



European Economic and Social Committee

ECO/209
Fourth Cohesion Report

Brussels, 18 December 2007

OPINION

of the
European Economic and Social Committee
on the
Fourth Report on Economic and Social Cohesion
COM(2007) 273 final

On 30 May 2007 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Fourth Report on Economic and Social Cohesion
COM(2007) 273 final.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 November 2007. The rapporteur was Mr Derruine.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December), the European Economic and Social Committee adopted the following opinion by 90 votes *nem. con.* with no abstentions.

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1. Introduction

- 1.1 Under the terms of Article 159 of the Treaty, the Commission is required to publish at three-year intervals a status report on economic and social cohesion in Europe.
- 1.2 As the report is published in the year prior to the update of the Lisbon Strategy Integrated Guidelines (IG), the EESC hopes that – as it has already requested – its ideas will be taken on board not only in the next generation regional policy but as and when the new IG are framed¹.
- 1.3 The new amending Treaty provides innovation with the inclusion of territorial cohesion as one of the general objectives of the EU (Article 3); this was missing until it was added by the Convention on the Future of Europe and confirmed by the 2007 Intergovernmental Conference (IGC).

2. General comments

- 2.1 The communication accompanying the report launches a debate on the future of structural policy by posing a series of questions. In the EESC's view, two questions of major interest needing concrete answers have been omitted:
 - it seems pointless to discuss cohesion policy, which accounts for almost a third of the EU budget, if at the same time there is no consideration given to the resources available to implement it. The EESC would point out that the EU budget, as approved in the

¹ See §1.4 of the EESC opinion on the "*Impact and consequences of structural policies on EU cohesion*", OJ C 93, 27.4.2007, p. 6.

agreement on the financial perspectives, is insufficient to match Europe's ambitions. With specific regard to structural policy, the same applies: 0.36% of GDP is insufficient to ensure economic, social and territorial cohesion in Europe²;

- regarding the role of the social partners and organised civil society: while a group of questions do address the issue of governance, this is limited to a purely political perspective. Yet, regrettably, there is no mention of the social partners or organised civil society, although their role is essential to ensuring that projects meet grassroots needs and enjoy broad public support, and although they contribute to transparency in the use of resources.

- 2.2 A close reading of the figures presented in the report may be confusing as it is not always clear whether they refer to the EU-15 -25 or -27. When it comes to trends, the reference dates may also lead to confusion. The report often discusses EU-27 cohesion while taking 1996 as the reference date, a time when the number of Member States had just increased to 15. It emerges that the trends outlined do not concern the EU alone, but take in countries that were not – or only slightly – affected (given their trade situation) by EU sectoral policies (internal market, competition, regional policy). In other words, although the contribution of the structural policies is not in doubt, this makes it difficult to draw clear conclusions about their specific contribution to greater cohesion³.
- 2.3 The criterion of 75% of GDP per capita, which is used to define whether or not a region is lagging behind, has been clouded, given that since the recent enlargements, GDP per capita has decreased with the accession of much less prosperous countries than those that joined previously (the statistical effect). It is also the case with the accession of Bulgaria and Romania. We cannot, therefore, directly compare the situation regarding cohesion before 2004 with the current situation. The performance of the twelve regions that have risen above this threshold must be put in context given that we cannot be sure that it is not due to the statistical effect.
- 2.4 The report states that by the beginning of the next programming period, 9 of the 12 Member States that joined the EU in 2004 and 2007 will have risen above the threshold of 75% of EU GDP per capita. As a result, this benchmark will lose relevance. This issue should be addressed right away.
- 2.5 While the report contains a wealth of detailed information, it is regrettable that this information is not always joined up.

² Without wishing to pre-empt the EESC's own-initiative opinion on this issue, some previous proposals are discussed below.

³ EESC Opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

- Thus, for example, reading the following paragraphs together (of Appendix 1): 2.1.3, 3.2, 2.2.4 (in particular, the graph) and 2.2.6, points up the difficulty of combining economic growth with harmonious development (in this case, job creation that benefits all regions). This is a real challenge, particularly for some of the new Member States (Poland, Hungary, Romania, Bulgaria and the Czech Republic).
- While it is true that the former cohesion countries Ireland, Greece and Spain have fully or partly caught up, what about the sustainability of their growth? How can we be optimistic about future developments when there has been a decline in hourly productivity for the past ten years in relation to the EU average or when the growth is based largely on property (Spain)? How can we explain the fact that despite Ireland's strong growth, which has catapulted it to 2nd in the rankings of real GDP per capita, and which has allowed the country to achieve full employment, almost one in five people is at risk of poverty?
- The aspect of quality jobs, which was recognised as a key Lisbon objective in 2000, is conspicuous by its absence in this extensive report⁴. We take the view that each Member State must verify unambiguously whether the jobs supported or created by the Structural Funds are jobs that enabled the integration of people into the labour market, decent living conditions and adequate pay.

2.6 The EESC also points to the lack of any reference to the social economy, which accounts for 10% of EU businesses, or to its role in cohesion (particularly the assistance given to the most vulnerable groups in the labour market). This sector generates quality jobs and contributes to sustainable development insofar as it anchors employment at local level, energises rural areas, creates social capital and provides for the sectoral and territorial restructuring process. In this regard, it would be useful to have statistics of comparable quantity and quality for the Member States so as to improve our understanding of this sector.

2.7 The EESC feels that several aspects of economic, social and territorial cohesion should be further explored or reviewed, such as equal opportunities in the labour market.

2.8 If we remain to be convinced as to the usefulness of the EU's cohesion policy, the report makes the following new points:

- market forces favour capital cities; workers and the unemployed converge on them, while the *Eldorado* that they seem to promise is often misleading. This aspect must not be underestimated in the debate aimed at promoting mobility as a way of combating unemployment;

⁴ It is mentioned, but the only information provided refers to education and training, whereas COM(2003) 728 identified 10 dimensions of job quality, which it analysed in terms of a whole range of indicators.

- capital cities are often the only motors of growth; only three countries have economically sustainable secondary growth poles with an international profile. This helps to explain why the average regional growth rate varies from 0% to 8.6% (1997-2004);
- while a country as a whole may reach the critical threshold of 75%, driven by its capital city, many regions take a lot longer to get there.

Hence the urgent need for territorial cohesion, which seems to be increasingly asserting itself as the very foundation of economic and social cohesion, to be fully recognised as a general EU objective.

- 2.9 The EESC welcomes the new light shed on cohesion in Europe by comparing it with its global competitors and by highlighting the role of capital cities, the implications in terms of sustainable development (notably imbalanced development and environmental pressures) and the regional repercussions of climate change.
- 2.10 The EESC supports the European Union's objective to take the lead in fighting climate change. Nevertheless, if the countries outside the EU do not follow suit, this will jeopardise competitiveness and have an impact on the Union's cohesion policy. Distortion of competition would have the effect of favouring relocation to countries not involved in climate change policy.
- 2.11 The EESC also welcomes the renewed focus on the territorial dimension of cohesion, which, despite the adoption of the European Spatial Development Perspective (ESDP) (1999), has until now been sidelined. The Urban Development Strategy, the Territorial Agenda and the Leipzig Charter all list a range of key urban development principles, while the EESC has highlighted the role of metropolitan areas and clusters in the context of industrial policy and innovation.
- 2.12 The final chapter, which explores the link between EU policies and cohesion, is the least convincing: it lists a catalogue of measures taken under the Lisbon Strategy without providing any reliable evidence of their actual impact on cohesion.

