



Cohesion in Europe: Towards 2050

The 9th Cohesion Report

Main results, trends and what it means for
the future of Finland

Vaasa, 5 June 2024

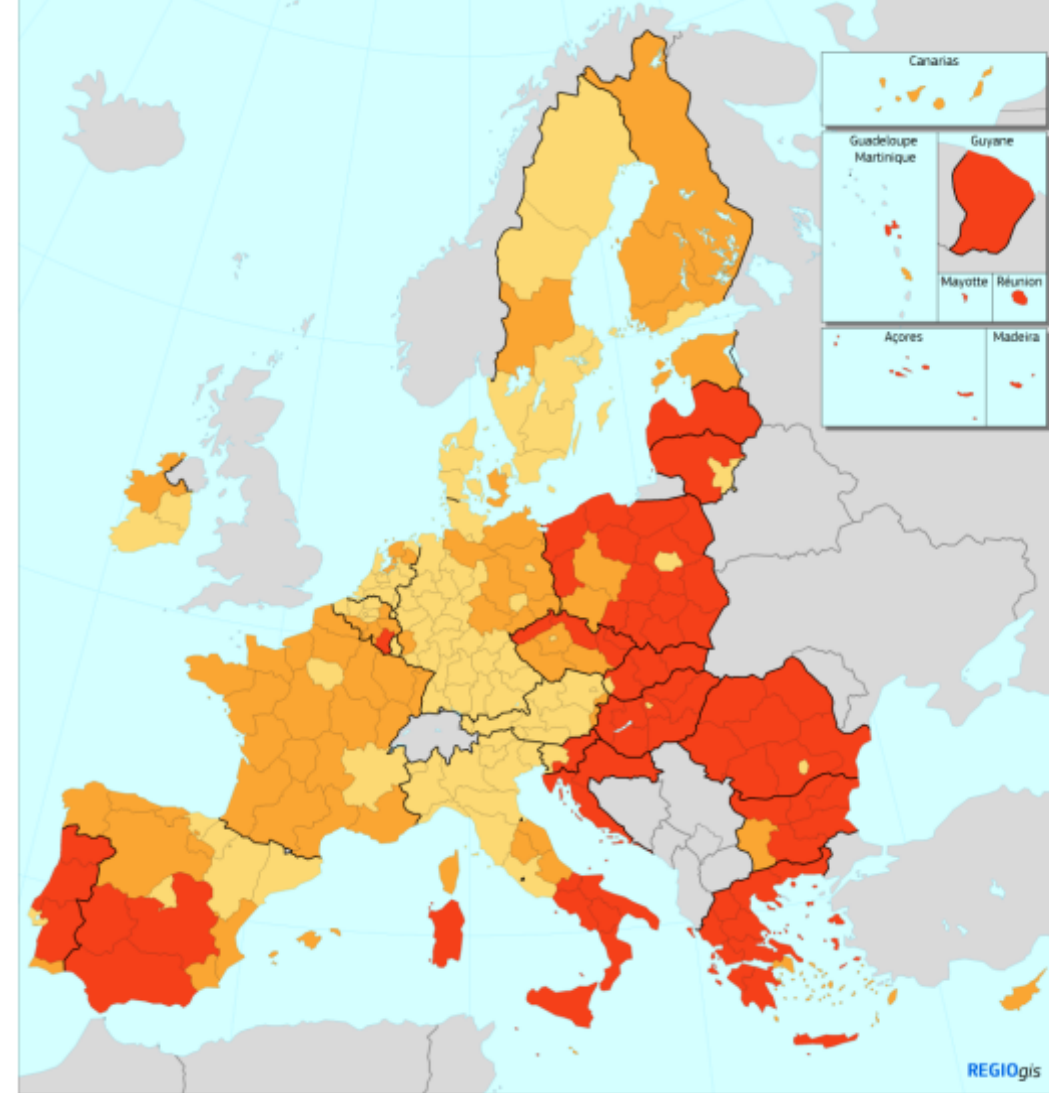
Cohesion policy

- Invested **€1,040** billion between the 1989 reform and 2023
- **€392** billion earmarked for 2021-2027

Results

- **F**undamental driver of social and economic progress
- **L**ifted many Europeans out of poverty
- **A** amazing catch-up, especially by post-2004 Member States
- **A** policy that has been replicated across the world

	2000		2023	
	Population	% of EU	Population	% of EU
EU population living in less developed countries	106M	24.6	24M	5.4
EU population living in less developed regions	123M	28.8	120M	26.7



Investment for jobs and growth goal (ERDF and ESF+) eligibility, 2021-2027

Categories of regions

- Less developed regions (GDP/head (PPS) less than 75% of the EU-27 average)
- Transition regions (GDP/head (PPS) between 75% and 100% of the EU-27 average)
- More developed regions (GDP/head (PPS) above 100% of the EU-27 average)

