

EUROPEAN UNION



## Committee of the Regions

COTER-VI/009

6th Commission meeting, 11 December 2015

### DRAFT OPINION

**Commission for Territorial Cohesion Policy and EU Budget**

**Indicators for territorial development – GDP and beyond**

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Rapporteur: **Catiuscia Marini** (IT/PES)  
President of the Umbria Region

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This document will be discussed at the meeting of the **Commission for Territorial Cohesion Policy and EU Budget** to be held **from 11 a.m. to 5 p.m. on Friday 11 December 2015**. To allow time for translation, any amendments must be submitted through the online tool for tabling amendments (available on the Members' Portal: <http://cor.europa.eu/members>) **no later than 3 p.m. (Brussels time) on Monday, 30 November 2015**. A user guide is available on <http://toad.cor.europa.eu/CORHelp.aspx>.

Reference document

## **Draft opinion of the Commission for Territorial Cohesion Policy and EU Budget – Indicators for territorial development – GDP and beyond**

### **I. POLICY RECOMMENDATIONS**

#### **THE COMMITTEE OF THE REGIONS**

##### **A political debate on GDP and beyond**

1. acknowledges the relevance of a strategic approach in policy making that defines common goals based on shared values and identifies actions to achieve the targets collectively set. In this way the opportunities created by the mid-term review of the Europe 2020 strategy will not be missed and the revision will lead to a substantially improved governance structure involving all tiers of government;
2. believes that an evidence-based approach to public policy – anticipating and measuring the impact of policy options – is crucial to public acceptance of consistent policy decisions;
3. stresses, with regard to the debate on measuring progress in our societies, the close links between measurement, perception and action; emphasising that measures have to be chosen on the basis of widely shared societal values in a forward-looking manner;
4. points out that measures or targets expressed with indicators can never be substitutes for a proper and clearly expressed political strategy; they remain, therefore, a means to an end, i.e. tools for implementing strategic goals;
5. notes that the debate on indicators beyond GDP is, therefore, political in nature, and should start with the definition of what well-being means for current and future generations, and what the best policies are to achieve it;
6. believes, in this context, that it is necessary to further improve the current methodologies used for policy-steering at EU level in order to obtain more up-to-date, comprehensive information that better matches reality, and to define an appropriate, uniform method for including economic, social and environmental aspects in the analysis of the situation;
7. underlines that all levels of government in the European Union should be included in this debate on the future benchmarks for achieving sustainable development and cohesion in the European Union, going beyond GDP;
8. underlines the challenge of a growing territorial divide in Europe with regard, *inter alia*, to innovation, digital services, productivity and employment, and asks the European Commission to take this into account when assessing EU policies and designing new policy instruments;
9. emphasises in this respect that the CoR could be part of this debate, promoting the position of local and regional authorities and substantially contributing to defining a method which

balances economic, social and environmental information and which would, as a reference for financing decisions, eventually be of utmost importance to regional and local authorities;

10. suggests, with a view to the next programming period beyond 2020, that the European Commission starts as early as possible an in-depth discussion with local and regional authorities about the future goals of these policies and the necessary indicators to measure this progress, and suggests that the Commission put forwards an Action Plan on this;

### **Towards a method complementing GDP for targeting EU policy**

11. acknowledges the merits of Gross Domestic Product (GDP) as a simple, straightforward and linear indicator based on a clear methodology that allows comparison of many relevant macroeconomic measures over time and between countries and regions, therefore representing a useful tool for allocating resources;
12. points out, however, that GDP is not an accurate measure of the ability of a society to tackle issues such as climate change, resource efficiency, quality of life or social inclusion; and adds that these aspects are of key concern to citizens, as observed by regional and local representatives;
13. welcomes, therefore, the numerous initiatives at international, national, regional and local level for establishing indices for measuring progress beyond GDP, that can help to develop EU-wide indicators reflecting the situation in the Member States, also at local and regional levels, providing a wide range of different approaches, which can be classified as GDP-replacing, GDP-adjusting and GDP-complementing methods;
14. acknowledges the remarkable progress achieved by Eurostat in the context of measuring progress beyond GDP in the areas of 'quality of life', 'household economy' and 'sustainable environment'.
15. notes that not all regions and cities have the necessary competences, resources and administrative capacity to engage in target-setting and proposes that solutions be adopted, including a more qualitative 'path-to-change' approach, where the direction of change – i.e. whether regions and cities make positive contributions to national and European targets – would be more important than reaching certain fixed targets. This would allow local and regional authorities to progress at a pace which corresponds to their own potential and capabilities;
16. points out, however, that the indices chosen to be used by local, regional, national and European authorities for drafting and implementing EU policies and measuring progress towards common goals must be uniform and consistent;
17. reiterates, with regard to EU Regional Policy, that territorial cohesion is complementary to economic and social cohesion and cannot therefore be measured solely by an economic indicator, but agrees with the European Commission that any method that aims to replace GDP by excluding economic indicators from its scope of observation is not appropriate for the purpose of measuring progress towards common goals in a uniform manner;

