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European Commissioner responsible for Regional Policy

"Reflections on future of cohesion policy"

~~Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort~~

Conference on the future of cohesion policy organised by
Slovenian Presidency

Maribor, 7 April 2008

Dear Minister Žagar, Ladies and gentlemen,

First of all, let me thank the Slovenian Presidency for its kind invitation to Maribor and for organising this conference. It allows us to continue our fruitful debate on the future of cohesion policy which we started at the Cohesion Forum in September 2007 and which we took forward at the informal ministerial meeting in Azores last November.

During the next two days we will look both at the rationale of cohesion policy and at its delivery mechanism. I would like to use this opportunity and share with you some reflections on these two topics. In addition, I would like to provide you with additional information on our upcoming work regarding the future of cohesion policy. Finally, I will ask my Director General, Dirk Ahner, to present to you the main findings of the public consultation on the Cohesion Report.

Let me start with the **rationale of cohesion policy**. I am convinced that cohesion policy must continue its evolution towards being a central Union policy delivering the growth and jobs agenda. In a global world a mere redistribution of financial resources from one place to another is not sufficient to make catching up happen; we need a fully fledged development policy which targets the endogenous development of our regions. It is with this view in mind that we implemented the last reform which has further oriented cohesion policy towards investments providing the highest returns in terms of the competitiveness of European regions.

I am aware that "competitiveness" is a notion which is hard to pin down. We all agree that in a global economy sustainable economic, social and territorial cohesion can only be achieved through an investment policy which fosters the creation of knowledge based, highly versatile and adaptable regional economies and availability of skilled labour. But how to translate this general approach into the variety of European territories?

Our recent analyses carried for the sake of the 4th and forthcoming 5th Cohesion Report suggest three different policy implications. Firstly, more focus on European high growth sectors, such as business and financial services or high tech manufacturing industries, which play a significant role in the convergence process within the Union. Secondly, we need policies, especially in the regions lagging behind, which would accompany still ongoing restructuring process, in particular in agriculture. Finally, we have to address the demands of more traditional industrial sectors, with the objective of encouraging the shift towards high productivity and high value added activities.

What these three types of policies have in common is the importance of continuous restructuring, restructuring whose course should be viewed against the backdrop of global changes – such as mitigating climate change, addressing the demographic evolution of our society or dwindling energy resources.

And the cohesion policy, with its strategic and programming approach as well as stable financing over 7 years is perhaps best equipped to address these challenges at the local and regional levels. To paraphrase a well-known saying, had the cohesion policy not existed today we would have to invent it. It is an unique investment policy. And it is an investment in the future. Perhaps more than any other Community policy, Cohesion policy provides us with levers to address challenges which would otherwise fully materialize in 10, 20, 30 years ahead.

Clearly, cohesion policy is and will remain a central pillar for achieving the EU's sustainable development goals. This concerns in particular its historical task of matching the further development of the single market through the strengthening of economic, social and territorial cohesion across the Community as a whole. It is, however, my firm belief that in the context of the new challenges facing Europe, we cannot only focus on disparities taking form of income or employment distribution. We will be faced with new forms of inequalities affecting our people and territories. Let me give you some examples:

- Virtually all regions will be confronted with the need to continuously evolve and adjust to the pressures of competition from emerging economies and the demands of knowledge-based economy. The nature of these pressures will evolve over time leading to fundamental changes in the structure of our economy.
- Most regions will have to deal with climate change and the challenges it will pose to important economic sectors such as agriculture, fisheries and tourism as well as find new ways to use scarce energy resources. Of course, adaptation to climate change will also bring new opportunities in the form of environmental technologies, where Europe can and must play a leading role.
- Increasing energy prices and the question of energy security will affect the entire European Union and will have a disproportionate impact on lagging and remote regions. The challenge for our regions will be to move to a new development path aiming to reduce of Greenhouse Gas Emissions through higher energy efficiency and a more pronounced role for renewable energies.
- The populations of many regions are rapidly ageing and diminishing. Regions with declining populations and a high share of senior citizens will face difficulties in financing in a sustainable way essential public goods and services, such as health care, housing, infrastructure and transport services.
- Due to globalisation and technological progress, European society is changing faster than ever before. Parts of our population have difficulty adapting and run the risk of unemployment and exclusion. European regions will thus be increasingly exposed to new social risks that may reduce life chances and fuel a perception of insecurity, isolation, and inequity.

This calls for a policy that targets structural factors of competitiveness as well as environmental and social sustainability and which promotes the restructuring of regional economies by building on their specific endowment of physical, institutional and human resources. It also calls for the reinforcement of cooperation actions across the Union aimed at tackling problems linked to globalisation, climate change, energy security, demography and social inclusion. The debate on the future of cohesion policy must be seen in this context.

