

Speech of Professor Danuta HÜBNER

EU Commissioner for Regional Policy

**"Local authorities; key players in the governance of
Europe"**

Lecture at the university of Pavia, 4 December 2006

Ladies and Gentlemen,

I am honoured to be here, in one of the oldest universities in Europe and I wish to thank the University, Professor Rugge and the Fondazione Romagnosi as well as the Province for this kind invitation. Today I am coming back to the territory I know best – the University. So many thanks for this opportunity.

The subject of my today's presentation is local authorities and their role in the European agenda. Therefore, I would like to discuss with you three major issues. I shall start by briefly examining the main challenges the European Union – and the process of European integration – is facing today. Secondly, I will look at the role of regional and local authorities in meeting these challenges, through developing and fully exploiting the economic potential of Europe. Finally, as a Commissioner responsible for regional policy, I would like to place these observations in the context of the contribution which European regional policy makes to our common local and regional agenda.

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

I do not want to repeat here remarks which are often heard today - on market liberalisation, technological change and globalisation of the economy. A lot of books have been written and thousands of debates held on those issues. But I want to draw your attention to some consequences of these processes which often seem to be overlooked.

Firstly, the pace of the change we are witnessing today is so dramatic that it created the deep feeling of insecurity in the European societies. In the country of Marco Polo, there is no need to argue that globalisation has been present in Europe since centuries. I am sure you would agree that its current episode has brought to our citizens many benefits – lower prices, new markets, new products, more economic growth. The European Union is the biggest trader, so we benefit most. In the last twenty years, the processes have forced continuous economic adjustment on Europe. China and other emerging economies – due to its enormous and cheap labour resources - out-competed the rest of the world in a whole range of relatively low-technology products. As a result the need for continuous restructuring affects mostly lower paid jobs while the benefits of the globalisation tend to accumulate in the upper part of the labour market.

To some extent the same can be said about European integration and the Single Market. Clearly, the overall result is more growth, more jobs and more benefits to the consumers. However, once again new jobs are created in services or in modern sectors of the

economy while the relative losers concentrate in less qualified occupations. And this, among the latter, leads to the false perception of the Union - and the process of European integration in general. It also creates similarly misplaced demands – as many people want the EU to be a protecting shield and a remedy against the global change. And we all know that this is impossible, that the Union can effectively contribute to upgrading the quality of life of its citizens only if it is able to remain open and adapt to benefit from globalisation.

So, we neither can switch the globalisation off, nor can we benefit from protecting the European internal market against globalisation forces.

Ageing is another challenge Europe is facing. It 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; instead it often leads to the re-emergence of protectionist instincts.

The right reaction to those challenges is to adjust at the highest speed and possibly be ahead of others. Unfortunately so far the European Union in its entirety has been rather slow in adjusting. Growth generated by globalisation has been mostly happening outside Europe, with the exception of new Member States.

If we take all these elements together we arrive at a rather preoccupying picture. Slow pace of adjustment to global change leads many to oppose the progress in European integration – both in terms of widening and deepening – which is the only solution that can make us able to respond to the competition coming from China

or India. Through the enlargement which increased the size of the internal market and brought new opportunities and through the Lisbon reforms we can make Europe more attractive to investors and more powerful globally. Unfortunately in political terms, lack of economic dynamism is manifested in the rise of populism reflecting anxieties and frustrations, which are created by structural transformation and long periods of slow growth and are felt particularly severely by some social groups.

So, Is there a way out, an exit strategy? How and where can Europe find the energy to change and obtain higher levels of growth? Or will it gradually fall into populist temptations and turn its back, both, to further integration and to globalisation? My deep hope is - 'not'.

The energy for change is already emerging from the role of the regions and local communities.

The current globalisation episode clearly shows that individual states have become too small to cope with problems that the world is facing today. As governments become part of global problem solving networks, at the same time, and paradoxically, they become more distant from citizens who have difficulties with identifying who is responsible for what is having an impact on their lives. States and governments suffer both from lack of capability to solve efficiently problems that belong to the global world and from the lack of capacity to solve them the way that people would like to feel on the ground, the way that would generate social confidence.

Fifty years of European integration have added to this globalisation a paradox as the progress of European integration has led to the implementation of measures associated with decisions made at the supranational level. So in Europe the increase of distance between an individual and government has actually doubled due to the combination of globalisation and integration effects.

