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**"Turning diversity into strength. Some reflections on territorial cohesion and on
the future of cohesion policy"**
Speech at the Conference of European Legislative Assemblies
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Mrs President of the Conference of European Legislative Assemblies,

Ladies and gentlemen,

Egun on, buenos días, good morning,

It is a great pleasure for me to be here with you. Thank you for this opportunity to share with you my views on the territorial cohesion and on the future of European cohesion policy. I would like to speak about the policy for which I am responsible and for which your role is key.

This meeting takes place in a period of a comprehensive reflection on European policy agenda, at a time of ongoing public consultation on the future cohesion policy after 2013, at a time of public debate on the role of territorial cohesion in European integration, at a moment in which we are awaiting the conclusion of the ratification process of the Treaty which brings strengthening of subsidiarity extended to regional and local levels and the notion of territorial cohesion which complements the economic and social cohesion.

Socio-economic inequalities in the Union

The vision of the future shape of regional policy depends on our diagnosis of social, economic and territorial inequalities in the Union. Convergence between European regions is occurring. Over the last 5 years, the growth of GDP per head was 50 % faster in the least developed regions of the EU compared to the rest of the Union. This convergence has been achieved through a process of profound economic restructuring, with strong growth in knowledge intensive services, high-tech manufacturing and modern business services. However, while these trends are

positive, large socio-economic disparities persist between and within European regions.

Your invitation has come at a time of global financial and economic turmoil. The challenges generated by the extreme financial and economic insecurity come on top of many global challenges which are with us or which are looming on the horizon. Both experience and research suggest that all of them are increasingly affecting regional growth performance and will most likely alter the traditional map of economic disparities in Europe, resulting in new patterns of winners and losers. Some territories will benefit, others will lose out in view of their territorial features, endowments, but first of all, in view of their capacity to react, to cope with negative impacts and, what is even more important, the capacity to exploit emerging opportunities.

A number of such factors, such as climate change, energy security and demographic change have already started to generate an asymmetric impact on territories. This will be aggravated if we do not react at all levels of governance.

So, the debate on the future regional policy should be seen against the background of all those socio-economic opportunities and threats.

Territorial disadvantages often stem from endogenous factors, resulting in underutilisation of regional resources. A modern regional policy should aim at unlocking untapped potentials in regions by providing public goods aiming to improve human and physical capital endowments. It should enable European regions to durably increase their competitive position in the global knowledge-based economy. It is with this view in mind that we implemented last reform which oriented the policy towards investments with highest returns in terms of growth and competitiveness. It is clear that raising aggregate economic performance in the EU requires 'place-based' policies to release underutilised potentials.

Possible future directions for cohesion policy

So what shape shall the future regional policy take? We need both continuation and change.

On the continuation side, we should build on the assets of regional policy, on what has stood the test of time. Among those assets I would particularly care for the multi-level governance system and partnership.

In an increasingly integrated and interdependent world economy, regional and local levels appear to be best placed to exploit the advantages of global processes. Recent work by the OECD stresses the importance of competing on the basis of region-specific assets and locational advantages. Regions have become the primary spatial units where knowledge is transferred, where local innovation systems are built and between which competition to attract investment takes place. It may seem paradoxical but globalisation reinforces the need for subsidiarity.

In this context, we need to reflect on how European multi-level governance system could better take into account regional specificities. Clearly, the governance of European regional policy should capture the dynamics of territorial reality, ranging from communal to macro-regional entities.

No wonder then that statistics show that over the last decade across the EU we have seen a shift in public investment – the process of decreasing public investment at the national level in many countries has been accompanied by the growing importance of public intervention at the subnational level.

What we will certainly need in the future is further investment in the quality of the multi-level governance. Partnership is another key asset on which we should build the future policy.

A well-functioning partnership being itself a cooperation of high quality is also increasingly recognized as one of the preconditions for competitiveness. Involvement of a wide range of socio-economic actors in policy design and implementation, public-private partnerships, networking, knowledge transfer and sharing of best practices are key elements in this regard. But we will need an accountable partnership where the feeling of ownership generates responsibility.