GDP/head: average 2015-2016-2017

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9th Cohesion Report

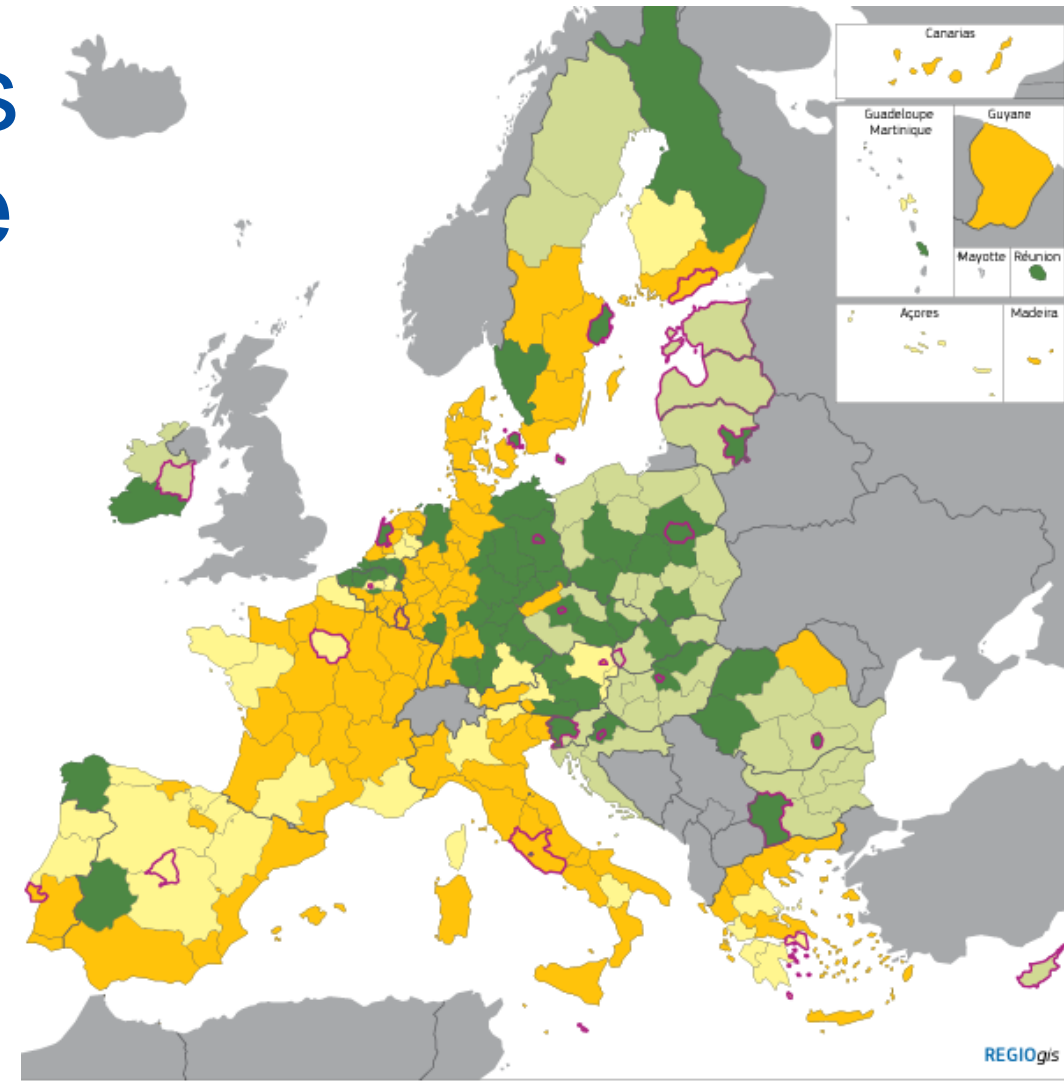
- Cohesion Report - a Treaty obligation, published every 3 years
- Sets out progress in achieving economic, social and territorial cohesion, lessons for the future

Cohesion policy: growth, competitiveness, quality jobs

- Strong upward convergence in Member States acceding since 2004
 - 52% of EU average in 2004 to 80% in 2023 - cohesion policy support and integration into the Single Market,
 - Unemployment rates dropped from an average of 13% to 4%
- Growth driven by high increase of productivity
- Uneven convergence across the EU
- Key role in supporting public investment (13% on average and 51% of government investment in less developed Member States)
- Contribution to administrative capacity and quality of governance

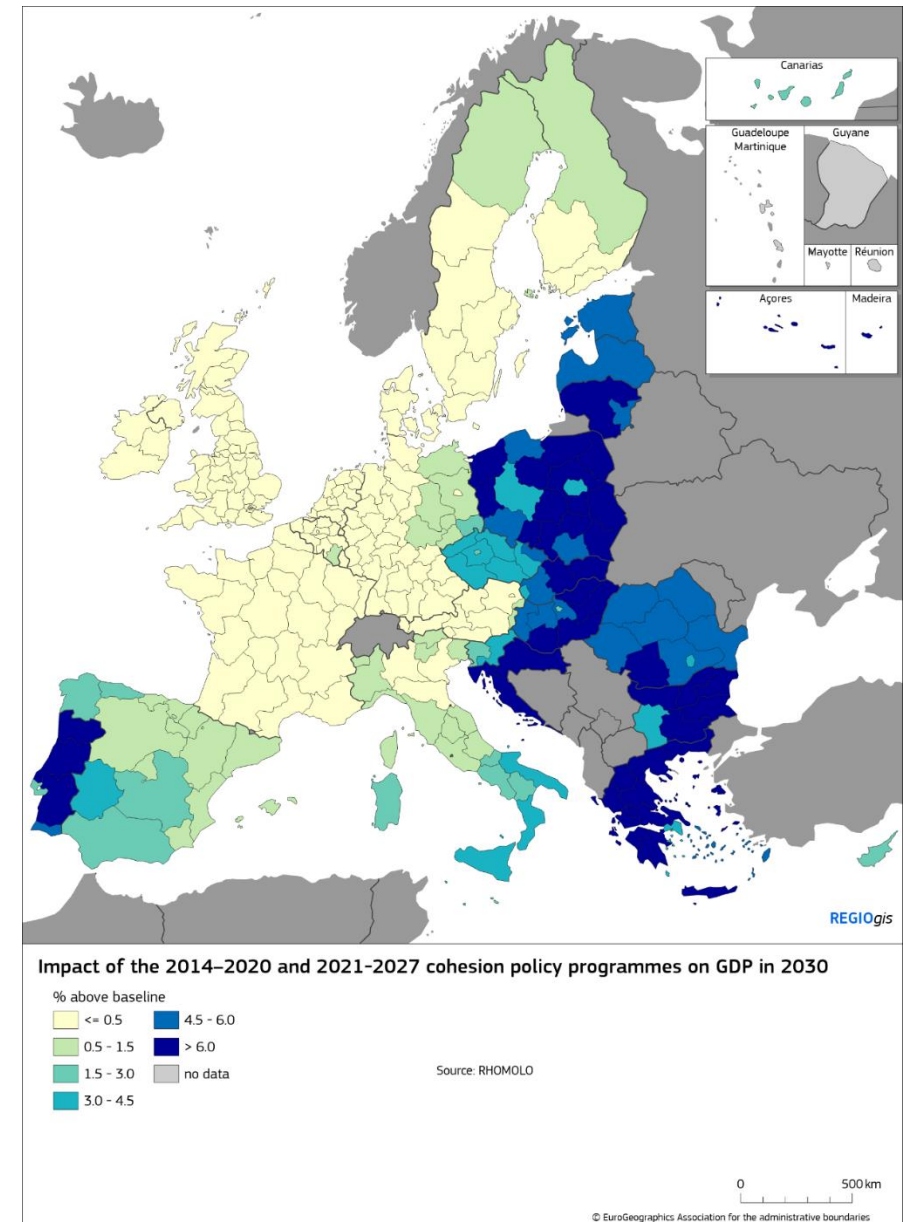
Overall, Cohesion Policy is delivering at a slower pace

