

**Opinion of the European Committee of the Regions — The cost and risk of non-cohesion: the strategic value of cohesion policy for pursuing the Treaty objectives and facing new challenges for European regions**

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## **POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

### **General remarks**

1. welcomes the publication of the 7th Cohesion Report as an important point of departure in the debate on the new Cohesion Policy beyond 2020; underlines, in this respect, that Cohesion Policy 2014-2020 is expected, e.g. to provide more than 7,4 million jobs, better qualifications for almost 9 million people and broadband internet for some 15 million households, but also to support investments in 1,1 million SMEs and to inject EUR 16 billion in the digital economy; points, therefore, to the inestimable cost of 'non-cohesion', given that European territorial convergence is more vital than ever to Europe and its citizens, its economy as well as its cities and regions;
2. appreciates that the European Parliament regularly maps the cost of non-Europe since it proves that the absence of common action at European level in certain areas leads to a significantly lower efficiency of the economy as well as to a limited availability of important public goods;
3. regrets, in this context, that the European Parliament and the European Commission have so far not included the question of the cost of non-cohesion in their analytical work and decision-making processes;
4. thanks the Bulgarian Presidency of the Council of the European Union for its request to the CoR to draw up an opinion on 'The cost and risk of non-cohesion', which provides the CoR with an excellent opportunity to enter into a wider reflection on the strategic role of Cohesion Policy;
5. recalls the fundamental fact that strengthening the economic, social and territorial cohesion of the European Union is one of the EU's main objectives stipulated in Article 174 of the Treaty on the Functioning of the European Union; the CoR therefore stresses that Cohesion Policy must continue to fulfil its mandate to combine support for least-developed and troubled areas with an offering to all regions, in order to take into account their respective regional challenges and potentials and to promote the harmonious development of the EU as a whole, thus clearly demonstrating the added value of EU funding to citizens on the ground; recalls, in this respect, the specific features of the regions identified in Article 349 TFEU;
6. underlines that Cohesion Policy is the main European investment policy aiming to achieve the Treaty objectives mentioned above, but also able to stimulate innovation, to manage the impact of climate change and the transition to a low-carbon economy as well as to mitigate asymmetric economic shocks by safeguarding public growth-friendly investment in regions, helping to reduce youth and long-term unemployment and promote social inclusion; consequently, the CoR reiterates its strong support for the #CohesionAlliance<sup>(1)</sup>;

<sup>(1)</sup> [www.cohesionalliance.eu](http://www.cohesionalliance.eu)

7. notes that Cohesion Policy has one of the best-developed performance frameworks among EU policies, and is the most accurately monitored and best evaluated EU policy able to increasingly improve its effectiveness over the past decade;

### **Economic cohesion**

8. welcomes the observations of the 7th Cohesion Report that the EU economy is recovering from the economic crisis and that the regional disparities have just started to narrow again. However, with many regions not having reached their pre-crisis levels of GDP per capita and employment, but also having experienced a significant backlog in terms of public investment, the impact of the economic crisis has not yet been overcome;

9. welcomes the evidence cited that between 2000 and 2015 the less developed regions were able to catch up with the EU average, which is particularly the case for most regions in EU-13 countries. However, notes with concern that the situation in a number of regions, mainly in southern Europe, has not improved and is even worse than before the crisis;

10. points out that economic growth was also much faster in regions with GDP already well above the EU average and in particular in many metropolitan areas, which are the main drivers of regional competitiveness. On the other hand, it can be observed that regions with a GDP per capita close to the EU average seem stuck in a 'middle-income trap' with significantly lower growth rates than the EU average;

11. expresses concern about the wide diversity of innovation performance, which not only remains territorially concentrated in the most developed regions in the north-west of the EU, but is also tending to widen, with leading regions improving their performance and a declining performance in peripheral, less-developed and transition regions. This proves the importance of a bottom-up place-based approach, represented by smart specialisation strategies, in supporting the innovative capacity of regions;

### **Social cohesion**

12. welcomes the fact that the employment situation in the EU is improving alongside the economic recovery. Nevertheless, regional disparities in unemployment rates still remain significant, with several regions in southern Member States experiencing unemployment rates of more than 20 %;

13. notes with concern that youth unemployment remains a pressing problem, because it continues to exceed the pre-crisis level, and is more than twice as high as the overall unemployment rate. The situation in less developed and transition regions is particularly worrying;

