

SPEECH OF MRS CHARLINA VITCHEVA, DIRECTOR, EUROPEAN COMMISSION AT THE 4th ANNUAL CONFERENCE OF THE NEEBOR – SEPTEMBER 10, 2009

Joensuu, Finland

Ladies and Gentlemen,

I am very pleased to participate in the 4th Annual Conference of the Network of Eastern External Border Regions. Let me begin by saying that the Commission and DG REGIO appreciate your role as an interregional and bottom-up network that aims at increasing cooperation between your members and promoting the understanding of Eastern external border issues. I would like to take this opportunity and thank you for your active role in the discussions regarding the European Regional Policy for example in the latest consultation on the Green Paper on the territorial cohesion earlier this year.

The historic enlargement of the EU in 2004 and 2007 called for building a large zone of democracy and prosperity in Europe. However, the political, economic, social and environmental gaps between the regions of the enlarged Union and with its new neighbours to the East and to the South are still large - and in certain cases increasing.

In a global world where the interdependence between national economies is increasing and impacts more and more our every day life, the European Union cannot ignore the challenges and risks raised by the internal and external economic and social discrepancies between the regions and across the borders while pursuing its objectives of prosperity and security.

Therefore, EU wants to prevent the emergence of new dividing lines between the enlarged European Union and its neighbours. We want to reach out and tackle the common challenges of the 21st century together – challenges that do not halt at anybody's borders, from climate change to uncontrolled migration, from organized crime to energy security, to name just a few. To accomplish that, it is in our interest to contribute to our partners' modernisation efforts.

There is an increasing need to bring all the efforts in a common general vision, to develop a more integrated approach, to stimulate the necessary changes.

This introductory remark is just to reassure you that the EU understands and shares your concerns. Our common challenge is to build cooperation.

Cooperation is the key word. It is not, a question of money in the first instance but rather a question of attitude, political will, and readiness to trust each other, a commitment to act together for better future. In our case of regional policy this would mean, that regions are given an opportunity to find and respond to joint interests, and solve common problems. This approach involves a learning process for all participants. We might have learned already some lessons the hard way, but we must take these lessons as stepping stones to success. Cooperation is not easy. It is not a government decree only, but also motivation and mind setup. However, without governments support and endorsement, no lasting cross-border co-operation will be possible.

I would like to concentrate today on three specific challenges, the solutions to which are not self-sufficient but necessary to open wider the gates to cooperation.

Firstly, I would like to draw your attention on the lessons that we can already source from a promising recent methodological development in approaching the strategic programming at macro-regional level illustrated by the newly launched EU Strategy for the Baltic Sea Region and the forthcoming EU Strategy for the Danube Region. We will consider the possible messages and implications for the co-operation process in the context of the European Neighbourhood and Partnership Policy and the cross border cooperation policy along the Eastern borders of the European Union.

Secondly, I would deliberate on the need to develop the cooperation dimension by aligning the various instruments available to support the regional development at the external borders and the necessity to utilize them in order to develop the potential synergies and maximize their impact and benefit.

Thirdly, I would talk about the potential improvements concerning the future of the Regional Policy - the way we see them today.

A new way to cooperation: the macro-regional approach (Baltic Sea Strategy and Danube Strategy)

Why choosing this topic for today's conference? The Northern part of the EU Eastern external border is part of the Baltic Sea macro region while to the South it enters into the Danube macro region. Therefore, these strategies should be considered as the wider strategic context for the cross-border cooperation down the EU Eastern border.

What is the story and status of the Baltic Sea Region Strategy? Though the Baltic Sea Region has a reputation for working together, it was felt, both in the Member States and at the EU level that there was a strong need for more coordination between the different actors and for more concrete co-operative actions in the Baltic Sea Region. That was the reason why, considering the importance of the common challenges, the European Council at the end of 2007 called for an EU Strategy for the Baltic Sea Region. For the first time the Commission has been given the responsibility to play a stimulating role, as an independent and respected authority, in drawing up a new methodological approach in Territorial Cohesion and regional development in order to promote the implementation of shared solutions to achieve common objectives.

The drafting and adoption of the Strategy by the Commission on the 10th of June marks the result of 18 months of hard work and a remarkable cooperation effort, involving a very wide partnership. A huge range of organisations, national, regional and local governments, business and academia, and of course the European Commission, have played their part. The strategy has indeed already provided a significant potential for added value for the region, which is your region, but also more widely to the whole EU.

