

**Commissioner Hübner's address to Welsh National Assembly
Committee for European and External Affairs on the subject
of the future of Cohesion Policy**

23 March 2009, 15:30 – 16:30, Brussels (video link to Cardiff)

**I. Speaking notes: replies to questions page 6-7 in
scoping paper**

1. *Introductory remarks*

- Thank you for inviting me to this hearing, as I understand it, I will be the first to have the pleasure to discuss the issues of the future of the policy with you.
- I read with interest your scoping paper and I know that you have foreseen a certain set of questions and I will let you get on with these questions
- But first perhaps just to say that we are in the final preparatory stages of the orientation paper and that it should be ready for the April informal Council in good time for us to have a fruitful debate and exchange around the paper.
- The timing of your work fits well with other work being undertaken on the future of the policy. I therefore look forward to hear your views on these issues as well.

2. *Brief replies to questions set out in scoping paper*

2.1. What is Commissioner Hübner's vision for the future direction of the policy? To what extent will the future policy follow the architecture of the current period, namely Convergence, Competitiveness and Employment and Co-operation Objectives? Does she envisage a radical departure?

- The current state of the debate is:
 - Consensus on the need for a future Cohesion policy.
 - Consensus that European Territorial Cooperation should be strengthened in the future.

- The majority of Member States are also in favour of maintaining Regional Competitiveness and Employment. Some Member States – like the UK - are not in favour of retaining the Regional Competitiveness and Employment objective. It should be noted that UK regions – like Wales - are, nevertheless, in favour of keeping this objective.

- **Key messages from the orientation paper:**

1. A new rationale for the policy is needed i.e. a policy for all Europe, built on mobilising territorial potential to meet global challenges. A key element here is also the full utilisation of capacity to reduce regional disparities.
2. The balanced development of the EU is seen as an integral part of European integration, enlargement and the development of the single market. At the same time, poor regions represent a potential underutilisation of resources that could be contributing to overall EU growth.
3. A coherent place-based policy mix to pursue equity and/or efficiency goals – depending on the development stages of the region - is thus needed.
4. A clearer definition of the objectives of cohesion policy in the light of changing expectations.
5. A greater role for cohesion policy in mobilising national, regional and local actors to achieve EU priorities such as competitiveness, innovation, transport, energy, environment etc.
6. A more differentiated approach to delivery systems and performance to ensure that management and control mechanisms are more efficient, simpler and appropriate to regional competitiveness, infrastructure and cooperation interventions.

2.2. How does the Commissioner think the new policy would address the four key challenges: globalization, demographic change, climate change, energy security? Does she envisage new priorities within the existing overarching Objectives?

- Certain sources eg the Barca report point towards the need for stronger concentration on core priorities. These challenges, included our Working paper 'Regions 2020', could represent those core priorities.
- Regions 2020 shows that the global challenges will have strong regional impact. This will consolidate existing patterns of territorial disparities and create new ones. Development challenges will therefore vary at regional level both in terms of size and nature emphasizing the need for tailor made and integrated strategies.

- Within the UK, West Wales and the Valleys showed a relatively high vulnerability vis-à-vis globalisation (due to low levels of highly educated in the workforce) and demographic change (ageing population). East Wales is also vulnerable vis-à-vis demographic change (ageing population).
- Several Member States and regions are also conducting their own analyses of future challenges, including Latvia, Austria, the Northern Sparsely Populated Areas of Finland, Sweden and Norway, and other regions.
- 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.
- But we need a clearer definition of the objectives of cohesion policy in the light of changing expectations, perhaps also a more restrictive set of policy goals than is currently the case.

2.3. Where does Territorial Cohesion fit into the debate? Does the Commissioner envisage this cutting across the whole policy, or being focused on the Territorial Cooperation objective?

Thank you for your input in this debate through your response to our consultation (in Feb 2009). Also thanks for your attempt to define the concept of territorial cohesion (*equitable access to opportunities for sustainable development and to services without regard to administrative boundaries so that a territory can fulfil its potential*).

More than 350 replies on the Green paper. Overall, they recall the significant untapped potential that lies within cross-border labour markets or transnational clusters and the barriers still existing in the EU internal market. They point to the importance of further work on implementing EGTC, as well as further enhancing its potential. They also stress that common management of seas or mountain ranges require reinforced cooperation with more commitment from member states and EU. Main conclusions are:

1. Consensus that territorial cohesion is about mobilising development potential, not compensating for handicaps. Regional policy is a development policy and not merely a redistributive tool.
2. Better coordination between all policies with territorial impact. Territorial cohesion needs to be taken into account upfront when designing policies, and cannot be a tool to repair the damage once it has been done.
3. Territorial cohesion is not only focused on the Territorial Cooperation objective even if this needs to be developed further. European added value is important in interregional cooperation and cooperation across national borders. Enhanced cooperation between the regions within

one country has also been highlighted. This is the shortest way to strengthen territorial cohesion.

