

# **My Region, My Europe, Our Future the 7<sup>th</sup> Cohesion Report**

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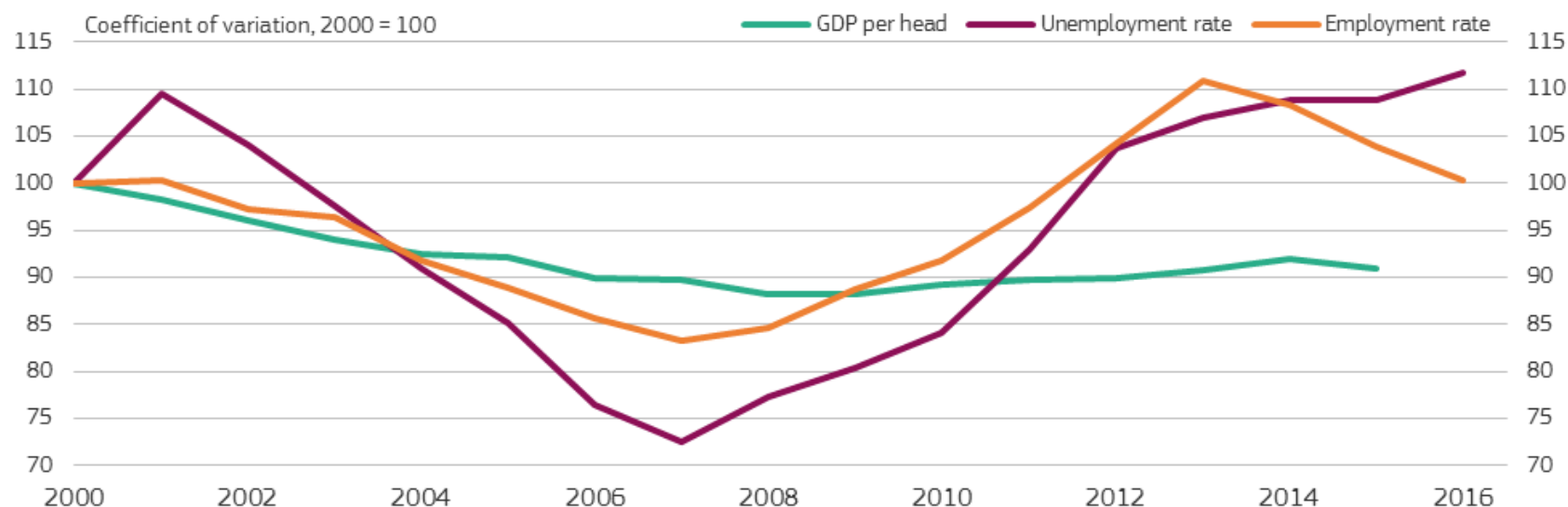
**Policy development and Economic analysis unit**

# Why publish a cohesion report?

- *Every three years, this report answers three questions as required by the EU treaty:*
  - **How is cohesion changing, in other words 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?**

# Crisis led to divergence and recovery to convergence

**Figure 1.1 Coefficient of variation of GDP per head, employment rate (20-64) and unemployment rate in EU-28 NUTS 2 regions, 2000-2016 (indices, 2000=100)**

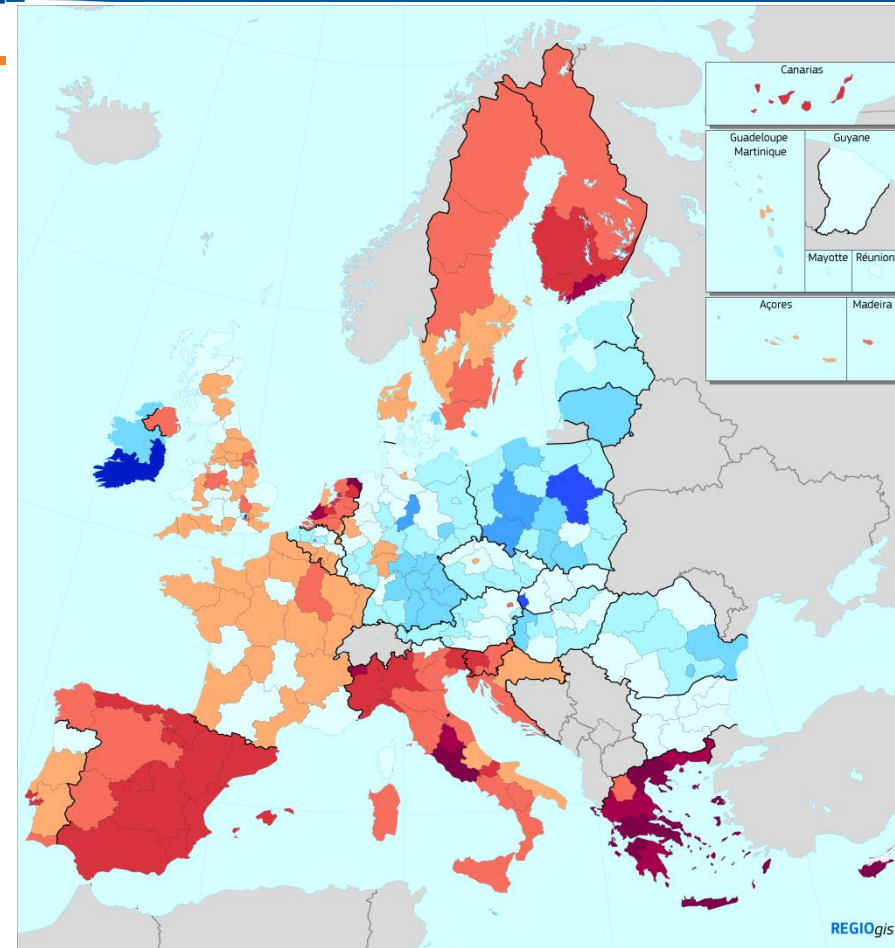


The coefficient of the variation is weighted by the population of each region

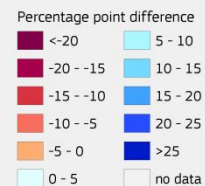
Source: Eurostat, DG REGIO calculations

# Economic cohesion

- *Regional disparities are narrowing again*
- *Regions in eastern Member States have converged to the EU average, but Greek and Italian regions diverged substantially*



Change in GDP per head index, 2008 vs 2015



EU-28 = 0  
Source: Eurostat, DG REGIO

0 500 km

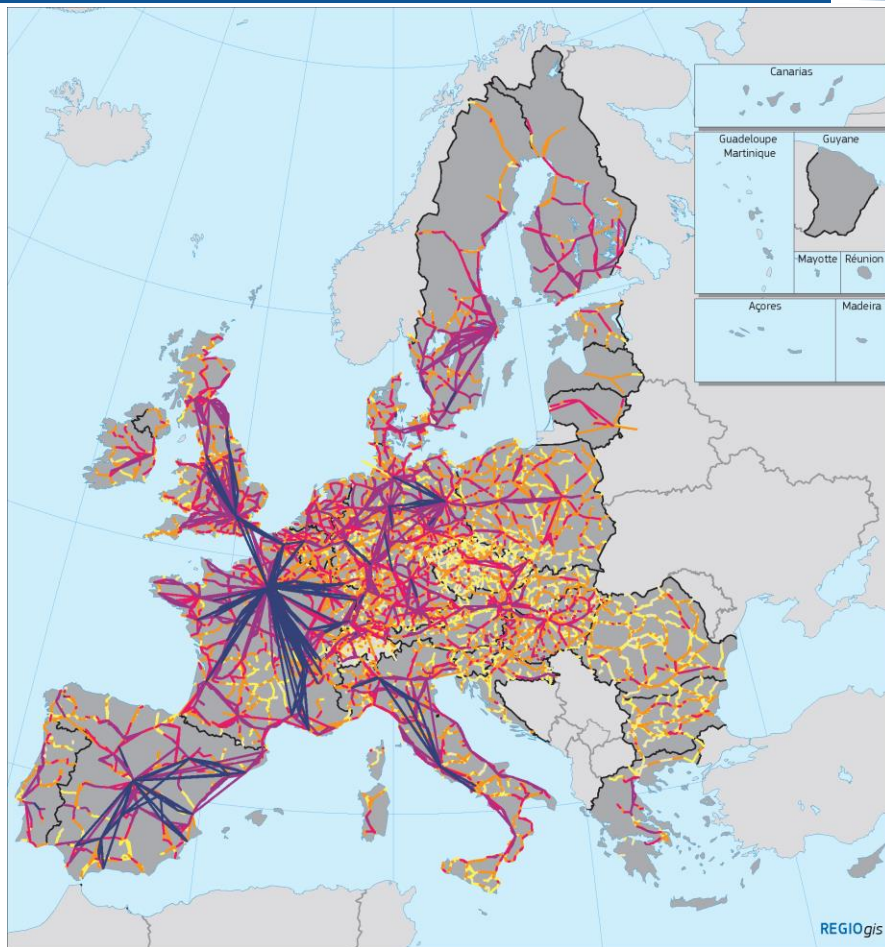
# Middle-income trap

- *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*

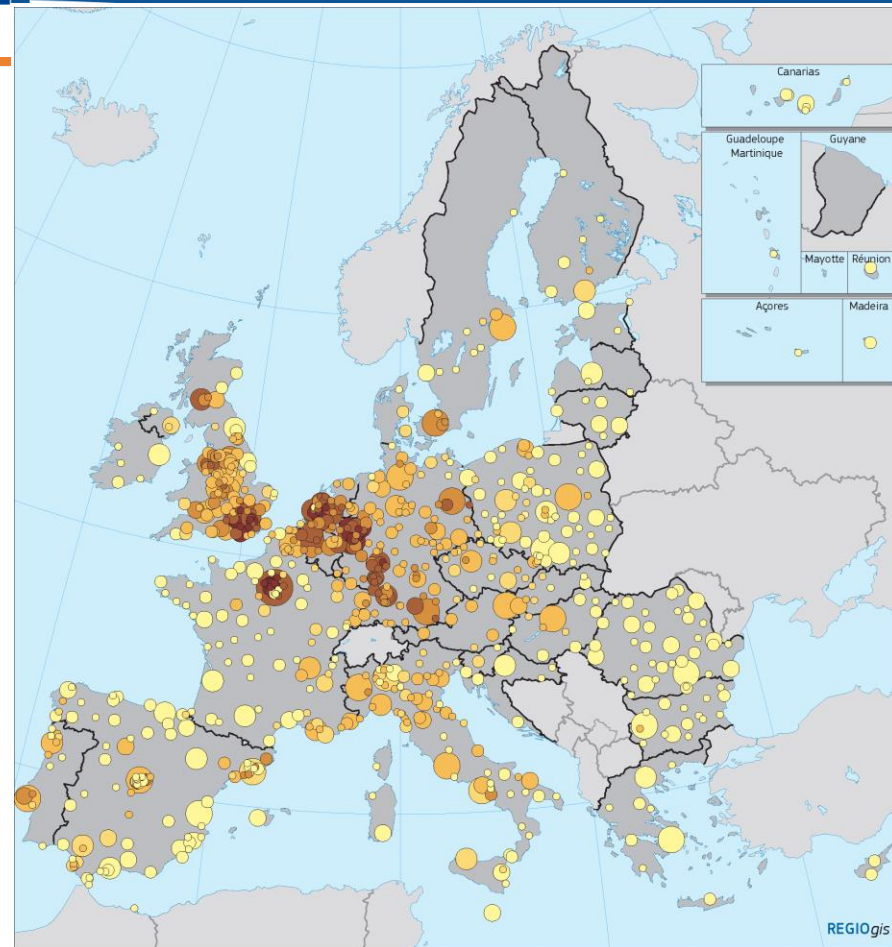
# Rail service slow and infrequent



# in eastern EU



European Commission



Map 1.13 Average speed of direct rail connections, 2014

km/h

- <= 40
- 40.1 – 60
- 60.1 – 80
- 80.1 – 100
- 100.1 – 150
- > 150

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.

