



# 9<sup>th</sup> Cohesion Report

Monitoring Committee for the 2014-2020 Operational programme for the implementation of Cohesion policy in Slovenia

*23 May 2024, Ljubljana*

# 9<sup>th</sup> Cohesion Report

- Cohesion Report: a Treaty obligation, published every 3 years
- Purpose: Assess progress in economic, social, and territorial cohesion in EU
- Published: 28 March 2024
- Significance of the 9th Report: Marks 30 years of the Single Market and 20 years since the 2004 EU enlargement
- Focus: Cohesion policy's impact on growth, competitiveness, quality jobs

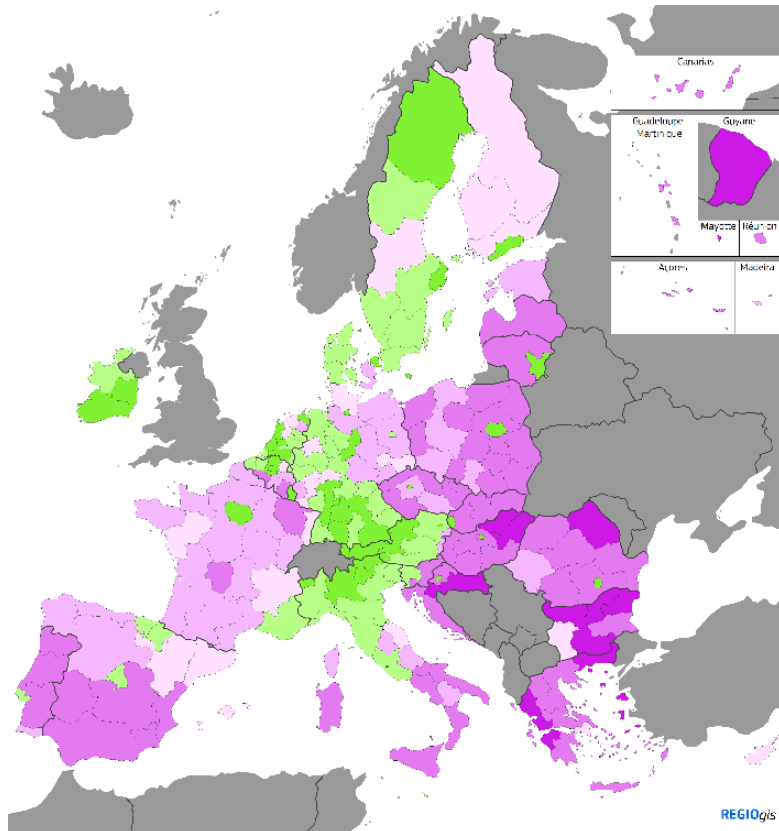
## Report

- |                                       |   |  |
|---------------------------------------|---|--|
| 1. Economic cohesion                  | 4. The green transition                           | 7. Better governance                               |
| 2. Social cohesion                    | 5. Regional innovation and the digital transition | 8. Public finances, national policies and cohesion |
| 3. Cohesion and territorial diversity | 6. The demographic transition                     | 9. The Impact of Cohesion policy                   |

# The 9th Cohesion Report Short Overview

- Economic Cohesion: Strong upward convergence since 2004, with Member States' GDP per capita rising from 52% to 80% of EU average by 2023.
- Social Cohesion: Reduction in unemployment and poverty, challenges in labor shortages and demographic decline.
- Territorial Diversity: Addressing internal disparities and regions lagging behind.
- Key message: Cohesion Policy remains the foundation for European integration and regional development.

# GDP per head and regional growth



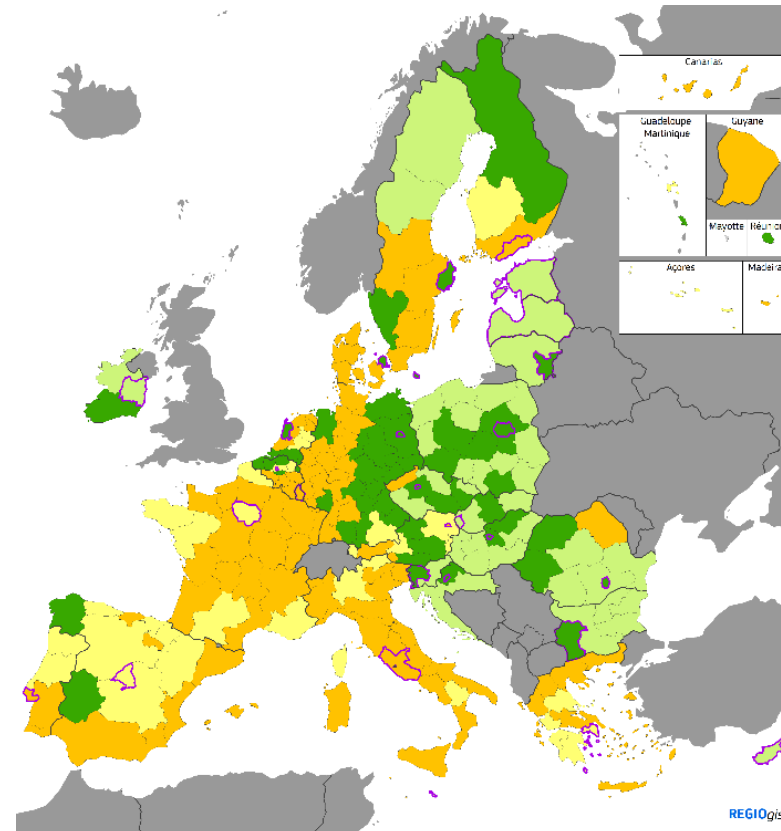
GDP per head (PPS), 2022

- Index, EU-27 = 100
- < 50
  - 50 - 75
  - 75 - 90
  - 90 - 100
  - 100 - 125
  - >= 125

