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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**Seventh progress report on economic, social and territorial cohesion**

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## Seventh progress report on economic, social and territorial cohesion

### 1. INTRODUCTION

In June 2010, the European Council approved the Europe 2020 strategy, the EU's strategy for smart, sustainable and inclusive growth. Regional and local authorities can make a key contribution to this strategy through the actions that fall within their responsibility. This is particularly critical in more decentralised or federal Member States.

Involving regional authorities in European policies can increase the efficiency of these policies, as highlighted by a number of recent studies<sup>1</sup>. An integrated regional, or place-based, approach can be more efficient for policies with marked externalities and in countries with substantial internal disparities. Such an approach, however, requires a strong administrative and institutional capacity and the right national framework conditions.

In the fifth Cohesion Report<sup>2</sup>, the Commission proposed to further strengthen the regional and urban dimension of cohesion policy and its partnership principle. The following public debate showed clear support for these changes<sup>3</sup>. The regulations for the period 2014-2020 put forward by the Commission on 6 October 2011 show how these changes will be implemented<sup>4</sup>.

Cohesion Policy is a key delivery mechanism for Europe 2020<sup>5</sup>, with a long tradition of designing and implementing integrated regional and urban programmes in partnership with regional and local authorities, economic actors, social partners and civil society. It can provide Europe 2020 with the active support of regional and local authorities it needs to succeed.

This progress report assesses how, in the context of cohesion policy, regions and cities can contribute to three types of growth of the Europe 2020 strategy. It measures the distance of cities and regions to the national 2020 targets proposed in the national reform programmes. This distance to target depends on the disparities with the country, the ambition of the NRP and expected speed of change.

This analysis does not imply that all regions can or should reach all their national or the EU targets. For some regions, the distance to the target is simply too great.

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<sup>1</sup> An Agenda for a Reformed Cohesion Policy, F. Barca, 2009. [http://ec.europa.eu/regional\\_policy/policy/future/barca\\_en.htm](http://ec.europa.eu/regional_policy/policy/future/barca_en.htm) and The balance between sectoral and integrated approaches and the involvement of sub-national levels in EU Member States. [http://ec.europa.eu/regional\\_policy/information/studies/index\\_en.cfm#2](http://ec.europa.eu/regional_policy/information/studies/index_en.cfm#2)

<sup>2</sup> Fifth Report on economic, social and territorial cohesion, 2011. [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/index\\_en.cfm](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm)

<sup>3</sup> SEC(2011) 590 [http://ec.europa.eu/regional\\_policy/consultation/5cr/pdf/5cr\\_result\\_sec2011590.pdf](http://ec.europa.eu/regional_policy/consultation/5cr/pdf/5cr_result_sec2011590.pdf)

<sup>4</sup> See COM(2011)615 [http://ec.europa.eu/regional\\_policy/what/future/proposals\\_2014\\_2020\\_en.cfm#1](http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1)

<sup>5</sup> See: A strategy for smart, sustainable and inclusive growth, COM (2010) 2020. [http://ec.europa.eu/europe2020/documents/related-document-type/index\\_en.htm](http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm)

Furthermore, for some issues it is not realistic or desirable that all regions reach the same target. For example, R&D is highly concentrated in part due to benefits of clustering research. The concentration of poverty and exclusion, however, has a lot of negative effects.

In short, cohesion policy programmes should select their investment priorities taking into account the starting position of a region or city in relation to the national 2020 targets and identify the concentrations to promote and the ones to fight.

## **2. SMART GROWTH**

The smart growth objective is to improve education, promote R&D and innovation and move towards a digital society. Through investments in education, training, research and innovation, the EU economy can become more productive and maintain or increase its global market share. This can in turn help to increase the number of jobs and improve their quality.

### **2.1. Education and training**

Human capital is one of the key determinants of regional growth<sup>6</sup>. High levels of education attainment favour innovation as it facilitates the rapid diffusion and absorption of new knowledge and techniques. Regional development is therefore closely linked to the capacity to create, retain and attract human capital, which is linked to the quality of its education institutions and life-long learning opportunities. Investment in education and training should go hand in hand with policy reforms, such as those included in the education and training strategy ET 2020.

