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Conference of CRPM and CoR

What future for regional policies after 2013?

Seville, 18 January 2008

Dear Presidents, ladies and gentlemen, dear friends,

First of all I would like to thank Michel Delebarre, President of the Committee of the Regions, and Claudio Martini, President of the Conference of Peripheral and Maritime Regions, for having organised such a distinguished panel on the future of European cohesion policy. I also thank Manuel Gonzales Chaves, President of Andalucía, for hosting this event that will certainly move a step forward our collective reflection. I am finally grateful to the Spanish Ministry for External Affairs and Cooperation for contributing to the organisation of this day.

Mr. Alberto Navarro, Spanish Secretary of State for the European Union, stated in his speech at the Cohesion Forum last September that *"actualmente, nos encontramos en un momento clave para la Unión Europea. Junto con el debate en curso sobre el Tratado de reforma, la reciente presentación por la Comisión del "Issues Paper" inicia un proceso de reflexión sobre el futuro del presupuesto comunitario [...] El Cuarto Informe de Cohesión se enmarca en este proceso de revisión y confirma la importancia de la política regional"*.

I completely agree with Mr. Navarro: after the biggest enlargement in its history, the European Union is now clarifying its objectives and re-defining its policies. Globalisation has brought about new challenges and

issues which – like climate change, energy and migration – have come to the centre of the European debate because in the years to come they will have increasing impact on our lives. Solidarity and competitiveness, cohesion and growth are at the core of this reflection.

I had already the opportunity to present some preliminary ideas on the future cohesion policy at the Cohesion Forum and, more recently, at the informal meeting of the Ministers responsible for regional policy in the Azores. I would like today to continue that reflection by focusing on four points in particular: on the challenges which the Union is and will continue to face; on the governance of European cohesion policy; on the relation between cohesion and competitiveness; and on the interaction and between European cohesion policy and national policies.

Let me begin by saying that the background against which the new European cohesion policy will be developed is characterised by a series of challenges with which our societies are and will be confronted. These are related to the acceleration in economic restructuring as a result of the rapidly changing division of labour at international level; to changes in the structure of the population which is ageing and decreasing; to pressure on territories related to climate change; and to rising energy prices which impact on the structure of our economies.

I intend to publish before the end of the year a report on scenarios of the socio-economic situation of the European regions at the 2020 horizon, taking into account the dynamics and implications of these challenges. However, already now some preliminary results suggest that their impact will not be evenly distributed across the Union but will be more

concentrated in particular regions, thus widening socio-economic disparities.

Just as an example, many "convergence" regions in Central and Eastern Europe, East Germany or Southern Italy will face population decline, reflecting both low fertility rates and net outward migration. By 2020 the working age population is expected to decrease by more than 10% in some of these regions. The "ageing regions" in East Germany, northern Spain and Italy will suffer from the highest old-age dependency rate approaching in 50% - meaning that for every 2 employed persons there is one in the age above 65. This will have significant consequences for the economic development and for the way the future regional policy shall operate in these areas.

With the reform proposed by the Commission for 2007-2013 period European cohesion policy has already started to adapt to this new context. The key elements of this reform are: the "earmarking" of over 200 billion euro of cohesion funding on investment generating the highest impact in terms of European growth and jobs agenda; the Strategic Guidelines which build on synergy between different levels of government and allow reconciling bottom up approach with the overall strategic coherence; the link between the Lisbon agenda - National Reform Programmes - and cohesion policy, articulated in the annual reporting.

Let me quote here the last European Council which recognized these achievements in the Presidency conclusions stating that *"the role of the regional level to deliver growth and jobs should also be increased, as*

*recognised in the new generation of programmes of the cohesion policy covering the period 2007-2013".*

The last policy reform contributed to the quality of the 2007-2013 programmes and their capacity to deliver tangible and measurable results. Importantly, the reform left room to local and regional authorities to design solutions and strategies best suited to their constituencies. Thus, the role to be played by most of you, local and regional administrations, will be even more crucial in this new context. This brings me to my second point - the governance of the policy and the role which Member States, regions and localities, but also the Commission itself, shall play in the future policy making.