The solution is to move in a decisive way from government to multilevel governance the way that would restore the feeling of cosiness and proximity of the decision making process. The society needs to regain confidence in the reality that surrounds it.

The challenge in Europe is to make our citizens feel that European integration and its collective decision making process are the most efficient way of coping with globalisation. How can this be achieved? Again the answer is to move from government to new forms of multilevel governance based on partnerships whose legitimacy comes from shared responsibility.

The challenge in Europe is to understand that it is not enough to involve governments only to respond to the challenges of today. We must draw on capacities of all those on the ground able and willing to get involved in creating public value. The European reality is being increasingly created on the ground.

Who is there on the ground? The EU is very diversified in this area. You can have the state on the ground, or elected self-government authorities. They both can step in encouraging the private sector,

foreign and domestic, and society represented by organisations that want to work in partnership. And let me say that there are also universities.

Governance through a network of actors linked horizontally or vertically, engenders value added by bringing all of them closer together, facilitating enforcement and information, contributing to results, solving disputes, to identifying common problems, pooling resources, increasing effectiveness and efficiency, to creating institutional capacities, developing values, norms and standards, providing technical assistance to improve the quality of individual elements of networks, generating public debate, producing ideas and alternatives, contributing to problem solving and building trust. I agree with those who claim that the way networks and coalitions of partners generate value added can be tested only in practice. They develop effectiveness and legitimacy by trial. But the good news is that we do not start from scratch, there are already years of trial behind us. So, let us continue as the governance, going beyond governments and basing on collective action in the form of partnerships, has already gone sub-national, meaning regional and local. It is an institutional innovation which has come out from its embryonic stage.

So, let me emphasise that if there is one place where we can find today plenty of examples of successful 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 our 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 benefit Europe and prompt new ways towards future.

But if we want European renewal to come from what is described as "below", that is from the regional and local level, for this to happen strong leadership is essential at all levels of governance. We need efficient and effective multilevel governance systems.

Rounding up to regional and local governance – the result of the trends we can observe today is the demand by ordinary people to have things which affect them decided locally and not by distant authorities – be it Brussels or even national capitals. This is a sort of general distrust of centralised power I have already referred to, but this also reflects the need for empowerment – giving our citizens a sense of control over their lives and work careers. Through the European regional policy, we are taking Europe down to local and regional levels, involving people in the design of development strategies, empowering them through subsidiarity mechanisms.

But to be successful in this process, local government has to step up to a larger role. Undoubtedly, strong executive decision-making relies to a large extent on the strength of political leadership. And the quality of this leadership varies across different local authorities and depends on the political system of a given Member State. Also, dialogue is necessary, and the stronger is the link between

representative and represented, the stronger will be the legitimacy and then, likely, the commitment and responsibility. In parallel, we need to modernise the public administration, to be able to respond adequately to the challenges. This is a condition *sine qua non* for the success of the policy.

Besides political considerations, there are strong economic factors which demonstrate that growth has to come from below and which can be summarised in a following sequence - growth in Europe today critically depends on innovation and capacity to change; this capacity cannot be built from outside, through top-down strategies; if innovation is to become a true driver of growth and competitiveness, we must free, mobilize, exploit and engage local potential of knowledge, expertise and cooperation - businessmen, researchers, local authorities, financial institutions; and this is precisely the reason why, in generating innovative thinking and innovative action, local and regional level has a clear comparative advantage. The proximity of actors matters more than ever.

Thus we come to a vision of development which requires, first and foremost, a strategic approach to - European and national – policies, spelling out priorities and ensuring compliance with the system of economic and social governance. This is combined with the multitude of local and regional development strategies which follow strategic objectives but which are constructed from below and take into account both the diversity of local aspirations, opportunities and problems and the variety of political and administrative systems we have in Europe. And it is in this set of relationships and interactions

between European, national and local levels where we should look for new synergies, so that the cogs of the wheel are well fitting together.

Nearly every day I verify these observations during my visits to European regions during which I get to know how local authorities act to improve the attractiveness of their cities, municipalities, regions. I firmly believe my role as a Commissioner can be better expressed by meeting people in their cities and regions, listening to their concerns, exchanging views on solutions and opportunities. This is why I am often travelling across Europe, and sometimes beyond. Of course I also meet many people in my office in Brussels.

