

**SPEECH OF COMMISSIONER HÜBNER**  
**FOR THE CONFERENCE**  
**"LAUNCHING OF THE NSRF"**  
**"STRUCTURAL AND COHESION FUNDS FOR ROMANIA"**  
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Ladies and gentlemen,

First of all, let me thank you for having invited me to speak to you here at this conference to launch the use of Structural Funds in Romania. It is indeed my pleasure to come to you today on the occasion of the conference "Launch of the NSRF – the Use of Structural Funds for Growth in Romania". It is a unique opportunity for Romania and its regions to use the support from EU Funds to leap forward.

This event should be a very good opportunity to discuss the present state of Cohesion policy and, more specifically, the expectations people have from it and future challenges it has to face.

But let me please first allow a short recourse to the history. As you know, this year we celebrate the 50<sup>th</sup> anniversary of the Treaty of Rome. And it was exactly in Rome 50 years ago where the Member States decided to enshrine some elements of this policy into the founding Treaty. In the course of time and notably with the Single Act, regional and cohesion policy has become one of the most important policies at the Community level. The Reformed Treaty should in principle enrich the notion of the Cohesion policy with the introduction in the Treaty of the Territorial dimension of the policy.

And at the end of this budgetary period it will have even overtaken CAP as the most important policy in terms of budget allocation. We have to

invest 347,4 B€ (current prices) in 2007-13. Cohesion policy will be also a major instrument to achieve the Lisbon strategy of Growth and Jobs.

If we would open the Treaty today, we could also read that "*the Community shall aim at reducing disparities between the levels of development of the various regions*".

Please notice that the Treaty talks not about disparities only, but also about reducing disparities in the level of development. In other words, cohesion and regional policy is not about hand-outs to under developed areas.

It is also not a question of charity. Rather, it is about raising the long term growth potential of regions, enabling them to attain a permanently higher level of development.

But let's return to the expectations and concerns people have from Cohesion policy. As you know, the Commission publishes every three years the so-called Cohesion Report. This is foreseen in Article 159 of the Treaty and in fact it is the most important policy document in the field of Cohesion and regional policy.

The Fourth Cohesion Report, which was recently adopted by the Commission, provides firstly an update on the economic, social and territorial cohesion and, secondly, an analysis of the impact of policy at national and Community level on cohesion in the Union. I would like to share with you some of the most interesting facts and findings.

## **The Role of the Cohesion policy in reducing disparities and fostering economic and social convergence**

First of all, people expect that Cohesion policy will as in the past, support economic and social convergence.

Regional disparities remain a very important issue and recent enlargements even deepened these inter regional differences. Despite impressive growth rates in the new Member States and convergence of many regions of the EU 15, there are still 70 regions having a GDP per head below 75% of the Community average. Altogether, 123 million people live in these regions, i.e. almost 25% of total EU population.

Cohesion policy has an impressive track record in overcoming regional disparities and it should be our role to continue this effort also in the future.

- According to our latest analysis, the largest beneficiaries of Cohesion policy during the period 1994 - 2006, namely Greece, Spain, Ireland and Portugal have achieved an impressive growth. Let's have a closer look at concrete figures. Between 1995 and 2005, Greece reduced the gap with the rest of EU 27, moving from 74% to reach 88% of the EU average in 2005. For the same year, Spain and Ireland had moved from 91% and 102%, respectively, to reach 102% and 145% of the Union average.
- The new Member States are also catching up rapidly, this was particularly evident in the Baltic States and in Poland; between 1995 and 2004 some Polish regions grew four times faster than the EU average.

- Romania, Hungary and Slovakia have also performed very well, having growth rates more than double as compared with the EU average.

### **The role of the Cohesion policy in overcoming poverty**

Even though we live in Europe, many of our fellow citizens are still confined to live in poverty.

Defined as those having an income of 60% below the national median income, in 2004 the proportion falling into this category reached around 20% in Lithuania, Ireland, Greece, Spain and Portugal, but only 10% in the Netherlands, the Czech Republic and Sweden. Around 75 million people still live below the poverty line, which is 16% of EU population. It is sad that these people mostly belong to the vulnerable groups, such as women, young children, the elderly, the unemployed and the minorities.

Cohesion policy helped to reduce such social exclusion and poverty; among others it co-financed the training of 9 million people annually. More than half of them were women. This helped to improve their social situation and increased their chance to find a better job.

### **Reforming the public administration**

We cannot omit the contribution Cohesion policy has made to the modernisation of public services in the Member States. It has improved their management and control systems and harmonised their procedures in a European context.

