

Speech by Danuta Hübner, European Commissioner for Regional Policy, at the public hearing on the planning of the new regional policy programming period 2007-2013

**Härnosand, County of Västernorrland, Sweden,
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The objective 1 regions of the North of Sweden have a very good track-record in implementing European regional policy. There is a strong spirit of entrepreneurship and innovation in the region which is seen in activities ranging from the development of alternative energy sources, to advanced research in life sciences. This is a firm basis on which to build a new programme for the period 2007-2013 which, in a context of reduced funding, must focus on priorities which will support the creation of sustainable jobs and growth. Important work has also been done in the region on developing alternative sources of finance for SMEs – risk and venture capital for example – and this should be taken forward using JEREMIE, the new instrument designed for this purpose. Finally, the region should continue its excellent work on cross-border and trans-national co-operation.

Good morning Governor Larsson, Ladies and Gentlemen,

Thank you, Governor Larsson, for your very kind hospitality and for the opportunity to address this audience. For most of you here today, the summer break has probably been over for some time now. In Brussels, we are rapidly picking up speed after the traditional August holiday. I have been in Sweden several times this year already, but this is my first regional visit after the summer break, and it is a pleasure to be in a region which is so beautiful.

This visit comes at a timely moment. In the field of regional policy, 2006 has been a busy year so far, and we clearly have another very intense four months ahead of us. All the building blocks of a thoroughly reformed regional policy are now in place. The legal framework for our activities – a package of five regulations - was published in the Official Journal in July; the Commission published its Strategic Guidelines for a Cohesion Policy focused on Growth and Jobs also in July, and these will be adopted by the Council on 6 October. The day after, we can begin approving Member States' National Strategic Reference Frameworks. At the beginning of August we adopted a series of six decisions confirming for each Member State the eligibility of their regions and the total and annual financial allocations for 2007-2013. A final decision on European Territorial Co-operation should be taken this month.

Member States are now in a position to ensure that all the necessary work – finalisation of the national frameworks on their strategy for regional policy, and design and finalisation of operational programmes – can be completed in time to ensure that implementation can begin without delay at the beginning of 2007. These essential preparations are the first point I want to discuss with you today.

A second point I want to address is one to which I am particularly attached - the issue of alternatives to grant financing for small enterprises, and in particular the use of venture and risk capital. In the North of Sweden you have already made good progress in this area. And the final point I want to deal with is cross-border and trans-national co-operation, another area where I consider the Swedish regions to be standard setters for the rest of Europe.

Before moving on to these issues, however, I would like to make an additional comment. And that is on the successful implementation of the Swedish objective 1 programmes so far in this period: not just the way you have done it, but what you have achieved. The Södra Skogslänsregionen programme has to the end of 2005 supported more than 3800 projects and created 10 000 new jobs and some 3000 new businesses. This is a very important signal of the usefulness of these investments. And in an era when broadband internet access has become an essential feature of both business and private lives, you have laid down many kilometres of broadband cable, benefiting the whole region but especially the more remote areas. This is a testament to the hard work of the many people who have contributed to this implementation process. This expertise and experience is a sound basis on which to build for the future.

Let me turn now to our preparations for the new programming period. I am pleased to note how advanced these preparations are. Sweden was one of the first countries to finalise its National Strategic Reference Framework in June, and I know that the current plan is to submit the 8 regional fund operational programmes in November. This should allow activities to begin early in 2007.

For many of you, the key issue in this context is understandably that of budget. There is no denying that for the next period Sweden as a whole will receive less Structural Fund support than in the present period. This was the agreement on the Financial Perspectives for the Union reached at the European Council in December 2005 which had to accommodate a range of poorer regions. And this is reflected in the allocations which the Swedish government has made to the regions. With my services in

DG Regional Policy, we are following this situation closely, and are keen to see how these allocations will be translated into priorities in the operational programmes. I can only stress that the specific challenges that you face in Northern Sweden – climate, distance, depopulation – were recognised in the decision taken in the December European Council. €216 million was ring-fenced for the area, meaning that the total allocation for the former objective 1 areas will reach €370 in the new period.

Given this budget situation, it is essential – more than ever before - that the available funds are invested in key priorities. And my message to you today is that programming is even more important than it was before, and should be done so as to maximise sustainable growth and job creation. This approach is at the heart of the reform of regional policy – indeed one of my key aims as Commissioner has been to ensure that regional policy is a key lever for boosting Europe's growth competitiveness. The Strategic Guidelines, which I mentioned earlier, highlight three priorities which will help us to ensure that this is the case: the need to improve the attractiveness of Member States, regions and cities; the need to encourage innovation, entrepreneurship and the growth of the knowledge economy; and the need to create more and better jobs by attracting more people into employment and entrepreneurial activity, by improving adaptability of workers and enterprises, and by increasing investment in human capital.

We are all aware that there is no question of a “one size fits all” approach to the new programmes. On the basis of these Guidelines the Swedish NSRF has identified priorities for this region, and it will now be your task to transform this into an operational programme for the region. And I am

confident that you will do so successfully. Today and tomorrow, I will visit a selection of projects that are a testament to the spirit of entrepreneurship and innovation in this region, and to the strength of research in the two universities here. I will see state of the art energy research based in the traditional forestry sector; advanced medical research in the life sciences; and investments which overcome the challenges posed by long distances – both infrastructure, and e-Health applications; and a world-leading centre for winter car-testing. I am particularly aware of the importance of universities in areas where out-migration is an issue. They are essential – literally – to the process of rejuvenation by attracting young talent. And by establishing strong links with local businesses, they can ensure that this talent remains in the region. I encourage you to continue your good work in this area, and to share your experience with other regions such as Cornwall in the United Kingdom which is developing a university based on networks. With the positive experience from this current programming period, you have a wealth of knowledge to build on.