18. suggests that the CoR maintain close cooperation, particularly with the OECD, on initiatives such as "How is life in your region?", which represent an easy-to-understand instrument and a more holistic approach to measuring progress at local and regional level, but, in the context of a multi-annual strategy for Europe, opposes an approach to measuring progress based on a ranking using one single measure;
19. believes that methods attempting to adjust GDP by extending traditional economic performance measures with monetised environmental and social factors are highly appropriate for modelling or simulating the economic, social and environmental effects of different policy measures;
20. welcomes the relevant work carried out by the European Commission in the field of adjusting GDP, using the particularly successful approach of extending national accounts to include the environmental domain, but draws attention to the theoretical difficulties involved and the extensive resources needed for expressing social aspects in monetary terms, especially when it comes to regional and municipal accounts, and also doubts whether the results of such a complicated approach can be easily communicated to the public;
21. supports, therefore, methods that complement GDP when measuring progress toward common strategic goals, because such methods acknowledge the multi-dimensional reality by covering different aspects of well-being in economic, social and environmental domains with the help of a limited number of indices and without defining the relative importance of the different aspects;
22. believes, in this context, that the most suitable methodology for policy-making at any governance level is one that comprehensively measures well-being, including economic issues (*inter alia* productivity, innovation, exports), labour (*inter alia* employment rate, unemployment rate), environmental issues (*inter alia* energy intensity of the economy, share of renewable energy, CO<sub>2</sub> emissions), social inclusion (*inter alia* people at risk of poverty or social exclusion, distribution of income);
23. suggests, moreover, that the choice of indicators should be oriented mainly towards those that measure the possible effects of the policies implemented, especially by measuring the results and impacts as well as the costs;
24. points out that phenomena that are not measured might come as a surprise in the future. In this respect, citizens clearly expect the Europe Union's challenges to be recognised in a timely manner.
25. proposes, therefore, that consideration be given to the establishment of an EU trends observatory involving cooperation between all the EU institutions, following up the valuable work done by the European Strategy and Policy Analysis System (ESPAS), and providing an early warning system for all government levels concerning economic, social or environmental trends of European relevance that might have an effect on strategic goals or require an adjustment of strategic priorities;

## **Review of Europe 2020 and future of Cohesion Policy**

26. emphasises that the Europe 2020 strategy has established a set of targets with associated key indicators and acknowledged the importance of complementing data on short/mid-term economic growth (GDP) with further economic, social and environmental indicators to measure sustainable progress; adds that this finding is equally valid at subnational levels;
27. underlines that the process of setting the Europe 2020 targets and selecting the indicators to measure its progress was very much top-down, without taking into account the specific situation at local and regional level. By contrast, territorially differentiated needs and objectives are acknowledged by Cohesion Policy, because the pursuit of overall EU targets should not limit the development potential of a specific region or municipality on the basis of region-specific knowledge and competences; this is why, in the context of the Europe 2020 strategy, the CoR is calling for regionalised targets;
28. points out the close alignment of the Cohesion Policy with the Europe 2020 strategy but criticises the mismatch between the measurement and intervention methods of the Europe 2020 strategy on the one hand and the Cohesion Policy on the other;
29. reminds the European Commission that the territorial dimension should be better highlighted in a revised Europe 2020 strategy, especially in the context of territorial cohesion, where the development of relevant economic, environmental and social indicators could enhance the quality of local and regional policies; such strategies should make use of methods that are based on a multi-dimensional approach, where GDP or other economic indicators are complemented by measures of social and environmental aspects that have been politically endorsed at all governance levels
30. points out that, in context of the strong incentives for thematic concentration of financial resources from the Structural Funds on a limited number of policy areas that contribute to the pursuit of Europe 2020 strategy, it is reasonable to assume that the success of Cohesion Policy will be measured by progress towards meeting the Europe 2020 targets;
31. underlines, nonetheless, that a number of EU instruments are still based on an excessively narrow economic measure. This also concerns Cohesion Policy, where funds are distributed between Member States according to per capita GDP and unemployment, whereas the classification of NUTS level 2 regions under one of the three development categories determining the allocation of appropriations is based solely on per capita GDP;
32. points out that, consequently, eligibility decisions are basically blind to social and environmental aspects across European regions, while the logical step would be to base future instruments on a more comprehensive, uniform method, making increased use of social and environmental indicators;
33. stresses in this respect that the application of the Structural Funds, including the Cohesion Fund, cannot and should not be based almost solely on per capita GDP in the next multiannual financial period;

