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COMMUNICATION FROM THE COMMISSION

REGIONS FOR ECONOMIC CHANGE

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"Progress towards economic reform is under way, Europe is on the move. If we can redouble our energies, the renewed Lisbon strategy will be seen as a genuine turning point towards growth and jobs in Europe. It is time to move up a gear."

José-Manuel Durão Barroso

25 January 2006

"The European Council welcomes the Commission's Communication 'Time to move up a gear'. It invites the Council, the Commission and the Member States to organise the exchange of experiences in a practical way."

European Council

24 March 2006

Summary

For the period 2007-2013 the Commission plans to focus, in partnership with Member States, two existing instruments of European Regional Policy – Inter-regional Co-operation and the Urban development network programme – on testing best practice for economic modernisation and increased competitiveness. This new initiative will be called Regions For Economic Change and will further enhance the contribution of European Cohesion Policy to achieving the goals of the renewed Lisbon agenda. The total budget will be of the order of €375 million.

Under the new initiative, Interregional Co-operation and the Urban development network programme will continue to operate as at present. Volunteer networks of participating Member States, regions and cities will select development themes which interest them and pursue them through joint networks co-financed through the European Regional Development Fund (ERDF); participating Member States, regions and cities will continue to play the leading role in the animation and work of the network.

A new element for 2007-2013 will be that the Commission will itself offer the networks a number of themes focused on economic modernisation and the renewed Lisbon agenda. When Member States, regions or cities choose to pursue these themes, they will have the possibility of working more closely with the Commission. The second major novelty will be to place at the heart of Regions for Economic Change a fast track option. This will provide the opportunity for the Commission to play the lead role in testing selected ideas with a view to their rapid dissemination through the European Regional Policy programmes assisted by the ERDF, the 'mainstream' programmes. Volunteer networks will be established around the selected themes and the Commission will animate them and collate results. This will provide the Commission with a testing ground for its economic modernisation ideas within the themes it has laid down. The themes will be chosen and the programmes animated through a coordinated effort by Commission services.

Two other novelties will aim to reinforce the Communication and dissemination of best practice results in particular in relation to projects clearly contributing to the Union's jobs and growth agenda. The first will be the introduction of an annual Regions For Economic Change conference, with an associated website and publications, which will be held to coincide with the spring European Council – beginning in March 2007. The second will be the introduction of annual awards for the best project ideas in different categories of economic modernisation.

It is further suggested that the initiative Regions For Economic Change could, where relevant, be reported to the European Council in the Commission's annual progress reports on the renewed Lisbon agenda.

The Commission services, Member States, regions and cities will be working in a coordinated way to secure the widest support for Regions For Economic Change and its fast track option. It is planned that the first thematic networks will be in operation by the end of 2006.

Introduction

1. European Cohesion Policy is responding to the challenge issued by President Barroso, in January 2006, to "move up a gear" in its efforts to create growth and more and better jobs.

In the nine months which have passed since he issued his call that the Union should redouble its efforts to bring about economic modernisation, Member States, regions, and cities, working closely with the Commission, have begun intensive preparations for new development programmes to run until 2013. The programmes will allocate €350 billion of Community support and lever a further €150 billion of investment from national public and private sources through co-financing. They will be adopted by the Commission in the first part of 2007.

2. These programmes will be the culmination of a number of steps the Commission has already taken to ensure that this €500 billion investment effort concentrates Union support on economic modernisation and the enhancement of competitiveness.

- It established – and was supported by the European Council – a close link between the regulatory framework of European Cohesion Policy and the renewed Lisbon agenda by making a clear connection between regional economic convergence and economic modernisation.
- It introduced the idea of quantitative targets for Member States to help them and their regions to concentrate the use of Cohesion Policy finance, from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) and the Cohesion Fund, on modernising-investments. This concentration will be achieved by "earmarking" 60% of the investment effort for modernisation in the worst-off regions between 2007 and 2013. For all other regions, the "earmark" target will be 75%. The 60% target is voluntary for EU-10 Member States and a number have already opted to be bound by it.
- The Council adopted the Community strategic guidelines on cohesion which focus on three modernising priorities, and detailed guidelines for investments for urban development.

Each of these decisions by the Commission is guiding Member States, regions and cities to seek those investments in their economic convergence programmes which will bring maximum added value in economic modernisation and increased competitiveness. They are helping European Cohesion Policy move up a gear. More can be done.

Regions For Economic Change and its fast track option

3. The regional convergence and competitiveness and employment programmes which allocate European Cohesion Policy finance from the ERDF and ESF are managed in a decentralised way, in full respect of the subsidiarity principle. The choice of investments to benefit from ERDF and ESF co-finance in 2007-2013 will be made, for the most part, by the Member States, regions and cities themselves.

Regions For Economic Change will be dedicated to discovering best practice in economic modernisation in particular in relation to projects clearly contributing to the Union's jobs and growth agenda and spreading this to all regions in order to help stimulate their regional growth and reducing economic disparities. It will thus play an important part in implementing the Community strategic guidelines on cohesion, which emphasise the importance of sharing

development strategies at national, regional and local level and on networking especially to ensure the transfer of ideas to mainstream national and regional cohesion programmes¹. It will be particularly important for those Member States and regions which are furthest away from the Union's average performance.

