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"EU-Russia cooperation: unlocking the potential of dialogue on regional policy"

**SEMINAR "STRATEGIC AND GOVERNANCE ASPECTS OF REGIONAL POLICY"
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Minister Kozak, Ladies and gentlemen,

I am delighted to open - together with Minister Kozak – this seminar which brings together so many specialists from Russia and the European Union. Let me also thank TAIEX for supporting this initiative and the national experts from Finland, Germany, Portugal and Spain for their willingness to share their experiences with us. During the next two days they will give you a broad overview of the best practices and main challenges facing the programming, management and implementation of the European regional policy in Member States and in their regions.

Today I would like to address three issues based on our experience in the European Union and relevant to the title of our seminar. I shall start with those features of the policy response in the European Union which are key to any successful regional policy: an integrated approach to development, combined with strategic planning and an approach based on multi-level governance. My last point will be about territorial cooperation and the great potential that European and Russian regions can bring to the dialogue between Russia and the Union.

But, before taking on European regional policy, we should perhaps ask one fundamental question – why do we believe that our European experience in this area may be useful to Russia? And why should regional policy play a role in fostering the development of your country at all?

The most important reason is that European territory shows wide variation in terms of the level of socio-economic development, which makes it similar to Russia. This is because of the Union's enlargement to include new countries. Therefore it has accumulated a lot of experience in policies targeting regions which display a variety of socio-economic characteristics.

As a result, the European Union, like Russia, faces many challenges in economic and geographical terms - such as development of areas with low economic and population density, agglomeration and concentration of economic activity or large distances. They call for similar policy responses – investment in infrastructure, interconnectivity between growth poles and with neighbouring regions; an efficient migration policy, enabling free flow of labour; the integration of least-developed and peripheral regions.

These are only some issues which may unlock the potential for our further co-operation in the area of regional policy. And I am convinced that this affinity will intensify in a future which will confront both Europe and Russia with the same challenges – the acceleration of globalisation and the continuing opening of world trade, the effect of the technological

revolution and the development of the knowledge economy, the environment and global warming, the ageing of population, the urban-rural divide and the increase in social and economic disparities.

Economists are telling us that regional and local levels will play an increasing role in turning this scenario into a positive story. And this is where the need for regional policy steps in. Investors are looking for areas which can offer assets such as a proper business environment, skills, innovative Small and Medium Enterprises, research capacities and talents. These assets are best developed and managed at local and regional levels. That is why EU regional policy in the last 20 years has become much more decentralised, relying increasingly on local and regional actors.

Simultaneously, European regional policy has evolved from its redistributive function towards a fully-fledged development policy. In a global world, a mere redistribution of financial resources from one place to another is not sufficient to spur regional growth. We need a policy which fosters the endogenous development of our territories, based on assets and people which are on the spot. In other words, sending unconditional handouts from capitals to poorly developed or peripheral regions will not set them on the trajectory of growth and employment, but only petrify their dependence on subsidies.

So, how is European regional policy addressing the problem of uneven development?

Firstly, our policy has moved away from a sectoral approach towards a long-term, integrated strategic approach to regional development. The impact of globalisation does not respect sectoral lines; hence it calls for a policy which can reap positive spill-over between individual policy objectives. In this way, cohesion policy can deal with a variety of changes affecting our territories and tap unused growth resources at the local and regional levels. Through this integrated approach to development, EU regional policy seeks to improve the overall impact of sectoral interventions and puts greater emphasis on fostering place-based development.

Perhaps it is worthwhile to give you a concrete example. In the Canary Islands, the local Institute of Technology and Renewable Energies implements a series of research projects on renewable energies, co-financed by cohesion policy. These projects led to the construction of one of the biggest photovoltaic (solar energy) plants in the world – managed by Private Public Partnership. At the same time, the project became the centre of a local renewable energy cluster, leveraging private capital and fostering the take-up of new technologies by local enterprises. And the Institute itself became a world centre of excellence in the domain of renewable energies. This is what I mean by the potential of the integrated approach.

However, an integrated approach requires careful planning and focus on the long-term. That is why the new architecture of EU regional policy places great emphasis on the need for a strategic vision in pursuit of a common set of Community priorities: the Community strategic guidelines. Its major priorities are: research and technological development,

innovation and the spirit of enterprise, a knowledge-based society, transport, energy, and the protection of the environment, as well as investment in human capital, labour market policy and improving worker and business adaptability.

