



Regional Policy under Crisis Conditions: Recent Regional Policy Developments in the EU and Norway

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Preface

This paper was prepared by the European Policies Research Centre (EPRC) under the aegis of EoRPA (European Regional Policy Research Consortium), which is a grouping of national government authorities from countries across Europe. The Consortium provides sponsorship for the EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU Cohesion and Competition policies. EoRPA members currently comprise the following partners:

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Germany

- Bundesministerium für Wirtschaft und Technologie (Federal Ministry for Economics and Technology), Berlin
- Ministerium für Wirtschaft, Mittelstand und Energie des Landes Nordrhein-Westfalen (Ministry of Economics, SMEs and Energy of the *Land* of Nordrhein-Westfalen)

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Netherlands

- Ministerie van Economische Zaken (Ministry of Economic Affairs), The Hague

Norway

- Kommunal-Og Regionaldepartementet (Ministry of Local Government and Regional Development), Oslo

Poland

- Ministerstwo Rozwoju Regionalnego (Ministry of Regional Development), Warsaw

Sweden

- Näringsdepartementet (Ministry of Enterprise, Energy and Communications), Stockholm

United Kingdom

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More detailed country information is available to partners from the EoRPA website. At present, country reviews focus on the EU15 plus Poland and Norway, with the remaining EU12 countries being combined together in a single review. The focus on the EU15, Poland and Norway reflects the historical coverage of EoRPA prior to enlargement and the fact that both Poland and Norway are members of the Consortium.

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Disclaimer

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the EoRPA Consortium.

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	EXTERNAL SHOCKS TO ECONOMIC DEVELOPMENT: A REVIEW OF POLICY CHANGE	2
2.1	Differential policy responses: country-specific changes	5
2.1.1	<i>Crisis-driven changes to regional policy</i>	5
2.1.2	<i>Major regional policy-driven changes</i>	7
2.1.3	<i>Adaptation of regional policy</i>	9
2.1.4	<i>Regional policy changes driven by Cohesion policy</i>	13
2.2	Differential policy responses: a comparative perspective	15
3.	DIFFERENT PROBLEMS, DIFFERENT RESPONSES	19
3.1	The impact of the economic crisis	22
3.2	The nature and perception of the problem	23
3.3	The measurement of the problem	23
4.	MORE GROWTH GOALS, BUT EQUITY REMAINS IMPORTANT	25
4.1	The impact of the economic crisis	28
4.2	The impact of broader regional policy developments	28
4.2.1	<i>Changing objectives in the Nordic countries</i>	29
4.2.2	<i>Changing objectives in Poland, Bulgaria and Slovakia</i>	30
4.3	Trends in terms of policy objectives	30
5.	ALL-REGION FOCUS, BUT FUNDING STILL TARGETED	32
5.1	The impact of the economic crisis	32
5.2	The impact of broader regional policy developments	35
5.3	Trends in terms of the spatial orientation of policy	36
6.	AID IN THE CRISIS, BUT FOCUS ON BROADER DEVELOPMENT MEASURES	38
6.1	More aid in the crisis, but aid less important for regional policy	38
6.1.1	<i>The impact of the economic crisis</i>	38
6.1.2	<i>The impact of broader policy developments</i>	42
6.2	Significant business environment changes, but mainly for regional policy reasons	42
6.2.1	<i>The impact of the economic crisis</i>	43
6.2.2	<i>The impact of broader policy developments</i>	46
6.3	Trends in terms of policy instruments	48
7.	DECENTRALISATION AND REGIONALISATION, CONTINUING COORDINATION ..	50
7.1	More decentralisation; central role changing but still important	53
7.2	Growing stress on coordination, both horizontal and vertical	56
7.2.1	<i>More policy coordination, reinforced by the crisis in some countries</i>	59
7.2.2	<i>Horizontal coordination at the national level</i>	63
7.2.3	<i>Horizontal coordination at the regional level</i>	64
7.2.4	<i>Vertical coordination (national-regional)</i>	64
7.3	Trends in terms of policy implementation	65
8.	SUMMARY CONCLUSIONS AND ISSUES FOR DISCUSSION	67

Executive Summary

Introduction

The aim of this paper is to review recent changes in domestic regional policies across the EU and Norway, focusing on policy change since the beginning of 2008. Following the significant level of change identified last year - covering the start of the 2007-13 programming period and new regional aid guidelines - the current phase was expected to be quieter. However, the economic crisis has delivered a major external shock to economic development in most countries, with potentially significant regional implications.

The paper is built around a series of comparative tables which highlight policy changes across the EU and Norway. The information in the tables is drawn from individual country reports which have been provided separately (as EoRPA Paper 09/3).

An overview of policy change

Section 2.1 reviews change by country. Four broad categories of change are identified from Table 1: external crisis-driven developments in regional policy (found, for instance, in *Ireland, Italy, Germany* and *France*); major internally-induced regional policy changes, such as legislative reform and strategic reviews (identified in *Denmark, Norway, Sweden* and *Finland*); less significant regional policy changes including modifications of instruments and, in some instances, plans to amend delivery mechanisms (*Poland, the United Kingdom, the Netherlands, Austria, Belgium, Luxembourg* and some *new Member States*); and developments attributable to the influence of Cohesion policy (mainly the *Cohesion countries*).

Section 2.2 identifies a number of comparative themes. Crisis-related developments have been significant in countries where regional policy budgets have been impacted by cutbacks - as in *Ireland, Italy* and also, with respect to RDA funding, *England*. In addition, the crisis has increased the policy focus on longer-term competitiveness (*Austria, France*), enhanced regional policy budgets (*Germany*), improved Cohesion policy funding flows, and made aid provision more flexible and/or generous (*Spain, Belgium, France, Poland* and the *United Kingdom*). However, overall, the impact of the crisis on regional policy has not been major; regional policy is a medium-term response to structural issues, not a short-term cyclical or crisis measure. Other themes in Section 2.2 relate to longer-term policy developments: the developing conceptual framework for policy and the growing focus on all-region yet region-specific interventions (*Poland, Denmark, Norway, Sweden, Finland*); the increasingly programme-based and regional-level delivery of regional policy (the *United Kingdom, Sweden, Poland, the Netherlands, Denmark, Finland* plus broader developments in *Spain* and *Italy*); and, related, the perceived need for stronger policy cooperation and coordination (*Austria, Germany, Denmark, Sweden, Belgium, Finland, France, the Netherlands, Poland, Norway*).

Changes in the regional problem

A feature of the modern-day regional problem is its differentiated nature (Section 3). Many countries have adopted an increasingly refined approach which goes beyond narrow socio-

economic disparities to focus on broader competitiveness factors and views of regional potential and strengths, and which increasingly considers development challenges from a regional and sub-regional perspective. Three comparative themes emerge from Table 2. First, the economic crisis has not so far had a major impact on regional disparities. On the other hand, some locations have clearly been hard hit, most obviously those with manufacturing activities and relatively undiversified economies. The crisis has also brought sub-regional differences to the fore, reflecting the political profile of major location-specific job losses, and has raised questions about the longer-term development of lagging regions. Second, there is now a more nuanced view of the regional problem in many countries. By way of example, in *France*, two dimensions to the problem are increasingly highlighted: a global perspective, reflected in the drive for competitiveness in an international context; and a close-up view centred on challenges at the sub-regional or municipal levels. More generally, the challenge of international competitiveness is now seen as a core issue for regional development across Europe; the distinctive nature of the problem by region (and sub-region) is also increasingly recognised, leading to the growing tailoring of regional policy to specific regional needs. Finally, and in line with the more refined approach now being adopted, there have been a number of interesting developments with respect to the measurement and analysis of the problem - in *Denmark, France, Portugal, the United Kingdom, Poland and Austria*.

Changes in regional policy objectives

Over time, regional policy has moved from being a policy primarily concerned with territorial equity to one promoting growth and competitiveness at the regional level (Section 4). This change reflects both the growing internationalisation of economic development (also as reflected by the crisis) and the ongoing influence of broader European priorities (including the Lisbon agenda). On the other hand, issues of territorial fairness continue to underpin most regional policies (including for constitutional reasons in *Germany, Italy and Spain*) and funding flows still tend to support the most disadvantaged areas (in *Germany and Italy* but also the *United Kingdom, Denmark and Poland*). In addition to equity and efficiency concerns, regional policy has an interest in maintaining and supporting viable territorial structures (*Finland, Sweden, Norway*) while sustainable development is also a growing priority (*France, Belgium*). In respect of the period under review, Table 3 identifies a number of developments of note. First, the emphasis placed on growth and competitiveness continues to increase (*Sweden, many new Member States, the Netherlands*). Second, the goal of reducing regional disparities remains a core objective in most countries. Third, sustainable settlement structures continue to be important in the *Nordic countries*, with their sparse and peripheral populations, and are on the policy agenda in *Slovenia*. Fourth, regional capacity-building is highlighted as a new policy goal in *Norway* and is also a policy objective in *Poland* and other *new Member States*. Fifth, the importance attached to specific regional challenges has increased (*Finland, Norway*) while in *Poland* there is now an explicit emphasis on place-based policy-making and place-based interventions. Finally, increasing policy weight is now placed on sustainable development and 'green growth' (*Denmark, France, Belgium, Portugal, Scotland, Austria*). Sustainability has become an increasingly prominent regional development priority.

Changes in the spatial focus of policy

There have been longer-term developments in the spatial focus of regional policy, moving away from designated aid areas to the promotion of growth and development across all regions (Section 5). Table 4 shows that the economic crisis has not had a major impact on spatial coverage. It has, however, led to more focus on developing targeted responses to job losses in specific locations and has also impacted on funding flows (*Germany*). It has also widened the coverage of SME support (*United Kingdom*). Non-crisis-related developments fall into a number of categories. In countries like *Denmark*, *Sweden* and the *Netherlands*, there has been a strengthening of the all-region approach, though with traditional problem regions continuing to be favoured in funding terms. There has also been a growing stress on functional economic areas (*France*, *England*, *Sweden*) and, related, on creating different (groups of) areas for different policy purposes (*France*, *England*, *Poland*). This in turn raises questions about the appropriate size of region for policy purposes, the scope for territorial bodies to combine to tackle specific regional challenges and the growing importance of inter-municipal cooperation (including for city-regions). In addition, growing attention has been paid to specific categories of area, including rural areas (*Germany*, *Sweden*, *Norway*, *Czech Republic*), urban centres (*Poland*, *Latvia*, *Sweden*), areas facing difficult structural adjustments (*Finland*, *France*, *Czech Republic*) and areas with specific challenges (*Greece*).

Changes in regional policy instruments

The definition of what constitutes domestic regional policy has changed significantly over time (Section 6). From an initial focus on regional investment aid and infrastructure support, attention gradually turned towards the regional business environment and the territorial aspects of sectoral policies. More recently, regional programming has grown in prominence, in part reflecting the influence of Cohesion policy, but also a more general shift towards support for endogenous development, building on regional potential and the regional capacity for innovation. It also reflects the enhanced use of regional development strategies to promote growth and competitiveness and integrate territorially-relevant policies in the regions.

Recent changes in policy instruments are set out in Table 5 (regional aid) and Table 6 (business environment measures). Reviewing these changes, the economic crisis has had a relatively limited impact on regional policy instruments, most of which were developed in the context of longer-term EU frameworks relating to the regional aid guidelines and the Structural Funds. Crisis-related changes have seen aid scheme eligibility criteria eased in some countries (*France*, *Portugal*, *Spain*, the *United Kingdom*), more stressed placed on business aid in others (*Greece*, *Ireland*, various *new Member States*) and higher award ceilings and/or more extensive aid coverage, especially for SMEs (the *United Kingdom*, *Germany*, *Finland*). However, while some aid budgets have increased (*Germany*), budgetary constraints and/or falling demand have more generally seen a reduction in expenditure (*Ireland*, *Italy*, the *Netherlands*). Nor has the crisis had a major impact on business environment support. While it has brought forward spending in a number of countries (*France*, *Portugal*, *Spain*), it has led to reduced levels of regional support in *Ireland* and *Italy*. It has also caused more emphasis to be placed on innovation,

international competitiveness and policy coordination in the *United Kingdom*, *Sweden* and *Austria*, as well as *Ireland*. Finally, the economic crisis has had a (limited) impact on business environment measures in some *new Member States* (the *Czech Republic*, *Hungary*, *Slovakia* and *Lithuania*).

Separate from the influence of the crisis, regional aid developments have generally been in the direction of reduced levels of support, reflecting the impact of the regional aid guidelines and the longer-term trend away from regional aid. In *Germany*, the decision has been taken to phase out the Investment Allowance by 2014, while in countries like *Italy* and the *United Kingdom*, the rationalisation of business aid provision is continuing. In the *Czech Republic*, support is no longer available for large manufacturing plants, part of a move to the 'high road' of international competitiveness; in contrast, new aid legislation in *Bulgaria* aims to attract productive investment. Finally, numerous changes reflect the new regional aid guidelines, including higher award maxima for SMEs and new forms of support for young entrepreneurs. For its part, business environment support continues to grow, with an emphasis on regional programming and strategy development (*Denmark*, *England*, *Finland*, *France*, the *Netherlands*, *Sweden* and *Poland*), a stress on business infrastructure and innovation support (*Austria*, *Finland*, *France*, *Italy*, the *Netherlands*, *Sweden* and *Norway*), and a focus on the sub-national delivery of business environment policy (*Denmark*, *France*, *Germany*, *Italy*, *Spain*, the *United Kingdom*, *Poland*). Such developments reflect the policy weight attached to support for endogenous development, the growing impact of globalisation and the competitiveness agenda and the enhanced role of the regional level in the development and delivery of policy.

Changes in regional policy implementation

Turning finally to the administration and delivery of regional policy, two main issues are reviewed - the extent to which regional policy is decentralised in its delivery and coordinated in its administration (Section 7). Focusing on recent policy developments, the economic crisis has, thus far, had a limited effect on policy delivery. The most significant potential developments are in *Ireland*, where the structure and remit of government departments and agencies is being reviewed. However, elsewhere, there are no major plans to change delivery structures, though there is evidence that longer-term moves to improve policy coordination have been strengthened by the crisis (in *Denmark*, *France*, *Sweden* and the *United Kingdom*).

More generally, Table 7 shows that regional policy delivery is becoming more decentralised (*Denmark*, *Poland*, the *United Kingdom* and the *Netherlands*, as well as *Germany* and *Portugal*). Also, broader administrative reforms have led to decentralisation in the *Nordic countries* and potentially *France*, as well as *Latvia* and *Slovenia*. In addition, in both *Spain* and *Italy* major changes to centre-region relationships seem likely to impact on regional policy in the longer-term. On the other hand, sub-national administrative capacity is recognised as a policy constraint in *Greece*, *Cyprus*, *Romania* and *Slovakia*. Finally, it is of note that these developments have not been at the expense of central-level responsibilities. Central ministries remain at the heart of regional policy, though with a growing focus on policy steering, coordination, efficiency and accountability.

