

**Prof. Danuta Hübner, Commissioner for Regional Policy**

**Meeting with the Regional Offices**

**Centre Borschette**

**25 June 2009 at 10h00**

It gives me great pleasure to be here with you today. I also appreciate seeing so many of you, representing so many regions across Europe. This is a very positive indication of the high level of interest in the issues on our agenda today.

I would like to speak to you today about three specific topics:

- **Firstly, the recently adopted EU Strategy for the Baltic Sea Region.**
- **Secondly, the future of the policy: what is the state of play?**
- **And thirdly, an update of the simplification process.**

Afterwards, we will have some time for discussion and I look forward to answering your questions.

**Looking initially at the EU Strategy for the Baltic Sea Region, I have three points I would like to address in this context:**

1. Firstly, why have we brought forward a Strategy?
2. Secondly, what is actually in the Strategy?
3. Finally, what happens next, and, what could this mean for your regions?

Taking the first point – I suspect that some of you will be wondering why we need a strategy at all. The Baltic Sea Region has a strong reputation for working together and for policy co-ordination. Indeed, there are many excellent ongoing initiatives in the region, so we should certainly ask ourselves why this strategic approach is required.

In the first place, the Baltic Sea Region presents both the countries concerned, and also the EU as a whole, with a series of difficult challenges, but also with many opportunities. I firmly believe that the Baltic Sea Region Strategy presents a novel approach. It presents a new, and more effective, way of working together.

EU leaders called for a Baltic Sea Region Strategy at the European Council meeting at the end of 2007. In doing so, the Council recognised that the Commission could play a coordinating role as an independent and respected authority.

So is this move significant? I certainly believe so – and for two main reasons:

Firstly, the adoption of the Strategy by the Commission on the 10<sup>th</sup> of June marks the result of 18 months of *hard work and cooperative effort*, involving a very wide partnership. A huge range of organisations, national, regional and local governments, business and academia, and indeed the European Commission, have played their part. The consultation carried out by my services sparked enormous interest. I would like to take the opportunity here to thank those regional offices which either contributed directly, or which helped to facilitate input from their home authorities. This spirit of cooperation and partnership has

been a critical element in the success of this preparatory phase. Maintaining this will be equally critical for delivering results – ***for moving from words to action.***

Secondly, the Strategy also marks a milestone. This is the first time that such a macro-regional integrated strategy has been prepared by the European Commission for a group of Member States. Here we are really entering new territory. We have to accept that the challenges cannot be met, nor the opportunities harnessed, nor problems solved, one by one: we have to look at the whole situation, in an integrated way. **And, I believe, this is what the framework of the Strategy for the Baltic Sea Region can provide.**

We also need here to put the development of the Strategy in context. Five years on from the 2004 enlargement, the complexion of this region has changed. And changed considerably... Eight EU countries now share the 8,000 km of Baltic Sea coastline with Russia.

This means that the Baltic Sea Region encompasses some of the wealthiest, but also some of the least prosperous areas, in Europe. Closing this development gap and harnessing the full potential of the Region is a must.

The Region is also facing a number of other pressing challenges. Environmental degradation of the Baltic Sea may grab the headlines, but faltering economic development, a lack of energy interconnections, and poor transport accessibility also present major concerns.

**Herein lies the challenge...and this brings me to my second point:  
what is in the Strategy that will help us tackle these issues?**

To put it simply, *we must work together*. Past efforts have all too often been hampered by a lack of coherence – whether between institutions or in terms of priorities. Action has been too patchy to have any real and lasting impacts. *We must also work together in a practical way*. People want to see action. They do not want to listen to empty rhetoric.

This is why we have come up with an action-oriented Strategy. It addresses, in a concrete way, the four key issues facing the Baltic Sea Region today:

The Strategy covers the environment, aiming to reduce pollution of the land and the sea. We aim to protect the region's unique maritime heritage, for example by treating waste water, by improving agricultural and fishing practices and by encouraging smarter and greener economic development.

