

SPEECH OF COMMISSIONER HÜBNER
FOR THE CONFERENCE
" STRUCTURAL INSTRUMENTS:
CHALLENGES AND OPPORTUNITIES FOR THE REGIONS"
Sibiu 13 July 2007

Ladies and gentlemen,

First of all, I would like to say how grateful I am for the opportunity to speak to representatives from all the Romanian regions today. This is my first visit to Sibiu and I am very impressed not only by its history and elegance but also by the vitality that led it to be selected as European Capital of Culture for this, the first year of Romania's membership of the European Union. What is more, I believe that this is a vote of confidence for the whole of Romania. We have heard much about the weaknesses of this lovely country, and I shall have to return to the topic shortly, but it is no small feat for a medium-sized town from a new Member State to perform such a responsibility successfully.

But now I am not talking just to Sibiu but to all of you, from all the regions. I am very encouraged that you have been able to meet here today because one of the messages we are forever trying to transmit is the importance of partnership. And partnership can mean many different things. For the last year or so, we have been focused on the partnership between the Managing Authorities of the new programmes and the Commission, and this will continue to be very important. But other partnerships are equally vital for the success of the strategy, and what we might call 'self-help' – the exchange of experience and discussion of mutual problems among people and institutions that find themselves confronting similar problems – is high on the list.

We should remember today that the problems you are facing are not new. Let us look back a moment. As you know, this year we celebrate the 50th anniversary of the Treaty of Rome. And in that Treaty, from the very start, we find Cohesion Policy. In the course of time, regional and cohesion policy has become one of the most

important policies at the Community level. And at the end of this budgetary period it will have even overtaken CAP as the most important policy in terms of budget allocation. 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. This document looks back at the most important achievements in the past and puts the framework for discussion in the future. As such, this report has always generated considerable interest in the regions and cities across Europe.

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 very briefly 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, including all the Romanian ones, 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. 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 has also performed very well, having growth rates more than double 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, Romania, 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.

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. This requires investments in strengthening the administrative capacity, training and recruitment of new staff and a wide range of other measures.

For my part, I would like to underline the policy role in shifting responsibility for the implementation of public investment from national to 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. Regional and local authorities simply know better what is going on in their region and their involvement in key economic decisions and policies maximises economic growth.

I therefore welcome steps already taken here in Romania to increase regional participation in all Operational Programmes – not just the Regional programme – but we have also to recognise the reality of the situation here. Romania has a central administration and it also has Counties and cities, each with certain powers and responsibilities. This has implications for the implementation of specifically regional Operational Programmes that I would like to come back to later.

The new Cohesion policy in Romania

Romania and its regions are among those having a GDP per capita below the EU average, and therefore 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.

Growth and jobs in the regions

I am sometimes asked whether the new Member States should concentrate on overall growth or on maintaining a balanced approach making sure no region is left behind. In fact this is a false distinction because if overall growth is not maintained ALL regions will lose out. Nonetheless we do have to be clear about the best possible allocation of available funds. Even the impressive amounts available would soon disappear if they were spread evenly and without control throughout the country. Prioritisation is very important and we count on you, as leaders and

managers in the regions, to identify projects that will most surely contribute to the goals we all share.

Turning to the programme of particular interest to many of you today – the regional Operational Programme – our view from Brussels is that this OP should play a key role. Why? Because this is the programme that brings the resources of the Structural Funds closest to the individual citizens, that can make a visible difference in the towns and villages where people pass their daily lives. Your responsibility, as partners in the implementation of this programme, will be a key factor not only for the OP itself but for how effective and responsive the Structural Funds can be to individuals who want to make a difference for Romania.

Let's look at some of the ways this programme can make a real difference. Nearly 1.4 billion euros are allocated to sustainable urban development. This means that there is money available for serious, integrated, plans that will improve the physical, social and economic infrastructure of specific localities. These areas will then also have the potential to act as growth poles, attracting investment and employment and encouraging regeneration in the districts around. Projects in this sector will be difficult to mount – the Managing Authority is rightly insisting on very high standards of preparation – but the results could radically transform some of the most deprived parts of Romanian cities.

Or take the seven hundred million plus for strengthening the regional and local business environment. This money will be used for business parks, for recovering old sites and for supporting micro enterprises. We will be looking to you to ensure that projects are supported not just on a first-come first-served basis, or, even worse, on the basis of a little something for everyone, but rather to make sensible, strategic decisions on how best to revive and inspire specific areas, and create growth poles and sustainable centres of enterprise.

I could go through the whole programme making comments like this but I think you get the point. It's not just about agreeing the programmes. It's not even just about spending (although spending will always be important – if we don't spend nothing will change) but it's really about making a difference, creating the environment, even the psychology, for successful businesses.

On this making a difference, I'll be frank. We at the Commission find the targets in the programmes, including this one, for new jobs to be rather unambitious. We understand that you want to be realistic and not to make promises you can't keep but we would expect that over four billion euros would create rather more than 15,000 jobs. That's nearly three hundred thousand euros per job! So I'm asking all of you here to prepare and publish your calls for action, to examine the proposals and make the best choices you can. And then, let's look again at the likely results and hope that we will be able to create jobs for less than three hundred times the monthly wage.

Regional programmes or national programmes for the regions?

I have heard the remark: "how can this be a proper regional programme when it is drafted by the Ministry and ultimately managed by the Ministry?" It is true that regions almost always wish to take fuller responsibility for their own actions. However, it is also true that in almost every country the first programmes following accession are established on a multi-regional basis. The principal reason is simply that it takes time and valuable training resources to fully equip multiple regions with the background and expertise necessary to implement Structural Funds programmes.

Every region has its Regional Development Board and its Regional Development Agency: I am pleased you are here and I count on you absolutely to ensure that the programme is successful in your region. But, if we are honest, we have to accept that there is no democratic mechanism to validate a regional strategy and a regional implementation process. I have noted the steps that are moving towards a correction of this situation – the Regional Committees for Strategic Assessment and Correlation with their wide participation for example – and I personally hope that these steps continue and lead to fully functional and accountable regions.

This is 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. You can do this within the ROP, but you must remember that the ROP must be implemented within the context of the overall strategy. Sometimes this will require difficult decisions – but we are not here only to take the easy ones!

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 all the associated implementation. 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. We've seen how these challenges can be addressed within a single country, but there is a wider perspective.

Can someone imagine that a single Member State alone would be able to deal with such a problem as 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 – 28th September 2007, should provide a first opportunity to discuss the findings of the 4th 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. Now you, a new member in the European Union family, can show what you can bring to help all of us overcome the challenges we face. We have taken the first steps together in agreeing the programmes for structural change. We look to you, now, to bring back real results, achievements we can all be proud of, so that no one will doubt that the regions of Europe are its strength and its future.

Thank you very much.