Over time, coordination has become a fundamental issue for regional policy administration. Three broad types of coordination change can be identified from Table 8. First, there is horizontal coordination at the national level, aiming to involve national ministries as partners in regional development. In some instances, this has seen the establishment of national-level coordination bodies (*Denmark, Finland, England*, as well as *France, Germany* and *Italy*); in others, a contractual approach is followed (the *United Kingdom, Poland*); while more informal coordination mechanisms apply in *Austria, the Netherlands* and *Norway*. Second, there is horizontal coordination at the regional level. Recent changes in this direction can be found in *Denmark, Finland, Germany, the United Kingdom, Norway* and *Belgium*. Finally, recent developments have seen increased policy weight attached to vertical coordination, with examples provided from *Denmark, Germany* and *Poland* (national-regional contracts and/or agreements), the *Netherlands* and countries where the Structural Funds are important (co-funding of support) as well as *Austria, Sweden* and *Norway* (more informal mechanisms).

Summary conclusions

Overall, this review of policy change has confirmed that regional policy is a longer-term structural policy which has not been used to any major extent as an immediate response to the crisis. On the other hand, the crisis obviously has important implications for regional policy, not least with regard to the extent to which it may influence the future context for policy. In particular, it seems likely that the crisis will have an impact in funding terms (given likely future public expenditure constraints), in terms of the longer-term perception of regional challenges (perhaps leading to more stress on the sustainability of policy) and possibly also in terms of policy instruments and delivery. Given these potentially important changes to the fundamentals of regional policy, it will be particularly interesting to see how domestic regional policy develops in the year to come.

Questions for discussion

Do you agree that the crisis has had only a limited impact on regional policy in the short-term? What kind of impacts do you think it might have in the longer-term?

Place-based policy has been gaining in prominence in recent years. What do you understand by the term? How helpful do you think it is in a regional policy context? What implications does it have for the future development of regional policy?

Regional programming and strategy development lie at the heart of most current approaches to regional policy. However, In Finland, there have been suggestions that a shift is taking place from programme-based policymaking towards interactive partnership and negotiation-oriented policy. Do you see the future of regional policy in these terms?

Over time, there has been growing policy weight attached to both horizontal and vertical coordination. In your view, what are the best mechanisms for ensuring effective coordination?

Regional Policy under Crisis Conditions: Recent Regional Policy Developments in the EU and Norway

1. INTRODUCTION

Over the past year, the priority for governments across Europe has been to cope with the immediate effects and likely longer-term consequences of the economic crisis. In several countries, regional policies have been part of the initial government response, especially to mobilise access to investment capital but also to coordinate government intervention in the regions. Regional policy intervention is also likely to be important in future responses to the crisis, especially in addressing high regional unemployment, although budgets may come under pressure in some countries where public expenditure cuts are necessary. On the other hand, regional policy is seen in most countries as providing a medium- to long-term strategy and framework for territorial development, and several of the policy developments over the past year have been concerned with laying the foundations for policy action over the next five to ten years.

The aim of this paper is to provide an overview of recent changes in regional development policies across Europe. The paper focuses on policy changes since the start of 2008, highlighting the key developments taking place and the main factors underpinning change. The latter half of the period has been dominated by the economic crisis, a topic dealt with in detail in EoRPA Paper 09/1.¹ This paper, in contrast, has regional policy developments at its core, aiming to provide a comparative overview of policy change and the reasons for change. To this end, it is built around a series of standard comparative tables which highlight recent policy developments by country. The tables draw on detailed country information contained in EoRPA Paper 09/3.²

The paper is in seven further sections. Section 2 provides a comparative overview of the main policy developments by country. The sections thereafter consider, in turn, recent changes in the regional problem (Section 3), in policy objectives (Section 4), in the spatial focus of policy (Section 5), in policy instruments (Section 6) and in the administration and implementation of policy (Section 7). A final section draws together some conclusions.

¹ Davies S, Kah S and Woods C, *Regional Dimensions of the Financial and Economic Crisis*, EoRPA Paper 09/1, EPRC, University of Strathclyde, October 2009

² Yuill D (ed.) *Regional Policy Developments in the Member States and Norway: Country Reviews 2008-09*, EoRPA Paper 09/3, EPRC, University of Strathclyde, October 2009

2. EXTERNAL SHOCKS TO ECONOMIC DEVELOPMENT: A REVIEW OF POLICY CHANGE

Regional policy across Europe continues to be in a highly dynamic - and in some cases, volatile - phase of development. A mix of external and internal factors is responsible for ongoing legislative, institutional, budgetary and operational change. Last year, the 2008 EoRPA review³ identified a significant level of regional policy change across the Member States. To a degree, this reflected the new EU policy frameworks for 2007-13, which influenced the volume and direction of EU funding (with important implications for domestic regional policy in many countries) and also caused national policy strategies for regional development to be reviewed. In addition, the new regional aid guidelines had an obvious impact on domestic regional policies, changing aid area map coverage, award ceilings and aid instruments.

Given the longer-term stability provided by the 2007-13 EU frameworks, the current period was expected to be a quieter phase for regional policy. However, the economic crisis has delivered a major external shock to economic development in most countries, with potentially significant regional implications. The policy response - and, in particular, the extent to which regional policy has been part of the response - has been quite differentiated. In some countries, the severity of the economic downturn has been such that regional priorities and regional policy have been pushed to the side by the need to re-establish national growth and development. In others, regional policy has been firmly part of the crisis response, with budget increases and more weight attached to enhancing the longer-term competitiveness of regions. However, elsewhere, the crisis is not seen as an immediate issue for regional policy; instead, regional policy is viewed as a medium-term structural policy. Accordingly, recent regional policy developments in such countries are less about countering the crisis and more about establishing key regional policy parameters for the future, not least in developing the conceptual basis of policy and creating essential longer-term delivery mechanisms which respond to more regionalised and more coordinated approaches to regional development.

This section charts the regional policy response to both the economic crisis and other longer-term change imperatives. It begins by reviewing recent developments in domestic regional policies on a country-by-country basis, before highlighting the main comparative themes to emerge. Recent regional policy developments are summarised in Table 1.

³ Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008.

Table 1: An overview of recent regional policy changes in the EU and Norway

Austria	Recent developments have been low-key. The main focus has been on preparing for a new spatial development concept, ÖREK 2011, with the publication of a number of policy studies and the launch of the drafting process. Policy collaboration under the STRAT.AT process continues to be valued.
Belgium	In Wallonia, the Marshall Plan (2006-09) is coming to a close, with an evaluation published in April 2009. No major changes have yet been made, though a major stimulus in response to the economic crisis was introduced in December 2008. In Flanders, a new action plan was introduced in January 2009 (Pact 2020). The focus is on wealth creation, inclusion and sustainability. Policy change has mostly concerned a reduction and simplification of aid schemes. Policy coordination was also enhanced.
Bulgaria	A revised Regional Development Act was introduced in 2008, which takes into account requirements related to the country's membership of the EU. Moreover, the Law on Spatial Development of the Black Sea Coastal Area that had been approved in 2007 came into force. The major actions undertaken to implement the Regional Development Act at the end of 2008 and early 2009 were designed to update the National Strategy for Regional Development 2005-2015 (approved in June 2009) and regional development plans in order to take account of the changed scope of the NUTS II regions.
Cyprus	The NSRF and accompanying OPs were introduced in 2007. A wider, medium-term development is the Strategic Development Plan 2007-2013. The overall aim of the Plan is the establishment of Cyprus as a bridge of economic cooperation between the EU and the countries of the Middle East and North Africa.
Czech Republic	No legislative changes took place in 2008-9. The introduction of new NSRF and OPs in 2007 was the last key change affecting regional development approaches. The Regional Development Strategy, introduced May 2006, defines the priorities of Czech regional policy and identifies those regions which receive concentrated state support.
Denmark	Following a major reform of local government (five new regions) and a Business Development Act which gave these regions statutory economic development responsibilities via (six) regional growth fora, regional policy is now based on regional programmes which bring together wide-ranging funding sources and coordinate regional priorities and national policy objectives via partnership agreements.
Estonia	No recent changes. A Regional Development Strategy came into force in 2005. The main aim was to make all regions attractive places to work and live, and to promote sustainable development. Introduction of the 2007 NSRF and three sectoral development plans.
Finland	Following a Government Decision on new regional development objectives for 2007-11, regional- and central-level strategies were revised in 2008; revisions were prepared for a new Regional Development Act in 2010 (enhancing national-regional coordination); a new special national programme (KOKO) was progressed; and Regional Councils will play the key coordination role in the regions from 2010 (ALKU).
France	A June 2009 report commissioned by the President to develop 'an offensive strategy for territorial development' advocates an 'entrepreneurial knowledge economy' based on green growth. It stresses the mobilisation of territorial resources to strategic ends, the role of local development strategies and the concept of a 'strategist' State. Also, it replaces an institutional with a functional approach. Policy change has been modest but functional spaces are emerging at sub-regional and interregional levels.
Germany	The GA budget has been increased in response to the crisis. Aid area coverage has grown (to benefit rural areas) and a broader spectrum of activities is eligible for support (more flexibility). The (new <i>Länder</i>) Investment Allowance will continue beyond 2009 but is being phased out. Federal instruments for innovation support have been revised. Also, funding has been increased in response to the crisis.
Greece	Regional policy is driven by the Structural Funds. Following NSRF adoption in March and the OPs in late 2007, the period has seen the development of policy instruments and implementation arrangements. The economic crisis has led to discussions to move the OPs more towards entrepreneurship, SMEs and jobs. A new Framework for Spatial Planning and Sustainable Development has been introduced.
Hungary	There have been no strategic changes since the New Hungary Development Plan came into force in 2007. This is Hungary's NSRF, entitled Employment and Growth 2007-2013. It covers eight sectoral and seven regional operational programmes.
Ireland	Policy developments have been dominated by government efforts to address the crisis. This has not only impacted on economic development but has massively cut government funding. NDP capital expenditure fell by 20 percent in 2009 and the Gateway Innovation Fund has been suspended. National growth is the over-riding priority; regional balance will be pursued again only when growth is restored.
Italy	To provide resources to tackle the economic crisis, cuts have been made to the domestic strand of regional policy. Also some policy instruments have had limited use due to the lack of funding and/or the absence of implementation legislation. In addition, a new (non-regional) development law has strengthened industrial policy over regional policy. Last, a law on fiscal federalism has been approved.

Latvia	The main medium-term strategic planning document, the National Development Plan (NDP) 2007-13, was approved in July 2006. Its main priorities are education, technology and research. These are also linked to balanced regional development. Since 2008, there have been minor amendments in the "Law on Regional Development". These mainly adjusted the Law in line with recent administrative territorial reform.
Lithuania	There have been no recent changes to Lithuania's Regional Development Strategy up to 2013, which was adopted in 2005 as a medium-term strategic planning document. The Lithuanian Strategy for the Use of European Union Structural Assistance for 2007 - 2013 came into force in 2007.
Luxembourg	In July 2008 a new Law on Economic Development of Certain Regions updated previous (2000) legislation. The new law provides for regional aid and is based mainly on grants, though interest subsidies are also available (but not partial tax relief to new business). The new law also provides aid to new SMEs (as permitted under the regional aid guidelines). General aid to SMEs was also updated in December 2008, with new maxima of 10% and 20%. A new R&D aid law was passed in June 2009. Finally, a draft sectoral guidance plan for economic activity zones was unveiled in March 2009 and further, albeit limited, progress was made in respect of territorial reform (municipality mergers).
Malta	In October 2008, Malta's National Reform Programme was published. This is the second such planning document that aims to achieve the Lisbon objectives during a three-year cycle. This and other strategic documents, such as the Pre-Budget document 2010 Growth, Jobs and Social Cohesion, aim to improve Malta's competitiveness, economic growth rate and employment opportunities.
Netherlands	Given the mid-term phase of <i>Peaks in the Delta</i> (2007-10), policy developments have been limited. The focus is on developing policy for the post 2010 period, a process framed by the government's commitment to decentralisation. Some aspects of the regional policy budget have been devolved to the sub-national level, but the arguments for continuing national <i>Peaks</i> support are felt to be strong.
Norway	2009 White Paper: desire to give people freedom to live where they wish; aim to retain main features of the settlement structure; all-region approach, but differentiated by region. Main change was stress on bottom-up community development (need to improve municipality capacity & cooperation); though importance of rural peripheral support continues. More tasks for the regional level; more coordination.
Poland	Focus on developing a robust model of domestic regional policy. Clear commitment to place-based regional policy (utilise the potential of all regions, plus place-based interventions); desire to create a common regional policy across all levels; polarisation-diffusion model; identify areas of strategic intervention; develop new instruments/structures (coordination, decentralisation, capacity-building).
Portugal	Regional policy is closely intertwined with Cohesion policy. The main recent development has been the government response to the crisis - the Initiative for Investment and Employment. This has not impacted on Cohesion policy objectives and approaches, but has seen funding advances and more flexibility re state aid. Also there has been some decentralisation via global grants to municipalities.
Romania	Regional Development Policy is based on the Regional Development Law (Law No 315/2004). There have been no major changes since the introduction of the NSRF and OPs for the 2007-2013 programming period.
Slovakia	In August 2008, the Slovak Government approved a new Act on Support to Regional Development. This new legal framework distinguishes between domestic regional policy and Cohesion policy. For the first time, Slovakia will have its own domestic strategy for interventions aimed at developing its regions. The Act defines objectives, tools, tasks and main beneficiaries of regional development support, as well as stakeholders and provisions for cooperation. The Act foresees the development of the National Strategy for Regional Development by the end of 2009.
Slovenia	2007-13 NSRF and OP have been launched. No major change in national regional policy since 2005, when the Promotion of Balanced Regional Development Act was passed.
Spain	No major change to the Inter-Territorial Compensation Fund or regional incentives, though the latter support job creation more due to the crisis. Under Cohesion policy, the 2007-13 NSRF and OPs were launched. The crisis package introduced wide-ranging sectoral measures and a fund for municipality public works. Important changes to territorial governance (new regional statutes of autonomy).
Sweden	Regional growth policy introduced via 2008 Budget Bill. Continuing emphasis on the contribution of all regions to national sustainable growth, though problem regions also recognised. Regions to utilise their specific strengths to contribute to national growth, using different instruments in different areas. More strategic orientation via Regional Development Programmes. NUTEK combined with rural agency and parts of the Swedish Consumer Agency.
UK	SNR 2007 in England focused on delivery issues. Integrated regional strategies developed under RDAs, but local authorities play more of a role (response to democratic deficit). New instruments to bring together different groupings to deliver policy in functional areas. Crisis response: new industrial policy stresses coordinated support, active intervention and a clearer allocation of responsibilities by level.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

2.1 Differential policy responses: country-specific changes

As Table 1 indicates, the development of regional policy over the past year or so varies greatly among European countries. This section examines recent regional policy changes on a country-specific basis. It reviews the key changes in individual countries - and the factors driving change - in terms of four broad categories: external crisis-driven developments in regional policy; major internally-induced changes to regional policy (such as legislative reform and strategic reviews); less significant regional policy changes (such as modification of instruments and, in some instances, plans to amend delivery mechanisms); and developments attributable to the influence of Cohesion policy. The subsequent section, Section 2.2, identifies the main comparative themes to emerge.

2.1.1 Crisis-driven changes to regional policy

The first set of regional policy developments is associated with the impact of the economic crisis over the past year, through the effects on economic development and government policy responses. These developments are most prominent in Ireland, Italy, Germany and France.