0 500 km

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Regional and urban Policy

Map 1.14 Rail accessibility during morning peak hours, by city, 2014

Accessible population

- < 50 000
- 50 000 – 100 000
- 100 000 – 500 000
- 500 000 – 1 000 000
- 1 000 000 – 2 000 000
- >= 2 000 000
- no data

Urban center population

- < 100 000
- 100 000 – 250 000
- 250 000 – 500 000
- 500 000 – 1 000 000
- 1 000 000 – 5 000 000
- >= 5 000 000

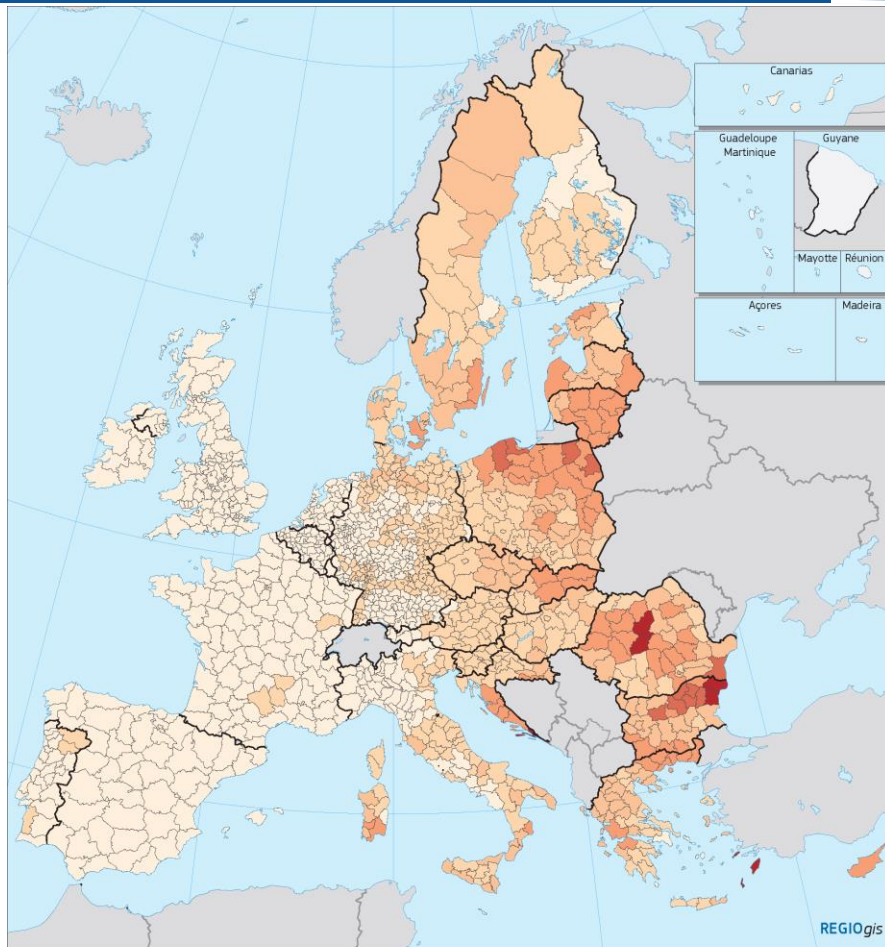
Population (outside the city) that can be reached within 1h30 of travel (including initial waiting time) from stations in the city.  
Sources: UIC, rail operators, Eurostat, JRC, DG REGIO-GIS

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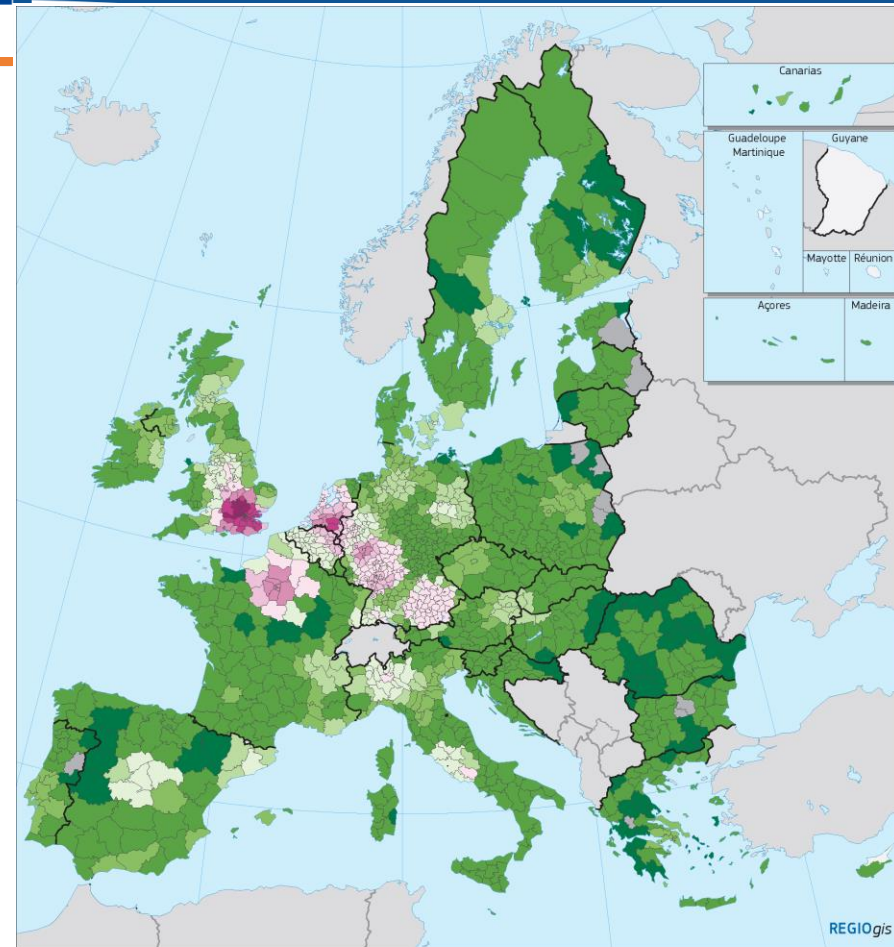


# Trans European road network improves access in eastern EU



European  
Commission

REGIOgis



Map 1.15 Access to passenger flights by NUTS 3 region, 2015

Average number of flights per day

time to nearest airport > 90 min.

> 10  
10 – 250  
250 – 500  
500 – 750  
750 – 1000

1000 – 1500  
1500 – 2000  
2000 – 2500  
2500 – 3000  
> 3000  
no data

Population-weighted average number of flights per day, accessible within 90 minutes by road.

Sources: Eurostat, EuroGeographics, TomTom, JRC, DG REGIO-GIS

REGIOgis

Map 1.12 Expected change in road accessibility due to the TEN-T network completion, by NUTS 3 region

%  
< 5  
5 – 10  
10 – 15  
15 – 20  
20 – 25  
> 25  
no data

Medium distance-decay function.  
Change relative to the accessibility level  
observed in 2012.  
Source: Ibañez et al. 2017

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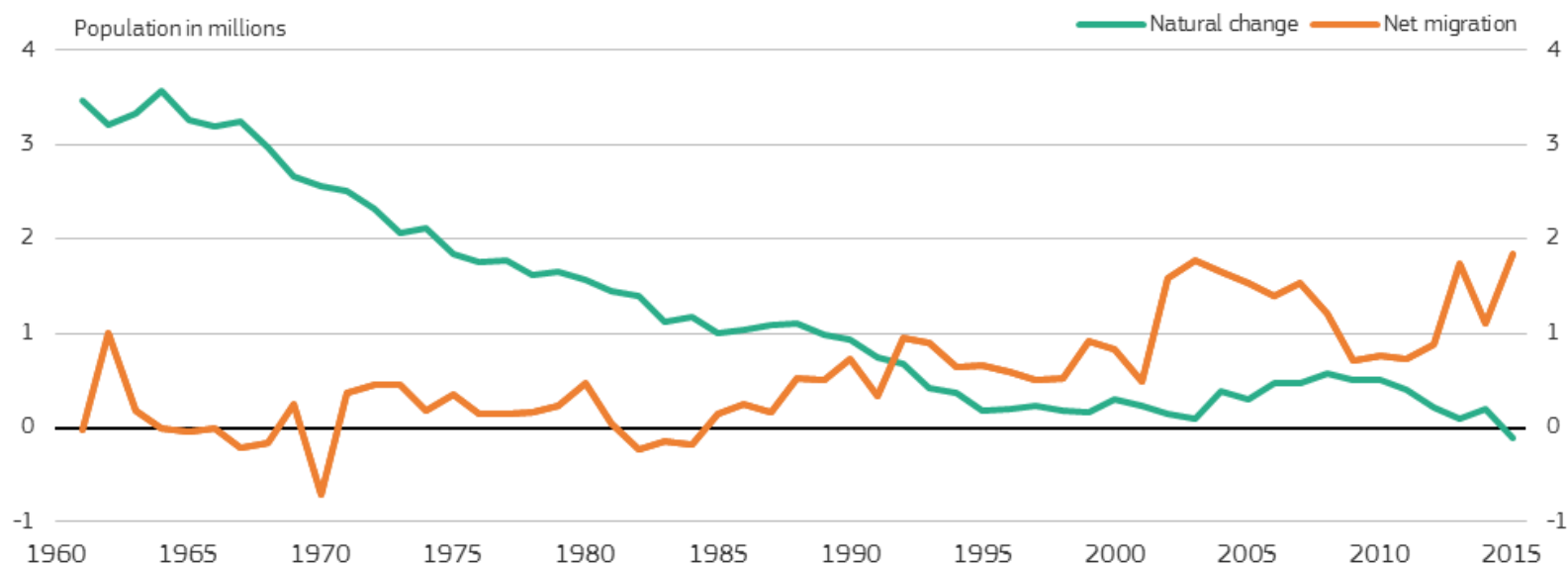
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# In 2015 deaths outnumbered births