Regions For Economic Change will focus two existing instruments of European Regional Policy – the Interregional Cooperation programme and the Urban Development network programme – around economic development themes set by the Commission and coherent with the Community strategic guidelines on cohesion. It will function within the framework of the new European Territorial Cooperation Objective². The two instruments will in total have a budget of €375 million in 2007-2013.

4. Regions For Economic Change will introduce a number of novelties.

- Regions and cities will continue to have the possibility to form and manage their own networks but will also be asked to do so around themes selected to connect Union policies to the modernisation agenda. The Commission will, through a coordinated effort by its services, and in cooperation with Member States, set out the themes to be pursued (see paragraphs 14 to 16 and Commission staff working document, SEC(2006) 1432).
- A new fast track option will provide a rapid testing ground for policy ideas emanating from Commissioners and their services. Within this option, the Commission will be the prime mover in setting up the network of volunteer regions and cities and animating the programmes (see paragraphs 7 and 8).
- There will be a "two-way bridge" between thematic development and mainstream European Regional Policy programmes. Through this "two-way bridge" projects tested under the €375 million budget of the Regions For Economic Change instruments will be rapidly disseminated into mainstream programmes (see paragraphs 9 and 10).
 - Regions or cities which have already developed projects, either individually or together with others, which prove to be best practice, will have the opportunity to bring their experiences into the fast track option so that they may be rapidly and widely disseminated.
 - Regions and cities participating in Regions For Economic Change will be asked for a commitment that they will proactively introduce best practice ideas into their mainstream programmes. They could achieve this by introducing a Regions For Economic Change priority (in ERDF programmes) or a specific clause into their mainstream programmes. Such a commitment will be required for participation in the fast track option.
- Regions For Economic Change will incorporate an enhanced and vigorous communication effort to quickly spread best practice among all regions and cities of the Union. This will

¹ COM(2006) 386: Proposal for a Council Decision on Community Strategic Guidelines on Cohesion, recital 13.

² The legal basis is provided by Article 7(3) of Council Regulation No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999. For further detail regarding the implementation provisions see the ERDF Regulation (EC) No 1080/2006 of 5 July 2006.

include the introduction of annual regional innovation awards for projects which bring high quality results in terms of economic modernisation (see paragraphs 11 to 13).

5. These novelties will ensure that Regions For Economic Change provides the Union with a new instrument with which to prompt economic modernisation and enhanced competitiveness, with a clear role for the Commission within the fast track option. It will provide an opportunity for regions and cities to work on specific themes geared to economic modernisation. It will further stimulate progressive thinking in the implementation of programmes assisted by European Regional Policy through the ERDF and ensure a steady improvement in their contribution to the modernisation objectives.

6. Regions For Economic Change will be easy-to-operate and introduce no new bureaucracy since it will operate through the existing instruments of the Interregional Cooperation and the Urban Development network programmes. It will fully respect the principles of subsidiarity and decentralisation. Regions For Economic Change will thus complement the decisions and actions already taken by the Commission and the Council.

7. Beyond assuring co-finance for Regions For Economic Change programmes through the European territorial cooperation objective of European Cohesion Policy, the Commission will, for networks operating within the fast track option, provide ongoing expert support and, if necessary, administrative back-up. The co-financing of proven ideas can be taken over by ERDF-assisted European Regional Policy programmes and finance may also be sought from schemes operated by the European Investment Bank and the European Bank for Reconstruction and Development. The JASPERS technical assistance initiative may also play a part in project development.

8. The fast track option will be part of Regions For Economic Change. As with the rest of the initiative, it will be voluntary for regions and cities but will have the important difference that the Commission, rather than regions and cities, will be the prime mover. The Commission will set out the themes to be pursued in co-operation with Member States; will invite interested regions and cities to become part of the networks pursuing the theme; will animate, together with the managing authorities, the thematic networks; and will collate results. Furthermore, networks within the fast track option will be offered expertise to develop action plans for testing and evaluating best practice methods. Like the rest of Regions For Economic Change, it will work through the existing mechanisms for Interregional Cooperation and Urban Development.

The "two-way" bridge

9. Experience has demonstrated the need to establish a firm link between pilot schemes which develop new ideas and the European Regional Policy programmes assisted by the ERDF which carry the bulk of the policy's budget. This will be critical to the speedy and widespread dissemination and implementation of new ideas. Regions For Economic Change, especially under its fast track option, will introduce arrangements which will make possible a two-way exchange. The initiative will also build upon the experience of the EQUAL Community Initiative, which is making an important contribution to the spread of best practice in the domains of action co-financed by the ESF.

First, regions which have developed ideas which prove to be examples of best practice – either in their ERDF-assisted European Regional Policy programmes, or other EU

programmes or their own national or regional schemes – will have the chance to have them evaluated under Regions For Economic Change and disseminated throughout the Union.