In *Ireland*, recent policy developments have been dominated by central government efforts to address the economic crisis, which has had a massive impact across the whole of the country, including in the traditionally more prosperous South and East (S&E region). For 2007-13, the economic priorities of the country had been set out in a series of documents, in particular, the National Development Plan (NDP), the Structural Funds programmes for the Border, Midlands and West (BMW) and S&E regions, and the 2002-22 National Spatial Strategy (NSS). While regional policy has never had a high profile in Ireland, these documents stressed the importance of balanced regional development, building on existing strengths in all regions. The crisis not only had a major impact on economic development but it also crucially diminished government funding. NDP capital expenditure is expected to decrease by almost 20 percent in 2009 and there have been major public expenditure cutbacks, including the suspension of the Gateway Innovation Fund (GIF), with an initial budget of €300 million over the 2008-10 period and a significant regional development profile. The programme to decentralise government jobs has also been put on hold. Under current economic conditions, regional policy tends to be considered a luxury that will be pursued again when affordable. Re-establishing national growth is the current priority, reflected in a new policy framework document, 'Building Ireland's Smart Economy', around which most business environment support is focused.⁴ One final point is that the changed economic conditions may also impact on the structure and remit of government departments and agencies. A July 2009 report suggests the merger of regional offices across agencies, the streamlining of agency functions, a reduction in the number of local authorities and the closure of the Department of Community, Rural and *Gaeltacht* Affairs.

In *Italy*, a new comprehensive strategy for regional development was adopted for 2007-13 (the National Strategic Document, NSD) and EU and domestic regional policy funding were

⁴ Government of Ireland *Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal*, Dublin: the Stationary Office, December 2008.

combined within a new unitary regional policy. More recently, and following on from a change of government and then the economic crisis, there have been a number of important developments. First, to free up resources to tackle the crisis, funding has been significantly reduced under the domestic strand of regional policy. Related, some regional policy instruments (including tax credits for investment and for employment creation) have been used to only a limited extent, or not at all, due to funding constraints and/or the absence of implementation legislation. Also, the government introduced a Development Law in July 2009 which is national in orientation; more generally, and in similar vein, there has been a focus on industrial policy measures more than regional policy. Finally, a new law on fiscal federalism was approved by Parliament in May 2009; while this still has a long way to go before it can be implemented (involving difficult discussions within the ruling coalition and also between the national government and the regions) it potentially has major implications for the future and nature of regional policy in Italy. In reviewing these developments, it is of note that regional issues are at the heart of ongoing political tensions within the governing coalition (which includes the *Lega Nord*) and that relations between the national government and regional governors have become more strained in an environment of funding constraints.

In *Germany*, there have been recent changes in respect of a number of different dimensions of regional policy, some of which are part of the response made to the economic crisis. Within the joint federal-*Land* regional policy GA (*Gemeinschaftsaufgabe*), an extra €200 million funding has been made available as a crisis measure, split evenly between the new and old *Länder* (whereas six-sevenths of mainstream GA funding is earmarked for the new *Länder*). In addition, the aid ceiling for large firms in certain designated C areas and D areas will, as part of the crisis response, be raised to €500,000 instead of the usual €200,000 ceiling. Other changes were introduced before the crisis, particularly an extension of designated areas and types of eligible expenditure under the GA. For instance, the aid area map has been increased from 35.84 percent to 40.17 percent of the national population, thus making GA support available to SMEs in certain designated (mainly rural) areas in the old *Länder*. A further change has seen a broader spectrum of activities become eligible for assistance. This includes cooperation networks, cluster management projects and projects in non-profit-making, non-university, business-oriented research institutions, which were previously funded only on a pilot basis. In addition, new pilot funding has been made available in support of regions with effective management structures or integrated strategies, as well as for those *Länder* which wish to support measures not previously eligible for GA support. Separate from the regional policy GA, an important development is that the Investment Allowance (*Investitionszulage*), which is an investment aid available only in the new *Länder*, has been continued beyond its 2009 termination date but with progressive phasing out until 2014 (via reduced award levels). Third, federal instruments for regional innovation support have been revised. Additional funding has been allocated to the Central Innovation Programme (ZIM) under the second federal fiscal stimulus package, with €100 million of the additional funding (of €450 million) earmarked for the new *Länder* and with the temporary extension of eligibility to the old *Länder*.

In *France*, the overarching policy objective of enhancing national competitiveness remains at the top of the agenda. In the context of the global crisis, a report commissioned by the French President to develop ‘an offensive strategy for territorial development’ was published in June 2009. This Saint Etienne report advocates the continued transformation of the economy into an ‘entrepreneurial knowledge economy’ based on green growth. It stresses the importance of creating effective innovation systems, the need to mobilise territorial resources to implement strategic projects at different levels based on networking and consensus, the growing role to be played by local development strategies, and the concept of a ‘strategist State’ responsible for guaranteeing favourable framework conditions in the long term. In terms of policy instruments, recent change has been relatively modest: in response to the crisis, eligibility criteria were eased under the regional policy grant (PAT) and spending under the State-region project contracts was speeded up. Also, following a strategic review, policy has been developed to respond to the territorial implications of the restructuring of the defence sector. In addition competitiveness poles have moved into a new phase (with a new call in the field of eco-technologies) and functional spaces are emerging at the sub-regional and interregional levels to tackle specific development issues. Related, the growing profile attached to entities such as *Grand Paris* and *Grand Nord-Est* has fuelled a debate about the size of French regions, while local authority reform has increased the stress placed on inter-municipal groupings.

2.1.2 Major regional policy-driven changes

A second set of recent policy developments are driven by longer term reviews or reforms of regional policy, associated with new government programmes, legislative changes or other major domestic re-assessments of the design or operation of regional policy. This applies to Denmark, Norway, Sweden and Finland.

In *Denmark*, a new approach to regional policy was introduced from the start of 2007. This followed: a major reform of local government (with five new regions established); a Business Development Act which gave these regions statutory responsibility for economic development through tri-partite partnership bodies (regional growth fora)⁵ and which identified six policy areas on which activities must focus (innovation, ICT, entrepreneurship, human resources, tourism, development of the periphery); within this institutional set-up, the bringing together of local, regional, national and EU economic development activities within a single, programme-based structure; and, via partnership agreements, the increased coordination of regional-level initiatives with national policy concerns (under the national globalisation strategy). Following the delayed introduction of the 2007-13 Structural Funds programmes (key to the overall funding of projects), the period under review represents the first fully operational phase of the new regional policy regime. In practice, the priorities of the regional growth fora have been framed mainly by national policy initiatives, in particular the national globalisation strategy and an emerging “green-growth” agenda. Projects supported cover a wide range of issues (within the six

⁵ Members come from local and regional government, private-sector organisations and knowledge institutions.

designated categories) and differ markedly in composition by region (as expected, since the new approach aims to increase regional flexibility to target policy interventions at specific regional needs). A key feature of the new approach is the increased coordination it engenders: at the regional level via the regional growth fora, nationally through the tripartite Danish Growth Council and vertically via the partnership agreements between the central government and each regional growth fora.

In *Norway*, regional policy generally operates on a four-year cycle, with a White Paper published in the lead-up to the general election; following discussions in Parliament, this then feeds into the coalition agreement of the new government. The most recent White Paper⁶ was published in April 2009 prior to national elections in September. It continued the policy priorities of the Centre-Left government - a wish to give people real freedom to live where they want to live; to this end, a focus on measures to help retain the main features of the settlement pattern; but, at the same time, a continuing 'all-region' approach, tailoring policy to specific regional needs and aiming to strengthen both regional economic growth and living conditions in the regions. The main change in the White Paper was its emphasis on bottom-up (community) development. There was recognition that the effective implementation of national and regional measures depended on improvements in local (municipal) capacity and on enhanced municipal cooperation. At the same time, the White Paper continued to increase the support available for rural peripheral areas (the districts); underlined the policy weight attached to the social security concession in the least-populated areas; and continued to stress the importance of all-region measures, including growth-oriented interventions, support for small and medium-sized towns and broader sectoral policies. A further important development has been the conclusion of the long-running administrative reform process (*Ansvarsreformen*). From 2010, the regional (county) level will take on additional regional development responsibilities relating to the road network, regional research funding and the part-ownership of Innovation Norway (a key implementation agency in Norway). Related, more stress is being placed across the board on policy coordination, an aspect also stressed in the new White Paper.

In *Sweden*, the previous 'regional development policy' was renamed 'regional growth policy' following the election of a new government in September 2006 and the adoption of the 2008 Budget Bill.⁷ The new regional growth policy adapted the earlier policy objective of creating '*well functioning and sustainable labour market regions with a good level of services in all parts of the country*' to '*dynamic development in all areas of the country with greater local and regional competitiveness*'. It thus continued to take an efficiency-oriented approach by emphasising the contribution of all regions to national sustainable growth and prosperity, while also recognising the traditional designated problem regions. The new policy did not involve a major change of focus, but it did clarify that focus. It is the responsibility of all regions to utilise their specific strengths to contribute to national growth, utilising the different policy instruments which are available for different types of area. Rural areas have been high on the agenda in the past year following the adoption of a

⁶ St.meld.nr.25 (2008-2009) *Lokal vekstkraft og framtidstru: Om distrikts- og regionalpolitikken, 2009*

⁷ Budget Bill, 2007/08:1, *Budgetpropositionen för 2008*, 20 September 2007

new rural development strategy. The new policy has also increased the emphasis on innovation within regional policy and strengthened the strategic orientation of policy (via Regional Development Programmes). Finally, with respect to policy delivery, the main implementing agency, NUTEK, combined its responsibilities with those of the National Rural Development Agency and parts of the Swedish Consumer Agency to form *Tillväxtverket* in April 2009. In addition, a further two regions will move to a self-governing model in 2011, joining Skåne and Västra Götaland; new legislation is expected to make this possibility available to other regions by 2014. Last, as part of the response to the economic crisis, regional coordinators have been appointed to coordinate the efforts of various local and regional actors on behalf of the government.

In *Finland*, the Government Decision on new regional development objectives in December 2007 (which covered its 2007-11 term of office) paved the way for a number of developments. First, regional- and central-level strategies had to be revised in line with the new objectives: strengthening of national and international competitiveness in the regions; strengthening of regional viability and reduction of regional disparities; and, solving specific regional challenges. This impacted on both the regional strategic programmes of the Regional Councils and the regional development strategies of sectoral ministries; these were completed at the end of 2008. It also fed into work on the development of a long-term strategy covering the period to 2020. Second, the new objectives implied changes to the existing legislative framework, with an updated Regional Development Act due to come into force in 2010. Amongst other things, this Act will renew the regulatory framework relating to regional planning; reinforce the current system of regional development; and clarify the role of regional development in national decision-making (including within sectoral ministries). Third, Government plans to introduce changes to the special national programmes, combining the programmes for regional centres, rural areas and islands into a new cohesion and competitiveness programme (KOKO), have kept the programme development phase active. A call for programme proposals attracted participation from most Finnish municipalities (grouped into 52 KOKO programme areas). Lastly, the implementation of the regional governance reform (ALKU) in 2010 has led to a number of changes in advance of the deadline, with a new legislative package approved by the government in April 2009. According to the reform, Regional Councils will become the overall coordination authorities for regional development. Coordination has also been enhanced by the creation of a new Ministry of Employment and the Economy and the combining of domestic and EU regional policy negotiation committees. Overall, a shift is taking place from programme-based policymaking towards interactive partnership and negotiation-oriented policy.

2.1.3 Adaptation of regional policy

Apart from the major reviews or reforms of regional policy outlined in the previous section, the past year has seen a series of ongoing changes to policy (or discussions of future policy changes) in several countries with a view to improving policy efficiency or effectiveness. This applies to Poland, the United Kingdom, Netherlands, Austria, Belgium, Luxembourg and some of the new Member States.

In *Poland*, the recent focus has been on developing a robust model of domestic regional policy. This process has been progressed through consultation and review, recent legislation (updating the principles of development policy and the implementation of Cohesion policy), new plans for reforming policy instruments (including regional contracts) and the updating of strategic frameworks (a new national development strategy and a new national strategy for regional development are in preparation). While the process is not yet complete, a number of themes are emerging. First, there is a clear commitment to the place-based regional policy model, with a concentration on the endogenous potentials of all regions alongside more specific, place-based interventions. Second, there is a desire to integrate regional interventions at all levels to create a common regional policy to which all public bodies can contribute. Third, a 'polarisation-diffusion' model for policy has been identified; this prioritises the most competitive sectors and centres (polarisation) while diffusing benefits through a range of measures (equal education opportunities, access to transport and telecommunications infrastructure, social integration). Fourth, steps are being taken to identify areas of strategic intervention for regional policy (including both areas facing serious development challenges and areas which, due to their specific advantages, influence national development). Finally a range of instruments and structures are being introduced to facilitate policy implementation. For instance, various configurations of bodies are being brought together to help coordinate and deliver policy (e.g. major centres and their surrounding areas are forming urban groupings). In addition, there are moves to further decentralise responsibilities to regional governments. In this context, the need for a clearer division of powers between the centre and the regions is recognised, as well as the importance of strengthening the financial basis of regional governments and improving institutional capacity-building. There is also support for a more active approach to policy coordination at the central level, potentially involving reformed regional contracts, dedicated regional units within sectoral ministries and a coordination role for the Ministry of Regional Development.

In the *United Kingdom*, the broad approach to regional policy continues to follow lines laid down in 2003: an assessment of the regional challenge based mainly on the productivity agenda, a focus on regional and local market and coordination failures as the most important cause of UK national and regional disparities, and a commitment to devolved or decentralised arrangements for regional policy delivery. Recent developments have taken this agenda forward, especially regarding policy delivery.

- In *England*, the 2007 SNR (*Review of subnational economic development and regeneration in England*) focused on delivery issues, aiming to strengthen economic performance by ensuring that policy interventions are made at the most effective level. Of particular importance, the development of integrated regional strategies brought together economic and spatial planning at the regional level under the auspices of the RDAs (but with local authorities now playing a joint role with respect to planning responsibilities in response concerns about the democratic deficit). At the same time, new policy instruments utilise different configurations of central, regional and sub-regional bodies to deliver policy in functional economic areas. More generally, the economic development role of local authorities is being strengthened and regional decision-making streamlined. A new *Local Democracy*,

Economic Development and Construction Bill aims to implement many of these provisions and is due to pass through Parliament later in 2009. Responding to the recession, a *New Industry, New Jobs* policy in April 2009 prioritised the provision of coordinated support for innovation, skills and enterprise, signalled a more active role for government (demanding more consistency and coordination across government departments) and set out a clearer allocation of responsibilities between administrative levels. Coordination has also been enhanced by combining enterprise, skills, innovation, science and research policies within the new Department for Business, Innovation and Skills. Finally, Selective Finance for Investment in England has been rebranded as the Grant for Business Investment, with related changes to increase accessibility and flexibility in response to the recession.

- In *Scotland*, an Economic Recovery Programme was published in autumn 2008 and set it out in detail in January 2009, with a further update in March. The Programme builds on the 2007 Government Economic Strategy and provides a framework for action by the Scottish Government, local government, public bodies and social partners. The stress is on accelerating capital expenditure, affordable housing and energy efficiency measures. There is no strong regional policy within Scotland; instead, the emphasis is on sustainable economic growth regardless of location. With respect to delivery, there is increasing reliance on local government (the councils) and partnerships at local level becoming the promoters of economic development. In addition, a number of aid schemes, including Regional Selective Assistance and SMART:Scotland are to be administered in future by Scottish Enterprise to which the relevant budgets are being transferred.