The EU Strategy for the Baltic Sea Region marks a milestone. This is the first time that such a macro-regional integrated strategy has been prepared by the European Commission for a group of Member States and associating external partners. Here we are really entering new territory. We had to accept that the challenges cannot be met, nor the opportunities harnessed, nor problems solved one by one. We had to look at the whole picture, in an integrated and comprehensive way. I believe this is what the framework of the Strategy for the Baltic Sea Region can provide.

The Strategy will guide the future policies and funding opportunities in the Baltic Sea Region in the coming years. Partnership, evident during the preparation, must continue during implementation. It has been one of the biggest achievements of the process and it must lead to very concrete co-operation at operational level. Our approach and proposals are being closely followed in other parts of Europe. The Baltic Sea Region provides an excellent testing ground for creating a common vision on shared challenges and objectives for a macro-region. If the approach works here, why not in other areas? In fact, the European Council has already called for a similar strategy for the Danube region. This is also one of your regions and the Commission is already studying this request carefully.

The EU Strategy for the Baltic Sea Region is very action orientated. It addresses in a concrete way the four key issues that the Baltic Sea Region faces today: environment, prosperity, accessibility, safety and security.

Concerning the environmental issues, the Strategy's objective is to reduce pollution of the land and the sea. We aim to protect the region's unique heritage by treating waste water, by improving agricultural and fishing practices and by encouraging smarter and greener economic development.

The Strategy covers also the prosperity aspects, which are particularly affected by the current crisis. The potential in this region for growth is especially high as the Baltic Sea Region has some of the richest countries and also some of the countries with fastest growing record and potential. We want to see increased prosperity by assisting the transfer of knowledge and competence across the different countries in the region. There should be a particular focus on areas such as research, clusters and services innovation.

Thirdly, the Strategy covers networks and accessibility. The region is increasingly an important point of entry especially by rail. But as things stand today it takes 36 hours to simply travel from Warsaw to Tallinn by train. The north, where 90% of Europe's iron ore is mined, is isolated. Every winter we have yet another energy security crisis. Only one cable connects the Baltic States to the wider electrical grid. All this needs to be addressed.

Finally, the Strategy covers safety and security. We need to prevent accidents at sea. We need to react in a coordinated way if they occur. And we also need to address criminal activities such as cross-border smuggling and trafficking.

It is noteworthy that two of the four mentioned issues (safety and balanced economic development) are also addressed here in Joensuu during these two days. These issues are crucial to your regions and it is your purpose to find common solutions to the challenges in these fields through exchange of experience and concrete cooperation on the ground.

I strongly believe that the co-operation and action orientated approach of the Baltic Sea Strategy with its macro-regional dimension and real commitment and involvement of the EU and external partners can give a global framework and vision that can inspire and guide your co-operation efforts in these fields and in other issues that you share. However, I would like to stress that though there has already been some implementation of the Baltic Sea Strategy,

even before both the European Parliament and the Council have given their green light, the real work is still ahead of us! What do we need to ensure the successful implementation?

Firstly, the Baltic Sea Strategy will not succeed without a strong political will and support by the national governments of the Member States and by the external partners.

Secondly, the cooperation process implies ownership and commitment at all governance levels and partnership between all the public and private actors with the capacity to go beyond the short-term or individual interests.

Thirdly, there will be no result, without concrete actions, joint or individual, directed to the achievement of the identified common objectives. It is very important to go increasingly from words to action and as soon as possible.

The message I would like to deliver to you speaking about the Baltic Sea Strategy exercise is that the will and attitude to action might come up as one of the challenges to implementation. The momentum reached in the preparation process should best be used in the action phase.

Alignment of the instruments available to support regional development along the EU's external borders

Let me move to the second topic, how to improve the utilisation of the instruments available to support the co-operation at the external borders of the EU. Which are these instruments?

Although it was initiated only five years ago, the European Neighbourhood Policy (ENP) is already well established as a key vehicle for EU cooperation with our neighbours. Why is the ENP so important?

The European Neighbourhood Policy (ENP) is in many ways a response to the European citizens' aspirations and wishes. It is a strategic policy to support the reform agenda in our partner countries and bring more prosperity and stability to Europe's neighbourhood.