Sometimes they are in competition with the other levels of governance, or with other operators. For instance, I recently met the CEO of one of the largest national telecommunication organisation. He said that his company is faced with increasing competition at the level of municipalities, because the latter prefer to develop their own systems, thus showing a great spirit of initiative. I heard the same story during OPEN DAYS, from CEOs of biggest global ICT companies – they told me that, in terms of innovative ICT solutions and projects, regional and local authorities are often more creative partners than national governments.

There are many cases where cities and municipalities endeavour to establish cooperation and networking activities. One example that comes to my mind in this respect was presented to me by the Mayor of Tallinn, who has launched the idea of the European Green Capital initiative, to which almost all the EU capitals are associated: this

initiative aims at promoting sustainable models for our own cities (e.g. modern waste management technologies, improved public transport system, etc.) This type of networking is even more important for local levels as it allows small communities to draw on enormous pool of experience and best practices gathered across the Europe.

In a recent visit (September 2006) I could witness how the local authorities of the city of Härnösand (County of Västernorrland, Sweden) are acting as the catalyst in driving forward the concept of the "environmental county" where everyone - employers, politicians, pensioners, schoolchildren - plays their part in promoting environmental sustainability. In particular the authorities help to bring together local industry - forest based - and the university to produce research and innovations on alternative energy sources. This cannot come from above.

Another example is the self-government experiment in Kainuu region (Finland): Here the local authorities have put in place an experimental scheme aiming at gaining experiences on the effects of the regional self-government enforcement on regional development work, basic services, citizen activity, and so on. The experiment will involve reorganisation of the duties between the regional and municipal instances.

I would also emphasize the role of local authorities in facilitating the access to information. The Commission presented last February a White Paper on a European Communication Policy, which, *inter alia*, asserts that European citizens need access to a steady flow of common information if they are to see the European dimension of common issues. And one of the conditions is that these European issues are also discussed in the national and local context. Some of this would flow naturally from a greater commitment on the part of national and local politicians and institutions.

The Italian experience is, in this respect, also instructive. Administrative and constitutional reform in Italy has assigned Italian local administration new functions and it has increased its competences in various sectors. This reform goes hand in hand with the reinforced partnership principle of the renewed cohesion policy for 2007-2013.

Both reforms require an investment for enhancing local administration capacity and modernising its functioning. I would like to stress that in Italy, the current programming period has served as a laboratory for implementing the measures required by the constitutional reform and the decentralisation of competences, thus contributing to achieve higher service standards through the development and exchange of best practices.

Moreover, the actions and investments made by the Union's regional policy have allowed the building up of a specific competence of local

administration for the policy management. Italian local bodies played a role in conceiving and implementing integrated local development projects, in establishing local partnerships and coordinating local actors in the identification of a "core idea" around which to start up local development in urban, rural, mountain areas. I am moreover aware of the active role local administration representatives have played in the committees set up to monitor co-funded programmes, as well as of their participation as stakeholders in the process of evaluating regional policy interventions.

Italian local administrations are therefore not new to regional policy and have in the past remarkably contributed to make it a policy that is nearer to EU citizens. The impact and value added of regional policy have resulted in the enhanced local governance and improved capacity of the administration at all levels.

For 2007-2013 my expectations are that a broad partnership with local bodies and the relevant local stakeholders is the key factor in delivering quality programmes that are more focussed on growth, innovation and competitiveness. Today it is the only way to ensure a more efficient and effective use of Community, national and regional resources in the common aim to improving living standards and achieving cohesion throughout the territories of the EU.

Ladies and Gentlemen,

Going local does not mean losing the global and European perspective. Quite the contrary. The European dimension of regional policy gives regions and local authorities the chance to go beyond regional and national boundaries in their efforts to create growth and stimulate competitiveness. Through this policy local and regional communities and economic agents can measure their strengths and weaknesses against the European and global context.

To deliver the best possible results in terms of growth and jobs, we are proposing to turn regional policy into the focal point where 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) meet and complement each other.

Finally, I am convinced that regional policy can really make a difference because it has the most suitable system for mobilising regional and local partners, as the Italian experience is there to demonstrate. And, most importantly, this is the approach which our citizens need and want. It has a simple logic, which says that the quicker European regions grow the better it is for the whole of the Union. It operates on the basis of simple criteria – the poorer the region the more policy is investing there. But in the world of today it is also clear that the poorer the region, the more innovative it should be in the ways and means of catching up. People can easily see the concrete benefits of this policy in their region and in everyday life. And it is the only Community policy which, ultimately, is run by local people.

Thank you for your attention.