Developing and attracting (entrepreneurial) talent<sup>7</sup> has become a key source of growth as this can boost the innovative milieu and can lead to more innovative, high-growth firms<sup>8</sup> in a region.

The Europe 2020 target is to increase the share of people aged 30-34 with a tertiary degree to 40% by 2020. Currently, only one in five EU regions has reached this target. Member States have set themselves targets ranging from 26% to 60%. The regions eligible under the regional competitiveness and employment (RCE) objective score the best with (one in three), the transition<sup>9</sup> regions score average (one in four), while the convergence regions score poorly (one in twenty).

The share of tertiary educated tends to be higher in capitals and adjoining regions, several of which have already reached the Europe 2020 target. The distance to the national target is significant for many regions in Portugal, Slovakia and Germany (see fact sheet 1).

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<sup>6</sup> See Regional Outlook, Paris, OECD, 2011.

<sup>7</sup> See Sixth Progress Report: Creative and innovative regions. COM (2009) 295.

<sup>8</sup> This is the new Europe 2020 innovation indicator.

<sup>9</sup> Phasing In and Phasing Out regions are grouped as Transition regions since both receive transitional support.

The variation in human capital between regions within a Member State is often larger than between Member States. Therefore, the national strategies need to be complemented by regional policies. A recent report suggests that delegating more human capital development decisions to the regions<sup>10</sup> can be more effective.

Europe 2020 aims to reduce the share of early school leavers to less than 10%. The share is significantly higher in most southern European regions. In contrast, it is much lower in Poland, Slovenia, Slovakia, Austria and the Czech Republic. The distance to the national target is highest in Spanish and Portuguese regions and some regions in Greece, Italy and Bulgaria. For this target, the convergence regions score better than the other regions, with almost half respecting this target compared to only one in four for the RCE and transition regions (see fact sheet 2).

## **2.2. Research and Innovation**

The Innovation Union flagship underlines the role of research and innovation boosting job creation and economic growth. Regions are playing a more important role in innovation policy for two reasons: the recognition of the regional and local dimensions in national innovation strategies and the increasing role of innovation in regional development strategies.

Research and innovation tends to be concentrated in a few economically successful regions, but a large range of development paths exist across Europe. Also the institutional frameworks for innovation policies are extremely varied, in terms of the competences of regional governments, the match between administrative and functional regions, and cross-regional relationships.

Some regional innovation policies focus too narrowly on science and technology, which need a certain scale or critical mass of activities not present in all regions. Innovation, however, goes far beyond science and technology and also includes organisational and process innovation, creativity and design.

A regional innovation strategy should involve a rigorous assessment of a region's strengths and weaknesses and benchmarking with other similar regions. The strategy should cover all dimensions of innovation and involve key regional actors to identify targets and the appropriate policy mix. Human capital is a key source of innovation.

The level of technological innovation and the speed of its diffusion and absorption differ widely between EU regions<sup>11</sup>. Regions with the highest innovative capabilities can be found in northern Europe, typically in the most innovative countries. However, a few regions outperform their national levels also in less developed countries, providing a general picture of high concentration of technological capabilities in few regions across Europe.

The Europe 2020 target is 3% of GDP to invest in R&D and Member States have defined national targets for investments in R&D. In 2009, R&D expenditure

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<sup>10</sup> Human Capital Leading Indicators. Policy Brief, Vol. V, No. 1, P. Ederer et al. Lisbon Council, Brussels, 2011. <http://www.lisboncouncil.net/publication/publication/64-leadingindicators.html>

<sup>11</sup> See The regional impact of technological change in 2020 by Wintjes and Hollanders 2010. [http://ec.europa.eu/regional\\_policy/information/studies/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/information/studies/index_en.cfm#1)

represented 2% of GDP in the EU-27. R&D is typically concentrated in core areas such as capital and metropolitan regions. In 2008, expenditure exceeded the Europe 2020 target in 24 out of 159 RCE regions, but only in one out of 84 convergence regions and not in a single transition region. On average R&D expenditure of the convergence regions is only 0.9% of their GDP (see table 1). The RCE regions exceeding the Europe 2020 target are mostly located in northern countries (Germany, UK, Sweden and Finland), Austria and capital regions such as Hovedstaden (Copenhagen) and Ile de France (Paris). In 2008, only 16 regions across Europe have reached the national targets set by 2020. Therefore, significant efforts are needed in all Member States to meet the national targets in this respect (see fact sheet 3).