Source: Eurostat (nama\_10r\_2gdp)

0 500 km

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Regional growth of GDP per head compared to growth by Member State and in the EU, 2001-2021

- Category
- above EU average and above Member State average
  - above EU average and below or equal to Member State average
  - below EU average and above Member State average
  - below EU average and below or equal to Member State average
  - no data
  - capital regions

Source: IIG REGIO based on JRC ARD/CO data

0 500 km

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# Economic cohesion: Cohesion Policy strengthens the Single Market and levels the playing field

- Cohesion policy supports regions to reap the benefits of the Single market, fostering investments and exchanges
- Multiplier effect: each euro invested will be tripled by 2043 – 4% annual rate of return
- Cohesion policy benefits all regions, including more developed regions
- Its targeted nature mitigates the risk of crowding out investments
- Persistent difficulties: internal disparities, regions in development trap or lagging behind
- Important role to play in the context of future enlargements

# Cohesion policy helped mitigate the impact of crises

- Uneven impact: regions dependent on sectors disrupted by the pandemic or vulnerable to supply chain disruptions and high energy prices were the most impacted
- Cohesion policy reacted promptly (REACT-EU, CRII, CARE, SAFE) – to avoid further widening disparities
- Cohesion support has been complemented by other EU instruments and initiatives: RRF, SURE, REPowerEU
- Fast economic recovery - employment levels back to pre-crisis level in one year
- Vulnerability of regions calls for reinforcing the resilience of their economies and labour markets, investing in future proof European value chains and strategic sectors of Europe - STEP

# Social cohesion: convergence progressed - challenges remain

- Overall improvement esp. in reducing poverty and promoting social inclusion
- Disparities in employment have narrowed, by 5% between less developed and more developed regions
- Unemployment rates converged: halved in less developed regions between 2013 and 2022, to 8%
- General increase in educational attainment – with concentration of tertiary graduates in cities
- BUT
- Labour and skills shortages on the rise, exacerbated by demographic decline
- Some regions in South and Southeastern Europe are underperforming

# Territorial: Not all regions benefit from the same growth dynamics

- Still large economic disparities: more than 1 in 4 people of EU population lives in less developed regions
- Increase of internal disparities with different patterns:
  - *Higher growth of capital regions – Eastern Member States*
  - *Lower growth of poorer regions – e.g. France, Greece*
- Rural areas face specific challenges hindering their growth
  - BUT their average GDP/head growth is twice that of urban areas (1.5%)



# What about Slovenia?

- Economic cohesion: Slovenia has seen GDP per capita growth and unemployment reduction.
  - Role of Cohesion Policy: Supporting long-term competitiveness and productivity.
- Territorial cohesion: Persistence of internal disparities despite national convergence.
  - Slovenia's focus: Sustainable growth beyond capital regions.
- Social cohesion: Progress in employment rates and social inclusion in Slovenia.
  - Ongoing challenges: Youth unemployment, skill shortages, and the need for inclusive labor market participation.
- Transport: Regional disparities leading to high commuting into Ljubljana.
  - This has largely contributed to the 30% increase in the country's transport carbon-footprint between 2005 and 2020.
- Climate: Slovenia increasingly affected by climate impact and torrential rain.
  - The devastating floods of August 2023 as a wake-up call.
- Demography: Impact of demographic trends on labor shortages and public budgets.
  - Vocational training and smart specialization as tools for regional development.
- Administrative capacity: The correlation between governance quality and Cohesion Policy impact.
  - Efforts to improve administrative capacity and public governance in Slovenia.

# Drawing lessons for the future

## Challenges

- internal disparities, traps
- Disadvantaged regions and people
- Implementation difficulties: in less developed regions, MS

**=> Policy design to evolve through lessons from other EU instruments**

**Build on Treaty objectives of economic, social and territorial cohesion - concentrated support/ higher aid intensity in less developed regions**

**Embrace diversity of regions, needs, challenges, with more tailored support – build on JTF, smart specialisation approach**

**More balanced territorial development – relying on medium-sized cities, cooperation**

**Partnership and multilevel governance**

# Conclusion

- The 9<sup>th</sup> Cohesion Report highlights significant achievements: the policy fostered upward economic convergence successfully, which can be also seen in the case of Slovenia
- Challenges remain especially at subnational level – further affected by structural challenges of the transitions
- Lessons learned show the need for improvement in policy design
- A stronger and modernised policy needed to strengthen the Europe's growth model, build an inclusive Union and deliver on the Treaty objective of economic, social and territorial cohesion