

Professor Danuta HÜBNER

European Commissioner for Regional Policy

Mobilising research for cohesion policy

Regional Studies Association Annual International Conference:
Understanding and shaping regions: spatial and economic futures

Leuven, 8 April 2009

Ladies and gentlemen,

It is a great pleasure for me to address you today. There is a long tradition of cooperation between the Regional Studies Association and European regional policy. These exchanges have always brought together a stimulating range of perspectives. I look forward today to our continued cooperation. It is very important for us to inform the academic world about the work we are doing and where our pre-occupations lie.

In 2007 we launched a major reflection process on how European cohesion policy should evolve in the context of an increasingly integrated global economy. The publication of the Fourth Cohesion Report has marked the beginning of this process. Since then a number of initiatives have been taken to enrich this debate with evaluations, studies, and enhanced cooperation with academia and international institutions.

But this work on the development of the policy cannot take place in a vacuum. We want it to be state-of-the-art policy, and therefore we must make full use of new evidence, ideas and concepts developed by the research community. Policies need to evolve, adapt and innovate to meet new challenges. Over the last years this policy has undergone a silent revolution. We not only remove barriers to growth and

development, but we invest in building of regional competitive advantages. For this reason, I particularly welcome today's opportunity to sow a few seeds which I hope will grow into new ideas, approaches and insights in your hands.

First, I would like to highlight a number of practical, empirical questions that we are confronted with in the development of our policy. Second, I would like to identify a number of areas where we would see a need for further conceptual and theoretical work. This will not be an exhaustive list. Each of these issues is highly complex and would merit a speech in their own right. I am aware that many of you are specialists in these questions and I would therefore ask you to excuse me, if my presentation was sometimes very synthetic.

What empirical questions do we face?

First, what will be the **territorial impact of global challenges**? What is the context which needs to be taken into account?

Our prospective analysis - presented in the Regions 2020 report - suggests that global challenges such as globalization, demographic change, climate change and energy have a strong territorial dimension and will most likely generate a substantial asymmetric impact on European territories. Such an impact might further exacerbate existing regional disparities in Europe and alter the traditional map of disparities resulting in new patterns of winners and losers. Further analytical work is however needed to assess the territorial impact of global processes and capture the resulting spatial patterns of disparities in Europe. We are continuing our work on this, but we are in need of far more detailed study of the individual challenges and case studies at a regional level.

Second, the increasing significance of **place** and **territory** raises a number of questions. OECD work suggests that in a rapidly globalizing world, regional and local levels tend to be best placed to exploit the advantages of global processes. The role of place-based policy approaches in capitalising on region-specific assets, such as knowledge, specialisation and proximity is becoming increasingly recognised. However, we need to know more about these assets to draw correct policy conclusions. We often talk about region-specific assets but how do we define them and what territorial characteristics are determinant in regional development? Or another important issue: regional innovation. During my visits in the regions I saw many, often very different successful approaches to innovation. We need to know more about the main drivers of the innovation performance at regional level.

A third essential issue is the **geography of growth and adequate policy conclusions**.

Let me start with the issue of concentration of economic activity which is considered a key driver of economic progress. This approach is also recognised by the regional policy in which growth poles play an important role. However, basing on this assumption, some commentators suggest that development policies should focus exclusively on agglomerations from which growth will spill-over to other territories. In my view, this is an unjustified conclusion.

The evidence from our analysis, as well as from recent OECD work suggest that potential for growth exists across all types of territories. Growth poles not only emerge in cities, but also in small and medium-

sized towns or as a result of clustering of activities in rural areas. In European Union many regions outside rich/capital city regions have been growing at a faster rate than the EU average, in some cases even higher than the growth rate of the rich/capital city regions. Only in two Member States did the capital region generate the highest growth between 1995 and 2005.

Based on these observations, further research is needed to analyse the functioning of different types of growth poles and to draw correct policy conclusions from the multitude of regional growth stories occurring across Europe.

Fourth, we live in a world of interlinkages and networks. It is essential that we not only better understand the role of **linkages** within regions, but also between them. The beneficial effects of inter-connections between lagging and leading regions or the growth-locking role of weak connections of poor regions to the single market are becoming prominent subjects of research. Also, the role of **functional areas** which cut across administrative boundaries of a territorial unit for development policy action has received recently increased attention. We need more empirical research to explore these ideas – for example, what provides the basis for a mutually beneficial interaction between a leading region and its lagging neighbour? A better understanding of these processes is essential if Europe is to mobilise its full potential. The functional and flexible geography is attractive for the future design of regional policy.

Finally, comes the question: how can we improve the assessment of the **impact of cohesion policy**? Cohesion policy has moved gradually away from correcting regional structural weaknesses to the new policy

paradigm focused on mobilising underutilised resources in order to ensure that all territories contribute to an overall economic growth and competitiveness. However, the challenge remains to incorporate the effects of this paradigm shift in the assessment of the impact of cohesion policy.