14. draws attention to the situation of people at risk of poverty and social exclusion, which, despite some positive developments, remains unacceptably high;

15. highlights that many territories, mainly the EU-13 regions and rural areas, have faced a significant population decline, caused by both natural change and outward migration, whilst other regions have experienced a large growth in total population. The large number of migrants and refugees arriving in the EU since 2015 also has a significant impact in terms of demography and social cohesion on certain Member States, regions and cities;

### **Territorial cohesion**

16. stresses the importance of the environmental dimension for the sustainable development of Europe's cities and regions and for the health and well-being of its citizens. The increasing number of environmental considerations — notably climate change and the resulting increase in the frequency and intensity of natural disasters, the extension of human settlements, built-up areas and industrial activities, the loss of biodiversity and the fragmentation of habitats, and other pressures on the environment such as air and water pollution — have potentially damaging consequences for the EU economies and societies. Despite the progress made in reducing environmental pressures, the CoR expresses its concern that the key environmental objectives remain unfulfilled, particularly in the central and eastern parts of the EU;

17. welcomes the substantial progress made in limiting energy consumption and greenhouse gas emissions, but also notes that part of this progress has only been the result of the reduction of activity during the economic downturn, meaning that additional efforts are needed to achieve a shift to clean energy sources, including renewables, and more energy efficient economy, including low-emission transport;

18. draws attention to the territorial dimension of climate change and climate-driven natural disasters, which have an uneven impact on regions. The CoR highlights, therefore, the importance of in-depth vulnerability evaluation and adaptation measures for European cities and regions, as well as the provision of green infrastructure;

19. highlights that the EU transport network, mainly the railway system, is far from optimal, especially in EU-13 regions. The CoR underlines, in this respect, that completion of TEN-T, especially the Core Network linking major nodes, and its integration with national and regional transport systems are necessary not only to remove bottlenecks, reduce travel times and weaken the adverse effects of the peripheral location of some regions, but, above all, to stimulate the economic development of the entire EU by making the single market more efficient. For the same reasons, the CoR stresses that the digital transformation is one of the major challenges facing all EU regions and highlights the importance of increased investments in broadband infrastructure and digital skills;

20. points out that nearly one third of EU citizens live and work in border regions, which generally perform less well economically than other regions. Despite the significant progress made in the last decades, borders still continue to obstruct the movement of goods, services, people, capital and ideas. This prevents the benefits of integration from being fully realised. Removing border-specific obstacles would bring border regions significant gains in terms of GDP but also significant reduction of border-specific costs;

### **Challenges for cities and regions**

21. points out that demographic change is one of the major challenges facing the EU, and has widespread economic, social and environmental implications. It includes an ageing population, a decline in the number of young people, a lower birth rate, reduction of the active labour force and brain drain (outflow of talents). This means that demographic growth largely depends on migration, which varies widely among regions in the EU. These imbalances generate a substantial socioeconomic impact both on areas suffering from depopulation and ageing — mostly in transition regions — which are often experiencing a shift to non-tradeable local services, limiting their export, growth and innovation potential, as well as on major urban centres experiencing a population influx. The CoR points out, therefore, that Cohesion Policy should play a more vigorous part in tackling social challenges, including ageing, diseases linked to lifestyle and unemployment, especially among youth and NEETs, as well as integration of migrants and refugees, poverty and social exclusion;

22. highlights that extreme weather events are likely to increase in frequency and impact throughout Europe. The effects of climate change differ widely between regions, but the increased exposure to disaster risk pushes potential losses upwards, especially in densely-populated areas;

23. underlines the importance of cross-border, transnational and interregional cooperation for strengthening territorial cohesion, encouraging solidarity between EU regions, and providing substantial added value to EU objectives;

24. highlights the fact that regions and cities are facing unprecedented challenges, ranging from global competition, digital transformation and the rise of disruptive technologies, demographic changes and migration, the risk of poverty and social exclusion to energy security, climate change, and the loss of biodiversity. All of these challenges have a strong territorial impact with an uneven distribution of benefits and costs across the regional economies and communities of Europe, which is confirmed by the 7th Cohesion Report showing the emergence of so-called regional development clubs. The potential of these challenges to mutually reinforce and to negatively transform the economic, social and territorial landscape of Europe is immense and may significantly contribute towards widening of existing inequalities, thus negating the Treaty objective of strengthening the cohesion of the EU;

