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**Communication from the Commission to the European Parliament, the Council, the
European Economic and Social Committee and the Committee of the Regions**

on the 9th Cohesion Report

{COM(2024) 149 final}

COHESION AND TERRITORIAL DIVERSITY

GDP per head is higher in metropolitan regions than in other regions. Over the last two decades, GDP per head has grown faster in metro regions, mainly as a result of above average growth rates in capital city regions. Other metro regions outperformed non-metropolitan regions only in the eastern and southern Member States. In capital metro regions in the eastern and southern Member States, the contribution of employment growth to GDP growth was double the average, reflecting a continuing concentration of employment there.

Differences in economic trends are partly mirrored in labour market and education differences. In eastern countries, cities have the highest employment rate and the gap with rural and less densely populated areas widened over the 2013–2022 period. By contrast, in north-western countries, the employment rate in thinly populated areas was higher than in cities. In southern countries, though the gap narrowed over the period, the rate in thinly populated areas remained very low. The proportion of people with both tertiary and upper secondary education increased in all types of regions over the 2013–2022 period, but the substantial gap between cities and thinly populated areas widened further.

Transport connectivity is lower in thinly populated regions, where access to education and healthcare is much more limited than in urban regions. The dispersed nature of the population in rural and less densely populated areas means that ensuring adequate connectivity requires more transport infrastructure and resources per inhabitant.

The specific geographical features of islands, outermost regions, border regions, northern sparsely populated regions, and mountain and coastal regions may hamper their economic development. On average, outermost regions and mountain regions have GDP per head below the EU average and the gap has widened over the past 20 years. In border regions, on the other hand, GDP per head has converged towards the EU average since 2001.

Most of the regions with specific geographical features perform below the EU average in terms of socio-economic indicators. Outermost regions in particular have low employment rates and high unemployment rates, although the latter has decreased significantly since 2001.

Chapter 3

Cohesion and territorial diversity

1. Towards more balanced and harmonious development

Territorial cohesion is about ensuring the harmonious development of the wide diversity of places in the EU and making sure that people there are able to make the most of their inherent features. It means transforming diversity into an asset that contributes to the sustainable development of both the places themselves and the EU. More balanced and sustainable development, implicit in the notion of territorial cohesion, achieves a more even and sustainable use of assets, bringing economic gains. Territorial cohesion is at the core of EU structural policies and has been so since its inception. Four concepts¹ play a major role in this regard: concentration, connecting territories, co-operation, and specific regional geographical features.

Concentration requires overcoming differences in population density. Economic activity is more concentrated across the EU than population. There are gains from this in terms of the increasing returns from agglomeration and from the clustering of activities in particular places. This is reflected in higher levels of GDP per head, productivity and employment in capital cities and most other densely populated conurbations. At the same time, there are also diseconomies, such as congestion, air pollution, and in some areas more poverty and social exclusion. Indeed, in rural and other thinly populated areas that are more remote from cities of any size, small and medium-sized towns often play a more important role than their size might

suggest. The role these towns play in providing access to services, including the infrastructure necessary to invest in the adaptability of people and enterprises, is key to avoiding rural depopulation and ensuring these areas remain attractive places to live.

Section 2 examines economic and social trends in urban and non-urban regions and areas.

Connecting territories is about overcoming distance. Connecting places, especially urban and rural ones, requires good transport links, but also adequate access to healthcare, education and other basic services. These issues are examined in Section 3.

Co-operation is about overcoming division. The problems of connectivity and concentration can only be effectively addressed with close co-operation at various levels. This may require co-operation between neighbouring local authorities, between regions, between Member States or between the EU and neighbouring countries, or some or all of these. Section 4 examines aspects of

cross-border co-operation between EU regions.

Regions with specific geographical features include islands, mountainous regions, coastal regions, and northern sparsely populated ones. Section 5 examines the strength and weaknesses of these regions.

