

CPMR Annual General Assembly
SESSION 4: SUCCEEDING 2007-2013, PREPARING FOR 2014 –
PROSPECTS FOR THE CPMR

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EU Commissioner for Regional Policy

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Mr Martini, Ladies and Gentlemen,

It is a real pleasure for me to be here today in the beautiful region of Murcia with representatives of more than 150 European regions and to speak to you about challenges laying ahead of the new cohesion policy we are about to launch.

But let me start by thanking for your active involvement and participation over the last three years during the negotiations of the financial perspectives and during the reform of cohesion policy. It was this kind of support which has allowed us to put to the disposal of our regions an ambitious policy for promoting convergence, competitiveness and territorial cohesion across the whole of the Union. You have helped a lot. Thank you.

Today, in line with the title of our session, I would like to talk to you about two issues. Firstly, about the major challenges which the new regional policy has to address in the forthcoming 2007-2013 period - namely, an imperative for the policy to become an essential lever to foster competitiveness, growth and employment across all the EU regions

while, on the other side, reducing increased socio-economic and territorial disparities in an enlarged Europe. I would also like to place in this double context the issue of territorial cohesion. In the second part of my speech I shall make an attempt to move beyond 2013 and share with you some reflections on the more distant developments which may affect the future role of the cohesion policy.

We are now completing the last steps in order to put in place around 400 programmes for 2007-2013 representing – together with the co-financing - a € 500 billion investment across all regions of European Union. This amount does not take into account an additional public and private investment – if we accept a very conservative assumption that the cohesion policy will continue to leverage additional investment at current rates – 1,5 euro for each euro invested in Objective 1 and, respectively, 3 euro for Objective 2 – we will be well above the figure of 800 billion. This is an unprecedented investment effort.

We have to invest these resources in a wise and effective way, with two types of considerations in mind. Firstly, our regions should continue to measure their strengths and weaknesses within European framework of reference; this is the imperative of convergence. On the other hand, however, we cannot ignore the fact that European regions and cities are increasingly linked to global economy. This means more emphasis on regions' position in key global networks, clusters and chains. This is the imperative of European competitiveness in global economy.

Is there a contradiction between convergence and competitiveness? This question has been recurring over last years but my answer to it is a clear "no". We simply need to put them on the same trajectory. The world is changing and today we cannot envisage sustainable cohesion without investing in long term competitiveness of our regions and cities.

That is why the Commission made focus on strategic priorities – through the adoption of Strategic Guidelines - one of key elements of the reform. Central to this approach is the strengthening of the links between cohesion policy and the agenda for growth and jobs. As President Barroso recently mentioned, new cohesion policy has become the primary financial instrument at Community level for the Lisbon agenda.

In other words, new cohesion policy gives clear priority to those investments which have the highest impact on the productivity and the competitiveness of the European economy. Let me refer here to what President Martini just said – the key message is that of the transition from investment strategies based on material infrastructure to those which are driven by focus on R&D and innovation potential, human capital, entrepreneurship and ICTs. Clearly, as there are still many areas in the EU which suffer from poor accessibility, the proportion between the two approaches and the speed of transition depends on the regional circumstances. Yet, every European region should make an effort to come to terms with the challenge of new, knowledge and innovation based economy.

And there is a lot to do. Today almost half of the EU-27 R&D expenditure is concentrated in 35 regions (all in EU-15) – out of 268. On the other hand, in 47 regions the expenditure does not even reach 0.5% of their GDP. The latter regions account for only 0.5% of the total EU-27 R&D expenditure. A composite regional innovation performance index shows that in 2006 it is only the regions from EU15 which occupy top positions of this ranking (the only exception being the Praha region).

These data provide for a good starting point to consider another necessary complement of this new growth strategy: the territorial dimension of cohesion policy. It is the role of the cohesion policy to make better use of the potential of the territorial diversity of Europe for sustainable growth. The territorial dimension helps to prevent uneven regional development from reducing overall growth potential while, at the same time, catching up of lagging regions contributes to the growth in the whole of the EU.