- Growth of GDP per head over the past two decades has been robust in north-eastern regions - around 2.0 % a year on average
- There are, however, exceptions - in most regions in Greece and Italy, also Spain, France and north-western Europe.
- Capital region in FI in a development trap, unlike its neighbor capitals in Baltics, SWE and DK



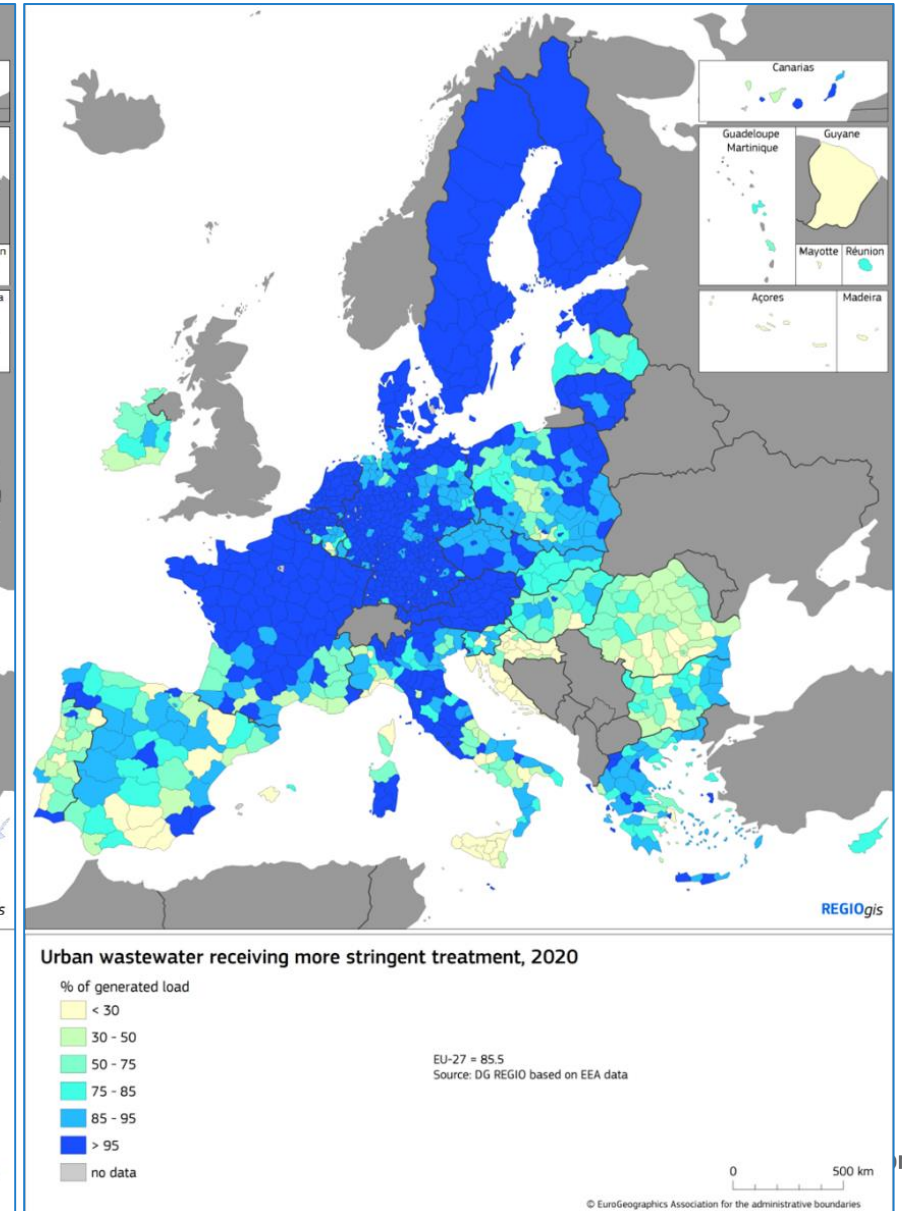
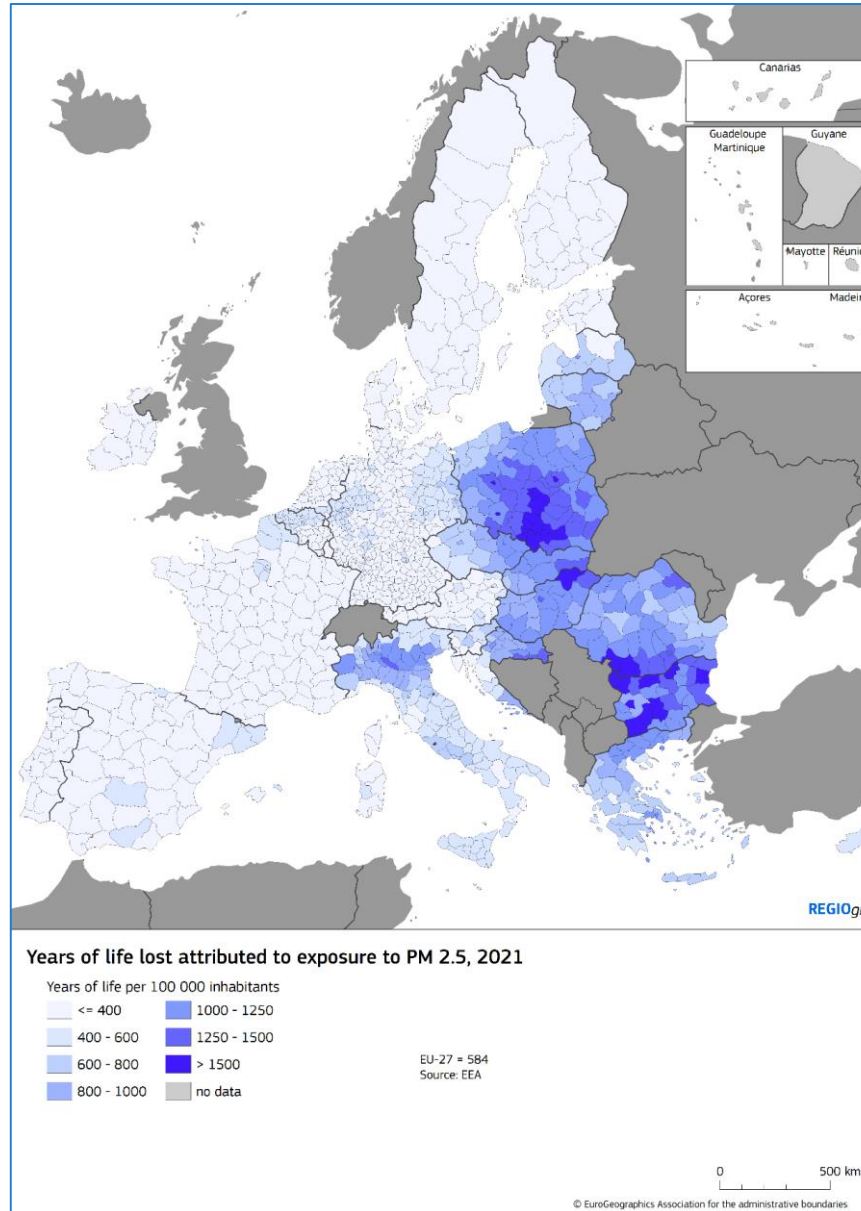
The impact of Cohesion Policy