The Strategy covers the economy, which, as we are all aware, is particularly affected by the current crisis. The potential in this region for growth is especially high as the Baltic Sea Region has some of the richest countries and also some of the fastest growing ones. We want to see increased prosperity by assisting the transfer of knowledge and competences across the different countries in the region. There should be a particular focus on areas such as research, clusters and services innovation.

The Strategy covers **networks and accessibility**. The region is increasingly a gateway to Asia, especially by rail. But as things stand it takes 36 hours simply to travel from Warsaw from to Tallinn by train. The north, where 90% of Europe's iron ore is mined, is isolated. Every winter we have yet another energy security crisis. Only one cable connects the Baltic States to the wider electrical grid. All this needs to be addressed.

Finally, the Strategy covers **safety and security**. We need to prevent accidents at sea. We need to react in a coordinated way if they do occur. And we also need to address criminal activities such as cross-border smuggling and trafficking.

**So the Strategy identifies these four key issues, the four key challenges, the four key objectives... *But how do these translate into practice?***

The Strategy targets a better alignment of policies, a better implementation of existing EU legislation, and a better co-ordination of funding possibilities in the Region. This, if you like, is the core of the Strategy. And giving a shape to the Strategy are two elements: an **Action Plan** and a **Governance System**.

In terms of the **Action Plan**, the Strategy sets out 15 priority areas with a set of concrete actions. Each of these priority areas is coordinated by a Member State with responsibility for results. Each priority area contains flagship projects. There are around 80 of these in total. Each will have a lead organisation. Each will have a deadline for completion. And each flagship project will provide visible, concrete results that bring benefits to the Baltic Sea Region and the EU citizens living there.

In terms of Governance, we propose that policy will be managed within Community structures. This means that monitoring, reporting and follow-up will be done by the Commission, in partnership with key stakeholders across the region.

There will be regular co-ordination meetings and steering groups at each level of the Strategy: at the overall political level, with Member State representatives; at priority area level, between the lead countries for each area; and at project level, ensuring close and continuous follow up of implementation.

It is important to underline that the regions will be key players in this process. In many cases, it will be the regions who will be delivering individual projects. Regions will also have to maintain pressure on priority area co-ordinators to ensure that progress is made. And regions have an important political role as well. They must ensure that Member States – and indeed the Commission – keep the implementation of the overall Strategy on track.

**This brings me to my third and last point on the Strategy: what happens next, and, what could this mean for your regions?**

Following the Commission's adoption of the Strategy, it has been transmitted to the Council, the European Parliament, the Committee of the Regions, and to the European Economic & Social Committee. Member States, the (new) MEPs and the social and regional partners will then discuss the package. The aim is for the European Council in

October, under the Swedish Presidency, to give its green light to the Strategy, following discussions in the relevant Council working groups between now and then.

Implementation of many of the actions and projects is already underway. Many more actions will start before the end of 2009. In 2010, the Commission and regional stakeholders will monitor and spur on the implementation of the Strategy. As part of this, the first Annual Forum of stakeholders and policy experts in 2010 will help assess progress. In 2011, the Commission will report on progress to the European Council, under the Polish Presidency.

This Strategy will guide the future policies and funding opportunities in the Baltic Sea Region in the coming years. As many people as possible must feel ownership of the strategy. This is crucial for success. The partnership process evident during the preparation must continue during implementation.

But what could this mean more broadly? What could this mean for your regions? Does a Strategy such as the Baltic Sea Region present a new paradigm for regional development, as some are saying?

Our proposals are being closely followed in other parts of Europe. The Baltic Sea Region provides an excellent testing ground. If the approach works here, why not in other areas, such as the Alps or the Danube?

Indeed, only last week the European Council called for a similar strategy for the Danube region. My services, and the Commission as a whole, are studying this request carefully.

