

# Second progress report on economic and social cohesion (January 2003)

Unity, solidarity, diversity  
for Europe, its people  
and its territory



# Preface



Since the publication of the first progress report on economic and social cohesion a year ago, the European Union has taken a historic step as a result of the decision by the European Council meeting in Brussels last October confirming enlargement to 25 Member States from May 2004. This decision removes at a stroke a major division on the map of Europe, creating enhanced conditions for peace and prosperity on our continent in the years ahead.

The successful integration of the new Member States into the enlarged Union is now a top political priority. The European Union's cohesion policies are the key instrument for ensuring that the integration process is both as smooth and as successful as possible. These policies will begin to take effect immediately on accession on the basis of the nearly € 22 billion in additional resources that were allocated to the Structural Funds and the Cohesion Fund by the European Council in Copenhagen last December for the period 2004-2006. It is a personal priority of mine to ensure that this major package of resources is fully used for the direct benefit of the 75 million new citizens of the Union concerned. This will be helped by the close working relationships that have already been established between the Commission and the national authorities of the ten new Member States over recent years, as well as with those in Rumania and Bulgaria that will join the Union at a later stage.

The main purpose of the present report is to look even further ahead, beyond 2006, preparing the ground for the Commission's proposals later this year on the kind of cohesion policies that will be needed in the enlarged Union. The report confirms that after enlargement, income and employment disparities between the regions will widen considerably. It thus provides support to one of the principal conclusions in the great debate on the future of cohesion policy, that the main challenge for the future will be to promote catching up on the part of both the less developed regions in the new, and in the present, Member States.

A majority of contributions to the debate have also reinforced one of my own convictions on the need for an ambitious cohesion policy for the period after 2006 capable of responding to expectations of *all* of its citizens. Increasingly, these same citizens look to Europe for help in finding solutions to the major threats posed, for example, in a global and more competitive economy, and in supporting their efforts to take advantage of the new opportunities of the knowledge economy.

I believe that Europe must have the vision to respond to these demands by maintaining a policy that addresses the many problems arising in the regions, while helping to exploit the opportunities, even in the more prosperous Member States. Europe needs regional policy instruments that are well targeted, simple to use and which guarantee the involvement of all the key actors at regional and local level.

The development of these ideas, and designing workable proposals for the future, represent my personal agenda for 2003.

A handwritten signature in black ink, appearing to read 'M. Barnier', written in a cursive style.

**Michel Barnier**  
*Member of the European Commission  
responsible for Regional policy*

The second progress report on economic and social cohesion is the follow-up to the undertaking by the European Commission to report to the Council regularly on the preparation of its proposals for the continuation of cohesion policy after 2006<sup>1</sup>. It updates the data concerning regional economic and social disparities, describes the state of the debate on the future of cohesion policy and outlines the results of the accession negotiations with the ten future Member States.

#### Update on the data used in the report

The second progress report updates the data concerning regional GDP for 2000 and employment and the rate of joblessness in 2001.

The regional data for the GDP of the two countries which are not scheduled to join the Union before 2006 (Romania and Bulgaria) are included in the report but have not been taken into account in calculating average per capita GDP in the EU25<sup>2</sup>.

## I. Situation and trends

Economic and social convergence is continuing in the existing European Union countries, with some slight variations:

- at national level, the "cohesion" countries<sup>3</sup> are continuing to make up lost ground;
- at regional level in the EU, disparities are narrowing;
- within Member States, by contrast, disparities have worsened.

A balanced regional development strategy is needed therefore for the whole of the territory of the Union.

### 1. The slowing down of economic growth

In 2001 the Union experienced a **significant downturn in economic growth**: GDP in the EU15 rose by only 1.5% as against 3.5% in 2000. The slackening pace can be expected to have a particularly negative impact on the poorest regions in the Union.

#### Key figures

- The ratio between the 10% of the most prosperous regions and the 10% of the least prosperous ones in the EU25 is 4.4 (compared with 2.6 in the EU15).
- 48 regions in the EU15, i.e. 68 million people representing 18% of the population, have a GDP below 75% of the Community average. In the EU25, only 30 regions in the current Member States (i.e. 47 million people representing 12% of the population) will be below the threshold of 75% of the new average GDP. In an EU 27 there would be only 18 such regions (i.e. 24 million people representing 6% of the population).
- 15% of people in Europe are below the national poverty threshold (without social transfers other than retirement pensions this figure would be 24%).
- Each euro disbursed by the Structural Funds in the Objective 1<sup>4</sup> regions results in an increase in their GDP of EUR 1.33 and also has knock-on effects in more prosperous regions: one quarter of original expenditure benefits other parts of the Union.

1. It follows the Second Report on Economic and Social Cohesion [COM (2001) 24 final of 31 January 2001] and the first progress report on economic and social cohesion [COM (2002) 46 final of 30 January 2002].

2. The accession negotiations with Estonia, Lithuania, Latvia, Slovakia, Slovenia, Hungary, the Czech Republic, Cyprus, Malta and Poland were concluded at the Copenhagen European Council in December 2002.

3. The "cohesion" countries are Spain, Greece, Portugal and Ireland even though the latter no longer meets the eligibility requirements for the Cohesion Fund on account of its level of development.

4. The so-called « objective 1 » programmes are aimed to the development of the most disadvantaged regions.

The cohesion countries continued to narrow the gap with the other countries in the Union, apart from Greece. Ireland experienced a sustained rate of growth with per capita GDP in purchasing power parity reaching 118% of the Community average in 2001 (as against 115% in 2000 and only 64% in 1988).

**Regional disparities within Member States continued to widen** in 2000. As a result of convergence between Member States, however, overall disparities between regions within the EU15 remained virtually unchanged between 1995 and 2000.

In the **Objective 1 regions**, per capita income remained slightly above 71% of the Community average in 2000. The catching-up effect is best measured over a five-year period, when the income gap closed by 1.5 points between 1995 and 2000 and by two points in the regions eligible under Objective 1 since 1989, underlining the long-term effectiveness of the Structural Funds.

The EU25 will consist of **three groups of countries** (see graph on page 16):

- the eight poorest future Member States (with a per capita GDP equivalent to 42% of the Community average);
- an intermediary group (Spain, Cyprus, Portugal, Slovenia, Greece) with a per capita GDP between 71% and 92% of the Community average;
- a group that includes the other existing Member States, with an average per capita GDP equivalent to 115% of the Community average.

## 2. Wider regional disparities following enlargement

Once enlargement takes place, disparities are going to widen. The most up-to-date statistics show that 48 regions in the EU15 (representing 18% of the population) had a per capital income below 75% of the average Community. In the EU25, there will be 67 of these regions representing 25% of the population. The ratio between the 10% of the most prosperous regions and the same percentage of the least prosperous ones in the EU25 will be 4.4 (as against 2.6 in the EU15).

