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Presentation of the 5th Progress Report on economic and social cohesion

8th Thematic Structured Dialogue

Committee of Regions

18 June 2008

INTRODUCTION

Progress reports have traditionally appeared in the years between Cohesion reports to update on the debate on the policy and provide update on regional indicators.

This 5th Progress Report provides an overview of the many responses to the consultation launched last year with the Fourth Cohesion Report and, for the first time, an analysis of the sectoral composition of regional economies, with a particular attention to those sectors which are driving growth and regional convergence.

The debate on the future shape of the policy has just started and other important occasions will mark the preparation of the proposal for the reform of the policy which the Commission will present in the context of the review of the EU budget.

Let me quickly remind what the key milestones of this process are. In September, I will present the Green Paper on territorial cohesion which will launch a public discussion on the implication of this new concept for the design of Community policies, particularly in the context of Cohesion policy.

Before the end of the year, my services will publish a report on the challenges which regions are likely to be confronted with at the horizon of the year 2020.

In spring 2009, the Commission will adopt the Sixth Progress report and I will present my first ideas on the architecture, priorities and governance of cohesion policy for the period after 2013.

Let me now present to you the main elements of the Fifth progress report.

FIRST PART

- The public consultation confirms the wide support for an ambitious and strong cohesion policy in the future, the policy involving all the Union's territories.
- 18 contributions were submitted by the national authorities of Member States - accounting for 80% of the Union's population - and 37 from regional and local stakeholders (the territorial coverage is wider as many of these are joint statements of different organisations). Many of the main European associations of territorial interest, European economic and social partners and civil society organisations at European level also provided their contributions as well. Few inputs however from the academics and research institutions.
- In parallel, the European Parliament, the Committee of the Regions and the Economic and Social Committee adopted their opinions on the Fourth Cohesion Report. They express their first views regarding the future of our policy.
- Any attempt to re-nationalise this policy is firmly rejected.
- A wide majority of the contributions advocate for a European cohesion policy for all EU regions. Yet, most of them remind that lagging behind regions must remain the priority.
- The analysis of the contributions shows that the main objective of European cohesion policy remains the reduction of disparities between the levels of development of the European regions.
- In parallel, this policy is perceived as an important instrument for strengthening the competitiveness of European regions by boosting their endogenous growth potential. Therefore, convergence and competitiveness are seen as complementary.

- The decision of "earmarking" a significant proportion of the financial resources for the key investments linked to the renewed strategy for growth and jobs is supported (especially at the level of national authorities).
- Accordingly, what we hear is that investments should concentrate on innovation, skills and education and Europe-wide infrastructures.
- Another pillar deemed essential for this policy is sustainable development. Many consider that European cohesion policy should strengthen its orientation towards the delivery of the objectives of the Gothenburg Agenda.
- It is also widely admitted that European cohesion policy must play an important role in addressing the new emerging challenges.
- European cohesion policy is the only Community policy which operates through an integrated approach which allows public authorities to exploit synergies and control for possible conflict between interventions (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).
- Yet, European cohesion policy cannot be the only instrument to address these challenges. Call for stronger coordination with other Community policies, particularly the link between cohesion policy and rural development policy.
- The inclusion of territorial cohesion within the Treaty is seen as a good opportunity to make important steps forward.
- Yet, there is a clear demand for clarifying the exact implication of this new notion on the design and operation of European cohesion policy.
- Two approaches seem to emerge. Firstly, territorial cohesion should promote the "territorial" coordination of Community and national policies. Secondly, within multi-level governance delivery system, the role of regional and local authorities should be reinforced.
- Territorial cooperation is recognised across the EU as an essential part of European cohesion policy and its best example of European added value. Accordingly, participants advocate for strengthening this objective in financial terms.

- Simplification: many complain (mostly at regional and local level) for what is perceived as excessive auditing of the programmes and "red tape" formalities related to their implementation.
- A significant majority of the contributions (again mostly at regional and local level) call for further clarification in the allocation of responsibilities between the different territorial levels in the implementation of the programmes funded by European cohesion policy.

