



European Union
Regional Policy

panorama

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36

Winter 2010/2011

Delivering smart, sustainable and inclusive growth

The fifth report on economic, social
and territorial cohesion

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EDITORIAL

3

OVERVIEW

Cohesion policy bolsters Europe 2020 Strategy

4-13

14-15

INTERVIEW

Johannes Hahn, European Commissioner for Regional Policy

16-17

DEVELOPMENT FOR ALL

Cohesion policy invests in all regions

18-19

LESS ADVANTAGED REGIONS

Fostering economic balance

20-21

RETHINKING GOVERNANCE

Bringing cohesion policy closer to Europeans

22-23

GDP AND BEYOND

How to measure progress

24-25

IMPACT OF COHESION POLICY

Solid evidence of positive results

26-27

VIEW FROM OUTSIDE

Preben Gregersen, Chairman of the Danish Structural Funds Monitoring Committee – Philip McCann, Special Adviser to the European Commissioner for Regional Policy

28

MAKING THE REPORT

Putting it together – fifth Cohesion Report

29

NEXT STEPS

Public consultation on the fifth Cohesion Report

30

BEHIND THE SCENES

Test your knowledge – take the cohesion quiz

31

DIARY DATES

32

MAKE YOUR VOICE HEARD



The fifth report on economic, social and territorial cohesion provides a unique perspective on European regional development. It identifies where we stand in relation to our shared objectives and provides a solid, wide analytical basis for cohesion policy after 2013.

The first cohesion report was released in 1996, and since then this key report has demonstrated ever-increasing political relevance and closer links to Europe's overall strategies. This fifth report highlights the key role of regions in the Europe 2020 Strategy and identifies the tough – but not impossible – challenges that Europe faces.

This report builds on the work of many others, including the Stiglitz-Sen-Fitoussi Report and the Commission Communication 'GDP and beyond: measuring progress in a changing world'. As a result, it includes new and better measures of progress, including several that have never been mapped before at regional level. They range from the new regional competitiveness index to measures of health, well-being, poverty and climate change.

To highlight the territorial diversity of the European Union and the spatial dimensions of development, this cohesion report includes for the first time more than one hundred maps. This represents a substantial step forward for the analysis of European regions. Furthermore, all the data behind these maps can now be downloaded with a single click.

With this report we prepare the ground for a more effective cohesion policy. The wide range of indicators included in the report will help regions and Member States to focus on key priorities for their new programmes.

Happy reading!

A handwritten signature in black ink, reading "Dirk Ahner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dirk Ahner

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

COHESION POLICY BOLSTERS EUROPE 2020 STRATEGY

The EU now boasts a long-term vision for its social market economy, thanks to the Europe 2020 Strategy. Adopted in June 2010, the strategy aims over the next decade to help Europe to exit successfully from the economic crisis while ensuring that Member States are put on a sustainable growth path that will deliver prosperity and social progress for years to come.

Cohesion policy will play a key role, contributing significantly to each of the strategy's three priorities – smart, sustainable and inclusive growth.

An unprecedented global economic crisis that began in 2008 has rolled back much of the progress enjoyed by the EU over the last decade, seriously affecting jobs and growth. Focused on collective action at EU level, the Europe 2020 Strategy is driven by three mutually reinforcing growth priorities.

Europe 2020 Strategy: the three priorities

Smart growth
is about developing an economy based on knowledge and innovation.

Inclusive growth
fosters high employment delivering social and territorial cohesion.

Sustainable growth
promotes a more resource-efficient, greener and competitive economy.

Targets for growth

The strategy sets out five key targets that Member States need to translate nationally to reflect their different starting positions. These aim to ensure that, by 2020:

Five key targets:

- The employment rate for women and men aged between 20 and 64 is raised to 75%.
- Public and private investment in R&D grows to 3% of the EU's GDP.
- Greenhouse gas emissions should be reduced by 20% compared to 1990 levels, with the share of renewable energies increased to 20% along with a 20% increase in energy efficiency.
- School dropout rates should be reduced to less than 10%. The share of people aged 30 to 34 having completed tertiary or equivalent education should be increased to at least 40%.
- The fifth and final target is to lift at least 20 million people out of the risk of poverty and exclusion.

Reaching these targets will require concerted action at European, national, regional and local levels. For example, Member States in partnership with regional and local actors will implement National Reform Programmes, setting out how to achieve the priorities and targets of the Europe 2020 Strategy. The European Commission is also supporting these priorities and targets through seven flagship initiatives, to be adopted by spring 2011.



Belgium, Antwerp, Providing employment to immigrants: Telecentre



Europe 2020 Strategy: seven flagship initiatives

- Innovation Union: refocusing R&D and innovation policy on major challenges, while closing the gap between science and market to turn inventions into products.
- Youth on the move: enhancing the quality and international attractiveness of Europe's higher education system by promoting student and young professional mobility.
- A digital agenda for Europe: delivering sustainable economic and social benefits from a Digital Single Market based on ultra-fast internet.
- Resource-efficient Europe: supporting the shift towards a resource-efficient and low-carbon economy.
- An industrial policy for Europe: helping the EU's industrial base to be competitive in the post-crisis world, promoting entrepreneurship and developing new skills.
- An agenda for new skills and jobs: creating the conditions for modernising labour markets, thus raising employment levels and ensuring the sustainability of social models.
- European platform against poverty: ensuring economic, social and territorial cohesion by helping the poor and socially excluded and enabling them to play an active part in society.

Mutually beneficial: cohesion policy and Europe 2020 Strategy

It is clear that cohesion policy, including the current 2007-13 programme, benefits from using a variety of financial instruments to pursue overarching EU policy objectives – such as the Europe 2020 Strategy. Noting that the strategy has a clear set of common priorities and a clear framework for identification of funding priorities, the fifth Cohesion Report underlines the importance of cohesion policy having clear priorities to deliver smart, sustainable and inclusive growth. These priorities should focus on: support for new businesses; innovation; reducing emissions; improving the quality of our environment; modernising universities; energy saving; the development of energy, transport and telecommunication networks with a common EU interest; investment in research infrastructure; human capital development; and active inclusion to help the fight against poverty.

The explicit linkage of cohesion policy and Europe 2020 provides a real opportunity to continue to help the EU's less developed regions to catch up. It can also develop further cohesion policy into an important enabler of growth for the whole of the EU.



Pupils discovering a game on the EU geography

Smart growth

Already in the current period (2007-13), cohesion policy makes a significant contribution to each of the Europe 2020 priorities – smart, sustainable and inclusive growth. In terms of smart growth, for example, investment in support for enterprise and innovation – the largest field of investment in most regions – stands at some €80 billion. This represents a 100% increase over the previous period (2000-06). It includes direct financial aid to investment and R&D, but also and increasingly non-financial assistance in the form of networking and innovation systems, business advice and incubators. This also includes greater use of non-grant-based financial instruments such as venture capital and loan funds, which help tackle problems such as SME access to capital, while minimising cost and creating long-term sustainable forms of finance.

Evaluations of the 2000-06 period highlighted some interesting facts about the impact of cohesion policy on smart growth. By some estimates, supported projects created at least one million jobs, some 230 000 enterprises (mainly SMEs) received direct financial support, and around 1.7 million enterprises (again, mainly SMEs) benefited from advice, expertise and support for networking.

The 2000-06 period also demonstrated that most regions successfully invested in the future by focusing efforts on innovation, the capacity of SMEs to absorb new technology, fostering clusters, internationalisation and the creation of new jobs. The European Social Fund also makes an important contribution, allocating some 75% of its resources in the 2000-06 period to active labour market policies, adaptability, lifelong learning and the information society. The results are already apparent in the current programming period, with Member States reporting over 25 000 jobs created by the end of 2009, despite the global economic crisis.