- ✓ Macroeconomic model simulations indicate that Cohesion Policy has fostered growth in the EU:
 - EU GDP expected to be almost 1 % higher thanks to Cohesion Policy funding from the 2014–2020 and 2021–2027 programmes.
- ✓ Cohesion policy contributes to reduce regional disparities, both at the EU level and within its Member States:
 - Greatest impact achieved in less developed regions. By 2030, GDP in Voreio Aigaio (EL) is expected to be 12.7% higher thanks to Cohesion Policy, 12.0% higher in Açores (PT), 11.7% in Swietokrzyskie and 10.3% in Warminsko-Mazurskie (PL).
 - Regional disparities estimated to decline in the EU and in all Member States as a result of policy interventions.



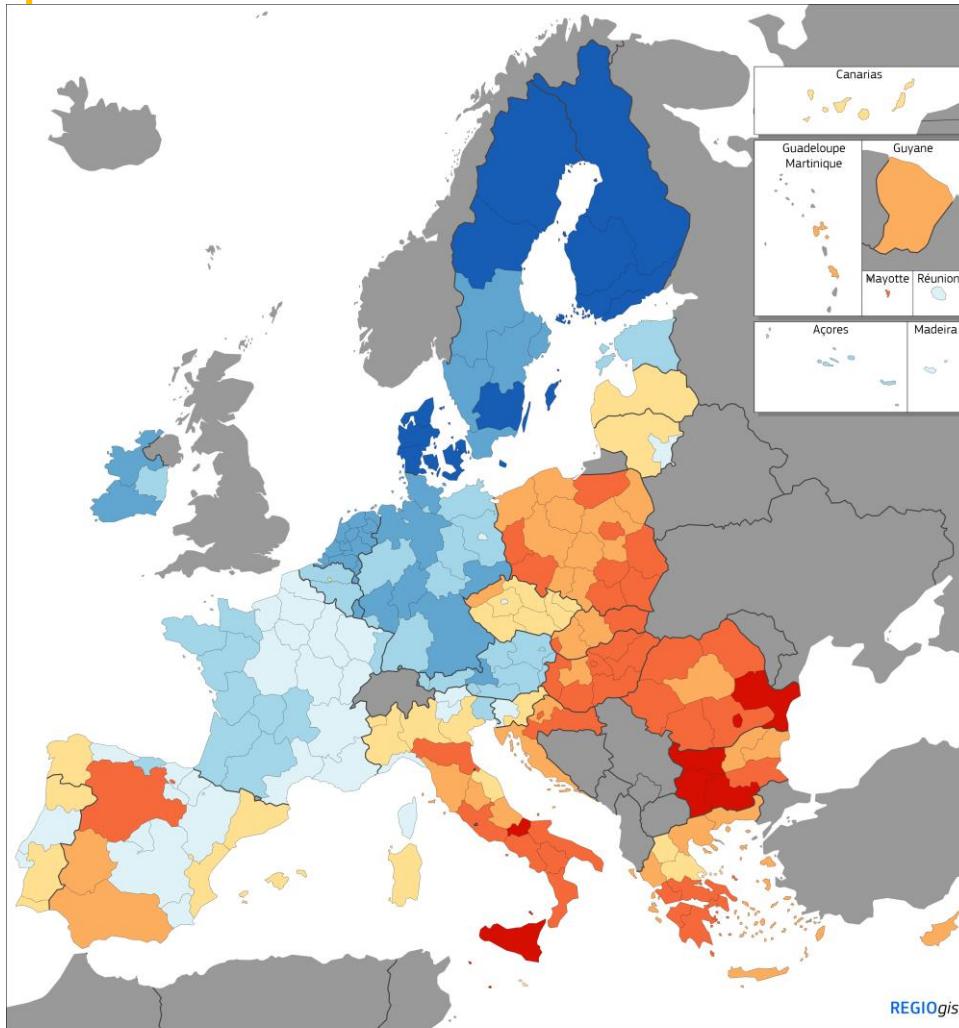
Meeting basic environmental standards

- **Biodiversity:** The status of most protected habitats and species remains poor.
- **Air pollution** causes 253 thousand premature deaths, mainly in eastern Europe and urban areas
- **Wastewater treatment** gaps exist in south and south-eastern Europe.
- **Built-up area** per person in predominantly rural regions grows faster than in urban regions weakening the capacity of soil to retain water.
- **CP allocates EUR 100 billion** to environmental action (2021-2027)



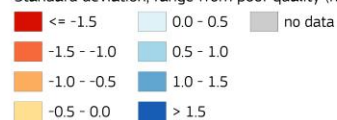
Quality of governance matters

- Well functioning institutions are crucial for economic development, including that funded under Cohesion Policy.
- In line with previous editions, regions in north-western areas of the EU score highest, in terms of quality of their governance...
- ...with large differences between regions in Bulgaria, Greece, Italy, and Spain.