A final word on the specific points raised by the regional and local authorities:

- They are the strongest in spelling out the added value of this policy and, notably, its visibility and proximity to the citizens; its leverage effect; its contribution to the development of the administrative capacity and modernisation of the administration; its stability based on multi-annual strategic and financial management; its effects in terms of transfers of know-how and best practices; and its introduction and reinforcement of an evaluation, partnership and monitoring culture.
- For these reasons, they also see a clear added value of European cohesion policy outside the Convergence regions.
- At the same time, they are among the contributors more concerned with the problems related to the multi-level governance, simplification and the application of the principles of subsidiarity and partnership.
- Regional and local authorities welcome territorial cohesion as an opportunity to enhance territorial dimension of EU policies, to better integrate urban and rural areas, and to advance towards a more balanced multi-level governance system. Many call for a clear definition of "territorial cohesion" and for developing "territorial" indicators.

Let me conclude this part by pointing at those areas which no clear conclusions can be drawn and where further work is clearly needed.

First, little is said on the need and the mechanisms for making European cohesion policy more performance-based and results-oriented. As you know, I consider this one of the key dimension of our collective reflection on the future of the policy.

Secondly, while a consensus seems to emerge, little concrete ideas are put forward to improve the coherence between cohesion policy and other national and regional policies. This also is a very important issue if we want to maximize efforts to reduce disparities and ensure the overall coherence of the intervention.

Finally, contributions seem uncertain on whether cohesion policy should remain a structural instrument or integrate some short-term mechanism to respond to sudden asymmetric shocks.

On this point, let me be very clear.

While I agree that the policy could be made more responsive to changes in the economic environment and to the reality of operations on the ground, its structural function should not be weakened.

The strength of European cohesion policy has been and still is its capacity to support regional economies to anticipate change by modernising and diversifying their specialisation; by improving the skills of people; by promoting innovation and change; by upgrading their infrastructure endowments. To do this, it needs to operate on the medium-term.

Any attempt to transform it into an anti-shock tool runs the risk of weakening the key features of the policy such as its multi-annual framework, its partnership principle, its programming structure – to mention but a few.

SECOND PART

Let me now move on to the analytical part of this fifth progress report which focuses on how European growth sectors have contributed to regional convergence.

I would like to summarise the analysis provided in the report in few points starting with a very important one.

- The report shows that convergence is continuing and even accelerating: economic growth is strong in lagging regions. GDP per head grew 50% faster in less developed regions than in the rest of the Union over the past 5 years.
- Social convergence is also continuing and even accelerating: over the same period unemployment rate dropped by 3 percentage points cutting in half the difference between those two groups of regions.
- So how has this convergence been achieved? Through a profound process of economic restructuring, which has created the basis for this high growth in lagging regions. Let me show you how in a bit more detail.
- Convergence regions still have a very different employment structure than the other regions of the EU with high employment shares in industry and agriculture and considerably lower shares in financial and business services.
- But – as the slide suggests – economic restructuring is radically altering this employment structure with strong growth in the sectors of the future: knowledge-intensive services, high-tech manufacturing, and advanced business services.
- Yet, the share of employment in high and medium-high tech manufacturing in lagging regions is considerably lower at only 24% compared to almost 40% in RCE regions. This remains an important indication of the sustainability of growth. This is the sector within industry where the EU still retains a strong competitive advantage.
- Finally, the report examines the quality and the use of human capital using different measures.
- This is important since skills and qualifications are a key determinant of individual income and employability and a substantial contributor to

labour productivity. They also indicate to what degree regional economies have shifted towards a more intensive use of knowledge.

- Again, while convergence regions have achieved the higher growth of human resources in science and technology and matched the growth in the rest of the EU for the high education and knowledge workers, the gap remains substantial.