## 3. Employment and social cohesion

The impact on employment of the economic downturn has been less severe than expected.

The main employment trends in the Union are the following:

- **In 2001 the rate of growth of employment was low**, rising by 1.3%. It was highest in Denmark, the Netherlands and Sweden and lowest in Italy and Greece. At the same time, the **rate of unemployment** was slightly up in the first half of 2002, reaching 7.7%. It was especially high in Italy, Greece and Spain, where women and young people were the main groups affected.
- **Regional disparities in employment have narrowed** but remain significant: regions with the highest rate of employment have an average of 78.1%, while in those with the lowest rate, it is 48%. The gap in terms of unemployment rates ranges from 2.3% to 19.7% depending on region. Between regions within the same Member State, the widest gaps are to be found in France and Italy.
- **Social cohesion** is continuing to show a slow improvement. The amount separating the total income of the most prosperous regions and the poorest ones has fallen, as has the number of Europeans living below the national poverty threshold.

In the candidate countries:

- employment was affected by the 2001 economic crisis. The **steady decline in the rate of employment** in the last five years has continued, despite a substantial rise in the services sector. The rate of employment is six points below that in the EU15 (with only Slovenia and Cyprus having a rate above the Community average).
- regional disparities in employment are smaller than in the EU but remain significant. In 2001 the rate of joblessness was 13%; it was 24.3% in the most affected regions and 3.6% in those suffering least.

In the EU25, **disparities in terms of employment and social cohesion will widen**. The average rate of joblessness will rise, in the same way as the share of agricultural employment. Industrial employment will

remain unchanged and the weight of services in overall employment will diminish.

#### 4. New data on the factors determining real convergence

The Commission study on **The expected economic impact of Objective 1 funding** between 2000 and 2006 presents encouraging results. For example, it estimates that total GDP in Portugal over the period will be 3.5% above what it would have been without Community support (2.2% in Greece, 1.7% in southern Italy, 1.6% in eastern Germany and 1.1% in Spain). In addition, support for Objective 1 regions also has repercussions outside those regions, since a quarter of original expenditure benefits other areas of the Union and one tenth goes to non-member countries.

**New indicators on the state of technological advance** are available also and confirm that technological innovation and the growth of the knowledge-based economy are lagging behind in the countries of southern Europe. The number of patents applied for per million of the population in Finland, Sweden and Germany is at least twice the European average compared with less than half in Ireland, Italy, Spain, Greece and Portugal. Regional disparities in this area are very significant, and are even more so in the area of advanced technologies. These trends are borne out

largely by expenditure on research and development. In the candidate countries, Slovenia and the Czech Republic have the highest rate of investment in research and development. (See map on page 15)

#### 5. Territories and cohesion

The European Commission has launched a series of studies on the territorial component of cohesion. One of these outlines the latest developments in the island regions. Another deals with mountain areas. Two studies on human capital deal respectively with its role in regional development and in the global knowledge-based economy.

##### Island regions

- Europe's 286 islands have 10 million inhabitants.
- 95% of these live on islands in the Mediterranean, mainly Sicily, Crete, the Balearic Islands and Corsica.
- The situation varies considerably from one island to another. Those with the most serious problems have a population of less than 5 000.
- 87% of the population of the islands is covered by Objective 1, 11% by Objective 2<sup>5</sup> and 97% is eligible for the exceptions on public aid provided for in the Treaty.

## II. Progress of the debate on the future of cohesion policy

### 1. Within the EU institutions

The first progress report on economic cohesion was welcomed by the Council to which it was presented on 18 February 2002. The positions of the various delegations are provisional and focus on the following:

- Support for the least developed regions must remain a priority of cohesion policy but the conditions of eligibility for the aid and its use, in particular the adoption of a national approach, are still being discussed.
- Community action continues to be needed in the other regions of the EU but will have to focus more

5. The aim of the Objective 2 programmes is to convert regions with structural difficulties.

on actions with a high Community added value concentrating essentially on increasing competitiveness.

- On the question of the financial effort to be kept up after 2006, the Spanish Presidency took the view that a threshold of 0.45% of GDP was a good benchmark given the widening of disparities following enlargement. Other delegations reserved their position until later.
- The simplifying of procedures for implementing the Structural Funds was emphasised several times. The European Commission has put forward proposals to this effect on several occasions under the Regulation in force. The issue will have to be reviewed in greater detail after 2006 with the role of the Commission in particular being clarified.

**The European Parliament** adopted an opinion on the first progress report on economic and social cohesion on 6 November 2002.

In it it affirmed its support for the Commission on maintaining a strong, mutually-reinforcing and inclusive cohesion policy and sustainable development, promoting regional cohesion and the polycentric, harmonious and balanced development of the Union, a minimum of 0.45% of GDP to fund cohesion in Europe, support for areas with specific handicaps, the strengthening of cooperation across frontiers and opposition to renationalisation.

It also pointed to concerns, including the need to take account of other indicators of eligibility for the Structural Funds, to improve consistency between different Community policies, to improve administrative capacity in the candidate countries, and to simplify or strengthen regional competitiveness. Parliament called on the Commission to present a timetable and proposals for improving the mutual consistency of EU policies, on Objective 2 and on the future of Community Initiatives<sup>6</sup>.

**The European Economic and Social Committee** stated its views in two opinions favouring the continuation after 2006 of the grant of aid under Objective 1, the raising of the 0.45% of GDP ceiling for the

funding of cohesion, the consolidation of Community Initiatives, the adoption of an open method of coordination to deal with economic and social problems in Objective 2 regions, priority for investments in less-favoured regions and the establishment of a resource to stabilise regional income in the event of an unexpected economic crisis and to overcome the statistical impact. It also spoke in favour of reforming and simplifying the Structural Funds with a view to enlargement.

**The Committee of the Regions**, too, in its opinion of 10 October 2002, again emphasised the importance of regions lagging behind in their development, the coordination of Community policies and simplification. It noted that the European Commission regarded the threshold of 0.45% of Community GDP as a minimum for the financing of regional policy. It underlined the need for a transitional period of adequate support for regions that were likely to be the victims, following enlargement, of the statistical impact and took a stand in favour of an Objective 2 aimed at eliminating regional imbalances.

