

# **Summer University for local and regional media**

## **Commissioner Danuta HÜBNER**

“EU Cohesion policy: a good story to tell”

Brussels, 20 September 2006

Ladies and Gentlemen,

I guess that you quite often find writing about the Union a difficult task. Today many issues have increasingly technical or legal character which may be not so easy explained to your audience. Regional policy is not like that. It has a simple logic telling us that the quicker European regions grow the better it is for the whole of the Union. It operates on the basis of simple criteria – the poorer the region the more policy is investing there. People can easily see the benefits of this policy in their region and in everyday life – be it local road, science park or water utility. And, finally, it is the only Community policy which is run with a lot of involvement of local people. This is subsidiarity in working.

This is – at least to me – already an interesting story to tell. And there are many others. For the today's meeting with you I chose three of them. I will start by looking back at the history of regional policy and its capacity to evolve, adapting to the changes in the Union itself and in the surrounding world. The second story will be about the main issues and challenges which laid foundations for the current reform of the regional policy. Finally, I will tell you some words about the importance of regional and local dimension in turning this new

regional policy into a driving force for boosting Europe's growth and competitiveness.

### The history – more than 30 years of continuous reform

Sometimes we tend to forget how deeply regional policy changed in more than 30 years which elapsed from the creation of European Regional Fund. Curiously enough – for those which remember recent negotiations on the EU budget - the ERDF was created at the United Kingdoms's behest, as a mechanism to compensate it for its budget contributions. For its first few years, the ERDF represented approximately 4% of the EU's budget and the Commission managed each project individually.

It was the move towards the Single European Market which laid the foundations for the further development of regional policy. The Single European Act of 1985 codified the Community's commitment to reducing regional and social imbalances which either existed or would be aggravated by the opening up of the Member States' markets. And it was in this period when we established a link between the advancing integration and regional policy. This link based on the belief that all the regions and Member States should reap the fruits of European integration and that it is the task of regional policy to make it happen – through advancing regional and national convergence.

The increasing role of regional policy can also be seen in the modalities and amount of financing which we devote to it. The notion

of financial perspectives introduced one of the main advantages of the regional policy – stable and independent financing over a period of 7 years. The budget has increased steadily over time and now the cohesion policy represents around one third of the EU's budget and as of 2007, around 40%. This translates into 308 billion euros - 350 billion in current prices - for the 7 year period, almost 0.4% of European GDP.

But while the financial dimension was – and still is - important, the increasing role of regional policy was even more manifest in the way it was shaped up as a fully fledged policy, with its own objectives, criteria and rules. Perhaps the most important non-financial development was the switch from funding single projects managed by the Commission to the approach based on programming and on the principle of partnership with the regions and Member States. As a result, regional and local public authorities and other stakeholders became deeply involved in the design, implementation and follow-up of the actions in the framework of regional policy.

### Today, we have new policy meeting new challenges

So, this was the policy with which Union was equipped for 2000-2006 period. But it is evident that over the past six years, the context for regional policy has changed. The enlargement of the EU means that cohesion policy faces greater challenges than ever before in its task of reducing regional disparities. Over the same period, the challenges posed by a global market to Europe's economy and the social and economic situation of Europe's citizens have become more acute.

Market liberalisation, technological change and globalisation have certainly accelerated economic growth. As low cost producers enter our single market and prices fall, European consumers get the benefits of globalisation. However, at the same time Europe has to cope with increased competition. Structural change has become more necessary than ever but its pace is still too slow in some key sectors. And this is why most of the growth spurred by globalisation takes place outside Europe.

There are many reasons for this belated reaction of European economies. Demographic change, particularly the ageing, has a deep negative impact not only on public finances but also on the innovative and risk-taking spirit of the society. Also, the European system of social and employment protection is not conducive to adaptation and innovation capacities in an environment of increased competition. It often leads to the re-emergence of protectionist instincts and to the questioning of the advancement of European integration. It leads to the underutilization of the growth potential created by the new pattern of comparative advantages which emerged after 2004 enlargement.

But today we live and will continue to live in an open economy, where there is no inside and outside and where major factors of competitiveness are no longer bound nor to trade barriers neither to costs or natural or geographical advantages. They are bound to the capacity to create new goods and services in response to – quickly

changing - needs of European and world markets. This, in turn, entails the necessity of much more sophisticated and complex approach to development. No doubt – Europe will never be able to compete on the basis of socially cheap growth strategies. The only way forward is therefore through increased capacity to change, through investing in Europe's innovativeness potential.