4. We should invest more in linking lagging-behind regions with more prosperous ones. The Baltic Sea Strategy could here be a model to explore.
5. A great number of contributions emphasise that we should strengthen urban-rural co-operation.
6. More than 100 regional and local authorities highlighted that we need a flexible geography. This means we need to be flexible when delineating the territories in which our programmes are implemented. In other words, we need to target the policy at functional areas. Again, the Baltic Sea Strategy is an example of this.

2.4. Does the Commissioner envisage an increased importance being given to financial instruments such as JESSICA and JEREMIE in the new Cohesion policy, and an enhanced role for the European Investment Bank, in the place of the traditional grant-based approach to funding?

- For many Member States, the 2007-2013 period has represented a step change compared to previous periods in terms of the use of loan-based instruments alongside traditional grant instruments.
- On the basis of our experience to date, I certainly consider that financial engineering will be reinforced in the post-2013 Cohesion policy.
- My personal view is that we should increase the role of loan-based instruments within our policy as this brings an added leverage effect of the public investments.

2.5. What are the merits of the Welsh Assembly Government's line of calling for Transitional and Transnational funding?

Explanatory note: As set out on page 5 of the scoping paper, the idea of transitional funding stems from the fact that West Wales and the Valleys, currently a Convergence region, would no longer qualify for Convergence status in 2014-2020, despite still being the lowest performing area in the UK economy. The idea is that a new GDP threshold of 75-100% could be introduced, with tapered levels of assistance for regions falling within this category. This means higher levels of assistance if you're closer to the 75% mark than if you are close to the 100% mark.

- I agree with your assessment. A transitional or ladder approach with less funding as you move towards the 100% mark would seem reasonable.
- There is a good case for this type of transitional funding but it needs to be simple and based on real needs.

- 2.6. What exactly does the Welsh Assembly Government understand by 'transitional' funding, and do they have indicative figures for how much they would hope to secure as part of this deal?**

This is a question for the Welsh Assembly Government.

- 2.7. How committed is the UK Government to defending this position in the negotiations on the new policy? How does the 'transnational' element fit with the UK Government's preference for a 're-nationalised' cohesion policy with the exception of the poorest regions in central and eastern Europe?**

This is a question for the UK Government.

- 2.8. Where should rural development sit within the Policy framework? Should it be reincorporated into the Structural Funds or should it remain separate, as part of the Common Agricultural Policy? Is there another approach?**

- I am aware of concerns that a number of measures within the Rural Development Fund, particularly under the Economic Diversification pillar, may run a certain risk of overlap or duplication with Regional Economic Development.
- During the current programming period, it is the responsibility of Member States and regions to ensure clear demarcation lines and complementarity. We will take into consideration how this has worked in our reflections on the future.
- In both the Budget Review and Cohesion report consultations this issue was given great importance, with calls for bringing the two funds together. We will examine with our colleagues in the Commission the possibilities.

- 2.9. What other views are emerging in Brussels? From EU networks, regions and Member States? How do these views compare to those of the Welsh Assembly Government and the UK Government? Are there any aspects to these emerging views that would look interesting from a Welsh perspective?**

- When I look at the stakeholders, I am struck by the broad consensus on many aspects: mainly that the policy should remain focused on the poorer regions but that it should also be a policy for all regions of the EU.
- The strongest dissenting views come from those who would like to see 1) a renationalization of the policy or 2) an exclusive focus of the policy on the poorest regions. The UK central government share these views (together with SW and NL).

- As regards themes of interest to Wales, I see an increasing discussion of urban-rural links, and the role of the low-carbon economy in promoting sustainable development.

Upcoming events/documents

- The Commission will also continue work on the international dimension of the policy (follow up to China, MoU with Ukraine, Eastern Partnership, May conference with FOGAR on regions and globalisation, 2 MEUR allocated to this purpose for 2009 by EP) with a view of further developing this policy strand after 2013
- We will demonstrate impact and results of cohesion policy through the presentation of ex-post evaluation of 2000-2006 interventions (first publications scheduled for second half of 2009)
- On 23-24 April, I will present my **orientation paper** at the informal Ministerial Council in Marianske Lazne.
- In June, we will present a proposal for a Baltic Sea strategy to the Council. This will not only provide a basis for stakeholders around the Baltic Sea to agree on common development priorities, but also provide a test for reconsidering the future architecture of territorial cooperation and other related aspects of Cohesion policy.
- The sixth progress report will be published in June 2009. It will have two parts – one analytical on regional creativity and innovation, one on results of public consultations on Green Paper on Territorial Cohesion.

