

EU COHESION POLICY – EXCHANGE OF VIEWS  
PREPARATIONS OF THE 4<sup>TH</sup> REPORT ON COHESION  
LEGISLATIVE AND WORK PROGRAM FOR 2008

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2<sup>ND</sup> MAY 2007  
EUROPEAN PARLIAMENT, BRUSSELS

Mr President, Honourable Deputies and members of the REGI Committee,

I would like today to focus my intervention on the preparation of the Fourth Cohesion Report; I will then briefly give you some information on the negotiations on new National Strategic Reference Frameworks and Operational programmes; and finally I will mention our political priorities for 2008. I look forward to listening to your comments and questions.

Let me first provide you with the state of play on **the preparations of the fourth Cohesion Report.**

We have been working on the report for over a year, and this effort has intensified since the end of 2006 with the drafting of the individual sections. Our aim is to have the report adopted by the Commission on 30 May for your consideration in Parliament. I will be pleased to return to formally present the report before this REGI committee on 7<sup>th</sup> June. However, I consider it important not to wait until the ink is dry before having the possibility for a dialogue with you.

The Cohesion Report, foreseen in Article 159 of the Treaty and in Article 31 of the new general regulation governing the Structural and Cohesion Funds, is published by the Commission every three years. It is our most important policy document in this policy field, and has always generated considerable interest in the Parliament and the other institutions and bodies of the Union, as well of course, as in the regions inside Europe, and indeed outside as well.

In a certain sense, the significance of the 4th Cohesion Report has increased with the decision of the European Council in December 2005 to ask the Commission to hold to a comprehensive budgetary review in 2008/2009. And in March 2007 European leaders appreciated the role of the regions and the role of subsidiarity by stating in the Berlin declaration 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 is very important, as – for the first time – we had a clear recognition of the role of European regions in the Union's governance.

The report will contain a résumé of the different analyses on the disparities in the enlarged EU and on the contribution of Cohesion and other EU and national policies to cohesion, including some preliminary assessment of the content of programming documents submitted by the Member States for 2007-2013. The Report carries out a thorough analysis of the disparities in the EU-27 in the last decade on the basis of a large set of indicators which draw a picture of the level and trends of economic, social and territorial cohesion. Beyond GDP, other indicators are used to estimate productivity, employment, demographic changes

and migration flows, poverty, transport and ICT accessibility, environmental sustainability, energy, FDI, education, innovation etc.

This information allows us to analyse the situation and trends of economic, social and territorial cohesion in the Union; the contribution to cohesion of EU Cohesion Policy; the contribution to cohesion of national policies; and the synergies between cohesion policy and other Community policies.

Let me summarise the main results emerging from the analysis:

1. Encouragingly, the analysis of the trends shows that **convergence is occurring** in the Union both between Member States and between regions. Typically it is slower at the level of the regions within each Member State although, in particular in those Member States which are catching up, regions are converging towards the EU average.
2. There is evidence that most regions throughout the Union are **confronted with old and new problems**, and in particular:
  - Notwithstanding impressive growth rates, regions of the new Member States are confronted with **population decline** and with an economic structure largely concentrated on sectors where **competition from emerging economies is higher**;
  - Regions in the richest Member States are displaying difficulties in **coping with global pressures**, particularly those with a high share of economic activity in textiles, clothing, leather and lower-tech industries.

- Leading edge economic activities and talent are **geographically concentrated** in a few urban centres that are global players. This is creating **opportunities, but also problems** such as pollution, urban sprawl, and congestion;
  - There is also clear evidence that many regions throughout Europe will be increasingly confronted with the impact of **climate change** both in terms of impact and cost of compliance with the Community acquis. This is also true for energy. ;
  - Regions will also have to cope with a number of **social challenges** posed by demographic trends, and by increasing **skill mismatches** as the economy moves up the value chain into knowledge based activities.
3. The report also shows that in Member States public investments over past years have been **on a declining path**. This is mostly the result of national budgets being confronted with the consequences of an ageing population (reform of pensions, more costly health systems) and economic reforms leading to consolidation of public finances. At the same time we witnessed the devolution of public investment, giving more weight to local and regional levels. Between 2000 and 2005 public expenditure at those levels have been increasing annually by 3,6%, faster than GDP (1,7%) and total public expenditure (2,4%). As a result, the share of local and regional authorities in public investment increased from 25,4% to 26,8%. In some countries, such as Spain, Finland or Denmark, in the last decade this proportion increased by 10 percentage points.