A recent study of cohesion policy performance in 2007-13 concludes that cohesion policy provides important support for research and development policy across the EU, not only in financial terms – which is significant – but also in stimulating the development of more coherent strategies at regional level which take into account local characteristics

Driving towards a more competitive automotive industry

Flanders' DRIVE, a competence centre supported by the Flemish government and the European Regional Development Fund, stimulates innovation and encourages collaboration between automotive industry companies. It initiates, manages and acts as a competence and knowledge partner in projects for, and in collaboration with, the industry, according to its needs.



The VLOC ('Vlaams Luchtvaartopleidingscentrum'), a knowledge, skills and education centre for the Flemish aviation industry



and the needs of businesses. The regional dimension of innovation policies has also grown in recent years with the support of the European Regional Development Fund. While more advanced Member States spend more on innovation and reap significant benefits in terms of the multiplier effect on private investment, convergence regions are now creating the right framework conditions for innovation in terms of institutional capacity and human resource development. In this respect, cohesion policy has been a key driver during the process.

Kick-starting collaboration among innovators

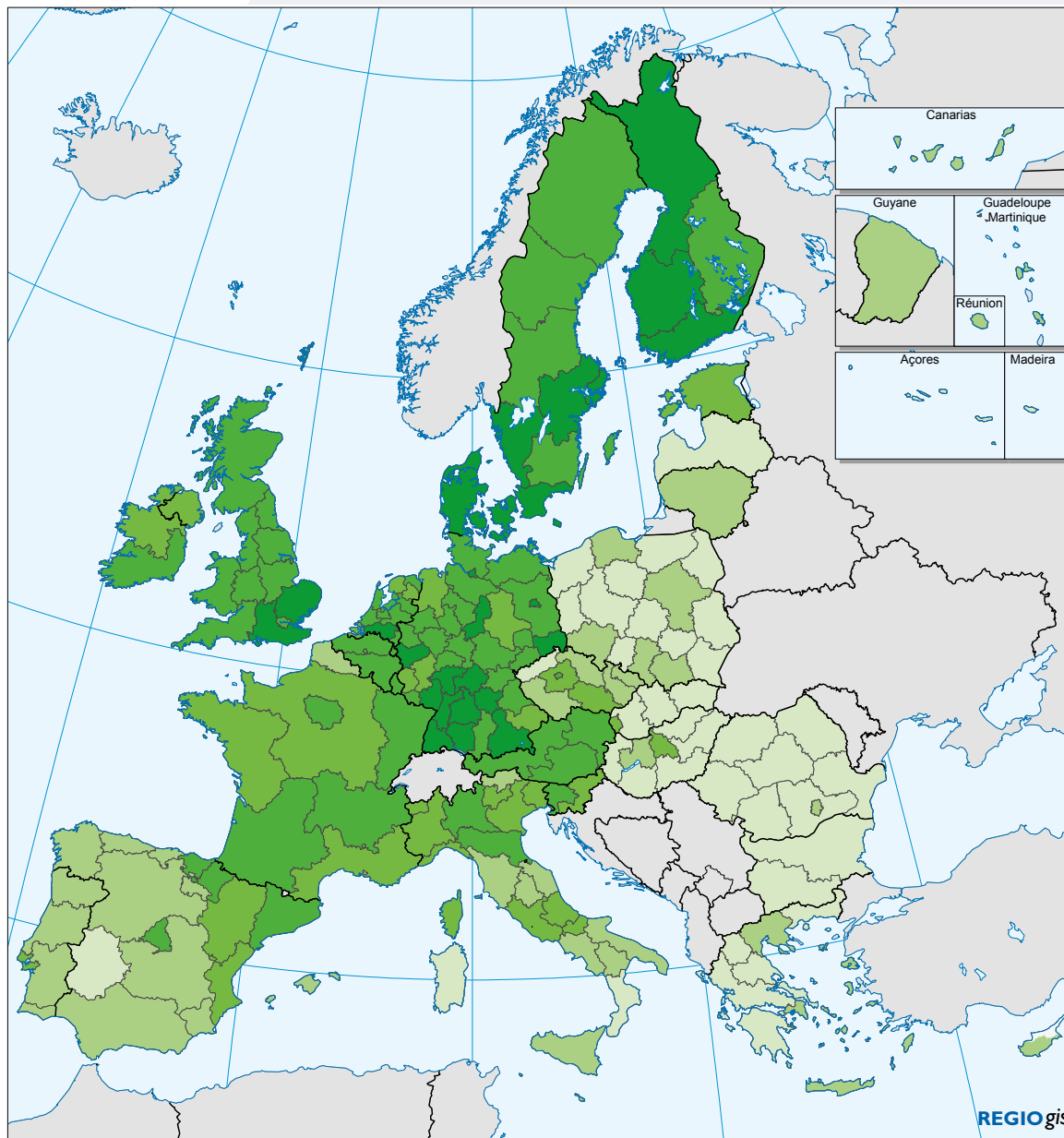
Some 150 innovation projects are being implemented across Estonia, thanks to the Innovation Voucher Grant programme, with support from the European Regional Development Fund. Launched in February 2010, it targets small enterprises which can buy services from Estonian research institutions using innovation vouchers from Enterprise Estonia in order to implement new ideas. Many projects focus on energy efficiency and environmentally friendly initiatives, including passive houses and waste composting.

Progressive packaging

Over 20 packaging companies in the Czech Republic are today sharing their knowledge and expertise, thanks to the Omnipack Cluster, a voluntary association formed in 2005 with backing from the European Regional Development Fund. The enhanced cooperation has resulted in the development and marketing of innovative products with higher added value, of benefit to the nation itself as well as Central and Eastern Europe.



Regional Innovation Performance Index, 2006



Regional Innovation Performance Index, 2006

- Low innovation performance
- Medium - Low innovation performance
- Average innovation performance
- Medium - High innovation performance
- High innovation performance