**Figure 2.1 Natural change and net-migration in the EU-28, 1960-2015**

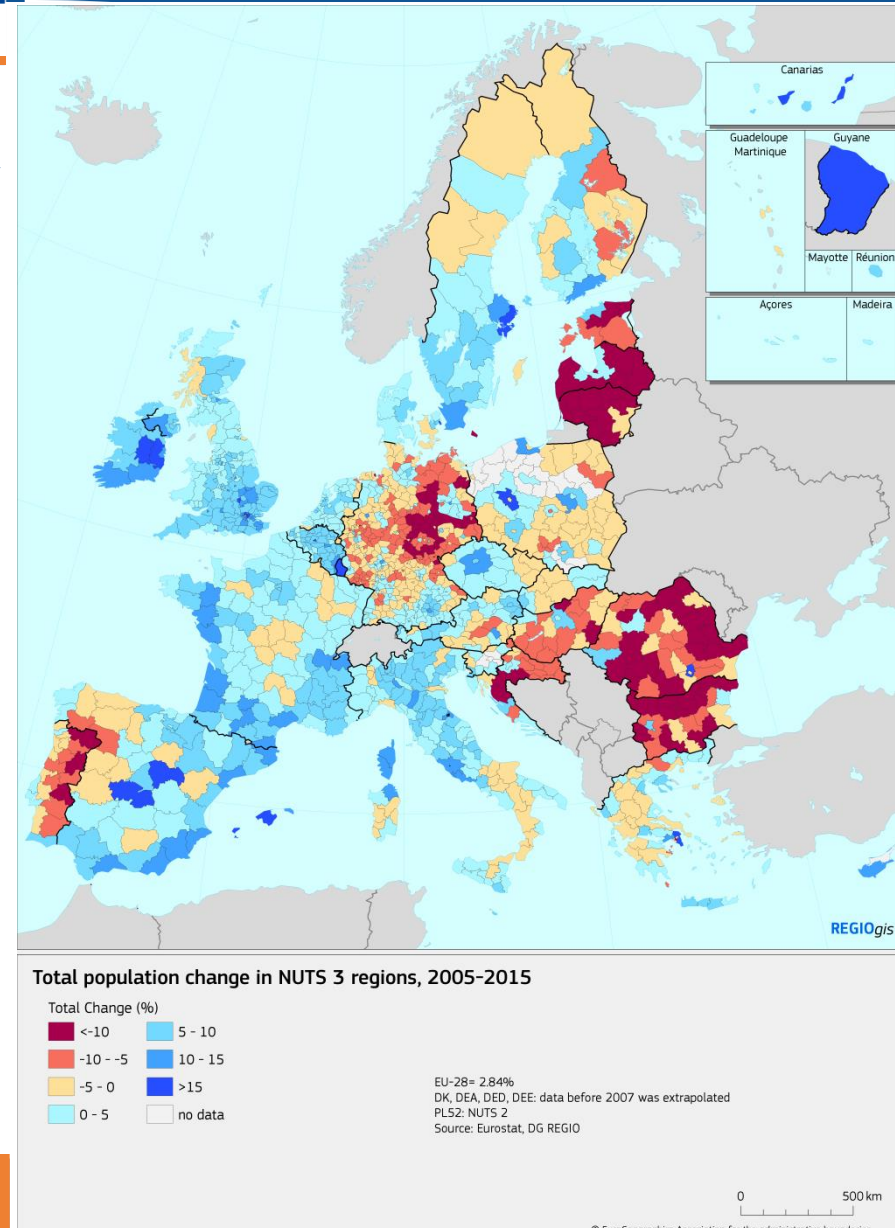


Source: Eurostat



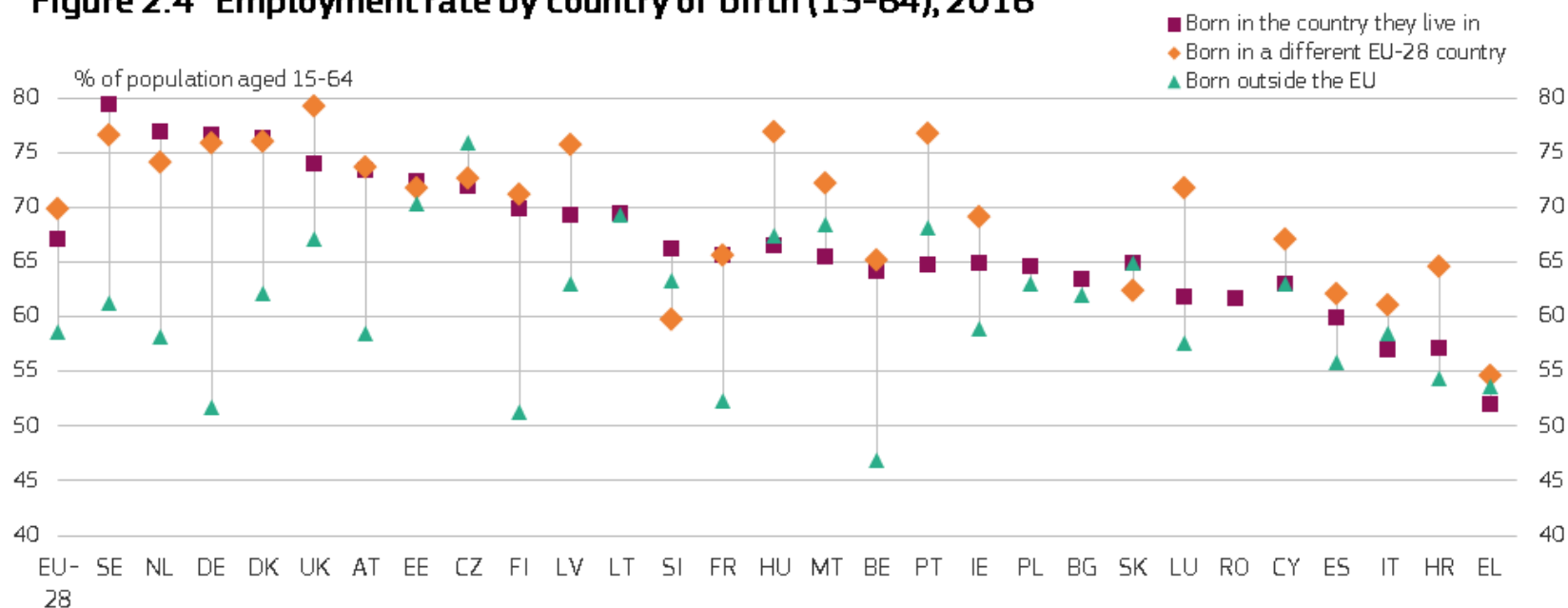
# Migration & mobility

- *Migration and mobility is main determinant of population change*
- *Two out of three people in EU-13 live in a shrinking NUTS 3 region*



# Non-EU: lower employment rates Other-EU: higher employment rates

**Figure 2.4 Employment rate by country of birth (15-64), 2016**

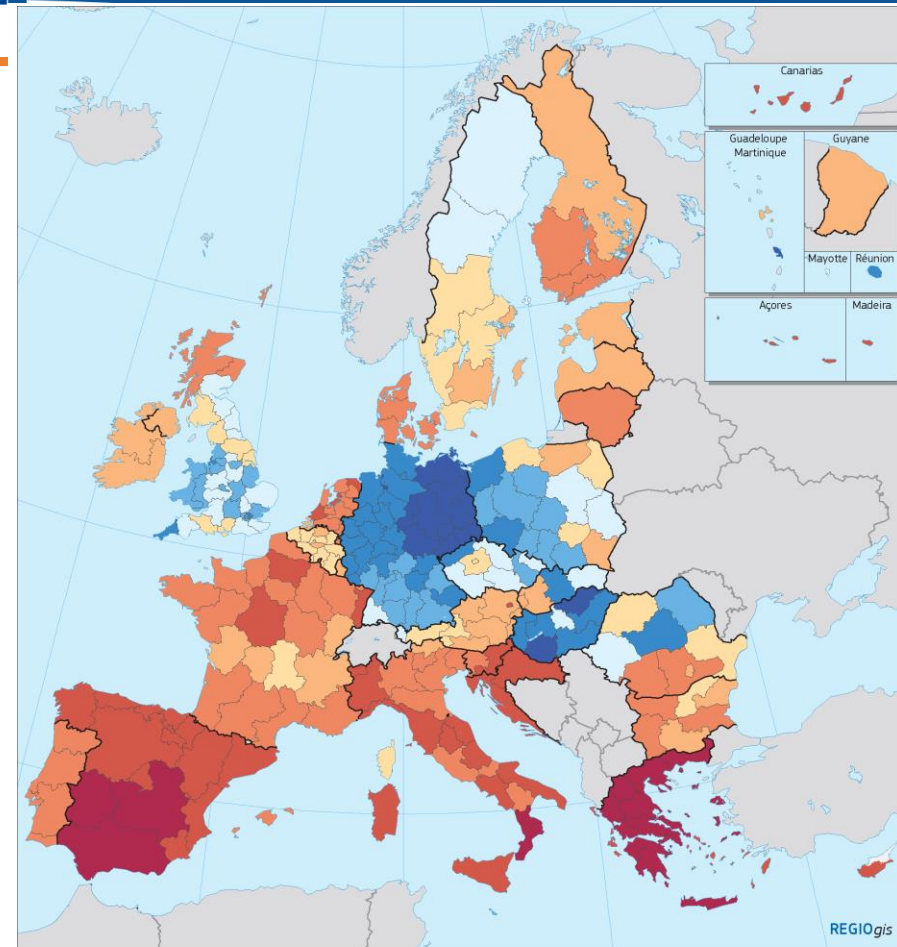


DE: employment rate by country of citizenship. Figures with a low reliability were not included.

Source: Eurostat

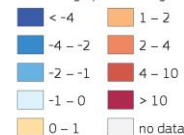
# Unemployment

- *Unemployment is still above pre-crisis level and regional disparities have not started narrowing yet*
- *In particular youth unemployment remains high*



Map 2.8 Change in unemployment rates, 2008–2016

Percentage point change

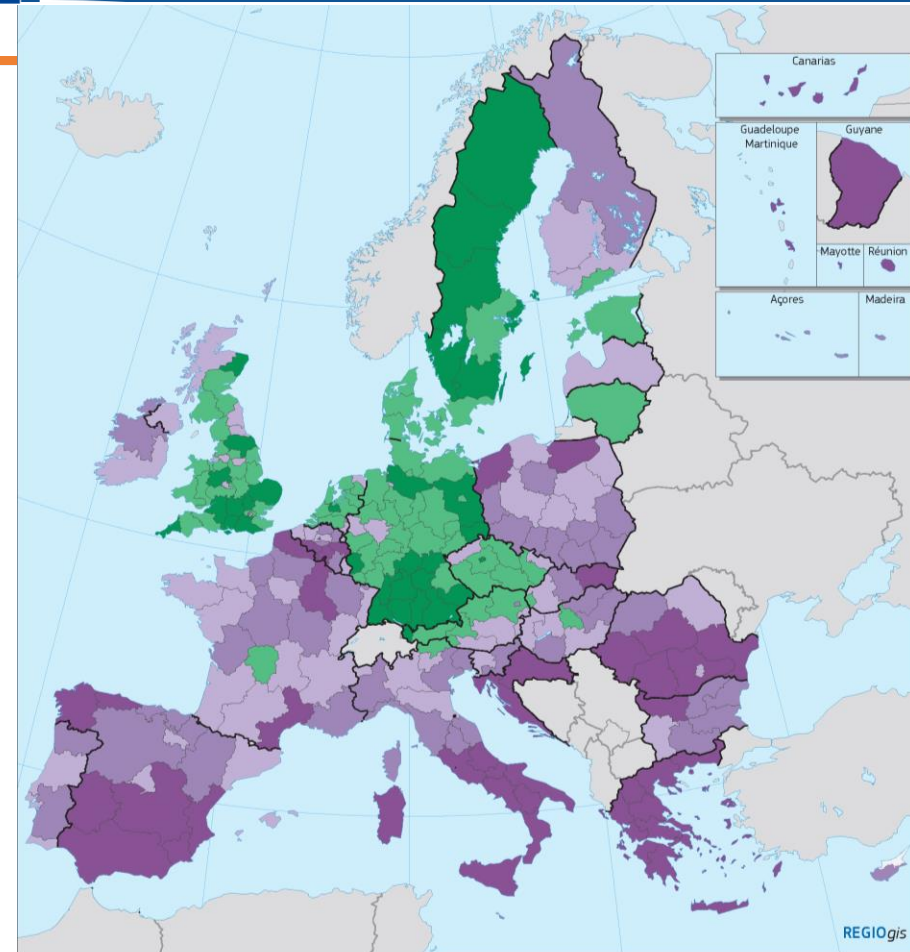


EU-28 = 1.5  
Sources: Eurostat, DG REGIO

# Employment

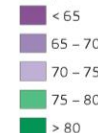


- *Employment at an all time high, but the 2020 target of 75% is unlikely to be reached on time*
- *Between 2008 and 2016, it only increased by 0.8% points*
- *Many regions in the south and east of the EU still have (very) low employment rates*



Map 2.5 Employment rate (20–64), 2016

% of population aged 20–64

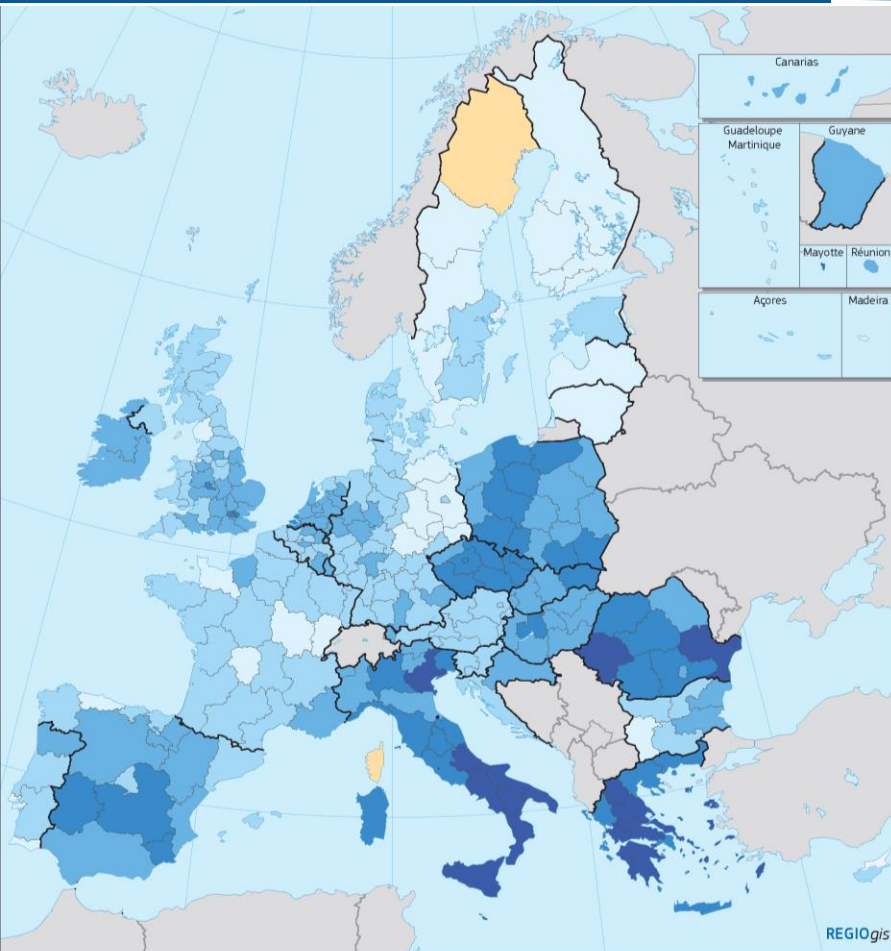


EU-28 = 71  
The Europe 2020 target is 75  
Source: Eurostat

0 500 km

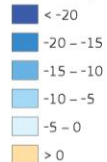


# Women at work &



**Map 2.15 Difference between female and male employment rates (20-64), 2016**

Percentage point difference (female - male)