We know already that the Danube region raises many new questions. Geographically, it extends along a river, rather than being a sea basin. Politically, it has many more non-Member States than the Baltic Sea Region. And institutionally, from its history of co-operation, it has a very different make-up than the Baltic Sea Region.

This underlines the point that each macro-region strategy has to be unique, in order to address the specific nature of the region in question. Nevertheless, the strategy for the Baltic Sea Region provides sound principles from which to work. The value of partnership; the need for an integrated approach; the importance of strong political support at the national level; the necessity of full backing from the regional level; all of these are crucial for creating a Strategy that will work.

Before I move on to the second part of my speech, I would just like to leave you with a few final thoughts. There is much at stake here – a clean Baltic Sea, a more prosperous region and – more generally – the chance to develop a new model for cooperation. To achieve the ambition of a more balanced economic and social development, and a more sustainable environment for future generations, we need long-term engagement on all sides. This Strategy is the first step on the way. The prize for getting it right will be more and better jobs and more sustainable growth.

In many ways there is also a clear link here with the future development of our Cohesion Policy as a whole. Which brings me to the second topic on the agenda – ***the future of the policy: what are the latest developments? And, what happens next?***

This debate is well underway. I know that many of you having been following it closely and contributing through various forums and consultations. The **consultation launched in 2007** following publication of the 4th Report on Cohesion marked the beginning of discussions. The results were summarised in the 5th Interim Report on Cohesion in 2008. It goes without saying that this reflection process must also be looked at in the context of the **ongoing general review of the EU budget**. This covers all aspects of EU spending, and will report later this year.

### **What are the latest developments?**

At the end of last year, the Commission published the Regions 2020 report. Indeed, we discussed this at our last meeting. The conclusion of this was clear: the policy's framework needs to be adapted to help our regions improve the way we deal with globalisation, with our ageing populations, and climate and energy challenges.

Since then, there have been several other developments. I presented a personal **reflection paper on the future policy** to the Ministers for Regional Policy at their Informal Meeting in Mariánské Lázně at the end of April. In this, I set out possible orientations on the rationale and goals of future Cohesion Policy. How can the policy best deliver EU priorities and how can we improve the delivery mechanisms?

I underlined how I believe that to truly achieve the highest impact possible of the policy, we need to focus on a more limited number of core EU priorities:

1. First, even stronger links must be built in the future between **regional policy programmes and the Lisbon Strategy**.
2. Secondly, **sustainable development** – this is an ever more important challenge and opportunity. The fight against climate change has become central to all policy agendas. We need to rethink competitiveness measures. We need to take into account the constraints, and the opportunities, of a low carbon economy and climate change proofing of our infrastructure investment.

The **reflection paper** also calls for a **simpler and more effective delivery system**. Here I would like to underline some key points:

- There is a need to reduce the administrative burden for implementing bodies and beneficiaries, while still ensuring effective and proper use of the EU budget.
- The strategic dimension of the policy should be reinforced through the introduction of a high level annual political debate involving all Member States to discuss policy achievements.
- There should be greater scope for innovation and experimentation, particularly in the business and local development sectors.
- The role of financial engineering in increasing leverage and impact of cohesion policy should be enhanced.
- The strategic framework for the selection of major projects should be reviewed to achieve greater impact at national and European level.
- We need to explore more options to improve the coherence, and synergy of the Funds.

- Territorial cooperation and networking among the regions should be reinforced.
- Lastly, the threshold effect and transition mechanisms (phasing in and phasing out) within the policy have been highlighted by many observers as inefficient and unfair. There is thus a need to move towards an overall sliding support mechanism, which is stable, smooth and fair.

**We have also been strengthening our analytical capacity and promoting more academic debate.** In this context, one of the most important developments was the publication of the "**Barca Report**" at the end of April. Fabrizio Barca (a respected Italian economist and the Director General at the Italian Ministry of Finance) had been invited by the European Commission to conduct an independent analysis of European Cohesion Policy, working closely with academics and experts.