In *the Netherlands*, the current regional policy phase runs from 2007 to 2010, based on the *Peaks in the Delta* White Paper of 2004 and confirmed by the new government of February 2007. Alongside this political support, the all-region focus of the *Peaks* approach, its selective philosophy (targeting regional strengths of national interest) and geographic, programme-based policymaking have meant that it has generally been viewed positively, though ongoing implementation challenges are recognised. Since the start of 2008, policy change has been limited: the demand for *Peaks* support continues to be high and improvements are being made to its implementation. The current focus is on developing policy for the post 2010 period, a process framed by the government's commitment to decentralisation. A detailed discussion is underway about the division of responsibilities between the Ministry and provincial levels, which should lead to a State-province agreement on which level is responsible for what. In this context, previous Ministry of Economic Affairs funding for urban policy now flows direct to the sub-national level while aspects of industrial estates funding have also recently been decentralised. However, the arguments for continuing national *Peaks* support (for regional innovation clusters of national significance) remain strong, not least the use of programme-based Regional Commissions (stimulating regional alliances and partnerships around agreed regional priorities) and the role of *Peaks* support in ensuring policy synergies (a catalyst for drawing together diverse funding sources). A decision on how far down the decentralisation route the government will go in practice is due in the coming months.

In *Austria*, national regional policy has traditionally been limited, in part by the absence of severe regional problems, but also by the federal structure of the country and the importance attached to subsidiarity and the decentralisation of competencies. Regional policy consists mainly of the development strategies of the *Länder*, combined with the regional implications of sectoral measures (especially R&D and innovation-related) and the coordination activities of the federal level. It is driven largely by the policy framework established for EU Cohesion policy, with changes to strategic and policy instruments typically following an EU 'rhythm'. Following the launch of the 2007-13 NSRF and related programmes, recent developments have been low-key. Policy objectives are unchanged, though preparations have begun for a new spatial development concept, ÖREK 2011. Studies have been prepared on Austrian regional development scenarios for 2030, on energy and spatial development, on spatial development and urban agglomerations and on new prospects for peripheral rural areas. As regards policy instruments, innovation measures continue to lie at the heart of policy and, indeed, have been given more weight as part of moves to enhance longer-term competitiveness in response to the economic crisis. Policy collaboration continues to be valued, with the STRAT.ATplus process promoting ongoing policy interactions. With respect to policy delivery, a so-called 'Governance Check' is being carried out to ensure that the Structural Funds implementation system remains efficient. In addition, a major evaluation of RTDI policy is expected to lead to some radical policy changes which will feed through to regional development initiatives over time.

In *Belgium*, regional policy has been relatively stable. In Wallonia, the Marshall Plan, introduced originally in 2006, runs until the end of 2009. An evaluation was published in April 2009 and may lead to the integration of the Plan into a longer-term regional development strategy. In addition, some amendments were made to the regional aid package in line with changes to the EU's State aid frameworks. Crisis measures have also been important in Wallonia; the amount disbursed through the economic stimulus package of December 2008 is broadly equivalent to that available under the Marshall Plan. In Flanders, a new action plan was concluded in January 2009, Pact 2020, with a focus on wealth creation, inclusion and sustainability. Policy change mostly concerned the reduction and simplification of aid schemes, partly also in response to the economic crisis. Policy coordination was also enhanced, with the merger of the Agency for Economy and the Flemish Enterprise Agency to become the Enterprise Agency (*Agentschap Ondernemen*) in April 2009.

In *Luxembourg*, following the adoption of new aid frameworks at the EU level (the 2007-13 Regional Aid Guidelines and related measures), updated aid legislation has been introduced for regional, SME and R&D aid and is in the final stages of preparation for environmental protection aid. In recent years, the development focus has been increasingly on R&D activities. The June 2009 Law on the Promotion of R&D and Innovation reflected this priority, providing the legislative framework for various types of aid including support for young and innovative firms and especially for SMEs. In addition, a new Law on Economic Development in Certain Regions was adopted in July 2008. This updated regional aid legislation from 2000 and also introduced support for new small enterprises (as permitted under the 2007-13 Regional Aid Guidelines). A new SME law was passed in December 2008, amongst other things increasing the aid ceilings for small firms (from 15 percent to 20

percent) and for medium-sized firms (from 7.5 percent to 10 percent), again in line with the revised EU aid frameworks. In addition to these aid-related changes, there have been developments in the field of spatial planning, with ongoing efforts to integrate sub-national development policies into the broader National Spatial Planning Programme and with a new draft plan for economic activity zones which aims to facilitate territorial convergence.

In the *new Member States*, Cohesion policy generally plays a dominant role in regional policy developments. However, in a number of countries, new domestic policy frameworks and/or legislation have recently been introduced. For instance, a new Regional Development Act was adopted in *Bulgaria* in May 2008; this takes account of requirements related to EU accession and sets out the national approach to regional development. A Law on the Spatial Development of the Black Sea Coastal Area also came into force. In *Slovakia*, a distinction is now made between Cohesion policy and domestic regional policy. As well as establishing a domestic strategy for regional development interventions, the Act on Support to Regional Development defines the objectives, instruments, tasks and main beneficiaries of regional development support, as well as the key stakeholders and provisions for cooperation. The Act also lays down a requirement for the development of a National Strategy for Regional Development by end 2009. In *Latvia*, some minor amendments have been introduced to the Law on Regional Development; these mainly adjust the Law to reflect recent territorial reform. Finally, *Malta* saw the publication of the country's second three-year National Reform Programme in October 2008. This and other recent strategic documents focus on improving competitiveness, economic growth and employment opportunities.

2.1.4 Regional policy changes driven by Cohesion policy

A final set of regional policy developments has taken place in countries where there is a close relationship (if not harmonisation) between domestic and EU regional policies. In these cases, the changes taking place are strongly influenced by the Cohesion policy agenda, as in Greece, Portugal, Spain and many of the newer Member States.

In *Greece*, regional policy has long been driven by the Structural Funds which provide the policy framework for both national and regional economic development. The NSRF was adopted in March 2007 and the OPs in October and November. They respond to the need for Greece to improve its position in terms of competitiveness, entrepreneurship and research and development and, compared to 2000-06, have a significantly-enhanced regional component. The period from the start of 2008 has been dominated by the development of policy instruments and related guidelines and implementation regulations. There have also been discussions about exploring the possibility of redistributing OP funds in response to the economic crisis, with a focus on promoting entrepreneurship, SMEs and jobs. Also reflecting the crisis, the policy instruments which have been taken forward most rapidly have been those with most impact on the liquidity position of SMEs. Finally, in mid-2008, new General and Specific Frameworks for Spatial Planning and Sustainable Development were adopted in Parliament; these set down longer-term strategic directions to which individual development policies can relate. The General Framework is aligned with the NSRF which promotes the development of a balanced and polycentric urban system, the guarantee of

equal access to infrastructure and knowledge, and the sustainable development and protection of the natural and cultural heritage.

In *Portugal*, regional policy is closely intertwined with, if not synonymous with, the operation of EU Cohesion policy which co-finances the main regional aid schemes and a range of other sectoral initiatives with spatial and/or national development objectives. Historically, the policy focus has been on improving national competitiveness, with all regions eligible for support but with Lisbon at the heart of policy. However, the Lisbon area received much less Cohesion policy funding for 2007-13 and there remains concern about the over-concentration of economic activity on the coast at the expense of the interior and other depressed areas. The main recent policy development has been the government's response to the economic crisis - the Initiative for Investment and Employment. This has not implied major changes to the strategic objectives, priorities or interventions of Cohesion policy. The objective remains to achieve "sustained and environmentally sustainable convergence with Europe and [to promote] territorial cohesion at the national and European levels".⁸ However, funding advances were made for specific co-funded measures (e.g. involving investment in schools infrastructure) and the incentive schemes became more flexible (with, for instance, eligibility extended beyond innovation projects and higher award ceilings). From a governance perspective, the most significant recent changes (already foreseen in the NSRF) have been the approval of a number of global grants for associations of municipalities (further decentralising policy delivery), the finalisation and launch of the evaluation plan and the introduction of a system of quarterly reporting on the implementation of Cohesion policy.

In *Spain*, the 1978 constitution established 17 self-governing regions (Autonomous Communities) with extensive powers in the field of economic development and a commitment to the "establishment of a fair and adequate level of economic equilibrium between the different parts of the country". At the national level, regional policy consists of three instruments: EU Structural and Cohesion Funds, delivered through a combination of national and regional programmes; the 'Inter-Territorial Compensation Fund', which provides domestic funding to regional governments in less-developed regions for financing investment in the fields of infrastructure, public works, irrigation, planning, housing, transport and communications; and a 'regional incentives' scheme which grants aid for business investment and which has been historically restricted to Objective 1 regions. Neither of the last two measures has changed markedly, although temporary modifications have been made to the regional aid scheme in response to the economic crisis (with more weight attached to stable job creation and higher awards per job created). The main activity over the last two years has been the launch of the 2007-13 NSRF and Operational Programmes (with more stress on competitiveness and the Lisbon agenda). In addition, a package of measures has been introduced in response to the economic crisis (the Plan to Boost the Economy and Employment), including wide-ranging sectoral measures and a fund to allow municipalities to invest immediately in public works projects. In parallel to these developments, important changes to territorial governance are progressing via reform of the regions' statutes of autonomy (including giving them an enhanced role in economic

⁸ Decree No 51/2007 of 27 de Abril 2007

development and infrastructure policies) and changes to the related territorial finance model (with more regional government revenue from regionally-collected taxes and greater fiscal autonomy in their use).

In the *new Member States*, many countries had to embark on austerity programmes in 2008-09, especially those that accepted IMF loans (Hungary, Latvia, Romania). With respect to regional policy developments, Cohesion policy plays a dominant role in most countries. Consequently, Cohesion policy changes introduced at the EU level in response to the crisis have been important, including the ability to front-load spending. More generally, because of its longer-term, multi-annual nature, Cohesion policy has provided a relatively stable framework for development activities under sometimes challenging conditions. Reflecting this, legislative changes in the EU12 countries have, for the most part, been limited, reflecting the fact that new NSRFs and OPs for the 2007-13 period have only recently been developed and agreed.

2.2 Differential policy responses: a comparative perspective

Taking a comparative perspective on changes to regional policy across European countries over the past year, several themes stand out.

The first of the comparative trends concerns recent regional policy developments which respond to the economic crisis. These are most important in those countries severely affected by the 'meltdown' in parts of the banking sector and subsequent downturn in economic conditions, and where regional policy budgets have been cut back. For example, in *Ireland*, the severity of the downturn and the attendant need to reduce public expenditure caused the domestically-funded NDP to cut capital spending by 20 percent in 2009 (including the suspension of the Gateway Innovation Fund). The policy focus in Ireland is on re-establishing national growth; regional balance is not a policy priority at present. In many *new Member States*, not least those like Hungary, Latvia and Romania which have accepted IMF loans, regional priorities have similarly been superseded by a strong focus on national growth. In *Italy*, the need to redeploy resources to tackle the crisis has led to major cutbacks in domestic regional policy funding and has also impacted on the resourcing of the RDAs in *England*.

The economic crisis has also seen regional policy instruments being part of government responses. Innovation and longer-term competitiveness have been given more regional policy weight due to the crisis in a range of countries, including *Austria* and *France*. In *Germany*, an extra €200 million has been made available to the regional policy budget as a crisis measure, split evenly between the new and the old *Länder* (whereas the core regional policy budget is weighted strongly towards the new *Länder*). Significant additional funding has also been allocated to the main federal instrument for regional innovation and its coverage has been extended temporarily to the old *Länder*. In *Portugal* (and also *Greece*), regional policy is synonymous with Cohesion policy and has, accordingly, been relatively stable; however, as part of the crisis response, advances have been made available in respect of some co-funded measures, while aid provision has become more flexible. In *Spain*, too, temporary modifications have been made to regional aids, with more weight attached to stable job creation, while *Denmark* also stresses employment and training

measures more as part of its crisis response. Finally, in countries such as *Belgium*, *France*, *Poland* and the *United Kingdom*, aid-based support has been amended and accessibility eased to reflect both the crisis and the increased flexibility now available under the State aid regulations. However, overall, and certainly in most EU15 countries, the impact of the crisis on regional policy has not so far been major; regional policy is seen as a medium- to long-term response to structural issues rather than a short-term cyclical or crisis measure

Other comparative themes are less related to the short-term imperatives arising from the crisis and more to longer-term trends in the development of regional policy. In particular, they respond to: the developing conceptual framework for policy and the growing focus on all-region yet region-specific interventions; the increasingly programme-based and regional-level delivery of regional policy; and, related, the perceived need for stronger policy cooperation and coordination.

Looking towards the next policy phase, the objectives of regional policy - and the conceptual basis of policy - have received considerable recent attention, amongst other things as part of the response to a more globalised policy environment. In *Poland*, for instance, there is now a clear commitment to a place-based model of domestic regional policy, with a concentration on exploiting the development potential found in *all* regions, combined with specific place-based interventions to reflect different regional needs and/or advantages. The new policy approach in *Denmark* also adopts an all-region philosophy, while supporting both growth-oriented and problem-related activities in the regions. Underlining the regional specificity of interventions, the composition of projects supported in Denmark now differs markedly by region.

Other Nordic countries have also reviewed regional policy in the past year or so and have similarly adopted an all-region philosophy, while continuing to recognise the specific and significant challenges facing traditional problem areas. Thus, in *Norway*, the 2009 White Paper not only continues to target peripheral rural areas but also maintains an all-region approach to growth-oriented policy measures, tailoring interventions to specific regional needs in order to strengthen regional growth and enhance living conditions in the regions. In *Sweden*, the 2008 Budget Bill introduced 'regional growth policy' which, as its name suggests, promotes growth across all regions. It aims to enhance local and regional competitiveness, while also recognising the challenges facing traditional problem regions. The new policy makes regions responsible for developing and exploiting their specific strengths by utilising the different policy instruments available in different areas. Finally, in *Finland*, the new regional development objectives of the 2007-11 government have a strong competitiveness focus, though strengthening regional viability and solving specific regional challenges are also policy priorities. The new objectives have led to revisions in the regional strategic programmes of the Regional Councils and the regional development strategies of sectoral ministries, with the latter being given increased policy weight to help support policy coordination.

Another longer-term comparative theme concerns the growing weight attached to regional programming and regional-level policy delivery. In part, this stems from the ongoing importance placed on strategic policy approaches, but it also reflects the growing emphasis on partnership and collaboration at the regional level. Amongst recent developments,

integrated regional strategies have moved centre-stage in *England*, combining economic and spatial planning at the regional level and involving stronger interactions between RDAs and local government. In addition, policy instruments have been developed in England to bring together different configurations of central, regional and sub-regional bodies to deliver policy across functional economic areas. In *Sweden*, too, the new regional growth policy has strengthened the strategic orientation of policy by increasing the importance attached to regional development programmes. Regional-level coordination has also moved up the policy agenda, not least in response to the current economic climate.