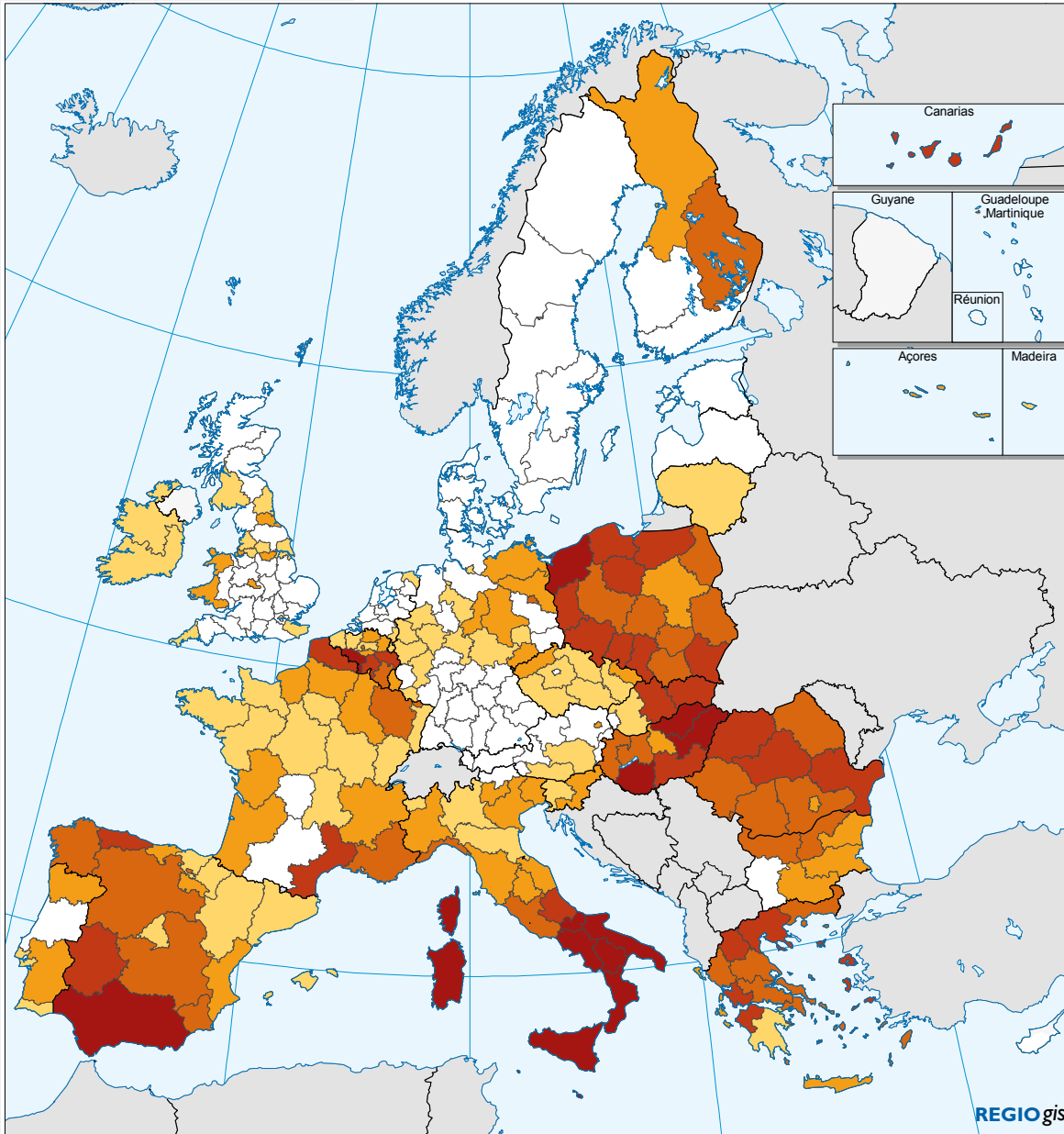
Source: DG Enterprise, MERIT

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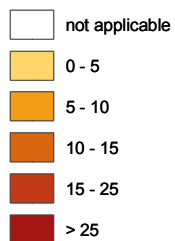
Increase in GDP by increasing the employment rate to 75%

% change in GDP per head, 2007



Potential increase in GDP per head from raising employment rate, 20-64, to 75%, 2007

Percentage change



EU27 = 6
Source: Eurostat, DG REGIO

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High-speed railways



Highest speed on railway sections according to timetables, 2010

- 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: RRG GIS Database, Railway company's timetables



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Sustainable growth

Even before combating climate change became a central objective for the EU, cohesion policy started to put in place measures to improve the energy efficiency of enterprises and to set up renewable energy production facilities across Europe. In the current period, half of all Member States have included indicators for the reduction of greenhouse gas emissions in their programmes. Already, Austria, Germany, France and Italy have reported a reduction of over 27 000 kiloton equivalents. Sustainable growth also involves improving connectivity and creating alternative forms of sustainable transport. In 2000-06, cohesion policy invested over €50 billion in transport, rising to €75 billion in 2007-13 as the EU-12 benefit from a complete programming period. The vast majority of these resources were spent in convergence regions.

In Greece, Ireland, Portugal and Spain, the density of the motorway network has increased from about 90% of the EU-15 average in 2000 to 111% in 2006, with the funds making a significant contribution to this catch-up process. Almost 60% of the existing and new motorway network in the EU-12 was co-financed by the Cohesion Fund and European Regional Development Fund. Several different evaluations also indicate that investments in urban transport have helped to reduce pollution and relieve congestion, all key objectives in the area of sustainable growth.



Córdoba-Málaga high-speed connection

The rail network has also been improved significantly as a result of investments co-financed by cohesion policy, with funds contributing to the construction and upgrade of 7 260 km of rail in 2000-06. For high-speed rail, 56% of all network development by 2006 was being co-financed by the funds, and in Spain the entire total increase in the network was supported. Reduced journey times have also been significant: between Rome and Naples (from 114 minutes to 65 minutes), as well as between Madrid and Andalucía (Madrid-Málaga from 240 minutes to 160 minutes). These investments have been designed as part of integrated policies to ensure that they coincide with other planned policy developments such as the creation of technology parks, boosting education infrastructure, and attracting foreign direct investment.

Ecological corridors in Poland

Around 100 green-infrastructure projects are being implemented in Poland, managed by the Coordination Centre for Environmental Projects (CKPS) and co-financed by the European Regional Development Fund. They include the construction of animal passages, elimination of barriers to animal migration, and educational paths and tourist trails.

Costa del Sol now accessible at high speed

Thanks to a major project partly funded by the EU, Spain now has a twin high-speed track running between the cities of Córdoba and Málaga. Around 155 km in total length, the new high-speed line opened in December 2007 and is some 25 km shorter than the conventional route.

Hydrogen network for eco-friendly cars

Seven fuel-cell hybrid vehicles were pilot-tested in several west Danish cities, under a project co-financed by the European Regional Development Fund. Its 20-plus partners included hydrogen filling stations, calling on hydrogen from an electrolytic hydrogen generator at a local energy company.

Inclusive growth

Cohesion policy has proved to be one of the most successful ways for the European Union to demonstrate its commitment to solidarity, while spreading growth and prosperity across the EU. The European Social Fund (ESF) for instance already supports training for some nine million Europeans each year. It reflects a balance in EU economic policies – a practical demonstration of how the EU actively promotes inclusion alongside growth.

The ESF supports SMEs and strengthens their competitiveness. In Poland, for example, in 2004-06 the ESF provided a stimulus for micro-businesses to train their employees; 41% of them receiving support had not engaged in training before. Similarly, in Sachsen in Germany in 2007-13, half of the firms receiving ESF support had no prior engagement in training. The ESF also provides support for RTD and innovation. In 2000-06, almost 70 000 research jobs were supported by the ESF in Germany, Spain, Finland, France, Sweden, Slovakia and the UK, while over 40 000 people gained a qualification and almost 60 000 found a job following participation in ESF-supported activities.

About 28 million people participated in active labour market policies, including measures to combat unemployment, increase employment and maintain employability in 2000-06. One third of the EU's unemployed participated in ESF-supported programmes each year.

The ESF also strongly supports gender equality, by helping women into employment, promoting their lifelong learning, supporting their participation in science and technology as well as assisting them to start up businesses. In 2000-06, €4.5 billion went on measures to promote gender equality and gender mainstreaming. The largest expenditure on gender-related measures was in Germany, accounting for 25% of the total across the EU.

ICT training opens new doors for farmers

Farmers in Northern Ireland have been trained to make today's technology work for them in their day-to-day administrative tasks, thanks to EU funding under the PEACE II Programme. The overwhelming majority of the participants in the project now acknowledge that the training received has helped them to adopt better business practices.

Helping Hungary's most disadvantaged

Development in some 30 'micro-regions' across Hungary is being boosted with the support of the Least Developed Micro-Regions (LDMR) Programme, with input from local communities and EU financial backing. Around 250 projects have begun, focused on building or refurbishing schools and kindergartens, health and social centres, bus stations, water and wastewater infrastructure, flood prevention, tourism and culture.



Special attention is given to unemployment amongst young people



How will cohesion policy help the Europe 2020 Strategy?

Cohesion policy has benefited all regions through direct and indirect trade benefits, while supporting EU-wide priorities such as environmental protection, research and innovation, according to the recently published fifth report on economic, social and territorial cohesion. Between 2000 and 2006, for example, it helped create some 1.4 million new jobs, led to the modernisation of hundreds of air, rail and road transport links, and improved drinking water and wastewater treatment for millions of Europeans.

As for the ESF, it uses cross-border experience to bring support to social groups or policy areas that would otherwise receive little or no support. It also has a special focus on innovative approaches to employment, training and social inclusion.

The EU's cohesion policy is therefore ideally placed to make a significant contribution to delivery of the Europe 2020 Strategy, by translating its priorities into concrete development action on the ground at regional and local levels. It will continue to provide investment for modernisation and act as a catalyst for structural change in all European regions. It will also mobilise a wide range of regional and local stakeholders across Europe.

