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## **Cohesion policy and the Lisbon Agenda**

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Conference: "2008-2010 and beyond: Lisbon Strategy and Cohesion Policy - European Regions facing future challenges"

**Bologna, 4 July 2008**

Mr President, Ladies and Gentlemen,

I would like to thank the organisers for the invitation to speak at today's conference and in particular for their choice of theme. The role of cohesion policy in delivering Lisbon agenda is clearly a subject on which we need to communicate with Europe's citizens. Therefore, I would like to use this opportunity not only to speak to you but also to hear from the regions how they see this link between investing in Lisbon and the way cohesion policy fosters catching up process.

In my intervention today I want to address the topic in three steps.

- 1) I will first look at the rationale for reinforcing the links between Cohesion Policy and the Lisbon agenda, which was one of the key achievements of recent policy reform.
- 2) Secondly I want to move on to our expectations concerning the implementation of the 2007-2013 generation of cohesion policy programmes the Member States and regions.
- 3) These two steps will lead me to my reflections on the future of Cohesion Policy, with longer term challenges in mind.

### **WHY DID WE CHOOSE TO REINFORCE THE LINKS BETWEEN COHESION POLICY AND THE LISBON AGENDA?**

Let me recall why the Lisbon Agenda objectives are so relevant for Cohesion Policy. Lisbon agenda was a result of reflection on Europe remaining behind United States in terms of economic growth, but more specifically, on Europe losing grounds as a global player. For European regions this challenge means that they can no longer position themselves and measure their competitiveness only against European performance. It is increasingly the case that the most successful regions are those which have managed to internationalize their economies. Any regional development strategy lacking global perspective is doomed to bring marginalization in the medium and long-term to the territory it covers.

Economic development today is dependent on the complex co-ordination of different activities. The evidence is mounting that this cannot be managed efficiently from remote capitals. It requires geographical proximity among institutions, authorities, capital, research and labour. Regions have become the primary spatial units where knowledge is transferred, where local innovation systems are built and where the competition to attract investments takes place. It may seem paradoxical but globalisation reinforces the need for subsidiarity.

I would add that Europe is a small continent, certainly too small to afford to waste its assets. It is important to unlock latent economic potential in all territories by building capacities and delivering public goods. Our economy cannot be based on two distinct categories of players: highly skilled citizens and regions well positioned in global networks of exchange, contrasting with unskilled citizens and regions left in a permanent state of underdevelopment.

This makes a strong case for the link between Lisbon objectives on one hand and place based policies and multi-level governance – two key assets of the cohesion policy - on the other. First because of subsidiarity gains – our investment is implemented by local and regional authorities who know best their constituencies and their needs, and who are more sensitive to local growth factors than central government or the EU can be. Second, empowering local actors in the design and implementation of cohesion policy at their territories creates legitimacy, ownership

and responsibility. Simply put, decentralisation makes sense from an economic point of view.

This match between Lisbon and cohesion policy is an important one because cohesion policy is firmly anchored in the economic governance system of the Union as its main public expenditure instrument. Our competitiveness agenda is the best example of this. It is only by building on the potential and energies at local and regional level that we will deliver our Lisbon objectives at national and community level. By delivering public goods on the ground, through a multi-sectoral approach, Cohesion Policy links not only the EU, national and local levels, but also generates synergies and spill-overs, perhaps more than any other Community policy.

The close relation between Lisbon and cohesion policy is also reflected in the Lisbon reporting cycle. Member States have to provide each year a section on the role of cohesion policy in their implementation report on the National Reform Programmes and, in 2009 and 2012, a dedicated report on the cohesion policy investment, including the progress towards achieving the objectives of growth and jobs agenda.

The Commission, on its side, prepares the Annual Progress Report informing the Council on the progress towards achieving the EU priorities of promoting competitiveness and creating jobs. This strategic follow-up together with evaluation and monitoring activities will reinforce the integrated approach and the quality of the assistance from Cohesion Policy.

The second major link between Lisbon and cohesion policy was the decision to "earmark" a certain proportion of the cohesion policy resources for the key investments linked to the renewed strategy for Growth and Jobs. As you know separate targets were then set for the volume of such investment that should be contained in the programmes overall. At the beginning people feared it could convert into an administrative exercise but ultimately it had the effect of changing the nature of the debate on the content of the programmes.

The results of this earmarking exercise and negotiations with the Commission have been more than encouraging - over €200 billion out of the total EU Cohesion Policy budget is allocated to Lisbon-related priorities. "Convergence Regions" plan investments of 65% of Cohesion Policy resources on Lisbon-related priorities, while the "Competitiveness and Employment" regions are investing 82%. These percentages vary both across Member States and regions: in convergence regions from 90% in Austria to 45% in Malta; in competitiveness regions from 92% in Denmark to 50% in Hungary. Within these ranges Italy, while not in a leading position, is well placed with Lisbon priorities making up 66% in convergence regions and 83% in Competitiveness regions.

The new generation of national and regional programmes puts a particular emphasis on knowledge and innovation. I am pleased to say that investments in R&D and innovation almost quadruple in our operational programmes 2007-2013 compared to the programming period 2000-2006. The allocations amount to almost €86 billion or 25% of the total budget. Overall Italy is again contributing significantly with an allocation to core innovation categories amounting to 34% of its allocation under 2007-2013 cohesion policy.