### But where can we find this energy to change and grow?

I believe that regional policy has an answer to this question - European renewal can and should come from what is described as "below", that is from the regional and local level. This belief is founded on a number of reasons:

- First, growth in Europe today critically depends on innovation. This was clearly recognized in the innovation strategy for Europe - recently adopted by the Commission – which identified regional level as the most appropriate for policy action focusing on innovation.
- Second, top-down strategies are alone insufficient and ineffective in order to ensure the real implementation of innovation on the ground. We need more local knowledge and local and regional tailor made development strategies. Thus regional policy provides a meeting point between the top down and bottom up approaches.
- Third, if innovation is to become a true driver of growth and competitiveness, proximity of partners – businessmen,

researchers, local authorities, financial institutions – is essential. We must therefore free, mobilize, exploit and engage local potential of knowledge, expertise and cooperation.

- And finally, in generating innovative thinking and innovative action, local and regional level has a clear comparative advantage.

That is why – and here I move to my third and last point - the new regional policy is a key lever for boosting Europe's growth and competitiveness.

Why do I believe that the new regional policy can make the difference? The answer lies to a large extent in the nature of the reform of this policy whose major elements include:

- A more strategic approach. We now aim at integrating the growth strategies at European, national, regional and local level; To ensure this, Member States will report each year on the contribution of the cohesion programmes to the Lisbon agenda;
- A higher thematic and resource concentration on the Lisbon and Gothenburg priorities, i.e. R&D and innovation, entrepreneurship, human capital, ICTs, as well as accessibility of the region. Member States will have to set an ambitious target of cohesion funding dedicated to these priorities (so-called "earmarking");

- A more extensive partnership, which implies the participation not only of the national, regional and local authorities but also of the economic and social partners and other bodies from the civil society all through the process of negotiation and implementation;
- An increased role for cities as drivers for growth and innovation. For the first time, cities can be delegated to directly manage part of cohesion funding to address their own competitiveness and employment problems;
- A greater leverage effect, in other words, a higher capacity to attract private investment – and business involvement in general - alongside the public assistance. This has already given birth to three brand-new tools (Jaspers for major projects, Jeremie for SMEs and Jessica for urban regeneration);
- for the first time in the history of Europe's regional policy we have involved European financial institutions (EIB, EBRD, EIF) to expand the available financial resources, to improve the quality of projects, and to bring into grant-based policy the culture of management characteristic for financial institutions;
- a new Territorial Cooperation objective and a brand new legal entity (the European Grouping of Territorial Cooperation) aiming at providing the regions with a framework for stimulating the exchanges of experiences and the implementation of common projects.

Where are we now with the preparations for the implementation of new regional policy?

As you know, the reformed EU regional policy is about to be launched. The budget for the period 2007-2013 has already been decided and the legal framework of our policy has recently been approved and entered into force on August 1<sup>st</sup>. The only remaining element is Strategic Guidelines which most likely will be adopted by the Council in the beginning of October. Since then we can move to the "official" phase of the negotiations with Member States which shall start submitting formally their National Strategic Reference Frameworks and Operational Programmes.

But today we are still in the middle of the programming phase. This is the last opportunity to influence the content of those investments which will transform our regions over the next years. To deliver the best possible results in terms of growth and jobs, we must turn regional policy into the focal point where the Lisbon and Gothenburg agenda (reflected in the National Reform Programmes) and the national and regional priorities (translated into the National Strategic Reference Frameworks that are now under preparation) meet and complement each other.

By the way, talking to you, people dealing with the communication I cannot help apologising for this cumbersome National Strategic Reference Framework thing. Just to make clear to you – it was coined before I came to regional policy portfolio and I still did not manage to find a person responsible for this in my DG.

Ladies and Gentlemen,

I meet the representatives of regional and local media almost on daily basis – visiting different regions or meeting regional and local delegations in Brussels. Last time I had a pleasure to address such a forum in a special press conference organised in the framework of a special media programme for Open Days 2005. More than 100 of your colleagues were represented. We offered them the possibility to attend some of the workshops, to "experience" the European institutions and learn more about them, to meet and interview important "Europeans", to network between themselves and with others. We tried to address different needs and expectations. This year we will continue this tradition. I hope I will meet you in Open Days 2006 numerous.

And I hope that in the next months and years you will find plenty of good stories to tell to our citizens. The stories about people thinking about the future of their regions, about local energy and innovative projects, about citizens working hand in hand to make their region a better place to live.

Thank you for your attention