As you know yourselves very well, we have over decades accentuated within the framework of European regional policy an enormous wealth of experience and best practice. We will have to invest more in existing mechanisms of sharing this best practice, using it more efficiently and effectively. That challenge takes me to another policy asset on which we have to build the future which is territorial cooperation. In all our public consultations the need to increase the role of this strand of our policy is strongly emphasised. That implies not only continuation, but also further investment in the implementation of the recently established instrument for cooperation – the EGTC – European Group for Territorial Cooperation. Its major advantage is certainly

its capacity to overcome barriers, still present in the uncompleted European Single Market.

One more aspect on the continuation side – further improvement of our system of financial engineering.

In particular in the context of a rather likely longer period of difficult access to investment financing, in particular for SMEs and in particular for high risk financing, we will need to progress on our new instruments developed jointly with EIB, like Jeremie, Jessica and Jasmine.

But European regional policy has always evolved. External challenges have evolved over time and Europe has been changing. So, regional policy should also further evolve. An important element in the future policy evolution is to make territorial cohesion an integral part of the way we design and implement regional policy.

The recently adopted Green Paper on Territorial Cohesion launched a public debate with a view to come to a better understanding of the concept of territorial cohesion and its policy implications. This is a process which already began in the early 90s and led to the adoption of the European Spatial Development Perspective in 1999, which aimed at developing a common framework to guide national policies towards more balanced development. A number of ministerial meetings discussed territorial trends and their implications for policy-making. The debate culminated in the adoption of the Territorial Agenda and its Action Plan last year. What are the key messages of the Green Paper?

Territorial cohesion is about ensuring the harmonious and balanced development of all European territories. It is about enabling our citizens to make the most of the inherent features of the territories they are living in (be it sparsely populated areas in the North, be it strongly urbanised areas of the pentagon, or mountainous, rural areas or islands). In other words, it is a means of turning the rich territorial diversity of Europe into an asset that contributes to the sustainable development of the EU as whole. The Green Paper suggests three concepts to be translated into policy actions: Concentration, connection and cooperation.

We need to strike the right balance with regard to concentration of economic activity. Much of Europe's growth is driven by processes of urbanization and agglomeration. Agglomeration can generate positive effects such as innovation and increased productivity. It can however also generate negative environmental and social

externalities (for example congestion, higher land prices, deprivation), which may outweigh the gains of increased concentration.

Territorial cohesion is about maximising the positive effects of spatial agglomeration and mitigating the undue concentration effects. Metropolitan areas might be driving growth for some time yet, but to render it sustainable in the long term, policy makers need to tap growth potential across all territories. The task for public intervention is to ensure the most efficient outcome of public spending. This can be achieved by maximising the capacity of each territory to contribute to national growth. We need place-based policies that raise the utilisation and productivity of human and capital resources in all territories. Such policies should foster development in small and medium-sized towns and rural areas, so that they reach the 'critical mass' necessary to trigger high and sustainable economic growth.

Territorial cohesion is also about overcoming distance. We need to move towards an integrated Europe which offers fast and efficient access to markets, services and people. This does not only concern inter-modal transport, but also infrastructures underlying the proper functioning of the European economy, such as health care, education, broadband internet or reliable energy networks.

All these connections remain unevenly distributed across European territories. In 2007 remote rural areas, on average 40 % of people lived further than a 30-minute drive from a hospital and 43 % lived more than one hour's drive from a university. Household access to broadband internet is on average 15 percentage points lower in rural areas than in urban ones. Access to the energy network is uneven due to geography - for example on small islands, or for historical reasons as in the Baltic States. Territorial cohesion seeks to ensure access to high-quality services across all European territories.