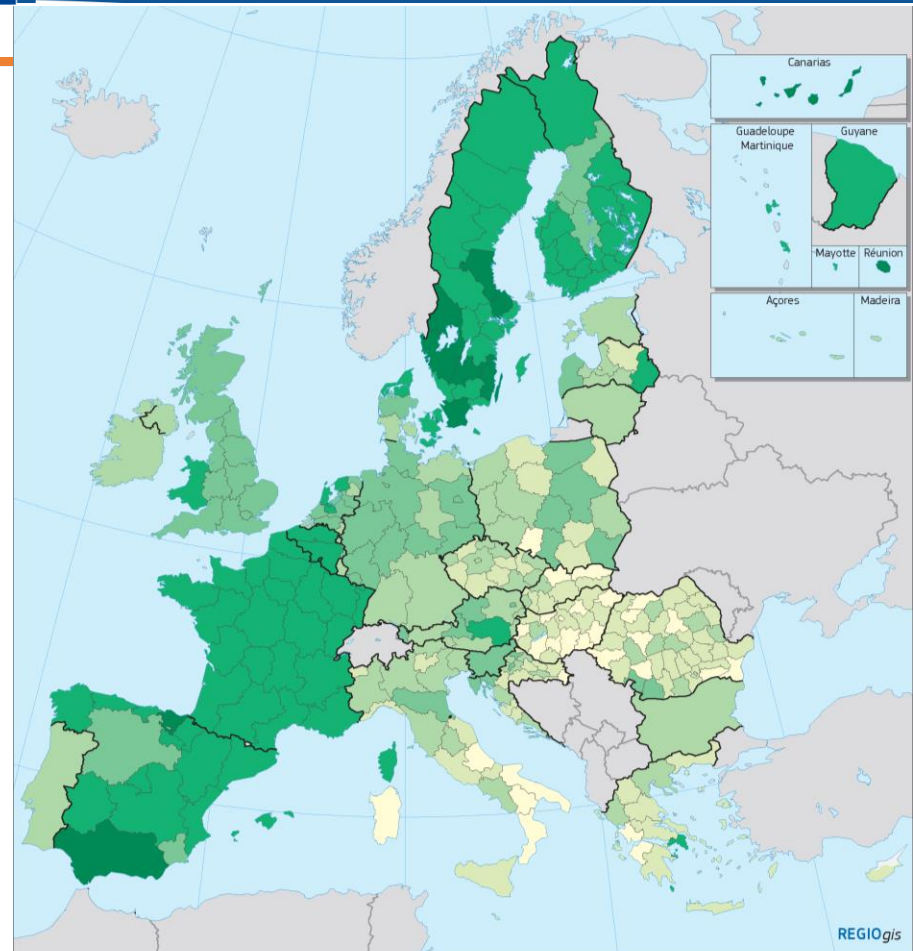
EU-28 = -11.5  
Source: Eurostat

0 500 km

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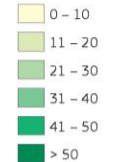
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# in regional parliaments



**Map 2.19 Women in regional assemblies, 2017**

% of members



Countries without regional assemblies: BG, EE, IE, CY, LT, LU, MT, SI (women in national assembly).  
Regions without assembly: ES63, ES64, PT1, England excl. London (women in national assembly).  
Source: European Institute of Gender Equality, JRC, DG REGIO

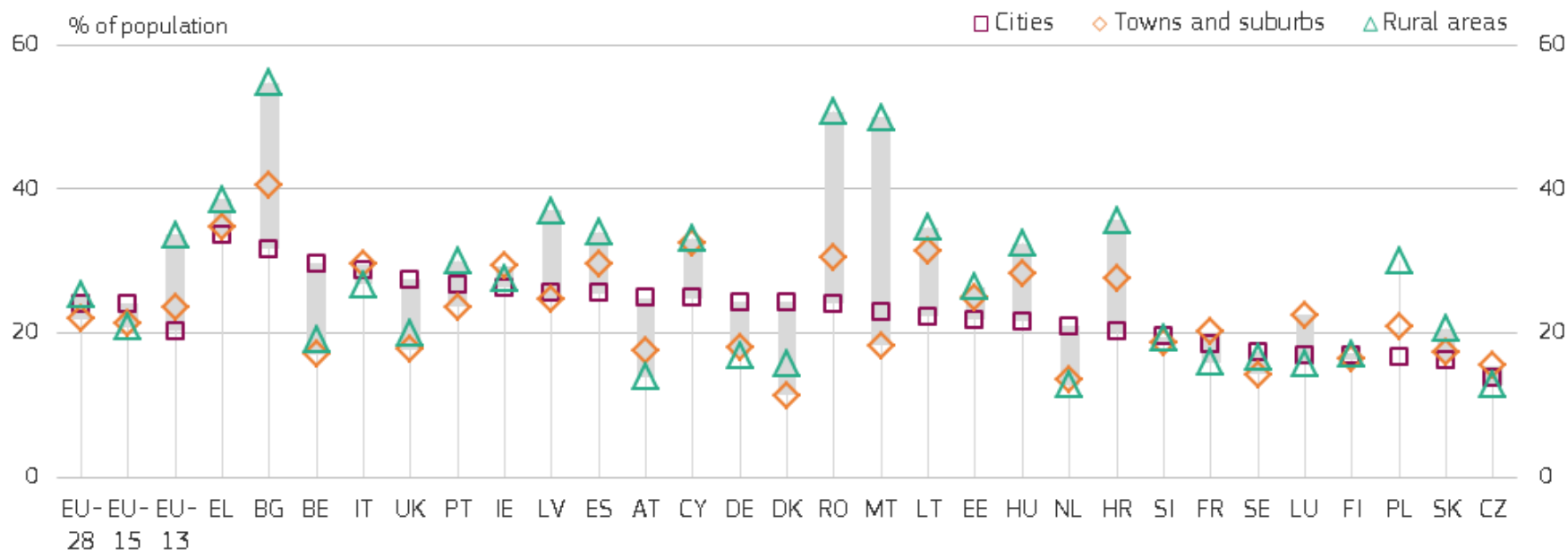
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# Risks higher in rural areas in EU-13 and in cities in EU-15

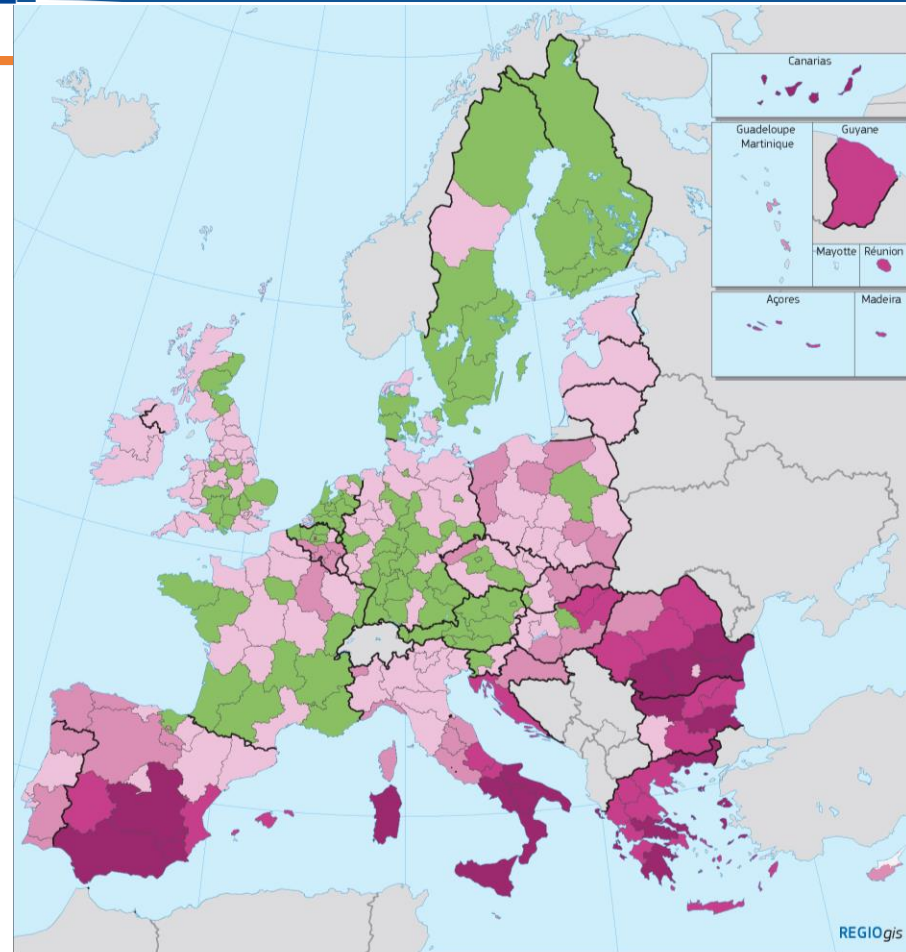
**Figure 2.9 Share of population at risk of poverty or social exclusion by degree of urbanisation, 2015**



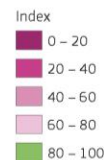
Source: Eurostat



- *Cities are closest to 2020 targets*
- *But rural areas made most progress between 2010 and 2015*



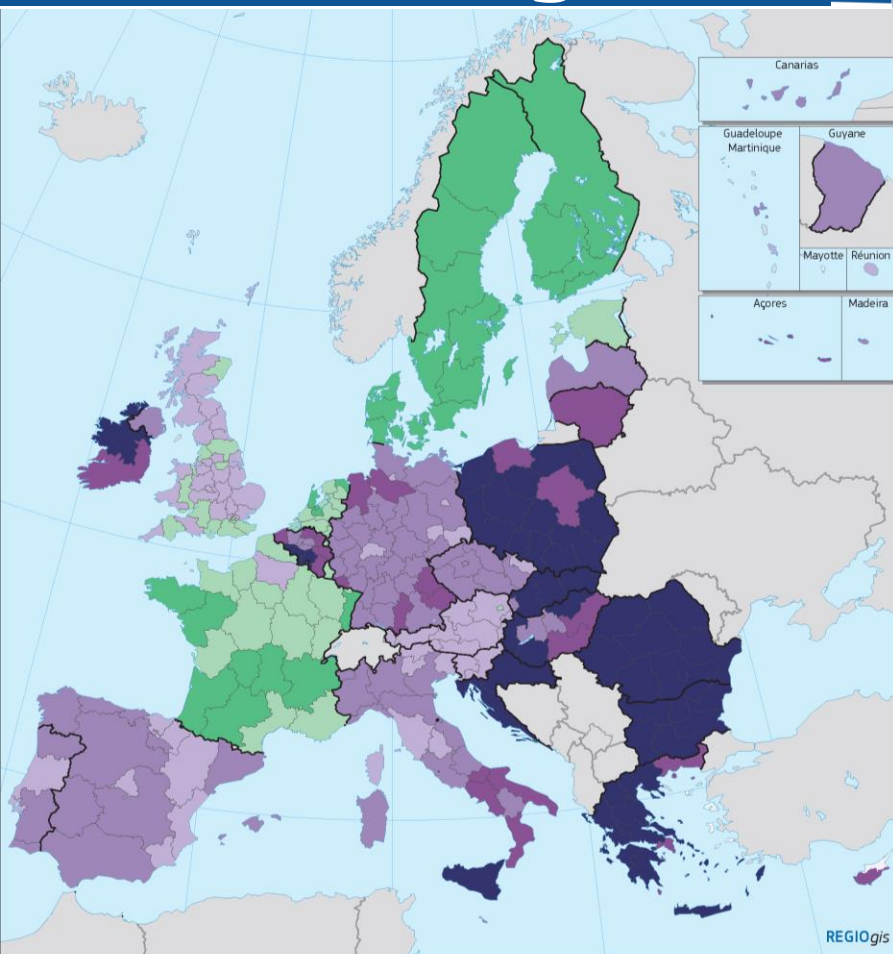
Map 2.13 The Europe 2020 achievement index (EU targets), 2015