## 2. The debate in the seminars arranged by the Commission

The seminar on the **Union's priorities for the regions** was attended by 600 participants from the Member States and candidate countries who discussed Community value added and the effectiveness of structural assistance. Points of general agreement emerged, foremost among which once again were the importance of cohesion and the priority to be given to the least developed regions, the need for continued action outside those areas, simplification, the possibility of a single source of financing and a reserve for contingencies or continuing cooperation between regions. The seminar also brought to light points that needed to be examined in greater depth, including clarifying the Commission's responsibilities, defining the eligibility criteria, consistency with other Community policies and between the Structural Funds, the form and content of tripartite contracts involving the Commission, the States and Regions, the proportionality of implementing procedures in relation to

6. The Community Initiatives are additional to assistance under the Structural Funds: Interreg promotes cross-border, transnational and interregional cooperation, Leader promotes rural development, Equal provides for the development of new ways of combating all forms of discrimination and inequality in the labour market and Urban encourages the economic and social regeneration of cities and neighbourhoods in crisis.

the amount allocated and the improvement of cross-border cooperation.

The seminar on the **priorities linked to employment and social cohesion** highlighted the importance of the role of human capital and emphasised the added value of actions targeting, for example, life-long learning. Some participants said that the four pillars of the European Strategy for Employment and the European Social Fund should be better coordinated, and the mobilising of all who are in favour of social inclusion through partnership should be encouraged by the Structural Funds. On the question of equal opportunities, the integration of gender issues across the board should be given priority.

The seminar on **urban areas** held in London was attended by over 600 people involved in URBAN programmes, including many mayors. They emphasised the major contribution made by URBAN to the development of their cities and the added value of the programme which makes possible effective and visible action on the spot, a high degree of partnership and life-long learning. They affirmed the need for continuing and wider-ranging Community action in favour of cities - the driving force of regional development - for safeguarding social cohesion within cities and improving the urban environment. The participants called on the Commission to look into the possibility of assistance from the Structural Funds for accommodation, to make cities its main partners in dialogue on matters that concern them, to ensure better coordination with the other programmes and encourage exchanges of experiences and networking.

Lastly, 500 participants from the Member States, the candidate countries and non-member countries met to discuss **Community and mountain policies** in the context of the International Year of the Mountain. A serious opportunity for dialogue, the seminar underlined the need for specific projects, better coordination between Community policies and the value added for mountains of cross-border cooperation policies.

### 3. The most frequently discussed topics

Several topics were the focus of discussions held on the future of cohesion policy in 2002.

- **Priority for the least developed regions** received unanimous support and the criterion of 75% of average EU GDP applied at NUTS II<sup>7</sup> level used to define them was broadly agreed. The inclusion of additional criteria was mentioned regularly, along with the possibility of including in this category the islands and the outermost regions. The statistical impact could be offset by transitional arrangements or by raising the eligibility threshold.

#### The outermost regions

- Europe's outermost regions (Canary Islands, Azores, Guadeloupe, French Guiana, Réunion, Martinique, Madeira) have a population of 3.8 million and qualify under Objective 1 and for the exceptions on public aid provided for in the Treaty.
- Their GDP is 66% of the EU average.

- **Aid outside regions lagging behind in their development** attracts many forms of support. Simpler procedures and greater decentralisation together with closer targeting on Community priorities and regional competitiveness are points which were brought up frequently in this connection. The listing of areas eligible for these aids is no longer considered appropriate.
- **Exchanges of experience and cooperation have a positive impact** which is widely recognised, especially at cross-border level.
- **The greater contribution of Community policies** (fisheries, competition, agriculture, transport, environment, research and development) to **economic and social cohesion** was widely commented on in 2002.
- The likely repercussions on regional State aid of abolishing the Objective 2 designation was discussed on many occasions.

7. The nomenclature of statistical territorial units (NUTS) was set up by Eurostat as a single, coherent system for dividing up the European Union territory. The present nomenclature subdivides the EU countries into 78 NUTS level 1 territories (*Länder* in Germany, *régions/regionen* in Belgium, etc.), 210 NUTS level 2 territories (*Comunidades autonomas* in Spain, *régions* and *départements outre mer* in France, *regioni* in Italy, *Länder* in Austria, etc.) and 1 093 smaller NUTS level 3 territories.

## III. Preparing for enlargement and the period 2004-06

Following the completion of the accession negotiations at the Copenhagen European Council, the main part of the preparations for enlargement consist in **finalising the future Member States' structural programmes and seeing to it that they are actually being implemented on the date of accession.**

Some problems are still to be resolved and were identified in the regular October 2002 reports on the candidate countries' progress in adopting the 'acquis': they include inadequate interministerial coordination, weak administrative procedures and lack of uniformity of inspection services.

In view of the limited experience of the candidate countries in using Community funds and in order to ensure that the funds are properly managed, the Commission and the Member States have demanded **firm commitments from those countries** regarding

administrative structures and monitoring and inspection procedures. In addition, the Commission will present a new **overall evaluation** of their state of preparedness six months before the date of accession. A **specific report** will be presented in July 2003 on the practical outcome of the commitments given by the candidate countries during the negotiations on regional policy.

The Copenhagen Council adopted an allocation of EUR 21.7 billion for the Structural Funds and the Cohesion Fund for 2004-06, i.e. average per capita aid in 2006 of EUR 117. This is below what had been originally envisaged in the Berlin financial framework (EUR 191 per head in 2006). One third is earmarked for the Cohesion Fund with the aid for the Structural Funds being targeted mainly at Objective 1. The Community Initiatives will be restricted to Interreg and Equal.

## Synthesis and conclusions

### I. Introduction

The debate launched by the Commission following the adoption of the Second Report on Economic and Social Cohesion, on the options for future cohesion policy, has continued to engage the principal parties involved in the regions, in the present and future Member States and in the EU Institutions. This second progress report presents an update of the analysis of the situation and trends emerging in the regions, along with the main topics of the debate during 2002 on the future of cohesion policy.

### II. Analysis of the situation and trends: the challenge of enlargement

The enlargement of Europe to include 25 Member States will present an unprecedented challenge for the competitiveness and internal cohesion of the Union. Several factors that will have an undoubted

impact on future cohesion policy need to be considered, including:

- **An unprecedented widening of economic disparities within the Union:** the gap in per capita GDP between the 10% of the population living in the most prosperous regions and the same percentage living in the least prosperous ones will more than double compared with the situation in EU15.
- **The geographical shift in the pattern of disparities:** in EU25, 116 million people - representing some 25% of the total population - will live in regions with a per capita GDP below 75% of the EU average as against 68 million people, or 18% of the total, in EU15. Of these, four out of ten citizens will be living in regions belonging to the existing Member States while the other six will be nationals of the candidate countries.



- **A less advantageous employment situation:** three million jobs will have to be created if the average level of employment in the new Member States is to be aligned with that of the rest of the EU on account of the trend of decline in the rate of employment and a higher long-term youth unemployment rate. Within the enlarged EU, appreciable employment gaps will persist according to age, gender and the level of qualifications and skills.

