

Commissioner Danuta Hübner:

The achievements of

Europe's regional policy,

2004-2009

<i>Foreword</i>	3
<i>Chapter One: Main challenges facing Europe during the period of office 2004-2009</i>	6
1. Improving the competitiveness of EU regions in the world economy	6
2. Integrating the new Member States	6
3. Promoting territorial cohesion	7
4. Responding to the global economic downturn	7
<i>Chapter Two: Regional Policy setting the agenda - key achievements 2004-2009</i>	8
1. Improving the competitive position of EU regions in the world economy	8
i) 2004-2006: successfully negotiating the reform of regional policy	8
ii) Introducing a more strategic approach: aligning with the Lisbon "Strategy for Growth and Jobs"	9
iii) Underpinning sustainable development.....	9
iv) Innovating in new forms of finance for investment.....	10
v) Mobilising regional and local knowledge and resources	11
vi) A specific focus on achieving and communicating impacts and results.....	12
vii) Improving governance: a critical element to underpin competitiveness	14
2. Integrating the new Member States	15
i) Contributing major resource allocations: 'phasing-in' 2004-2006 and 2007-2013	15
ii) Developing administrative capacity	15
iii) Supporting major projects through the JASPERS facility.....	16
iv) Strategic planning for accession	16
3. Promoting territorial cohesion	18
i) Consulting via the Green Paper on Territorial Cohesion.....	18
ii) Strengthening cooperation between regions.....	18
iii) Introducing the macro-regional strategic concept	19
iv) Increasing knowledge capacity of territorial trends and challenges	20
v) Investing in urban development.....	20
vi) Developing Europe's strategy for the Outermost Regions.....	21
vii) Responding to natural disasters through the Solidarity Fund.....	21
viii) Special initiatives:.....	22
4. Accelerating recovery in the face of global economic downturn	24
i) Regional policy in the European recovery plan.....	24
Chapter Three: Preparing the ground for the future Regional Policy	26
1. Assessing future challenges for EU regions.....	26
2. Preliminary orientations on the future development of Regional Policy	26
3. Strengthening analytical capacity and promoting an academic debate.....	27

Foreword

My work as European Commissioner for Regional Policy has provided me with a unique insight into the vital role that the regions of the European Union play in the day-to-day lives of Europe's citizens. Over the past five years, I have visited almost every region in Europe, and I have seen for myself that there remain considerable differences in standards of living and levels of opportunity. That is why I have made it a priority to develop a regional policy that enables *all regions* to fully mobilise their potential, to compete effectively in the internal market and hence promote economic and social cohesion. The challenges faced by our regions and cities have changed over time. To deliver a more strategic and effective response, the policy too has evolved to meet the new realities, and, indeed, to anticipate change.

My time as Commissioner for Regional Policy has coincided with a period of momentous change in the Union as a result of enlargement and against a background of increasing globalisation, concerns about energy supplies, demographic decline, climate change and more recently, world recession.

This overview of the past five years describes how the new Member States were successfully integrated into the regional policy framework and the role the policy has played in response to the challenges we have faced at the European level since 2004. The report sets out our achievements, outlines the policy innovations that we have introduced, and details the steps which we – the Commission, the Member States and the regions – have jointly taken to prepare the groundwork for the future policy.

The report also highlights the pioneering work that I have led to create an external dimension of the policy, aimed at building closer co-operation with the rest of the world and sharing our experience of how regional policy contributes to the economic and political integration essential for sustainable growth and jobs.

I believe that regional policy has a special relevance for the European citizen. Whether through the creation of new jobs and support for innovation, the building of new motorways and railways, or the provision of clean water supplies, it is clear to me that regional policy continues to make a difference across the Union. I have seen directly the benefits that regional policy has provided to the regions and citizens of Europe and I am proud that, as Commissioner for Regional Policy, I have played an important role in making this happen.

**The Regional Policy Top 20:
A snapshot of key achievements**

1. **Improving the global competitiveness of Europe's regions and cities** with the successful launch of 335 sectoral and regional aid programmes for 2007-2013
2. **Integrating successfully the new Member States into the European regional policy framework** with a full use of available funding
3. **Boosting investment in research, technological development and innovation with €230 billion** in funding, under the new strategic approach for 2007-2013 aligned to Europe's top policy priority - the Lisbon "Strategy for Growth and Jobs"
4. **Helping the regions counter the economic crisis** by providing a stable source of financing to stimulate economic recovery, with increased flexibility and simplified financial management
5. **Leading the way with responses to the new challenges** of globalisation, climate change, energy supply and security and ageing populations
6. **Delivering a successful reform of regional policy** to strengthen the strategic dimension, to improve management and control of funds and to ensure a clear link between resources and needs
7. **Transforming cooperation** between regions and countries across Europe, by introducing *Territorial Cooperation* as a full Community Objective and creating a legal instrument to facilitate partnerships with the *European Grouping of Territorial Cooperation (EGTC)*
8. **Creating the European Union Strategy for the Baltic Sea Region**, the first macro-regional strategy of its kind
9. **Bringing forward the Green Paper on territorial cohesion** to enhance the development potential of all regions and the Union as a whole
10. **Increasing transparency** with the publication of all beneficiaries of the funds

**The Regional Policy Top 20:
A snapshot of key achievements**

11. **Strengthening co-operation with national, regional and local actors to achieve more effective multi-level governance**
12. **Making the Open Days European Week of Cities and Regions the leading event** in the regional policy calendar involving over 5,000 participants per year from the public and private sectors, and from international partners
13. **Enhancing close co-operation and prioritising regular dialogue** with the European Parliament, the Committee of the Regions and the European Economic and Social Committee
14. **Promoting the exchange of good practices across the EU** through the Regions for Economic Change Initiative
15. **Fostering partnership** through consultation on all major policy initiatives with the regions and cities, business, academia and NGOs
16. **Responding to natural disasters** by providing aid under the *EU Solidarity Fund* following 34 natural catastrophes in 18 Member States
17. **Multiplying investment resources** through new joint initiatives with international financial institutions, introducing innovative forms of finance for SMEs and urban development
18. **Supporting candidate countries** for membership of the EU with the *Instrument for Pre-Accession* in support of key investment projects and cross-border co-operation
19. **Opening to the rest of the world** by promoting the model of European regional policy with major countries outside the Union such as Brazil, Russia and China, as well as in Africa
20. **Leading the debate on the future development of regional policy** after 2014

Chapter One: Main challenges facing Europe during the period of office 2004-2009

1. Improving the competitiveness of EU regions in the world economy

There has been growing concern about the erosion of the EU's competitive position in the world, compared, for example, to the USA. Meanwhile, over recent years, competition from the emerging economies such as Brazil, Russia, India and China, has intensified. While globalisation has provided new opportunities for Member States and regions, it has also required adjustment to structural change. There is therefore a clear need to provide the most relevant and appropriate solutions possible. One size no longer fits all, and to meet global challenges it is becoming increasingly necessary to mix and coordinate local and regional actions with national and international ones.