Analysis of the territorial concepts concerned requires the use of typologies. For the analysis of territorial economic trends in Section 1, the NUTS 3 metropolitan typology² is used (see Box 3.2). This enables agglomeration effects in cities to be studied along with the wider regional benefits via spill-over effects. In addition, the degree of urbanisation³ is used to examine social aspects, as it provides a sharper demarcation between urban centres and other areas. Analysis of regions with specific geographical features is based on their typological definition, which is explained in Section 5.

1 COM(2008) 616 final.

2 Eurostat (2019).

3 Idem.

Box 3.1 Functional urban and rural areas

The nomenclature of territorial units for statistics (NUTS) results in geographical units that are based on administrative boundaries. These units differ in area and population size and may not be the most appropriate units to study concepts that transcend such boundaries. The European Commission and OECD have developed approaches to define geographical units that are based on functional spatial linkages instead of administrative boundaries.

Functional urban areas

In 2011, the European Commission and the OECD developed a definition of a functional urban area (FUA)¹. The concept of an FUA considers the functional and economic extent of cities, beyond the consideration of density and population size only. This concept also includes other lower-density areas surrounding the city but closely linked to it from an economic and functional perspective. In essence, these FUAs combine a densely populated city with its surrounding commuting area. Such a functional approach has the benefit of capturing a single labour and housing market. It avoids fragmenting such a daily urban system into multiple municipalities (local administrative units). It also avoids combining multiple daily urban systems into a single spatial unit, which happens in some NUTS 3 regions. In addition, it helps to overcome the wide variation in the area and population size of municipalities and NUTS 3 regions. This FUA definition has since been

included in a Eurostat regulation and endorsed by the UN Statistical Commission² as part of the degree of urbanisation.

Functional rural areas

Work on a definition of a functional rural area (FRA) is one of the actions of the Communication on a long-term vision for the EU's rural areas³, and is currently ongoing in the European Commission⁴. In more rural areas, commuting between municipalities is probably less unidirectional and less focused on a single employment centre than in urban ones. As a result, commuting patterns may be less suitable for defining rural daily systems. In rural areas, services such as education and training, healthcare, shops, banks, and cultural and entertainment facilities are often clustered in a town or a village, which acts as a local centre. The objective of an FRA is to capture a daily rural system, i.e. an area that captures the vast majority of daily trips. These trips go beyond travel to work and include travel to services as well as travel to friends and family. It is likely that most non-commuting trips also occur within the same FRA boundaries. Similar to the FUA, the FRA method is constructed around a denser settlement. Instead of a city, FRAs are constructed around towns and villages as defined by the degree of urbanisation. Instead of commuting flows, this method uses driving time to the nearest town or village, and its population size, to create a functional area.

1 Dijkstra et al. (2019).

2 https://unstats.un.org/UNSDWebsite/statcom/session_51/documents/2020-37-FinalReport-E.pdf.

