

OPENING SPEECH

by Professor Danuta Hübner

European Commissioner for Regional Policy

Open Days 2006

“Cohesion policy of the EU: achieving more growth and jobs in regions and cities”

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Ladies and Gentlemen,

In my closing remarks to last year's Open Days, I referred to the support that the Commission's proposals for the future of regional policy had received during the event while expressing my concerns - which were also your concerns - on the absence of an agreement on the financial perspectives at that point in time. As you can imagine, I am delighted to be able to introduce the Open Days 2006 with the budgetary negotiations successfully concluded. We have also a new legal framework for cohesion policy, in force since 1 August, and Community Strategic Guidelines adopted by Member States last Friday.

If there is one major conclusion that I would draw from the experience of the past 12 months, it is the following. In cohesion policy, we have one of the rare cases where it is possible to achieve a widely-drawn consensus around an ambitious Community role. The policy is ambitious since it aims at promoting convergence and territorial cohesion through innovation and competitiveness, it covers

geographically the whole of the territory of the Union and, of course, because it has significant budgetary resources. This policy is based on the consensus because it received widespread support at national, regional and local level, as well as among the social partners, NGOs and civil society and, last but not least, among the European institutions and consultative bodies. As recent history has shown, this is a combination of forces that even the most reluctant of Member States in the Council could not, in the end, resist.

We should stop and think for a moment about what we have achieved so far, just before we move onwards to the new generation of programmes. We should recall that in giving their agreement, the Member States have not signed up to an easy life. Cohesion policy is not about distributing blank cheques. Just think of what it entails: setting up detailed strategies and programmes, evaluation and monitoring, preparing good projects respecting Community law, strict financial management rules, visits from the auditors and so on. Member States have to provide some of the money for the programmes themselves under co-financing rules. So why have they agreed to another seven years of this?

First, while we sometimes like to complain about the delivery system, we all know in our hearts that it is based on the essential elements of any system of good governance, and of sound and efficient management of public resources, in twenty-first century Europe. We also know that these elements are the same for everyone: for example, there is less scope for one region to seek a comparative

advantage over the others by, say, ignoring the environment when respect for environmental law is a pre-condition of Community intervention. In addition, the cohesion policy delivery system is an inclusive one: there is no top-down decision-making from Brussels but rather a multi-level partnership that brings the beneficiaries of the policy directly into the decision-making process. In other words, people know what they are doing and what they are trying to achieve.

Second, the record has shown that as a means of delivering results in economic terms, this is a policy that works. The traditional major beneficiaries before the last enlargement in 2004 - Greece, Spain, Portugal and Ireland - have been steadily catching up with the rest of the Union. Much of this has been down to EU cohesion policy as a source of investment. The GDP gap between these countries and the rest of EU15 has closed by 7 percentage points over the past decade.

And it is not just the somewhat abstract GDP figures that have changed, the improvements are visible for anyone to see on the ground. Just under the current programmes, I am speaking about the 900 kilometres of new railway constructed in Spain, the 270 kilometres of motorway in Greece but also the 3000 kilometres of fibre optic cable in northern Sweden so that nearly all of the population in this remote part of the Union is connected to broadband. But at the same time the policy has increasingly invested its resources in research and innovation, in the formation of research

labs and science parks and created thousands of new businesses and hundreds of thousands of new jobs.

So, it is not surprising that cohesion policy is attracting interest across the world. Just this year, I signed a cooperation agreement with the Chinese authorities who are anxious to apply an approach based on EU cohesion policy as they seek to extend their growth miracle to large parts of the territory hitherto excluded. We have had similar approaches from Brazil and have also been asked to contribute to the work of the United Nations and World Bank Committees. Clearly, there are key players outside the Union who seem to know more about the value of this policy than some of our own Member States.