### **2.3. Digital society**

The Digital Agenda for Europe<sup>12</sup> promotes the fast development of digital technologies and an inclusive digital society. The availability of high-speed networks is a key factor for competitiveness, as it determines the capacity of regions to compete in and benefit from the global knowledge-based economy, technology and market.

According to the 2011 digital agenda scoreboard, broadband (DSL) coverage in 2010 reached 95% of the total population. Coverage in rural areas is significantly lower (83%) and represents a challenge for a number of countries where less than 60% of the rural population has access to broadband (Bulgaria, Slovakia, Poland and Romania). Nevertheless, the gap between urban and rural areas<sup>13</sup> has been reduced in the recent years (e.g. Romania and Cyprus). Still further investments are needed to reach the broadband targets.

The utilisation of the networks for private and public e-services is also growing but still involves a relatively limited share of the European population. In 2010, only 41% of the population interacted online with public authorities and only 40% ordered goods or services online. The percentage of turnover of enterprises generated online rose from 8.6% in 2004 to almost 14% in 2010, confirming a trend of increasingly dynamic growth in this area. However, important barriers to the digital single market remain to be addressed.

### **2.4. Creative cities: Hubs of innovation**

Cities have always been centres of specialisation and innovation. For example, patenting is highly concentrated in a few metro regions<sup>14</sup> (see fact sheet 4). Given the high concentration of innovative activities in cities, the full utilisation of their potential represents one of the main resources for strengthening regional innovation in both convergence and RCE regions. In virtually all Member States, the share of tertiary educated aged 25-64 is higher in cities than in other areas. In 22 Member

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<sup>12</sup> [http://ec.europa.eu/information\\_society/digital-agenda/publications/index\\_en.htm](http://ec.europa.eu/information_society/digital-agenda/publications/index_en.htm)

<sup>13</sup> In the EU, 47% of the population lives in urban areas or cities, 25% in towns and suburbs and 28% in rural areas based on the degree of urbanisation classification.

<sup>14</sup> Metro regions are one or more NUTS 3 regions that represent an agglomeration of more than 250 000 inhabitants. For more detail see Regional Focus 01/2011. L. Dijkstra and H. Poelman, 2011. [http://ec.europa.eu/regional\\_policy/information/focus/index\\_en.cfm](http://ec.europa.eu/regional_policy/information/focus/index_en.cfm)

States, the share is between 10 and 25 percentage points (pp) higher in cities (see Figure 1).

The coverage and use of broadband internet tends to be higher in urban areas<sup>15</sup> than in rural areas, but in countries with high share of broadband coverage this gap has almost disappeared. The ultra fast next generation access networks are also expected to be rolled out in large cities first.

The innovative capacity of cities can also be demonstrated through their productivity. Three out of four metropolitan areas in the EU have a higher level of productivity than the other regions in their country. But higher productivity should not be equated with higher productivity growth. Between 2000 and 2008, only two out of five metropolitan areas experienced higher productivity growth than the other regions in their country.

The comparative advantage of metro regions is strongest in the Member States of central and eastern Europe, where metropolitan areas often have a level of productivity more than 50% higher than in the rest of the country. However, this often only applies to the capital region, while the productivity of secondary growth poles<sup>16</sup> lags further behind the capital region than in more developed Member States.

### **3. SUSTAINABLE GROWTH**

The sustainable growth objective aims to enhance resource efficiency<sup>17</sup> and to help the EU prosper in a low-carbon world, while preventing environmental degradation and biodiversity loss as well as a more competitive economy. It promotes more water efficiency and the use of waste as a resource. It addresses combating climate change and strengthening the resilience of our territories to climate risks. This includes the reduction of greenhouse gas emissions, the promotion of renewable energies and more efficient energy supply systems.