Broad-based partnership and ownership of reform priorities will be critical factors for successful implementation of the strategy. Regional and local actors notably have a key role to play, because of their powers in education and training, employment, transport, research and development, and energy – many of which are focal areas for the Europe 2020 Strategy.

FIND OUT MORE

- Europe 2020
http://ec.europa.eu/europe2020/index_en.htm
- Expert evaluation network delivering policy analysis on the performance of cohesion policy, 2007-2013: synthesis of policy papers on innovation:
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado_en.htm



Austria, the Gemini house, both a home and a solar power plant

JOHANNES HAHN

European Commissioner for Regional Policy

Panorama speaks to Commissioner Johannes Hahn to get his view on cohesion policy successes to date, plus new goals and challenges for the next decade such as reform linked to Europe 2020 Strategy priorities.

What does the fifth Cohesion Report say?

It first confirms that recent convergence trends among EU regions are continuing, which has led to a substantial decline in regional differences in terms of Gross Domestic Product (GDP) per head. However, more developed regions are more competitive, so they are more innovative, have better-trained employees, a higher employment rate, are better-endowed with infrastructure and have a higher quality of government.

The report also maps out the differences in environmental sustainability across Europe's regions. For example, some regions are highly vulnerable to climate change, others have a strong potential to produce more renewable energy, and many urban centres suffer from poor air quality.

According to the report, there is a need for better coordination among EU policies, national policies and cohesion policy to support regions in unleashing their potential and capitalising on their assets. It also presents the result of evaluations which found that cohesion policy has made a major contribution to economic, social and territorial cohesion in the areas receiving funding.

Lastly, with the fifth Cohesion Report, the Commission is putting forward some of its key ideas for the reform of cohesion policy. These follow a long discussion that started with the fourth Cohesion Report in 2007. This fifth report

provides broad outlines on the future of cohesion policy. They cover its mission and set-up; how the policy can be made more effective and its impact improved so as to achieve greater European added value; how the governance of the policy and the involvement of stakeholders can be further strengthened; and how its implementation can be streamlined and simplified.

How do regions, and in particular cohesion policy, contribute to the objectives of Europe 2020?

The fifth Cohesion Report provides evidence that, in order to achieve the objectives launched by the Europe 2020 Strategy, an integrated approach to investment is needed, which means finding the right balance between different types of investments. It also means that we need to take into account the strong diversities among EU regions, in particular their specific geographical challenges and opportunities, to prevent uneven regional development from hampering growth potential.



What are the main elements of reform proposed for cohesion policy post-2013?

Cohesion policy first needs to be aligned with the priorities of the Europe 2020 Strategy, namely smart, sustainable and inclusive growth. We also need to ensure that Member States and regions concentrate EU and national resources on a small number of priorities according to their specific challenges. In addition, we need to introduce stronger incentives and conditionality, particularly in the areas where cohesion policy invests, such as transport and environmental infrastructure, education and training, or research & development (R&D) and innovation. This would allow improving the effectiveness of cohesion policy interventions. Fourthly, cohesion policy should be moved towards a more results-oriented delivery system, with greater emphasis on performance. We also need to support the use of new financial instruments, to move away from traditional grant-based financing towards innovative ways of combining grants and loans. These types of financial instrument amounted to €10 billion in the 2007-13 period and we need to improve the delivery of the existing instruments and extend their scope and scale to other areas. Lastly, we need to streamline and simplify our delivery systems to strengthen both the accountability and transparency of the policy.

What role does territorial cohesion play?

With the adoption of the Lisbon Treaty, territorial cohesion has been added to the goals of economic and social cohesion. It has always featured as part of European cohesion policy, but it is important that we strengthen this dimension in the period after 2013. The territorial dimension is particularly important for urban and rural areas respectively. Cohesion policy can also play a central role in improving the situation of cross-border and broader transnational areas, as well as regions that suffer

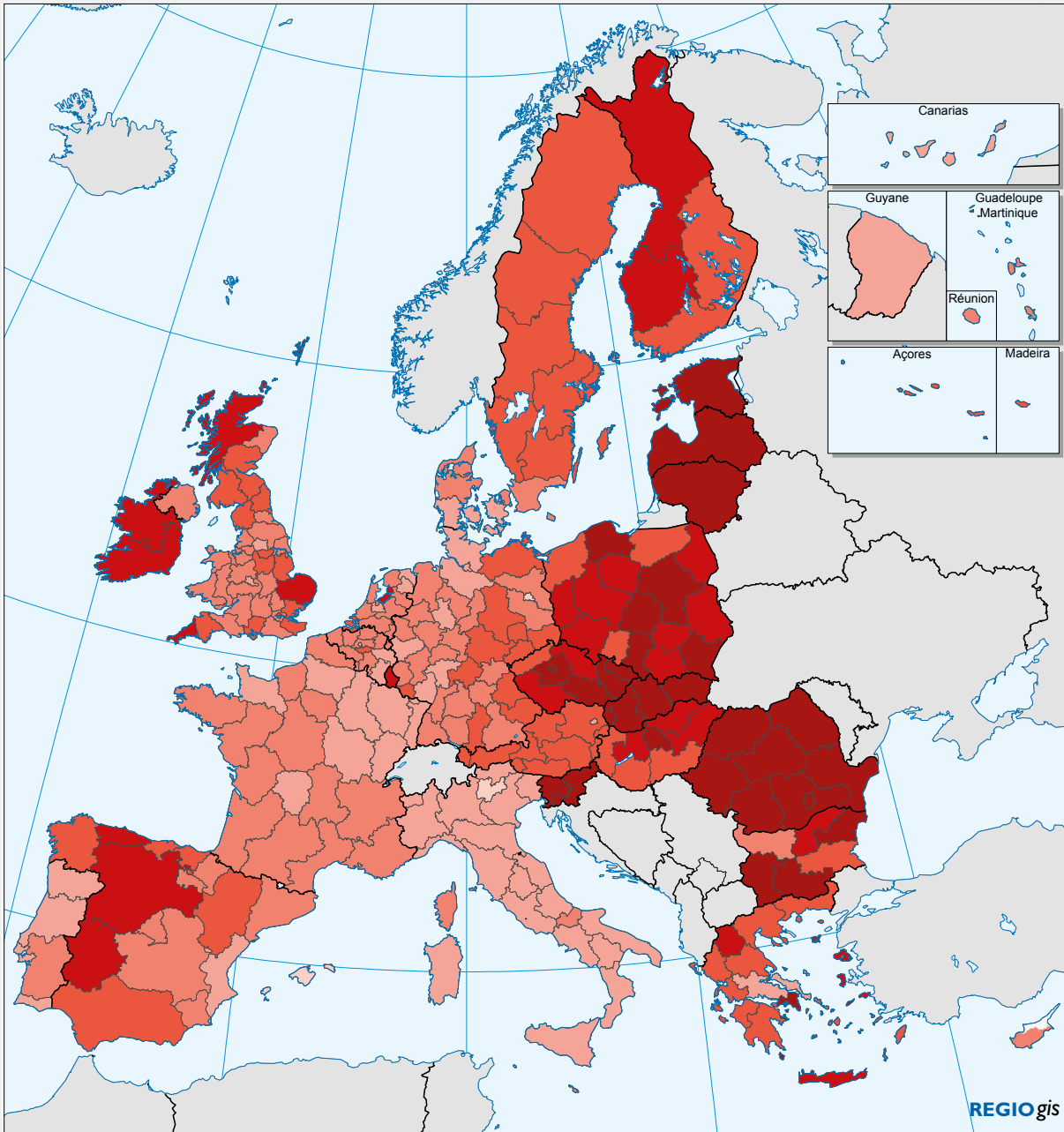
from other handicaps due to their insularity, remoteness (such as the outermost or sub-Arctic regions), sparse population or mountain character. For example it can promote better accessibility, sustain economic activity and promote economic diversification.