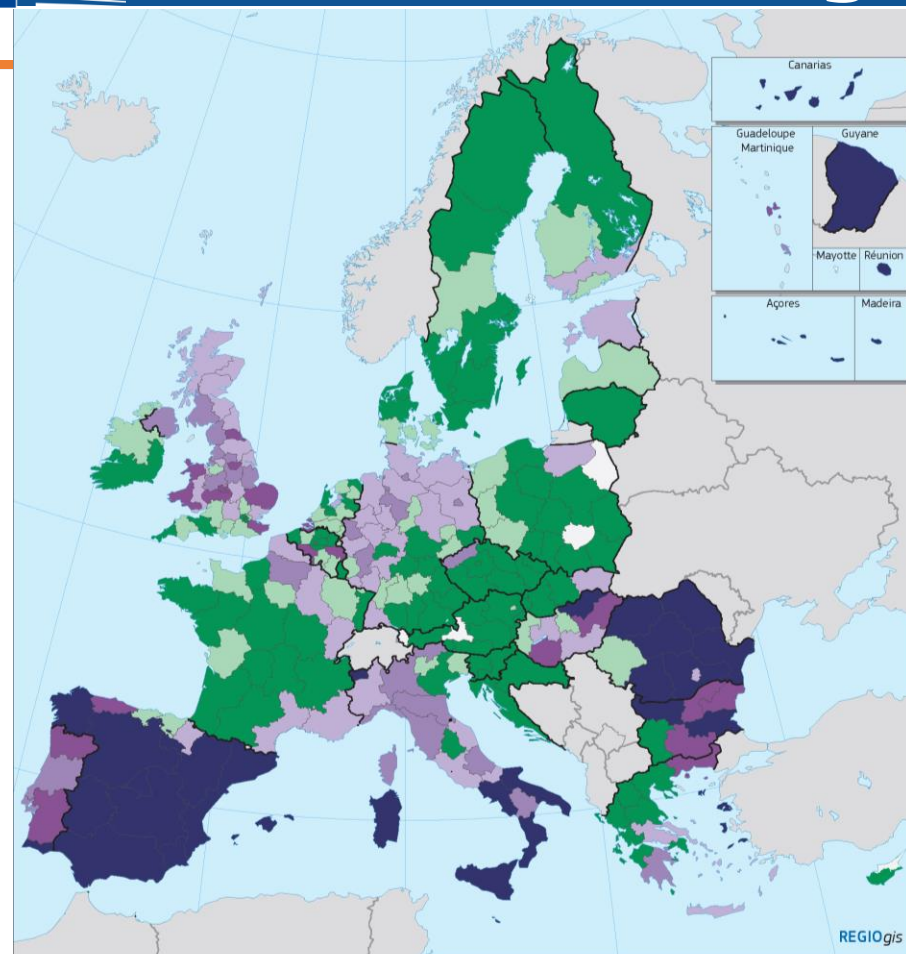
EU-28 = 80.79  
0 = lowest level of achievement | 100 = all targets included in the index reached.  
This index takes into account the following indicators:  
Employment, R&D spending, Education (ESL and TERT) and fighting poverty and social exclusion (AROPE).  
Source: JRC

# Life long learning

# early school-leaving

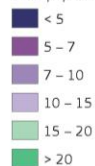


European  
Commission



Map 2.10 Participation of adults aged 25–64 in education and training, 2016

% of population aged 25–64



EU-28 = 10.8  
The Europe 2020 target is 15%  
Source: Eurostat

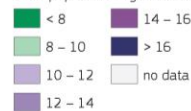
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Map 2.11 Early school-leavers from education or training aged 18–24, average 2014–2016

% of population aged 18–24



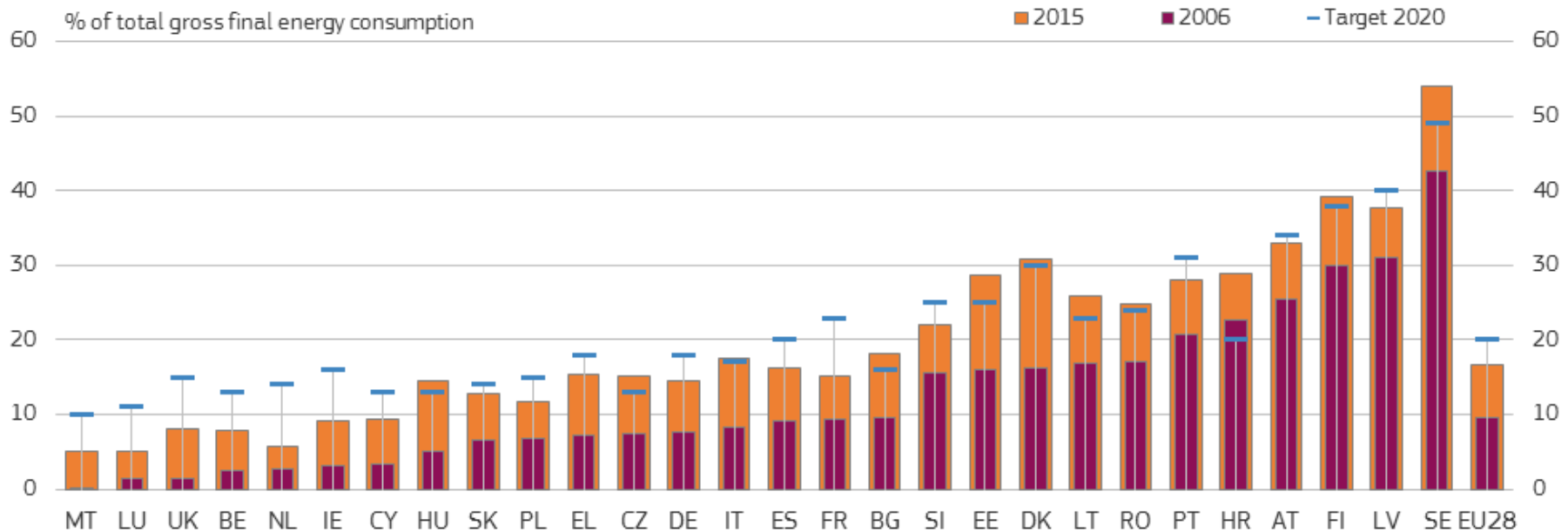
EU-28 = 11  
The Europe 2020 target is 10  
Source: Eurostat, DG REGIO

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# More investments needed to reach 2030 climate targets

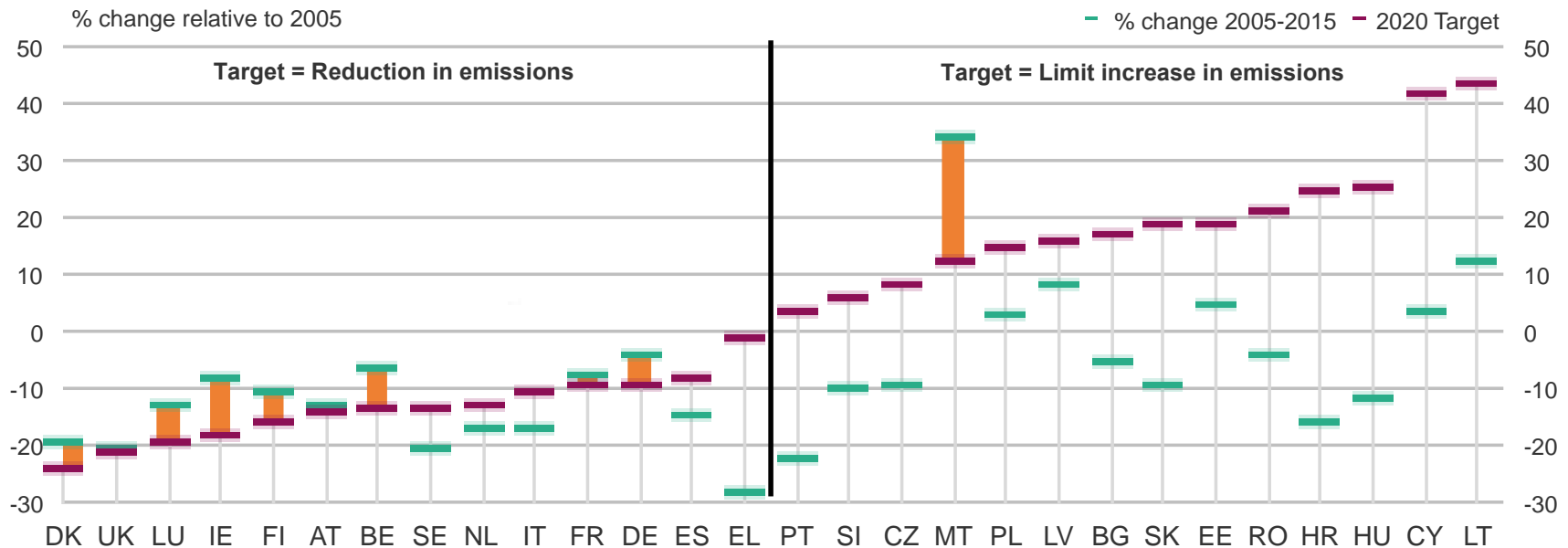
**Figure 3.3 Share of renewable energy in gross final energy consumption, 2006 and 2015 and target in 2020**



Source: EEA, Eurostat

# Goal for 2030 is -30% for non-ETS

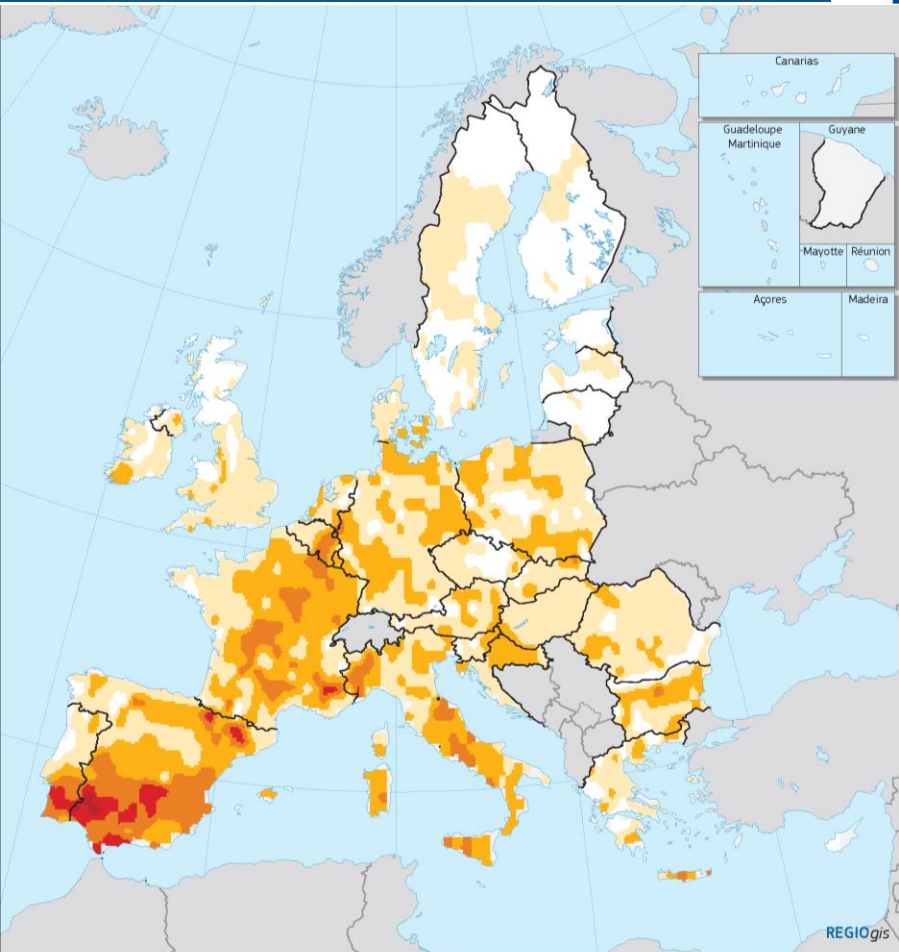
**Figure 3.2 Changes in greenhouse gas emissions outside the Emissions Trading Scheme, 2005-2015 and Europe 2020 targets**





# Climate change

# increases risks



Map 3.3 Negative climate change impacts under a 2°C warming scenario

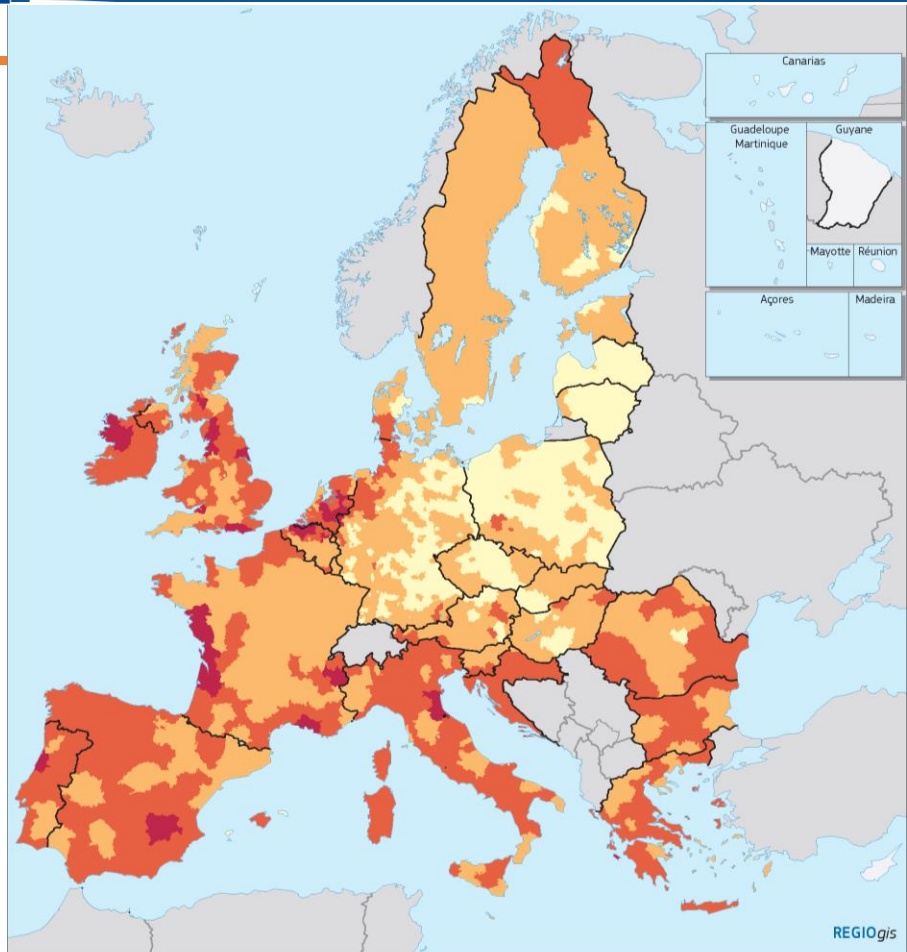
Number of sectors

0
1
2
3
4
5

Number of sectors negatively affected by climate change.  
Source: EEA, adapted from IMPACT2C project, 2015