In resumé, the reform of cohesion policy for 2007-2013 has increased its strategic approach and consistency with the Lisbon objectives. It is also significant that the reform created important links between high level Community priorities on growth and jobs, the endogenous development of regions and the mobilisation and empowerment of the local and regional levels in this context.

## **WHAT MUST WE NOW ACHIEVE IN THE PERIOD 2007-2013?**

The programming phase 2007-2013 has been completed. Now Member States must ensure that the programmes are promptly launched and that investment reflects the earmarking commitments made. We need to make sure that we deliver. With this message I am echoing also the call of the spring European Council when it emphasised the need to focus on delivery during the new Lisbon cycle 2008-2010.

The European Council also encouraged national governments to involve regional and local authorities more effectively in the delivery of the Lisbon objectives. The work of the Committee of the Regions confirms that most regions and cities are still relatively unsatisfied with their degree of involvement in the National Reform Programmes, despite some progress in 2007.

How we can improve this situation? As I have already emphasized, Cohesion Policy stimulates more ownership of the Lisbon agenda at regional and local level by transferring the responsibility of public investment from national to regional and local authorities. Moreover, Member States and regions made important commitments in terms of the Lisbon content of our programmes and we have the tools which allow us to monitor them effectively.

These two elements open diverse possibilities for action, which would foster greater involvement of regional and local authorities in Lisbon agenda and which I would like to discuss with you today. For example, during the ongoing annual review of the national reform plans, we may seek answers on specific questions concerning the link between Lisbon and Cohesion Policy, including such elements of its value added as partnership and multi-level governance.

Second I believe that we can develop new evaluation tools which would allow us better measure the contribution of Cohesion Policy to the Lisbon objectives.

Third, in the longer term, we may aim to give the Cohesion Policy Strategic Guidelines a status similar to that of the "Broad economic policy guidelines" and the "Employment strategy guidelines", which are currently two pillars on which the Lisbon process is resting. I recall here that we already made some progress in this respect, because in 2007 cohesion policy was for the first time included into the December Lisbon package adopted by the Commission in view of the Spring Summit.

## **WHAT SHOULD BE THE FUTURE RELATIONSHIP BETWEEN COHESION POLICY AND THE LISBON OBJECTIVES?**

The European Council has invited the Commission, the Council and the National Lisbon coordinators to start reflecting on the future of the Lisbon strategy in the post-2010 period.

I firmly believe that even in the period after 2013 the essentials of the Lisbon strategy will continue to be relevant. I know that The Committee of the Regions also stresses that a continued EU-level commitment to structural reforms and sustainable development and social cohesion will be necessary in order to lock in the progress achieved by the renewed Lisbon Strategy for growth and jobs. It is likely however that the guidelines will have to be adapted to take account of developments in the intensity of the challenges that are coming already to the fore.

Furthermore I believe that even in the period after 2013 Cohesion Policy should continue to be the major EU instrument to achieve the Union's sustainable development agenda. Cohesion Policy allows us, through investment in people, infrastructure, technology and knowledge, to shape our response to challenges in 10, 20, 30 years. It is this long-term perspective that puts Cohesion Policy firmly at the centre of both the competitiveness and sustainability agenda. We all know that competitiveness without sustainability is storing up problems and a big bill for future

generations. But equally we know that a knowledge based economy, environmental quality and prudent use of resources are factors of competitiveness.

This point of view has been widely supported by more than 100 contributions from 18 Member States representing more than 80% of the EU population and from a multitude of regional and local authorities and associations taking part in our public consultations on the future shape of the cohesion policy. The main message was that in the new global context, supporting competitiveness is the shortest and only way to cohesion. Accordingly, what we hear is that investments should concentrate on innovation, skills and education, sustainable development and Europe-wide infrastructures.

Moreover, those who participated in the discussion recognise that globalisation makes regions face complex and multidimensional problems. Therefore there is a compelling need for integrated approaches. For example, tackling climate change requires well-orchestrated investments in different fields, from technological innovation to sustainable transport modes, from education to protection of natural resources, from support of renewable energies and energy efficiency to public awareness raising. This is precisely what EU cohesion policy renders possible through its integrated approach to policy design and making.

Clearly, this approach is reflected in our work programme. Firstly, we are analyzing the dynamics and implications of the challenges facing regions with a 2020 horizon. Our analysis will be published by end 2008. This paper will constitute the analytical basis for the strategic debate on future priorities.

Secondly, we are preparing a Green Paper on territorial cohesion to be adopted early October 2008. The Green Paper will provide an analysis of interregional and intraregional disparities. It will discuss the concept of territorial cohesion and put forward conceptual and operational questions for debate.

Finally, to synthesize the results of the debate, I intend to publish an orientation paper in Spring 2009, which will contain the first concrete proposals on the future of cohesion policy.

Mr President, Ladies and Gentlemen, this brings me to my final comments:

The achievement of the Lisbon strategy requires continued and concerted effort and the political commitment of the European institutions, Member States and regions. The strategies are now in place for all 27 Member States but the real work is just beginning in order to ensure that, through the programmes, there is a redoubled effort in favour of growth and jobs on the ground. It will be important that this effort is maintained *throughout* the period 2007-2013 and that resources are not shifted to lower priority areas.

I believe that the Lisbon cycle must continue beyond 2010 with Cohesion Policy as a principal implementing policy. The operational programmes and their time span until 2013 anticipate already that Lisbon, cohesion, competitiveness and sustainable development will continue to form a successful joint strategy.

Thank you for your attention.