The ENP is a *political framework* between states and an international organisation scheme to set the broad conditions of co-operation giving us the possibility to achieve our common objectives. It is a tool for a partnership for reform. It could be a jointly owned process leading to better mutual understanding in our globalised world. It is essential that under this political overarching structure, the day to day business is enabled.

If we suppose that the “cooperation challenges” and the common vision and strategic framework are clear, one of the remaining important problems to solve results from the diversity of the implementing instruments available and the complexity of their coherent use.

Border regions located along the external borders of the European Union are frequently peripheral within their own country, far from the capital city and from economic development poles. Transport solutions are often created with the aim of getting across border regions, rather than linking them with other parts of the country, or with their neighbours. Border controls and visa requirements – necessary tools of course in maintaining security – create an additional burden. Eurozone regions might have already forgotten about how different currencies on each side of the border constitute a barrier to trade and co-operation. But from personal experience, I know the kind of problems the regions along the Eastern border of the Union have to face in their daily life.

You have demonstrated already in the past your readiness and capacity through cooperation projects to address some of these challenges. It is there that the hard, continuous and patient work of building common solutions in the daily life need not only political will and commitment but efficient instruments to support the action. This background explains clearly, why the Commission created the INTERREG Community Initiative as far back as 1990 to help border regions address these challenges and to assist them in working together on a wide range of issues of mutual interest.

In the 2000–2006 programming period cross-border cooperation along external borders was covered both by INTERREG and Neighbourhood programmes. However, during the current programming period 2007–2013 cooperation across the European Union's external borders will be carried out under the Neighbourhood and Partnership Instrument (ENPI) and the Instrument for Pre-Accession Assistance (IPA). These instruments receive *funding under the European Territorial Cooperation objectives* from a separate allocation to cross-border cooperation along the EU's external borders.

The Instrument for Pre-Accession Assistance (IPA) is based on partnerships with the EU candidate countries – the Former Yugoslav Republic of Macedonia, Croatia, and Turkey – and potential candidate countries – Albania, Bosnia and Herzegovina, Montenegro, and Serbia. It supports administrative, social and economic reforms, as well as regional and cross-border co-operation. The IPA supports both cross-border co-operation between Member States and candidate / potential candidate countries on the one hand, and among the candidate

/potential candidate countries themselves on the other. The first group is managed by the Directorate-General for Regional Policy.

The European Neighbourhood and Partnership Instrument (ENPI) promotes co-operation and economic integration between the EU and partner countries – including at the Eastern border of the European Union with Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine (the cooperation with Russia is managed by a Strategic Partnership covering four common spaces). The idea is to support partnerships encouraging good governance and social and economic development. In this framework 15 cross-border co-operation programmes are covered which operate along the EU external borders. These programmes are managed by DG EuropeAid.

To sum it up, the European Territorial Co-operation objective financed by the European Regional Development Fund (ERDF) supports cross-border, transnational and interregional co-operation programmes. It also includes the allocation for the Member States to participate in EU external border co-operation programmes supported by other instruments like IPA and ENPI I mentioned earlier. The ERDF Convergence and Competitiveness and Employment objectives programmes also enable the co-operation of regions between different Member States.

However, even with the co-operation programmes supported by the EU, the external border regions have been facing additional challenges. The integration of EU funding for Member States and non-Member States was less than perfect in the past, and this is something that we have to work on. Putting together of the various funding for Member States and EU external funding for the non-Member States has to be organised in a coherent, streamlined manner, with joint procedures.

Setting up of such integrated programmes has proved to be difficult. The Commission and all the involved partners have experienced the difficulties in establishing the agreements among the Commission and the participating countries, fixing the arrangements for certifying and controlling the expenditure, and agreeing public procurement systems and procedures to ensure the respect for environmental and competition rules. Additional complexity is the coordination of laws.

All the instruments have to be mobilised and integrated in a common framework in order to optimise for possible synergy and increase the added value of each separate action. Let me

here underline that in the regional development policy the top down approach with definition of shared objectives and the bottom up approach with the expression of local needs have to meet and produce a coherent and efficient planning, aligning all the tools and resources available to serve the common strategies. There remains a large room for improvement in this specific area.

Therefore, my next message is an invitation to you to consider the utilisation of the available instruments in a more global strategic approach, focusing on optimization, synergy effects and added value and adjusting the operating framework.

Towards the future

Finally, I am coming to the third topic of my speech today – the opportunities of the future regional policy which, I believe, is of interest to all of us here. What should be the outline of the future cohesion policy?

