



My Region, My Europe, Our Future the 7th Cohesion Report

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DG REGIO

Regional
and urban
Policy

Cohesion Report - Scope

- Every three years, this report answers three questions as required by the EU treaty:
 - How is cohesion changing, in other words how is the change in the economic, social and territorial disparities?
 - What is the impact of national policy on cohesion?
 - What is the impact of EU policies, and cohesion policy in particular, on cohesion?
- Reviews the measures linking the effectiveness of the European Structural and Investment (ESI) Funds to sound economic governance

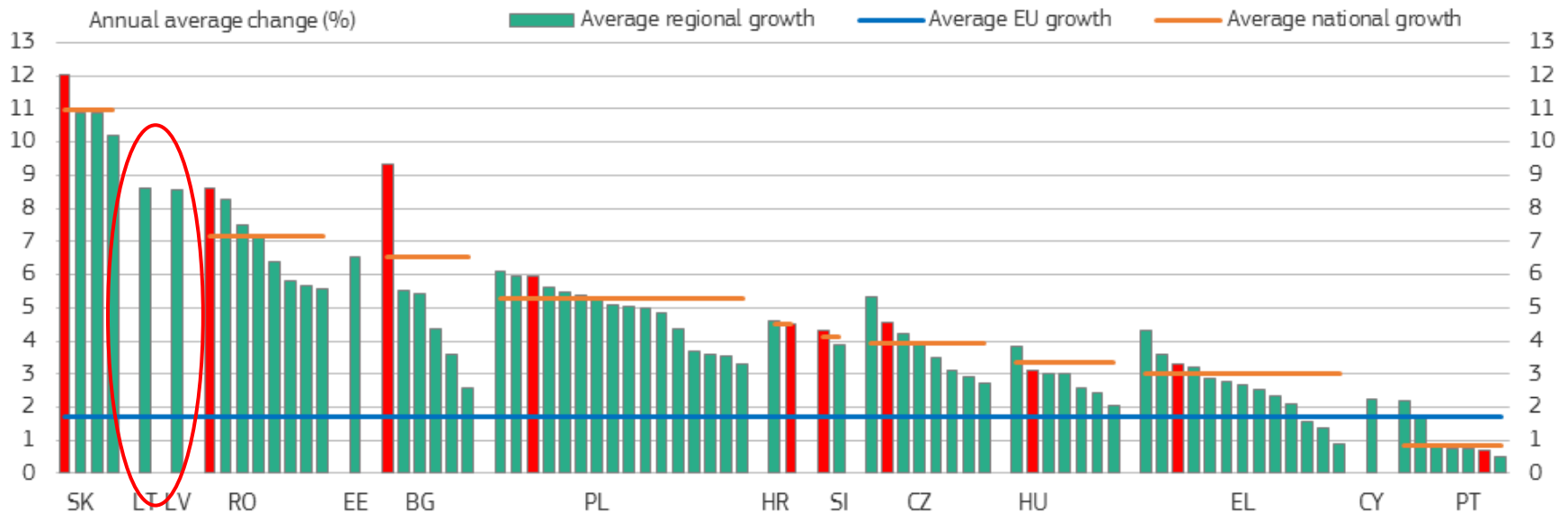
Presentation

- Cohesion Report:
 - 6 chapters;
 - 204 pages
 - 112 charts;
 - 73 maps;
 - 36 tables.

- Challenge: summarise this in 10 key messages

1. Regional disparities are narrowing again

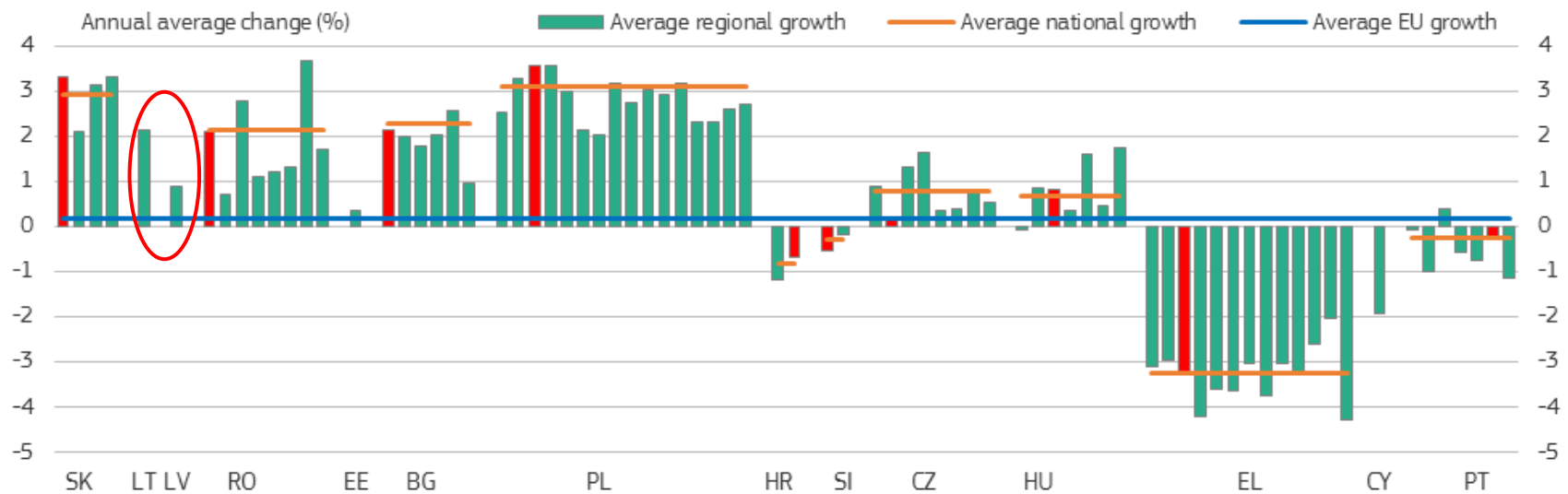
Growth rates of GDP per head of regions in less developed and moderately developed Member States, 2001-2008



PL: 2004-2008; capital regions are indicated in red. Regions are ranked by growth rates for the period 2001-2008.

Source: Eurostat, DG REGIO calculations

Growth rates of GDP per head of regions in less developed and moderately developed Member States, 2009-2015

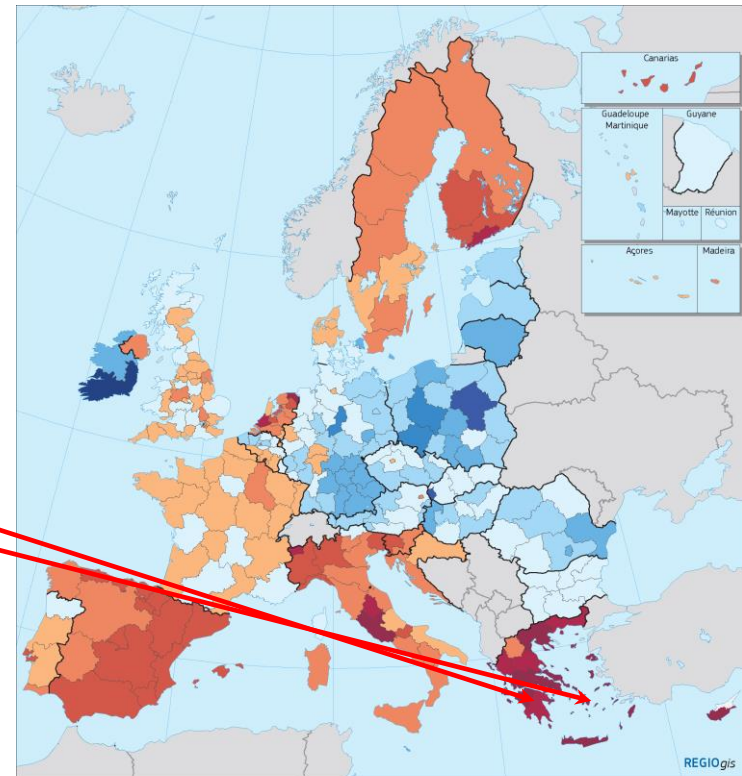


Capital regions are indicated in red. Regions are ranked by growth rates for the period 2001-2008.

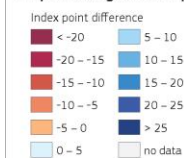
Source: Eurostat, DG REGIO calculations

- Regions in eastern Member States have converged to the EU average...
- ... but Greek and Italian regions diverged substantially

- Attiki: -32
- Notio Aigaio: -30
- LT: 12
- LV: 6
- EE: 6



Map 2 Change in GDP per head index, 2008–2015



EU-28 = 0
Source: Eurostat, DG REGIO

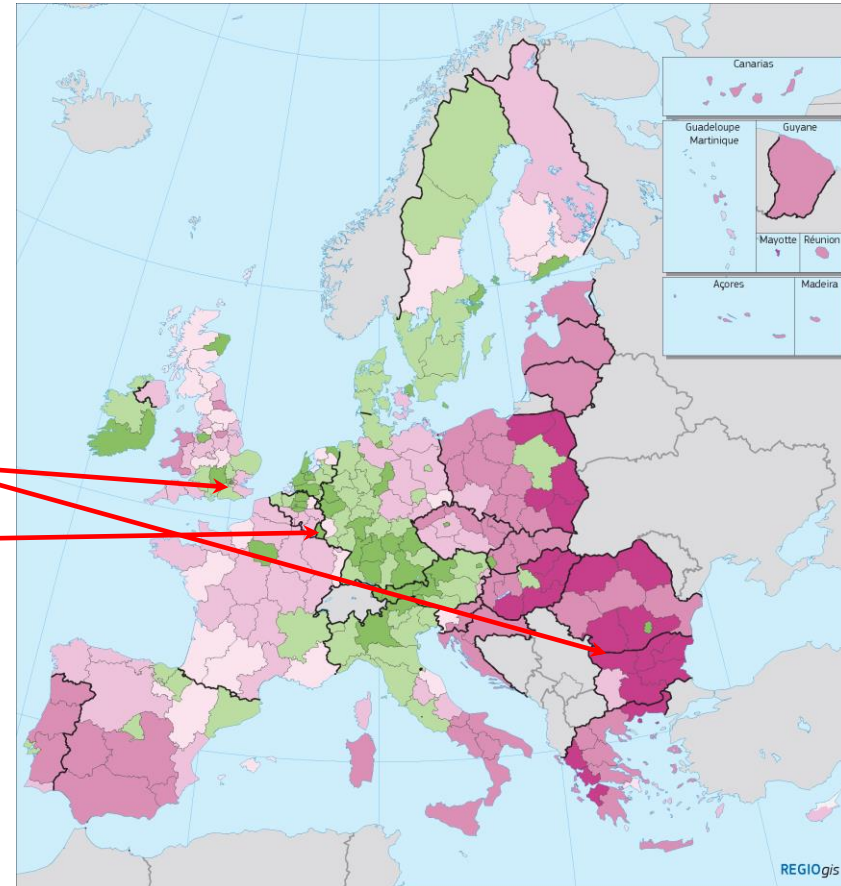
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2. Investments in innovation, skills and infrastructure are insufficient

