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Delegations will find attached document SWD(2024) 79 final - PART 4/23.

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**COMMISSION STAFF WORKING DOCUMENT**

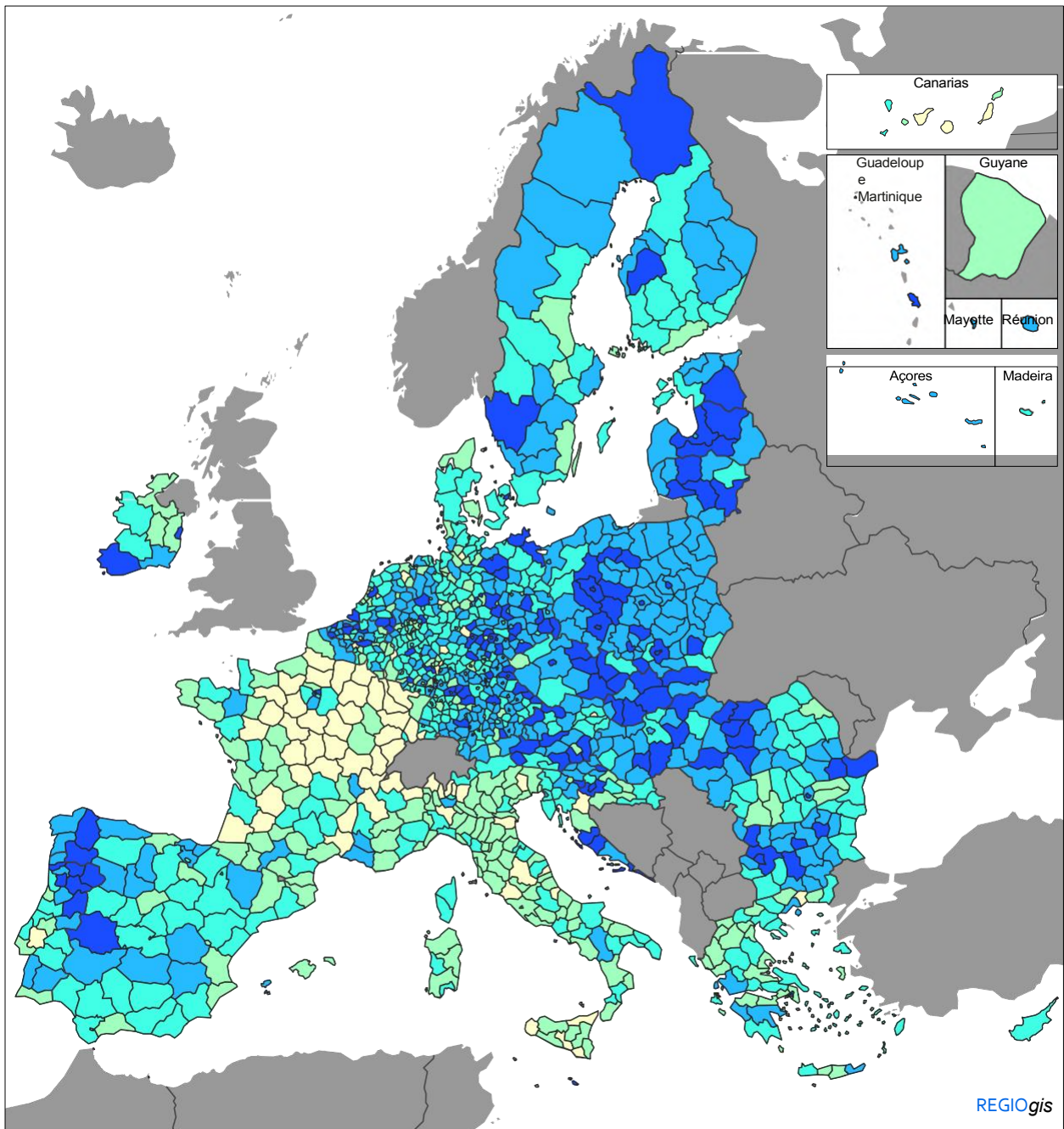
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*Accompanying the document*

**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}



Map 1.7 Economic development index at NUTS 3 level, 2001–2021

Likelihood of being in a high-growth trajectory

- < 0.3
- 0.3 – 0.4
- 0.4 – 0.5
- 0.5 – 0.6
- > 0.6
- no data

This index measures if a region's growth is higher than that of the EU, of its country, or of the region itself during the previous five years.