Similar trends are found in *Poland*, with more stress on domestic strategy development and with the recent focus on 'place-based' measures arguing for further decentralised implementation, with a stronger role for regional self-governments. In *the Netherlands*, policy post 2010 seems likely to build on the six programme-based Regional Commissions, tripartite bodies which use national *Peaks in the Delta* funding to stimulate regional alliances and partnerships around agreed programme priorities. In *Denmark*, the new regional growth fora are, similarly, tripartite partnership bodies which combine local, regional, national and EU development activities within a single, programme-based structure. Finally, in *Finland*, policy operates via the regional strategic programmes of the Regional Councils and the regional development strategies of sectoral ministries, both of which have recently been revised. An interesting longer-term development in Finland is what has been characterised as a move from programme-based policymaking towards interactive partnership and a negotiation-oriented regional policy.

Two final 'regionalisation' developments are of note, though they extend well beyond regional policy *per se*. First, the current reform of regional statutes of autonomy in *Spain* should ultimately give the Spanish regions a greater role in economic development and infrastructure policies as well as more fiscal autonomy. Second, in *Italy*, a framework law on fiscal federalism was passed in May 2009, though it will require implementation legislation to take effect. This is likely to take some time.

Finally, the growing significance of the regional level and regional programming has enhanced the importance of coordination for effective policy implementation. A range of recent developments aim to improve policy coordination. Thus, in *Austria*, where regional policy is based around the development strategies of the *Länder*, collaboration has recently been strengthened by the STRAT.AT process. In *Germany*, though regional policy is constitutionally a *Land* responsibility, the long-standing joint Federal-*Land* coordination framework (the GA) now funds a broader spectrum of mainstream activities, including cooperation networks. There is also more flexibility under the GA to support bottom-up development initiatives. In *Denmark*, a central feature of the new regional policy approach is the weight placed on coordination and cooperation: at the regional level via the regional growth fora; nationally, through the tripartite Danish Growth Council; and vertically via partnership agreements. In *Sweden*, policy coordination has been enhanced by merging NUTEK with the National Rural Development Agency and parts of the Swedish Consumer Agency and also, as already mentioned, by giving more weight to regional-level coordination in response to the economic crisis. Enterprise agencies have also been merged in Flanders in *Belgium*.

Similar developments in other countries are more future-oriented. In *Finland*, the regional reform process which ends in 2010 will make Regional Councils the key coordination body in the regions, while national-regional coordination will be improved by strengthening links between regional and national decision-making and between domestic and EU policy-making. In *France*, the July 2009 Saint Etienne report stresses the need to mobilise territorial resources to implement strategic projects at different levels and the importance of local development strategies in this. In *the Netherlands*, policy development post 2010 is being framed by the government's commitment to decentralisation; arguments for continuing national *Peaks* support are based largely on its coordination role, not least in drawing together diverse funding sources at the regional level. In *Poland*, there are moves to decentralise responsibilities to regional governments further and also to introduce more central policy coordination (possibly involving dedicated regional units within sectoral ministries). In *Norway*, the 2009 White Paper stressed the need to improve local capacity and enhance municipal cooperation. There was also a general call for more policy coordination, related to the administrative reform process and increased regional development responsibilities at the regional level.

3. DIFFERENT PROBLEMS, DIFFERENT RESPONSES

A feature of the regional problem in the countries under review is its differentiated nature. While traditionally it has been characterised by a distinction between depressed areas, on the one hand, and prosperous regions, on the other, many countries have adopted a more refined approach over time which goes beyond narrow socio-economic considerations to focus on broader competitiveness factors and views of regional potential and strengths, and which increasingly considers development challenges from a regional and (often) sub-regional perspective.⁹ Recent developments in the nature and perception of the regional problem are summarised by country in Table 2. Three comparative issues emerge which are addressed in this section: the impact of the economic crisis on the regional problem; other (non-crisis-related) changes to the regional problem; and new approaches to problem measurement.

Before considering these issues in more detail, it is worth reviewing briefly the current nature of the regional problem by country group. As discussed in more detail in last year's report,¹⁰ the countries divide into six broad categories. First, in Member States such as *Austria, Denmark, Ireland, Luxembourg* and *the Netherlands*, regional disparities are considered to be relatively limited, particularly in comparison to other EU countries, and this is not seen to justify major regionally-targeted interventions; instead, an all-region approach to regional policy is generally adopted. In a second group - *Belgium, France*, and *the United Kingdom* - there are perceived to be differentiated regional problems, which call for fine-tuned policy responses, often at the sub-regional level. In a third group, consisting of the Nordic countries, *Finland, Sweden* and *Norway*, sparsely populated regions (and certain areas facing problems of structural adjustment) continue to be acknowledged by targeted policy measures, although a competitiveness-oriented focus on all regions has gradually moved centre stage, particularly in Finland and Sweden. Fourth, in *Germany* and *Italy*, severe internal regional differences remain between east-west and south-north respectively, and these continue to lie at the heart of policy. Fifth, despite significant internal disparities and some new analyses of the regional problem, *Greece, Portugal* and *Spain* are mainly concerned with enhancing national development. Finally, in *Poland* and most of the remaining *EU12*, internal disparities are marked (particularly between capital city and lagging regions often along eastern borders) and there is generally also a major development gap with the rest of the EU. In these countries, too, the policy stress is on national development.

⁹ Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 3.

¹⁰ Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 3.1.

Table 2: Changes in the regional problem in the EU and Norway

Austria	No significant change. Limited problems, not justifying large-scale policy interventions. Problem focus on centre-periphery disparities at sub- <i>Land</i> level (except in tourism areas in west Austria) and, less so, on disparities between the western <i>Länder</i> and Vienna on the one hand and the southern <i>Länder</i> on the other. Some indication that development gaps are closing (Burgenland).
Belgium	In Flanders, ongoing problems relate to congestion, industrial estates, and urban sprawl.. Also the employment situation is difficult (long-term unemployed). Wallonia underperforms in terms of GDP and employment, and continues to have fragile areas, including rural areas. Also outward commuting and poor qualification levels. Sustainable development a priority in both regions.
Bulgaria	Bulgaria lags far behind the EU average in terms of GDP per capita. The South-Western Region (including Sofia) is the most prosperous region. All regions are characterised by high dependence on traditional manufacturing, inefficient agriculture, lack of a 'culture of innovation', and deficiencies in infrastructure. Regions with large and well developed cities and urban networks are in a more favourable position than more rural areas. Significant intra-regional disparities.
Cyprus	Despite Cyprus' small size, regional disparities are apparent, most notably between and within rural and urban areas, with rural areas facing the challenges of depopulation, population ageing and poor access to key transport links. Industrial areas and those that are dependent on fishing are also eligible for support.
Czech Republic	Regional disparities have gradually increased, particularly between the capital city region and Moravskoslezský kraj and Severozápad. Generally, metropolitan regions and regions in the western (southwestern) part of the country outperform other regions. Especially affected are old industrial regions suffering from an accumulation of social, economic, and environmental problems. At the same time, there is a shift of differentiation from NUTS III regions to the micro-regional or even municipal level. Certain data suggest emerging development axes between Prague and major regional capitals, in Moravia and between Brno and Olomouc.
Denmark	Limited problems (capital area versus rest of the country). More uniformity in recent years (also under the economic crisis). Policy aims to maximise regional contributions to national growth, but acknowledges also less well-off peripheral areas (and sub-regional differences).
Estonia	Even though Estonia is a small country, there are significant regional differences in living standards and economic competitiveness. Regional disparities have increased since 1999. They are especially pronounced between, on the one hand, Tallin and Tartu and, on the other, the lagging North-East as well as between South-East Estonia and the rest of the country.
Finland	Policy focuses increasingly on all regions, although targeted measures strengthen regional viability and aim to resolve specific regional challenges. Regional disparities have not been growing, though regional centres continue to benefit most. Problems remain in peripheral regions, including ageing and worsening municipal finances. Key future challenges are: age structure; an available knowledgeable workforce; globalisation; IT challenges & climate change.
France	Although regional wealth disparities have fallen for a decade, marked differences remain, with respect to well-performing regions (Ile de France, Rhône-Alpes). Economic production and R&D are still relatively concentrated. Issues include: the dominant role of the Paris region (though less a concern than in the past); the lack of major urban centres of European standing; urban-rural linkages; and problems of industrial restructuring (more important in the current crisis).
Germany	No change. The problem continues to be framed in terms of structural socio-economic weakness, reflected in indicators such as unemployment rates, gross wages, employment forecasts and infrastructure (GA) or GDP per capita (Structural Funds). All regions in the new <i>Länder</i> continue to underperform all regions in the older <i>Länder</i> . The crisis has impacted on all regions.
Greece	No change. Regional disparities remain deep and persistent. Polarity between the Attiki region and the rest of the country is the main issue. Although inter-regional disparities are falling, they remain significant, as are intra-regional differences. Convergence to the EU average in GDP per head terms is slow. Policy focuses largely on increasing the country's growth potential.
Hungary	Regional development disparities are considerable in Hungary. The capital city region is by far the most prosperous region. There is also a marked east-west divide. The west benefits from high levels of FDI. The regional economies of eastern, especially north-eastern, areas are dominated by heavier industry and agriculture. In addition, rural and peripheral areas suffer from a lack of adequate infrastructure and skilled labour.
Ireland	Prior to the crisis, development disparities were a concern, particularly between Dublin and the more peripheral regions. However, the crisis has impacted heavily on the traditionally more prosperous areas such that the policy priority is now to re-establish national growth/ prosperity.
Italy	North-south economic and social dualism continues to be the key reason for regional policy intervention. Current economic slowdown affects all regions, including the South (different from previous recessions when the South appeared to be shielded more).

Latvia	Notable development disparities exist between the capital city region in the west and eastern Latvia and the rural areas, which suffer from a lack of physical infrastructure, deficits in human resources, lack of a qualified workforce especially in engineering, increasing labour costs, decreasing competitiveness in manufacturing, low productivity rates, low levels of science and technological research, and insufficient transport infrastructure.
Lithuania	Growing regional disparities, in terms of economic development and general living standards, are apparent between urban and rural regions and between the largest cities and the rest of the country. At the same time, there is as much variation between counties as between regions. Domestic regional policy is oriented towards more equal development of growth centres.
Luxembourg	No change. The regional 'problem' is traditionally associated with steel restructuring (south) and fragile agriculture (north). Other concerns relate to the lack of economic diversification, concentration of economic activity in the centre and cross-border commuting.
Malta	Malta faces challenges of peripherality, accessibility, insularity, ageing population, illegal immigration, population density and limited natural resources. These problems are amplified in the Island of Gozo, which faces the challenge of double insularity, being dependent on Malta for the movement of people, goods and services. Gozo suffers from a restricted internal market, environmental fragility and a one-sided economy based primarily on tourism and agriculture.
Netherlands	Outside the north, the general view is that there are no major disparities. Current transitional support in favour of the north ends in 2010. The north will benefit thereafter from compensation paid in response to the cancellation of the high-speed rail link to Groningen. The crisis has had a mixed impact on different regions, but has not led to any significant change in regional policy.
Norway	The main regional challenges concern: sparse population and peripheral areas with accessibility problems: the ongoing movement of population to urban centres; and issues linked to the industrial structure (mono-industry towns/over-dependence on primary industries).
Poland	Key challenges are seen to include: economic growth at national and regional scales (in face of rising regional and sub-regional disparities and west/east and urban/rural divides); human and social capital in the regions (fewer of working age; demographic ageing; suburbanisation; high emigration); territorial imbalances in infrastructure; and regional governance concerns.
Portugal	2007-13: north/south, coastal/interior divides replaced by: new horizontal axes with Spain; shift in underdevelopment from the interior to the periphery; and differentiation between the Porto and Lisbon areas. New Composite Index of Regional Development shows major variations in development/competitiveness, but more balance in cohesion &, less so, environmental quality.
Romania	In terms of regional development key concerns are: increasing development disparities between Bucharest-Ifov and the regions; unbalanced development between the eastern and the western parts of the country; chronic under-development in the east, particularly on the border with Moldova and in the south, along the River Danube; small and medium-sized towns in economic decline, linked to industrial restructuring; and declining growth in many large urban centres, limiting their role in the development of surrounding areas.
Slovakia	The position of the capital city in the extreme west of the country contributes to polarised economic growth and amplifies the 'west-east' development gradient in the country. Southern and eastern parts of the country have a rural character, with below average economic productivity and low investments rates accompanied by high unemployment, spatial concentration of marginalised groups, poor transport links and infrastructure.
Slovenia	Development gaps are most notable between advanced western and central regions of Slovenia and eastern regions, and between the capital city Ljubljana and other cities. Less developed regions in Slovenia face constraints in terms of physical infrastructure and have high rates of unemployment. Migration out of peripheral areas reduces their developmental capacity.
Spain	Prior to the recent downturn, an increasing number of regions were performing above the EU average (GDP per capita), although progress was slower in most Convergence regions. In 2008, all regions experienced a decline in GDP growth, with regions with a high industrial/construction presence especially affected. Regional disparities in GDP per head increased markedly in 2008.
Sweden	While regional differences are recognised, there is an expectation that all regions will contribute to national growth. There is a divide between urban and rural areas; larger regions experience more growth. The need for targeted and differentiated policy to maximise the potential for sustainable growth continues. The crisis has impacted particularly on larger industrial regions.
UK	In England, the headline indicators of economic performance focus on growth and jobs. The gap in growth rates between the south-east and the rest of the country is no longer increasing, though regional performance is mixed. Comparison with EU15 benchmark regions suggests better UK performance. Gaps in regional productivity drivers are narrowing.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

3.1 The impact of the economic crisis

An interesting feature of the economic crisis is that, in many countries, its impact on regional relativities (as reflected in socio-economic indicators) has so far been relatively limited. While the consequences of the crisis are often channelled through specific locations (due to plant closures and job losses), this has not as yet been reflected to any major extent in changes to relative regional disparities in the countries under review.¹¹

On the other hand, some locations have clearly been hit hard - most obviously those industrial or manufacturing regions with relatively undiversified economies. In some countries, such locations are often amongst the most dynamic and wealthy regions (western *Sweden*, the south and parts of the north-west of *Germany*, and Styria, Upper Austria and part of Carinthia in *Austria*); however, in other countries, they are often found within older industrial regions with relatively narrow sectoral bases (as in, for instance, the north-east of *France*). In *Spain*, those regions with a higher proportion of economic activity in industrial and especially construction sectors have been more adversely affected, while those with a higher share in services have witnessed a less abrupt decline in growth. In countries like *Norway* and *Finland*, problems are especially acute in mono-industry towns, while in the *United Kingdom* there have been difficulties both in London and the South-East (where financial services dominate) and in the Midlands and North (where manufacturing firms are mainly located). In other countries (*Italy*), the strongest effects seem to be in the least-developed regions (the *Mezzogiorno*) while in *Poland* the impact of the crisis on unemployment and production has been most severe in the less diversified east. Elsewhere in the *new Member States*, the crisis has had a profound effect on general development policy, especially where countries have embarked on austerity programmes (in particular, *Hungary*, *Latvia* and *Romania*, following acceptance of IMF loans).

Despite these developments, most countries have not (yet) recorded significant changes in the nature and perception of the regional problem. Thus, for instance, although unemployment rates in *Denmark* began to increase during the latter half of 2008 and into 2009, the spread by region has, in fact, narrowed. On the other hand, the crisis has brought sub-regional differences to the fore, reflecting the political profile of major location-specific job losses. Moreover, in a number of countries (*Ireland*, *Italy*), there is an expectation that, over the longer term, traditional lagging regions will recover most slowly from current economic conditions given their more fragile foundations for development.