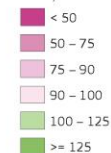
Disparities remain important: GDP per head

- Severozapaden: 29
- Inner London - West: 530
- Luxembourg: 264
- GDP per head in Luxembourg is more than 9 times higher than in Severozapaden
- LT: 75
- LV: 64
- EE: 75



Map 1.1 GDP per head (PPS), 2015

Index, EU-28 = 100



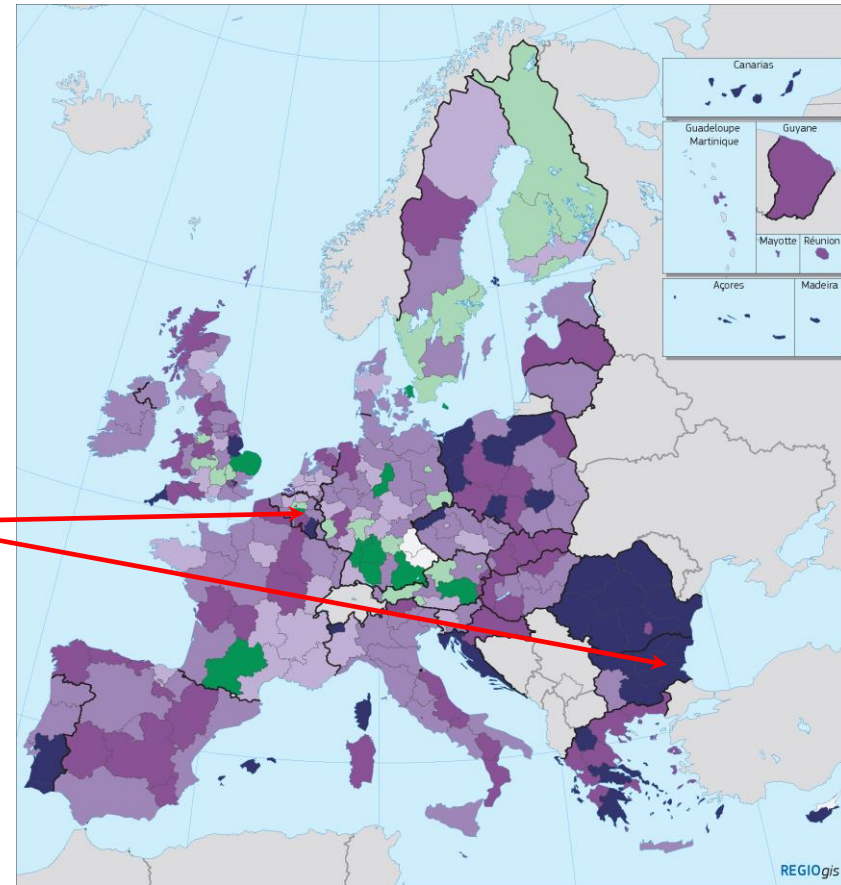
Values for the two regions in Ireland for 2015 have been estimated from the 2014 figures on the basis of the changes in the national figure.
Source: Eurostat, DG REGIO

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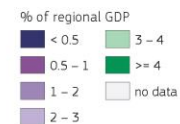
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- Some very high and low profiles on R&D and innovation

- Sud-Est: 0.06%
- Brabant Wallon: 11.4%
- LT: 1.03
- LV: 0.69
- EE: 1.45



Map 1.8 Total expenditure on R&D, 2014



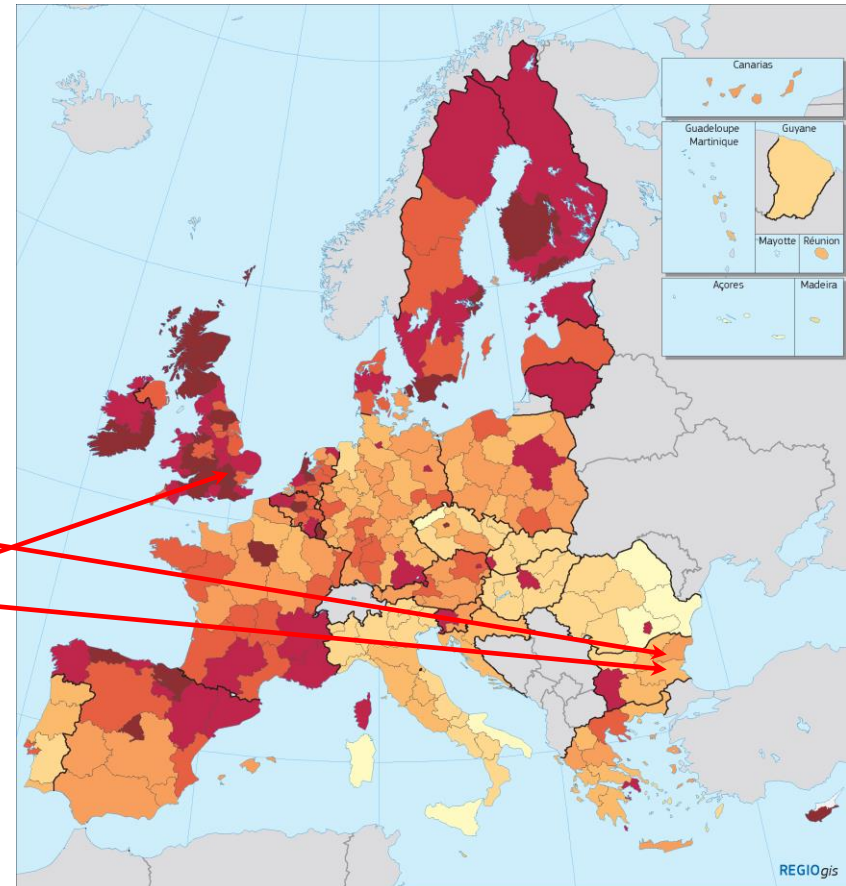
EU-28 = 2.04
BE, DE, EL, FR, AT, SE = 2013
The Europe 2020 R&D target is 3%.
Source: Eurostat

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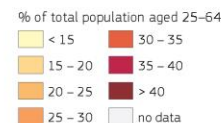
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- Human capital is lacking in a number of regions

- Nord-Est: 11.5%
- Sud-Est: 12.9%
- Inner London - West: 74.9%
- LT: 39.7
- LV: 33.4
- EE: 38.9



Map 1.11 Population aged 25–64 with tertiary education, 2016



EU-28 = 30.7
ISCED levels 5 and 6
Source: Eurostat

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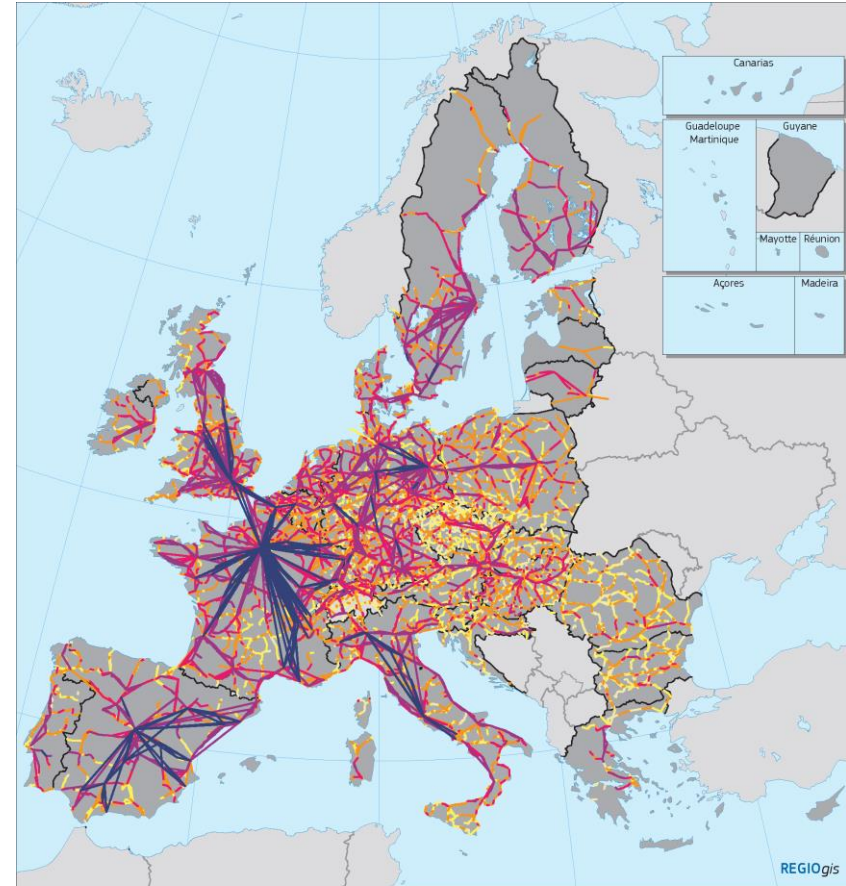
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2. More investment is needed

- Good transport network in Western Europe
- Significant room for improvement in Eastern Europe



Map 1.13 Average speed of direct rail connections, 2014

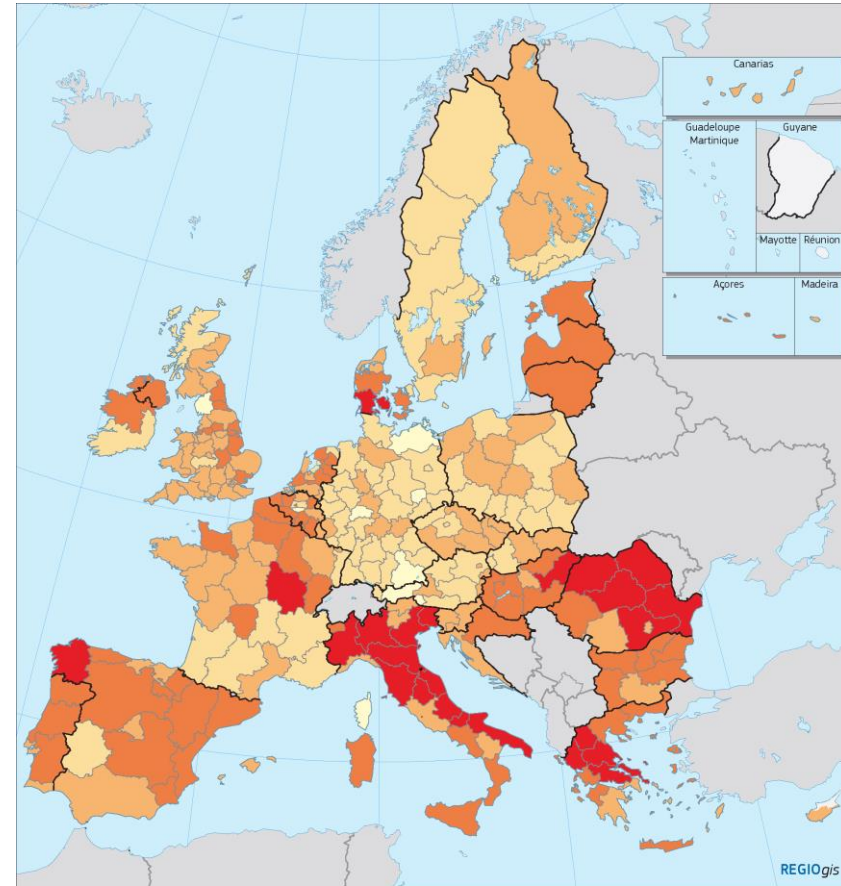


Speed calculated along straight lines representing the connection between two subsequent stops. All direct train trips between geolocated stations, starting between 6:00 and 20:00 on 02/10/2014 (EE, IE: 2013; EL, Corsica, Northern Ireland: 2015). Source: UIC, national railway operators, EuroGeographics, OpenStreetMap, TomTom, RRG, DG REGIO.