3. **Recommendations**

- 3.1 Without wishing to pre-empt its forthcoming own-initiative opinion in response to the Commission's public consultation on the future of the EU budget, the EESC reiterates some of its previous recommendations.
- 3.1.1 The Structural Funds are currently limited to the granting of subsidies. In a previous opinion⁵, the EESC proposed revising their financial engineering to create a multiplier effect through

⁵ EESC opinion on the *Strategic guidelines cohesion policy 2007-2013*, OJ C 185, 8.8.2006.

the involvement of the European Investment Fund and the EIB. It proposed transforming these subsidies into financial products to create a leverage effect. For example, one euro set aside to guarantee a risk capital loan would make it possible to finance five to ten euro of a SME's investment. The JEREMIE model must be extended⁶.

3.1.2 Additional resources could also be freed up, without increasing Member States' contributions, to be channelled into projects with European added value (notably the missing links in the trans-European networks (TEN) and the European Globalisation Adjustment Fund (EGF)).

3.1.2.1 The EESC has often criticised the VAT system within the EU budget, on account of its excessively high collection, administrative and monitoring costs⁷. These costs must be reduced, thereby freeing up resources for joint projects.

3.1.2.2 The practice of refunding Member States unused appropriations of an already meagre EU budget should be ended. These appropriations represent only a very small percentage of the annual budget. However, over the period 2000-2005, they amounted to almost EUR 45 billion, which could have been put to productive use⁸.

3.1.2.3 In view of the fact that all Member States are faced with ageing populations entailing increased social security costs while also being subject to budgetary constraints under the Stability and Growth Pact, public-private partnerships could provide an alternative solution. Such partnerships would hinge on the ability of public administrations (particularly at subnational level) to negotiate balanced agreements with the private sector, which would require administrative capacities to be strengthened.

3.2 The strategic guidelines directing regional policy are aligned with the Lisbon Strategy. The EESC proposes that regional policy take a more balanced approach to the Sustainable Development Strategy, which is devoted to all aspects of cohesion, since the Lisbon Strategy, which ties in with it, focuses on competitiveness⁹.

⁶ EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

⁷ EESC opinion on the *Own resources system*, OJ C 267, 27.10.2005, p. 57.

⁸ EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

⁹ *'When it relaunched the Lisbon strategy in March 2005, the European Council reaffirmed that the strategy was to be seen in the wider context of sustainable development whereby present needs should be met without compromising the ability of future generations to meet theirs. The European Council reiterates its attachment to sustainable development as a key principle governing all the Union's policies and activities'*. Conclusions of the European Council of June 2005.

	LISBON	SUSTAINABLE DEVELOPMENT
Timeframe	2010	No deadline; long term
Sphere of action	European Union	Goes beyond the EU sphere because of its external dimension
Priorities ¹⁰	Increase growth and jobs; ensure a dynamic and well-functioning euro area; make Europe a more attractive place to invest and work; knowledge and innovation for growth; attract and retain more people in employment and modernise social protection systems; improve adaptability of workers and enterprises and the flexibility of labour markets; increase investment in human capital through better education and skills	Address climate change; promote good health – public health; combat social exclusion and address demographic change; better management of natural resources; make transport more sustainable; fight global poverty, promote development

3.2.1 The following maps drawn up by ESPON (the European Spatial Planning Observation Network) illustrate the polarisation and increasing *metropolitanisation* that would occur by 2030 should the Lisbon strategy be further developed along current lines. A cohesion-oriented scenario would enable the economic hub to be extended and, above all, foster the emergence of other growth poles (the Baltic regions; an area to the East taking in Vienna, Berlin, Warsaw and Budapest; the South of France and Catalonia).

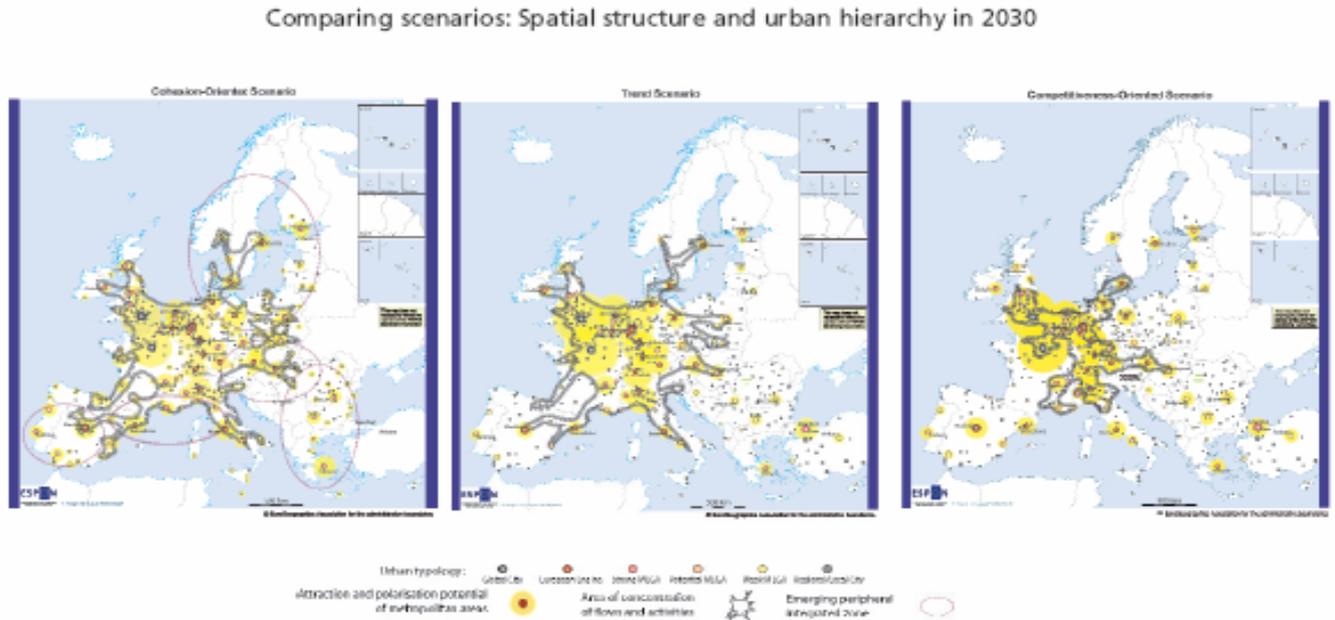
3.2.2 The EESC reaffirms¹¹ the importance of developing and implementing dual-level polycentrism in the context of harmonious development, in order to avoid the detrimental effects of polarisation¹². The first level facilitates the emergence of development hubs spread throughout Europe, to disperse growth and jobs beyond the economic hub (the pentagon); the second level consolidates the links and synergies between the large urban centres and the (quasi-)rural areas, mainly to avoid *territorial divisions* within NUTS itself (the Nomenclature of Territorial Units for Statistics).