3 European Commission (2021).

4 Dijkstra and Jacobs-Crisioni (2023).

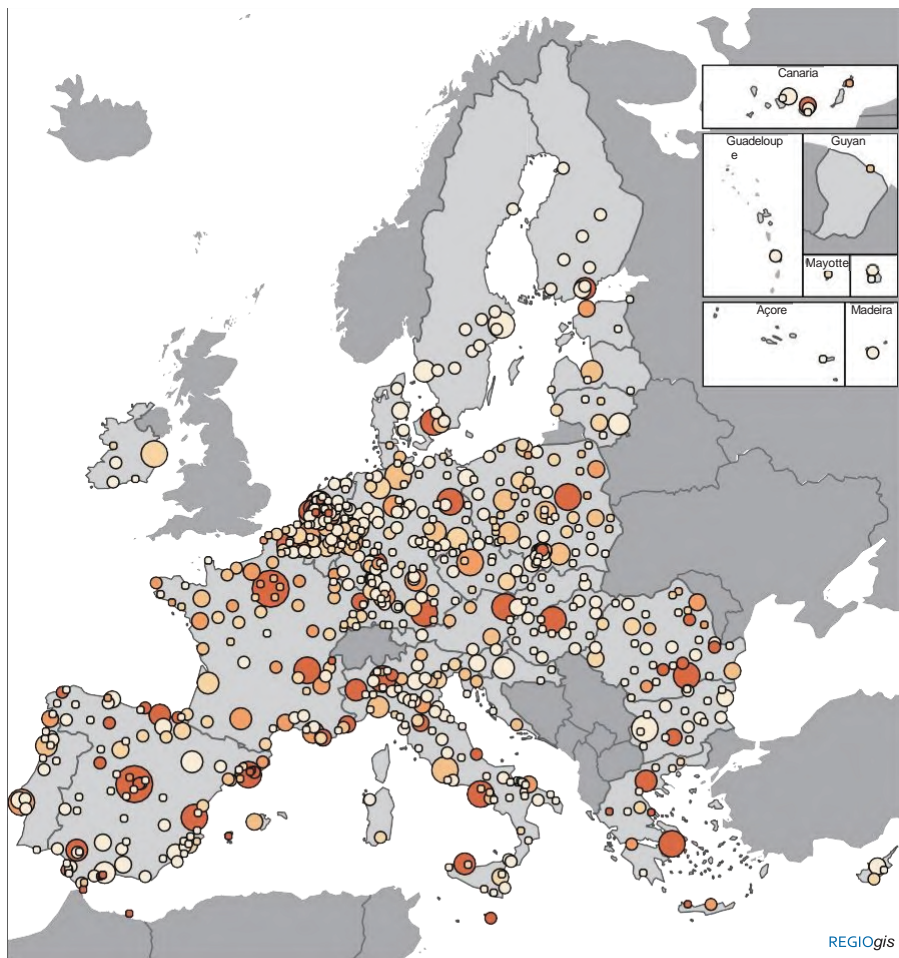
2. Concentration: economic and social trends in urban and non-urban areas

Concentration means that between urban and non-urban regions there are stark differences in economic and social development, opportunities, and living standards. These

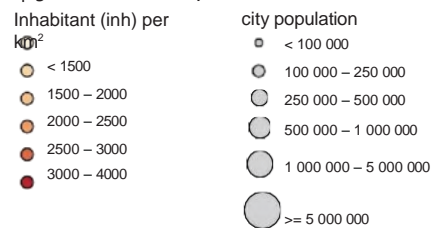
arise from a complex interplay of factors, including geographical

location, infrastructure and services, access to re- sources, and policies.

In urban areas, economic activities are typically diverse and dynamic, with a concentration of in- dustries, businesses and services. Urban centres often serve as hubs for commerce, finance, edu- cation and training, and technology, attracting in- vestment and fostering innovation. Consequently,