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- Some 9% of EU regions, located in 7 different Member States, are at high risk from globalisation
- Most are located in southern or central, eastern and southern Europe
- These risks may diminish over time with investments in innovation and education



Map 1.5 Risk factors linked to globalisation and technological change

Number of risk factors out of 4 (see footnote)



A risk factor is defined as a negative value for the first indicator and a value above the EU regions average for the next indicators:

- Employment growth in the industry between 2000 and 2014;
- Share in employment of low-technology manufacturing, 2016;
- Share of people between 25 and 64 with a low educational attainment, 2016;
- Change in manufacturing ULC between 2003 and 2014.

Source: Eurostat, DG REGIO calculations

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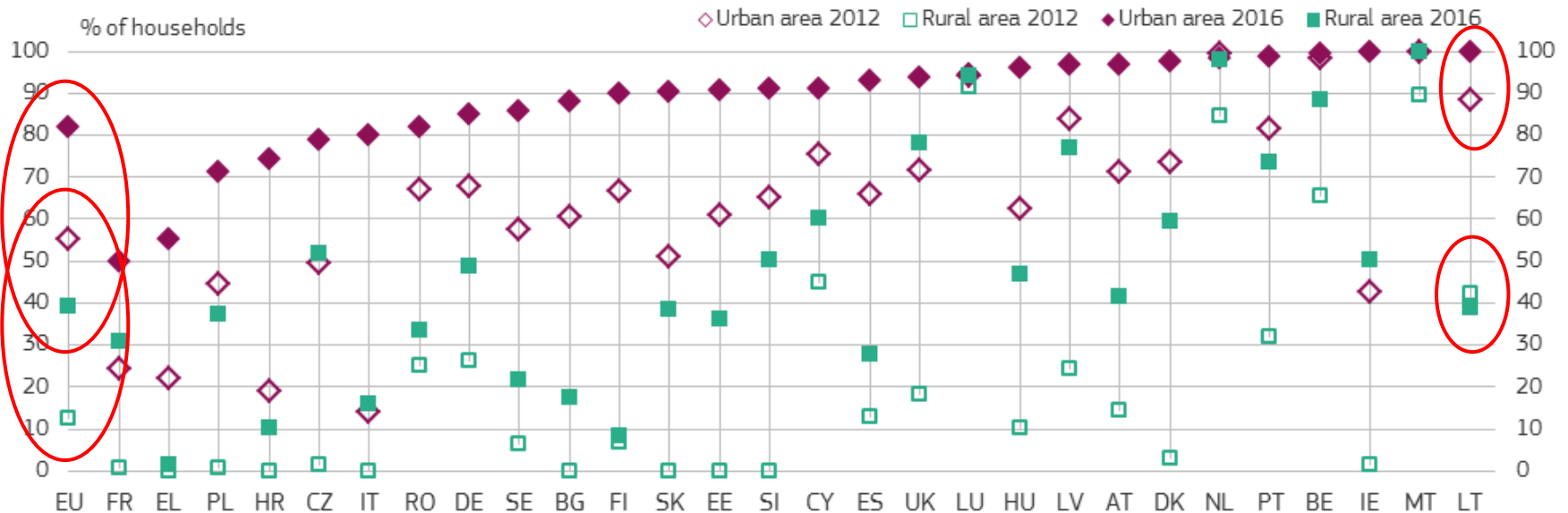
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Middle-income trap

- *Regions that do not move into the higher value added activities*
- *Face growing competition from less developed regions*
- *Innovation remains spatially concentrated*
- *Competitive regions in the east generate few spillovers*

Digital networks are spreading, but closing the gap between urban and rural areas represents a major challenge

Figure 1.21 Households with access to Next Generation Access (NGA) broadband by type of area, 2012 and 2016



Data are for the end of 2012 and Jan-2016.

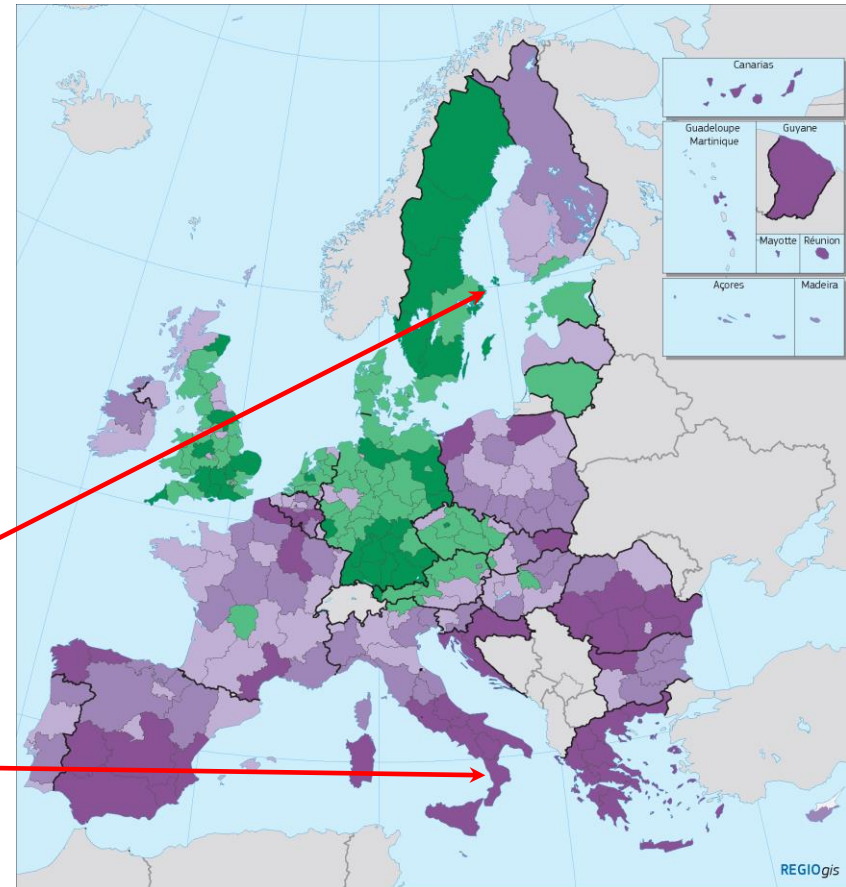
Source: European Commission (2016a)

3. Employment has recovered but unemployment is still above pre-crisis level

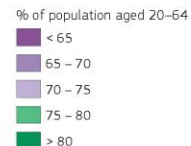
- Employment rate at EU level exceeded the pre-crisis level for the first time
- At 71%, it is 1 percentage point higher than in 2008 but still well below the 75% target for 2020 set by the Europe 2020 strategy
- The situation, however, varies markedly across the EU

- Calabria: 42.9%
- Åland: 86.2%

- LT: 75.2
- LV: 73.2
- EE: 76.6



Map 2.5 Employment rate (20–64), 2016

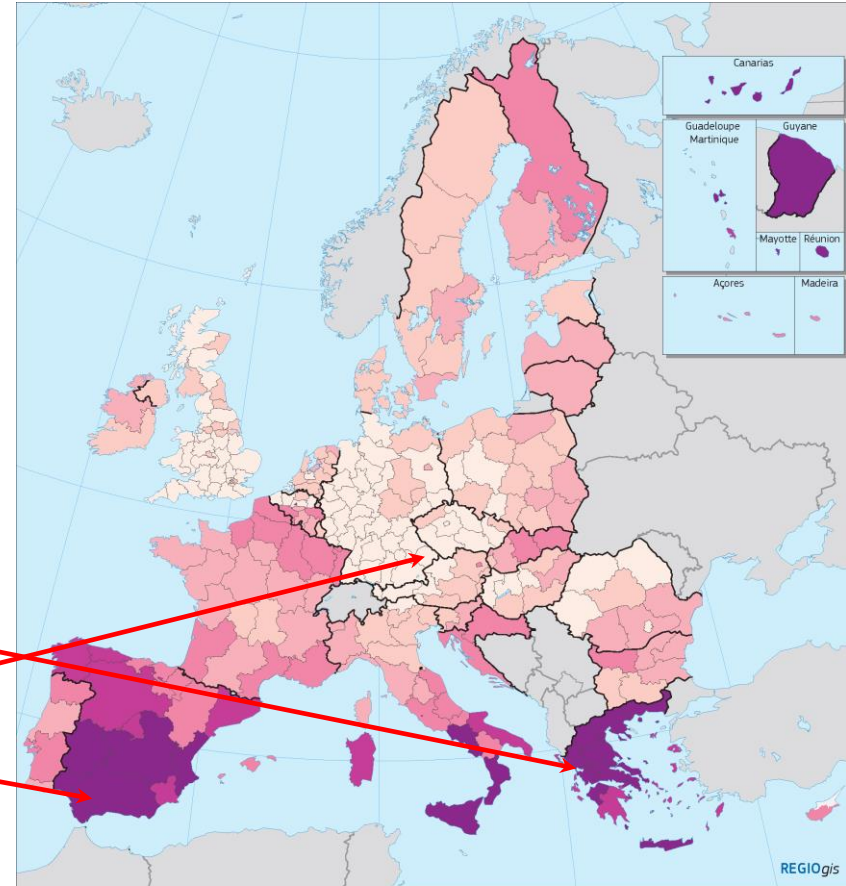


EU-28 = 71
The Europe 2020 target is 75
Source: Eurostat

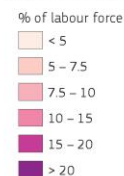
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- The unemployment rate across the EU has fallen from a high of 10.9% in 2013 to 8.6% in 2016 and 7.7% in 2017, still above the 7% it was in 2008
 - In some regions, the rate remain at historical heights
-
- Dytiki Makedonia: 31.3%
 - Andalucía: 28.9%
 - Niederbayern: 2.0%
 - LT: 7.9
 - LV: 9.6
 - EE: 6.8