¹⁰ COM(2005) 141 final *Integrated guidelines for growth and jobs (2005-2008)*; COM(2005) 658 final *Communication from the Commission to the Council and the European Parliament on the review of the Sustainable Development Strategy - a platform for action*.

¹¹ See the EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future*, OJ C 168, 20.7.2007, p. 10; on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6; and on the *Territorial Agenda*, OJ C 168, 20.7.2007, p. 16.

¹² See in this regard the study drawn up by the European Parliament's REGI committee, *Regional disparities and cohesion: what strategies for the future*, May 2007.

Comparing scenarios/Spatial structure and urban hierarchy in 2030



- 3.3 Given the increasing dominance of capital cities as places that generate wealth, industry and jobs, particularly in certain new Member States¹³ and the strong correlation between GDP growth rates and inflation, the governments and civil society of the countries set to join the euro area should give particular consideration to the impact of the transition to the single currency on their internal cohesion. This may come under pressure where the various regions of an individual country develop unevenly. Therefore, while not disregarding the benefits of the euro¹⁴, though pointing out that the single interest rate policy could fail to meet the specific needs of their national economy, its impact will vary across the large industrial centres (including the capital) and the other regions. To complement this, the Member States' economic policies will need to be coordinated more closely in order to ease this problem.
- 3.4 The importance of services of general interest (SGI) is again stressed in the report. In view of the new protocol on general interest services to be defined by the 2007 IGC, the EESC repeats its call for "*common benchmarks and standards*" to be defined at Community level "*for all services of general interest (both economic and non-economic), including social services of general interest, to be set out in a framework directive, adopted under the co-decision procedure, whereby a Community framework can be established which reflects their specific characteristics*"¹⁵.

¹³ This issue will be considered in a forthcoming opinion to mark 10 years of EMU in 2008.

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¹⁵ See the EESC opinion on the *Communication from the Commission – Implementing the Community Lisbon programme: Social services of general interest in the European Union*, OJ C 161, 13.7.2007, p. 80.

- 3.5 "In the Committee's view [a view that has been echoed by the European Parliament in its recent reports], *cohesion should not be understood solely in terms of GDP. It therefore calls for a 'more representative indication of cohesion [which should include] in addition to GDP, parameters such as employment and unemployment levels, the extent of social protection, the level of access to general interest services etc.*¹⁶". These indicators should also be complemented by indicators of income inequality (Gini coefficient or inter-quintile ratio) and of CO₂ emissions (per inhabitant or change since 1990). In general terms, it is vital to build up the EU's statistical tools, particularly at NUTS level, and to forge closer links between Eurostat and national statistics offices in order to gain access as soon as possible to the most comprehensive and accurate data available¹⁷.
- 3.6 The EESC proposes considering whether it would be more pertinent, during the next Structural Fund allocation phase, to use the economic indicator of Gross National Income (GNI) rather than GDP, as is already the case for the Cohesion Fund. This would enable commuters to be taken into account, whose economic impact helps close the gaps, as highlighted in a section of the report, while encouraging mobility at all levels, as well as foreign direct investment (FDI) flows, from which part of the revenue returns to the country of origin. Thus, GNI, unlike GDP, takes account of inflows and outflows. There is a considerable difference between the two in certain countries (Luxembourg, Ireland, the Czech Republic, Estonia, Cyprus, Hungary and to a lesser extent Poland and Romania) which could result in a sub-optimal allocation of Structural Funds. It should also be noted that this data is not available at NUTS level, something which must be rectified as far as possible.
4. **Answers to certain consultation questions**
- 4.1 **How can the regions react to restructuring pressures from dynamic competitors in low- and medium-tech sectors?**
- 4.1.1 With regard to the qualitative upgrading of EU businesses, it is clear that the 7th Research and Development Framework Programme (RDFP) and the Competitiveness and Innovation Framework Programme (CIP), which are both aimed at boosting SMEs and the *regions of knowledge*, remain too top-down in their approach. Links with "*networks of centres of technological and scientific excellence*" and industrial parks should be promoted, as should "*structured bridges between academia, industry and government*". That said, it must be borne in mind that the innovation mantra entails a risk of further fragmentation if new areas of

¹⁶ See paragraph 1.3 of the EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

¹⁷ "When it relaunched the Lisbon strategy in March 2005, the European Council reaffirmed that the strategy was to be seen in the wider context of sustainable development whereby present needs should be met without compromising the ability of future generations to meet theirs. The European Council reiterates its attachment to sustainable development as a key principle governing all the Union's policies and activities". Conclusions of the European Council of June 2005.

responsibility are not formed in order to guide the public through the changes¹⁸. This requires a more serious focus on the *quality* of jobs given that *"as well as increases in R&D investment and investment generally, and investment in education and training in view of the requirements of the knowledge and information society, improving the quality of working life is a key to increasing the growth in productivity and innovativeness of businesses. This is proven by studies into the relationship between quality of work and productivity and into the significance that "good work" has from the point of view of the employees concerned for their job motivation and readiness to enhance output"*¹⁹.

- 4.1.2 With regard to industrial policy, *"identifying synergies and involving stakeholders in achieving structural change [...] can allow industrial change to be managed in a socially acceptable way if the social partners are systematically involved in anticipating and managing change, and the dual objective of making businesses competitive and minimising the negative social impact is consistently pursued"*²⁰.
- 4.1.3 In cross-border regions, industrial change could be facilitated *"by setting up the optional transnational framework for collective negotiation as announced in the 2005-2010 social agenda"*²¹.
- 4.1.4 *"The Committee supports the request made by the European Parliament for an assessment of relocations and the follow-up given to them at territorial level (jobs destroyed/created, types of job, impact on economic, social and territorial cohesion) and to make specific proposals in the form of periodic reports"*²².
- 4.1.5 One tranche of the unused budget appropriations could serve to swell the coffers of the European Globalisation Adjustment Fund (EGF) – the new instrument that provides prompt temporary support to workers who have been made redundant and who are "victims of globalisation". We would also propose that the eligibility threshold be revised downwards by reducing the number of workers made redundant required to trigger the fund, given that SMEs represent 99.8% of companies (of which 91.5% are micro-enterprises) and 67.1% of total employment.

18 EESC opinion on *The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme*, OJ C 318, 23.12.2006, p. 12.

19 EESC opinion on *Quality of working life, productivity and employment in the context of globalisation and demographic challenges*, OJ C 318, 23.12.2006, p. 157.

20 EESC own-initiative opinion on *Social dialogue and employee participation, essential for anticipating and managing industrial change*, OJ C 24, 31.1.2006, p. 90.