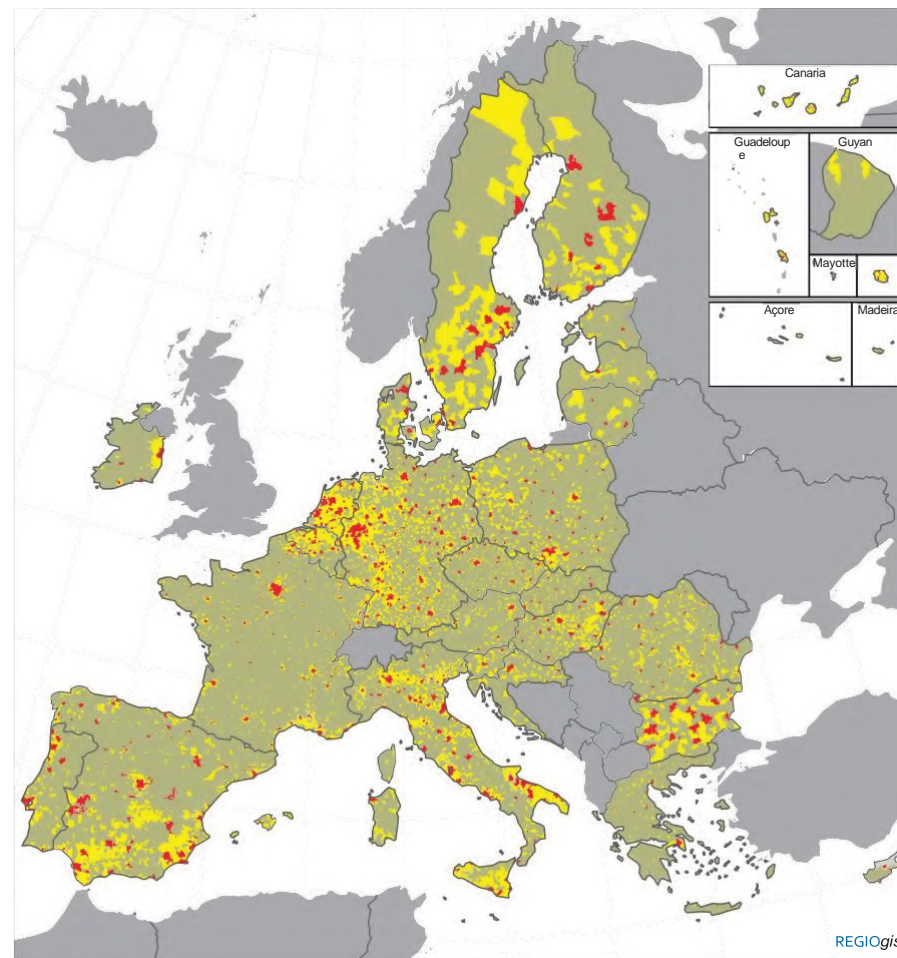


Map 3.1 Cities in the EU, 2021



Sources:

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Map 3.2 Degree of urbanisation of Local Administrative Units, 2020



Source:

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Box 3.2 Territorial typologies

Both typologies used in this section are based on a combination of geographical contiguity and population size or density. First, an urban centre is defined as a cluster of contiguous grid cells of 1 square kilometre (km²) (excluding diagonals) with a population density of at least 1 500 inhabitants per km² and a minimum population of 50 000 inhabitants. Second, an urban cluster is defined as a cluster of contiguous grid cells of 1 km² (including diagonals) with a population density of at least 300 inhabitants per km² and a minimum population of 5 000 inhabitants.

The degree of urbanisation

The degree of urbanisation classifies local administrative units into one of three classes, as follows.

- Cities (densely populated areas): at least 50 % of the population live in an urban centre (Map 3.1).
- Towns and suburbs (intermediate density areas): more than 50 % of the population live in urban clusters but less than 50 % live in urban centres.

- Rural areas (thinly populated areas): less than 50 % of population live in urban centres or clusters.

Maps showing this and other typologies can be viewed via the interactive map viewer via the following link:
https://ec.europa.eu/regional_policy/as-sets/scripts/map/regio-gis-maps/9cr/9cr.html

Metropolitan and non-metropolitan regions

Capital metro, other metro and non-metro regions are defined as follows. Metropolitan ('metro') regions are NUTS 3 regions, or groupings of NUTS 3 regions, representing FUAs (i.e. a city and its commuting zone) of more than 250 000 inhabitants. Capital metro regions are those that include the national capital. Non-metro regions are all other NUTS 3 regions.

More details can be found at:
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Territorial_typologies_for_European_cities_and_metropolitan_regions.

urban residents tend to have better access to employment opportunities, higher wages, and a wider range of consumer goods and services. The presence of well developed infrastructure, such as transport networks⁴, healthcare and long-term care, and education and training institutes, further enhances their quality of life.

