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4th COHESION FORUM

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"Cohesion policy: charting new territories"

Ladies and gentlemen,

I would like to structure my today's intervention around three issues:

- First, I will briefly outline the main developments in EU cohesion policy over time. But, rather than giving you a sequence of historical events I would emphasize how cohesion policy evolved and adapted to new challenges.
- Second, I will look at the policy as it stands today and reflect on how well it is equipped for meeting social and economic changes which affect the Union's regions and cities. In doing so, I shall draw a first assessment of the results of the policy reform for 2007-2013 years;
- Finally, I will end up by addressing main challenges the policy is facing in the – not so distant – future.

It is difficult to encapsulate in few words the evolution which the cohesion policy underwent since its inception in 1975. Perhaps it can be best described as moving away from a marginal redistributive policy to a fully fledged development policy, underpinning European economic integration.

The link between economic integration and the cohesion policy was forged with the Single European Act and the adoption of the Euro. The economic argument advanced at that time was that Single Market creates winners and losers. In other words, economic integration tends to strengthen economic activity in the core area, at the expense of poorer regions. Hence, as Padoa-Schioppa report put it in 1987, "there are serious risks of aggravated imbalances in the course of market liberalisation. Therefore adequate accompanying measures are required to speed up adjustments in structurally weak regions and countries".

Single European Act designed also three other key features of cohesion policy which were developed over time. They include a regional dimension, an idea of growth based on endogenous resources and a need to tackle structural change. Thus, under the Act's title dedicated to social and economic cohesion, we can read that it is necessary to "redress regional imbalances" through regions "participating in economic development" and undergoing "structural adjustment".

This formula, firstly, gives the cohesion policy a very clear regional dimension. Hence the idea of regional development, tailored to local

needs and resources, which is central to cohesion policy today. Secondly, it calls for the region's participation in economic development. This sets a clear objective for the cohesion policy - it should be about mobilizing local potential of development. Finally, Single European Act mentions the policy which shall foster structural adjustment. This means that its focus should be on the long term change and on overcoming structural barriers to development. Hence the concept of multiannual programming and strategic approach to development.

What are the achievements and the rationale of cohesion policy today?

The recognition of the link between the diffusion of benefits of economic integration and cohesion policy is valid today more than ever. We see that the core of the Union expanded to previously peripheral areas and that new growth poles – Madrid, Dublin, Lisbon, to be followed soon by regions in new Member States – burst with economic activities. I am fully convinced that this would not be achieved without European cohesion policy, without the "visible hand" of the EU fostering economic integration throughout its territory.

4th Cohesion Report abounds in independent evidence buttressing this point of view. Between 1989 and 1999 the additional growth impact of EU cohesion policy has been at 10% in Greece and 8.5% in Portugal. Between 2000 and 2006, it has been in the order of 6% for Greece and Portugal, 4% in the East German *Länder* and 2.4% in Spain. At the same time, between 1995 and 2004 in a quarter of the lagging regions in the EU-15 the GDP per head had risen above the 75% threshold.

Importantly, the policy impact was also strongly felt in better off regions confronted with structural development problems; over 450,000 gross jobs were generated in such regions in six countries between 2000 and 2005.

If we look at the 2007-2013 period, studies suggest that cohesion policy will add between 5-15% to GDP in most of the new Member States, on top of a baseline scenario without cohesion policy.

This is a well known part of the cohesion policy achievements but today I would like to tell you a tale which we often tend to forget and which goes beyond sheer figures captured by statistics.

Let me start by saying that, in the last years we have been witnessing a shift of paradigm in the economic theory, which further reinforced the policy rationale. Firstly, there has been an increasing focus on regional development and its role in the overall performance of national economies. Secondly, new growth theories suggest that there is a role for "the territory" in the sense that it should be seen as a source of economic growth and competitive advantage on its own.

Put it differently, although many drivers of economic change reduce the importance of geographic proximity in business, at the same time new reasons for proximity emerge in knowledge based economy. The quality of business environment, available skills, innovative SMEs, research capacities and talents which region can offer are ultimately more valuable to firms than the cost of inputs. These are the factors which are in the centre of regional development strategies, fostered by cohesion policy today.

But there is one more lesson we can draw from new growth theories and business concepts which takes me to the last missing key element of the cohesion policy which I did not mention until now – partnership. This lesson can be best summarised as follows. Profound changes in the nature of technology, demographics and the global economy are giving rise to powerful new models of production based on collaboration and self-organization rather than on hierarchy and control.

This collaboration transcends traditional boundaries between actors of economic development, between competition and co-operation or consumer and producer. Business theory is trying to grasp these new phenomena by coining new words such as "cooptition" – meaning competitors working together on a joint project - or "prosumers" – defining consumers which co-create goods and services.