But there is perhaps one important observation I should make when talking about cohesion policy and global challenges. Do not get me wrong – I do not think that cohesion policy should play the main role in stopping global warming, although it has a contribution to make. What I mean here is that we should view the future convergence of our territories in the context of the forthcoming global changes which inevitably will impact more and more on their development. And in order to address these changes we shall strengthen and develop our major achievement – the delivery mechanism built upon the principles of integrated approach, partnership and multilevel governance.

Integrated approach, because the impact of globalisation cuts across sectoral lines; hence it calls for a policy which can reap through its multi-sectoral approach positive spillovers between individual policy objectives. Partnership and multilevel governance because globalisation requires more involvement of local and regional levels, which increasingly tend to be best placed to meet global changes.

Perhaps it is worthwhile to give you some concrete examples. In the Canary Islands, the local Institute of Technology and Renewable Energies implements a series of research projects on renewable energies, co-financed by cohesion policy. These projects led to the construction of one of the greatest photovoltaic plants in the world – managed by Private Public Partnership. At the same time the project became the centre of a local renewable energy cluster, leveraging private capital and fostering the take up of new technologies by local enterprises. And the Institute itself became a world excellence centre in the domain of renewable energies. This is what I mean by the potential of the integrated approach against a simple sectoral approach.

Similar opportunities can be found in addressing global problems at the regional and local levels. East Midlands in Great Britain set as one of its priorities, under 2007-2013 Operational Programme, a series of actions addressing the local dimension of climate change. The focus is on the role of regional and local decision makers in the implementation of actions related to issues surrounding the Energy Climate Package – for example through the promotion of "low carbon lifestyles" in the local community or incentives to low carbon enterprises.

This has two important policy implications. Firstly, when talking about the need for an integrated approach we should perhaps reflect again on the way the family of structural funds is currently co-ordinated, which is actually a concern expressed in many contributions we received in the framework of our public consultations on the policy future. I mean here in particular the recent separation of rural development from European cohesion policy; but we should also discuss whether better alignment between implementing modes of ERDF, ESF and CF would not contribute to more coherent strategic development. This, perhaps, should be the first step addressing the issue of territorial cohesion.

Secondly, we have to examine how to reinforce the regional and local dimension both in the planning and implementation of our programmes. The moment is opportune, as the new EU Treaty provides for a new definition of European subsidiarity, emphasizing the role of the regional and local actors. In particular, I have an impression that there are still large unused growth resources at the local levels, which could be tapped by a more widespread use of instruments such as local grants and governance mechanisms such as local partnerships.

Finally, I believe that cohesion policy must focus more on results, with performance criteria reflecting the nature of the interventions and policy objectives. I am fully aware that finding consensus around new evaluation criteria and new sets indicators will be a difficult task, not least due to the very diverse nature of regional economies. But I am convinced that we should start already now considering what new mechanisms and indicators can demonstrate better the policy performance, value-added and results of the policy.

More focus on performance and strengthening evaluation requires from the Commission better knowledge of our regions and calls for more emphasis on the role of the Commission in supporting the development of effective regional development strategies and in disseminating good practice and experience. This has important consequences for the Commission's work. We need to reflect on how we can optimise the Commission's, Member States' and regions' roles in the management, evaluation and audit of programmes. Resources in both the Commission and the Member States are limited, we must therefore work together to maximise not only the legality and regularity of expenditure, but also quality, performance and impact.

These are only a few questions of the many on which we are currently reflecting in the Commission. As a contribution to this process, I have launched a cycle of seminars with external experts with the objective of a thorough assessment of the content and management of cohesion policy. The aim of the study – which is due to be presented at the beginning of 2009 - is to develop proposals to strengthen the conceptual framework and governance of cohesion policy.

In addition, my Directorate General has started to develop scenarios of the socio-economic situation of the European regions at the 2020 horizon, taking into account the dynamics and implications of the challenges which I have sketched out before. I intend to publish an analytical paper outlining the results of this work before the end of the year. The purpose of this paper is to provide an analytical basis for our policy discussion on the future priorities of cohesion policy.

The Commission will also adopt a Green Paper on territorial cohesion in September 2008 to be followed by broad public consultation and an informal meeting of Ministers for regional policy under the French presidency in November 2008. The Green Paper will provide an analysis on the disparities of the European territory at local, regional, and national level and on territorial specificities. It will discuss the definition and use of the concept of territorial cohesion at the European and Member States level. And it will propose a few key questions for debate – both conceptual and operational.

Finally, I plan to summarise the results of our collective work and discussion in a paper in spring 2009 containing the first batch of concrete ideas for cohesion policy post 2013.

We are facing a period which will be both challenging and fascinating. Challenging because we will have to work hard day in and day out to ensure quality investment, absorption, proper evaluation and clean auditing tracks. This is a pre-condition for convincing our heads of government of the added value of cohesion policy. Fascinating because we have the chance to reflect upon and propose a new, 21st Century policy vision for cohesion policy.

I look forward to hearing your views and questions and hope that we will have an interesting discussion.

Thank you for your attention.