



Communication accompanying the 9th Cohesion Report

Rural Pact Coordination Group – 16.04.2024

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9th Cohesion Report

- Cohesion Report - a Treaty obligation, published every 3 years
- Needs to set out progress in achieving economic, social and territorial cohesion

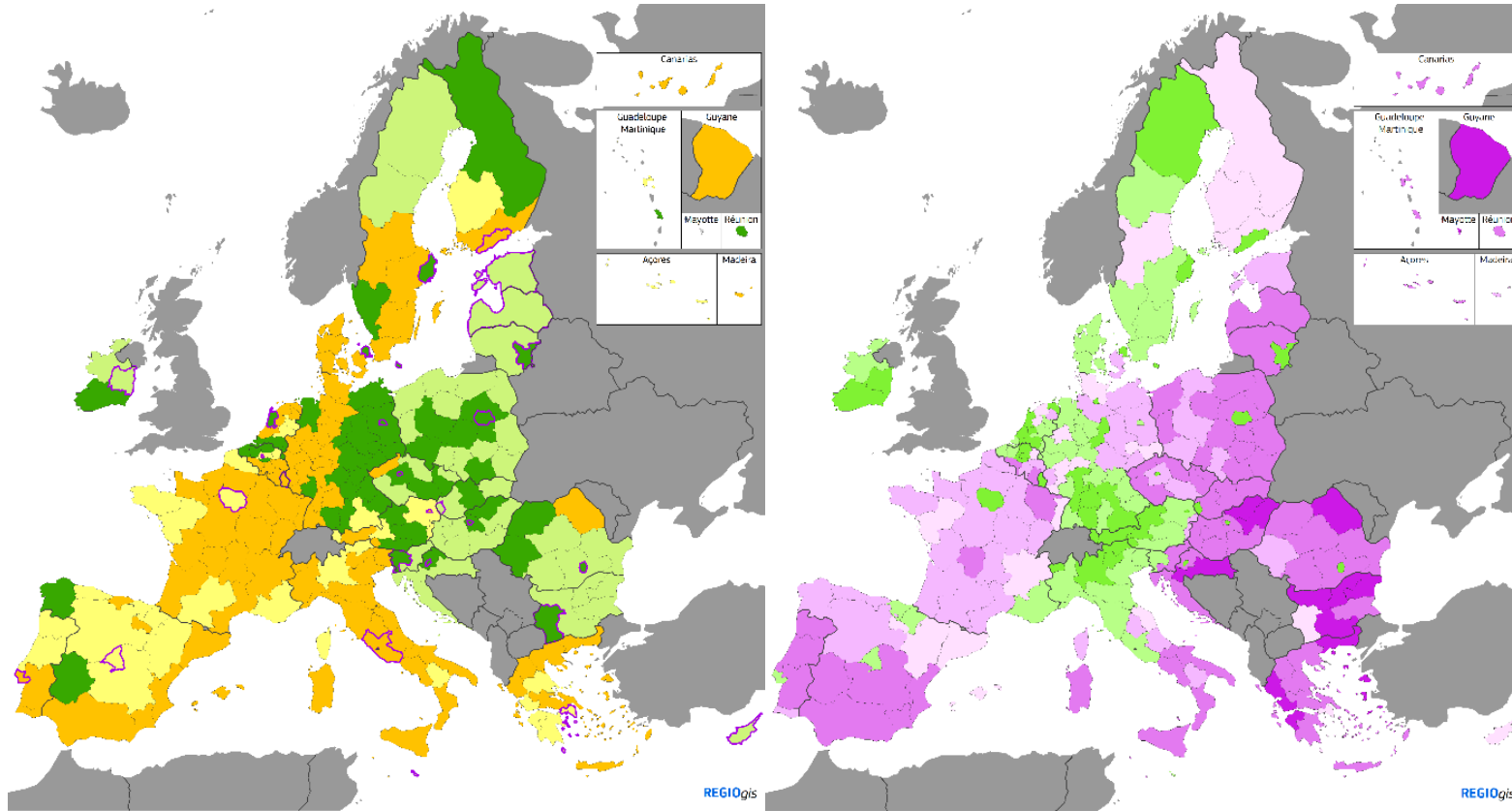
Communication

- Summarises the findings of the report,
- Takes stock of policy achievements and
- Draws lessons for the future

Report

1. Economic cohesion
2. Social cohesion
3. Cohesion and territorial diversity
4. The green transition
5. Regional innovation and the digital transition
6. The demographic transition
7. Better governance
8. Public finances, national policies and cohesion
9. The Impact of Cohesion policy

Economic convergence



Regional growth of GDP per head compared to growth by Member State and in the EU, 2001-2021

- Category
- above EU average and above Member State average
 - above EU average and below or equal to Member State average
 - below EU average and above Member State average
 - below EU average and below or equal to Member State average
 - no data
 - capital regions

Source: IIG, REGIO based on JRC-ARISE CO data

0 500 km
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GDP per head (PPS), 2022

- Index, EU-27 = 100
- < 50
 - 50 - 75
 - 75 - 90
 - 90 - 100
 - 100 - 125
 - >= 125

Source: Eurostat (nama_10r_zgdpl)

0 500 km
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- Strong upward convergence in Member States acceding since 2004
 - 52% of EU average in 2004 to 80% in 2023 - cohesion policy support and integration into the Single Market
 - Unemployment rates dropped from an average of 13% to 4%
- Growth driven by high increase of productivity
- Uneven convergence across the EU
- Persistent difficulties: internal disparities, regions in development trap or lagging behind