Map 2.7 Unemployment rate, 2016



EU-28 = 8.6
Source: Eurostat

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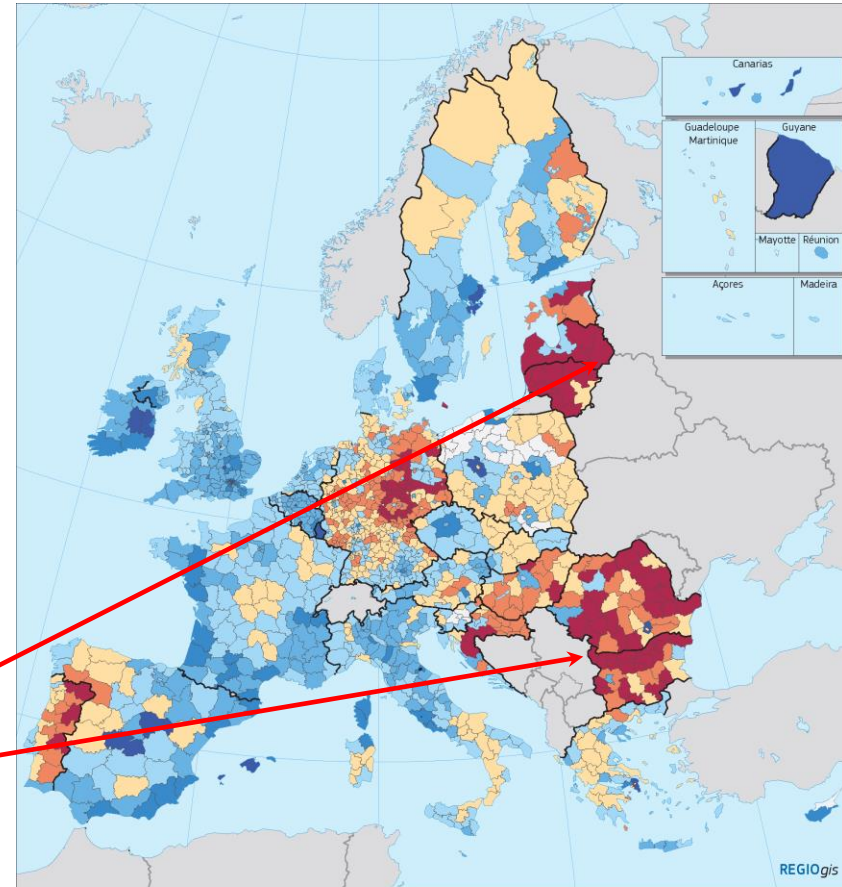
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4. Some regions have rapid population growth while others depopulate

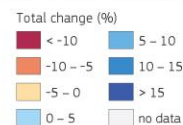
- Big differences in unemployment and income across the EU encourage people to move to find better job opportunities and/or escape unemployment and poverty
- Movements have predominantly been from the EU-13 to the EU-15 and within the EU-13 from rural regions to capital and other large cities
- Two out of three people in EU-13 live in a shrinking NUTS 3 region

- Vidin: -23.2%

- Latgale: -22.3%



Map 4 Total population change in NUTS 3 regions, 2005–2015



EU-28 = 2.84
 DK: DEA, DEE; DEE: data before 2007 was extrapolated.
 RLS2: NUTS 2
 Source: Eurostat, DG REGIO

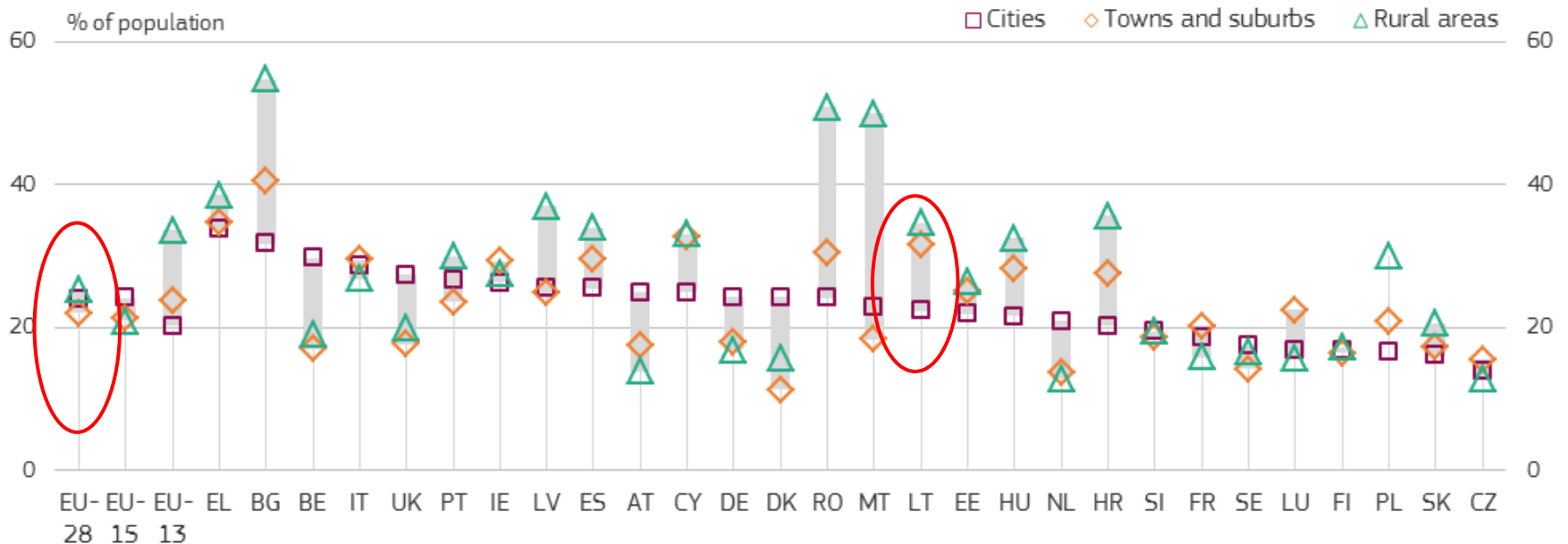
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5. Cities combine opportunities with challenges

- Poverty remains high, especially in the Baltic and southern Member States
- High in rural areas in EU-13/ in urban areas in EU-15

Figure 2.9 Share of population at risk of poverty or social exclusion by degree of urbanisation, 2015



IE: 2014

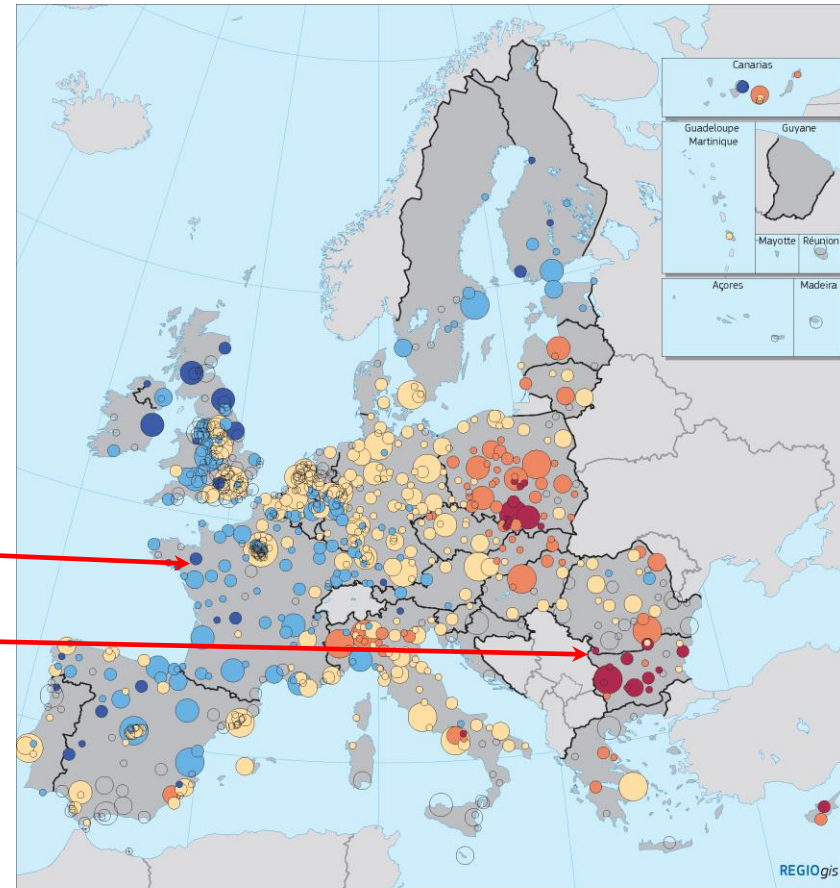
Source: Eurostat



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- Cities are more polluted
- Example: Air pollution with all its damaging effects on human health remains a concern in many European cities

- Renne: 11.6%
- Vidin: 60.8%



Map 3.8 Concentration of airborne particulate matter (PM₁₀) in cities, 2014

Annual average concentration (µg/m ³)	Urban center population
• < 15	○ < 100 000
• 15 – 20	○ 100 000 – 250 000
• 20 – 30	○ 250 000 – 500 000
• 30 – 40	○ 500 000 – 1 000 000
• ≥ 40	○ 1 000 000 – 5 000 000
○ No data	○ ≥ 5 000 000

Average recorded by measuring stations within city boundaries.
WHO guideline: < 20 µg/m³
EU limit value: 40 µg/m³
Source: EEA, DG REGIO

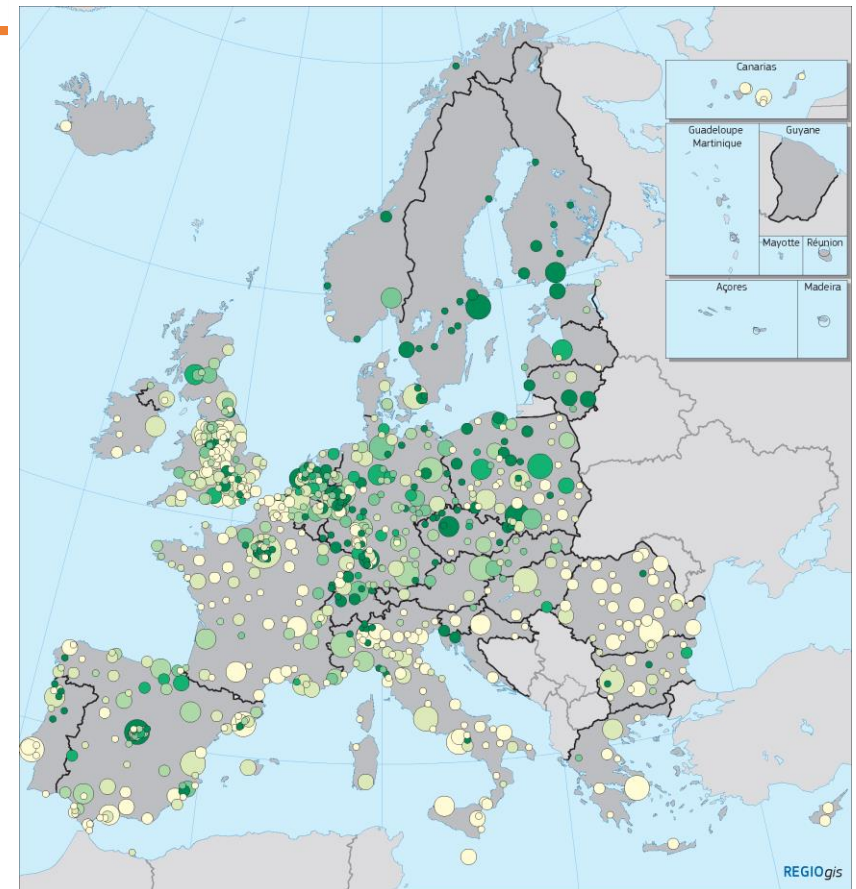
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- Cities can be a good place to develop nature based solutions
- Example: Green urban areas and their contribution to air quality and reducing temperature peaks