4. Based on independent evaluation results, the report argues that in the convergence process, **cohesion policy has been able to play an important role:**

- It has helped **shifting the policy mix** of public investment in Member States toward growth and jobs - enhancing investments;
- It has also contributed to **reduce social exclusion and poverty**, providing the skills needed by the knowledge economy, reinforcing active labour market policies, and favouring on-the-job training and continuous learning;
- It has contributed to **improving administration and public governance**, particularly at sub-national level;
- Ultimately, it contributes to the **growth of GDP and of employment** in the beneficiary countries. Most of the largest beneficiaries of cohesion policy achieved between 1995-2005 an impressive growth performance. Greece moved from 74% to 88% of EU-27 average in 2005. By the same year, Spain and Ireland had moved from 91% and 102% respectively, to reach 102% and 145% of the Union (EU-27) average. At the regional level, between 1995-2004, in nearly one of four Objective 1 regions in EU-15 (1995) GDP per head had risen above the 75% threshold (2004). Outside the convergence regions, our estimates (based on survey for Objective 2 in six countries, which account for two thirds of its total allocation) suggest the creation of over 450,000 gross jobs in 2000 - 2006.
- If we look at the future studies suggest that policy will add some 5-15% to GDP in most of the new Member States, on top of a

baseline scenario without cohesion policy. In addition they estimate by 2015 the creation of around 2 million jobs.

5. Finally, 4<sup>th</sup> Cohesion Report poses a set of questions for discussion about the vision of the policy in the next decades, which will be dominated by new challenges such as **climate change, energy, demographic changes, increased global competition, and social exclusion**:

- How those global challenges are going to impact on the future regional policy? What critical competencies will the regions need in order to remain ahead in the global game?
- What changes would be needed in the conception and delivery of public policies to face these challenges?
- How could policies better take into account the diversity of EU territories such as least favoured areas, islands and rural areas but also cities, declining industrial regions, other areas with particular geographic characteristics?
- What is the optimum division of responsibility between the Community, national and regional levels within a multi-level governance system?
- What is the assessment of the management system of cohesion policy after four generation of programmes? How can cohesion policy become more effective?

I am looking forward to the **contribution of the Parliament and of this Committee** in particular to answer these questions.

The adoption of the 4<sup>th</sup> Cohesion Report is only "the end of the beginning" of a consultation process. It will be followed by the Cohesion Forum, a major political event to be held in Brussels on 27 and 28 September that will bring together more than 1,000 policy makers to discuss the findings and proposals of the report and to launch the first ideas on the future of Cohesion Policy. I have made a request for the use of the Parliament's premises once again to host this prestigious event and I am looking forward to the participation of Members of Parliament.

### **State of play: programming process**

First, all National Strategic Reference Frameworks (NSRF) have been delivered by the Member States by 5 March 2007, which was the regulatory framework given by the Regulations. All NSRF are currently under examination by the Commission. Five of them, i.e. Austria, Denmark, Malta, Greece and Lithuania, have already been approved by the Commission. They have or will be sent to your Committee shortly, together with an information summary highlighting their main elements. The NSRFs for Germany, Spain, Poland and Hungary will be adopted in the coming days. For all remaining NSRFs I expect the decisions to be taken by the end of July at the latest. As you know, the German Presidency has invited the European Parliament, the Commission and the responsible ministers from the Member States to celebrate the launch of the new generation of cohesion programmes next week in Hof (Bavaria).

At the level of the Operational Programmes the Commission has received 337 of a total of 444 programmes, out of which 229 for ERDF and Cohesion Fund and 106 for ESF. The programmes still missing (for

the ERDF) concern mainly France, UK, Italy, and the territorial cooperation objective (under which 28 out of 69 OPs have been submitted). The programmes received represent well over 90% of the total budget of cohesion policy. The first OP for the ESF in Denmark is already approved and a number of ERDF OPs for Austria and Germany will be adopted in the coming days.