One other impact of the crisis has been with respect to perceptions of the regional problem. In some countries (most obviously *Ireland* but also some new Member States) regional issues have become less central, given the importance of re-establishing robust national growth. Related, in a range of countries, there is now more stress placed on international competitiveness as a longer-term response to the crisis, both nationally and at the regional level. This is discussed further in Section 4.

¹¹ For as more detailed discussion, see Davies S, Kah S and Woods C, *Regional Dimensions of the Financial and Economic Crisis*, EoRPA Paper 09/1, EPRC, University of Strathclyde, October 2009, Section 3. The next paragraph is a summary of developments drawn from this source.

3.2 The nature and perception of the problem

In virtually all of the countries covered, the fundamental nature of the regional problem has not changed. There is, however, evidence, in some, of narrowing regional disparities in recent years and, in many, of the development of a more refined understanding of regional challenges.

With respect to reduced disparities, in *Austria*, the eastern *Land* of Burgenland, a former Objective 1 region, has been catching up in recent years. In *Finland*, too, the positive growth period prior to the economic downturn benefited most regions, though regional centres continued to make most progress; at the same time, problems have remained in many more peripheral regions, where ageing and worsening municipal finances have accentuated the situation. In *France*, regional disparities in wealth have been decreasing over the past decade; however, marked differences persist, especially between the well-performing regions (Ile de France and Rhône-Alpes) and the rest of the country. Increasingly, there are two dimensions to the French debate about regional disparities: a global perspective, reflected in the drive for competitiveness in an international context; and a close-up view centred on challenges at the sub-regional or municipal levels. In *Greece*, disparities between regions seem to be diminishing, but again significant differences persist between and, importantly, within regions. In the *United Kingdom*, there is evidence that the previously widening gap in growth rates between the top and bottom performing regions has been arrested to a degree and that differences in the drivers underpinning regional differentials are narrowing (e.g. regional skills levels). There is also a growing awareness in the UK of the nature and importance of sub-regional disparities.

While there have been signs of improvement in regional disparities across a range of countries, significant disparities continue to persist in many. Moreover, building on trends which have become more visible in recent years, there is now a more nuanced view of the regional problem in a variety of countries. On the one hand, the challenge of international competitiveness is increasingly seen as a core issue for regional development; on the other, the distinctive nature of the problem by region (and sub-region) is increasingly recognised, leading to the growing tailoring of regional policy to specific regional needs (as discussed further below).

3.3 The measurement of the problem

Over time, the measurement of the regional problem has become increasingly refined, with a movement away from a reliance on socio-economic disparities alone.

Thus, in *Denmark*, an intensive development project is being undertaken jointly by central government and the new regions to improve the information base for policy. This aims to provide a more uniform and sophisticated picture of the economic situation in the regions to inform policymaking and help support the evaluation of programmes and projects through an detailed set of indicators. Standardised collection of data on regional economic performance should allow the regional growth fora to base their policies on up-to-date analyses of regional development trends, while facilitating evaluation within and across regions with regard to both policy programmes and individual projects.

In *France*, a “territorial observatory” (*Observatoire des territoires*)¹² was established in March 2005, representing an important step towards comprehensive data collection and cooperation. The observatory is managed by DIACT and gathers data collected at European, national, regional and sub-regional levels. It aims to provide an overview of developments in various fields (e.g. sustainable development, location factors, good practice, evaluation) to stimulate debate about major challenges and to facilitate policy decisions.

In *Portugal*, a Composite Index of Regional Development has recently been published (May 2009). Its stated aim is to provide a tool for monitoring regional disparities on a bi-annual basis in order to support public policies with territorial objectives or consequences. It is made up of 65 indicators divided into three components which reflect broader sustainable development concerns: competitiveness; cohesion and environmental quality. The most significant differences between regions have been recorded in terms of growth and competitiveness (with the coastal areas significantly out-performing the interior, though the interior does better in terms of environmental quality). A core function of the Index is to trace out the relative performance on the regions against relevant national averages.

In the *United Kingdom*, the current approach to regional policy is founded on the belief that regional disparities are a consequence of market- or government-based failures to alleviate differences in underlying drivers of productivity. In response, the government has developed indicators of these key productivity drivers:¹³ competition (exports as a percent of GVA), enterprise (total entrepreneurial activity, business start-ups), innovation (business enterprise R&D, domestic expenditure on R&D, enterprises with co-operation arrangements on technological innovation activities with other enterprises or institutions, sales accounted for by new or improved products) skills (level of qualifications, employees receiving training) and levels of business investment. In March 2008, a UK Treasury report suggested that gaps in these regional productivity drivers were narrowing.¹⁴

A broader view of the regional problem is also adopted in *Poland*. The emphasis is on: economic growth at national and regional scales (including reviews of regional and sub-regional profiles); human and social capital in the regions; infrastructure developments (focusing on territorial imbalances in transport and communications infrastructure, including telecommunications infrastructure); degrees of sub-regional differentiation (including between urban and rural areas); and regional governance systems.

Finally, in *Austria*, policymakers have questioned traditional methods of measuring disparities in terms of GDP per capita and unemployment rates. They are particularly sceptical about unemployment as an indicator, given the impact of commuting and the issue of ‘non-employment’ (due to education, early retirement, female non-participation). In Austria, commuting times are considered to be a good indicator of the employment challenges in the regions, not least because they correlate well with demographic trends.

¹² http://www.territoires.gouv.fr/indicateurs/portail_en/index_en.php

¹³ HMT and DTI (2004) *Benchmarking UK productivity performance: The Government’s response to the consultation on productivity indicators*.

¹⁴ HM Treasury (2008) *The UK economy: analysis of long-term performance and strategic challenges*.

4. MORE GROWTH GOALS, BUT EQUITY REMAINS IMPORTANT

Over time, regional policy has moved from being a policy primarily concerned with equity issues - aiming to counter territorial disparities, measured in socio-economic terms, between lagging and developed regions - to one interested increasingly in promoting growth and competitiveness at the regional level. This change in focus reflects both the growing internationalisation of economic development (with all regions now felt to be subject to global pressures) and the ongoing influence of broader European priorities (including the Lisbon agenda). On the other hand, whilst recognising that regional growth and competitiveness are now core components of the regional policy agenda, it would be wrong to downplay the continuing importance of territorial equity to regional policy.

Across many Member States, issues of territorial fairness still underpin regional policy. In some countries, for instance, *Germany*, *Italy* and *Spain*, this is in line with constitutional imperatives. In others, such as *France*, the *United Kingdom* and the *Nordic countries*, the focus on regional disparities is long-standing and ingrained and, in *Finland*, *Norway* and *Sweden*, reflects the long-acknowledged challenges of peripherality, rurality and sparse population. Even in countries where Cohesion policy tends to dominate domestic regional policy initiatives (such as *Portugal* and *Greece* and many of the *new Member States*), regional disparities generally remain a basic concern of regional policy. There is an underlying assumption in countries like *Portugal* and *Poland*, for instance, that creating the conditions for the growth of competitiveness in all regions will help to contribute to economic, social and territorial cohesion. As might be expected, it is mainly in countries where the regional problem is viewed as minor or insignificant, such as the *Netherlands* and *Austria*, that growth and competitiveness objectives tend to dominate the regional policy agenda. However, even where growth objectives are prioritised, funding flows still tend to support the most disadvantaged areas, not only in countries like *Germany* and *Italy*, but also in the *United Kingdom*, *Denmark* and *Poland*.

In addition to equity and efficiency concerns, regional policy has, in a number of countries, also had an interest in maintaining and supporting viable territorial structures. This has been particularly the case in countries with areas challenged by sparse population, creating difficulties for uniform service provision across space. Thus, one of the longer-term regional policy goals in *Finland* is to support the viability of regions by promoting a multi-centred regional structure; in *Sweden* there is an ongoing interest in providing a good level of services in all parts of the country; and, in *Norway*, maintaining the features of the settlement pattern has been a long-standing regional policy goal. Sustainable development has also been given a growing priority in a range of countries (including *France* and *Belgium*) while governance concerns have received policy attention in a number of the new Member States (including *Poland*).

Against this backdrop, Table 3 identifies those changes to regional policy objectives which have been introduced since the start of 2008. An initial discussion reviews those which reflect and respond to the economic crisis; thereafter, changes which arise from broader regional policy revisions and review are considered. A final section draws together the main developing trends.

Table 3: Changes in regional policy objectives in the EU and Norway

Austria	No change, though ÖREK 2011 under development. Regional policy a <i>Land</i> responsibility; federal focus is on policy coordination. <i>NSRF goals</i> : to increase regional competitiveness at a faster rate, increasing employment and income levels and contributing to balanced and sustainable regional development. <i>Länder</i> have an innovation focus: some target growth areas, others balanced territorial development.
Belgium	No national-level objectives. Regional policy is a regional responsibility. Flanders traditionally has a horizontal focus (innovation and regional strengths) while Wallonia continues to favour a territorial approach. Sustainable development is moving up the agenda in both regions. The Pact 2020 in Flanders highlights wealth creation, inclusion and sustainability as the main policy objectives and puts forward three main policy priorities: simplification; the greening of production processes; and marketing..
Bulgaria	The Regional Development Act was approved in 2008. The aims of State policy for regional development are: diminishing inter-regional and intra-regional disparities in levels of economic and social development; ensuring conditions for accelerated economic growth and high employment rates; and the development of territorial co-operation. The latest update of the National Strategy for Regional Development in 2009 underlines the importance of growth and competitiveness for the development of all regions in the country. The objectives related to the territorial balance are retained, but objectives related to competitiveness and growth have become dominant.
Cyprus	No change. Development policy in Cyprus focuses on promoting high rates of sustainable growth, with a view to achieving real convergence with the EU. Furthermore, development policies foster economic and other cooperation, and they aim to create new forms of research and technological development. Regional policy focuses on addressing disparities between the three main urban centres and the rural areas of the country, and maximising the development potential of each area.
Czech Republic	No change. State support for regional development aims to promote the development of socioeconomic and environmental potential of the regions, to increase their competitiveness, to support balanced development, and to reduce disparities levels with respect to economic and social development and environmental conditions.
Denmark	No change, though new statement in preparation: 'green growth' strategy emerging. <i>2003 White Paper/2005 Business Development Act</i> : each region to maximise contribution to national growth (priorities: innovation, ICT, entrepreneurship, human resources); peripheral areas favoured so they are not cut off from growth (priorities: tourism, peripheral areas). This equity element sits alongside a continuing emphasis on regional growth/competitiveness.
Estonia	No change. According to Estonia's Regional Development Strategy, the overall aim of regional policy is to ensure all regions are 'attractive' places to live and work. Three main policy objectives are: 1) meeting people's needs regardless of where they live, 2) achieving a sustainable competitiveness of regions, and 3) enhancing links with cross-border regions and the rest of Europe.
Finland	<i>Government Decision on regional policy</i> (late 2007): to improve national and international competitiveness in the regions; to strengthen regional viability and reduce regional disparities; and to solve specific regional challenges. These goals broadly continue previous policy objectives, combining efficiency and equity concerns with an interest in strengthening the country's territorial structure.
France	No significant change, but reinforcement of existing objectives. Long-standing goal to preserve territorial cohesion. Alongside this, regional policy has become a growth-enhancing instrument (renaming of DATAR as DIACT, competitiveness poles). Economic crisis has increased the focus on competitiveness at the national level. Policy also promotes attractiveness, innovation, social cohesion and sustainable development. <i>Saint Etienne report</i> : Offensive strategy for territorial development: entrepreneurial knowledge economy based on green growth.
Germany	No major changes. <i>GA policy objectives</i> : to ensure that structurally-weak regions can take an equal part in economic development through addressing locational disadvantages. Within the GA, there is an emphasis on supporting the export base in structurally-weak regions. Equity and efficiency goals are seen as complementary. Constitutional commitment to 'uniformity of living standards'.
Greece	No change, though the economic crisis has led to discussions about changing the weighting of different priorities within the 2007-13 OPs. <i>2007-13 NSRF objectives</i> : The focus is on growth and competitiveness, while also aiming to reduce inter- and intra-regional differences. Regional policy thus has both competitiveness and equity objectives, but with most emphasis on the former. On the other hand, the stress on regional balance was greater than in the previous funding period.
Hungary	No change. The National Regional Development Concept outlines the following regional development goals: competitiveness; assistance for less-developed regions; balanced community networks; sustainable development; interregional cooperation in Europe; stronger decentralisation/subsidiarity.
Ireland	The economic crisis has shifted the policy focus strongly towards national growth and development (<i>Building Ireland's Smart Economy</i>). Prior to this, the <i>2007-13 NDP</i> had a regional dimension (with regional balance a horizontal theme) and the <i>NSS</i> had a focus on designated regional gateways.
Italy	No formal change to NSD objectives, but significant financial cutbacks in the <i>Mezzogiorno</i> , which had been favoured (see below). <i>2007-13 NSD</i> : acknowledges that the persistence of territorial disparities and the relative stagnation of the national economy require more targeted policies, focusing on the key weaknesses that impact negatively on national competitiveness. The NSD adopts a country-wide approach, but concentrates resources on the <i>Mezzogiorno</i> ; this reflects the constitutional commitment to 'substantial equity'.