On the other hand, other factors demonstrate the economic potential of an enlarged EU: the candidate countries in general have had a higher rate of economic growth than the present Member States and overall will help raise the average level of education in the Union, whereas the people with a poor level of education will continue to be concentrated among other areas in certain regions in southern Europe (Portugal, Spain, Italy and Greece).

### III. The main topics of the debate on future cohesion policy

The different contributions examined in this report reveal that the debate on the future of cohesion policy has remained intense throughout the period since the publication of the first progress report a year ago. These contributions, together with the results of the various analyses and studies by the Commission, have made it possible to confirm four major contributions of this policy:

- a redistribution function in favour of the less well-off Member States and regions (with a significant macroeconomic impact, promoting genuine convergence);
- the strengthening of economic and political integration (development of the infrastructure networks, improved access for remote regions, cooperation projects);
- a contribution to achieving the Community priorities set by the Lisbon strategy, as amplified by the Göteborg European Council, including the economic and social restructuring resulting from globalisation;
- a contribution to better governance (partnership, an evaluation culture, etc.).

The debate has also made it possible to draw up a list of key questions to which answers should be given in the third report on economic and social cohesion. These can be grouped under two headings: the priorities for future cohesion policy and the method of implementation.

#### (i) Priorities for the future policy

##### Action in the less developed regions

This progress report confirms both the unprecedented increase in the disparities within the enlarged Union and the long-term nature of the efforts that will be needed to reduce them. There is a broad consensus around the need to continue to concentrate resources on the less developed regions, and especially on those in the new Member States.

On how to define the less developed regions, the contributions to the debate have not seriously put into question continued use of the **present eligibility criteria based on the NUTS II geographical level and per capita GDP** – which has the merit of being simple and transparent - even if some contributions have called for other criteria to be added.

##### *Special cases*

There has been a wide-ranging discussion on the place to be reserved for certain specific categories of region under future policy.

First, there was broad agreement on the need to put in place **fair arrangements** for the regions of the existing Member States, now eligible under Objective 1 and which, while not having completed the process of economic convergence, could become ineligible simply as a result of the decline in average per capita GDP in the enlarged Union (**the statistical impact**). According to the data for 2000, 18 regions with a population of 21 million could find themselves in this situation.

Secondly, there was the question of the regions that would no longer have met the eligibility criteria to be considered less developed even in the absence of enlargement, because they have achieved an income per head above 75% of the average for the EUR15. Several contributions have expressed support for assistance in the form of a **gradual phasing out** of Community aid for such regions.

Lastly, there was the matter of the treatment that should be reserved for certain categories of regions. This concerns in particular the **outermost regions** whose social and economic difficulties are acknowledged in Article 299 of the Treaty.

Other regions that have been mentioned in this context are the least favoured islands mentioned in Article 158 and **regions with an extremely low population density**, notably those parts of the Nordic countries currently assimilated to Objective 1 pursuant to Protocol 6 of the Act of Accession of Austria, Finland and Sweden.

The third cohesion report will have to address the needs of these special cases on the basis of their individual merits, but also taking into account the possibilities offered under arrangements for the regions outside the less developed areas.

#### Action outside the less developed regions

In the period 2000-06, approximately one third of the Structural Funds allocation will go to regions which are not eligible under Objective 1.

Although, by definition, the problems of economic and social cohesion outside regions lagging behind are of a lesser scale, there are several important challenges facing the Union as a whole.

In particular, the issues of competitiveness, sustainable development, and economic and social restructuring are relevant in all Member States. These challenges reflect a great diversity of potential needs and situations, in contrast with the more intense but clear-cut needs of regions lagging behind, especially in new Member States. This wide range of challenges also highlights the need to concentrate assistance, and to focus on qualitative, systemic elements in order to increase Community added value.

Initial positions in certain Member States within the debate that actions of this nature outside the Objective 1 regions should be abandoned entirely by the Union and responsibilities returned to the Member States ("renationalised") do not appear to have gained ground, and **the need to have the means to achieve major European priorities has been recognised**. In this respect, the Union, particularly at the European Councils in Lisbon, has set itself a strategic goal for the decade: to become the most

competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. This strategy is designed to enable the Union both to regain the conditions for full employment, growth and social cohesion, and to strengthen regional cohesion. A sustainable development strategy for the European Union was decided by the European Council in Göteborg.

A large number of contributions stress that the Member States and regions do not possess the same strengths for achieving these goals. In addition, a policy intended to meet the various challenges facing the Union, that recognises and involves the regional level, is consistent with the spirit of the Commission White Paper on Governance, and especially with the obligations arising under the Treaty on cohesion, which are to "promote its overall harmonious development" and "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas".

These major European priorities have, to a certain extent, been tackled already during the present programming period under Objective 2 (regions undergoing restructuring), Objective 3 (human resources), Community Initiatives and Innovative Actions and actions outside Objective 1 on rural policy and fisheries.

While this is the case, current policies and instruments have not been immune to criticism on the basis of arguments that they lack sufficient added value, sometimes require an excessive administrative input in relation to the outputs achieved and fail to devolve sufficient responsibility to the Member States consistent with the principle of subsidiarity. Many say that while **the region remains the appropriate level for the conception and management of assistance for the above reasons**, designating eligible areas at the sub-regional level can artificially restrict the field of intervention of Community assistance, and is difficult to reconcile with an approach emphasising the new factors of competitiveness.

Other contributions have emphasised the **territorial dimension**, citing variously **urban areas, industrial and rural areas in difficulties, areas**

depending on fishing or areas with natural handicaps. It needs to be pointed out that the territorial dimension can be entirely compatible with an approach based on the pursuit of thematic Union priorities.

In sum, policy priorities and instruments outside regions lagging behind would need to be reformulated, in order both to address the present shortcomings and to construct a new policy capable of making a greater contribution to economic and social cohesion.

#### Cooperation

There is also a broad acknowledgement concerning the need to continue actions to promote cooperation across frontiers and within regions. This is in recognition that the successful implementation of such actions, which are particularly important for European territorial integration, requires organisation at supranational level. The current period has demonstrated the difficulties inherent in organising coherent programmes involving authorities from different national administrative and legal traditions. The Commission has been asked to look into the possibility of drawing up a **legal instrument for cooperation across frontiers** which could facilitate the design and implementation of the European programmes.

#### (ii) Implementation: simplifying management

Discussions on how to simplify management during the current period and within the current regulatory framework applicable until the end of 2006 have underlined the main difficulties that have to be resolved with a view to the next programming period.

The work regarding the current period culminated in a meeting of Ministers on 7 October 2002. The majority of the delegations attending the meeting said that the lessons to be learned from the 2000-06 period show that changes to the method of management will have to be considered for future cohesion policy.