25. underlines, in this context, that Cohesion Policy must continue to invest in all EU regions since their adaptation to the abovementioned shocks requires long-term, place-based and place-sensitive strategies able to integrate the economic, social and territorial dimensions as well as to exploit synergies across all European Structural and Investment Funds and with other EU instruments. The CoR reiterates strongly, therefore, its objection to the potentially damaging consideration of the social dimension, and the European Social Fund, separately from Cohesion Policy; at the same time the CoR confirms its position on the growing role that the ESF should play in promoting territorial social convergence and the need to strengthen the role of regional and local authorities in the programming and management of the ESF;

26. points out that, based on Article 174 TFEU, it is crucial to take account of the territorial impact of public interventions and, therefore, reiterates the importance of territorial impact assessments when designing EU public policies to maximise their efficiency;

### **The role of Cohesion Policy**

27. stresses that Cohesion Policy should be central to the discussion on how the potential of all parts of the EU can contribute to economic growth and how all EU citizens can benefit from European integration in an inclusive way, but also how to ensure that all parts of the EU can exploit the opportunities stemming from global transformation. The CoR, therefore, reiterates its support for securing a strong and improved Cohesion Policy for all regions beyond 2020 and underlines the significant role that Cohesion Policy should continue to play in the future of the EU, as outlined in its opinion on 'The future of Cohesion policy beyond 2020' <sup>(2)</sup>;

28. recalls that Cohesion Policy, supported by Member States' regional policies, is intended to ensure a level playing-field that enables the whole of the EU to exploit the full benefits of the single market, which — along with territorial resilience — is a key determinant of the EU's competitive position on the global stage. The CoR, underlines at the same time that, even though the single market has been a successful 'convergence machine' for the EU, the gains are not distributed equally and do not automatically trickle down to disadvantaged regions, including those with specific geographical challenges, and social groups. Hence, there is still a risk of increasing economic and social disconnection between the 'engines' of EU growth and other regions;

29. stresses, in this context, that the mission of the Cohesion Policy remains extremely valid, since it enables all EU citizens, especially from the less developed territories, to benefit from the advantages offered by EU integration. By using its tools the less developed regions are able to unlock and exploit their endogenous potential, while the stronger ones are better equipped to respond to global challenges. In this respect, Cohesion Policy is the most tangible expression of European solidarity, offering equal opportunities and a better quality of life to people in all EU regions. The CoR, highlights, therefore, that future Cohesion Policy should not be treated as a gift but as an indispensable pillar of a single market linking diverse countries and regions with uneven levels of development;

30. underlines that Cohesion Policy is the main European policy for combating territorial imbalances and for narrowing the development gaps arising from the different challenges. It has been successful in making a significant contribution to positive economic, social and territorial change in the EU, due to a complex cross-sectoral approach aiming to support innovation, SMEs, a low-carbon economy, transport infrastructure, urban regeneration, industrial transformation, rural diversification, but also education and skills, employment, culture and social infrastructure, as well as social inclusion, to name just a few. The CoR, in this respect, underlines the need to ensure stronger synergies and coordination between Cohesion Policy and the EU's sectoral policies and programmes;

31. underlines the fact that, in view of the large number of challenges and their serious territorial dimension, a strong and effective Cohesion Policy for all EU regions is needed more than ever for a strong and effective European Union. The CoR reaffirms that Cohesion Policy has the capacity for a flexible and place-sensitive response to current and emerging challenges, especially these deriving from acute crisis situations linked to globalisation; stresses at the same time that the overriding objective of an economically, socially and environmentally robust Europe and greater territorial cohesion can only be achieved if both urban and rural areas, as complementary functional spaces, become stronger with adequately dedicated support;

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<sup>(2)</sup> OJ C 306, 15.9.2017, p. 8.

32. points out that Cohesion Policy instruments should be improved in future with a view to greater simplicity and greater capacity to react to new challenges, but they must not become overly complicated since it is hardly possible to combine delivering economic and social convergence, tackling business cycles, safeguarding fiscal discipline and preventing political erosion; recalls, in this context, its support for a differentiated approach in order to simplify and reinforce the management and control system within Cohesion Policy;

33. highlights the need to strengthen the role of European Territorial Cooperation in removing border obstacles and fostering cross-border cooperation aiming at concrete outcomes for EU citizens. In this context, calls for future ETC programmes to be flexible enough to accommodate the specific needs of different border regions including scope for people-to-people and small scale projects. The CoR sees, moreover, a need for the elimination of the 150 km limit imposed on maritime cooperation, as well as a need for a more proportionate approach with regard to state aid, audit and control requirements in ETC programmes <sup>(3)</sup>. The CoR also points out the growing need to make greater use of macro-regional strategies, which should be supported by Cohesion Policy along with other EU policies;