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Map 3.4 Projected increase in multi-hazard climate-related exposure, 2050

Number of hazards with moderate increase

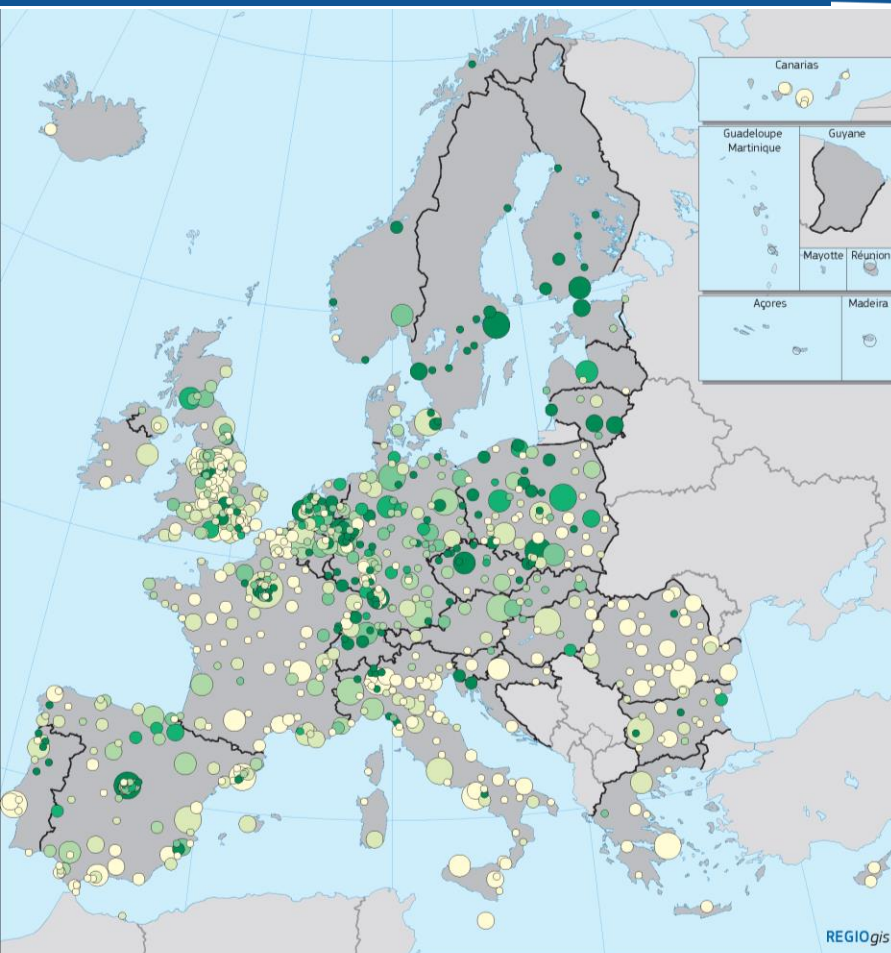
1
2
3
4
No data

Source: JRC, Forzieri et al., 2016

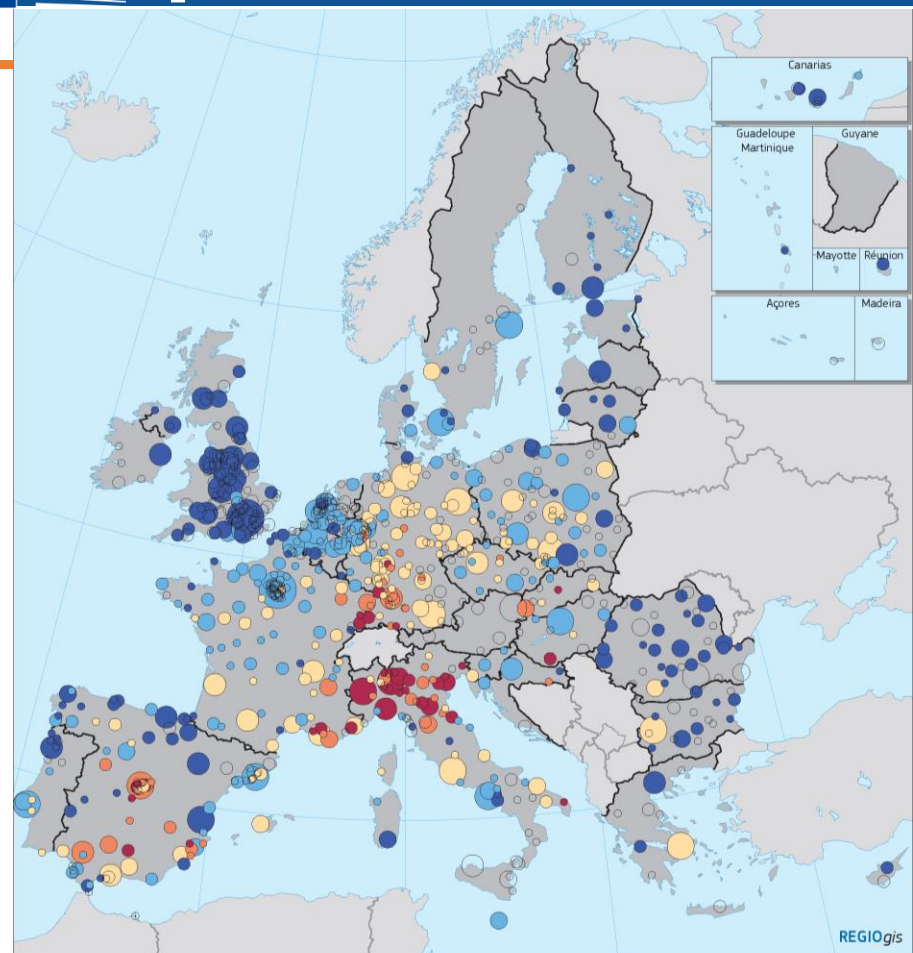


# Cities low emitters

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# but high pollution

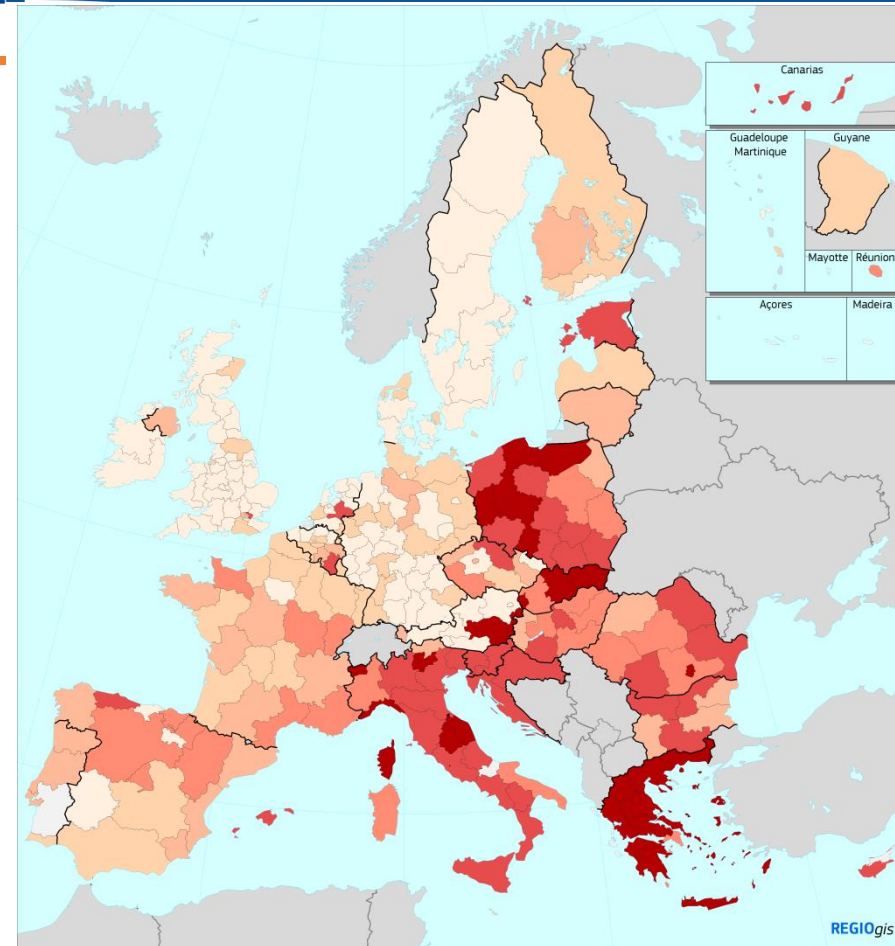


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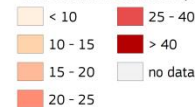
# Limited competition

- *Too many contracts for single bidders*
- *Not always collusion*
- *Low value for money?*
- *More e-procurement*
- *Better information*
- *More offers from outside the country*



Public procurement with a single bidder, average 2013-2015

% of contracts awarded by sub-national authorities

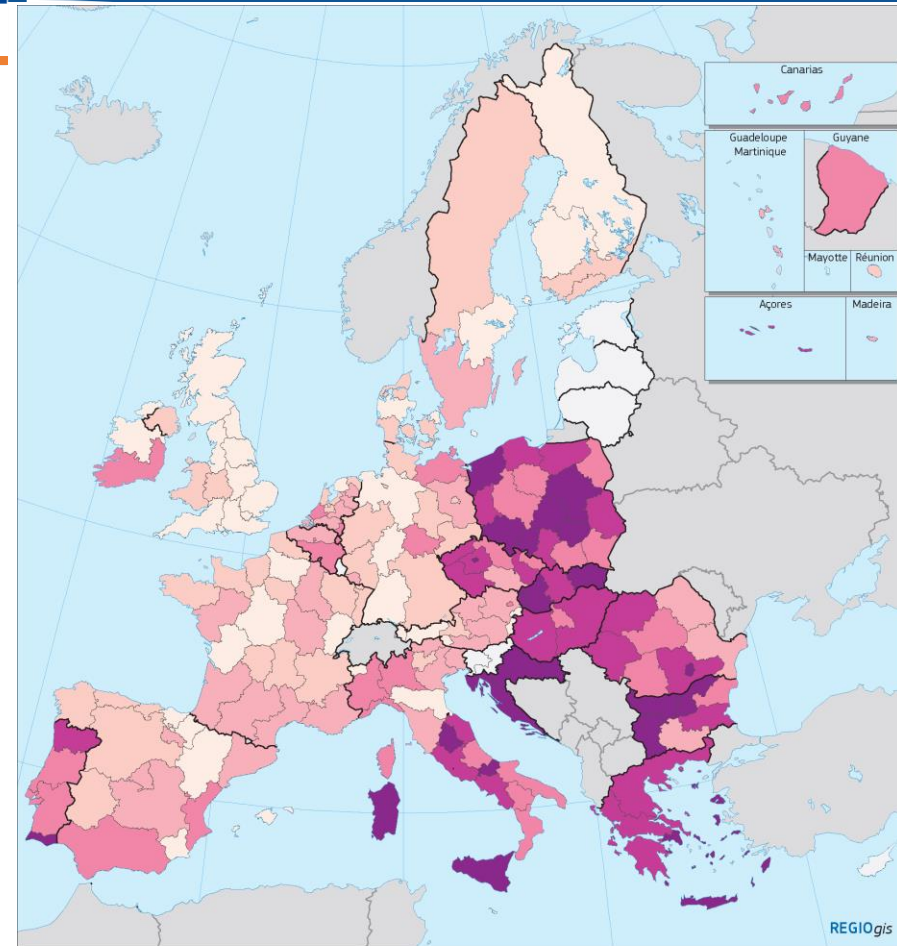


Excludes regions with less than 50 contracts awarded. Includes only contracts above the threshold of the public procurement directive. In CY, EE, LT, LU, LV, and MT, contracts awarded by national authorities in sectors used by regional and local authorities were included. Source: EU Tenders Electronic Daily and DIGIWHIST

0 500 km

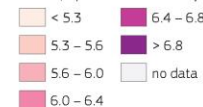
# Meritocracy

- *Does a public sector career depend on*
  - **hard work or**
  - **luck and connections?**
- *Also differences within countries*



Map 4.2 Public sector meritocracy, 2013

Score (1 perfect meritocracy to 10 no role for merit)



Note:

Average score of a) public workers and b) citizens who do not work in the public sector to the following question: Which statement comes closer to your own views?