European Quality of Government Index, 2024

Standard deviation, range from poor quality (negative) to high quality (positive)



EU = 0

Source: The Quality of Government Institute, University of Gothenburg

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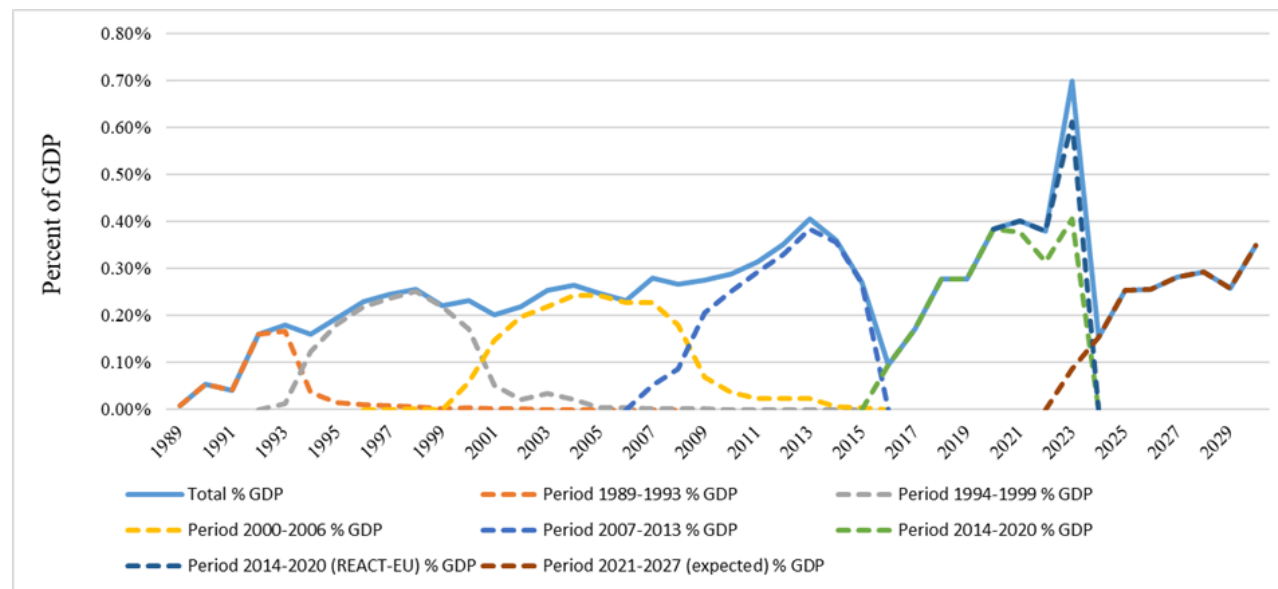
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Accompanying the deepening and widening of the EU

Continuous and increasing flow of funding throughout the programming periods

- In line with the **long-term objective of the policy to reduce the development gap** between EU regions.
- Since 1990, the funding allocated to the policy **increased from an annual average of 0.03 % of EU GDP in 1989-1993 to 0.3 % for the 2014–2020 period.**
- This reflects the need to accompany the deepening of EU integration, the strengthening of the Single Market and the enlargement process.

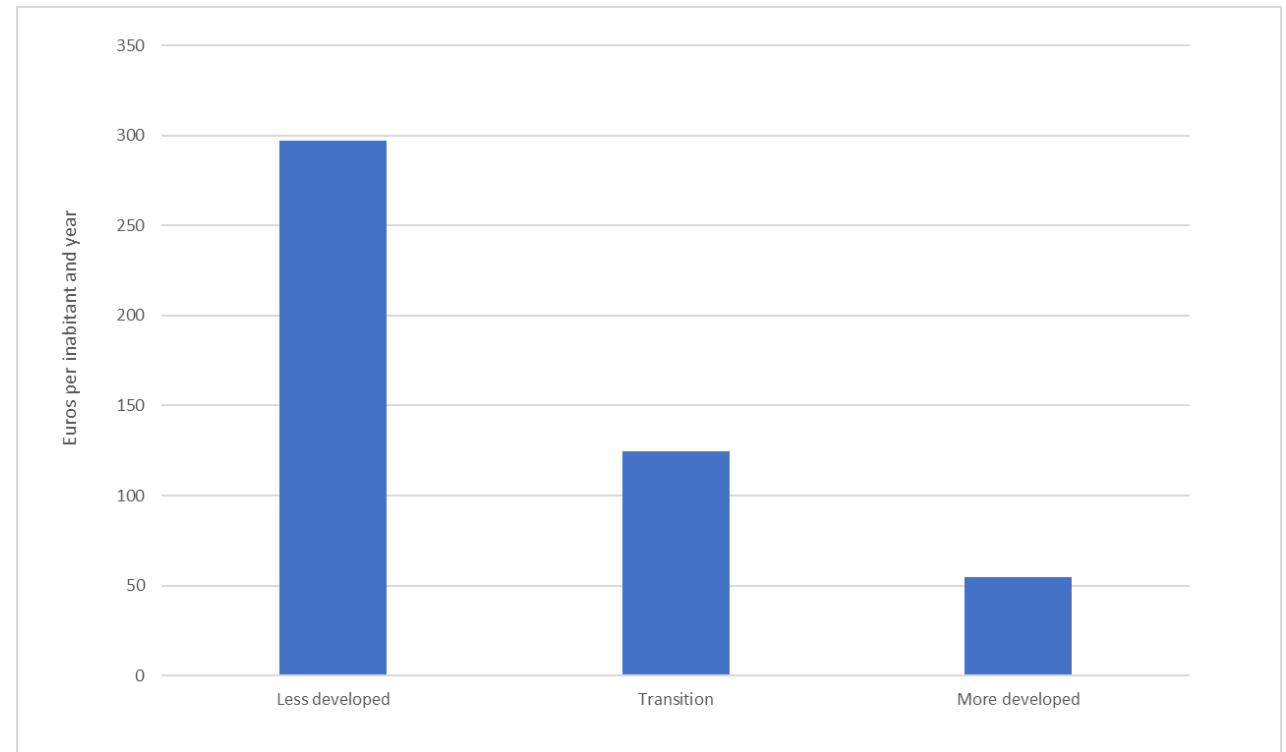
Cohesion Policy funding 1989 to 2030 (% of GDP)



Cohesion policy funding concentration

- ✓ Cohesion policy funding is concentrated on the less developed regions of the Union.
- ✓ For the 2014-20 period, **aid intensity** in less developed regions is more than 5 fold than in more developed regions.
- ✓ It is as high as 404 € per inhabitant and per year in Estonia and 42 € in Finland (150 € in Kainuu and 5 € in Uusimaa) .
- ✓ Cohesion policy funding is a substantial injection of resources into less developed economies, reaching 2.7% of GDP in Croatia, 2.6 % in Hungary and 2.4 % in Poland, Slovakia and Lithuania.