34. calls upon the European Parliament and the European Commission to develop a 'Cost of non-Cohesion' methodology in order to provide additional quantifiable evidence on the European Added Value of Cohesion Policy;

### The values behind Cohesion Policy

35. highlights that the implementation of Cohesion Policy has many positive spill-over effects since it contributes to a better quality of governance and better institutions in many regions. It is not only a key prerequisite of economic growth, but also a firm basis for the well-being of society at large, including citizens' trust and the EU's political legitimacy. The CoR notes that Cohesion Policy should continue to push for a new administrative culture in the regions by strengthening multi-level governance, the partnerships principle, medium-term economic planning, multi-annual programming and funding, integrated place-based approaches and instruments, but also transparent and evidence-based decision-making processes, *ex ante* conditionalities, result-orientation, thematic concentration, incentive-driven mechanisms, advanced management systems as well as communication measures to translate its direct effects to citizens;

36. highlights that Cohesion Policy is the most effective EU policy in overcoming policy silos. It has the potential to be the main engine for structural transformation in the EU by bringing together various sectoral policies through integrated, place-based and smart specialisation strategies providing tailor-made solutions based on the comparative advantages, development opportunities and challenges of a given territory, as defined by citizens, entrepreneurs and administrations on the ground;

37. points out, in this respect, that Cohesion Policy can be much more efficient, if the Member States are determined to implement those structural reforms and *ex ante* conditionalities, which contribute to a better implementation environment for Cohesion Policy, including enhanced institutional capacity. The CoR also insists that any further link, including financial, between structural reforms and Cohesion Policy would require active involvement of regional and local authorities via a Code of Conduct for the European Semester in order to increase the efficiency and ownership of the process; it is also indispensable for every structural reform to pass a prior European Added Value test and to confirm its direct relation to Treaty objectives <sup>(4)</sup>;

38. notes that Cohesion Policy has proved that empowerment of regional and local actors is crucial to facilitating structural transformation. Moreover, research shows that there is untapped potential to increase country-wide productivity by improving the performance of regions. This is why the CoR underlines that regions and local authorities need to have stronger linkages to smart and strong Cohesion Policy, as part of the broad-based promotion of complex and robust development strategies. This should give the EU legitimacy at local and regional level by making the European integration process more tangible for citizens;

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<sup>(3)</sup> CoR workshop on simplification of ETC (<http://cor.europa.eu/en/events/Documents/COTER/Simplification/ETC-WORKSHOP-FINAL-REPORT.pdf>).

<sup>(4)</sup> CoR Resolution on changing the ESI funds Common Provisions Regulation to support structural reforms — COR-2017-06173-00-RES.

**The cost and risks of non-cohesion for the European Union: early warning message**

39. stresses the utmost need to provide a policy framework succeeding the Europe 2020 Strategy to upkeep thematic concentration and territorial responsiveness of Cohesion Policy after 2020;

40. underlines that downgrading or fragmenting of Cohesion Policy, for example by restricting it to certain categories of regions or by detaching the European Social Fund, would bring major political risks, calling into question the capacity of the EU to fulfil the Treaty objectives of strengthening economic, social and territorial cohesion due to a lack of critical mass of support in many regions, meaning also lower investments in key European objectives;

41. highlights, in this respect, its concern that the non-cohesion in the European Union, in the worst-case scenario, could lead to:

- (a) an increase in economic and social disparities between regions and greater tensions among Member States;
- (b) the disintegration of the single market and less effective EU economic governance;
- (c) non-implementation of the European Pillar of Social Rights;
- (d) severe obstacles in addressing the migration challenge;
- (e) a decline in confidence and trust in EU political institutions and democracy itself, in turn leading to a surge of populism and nationalism and thus to political instability and ultimately even to the disintegration of the EU

42. therefore considers that overcoming the still persisting economic, social and territorial divide in the EU constitutes the key long-term challenge for the European Union as a whole;

43. reiterates, in this context, that Cohesion Policy cannot be subject to any European level *ex post* conditionalities that are beyond the reach of local and regional authorities or that could make them hostage to policies pursued by national governments.

Brussels, 22 March 2018.

*The President  
of the European Committee of the Regions*

Karl-Heinz LAMBERTZ

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