The **re-launch of the Union's Lisbon Strategy in 2005 aimed to bolster the competitive position of EU regions in the world economy** by placing growth, jobs and competitiveness at the top of the Union's agenda. First and foremost, the priority has been to increase levels of innovation to help Europe's businesses move up the value chain, and, secondly, to bring more of Europe's population into productive employment.

In 2004, the EU spent 1.85% of its GDP on R&D compared to 3% in the USA, while the proportion of the working age population in employment stood at 64.7% in EU15 and 56.0% in EU10 compared to over 70% in the USA. Under the Lisbon Strategy, the EU adopted an employment rate target of 70% and a target of 3% of GDP for R&D expenditure. Meeting these targets requires sustained investment, hence the central relevance of European regional policy, and its 'financial muscle', in this effort.

In particular, regional policy is no longer seen as only a means to help regions catch up with the Union's average, important as this is. Competition is increasingly taking place along regional lines in the world market. Regional economies are becoming nodes in global production networks. The aim must be to assist regions to find their place in these global markets, and ensure equality of opportunity right across the entire Union in order to achieve the principal ambition of promoting *economic and social cohesion*. It is a policy which addresses opportunities for the future, by mobilising underexploited potential, rather than compensating for problems of the past.

2. Integrating the new Member States

On 1 May 2004, ten countries - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia - joined the EU. The accession of Bulgaria and Romania followed on 1 January 2007. The **successful integration of these new Member States presented one of the most important tasks the Union has faced in its history**. With enlargement came increased disparities in income, bringing a 20% increase in the EU's population, but only a 5% increase in the Union's GDP. The average GDP per head in these new member countries was under half of the EU average, with only 56% of their populations in active employment, compared to 64% in the EU15.

In integrating the new Member States, and bridging the gaps in levels of development, the EU's regional policy has had a key role to play. It is a long-term role requiring many years of sustained investment in infrastructure, in innovation and business development, and in upgrading human resources.

3. Promoting territorial cohesion

There are a number of dimensions to the territorial imbalances in the EU. At the level of the EU as a whole, **economic prosperity remains heavily concentrated geographically** with 44% of GDP being generated by 32% of the population in a pentagon whose points are London, Paris, Milan, Munich and Hamburg. Within the Member States, economic activity is, with few exceptions, relatively concentrated in capital city regions. Between 1995 and 2004, on average the capital region's share of national GDP increased by 9%, while their population grew by 2%.

The cities themselves present a particular challenge to territorial cohesion. Europe is faced by increasing urban sprawl, and in 90% of urban agglomerations, population in the suburbs grew by more than in the core of the city. Suburbanisation of population places greater strains on the urban transport system, and hence on the environment. Meanwhile, within the cities, the concentration of unemployment in particular districts is associated with multiple deprivation characterised by low quality housing, inadequate public transport and other services, and high crime rates.

In rural areas, significant outward migration remains the prevailing trend in large parts of the EU. The lack of job prospects outside agriculture and lower living standards has driven people, especially the young and qualified, to seek opportunities elsewhere. This has cumulative effects on the areas concerned, leaving them with an ageing population and shrinking basic services.

While considerable progress has been made in reducing the obstacles to economic and social development in Europe's territory that are presented by borders, more needs to be done in the light of enlargement. The new internal borders between the new Member States appear to be less permeable with, for example, much lower traffic flows than across the borders inside the EU15, while the new external borders after enlargement also present a range of new challenges. Other challenges include the need to help the areas with natural handicaps to exploit new opportunities, such as the northern periphery and the mountain areas. A particular priority for the Union is to help its regions situated at extreme distance from the Union, the seven outermost regions, to benefit fully from EU policies.

4. Responding to the global economic downturn

Since 2008, **the intensifying financial and economic crisis in the global economy has become a particularly daunting challenge.** Forecasts for 2009-2010 suggest that the slowdown will sharpen with GDP output in the European Union expected to fall by 1.8% in 2009 before recovering moderately to +0.5% in 2010. In these uncertain times, the need for adaptable, forward-looking policies is clearer than ever.

Against this background, investing for the future is important through policies that are adaptable and flexible. Today, in circumstances of global recession, Europe's regional economic development is more important than ever.

Europe's regional policy helps to ensure that public resources are ring-fenced for the future in the face of the growing pressures on public finance presented by the recession. It provides a stable, secure, targeted source of investment financing to accelerate economic recovery. This focus and stability also contributes to restoring confidence.

In direct response to the economic crisis in the European economy, the European Commission presented a wide-ranging recovery plan for Europe in November 2008. Regional policy is a key element in it. **A series of measures, which will be described in more detail in Chapter Two, have been taken to accelerate payments from the EU budget, and to inject confidence and dynamism into the European economy.**

Chapter Two: Regional Policy setting the agenda - key achievements 2004-2009

1. Improving the competitive position of EU regions in the world economy

Regional policy has been at the centre of the effort to **improve the competitive position of the Union as a whole, and its weakest regions in particular**. Many regions throughout the European Union have a strong concentration of economic activity in sectors where competition from emerging economies is high. The rapid emergence of new global players poses serious challenges for European competitiveness. This is why, in preparing the new framework for the programmes for 2007-2013, the Commission sought to lay stress on the need to support the investment effort of regions throughout the EU, including relatively prosperous regions facing problems of restructuring, while concentrating most of the resources on the weakest regions in the way described in the following section. Paving the way for these new programmes started with public consultation leading through to the negotiations from 2004-2006. As a result a number of **innovative features** were introduced as set out below.

