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Annex to the

COMMUNICATION FROM THE COMMISSION

**Fourth progress report on cohesion: Growth and jobs and the Reform of European
cohesion policy**

{COM(2006) 281 final}

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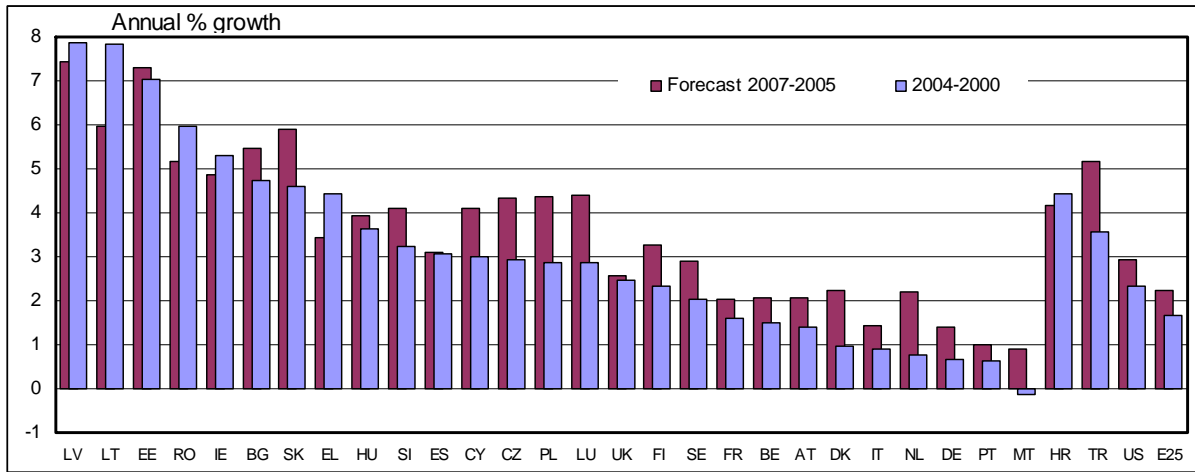
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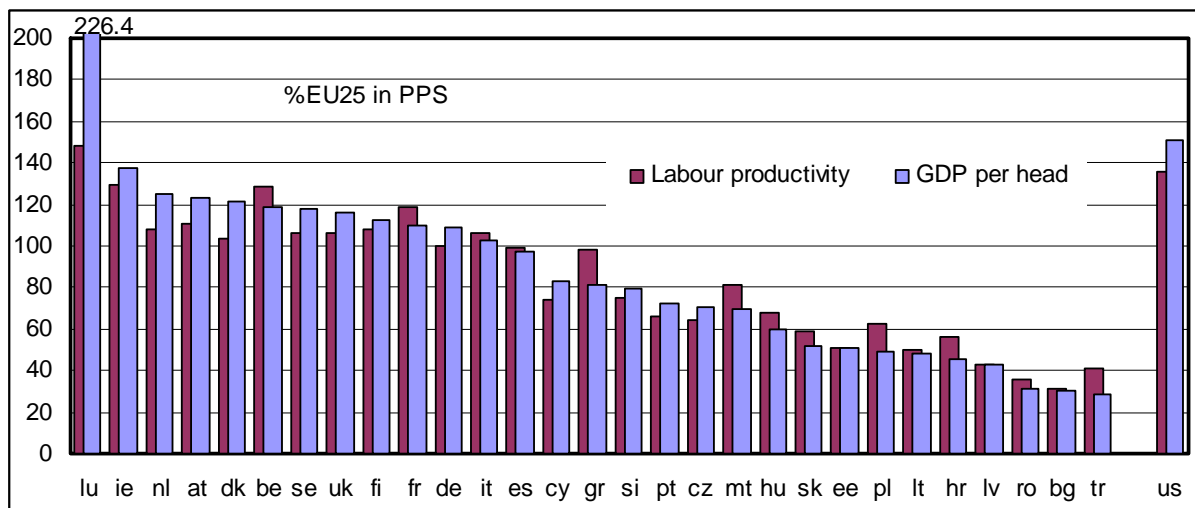
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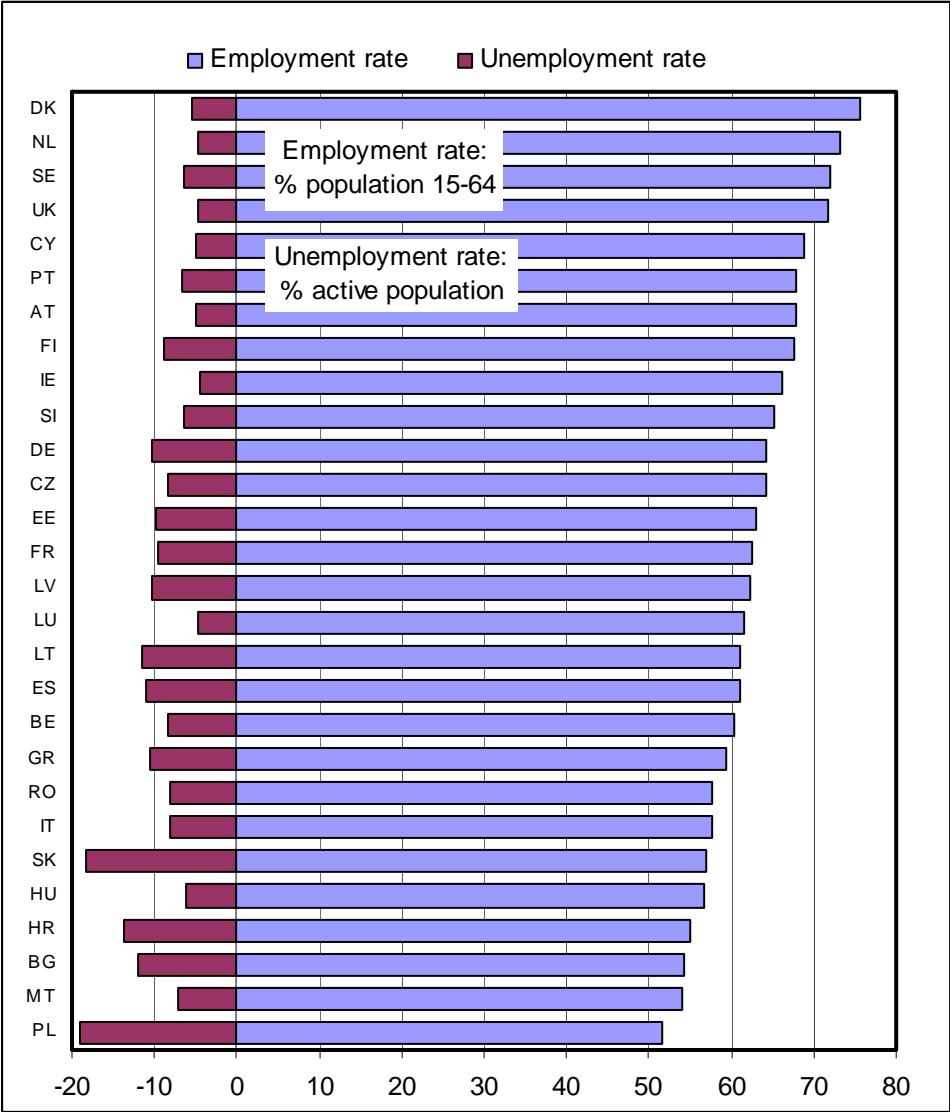
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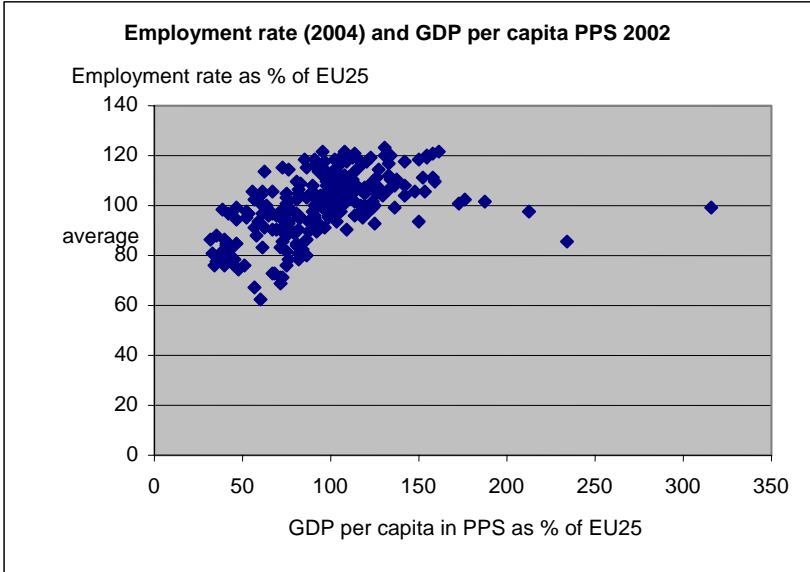
