Investments for growth & jobs

Promoting development and good governance in EU regions and cities

6th Report on economic, social and territorial cohesion, July 2014
6th Cohesion Report

• Art. 175 of the consolidated treaty:
  'The Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions every three years on the progress made towards achieving economic, social and territorial cohesion ...'

• Exceptionally, the report has been delayed by one year to report on the new Cohesion Policy programming period
New structure instead of old

1. **Smart growth**
2. **Inclusive growth**
3. **Sustainable growth**
4. **Public investment, growth and the crisis**
5. **Good governance**
6. **Evolution of Cohesion Policy**
7. **Impact of Cohesion Policy**
8. **Cohesion Policy in 2014-2020**

1. **Economic, social and territorial situation**
2. **National policies and cohesion**
3. **Other EU policies and cohesion**
4. **Impact of Cohesion Policy**
SMART GROWTH
Regional disparities increased

Coefficient of variation of GDP per head, employment rate (15–64), unemployment rate, EU-27 NUTS 2 regions, 2000–2012

Source: Eurostat, DG REGIO calculations
Economic disparities

- **Crisis halted regional economic convergence**
- **National GDP projections show slow convergence post-crisis**

**Growth of GDP per head in real terms, EU-28, 2001-2015**

Source: Eurostat
Growth of GDP per head in real terms, 2001-2008

Annual average % change

- < -3
- 3 - 2
- 2 - 1
- 1 - 0
- 0 - 1

Growth of GDP per head in real terms, 2008-2011

Annual average % change

- < -3
- 3 - 2
- 2 - 1
- 1 - 0
- 0 - 1

## Rural regions and the crisis

Change in GDP per head, productivity and employment per head by urban-rural typology, 2000-2008 and 2008-2011

<table>
<thead>
<tr>
<th>Average annual change (%)</th>
<th>GDP per head</th>
<th>Productivity</th>
<th>Employment per head</th>
<th>GDP per head</th>
<th>Productivity</th>
<th>Employment per head</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU-15</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
<td>-0.9</td>
<td>0.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>Intermediate</td>
<td>1.2</td>
<td>0.7</td>
<td>0.5</td>
<td>-0.6</td>
<td>0.3</td>
<td>-0.8</td>
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<tr>
<td>Rural</td>
<td>1.2</td>
<td>0.7</td>
<td>0.5</td>
<td>-0.5</td>
<td>0.4</td>
<td>-0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
<td>-0.7</td>
<td>0.2</td>
<td>-0.9</td>
</tr>
<tr>
<td><strong>EU-13</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>5.5</td>
<td>3.6</td>
<td>1.9</td>
<td>0.7</td>
<td>0.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>Intermediate</td>
<td>4.6</td>
<td>4.2</td>
<td>0.4</td>
<td>0.5</td>
<td>1.5</td>
<td>-1.0</td>
</tr>
<tr>
<td>Rural</td>
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<td>-0.2</td>
<td>0.6</td>
<td>1.6</td>
<td>-1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4.9</td>
<td>4.3</td>
<td>0.6</td>
<td>0.7</td>
<td>1.4</td>
<td>-0.8</td>
</tr>
</tbody>
</table>
### Change in GDP per head, productivity and employment per head by type of metropolitan region, 2000-2008 and 2008-2011

<table>
<thead>
<tr>
<th>Average annual change (%)</th>
<th>2000-2008</th>
<th></th>
<th></th>
<th></th>
<th>2008-2011</th>
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<tr>
<td></td>
<td>GDP per head</td>
<td>Productivity</td>
<td>Employment per head</td>
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<tr>
<td>Capital metropolitan region</td>
<td>1.4</td>
<td>0.9</td>
<td>0.6</td>
<td>-0.8</td>
<td>0.3</td>
<td>-1.1</td>
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<tr>
<td>Second tier metropolitan region</td>
<td>1.3</td>
<td>0.7</td>
<td>0.6</td>
<td>-0.8</td>
<td>0.1</td>
<td>-0.9</td>
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<tr>
<td>Smaller metro region</td>
<td>1.2</td>
<td>0.7</td>
<td>0.5</td>
<td>-0.6</td>
<td>0.2</td>
<td>-0.8</td>
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<tr>
<td>Non-metropolitan region</td>
<td>1.2</td>
<td>0.8</td>
<td>0.4</td>
<td>-0.8</td>
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<td>-1.0</td>
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<td>Non-metropolitan region</td>
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<td>1.4</td>
<td>-0.8</td>
<td></td>
</tr>
</tbody>
</table>
Industry in the EU