So with reduced funding, it becomes more important to invest that funding wisely. On this note I will turn to my second point for discussion today – facilitating access of micro and SMEs to sources of financing in addition to traditional Structural Fund grants. This has been a priority of mine in reforming regional policy for the period 2007 to 2013. This access is essential because small enterprises are a key source of innovation and of job creation, and too often they are starved of the funds to finance their ideas.

Your advantage is that Vaesternorrland already has a long history in this area. For the last 10 years the County Administrative Board has co-

ordinated work in the field of SME financing and had already commissioned a report from the European Investment Fund in 2004. Since then two important steps forward have been made. First is the creation of SamInvest which is the first venture capital fund in the region part financed by the ERDF, and which is co-investing in other venture capital funds, business networks and private investors. And second, is the creation of Investa, another fund that is an important supplement to the regional supply of risk capital, and in which Governor Larsson has played a key role.

So encouraging work is already underway. I hope now that this can be taken forward even further with the new instrument that we have introduced to our regional policy. JEREMIE aims to promote access to finance for micro to medium sized enterprises in the European regions. It will allow Member States and regions to use part of their structural funds through the European Investment Fund in order to obtain a range of financial products specifically designed for this category of enterprises. Instead of simply receiving grants, these small enterprises will have access to venture capital, loans, guarantees, seed and technology capital, and micro credit. Scarce public resources will be made to work harder, because when funds from operational programmes invested under JEREMIE are repaid, they will be recycled and reinvested in further measures to support innovative micro, small or medium enterprises. JEREMIE will also provide a wide range of services and products to local financial intermediaries such as technical assistance, loan guarantees thus helping them to increase their supply of such products. This is good news for regional policy - for each euro coming from the budget, the sum of financial products available could range from

2 to 10 euros. And the initiative will also be important in facilitating the development, on a sustainable basis, of local financial intermediaries.

So what needs to be done now to ensure that JEREMIE can play a full role in this region? I am greatly encouraged that in Vaesternorrland and Jaemtland the first step has already been taken. The Swedish Government has already requested the European Investment Fund to carry out an analysis of the gap between supply and demand for finance for SMEs in this region. The draft report underlines the significant challenges that you face here – the difficulties of establishing sufficient critical mass of activities in these areas where population is so scarce and distances are so great; insufficient investment by venture capital funds in early stage financing; an absence of micro finance. So the report has established clearly that there is a need for action on this issue. It has also established that there is an interest in the region in using the EIF as a 'holding fund' for developing further these alternative financing sources in the new programming period.

I know that the national authorities are positive about the JEREMIE initiative and are now examining different possibilities for implementing it, for example a system of a national holding fund for national investments and regional sub-holding funds for regional investments. I encourage you, together with the national authorities, to make rapid progress on this issue as you finalise your new programmes. Our aim must be for JEREMIE to enter its operational phase early in the new year with the selection of the fund holder to manage it, and for the subsequent selection of financial intermediaries to follow quickly thereafter, so that they can begin channelling JEREMIE funding to the local level. I look

forward to discussing this issue with many of the key players later this morning.

Let me turn to my last point: cross-border and transnational cooperation. A few weeks ago in August, I attended the Visby Conference on prosperity and sustainability in the Baltic Sea Region. In February of this year I attended the INTERREG forum in Stockholm. On both occasions I have been struck by how much the Swedish regions have achieved with this regional policy instrument. I have been impressed by how you have used INTERREG to discuss common problems and challenges; and to identify and to implement common solutions in a spirit of co-operation and partnership. This solidarity goes to the heart of the European project, and I welcome your contribution to it.

Looking forward, I am particularly satisfied that in the new generation of regional policy, INTERREG has been mainstreamed and will be called 'European Territorial Co-operation'. Eligibility has been increased – in Sweden for example, 17 of the 21 regions can now participate compared to 10 in the past. Funding has also been increased: Sweden will receive €235 million which is roughly 50% more than in the current period. This will allow even greater opportunities for cross-border co-operation than before. I am greatly encouraged that the Swedish authorities are proposing a significant degree of continuity for this region. I want to mention three programmes in particular. Bothnia Atlantica will build on the work being carried out with the Kvarken Mittskandia programme (INTERREG IIIA), promoting improved communication lines and ensuring that municipalities and SMEs can share experience and expertise across the borders with Finland and Norway. And for the first time Vaesternorrland will be eligible to participate in these activities. The

North Calotte and Sapmi Programme will take forward what has been achieved with the North programme. Although eligibility has not been extended quite as far as Vaesternorrland, your neighbours just to the north in Vaesterbotten will participate for the first time. Finally in the Northern Periphery programme in which all of the current objective 1 area participates, and for which Vaesternorrland will continue to be included, you will be able to extend your work to fresh fields, as Ireland and Northern Ireland will now participate too. I know that you have been very active in preparing all your new programmes on territorial co-operation, and am encouraged that drafts will be available very soon.

Governor, ladies and gentlemen,

At the beginning of my speech I stated that we have much still to do to ensure that we can begin implementation of our reformed regional policy without delay at the beginning of 2007. Your current record of investment of the structural funds is a firm basis on which to build a new programme. I encourage you, as you continue your discussions today, to ensure that this programme is focused on clear priorities. I urge you to keep up your work on developing alternative sources of finance for SMEs and to exploit to the full the new possibilities which JEREMIE allows. And I encourage you to build on your strong record of co-operation beyond the region and beyond your national borders. My services in DG Regional Policy are of course ready to help with whatever additional information and advice you may need. On this note, I wish you every success as you continue your discussions and preparations over the next weeks. Working together, we can ensure that all the necessary preparations are completed by the beginning of 2007.

Thank you.