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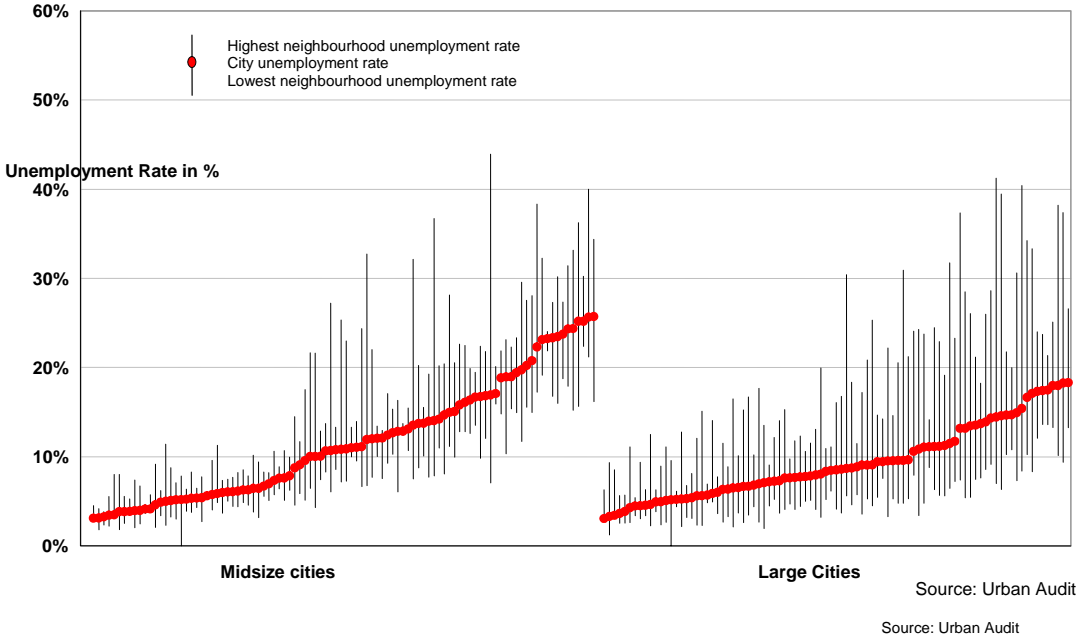
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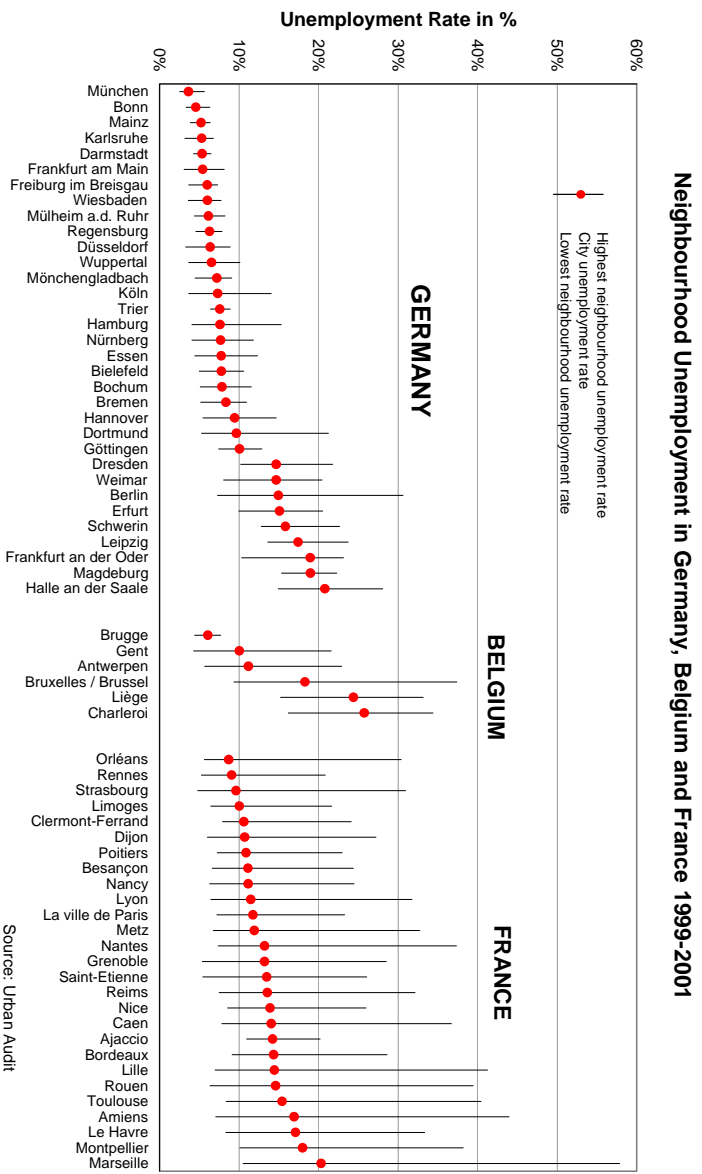
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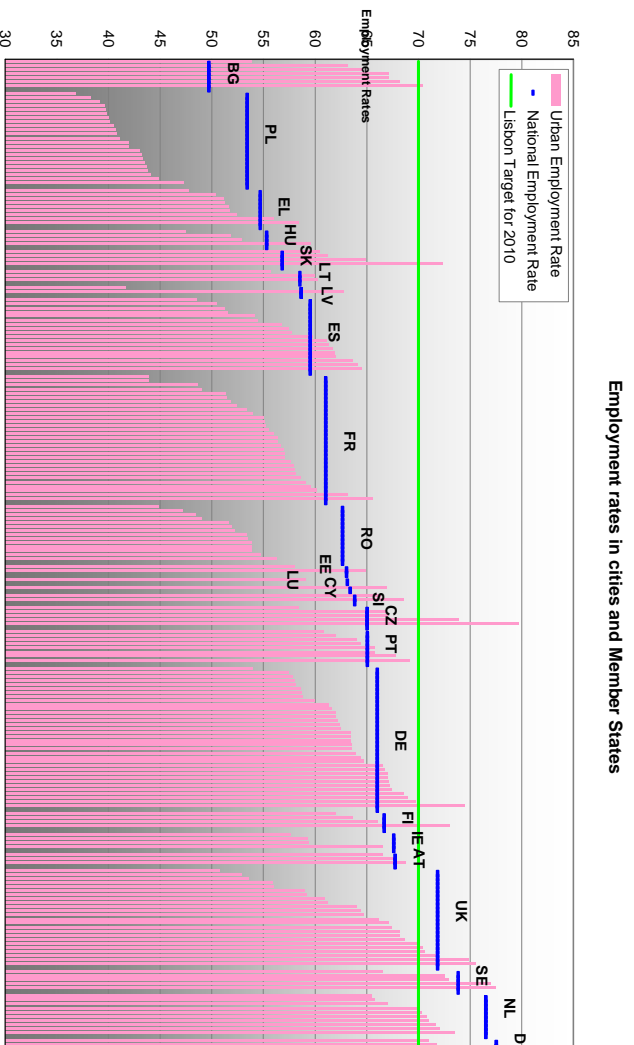
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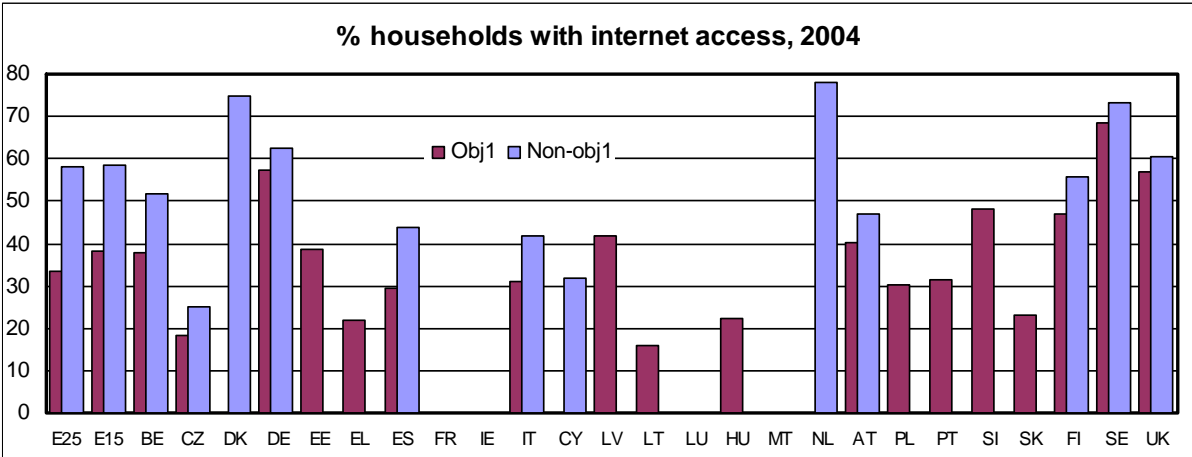
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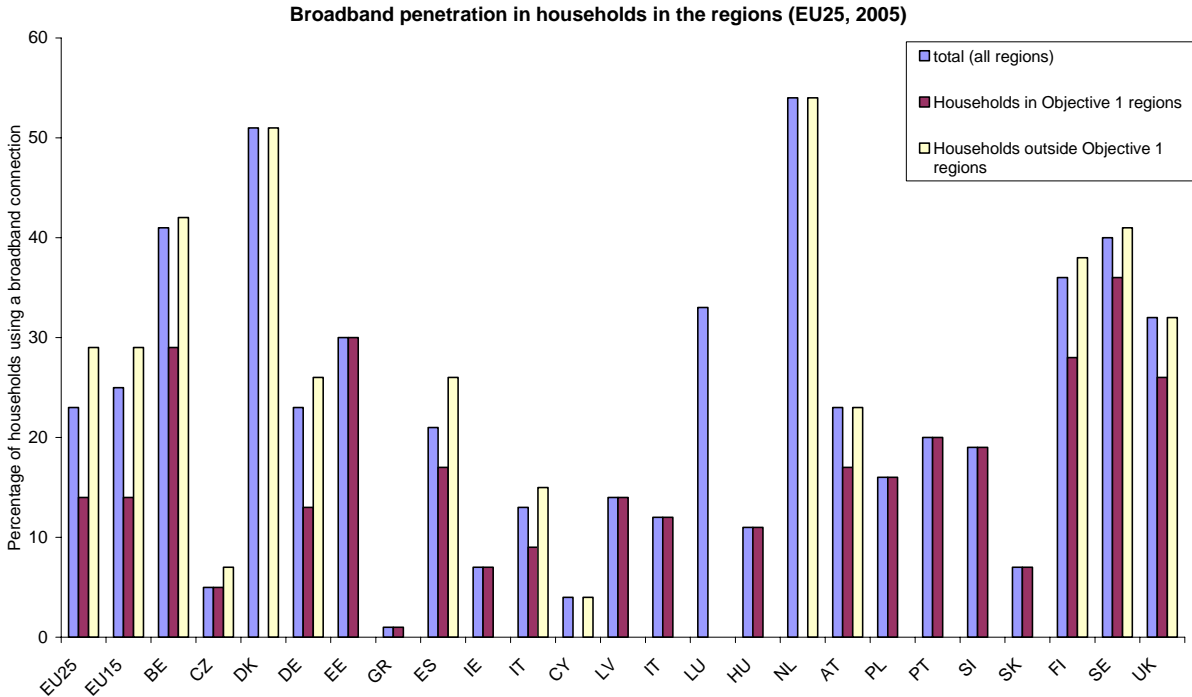
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Graph 8 % of households with internet access (2004)