This modern form of EU regional policy, with its goals of reducing regional disparities and enhancing social, economic and territorial cohesion, while simultaneously accelerating growth and investment in economic change through innovation, has also attracted remarkable levels of interest from countries outside the Union. Since this landmark reform of 2006, the example of European regional policy has shown that a proactive involvement of territories and their representative authorities is necessary if economic and social development is to occur. To increase the effectiveness and credibility of the policy, the regional and local authorities have been brought into the scheme in a way that goes far beyond mere budgetary support.

i) 2004-2006: successfully negotiating the reform of regional policy

- Preparation for the reformed policy of 2007-2013 was preceded by an open public debate which formed the basis for the Commission's budgetary and legislative proposals for the reform of the policy. Negotiations were concluded in December 2005 on the budgetary front, and in July 2006 on the legislative aspects. On this basis, Member States started to prepare their strategies and corresponding operational programmes.
- The original Commission proposal was based on **four pillars**: a reinforced **strategic dimension** supporting investment in the knowledge economy; a further **decentralisation of management and control** function; a stronger **link between the system of control and the reimbursement** from the Community budget, and, importantly, a **fairer way of ensuring that the financial support** is targeted to take account of the objective economic circumstances of each region, thus establishing a clear link between resources and relative needs.
- In the event, the results of the negotiations revealed much support for the Commission's initial vision and new ideas, and the four pillars are central to how EU policy is implemented today. The negotiations also addressed concerns raised by certain countries that provoked a debate on the added value of regional policy at the European level. The Commission, for its part, drew attention to the importance of involving the regions in the Lisbon Strategy in order to increase ownership on the ground, and to promote increased effectiveness. The Commission was able to

convince Member States that this unique delivery system, involving the regions, national authorities and the Commission, had a major role to play in delivering the investment needed to meet the Lisbon targets.

ii) Introducing a more strategic approach: aligning with the Lisbon "Strategy for Growth and Jobs"

- A major policy success for 2007-2013 was scored with the **reinforcement of the strategic dimension**, which is critical in Europe's efforts to improve competitiveness throughout its territory in the face of globalisation. The new strategy was drawn up by the Commission and approved by the Member States and the European Parliament. This set the point of reference for the Member States to draw up their national strategies, before the sectoral and regional programmes, some 335 in all, were put in place.
- The Commission played the key role of ensuring that the strategic priorities were respected. The outcome can be seen in the focus achieved in the investment effort in favour of twenty-first century activities linked to the development of the knowledge economy and central to the Union's Lisbon Strategy: RTD, innovation, technological transfer, information and communication technologies, human resources development and business development.
- One particular policy innovation in this regard was to ensure that Member States quantified how they intended to invest in the priority areas, through "earmarking" most of the resources for spending on these key categories. Some 60% of resources (in the poorest regions) and 75% (in all other regions in the EU) must be targeted on such strategic investments.
- This equates to a **massive European investment fund in support of the Lisbon priorities for the future making up €230 billion out of the total available of €347 billion**. The initial vision of the Commission was thus translated into a three-fold increase in expenditure in these fields compared to the previous programming round, and including € 86 billion specifically for innovation-related activities, especially in the business sector.
- This considerable investment has the capacity to transform Europe's regions over the medium to longer-term, especially those with the lowest initial levels of prosperity. Studies suggest that the investment undertaken under the programmes will **add some 5-15% to levels of GDP** in most of the new Member States. By 2015, it is also estimated that around **1.4 million additional jobs** will be generated with the help of regional policy.

iii) Underpinning sustainable development

- The regional policy pledge to deliver growth, jobs and competitiveness is also matched by a commitment to the EU's sustainable development agenda. **Sustainability - achieving a balance between economic, social and environmental concerns - has long featured as a guiding principle of EU regional development policies**. In the 2007-2013 period this is marked by reinforced action, with ambitious amounts now dedicated to environmental initiatives.

- The total **structural and cohesion funding allocated to environmental investment (direct and indirect) for 2007-2013 amounts to €105 billion** or 30.4% share of the total – an absolute increase of €68 billion or almost a tripling of the spending compared to 2000-2006.
- Half of the total will be devoted to investment in capital intensive infrastructure e.g. water and waste treatment, renewal of contaminated sites, pollution reduction, and support for nature protection. The other half will go to investments with an environmental impact e.g. in areas such as transport and energy systems, eco-innovation, urban and rural regeneration, environmental management for businesses, eco-tourism, energy efficiency and renewable energies.
- The Commission has listened and responded to citizens, NGOs and other key partners, for whom an overriding concern is the unfolding crisis of climate change. **Some €48 billion will be allocated to direct and indirect actions to combat climate change** (including an increased emphasis on renewable energy development - with some € 4.8 billion for renewable energies and € 4.2 billion for improving energy efficiency).
- Some Member States have also introduced specific tools such as carbon neutral programmes (France, Malta) and programme level indicators on climate change (England, Wales, Italy).

iv) Innovating in new forms of finance for investment

- Another significant achievement of the policy at the initiative of the Commission has been since 2005 to accelerate moves away from traditional grant-based financing towards **innovative ways of combining grants and loans** with the introduction of:
 - JEREMIE: Joint European Resources for Micro to Medium Enterprises (for SMEs);
 - JESSICA: Joint European Support for Sustainable Investment in City Areas (for urban regeneration).
 - JASMINE: Joint Action to Support Micro-finance Institutions in Europe (for micro-credit)
- This is creating recyclable forms of finance, making them more sustainable over the longer term. It is also one way of helping Europe increase resources for investment, especially in times of recession.
- It opens new markets to different forms of public private partnership (PPP), bringing in the expertise of international financial institutions (IFIs). This should improve the quality of projects and bring new management capacity from experienced financial institutions into EU regional policy.
- To date, some 85 programmes, either at national or regional level, plan to make use of the JEREMIE initiative - a partnership between the European Investment Fund (EIF) and the Commission. The total budget under the JEREMIE grant contribution agreement for 2008 amounts to nearly €7 million, shared between the Union budget with € 5.7 million and the EIF with €1 million. Meanwhile, almost half of the 234 programmes include provisions on JESSICA-type activities, a partnership with the European Investment Bank (EIB) and the Council of Europe Bank.

- With these measures, in many ways, the Commission has succeeded in opening up a new era for the regions with a formation of a new partnership between the national and regional authorities, the international financial institutions and the Commission, which will lead to new investment in developing Europe's businesses and urban areas.

v) Mobilising regional and local knowledge and resources

Promoting regional innovation and experimentation

- With the success of modern economies dependent increasingly on innovation, harnessing local knowledge and regional creativity is critical for gaining competitive advantage. To stimulate action in this field, some 200 regional programmes of innovative actions were assisted in the EU15 in the period 2000-2006.
- These programmes encouraged innovative pilot projects, and supported investment in regional innovation strategies. Importantly, the initiative often came from the regions themselves with support of expertise drawn widely from across the Commission.
- The Commission published its concluding summary of *"15 years of experimentation and innovation with Cohesion Policy"* in 2007, largely based on the experience from the innovative action programmes. The significant increase in financial support for innovation across the EU27 for the 2007-2013 programmes draws on concrete lessons from these programmes.
- The final year of the mandate of this Commission, 2009, is designated as the European Year of Creativity and Innovation - a timely juncture to provide an opportunity to reflect on these achievements to foster a more innovation-oriented regional policy.