Share of industry (excluding construction) in the EU, 1970-2012

- Employment
- GVA

Share of industry (excluding construction) in the EU-12, 1995-2012

- Employment
- GVA

Source: AMECO
Regional & Urban Policy

Chapter 1

Households with broadband connection, 2008

% of all households

< 40, 70 - 80, 40 - 50, ≥ 80, 50 - 60, no data, 60 - 70

Highest speed on railway sections according to timetables, 1990

km/h

- ≤ 50
- 51 - 80
- 81 - 120
- 121 - 160
- 161 - 200
- 201 - 320

Since different train services with different speeds may operate along rail sections, the shown speeds indicate the average speed of the fastest train service. Rail sections exclusively for freight services are not shown.

Source: REGI GIS Database. Railways company's timetables.

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Households with broadband connection, 2013

% of all households

- < 40
- 40 - 50
- 50 - 60
- 60 - 70
- 70 - 80
- 80
- no data

Highest speed on railway sections according to timetables, 2013

km/h
- <= 50
- 51 - 80
- 81 - 120
- 121 - 160
- 161 - 200
- 201 - 320

Since different train services with different speeds may operate along the same rail sections, the speeds shown indicate the speed of the fastest train service.

Rail sections exclusively for freight services are not shown.

Source: REGIO GIS Database, Railway company’s timetables.
Digital Agenda

- Access to broadband 100% in 2013
- Access to NGA 100% in 2020
- Investments in case of market failure (!) from EAFRD and ERDF

Next Generation Access (NGA) coverage by type of area, end of 2011

Source: European Commission, 2013, Broadband lines in the EU: situation at 1 July 2012, Communications Committee Working Document.
Major roads 1955-2030

1955

Average travel speed along the core network
- 45 - 59
- 60 - 69
- 70 - 79
- 80 - 89
- 90 - 99
- 100 - 109
- 110 - 119

Average speed in Km/h
Major roads 1955-2030

Chapter 1
Major roads 1955-2030

Chapter 1
Major roads 1955-2030

**Chapter 1**

**Average travel speed along the core network**
- 45 - 59
- 60 - 69
- 70 - 79
- 80 - 89
- 90 - 99
- 100 - 109
- 110 - 119
Major roads 1955-2030
Regional competitiveness

- **Boosting competitiveness requires more investments in innovation, entrepreneurship, education, digital and physical networks and more exports & FDI**
INCLUSIVE GROWTH
Employment rate, population aged 20-64, 2013

More developed | Transition | Less developed | EU-28
---|---|---|---
72.0 | 65.1 | 61.1 | 68.3
% point change 2008 - 2013
-1.4 | -2.9 | -2.7 | -1.9
% point change 2000 - 2008
4.1 | 4.6 | 2.4 | 3.7
At risk of poverty or exclusion and 2020 targets

% of population at risk of poverty or exclusion

Cities 2008
Towns and suburbs, Rural areas 2008
National target

*BE, IE, AT, UK - 2011

Chapter 2
At risk of poverty or exclusion and 2020 targets

% of population at risk of poverty or exclusion

- Cities 2012
- Towns and suburbs, Rural areas 2012
- National target

*BE, IE, AT, UK - 2011
At risk of poverty or exclusion and 2020 targets

% of population at risk of poverty or exclusion

- Cities 2012
- Towns and suburbs, Rural areas 2012
- Cities 2008
- Towns and suburbs, Rural areas 2008
- National target

*BE, IE, AT, UK - 2011

Chapter 2
• WB and ESPON poverty mapping
• At request of the EC to allow Cohesion Policy to target areas with the highest at-risk-of-poverty rates
• Based on SILC and census data
• Created with small area estimations techniques
EU Life expectancy - 2011

Years
- < 77.4
- 77.4 - 78.4
- 78.4 - 79.4
- 79.4 - 80.4
- > 80.4
- 80.4 - 81.4
- no data
- 81.4 - 82.4

US: Life expectancy 2010

Age
- < 77.4
- 77.4 - 78.4
- 78.4 - 79.4
- 79.4 - 80.4
- > 80.4
- 80.4 - 81.4
- no data
- 81.4 - 82.4