Ladies and gentlemen,

While it is instructive to look at past achievements, the challenge that lies immediately in front of us is to put in place a new generation of strategies and programmes, over 400 in all. You will know that the essence of the reform that has just been negotiated is to achieve a more resolute concentration on strategic priorities. This is reflected in the contents of the Community Strategic Guidelines for Cohesion which were adopted just last week by the Council. The Guidelines confirm that cohesion policy should become the principal mechanism at Community level for delivering growth and sustainable jobs.

As most of you will know, the preparation of the new strategies and programmes has been ongoing for some time. I expect the first agreements to be reached on the strategic elements by the end of this year and on the first programmes in the early months of 2007. I would like to use this opportunity to say what the Commission expects from these programmes.

First, the Commission is looking for programmes that address head-on the challenges we face together, such as global competition and the growing speed of change in economy. Rather alarmingly, the recently published Global Competitiveness Report 2006-2007 suggests that for 13 of our 25 Member States, their relative competitive position has worsened compared to 2005-2006, while only 9 Member States feature among the top 20 most competitive countries in the world.

There are many contributory factors to this including unemployment and the ageing population which tend to slow necessary change down. But it is also due to under-investment and a comparative absence of risk-taking. The new programmes must address these aspects. We must not seek to inhibit global change. On the contrary, the new programmes must promote adaptability, while at the same time investing in new opportunities.

This is not an easy task. The drivers of competitiveness are no longer bound to historical assets or to natural or geographical

advantages, but to the capacity to create new goods and services in response to changing market needs. We need to identify and promote new endogenous advantages. As never before, competitiveness can be described as man-made. Therefore, for the new programmes, building competitiveness requires a much more sophisticated and complex approach.

Second, the Commission fosters a much greater focus on innovation. This was the intention behind the earmarking provisions in the new legal framework, an idea accepted by Member States at the December summit. Earmarking is the recognition that the world has changed and that we need to re-focus efforts towards new priorities in order to achieve sustainable cohesion. Moreover, the region and the city become increasingly relevant for economic development based on innovation. Economic pressures coming from globalisation need quick decisions, capacities and skills which very often can be found at the regional rather than national levels. This reality should be reflected in the content of new programmes.

Third, the Commission will encourage the use of the programmes to attract and raise private capital and to build public-private partnerships (PPP).

Public-private partnerships are about bringing on board new sources of finance, additional expertise and greater incentives to performance. They help to improve economic governance and capacity building, they contribute to projects quality.

In the last ten years, PPPs have been increasingly evident in EU supported projects, such as the construction of toll motorways or toll-bridges. Likewise, several initiatives were launched in new areas, such as university science parks where our investment brought forth national, regional and local public development grants, academic research funding and loans and contributions from businesses involved in the project. But much more needs to be done.

In this context, the Commission, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development have set up a special facility that offers expertise, free of charge, to national authorities of the cohesion countries in preparing better quality large projects for Commission approval. The facility, known as JASPERS, is also able to help in the preparation of projects involving PPP where Member States request it. I would urge the countries concerned to make the fullest use of JASPERS.

I would like to conclude with some remarks on the **role of regional and local authorities**.

This week we will talk about investing in regions and cities, and there is a good reason for this. Today, an increasing number of firm location decisions is based on careful analysis of a city or region's economic and social situation rather than just on looking into national statistics. Investors want to know about local skills and research

capacities, connectedness to the Single Market and the like. Does the local labour market offer enough IT specialists? Is there a number of innovative SMEs which could engage in a commercial research project? Will my key managers find a city and region an attractive place to live?

I have seen through my programme of visits to the Member States and regions that top-down strategies alone are insufficient, particularly where the aim is to encourage innovation. It is at the local level where the networks of business, research institutes, local authorities and financial institutions come together and where innovative thinking and action is generated. With the help of European regional policy there is the possibility to develop such networks across regional and national frontiers.

In sum, time has come to prove that the reform of the cohesion policy brings results. The next generation of regional programmes provides a new opportunity for regions and regional and local actors to build on past successes and to genuinely make a difference to the lives of our citizens in terms of jobs and prosperity. I am convinced that those of you in the audience who have a role directly or indirectly in these programmes will seize this opportunity.

Thank you for your attention.