The reform of European cohesion policy has already provided for greater decentralisation of responsibilities to local and regional partners, thus contributing to improve responsibility and ownership on the ground. Yet I am fully convinced that there is a significant room for further strengthening this system of **multi-level governance** that the cohesion policy has developed and improved over time.

I would like today to focus on one dimension of governance. European cohesion policy is sometimes identified with the redistributive role. But the fact that its budget is created through a redistributive mechanism does not mean that the policy itself has such a character. While redistribution and social justice is indeed an important challenge the Union is confronted with, today European cohesion policy performs an important, if not principal, allocative function. With the new policy reform we moved towards the policy whose basic function is the **delivery of**

**public goods and the mobilisation of local growth resources against the background of the global economy.**

However, the continuation of this evolution in the future calls for more emphasis on the role of the Commission as a policy advisor, favouring tailor made strategies for European territories. But in order to find necessary human resources in the Commission to fulfil this role we would need to review the allocation of control and audit responsibilities between the Commission and Member States.

How far we can go in this direction depends however on what new arrangements we can identify for article 274 of the new Treaty which establishes that: "*the Commission shall implement the budget in cooperation with the Member States [...]. Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management*". In addition, the Lisbon Treaty reinforces the second paragraph of this article adding that "*the regulations shall lay down the control and audit obligations of the Member States in the implementation of the budget and the resulting responsibilities*".

We need a stronger involvement and responsibility of the Member States in carrying the control and audit activities, while the Commission should concentrate on certifying and supervising the functioning of national control and audit systems. This would allow the Commission to allocate more resources to policy advice and "performance audit" focusing on the quality of the cohesion investment in terms of economic growth, jobs and competitiveness.

The need for such a discussion is even more accentuated by the introduction of territorial cohesion in the new Treaty. Its provisions open up new venues in terms of distribution of responsibility between levels of government, of better consideration of territorial specificities, and of new contractual arrangements. For the future role of the Commission three issues seem to be of particular importance.

First, adding territorial cohesion to the objectives of the Treaty means that more consideration needs to be given in all the Union's policies to the need for the harmonious and balanced development of the Union's territory, with the objective of better exploiting of its diversity and potential.

Second, the recognition of territorial cohesion as the aim of the cohesion policy calls for a structured approach to territorial issues, consolidating the place which disparities linked to the Union's territories occupied until now in the cohesion policy. In other words we need to work out within the policy an approach that would encompass at the same time specific geographic characteristics (islands, peripheral areas, sparsely populated areas) and socio-economic dynamics (rural depopulation, urban deprivation) affecting EU territories at different levels ranging from the transnational to the infra-regional and local.

Finally, the Treaty also introduced a new definition of subsidiarity which clearly refers to local and regional powers.

This means that we are confronted with a new picture, which requires from the cohesion policy better knowledge and use of the potential of our territories, new concepts capturing the meaning of the territorial cohesion, reinforced co-ordination between cohesion policy and other EU and national policies, more work done on the subsidiarity tests. Certainly, a large part of these new tasks can and shall be carried with the greater involvement of our territories. I am convinced, however, that they also imply the stronger involvement of the Commission in the policy analysis and formulation - at the level of European, national and territorial strategies.

I hope that the Green Paper on Territorial Cohesion to be adopted by the Commission this autumn will shed clear light on these issues.

Let me turn now to the third issue which has been often discussed in the past months: the relationship between **cohesion and competitiveness**, equity and growth, between regional policy and the Lisbon agenda.