Territorial cohesion means also investing in cooperation to overcome divisions. The Green Paper underlines the need for better cooperation to address issues that cut across administrative boundaries, such as pollution, flooding, migration or security. Nearly all major challenges that the EU faces today and will face tomorrow do not recognize political and administrative boundaries. Thus we need cooperation. It should occur on many different levels and involve also new partners. It might cover multiple regions and Member States such as the Baltic Sea area or the Danube river basin. At the other end of the spectrum, cooperation may involve local partnerships, covering groups of communes.

Increased co-operation also concerns Europe's immediate neighbours. Differences in living standards and demographic trends, in particular in the Southern neighbourhood of the Union translates into strong migratory pressures and untapped economic opportunities. These are just a few examples of how much territorial cohesion matters in the development of Europe.

The public consultation on territorial cohesion is open until the end of February 2009 and the Commission will present an analysis of the results in spring 2009. We count on your voice in this debate.

Finally, efficient and effective policy delivery remains a key challenge for cohesion policy. It is becoming increasingly evident that we need to move towards a policy which is more performance-based and result-oriented. For this to be achieved we need to make a real progress with regard to availability of statistics and indicators.

We certainly need to find a better balance between, on the one hand, the rules and procedures required for ensuring effective and proper use of EU budget, and on the other, the administrative burden put on implementing bodies and beneficiaries. We need to ensure that the principles of sound financial management are being adhered to in all cases. Verifiability, accountability, measurability of interventions and clear distribution of responsibilities are key elements in this regard. At the same time, we need to ensure that the delivery rules and procedures are as simple and transparent as possible allowing for the highest administrative efficiency. This is why I have asked Directorate-General for Regional Policy to undertake in cooperation with Member States and regions a thorough assessment of the delivery mechanism to identify the areas where improvements could be made to ensure a more effective and efficient delivery system.

Main stages of the reflection process

The reflection process on the future cohesion policy has started with the publication of the 4th Cohesion Report in June 2007. It put forward a number of questions for consultation on challenges facing regions and possible policy responses.

- The main message emerging from the consultation so far and coming from Member States, regional and local authorities, socio-economic partners, civil society and citizens is the wide support for an ambitious cohesion policy, which covers the whole territory of the EU. Any attempts to renationalise cohesion policy are firmly rejected.

- Stakeholders retain that competitiveness should remain at the heart of the policy. In our increasingly globalised world, competitiveness of our territories is the shortest way to cohesion.
- Stakeholders also recognize that regions face multi-dimensional problems and there is a compelling need for integrated approaches. Consequently participants call for stronger coordination with other Community policies, in particular with rural development.
- Finally, territorial cohesion is seen, notably by regional and local actors, as an opportunity for strengthening the role of regional and local authorities in policy design and delivery.

As to the near future our work program involves the following elements:

A Working Paper on challenges facing regions in 2020 will be presented in November 2008, which will constitute the first analytical basis for the debate on the future.

An independent expert report on the content and management of cohesion policy will be published in January 2009. The work led by Dr. Fabrizio Barca draws from hearings of academics and practitioners.

The Sixth Progress report to be published in Spring 2009, will update on the state of the debate on the future of the policy and provide a new analysis of socio-economic and territorial trends.

An Orientation paper will be published in Spring 2009, which will contain first proposals regarding the future policy directions.

The Fifth Cohesion Report to be published towards the end of 2010 will constitute the main analytical basis of the concrete policy proposals.

I count on your active involvement in the debate. Our common objective is to ensure that European cohesion policy enables regions to face up to the forthcoming challenges with confidence and shape the global processes and patterns of the 21st century.

European integration has three greatest achievements of which we can be proud:

- one single internal market, supported by competition policy providing the framework for fair competition, that generates growth and change,
- one common currency whose area is growing and gives us monetary and – hopefully – fiscal stability, a healthy macroeconomic framework of our economies,
- one cohesion policy, a policy that generates structural change respecting social, economic and territorial harmony in development combining solidarity and efficiency.

One internal market, one currency and one cohesion policy seem to me the right choice for the future.

Thank you for your attention.