#### **3.1. Resource efficient Europe**

The Europe 2020 strategy aims to reduce greenhouse gas emissions by at least 20% (and 30%, if the conditions are right) compared to 1990, and to increase energy efficiency and the consumption of renewable energy both by 20%.

Under the 'Effort Sharing Decision'<sup>18</sup>, Member States have adopted a mix of emission reduction targets and limits on emission increases (see fact sheet 5). Some have already reached their target and only need to maintain this lower level of emissions. Greece, for example, committed to reduce emissions by 4% compared to

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<sup>15</sup> See Eurostat Regional Yearbook 2011, chapter 16.

<sup>16</sup> See ESPON interim report of Secondary Growth Poles

<sup>17</sup> See Roadmap to a Resource Efficient Europe COM(2011)571

<sup>18</sup> In the Climate and Energy Package, the overall emission reduction goal will be accomplished through (1) the EU Emissions Trading System (ETS) and (2) the 'Effort Sharing Decision'. This last decision establishes for the period 2013–2020 annual binding national greenhouse gas emission targets with 2005 as a base year from sectors not included in the ETS - such as transport, buildings, agriculture and waste. Cohesion Policy actions can play a role in reducing GHG emissions in these sectors, but should not subsidise emissions reductions already covered by the ETS.

2005 levels and already had cut them by almost 7% in 2009. Others committed to limit the increase in emissions and actually reduced them, like Slovakia which agreed to limit the increase to 13%, but actually reduced emissions by 12%.

On the other hand, some Member States will have to reduce their greenhouse gas emissions significantly. For instance Ireland, Denmark and Luxembourg still need to cut emissions by more than 10 percentage points to reach their target.

The picture is similar for renewable energy consumption (see fact sheet 6). The share of renewable energy in gross final energy consumption varies from 44% in Sweden to 0.2% in Malta. All Member States, except Latvia and Slovenia, have increased renewable energy consumption, with especially high increases in Austria, Estonia and Romania.

Some Member States are close to the target they set under the Climate and Energy Package. For instance Sweden has to increase the share of renewables by another 4.6 pp to reach its target of 49% by 2020. For some, the distance to the target is far greater and additional efforts will be required to reach it on time. For example, the United Kingdom and Ireland want to increase their share of renewables by 13 and 12 pp by 2020.

Sustainable growth has an important regional dimension. Regional characteristics directly determine the extent to which EU regions can produce renewable energy. For example, the production of solar and wind energy is highly location dependent. Coastal regions tend to have a high wind energy potential, while southern regions with more sunny days have more potential for solar energy. Moving renewable energy between regions with a high potential to regions with a high demand will require the development of better and more intelligent energy networks.

Regions can reduce greenhouse gas emissions by promoting cleaner modes of public transport and shifting to more sustainable modes of transport. Initiatives to promote cleaner and more efficient transport have to adapt to the local context, focusing on the infrastructure in regions where it is still lacking while targeting the attractiveness of sustainable transport modes and demand management in other regions.

Regions can play a prominent role in fostering energy efficiency. This is particularly true as regards buildings, where actions must adapt to the local context and climate. These actions are likely to be different between urban and rural areas or between places with old versus more recent buildings. The objective, however, remains the same: improving energy performance in conformity with EU legislation.

### **3.2. Sustainable cities**

Cities are at the forefront of the fight against climate change, not only because they host a high share of the population and an even higher share of economic activities, but because working and living in cities is more resource efficient. People living in cities take shorter trips to get to work and are more likely to walk, cycle or take public transport. In the EU, for example, households living in urban areas are three times more likely to use only public transport, walking or cycling for their transport needs (see Figure 2). They tend to live in flats or townhouses which require less

energy to heat and cool. In addition, district heating systems are more efficient in dense urban neighbourhoods.