The investment pattern fostered by the cohesion policy has been constantly changing following the changes in the economic environment, but the last change has been perhaps the most profound one. This is due to the fact that in the past the main frame of reference for the regional development in the Union used to be of internal nature, somewhat leaving dealing with external challenges to national governments and community policies, such as trade policy. Today we think that the cohesion policy can best support growth in regions by helping them to turn into competitive players on the global market.

As I said in the Azores, the solidarity dimension of the policy will be ensured by the way resources are allocated. They will continue to follow an inverse relation with the wealth of countries and regions. Not only as the expression of European solidarity but also from an economic point of view this approach makes a lot of sense since the opportunity cost of an additional euro of Community investment is higher in Member States and regions where the margins of progress are highest.

Yet, as we all know European cohesion policy is much more than a simple redistribution of resources between Member States. It helps the regions by investing in opportunities, in long-term strategies, in diversification and modernisation of economic structures, in modernisation of the public administration, and in the mobilisation of the private sector, the civil society, and the socio-economic partners. It also leverages significant public and private national investment.

You will also agree with me that cohesion policy provides a number of public goods, which often have transnational nature, such as European networks of transports and energy, a genuine European environmental policy or investment in education, research and development. Put it differently, the cohesion policy has been able to combine its redistributive function with the very strong focus on public goods, simultaneously fulfilling – as noted in the last Ian Begg’s paper on the budgetary review - the politically legitimate objective of building a cohesive European society.

We need to continue this reflection in order to clarify the ultimate purpose and logic of European cohesion policy in the face of new challenges.

My last point concerns the **link between cohesion policy and national policies**.

Obviously, the intensity of the correlation between growth and cohesion depends not only on the cohesion policy itself. It does not operate in a vacuum: the Single Market is a contributor to long-term growth while the quality of macroeconomic policies influences the direction and intensity of change.

The 4<sup>th</sup> Cohesion report has already pointed to the fact that the link between cohesion policy and national policies is not very clear and that sometime national policies may well operate in a different direction than cohesion interventions. While we made some steps in the right direction by making a close relationship between the cohesion policy and the National Reform Programmes, I am convinced that we need further discussion for a better understanding of the synergies between policies devised at national and sub-national level and European cohesion policy.

We should avoid sectoral approach to EU policy principles, those linked to growth and jobs agenda in particular. There seems to be an emerging consensus on the need to develop instruments able to operate in an integrated way between levels of government and policy sectors. Between levels of government since this is the only way to take into account local preferences while maintaining overall strategic coherence. Between sectors, in order to maximize synergies and control for possible conflicts between policies' goals.

To exploit fully these synergies, it is worth examining the link between cohesion interventions and the structural reforms linked to the labour market, to the banking and credit system, or to legislation in support of entrepreneurship. Another area worth investigating is the coordination of all public expenditure in a given territory. Such an approach maximizes the impact and avoids conflicting outcomes on the ground. It also allows for a correct evaluation of the impact of European cohesion policy, which may be otherwise distorted by the concurrent operation of other national policies.

More work is needed in this area and I am sure that the 5<sup>th</sup> Cohesion report will shed some light on this important question.

To conclude, let me briefly remind the main highlights related to the European cohesion policy for the period after 2013. As you know, I have launched an open consultation on the future of our policy that is open to all the relevant stakeholders to submit their ideas and will close at the end of this month. The results of this consultation will be summarised in the 5<sup>th</sup> Progress report on economic and social cohesion to be adopted by the Commission at the end of the spring.

This consultation takes place simultaneously with the public debate opened by the Commission in the context of the budgetary review. Given its size and importance at European level, there is no doubt that European cohesion policy will be one of the cornerstones of this debate.

One of the key achievements of the cohesion policy is a strong system of multi-level governance making regional and local authorities leading actors in the design and implementation of European cohesion policy.

For this reason your contribution to the public consultation is crucial to draw an efficient, transparent and performing regional policy for the Union post-2013 and, in particular, for the second half of the next decade. I urge you to submit your contributions by the end of this month.

Thank you for your attention.