In essence, Member States will wish to see simplification and a much greater decentralisation of responsibilities as regards all aspects of financial management and control of European programmes

once the broad strategic aspects have been agreed with the Commission. In this context, there is a general agreement that **management systems subject to very detailed rules and based on "one-size-fits-all" are inappropriate**, given the vast differences in needs, types of assistance and resources made available, and that the principle of proportionality should apply. The Commission is conscious of the criticism and of the **difficulties presented by the multifund approach**.

Based on past experience, it is widely recognised that a successful strategic framework for setting the policy priorities depends on the efficiency of the systems to deliver it. As a result of the current implementing procedures, the efforts of Member States and of the Commission have in some cases had more of an impact on the administrative management of programmes and less on their content and strategic priorities. With enlargement, changes to the current delivery system are needed, taking into consideration the need to reinforce the administrative capacity of the new Member States.

There is also wide recognition that **enlargement will aggravate the tension between the need for a more decentralised delivery system, on the one hand, and the need for effective control by the Commission over funding on the other**.

Commission representatives have on a number of occasions emphasised that modifications to the management system proposed by the Member States need to be assessed in the light of **Article 274** of the Treaty which places responsibility for implementation of the budget on the Commission. Thus, further decentralisation would need to be accompanied by a clearer definition of responsibilities giving the necessary assurances on the use of European resources.

An avenue to be explored in the third cohesion report is the kind of **contractual approach** required between the Commission and the national authorities (and the regional authorities in the framework of any tripartite arrangements) identifying the results to be achieved through the use of Community resources, while respecting the constitutional situation of the Member States.

### (iii) Other aspects

#### Financial resources

The Commission recommended in the second cohesion report that the debate on the future of European cohesion policy should focus on content rather than on financial resources. In this way, contributors to the debate were encouraged to reflect on what the Member States of the Union should seek to achieve together in this field with the support of Community policy. To a large extent this has been the case, although proposals such as those regarding the re-nationalisation of the policy tend to be motivated by budgetary considerations.

When establishing the future budgetary allocations for economic and social cohesion, the Union will need to take into account the unprecedented scale of economic and social disparities in an enlarged Union highlighted in this progress report, and the intensive, long-term nature of the effort required to reduce them. The Commission will put forward its proposals on the new financial perspective in due course. As indicated in the first progress report, many contributions to the debate, especially at regional level, regard a figure equivalent to **0.45% of EU GDP as a minimum level** for the resources to be allocated to cohesion policy for the period after 2006, a position which was endorsed notably by the European Parliament in November 2002 in its opinion on that report.

#### The contribution of other policies

On the matter of the **consistency between Community policies**, in the course of the governance exercise now underway questions for further consideration have already been raised which the Commission has undertaken to explore in preparing future policies. The content of these policies should also take greater account of the broad diversity and

greater territorial imbalances of the enlarged Union. It should also include, in a more explicit way, a contribution to economic and social cohesion.

A particular point has frequently been raised in the course of the debate: the status under **competition policy** of regions that will suffer from "the statistical impact" as a result of enlargement; it is being asked that they continue to qualify for an equivalent level of aid to that for regions covered by Article 87(3)(a) of the Treaty.

## IV. Future deadlines

As the Commission announced in the first progress report, the third report on economic and social cohesion will have to be adopted in the last quarter of 2003 in order to create the conditions for 'the effective implementation of the new generation of programmes to commence at the beginning of the new programming period'. This report will present 'concrete proposals for the future of cohesion policy'.<sup>1</sup>