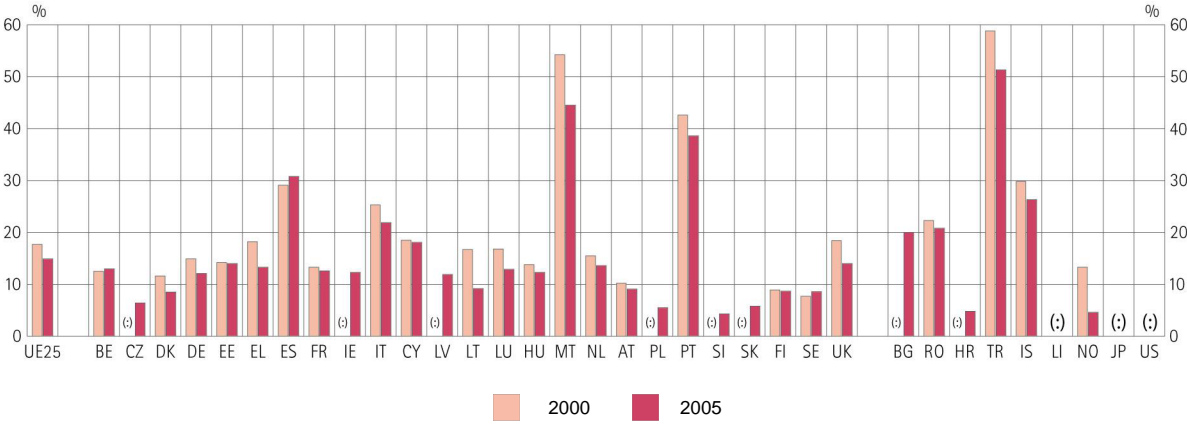


Graph 9 Percentage of households using a broadband connection (2005)¹



¹ As the graph above shows, there are still wide differences in the % of households using a broadband connection across the EU25 regions. Broadband penetration in Objective1 households is nearly half the EU25 rate for outside Objective 1 regions. This difference can be observed also for the EU15 average, and for most individual Member States, though it is less pronounced in the Nordic countries and the UK, where the broadband penetration rates in households located in Objective 1 and non Objective 1 regions are getting closer.