21 EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

22 Report on relocations in the context of regional development (rapporteur: Hutchinson, 30 January 2006).

- 4.1.6 The stipulation within the general provisions on the Structural Funds regarding the seven-year period during which a company which has received such aid must commit to maintaining its investment in the recipient region must be retained.
- 4.1.7 It appears from our initial assessment that the JEREMIE initiative is overly concentrated in key sectors and that SMEs outside of these sectors are not deriving sufficient benefit.
- 4.1.8 Not all EU regions will be capable of being at the leading edge of the knowledge economy for want of infrastructure or human capital, or because their size prohibits economies of scale. These regions will have to position themselves in relation to neighbouring metropolitan areas by developing their residential economy or by specialising in areas with less marked agglomeration effects or where a lower critical mass is required. The EESC is opposed to rural areas being assimilated into agricultural areas, with no other prospects in view.
- 4.1.9 One possible alternative lies in tourism and related activities. This requires that "*new rural professions [...] be created: specialised trade in local products; traditional crafts and food products; sports and environmental leisure services; audiovisual and virtual reality facilities; cultural promotion; childcare, campsites and hostels; natural medicine; aesthetic enhancement; traditional construction and revival of trades; internet cafés; promotion of local property; advice on the new activities; production of goods and services usually consumed in tourist accommodation; specialised attention for the elderly*"²³. The utmost attention should be paid to supporting ecotourism, which is based on biological management. The goal of ecotourism is to educate people towards development that is sustainable, respects the environment and does not disturb the balance of nature. The European Social Fund and the EAFRD have a contribution to make here.
- 4.1.10 Cultural tourism can open up interesting opportunities for many regions. To this end, "*the European Union could use competitions and reward schemes in its programmes in order to promote best practices in the management of cultural tourism services, particularly in the "European Capitals of Culture" programme and the future "European destinations of excellence" programme. The EU could also provide advice for cities and regions which decide to apply for these two programmes, and grant them more substantial funding than at present and maybe fast-track Structural Funds appropriations for them*"²⁴.

4.2 **To what extent is climate change a challenge for cohesion policy?**

- 4.2.1 The EESC shares the view of ESPON²⁵ that the consequences of climate change will vary across the regions, requiring differentiated responses. For regions within the economic hub,

²³ EESC opinion on *The contribution of tourism to the socio-economic recovery of areas in decline*, OJ C 24, 31.1.2006, p. 1.

²⁴ EESC opinion on *Tourism and culture: two forces for growth*, OJ C 110, 9.5.2006, p. 1.

²⁵ ESPON: *Scenarios on the territorial future of Europe*, May 2007.

"the objective has to be to maintain their economic productivity while reducing negative agglomeration economies such as air pollution and CO₂ emissions [...]. Innovative and efficient collective transport systems have to be developed and land use managed in a controlled way. In the Southern European regions, but also in mountainous areas, the main challenge will be [...] the limitation of uncontrolled land use and construction. Remote areas [...] need innovative solutions to provide for the necessary levels of accessibility [...] [while avoiding measures with] negative long-term effects".

- 4.2.2 The EESC proposes complementing and bolstering the budget of the Solidarity Fund, which currently provides rapid aid in the event of a natural disaster. In order to further emphasise the EU's commitment to combating climate change, which requires longer term measures, the EESC proposes that henceforth the Solidarity Fund should also co-finance preventive risk management projects.
- 4.2.3 Clear and transparent criteria ought to be used for the selection of projects to be financed under different budget headings and programmes. These should include sustainability criteria, such as the impact of the project on the environment, health, creation or loss of jobs and EU competitiveness²⁶.
- 4.3 **How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?**
- 4.4 The EESC has repeatedly advocated the implementation of polycentrism within the EU. The Fourth report highlights the dominance of the economic hub (or *pentagon*) and the growing importance of the capital cities, as well as the ensuing social and environmental costs. The EESC also advocates fostering secondary growth poles and metropolitan areas, and consolidating synergies and complementarities between urban areas and the more remote regions²⁷. There could be a regular report on the socio-economic situation of metropolitan areas, which would require the development of a statistical monitoring tool²⁸. The EESC also feels that, to this end, territorial pacts for development within the context of globalisation could prove useful, especially where they form part of a forward-looking approach to fostering the cultural growth of society that engages everyone²⁹.

²⁶ EESC opinion on *The role of sustainable development within the forthcoming financial perspectives*, OJ C 267, 27.10.2005, p. 22.

²⁷ EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

²⁸ See the two EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future* OJ C 302, 7.12.2004 p.101 and OJ C 168, 20.7.2007, p. 10.

²⁹ EESC opinion on *The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme*, OJ C 318, 23.12.2006, p. 12.

- 4.4.1 The EESC advocates using the "Socially Responsible Territories" model (i.e. territories that, as stated in the Bristol Accord³⁰ of December 2005, aim to develop sustainably, taking into account the economic, social and environmental aspects of their own activities as well as the socioeconomic implications of an ageing population) for urban development. It is thus essential to maintain and foster the involvement of society stakeholders in agreeing on the direction to be taken, as promoted by the 6th Framework Programme for Research and Development (FPRD). The 7th FPRD provides for specific activities relevant to human development and ageing³¹.
- 4.4.2 Given that areas with job-creation and industrial potential can go beyond the national sphere, the Interreg funds should be bolstered to promote cross-border cooperation³².
- 4.4.3 As regards the outermost regions, "*the EESC welcomes the Commission's intention, within the convergence objective, to set up a specific compensation mechanism covering all the handicaps of the outermost regions, as well as regions with permanent structural handicaps*"³³. Given that 50% of R&D expenditure is concentrated in only a few regions, the EESC calls for "*more incentives for technology transfer between the regions*". The EESC believes that "*a European policy for regions with permanent handicaps should be based on three major principles*", namely: 1) permanence (the *catch-up* concept not being relevant to these regions), 2) positive discrimination, designed to bring about real parity with the other regions and 3) proportionality, to take account of the diversity of the geographic, demographic and environmental characteristics of the regions as well as the constraints that they face. To eliminate the inequality, interventionist measures of a social nature could be envisaged, such as: "*direct aid for certain commercial activities or services providers, special fares for residents on sea or air transport, the existence of high-quality public services*"³⁴ and so on.
- 4.4.3.1 The Commission is right when saying that accessibility constraints for islands can be translated into the fact that "travel time by car or train [is] increased by the sea crossing". Accessibility is "a particular problem" that islands have to cope with. And the Commission is also right when it stresses the problem of the small size of their population. In fact, most of

30 www.odpm.gov.uk

31 EESC opinion on the *Communication from the Commission to the Council and the European Parliament on a Thematic Strategy on the Urban Environment*, OJ C 318, 23.12.2006, p. 86.

32 See paragraph 3.4 of the EESC opinion on the *Proposal for a Regulation of the European Parliament and of the Council establishing a European grouping of cross-border cooperation (EGCC)*, OJ C 255, 14.10.2005, p. 76.

33 EESC opinion on the *Third report on economic and social cohesion – A new partnership for cohesion: convergence, competitiveness, cooperation*, OJ C 302, 7.12.2004, p. 60.

34 EESC opinion on *How to achieve better integration of regions suffering from permanent natural and structural handicaps*, OJ C 221, 8.9.2005, p. 141.

the islands cannot rely on their domestic market. However, other problems also determine their "long-term development prospects" for example the limitation of the resources, natural risks and fragile environment.