Second, Member States, regions and cities participating in Regions For Economic Change networks will be asked to demonstrate that they make a bridge between their work within Regions For Economic Change networks and their mainstream programmes. This aims to ensure rapid dissemination among the mainstream programmes of ideas piloted by the initiative and this bridge will be essential for regions participating in networks within the fast track option.

10. This "bridge" between the two types of regional development activity could be ensured by various easy-to-meet requirements – for example, through the inclusion of a Regions For Economic Change priority (in ERDF programmes) or a specific commitment clause in the mainstream programmes of regions and cities participating in the initiative which will ensure that their programmes have the scope to take up new ideas.

An enhanced communication effort

11. Effective communication will be a key part of Regions For Economic Change. It will ensure the rapid dissemination of ideas, results and details of the best practice projects. Foundation for this will be a co-ordinated effort by the information units of the participating Commission services in the organisation of seminars, publications and other communication tools.

12. A key element of this will be the Regions For Economic Change conference to be held each year and timed to coincide with the spring European Council. This will clearly demonstrate the contribution which Community policies are making to economic modernisation and the achievement of Lisbon objectives. The first of these annual conferences will be held in March 2007.

The March 2007 conference will "switch-on" a new website for the exchange of good practice. At its launch the website will contain details of 50 projects in the key policy areas of research, technical innovation; information society; sustainable economic development; and financial engineering. They will be drawn from the experience of on-going programmes. By end-2007 the number of projects will have risen to at least 150. Each year at the Regions For Economic Change conference, the Commission will publish a volume detailing best-practice projects drawn from the different sources covered by the initiative.

13. Integral to the communication policy of Regions For Economic Change will be the creation of annual innovation awards for best projects in the area of selected themes linked to economic modernisation. These awards will improve information about good practice, stimulate the exchange of experience and provide visibility for progressive-thinking. They will be presented each year at the Regions For Economic Change spring conference. Details of the first application of the awards will be announced at the conference in March 2007.

Regions For Economic Change and its fast track option: a summary

The following table summarises the characteristics of Regions For Economic Change, paying particular attention to its fast track option:

| | Regions For Economic Change | Fast track option |
|--|------------------------------------|--------------------------------|
| Networks to pursue the themes for economic modernisation and competitiveness | Yes | Yes |
| Prime mover in establishing networks | Region or city | Commission |
| Lead actor in the network | Region or city | Region or city |
| European Regional Policy support for the network programme | Yes | Yes |
| Additional Commission support for expertise and administration | No | Yes |
| Evaluation of results | Regions and cities | Commission, regions and cities |
| Commitment to proactively introduce best practice ideas into mainstream programmes | Desirable | Essential |
| Participation of programme managing authorities in networks | Desirable | Essential |
| Participation in the annual Regions For Economic Change awards | Yes | Yes |
| Quick dissemination of results | Desirable | Essential |

Themes for modernisation

14. The new regulatory framework for European Cohesion Policy 2007-2013 sets out, under the over-arching objective of economic modernisation, strategic guidelines for investment by Member States and regions. It calls upon them to maximise the convergence effect of their investments by concentrating, as far as is useful, on the themes indicated by the guidelines. The choice of theme will vary between Member States and regions according to their relative economic strength. This effort of concentration will be reinforced by "earmarking" targets.

15. The strategic guidelines offer to Member States and regions a range of themes around which they might build their economic development programmes. The three thematic sets of guidelines and the cross-cutting territorial dimension can be summarised as follows:

- improvement of the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- encouragement of innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including eco-innovation, new information and communication technologies;
- creation of more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital;
- achievement of a high overall growth potential and an even regional development by paying particular attention to specific geographical circumstances.

These guidelines are similar to the areas for priority action identified by the European Council in March 2006: investing more in knowledge and innovation; unlocking business potential, especially of SME's; and increasing employment opportunities for priority categories. The European Council also drew attention to the importance of investments in the field of energy. As a general principle, the initiative will contribute to the Cohesion policy cross-cutting principles of promoting gender equality, reducing disabilities and promoting sustainable development.

16. Considerable work has already been undertaken by different Commission services to establish the themes to be pursued under Regions For Economic Change. The themes are described more fully in Commission staff working document, SEC(2006) 1432.

The cooperation between Commission services, which has led to the establishment of the themes, will continue throughout the implementation of Regions For Economic Change, especially under its fast track option. The Commission's leadership of the various thematic networks under the fast track option will be shared between different Commission services. The aim is to maintain a close link between Community policies and the thematic networks, thus providing a chance for different policies to pilot important ideas which link them to economic modernisation.

Next Steps

17. The Commission services, Member States, regions and cities will be working in a coordinated way to secure the widest support for Regions For Economic Change and its fast track option. The Finnish Presidency will conclude discussions at an informal meeting of Regional Policy ministers to take place in Brussels on 21 November by asking Member States to endorse the refocusing of the existing instruments together with the Commission's choice of objectives and themes.

The Commission services are well advanced in the organisation of the fast track option and it is planned that the first thematic networks will be in operation by the end of 2006.