Graph 10 Share of the population aged 18-24 with only lower-secondary education and not in education or training (2000 and 2005)



TABLES

Table 1 Cohesion policy objectives (2007-2013)

<p>CONVERGENCE OBJECTIVE</p> <p>The <i>Convergence</i> objective shall be aimed at speeding up the convergence of the least-developed regions and Member States. Two types of regions are eligible for funding from the structural funds (ERDF and ESF) under this objective:</p> <ul style="list-style-type: none"> • The NUTS level II regions whose per capita Gross Domestic Product (GDP), measured in purchasing power parities and calculated on the basis of Community figures for the period 2000-2002, is less than 75% of the EU-25 average. These regions will be fully eligible for funding from the structural funds under this objective; • the so-called "statistical effect" regions, i.e. the NUTS level II regions which would have been eligible to full <i>Convergence</i> objective status had the eligibility threshold remained at 75% of average EU-15 GDP, but which lose eligibility because their per capita GDP level will now exceed 75% of the new (lower) EU-25 average. These regions will be "phased out" of the <i>Convergence</i> objective, that is the financial treatment will be decreasing over the period. <p>In addition, the following Member States will be eligible for funding from the Cohesion Fund under this objective:</p> <ul style="list-style-type: none"> • The Member States whose per capita GNI, measured in purchasing power parities and calculated on the basis of Community figures for the period 2001-2003, is less than 90% of the EU 25 average and which have a programme for meeting the economic convergence conditions referred to in Article 104 of the Treaty; • the Member States eligible for funding from the Cohesion Fund in the period 2000-2006 and which would have continued to be so had the eligibility threshold remained at 90% of average EU-15 Gross National Income (GNI), but which lose eligibility because their per capita GNI will now exceed 90% of the new (lower) EU-25 average. These Member States will be "phased out" of the Cohesion Fund element of the <i>Convergence</i> objective, that is the financial treatment will be decreasing over the period.
<p>REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE</p> <p>This objective shall be aimed at strengthening regions' competitiveness and attractiveness as well as employment. Two types of regions are eligible for funding from the structural funds (ERDF and ESF) under this objective:</p> <ul style="list-style-type: none"> • the so-called "phasing in" regions, i.e. NUTS level II regions eligible for full Objective 1 region status in the period 2000-2006 which cease to be eligible in the next financial perspective period because natural growth has brought their per capita GDP level to over 75% of the EU-15 average, corresponding to over 82.19% of the new EU-25 average. These regions will be "phased into" the <i>Regional competitiveness and employment</i> objective, that is the financial treatment will be decreasing over the period. • the NUTS level II regions not covered by the <i>Convergence</i> objective and by the "phasing in".
<p>EUROPEAN TERRITORIAL COOPERATION OBJECTIVE</p> <p>This objective aims at strengthening territorial cooperation at the cross-border, trans-national and inter-regional levels and at establishing cooperation networks and furthering the exchange of experience. This objective has three components:</p> <ul style="list-style-type: none"> • The development of <u>cross-border</u> economic, social and environmental activities through joint strategies for sustainable territorial development along the lines of the programmes financed under INTERREG IIIA in the current period. The regions eligible for cross-border cooperation financing shall be all NUTS level III regions along the internal land borders, certain NUTS level III regions along the external land borders and all NUTS level III regions along the maritime borders separated, as a general rule, by a maximum of 150 kms, taking into account potential adjustments needed to ensure the coherence and continuity of the cooperation action. • The establishment and development of <u>trans-national</u> cooperation through the financing of networks and of actions conducive to integrated territorial development along the lines of the programmes financed under INTERREG IIIB in the current period. The list of eligible trans-national regions will be drawn up by the Commission following close consultations with Member States. • The promotion of <u>inter-regional</u> co-operation, exchanges of experience, and actions involving studies, data collection, and the observation and analysis of development trends in the Community. The entire territory of the Community shall be eligible under this component.

Table 2 Summary data on the features of Cohesion policy objectives (2007-2013)

	Number of regions	% pop EU27	GDP/cap in PPS % EU25	Employment rate 2004	Unemployment rate 2004	Growth rate 1995-2002	%EU25 GDP 2002
Convergence	84	31.7	51.9	55.5	13.7	2.6	12.5
Phasing-out	16	3.4	79.2	59.5	12.2	2.3	2.6
Phasing-in	13	3.9	89.9	61.7	8.8	3.4	3.3
RCE	155	61.0	119.7	66.7	6.9	2.4	81.6
E27	268	100	95.6	62.7	9.2	2.4	100.0

Table 3 Cohesion policy 2007-2013: indicative financial allocations (million EUR, 2004 prices)¹

	CONVERGENCE OBJECTIVE			REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE		EUROPEAN TERRITORIAL COOPERATION OBJECTIVE	TOTAL
	Cohesion Fund	Convergence	Statistical Phasing out	Phasing in	Regional competitiveness and employment		
België/Belgique			579		1.268	173	2.019
Ceska Republika	7.830	15.149			373	346	23.697
Danmark					453	92	545
Deutschland		10.553	3.770		8.370	756	23.450
Eesti	1.019	1.992				47	3.058
Ellas	3.289	8.379	5.779	584		186	18.217
Espana	3.250	18.727	1.434	4.495	3.133	497	31.536
France		2.838			9.123	775	12.736
Ireland				420	261	134	815
Italia		18.867	388	879	4.761	752	25.647
Kypros	193			363		24	581
Latvija	1.363	2.647				80	4.090
Lietuva	2.034	3.965				97	6.097
Luxembourg					45	13	58
Magyarország	7.589	12.654		1.865		343	22.451
Malta	252	495				14	761
Nederland					1.477	220	1.696
Österreich			159	0	914	228	1.301
Polska	19.562	39.486				650	59.698
Portugal	2.722	15.240	254	407	436	88	19.147
Slovenija	1.239	2.407				93	3.739
Slovensko	3.433	6.230			399	202	10.264
Suomi-Finland				491	935	107	1.532
Sverige					1.446	236	1.682
United Kingdom		2.436	158	883	5.349	642	9.468
Bulgaria	2.015	3.873				159	6.047
Romania	5.769	11.143				404	17.317
Not allocated						392	392
TOTAL	61.558	177.083	12.521	10.385	38.742	7.750	308.041

¹ Figures result from the application of the methodology agreed by the European Council in December 2005. They are inclusive of all additional provisions decided by the European Council. Technical assistance at the initiative of the Commission is included in the national allocations. Amounts under the "European territorial cooperation" objective include the contribution of the ERDF to the financing of cross-border and sea-basin programmes on the external borders of the Union. Figures for Bulgaria and Romania are without prejudice to the date of accession of these countries

Table 4 Commission staff working paper “Cohesion Policy and cities: the urban contribution to growth and jobs in the regions”

As a complement to the Community Strategic Guidelines on for Cohesion, 2007-2013, on 23 November 2005, the Commission published a staff working paper in the key field of the urban contribution to growth and jobs in the regions, drawing on the experience and evaluations of the URBAN Community Initiative, the Urban Audit and early results from the URBACT network for exchange of experience between cities. It was presented at the informal meeting of ministers in Bristol in December 2005 followed by a public consultation of all relevant stakeholders, which was closed on 17 February 2006.

The working paper has a strong emphasis on guidelines for action. A recurrent theme is the need to mobilise cities in pursuit of their own development and that of the wider region. While recognising that many competencies are held at the national or regional level, there is much that cities can do, particularly when their capacity for action is reinforced by European programmes.

The guidelines for various priority areas on which cities can take action include:

- attractiveness, or ‘investment readiness’, in terms of transport, environment, services and culture including the promotion of clean, efficient, affordable and effective mobility within cities, energy efficiency and renewable energy;
- actions for entrepreneurship, employability and the growth of the knowledge economy. This includes the promotion of clusters of excellence and networks between local partners including planners, businesses, universities and the local community;
- mediating between different communities and reducing disparities between neighbourhoods and social groups, improving local security and crime prevention.