Latvia	No change. The overall development aim is to catch-up with EU development averages. Within Latvia, the aim is to implement an effective and territorially-differentiated social and economic development policy. In particular, centres of regional importance and cities other than Riga should be strengthened.
Lithuania	No change. The Regional Development law and the corresponding development strategy until 2013 define the strategic goal of national regional policy as improving territorial social cohesion, i.e. to achieve an average living standard of not less than 75 percent of the country's average and unemployment rate not exceeding 35 percent of the country's average in all the counties.
Luxembourg	No change. Regional policy is synonymous with national industrial policy and targets economic diversification. The policy focus is on development opportunities in the fields of innovation & research. This focus, and the importance of diversification, has been reinforced by the crisis.
Malta	No change. Malta's development policy pursues three main aims: sustaining economic growth and competitiveness through the generation of a knowledge-based and service-based competitive economy; the safeguarding of the natural and urban environment; and ensuring continuous investment in human capital and education. Moreover, addressing the island of Gozo's economic development needs is a cornerstone of Malta's development strategy.
Netherlands	No change, though the future orientation may be on "strong and effective regions". Current objectives set out in <i>2004 Peaks in the Delta</i> : to stimulate economic growth in all regions by exploiting region-specific opportunities of national significance. Under the <i>Peaks</i> approach, the aim is to make national spatial economic choices in line with the national economic return to the government.
Poland	While not complete, a new generation of development strategies stress internal factors of growth and competitiveness. In the national development strategy, a polarisation-diffusion model focuses on the most competitive sectors & centres alongside provisions to diffuse the benefits. A new regional development strategy combines a stress on competitiveness with a focus on place-based interventions.
Portugal	No change. The mission of the regional development Ministry is to define, implement and coordinate policies within a sustainable development/territorial cohesion perspective, so as to achieve sustained and environmentally sustainable convergence with Europe and promote territorial cohesion at national and European levels. This involves promoting the underlying factors of spatial competitiveness
Romania	No change. Objectives of the National Strategy for Regional Development are: to stimulate growth in order to reduce disparities between Bucharest-Ifov and the regions and the east and west; to develop small and medium sized towns, especially those reliant on single industries; to reverse the socio-economic decline of some big cities and improve their linkages with rural hinterlands; to improve the attractiveness of the regions; and to enhance programme management expertise at regional level.
Slovakia	The new Act on Support to Regional Development distinguishes, for the first time, between domestic regional policy and Cohesion policy, which is considered to be complementary to regional policy. The Act defines objectives, tools, tasks and main beneficiaries of regional development support. Support aims: (i) to address unfavourable social, economic and spatial disparities to secure sustainable development of regions, (ii) to increase the economic performance of regions and their competitiveness and (iii) to increase employment and the enhancement of living conditions in regions.
Slovenia	Amongst the objectives of the 2005 Law on Balanced Regional Development are: reduce differences in levels of economic development and living conditions between individual areas of the country; prevent the emergence of new areas with major development problems; promote the polycentric development of settlement and polycentric economic development; develop and increase the competitiveness of the economy in all development regions while considering their particularities; reduce the unemployment level in development regions and promote integrated approach to the development of rural areas.
Spain	No change. <i>1978 constitution</i> : to promote conditions favourable to a more equitable distribution of income by overseeing the establishment of a fair and adequate level of economic equilibrium between the different parts of the country. Ongoing shift from infrastructure towards Lisbon-oriented themes.
Sweden	<i>2008 Budget</i> : The renamed regional growth policy aims to achieve dynamic development in all areas of the country, via greater local and regional competitiveness. This is similar to the 2001 Government Bill which shifted the focus of policy towards growth and development in all regions. However, alongside this all-region, efficiency-oriented approach, regional aid policy targets traditionally weak areas.
UK	No change. <i>2007 REP PSA</i> : to improve the economic performance of all English regions and reduce the gap in growth rates between regions. <i>2008 Treasury report</i> : pro-efficiency, all-region objectives: to promote macroeconomic & financial stability; to enhance performance against the underlying drivers of growth; and to devolve delivery. The focus in Scotland is on long-term sustainable economic growth
Norway	<i>2009 White Paper</i> : to establish/maintain conditions so that people can live where they wish; to retain the main features of the settlement pattern; to continue to pursue an all-region approach, tailoring policy to needs; to use the links between small cities and larger urban areas to stabilise settlement structures and drive forward development; to recognise the bottom-up nature of development

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

4.1 The impact of the economic crisis

There is some evidence in Table 3 that the economic crisis is causing countries to think more in terms of longer-term growth and international competitiveness and for this to be reflected in regional policy objectives. Thus, in *France*, the crisis has reinforced existing territorial development goals. A recent report commissioned by the President has developed an 'offensive strategy for territorial development'¹⁵ which, in the context of the global crisis, argues that the transformation of the economy into an 'entrepreneurial knowledge economy' based on 'green growth' is more important than ever. In similar vein, in *Greece*, the crisis has led to discussions as to how the competitiveness agenda might be further promoted, including by redistributing OP funding. In *Luxembourg*, too, the background of recession and the economic crisis has caused attention to be focused on diversification activities (away from the perceived over-reliance on financial services and towards the growth-oriented technologies of the future).

However, the impact of the crisis on regional policy objectives *per se* has been limited thus far. This reflects the fact that, in many countries, regional policy is viewed as a longer-term structural policy and not a counter-cyclical or crisis-response measure. More important has been the impact which the crisis has had in some countries on the funding available to progress regional policy goals. While, in *Ireland*, for instance, the objective of balanced regional development remains a horizontal theme under the 2007-13 National Development Plan (NDP), the funding available for the NDP has been dramatically curtailed in response to the crisis. Regional balance is now a low-level priority behind the dominant goal of national growth and development (as reflected for instance in the suspension of the regionally-targeted Gateway Innovation Fund). In *Italy*, regionally-oriented budgets have also been significantly cut to help fund the response to the economic crisis. Thus, although there have been no formal changes to the objectives set down in the 2007-13 National Strategic Document (NSD), the reduced financial allocations call into question the degree to which these objectives can be achieved (especially in the *Mezzogiorno*).

4.2 The impact of broader regional policy developments

It was noted earlier that a number of countries have recently gone through a process of regional policy review or reform distinct from the economic crisis: *Finland*, *Norway* and *Sweden* as well as *Poland*, *Bulgaria* and *Slovakia* amongst the new Member States. Within the three *Nordic countries*, the core goals of policy remain broadly as before, though there have been some changes of emphasis. To degrees which differ from country-to-country, there continues to be a focus on growth and competitiveness, on the challenges facing peripheral areas and on the maintenance of territorial structures. In *Poland*, *Bulgaria* and *Slovakia*, the Table 3 changes are part of the process of developing distinct domestic regional policy instruments and priorities. However, the key policy goals relate to common themes found in many Member States: the need to promote growth and competitiveness while also aiming to reduce inter- and intra-regional disparities.

¹⁵ Saint-Etienne C (2009) *Quelle stratégie dynamique d'aménagement du territoire pour construire une France forte et harmonieuse?*, Rapport de synthèse et de propositions.

4.2.1 Changing objectives in the Nordic countries

In *Finland*, three new overarching policy objectives were introduced in December 2007 to cover the period of office of the 2007-11 Government. The objectives are: to strengthen national and international competitiveness in the regions; to strengthen regional viability and reduce regional disparities; and to solve specific regional challenges. In most respects, these objectives mirror those laid down by the previous 2003-07 Government: strengthening regional competitiveness; safeguarding the service structure throughout the country; and achieving a balanced regional structure. Perhaps the most interesting differences are the focus on international and national rather than regional competitiveness; the move from a general concern about regional structures to a specific focus on the viability of regions and regional disparities; and the highlighting of the need to solve specific regional challenges. This is in line with a growing recognition across the EU and beyond that policy interventions increasingly need to be flexible and region-specific.

In *Sweden*, there have been no significant changes to regional policy objectives on the ground, though there are some differences of emphasis. The move from a regional development policy to a regional growth policy saw the objective of creating *'well functioning and sustainable labour market regions with a good level of services in all parts of the country'* change to *'dynamic development in all areas of the country with greater local and regional competitiveness'*. The new growth policy thus explicitly emphasises the role of all the regions in contributing towards national sustainable growth and prosperity through enhanced competitiveness; previously, the growth orientation was more implicit, a consequence of well functioning and sustainable labour market regions. At the same time, the new policy continues to recognise the challenges facing the traditional designated problem regions. In practice, the new growth policy thus continues to have both growth- and equity-oriented elements; however, it now has a clearer definition, with its growth aspects highlighted and the need for well-functioning coordination stressed.

In *Norway*, the broad objectives of policy under the 2006 White Paper were: to provide equal living conditions across the country; to maintain the main features of the settlement pattern; and to focus on and develop regional strengths. These goals remain at the heart of policy. In the 2009 White Paper, the (unchanged) government wishes: to establish and maintain the prerequisites that give people real freedom to live where they wish; to this end, to retain the main features of the settlement pattern whilst developing the historical and cultural resources which derive from it; to continue to pursue an 'all-region' approach, tailoring policy to regional needs and thus strengthening regional economic growth and individual living conditions in the regions; to use the linkages between small and medium-sized cities and larger urban areas (and their hinterlands) to help stabilise the settlement structure and thus drive forward national and regional development; and to recognise the 'bottom-up' nature of development and the importance of using local development capabilities and those of local inhabitants to promote community development. The biggest change was this last point: the enhanced focus on bottom-up growth. Indeed, this took centre stage, reflecting the White Paper's analysis of regional development challenges and the perceived importance of local-level capacity for effective policy implementation.

4.2.2 Changing objectives in Poland, Bulgaria and Slovakia

In *Poland*, work on the revision and clarification of the country's strategic development objectives is continuing. At the end of 2008, the government introduced some important updates to legislation on the principles of development policy. In addition, a new national development strategy is being planned (with a proposal for it to be built around a polarisation-diffusion model) and work on a new national strategy for regional development is continuing. A draft strategy was prepared in summer 2009 and should be ratified later in the year. The current draft lists the following thematic challenges: creating and absorbing innovation; responding to negative demographic trends and ensuring full use of labour market resources; improving the quality of labour resources; ensuring energy security and responding to climate change; and improving the quality of transport and ICT infrastructure. The draft identifies two spatial challenges (which fit with the polarisation-diffusion model): on the one hand, concentrating on the main centres of competitiveness to stimulate general growth; and, on the other, preventing processes of marginalisation. There is also seen to be a challenge of institutional capacity. Finally, and as mentioned earlier, there is a clear commitment to the place-based regional policy model, with a concentration on the endogenous potential of all regions alongside more specific place-based interventions.

In *Bulgaria*, a new Regional Development Act was approved in 2008. The aims of policy mirror those found in many other new Member States: to diminish inter-regional and intra-regional disparities in levels of economic and social development; to provide the necessary conditions for accelerated economic growth and high employment rates; and to develop territorial co-operation. The latest update of the National Strategy for Regional Development in 2009 underlines the importance of growth and competitiveness for the development of all regions; it also retains objectives related to territorial balance.

In *Slovakia*, a new Act on Support to Regional Development distinguishes, for the first time, between domestic regional policy and Cohesion policy, which is considered to be complementary to regional policy. The Act defines the objectives, tools, tasks and main beneficiaries of regional development support. It identifies the following policy objectives: to address unfavourable social, economic and spatial disparities and secure the sustainable development of regions; to increase the economic performance of regions and their competitiveness; and to increase employment and the enhancement of living conditions in regions. The new Act also contains a requirement that a National Strategy for Regional Development be in place by the end of 2009. As in most Member States, the focus in Slovakia is on both the need to respond to regional disparities and the importance of regional growth and competitiveness for economic development.

4.3 Trends in terms of policy objectives

A number of trends emerge from these developments. First, the emphasis placed on growth and competitiveness continues to increase (as in *Sweden* and many *new Member States*). This is also a particular theme of regional policy in *the Netherlands* where, alongside the focus on so-called *Peaks in the Delta*, there is a growing emphasis on strong and effective regions (see Table 3). Second, the goal of reducing regional disparities remains a core

regional policy objective in most countries. Third, sustainable settlement structures continue to be important in the *Nordic countries*, with their sparse and peripheral populations, and are also part of the policy agenda in *Slovenia*. Fourth, the need to have appropriate regional capacity in place is highlighted as a new policy goal in *Norway* and is also a policy objective in *Poland*. It is also often mentioned as an issue in other new Member States, including *Romania* (see Table 3). Finally, the importance attached to policy responding to the specific challenges facing specific regions has increased; in *Finland* and *Norway* there is clear recognition of the need to tailor policy to region specific needs while in *Poland* there is now an explicit emphasis on place-based policy-making and the importance of specific place-based interventions.

Finally, a number of broader developments are worth mentioning. Of particular significance is the increasing policy weight now being attached to sustainable development and 'green growth'. This is mentioned in Table 3 in respect of *Denmark* (where a new green-growth strategy is emerging); in *France* (where the already-mentioned offensive strategy for territorial development builds on green growth); in Flanders in *Belgium* (where the greening of production processes is part of the 2009 policy declaration); in *Portugal* (where sustainable development has a high profile within the mission of the regional development Ministry); and also in *Scotland* (where the economic strategy is based on long-term sustainable economic growth) and *Austria*. Sustainability has become an increasingly common regional development priority.

5. ALL-REGION FOCUS, BUT FUNDING STILL TARGETED

Regional policy began as a mainly aid-based policy and, accordingly, was targeted primarily at designated aid areas. Over time, it has become more programme-based, widening its scope and significantly broadening its spatial coverage. Indeed, as mentioned earlier, a key goal of policy in most countries is to promote growth and development across *all* regions, not just those facing regional challenges. On the other hand, in most Member States, underdeveloped regions and regions facing specific difficulties (industrial restructuring, peripherality) continue to benefit most in terms of regional policy funding. Moreover, other territorial aspects of policy have also been increasing in prominence, especially urban and rural areas.

A detailed overview of the spatial orientation of regional policy in the countries under review was provided last year.¹⁶ The aim in this section is to carry forward that discussion by focusing on policy change since the start of 2008. The changes which have taken place are set out in Table 4. They are discussed below under three broad headings: the impact of the economic crisis on the spatial focus of policy; the influence of broader regional policy developments; and how the changes identified fit with longer-term policy trends.

5.1 The impact of the economic crisis

The economic crisis has not, thus far, had a major impact on the spatial coverage of regional policy. It has not, for instance, changed the designated aid areas to any significant extent. A request from the French authorities for an extension of the two-year transition period for aid areas under the 2007-13 regional aid guidelines in order to alleviate the repercussions of the crisis was rejected. As a result, all transitional areas lost their designated status at the end of 2008. However, there has been more focus on developing targeted responses to job losses in specific locations, particularly in mono-industry towns and old-industrial regions, which has impacted on regional policy spending flows. In *France*, part of the available population quota for designated aid areas under the regional aid guidelines (some 250,000) was held back to deal with such crisis situations. This facility has been used twice (in June 2008 and March 2009), but in both cases in response to defence restructuring rather than the economic crisis *per se*. A French request for similar reserves to be established in other Member States as a crisis response was turned down by the Commission. Also of note are changes in the *United Kingdom*. In Scotland, Tier 3 of the designated aid areas (relating to SMEs) was extended to cover the entire country in December 2008 in response to the crisis. Tier 3 had originally been introduced in parts of Scotland and England for 2007-13 to offset the cutbacks made to areas eligible for large firm support. A similar extension of Tier 3 coverage has also been introduced in England.

¹⁶ Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 4.3.