In the EU, final energy demand per capita was 40% higher in rural areas than in urban areas<sup>19</sup>. A large share of that difference is due to the higher efficiency of cities<sup>20</sup>. From an energy efficiency point of view, policies that enhance the appeal of urban living and working should be promoted.

As a high share of CO<sub>2</sub> emissions occur in cities, the resource-efficiency of cities should be further enhanced. It is therefore essential to make cities an integral part of the solution in the fight against climate change. Policies should aim to reduce congestion, promote non-motorized transport and improve the energy performance of buildings<sup>21</sup>. This would also improve air quality, which is lower in cities, and increase the health of city dwellers. However, care should be taken that these measures do not lead to urban sprawl by shifting jobs and residents to the outskirts of the city.

The Covenant of Mayors commits cities to reduce their greenhouse gas emissions by more than 20% by 2020 and has been signed by more than 2500 mayors in Europe representing over 125 million inhabitants. The Smart Cities and Communities Initiative, which builds among others on this covenant, will develop a more comprehensive approach to urban challenges around energy, transport and ICT.

## **4. INCLUSIVE GROWTH**

The Europe 2020 strategy has a strong focus on employment creation, skills and labour market reform and explicitly targets reducing poverty and exclusion. It aims to increase employment rates and the quality of jobs, especially for women, young people and older workers. It also wants to better integrate migrants in the labour force. Furthermore, it will help people anticipate and manage change by investing in skills and training and modernising labour markets and welfare systems.

### **4.1. Employment**

The Europe 2020 strategy aims to increase the employment rate to 75% for the population aged 20-64 by 2020. Member States have set national targets varying from 62.9% in Malta to 80% in Denmark and Sweden.

Not all Regions are expected to reach the EU or national employment targets, as they face very different starting positions. The employment rate in convergence regions in 2010 was only 63% after a decline due to the economic crisis. Only two convergence regions have reached the EU target of 75% in 2010. If the goal was to reach the 2020 target in all convergence regions, 11 million people<sup>22</sup> would have to find a job. The

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<sup>19</sup> World Energy Outlook 2008, IEA, Paris, 2008.

<sup>20</sup> The remaining difference may be due to a higher share of energy-intensive manufacturing located in rural areas.

<sup>21</sup> The green metropolis, D. Owen. Riverhead, 2009. and Triumph of the City, E. Glaeser. The Penguin Press, 2011.

<sup>22</sup> This shows the number of jobs required for all convergence regions to have an employment rate of 75% or higher. The jobs required to reach 75% in all EU regions is 23 million. The number required to reach

transition regions also have a low employment rate of 64% and would need 3 million jobs to reach the EU target in all these regions. The RCE regions have a considerably higher employment rate of 72%, but because 60% of the EU working age population lives in these regions, they would still need 9.4 million jobs to reach this target in each of these regions<sup>23</sup>.

Employment rates below 60% can be found in regions in southern Spain and southern Italy and some regions in Romania and Hungary (see fact sheet 7). Many regions in Germany, the UK, the Netherlands, Denmark, Sweden and Austria have already reached 75%. To ensure that the EU reaches 75% by 2020, especially those countries and regions where employment rates are currently low will have to make significant progress but the contribution from countries and regions already close to or above 75% will also be needed.

The recent crisis also led to rapid increases in unemployment rates (see fact sheet 8). In the three Baltic States and seven Spanish regions unemployment rates increased by between 10 and 18 pp. Unemployment increased least (1.8 pp) in the RCE regions. The convergence regions witnessed a more substantial increase (2.8 pp). The sharpest increase, however, occurred in the transition regions (6.4 pp). Despite the overall increases, unemployment decreased in 52 regions, mostly in Germany but also in some regions in Poland, France, Finland and Austria.

#### **4.2. Poverty and exclusion**

The Europe 2020 strategy aims to reduce the number of people at risk of poverty or exclusion by 20 million by 2020, corresponding to a reduction from 23% of the EU population to 19%. The share of population at risk of poverty or exclusion is over 50% in three Bulgarian regions and is 49% in Sicily (see fact sheet 9). The lowest rates can be found in Åland, Trento, Navarra and Praha, where it is 10% or lower.