Good practice promotion and the Regions for Economic Change initiative

- Closely aligned with innovative actions, the "Regions for Economic Change" (RfEC) initiative adopted by the European Commission in 2006, seeks to energise interregional and urban networks (the INTERREG IVC and URBACT programmes) to enable the testing and rapid dissemination of innovative ideas into regional policy programmes.
- Modern economies also depend on information networks. Through RfEC, the EU's regional policy seeks to mobilise local and regional networks across the public and private sectors, to exchange experience and promote good practice, and to embrace change and develop new opportunities.
- As part of the enhanced communication effort associated with this initiative, the Commission has also established annual innovation awards – "RegioStars" - and developed an open-access database of detailed case studies for practitioners. The RegioStars awards identify good practice in regional development and highlight innovative projects which can be inspiring to other regions. The awards recognise successful projects on selected themes linked to economic modernisation. These projects also feed the stock of good practices available to regions, stimulate the exchange of experience, and promote progressive-thinking.

Sharing experience through Open Days – the European Week of Cities and Regions

- The annual **EU Open Days – European Week of Cities and Regions** - provides a unique forum for the regions and cities to meet, to learn from each other and to become more involved in making European regional policy more effective. Organised by the Commission and the Committee of the Regions since 2003, Open Days is now firmly established as the headline event in the EU regional policy calendar. With over 7000 participants taking part in 150 workshops, and 216 regions and cities involved from 32 countries, the 2008 event was the biggest yet.
- The event brings together policy-makers and practitioners, banking and business, local and regional authorities and civil society groups. It is this dialogue between the public, private and academic sectors, which sets the Open Days apart. The regions come with their own experiences to share and exchange practice and ideas on regional development.
- The event provides a platform where cities and regions can showcase what they are doing to stimulate sustainable economic development. But perhaps even more importantly, it also helps lay the foundations for partnerships which are vital for learning from each other and embarking on joint projects.

vi) A specific focus on achieving and communicating impacts and results

- Regional policy investments that Europe channels through the structural funds make a huge difference. **EU funds have had a direct impact on accelerating the growth of many regions throughout the Union** and have helped to transform regional and national economies by investing in infrastructure, R&D and innovation, and the environment.
- Since 2000, Cohesion Policy investments have created some 600,000 net jobs, 160,000 of them in new Member States.
- Between 2000 and 2006 every euro invested by cohesion policy led to an average 0.9 euro in additional funding from public and private sources in the least developed regions. In more developed regions, this induced expenditure can go as high as 3 times the amount initially invested. This is achieved through policy rules such as co-financing, and through increasing involvement of private capital.
- Sustained high growth in the new Member States – partly thanks to regional policy investment – has led to a reduction of disparities measured in terms of GDP per capita across the EU25. The index of disparities fell by roughly a sixth in the 2000-2005 period¹. GDP per head grew most in regions where this figure was initially lowest - mostly in regions in the new Member States.
- It has also become a more **results-oriented policy** and DG Regional Policy has been working hard to put in place **improved mechanisms which will demonstrate the impact and the added value of the new regional policy**.
- Commissioner Hübner, in visiting most of the regions of the EU, has had the opportunity to assess many projects, which have received support from the structural funds.
- In terms of concrete results, some examples include:

¹ As measured by log mean deviation of the regional GDP index

- European cohesion programmes co-finance the **training of some 9 million people annually**, with more than half of them women.
- In Spain, cohesion policy has co-financed over 1200 km of roads and motorways, saving an estimated 1.2 million hours of travel time a year.
- In the UK, over 250,000 Small and Medium-Sized Enterprises (SMEs) have been supported through cohesion policy programmes, around 16,000 of which received direct aid.
- Cohesion policy programmes in Italy have made separate waste collection accessible to around 6.4 million people and have helped to raise the share of this from 1.9% of total waste in 1999 to 8.2% in 2005.
- The achievements are being evaluated in-depth through an extensive ex-post evaluation programme from 2000-2006, which is now underway. This will provide further evidence of the real impact of regional policy across diverse sectors such as enterprise support and innovation, transport, environment, structural change etc., and help in the design of the future policy.
- Beyond the impact in economic and financial terms, regional policy is important to the political cohesion of its diverse Member States and regions. It reaches out to Europe's citizens actively involving them in European issues and priorities. In this regard, the **Commission has consistently stressed the need to inform and communicate widely on the impact of the policy, and to demonstrate results.**
- Commissioner Hübner launched **six consultations** during her mandate enabling citizens, local and regional authorities, business, NGOs and academia to make their voice heard on:
 - Community Strategic Guidelines 2007-2013
 - Cohesion policy and Cities
 - 4th Report on Economic and Social Cohesion
 - Strategy for the Outermost Regions
 - EU Strategy for the Baltic Sea Region
 - Green Paper on Territorial Cohesion
- There has been a significant **push to strengthen information and transparency measures for 2007-2013**. In response to one of the key stipulations of the European Transparency Initiative in the Green Paper in 2006 requiring Member States to provide information on how EU funds under shared management are spent, *the publication of the lists of beneficiaries* of the structural funds in Member States has been introduced. These lists can be easily viewed via a 'clickable map' on the Commission's InfoREGIO website.
- In tandem, **DG Regional Policy also set up an Information & Communication Platform in 2008 - "Inform Network"** - to serve as a meeting point for communication officers, project managers and all those interested in providing information on EU regional policy in the Member States. The demonstration of the policy's added value lies principally in showing results and by investing in good projects that make a difference to people's lives. But it is also about communicating those results - the INFORM network, through sharing experience and good practice on communication activities, should go some way to facilitating that task.