It considers growth of GDP per head, productivity, and employment per head over a five-year period. A region scores 1 for each time its growth is higher. This score between 0 and 9 is then rescaled to 0 and 1.

Source: DG REGIO calculations based on JRC and Eurostat data.

0 500 km

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Table 1.3 Socio-economic characteristics of 'development-trapped' and other regions, average 2003–2021, by level of GDP per head, 2003

	Development trapped?	GDP/head (PPS) in 2003, index EU-27 = 100			
		< 75 %	75 - 100 %	>= 100 %	All
% of industry in GVA	Yes	21.5	14.8	18.8	18.1
	No	26.3	18.1	20.9	21.0
R&D expenditure as % of GDP	Yes	0.4	1.2	2.0	1.8
	No	0.9	1.5	2.5	2.1
% of population 25–64 with tertiary education	Yes	12.1	20.2	27.0	23.9
	No	20.9	27.7	30.9	27.2
Institutional quality index	Yes	-1.6	-0.5	0.3	-0.1
	No	-0.8	0.1	0.6	0.1
% of population (2021) by GDP/head level		23.3	22.5	54.2	100.0
% of population (2021) in trapped regions		2.4	7.3	18.6	28.4

Note: Socio-economic characteristics are average values of all available reference years in period 2003–2021. Source: Eurostat [rd\_e\_gerdreg, lfst\_r\_lfsd2pop], JRC (ARDECO), University of Gothenburg, DG REGIO calculations.

geographical features, the macro-economic environment, the global economic context and structural characteristics. However, there are a number of common traits in terms of the quality of institutions, innovation capacity and importance of manufacturing that vary between trapped and non-trapped regions to differing degrees depending on the level of development. As indicated in the previous section, geographical characteristics, sectoral specialisation, productivity and investment dynamics affect beta or 'club' convergence. However, one common feature of persistently trapped regions at all levels of economic development is lack of human capital (Table 1.3).

This suggests that having in place the conditions and opportunities for investing, attracting and retaining people with tertiary education is a consistent feature of regions that have managed not to fall into a development trap for a large number of years and can reduce the likelihood of becoming trapped (see Chapter 6)<sup>49</sup>. Past performance is no guarantee of future performance. And not all regions can have a large share of tertiary-educated

workers, but – at any level of development – a people-centred differentiated place-based approach in line with the potential and characteristics of the region may reduce the likelihood of experiencing a persistent period of stagnation (see Chapter 5).

### 1.1 Regions in a development trap and the geography of discontent

Regional development traps are not just an economic matter. Sub-par economic performance and lack of employment opportunities give rise to social costs and can cause political resentment towards what is increasingly regarded as a system that leaves people behind, leading to a growing geography of discontent<sup>50</sup>. An econometric analysis of the link between the risk, intensity and length of regional development traps and the rise of discontent in the EU, proxied by the support for Eurosceptic parties in national elections between 2014 and 2022, found a strong connection between being stuck in a development trap and support for Eurosceptic parties<sup>51</sup>. It also found that the longer the period of stagnation, the stronger the

1 This is also the case for regions in a 'talent development trap', a composite indicator related to the development trap but in the demographic domain. European Commission (2023) shows that 46 regions in the EU with over 70 million inhabitants are in a talent development trap. These regions had an accelerating decline of their working-age population, and a low and unchanging number of people with tertiary education between 2015 and 2020. It also identifies a second group of 36 regions (with nearly 60 million inhabitants) that are at risk of falling into a talent development trap in the future, because they are strongly affected by the outward movement of people aged 15–39. This group accounts for 13 % of the EU population.