Cohesion policy can provide cities with the following forms of support:

- providing a framework for the mobilisation of local authorities and local actors – **provisions for subdelegation** would offer them the opportunity to become full partners throughout the design and implementation of the relevant measures;
- promoting **exchanges of experience and best practice**, both through the URBACT network and its proposed extension for the 2007-2013 period;
- **providing innovative financial tools**, including the JEREMIE and JESSICA initiatives, which should help to provide improved access to finance, including the micro-credit provision that can be so important to developing business activity even in the most difficult social circumstances and to promote integrated urban development.

The document, in the form of a Communication from the Commission, will serve as a reference for Member States and regions in drawing up their National Strategic Reference Frameworks for cohesion policy and the resulting operational programmes. Moreover, the results of the consultation exercise will help to shape the final version of the Community Strategic Guidelines 2007-2013.

Table 5 Regional state aid guidelines 2007-2013

In December 2005, the Commission adopted new regional aid guidelines under the EC Treaty state aid for 2007 to 2013². The Guidelines set out the rules for allowing state aid which promotes the development of less developed regions, covering aid such as direct investment grants and tax reductions for companies. They specify the rules for the selection of regions which are eligible for regional aid, and define the maximum permitted levels of this aid. In line with requests from the European Council for less and better targeted state aid, the new Guidelines re-focus regional aid on the most deprived regions of the Union, while allowing for the need to improve competitiveness and to provide for a smooth transition.

Under the new Guidelines, the overall population coverage for regional state aid is fixed at 43.1% of the EU-25 population. This includes a safety net to ensure that no Member State loses more than 50% of its current entitlement. Regions with less than 75% of the EU-25 average per capita GDP qualify for the highest rates of aid under Article 87(3)(a), as well as for operating aid. These regions constitute 27.7% of the EU-25 population. Given the huge disparity in wealth between these regions, ranging from 32.2% to 74.9% of the Community average, they are divided into three categories shown in Table 6 in the annex to this report.

New guidance is also in preparation on state aid in the fields of R&D and innovation and risk capital, which are important elements in the realisation of the Lisbon strategy and future cohesion programmes.

Table 6 Maximum aid rates under Regional State Aid Guidelines 2007-2013

Regional GDP as % of EU-25 GDP	% of EU-25 population	Maximum aid rates for large companies
<75%	14.05%	30%
<60%	6.30%	40%
<45%	7.37%	50%

² OJ C 54, 4.3.2006, p. 13.

Table 7 Regional Aid Coverage By Population, 2007 – 2013

In %	B	Dk	D	Gr	ES	F	Irl	I	LU	NL	Ös	Port	SF	S	UK	EU-15	Cz	Hu	Cy	Slk	EU-25 ^{3*}	EU-27 ^{4*}
Disadvantaged Areas (Art 87(3)(a))	0	0	12.5	36.6	36.2	2.9	0	29.2	0	0	0	70.1	0	0	4.0	15	88.6	72.2	0	88.9	27.7	32.2
'Statistical effect' areas	12.4	0	6.1	55.5	5.8	0	0	1.0	0	0	3.4	3.8	0	0	0.6	4.3	0	0	0	0	3.6	3.4
Other areas (Art 87(3)(c))	13.5	8.6	11.0	7.9	17.7	15.5	50.0	3.9	16	7.5	19.1	2.8	33.0	15.3	19.3	13.3	0	27.8	50	0	11.8	10.8
Total	25.9	8.6	29.6	100	59.6	18.4	50	34.1	16	7.5	22.5	76.7	33.0	15.3	23.9	32.5	88.6	100	50	88.9	43.1	46.4

³ Estonia, Latvia, Lithuania, Malta, Poland and Slovenia have 100% coverage under Article 87(3)(a) of the EC Treaty and are omitted from the table, but included in the EU-25 total.

⁴ Bulgaria and Romania will also have 100% coverage under Article 87(3)(a) and are included in the EU- 27 totals.

Table 8 Turkey: GDP/head: regional disparities

	Average 1987-88-89	Average 1993-94-95	2001
% of GDP corresponding to 10% of population in regions with <i>lowest</i> GDP/head	3,7%	3,6%	4,2%
% of GDP corresponding to 10% of population in regions with <i>highest</i> GDP/head	16,7%	16,5%	16,6%
ratio top regions/bottom regions	4,5	4,6	3,9
ratio between extreme regions	7,0	6,9	5,6
Gini coefficient *	0,244	0,237	0,219
Main urban regions (level 2)			
	Average 1987-88-89	Average 1993-94-95	2001
<i>GDP/head, index, TR=100</i>			
Istanbul	167	150	143
Ankara	130	139	128
<i>Regional GDP as % of total national GDP</i>			
Istanbul	20,5%	21,0%	21,3%
Ankara	8,4%	7,9%	7,6%
<i>* reference years 1989, 1995 and 2001</i>			
<i>Sources: national statistical institute, Eurostat, DG REGIO estimates</i>			

Table 9 Additional allocation for outermost regions, 2007-2013

The draft regulations 2007-2013 foreseen an additional allocation under cohesion policy to compensate for the additional costs faced by the outermost regions resulting from their specific economic and social situation, due their remoteness, insularity, small size, difficult topography and climate and their economic dependence on a few products. This will be integrated as a priority axis into the Operational Programmes financed by the ERDF in those regions.

The objective of this would be as follows:

- to contribute to reducing the additional costs of economic activity in these regions;
- through both the Convergence and Regional Competitiveness and Employment Objectives, the ERDF could contribute to co-financing operating aid in the outermost regions to offset the additional costs incurred in incurring public service contracts and obligations as well as the additional costs incurred by financing investments (maximum 50%);
- the additional allocation cannot be used to support operations involving products falling within Annex I to the Treaty of European Union.

The main areas of intervention would be:

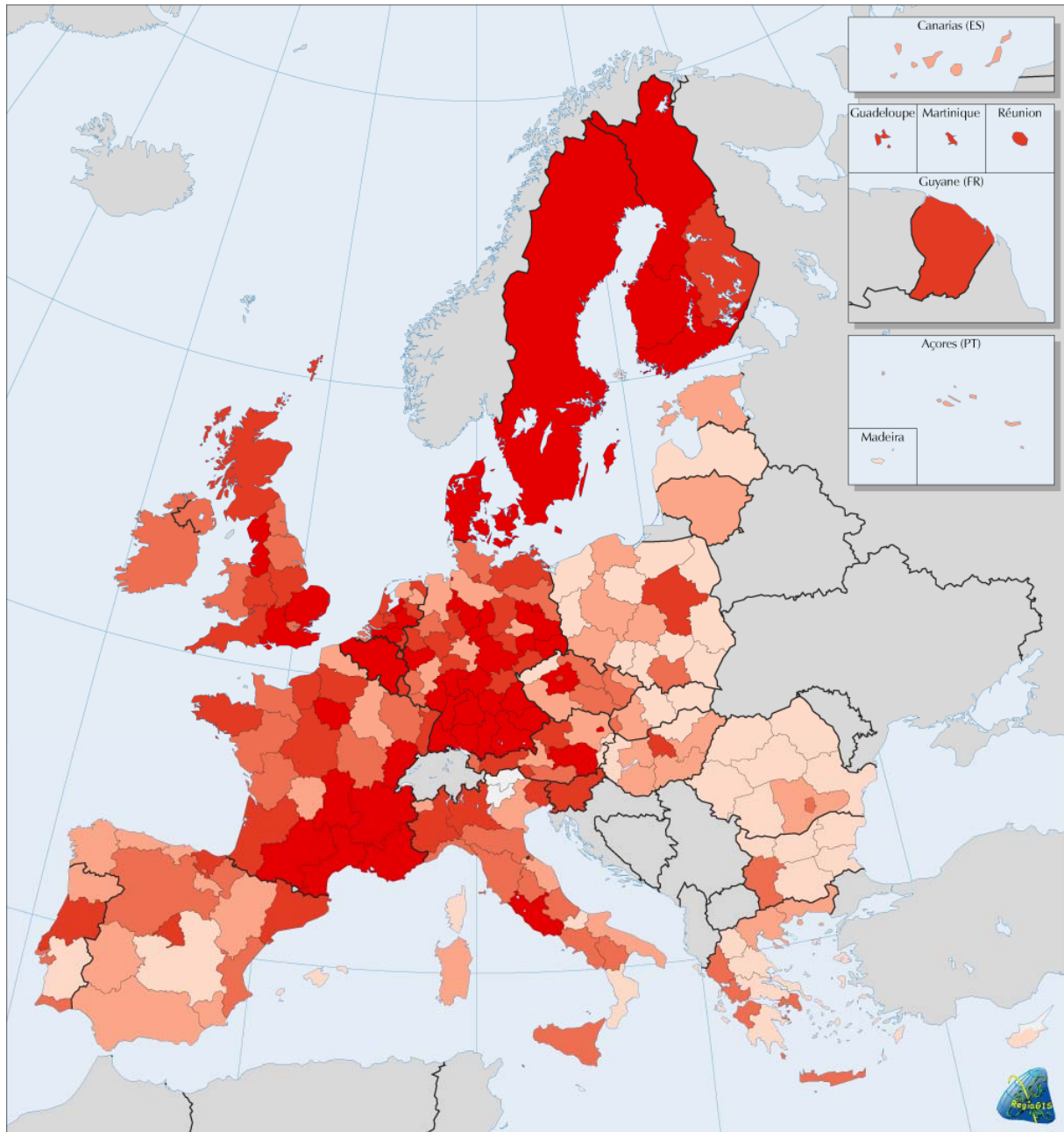
- addressing the accessibility deficit due to due the remoteness, insularity, or difficult topography of the territory including improving the capacity of these regions to access the Community market. Particular attention will be paid to freight transport services, energy provision and access to ICT networks and services.
- addressing the lack of economic diversity in the regional economy, supporting innovative sectors including activities in research and innovation, investment in human capital and promotion of local production;
- addressing environmental and climatic difficulties and the preservation of biodiversity by focusing on improving environmental conditions, waste treatment and offsetting additional costs linked to specific climatic conditions.

Indicative special allocation for outermost regions, 2007-2013 (in M€):

Madeira	€59
Canary Islands	€434
Martinique	€95
Guadeloupe	€107
Açores	€58
Réunion	€183
French Guyana	€43

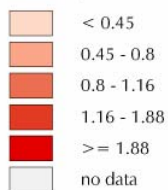
MAPS

Map 1 R&D expenditure as % GDP (2002)



R&D expenditure (GERD), 2002

% of regional GDP

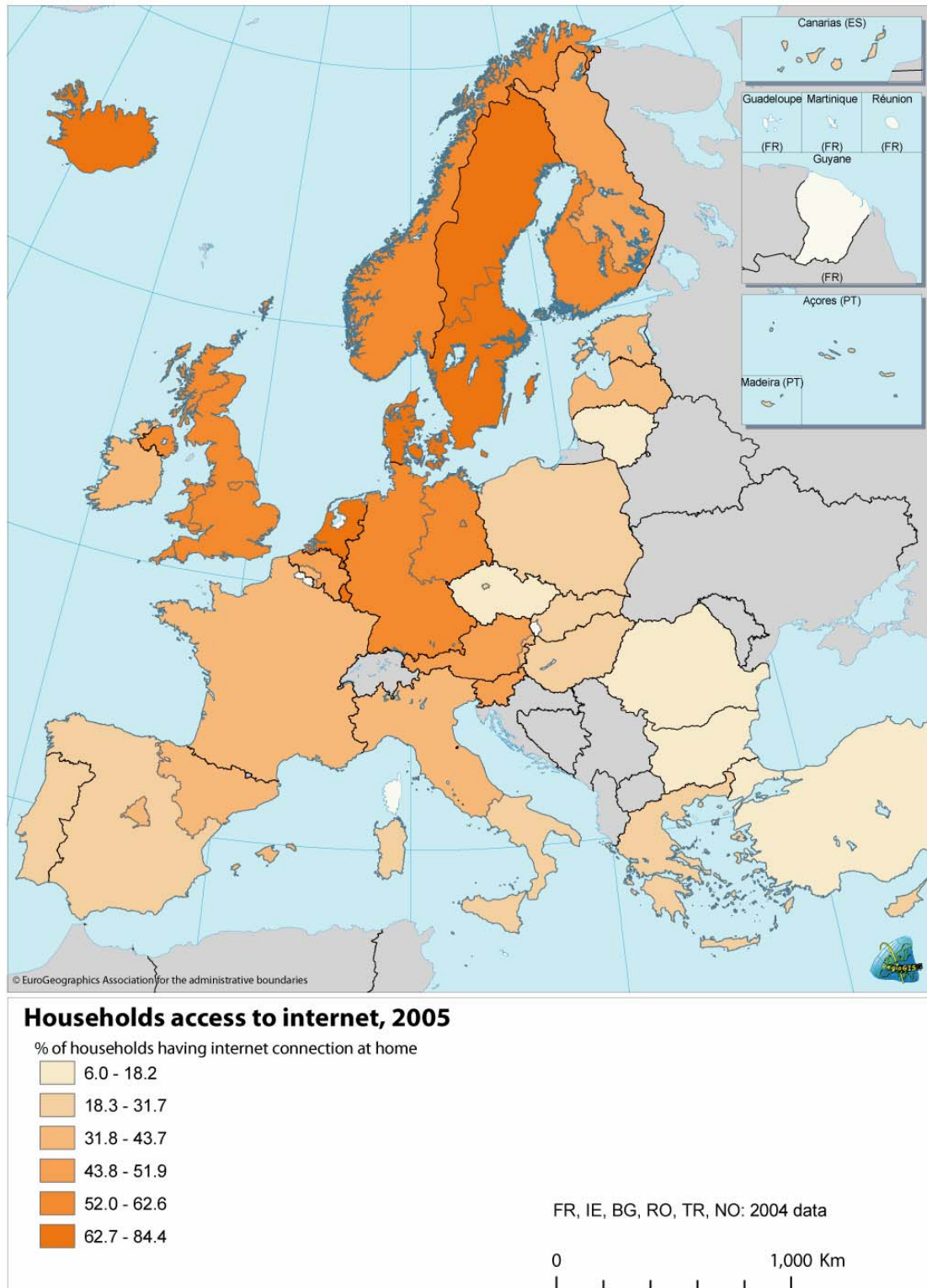


EU-27 = 1.92
 UK : NUTS1
 BE, IE, SE : NUTS0
 DE, LT, NL, PT, SE: 2001
 IT, LU : 2000
 EL, UK : 1999
 AT : 1998
 Source: Eurostat