A well functioning, efficient and transparent administration is one of the key factors for success of cohesion policy, for the absorption of the Funds, for reducing the risks of irregularities, frauds and corruption.

Sound and efficient management is a milestone of the management of the cohesion policy and in principle of any public policy in our democracies.

This requires investments in strengthening the administrative capacity, training and recruitment of new staff and a wide range of other measures such as an appropriate level of remuneration and working conditions

I would like to underline the policy role in reinforcing responsibility and accountability for the implementation of public investment in national, regional and local authorities.

This seems to be a very significant consequence of our policy, which is not only important in terms of greater legitimacy in the decision making process bringing closer to the citizen and make EU policy more visible, but also in terms of economic efficiency.

I invite you to practice a real partnership between the National, Regional, local and European Union levels. We all need to be aware of the needs and expectations of our citizens, of the civil society, the socio-economic partners of our enterprises notably the Small and Medium ones.

### **Delivering Europe's growth and jobs strategy**

In 2000, European leaders committed the EU to become by 2010 'the most dynamic and competitive knowledge-based economy in the world (the so called Lisbon Agenda).

At the same time, the international competition is intensifying, and Europe faces a twin challenge from Asia and the US. If Europe has to survive and preserve its economic and social model, it has to develop its own area of specialisation, excellence and comparative advantage which

inevitably must lie in a commitment to the knowledge economy in its widest sense.

In March 2004, a mid-term review of Lisbon agenda has been carried out. The 2005 Spring European Council then confirmed that the Community should mobilise all appropriate national and Community resources, including Cohesion policy, in pursuit of the objectives of the renewed Lisbon agenda.

The renewed Lisbon strategy is indeed even more urgent today, since Europe must also meet the combined challenges of low population growth and ageing. For Europe to increase its living standards, it needs to accelerate employment and productivity growth.

This requires urgent action across several areas of policies, namely in improving the conditions for research and development, accomplishing the internal market, improving business climate and reducing the administrative burden, developing strategies for lifelong learning and active ageing and finally, last but not least, improving environmental sustainability by spreading eco-innovations and building European leadership in eco-industry.

In the period 2007-2013, Europe will invest more than EUR 200 billion in areas such as R&D and innovation, efforts to promote entrepreneurship, transport infrastructures of European importance as well human resources development.

It is Cohesion policy which has become the major instrument at Community level for delivering the renewed Lisbon agenda. The Community Strategic Guidelines, approved in autumn 2006, contain the principles and priorities of cohesion policy and suggest ways the

European regions and cities can take full advantage of money made available for national and regional aid programmes.

This policy thus generates also the chance for all regions and cities to contribute to Europe's prosperity; by involving cities and regions in the design and implementation of development strategies and projects, we are taking Lisbon closer to citizens and down to its territories.

### **The quality of the strategy and the expected impact of the new Cohesion policy in Romania**

Romania and its regions, belonging to those having a GDP per capita below the EU average, receive considerable amounts of Structural and Cohesion Funds to support infrastructure investments, businesses, and endogenous potential of the regions. For the period 2007-2013 the amount will peak up to 19.2 billion €. Romania is the ninth largest beneficiary – about 6% of the total allocation for cohesion policy goes to Romania.

Your programming and constructive negotiations between the Romanian authorities and the Commission services have resulted in a policy which responds to EU Cohesion policy objectives:

- **A policy responding to the essential needs of the Romanian Economy:** The main thrust of the NSRF is to improve the physical infrastructure - roads, rail, environmental infrastructure and energy supply – in Romania and to provide the economic and human capital necessary for sustainable development. A particular focus on regional growth poles and competitiveness poles will stimulate a better balanced territorial development.

- **A policy generating Growth and Employment**: Romania is supposed in the current programming period to accompany strong economic growth by a net generation of jobs and simultaneously reduce the structural productivity gap.

The NSRF core targets refer to: (i) increase of GDP of 15-20%, (ii) increase of gross fixed capital formation of 28%, (iii) additional new jobs created of between 150.000 to 200.000,

- **A policy towards sustainable environmental standards and mitigation of climate change**: The mitigation of climate change has entered as cross-cutting theme in all relevant operational programmes and the priority of investment in the energy sector has been adapted in conformity, thus the economic growth in Romania will not be at the expense of its Kyoto commitments.

Cohesion Fund and ERDF funding are spent for balanced approach between rail and road in the Transport sector. A quarter of the Funding will be allocated to adapt environmental infrastructures to European norms and standards in particular in the water and waste sector.