The Member States and the regions are then invited to transform these Community priorities into national and regional priorities, while retaining their specificities. For this purpose, Member States and regions draw up a comprehensive medium-term development strategy for the use of policy resources. I know that Russia is currently finalising its own Regional Development Plan. Thus, this seminar gives us an excellent opportunity to share our respective experiences in designing development strategies in our respective territories at federal and regional level.

Let me now move to the second part of my presentation.

In the face of globalisation, each territory is confronted with specific challenges and opportunities, so there is no question of one-size-fits-all policy. The involvement of regional and local authorities is essential to ensure its success. It is the quality of governance, at different levels, which makes the difference. Development programmes must be conceived and executed at the local and regional level by those who understand local people and the business environment.

The economic and social partners and representatives of civil society are strongly involved in the design, implementation and follow-up of

interventions by regional policy. We will not achieve our common priorities for the EU as a whole unless we make the most of local knowledge. That is why, from its origin, regional policy has developed a unique delivery mechanism based on multi-level governance and partnership.

Our approach to multi-level governance is two-fold. On the one hand, we are talking about involving all relevant administrative layers – at EU, national, regional and even local level. This is sometimes called the vertical partnership of the statutory authorities at different levels, led for the most part by elected representatives. On the other hand, there is also a horizontal partnership, which includes the economic and social partners but also other bodies representing civil society, environmental partners, NGOs and bodies responsible for promoting equality between men and women.

Indeed, it is probably not going too far to say that without partnership, the legitimacy of the policy might be in doubt. But it is not only legitimacy which is at stake; it is also economic efficiency. We know that the main drivers of growth are to be found at local level. Innovative clusters develop and grow in specific locations. Despite increasing global flows, access to finance for new entrepreneurs or business services adapted to the needs of Small and Medium Enterprises have to be provided also at local level. The most fruitful exchanges of experiences take place at regional or local level, either within a region or among them. In this context, we would be happy to work with the newly elected Russian local administration, for example on the theme of institutional capacity building.

The role of regional policy is therefore to invest in those regional and local factors which are the main drivers of growth in the framework of specific regional development strategies designed with the participation of all relevant partners.

My last point is about territorial cooperation. It is becoming increasingly evident that the co-operation which is limited to that between states has its limits. It can establish structures to help boost economic growth, but without regional authorities, it is impossible to achieve concrete results. Multilevel governance rules should be introduced to enable regions and local authorities to work together. And this is what the European Neighbourhood Policy aims to do, since part of it is devoted to cooperation between sub-national authorities.

This approach is in line with the recent Commission Communication on "A strong European Neighbourhood Policy", which had as one of its themes the promotion of exchanges of experience on formulating and implementing regional policy. And, equally important, the Commission will seek to implement this exchange through the interaction between national, regional and local authorities.

One of the good stories that globalisation is telling us is that collaboration between the regions and local communities is fundamental to successful development. It has become evident that we need cooperation to achieve sustainable development, just as it is evident that no region can resolve its difficulties on its own. The global market means not only competition, but also new opportunities for co-operation. Already today

we have European regions which directly co-operate with their Russian counterparts. And it is this concept which is now guiding us in the exchange of our regional development values and experiences.

Cohesion policy is encouraging good neighbourhood and partnership in the current programming period through the Baltic Sea Region programme covering eight Member States, Norway, Belarus and North-western parts of Russia. In this programme, ENPI funding will be joined with ERDF funding for the region and managed under a single structure by all countries concerned.

In this context, Russian regions can benefit from the experience built by neighbouring European regions. In the current programming period, countries such as Poland or Lithuania will, for the first time, have regional programmes designed and implemented at regional level. Russian regions, and in particular Kaliningrad, can monitor this experience and take it into account in their own planning, as well as benefiting from renewed regional dynamism at their borders.

Ladies and Gentlemen,

Our last Cohesion Report – one of the key documents produced by the Commission – was entitled "Stronger regions – stronger Europe". I believe that the same idea applies to the Russian Federation and that regional policy should become one of the major topics for cooperation between Russia and the European Union.

We have much to learn from each other. I am looking forward to strengthen our current cooperation process in the strong belief that it will contribute to the overall process of economic and social development of our societies. It will require more intense contact and greater mutual knowledge in the years ahead. My services and I will contribute and actively play our part in this.

Thank you very much for your attention.