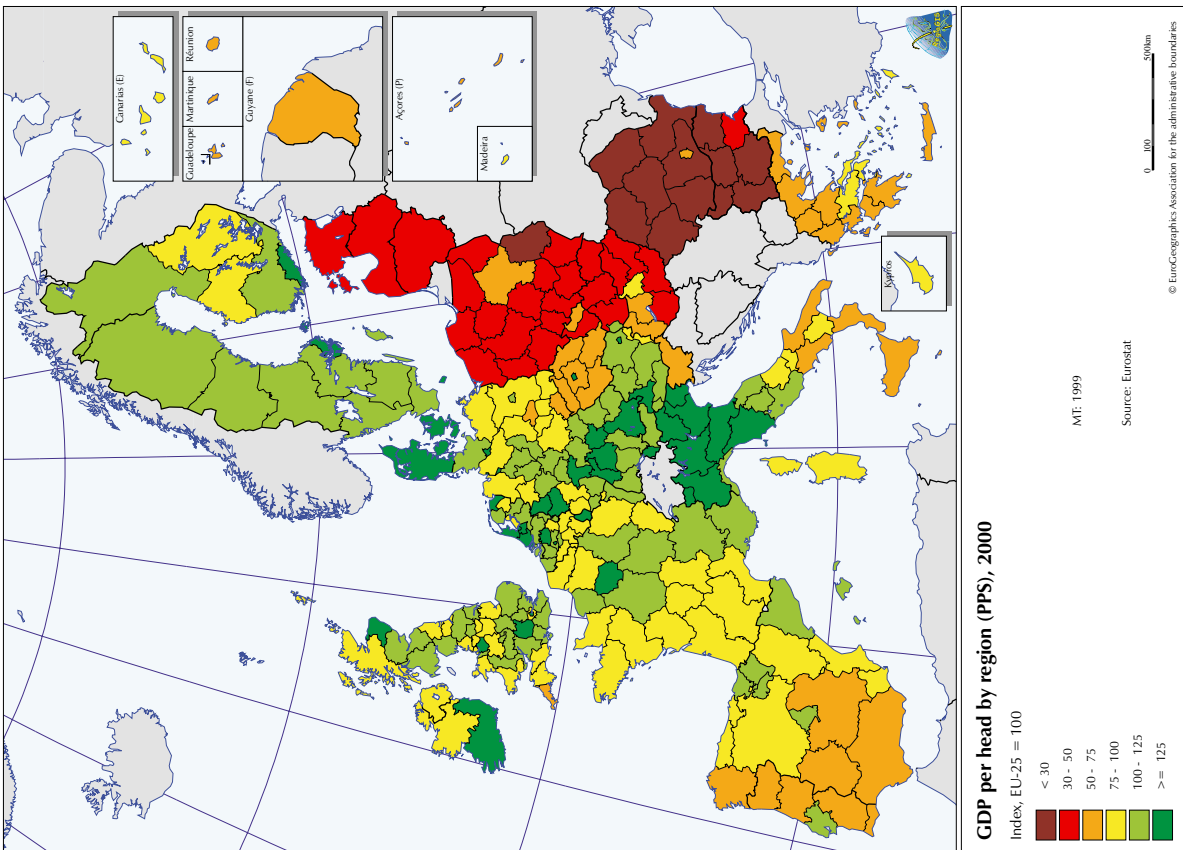
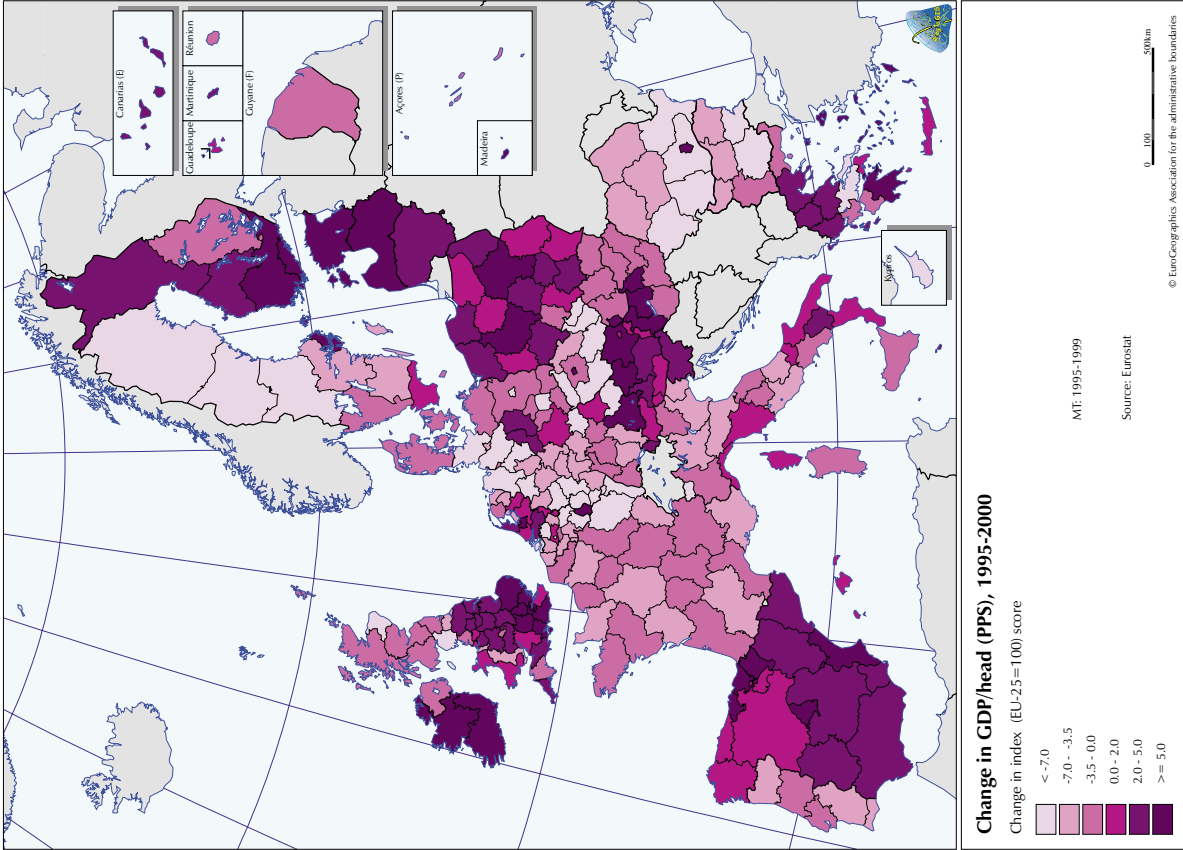
Wide-ranging consultations will take place in 2003, including a major event (in March 2003) in the form of a seminar on "The future management of the Structural Funds: how are responsibilities to be shared? ". There are also plans to arrange consultations on the proposals for the third report at the start of 2004 as part of a Forum on cohesion.

**The Commission will present, in good time, its overall proposals for all policies, and a draft financial perspective, for the period after 2006.**

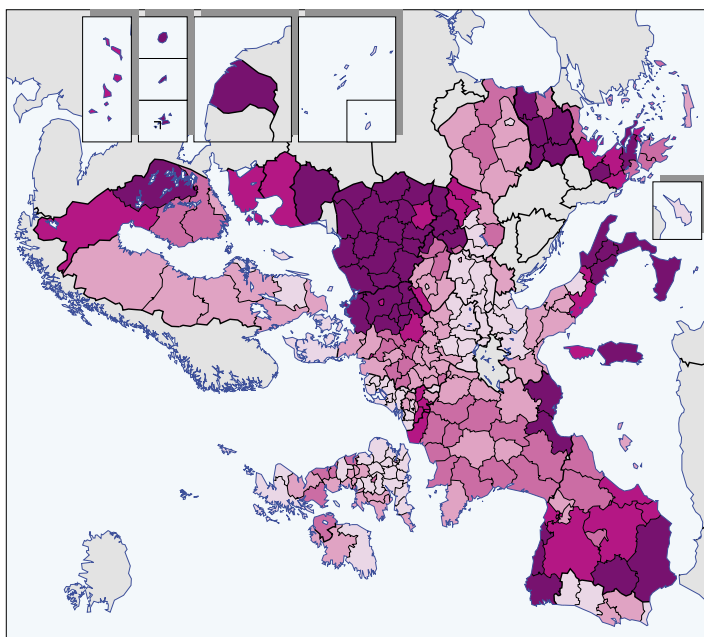
The Commission would like the legislative instruments to be adopted before the end of 2005. This would mean that 2006 could be devoted to the negotiations with the Member States and the regions on the programming for 2007-13.