### **State of play: Priorities of investment**

We have developed a detailed system of categorisation of expenditure which will allow us to monitor in which areas Member States and regions will invest Community funds. Our preliminary analysis shows that cohesion policy will make a significant contribution to growth-enhancing investments:

The so-called Lisbon earmarking targets have been reached and improved. Almost EUR 200 billion will be invested in R&D and innovation, infrastructures of European importance, industrial competitiveness, renewable energies and energy efficiency, as well as human resources. Compared to the previous period, this represents an increase of more than EUR 50 billion. The earmarking has clearly constituted an incentive for Member States and regions to concentrate financial resources on investments directly related to jobs and growth.

In particular, I would like to draw your attention to the major increase in investments in R&D capacities and innovation as one of the key dimensions of the Lisbon strategy: almost EUR 50 billion will be allocated to this type of investment. These figures are even more impressive in relative terms: compared to the period 2000-2006, they represent

respectively a doubling and tripling of financial resources dedicated to R&D and innovation under the Convergence and the Regional competitiveness objectives, respectively. In the new Member States the share of R&D and innovation expenditure on the total budget available in these countries has increased on average by more than 300%.

Other investments which merit particular mentioning are:

- environmental protection and risk prevention which will amount to roughly EUR 46 billion;
- Improving the social inclusion of less-favoured persons amounting to EUR 8 billion;
- urban and rural regeneration for which EUR 8.3 billion is foreseen;
- and finally, in particular in new Member States, efforts to strengthen institutional capacity at national, regional and local level in which we will invest EUR 3.6 billion.

### **Political priorities of Cohesion Policy for 2008**

At our last meeting on 1 February 2007 I provided you with information on our work programme for 2007. I told you that 2007 will be a very challenging year. On the one hand, we will continue to implement the 2000-2006 period. On the other hand, we will lay the framework for the 2007-2013 period by concluding the negotiations on the new generation of cohesion programmes. On top of this, we will launch the first reflections on the period post 2013 by adopting the fourth Cohesion Report on 30 May and by discussing its findings in the Cohesion Forum on 27/28 September.

Today I would like to conclude my intervention by saying a couple of words on what to expect from 2008. On 21 February 2007 the Commission adopted its Annual Policy Strategy for 2008. It confirmed the contribution of cohesion policy in achieving two key objectives of this Commission, namely prosperity and solidarity. This means that even without legislative activity foreseen next year, 2008 will be as busy and demanding as 2007. As regards legislative activity, you know my deep regrets concerning the lack of progress on the revised EUSF regulation tabled in 2005.

2008 will be the first full year of implementing the reformed cohesion policy on the ground, which will translate the Lisbon priorities into numerous concrete investment projects. For the first time in 2008, the Commission will include in its Annual Progress Report to the European Spring Council of March 2009, a section which shows how the new generation of cohesion policy programmes will contribute towards the implementation of the National Reform Programmes of each Member State. This shows that cohesion policy is now firmly integrated into this all-important process for the future prosperity of Europe.

I will also prepare and present to you a communication on the territorial dimension of Cohesion policy. On the one hand, we will look into the question to which extent territorial specificities have been taken into account in the new programmes. Together with the communication on innovation foreseen in the autumn 2007, this communication will thus give you our analysis of the new generation of programmes. On the other hand, we also want to explore the question to what extent the new challenges such as globalisation, impact of climate change, social challenges posed by demographic trends, access of SMEs to newest

technologies and others require an approach based on territorial targeting of activities.

In addition, I wish to organise together with you and the Committee of the Regions a major conference in the first half of 2008 to promote the European Grouping for Territorial Cooperation, an instrument which you very much supported.

As an important activity in our continuing search for value-for-money, a strategic stocktaking of the results of cohesion policy programmes 2000-2006 will be launched via the ex-post evaluation of these programmes.

Finally, the Commission will in 2008 ensure a follow-up to the discussions launched at the Cohesion Forum; this will help us prepare for the budgetary and policy review scheduled for 2008-2009 and lay the basis for the future of European Cohesion policy in the light of the global challenges facing the EU. I will be very interested in seeing your views in your report on the fourth cohesion report. I know that you will be very busy on your side as well with a series of own initiative reports on the integration of vulnerable communities and groups, the role of volunteering, the evaluation of the PEACE programme, and the regional impact of earthquakes. I would also welcome a closer attention of this Committee to the pre-accession instrument, my services being responsible for two strands of the new instrument for pre-accession, regional development and cross-border cooperation.

Thank you for your attention. I look forward to listening to your comments and questions.