

Danuta HÜBNER

European Commissioner responsible for Regional Policy

Keynote Speech

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Debate on "How can EU cohesion policy help fight the global crisis?"

**Brussels, Common House of Aquitaine, Emilia-Romagna,
Hessen and Wielkopolska, 23 June 2009**

Dear Ladies and Gentlemen,

I would like to express my thanks to Ms Nicola Beer, [State Secretary for European Affairs of Hessen], Ms Maria Muzzarelli [Vice-President of Emilia-Romagna], Mr Marek Wozniak, [President of Wielkopolska], and Mr Francois Maitia, [Vice-President of Aquitaine] for their excellent initiative to organise a meetings on the contribution of cohesion policy to response to the economic crisis.

Investing in real economy in times of crisis

We live in turbulent times where the foundations of the world's economies are being seriously tested; where the weakest economies have been hit worst; where a number of EU citizens are struggling to make ends meet; and where policy makers are asked to come up with efficient, innovative responses.

The financial and economic crisis is showing how fragile economic growth can be, but also how effective and transparent policies are indispensable to set the appropriate conditions for growth to unfold. Indeed, this crisis is testing the capacity of public policies in re-establishing the confidence which is necessary to re-launch the economy and supporting essential investments to kick-start the recovery.

Everybody agrees that public intervention is necessary to stimulate the global economy. In the EU, but also elsewhere, billions of public monies have been mobilised in the past months to re-capitalise ailing financial institutions, to help industries to confront rapidly falling orders, to support consumers spending power.

I see, however, temptations in some quarters to channel these funds to uncompetitive sectors and to give "a bit to everybody". I see risks of protectionism coming back and demands for special treatments being revived. I see (and I understand) the urgency to focus on the "short-term". Yet, this crisis is also demonstrating that it is not enough to mobilise vast amount of resources. It is necessary to have very clear ideas on where to invest those public resources.

In many respects, this crisis provides us with the opportunity to re-consider path of development of the EU economy and devise new policies and instruments to accompany that change. Therefore, our interventions in the real economy today need to be driven by a clear vision about the period after crisis.

There are substantial opportunities to achieve multiple benefits by tackling the current global economic crisis, investing more in innovation, addressing energy security and climate change in a coordinated manner. There are opportunities to make industries greener and develop green collar jobs. There are opportunities to improve the energy efficiency of industrial systems, to increase the share of electricity produced by renewable sources, and to make mobility more sustainable.

We need to say clearly that business leaders at the beginning of the crisis will not necessarily be the same at the exit.

Regional policy – strengths against the crisis

Cohesion policy is an important public policy instrument which can be turned against the crisis, and address both the short term concern of demand stimulation while at the

same time investing in the long-term competitiveness. Let me share with you its key strengths in fighting off the crisis.

First, the cohesion policy builds its interventions on understanding regional preferences and using local knowledge in order to channel public resources towards the most productive investments. Reality is that the states do not have enough knowledge in which areas to invest to achieve both short- and long-term goals at once. To build adequate investment strategies it is essential to elicit the information held by local actors. The shared-management principle which underlies the cohesion policy allows for it to happen. It provides for a structured dialogue and coordination between different actors and levels of decision.

Second, cohesion policy targets underutilised potential, especially in the less developed regions, and this can lift economic growth to a higher level in a relatively quick and sustainable way. Of course, the crisis has already reduced or even reversed growth levels and has increased unemployment everywhere. But cohesion policy through its programmed focus on underused assets can help regions through the crisis and will facilitate a faster recovery.

Third, as the European Community's largest source of investment in the real economy, the €347 billion Regional Policy provides a stable, secure, targeted source of investment financing to accelerate economic recovery which contributes to restoring confidence in the real economy. In the face of growing pressures on public finance presented by the recession, the cohesion policy ensures that public resources are ring-fenced for the future. It is the Community's largest source of investment in Lisbon growth and jobs priorities.

It is therefore of utmost importance to fully mobilise all cohesion policy resources to support Member States and regions in their recovery efforts, to help restore confidence in the economy, and to ensure that those most in need receive rapid assistance. We are taking steps to make sure that this happens.

Simplification and acceleration measures

The Commission has adopted measures to speed up implementation of the cohesion policy and accelerate financing to beneficiaries for 2007-2013 programmes at the same time simplifying the rules. Following the Commission Communication entitled "Cohesion Policy: investing in the real economy" adopted on 16 December 2008, we undertook legislative changes and issued recommendations to Member States.

To use to maximum the flexibility offered by the legal framework in force at that moment, my services immediately started discussions with the managing authorities in Member States to identify how the existing programmes can be further exploited to address immediate needs.

But we obviously went beyond that. The legislative changes adopted by the Commission on 26 November and 3 December 2008 are now in force and, by frontloading of EU resources are helping boost much-needed public investments.

This happens by making available more cash flow, and by increasing the possibilities to pay advances to projects. The additional advance payments have provided an immediate cash injection of EUR 6.25 billion in 2009 to pre-finance investment. This amendment brings the total of advance payments in 2009 to EUR 11.25 billion.

All advance payments now have been paid to Member States. Legally speaking, it is up to them to decide what to do with these funds: leave them on national and regional accounts to balance the budgets, or to pass them on to beneficiaries. No doubt that in the situation of tight credit markets the latter solution is more beneficial in overcoming the crisis. Therefore, we repeatedly encouraged Member States to frontload expenditure to cohesion policy beneficiaries.

Having in mind the acceleration of projects' implementation and helping with adequate liquidity, we have also introduced another measure. We allowed for certification of payments to major projects which have not been approved yet by the Commission.

The boost of public investments happens also by simplifying the management of projects in broadening the use of flat rates and lump sums. This will reduce the bureaucracy and workload of the managing authorities and speed up the implementation.

Having in mind the key challenges which the EU will be facing, we have expanded our support to investments in energy efficiency and renewable energies in housing. This provision offers to mobilise up to € 8 billion ERDF in total (which corresponds to the ceiling of 4% of ERDF allocation).

These are accompanied by other, no less important measures, like facilitating the use of the financial engineering instruments, temporary loosening of State Aid framework, allowing for higher advances to the State Aid schemes' beneficiaries, or accelerated public procurement procedures.

We have done a lot. But we are obviously aware that in order to be effective these steps need to be complemented by adequate changes of national rules. Without simplification on the side of the Member States, the policy implementation on the ground cannot accelerate significantly.

Simplification – next steps

Let me finish with a brief outline of another simplification package which should be adopted in the coming days by the Commission. The pillar of my proposal to the Commission would be the alignment of the threshold for identification of major projects to 50m EUR in total costs for all sectors. This allows for both the simplification and the acceleration of major projects' implementation. We also want to cut red tape by introducing a possibility of having one major project co-financed by several OPs, simplifying the treatment of minor modifications to the OP, or introducing the possibility of financial engineering instruments dedicated to energy efficiency and renewable energy in housing to maximise the leverage of our funds.

Having regard to budgetary tensions in a number of Member States which create difficulties with the provision of national co-financing we plan to introduce a one-time $n+3/4$ rule for the 2007 budgetary tranche. This would give a year more of the breathing space for all in these difficult times.

Conclusions

Summing up, the cohesion policy has a lot to offer to address this crisis and to ensure that public resources are used in most effective way not only short term, most importantly, in view of the economies we want to see at the end of the crisis.

We also think a lot about the post-crisis reality. We have identified the impact of main challenges – globalisation, climate and demographic change, and energy security - which the EU regions will have to face in the future. Consequently, we are ready to devise our policy tools in the period 2014-2020 in a way which will address them in the most effective way.

Thank you for your attention.