8. COM(2002) 46.

# Statistical annex



Unemployment, 2001



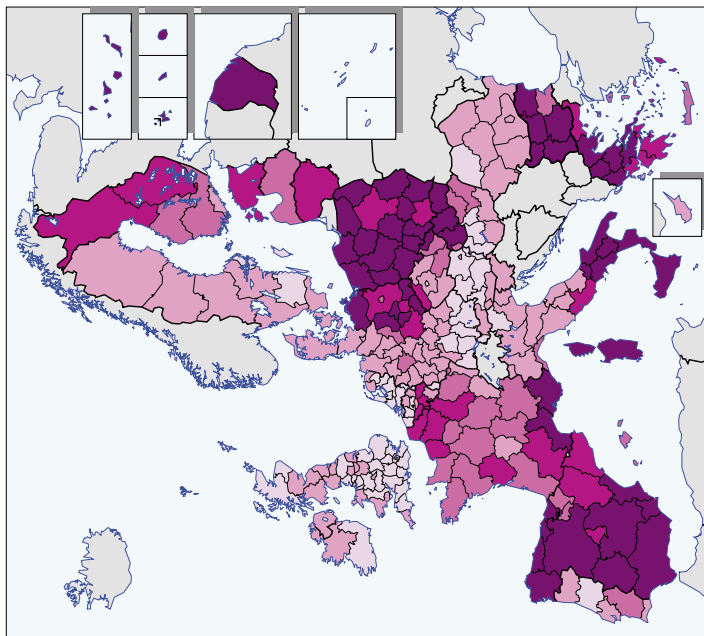
Total unemployment rate

% of labour force

- < 4.45
- 4.45 - 7.35
- 7.35 - 10.25
- 10.25 - 13.15
- >= 13.15

EU-27 = 8.8  
Standard deviation = 5.84

Sources: Eurostat and NSI



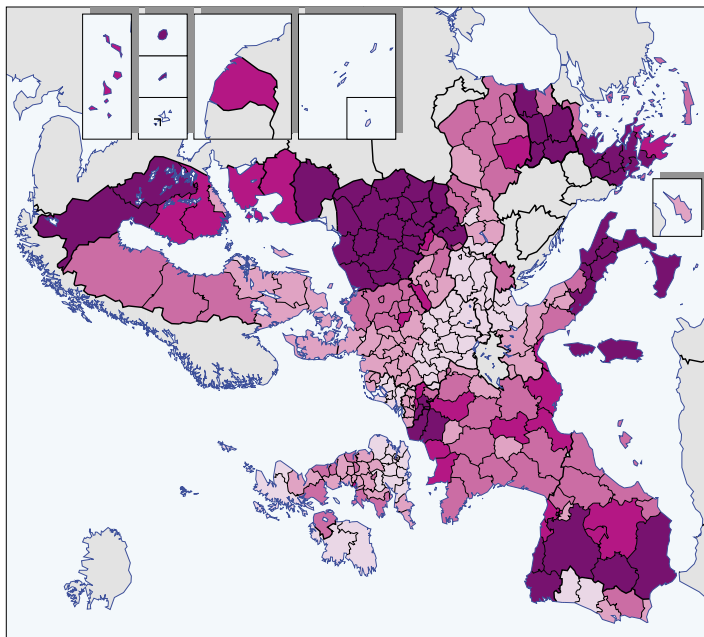
Female unemployment rate

% of female labour force

- < 4.6
- 4.6 - 8.2
- 8.2 - 11.8
- 11.8 - 15.4
- >= 15.4

EU-27 = 9.9  
Standard deviation = 7.1

Sources: Eurostat and NSI



Youth unemployment rate

% of youth labour force, 15-24

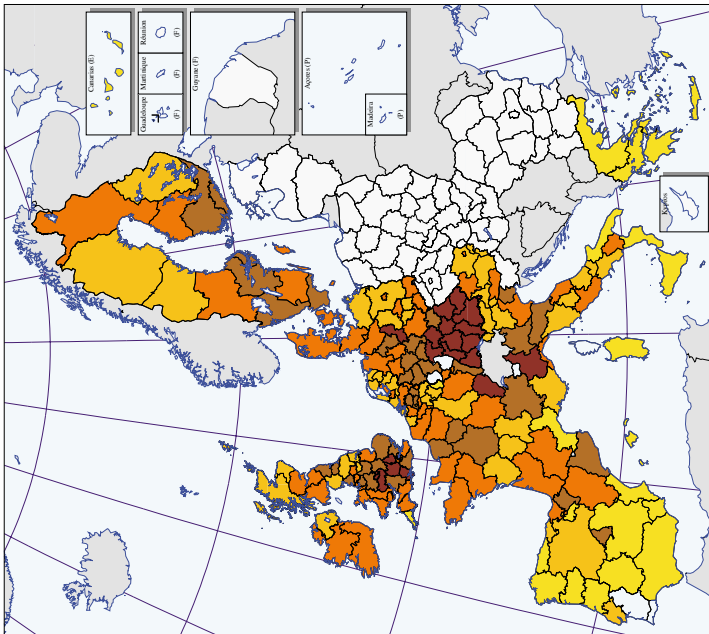
- < 8.2
- 8.2 - 14.8
- 14.8 - 21.4
- 21.4 - 28.0
- >= 28.0
- no data

EU-27 = 18.0  
Standard deviation = 13.1

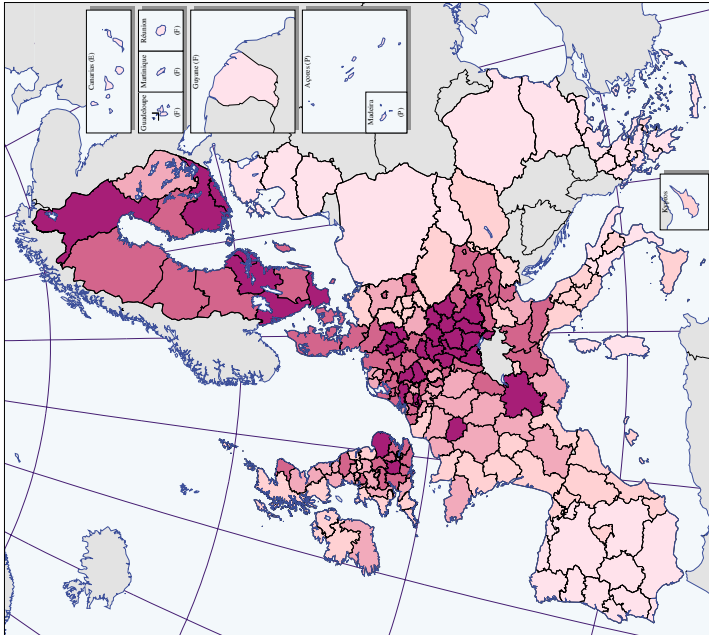
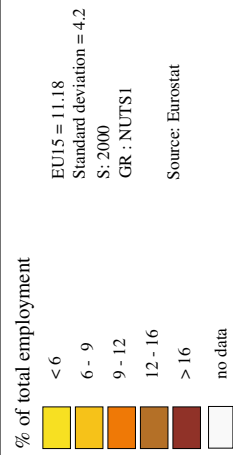
Sources: Eurostat and NSI