Map 3.10 Access to green urban areas in cities, 2012

Hectares	Urban center population
○ < 10	○ < 100 000
○ 10 – 15	○ 100 000 – 250 000
○ 15 – 20	○ 250 000 – 500 000
○ 20 – 25	○ 500 000 – 1 000 000
○ 25 – 30	○ 1 000 000 – 5 000 000
○ ≥ 30	○ >= 5 000 000
○ no data	

Population-weighted median area of green urban areas and forests that can be reached within 10 minutes walking time.
Source: Poelman 2016

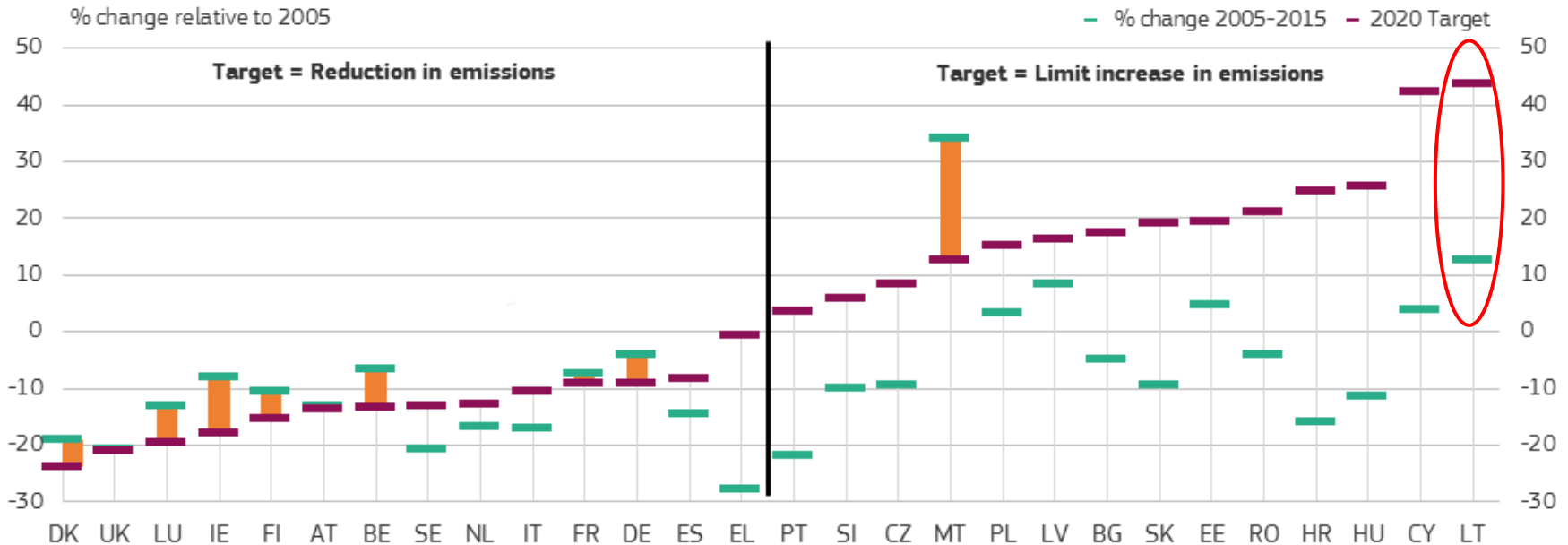
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6. More investments needed in energy efficiency, renewables and low-carbon transport to reduce greenhouse gas emissions

- Substantial progress has been made in limiting energy consumption and greenhouse gas emissions
- But more needs to be done in some MS

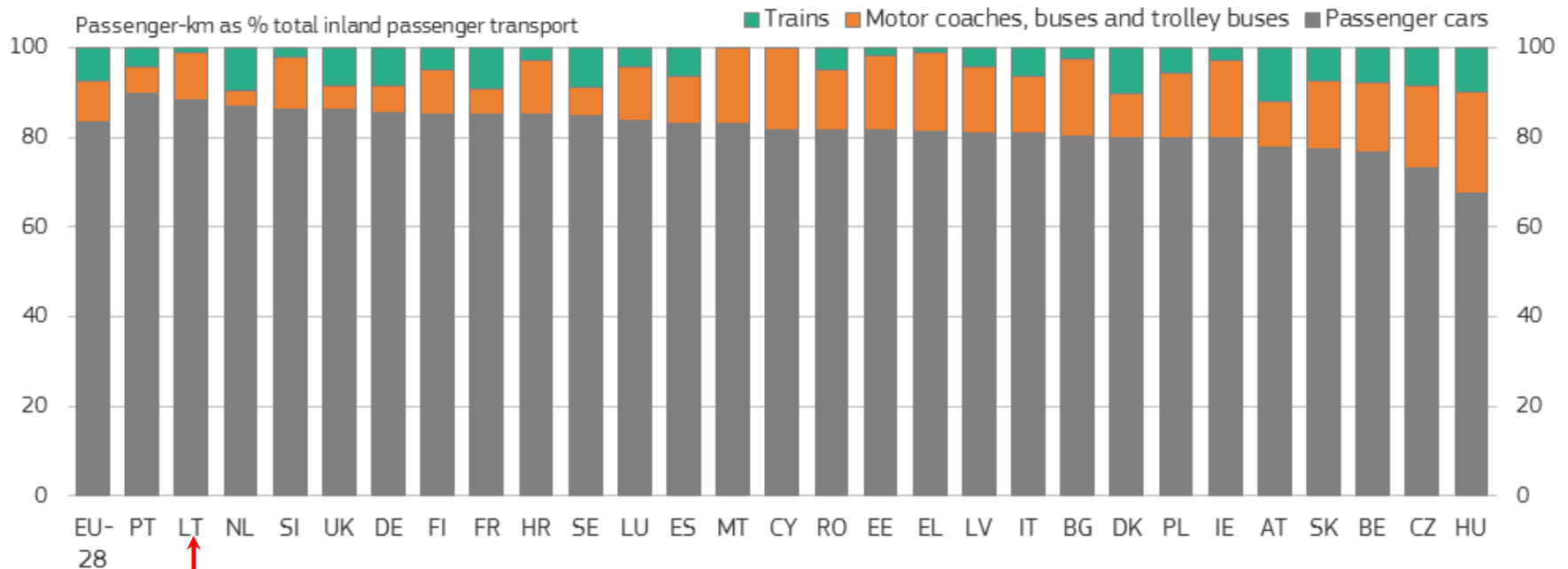
Figure 3.2 Changes in greenhouse gas emissions outside the Emissions Trading Scheme, 2005–2015 and Europe 2020 targets



Source: EEA, provisional calculation method

- Need to switch to more environment friendly modes of transport
- Roads remain the predominant mode of transport

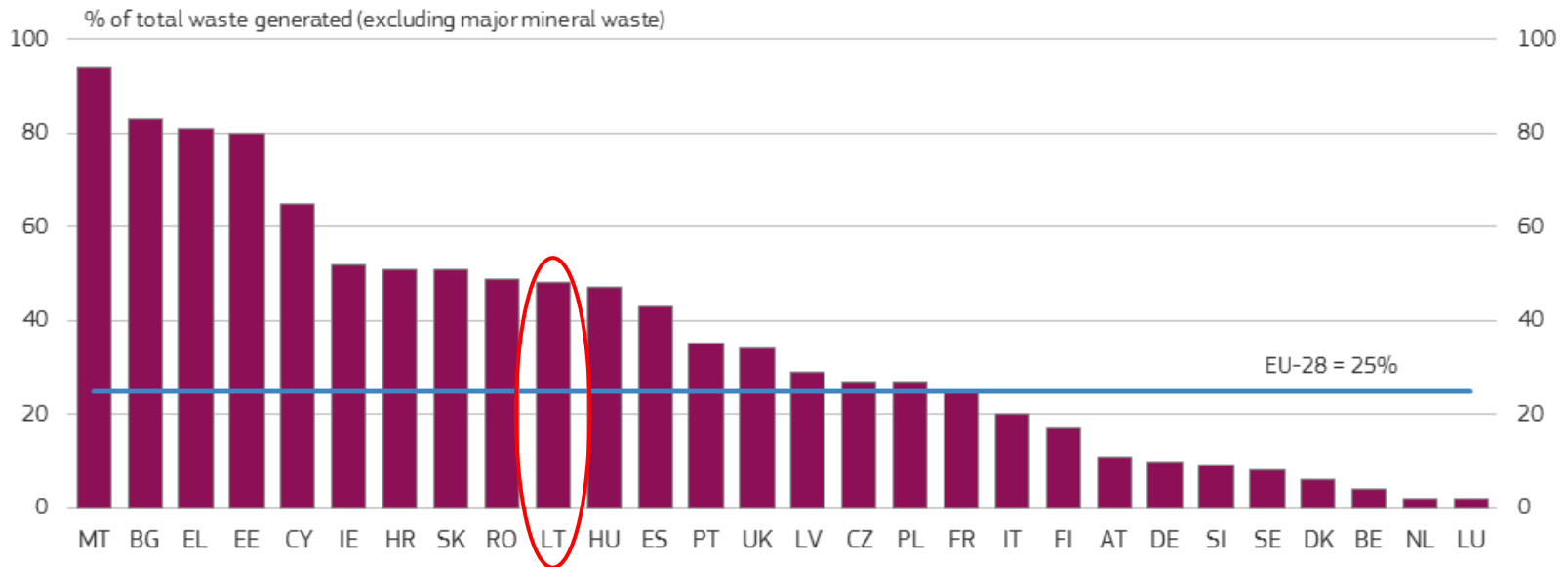
Figure 3.5 Passenger travel by transport mode, 2014



Source: Eurostat

- The state of the environment has improved in recent years
- Key environmental objectives such as renewable energy, energy efficiency, air quality and wastewater treatment remain unfulfilled