US average: 78.6
SA long and healthy life is measured using life expectancy at birth. This indicator is calculated by the US the life expectancy tables based on the Chang methodology. The mortality data come from the Centers for Disease Control and Prevention, the National Center for Health Statistics and the population estimates come from the US Census Bureau Population Estimates Program.
Net migration into NUTS 3 regions, 2001-2011

Total change in %

- < -10.0
- -10 - -5
- -5 - -2.5
- -2.5 - 0
- 0 - 5
- 5 - 10
- 10 - 20
- > 20
- no data

Natural population growth, 2001-2011

Total change in %

- < -10.0
- -10 - -5
- -5 - -2.5
- -2.5 - 0
- 0 - 5
- 5 - 10
- 10 - 20
- > 20
- no data

© EuroGeographics Association for the administrative boundaries
### Population change, natural change and net migration by urban-rural typology, 2001-2011

<table>
<thead>
<tr>
<th>Total change (%)</th>
<th>Urban</th>
<th>Intermediate</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU-15</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total population change</td>
<td>6.8</td>
<td>4.7</td>
<td>3.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Natural population change</td>
<td>2.6</td>
<td>0.5</td>
<td>-0.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Net migration</td>
<td>4.1</td>
<td>4.2</td>
<td>3.7</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>EU-13</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total population change</td>
<td>0.6</td>
<td>-1.1</td>
<td>-3.9</td>
<td>1.9</td>
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<tr>
<td>Natural population change</td>
<td>-1.2</td>
<td>-0.7</td>
<td>-1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Net migration</td>
<td>1.8</td>
<td>-0.4</td>
<td>-2.2</td>
<td>0.6</td>
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<tr>
<td><strong>EU-28</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total population change</td>
<td>6.1</td>
<td>3.3</td>
<td>0.4</td>
<td>3.8</td>
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<tr>
<td>Natural population change</td>
<td>2.2</td>
<td>0.2</td>
<td>-1</td>
<td>0.7</td>
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<tr>
<td>Net migration</td>
<td>3.8</td>
<td>3.1</td>
<td>1.5</td>
<td>3</td>
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</table>

Source: Eurostat
Population change follows the urban hierarchy

Population change, natural change and net migration by metro regions, 2001-2011

<table>
<thead>
<tr>
<th>Change in %</th>
<th>Total change</th>
<th>Natural change</th>
<th>Net migration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU-15</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital metro region</td>
<td>9.0</td>
<td>4.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Second tier metro region</td>
<td>5.7</td>
<td>1.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Smaller metro region</td>
<td>4.8</td>
<td>0.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Non-metro regions</td>
<td>3.8</td>
<td>0.0</td>
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</tr>
<tr>
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<td>Non-metro regions</td>
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<td>-1.6</td>
<td>-2.4</td>
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</table>
SUSTAINABLE GROWTH
Aggregate potential impact of climate change, 2009

Average suitability for photovoltaic systems at NUTS3 levels
Land-use efficiency of cities

### Built-up area per inhabitant, EU regions, 2012

<table>
<thead>
<tr>
<th>sq. km per mn inhabitants</th>
<th>Urban regions</th>
<th>Intermediate regions</th>
<th>Rural regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-28</td>
<td>97</td>
<td>230</td>
<td>368</td>
</tr>
<tr>
<td>EU-15</td>
<td>94</td>
<td>221</td>
<td>372</td>
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<tr>
<td>EU-13</td>
<td>126</td>
<td>260</td>
<td>362</td>
</tr>
</tbody>
</table>

Source: JRC European Human Settlement Map and DG REGIO calculations

- **Dwellings in cities** are smaller and more vertical
- **Offices** are more vertical
- **Energy use** for transport, heating and cooling also lower in cities
Density drops away from the centre

Population density profile of selected mid-sized European capital cities, 2006

Source: Batista e Silva, F. et al. (2012)
**Regional & Urban Policy**

**Chapter 3**

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**PM10 daily average concentration, 2011**

<table>
<thead>
<tr>
<th>µg/m³</th>
<th>City population</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 21</td>
<td>&lt; 10000</td>
</tr>
<tr>
<td>21 - 31</td>
<td>100001 - 250000</td>
</tr>
<tr>
<td>31 - 44</td>
<td>250001 - 500000</td>
</tr>
<tr>
<td>44 - 67</td>
<td>500001 - 1000000</td>
</tr>
<tr>
<td>&gt; 67</td>
<td>1000001 - 5000000</td>
</tr>
</tbody>
</table>

