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PRESENTATION OF 4TH COHESION REPORT
COMMITTEE OF REGIONS, JUNE, 7, 11.45 AM

Ladies and Gentlemen,

It is a pleasure for me to come again before the Committee of the Regions to discuss the latest developments in Cohesion policy. On this occasion, I would like to present the 4th Cohesion Report recently adopted by the Commission and to exchange views with you on its main issues and proposals.

Our time is limited today but I would like first to thank Mr Ancisi and his team for preparing the opinion on Regions For Economic Change. Allow me to give an initial response to the main points of your opinion and, at the same time, to update you on progress on the implementation of the initiative so far.

I warmly welcome your wish to be involved in Regions For Economic Change through your roles of representation, cooperation and support. We would be pleased to have one of your Members to sit on the selection committee for the annual RegioStars awards. In addition, our services are already exploring further opportunities for cooperation, including in relation the Lisbon Monitoring Platform, the annual Regions For Economic Change conference and other communication activities. Our Regions For Economic Change website has already been updated

to include a link to the Lisbon Monitoring Platform of the Committee of the Regions.

I have also noted your wish to be actively involved in the drawing up of the operational programmes for INTERREG IV C and URBACT II, and for one of your members to sit on the monitoring committees for these programmes with consultative status.

On these points, I can inform you that these matters are within the competence of the relevant programme Managing Authorities and monitoring committees. My services therefore brought the draft opinion to the attention of these authorities so that appropriate action may be taken. I encourage you to directly contact the Managing Authorities of INTERREG IV C and URBACT II in order to formally raise with them your wish to be involved.

As you know, the networking activities of RFEC will be delivered through the future INTERREG IVC and URBACT II programmes. Following the normal consultation processes, both draft programmes were formally submitted to the Commission in April and we hope to adopt them by the early autumn. Next step will be calls for proposals launched by the Managing Authorities of these two programmes so that interested partners can submit applications. This **bottom-up** approach, allowing partners in regions and cities to propose their own networks, is in line with views expressed by the Committee of the Regions.

The Committee of the Regions has a vital role to play in promoting Regions for Economic Change initiative. Therefore, I would like to use today's opportunity to urge partners in regions and cities to do two things:

- 1) to identify the themes relevant for them and to start to prepare partnerships ready to submit project applications to the INTERREG IVC and URBACT II programmes;
- 2) to work with the Managing Authorities in the regions in order to ensure that the networks they would like to create fit the priorities of the regional Operational Programmes and that these regional Operational Programmes have the scope to take on and mainstream the outputs of the RFEC networks.

I will unfortunately not be able to come to your meeting this afternoon on the European Grouping for Territorial Cooperation, but you know how important this instrument is to me. So, let me say couple of words also on this.

- When the Commission announced in its 3rd Cohesion Report a **new legal instrument** – at that time named "Cross-border regional authority"- not many would have betted on its swift birth. However, not least thanks to political support from this Committee, the Regulation on the **European Grouping of Territorial Cooperation** came to life on 1 August last year. The Member States have time until 1 August this year - thus very soon - to make appropriate national provisions ensuring the application of this Regulation. However, from a questionnaire sent in April to the EU capitals appears that most of the Member States will not be ready by end of July.
- This is not good news as we all know how badly this instrument is needed by European regions. We see a lot of interest on the

ground. So I would like to ask for your support in urging the Member States to adopt these national provisions as soon as possible.

- Let me now move on to the Cohesion Report which, as you know very well, is published by the Commission every three years, in accordance with the Article 159 of the Treaty. It is our most important policy document which, as it was the case in the past, combines the assessment of the past with the launching of a new debate on long term policy future.
- It also comes right after 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 system of multi-level governance.
- The report contains 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.
- It 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, education, innovation etc.

- For the first time Cohesion Report contains global comparisons between regions and major EU competitors on a range of indicators. This reflects the view which I expressed many times to you, namely, that sustainable convergence can only be achieved if we take into account the international context in which EU economy operates.

Let me summarise the main results emerging from the analysis:

- **Independent analyses and evaluations demonstrate that convergence is occurring** in the Union both between Member States and between regions and that this process will continue in the future. In 2004, the top regions (with 10% of the population) had a GDP per head that was almost 5 times higher than that of the bottom regions (with 10% of the population), while in 2000 it was 6 times higher. Yet, in 2004, there are still 70 regions home to 123 million Europeans with a GDP per head below 75% of the Community average, both among EU 12 and EU 15.
- New MS are growing fast which also translates into regional convergence, due to strong economic performance in regions with low GDP. At the same time, high growth rates in more peripheral regions and countries results in less geographic concentration in the traditional core of the Union. This is good news, because it shows that the core can expand into the periphery and tap the new growth potential existing there.