Non-urban areas offer many things associated with better well-being, such as larger and cheaper housing and lower crime rates⁵. They are also widely valued for food production, management of natural resources, protection of landscapes, recreation and tourism⁶. Nevertheless, non-urban areas tend to face numerous challenges that may constrain their development. Their geographical remoteness can limit access to markets, making it difficult for agricultural and rural-based industries to thrive. Lack of infrastructure, including reliable roads and railways, electricity, and internet connectivity, hinders business expansion and inhibits the delivery of essential services and development. Addition-

ally, limited educational and training opportunities can constrain the skill set of the workforce. Together with more limited job opportunities in rural and other less densely populated areas, this can lead to higher unemployment rates and lower wages. Lack of access to care facilities may also constrain the available workforce. Many of these services and infrastructures are public in nature.

Results of the analysis in this section show that in the EU the divide in favour of cities is evident primarily in southern and eastern EU countries, where cities clearly outperform thinly populated areas. By contrast, in north-western Member States, where the overall economic and social situation is better than in other countries, cities indeed generate higher GDP, but the economic and social gains are distributed more widely to towns and suburbs, and to thinly populated areas, in part because of the more developed connectivity. Indeed, in north-western countries employment rates are highest for those living in thinly populated

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- 4 See also Section 3 of this chapter.
 - 5 Eurostat [ilc_mddw06].
 - 6 COM/2021/345 final.

areas, partly reflecting higher rates of commuting, whereas in southern and eastern Member States, employment is lower outside of cities, especially in thinly populated areas. At-risk-of poverty or social exclusion (AROPE) rates are higher, partly as a result of this, posing a challenge for social cohesion. Large disparities exist in tertiary and adult education, cities offering more opportunities for study and providing more jobs for university graduates, while thinly populated areas lag behind, which is reflected in productivity and job quality.

2.1 Capital metropolitan regions perform better than other regions

In 2021, metro regions accounted for 60 % of the population in the EU, 63 % of employment and 69 % of GDP. Accordingly, they are major centres of employment and business activity with higher productivity than elsewhere.

Between 2001 and 2021, real GDP per head in metro regions grew faster than in others in all parts of the EU (Table 3.1). This was a result mainly of above-average growth rates in capital city regions. Other metro regions also outperformed non-metro regions in the eastern and southern Member States, but not in the north-western Member States.

In regions in the eastern and north-western Member States, the growth of GDP per head was mainly associated with productivity growth. The pattern is different in southern Member States. Productivity growth was very low during this period and most of the (modest) growth in GDP per head was associated with growth in employment. In capital metro regions in the eastern and southern Member States, the contribution of employment growth to GDP growth was double the average, reflecting a continuing concentration of employment there.

Table 3.1 Changes in GDP per head, productivity and employment per head by type of region, 2001–2021

	GDP per head	Productivity	Employment relative to population*
<i>Average % change on the preceding year</i>			
EU-27	1.1	0.7	0.3
Capital metro regions	1.3	0.8	0.5
Other metro regions	0.9	0.5	0.3
Non-metro regions	1.0	0.8	0.2
Eastern Member States	3.5	2.9	0.5
Capital metro regions	3.9	2.8	1.0
Other metro regions	3.4	2.8	0.5
Non-metro regions	3.0	2.8	0.2
North-western Member States	1.0	0.7	0.3
Capital metro regions	1.1	0.9	0.2
Other metro regions	0.9	0.5	0.3
Non-metro regions	1.0	0.7	0.3
Southern Member States	0.1	-0.1	0.2
Capital metro regions	0.2	-0.2	0.4
Other metro regions	0.1	-0.1	0.1
Non-metro regions	0.0	-0.1	0.1

* This combines the employment rate and working-age population as a share of the total.

Source: DG REGIO based on Joint Research Centre (JRC) annual regional database (ARDECO) data.