4.4.3.2 Article 16 TEC states that "... the Member States, each within their respective powers and within the scope of application of this Treaty, shall take care that such services operate on the basis of principles and conditions to enable them to fulfil their mission".

4.4.3.3 Another measure could be a universal service (US) model for public services sectors whose application in these areas is enshrined in European Union policy documents and regulation. This measure is highlighted in the Green Paper on Services of General Interest³⁵.

4.4.4 The EESC stresses the importance of penalising companies that receive EU aid but relocate within 7 years. Public resources cannot be wasted through subsidising jobs cuts.

4.5 **What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?**

Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?

4.5.1 The cross-sectional dimension of gender equality is mentioned explicitly in the Structural Fund regulations. However, it seems that efforts made in this regard have been almost exclusively focused on labour market issues. The Member States must be encouraged to adopt an integrated approach (possibly by means of the Lisbon Strategy Integrated Guidelines and, where appropriate, via individual recommendations). In order to assess operational programmes, data broken down by gender is a crucial requirement.

4.5.2 To enable couples to decide how many children they would like to have, the Member States should introduce a range of measures such as "*direct financial support, changes in taxation, and the provision of economically viable public or private facilities (e.g. crèches of various kinds, including company or inter-company crèches) all-day schooling and services; thus, it is the quality of facilities that matters, not the quantity*"³⁶. Moreover, the EESC notes that following the Barcelona European Council (June 2002), the Member States agreed "*to provide child care by 2010 to at least 90% of children between three years old and the mandatory school age and at least 33% of children under three years of age.*" There is also a need to establish "*a fixed threshold for public funding for family- and child-related policies – i.e. investments in the future – so that available resources are not, potentially, subsumed in the overall costs of an ageing society – costs which an ageing electorate may consider a top*

³⁵ COM(2003) 270 final.

³⁶ EESC opinion on *The family and demographic change*, OJ C 161, 13.7.2007, p. 66.

priority"³⁷. In this regard, it would be worth considering setting up a *demographic fund*. It would be aimed at supporting national efforts to promote higher birth rates and female participation in the labour market by making more EU funds available for investment in facilities for childcare and care of the elderly as well as in the renovation/modernisation of schools, particularly in rural areas.

- 4.5.3 In tandem with demographic support, other measures are needed, including "*safeguarding and improving the health and safety of children; providing quality education for all; proposing assistance and support systems enabling parents to meet their needs and difficulties. Special attention should be paid to families and children living in extreme poverty, those needing specific support, and those from migrant backgrounds. Although the EESC acknowledges the ageing of the European population and believes that demographic renewal is essential for the survival of the continent, it points out that a reduction in widescale unemployment, access to lasting employment for 25-35 year-olds and real job security in general should make it possible to finance retirement (whether active or not).*"³⁸. The European Social Fund must make a significant contribution to this venture.
- 4.5.4 The EESC also believes that "*a set of common objectives on access to housing; minimum standards on the quality of housing which define the concept of decent housing [should be established at EU level]*"³⁹.
- 4.5.5 "European financial institutions [should] earmark resources at very low rates for integrated building programmes for young people, families with children, immigrants, older people, the disabled, at-risk social groups and so on, thus encouraging worker mobility, improving the social mix and providing affordable solutions for occupants. (...) The EESC notes that the use of the JESSICA programme will provide the elements necessary to set up a guarantee fund for larger-scale social housing projects and it calls for this question to be considered during the mid-term review of the Structural Funds"⁴⁰.

37 Ibid.

38 Ibid.

39 EESC opinion on *Housing and regional policy*, OJ C 161, 13.7.2007, p. 17.

40 Ibid.

4.6 What are the key future skills that are essential for our citizens in facing new challenges?

4.6.1 The territorial pacts for development referred to in the answer to question 2.1, offer an interesting approach to addressing this issue insofar as the range of different situations and specific challenges requires the use of different instruments and competences (cf. 1.1). The social partners, who each year since 2002 present a report to the Spring European Council on their involvement in the lifelong learning initiative, must be actively involved.

4.6.2 The EESC would like to point out that "*the key condition for using ICT in lifelong learning, particularly in the Community's rural areas and small towns, is support from the EU and the governments of Member States for broadband internet connections⁴¹, that provide access to e-learning systems (...) In this context, the EESC appeals to the Commission to recognise access to broadband as part of a wider strategy aimed at ensuring that eAccess is accorded the status of general interest. (...) Special consideration must be given to the risk of a generation gap emerging⁴².*

4.7 Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?

4.7.1 The EESC would firmly reiterate its opposition to any attempt to renationalise Cohesion Policy, which incontestably provides European added value in terms of solidarity, growth and jobs, and whose impact on the ground is visible to the European public.

4.7.2 The EESC points out that, according to the Treaty (Articles 2, 158 and 159), all policies – EU, national, horizontal and sectoral – must contribute to the objective of cohesion. Therefore, it is important that cohesion, and particularly its territorial dimension, be taken into account in the integrated guidelines and impact analyses⁴³.

4.7.3 The EESC welcomes the IGC's inclusion of territorial cohesion as one of the objectives of the EU and the Commission's plan to set up a new territorial cohesion unit within DG REGIO. This unit should ensure that sectoral policies do actually converge towards the objective of cohesion. In particular, in view of the fact that projects eligible for EU funding need to be co-funded by national governments, consideration should be given to the budgetary criteria laid down by the Stability and Growth Pact, and to their impact on the funding of trans-European networks, and specifically on the missing sections.

41 Broadband Internet access - Communications channel with high capacity, enabling quick, easy access to information and e-learning systems (source – <http://www.elearningeuropa.info/>).

42 EESC opinion on *The contribution of IT-supported lifelong learning to European competitiveness, industrial change and social capital development*, OJ C 318, 23.12.2006, p. 20.

43 EESC opinion on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

A number of general guidelines need to be called to mind. Some were already included in the Treaties, others were introduced following the 2007 Intergovernmental Conference. They stipulate that: *The Union must, in the definition and implementation of its policies and actions:*

- *take into account the requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.* (New Article 9 of the Treaty on the Functioning of the European Union).
- *aim to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.* (New Article 10 of the Treaty on the Functioning of the European Union).
- *integrate environmental protection requirements (...) in particular with a view to promoting sustainable development* (Article 6 of the Treaty Establishing the European Community, maintained in the new Treaty).

The provisions set out in the Charter of Fundamental Rights, recognised in the Treaty on European Union (Article 6) must also be taken into consideration in defining and implementing the structural policies.

- 4.7.4 The EESC strongly regrets that this consultation process does not address the role of the social partners and organised civil society in the framing, development and implementation of the Structural Funds. They have a crucial role to play in adapting co-funded projects to local conditions and needs, insofar as these are in line with the strategic guidelines. *"The Committee calls for guidelines to be drawn up in future for the conduct of consultations on Member States' strategic and programming documents. (...) The Member States should explain how they organise feedback on how the partnership principle is implemented in the context of the monitoring committees. The Committee believes that the Member States and regional authorities should make greater use of the potential existing within civil society organisations by involving them in the preparation of promotion plans. Grass-roots initiatives should also be supported by allocating adequate financial resources for this purpose from the funds available for the promotion of and information about the Structural Funds. In the case of cross-border or interregional programmes, it would also be worth promoting joint consultations and socio-occupational partnerships which are also cross-border or interregional"*⁴⁴.