Cohesion Policy strengthens the Single Market and levels the playing field

- Cohesion policy supports regions to reap the benefits of the Single market, fostering investments and exchanges
- Multiplier effect: each euro invested will be tripled by 2043 – 4% annual rate of return
- Cohesion policy benefits all regions, including more developed regions
- Its targeted nature mitigates the risk of crowding out investments
- Key role in supporting public investment (13% on average and 51% of government investment in less developed Member States)
- Contribution to administrative capacity and quality of governance
- Important role to play in the context of future enlargements

Cohesion policy helped mitigate the impact of crises

- Uneven impact: regions dependent on sectors disrupted by the pandemic or vulnerable to supply chain disruptions and high energy prices were the most impacted
- Cohesion policy reacted promptly (REACT-EU, CRII, CARE, SAFE) – to avoid further widening disparities
- Cohesion support has been complemented by other EU instruments and initiatives: RRF, SURE, REPowerEU
- Fast economic recovery - employment levels back to pre-crisis level in one year
- Vulnerability of regions calls for reinforcing the resilience of their economies and labour markets, investing in future proof European value chains and strategic sectors of Europe - STEP

Social convergence progressed - challenges remain

- Overall improvement esp. in reducing poverty and promoting social inclusion
- Disparities in employment have narrowed, by 5% between less developed and more developed regions
- Unemployment rates converged: halved in less developed regions between 2013 and 2022, to 8%
- NEET rate also dropped by 4% over the same period, at 12%, yet remaining a challenge
- General increase in educational attainment – with concentration of tertiary graduates in cities
- BUT
- Labour and skills shortages on the rise, exacerbated by demographic decline
- Some regions in South and Southeastern Europe are underperforming

Not all regions benefit from the same growth dynamics

- Still large economic disparities: more than 1 in 4 people of EU population lives in less developed regions
- Increase of internal disparities with different patterns:
 - ✓ *Higher growth of capital regions – Eastern Member States*
 - ✓ *Lower growth of poorer regions – e.g. France, Greece*
- Rural areas face specific challenges hindering their growth
 - BUT their average GDP/head growth is twice that of urban areas (1.5%)
- Growing number of regions face economic stagnation or decline – risk of development trap
 - ✓ *Source of frustration, fuelling political discontent*
 - ✓ *Root causes differ – e.g. insufficient economic specialisation, inefficient innovation ecosystem, weak public governance, skills mismatches*
 - ✓ *Requires analysis and tailored policy responses through reforms and investment*

A set of challenges, if left unaddressed, could further widen territorial disparities

- **Demographic decline** will require accelerated productivity gains - regions in talent development trap may fail to mitigate the impacts on their labour markets
- **Climate transition** brings new opportunities, but also requires structural changes, which may negatively impact most vulnerable people, companies and regions
- **Climate change** may contribute to increase regional inequalities
 - *Coastal, Mediterranean, Southeastern and Eastern regions face annual losses of 1% of their GDP*
- **Digital transition** provides opportunities, but people and regions are unevenly equipped to reap the corresponding benefits
- **Geopolitical tensions** (Russian aggression; conflict in the Middle East) severally impact regions – shrinking opportunities and investments in Eastern border regions; migration challenges in Southern regions
- **Deficiencies in public governance and administrative capacity** impact return on investments of European policies and hamper development potential

Drawing lessons for the future - 1

Challenges

- internal disparities, traps
- Disadvantaged regions and people
- Implementation difficulties: in less developed regions, MS

=> Policy design to evolve through lessons from other EU instruments

Build on Treaty objectives of economic, social and territorial cohesion - concentrated support/ higher aid intensity in less developed regions

Embrace diversity of regions, needs, challenges, with more tailored support – build on JTF, smart specialisation approach

More balanced territorial development – relying on medium-sized cities, cooperation

Partnership and multilevel governance

Drawing lessons for the future - 2

- **Promoting institutional convergence** - addressing administrative and governance weaknesses in a comprehensive manner to bring benefits for the Single Market
 - *In national, regional and local administrations*
 - *For beneficiaries and partners*
- **Enhancing effectiveness of Cohesion Policy investment and promoting reforms**
 - *Reforms are needed to remove obstacles to regional development*
 - *The application of enabling conditions may limit capacity to address Member States specific needs*
 - *Increased role of Cohesion Policy within the European Semester*
 - *Take into account RRF lessons in particular stronger complementarity of investments and reforms*
 - *Need to address scope of reforms, role of European Semester and coordination at different levels*

Drawing lessons for the future - 3

- Better **coordination and coherence with national policies** to foster cohesion – shared objective between EU and Member States
 - *Integrating a territorial dimension to reinforce coherence between region-specific needs and horizontal policies at EU and national level*
- **Making the delivery mode more effective and simpler – potential improvements**
 - *Insufficient take up of simplification options under 2021-2027 regulatory framework*
 - *More performance-based implementation with payments based on milestones and targets, experience of the ESF*
 - *Aligned with Treaty objective, taking into account lessons learnt from the regional and place-based approach of Cohesion Policy and the RRF*
- **Reaching long-term objectives but with built-in flexibility** for unforeseen circumstances
 - *Cohesion policy flexibility has increased over time but need to keep the policy's long-term objectives*

Conclusion

- The 9th Cohesion Report highlights significant achievements: the policy fostered upward economic convergence successfully
- Challenges remain especially at subnational level – further affected by structural challenges of the transitions
- Lessons learned show the need for improvement in policy design
- A stronger and modernised policy needed to strengthen the Europe's growth model, build an inclusive Union and deliver on the Treaty objective of economic, social and territorial cohesion