Aid intensity in categories of region, 2014–2020



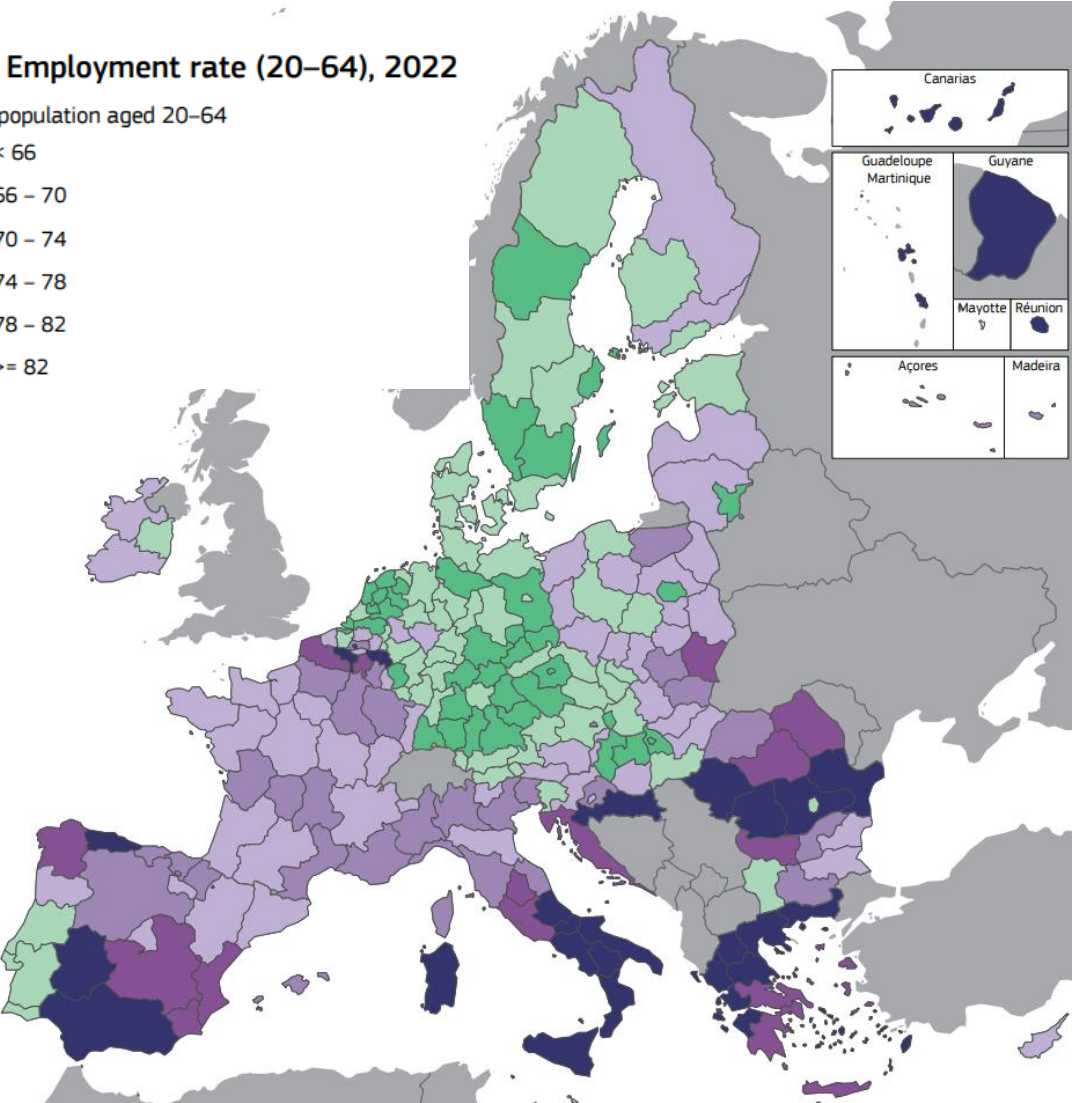
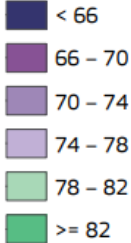
Social convergence progressed - challenges remain

- **The decline in the risk of poverty or social exclusion observed until 2019 has stagnated**, highlighting persistent disparities between more developed and less developed regions.
Some 95 million Europeans at risk of poverty and social exclusion in 2022 (21.6%).
- **EU labour markets and social conditions have remained strong.**
Disparities in employment have narrowed by 5 pps between less developed and more developed regions.
- **NEET (youth not in education or training) rate also dropped by 4 pps** over the same period, yet remains a challenge.
- **Labour and skills shortages on the rise.**