When will each region know how much funding it will receive after 2013?

The fifth Cohesion Report contains broad orientations on the policy's future architecture. However, the financial proposals that will accompany the legislative proposals for the regulatory framework after 2013 should be adopted in the second half of 2011.

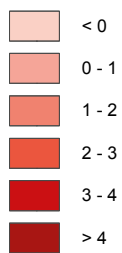


Construction of a new cross-border road between Greece and Bulgaria, Drama, Greece



Growth of GDP per head in real terms, 2000-2007

Annual average % change



EU27 = 1.8
Sources: Eurostat, DG REGIO



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COHESION POLICY INVESTS IN ALL REGIONS

Support for all EU regions is vital to achieve economic, social and territorial cohesion and will therefore remain a key feature of future cohesion policy. While the bulk of the funding is used to help poorer regions level up, more developed regions also receive a significant share of cohesion policy support to make them reach their full potential.

Cohesion policy covers all regions because development can occur in all regions. The Organisation for Economic Development and Co-operation (OECD) has shown that there is no unique pattern of development: the assumption that growth is concentrated in the highly developed regions of the EU is clearly wrong. As illustrated by the map, economic performance varies widely from one region to another. Evidence suggests that strong performance occurs in all types of regions, whether they are rich or poor, urban or rural, central or more peripheral, or specialised in manufacturing or services.

Optimal use of assets key for growth

Some rural regions have benefited from higher growth rates than urban regions, particularly in Western Europe. These regions have found ways to make the most of their resources and economic opportunities. Rural regions adjacent to urban regions for instance can benefit from their location: a number of industries, such as warehousing and large-scale manufacturing, can shift to nearby rural areas for their low costs of land and proximity to a large labour pool.

Conversely, poor performance can also be found in all types of regions. Several urban or more developed regions have seen their growth hindered by various bottlenecks. Some are confronted with environmental problems and the costs of agglomeration, such as congestion and high living costs. Others fail to fully mobilise their resources as they still score poorly in terms of employment rates, education levels or labour productivity.

The capacity to mobilise its assets is the most important factor determining a region's success in promoting growth and development. Accordingly, policies should seek to exploit the growth potential in all regions.

Place-based approach: development through integration

To achieve strong regional development, clear policy coordination is necessary. For instance, improvements in transport infrastructure should be combined with an improved business environment to maximise the impact of both. Policies to boost innovation will be more effective if they are accompanied by investments in education. This is where cohesion policy can make a difference: it brings sectoral policies together in a coordinated and coherent framework. This approach is relevant for all regions in the EU, irrespective of their level of development.

This integrated approach also means that EU regions can play a role in mainstreaming overall policy priorities. For example, cohesion policy has helped regions to comply with EU standards and meet goals in the areas of transport, innovation, information society and energy. Moreover, it has enabled them to improve their environmental protection and their involvement in the Lisbon Agenda.

The way ahead

This role will be strengthened in the framework of the Europe 2020 Strategy: cohesion policy will finance integrated, cross-sectoral actions adapted to specific regional contexts. In the field of innovation for instance, it will complement targeted initiatives for leading-edge companies with investments in human capital, infrastructure, finance or networking, which are essential framework conditions for innovation performance. It will also support investments in high-speed internet, smart transport and energy infrastructures, energy efficiency and renewable energy, to create a competitive, connected and greener economy.

Europe 2020 needs all regions to play their role in promoting smart, sustainable and inclusive growth. Since its inception, cohesion policy has ensured that all regions can contribute to and benefit from European integration, and it will continue to do so in the future.

FOSTERING ECONOMIC BALANCE

European cohesion policy is the main response of the EU for addressing disparities between regions and attaining harmonious development; 40% of the EU budget is devoted to creating more economic balance. Smart, sustainable and inclusive investments in growth-enhancing areas such as infrastructure, research, education, energy or communications is the best response for strengthening the prospects of prosperity in the less developed regions of the EU.

The EU budget devotes about €4 out of every €10 to cohesion policy – its aim is to enhance the prosperity of European regions and their residents, particularly in lagging regions where more than 80% of the cohesion policy budget is concentrated.

Seizing opportunities...

Today's world of global competition brings opportunities for those who can adapt. Emerging economies have increased their share of global trade in goods and services, creating new markets. Cohesion policy supports regions as they grasp the chance of growth and ensures that all types of funding are directed at smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy.

With a budget of almost €350 billion over the 2007-13 period, cohesion policy invests heavily in priorities which support this strategy, allowing these regions to compete more effectively in the global market.

... by investing in critical areas that make them more qualified and competitive...

Cohesion policy is all about making our regions more dynamic and competitive. For example, in lagging regions the construction of motorways, railways and airports is co-financed by cohesion policy along with access to new technologies, broadband and the digital market as well as the innovative capacity of firms. The policy also covers education and training for people of all ages, giving them the skills they need to find a new job. Promoting start-ups and innovation are other important actions.

... while favouring a green and inclusive attitude to growth...

Yet economic development must be sustainable – the recognition that natural resources should be protected is at the centre of this policy. The treatment of urban wastewater, promotion of energy efficiency and renewable energies and adaption to climate change – all are central to the policy.

At the heart of the European social model is the notion that economic development must benefit everyone. This is why enhancing opportunities for employment of people at risk of social exclusion and fighting against poverty is another major priority.



Estonia – Tartu Vocational Training Centre where students use their skills to help with the centre's upkeep

... helps in the development of a harmonious Europe

Most of the less developed regions have witnessed big improvements in competitiveness and well-being. In Poland, the main beneficiary in the 2007-13 period, GDP per head grew from 51% in 2004 to 61% of the EU average in 2009. Over the same period unemployment declined dramatically from 19% to less than 9% of the labour force. Very similar positive trends may be found in other Member States such as the Slovak Republic.

Regions which are lagging behind receive more than 80% of the overall budget, which often amounts to 35 or 40% of the total public investment in these areas.

The recent crisis might have disrupted the process of catching up, and may have caused social stress, but the policy is helping to alleviate the impact of the crisis where it is hitting the hardest. One of the key ways in which it does so is the guarantee of secure funding in areas that are essential for development and well-being, providing funding which promotes recovery.

Results are more mixed in some less advanced regions of relatively prosperous Member States. Yet gains in productivity and employment have been important in some regions of the North and West of Spain and in Eastern Germany, for instance, as cohesion policy continues to play a vital role in the stimulation of economies across Europe.



Support for SMEs: banana plantation, La Réunion, France

BRINGING COHESION POLICY CLOSER TO EUROPEANS

Cohesion policy is much more than a simple financial contribution to growth and jobs. Its added value goes further, engaging local and regional representatives and involving them in the policy design and delivery process. It is precisely this multi-level structure that brings knowledge and, with it, greater efficiency.

Governance is therefore especially important to cohesion policy. Through strong governance, guaranteeing input from all concerned, measures can be adapted to real circumstances, thereby fostering a sense of ownership and commitment to success. This is where the future of cohesion policy lies.

Improvement in two key areas will help redefine the landscape – territorial cohesion and partnership.

Territorial cohesion demystified

What may sound like a rather abstract concept is, in reality, simply a means to bring cohesion policy closer to Europeans and their surroundings. Boiled down, territorial cohesion is about sustainable development for your town, city and region. It is about opening doors for businesses and people to help them capitalise on the features inherent to their area.

Making this a reality involves addressing the existing disparities, promoting territorial assets through special integrated, place-based strategies, stimulating local development, and deepening coordination between EU, national and sectoral policies. The underlying idea is also to build up territorial integration and encourage interregional cooperation.

For the upcoming cohesion policy reforms, emphasis should be placed on four main areas: cities and the role they can play; functional geographies; areas facing specific geographical or demographic hardships; and macro-regional strategies. Each can make a difference.