0 100 500km

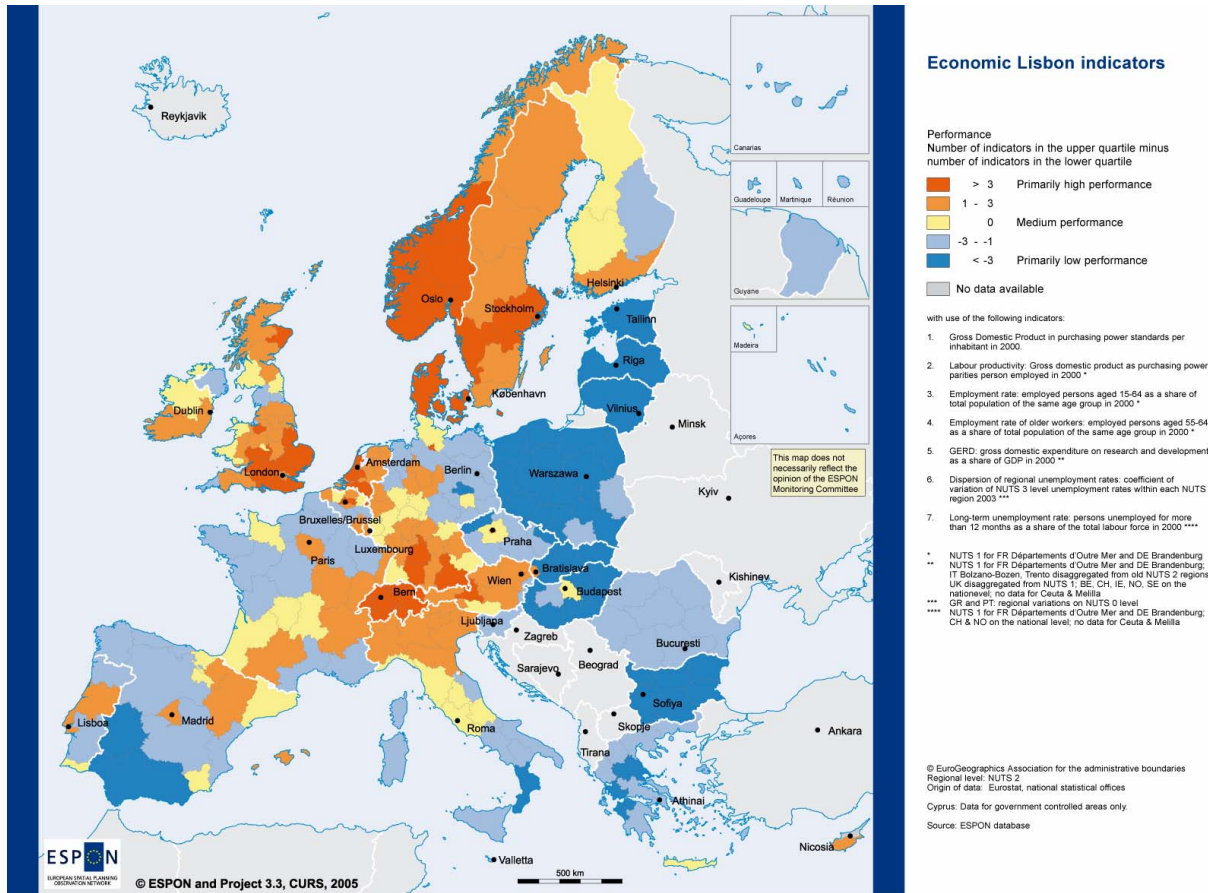
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Map 2 Household access to internet (2005)