⁴⁴ See the EESC opinions on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52. and on the *Impact and consequences of structural policies on EU cohesion*, OJ C 93, 27.4.2007, p. 6.

4.7.5 Following on from the Open Days and the *Regions for Economic Change* initiative, the EESC strongly advocates:

- the creation of a European tourism agency which could act as a monitoring centre and provide the Community, the Member States and the regions with reliable and comparable data on tourism⁴⁵;
- the introduction of *European green city* awards in order to encourage local communities and their public and private players to optimise their efforts⁴⁶;
- the introduction of a technical assistance facility for housing projects in cooperation with representatives and networks of local and regional authorities and supported by the European Commission and the Member States (to build on projects and methods for effectively integrating housing projects in urban regeneration programmes)⁴⁷.

Particular emphasis should be put on the dissemination of experience and best practices.

4.8 **What are the new opportunities for co-operation between regions, both within and outside the EU?**

4.8.1 The EESC believes that a forum bringing together metropolitan areas and the Commission could promote polycentrism and increase knowledge of these areas. A working party could be set up to identify and disseminate best practice⁴⁸.

4.8.2 Legal entities created both under the EGCC and other Structural Funds must be responsible for coordinating the various sources of financing, and for the preparation and realisation of fund projects supporting industrial policy in the given region. This financing would be accessible to the representatives of the various parties involved in the regions. The establishment of such legal entities will create an incentive for cross-border cooperation and give such regions a greater sense of identity and increase their desire to harmonise their regulations⁴⁹.

45 EESC opinion on *Tourism and culture: two forces for growth*, OJ C 110, 9.5.2006, p. 1.

46 EESC opinion on the *Communication from the Commission to the Council and the European Parliament on a Thematic Strategy on the Urban Environment*, OJ C 318, 23.12.2006, p.86.

47 EESC opinion on *Housing and regional policy*, OJ C 161, 13.7.2007, p. 17.

48 See the two EESC opinions on *European metropolitan areas: socio-economic implications for Europe's future*, OJ C 302, 7.12.2004 p.101 and OJ C 168, 20.07.2007, p.10.

49 EESC opinion on *The management of industrial change in cross-border regions following EU enlargement*, OJ C 185, 8.8.2006, p. 24.

- 4.8.3 In this context, joint consultations and socio-occupational partnerships which are also cross-border or interregional should be promoted, as should social dialogue initiatives at these levels, particularly by setting up the optional transnational framework for collective negotiation as announced in the 2005-2010 social agenda⁵⁰.
- 4.8.4 Another area where regional cooperation could promote cohesion is the energy sector, since it has an impact on production costs, families, and economic development. This could be done through forms of interregional energy exchanges between regions that have greater quantities and lower cost resources vis-à-vis poorer regions. Nowadays, this can be done via a regulated system of networks, which is, however, more flexible and involves activating the "power exchange".

Brussels, 13 December 2007.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Dimitris Dimitriadis

Patrick Venturini

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N.B.: Appendices overleaf.

⁵⁰ EESC opinion on the *Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines (2007-2013)*, OJ C 185, 8.8.2006, p. 52.

APPENDIX I

1. **Broad outline of the cohesion report**

1.1 The cohesion report is composed of the following four chapters: economic, social and territorial situation and trends in the Member States and EU-27 regions; the impact of cohesion policy; national policies and cohesion; and Community policies and cohesion. The following paragraphs give a broad outline and do not claim to be an exhaustive summary.

2. **GDP per capita**

2.1 *At the national level*

2.1.1 Joining in January 2007, Romania and Bulgaria increased the EU population by 6.3% but GDP by scarcely 1% in purchasing power standards (PPS), thus reducing European per capita GDP by 4%. The Commission believes that it will take at least 20 years before these countries reach 75% of average per capita GDP.

2.1.2 The three Baltic States have doubled their per capita GDP in real terms in a decade. Despite this, they join Poland, Slovakia and the most recent two Member States in having the weakest indicator.

2.1.3 In the eight new Member States with the lowest per capita GDP levels, growth between 2000 and 2005 was 5 percentage points higher than that of the EU-27 (1.4%). In three of the other countries (Slovenia, Czech Republic and Malta), growth was less robust, albeit between 0.6 and 1.8 percentage points higher than in the EU-27, while Cyprus performed slightly less well than the EU-27.

2.1.4 The four old cohesion countries have shown good economic progress, except for Portugal:

- between 1995 and 2005, Ireland experienced a 4 percentage point higher growth rate than the EU15, and currently has the second highest per capita GDP;
- in Spain growth was 0.7 percentage points higher than the European average, and in 2005 per capita GDP (PPS) was slightly higher than the EU-27 average;
- thanks to growth 1.5 percentage point faster, the per capita GDP (PPS) of Greece is now around 85% of the EU-27;
- in Portugal, the situation is more problematic: following a catching-up period, it has once again been lagging since 1999 and is now behind Cyprus, the Czech Republic and Slovenia.

2.1.5 In 2005, the GDP of Cyprus, Slovenia and the Czech Republic exceeded 75%. It is estimated that between now and 2016, six other countries should reach this level: the Baltic States, Hungary, Malta and Slovakia. However, even in these countries, many regions could take longer to reach the same level.

2.2 *At regional level*

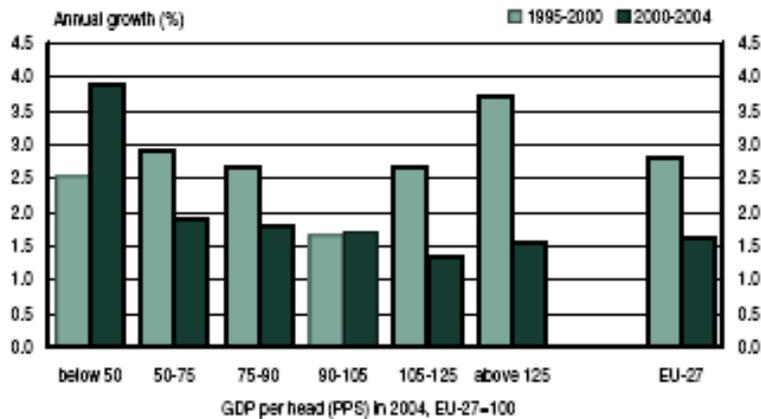
- 2.2.1 If the fifth of the NUTS-2 regions with the highest per capita GDP is compared with the fifth with the weakest per capita GDP, the gap can be seen to have narrowed between 1995 and 2004, with the ratio passing from 4.1 to 3.4.
- 2.2.2 In 1995, 78 NUTS-2 regions of the 268 in the current EU-27 had a per capita GDP less than 75% of the Community average. In 2004 this was true of only 70 regions. More encouragingly still, the number of regions with less than half the European per capita GDP fell from 39 to 32.
- 2.2.3 In 5 regions of the old Member States with 6 million inhabitants, GDP fell *below* 75% of European average while 12 regions with 10 million inhabitants rose above this threshold. Five other regions already above 75% in 1995 recorded very weak growth, or even negative growth.