Figure 3.4 Share of waste landfilled in selected EU Member States, 2014

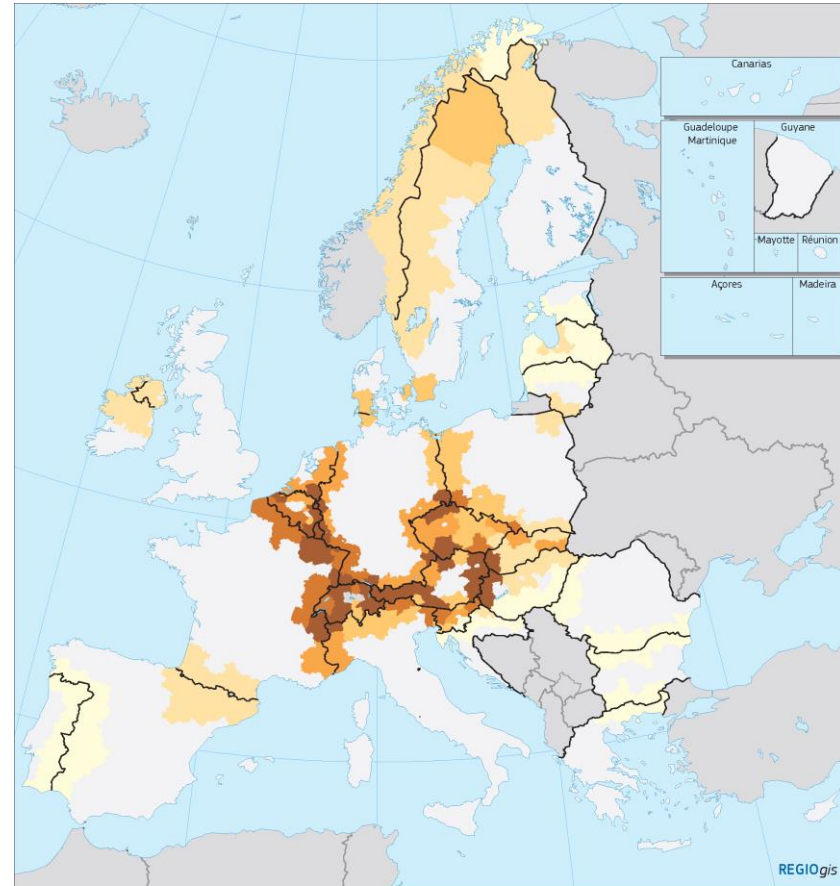


IE, RO, DE: 2012
Source: Eurostat

7. Cooperating and overcoming obstacles across EU borders

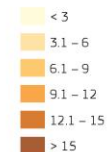


- Cooperation programmes have contributed to increase EU regional integration
- However, despite the elimination of many institutional and regulatory barriers, borders continue to represent obstacles to the movement of goods, services, people, capital and ideas
- Removal of such barriers could boost economic growth in the regions concerned but also help European economies to fully reap the benefits of integration



Map 3.14 Loss of GDP in EU NUTS 3 land border regions due to cross-border obstacles

Total GDP loss as % of NUTS 3 GDP



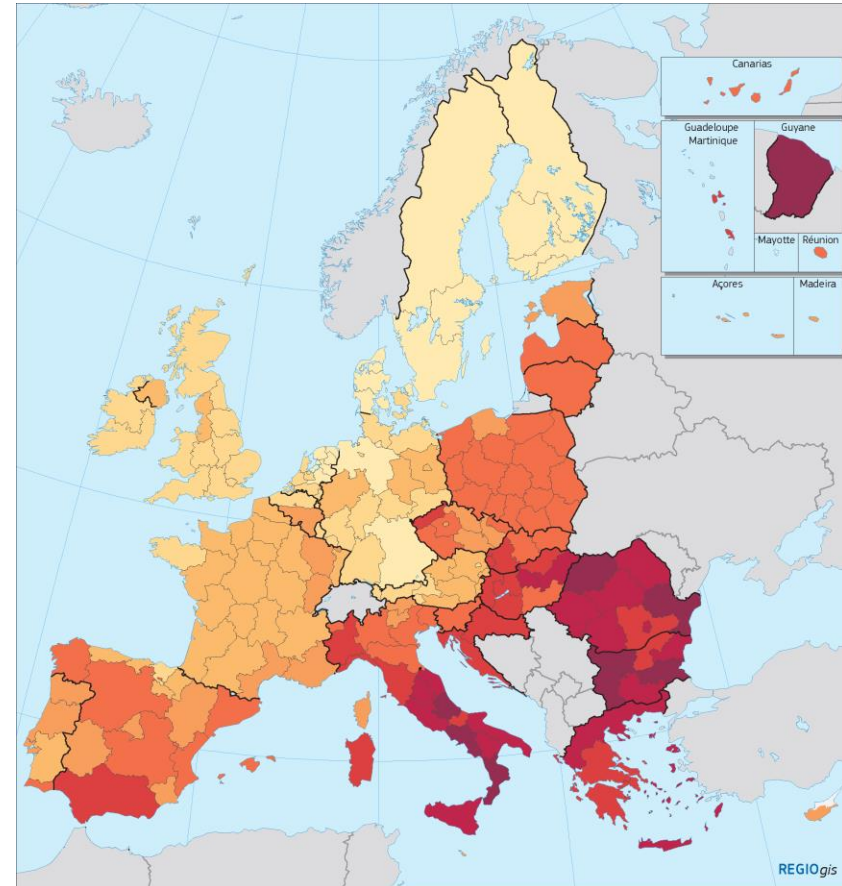
Source: Study "Quantification of the effects of legal and administrative border obstacles in land border regions", Politecnico di Milano 2017

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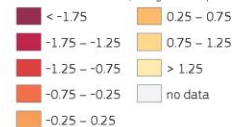
8. Improving the quality of government and implementing structural reforms would boost growth

- Government efficiency differs between Member States and regions
- EQI is based on an extensive survey covering the perceptions of people of public sector services (education, healthcare law enforcement)
- It measures the extent to which people feel that the services concerned are not affected by corruption, are of a good quality and are accessible in an impartial way



Map 4.1 European Quality of Government index, 2017

Standard deviation, range from poor quality (negative) to high quality (positive)



EU = 0

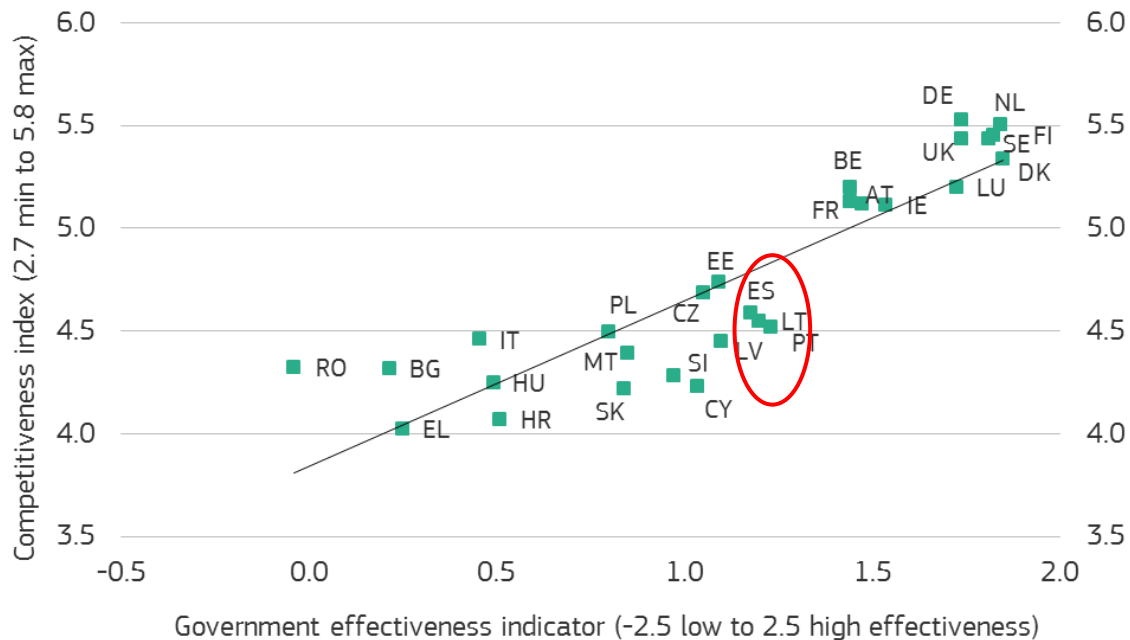
Source: World Bank data and a regional quality of government survey.

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- The quality of government and institutions appears to be the main obstacle to development in regions with persistently low growth rates
- Improving institutions would also amplify the impact of cohesion policy

Figure 4.3 Economic impact of government effectiveness, 2015



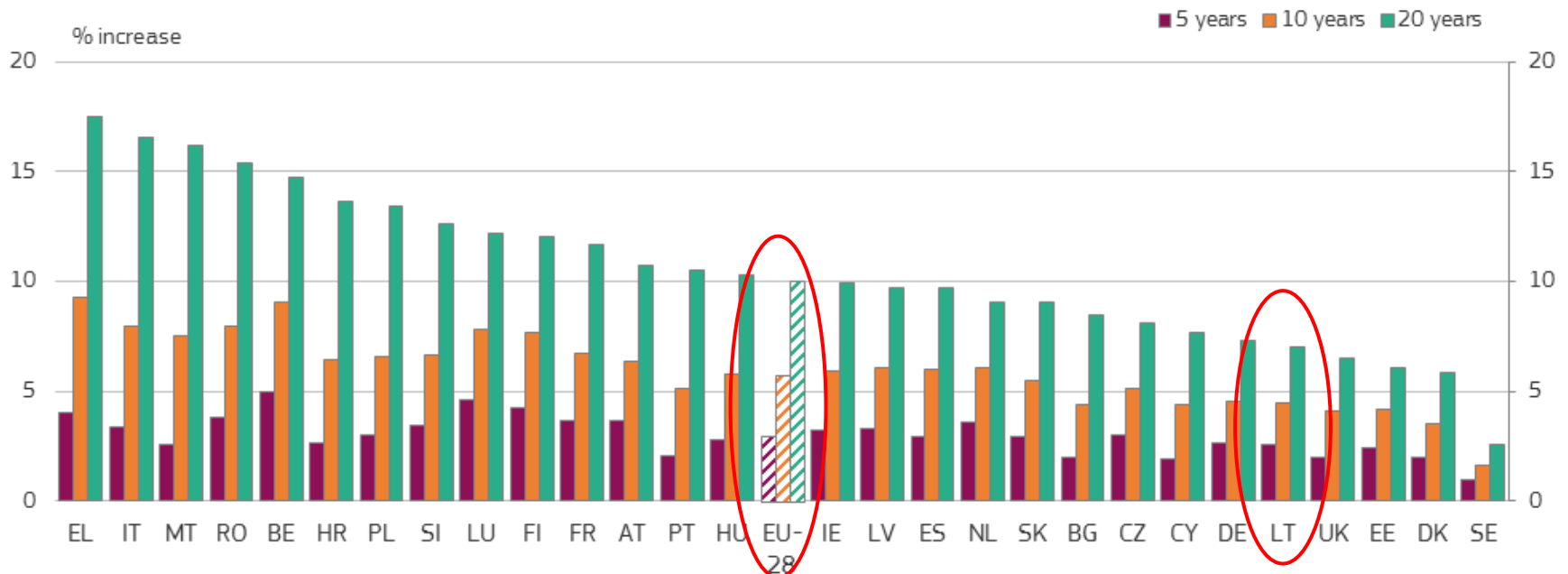
Standard deviation (0 = global average)

Source: World Bank Government Effectiveness 2015; World Economic Forum.