- **A policy oriented toward EU priorities**: This strong orientation is manifested by the particular concentration of funding in the relevant OPs to the TEN-T networks, requirements of the Environmental "acquis", promotion of SMEs (I appreciate the concentration of about 80% of the different states aids to the SMSs), renewable energies, the targets to rise to 2.0% Research and development expenditure, as compared to 0.41% in 2005. Romania will spend 55% of the budget for cohesion policy in the next period on Lisbon related investments.

Reaching these targets would represent an enormous opportunity to make a big progress in the development of Romania and its regions and to improve the competitive profile of the Romanian economy, hence the quality of life for every individual.

It will be as well an opportunity for regions to prepare and implement tailor-made strategies and to find their own development paths allowing for better growth and more and better jobs. Regions will also have some flexibility to implement their own regional development strategies, within the context of the Regional Programme, but it should not be forgotten that these strategies are part of a larger framework contributing to overall objectives of the NSRF.

But I want to underline a very important point. The programmes that we have now agreed, and that are about to be agreed using the European Social Fund, offer great opportunities to Romania to move forward and make a decisive step towards participating in the modern European and global economy on a firm basis. But what we have just agreed are only strategies.

The national administration and Managing Authorities, in collaboration with my colleagues, have done their best to set out a challenging but realistic path for application of the Community funds. But successful implementation of these programmes will depend on everyone here, and on hundreds or thousands of colleagues and partners throughout the country, doing your part to the best of your abilities and in full knowledge of what is at stake.

We all know that Romania faces very particular challenges in terms of creating the environment where sound and effective management of financial resources and projects can flourish.

- The experience of implementing pre-Accession projects, especially the major projects financed by ISPA, is not reassuring in this respect.
- The recent monitoring report on the first six months of membership for Romania and Bulgaria shows that while much has been achieved there is still a long way to go before European citizens – who pay the taxes for these funds – can be completely confident that they will be properly handled.

I therefore call on each and every one of you, personally, to contribute to improving the efficiency, effectiveness, and not least the transparency of management of the Structural Funds and to prepare good projects.

Ultimately, we will be judged not on the quality of our programming but on the real achievements as shown in the implementation of these programmes.

### **Challenges to the Cohesion policy in coming years**

Ladies and gentlemen,

Growth and employment in Europe require policies which are able to anticipate and manage new challenges. Some of these challenges are particularly relevant to Cohesion policy since they have an uneven impact on Europe's territory and may widen social and economic disparities.

The Union faces many challenges in the period ahead: the population will start to decline by around 2020 and is already declining in many regions, there is an increased economic pressure from global competitors and emerging tigers like China and India, and, last, but not least we are witnessing ever increasing energy prices. We will also have

to face the negative effects of climate change. Europe will have to respond to all these challenges.

Can someone imagine that a single Member State alone would be able to deal with such problem like climate change? Would someone be able to find a single country in Europe which would not be dependent on importing energy from abroad, in many cases from unstable regions and territories?

Ladies and gentlemen, tackling those problems should be our common ambition. These goals none of the Member States can achieve on its own, but only in concert with other countries.

### **Which steps can be expected?**

During the second half of this year and in the next year the Commission will develop its approach to the budgetary review which we expect in 2008 – 2009. The aim of budgetary review is to focus the EU long term budget to the most actual political priorities. The Cohesion report indicates a range of challenges, some of them I have already briefly outlined.

The Cohesion Forum, which will be organised on in Brussels on 27 – 28<sup>th</sup> September 2007, should provide a first opportunity to discuss the findings of the 4<sup>th</sup> Cohesion report. A consultation process with all stakeholders will follow under the Portuguese and Slovenian Presidencies. Among other initiatives, I also intend to open a dedicated internet site to collect all contributions. I would like to invite all of you today to actively participate in this debate.

More specifically, the Cohesion Forum should be organised around the following questions, such as:

- Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels?
- What are the core competences that should be developed at regional level to make regions globally competitive and which future skills are essential for our citizens?
- What are the new opportunities for the co-operation between regions, both within and outside the EU?
- What should be a role of Cohesion policy in responding to demographic changes?
- To what extent is climate change a challenge for Cohesion policy?

I hope that the questions proposed by the Cohesion report will constitute a solid basis for a broad and rich debate. At the moment, we are at the initial stage of reflection on the policy future. I believe that also our debate today and your views will help the Commission to take this reflection further and to nurture the discussion on the budgetary review.

## **Conclusion**

Ladies and gentlemen,

Cohesion policy has always demonstrated its capacity to adjust to changing circumstances. I have no doubt that Cohesion policy in the face of challenge will prove to be able to stand the test.

Thank you very much.