Regions with GDP per head <75% below EU average, 1995 and 2004						
	EU-15		NMS 12		EU-27	
	1995	2004	1995	2004	1995	2004
Number of regions	213		55		268	
Total population (million)	372	386	106	104	479	490
GDP per head <75% of EU average						
Regions						
Number	27	21	51	49	78	70
%	13	10	93	89	29	26
Population						
Number (million)	32	32	103	91	136	123
%	9	8	97	88	28	25

Source: Eurostat

- 2.2.4 Turning to the regional origin of growth, two sub-periods can be identified between 1995 and 2004, with a change in trend starting in 2000. During the first sub-period, the average growth rate of per capita GDP was driven by the richest regions (> 125% of European average), which means the gaps widened. Since 2000 growth has been more harmonious in the sense that the regions with the lowest per capita GDP levels are those which experienced stronger growth, especially those at the bottom of the classification. The convergence this brings benefits in particular the regions with a less than 50% of average per capita GDP. The gap between the central regions (the pentagon connecting the "economic hub" of London, Hamburg, Munich, Milan and Paris) and the other regions has narrowed somewhat, thus making for greater territorial cohesion.

1.5 Growth in real GDP per head in EU regions, 1995-2004



Source: Eurostat and DG REGIO calculations

- 2.2.5 During this same period and within the Member States there has been internal convergence in Austria and more recently and moderately in Sweden and the Netherlands, following a period of widening gaps in these two countries and in Slovakia. In Germany, France, Greece and Spain – the latter two countries having managed to engineer a correction without widening inequalities – and in Italy, Belgium and Finland, there was little change. The other countries experienced an internal divergence: the United Kingdom and Portugal (especially in 1995-2000, despite these being the "correction" years!) and especially Poland, Hungary (between 1995 and 2000, followed by stability) and the Czech Republic, Romania and Bulgaria.
- 2.2.6 A large part of the divergence is due to the strong concentration of economic activity and growth in and around the capitals, all of which – except for Berlin – not only maintained but actually increased their contribution to national GDP⁵¹. On average, productivity there is 25% higher than the national average (for fourteen capitals the figure rises to between 40% and 100%). The importance of the capitals often reflects the size of their commuter population: their GDP receives a boost of between 4% and 76% thanks to commuters. (Cf. also § 5.2 of Appendix I)
- 2.2.7 In just three countries, at least one major secondary growth pole seems to emerge: Spain (Barcelona-Madrid), Italy (Milan-Rome), and Germany (the four biggest regions and Berlin, each equivalent to 5% of GDP).

⁵¹ 32% of national GDP (+ 9% since 1995) but 22% of the population (+ 2%). This phenomenon is particularly visible in Warsaw, Prague, Budapest, Sofia and Bucharest.

2.2.8 Part of the report's originality lies in its comparison of the European situation with that of its major global competitors:

- between 1995 and 2005, per capita GDP in the EU grew at the same rate as in the United States (2% as against 2.1%) and twice as fast as in Japan;
- the regional disparities in per capita GDP are wider than in the latter two countries. The relationship between the region with the highest per capita GDP and the one with the lowest is 1 to 8 in the EU compared with 1 to 2.5 for the United States and 1 to 2 for Japan. Since the last two enlargements, which pulled the European average per capita GDP downwards, all US states have had a higher per capita GDP than the European average, as have 40 Japanese regions (out of 47);
- the variation in growth rates for this indicator is also larger in the EU: between 1997 and 2004, regional growth varied between 0 and over 8.6% compared with 0 to 3.6% for the United States;
- in China, per capita GDP in PPS is 1/5th of the European figure and 1/8th of the figure for India. However, in Romania and Bulgaria, which have the lowest level, it remains twice as high as in India and 50% higher than in China. Even if these two countries maintain their high rate of growth, it will take at least 40 years before China's per capita GDP approaches EU levels;
- despite the major difference in per capita GDP, regional disparities in India and China are similar to those observed in the EU (ratio of 1 to 7). Similarly, regional growth rates have been 1% to 13% in India and 6% to 11% in China.

3. **Employment**

- 3.1 In almost all the regions with over 75% of European per capita GDP, employment increased by 1.2% per year between 1995 and 2004. In the other regions, employment fell by 1% per year, reaching a fall of 3% per year in some Polish and Romanian regions.
- 3.2 Despite the growth of per hour productivity in the new Member States, employment declined significantly until 2001, except in Hungary and Cyprus. Since then it has risen rapidly (Latvia and Lithuania), slowly, or not at all (Poland, Hungary).
- 3.3 These developments are not unrelated to economic structure: the services sector (financial services, property, rental and business services, health, social affairs and education) and – to a lesser extent – the construction industry, have created jobs while the manufacturing industry has shed them.
- 3.4 Between 2000 and 2005 there was some convergence of employment rates between EU-27 regions. The difference between the average employment rate of the most efficient regions and the least efficient ones fell 30 percentage points to 27 points. Although Spain is the country where the employment rate has made the most progress, Spanish interregional variations are the biggest (while falling), which is a reflection of differentiated economic development. In Poland and Romania, where the regional rates are close, this reflects the fact

that there is hidden unemployment in rural areas that are mainly supported by subsistence farming. Bulgaria, Italy, Sweden and the United Kingdom are, alongside Spain, the countries where interregional variations are tending to narrow. The opposite is true of Austria, Belgium, Slovakia and Hungary.

- 3.5 In 2005 the average employment rate in the less developed regions was 11 percentage points lower than that of the other regions. In addition, it has decreased slightly since 2000 (-0,5%) whereas in the "affluent" regions, it rose by 1.5%.
- 3.6 If the EU is to achieve the Lisbon objectives it needs to create 20 million new jobs. In order to maintain cohesion, these jobs should be created above all in the less developed regions, chiefly – as noted in the report – in the south of Italy and the Polish regions.
- 3.7 With regard to the gender aspect of unemployment, the female rate exceeded the male rate most in Greece, Spain, Italy and Poland, although some progress can be seen in these last three countries. While the gap between male and female employment rates has diminished slightly, this is not the case for wages, with women earning on average 16% less than men.
- 3.8 The youth unemployment rate is twice the overall unemployment rate, reaching as much as 30 and 37% in Slovakia and Poland. In Bulgaria, the Baltic States and Slovakia, the youth unemployment rate has fallen by 6 points.
- 3.9 The long-term unemployment rate remains stable at 4%.
- 3.10 On average, 16% of the population (75 million people) run the risk of falling into poverty. 19% of young people under 18 are affected, and 33% of single parent households. In Romania, single people living in poverty have an income of less than EUR 2 per day and in Bulgaria, Latvia and Lithuania, less than EUR 4 per day. A poor person needs a further 23% of his income in order to break through the poverty line, defined as 60% of median income.
- 3.11 In nearly ten Member States, half the unemployed are living in poverty. In Greece, Portugal and Poland, almost 13% of people in work have an income below the poverty line!