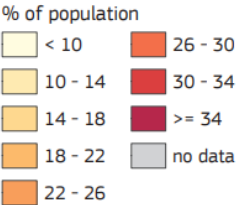
Employment rate and AROPE

Map 4 Employment rate (20–64), 2022

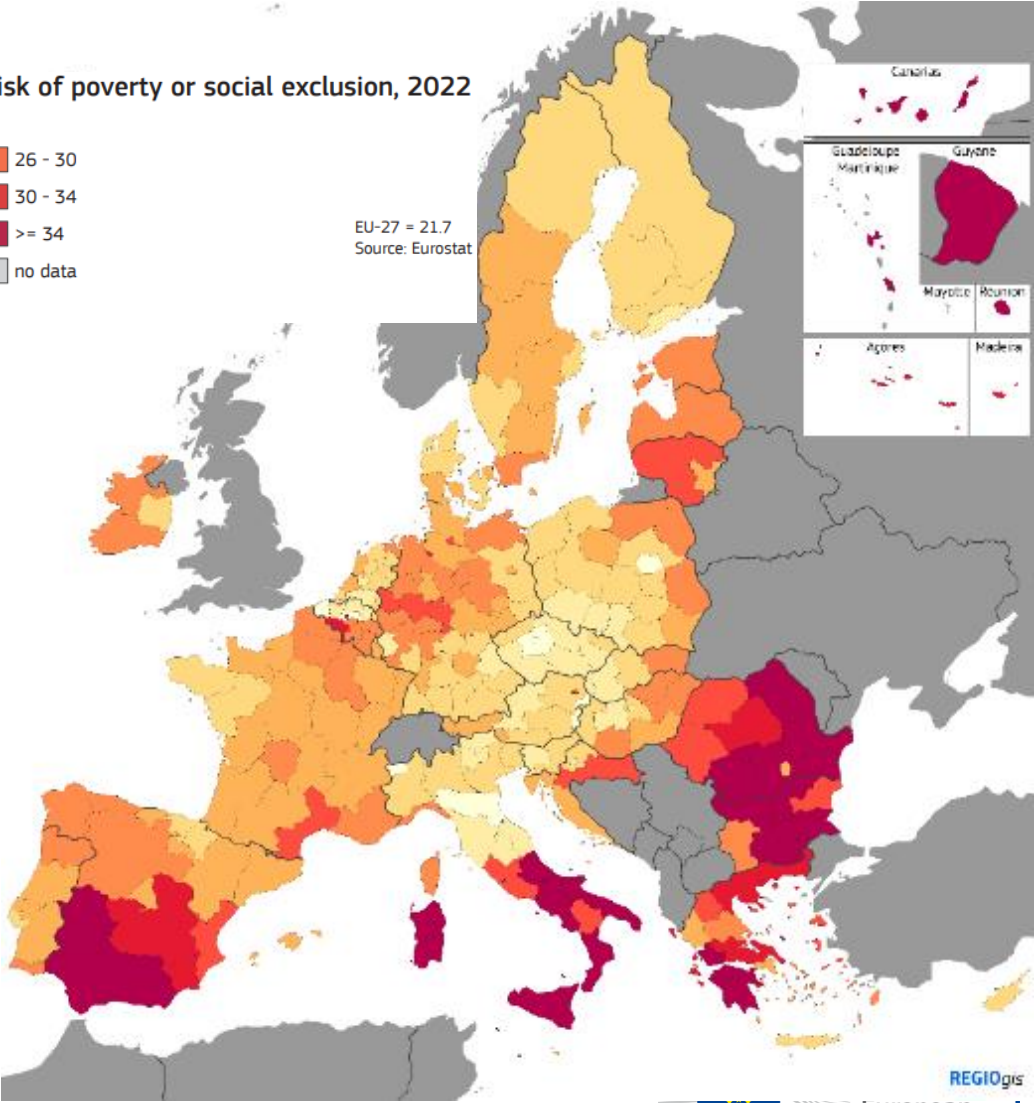
% of population aged 20–64



Population at risk of poverty or social exclusion, 2022



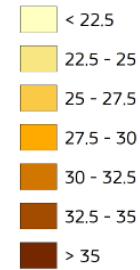
EU-27 = 21.7
Source: Eurostat



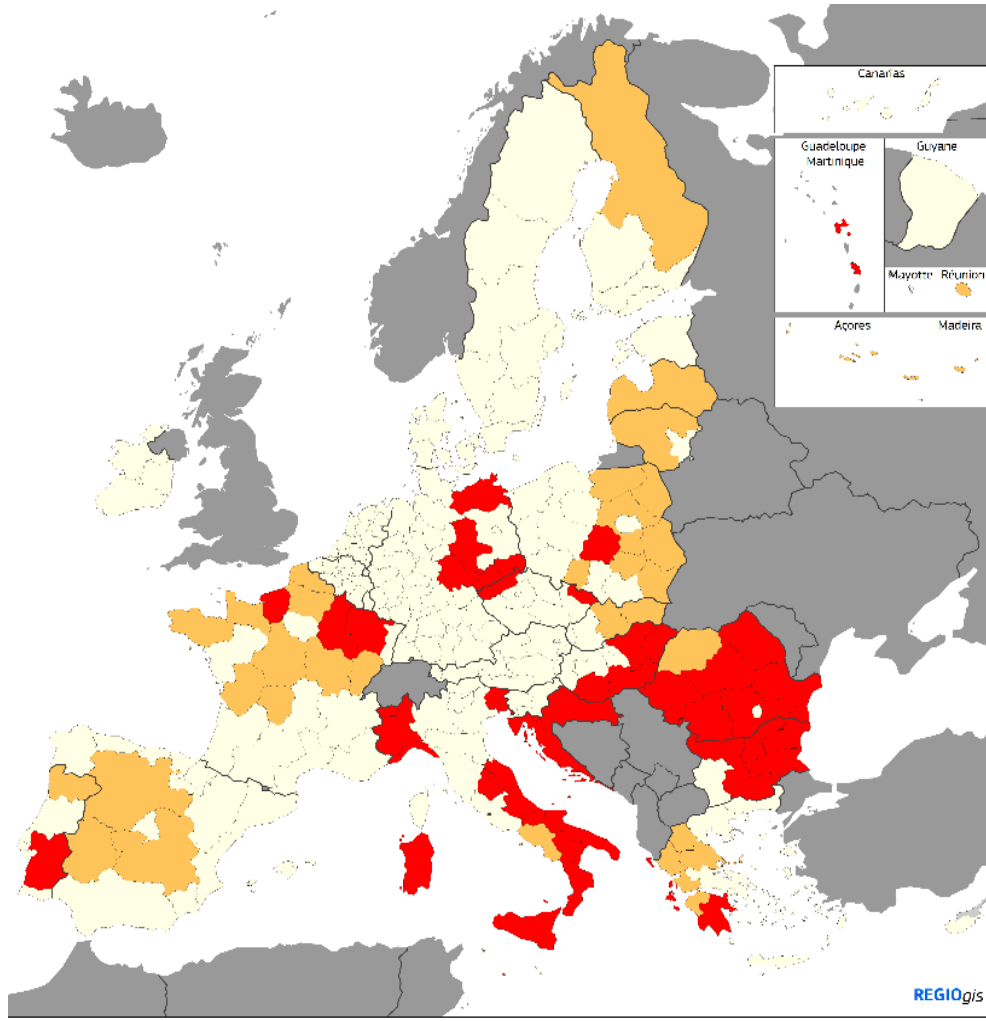
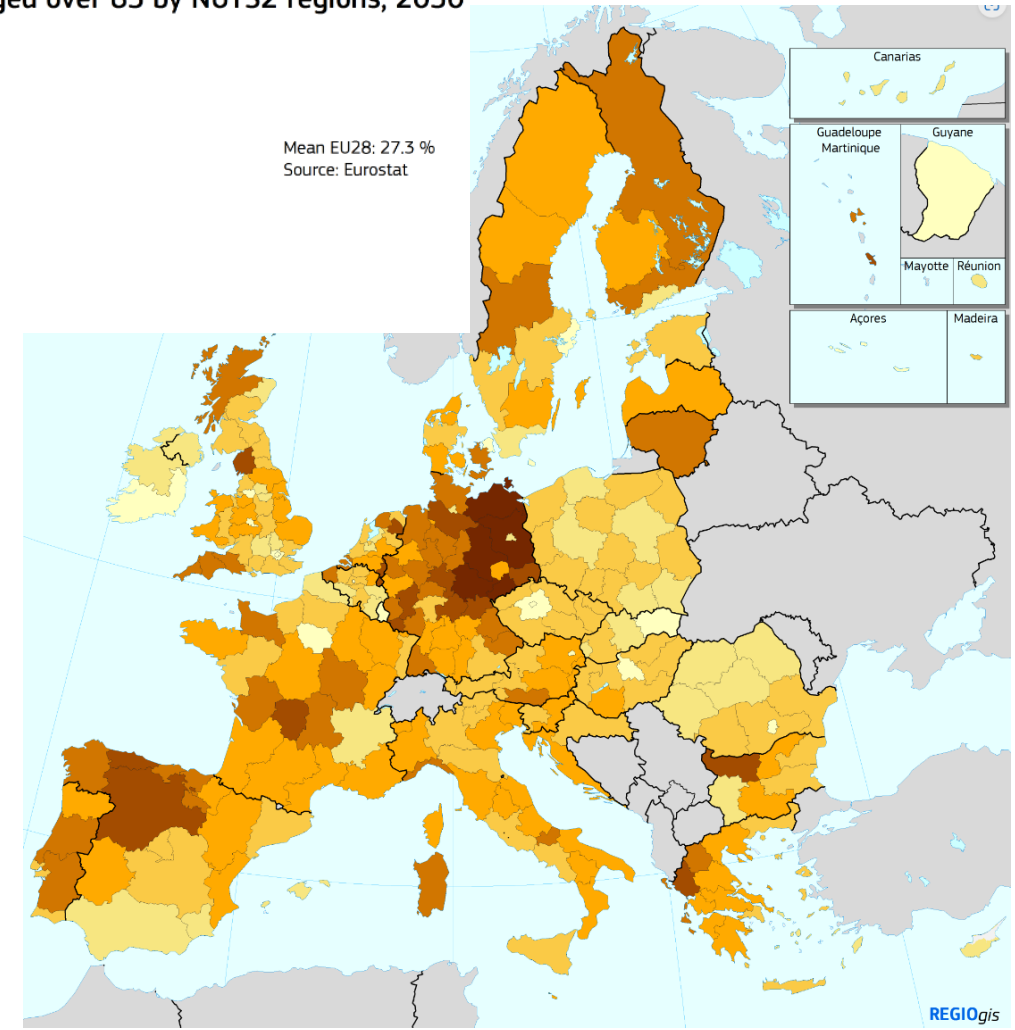
Demographic challenges

Share of population aged over 65 by NUTS2 regions, 2030

% of total population



Mean EU28: 27.3 %
Source: Eurostat



Regions in a talent development trap
and regions at risk of falling in a talent development trap

Category

- Shrinking working-age population and lagging level of tertiary education
- Net out-migration of people aged 15-39
- Other regions

Source: DG REGIO based on Eurostat data
(demo_r_dzjan, demo_r_magec, lfst_r_lfsdzpop)

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Cohesion policy response in crises

- Cohesion policy helped mitigate the impact of crises:
 - Uneven impact: regions dependent on sectors disrupted by the pandemic/ vulnerable to supply chain disruptions and high energy prices were most impacted
 - Cohesion policy reacted promptly (REACT-EU, CRII, CARE, SAFE)
 - Fast economic recovery - employment levels back to pre-crisis level in one year
 - Vulnerability of regions calls for reinforcing the resilience of their economies and labour markets, investing in future proof European value chains and strategic sectors of Europe => STEP
- But geopolitical tensions may further exacerbate the situation with potential knock-on effects

What it means for the future of the Cohesion Policy

Challenges

- Internal disparities, traps
- Disadvantaged regions and people
- Implementation difficulties: in less developed regions, MS

