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**Regional Policy as a key driver for 21st
century development policy**

*First International Convention for a Regional and Local
Approach to Development*

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Ladies and gentlemen,

It is really a pleasure for me to be here today. I am happy to say, on behalf of the European Commission, that it is an excellent initiative showcasing and promoting new, territorial dimension of development. I therefore thank the Provence-Alpes-Côte d'Azur, the Conference of the Peripheral and Maritime Regions and the United Nations Development Programme for organising this event, as well as the French government for supporting it. I am also glad to see that Eneko Landaburu will speak later in the first session dealing with the role of territories in development policy of different countries.

I would like to address today three main issues based on our experience in Europe. First, I will explain why we have developed European regional policy. Then, I will outline what is our approach to development and why we consider that the role of regions and cities is essential to achieve our goals. Finally, I will underline the relevance that our experience may have for third countries.

Let me start by noting a consensus growing in recent years that fostering socio-economic development requires multi-level economic governance involving local and regional levels. The more global the economy becomes the greater the need for territorial dimension of development – as policy responses must draw increasingly on local and regional growth potential. The new challenges are characterised by the increasing complexity and addressing them calls for a relatively sophisticated mix of Community, national, regional and local policies.

Over the last three decades European regional policy underwent a deep evolution. It can be best exemplified by a switch from funding single projects managed by the Commission to a fully fledged policy based on the principle of partnership and shared management – involving the Commission, Member States and regions. As a result, regional and local public authorities and other stakeholders such as business bodies, academic institutions and representatives of civil society became deeply involved in the policy design, implementation and follow-up.

Clearly, the origins of the regional policy should be sought in internal disparities in the Union and in the conviction that, on one hand, they hinder the full use of its growth potential and, on the other, that they limit the benefits of the Single Market to our citizens. That is why, since the mid-80's the EU Treaty explicitly recognizes that one of the goals of the Union is to curb its internal socio-economic disparities by fostering the convergence of the lagging regions and Member States.

These disparities are still substantial as they have deepened with the enlargements of the Union, which now encompasses 27 Member States with a population of 492 million and 268 regions. As a result of the last

two enlargements bringing to the EU much poorer countries, these disparities are far more extreme than in the US or Japan. For example, the wealthiest Member State, Luxembourg, is 7 times richer than the poorest one, Romania. At the regional level the difference is even bigger – the richest region is Inner London with 290% of EU27 average GDP per capita, the poorest region is Nord-Est in Romania with 23% of EU27 average. This resembles the pattern observed in China and India – in both countries the region with the highest GDP per capita has a level seven times greater than the least developed region. In the US, this difference is only 2.5 times and in Japan just 2 times.

If we look at productivity, the cleavage is even more pronounced. Regions from Central and Northern Europe are up to 10 times more productive in terms of GDP per hour worked than some regions of the recently acceded Member States. This is matched by regional R&D and innovation disparities. They are still deep and persistent along the two traditional cleavages (North-South and East-West), with the regions hosting the capital cities playing a prominent role.

This is the snapshot picture of regional differences; however, in the dynamic perspective the situation is different. A fast catching up process is under way as the growth rates in the lagging regions and Member States well exceed EU average. As it was the case in the past, we expect regional policy to act as a powerful tool for fostering socio-economic convergence in the Union.

However, today regional policy is not only about internal convergence; it is also an essential lever for stimulating global competitiveness across

the EU at regional and local level. It takes regional economies into the broader context of world markets; it makes them measure their strengths and weaknesses against global challenges and opportunities; it fosters their internationalization and makes them look for their place in critical global chains and clusters. This is the rationale behind the Union's decision to make European regional policy available to all our regions.

Cohesion and competitiveness became two sides of the same coin. Both approaches rest on the same view that the solution for Europe is to move from investment based growth to innovation based growth, to root its development in knowledge and capacity to create innovation. These are the resources which – unlike capital and labour – are in a sense unlimited, because many businesses can use them in the same time.

The third critical factor is "relationship capital" – meaning that knowledge and innovation can only spread if underpinned by networks linking different experts, producers and clients, business and science. This requires proximity which can be found only at regional and local levels. Nurturing entrepreneurship and facilitating access to risk finance helps companies conquer new markets but needs to be provided locally. We must develop our local human skills. To exploit fully local and regional growth potential we need to continue investing in deploying networks and connecting our regions and people. And we have to outline and implement integrated urban strategies in European cities so that they can boost growth in the adjacent regions.