Three approaches have generally been applied to assess the impact of cohesion policy, notably econometric analysis of convergence models, macroeconomic simulation models and qualitative evaluation studies. Each of them tells us some story, but none can provide us with the full picture and fully capture the impact of cohesion policy at a regional level as well as on individuals and firms.

Econometric analysis allows to capture the impact of cohesion policy on main macroeconomic variables, such as GDP per head, employment or productivity, but this type of analysis cannot disentangle the role of many different factors affecting growth.

Macroeconomic models can capture the impact of policy on a wider range of variables such as wages, prices or investments and additionally allow for policy simulations. Their weakness lies, however, in a set of assumptions which partially determine the results.

Turning now to the closely related subject of ***qualitative evaluations***, they examine the effects of cohesion policy on hardly-quantifiable aspects such as, for instance, innovation capacity or quality of institutions. They, in turn, do not allow to measure the macroeconomic impact, so their role is mainly supportive to the first two approaches.

We know that we need to improve our methods of assessment and develop new techniques. We have started to test new methods of impact evaluation (randomized control trials, matching methods), but there is still a lot of work to be done to obtain instruments that can capture in a synthetic manner the effects of our programmes. This is an area where we very much welcome further research.

Ladies and gentlemen,

I would now like to list three areas, where we consider further conceptual and theoretical work would be highly beneficial for our reflection on future cohesion policy.

Which are the areas requiring further conceptual work?

Agglomeration externalities and regional development

First, coming back to the issue of concentration of economic activity. Concentration through agglomeration process can unarguably generate positive effects, such as productivity gains and knowledge spill-overs and boost the growth. However, uncontrolled agglomeration process can bring negative effects as well, such as congestion, or social deprivation. Benefits of agglomeration are often private, but the costs are public. Addressing environmental and social externalities are of particular relevance in the European context, characterised by a dense settlement pattern. As you know cohesion policy has the advantage of providing integrated policy solutions for specific territorial contexts which may be crucial to efficiently tackle the problems of agglomerations. But to do so we need a better conceptual framework (and perhaps models) to

understand the relationship between the positive and negative externalities of agglomeration.

Mainstreaming the climate change

Second, the need to mitigate negative externalities and to ensure sustainable development brings me to the question of climate change and its impact on EU's environment, economy and society. This should be understood not only in terms of constraints it brings but also of development opportunities it creates. The real challenge in this area is the development of a conceptual framework to mainstream the climate change into the core of the cohesion policy. The climate change will constitute a key new criterion of investment efficiency.

Institutions: What more could regional policies do?

Thirdly, there is an established consensus in the academic and policy debate that institutions are key determinants of economic growth and specifically to the effectiveness of Cohesion policy. We often observe that poor institutional environments and weak administrative capacities limit the ability of regions to make the most effective use of the opportunities provided by the cohesion policy. But there is also the feedback effect. The policy provides significant resources towards supporting institution and capacity-building in Member States. It is therefore crucial to find out how we can assess and measure the effectiveness and appropriateness of institutions. And perhaps more importantly, what more could be done to improve them through our policies, whether at national, regional, city or local level?

Mobilising research potential for cohesion policy

Let me finish by outlining a number of concrete ways in which I see scope for mobilising research potential for cohesion policy.

First of all, there is increasing focus throughout Commission on **evidence-based policy-making**. This requires improving analytical frameworks, evaluation systems and conducting impact assessments of policy proposals; to list only some of the key elements. This we will not achieve without the support of the research community. The research community has an instrumental role to play to ensure that our policy proposals are built on sound evidence.

My services have enhanced their collaboration with **DG Research** on defining future research priorities in the 7th RTD framework programme to ensure that its calls for proposals better reflect the issues I have highlighted above.

Furthermore, in the context of the reflection process on the future cohesion policy we have started to organise meetings directly with the research community. Last year we held three workshops with the academic community covering themes such as drivers of growth, innovation and social inclusion. In the next months we intend to organise workshops on agglomeration externalities (and their implications for policy) as well as on institutions, governance and policy effectiveness.

Finally, we have launched a number of **studies**. As a result of our cooperation with the OECD a report on place-based policies has just been published and work is underway on regional innovation. We are also collaborating with the ECA (Europe and Central Asia) directorate of the World Bank on future challenges for Europe and its neighboring

countries. Work is underway (together with the University of Maastricht) on the regional impact of technological change in a 2020 horizon.

Interim findings of the studies as well as evaluations are published on our website and, of course, we would like to make full use of expertise of the research community in our external work.

I should also mention an independent report on the Cohesion Policy which is being prepared by Mr Fabrizio Barca containing an assessment of the performance of cohesion policy in the past as well as on the direction which reform of cohesion policy should take in the future. The report will be launched on 27 April.

Ladies and gentlemen,

Cohesion policy is a great opportunity for Europe's regions. But without sound analysis, new insights, appropriate models and conceptual frameworks based in robust research the policy will be poorer and less effective. I hope we can count on you to support us in building a policy which can meet the expectations of Europe's citizens.

Thank you for your attention.