Note: Average for measuring stations within city boundaries

Source: EEA, DG REGIO

---

**Ozone concentrations, 2011**

<table>
<thead>
<tr>
<th>Number of days with &gt; 120 µg/m³</th>
<th>City population</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 5</td>
<td>&lt; 10000</td>
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<tr>
<td>5 - 14</td>
<td>100001 - 250000</td>
</tr>
<tr>
<td>14 - 23</td>
<td>250001 - 500000</td>
</tr>
<tr>
<td>23 - 32</td>
<td>500001 - 1000000</td>
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<tr>
<td>&gt; 32</td>
<td>1000001 - 5000000</td>
</tr>
<tr>
<td>No Data</td>
<td>&gt; 500000</td>
</tr>
</tbody>
</table>

Note: Average for measuring stations within city boundaries

Source: EEA, DG REGIO
Large cities have better access to public transport

Access to public transport in large European cities, 2012


Passenger cars predominate, especially in EU-15

Passenger-km by transport mode, 2012

Source: EU transport in figures: Statistical pocketbook 2013
Car dependency

- Growth primarily in passenger-km by car
- High growth in car travel in EU-12, combined with decline of public transport
Non-ETS GHG emissions are shrinking

Change in greenhouse gas emissions in areas covered by the Effort Sharing Decision, 2005-2011 and Europe 2020 targets

% change relative to 2005

Target already reached
Reduced the distance but not yet reached their target
Increased the distance to their target
Distance to target

% change 2005-2011 — 2020 Target

Target = Reduction in emissions
Target = Limit increase in emissions

Source: DG CLIMA
Renewable energy consumption, 2006-2012

- 2006
- 2012
- Target 2020
Low-carbon economy

- Minimum ERDF support between 12% and 20%
- 37 billion euro foreseen in Partnership Agreements
PUBLIC INVESTMENT, GROWTH AND THE CRISIS
Local and regional authorities spend 1/3 of government expenditure

Figure 4.7  Sub-national government expenditure, 1995 and 2013

HR: no data for 1995
Source: Eurostat
But their expenditure dropped

Figure 4.11  
**Average annual change in sub-national government expenditure, in real terms, 2000-2009 and 2010-2013**

Source: Eurostat
Local and regional authorities spend over half of public investments

Figure 4.10  Sub-national governments investment, 2000 and 2013

% of total public investment

Source: Eurostat
But investment dropped even faster

Figure 4.13  
Average annual change in sub-national government investment, volume, 2000-2009 and 2009-2013

Annual average % change

Source: Eurostat
Cohesion Policy's growing share of total public investment

Contribution of Cohesion Policy (CP) to public investment, EU-28, 2007-2013

In 2007 CP payments represent 2.1% of EU's investment (11.5% considering also 2000-2006 payments)

In 2013 CP payments represent 18.1% of EU's investment

Source: Eurostat, DG REGIO
Especially in EU-12

Share of ERDF, ESF and Cohesion Fund allocations and national co-financing in total public investment, average 2011-2013

Source: Eurostat, DG REGIO
Half the revenue of local and regional authorities are transfers

Figure 4.17
Sources of sub-national government revenue, 2013

Source: Eurostat
And net transfers dropped

Change in net transfers from central to state and local governments, in real terms, 2009-2013

Source: Eurostat, DG REGIO
GOOD GOVERNANCE
Governance

Poor governance slows down Cohesion Policy implementation, reduces its impact and hinders economic growth and entrepreneurship.
Absorption of Cohesion Policy funding and

Source: World Bank and SFC
EVOLUTION OF COHESION POLICY
First and second nature

- Remoteness
- Island
- Mountain
- Rural area
- Sparsely populated area
- Natural handicaps

- Under-investment in public capital stock
- Low accessibility
- Low human capital
- Low innovation
- Low institutional quality
- Agglomeration and clusters
Cohesion and the single market

- *Single market will reduce economic growth in most less developed regions due to lack of critical mass and competitiveness*
- *Single market will help most less developed regions due to increased specialisation and comparative advantages*
Trade between the EU-12 and EU-27 relative to GDP, 2004-2012