### **Next steps for enabling a strategy based on GDP and beyond**

34. acknowledges, at the same time, the legitimacy of headline targets for achieving comprehensive strategic goals and points out that, for monitoring progress, target-relevant, harmonised and comparable regional data have to be available in a timely manner;
35. underlines, in this context, that the availability of indicators and of frequently updated data at a regional level is essential to improving the accountability of the technical proposal and making good political decisions; this statistical gap represents a major challenge for regional and local policymakers and for the multi-level implementation of Europe 2020 and Cohesion Policy and should be urgently addressed by the European Commission and by Eurostat;
36. welcomes, in this respect, the progress made by the Commission concerning its 2009 Roadmap for "Measuring progress in a changing world" but regrets that little improvement has been achieved in the production and dissemination of regional and local data;
37. urges the European Statistical System to further enhance the quality of administrative data as well as to accelerate the implementation of geo-referencing statistics in order to increase the value of data collections and to lower the respondents' burden;
38. welcomes the fact that, since the last CoR Opinion on "beyond GDP", the data available at EU level, particularly with regard to the local and regional level, has steadily grown, but regrets that it still contains significant gaps; therefore suggests that the European Commission provide – as early as possible – an analysis of the current and future gaps in the provision of a comprehensive set of economic, social and environmental data in Europe, going beyond GDP;
39. particularly regrets, in this regard, that currently the regionalisation of Europe 2020 indicators is not satisfactory, because only some of the indicators needed to track the Europe 2020 headline targets at regional level (NUTS level 2 and 3) are available, and sometimes with a considerable time lag. The same applies to the alternative indicators that regions and cities might deem necessary in their territories as a pre-condition for progress towards the EU goals and targets. Updated regional statistics would make it possible to build a synthetic Regional Progress Indicator, as proposed by the Committee of the Regions;
40. requests the European Commission/Eurostat to set out a timeline to engage the local and regional authorities in the process of (realistic) target-setting and to deliver the regional statistics needed to design, implement, monitor and evaluate the renewed Europe 2020 strategy by setting territorially differentiated targets;
41. highlights the need to go beyond the current system of statistics and indicators (based on the NUTS regulation) when measuring progress at local and regional level, particularly with regard to the concept of "functional regions" and cross-border areas, and suggests that the European Commission further develop the concepts and indicators which go along with this;

42. reiterates that urban and rural dimensions should be better highlighted across a broad range of EU policies, especially in the context of territorial cohesion, where the development of relevant economic, environmental and social indicators could enhance the quality of local and regional policies;

Brussels,



## II. PROCEDURE

<b>Title</b>	Indicators for territorial development – GDP and beyond
<b>Reference(s)</b>	N/A
<b>Legal basis</b>	Article 307 TFEU
<b>Procedural basis</b>	Own-initiative opinion
<b>Date of Council/EP referral/Date of Commission letter</b>	N/A
<b>Date of Bureau/President's decision</b>	2 September 2015
<b>Commission responsible</b>	Commission for Territorial Cohesion Policy and EU Budget (COTER)
<b>Rapporteur</b>	Catiuscia Marini (IT/PES) President of the Umbria Region
<b>Analysis</b>	3 September 2015
<b>Discussed in commission</b>	2 October 2015
<b>Date adopted by commission</b>	scheduled for 11 December 2015
<b>Result of the vote in commission (majority, unanimity)</b>	
<b>Date adopted in plenary</b>	scheduled for 10-11 February 2016
<b>Previous Committee opinions</b>	– Opinion on "Measuring progress – GDP and beyond" (CdR 163/2010) <sup>1</sup>
<b>Date of subsidiarity monitoring consultation</b>	N.A.

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<sup>1</sup>

[OJ C 15, 18.1.2011](#)