0 250 1250 km

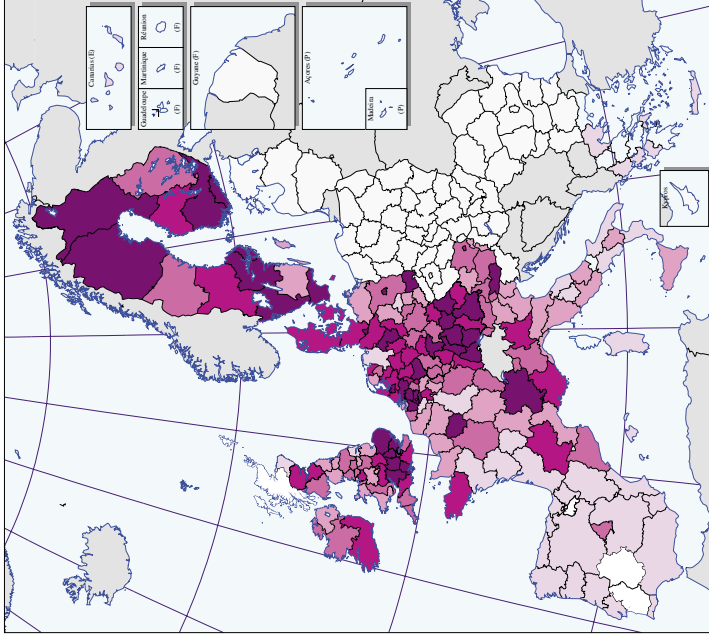
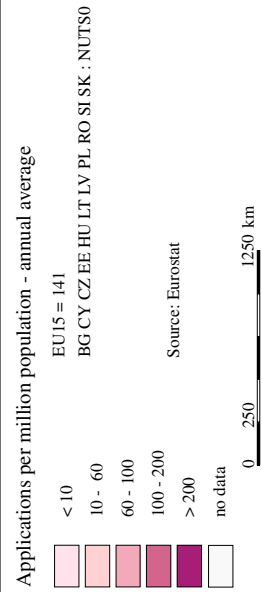
**High technology - employment and patents**



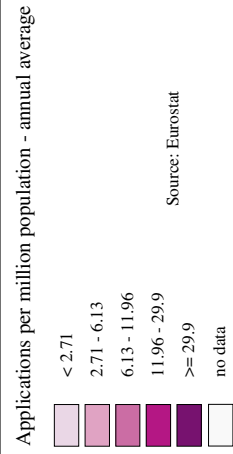
**Employment in high technology, 2001**



**Patent applications to the EPO, 1998 to 2000**



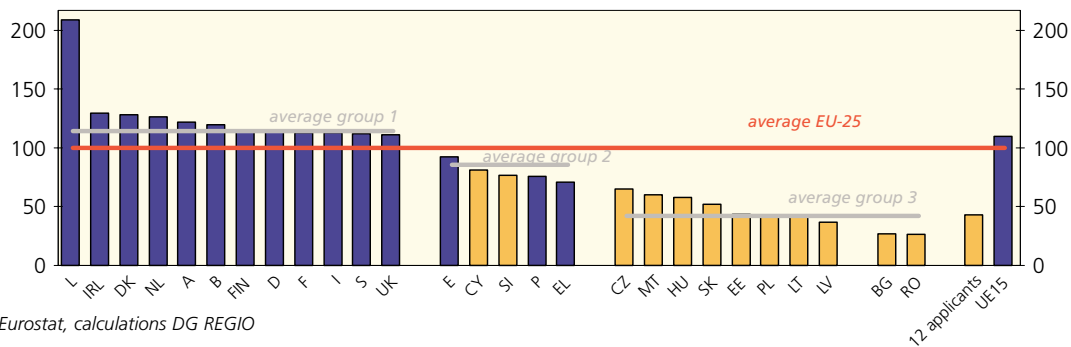
**High-tech patents 1998 to 2000**



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## GDP per capita (PPS), 2001

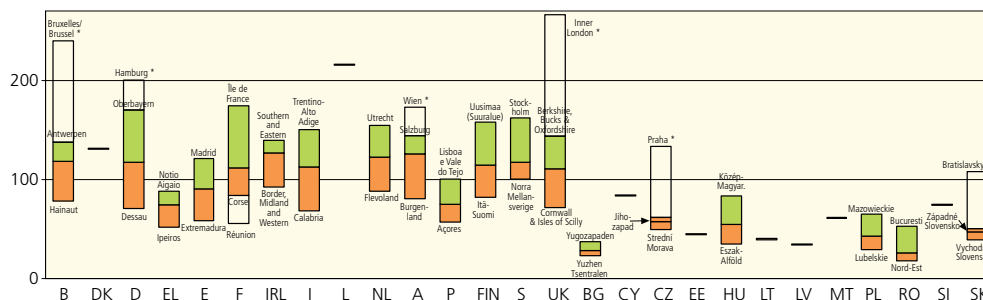
Index, EU-25 = 100



Source: Eurostat, calculations DG REGIO

## GDP/head (PPS) by country and regional extremes, 2000

Index, EU-25 = 100



Source: Eurostat

\*In these regions, the per capita GDP figure tends to be overestimated because of commuter flows.

## Summary statistics for regions falling below the 75% threshold (based on GDP/head in PPS, 2000)

Index used	In the EU15		In the EU25		In the EU27	
	EU15 = 100 € 22 603	EU15 = 100 € 22 603	EU25 = 100 € 19 661	EU15 = 100 € 22 603	EU27 = 100 € 18 530	
Number of regions falling below the 75% threshold: of which in EU15	48	48	67	99	68	
Population in those regions (millions) of which in EU15	68	68	116	168	122	
Population as a proportion of EU15/25/27 EU15 regions as a proportion of EU15 total	18%	18%	26%	35%	25%	
Average GDP/head (PPS) of regions falling below the threshold of which in EU15	65	65	53	47	46	

Source: Eurostat, calculations DGREGIO

## Copenhagen: Distribution of Cohesion Fund and Structural Fund commitment appropriations for the 10 new Member States

Period 2004-2006

€ Million, 1999 prices

Country	Cohesion Fund		Structural Funds					Total
	Indicative allocation (as % of total)	Objective 1	Objective 2	Objective 3	FIGG	C.I.		
						Interreg	Equal	
CY	0,43%-0,84%	0	24,9	19,5	3,0	3,8	1,6	52,8
CZ	9,76%-12,28%	1 286,4	63,3	52,2	0	60,9	28,4	1 491,2
EE	2,88%-4,39%	328,6	0	0	0	9,4	3,6	341,6
HU	11,58%-14,61%	1 765,4	0	0	0	60,9	26,8	1 853,1
LT	6,15%-8,17%	792,1	0	0	0	19,9	10,5	822,5
LV	5,07%-7,08%	554,2	0	0	0	13,5	7,1	574,8
MT	0,16%-0,36%	55,9	0	0	0	2,1	1,1	59,1
PL	45,65%-52,72%	7 320,7	0	0	0	196,1	118,5	7 635,3
SI	1,72%-2,73%	210,1	0	0	0	21,0	5,7	236,8
SK	5,71%-7,72%	920,9	33,0	39,9	0	36,8	19,7	1 050,3
<b>Total</b>	<b>7 590,5</b>	<b>1 3234,3</b>	<b>121,2</b>	<b>111,6</b>	<b>3,0</b>	<b>424,4</b>	<b>223,0</b>	<b>141 17,5</b>

€ 38,4 million is to be added to the total of € 14 117,5 million under technical assistance.



**European Commission**  
Directorate-General for Regional Policy

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