- There is also rich evidence that most regions throughout the Union are and will be confronted with a changing pattern of **challenges**, some of which you already discussed yesterday like demography, energy or climate change. For example:
 - There are many regions in the Member States which see **population decline**. In 2005, national population growth rate was less than 0.1% and 86% of population growth was due to migration. Between 2000 and 2003, 85 regions of the Union (mainly in the new Member States) experienced absolute population decline, and another 76 maintained population growth only thanks to migration.
 - We have 61 regions in the Union whose economic structure is largely concentrated on sectors where **competition from emerging economies** is very high – such as textiles, steel making or ICT and electronics production.
 - 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.
 - Many regions throughout Europe will be increasingly confronted with the asymmetric impact of **climate change** as well as with new challenges in terms of **energy** provision and efficiency. 7% of people in the Union live in areas at high risk of flood; on the other hand around 9% of the EU population live in an area where there are over 120 days a year, on average, without rain. The combined impact of climate change will affect tourism and agriculture in EU regions.

- Regions will also have to cope with a number of **social challenges** posed by increasing **skill mismatches** as the economy moves up the value chain into knowledge based activities. Education levels are increasing, but the proportion of people aged 25-64 with a university degree in lagging regions is still less than half the proportion in better-off regions.
- The Cohesion Report also examines how policies at national level have operated in the past, and to what extent they are adjusting to respond to these challenges. The important finding is that in the last decade we witness the combination of declining public investment among Member States and its devolution, giving more weight in **to regional and local levels**. The share of local and regional authorities in public investment increased from 25.4% to 26.8%. This process is driven by a raising awareness of efficiency gains, implied by better use of subsidiarity – one of the key principles of the European regional policy.

Now I would like to highlight **the impact and effectiveness of cohesion policy** on the basis of independent evaluation results. The report argues that **Cohesion Policy has played an important role in the convergence process** because:

- It has supported much-needed **investment** in infrastructure, human resources, and the modernisation and diversification of regional economies. Between 2000 and 2005 in the four EU-15 cohesion countries, public investment has been around 25% higher than without cohesion policy.

- It has contributed to the growth of GDP. Estimates suggest an increase in GDP compared to a non-policy scenario:
 - 2004-2013: By around 9% in the Czech Republic and Latvia, 8,5% In Lithuania and Estonia, 6% in Bulgaria and Slovakia, around 5.5% in Poland;
 - 2000-2013: By around 3.5% in Greece and 3.1% in Portugal.
- It has also created new jobs, thus contributing **to the reduction of social exclusion and poverty**: cohesion policy co-finances the training of 9 million people annually, leading to better employment conditions and higher income; between 2000-2005 over 450 000 gross jobs were generated in Objective 2 regions in six Member States (2/3 of Objective 2 funding) and it is estimated that around 1.400.000 additional jobs would be created in Convergence regions between 2007 and 2013.
- And it **shifted the policy mix** of public investment in Member States **toward growth-enhancing investments**. The amount of cohesion investment earmarked on R&D, innovation and ICTs for 2007-2013 has more than doubled in comparison with 2000-2006. Clearly, we need to see how these plans will be implemented on the ground; but we see both among MS and regions an increasing awareness that they development strategies for 2007-2013 must be "innovation" driven.

Finally, the 4th 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 and opportunities:

- The first group of questions, on the basis of the analysis provided by the report, takes stock of new, global developments which in the coming years will have increasing impact on the EU economy. To what extent new policy challenges will affect regional economies? How they should best respond to these trends?
- The second group of questions looks at the possible responses that cohesion policy can develop to foster growth and development in the context of these new, global challenges. 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?
- Finally, the last group of questions focuses in more detail on the way the cohesion policy should operate in the future in order to be even more performance based and effective.

I am now looking forward to listening to your views of the Committee on these questions and your opinion on the Fourth Cohesion Report. As you know, on 27 and 28 September the Cohesion Forum will be held in Brussels. The Forum will bring together more than 1,000 policy makers - among them members of this Committee - to discuss the findings and proposals of the report and to launch the first ideas on the future of Cohesion Policy. This debate will then continue under the Portuguese and Slovenian Presidency. My intention is that the fifth progress report on economic and social cohesion will draw first *bilan* of this debate in Spring 2008. In order to facilitate the participation of all stakeholders in this process I also intend to open a dedicated internet site which will

collect all contributions. Ultimately, all the ideas which will emerge during this discussion will constitute the basis for the 5th Cohesion report (2010) which will put on the table the Commission's proposals for the post 2013 cohesion policy.