Pick 1 if you agree completely with 'In the public sector most people can succeed if they are willing to work hard'  
Pick 10 if you agree completely with 'Hard work is no guarantee of success in the public sector for most people — it's more a matter of luck and connections'

If your views fall somewhere in between, you can choose any number between 1 and 10.

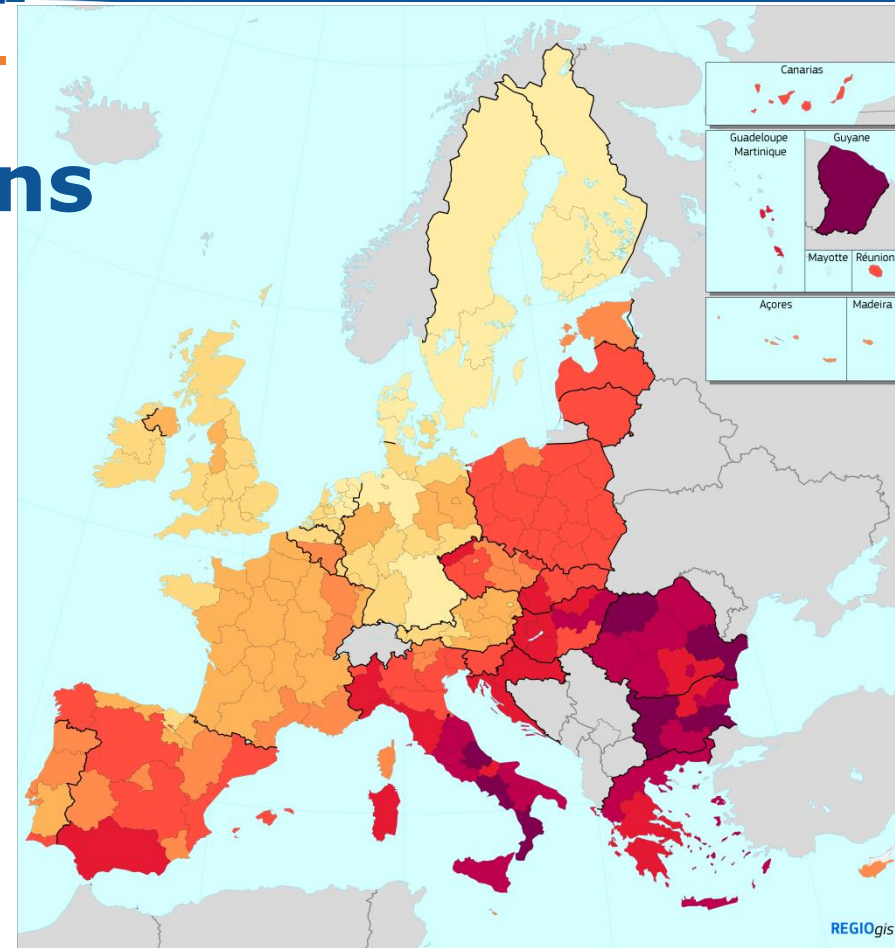
Source: Charron, N., Dahlström, C. & Lapuente, V. Eur J Crim Policy Res (2016)

0 500 km

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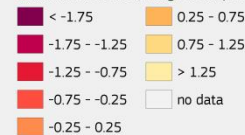
# Improving institutions

- *The quality and impartiality of public services is uneven*
- *Ease of doing business can be improved*
- *E-Government can help*



European quality of government, 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.

0 500 km

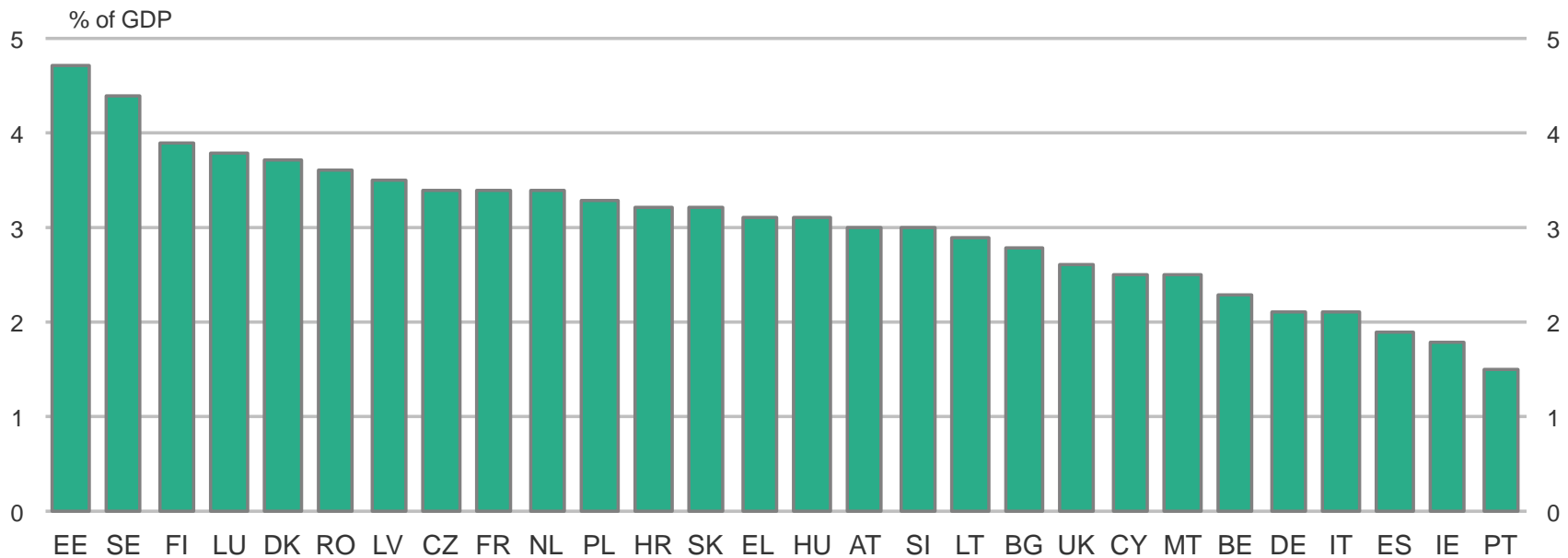


# National policies and cohesion

- *Budget deficits were reduced*
- *But growth friendly expenditure declined in some Member States*
- *Public investment is still below the pre-crisis level.*
- *The share of public investment by sub-national authorities dropped between 2001 and 2016*

# Public investment still too low in several cohesion countries

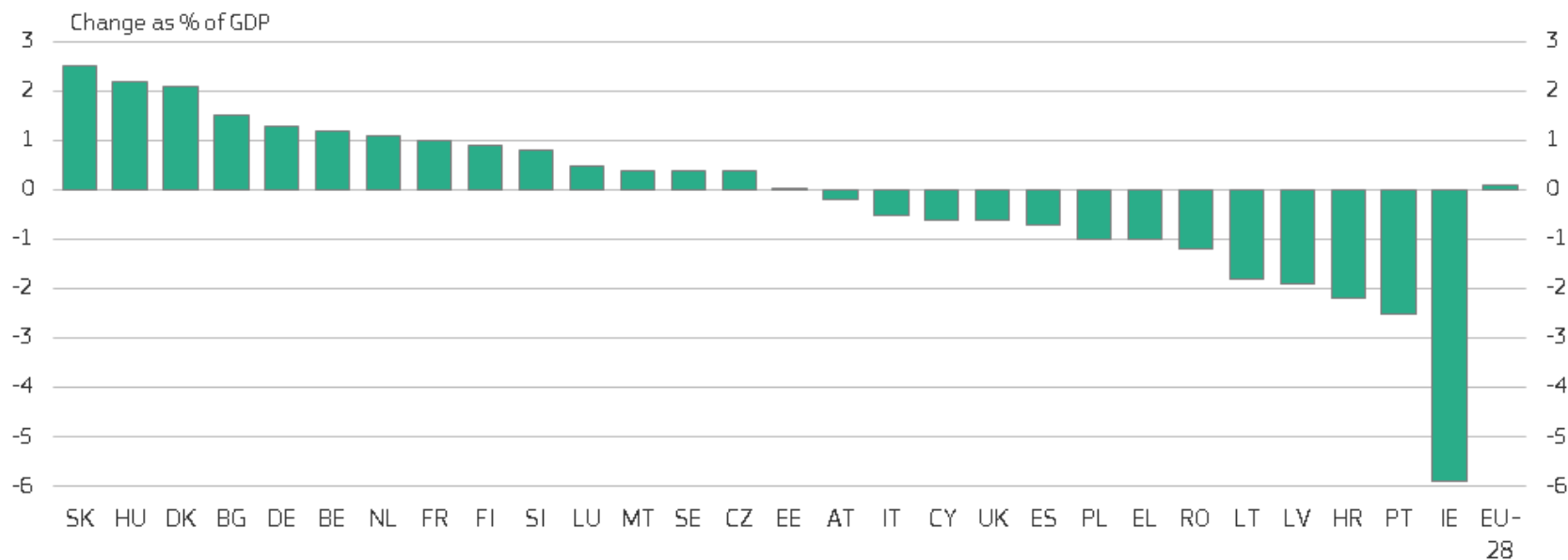
Figure 5.5 Total public investment, 2016



Source: Eurostat

# Reduced expenditure on growth including innovation and education

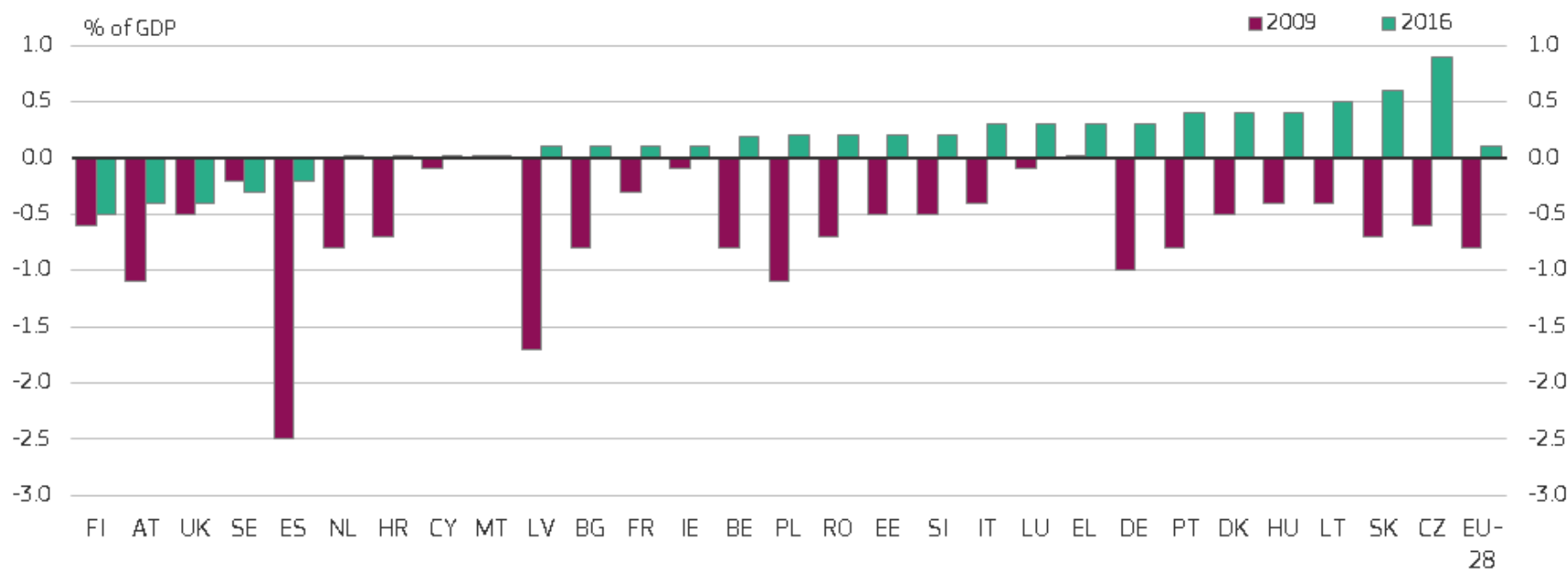
**Figure 5.6 Change in growth-friendly categories of general government expenditure, 2008-2015**



