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Fifth cohesion report
Summary
2008

Fifth progress report on economic and social cohesion
Growing regions, growing Europe

Summary

1. Preface

The Lisbon Treaty adds the term “territorial” to economic and social cohesion. In 2008, the Commission will adopt a Communication on the renewed social agenda and a green paper on territorial cohesion.

In September 2007 the European Commission has started a public consultation on the future of cohesion policy as well as on the topic “Growing regions, growing Europe”. The results of the consultation and the Commission’s reflections have been introduced in the fifth progress report on economic and social cohesion.

Goals and priorities of cohesion policy play an important role in the construction of the European. Continuation of that policy is being supported; renationalisation is almost unanimously rejected. Cohesion policy should reduce the economic and social disparities between the levels of development of European regions: focus on lagging regions.
However cohesion policy is not only a simple mechanism of solidarity, but also a policy for the whole territory of the EU, in order to use the endogenous development potential of European regions.
Territorial cohesion including cross-border cooperation remains an essential part of cohesion policy and a "fully-fledged" objective, which should be strengthened. It is one of the best examples of the creation of an added value.
Cohesion policy should deal with the new challenges (globalisation, demographic change, climate change etc.), but it not the only instrument, not even the principal one, to address these challenges.

2. There is a consensus on the following cross cutting themes:

- Strengthening competitiveness: the focus is on growth and jobs, in particular research, innovation, education, support for SMEs

- Labour market policies: Strengthening employment, social cohesion and reduce the risk of poverty.
- Nachhaltigkeit der Kohäsionspolitik.

Territorial cohesion offers the opportunity to strengthen the role of regional and local authorities and other actors in the implementation of the policy.

Also interdependence of urban areas their rural areas is stressed as important dimensions of cohesion policy. The territorial dimension should be integrated better in the sectoral policies.

In territorial cooperation there is a favour of more flexibility (e.g. regions should cooperate on only with neighbour regions belonging to the same geographical area, although cooperation with regions and countries neighbouring the EU is considered essential).

Comment of the AEBR: very dangerous, when cross-border, transnational and interregional is mixed (threat of further centralisation, border regions' concerns neglected for the benefit of national priorities: flagship project! etc.).

3. The governance of cohesion policy

A stronger strategic approach, a better allocation of responsibilities between the different institutional levels and further decentralisation are favoured.

Many contributions expressed concern as regards the newly introduced "one programme-one fund" principle, as well as the "red-tape" and auditing requirements. The lacking coordination between the ERDF, the ESF and the Cohesion Fund are being criticised (as regards strategic development integration into a single Fund is being called for).

Obvious tendency of the Commission
Cohesion policy is first and foremost a structural policy, i.e. strategic planning with a medium and long-term perspective. Therefore, the flexibility (short-term) favoured by many should be examined critically.

Urgently needed seems coordination between coordination between cohesion policy, other Community policies, and national policies (keywords: regional aspects in sectoral measures, coherent concepts between cohesion policy and rural development).

4. Convergence, Growth and Economic Restructuring among EU Regions

The regions have been grouped into three categories with the objective:

- Convergence,
- Transition,
- Regional Competitiveness and Employment (RCE).

Convergence regions still have a considerably lower GDP per head, at 58% of the EU average, while Transition regions are getting closer to the EU average. Employment rates are at 58% in Convergence regions, while the Transition regions with 63% caught up significantly (in comparison: 68% in RCE regions).

The three types of regions differ in terms of economic structure, growth trends and productivity. For example, the productivity in Convergence regions is at the utmost half as high as in RCE regions. Also employment in Convergence regions declined, while it increased in the two other types of regions.

- At the regional level, three growth sectors are analysed:
- Financial and business services,
- Trade, transport and communication
- Construction.

In Convergence and Transition regions, the growth sectors have made a substantial contribution. In Convergence regions they contributed to employment creation, but not enough to offset the significant employment reductions in agriculture. Transition regions are catching up rapidly with RCE regions.

Skills and qualifications are important factors. The share of highly educated people of 17% in Convergence regions is considerably lower than in the other two types of regions. Transition regions are catching up considerably.

The share of human resources in Science and Technology also lags in Convergence regions (12%) as compared to RCE regions. However, they have been able to reduce that gap. The share of knowledge intensive service increases there (nearly as fast as in the other types of regions).

5. Conclusions

This brief analysis has shown that European growth sectors have largely contributed to convergence. However, important differences in the economic structure of the three groups of regions remain and the pattern of catching-up differs between Convergence and Transition regions. This has several implications from a policy point of view.

Efforts to foster European high growth sectors, i.e. those with above average employment or GVA growth, seem justified. Not only are these sectors the ones in which the European economy has its clearest global growth perspective, they can also be powerful motors for the EU convergence process.

Moreover, the analysis shows that Convergence regions are undergoing a major economic restructuring. Substantial employment is being created in the service sector, while agriculture is shedding even more employment. GVA growth is high especially in industry and services and productivity growth is three times higher than in RCE regions. Such restructuring requires a tailored policy response.

Convergence regions should facilitate the shift of employment to services, especially to sectors which do not require high education levels, and continue to modernise their agriculture sector. As industry is and will remain an important sector in Convergence regions, policy should facilitate a progressive reorientation of the industry towards high productivity and high value added activities to avoid specialisation in industrial sectors particularly exposed to international competition and offering poor growth prospects.

Convergence regions should also aim to improve the education level of the labour force as shifting to higher value added activities will increase the demand for such labour. This will also influence the speed at which they adopt new technologies and help to reduce the productivity gap.

Finally, the high productivity levels in RCE regions give these regions an edge not only in Europe but also in the world. In part, this high productivity is due to strong investments in R&D, which are much higher than in Convergence regions. Yet to maintain a global edge, these regions have to be able to compete with other world competitors, which invest even higher shares in R&D and higher education. This clearly underlines the benefit of the increasing orientation of cohesion policy in RCE towards more investments in innovation and human capital.