I welcome the report and firmly believe that Cohesion Policy needs to hear from experts across various fields. It needs to be challenged and constructively criticised. We need an evidence-based approach to policy development and robust dialogue. This can only strengthen our policy.

I know that Dr Barca presented his report to the regional offices in May. Some of you will already be familiar with the key elements of it.

**From my own perspective, I draw one clear conclusion from the report.** The direction in which the policy is evolving is the right one. However it challenges the Commission and the other institutions to go further. It calls for an even greater focus on a limited number of defined core priorities. It calls for a greater performance orientation, meaning a

stronger emphasis in the contractual relations with the Member States on achieving measurable outcomes and results. The report stresses the need to reinforce the strategic dimension of the policy by strengthening the role of the Commission and by introducing a high-level political peer review mechanism for debating and reporting on policy outcomes.

There are **four areas** in particular that I would like to draw your attention to. These four areas are where I think the report provides support for a needed evolution, and enriches our reflections.

**Let me firstly start with the rationale for the policy.** The report confirms my fundamental belief that the Union needs a *strong place-based development policy* which ensures that *all regions* are able to realise their economic potential and that *all citizens* benefit from the process of integration, wherever they live.

The role of Cohesion Policy, since its inception, has been to ensure that **Europe's project of economic integration is for everybody**. This integration, driven by the single market, can only work if all can contribute and all can benefit. For this reason, we decided in 2006 that Cohesion Policy should be for all regions. Our single market, competition and trade policies touch every member of the EU. Through its role in promoting competitiveness, the economic benefits of the single market and sustainable growth in all areas, Cohesion Policy supports legitimacy, equity and efficiency goals of the European Union.

The report calls for an even greater focus on a *limited number of narrowly defined core priorities*. This matches my own view. I believe this would focus political and public attention on clear objectives. An important step has already taken for 2007-2013 with the Lisbon

'earmarking' i.e. focusing the Cohesion Policy investment effort on twenty-first century activities – R&D, innovation, business development. This needs to be reinforced still further.

**Secondly, the report emphasises the need for a greater focus on results.** Again I share this view – strengthening the focus on results and targeted outcomes is critical. Cohesion Policy has undoubtedly made a significant contribution to developing an evaluation culture across the EU. However, there is still a need to strengthen impact evaluation (and we are looking at undertaking a number of pilots in this area in the coming months). We need comparable indicators across all 27 Member States. And I am also pleased to say here that work is already underway to develop a limited set of core indicators. As from next year, we should already be able to receive comparable information on the achievements of Cohesion Policy programmes across Member States.

The development of this evaluation and monitoring culture has often been highlighted by many observers as one element of added value of the policy. I believe this is certainly the case. However *added value comes not only from what the policy does, but how it does it.* Here, the multi-level governance system – the coordinated working between the EU, the Member States and local and regional authorities – is a cornerstone of delivery. **And this is the third point which I would like to draw out from the report – the need to reinforce this added value of Cohesion Policy.**

This unique model of multi-level governance, involving **local and regional players in policy design and delivery**, helps to ensure that

actions are adapted to circumstances on the ground and that there is a genuine commitment to success: *the question of ownership*.

Another element of added value lies in the structuring role that Cohesion Policy plays in long-term investment in innovation and people. The report stresses the need to reinforce the *strategic dimension of the policy* established in the 2007-2013 period, which saw the introduction of strategic guidelines and national strategic reference frameworks. In this respect, Dr Barca's conclusions echo and strengthen the call expressed by ministers in Mariánske Lázně to enhance the *strategic role of the Commission*.

**Fourthly and finally, the strengthening and simplifying of delivery mechanisms:** the report points to a need for greater effectiveness and lower costs of the regulatory and control system. While it does not present developed proposals to address this issue, the report poses the problem with great clarity.