- In recent years, this concerted effort in communication has started to show results. The Eurobarometer survey of February 2008 was encouraging. Half of the respondents were aware that the EU supported their city or region. More than two-thirds of those also said that the support was beneficial.

vii) Improving governance: a critical element to underpin competitiveness

- One of the more studied consequences of the implementation of regional policy is the effect it has had on public administrations across the Member States. **Working in partnership is a cornerstone of delivery and is driven by an effective system of multi-level governance** i.e. coordinated action between the EU, the Member States and local and regional authorities.
- In particular, EU regional policy rules require Member States to put in place effective management, control and audit structures to ensure proper use of Funds during programme implementation.
- This unique model of multi-level governance, involving **local and regional actors in policy design and delivery**, helps to ensure that actions are adapted to circumstances on the ground and that there is a genuine commitment to success: *the question of ownership*.
- It also brings in greater efficiency and local knowledge. For regions, in particular those eligible under the convergence objective, the quality and efficiency of the public sector are essential elements for the promotion of good governance.
- EU regional policy rules require Member States to put in place high quality structures to implement the programmes in areas such as financial control, audit, monitoring and evaluation, public procurement and fraud prevention. It also safeguards compliance with other Community policies and legislation in fields as broad as the respect for open markets, through rules on state aid and public procurement, to the environment, equal opportunities and respect for minorities.
- Finally, during this mandate, the Commission has become ever more conscious of the need to strike the right balance between insisting on the best possible controls and audits on the one hand, and ensuring that the cost of enhanced controls delivers value for money in terms of the benefits obtained, on the other. It has continued in its efforts to **simplify funding rules** by, for instance, making more proportionate the rules for projects which generate revenues, and working with Member States to identify other simplifications which can be made.

2. Integrating the new Member States

In the period since 2004, perhaps the greatest challenge has been to ensure a smooth and successful expansion of the Union with the entry of twelve new Member States. A key priority has been to help the new Member States and their regions to obtain the full benefit of the opportunities of Europe's single market, by being able to compete successfully. A particular need has been to extend Europe's communication networks, mobilising, in particular, the resources of European regional policy. Several of the key features of the contribution of the policy to making this happen are set out below. However, it will be a long-term task requiring many years of investment in infrastructure, in innovation and business development, and in upgrading human resources.

i) Contributing major resource allocations: 'phasing-in' 2004-2006 and 2007-2013

- As a first major contribution, resources for investment of some € 22 billion were set aside to finance regional policy for the period 2004-2006 in the countries which joined the Union in 2004. This amount - corresponding to around € 100 per capita per year – allowed these countries to gradually get accustomed with the management of the policy. A learning process in terms of programming, project identification, financial management, monitoring and evaluation was set in motion in view of the new programming period 2007-2013.
- In December 2005, almost € 160 billion was allocated within the new financial perspectives for regional development programmes in the new Member States (including Romania and Bulgaria) for the period 2007-2013 - equivalent to € 260 per capita (more than 5 times the average support in the old Member States). This represented an almost three-fold increase compared to the previous period and a budgetary contribution equivalent to around 3.2% of the GDP of these economies.
- New Member States have rapidly and successfully developed their capacity to spend these resources effectively and efficiently. With support from the European Commission, these Member States have put in place partnerships, multi-annual and strategic planning, and systems for monitoring, evaluation and audit. Though the first results of the ex-post evaluation of the period suggest some room for further improvement, the achievements of the first short programming period are nothing short of impressive.

ii) Developing administrative capacity

- Economic growth not only depends on investment, but also on the availability of a reliable administrative system and a transparent legal framework. The Commission has succeeded in ensuring that the new delivery system for EU regional policy for 2007-2013 is based on best practice in this regard, including supporting specific programmes for administrative reform and the development of institutional capacities.
- Similarly, the availability of resources is one thing, but the capacity to use those resources by designing good programmes and preparing and realising good projects, is another. The evidence suggests that the new Member States had, with the help of the Commission, been able to make good use of the opportunity to develop absorption capacity in the period 2004-2006 and, by 2007, the policy had even set a record in terms of levels of resources for investment transferred. There is now a considerable similarity in absorption rates across all Member States.

iii) Supporting major projects through the JASPERS facility

- One very concrete example of working towards **building capacity is in the development of the JASPERS technical assistance facility** (Joint Assistance to Support Projects in European Regions). In 2005, the Commission opened negotiations with the EIB in order to see how, by working more closely together, we could help the twelve countries in their preparation of major projects supported by EU funds.
- It is also a tangible demonstration of the value placed by this Commission on the role of strengthening partnership, and in particular in terms of consolidating cooperation with international financial institutions (IFIs). JASPERS pools contributions from the European Commission in the form of funds to recruit expert staff and staff contributions from the European Investment Bank (EIB), the European Bank for Reconstruction and Development and, from mid-2008, KfW, the German publicly-owned development bank.
- The year 2008 was the first full year of operation of JASPERS and this was reflected in a rapidly growing volume of expert reports prepared for the Member States. JASPERS completed 82 assignments in 2008, up from 22 in 2007. The Commission announced in November 2008 as part of the European Economic Recovery Plan, that the resources devoted to JASPERS would be increased by 25% from 2009 onwards to help stimulate investment.
- By the end of 2008, JASPERS had a staff of 58 experts and 11 support staff. Most are based in three regional offices in Warsaw, Vienna and Bucharest, close to the beneficiaries. This has also had the effect of bringing the implementation of EU regional policy closer to the authorities on the ground.

iv) Strategic planning for accession

- **Paving the way for accession takes dedicated commitment over many years.** From early 2000, the **Pre-Accession Structural Instrument (ISPA)** funded transport and environmental schemes in all the prospective new Member States of Central and Eastern Europe, to prepare these countries for membership in the following years. ISPA operated along the same lines as the Cohesion Fund model designed for the least prosperous EU members.
- The main aim was to familiarise the candidate countries with the policies, procedures and the funding principles of the EU. For example, ISPA provided direct financing for environmental projects to help them catch-up and comply with EU environmental standards, and upgrade transport links directly connected to the ten pan-European corridors previously identified in these countries.
- In figures, for the period 2000-2006, € 1 billion a year (at 1999 prices) was made available for this instrument. During its first four years of implementation (2000-2003), ISPA grant-aided over 300 large-scale infrastructure investments in the 12 then-candidate countries.
- But the work does not stop here. The Commission continues to place the highest importance on developing close relations with those countries seeking to join the EU. In 2007, a new Instrument for Pre-Accession Assistance (IPA) was launched on the initiative of the Commission to replace ISPA and a series of other EU programmes

and financial instruments designed for candidate countries or potential candidate countries.

- DG Regional Policy manages two components of IPA: cross-border cooperation and regional development. The former seeks to promote co-operation between the authorities on each side of the borders shared by EU Member States and candidate / potential candidate countries. The latter is designed to support investment in fields such as infrastructure development.
- For the first time this has allowed pre-accession assistance to be planned and implemented in a more strategic way over several years. This has also ensured a continuous flow of funds for core investment projects.