Global Competitiveness 2016-2017

- Structural reforms that improve business environment, education and working of the labour markets can have major benefits on regional economies
- This is particularly relevant for regions and countries where productivity has barely improved over the past decade

Figure 4.13 Estimated effect of structural reforms on GDP after 5, 10 and 20 years

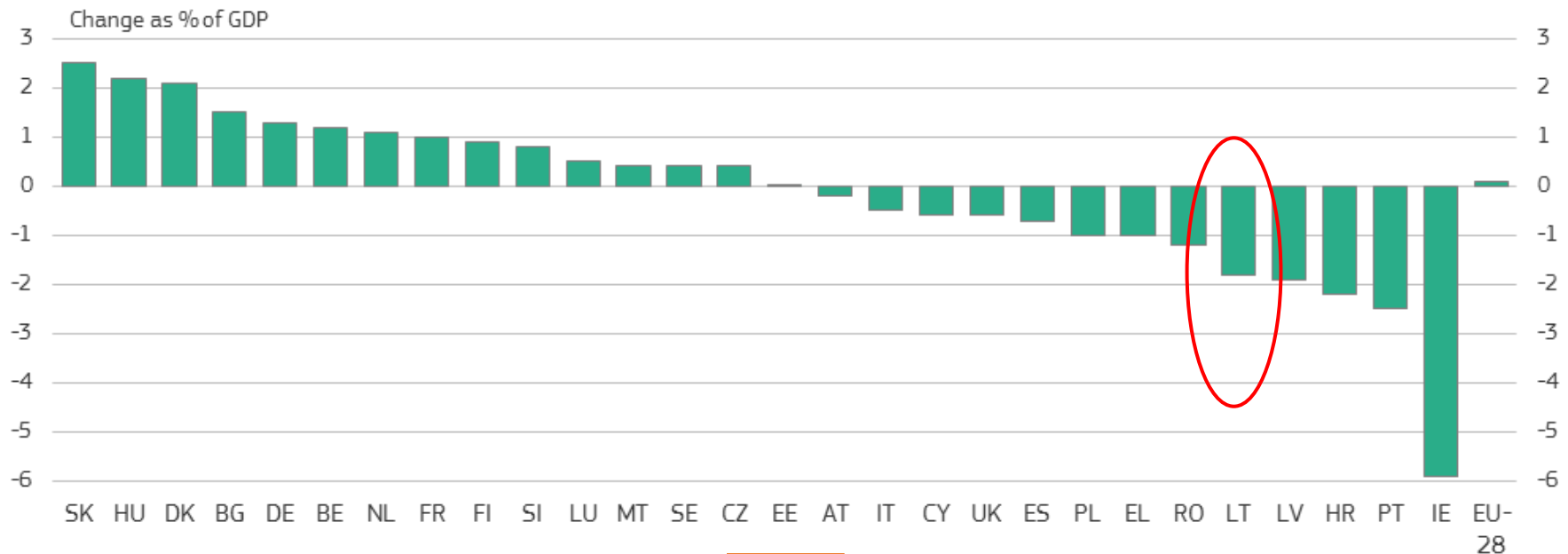


The % difference in GDP between a 'reform' scenario and a 'no-reform' scenario according to simulations using the Quest model
Source: Varga J. and J. in 't Veld (2014)

9. National public investment has not yet fully recovered

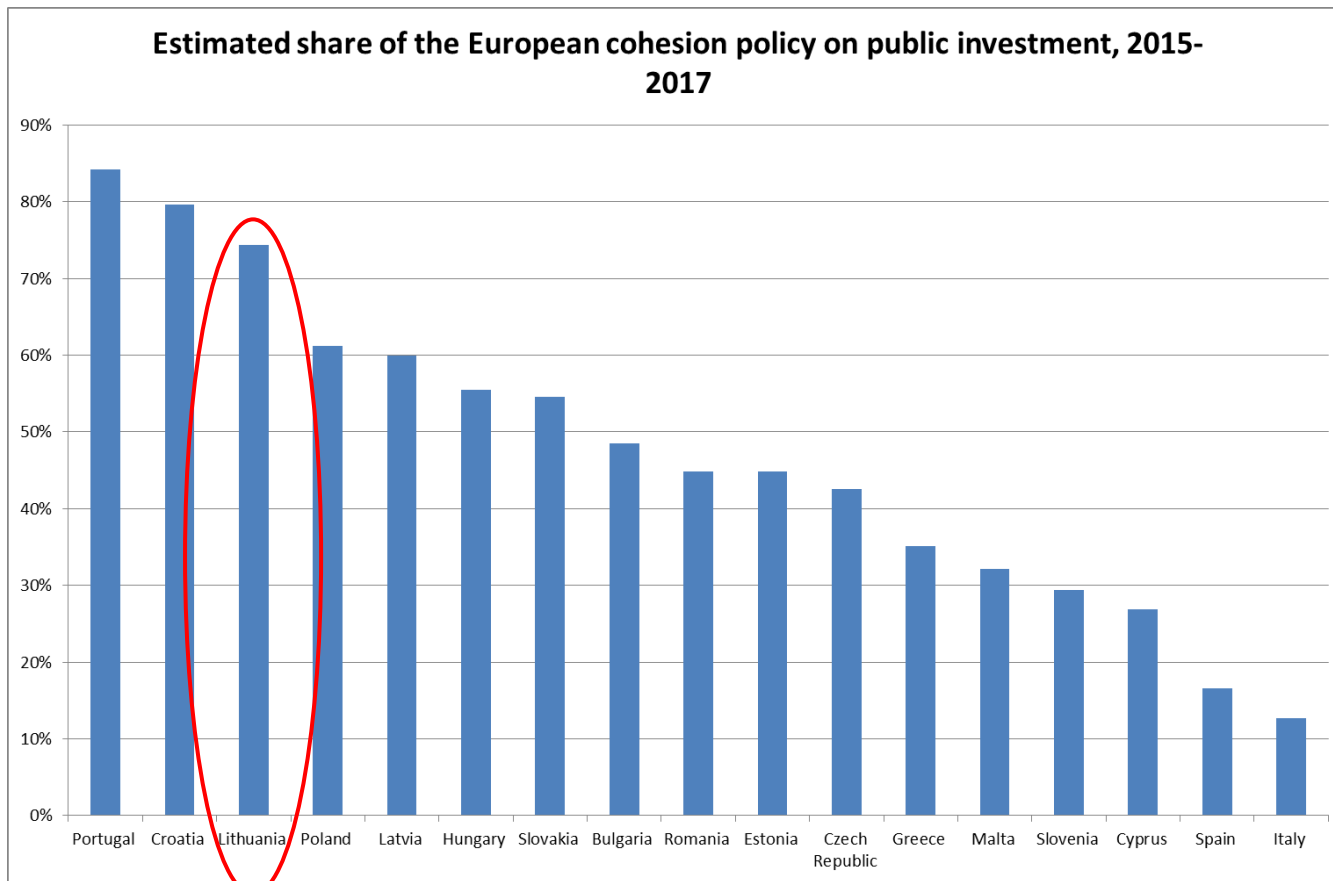
- As a result of pressure on public finances, public investment in the EU fell from 3.4% of GDP in 2008 to 2.7% in 2016
- In a number of Member States, the reduction in growth-friendly expenditure has been substantial

Figure 5.6 Change in growth-friendly categories of general government expenditure, 2008–2015



10. Cohesion policy has a significant impact on cohesion and quality of live

- Cohesion policy contributed to limit the fall in public investment
- It provided funding equivalent to 8.5% of government investment in the EU, 41% for the EU-13 and over 50% for a number of countries



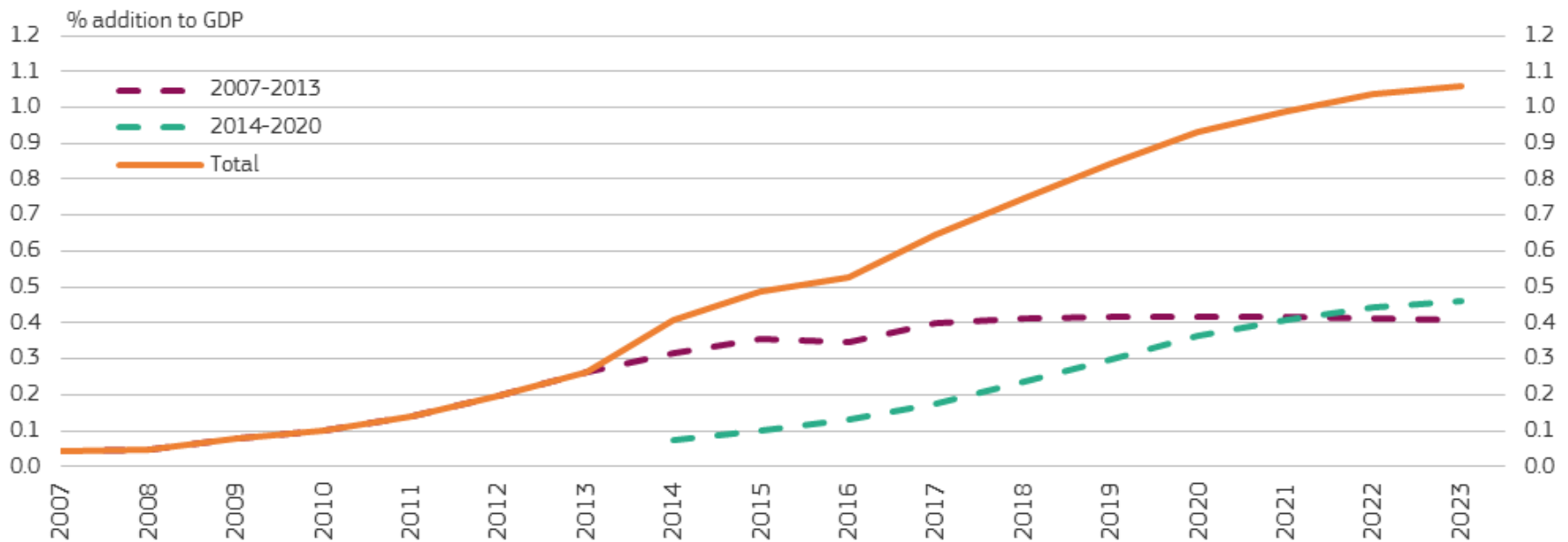


Some expected outcome of the 2014-2020 programmes

- Support to 1.1 million SMEs;
- Help more than 7.4 million unemployed people and 8.9 million people gain new qualifications;
- IT investment expected to provide 14.5 million additional households with broadband access;
- An extra 17 million people are planned to be connected to wastewater treatment facilities and 3.3 million more to smart grids, while 870 000 households will be helped to reduce their energy consumption;
- Renovation of more than 4 600 km of TEN-T railway lines, construction of 2 000 km of new TEN-T roads and 750 km tram and metro lines;
- 6.8 million children gain access to new or modernised schools and childcare facilities and 42 million people to improved healthcare services;
- 240 000 people expected to participate in cross-border mobility initiatives and 6 900 businesses and 1 400 research institutions in research projects.