The at-risk-of-poverty-or-exclusion rate is composed of three indicators: (1) having an income below the national poverty income threshold after social transfers (2) severe material deprivation and (3) living in household with a low work intensity (see fact sheet 9 for the full definition). The first indicator is a relative poverty indicator because it measures the share of people with an income below 60% of the national median income. As a result, someone who is considered at risk of poverty in the UK would probably not be considered poor in Bulgaria with the same income. The second indicator is an absolute measure of poverty as it measures access to nine essential items in the same way in all Member States. This indicator is closely correlated to the level of development of a country. In 2009, it ranged from 32% in Romania to 1% in Luxembourg. The last indicator measures exclusion from the labour market. This indicator is not correlated with GDP per head or even employment rates. In 2009, it was highest in Ireland and the UK, while the lowest rates were in Estonia and Cyprus.

The at-risk-of-poverty rate has a strong regional dimension which cannot be explained by personal characteristics such as education, employment status,

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this target at the EU level is lower (17.6 million), as regions with employment rates above 75% can compensate for regions with lower rates

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Estimates based on current number of jobs and the Eurostat regional population forecast.

household type and age. Estimates of regional poverty based on these dimensions considerably underestimate the regional variation of poverty. In other words, the at-risk-of-poverty rate depends not only on a person's education or employment status, but also on where they live ('location effect').

Unfortunately, the at-risk-of-poverty-or-exclusion rate is not available at regional NUTS 2 or 1 level in several large Member States. As cohesion policy aims to make a substantial contribution to reducing poverty and exclusion, especially in the least developed regions, a regional benchmark will be critical to monitor and assess its impact. Estimates indicate that convergence and transition regions score significantly worse than RCE regions on at risk of poverty and exclusion and two of its three dimensions (see Table 1).

### 4.3. Inclusive cities: the urban paradox

The urban dimension of inclusive growth is inversely related to the level of economic development: the more developed Member States tend to have less inclusive cities.

In more developed Member States, urban areas are frequently confronted with substantially higher shares of people living in a jobless household (see Figure 3). Also unemployment rates are higher and employment rates are lower in urban areas in more developed Member States. In the UK, Portugal, France, Austria and Belgium, urban unemployment rates are between three and five pp higher<sup>24</sup>.

The high share of people disconnected from the labour market in areas with the highest physical concentration of job opportunities (cities) was highlighted as an urban paradox by the two State of European Cities Reports<sup>25</sup>.

Severe material deprivation and the at-risk-of-poverty rate<sup>26</sup> (see Figure 4 and 5) tend to be higher in urban areas in many of the more developed Member States, despite higher average incomes in such urban areas. In Belgium, Austria and the UK, severe material deprivation is between three and five pp higher in urban areas than in the rest of the country. Research<sup>27</sup> has highlighted the presence of large (and growing) income disparities in cities.

Living in an urban area in a less developed Member State, however, has more advantages than living in a rural area or small town. Urban areas in these Member States tend to have higher employment rates and lower shares of jobless households, severe materially deprived and people at risk of poverty. In addition, average incomes are much higher. For example in Latvia, Bulgaria, Poland and Romania average incomes in urban areas are between 40% and 70% higher than in the rest of

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<sup>24</sup> The Urban Audit shows that these higher unemployment rates are not evenly distributed over all cities, but affect some cities and some neighbourhoods much more than others.

<sup>25</sup> State of European Cities Report. Commission, 2007 and 2010.

<sup>26</sup> [http://ec.europa.eu/regional\\_policy/activity/urban/audit/index\\_en.cfm](http://ec.europa.eu/regional_policy/activity/urban/audit/index_en.cfm)

<sup>27</sup> This is particularly striking as the at-risk-of-poverty rate does not take into account the higher cost of living in urban areas, so probably underestimates the at-risk-of-poverty rate in cities.

For example see the ESPON FOCI study.  
[http://www.espon.eu/main/Menu\\_Projects/Menu\\_AppliedResearch/foci.html](http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/foci.html)

the country. This highlights the concentration of poverty in rural areas, often compounded by poor access to services<sup>28</sup>.