3. Promoting territorial cohesion

i) Consulting via the Green Paper on Territorial Cohesion

- **Europe's regions face many challenges which threaten the sustainability of growth**, including the demographic situation and social polarisation. It is against the background of these challenges, and their very different geographical impact on cities, regions and rural areas, that the Commission brought forward a Green Paper consultation on territorial cohesion in October 2008.
- The EU harbours a considerable territorial diversity. The Green Paper argues that the territorial diversity of the EU is a strength that can contribute to the sustainable development of the EU as whole. The challenge is to ensure that the approach deals with this issue in a manner that is appropriate to the specifics of every area.
- The paper stresses the added value of partnership with a strong local dimension, which ensures that policies are designed and implemented with local knowledge. It underlines that many issues do not respect standard administrative boundaries and may require a coordinated 'tailored' response from several regions or countries - calling for new forms of cooperation, coordination and partnerships to maximise synergies and better coordinate with sectoral policies.

ii) Strengthening cooperation between regions

- In Europe today, **economic success and greater territorial cohesion are often dependent on a region's capacity to develop networks with other regions**. Cooperation and sharing experience between regions can be a key trigger in stimulating a dynamic, forward-looking regional development process.
- Since 2004, the Commission has placed particular emphasis on ensuring the smooth integration of the new Member States into the cooperation programmes, encouraging more and better working across borders which had limited scope for such cooperation in the past. Since 2007, the successful cooperation approach has also been extended to Member State borders with candidate and potential candidate countries, thus bringing the benefits of cooperation to the borders of the Western Balkans.
- In the new framework for cooperation for 2007-2013, a new direction was taken and implementing proposals put forward. Reflecting their importance in the overall effort to improve territorial cohesion, the new **programmes have now developed into a "European Territorial Cooperation" objective** with an allocation of € 8.7 billion. This supports cross-border, transnational and interregional cooperation programmes to encourage regions and cities across the EU and further afield to work together and learn from each other.
- In the period 2007-13, under the European Territorial Co-operation objective, the Commission has negotiated three types of programmes:
 - **54 cross-border co-operation programmes** along internal EU borders. ERDF contribution: € 5.6 billion

- **13 transnational co-operation programmes** covering larger macro-region areas of co-operation such as the Baltic Sea, Alpine and Mediterranean regions. ERDF contribution: € 1.8 billion
- **The interregional co-operation programme (INTERREG IVC) and 3 networking programmes (Urbact II, Interact II and ESPON)** cover all 27 Member States of the EU and neighbouring countries like Norway and Switzerland. They provide a framework for exchanging experience between regional and local bodies in different countries. ERDF contribution: € 445 million

European Grouping for Territorial Cooperation: removing obstacles to partnerships

- To facilitate implementation, a key proposal of the Commission has been the European Grouping for Territorial Cooperation (EGTC). It offers many advantages compared to the traditional partnership approach. The EGTC provisions allow the creation of a legal entity, binding cross-border partnerships together. It also provides a more stable and simple way of contracting across borders, of employing project staff, and of simplifying project finances.
- Some regions are already well advanced in operating EGTCs:
 1. The first EGTC was created in the ***Eurodistrict 'Lille-Kortrijk-Tournai'*** between those three cities in France and Belgium. Partners are currently screening all their policies to identify those which could be implemented through the EGTC. Objectives include: promoting dialogue and political debate; ensuring consistency across the entirety of the territory, and; managing and implementing joint projects. Staffed currently by three persons, this *'Eurodistrict'* is aiming to increase this number to ten in the near future.
 2. ***Cross-border hospital between University Hospitals of Aachen and Maastricht:*** the two hospitals in Germany and the Netherlands are situated very close to each other and have a long history of cooperation, with each focused on their individual area of clinical excellence. The EGTC model is being considered as a way to further this cooperation and pushing towards the creation of a joint structure, and would help overcome obstacles such as different taxation structures and employment contract laws.
- While this area of EGTC activity is very much in its infancy, the Commission believes that this multi-partner, project-level approach could become an important aspect of cooperation in the future.

iii) Introducing the macro-regional strategic concept

- As a region where all countries are facing similar challenges, but one which also has several specific features which call for increased cooperation across the whole region, the **Baltic Sea Region presents an excellent 'test case' for the new approach of macro-level cooperation.**
- The Commission approved its Communication on the **EU Strategy for the Baltic Sea Region** on 10 June 2009. The Strategy takes regional co-operation to a new level,

towards greater integration. By ensuring a comprehensive partnership approach, involving the EU, Member States, regions, financing institutions, pan-Baltic organisations, non-governmental bodies etc, the Strategy will focus on the key objectives of making this part of Europe environmentally sustainable; prosperous; accessible and attractive; and safe and secure.

- The European Council of 17-18 June 2009 has recognised both the progress made with the Baltic Sea Region Strategy and the wider potential of the macro-regional approach, by calling for the Commission to prepare a similar Strategy for the Danube region.

iv) Increasing knowledge capacity of territorial trends and challenges

- The Commission has also promoted efforts to enhance understanding of trends and challenges facing Europe's territory. As a concrete example, the budget for 2007-2013 for the territorial observatory, the European Spatial Planning Observation Network (ESPON), has been multiplied by more than 4 (as compared to the previous period) with a reinforcement of its strategic role.
- The Commission has also been very active in the whole process of preparation of the "Territorial Agenda", from the Dutch Presidency (2004) to its adoption in Leipzig under the German Presidency (May 2007). It has actively engaged in the dialogue and reflections following the adoption of the Action Programme in the Azores in November 2007, and worked with other Commission Directorates General, such as Agriculture & Rural Development and Environment, in the "Territorial Agenda" working groups created under the French Presidency (2008).

v) Investing in urban development

- Supported by the European Parliament and the Committee of the Regions, the Commission has sought to ensure that Member States place greater priority to developing urban areas as part of improving territorial cohesion. Building on the experience and strengths of the URBAN Community Initiative of 1994-2006, European regions have been given the possibility to design, programme and implement tailor-made, integrated development operations in all European cities. Two generations of URBAN Community Initiative programmes have demonstrated the strength of the integrated approach across Europe.
- Cross-sectoral coordination of actions, strong horizontal partnerships, increased local responsibilities, concentration of funding on selected target areas and networking activities through 'URBACT', constitute key success factors of the URBAN Community Initiative. From a small-scale pilot-action to an integrated part of major EU funding streams, this shared European methodology for sustainable urban development, characterised by its holistic approach and the integration of all relevant sectoral policies has been developed.
- In order to highlight the urban contribution to growth and jobs in the regions, the Commission published a report "Cohesion policy and cities" (2006) which also led to a more coordinated approach to urban issues within the institution through the Inter-service Group on Urban Development.