=> Policy design to evolve through lessons from other EU instruments

Build on Treaty objectives of cohesion - higher aid intensity in less developed regions

Embrace diversity of regions, needs, challenges, with more tailored support – build on JTF, smart specialisation approach

More balanced territorial development – relying on medium-sized cities, cooperation

Partnership and multilevel governance

What it means for the future of the Cohesion Policy

- Better **coordination and coherence with national policies** to foster cohesion – shared objective between EU and Member States
 - *Integrating a territorial dimension to reinforce coherence between region-specific needs and horizontal policies at EU and national level*
- **Making the delivery mode more effective and simpler – potential improvements**
 - *Insufficient take up of simplification options under 2021-2027 regulatory framework*
 - *More performance-based implementation*
- **Reaching long-term objectives but with built-in flexibility** for unforeseen circumstances
 - *Cohesion policy flexibility has increased over time but need to keep the policy's long-term objectives*

What it means for the future of Finland

- Growth and competitiveness: **address population ageing, support skills development, green and digital transition**
- Strengthening the capacity of the regions: **embedding innovation in all regions** and addressing the needs of left behind areas
- Developing the tools to deliver cohesion towards 2050: increasing the effectiveness of **place-based policies**, enhancing **complementarities** within other EU policies and developing more **performance-based** approaches

More information

https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en