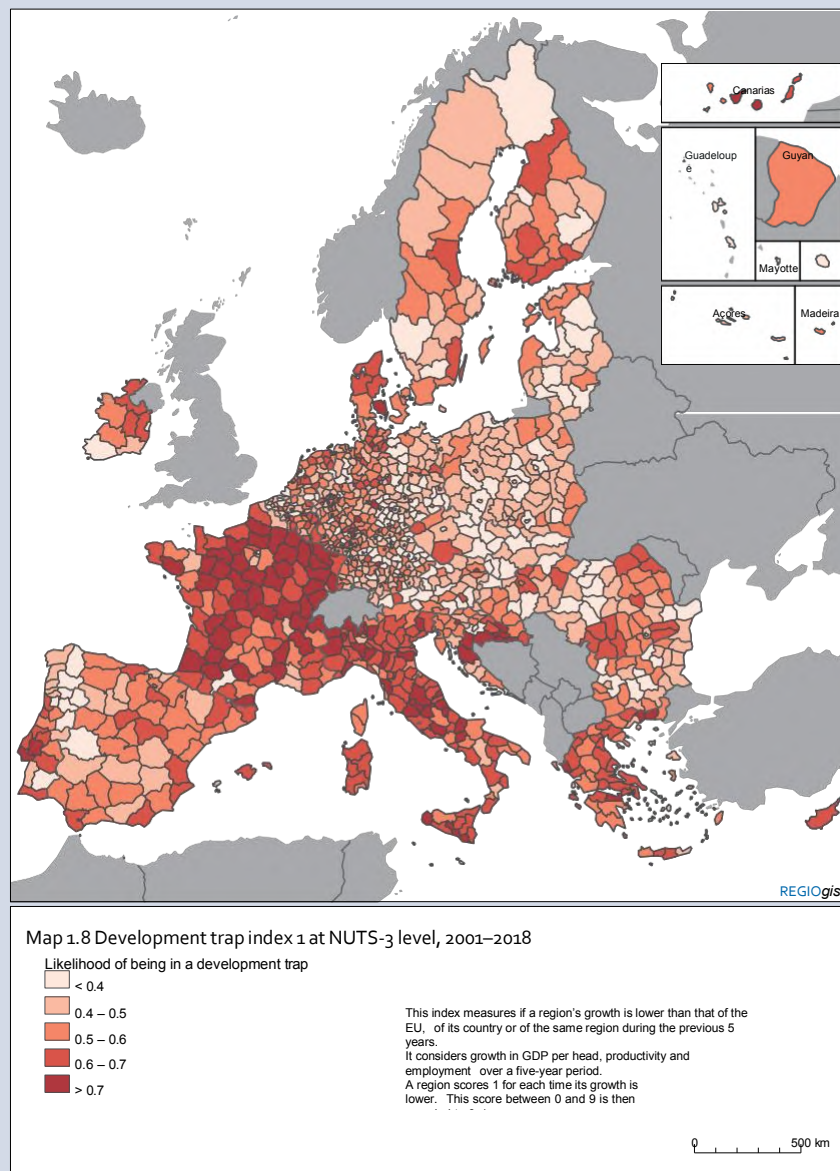
2 See Dijkstra et al. (2021 and 2023), who show that political discontent with the EU in Member States and regions is linked to an important extent to economic and industrial decline and being in a development trap.



### Box 1.5 The geography of EU discontent and the regional development trap

In recent years, popular discontent has been brewing in many parts of the world, including in many countries in Europe<sup>1</sup>. This rising wave of dissatisfaction with a 'system' that many feel no longer benefits them is manifested in different ways, from declining levels of participation in elections to low levels of engagement in civil society. The dissatisfaction can also be seen in a growing tendency to support more extreme, often

populist, options at the ballot box; and in increasing signs of distress and outright revolt by those disaffected by the system<sup>2</sup>. In the EU, this disaffection is reflected in the rise of Euroscepticism<sup>3</sup>. Since the 2008 financial crisis, the share of votes in national legislative elections for 'hard' Eurosceptic<sup>4</sup> parties has risen from under 5 % to 14 % in 2022, and for all Eurosceptic parties from 7 % to 27 %.



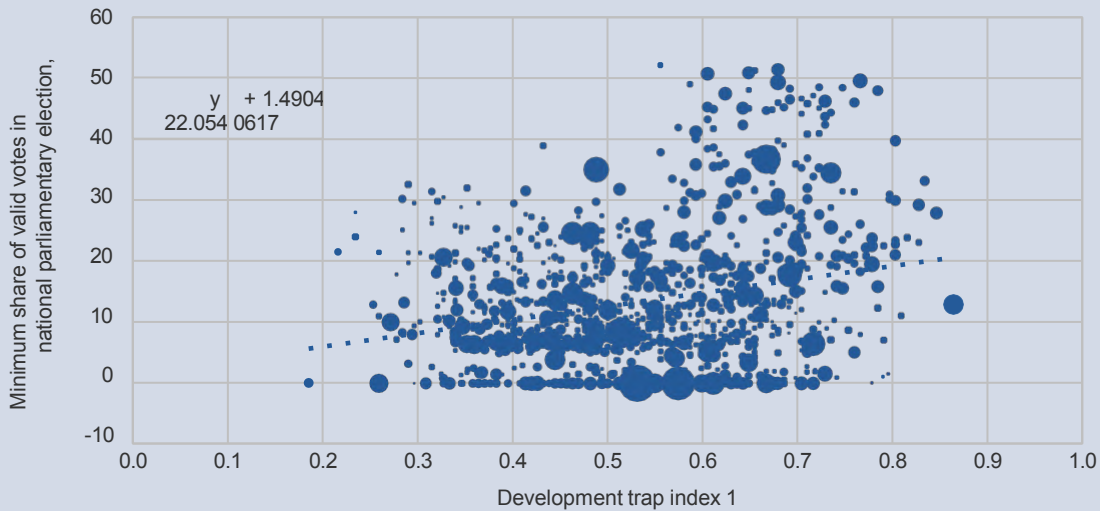
1 Greven (2016); Zakaria (2016); Hawkins et al. (2019); Hopkin (2020).