- The EU has reinforced the urban dimension of the EU regional policy by including it into the main programmes and by widening the geographical coverage of the URBACT programme. Approximately 3% equalling €10 billion of the European Regional Development Fund (ERDF) has been programmed explicitly for urban development. However, the total share, when all potential actions are included, can be expected to be significantly higher.

vi) Developing Europe's strategy for the Outermost Regions

- A particular condition for greater territorial cohesion, and a priority for the Union as a whole, is to ensure that the opportunities of the single market are extended to its most distant regions, the seven outermost regions (Azores, Madeira, the four French overseas departments and the Canary Islands). The period between 2004 and 2009 has seen considerable efforts by the Commission to push policy forward in this field, reaffirming the importance it attaches to the future of these regions.
- The strategy conceived and implemented by the Commission since 2004 has been kept under review. It was updated in 2007 which also marked the launch of a public consultation on future policy. Following-up the consultation, in 2008, the Commission published a new report laying the basis for a renewed strategy. The central proposal is to seek to emphasise in future policy the contribution the outermost regions can make to the Union in many fields, including in our understanding of climate change processes, and of the environment and bio-diversity, and helping develop relations with surrounding countries given their unique geographical position.
- Commissioner Hübner has attached particular importance to developing a close partnership with the regions themselves, for example, through the Annual Conferences of the Presidents, thus giving a strong signal of the importance of the specific support measures for the outermost regions within Community policies.

vii) Responding to natural disasters through the Solidarity Fund

- Developed on the initiative of the Commission in 2002, the EU Solidarity Fund grants aid to Member States and acceding countries in the event of a major natural disaster. As such, it is one of the most concrete demonstrations of solidarity between Member States in acute times of need.
- Between 2004 and 2009, the Fund intervened 34 times in 18 Member States, representing a total allocation for emergency measures of €700 million. These figures give a clear indication of the importance, and the need, of this Fund.
- In 2005, the Commission presented a proposal to the European Parliament and to the Member States to revise the Solidarity Fund regulation in order to enlarge its scope, simplify its use and reduce the time between the applications from a Member State and the allocation of the aid. In particular, the Commission proposed that the Solidarity Fund should cover disasters other than those arising from natural catastrophes (industrial/technological disasters, public health emergencies and acts of terrorism).
- However, despite a largely favourable vote of the European Parliament, the proposal is still on the table in the Council. The Commission remains convinced that a revision of the regulation is necessary to improve its functioning. Therefore it will adopt a report

in 2009 to take stock of the first six years of implementing the Fund (2002 – 2008) and to identify its limitations and the room for improvement. The Commission hopes that the report will re-launch discussions.

viii) Special initiatives:

Underpinning a new era for Northern Ireland

- The EU has always played a major role in supporting the peace process in Northern Ireland, as reflected in its proposals in 2004 to provide a third generation of the Peace and Reconciliation programme, which has been unique to the region. An additional important initiative undertaken by the Commission, the first of its kind, was the setting up of a "Northern Ireland Task Force" (NITF) in 2007 in order to provide a network of support for the region following the re-establishment of the devolved institutions.
- With a main aim of promoting the competitiveness of Northern Ireland's economy, the NITF is supporting the region's access to, and involvement in, Community policies and programmes in this field. A summary of key achievements to date is set out in a report of the European Commission published in 2008.
- In many ways, this has signalled a new era in terms of the region's relationship with the EU and served as a clear demonstration of ongoing support to help consolidate the peace process.

Opening up to the world: promoting cooperation on a global scale

- In the age of globalisation, a highly practical contribution that the EU can make to closer relations with the rest of the world is to share the benefit of its long experience in how regional and cohesion policies underpin the process of economic and political integration, while promoting growth, sustainable development and co-operation across borders.
- The dialogue on regional policy initiated by Commissioner Hübner in 2006 has become one of the most active, and a key component, in EU relations with third countries.
- The work is highly demand driven. In third countries, especially those that have experienced strong economic performance over recent years - such as Brazil, Russia and China - EU regional policy represents a wealth of practical experience on how to promote balanced growth in geographical and social terms.
- The authorities in these countries are anxious to learn from EU experiences in view of the increasing policy challenges brought about by rising prosperity such as migration, urbanisation and rural development, and regional empowerment. The Commission has agreed formal Memoranda of Understanding with each of these countries setting out ways to deepen cooperation on key regional policy issues, and another Memorandum of Understanding is under preparation with Ukraine.
- Cooperation with third countries is also supported by the European Parliament, which, in 2008, voted in support of a new pilot project of € 2 million in this field. This extends the possibility to engage in more innovative activities. A series of major international conferences and seminars on regional policy is taking place in 2009

involving officials and elected representatives from all over the world. A programme of exchange visits involving officials from European Institutions, European regions and from third countries will be launched.

- Commissioner Hübner has also played a key role as a member of the World Bank Commission on Growth and Development, working closely with 19 world leaders, mostly from developing countries, under the chairmanship of Nobel Laureate Michael Spence. The Commission published its highly praised "Growth Report" in 2008, which focused on how countries can achieve sustainable and inclusive growth.

4. Accelerating recovery in the face of global economic downturn

The current financial and economic crisis is one of the greatest challenges facing Europe. In 2009 we are at a pivotal moment for the global economy and Europe's place within it. As the Community's largest source of investment in the real economy, regional policy provides vital investment at local and regional level. This is particularly pertinent in these turbulent times. One of the main assets of the policy lies in its flexibility. It is not a policy 'set in stone' but rather one which is adaptable and anticipates change.

In the context of the global economic downturn, the sustainability of economic development and the need for adaptable, forward-looking policies is clearer than ever. Europe's regional policy provides a stable, secure, targeted source of financing that can be used to stimulate economic recovery.

i) Regional policy in the European recovery plan

- As a response to the ongoing economic crisis and slow-down in the European economy, the European Commission presented a wide-ranging recovery plan for Europe in November 2008. This aims to deliver a timely, targeted and temporary fiscal stimulus of €200 billion, equivalent to 1.5% of EU GDP, in 2009-2010.
- European regional policy is making a considerable contribution to this plan. A series of measures, both legislative and non-legislative, have been taken to help simplify and speed up project implementation on the ground, accelerate structural fund payments, and inject confidence and dynamism into the European economy.