- In 2023, EU-28 GDP is expected to be more than 1% higher thanks to cohesion policy
- Full impact long after the termination of programmes

Figure 6.6 Impact of cohesion policy on EU GDP, 2007-2023

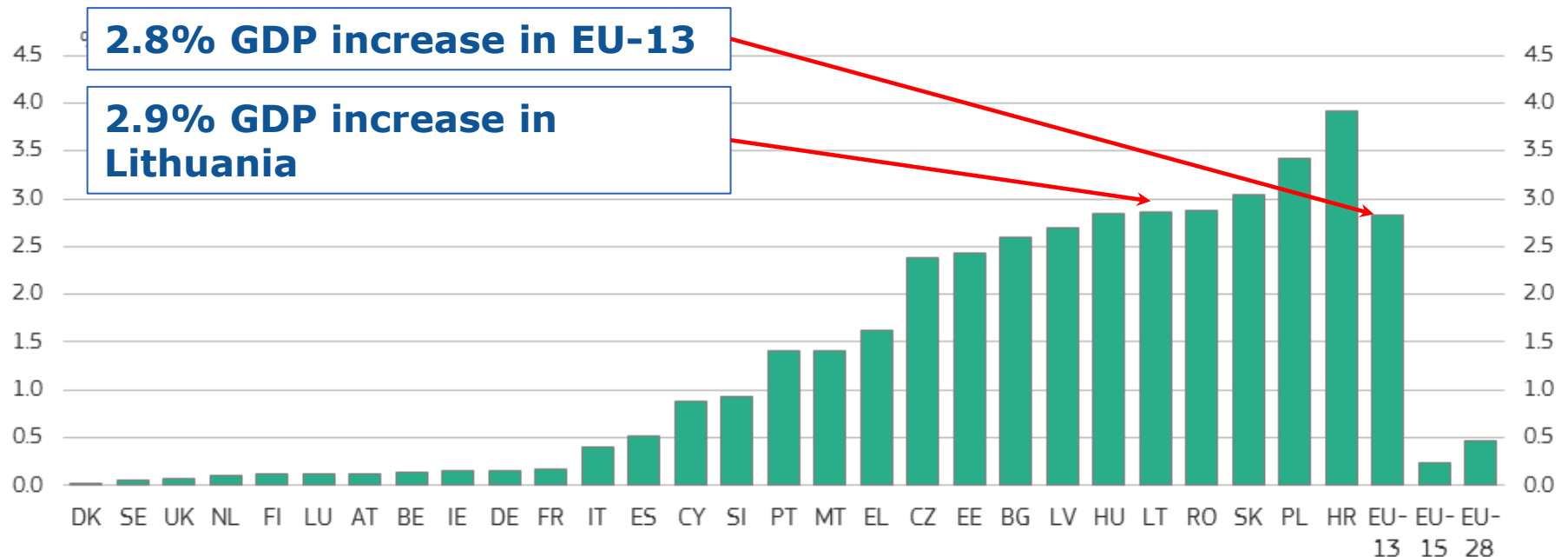


Source: QUEST macroeconomic model

Impact at macroeconomic level:

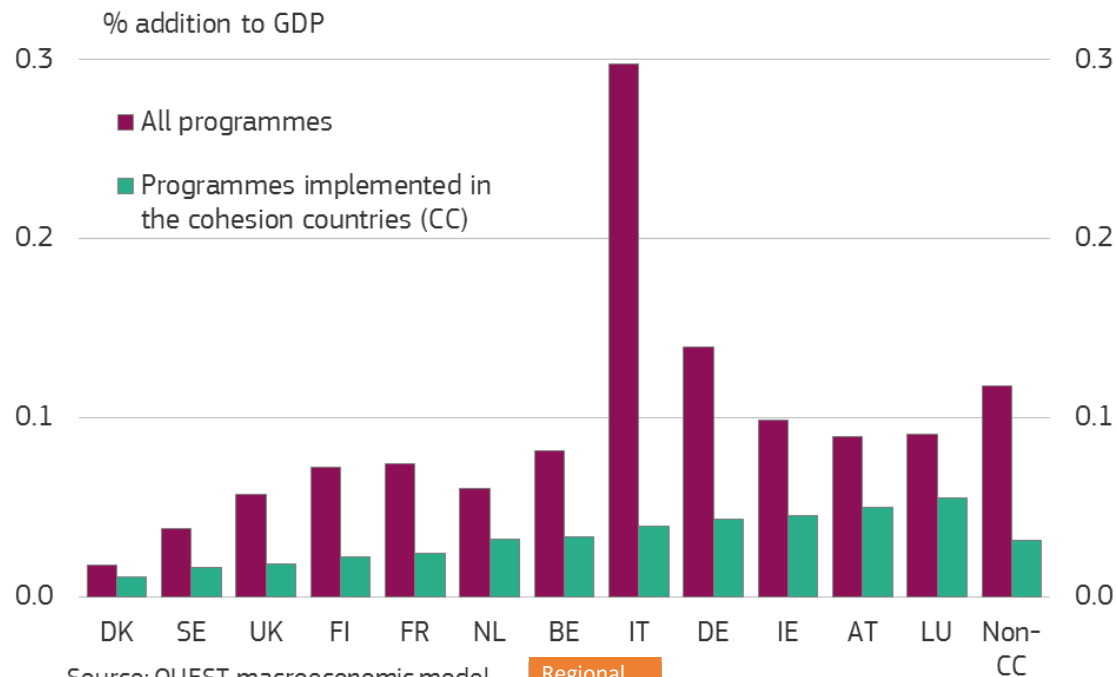
- High in main beneficiaries
- Positive for all MS

Figure 6.7 Impact of 2014–2020 programmes on Member States' GDP, 2023



- Member States benefit from their programmes but also from spillovers generated elsewhere
- Particularly true for non-cohesion countries

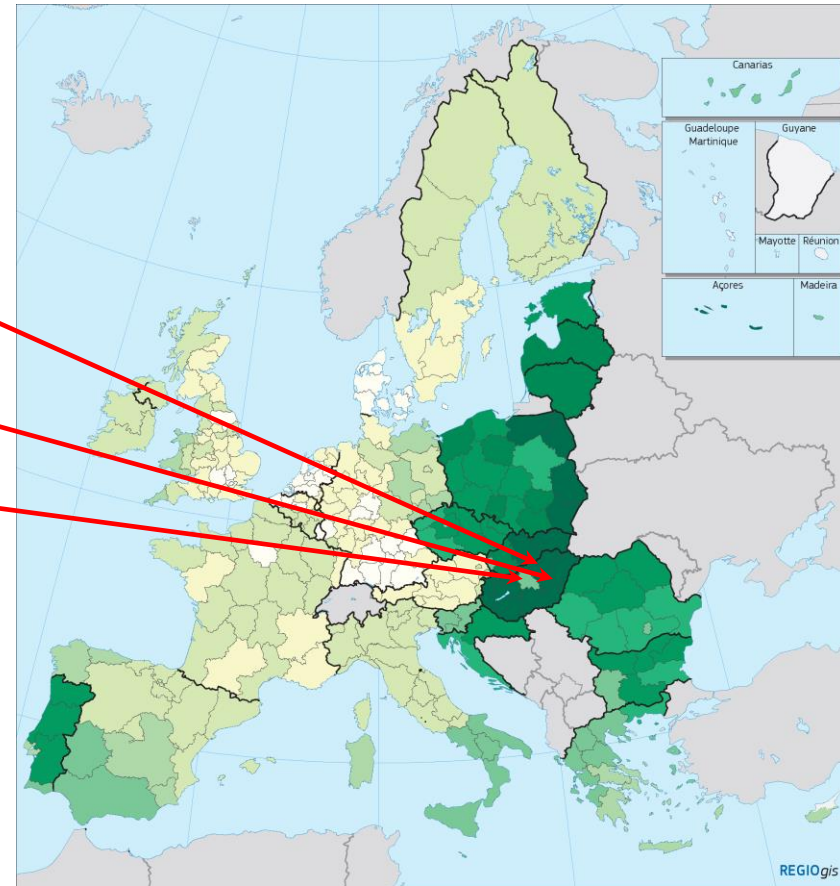
Figure 6.8 Impact of cohesion policy on non-cohesion countries' GDP, all programmes and programmes implemented in the cohesion countries, 2023



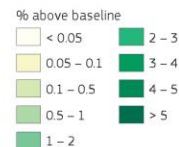
Source: QUEST macroeconomic model

Impact at regional level:

- GDP in Észak-Magyarország and Észak-Alföld in Hungary is estimated to be more than 8% due to cohesion policy
- Capital city region of Közép-Magyarország, impact is 1.4%
- LT: 4.03%
- LV: 4.7%
- EE: 3.6%



Map 6.1 Impact of the 2014–2020 cohesion policy programmes on GDP, 2023



Source: RHOMOLO

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- We are in between reflection papers and MFF, so lots of uncertainties remain
- Three main questions:
 - 1 Where should it invest?
 - 2 What should the investment priorities be?
 - 3 How should the policy be implemented?



1 Where to invest?

- Main focus remain less developed & border regions
- But also: areas undergoing industrial transition, rural areas, the outermost regions, areas of high unemployment and deprived urban areas
- Full coverage in the last two periods
- Cohesion Report shows that the challenges linked to globalisation, migration, poverty, climate change, energy transition and pollution is not limited to less developed regions



Investments priorities?

- Cohesion policy funding will continue to focus on areas where the highest EU value-added can be achieved:
 - Social inclusion, employment, skills, innovation, climate change, energy and environmental transition
 - Reflection paper mentions positive impact of cohesion policy on support for SMEs, healthcare and social infrastructure, transport and digital infrastructure.
- Improving the quality of government and support/incentive to implement structural reforms should be further emphasised



How to invest?

- A single set of rules for existing funds
- Allocation linked to challenges the facing the EU, from demographics and unemployment to social inclusion and migration, from innovation to climate change
- Unallocated proportion of funding could make cohesion policy more flexible and able to respond to new challenges more quickly
- A much more radical approach to simplifying implementation is needed



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Thank you for your attention