So, the new competitive principles in economic and business circles societies are "openness, peering, sharing and acting globally" - to use the expression put forward by the newest trend, "wikinomics" – the concept developed by Don Tapscott and showing how masses of people can participate in economy like never before. These principles were present in cohesion policy already years ago! Multi-level governance, involvement of socio-economic partners in the policy design and implementation, public – private partnerships, networks pooling and sharing best practices and knowledge – all those elements were fostered by the cohesion policy already since the beginning of the 90s.

This proves that cohesion policy is not only adapting to changes. It is also pioneering new approaches which are now in the core of ground breaking development and business strategies. When, for the first time, the partnership approach was applied many were tending to perceive it as cumbersome to administer and slowing down the decision making. Today it turns out to be one of the principal preconditions for competitiveness and economic change.

I am saying all of this because these are the policy achievement which we tend often to forget. And they are not of one-off nature; they stay in place long after the projects are completed. Better administration, integrated approach to development, regional innovation strategies, new clusters and networks, more trust and willingness to co-operate – all of them translate into important assets of economic development.

What can we achieve with the new European regional policy, designed for 2007-2013 years?

Let me turn now to the most recent developments. The Commission analysed practically all the programming documents for 2007-2013. Almost all National Strategic Reference Frameworks and a large number of Operational Programmes have been already adopted. This allows for a first assessment of how the new policy is being implemented by Member States and regions.

The new strategic approach intends to bring greater efficiency, transparency and political accountability to the interventions. In order to

achieve this, the programmes concentrate on the priorities of the Union as agreed under the new growth and jobs agenda. The earmarking provisions and the Community Strategic Guidelines are key instruments in this regard.

While I know that the earmarking can be portrayed as a blunt instrument and that some of you have been critical about it, I must tell you that it has helped to steer the discussion between the Commission, Member States and regions and concentrate investments in key drivers of the knowledge economy and on long-term growth and job creation.

We can already affirm that the targets of 60% for the Convergence objective and 75% for the Regional Competitiveness and Employment objective have been reached. In fact, the average proportion of the resources earmarked for these investments is 61.2% under the Convergence objective and 76.7% under the Regional Competitiveness and Employment objective. Overall, more than EUR 215 billion will be allocated to these investments, an increase of EUR 75 billion compared to the previous programming period.

Particularly encouraging is the shift in investments towards R&D and innovation: more than EUR 62 billion (representing almost 18% of the overall cohesion budget) will be allocated to this type of investments, exceeding the total of the 7th Framework Programme for Research. Compared to the period 2000-2006, the financial resources dedicated to R&D and innovation have more than doubled under the Convergence

objective and they have been multiplied by five under the Regional Competitiveness and Employment objective.

This is the picture of today; but our Cohesion Forum is first and foremost about the future, about the main challenges the Union is facing and which are likely to have different effects on European regions in economic, social and territorial terms in the years to come.

So, what are the challenges ahead of European Regions?

The 4th Cohesion report depicts European territory at the crossroads of numerous factors of change. Many of them are external in nature, such as accelerating globalisation, rising energy prices, stronger external immigration pressure or emerging climate change. Others are more indigenous in nature, such as population ageing or the struggle to improve the living environment. I am convinced that in the coming years all these challenges will draw the new regional map of Europe and overshadow the borderlines we are used to today – such as those referring to new and old Member States.

This global context gives a new meaning to catching up and makes the role of external developments more prominent than today. We cannot look only at comparisons and convergence within the Union. The role of new cohesion policy must be to help regional economies find their place in world markets, in critical global networks and clusters; to allow them to measure their strengths and weaknesses against global challenges and opportunities and to foster their internationalisation.

Towards this background, what are probably the main **issues at stake for cohesion policy** beyond 2013?

The Cohesion Report focuses on three groups of questions:

- The first group of questions takes stock of new, global developments which will have increasing impact on the EU economy in the years to come. To what extent will new policy challenges affect regional economies? How should they best respond to these challenges? These are very much the questions for our first session this afternoon.
- The second group of questions looks at the possible responses that cohesion policy can develop to foster growth and development. Which new, competitive advantages and skills will our regions and citizens need to be competitive in the future? How important is the territorial/regional dimension in this respect? We will discuss these issues tomorrow.
- Finally, the last group of questions focuses in more detail on the way cohesion policy should operate in the future. How can we move towards a policy which is even more performance based and which can better adapt to a changing political environment? What allocation of responsibilities within the multi-level governance system? How to assure better horizontal coherence between different sectoral policies? We will also address these issues tomorrow.

Let me end up by saying that, while the challenges lying ahead are complex, I remain convinced that European cohesion policy is well set to meet them. The most important asset, as I believe, is the system of multi-level governance, based on accountability and partnership. This system which, on one hand, fosters economic efficiency and development through the co-operation between the European, national and regional levels, on the other, firmly anchors the policy in the Union's territories and hearts of its citizens.

This has been best appreciated in Berlin Declaration, where we can read that: "There are many goals which we cannot achieve on our own, but only in concert. Tasks are shared between the European Union, the Member States and their regions and local authorities". This should be our guideline for the future.

Thank you for your attention