The package includes:

- Increase in advance payments to programmes in order to provide an immediate cash injection of €6.25 billion in 2009;
- Immediate funding for major projects without the need for prior approval by the European Commission (900 major projects will be implemented between 2007 and 2013, representing a total investment of €120 billion);
- Simplification of the system for advances paid via state-aid schemes to the benefit mainly of small and medium enterprises (SMEs). In practice, this means that state-aid advances may now cover 100% of the funding allocated for a project;
- Simplification of eligibility rules to reduce red-tape. The Commission will now be able to reimburse overhead costs on a flat-rate basis, as well as allowing non-financial, "in-kind" contributions (such as land made available for an urban regeneration project by public authorities), as eligible expenditure;
- Allowing Member States to use European Regional Development Fund grants for energy efficiency improvements and renewable energy actions in housing across the EU.

- Accelerating structural funds' investment should help to create demand in key sectors of the economy and front-loading resources through advance payments provides an important short-term stimulus.
- Innovative financing schemes can also facilitate access to secure money. The Commission and the European Investment Fund (EIF) are encouraging Member States to take advantage of the JEREMIE scheme (Joint European Resources for Micro to Medium Enterprises), which makes it easier for SMEs to obtain loans, and JASMINE (Joint Action to Support Micro-Finance Institutions in Europe), which seeks to improve access to finance for small businesses and socially excluded groups.

Chapter Three: Preparing the ground for the future Regional Policy

In 2009, and given the relatively long lead times needed to achieve agreement on European policies, more and more attention is being given to reflecting on the future regional policy beyond 2013. Discussion is ongoing, with input being sought from a wide range of interested parties on the shape and priorities for the future policy, with a view to maintaining effectiveness against a background of changing economic circumstances.

This reflection process must also be viewed in the context of the **ongoing general review of the EU budget** covering all aspects of EU spending which will report in 2009.

The debate started with the publication of the **Fourth Cohesion Report** in May 2007, which launched a public consultation. Results of this were summarised in the **Fifth Progress Report** on Economic and Social Cohesion of June 2008 raising a number of clear conclusions – not least in the overwhelming majority in favour of the continuation of the policy, with competitiveness remaining at the heart of the policy.

1. Assessing future challenges for EU regions

- A report on the challenges facing the regions of Europe "**Regions 2020**" was presented in December 2008. It provides a first prospective analysis of the likely regional impact of four of the biggest challenges facing Europe: globalisation, demographic trends, climate change, and energy use and supply. The findings of the report are also feeding into the reflection process on the future regional policy.
- "**Regions 2020**" offers a first look at the potential patterns of disparities which these challenges will generate, and will influence the future design and investment priorities for the policy. The report concludes that the European policy framework must be adapted to help regions meet the challenges of 2020, and that all regions will need to find local solutions, tailored to meet the combination of challenges which they face.

2. Preliminary orientations on the future development of Regional Policy

- Commission Hübner presented her **reflection paper on future regional policy** to the Ministers for Regional Policy at their Informal Meeting in Mariánské Lázně on 22-24 April 2009. The paper which was well received by Ministers sets out possible orientations as regards the rationale, goals, delivery of EU priorities and delivery mechanisms of future cohesion policy.
- The **reflection paper** underlines that regional policy can contribute to the EU development by unlocking the potential of every region and individual. To achieve the highest impact possible of the policy, it will be necessary to focus on a more limited number of core EU priorities. Two areas are of particular importance: First, even stronger links must be built in the future between regional policy programmes and the Lisbon Strategy. Secondly, sustainable development will become an ever more important horizontal challenge and opportunity. In particular, the fight against climate change and its impact on Europe have become central to all policy agendas. It will be

necessary to rethink competitiveness measures to take into account the constraints and opportunities of a low carbon economy and climate change proofing of infrastructure investment.

- The **reflection paper** also calls for a simpler and more effective delivery system and points to a number of concrete areas to work on:
 - There is a need to reduce the administrative burden for implementing bodies and beneficiaries while ensuring effective and proper use of the EU budget.
 - The strategic dimension of the policy and its focus should be reinforced through the introduction of a high level annual political debate involving all Member States to discuss policy achievements.
 - It is necessary to provide greater scope for innovation, policy risk and experimentation, particularly in the business and local development sectors.
 - The role of financial engineering in increasing leverage and impact of cohesion policy should be enlarged.
 - The strategic framework for the selection of major projects should be reviewed to achieve greater impact at national and European level.
 - It is necessary to explore options to improve uniformity, coherence, and synergy of the Funds.
 - The implementation of additionality should be reviewed to ensure greater effectiveness through harmonisation of methodology with European national accounts rules.
 - There is a need to reinforce territorial cooperation and networking among the regions.
 - Finally, the threshold effect and transition mechanisms (phasing in and phasing out) within the policy have been highlighted by many observers as inefficient and unfair. There is thus a need to move towards an overall sliding support mechanism, which is stable, smooth and fair.

3. Strengthening analytical capacity and promoting an academic debate

- Alongside this, the **Commission has substantially reinforced its analytical capacity and contacts with academics and international organisations**, to support this preparatory work on the future policy. It is undertaking a wide-ranging evaluation of the 2000-2006 period, and is building on current modelling work to extend instruments at the regional level.
- It has also launched a series of publications on regional policy and methodological issues. Work is underway with the OECD on place-based policies and with the World Bank on challenges for Europe and its neighbourhood. This work will ensure that the development of regional policy can draw on the experience of third countries and international organisations.

- Recent work by the **OECD** has demonstrated that opportunities for growth exist in all types of regions and whether growth takes place or not crucially depends on how well regions mobilise their assets. Public intervention may often be necessary to ensure that regional economies can exploit their assets and opportunities in an efficient manner. Fostering regional development therefore requires an **integrated, geographical or "place-based" approach**. Since factors of growth are highly interdependent, their individual contribution is severely diminished without proper coordination.
- Finally, DG Regional Policy has launched a broad range of studies covering issues as varied as the administrative costs of regional policy, sustainable development, and globalisation. It commissioned an **independent report from an Italian expert, Fabrizio Barca**, focusing on the rationale and delivery of the policy. The findings of the report, based on a series of hearings with senior regional policy experts from across the EU, were presented in April 2009.
- The **Barca report** confirms that the reforms to regional policy over recent years have been in the right direction, but challenges the Commission and the other institutions to go further. It calls for an even greater focus on a limited number of narrowly-defined core priorities and for a greater performance orientation, meaning a stronger emphasis in the contractual relations with the Member States on achieving measurable outcomes and results. The report stresses the need to reinforce the strategic dimension of the policy by strengthening the role of the Commission and by introducing a high-level political peer review mechanism for debating and reporting on policy outcomes.

All these elements constitute major building blocks for the further development of regional policy and will feed into the **Fifth Cohesion Report** which is due for publication in autumn 2010.