Firstly, post-2013 cohesion policy will require a more ambitious urban agenda. The role of urban authorities in designing and implementing development strategies should become greater, as it also should in allocating financial resources transparently to urban priorities.

Secondly, greater flexibility will be needed for programming. Functional approaches will need to be adopted in order to identify problems that go beyond NUTS 1 and NUTS 2 structures.

Thirdly, macro-regional strategies should be devised to complement this flexible and functional approach to territorial cohesion. These strategies would provide broad-based integrated instruments to take transnational cooperation even further. The strategies could be needs-based where this provides clear added value. Future cooperation, in this respect, could continue to provide a framework for coordinating the various policies and programmes operating in the macro-region.

Lastly, the next generation of programmes will have to be adapted to help regions facing specific geographical or demographic hardships, optimising the potential of these regions without unnecessarily multiplying the number of programmes and instruments.





Strength in partnership

Next to territorial cohesion, partnership is another effective channel for efficient and transparent governance. It implies close cooperation between the Commission and authorities at national, regional and local level, as well as between social and economic partners throughout the various stages of cohesion policy implementation. It is key to conveying EU priorities, fulfilling these priorities and building ownership.

Both partnership and ownership become even more significant when seen in the light of the Europe 2020 Strategy and the lessons drawn from the Lisbon Strategy for growth and jobs. Through cohesion policy's approach of combining an integrated framework for investment, ownership on the ground and progressive partnerships, it can contribute

considerably to the success of the Europe 2020 Strategy by strengthening collaboration with local and regional partners.

Improvement is needed in the way the partnership principle is applied. The involvement of local and regional partners, social partners and civil society should be encouraged in both policy dialogue and cohesion policy implementation. One way this can be done is to reinforce local approaches to development, in the field of social innovation or regeneration of run-down areas.

In short, the fifth Cohesion Report recommends reinforcing the policy's core business and focusing on the policy's added value, namely its partnership and territorial, place-based approach.



“ We don't need a one-size-fits-all policy but we have to stay 'focused on diversity'. We must have tailor-made solutions for each and every region, with visible and tangible results for citizens. This will be an essential part of our new 2020 Strategy ”

Johannes Hahn,
Commissioner for regional policy

HOW TO MEASURE PROGRESS

Economic development and growth are usually measured using Gross Domestic Product (GDP) or GDP per head. GDP allows for comparisons across countries and regions and remains a fairly good measure of economic performance, but it is not necessarily a good measure of well-being.

The last century saw rapid growth in the economic development of many EU regions, in particular in the EU-15. Regions in the Member States that entered the EU after 2004 were growing fast before the economic crisis and rapidly catching up with the rest of the Union. Nevertheless, as shown in the fifth Cohesion Report, large disparities between the EU regions still persist.

GDP versus income

GDP is not always a good measure of household income, as the increase in GDP is rarely distributed equally across the population or across the regions in a country. For example, when growth in GDP per head only benefits a small portion of the population or when a large share of the wealth is transferred to another region or country, most households in the region will not see their income grow.

However, what really matters for the well-being of the citizens is not the quantity of goods and services produced in an economy, but their disposable household income. GDP is a very imperfect measure of this, because countries differ in the services they provide for free, e.g. education, and this affects people's opportunities to consume. Similarly, GDP does not capture the value of home-produced 'private' goods and services, ranging from cooking and cleaning to child care, which equally contribute to living standards.

Income is clearly not the only determinant of quality of life. The fifth Cohesion Report shows that well-being and life satisfaction in the less developed regions are closely tied to increases in household income. In the more developed parts

of the Union however, this link is much weaker, if not absent. So, as regions get richer, people value other aspects of well-being more, such as job satisfaction, while in less developed regions, people usually attach more importance to how much they earn.

GDP versus quality of life

GDP does not reflect improvements in the quality of goods and services. In reality, there can be rapid improvements in areas like information technology or medical services and education, with direct implications for quality of life.

The rapid economic development in the last century came at a price, leading to pollution, ozone problems, global warming and other negative effects on the environment. These have a direct impact on human health and imply high costs for the economy which are not reflected in GDP.



Nadacia Inforoma - Roma-run kindergarten school in Presov

A pleasant, safe, secure and non-polluted environment, good neighbourhood relations, clean water on tap and reciprocal trust are all 'common goods' which contribute greatly to quality of life. But as they are not for sale, they are not reflected in GDP.

As a result, the measurement of progress in the fifth Cohesion Report has expanded beyond GDP, as recommended by Stiglitz, Sen and Fitoussi in their 2009 report on how to measure progress, to include both objective measures of well-being, like life expectancy, and subjective ones, such as health perception and happiness.

GDP versus happiness

Richer does not always mean happier. In 2007, the three Member States with the highest scores on the happiness index were the three Nordic countries. The three with the lowest scores were Bulgaria, Latvia and Portugal.

Malta is an extreme example, ranking only 18th in terms of GDP per head, but 7th according to the happiness index, while Austria has the 4th highest GDP per head but ranks 19th for happiness. As shown in the figure below, increases in GDP per head contribute strongly to happiness at lower levels of development, but as GDP per head increases, the link to happiness becomes weaker.

Relation between happiness and GDP per head, 2007



SOLID EVIDENCE OF POSITIVE RESULTS

Cohesion policy has made a substantial difference, not just to the economic development of lagging regions, but also to social and environmental sustainability. Many goals have been achieved: the challenge now is to adapt to the current situation and to tighten the focus on performance.

Adapting to the current situation

Cohesion policy investment in motorways and roads in the EU-15 means that the network is mostly complete. Investment in these countries should shift towards more environmentally-friendly modes of transport (notably rail and urban transport systems).

There are signs of other welcome steps towards more sustainable programmes. Half the Member States included indicators and targets for the reduction of greenhouse gas emissions in their cohesion programmes for the 2007-13 period.

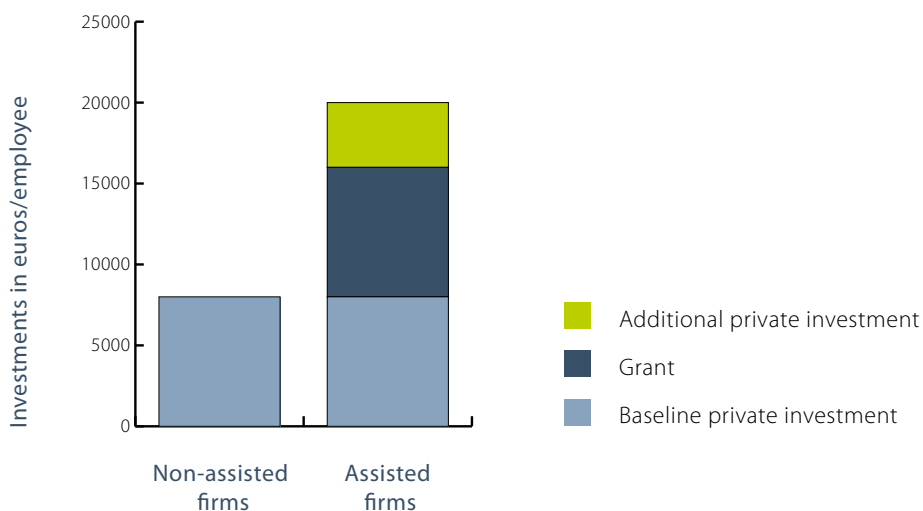
Investment grants are a useful tool, but have tended to dominate spending on enterprise and RTD. The trend towards a more balanced "portfolio" (including "financial engineering" such as loans/venture capital and non-financial instruments such as mentoring and advice) is welcome and should be encouraged.

Tightening the performance focus

A key evaluation finding is that programmers often focused more on spending the money ("absorption") than on tracking real impacts. While the former is obviously a precondition for success, the latter is ultimately what matters.

Cohesion policy therefore needs to cultivate a greater performance focus. More programmes should identify exactly what they want to achieve and track progress. There should also be more impact evaluation, using tools such as comparison/control groups, cost-benefit analysis, rigorous beneficiary surveys and in-depth case studies.