This is corroborated by many examples which demonstrate that despite apparent disadvantages in territorial terms, for example due to peripheral location, handicapped regions can be home to successful development projects based on edge breaking innovative solutions. It seems that life in very difficult conditions had forced such regions to seek simple, practical and innovative solutions to everyday problems. But without public investment, very often carried by or catalyzed by regional policy, these solutions would never realize! This shows that territorial cohesion and competitiveness should be seen within the same frame of reference.

It is not an easy task to make the territorial dimension of the cohesion policy concrete and operational. The Commission did it through the focus on certain thematic priorities, through strengthening territorial co-operation and the urban dimension and through providing an integrated response to specific territorial characteristics. The overall aim is to achieve a more balanced development across Europe's territory and to build sustainable communities in urban and rural areas.

However, it is the reinforced principle of partnership which remains the most powerful instrument offered by the policy for the promotion of territorial cohesion – and competitiveness. Effective multi-level partnership adds value and legitimacy to public policy implementation. When putting together a regional economic development programme, partnership fosters consensus building and tailors investment strategies to the needs of the region. It also helps also to make the best use of local knowledge and stimulate new, innovative ideas.

Seen from the territorial cohesion angle partnership should be viewed as the capacity to work together in order to shape dynamic networks of regional or local branches of the national administration, local self-governing bodies and private partners. Distant areas do not always have a potential to establish PPPs or set up clusters and there is less interaction among public and private actors. For these regions partnership is also the way to pool together scarce endogenous resources. We need this type of regional coalitions for development.

Moreover, today many of the key growth drivers can be most efficiently addressed at the regional and local levels. The majority of the resources essential for innovation – regional technology centres, research institutes, innovative SMEs, financing bodies - can be found within the region, in the close proximity to the regional authorities. This is why regions – using the partnership principle - can best stimulate interaction between the producers, users and mediators of innovation and harness all these resources towards the objective of innovative regional economy.

A wider promotion of public-private partnership and further involvement of international financial institutions is essential. At this respect, the Commission, the European Investment Bank and the European Bank for Reconstruction and Development have set up three special facilities: JASPERS, which offers expertise, free of charge, to national authorities in preparing better quality large projects for Commission approval, as well as help during the preparation of projects involving PPP; JEREMIE, which offers Member States and regions a flexible and efficient framework to operate and develop innovative forms of finance for SMEs and JESSICA, which combines the policy investment in urban development and renewal with the loans and expertise of the Banks.

To sum up, whether looking to improve the quality of policy interventions, stimulate innovation, address territorial dimension or leverage private investment and expertise, a broad partnership with strong participation from the regional and local level, social and economic stakeholders, civil society and the private sector is a critical factor.

Ladies and Gentlemen,

President Martini in his remarks told us that he is already hearing comments similar to those which circulated back in 1999 – that 2013 will be an end of the link between Brussels and the regions. But today I do not see any grounds for this way of thinking. With the current reform we laid solid foundations for long term regional policy in the Union and we can be more optimist about the future.

My conviction does not come from the assessment of the reform only. I firmly believe that the new developments which we will witness in the coming years will play in favour of regional policy and local dimension. One of them is certainly the increasing importance of local and regional economies for Europe's growth, following the new focus on endogenous growth factors. The other is the increasing need for more synergies in multi-level governance – entailing more focus on the role of regions in economic policy governance.

In a way we have been constantly evolving from the development based on the notion of the government towards development based on the notion of governance. And as the growth and jobs become a more complex issue, which need to be driven in a sort of polycentric way – through a mix of national, regional and local strategies - I see this evolution as inevitable.

Finally – if I may second President Martini again - there is a democracy issue as our citizens increasingly prefer to see the solutions to their problems being decided close to them, at local and regional levels. There

is too much frustration with the centralized decision making process to be ignored.

Thank you for your attention,