the EU?