This mobilisation of local and regional growth resources takes place in the context of the new challenges and opportunities posed by globalisation. Be it climate change, the ageing of our population, the

migration flows or the need to ensure a sufficient supply and an efficient use of energy, Europe's regional policy will provide tools helping EU regions and cities to adapt to this new situation. And this is why the approach of regional policy to development is based on turning regional and local actors into economic and social policy actors.

Our approach to this partnership principle is two-fold. On the one hand, we are talking about involving all relevant decision making layers – public authorities at EU, national, regional and even local level. This is sometimes called the vertical partnership of the statutory authorities at different levels, led for the most part by elected representatives. On the other hand, there is also a horizontal partnership, which includes the economic and social partners but also other bodies representing civil society, environmental partners, NGOs and bodies responsible for promoting equality between men and women.

The importance of the regional and local dimension goes beyond the formal implementation of the partnership principle. We know that the main growth drivers are to be found at local level. Clusters develop and grow in specific locations. Despite increasing global flows, access to finance for new firms or business services catering for the needs of SMEs is also provided at local level. The most fruitful exchanges of experiences take place either within a region or between them. The role of regional policy is therefore to invest in those regional and local resources in the framework of integrated regional development strategies. But the policy impact is much broader – it catalyzes structural adjustment in the regions, leverages private capital, harnesses local energy and knowledge and empowers local players.

Let me turn now to the relevance of EU experience in regional policy to third countries.

EU regional policy is a living policy which has been in place since 30 years. During this period it experimented the multitude of approaches, ranging from sophisticated intervention in highly developed areas to the investment in regions whose level of development resembles developing countries. Today it is attracting interest across the world.

Key principles of EU regional policy, such as partnership, multilevel governance, subsidiarity, strategic approach, good governance including civil society participation and local democracy make an essential asset of development policies. They empower local actors and make growth strategies more effective by better targeting of local resources. They reinforce the co-operation between public and private sector – for example under the form of public private partnerships. And there are useful to implement any development strategy in any part of the world. We are ready to share this best experience and practices with others.

Last year the Commission signed a cooperation agreement on Regional Policy with China. Promoting balanced regional economic development has emerged as one of the key priorities in this country of 1,3 billion inhabitants, given that its rapid growth has been widening the regional income disparities over the past years. We can help in building institutional capacities, provide expertise and enhance direct co-operation. Global market mean not only a lot of competition but also new opportunities for co-operation. And regions are on forefront of this co-operation.

The Russian Ministry for Regional Policy has recently expressed strong interest in concluding an agreement similar to the EU-China regional policy dialogue. A first meeting is taking place today in Moscow to discuss the practical steps for setting up a policy dialogue on Regional Development and Interregional Cooperation between the UE and Russia.

A similar interest has been expressed by the Brazilian Ministry for Regional Integration. The Brazilian regional policy draws on the EU experience, in particular on fostering civil society participation and the bottom-up approach. Likewise, similar approaches in many other countries and organizations such as MERCOSUR or West African Economic and Monetary Union are largely inspired by EU regional policy. We have also been asked to contribute to the work of the United Nations and the World Bank Committees in this field.

Why are these regional policy dialogues important for us?

Firstly, we have much to learn from the others. For example, about the techniques of micro-finance for the development of small enterprises, techniques that were pioneered in some of the world's poorest economies but can be very useful to EU regions. It is in the interest of all of us to enhance the pool of experience and best practices available to all regions and cities.

But, perhaps even more importantly, these dialogues help to build co-operation between regions and cities in Europe and in the other parts of the world. Already today we have European regions which directly co-operate with their Chinese or South American counterparts. And if we believe that, indeed, relationship capital is an asset which can benefit

and be shared among all partners involved we need to build more "global webs".

Ladies and Gentlemen,

Let me conclude by saying that today, in order to pursue successfully economic and social development, we need to be able to draw on energy, knowledge and competencies at local and regional levels. The European experience shows that if there is one place where we can find plenty of examples on successfully coping with rapid social and economic pressures it is local and regional levels. These examples demonstrate how to turn globalisation impact into sustainable growth and jobs and how regions and cities – which are increasingly linked to global economy – can move upwards in terms of international competitiveness. This is the wealth of experience and energy which can prompt new ways for development outside Europe. I am convinced that today's global convention will help us all to open new, innovative venues for co-operation among our regions.

Thank you very much for your attention.