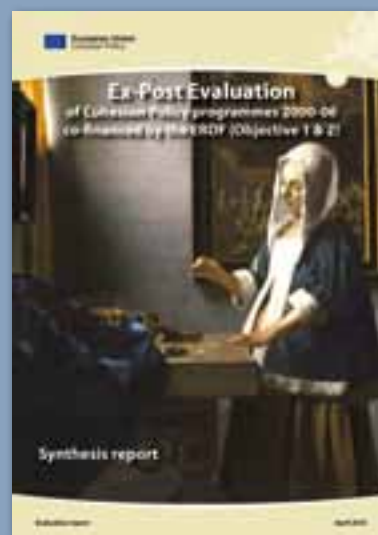
Impact of investment grants in Eastern Germany – a clear example of leverage





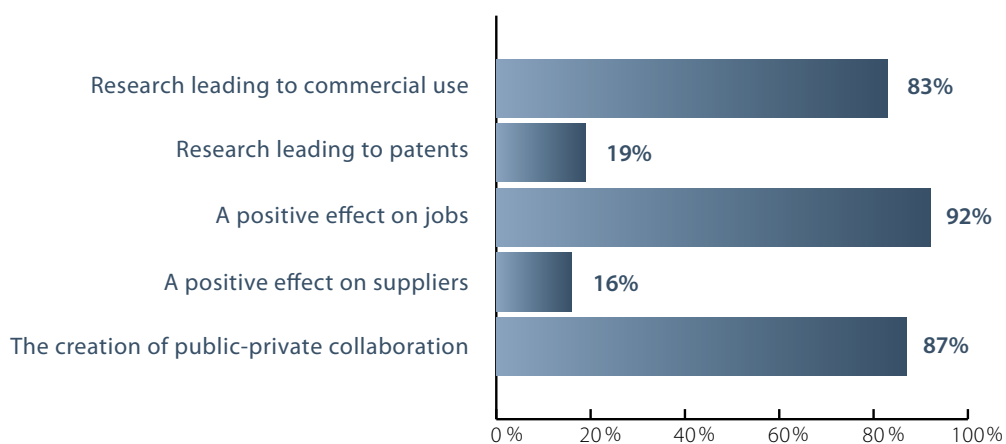
Key achievements of cohesion policy 2000-06:

- Higher growth: GDP in Objective 1 regions was an estimated 10% higher in 2006 than it would have been without cohesion policy. Some of this returns to donor countries in the form of higher exports.
- The creation of some 1 million jobs in enterprise. 230 000 SMEs received financial support (mainly grants, but also loans and venture capital), a further 1 100 000 receiving non-financial support (mainly advice and mentoring, but also networking and business infrastructure).
- Training 10 million people a year, including 5.3 million women, 3.3 million young people, 1.6 million of the most vulnerable, 1 million long-term unemployed and 5 million of the low-skilled.
- Co-financing of around 4 700 km of motorway and 1 200 km of high-speed rail. The funds also financed the improvement of approximately 7 300 km of non-high-speed lines and various urban transport systems.
- 23 million people connected to wastewater collection and treatment systems, 20 million to modern drinking water systems.
- Over 80% of URBAN regeneration programmes had the active involvement of a broad partnership, including locals – evaluations identified this as the key factor in project success.
- INTERREG continued to link border areas with nearly 12 000 networks and 63 000 cooperation agreements.



Life cycle analysis of RTD support to SMEs, Italy

Proportion of projects where there was...



PREBEN GREGERSEN



Mr Gregersen is the Head of the Danish Management Authority for Structural Funds and a member of the high-level group reflecting on future cohesion policy. He is also the Chairman of the Danish Structural Funds Monitoring Committee.

The fifth Cohesion Report talks of the need to align cohesion policy even further with the Europe 2020 Strategy. To what extent can conditionalities, incentives and results-based management contribute to making cohesion policy more effective and in line with the Europe 2020 Strategy?

I find it key – based on my experiences – that resources are conditioned and effectively concentrated: the alignment of cohesion policy with the Europe 2020 Strategy must be strong. More focused than the current alignment with the Lisbon Agenda. The target being growth: smart, sustainable and inclusive growth. The approach being place-based and mobilising national, regional and local growth potentials.

The tough part is to deliver and stick to the strategic choices involved in "place-based growth driving". In respect of thematic concentration on growth drivers our latest experiences with strategic programming were rather positive. However, further orientation of results and evidence is a must across the board of cohesion policy. A number of elements must be considered: a framework that ensures programmes will be built according to a limited number of targets (rather than the other way around); a development of indicators (of which some might have to be obligatory); and/or a better basis for ex ante, ongoing and ex post evaluations of programmes, to name just a few. As regards incentives and conditionality, I welcome a genuine debate on any instrument but prefer instruments with a financial bearing to non-financial ones. Not that I rule out a contribution to performance by the latter.

The report acknowledges that a one-size-fits-all approach is not appropriate since regions have 'vastly different characteristics, opportunities and needs'. Yet it also declares that 'future programmes should concentrate on only a few priorities closely linked to the Europe 2020 Strategy'. Are these two approaches compatible?

As I read the fifth Cohesion Report, it leaves enough "food for thought" to allow concentration on a few EU 2020 priorities to be compatible with the programming of place-based interventions aiming for growth potentials. And also compatible with an approach based on evidence of regions' different economic and social standpoints and opportunities. Frankly, however, I find it harder to cope with a notion of pure geographical characteristics of a region in a cohesion policy context. To my mind, the addition of territorial cohesion to the policy means addressing dynamics such as functional geographies, macro-regional strategies, urban-rural growth links, borders, etc.

What do you feel is the one key factor for the success of cohesion policy?

Allow me finally to stress the need for a real reflection on the proportionality principle in the coming regulatory framework – beyond the general search for reductions in the administrative burden. A result must be obtained in this respect that reflects the risks, scales and credentials involved in a programme.

It should be noted that my comments do not in any way bind Danish responses to the fifth Cohesion Report and the work ahead. Denmark concurs with the necessity to pursue economic and social cohesion through the Structural Funds and also to contribute in a targeted manner to the achievement of the Europe 2020 objectives.

In this edition, Panorama interviews the head of a Structural Funds managing authority and a leading academic on what the fifth Cohesion Report means for them.



PHILIP MCCANN

Dr McCann holds the Endowed Chair of Economic Geography at the University of Groningen in the Netherlands. He is a special adviser to the European Commissioner for regional policy, Johannes Hahn.

The fifth Cohesion Report talks of the need to align cohesion policy even further with the Europe 2020 Strategy. To what extent can conditionalities, incentives and results-based management contribute to making cohesion policy more effective and in line with the Europe 2020 Strategy?

Cohesion policy will play a critical role in the success of the Europe 2020 Strategy because it provides the perfect platform for an integrated approach to economic development. However, the success of cohesion policy in driving the Europe 2020 Strategy depends crucially on having a policy system based on conditionalities. These conditionalities will allow for clear and binding agreements regarding the policy objectives, will ensure that the incentives for all stakeholders are correctly aligned, will foster appropriate multi-level governance and institutional reforms wherever required, will guarantee that policies build on local knowledge and are locally-owned, and will ensure that the policies are ideally tailored to the local economic development needs.

The report acknowledges that a one-size-fits-all approach is not appropriate since regions have 'vastly different characteristics, opportunities and needs'. Yet it also declares that 'future programmes should concentrate on only a few priorities closely linked to the Europe 2020 Strategy'. Are these two approaches compatible?

The Europe 2020 Strategy sets out the big themes that Europe must respond to, and cohesion policy will play a critical role in driving the strategy forward, by combining flexibility with concentration. A place-based EU cohesion policy is flexible enough to respond to the different economic

development needs of different regions. This is essential because the local challenges faced by different EU regions vary enormously. A place-based approach also allows cohesion policy to be appropriately tailored to these local needs. At the same time, however, a concentration on the Europe 2020 objectives not only allows the impacts of cohesion policy to be maximised in all regions, but in a manner which is consistent with the wider European goals.

