

**Speech by Luc VAN DEN BRANDE,
President of the Committee of the Regions,
at the Europa Forum Wachau on:
"United in crisis – Europe, a success story"
Saturday, the 16th May 2009**

Ladies and gentlemen,

I am particularly pleased to participate again to the Europa Forum Wachau and debate the actions undertaken by Local and Regional authorities to minimise the impact of the crisis and speed up the recovery.

The decline in GDP across the EU is forecast to exceed 4% this year¹ with the signs of recovery likely to be seen in 2010. This means more pressure on households, workers, businesses and jobs all over Europe. The European Investment Bank, together with the World Bank and the EBRD, has adopted a 24.5 billion Euro financial aid package to support the banking sectors and to fund lending to local businesses that are hit by the global crisis.

A coordinated European approach is now needed to restore stability in the financial system and in our social and economic systems. **These systems start in Europe's regions and cities.** Europe's

¹ EC spring forecast 2009-2010

http://www.ilsole24ore.com/includes/frameSole.html?http://ec.europa.eu/economy_finance/thematic_articles/article14927_en.htm

92 500 local and regional authorities employ a total of 18 million people, which represents 56% of total public sector employment. Together they account for 16% of total EU GDP; one third of total public expenditure; and two thirds of total public investment.

To fully understand the importance of the Local and Regional Authorities for the European economy and their potential for the recovery, I would like to underline that they are responsible for one third of the public expenditure and more than two thirds of public investment in the EU and must therefore be considered as key actors involved in finding the way out of the crisis and for the preservation of future economic growth. The European Union, banks and governments must support them, especially safeguarding resources for infrastructural investments in order to avoid a dangerous spiral of lack of investment – job losses – lack of credit and further lack of investment.

Facing the crisis the Institutions of the European Union has reacted timely and according to their competencies and capacities, so did some of the governments of the member states addressing primarily the problems in the financial sector, and more recently other affected industries.

The Committee of the Regions has been following the development of the crisis closely since the early stage of the US subprime crisis and its consequences for the financial markets worldwide.

As recently also affirmed by Commissioner Hübner the "Cohesion Policy is helping Europe to get out of this crisis". Excellent cooperation between the European Institutions, including the Committee of the Regions, has enabled Institutions to act quickly. Important spill-over effects are expected from measures recently adopted by the ECOFIN on the sector of regional funds which will take effect by the end of May.

In fact Institutions have agreed, as requested since last October by the CoR, on a series of changes to the regulations that govern the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund with the aim of inject €6.25 billion cash to stimulate project implementation and help protect and create new jobs. Recent changes towards a more flexible - but responsible - use of regional funds, adapted to the current crisis, include:

- Immediate funding for "major projects" without the need for prior approval by the European Commission, representing a total investment of €120 billion (from the ERDF and the Cohesion Fund).
- Simplification of the system for advances paid to beneficiaries under State-aid schemes.

- Simplification of the reimbursement system to reduce the administrative burden on beneficiaries and to speed-up payments.
- Facilitate management of financial engineering schemes combining grants and loans (JEREMIE, JASPERS and JASMINE).

Possibility offered to all Member States to use ERDF funds (up to 4% of their allocation) for energy-efficiency improvements and renewable energy measures in housing..

The CoR has expressed its concerns in several occasions stressing the support for actions strengthening the demand side of the economy, as well as measures to assist small and medium enterprises and local and regional authorities in order to maintain cohesion and to safeguard key investment and infrastructural projects. While rejecting protectionist practices, unjustified state aid and competition distorting practices detrimental for the proper functioning of the internal market.

We pointed out that a coordinated action in a spirit of solidarity on EU wide scale was urgently needed to stabilise the EU and the global financial system and help to limit the impact on the economy as a whole.

We consider important that measures to boost the economy are taken at all regional levels of the EU in accordance with the subsidiarity principle, and that they can be implemented quickly in

order to boost demand without delay; in particular, advance payment of EU funds will help to ensure that measures begin to be implemented quickly.

We have advised the Commission to simplify and increase the flexibility of the contracts award procedures in the low-investment area particularly for local and regional authorities. This would ensure that funds flow more quickly and that SMEs and craft businesses can obtain contracts more quickly and safeguard jobs.

The CoR has welcomed the EC regulation establishing the European Globalisation Adjustment Fund and suggested changes to increase the scope of funding up to 85 % and extend the application of the Fund by lowering the amount of affected employees. We believe that the Globalisation Adjustment Fund shall be used as swiftly as possible and in the greatest relevant number of cases in order to cushion the severity of the crisis.

COR initiatives

On our initiative, regional and local authorities met in Prague on 6 March, ahead of the Spring European Council, in order to launch a common message to the EU leaders. In that occasion we stated our common concern and pointed out that the EU will not be able to respond to the challenges of globalisation without the direct involvement of regional and local authorities in implementing Community strategies.

Also the CoR's Interregional Group on automotive industry is a very precise and practical example of actions taken by the Committee of the Regions to face the challenges of the crisis and use experience on the regional level to turn them into opportunities.

The Interregional Group aims to bring the experience of the representatives of areas hit by the crisis in the car industry on the ground to bear on it, and propose solutions at European level.

It intends to assess the impact of the crisis on the regions affected and the prospects for action, and to look at how existing tools might best be used and to ensure that the new measures proposed at European level are being followed up and implemented effectively.

We are currently working on the recommendations for the post 2010 growth and jobs strategy, seeking among the other issues, ways to better involve regions and cities, strengthen ownership and improve co-ordination among all the levels of governance.

Ladies and Gentlemen,

Current economic conditions confirm that **a unilateral response is of little use if we are to meet the real challenges of globalisation.** In fact, any institutional approach that fails to coordinate all tiers of governance is bound to fail. Centralisation is

not the basis for a dynamic and effective Europe. No 'national' recovery plan will ever be implemented properly without the timely involvement of the Member States' regions and cities. **Today, global and local governance go hand in hand:** there is a need for a **Europe which can break down the institutional barriers between all its various levels of governance.**

As President Barroso stated at our European Summit of Regions and Cities in Prague, "*a priority for the post-2010 period will certainly be to increase the involvement of local and regional authorities in EU policy-making.*" We must involve regions and cities in both the design and the implementation of "national" recovery plans – this is the essence of **multilevel governance.**

I am convinced that all the stakeholders are doing their best to make Europe a success story, but I believe that it can only be a success build in the partnership at all levels and using strategic solutions for the long term future prosperity.

European policies will only **deliver on the ground** if the involvement and support of Europe's regions and cities are guaranteed. The 'go it alone' principle is not acceptable anymore.