Let me wrap up on this section of the Fifth Progress Report.

- Convergence is occurring and at a fast rate. The analysis of the report suggests that it is built on solid foundations since growth is driven by restructuring of regional economies out of traditional sectors and into the sectors of the future.
- Cohesion policy is supporting this process, very much in line with the challenges posed by globalisation. Indeed, any policy aiming at facing these challenges must be based on continuous economic change and restructuring.

Ladies and gentlemen,

The fifth progress report marks another contribution to our collective reflection on the future cohesion policy. The debate continues and I am looking forward to our discussion today and in the next months.

The only way to ensure that the Commission's proposal will include a stronger, more effective and efficient policy is to continue our discussion in the most transparent way and without taboo. This is how I intend to continue our dialogue.

Danuta Hübner

Commissioner for Regional Policy

Statement on the 5th Progress Report on economic and social cohesion

Committee of Regions

18 June 2008

- Few minutes ago I had a chance to speak to many of you on the 5th Cohesion Report, in the framework of structured dialogue. Therefore, I would like to use this occasion to address the plenary session on the same issue and quickly update you on our work programme in the forthcoming months.
- Let me start by coming back to your opinion on the Fourth Cohesion Report in which the Committee of the Regions expressed its first views on the future shape of the European cohesion policy. The key message was that – in face of new challenges impacting European territories – cohesion policy must continue to play a key role in narrowing development gaps and enhancing competitiveness at local and regional levels.
- Indeed, this is also the main message emerging from the public consultations I have launched at the Cohesion Forum last year, in which some of you participated in your capacity of local and regional leaders. Your strong participation demonstrates once again that you are key main actors in the debate about this policy.
- Strong cohesion policy after 2013 for all European regions – this is how I would summarize the outcome the consultations. An

overwhelming majority of those who have participated in this consultation rejects any attempt of re-nationalisation of the policy.

- Importantly, there is also agreement that in the new global context, supporting competitiveness is the shortest and only way to cohesion. Your Opinion puts it in a nutshell, by referring to the policy which reduces development gaps and increases competitiveness. Accordingly, the participants in the consultations support our earmarking approach, resulting in the concentration of investments on innovation, skills and education, sustainable development and Europe-wide infrastructures.
- Finally, many contributions refer to the importance of territorial cohesion, which – again in line with your Opinion – should become a stronger feature within cohesion policy. This implies that we should give more consideration to questions of territorial balance. As you know, after the summer break I will present a Green Paper on territorial cohesion which will initiate a debate on this issue. I count on your contribution and participation in this debate in order to clarify the role this new notion could play in designing and implementing not only cohesion policy, but also other Community policies.
- Clearly, this debate on the future shape of the cohesion policy should be also seen in the context of the ongoing budgetary review, the consultation on which were closed just three days ago. As you know, the results will be published in 2009.
- This does not mean that in the meantime we can wait for it with our arms folded. Indeed, we have put within DG REGIO a number of processes on track which should give us more insight into the challenges faced by European regions and possible policy responses.

- Toward the end of the year, my services will publish a report "Europe 2020" on the challenges with which regions will be confronted over the next 15 years. This work will set the scene for developing ideas and priorities for cohesion policy for the period post-2013.
- In January 2009 an independent expert report will be published. This report will be the outcome of analytical work and debate involving the best European economists and – I can already tell you – will give us quite a new and fascinating narrative for the future shape of the policy.
- In spring 2009, I will publish the Sixth progress report which will update on the state of the public debate on the future cohesion policy and provide new insights on other important dimensions of regional development.
- In the meantime we have been launching a large programme of ex-post evaluation. Most of the results will become available in the course of 2009 shedding new light on the functioning and impact of cohesion policy.
- Finally, building on all this material, I intend – by spring next year – to set out my ideas and directions for the post 2013 shape of the cohesion policy.
- Thank you for your attention. I'm looking forward for a rich debate.