2 Rodríguez-Pose (2018); Kitschelt (2022).

3 Torreblanca and Leonard (2013); Dijkstra et al. (2020).

4 Eurosceptic parties are defined based on the Chapel Hill Expert Survey.

Figure 1.24 Correlation between being development trapped and the hard Eurosceptic vote for NUTS 3 regions, 2018–2022



Note: Bubble area size reflects population in 2021.

Source: Dijkstra et al. (2023b).

The rise of Euroscepticism is not an isolated phenomenon. It is instead part of a broader recent increase in the popularity of anti-system, or populist, parties<sup>5</sup>. Explanations can be classified as cultural or economic, or both<sup>6</sup>. People living in places in decline frequently feel trapped in regions they think no longer matter and where they perceive they have no future<sup>7</sup>. They feel ignored, neglected and marginalised by a distant and aloof elite<sup>8</sup>, and are ill at ease with a changing world that threatens their identity and security.

A study<sup>9</sup> finds that much of the rise in discontent is concentrated in places that have been in a development trap<sup>10</sup>. The classic example of a region in a development trap is one that initially experienced a spurt in growth allowing it to attain middle-income

levels, but subsequently got stuck without managing to reach high income levels<sup>11</sup>. However, many regions in Europe have stagnated – and even declined – at all levels of development. The risk of becoming stuck in a development trap is higher in middle-income regions, but can occur in all regions. The same study finds that falling into a development trap is a major factor in understanding why Eurosceptic voting in national elections has been on the rise across EU regions. People living in regions in a development trap are far more likely to be tempted by Eurosceptic political parties and to support them in elections. The authors also show that factors such as the risk, intensity and length of time spent in a development trap significantly increase the share of the Eurosceptic vote.

5 Hopkin (2020).

6 Noury and Roland (2020); Schmid (2022).

7 Rodríguez-Pose (2018 and 2020); Lenzi and Perucca (2021).

8 McKay et al. (2021).

9 Dijkstra et al. (2023).

10 The methodology to calculate the development trap is the same as that used in European Commission (2022).

11 Kharas and Kohli (2011).



support for parties opposing European integration. Since development traps can occur at different levels of development, but appear to be a particular risk for transition regions, they may require policy responses that go beyond support for less developed regions. Assisting all regions that are development-trapped to become more dynamic should help to reduce regional inequalities and counter the threat of rising discontent in EU societies.

## 2. Economic cohesion and competitiveness to harness the benefits the Single Market

The productivity dynamics examined above are reflected in a broader measure of sub-national performance, the RCI. This is a composite indicator designed to capture the 11 main dimensions of competitiveness of EU NUTS 2 regions: institutions; macro-economic stability; infrastructure; health; basic education; higher education; training and lifelong learning; labour-market efficiency; market size; technological readiness; business sophistication; and innovation<sup>52</sup>. The 2022 RCI shows a polycentric pattern, with strong performance of regions with large urban areas, which benefit from agglomeration economies, better connectivity and higher levels of human capital. The index is above the EU average in all regions in Austria, the Benelux countries, Germany and the Nordic Member States. (Map 1.9, left panel). By contrast, all eastern regions, except most capital city ones, score below the EU average. Southern regions also score below the average, except for Cataluña, Madrid and País Vasco in Spain, Lombardia in Italy and Lisboa in Portugal. Ireland and, especially, France have a mix of regions above and below the EU average.

Less developed regions, however, have improved markedly over time. In the six years since the indicator was first developed in 2016, there has been a clear process of catching up in eastern regions combined with an improvement in southern ones, as they recovered from the economic and financial crisis (Map 1.9, right panel).