We must reduce the administrative burden for implementing bodies and beneficiaries while ensuring effective and proper use of the EU budget. To press ahead on this important issue in the current period, we have already set up a *working group on simplification* with Member States experts. For the future period, the new Lisbon Treaty may provide scope to further clarify the respective responsibilities of the Commission and the Member States in the execution of the budget.

Overall, the report confirms the direction that the policy has taken over the last few years, but challenges us to go further and do better. The debate on the report will be a major building block for the further

development of cohesion policy. It provides a rich contribution and I invite you all to read it carefully.

The final results of the public consultation examining the *Green Paper on Territorial Cohesion* is being presented today in the *6th interim report on economic and social cohesion*. All these elements constitute major building blocks for the further development of Cohesion Policy and will feed into the **Fifth Cohesion Report** - due for publication in autumn 2010.

As a final element today, I wanted to update you on where we are with **the on-going simplification exercise**. This process has, as you will be aware, a dual purpose. Firstly, it concerns simplifying the implementation of Cohesion Policy – helping programme authorities to run programmes and projects more effectively and in a more straightforward manner.

Secondly, this process is also about helping Cohesion Policy provide a clear, pro-active response to the economic crisis we are facing. Cohesion Policy is the European Union's most powerful lever to boost the real economy. With total financial resources of €347 billion for the 2007-2013 period, €250 billion of which is earmarked for Lisbon-related investment, Cohesion Policy provides robust support for budgetary stability and public investment in the Member States and regions.

This is why Cohesion Policy is a key part of the European Economic Recovery Plan. By supporting investment in priority infrastructure,

business production capacity and human capital, it can boost short-term internal demand while maintaining the focus on sustainability in the medium term.

We have already taken a series of steps over recent months to provide the necessary responses to the challenges we are facing in Europe. In April, we increased the level of advance payments to all programmes in order to provide an immediate cash injection of EUR 6.25 billion, more than doubling the 2009 advance funds. These additional financial resources will provide programme authorities with "front-loaded" funding which they can use to ensure that projects start on time, progress quickly and can be paid rapidly.

We have also introduced other changes over recent months, covering a range of issues. These changes:

- make financial engineering instruments easier to implement;
- accelerate intermediate payments for major projects;
- simplify the system for advances paid to beneficiaries under State aid schemes;
- streamline the reimbursement of expenditure; and
- increase the share of energy-efficiency investment.

I would like to stress that we are continuing to examine ways of simplifying and assisting implementation and the Commission intends to propose a further series of elements shortly.

In particular, the Commission plans to ease the impact of the n+2/n+3 decommitment rule for the initial year of the 2007-2013 programmes,

given the impact that the economic crisis has had on programmes' start-up phases. This will involve treating the 2007 commitment in programmes as if it were made in 2008, thus giving all programmes an additional year before the automatic decommitment rule applies.

We also intend to simplify the treatment of major projects, particularly in the environment field, by harmonising the threshold for identifying major projects upwards to EUR 50 million.

Also, even though we have already streamlined and simplified the treatment of revenue-generating projects, notably by exempting projects below EUR 1 million from the revenue-generating requirements, we are looking again at this issue with a view to reducing the longer-term burden of monitoring revenues, which current extends after programme closure.

We are also determined to fine tune a number of elements which, looked at individually, may seem rather technical, but which, taken as a whole could offer valuable savings of time and administrative costs for programme authorities. These include streamlining the types of financial information programmes must provide and making the concept of partial closure of programmes easier to use.

The Commission remains committed to helping the regions address the consequences of the economic crisis and to assisting them in simplifying the running of Cohesion Policy programmes. I believe that this update makes this clear.

That leaves me just to thank you all very much for your attention. I hope that this provides you with an overview of both the Baltic Sea Strategy and the ongoing reflections on the future Cohesion Policy. I would like now to invite questions from the floor.