4. **Climate change**

- 4.1 Since 1960, the number of floods has increased but so has the cost of damage as a result of an expansion of built-up areas. 7% of the European population lives in flood-risk areas. This affects more than 20% of the population in 45 of the 1275 NUTS-3 regions (especially in Germany).
- 4.2 In contrast, almost 9% of the population live in drought areas (120 days without rain) (Mediterranean countries, south of France and south-east England, Hungary, eastern Bulgaria and Romania). Four countries suffer from water stress (scarcity of water).

4.3 The current climate changes are worsening the problems encountered by these regions.

5. Demography

5.1 84 NUTS-2 regions accounting for 28% of the European population have seen a decline in population, even when immigration is included. 184 regions making up 72% of the European population experienced population growth. In 62 of them, migration was a decisive factor in population growth.

Natural change in population and net migration, 2000-2004									
Group	Total population change	Natural population change	Net migration	Total population in 2004 (thousand)	% of EU population	Average Annual			Number of Regions
						Total population change	Natural population change	Net migration	
1	Population growth	Positive	Positive	174,056	36	0.9	0.3	0.6	88
2		Negative	Positive	129,123	26	0.4	-0.1	0.5	78
3		Positive	Negative	49,585	10	0.3	0.4	-0.2	18
4	Population decline	Negative	Positive	39,673	8	-0.6	-0.2	-0.3	25
5		Positive	Negative	23,074	5	-0.2	-0.3	0.2	13
6		Negative	Negative	73,113	15	-0.2	0.1	-0.3	46

Source: Eurostat, DG REGIO calculations

5.2 One of the most striking urban phenomena of recent years is suburbanisation: 90% of urban areas experienced stronger population growth in the suburbs and periphery than in the city centre. Economic activity follows the same trend. This puts pressure on the environment, requiring more effective use of land space and public transport, and city centre regeneration.

5.3 Some 75% of cities taking part in the urban audit have a lower employment rate than the national average; this reflects the number of commuter journeys and the low skills levels of their less mobile residents.

5.4 Regions that are mainly rural have particularly high youth unemployment rates, a natural population decline and a large proportion of older people (17% > 65 years). However, with suburbanisation, some people are leaving the big cities and migrating towards the more remote areas, as can be seen in the population growth figures for intermediate rural areas (0.34%) as a result of migration, which adds 1.4% a year to the population.

5.5 In the low-income Member States, urban/rural income and poverty differentials tend to be greater and unemployment higher in rural areas than elsewhere.

- 5.6 A major challenge is the need to diversify the rural economy in order to replace agricultural jobs and incomes, as the sector is slowing down. Opportunities could be available in tourism⁵² and the production of biomass and biofuels.
- 5.7 The report rightly recalls the importance of services of general interest in maintaining territorial cohesion.

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⁵² See EESC opinion on *Tourism and culture: two forces for growth*, OJ C 110, 9.5.2006, p.1.

APPENDIX II

List of opinions referred to in response to the consultation (not exhaustive)

- INT/264 – *The contribution of tourism to the socio-economic recovery of areas in decline* (own-initiative opinion, rapporteur: Mr Mendoza Castro)
- ECO/129 – *Third report on economic and social cohesion – A new partnership for cohesion: convergence, competitiveness, cooperation* (rapporteur: Mr Barros Vale)
- ECO/137 – *How to achieve better integration of regions suffering from permanent natural and structural handicaps* (own-initiative opinion, rapporteur: Mr Barros Vale)
- INT/247 – *European industrial districts and the new knowledge networks* (own-initiative opinion: Mr Pezzini)
- NAT/308 – *Thematic Strategy on the Urban Environment*, (rapporteur: Mr Pezzini)
- TEN/253 – *Social services of general interest in the European Union* (rapporteur: Mr Hencks)
- CCMI/031 – *The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme* (own-initiative opinion, rapporteurs: Mr Pezzini and Mr Gibellieri)
- ECO/120 et ECO/188 – *European metropolitan areas: socio-economic implications for Europe's future* (own-initiative opinion, rapporteur: Mr Van Iersel)
- ECO/190 – *Impact and consequences of structural policies on EU cohesion* (own-initiative opinion, rapporteur: Mr Derruine)
- SOC/245 – *The family and demographic change* (exploratory opinion, rapporteur: Mr Buffetaut)
- CCMI/034 – *The contribution of IT-supported lifelong learning to European competitiveness, industrial change and social capital development* (own-initiative opinion, rapporteurs: Mr Krzaklewski and Mr Szucs)
- ECO/192 – *Housing and regional policy* (exploratory opinion, rapporteurs: Mr Grasso and Ms Prud'homme)
- ECO/168 – *Role of civil society organisations in the implementation of EU cohesion and regional development policy* (own-initiative opinion, rapporteur: Ms Mendza Drozd)
- ECO/166 – *Strategic guidelines cohesion policy 2007-2013* (rapporteur: Mr Vever)
- ECO/196 – *Territorial Agenda* (exploratory opinion, rapporteur: Mr Pariza Castanos)
- ECO/179 – *Euroregions* (own-initiative opinion, rapporteur: Mr Zufiaur)
- INT/279 – *Tourism and culture: two forces for growth* (own-initiative opinion, rapporteur: Mr Pesci)
- CCMI/023 – *The management of industrial change in cross-border regions following EU enlargement* (exploratory opinion, rapporteur: Mr Krzaklewski)
- ECO/150 – *Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund* (rapporteur: Mr Malosse)

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APPENDIX III - Differences between GNI and GDP

Average difference GNI/GDP (as % of GDP)			
	2002-2007	1996-2001	change
Belgium	1.00	1.93	-48.4%
Germany	-0.06	-0.88	-93.3%
France	0.77	1.00	-22.8%
Italy	-0.54	-0.74	-27.7%
Luxembourg	-17.09	-8.81	94.0%
Netherlands	2.10	0.86	143.0%
Denmark	0.29	-1.36	-121.4%
Ireland	-14.90	-12.49	19.3%
United Kingdom	1.87	0.25	635.3%
Greece	-1.58	1.62	-197.8%
Spain	-1.42	-1.04	36.9%
Portugal	-2.95	-1.74	69.7%
Austria	-1.15	-1.75	-34.5%
Finland	0.12	-1.67	-107.2%
Sweden	0.11	-1.46	-107.4%
Czech Republic	-5.04	-2.13	136.7%
Estonia	-4.50	-1.78	152.5%
Cyprus	-3.17	-2.39	32.4%
Latvia	-1.64	-0.04	
Lithuania	-2.03	-1.78	14.2%
Hungary	-6.18	-6.93	-10.9%
Malta	-1.17	-0.37	217.7%
Poland	-2.89	-0.69	321.0%
Slovenia	-0.99	0.36	-372.4%
Slovakia	-1.52	0.02	-6459.3%
Bulgaria	1.02	-2.10*	-148.5%
Romania	-2.73	-0.92*	196.8%

The greater the positive difference, the further ahead of GDP is the GNI. (Calculating it on Purchasing Power Parities does not significantly alter the results.)

Source: Ameco; own calculations

* : 1998-2001

Ameco is a database of the European Commission's DG ECFIN.