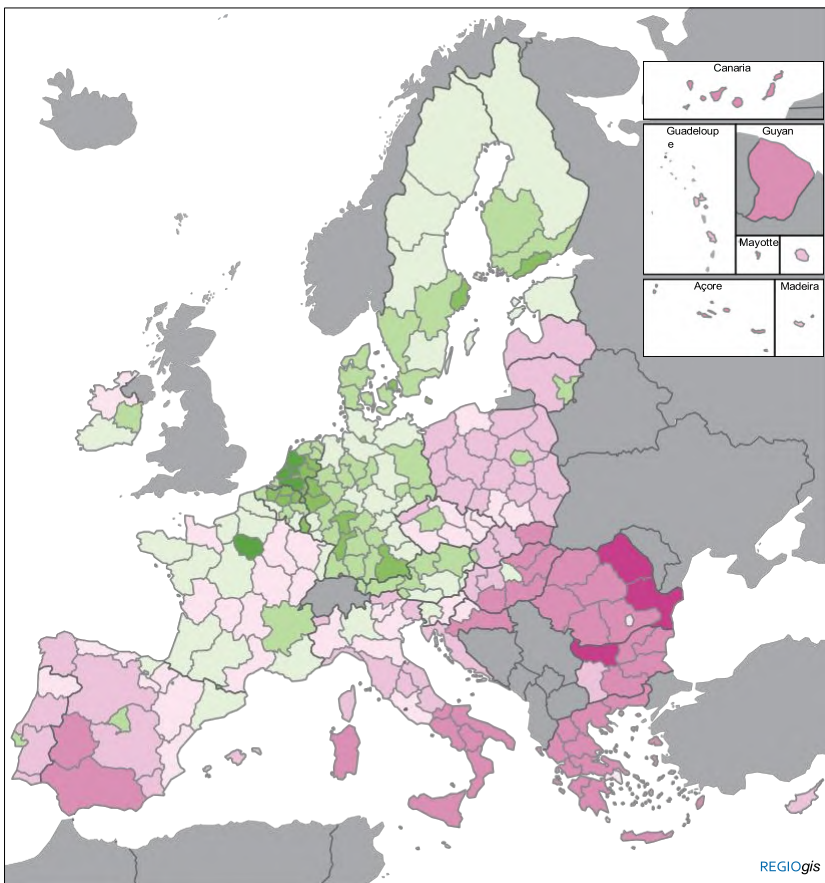
Between 2019 and 2022, the RCI improved by 10 index points or more in the capital city region in Lithuania (+20 points), Norte in Portugal (+14), the capital city region in Poland (+13), the Portuguese outermost region of Madeira (+13), and Illes Balears in Spain and Śląskie in Poland (both +10).

Within Member States, capital city regions tend to be the most competitive ones. The gap between the capital city region and the others is particularly wide in France, Spain, Portugal and many of the eastern EU Member States. This can be a reason for concern as it increases pressure on resources in the capital city region while possibly leaving them under-utilised elsewhere. In three countries, however, the Netherlands, Italy and Germany, the capital city region is not the most competitive. In the Netherlands, Utrecht remains the best-performing region (at 151, the EU average being 100), followed by Zuid-Holland which includes Rotterdam and The Hague (at 142). In Italy, Lombardia, which includes Milan, continues to be the best-performing Italian region (at 103), while in Germany this remains Oberbayern, which includes Munich (at 130), and several other regions also outperform Berlin and Brandenburg.