Foreign Direct Investment in the EU-12, 2005-2012

Source: Eurostat
A growing source of investment

Cohesion Policy expenditure, 1976-2012

% of gross national income (GNI)

Source: DG BUDG, AMECO, DG REGIO calculations

Chapter 6
Simplifications of categories

• 5 Categories
Simplifications of categories

- 7 categories including the first transition category
Simplifications of categories

- **4 categories:**
  - Objective 1
  - Phasing-out
  - Objective 2
  - Objective 3 (ESF)
Simplifications of categories

- 3 categories
- Full coverage
A stronger focus on key priorities

Composition of Cohesion Policy investment in less developed regions, 1989-2013

- Technical assistance
- Environment
- Employment, education, social inclusion
- Infrastructures (Transport, Energy, Telecom)
- Business support, R&D and innovation

Source: DG REGIO
IMPACT OF COHESION POLICY
Impact on EU economies

Evaluations have shown that cohesion investments have contributed to improving the structure of the EU economies by:

- enhancing the performance of enterprises, increase their investment and employment, particularly for SMEs.
- increasing firms activities in R&D and their capacity to innovate
- improving public infrastructure
- improving the matching between supply and demand on the labour market

At the macro level, model simulations show that Cohesion Policy has a significant impact on GDP, in particular in the Member States which are the main beneficiaries of the policy.
Big impacts on Poland and Baltic States

Estimated impact of Cohesion Policy for the 2007–2013 period on GDP

Source: QUEST
Tangible benefits of cohesion policy in 2007-2013

- 594,000 jobs created – at least 262,000 in SMEs
- 77,800 start-up companies supported
- 2,700 KM of new or reconstructed railways
- 25,800 KM of new or reconstructed roads
- Broadband access for 5 million citizens
- Access to clean drinking water for 3.2 million citizens
- ESF: 15 million participants per year
- 940 financial instruments in 25 Member States rising EUR 12.6 billion € OP funding (including EUR 8.36 billion structural Funds) for equity, loans and guarantees
COHESION POLICY
2014-2020
Cohesion Policy 2014-20 in the EU economic policy mix

Country-specific recommendations are the reference for Partnership Agreements and programmes.
Cohesion Policy 2014-2020

- Focus on growth-enhancing investments
- Concentration on Europe 2020 priorities
- Improving governance

- Linked to the European Semester
- Linked to structural reform through ex-ante conditionalities
Europe 2020

- Less developed regions furthest removed from both EU and national 2020 targets
Allocation to thematic objectives by Fund (EUR), 2014-2020

Source: Final and draft partnership agreements as of 1 June 2014
### Ex-ante conditionality is challenging

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Number of MS</th>
<th>EAC completely fulfilled</th>
<th>EAC fulfilled</th>
<th>Not applicable</th>
<th>Not available</th>
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<tbody>
<tr>
<td>01. Innovation and R&amp;D</td>
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<td>02. Information Communication...</td>
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<td>03. SME support</td>
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<td>15</td>
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<td>04. Low-carbon economy</td>
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<td>11</td>
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<td>05. Climate change adaptation</td>
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<td>06. Environment</td>
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<td>5</td>
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<tr>
<td>07. Network Infrastructure</td>
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<td>11. Good Governance</td>
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</table>

Source: Commission assessment of PAs

Based on information available in June 2014
Allocation by thematic objective, EU-28, 2014-2020 and 2007-2013

- **ERDF concentration priorities (TOs 1-4)**
  - 2014-2020: 31.2%
  - 2007-2013: 31.2%

- **Climate change adaptation and environment (TOs 5-6)**
  - 2014-2020: 15.8%
  - 2007-2013: 15.8%

- **Network infrastructure (TO 7)**
  - 2014-2020: 18.2%
  - 2007-2013: 22.8%

- **ESF Priorities (TOs 8-11)**
  - 2014-2020: 31.5%
  - 2007-2013: 30.2%

Source: SFC and Final and draft partnership agreements as of 1 June 2014
• Cohesion Policy will significantly boost GDP per head in less developed regions
• The impact over time will spread to main trade partners
• Better core TEN-T network strengthens market integration and specialisation.
Conclusions

• **Real challenges**
  - Regional economic disparities
  - Increasing unemployment, poverty and exclusion

• **Real impact**
  - Growth and jobs, innovation, networks, sustainable development

• **Real change**
  - Linked to Europe 2020 and the European Semester
  - Concentrated on EU priorities