There has been much talk about the importance of outcome indicators. How do these relate to the Europe 2020 Strategy and the conclusions of the fifth Cohesion Report?

The three major themes of Europe 2020, namely smart growth, sustainable growth and inclusive growth, are intended to be taken together as a whole and reflect an integrated and holistic territorial approach to European economic development. Regions must identify which particular mix of the five Europe 2020 objectives – namely, improving the conditions for innovation, research and development; improving education levels; meeting climate change and energy objectives; promoting employment; or promoting social inclusion, in particular through the reduction of poverty – represent the major challenges that they face locally. The development of clear and measurable outcome indicators is essential in order for all stakeholders to identify the progress, impact and success of their projects and Operational Programmes.



Samsø island's Energy Academy is a focal point for research and information on renewable and sustainable energy

PUTTING IT TOGETHER – FIFTH COHESION REPORT

The fifth Cohesion Report, adopted on 9 November, was put together with contributions from across the European Commission and many outside sources.

The Commission's Joint Research Centre created a unique regional competitiveness index and is developing a new regional economic model. DG Enterprise's Global Monitoring for Environment and Security Bureau produced the Urban Atlas, which maps all European agglomerations, revealing many different patterns of urbanisation and sprawl.

This report relies on many studies by outside experts. For example, the Organisation for Economic Co-operation and Development (OECD) reported the main sources of innovation and growth. Another ten studies looked at issues ranging from the regional costs and benefits of increasing global trade to public investment per region and the quality of government. Last but not least, the impact of cohesion policy was assessed by analysing 174 case studies, indicators from 382 cohesion programmes and over 20 different studies.

The report uses a number of new regional typologies, such as the urban-rural classification developed by the Commission and the metro regions and remote regions which were developed by DG REGIO and the OECD. For this report, the definitions of island and mountain regions have been adjusted to better capture these geographic features.

To prepare the report, DG REGIO's Geographical Information System team produced almost one thousand maps, graphs and tables for the report. The fifth Cohesion Report includes more than 200 maps, graphs and tables, which is an all-time high.

Everyone can download the data behind the maps and the regional typologies here:

https://circabc.europa.eu/d/d/workspace/SpacesStore/b35d4432-3434-496a-9726-641f55f8abaf/5CR_data_and_typologies.zip

Mapping transport data, making connections

To measure regional access to passenger flights, one source of information is not enough. For example, the Brussels region does not have an airport inside its borders, but that does not mean Brussels has no access to flights. To overcome these administrative borders, we used the number of flights leaving from each airport, the time it takes to drive to these airports and the distribution of population across the region to measure real access to flights.

FIND OUT MORE

- Eurostat

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Regions_of_Europe

- Fifth Cohesion Report

http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm



PUBLIC CONSULTATION ON THE FIFTH COHESION REPORT

The Commission's fifth Cohesion Report, adopted on 9 November, has shown that despite the fact that disparities between EU regions are narrowing, large economic differences still remain. While cohesion policy has helped to improve economic, social and environmental conditions in our Union, there are still serious challenges ahead.

The adoption of the fourth Cohesion Report in 2007 was the launching point for a period of reflection into the future of Europe's cohesion policy, post-2013. It was marked by the publishing of a number of in-depth policy papers, evaluations and studies, as well as a series of equally far-reaching discussions which brought to the table academics, policy practitioners and international organisations.

Looking back, moving forward

The broad orientations outlined in the conclusions of the fifth Cohesion Report aim to open a broader consultation process on the future of European cohesion policy. Over the next few months, the Commission will enter into in-depth discussions with stakeholders to collect their views on the proposals for cohesion policy post-2013.

Key questions for the future:

▶ **How will the global economic crisis affect public investment in the long term?**

▶ **How will the economic downturn affect the size and structure of the post-2013 EU budget?**

Shaping the future

The fifth Cohesion Report marked the launch on 12 November 2010 of a public consultation process by the Commission, running until 31 January 2011. The views of stakeholders will go towards helping to shape future policy and to prepare, in the first half of 2011, legislative proposals for the Structural and Cohesion Funds after 2013. The Commission will hold further consultations with stakeholders on its proposals on 31 January and 1 February 2011 at the fifth Cohesion Forum to be held in Brussels.

The full set of legislative proposals, including the General Regulation and the regulations for the European Regional Development Fund, the Cohesion Fund and the European Social Fund, are expected to be adopted by the Commission in the second half of 2011.

FIND OUT MORE

Public consultation

http://ec.europa.eu/regional_policy/consultation/5scr/index_en.cfm



TEST YOUR KNOWLEDGE – TAKE THE COHESION QUIZ

- 1) Which country has the region with the highest vulnerability to climate change?
- 2) Which country is the happiest in the Union?
- 3) Which country has the region with the highest competitiveness?
- 4) Which country consumed the highest share of renewable energy?
- 5) Which country has the region with the highest participation in training?
- 6) Which country has the region with access to the highest number of passenger flights?
- 7) Which country has the region with the lowest incidence of infant mortality?
- 8) Which country has the region with the lowest unemployment rate?
- 9) In which country is the unemployment rate of women most equal to that of men?
- 10) Which country has the region with the highest share of population aged 30-34 with a tertiary education?

1) Spain, the region is Extremadura (climate change vulnerability index: 100).

2) Denmark (happiness index: 8.3).

3) The region with the highest score (100) is Utrecht, Netherlands.

4) Sweden (43%).

5) Denmark, Copenhagen (Hovedstaden: 39.1%).

6) United Kingdom, the region is Luton (3 436 flights per day).

7) Finland. The region with the lowest incidence is Åland (zero).

8) The region with the lowest unemployment rate (1.9%) is Prague, Czech Republic.

9) Finland (0.2-1.4 percentage points).

10) Denmark, Copenhagen (Hovedstaden: 58.6%).

ANSWERS

DATES 2011	EVENT	PLACE
12 November 2010 – 31 January 2011	Public consultation on the conclusions of the fifth report on economic, social and territorial cohesion http://ec.europa.eu/regional_policy/consultation/5cr/index_en.cfm	Online
31 January – 1 February	Fifth Cohesion Forum	Brussels (BE)
16 – 18 March	What future for cohesion policy? – An Academic and Policy Debate (Regional Studies Association) http://www.regional-studies-assoc.ac.uk/events/future.asp	Bled (SI)
21 March	Impact of Innovation and R&D on Regional Economic Development Conference http://www.jinnove.net/News/News/Lille-Innovation-Conference-LINC	Lille (FR)
31 March – 1 April	HU Presidency: Conference on the EU 2020 Strategy and the future of cohesion policy	(HU)
2 – 3 May	HU Presidency: High-level conference on urban development 'Climate change in relation to urban development and urban demography'	(HU)
19 – 20 May	Informal Ministerial Meeting	(HU)
23 – 24 June	Regions for Economic Change Conference and RegioStars Awards http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/index_en.cfm	Brussels (BE)
10 – 13 October	Open Days http://ec.europa.eu/regional_policy/index_en.htm	Brussels (BE)

Additional information on these events can be found in the Agenda section on our Inforegio website:
http://ec.europa.eu/regional_policy/conferences/agenda/

Hungarian Presidency website : www.eu2011.hu

The spring edition of Panorama will come out in April and will be taking a look at the EU Strategy for the Danube Region.

The summer edition, to be published in June, will be devoted to transport within regional policy. Panorama welcomes your comments and questions. We would like to hear about your experiences.

So if you would like to share interesting work going on in relation to the subject of our future issue, ask questions or express your views on this or any other aspect of regional policy, get in touch by contacting:

regio-panorama@ec.europa.eu

KN-LR-10-036-EN-C

ISSN 1608-389X

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