## 5. CONCLUSION

This report has highlighted the regional and urban dimension of the Europe 2020 strategy. It shows that significant efforts and investments are needed in all Europe's regions to achieve the smart, sustainable and inclusive growth objectives. It argues that those needs differ between regions and between cities and that policies should take these needs into account.

Given cohesion policy's key role in Europe 2020, particular attention needs to be paid to the convergence regions, but improvements are also necessary in the transition and RCE regions.

The convergence regions score poorly on the smart growth front with low levels of R&D, low shares of higher educated and low productivity. Many also display low levels of employment and high unemployment levels. The risk of poverty and exclusion is also higher in the convergence regions.

Although transition regions and RCE regions score better on these issues, they also need to improve their performance to reach the Europe 2020 targets. The crisis has reduced employment in RCE regions and revealed a lack of competitiveness in some of them. Unemployment has risen in more than 100 RCE regions and 36 have an unemployment rate above the EU average.

The challenge of sustainable growth is present in all regions. The energy efficiency of existing and new buildings has to increase everywhere. Increasing renewable energy will require more investment in efficient locations and in the network connecting supply with demand.

When designing regional growth strategies, cities should play an active role. Cities are uniquely placed to promote innovation by offering firms of all sizes the dynamic environments they need to succeed. They are at the forefront in the fight against climate change, creating new models of urban development with even higher resource efficiency. Last but not least, cities have a disproportionate share of social problems and poverty. As the Europe 2020 targets aims to increase employment and reduce poverty and exclusion, cities need to address urban deprivation and the disconnection from the labour market, especially in the EU-15.

This report provides an important input as strategies for the future 2014-2020 cohesion policy programmes are being prepared. In essence, it sets out the baseline situation to be addressed in relation to the EU2020 targets and the distance to the national targets. Future cohesion policy programme must articulate how they will contribute to this catching up process in concrete terms. How will the investment programmes contribute to change in these indicators? Are there intermediate steps or indicators which can capture positive progress? Cohesion policy programmes

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<sup>28</sup>

See also *Poverty and social exclusion in rural areas*, European Commission, 2008.  
<http://ec.europa.eu/social/BlobServlet?docId=2087&langId=en>

provide an opportunity to design strategies in an integrated way — focused on the specific needs of each territory — and reflecting the trade-offs and synergies between different types of investments.

**Table 1: Indicators by type of region**

| Indicator                               | Year      | Convergence | Transition | RCE  | EU  |
|-----------------------------------------|-----------|-------------|------------|------|-----|
| Tertiary educated aged 30-34, in %      | 2007-10   | 25          | 33         | 37   | 32  |
| Early school leavers aged 18-24, in %   | 2008-10   | 13          | 18         | 14   | 14  |
| RD as % of GDP                          | 2008      | 0.9         | 1.0        | 2.0  | 1.9 |
|                                         |           |             |            |      |     |
| Employment rate aged 20-64, in %        | 2010      | 63          | 64         | 72   | 69  |
| Unemployment rate, in %                 | 2010      | 12          | 15         | 7.9  | 9.7 |
|                                         |           |             |            |      |     |
| At risk of poverty or exclusion *, in % | 2009      | 31          | 25         | 19   | 23  |
| Severe material deprivation *, in %     | 2009      | 16          | 7.5        | 4.3  | 8.1 |
| At risk of poverty **, in %             | 2009      | 21          | 18         | 14   | 16  |
| Low work intensity *, in %              | 2009      | 6.7         | 7.3        | 7.0  | 9.0 |
|                                         |           |             |            |      |     |
| GDP per head index (in PPS)             | 2008      | 62          | 93         | 120  | 100 |
| Change in GDP per head index            | 2000-2008 | 8.6         | 4.7        | -6.1 | 0   |

\* Only national figures were available for DE, FR, NL, PT, RO, UK and only NUTS 1 in BE, EL and HU

\*\* For Portugal 2005 NUTS 2 figures were used