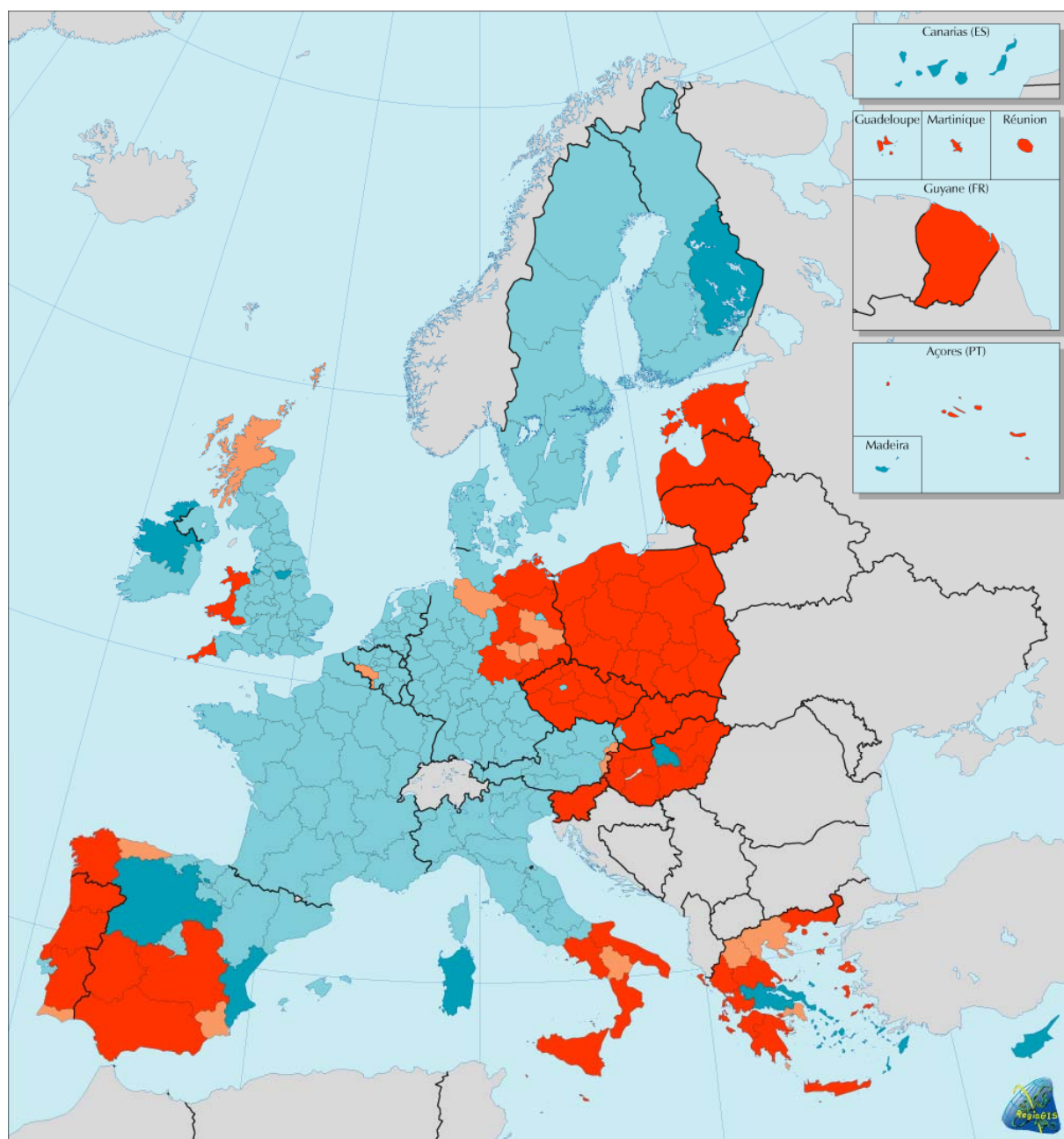


Map 3

Economic Lisbon indicators



Map 4 Convergence and Competitiveness Regions, 2007-2013



EU25: Convergence and Competitiveness Objectives 2007-2013

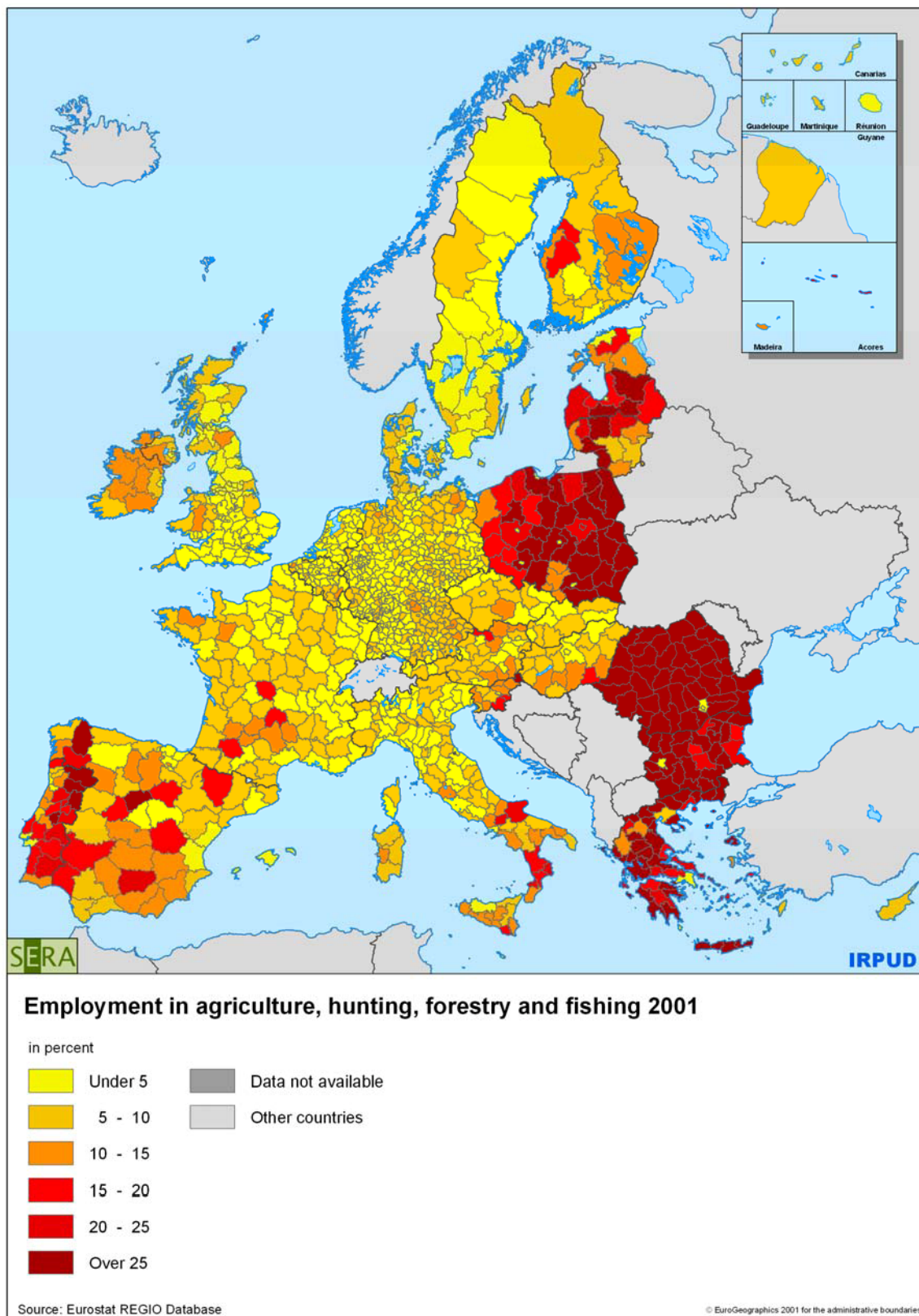
- Convergence Regions
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness and Employment Regions

Based on Eurostat GDP/head data available in April 2005, and on Financial Perspective agreement December 2005

0 100 500km

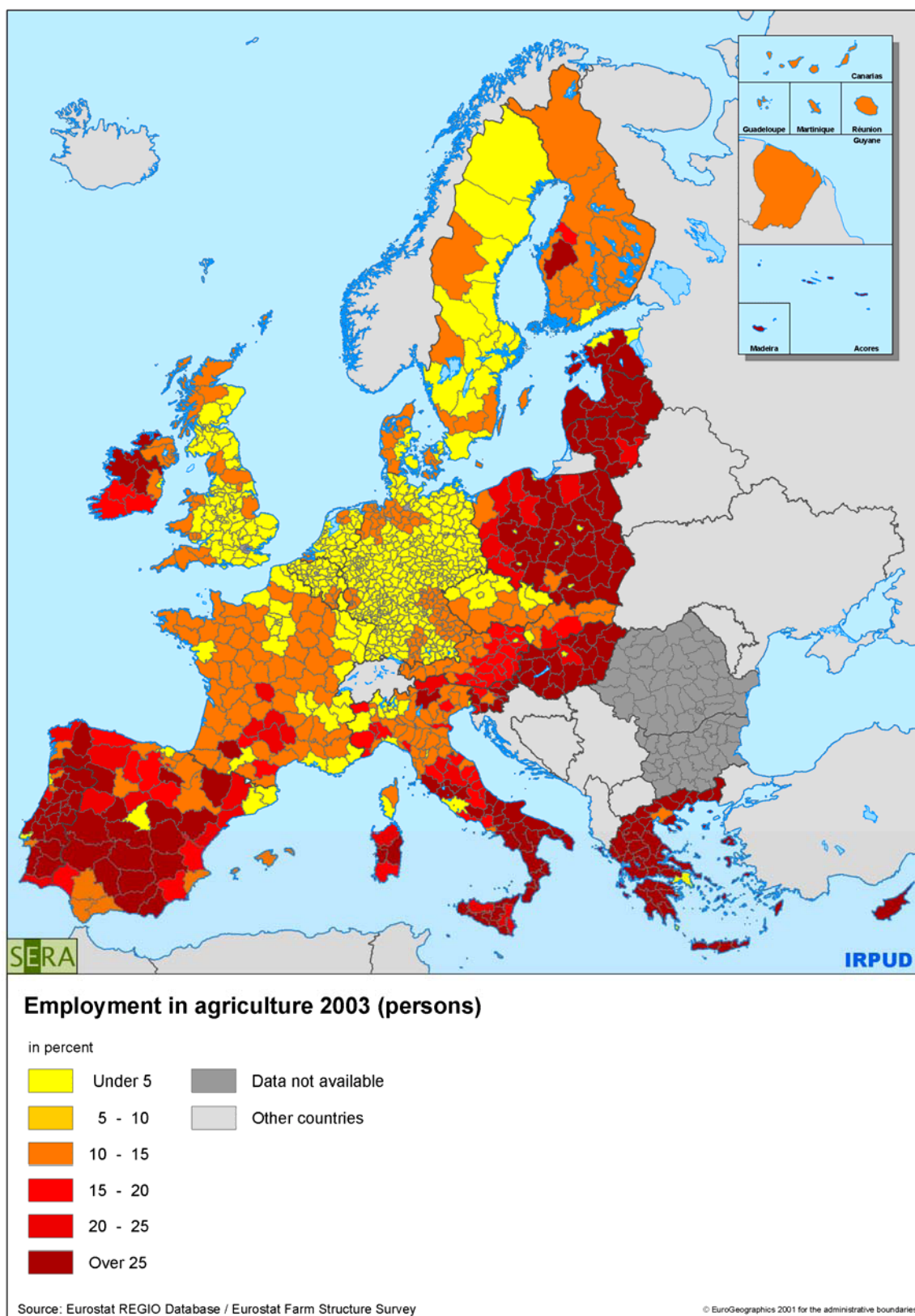
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Map 5 Share of employment in agriculture, hunting, forestry and fishing (persons with main employment in the primary sector) in total employment (2001)⁵



⁵ CY, LU, PT, BG 2000; LV 2002.

Map 6 Share of employment in agriculture (persons) in total employment (2003)⁶



⁶ PT 2000. Total employed for AT, CZ, DK, GR, ES, IE, IT, LV, LT, HU, SI, SK, SE and UK year 2001; LU and CY year 2000. Poland: Individual holdings only.

Map 7 Turkey: GDP/head NUTS II regions (2001)