Source: Eurostat

# Sub-national deficits were reduced

Figure 5.10 Sub-national government budget balance, 2009 and 2016



Source: Eurostat

# Review of link with economic governance & European semester

- *Under paragraphs 1 to 8 of Article 23 of the CPR, the commission may request a programme modification to respond to:*
  - **A new and relevant CSR**
  - **A recommendation to prevent macroeconomic imbalances**
- *Under paragraphs 9 to 12, the Commission shall propose suspension of the commitments or payments following a Council decision of non-effective action to correct an excessive deficit*

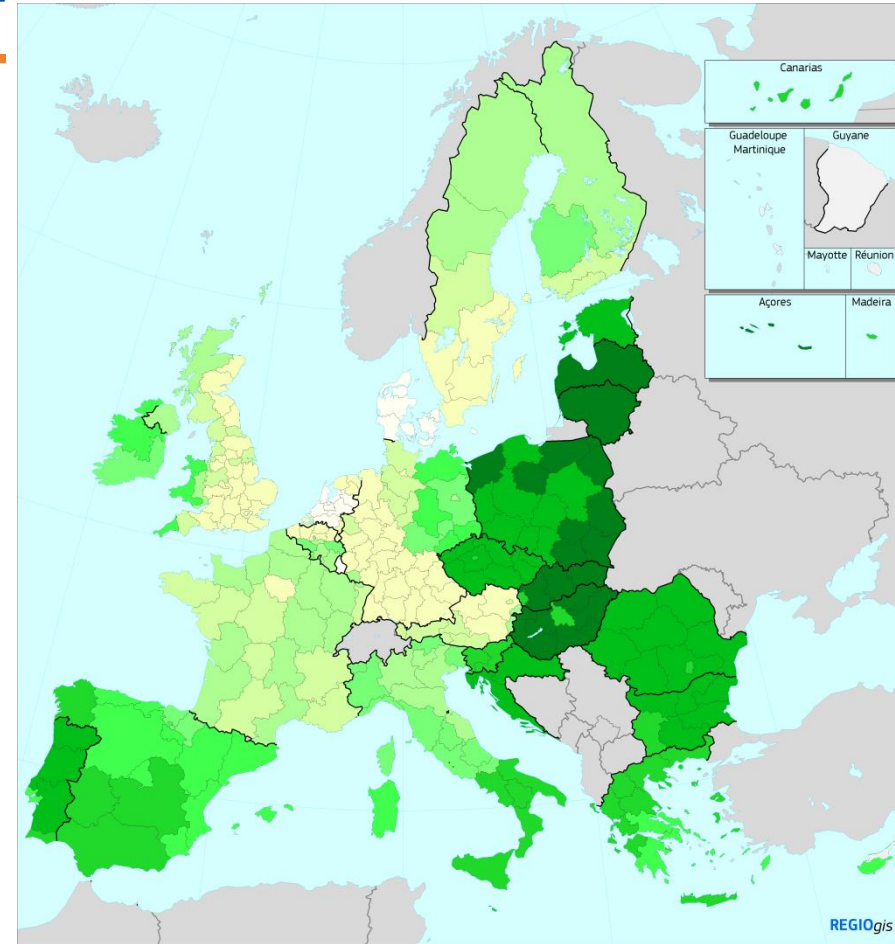


# No legislative change at this stage

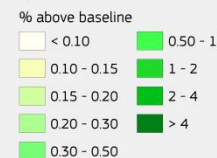
- *Portugal and Spain faced suspension in mid 2016 following the council decision on non-effective action*
- *The Commission engaged in a structural dialogue with the Parliament on the application of this article.*
- *In November 2016, the conditions to lift the suspension were met before the structured dialogue was concluded.*

# Impact of cohesion policy

- *8.5% of public investment in the EU and 41% in the EU-13*
- *Boosts GDP by 3% in each in EU-13*



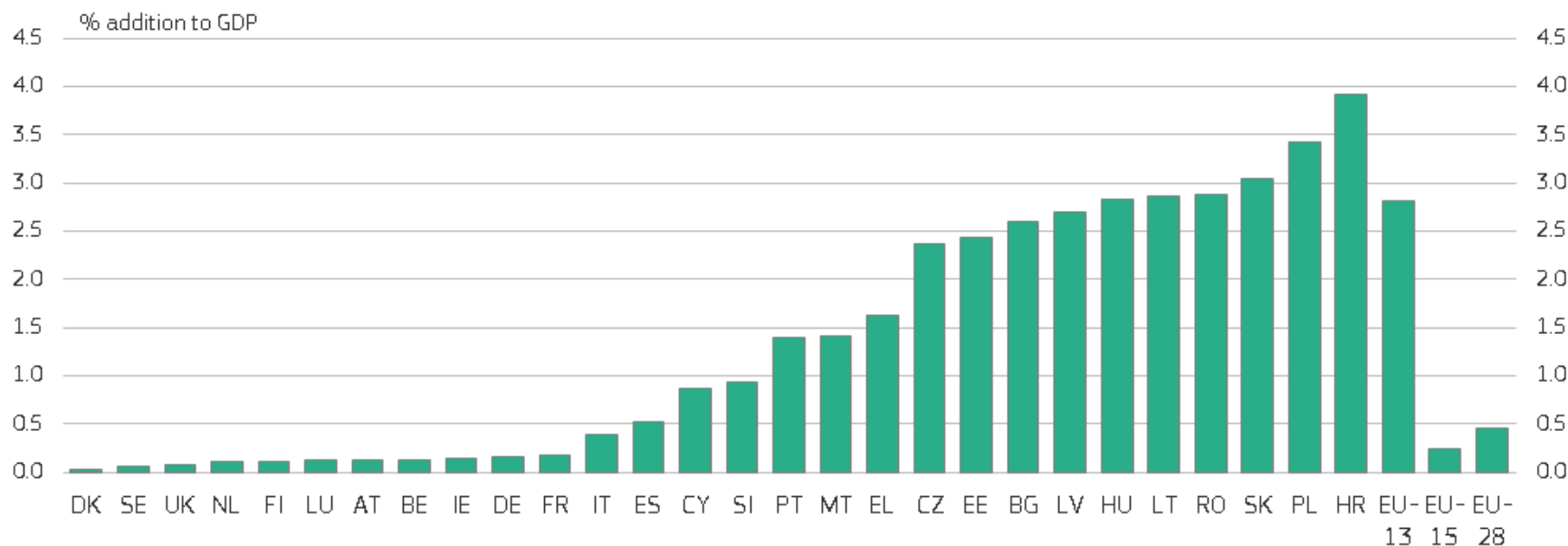
Impact of the 2014-2020 Cohesion Policy programmes, 2030



Source: RHOMOLO

# Positive impact in all Member States

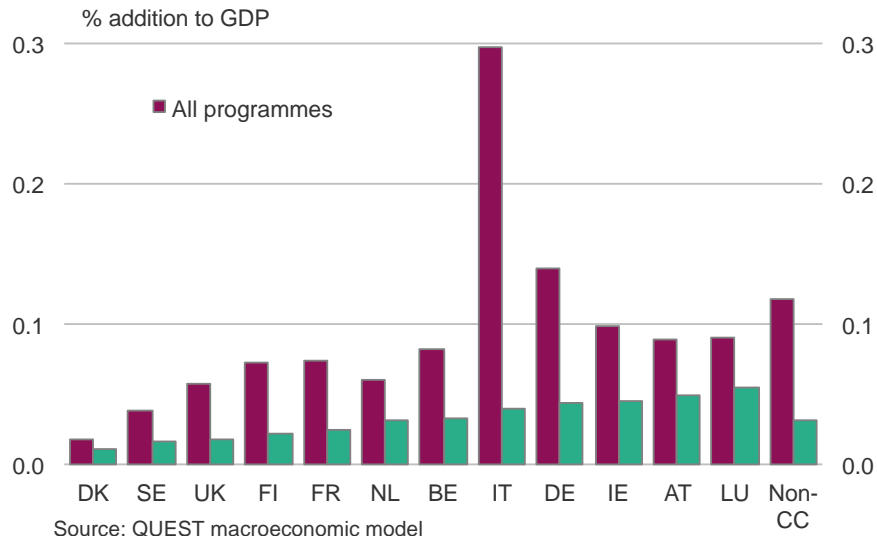
**Figure 6.7 Impact of 2014-2020 programmes on Member States' GDP, 2023**



Source: QUEST macroeconomic model

# Benefits to non-Cohesion fund countries

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



- *Increase in exports*
- *Participation in EU funded projects in cohesion countries*



# Project selection

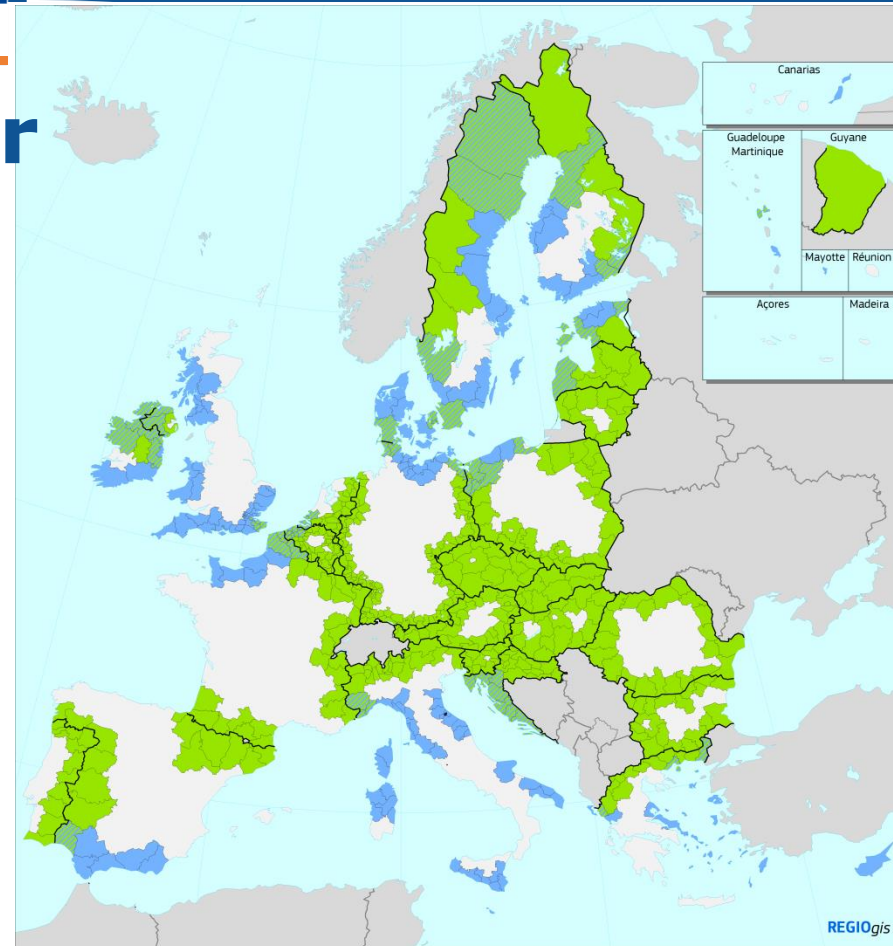
- *39% of funding allocated to selected projects in mid 2017*
- *Similar to previous period which also had a concentration of projects in the last three years*
- *Demonstrates the need for **radical** simplification*

# Post 2020: Where to invest?

- *Main focus: 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*
- *The impact of globalisation, migration, poverty, a lack of innovation, climate change, energy transition and pollution is not limited to less developed regions*

# Resolve cross-border problems

- *such as gaps and missing links in different policy fields, including transport*
- *pooling of joint public services?*



## Border regions

NUTS3 regions

- Land border regions
- Maritime border regions
- Land and maritime border regions

# Post 2020: Investment priorities

- *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 institutions*
- *Positive incentives for structural reform*



# Post 2020: How to invest

- *A single rule book*
- *Allocations linked to EU challenges and priorities*
- *Higher national co-financing*
- *An unallocated capacity to create flexibility*
- *Faster implementation: N+2 and faster closure*
- *Complementarity between financial instruments*
- *A radical approach to simplification*

# Cohesion policy should

*continue to reduce regional disparities,*

*stimulate investment in EU priorities,*

*address new challenges and*

*improve institutions.*