

**Speech by Ms. Danuta Hübner,
Member of the European Commission responsible for Regional Policy
at the European Policy Center Breakfast Policy Briefing on
“Narrowing the divide: regional policy as an instrument for boosting Europe’s
competitiveness?”
Brussels, 18 July 2006**

Ladies and Gentlemen,

As you may know, the reformed EU regional policy is about to be launched. The budget for the 2007-2013 period has already been decided and the legal framework of our policy has recently been approved. We are now in the middle of the programming phase, thus we have the opportunity to influence the content of those investments to be carried out on the ground over the next years.

I would like today to discuss with you three major issues in this context: 1) the main challenges faced by the EU in response to which we have decided to reform and modernise regional policy; 2) the importance of the regional and local dimension in tapping the unexploited economic potential of Europe; and 3) the role of the renewed regional policy as a key lever for boosting Europe’s growth and competitiveness.

Let me start with a few words **on the challenges Europe is facing**.

Liberalisation, technological change and globalisation have certainly accelerated economic growth but unfortunately this growth is concentrated mainly outside Europe.

As low cost producers enter the market and prices fall, European consumers get the benefits of globalisation. However, at the same time Europe has to cope with increased competition and structural change has become more necessary than ever. Unfortunately, the pace of change is slow in Europe. There are many factors behind this phenomenon.

Demographic change, particularly 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 emergence of protectionist instincts.

Paradoxically, while on the one hand people benefit from globalisation, on the other hand, this slow pace of adjustment leads many of them to oppose globalisation because it is perceived as a threat to their security. So an important effort is needed to make Europe remain open and not let it succumb to protectionist pressures. This openness has to be understood both externally, this is to say, vis-à-vis the EU neighbours and the rest of the world, and internally, to fully exploit the new pattern of comparative advantages created by the 2004 enlargement.

My question is therefore: where can Europe find the energy to renew its capacity to obtain higher levels of change and growth? And here comes **the role of the regions and local communities**.

The European renewal can and will come from below, from the regional and local level, and for this to happen strong leadership is essential at all levels of governance. We need efficient and effective multilevel governance systems.

Several reasons make me think that growth has to come from below.

First, growth in Europe today critically depends on innovation.

Second, top-down strategies are alone insufficient and ineffective in order to ensure the real implementation of innovation on the ground.

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.

In conclusion, my answer to the question ‘where the energy for the renewal of Europe can come from?’ is that in order to make Europe an attractive place to invest in we must harness the local reservoir of knowledge and entrepreneurship.

That is why the renewed regional policy is a key lever for boosting Europe’s growth and competitiveness.

Why do I believe that the reformed regional policy can make the difference in our effort to boost Europe’s competitiveness? The answer lies to a large extent in the nature of the reform of this policy whose major elements include:

- a more strategic approach which aims at integrating the growth strategies at European, national, regional and local level;
- a higher thematic and budgetary concentration on the Lisbon and Gothenburg priorities, i.e. R&D and innovation, entrepreneurship, human capital, ICTs, as well as accessibility of the region. The earmarking agreed by the Council will definitely contribute to this thematic concentration;
- a reinforced subsidiarity by increasing devolution and taking into account the territorial dimension and specificities. In regional policy, clearly, there are no ‘one fits all’ strategies. Partnership is a cornerstone of our method, 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;
- a simpler and more proportional and effective delivery system;

- a greater leverage effect, in other words, a higher capacity to attract private investment alongside the public assistance. Which 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. European dimension of regional policy gives regions the chance to go beyond national boundaries in their efforts of growth and competitiveness building.

In order to deliver the best possible results in terms of growth and jobs, we have to increase the synergies between the different policies. In this regard, regional policy plays a crucial role. Indeed, we have to turn it into the privileged meeting point between 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).

Finally, let me say that regional policy can make difference because it has the most suitable system for mobilising regional and local partners, as it is every year proved by the increasing success of the Open Days. In fact, this year's edition, to be held next October, will gather in Brussels around 5000 stakeholders and practitioners of regional policy at national, regional and local level.

To sum up, the renewed regional policy will play a major role in the relaunching of Europe's competitiveness by ensuring the ownership of the Lisbon agenda and by enlarging the innovation and growth potential of all the EU regions.

Thank you for your attention.

.