Map 1.9 RCI: latest values (2022) and change since the first edition in 2016



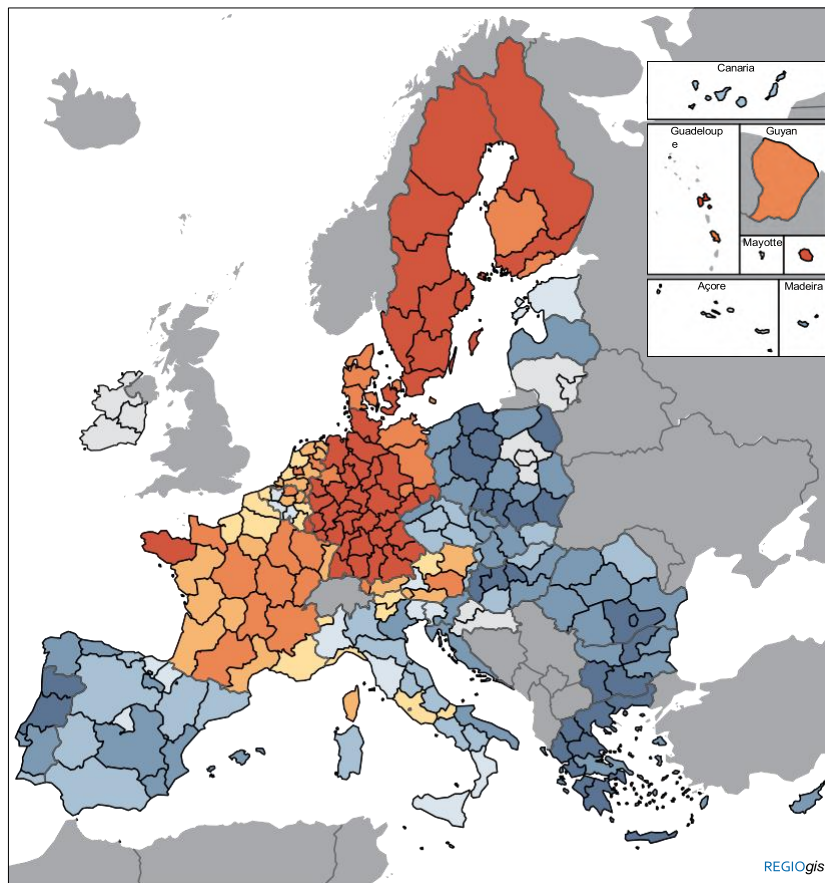
2022 edition

- |   |  |
|---|--|
| Index   |  |
| <span style="color: #800040;">■</span> <= 50    | <span style="color: #90EE90;">■</span> 100 – 110 |
| <span style="color: #800080;">■</span> 50 – 75  | <span style="color: #3CB371;">■</span> 110 – 125 |
| <span style="color: #800080;">■</span> 75 – 90  | <span style="color: #008000;">■</span> 125 – 140 |
| <span style="color: #800080;">■</span> 90 – 100 | <span style="color: #008000;">■</span> > 140     |

Revised, May 2023.

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Change between 2016 edition and 2022 edition

- |  |   |   |
|--|---|---|
| Change in index                                    |   |   |
| <span style="color: #D9534F;">■</span> <= -10.0    | <span style="color: #ADD8E6;">■</span> 0.1 – 2.5  | <span style="color: #D3D3D3;">■</span> no data / data not |
| <span style="color: #FF8C00;">■</span> -9.9 – -5.0 | <span style="color: #4682B4;">■</span> 2.6 – 5.0  |   |
| <span style="color: #FFD700;">■</span> -4.9 – -2.5 | <span style="color: #1E90FF;">■</span> 5.1 – 10.0 |   |
| <span style="color: #FFD700;">■</span> -2.4 – 0.0  | <span style="color: #000080;">■</span> > 10.0     |   |

Revised, May 2023.  
Data for some regions cannot be compared due to changes in the NUTS classification (RCI 2.0, 2022).

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### Box 1.6 Competitiveness, the EU Single Market and Cohesion Policy

The Single Market is a cornerstone of EU integration and competitiveness and goes hand in hand with Cohesion Policy. Removing barriers to the free movement of goods, services, capital and workers has promoted a better allocation of resources across the EU and fostered the exchange of ideas and innovation. However, market forces alone do not ensure that everyone benefits from economic integration. In fact, this report highlights significant territorial disparities linked to the different levels of development of countries and regions, their specific geographical features and their economic structure. These disparities, though tending to diminish, translate into different levels of competitiveness – as captured, for instance, by the RCI – which in turn may lead to fragmentation within the Single Market. Left alone, the free mobility of labour and capital in the context of uneven levels of competitiveness risks damaging cohesion. Cohesion Policy, along with other policies, notably State-aid rules, helps to create a level playing field essential for the Single Market to function fairly, while supporting less developed regions to develop.

By investing in infrastructure, innovation, education and other key areas, Cohesion Policy helps less developed regions directly and all other regions indirectly to reap the benefits of the Single Market. The latter occurs because of spill-over and scale effects linked to the policy and the Single Market<sup>1</sup>. A more competitive and integrated Single Market gives businesses access to a larger customer base and enables economies of scale to be realised. The proper functioning of the Single Market, however, requires that producers and consumers throughout Europe have equal access to it, so that it can ensure the effective matching of supply and demand and the efficient allocation of resources across the EU as a whole, in the long as well as the short term. But access cannot be taken for granted – thus need to support investment where access is limited, especially in the less competitive and less developed regions.

1 Crucitti et al. 2023.

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