The debate on the future regional policy is underway. I know that your network has been following it closely and contributing through various fora and consultations.

The consultation launched in 2007 following the publication of the 4th Cohesion Report marked the beginning of discussions. The results were summarised in the 5th Progress Report on Cohesion in 2008. It goes without saying that this reflection process must also be looked at in the context of the ongoing general review of the EU budget. This covers all aspects of EU spending and will report later this year.

What are the latest developments? At the end of last year, the Commission published the Regions 2020 Report. Its conclusions were clear: the policy framework needs to be adapted to help our regions improve the way we deal with globalisation, with our aging populations, and climate and energy challenges. Since then, there have been several other developments. Former Commissioner Hübner has presented a Reflection Paper on the future policy to the Ministers for Regional Policy at their Informal Meeting in Mariánské Lázně this spring. It suggested possible orientations on the rationale and goals of future Cohesion Policy. How can the policy best deliver EU priorities and how can we improve the delivery mechanisms?

I will reiterate here some of the messages of this paper for the future evolution of the policy:

Firstly: To truly achieve the highest impact possible of the policy, we need to focus on a more limited number of core EU priorities:

Even stronger links must be built in the future between regional policy programmes and the Lisbon Strategy. In terms of objectives, the reference must remain sustainable development: competitiveness, cohesion and environmental protection.

The *Convergence* objective remains undisputable. The discussion largely goes on the future of the *Regional Competitiveness and Employment* objective. We obviously have to rethink competitiveness measures. We need to take into account the constraints, and the opportunities, of a low carbon economy and climate change proofing of our infrastructure investment. There should be greater scope for innovation and experimentation, particularly in the business and local development sectors. The strategic dimension of the policy should be reinforced through definition of strategic objectives and the introduction of a high level annual political debate involving all Member States.

The role of the Cohesion Policy, since its inception, has been to ensure that Europe's project of economic integration is for everybody. This integration, driven by the single market, can only work if all can contribute and all can benefit. For this reason, we decided in 2006 that Cohesion Policy should be for all regions. Our single market, competition and trade policies touch every member of the EU. Through its role in promoting competitiveness, the economic benefits of the single market and sustainable growth in all areas, Cohesion Policy supports legitimacy, equity and efficiency goals of the European Union. The needs to reinforce territorial cohesion and regional cooperation are better perceived.

As to the *Territorial Cooperation* objective, already for the present 2007-2013 period the importance of co-operation has increased considerably and co-operation has become an objective in its own right on an equal footing with the Convergence and Competitiveness and Employment objectives.

This demonstrates the commitment of the European Union to the importance of co-operation and the recognition of the added value of co-operation activities. All these considerations should be reflected more carefully in the future, when addressing the specific problems on the external borders of the EU.

Secondly, as we have already seen, better regulation and integration for more efficient use of the instruments available is needed. There has to be a commonly shared strategic framework and the delivery system has to be shaped to be more efficient, making easier networking among the regions and implementation of the territorial cooperation on the ground. The role

of financial engineering in increasing leverage and impact of cohesion policy should also be enhanced.

Thirdly, there is a need to reduce the administrative burden for implementing bodies and beneficiaries, while still ensuring effective and proper use of the EU budget. We need to explore more options to improve the coherence and synergy in using the Funds. To press ahead on this important issue in the current period, we have already set up a working group on simplification with Member States experts. For the future period, the new Lisbon Treaty will eventually provide scope to further clarify the respective responsibilities of the Commission and the Member States in the execution of the policy and the budget.

Right after the Reflection Paper was launched, the final results of the public consultation examining the Green Paper on Territorial Cohesion were presented in the 6th Progress Report on economic and social cohesion. All these elements constitute major building blocks for the further development of Cohesion Policy and will feed into the Fifth Cohesion Report due for publication in autumn 2010. This report is expected to provide the basis for deepening the discussions on the future of the policy. It is now the time to think about ideas of how to make it more efficient, simple and productive for the benefit of all regions and citizens of Europe. And here I will plead to you – participate in this debate, make it yours, make your voice heard!

That leaves me at the end to thank you all for your attention. Border regions are one of the key groups of actors in the European Union's regional policy. They play a crucial role in linking countries together, in developing innovative solutions to economic and social development issues, and are often at the forefront of integration and in co-operation. Let me wish you, despite all the difficulties and challenges you are facing, a very successful cooperation and fruitful work throughout the conference!