Table 4: Changes in the spatial orientation of regional policy in the EU and Norway

Austria	No change at the federal level. <i>Land</i> responsibility. The stress on innovation and regional strengths suggests an urban focus in many <i>Länder</i> . However, there is continued engagement in rural and peripheral areas, in the Alpine areas in the west and also in weak industrial areas and border regions.
Belgium	In Flanders, the approach to regional aid is horizontal (with a single aid maximum). In Wallonia, a differentiated approach is favoured under regional policy while urban and rural zones (<i>franc zones</i>) have also been designated. Competitiveness poles also operate in Wallonia.
Bulgaria	The 2008 Regional Development Act changed the territorial coverage of domestic regional policy, defining 'areas for spatially targeted support' as areas lagging compared to national development averages. This constitutes a change from the 1999 and 2004 laws, which had defined a broad range of areas for targeted support, including growth poles and underdeveloped (e.g. rural) areas. Regional policy activities implemented in 2008 are mainly related to EU Cohesion policy and more specifically the OP Regional Development (OPRD). Out of seven OPs, the OPRD is seen as the most successful, with the highest number of grant schemes and projects launched in 2008-09.
Cyprus	No change. Relevant policy interventions are largely focussed on urban-rural disparities and the development of urban centres. There have been attempts to create innovation poles, such as an initiative to set up business incubators, but this has not yet succeeded. According to the NSRF, Nicosia, Limassol, Larnaka and Paphos could act as potential poles of attraction for the entire country, in functional cooperation with rural areas. Interventions are planned in areas such as urban transport, cultural and social infrastructure, and the promotion of entrepreneurship and the knowledge society.
Czech Republic	In 2008-09, three programmes were opened that targeted disadvantaged areas directly. These are 1) the Programme for the revitalisation of areas previously used by the army; 2) the Programme for the revitalisation of the countryside; and 3) the Programme for the revitalisation of areas affected by natural disasters. At the same time, two traditional programmes that had previously received sizeable regional policy resources were not opened post 2007: the State support programmes to the Moravia-Silesia region and North West region; and the Programme for support of economically weak regions. The financial resources were directly reallocated to guarantee co-financing of the ROPs.
Denmark	No regional aid (but aid for no-bridge islands). All-region approach, with extra funding for peripheral areas. (comprehensive yet selective approach). Four from six priorities (innovation, entrepreneurship, ICT, human resources) focus on growth (i.e. urban areas); two target tourism and peripheral areas. At least 35% of expenditure on regional development projects must benefit designated peripheral areas.
Estonia	No change. Estonia pursues an all-region policy: all regions are deemed to have development potentials that can be pursued by using regions' own resources. There are separate approaches to development in the two big cities, in other growth regions and outside growth regions.
Finland	No change. In recent years, shift from equity considerations towards efficiency, while still recognising major problems, especially in the north and east. Being competitive is seen as the means to safeguard services and jobs in an open economy. New and growing recognition of the different needs of different regions -with an important role for urban areas and regions suffering from sudden structural changes.
France	The all-country approach is reflected in the state-region contracts, the competitiveness poles, and the all-region spread of the regional aid map. Although the main focus is on regional potential, specific problem zones are designated (urban, rural, industrial restructuring, mountains, coastal areas etc). Recent responses to urgent demands (defence) and more focus on functional regions (specific issues).
Germany	Three limited changes, some of which are temporary and driven by the economic crisis: (i) increased GA support for rural areas in the old <i>Länder</i> ; (ii) additional GA funding under the first federal stimulus package (divided 1:1 between the new and old <i>Länder</i> not 6:1 as under core GA funding); (iii) additional ZIM funding under the second federal stimulus, with 20% earmarked for the new <i>Länder</i> .
Greece	June 2008 General Framework for Spatial Planning and Sustainable Development aims to impact on the spatial orientation of sectoral policies. Specific policies designed for mountain areas and small islands. Entire country eligible for regional aid, with no significant rate differentiation until post 2010. The 2007-13 programming period involved major changes to Greek region eligibility for Cohesion policy.
Hungary	No change. The Second National Development Plan introduced seven ROPs for the seven NUTS II Planning Regions (rather than just one ROP for all seven regions, as in 2004-06). This increased the share of funding spent on ROPs from 16 to 25 percent. The National Development Concept (NDC) sets out a growth pole strategy, with Budapest as a centre and the following large towns listed as growth poles: Győr, Pecs, Szeged, Debrecen, Miskolc and the linked axes of Szekesfera and Vcszprem.
Ireland	The temporary aid designation (2007-08) of large firms in the Mid-West, Kerry and Cork has ended, as well as all support in Cork outside the URA. 2007-13 saw major Cohesion policy cutbacks, especially in the S&E region. Cuts in response to the crisis suggest less stress on the regional agenda; while taskforces have been set up in affected areas (Limerick), no additional resources have been allocated.
Italy	No formal changes to the NSD, though budget cuts in response to the crisis impact on the <i>Mezzogiorno</i> . The 2007-13 unitary regional policy has a whole country approach but with a strong <i>Mezzogiorno</i> orientation (initially over 80 percent of funding, though domestic element since reduced). The 2007-13 regional aid map significantly reduced coverage; Article 87(3)(c) coverage fell from 10 to 3.9 percent.

Latvia	Regional policy projects are implemented in planning regions and municipalities. In 2004-06, targeted support was offered to selected, lagging territories, covering some 25 percent of the population. However, the support was insufficiently targeted. From 2008, support is directed at national- and regional-level development centres covering 17 cities. Attempts to include territorial development as a project selection criterion reflect the wish to balance the distribution of funds among the five planning regions.
Lithuania	No change. The development strategy until 2013 targets assistance at 5 regional centres surrounded by territories of low living standards, namely Alytus, Marijampolė, Utena, Tauragė and Telšiai.
Luxembourg	Ongoing efforts to integrate sub-national development policies into the broader national programme. New economic activity zones in preparation. Regional aid limited to designated aid areas.
Malta	No change. Regional interventions focus on addressing Gozo's regional distinctiveness, promoting enterprise and the development of key economic sectors, addressing key accessibility issues, protecting the environment and developing human capital and skills.
Netherlands	<i>Peaks in the Delta</i> is an all-region approach, with transitional provisions and extra funding (plus a more broadly-based programme) in the north. The <i>Peaks</i> focus is on regional strengths. Two changes are (i) new compensatory funding for the north post 2010 due to the cancellation of the high-speed rail link; and (ii) the introduction of a "strong regions" programme for 2007-11 (an extra €125 million).
Poland	All regions benefit from regional policy funding. The allocation formula for domestic regional contracts and EU ROPs favours weaker regions. New initiatives aim to identify areas of strategic intervention: both areas facing serious development challenges and areas which, given their specific advantages, influence national growth. Ongoing work to improve the competitiveness of cities and urban areas.
Portugal	No change. 2007-13 Cohesion policy funding is highly differentiated (four categories of region). Major cut-backs in Lisbon and the Algarve. Related, Lisbon is no longer eligible for regional aid. For the first time there is significant regional differentiation in terms of funding intensity and eligibility.
Romania	No change. Romania's ROP supports regions that lag behind national development and less developed zones in the more prosperous regions. The main aim is to activate regional resources in order to accelerate regional growth. This is done by allocating funds used to finance the modernisation of transport, educational and health infrastructure, the development of business support structures, and entrepreneurial initiative in inverse proportion to regional GDP/head. Also eligible are integrated urban development plans of small towns or of urban areas that are geographically delimited within medium and large cities - so-called urban growth poles.
Slovakia	No change. Financial support is primarily targeted at regions where GDP per head is less than 75% of the average of the EU27. This includes all but the Bratislava region. Based on the NSRF and the Slovak Spatial Development Perspective 2001, efforts are concentrated on municipalities and towns that are seen as innovative and cohesion growth poles.
Slovenia	No change. Supported regions are classified according to a 'development threat index', based on a range of indicators including GDP per head, gross income tax per inhabitant, rate of registered unemployment, rate of registered employment, dependency ratio, average number of school years, share of population connected to the public sewage system, share of Natura 2000 areas. For 2007-2013, the index was used to give an indicative allocation of ERDF funds to development regions under the development priority "Development of Regions" that comprise the following priority orientations: Regional development programmes and Development of border areas with Croatia.
Spain	No change. The 2007-13 coverage of the regional aid map was broadly unchanged at around 60% of the national population. The FCI also has had stable coverage. In contrast, there have been major cuts in Cohesion policy support. Generally, policy tends to be national in coverage and sectoral in orientation.
Sweden	Policy has moved over time from a focus on weak/peripheral regions to the achievement of growth and development in all regions. The 2008 regional growth policy is an all-region policy based around functional labour market areas. Specific policies have been initiated for different types of area: rural areas (new national rural development strategy), major urban regions, designated aid areas (sparsely-populated regions). Overall, programme-based support continues to favour the northernmost regions.
UK	Extension of Tier 3 aid coverage (SMEs) to all of Scotland and England. The UK approach is an all-region one, operating through the Devolved Administrations and the RDAs in England. The English emphasis is on addressing the different factors of economic growth at the most appropriate spatial level. The regional level has a strong strategic role, albeit within a national framework. Stress also on functional economic areas. Aid and RDA funding criteria in England favour problem areas.
Norway	There is a strong focus on the districts, peripheral and sparsely-populated municipalities. Support is differentiated so that most flows to the most disadvantaged areas. The weight attached to district policy has increased markedly under the current government, as has more general municipality support. Stress on community development. Competence Centre for Rural Areas established in 2008.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

While the crisis has not significantly changed the coverage of the designated aid areas, it has impacted on the spatial distribution of regional policy funding flows in some countries. For instance, in *Germany*, the crisis saw additional funding allocated to the GA which was split 50:50 between the new and old *Länder*; this compares with mainstream GA funding where the new *Länder* receive six-sevenths of the available support. Also, crisis-related funding channelled through the Central Innovation Programme (ZIM), which previously had been restricted to the new *Länder*, was made available on a temporary basis throughout the country, though 20 percent of the additional funding was earmarked for the new *Länder*. This recognises the fact that the entire country has been impacted by the crisis. The funding impacts in Ireland and Italy have been more significant. As already discussed, in *Ireland*, public expenditure cutbacks have been such that the policy focus is now almost exclusively on national growth and development, with regional policy largely sidelined. Thus, although a multi-agency taskforce has been established for Limerick and the Mid-West Region in response to the crisis, no additional resources have yet been allocated to it. Finally, in *Italy*, budgetary cutbacks to help fund the crisis response have impacted mainly on those parts of the *Mezzogiorno* outside the EU Convergence regions.

5.2 The impact of broader regional policy developments

Recent regional policy changes which impact on the spatial orientation of policy can be divided into various categories. First, in countries like *Denmark*, *Sweden* and the *Netherlands*, there has been a strengthening of the all-region approach to regional policy, though with traditional problem regions continuing to be favoured in funding terms. Second, there has been a growing stress on functional economic areas (*France*, *England*, *Sweden*) and, related, on creating different (groups of) areas for different policy purposes (*France*, *England*, *Poland*). Finally, growing attention has been paid to specific categories of area, including rural areas (*Germany*, *Sweden*, *Norway*, *Czech Republic*), urban centres (*Poland*, *Latvia*, *Sweden*), areas facing difficult structural adjustments (*Finland*) due, for instance, to the closure of defence establishments (*France*, *Czech Republic*) and areas with specific challenges, such as mountains and small islands (*Greece*). In *Bulgaria*, in contrast, the new Regional Development Act focuses on traditional lagging regions. The remainder of this section reviews these developments in more detail.

The new policy approach in *Denmark* fits with the model of strengthening the all-region approach to regional policy, while favouring traditional problem regions in funding terms. It is comprehensive (covering five regions across the entire country) yet selective (with six priority themes - four urban-oriented, two for peripheral areas - and with funding favouring the peripheral areas). In the *Netherlands*, an all-region approach has applied since 2004, when the *Peaks in the Delta* policy memorandum was published. Transitional funding in favour of the north was due to be phased out by 2010. However, recent large-scale compensation for the abandonment of a proposed high-speed rail link to the north suggests its preferential regional policy funding may continue. In *Sweden*, an all-region approach is followed, but with the new regional growth policy taking account of the different development conditions and strengths in different parts of the country. The policy focus is on functional labour market regions, with different policy instruments targeted at different spatial challenges (including sparsely-populated, rural, small, medium and large urban areas).

Continuing the theme of functional economic areas, an interesting recent development in *France* has been the move to resolve spatial problems by utilising larger functional regions which extend across administrative borders (*grandes régions*). Related, more French policy weight is now placed on bringing together different territorial entities to tackle specific issues. In *England*, following on from the SNR, more flexibility is being introduced to address different development challenges in the context of functional economic areas that cut across territorial and administrative boundaries. New measures include Local Area Agreements, Multi-Area Agreements and the launch of city-region pilots. In *Poland*, recent initiatives aim to identify ‘areas of strategic intervention’ across the country and to design specific support mechanisms for such areas (both those facing serious development challenges and those which, given their specific advantages, exert a significant influence on national development). Work is also ongoing to improve the competitiveness of cities and metropolitan areas; in this context, the aim is for each urban municipality to create relevant ‘urban groupings’ through cooperation with other territorial units.

A final spatial theme concerns the growing attention paid to specific types of problem region. In *Germany*, there have been recent pressures to respond to the challenges faced by peripheral rural areas. The GA Coordination Committee has extended the aid area map by increasing the D area category (for SMEs) and introducing higher award ceilings. The changes mainly benefit rural areas in the old *Länder* which have been impacted by out-migration and a related loss of attractiveness. In *Norway*, the main regional policy focus (in funding terms) is on the peripheral districts (difficult-to-access rural local authorities). These continue to be favoured under the 2009 White Paper. The policy importance of the rural districts has been underlined by the recent establishment of a government-funded Competence Centre for Rural Areas (*Distrikssenteret*) to support and champion these areas. In the *Czech Republic*, three programmes were opened in 2008-09 that targeted specific disadvantaged areas: those previously used by the army; rural areas; and areas affected by natural disasters, whereas in *Bulgaria*, the 2008 Regional Development Act targets lagging areas. In contrast, in *Latvia*, the focus of support has recently moved from lagging territories to urban development centres. Finally, in *Greece*, a new General Framework on Spatial and Sustainable Development has been adopted to facilitate a more coordinated approach to policy across space. As well as providing a territorial framework for sectoral developments, it argues for a coordinated approach to specific spatial challenges (mountainous areas, small islands) and also supports more network-based spatial development.

5.3 Trends in terms of the spatial orientation of policy

As the objectives of regional policy have moved beyond equity considerations to include regional growth and competitiveness, so the spatial focus of policy has extended beyond designated problem regions to encourage all regions to maximise their contributions to growth and development. This is the approach now adopted in the vast majority of Member States. At the same time, regional policy continues to favour the worst-off regions in funding terms. Within an all-region policy context, increasing attention is being paid to the different regional development challenges facing different areas (and types of area) and requiring different policy responses. Related to this, there is a growing interest in a number of countries on large functional areas. This in turn raises questions about the appropriate

size of region for policy purposes, the scope for territorial bodies to combine to tackle specific regional challenges and the growing importance of inter-municipal cooperation for certain policy initiatives (including the development of city-regions). Despite these trends, regional administrative boundaries continue to be the main focus for regional development, a fact strengthened by the continuing policy emphasis on regional programmes and strategies. Recent developments with respect to regional policy instruments are considered further in the next section.

6. AID IN THE CRISIS, BUT FOCUS ON BROADER DEVELOPMENT MEASURES

The definition of what constitutes domestic regional policy has changed significantly over time. Up until the 1990s, the focus was predominantly on regional investment aid and infrastructure support. From this relatively narrow base, attention gradually turned towards broader influences on regional growth and development, leading to increasing interest in support for the regional business environment and the territorial aspects of sectoral policies. More recently, regional programming has grown in prominence within national regional policies. While in part reflecting the influence of Cohesion policy, this has also been due to a more general shift towards support for endogenous development, building on regional potential and the regional capacity for innovation. It also reflects the enhanced use of regional development strategies to promote growth and competitiveness and integrate territorially-relevant policies in the regions. The aim in this section is to review recent changes in regional policy instruments, distinguishing between regional aid developments (Table 5) and broader changes in business environment support (Table 6).

6.1 More aid in the crisis, but aid less important for regional policy

As with the foregoing reviews of policy change, this section first considers the impact of the economic crisis on regional aid schemes, before discussing broader regional aid developments.

6.1.1 *The impact of the economic crisis*

For some countries, the economic crisis led to less demanding aid scheme eligibility criteria, making it easier for firms to qualify for support. For instance, in *France*, the minimum eligible investment for extensions under the regional policy grant (PAT) was reduced from €25 million to €10 million in March 2009, while the number of jobs to be safeguarded by recovery projects was cut from 150 to 80 and minimum investment was lowered from €15 million to €5 million. In *Portugal*, aid eligibility was extended beyond innovation to include investment impacting on production, employment or exports, the criteria for assessing financial viability were made less onerous, and repayable grants were turned into direct grants; at the same time, maximum award rates were increased by 5 or 10 percent depending on project and firm type (with medium-sized firms favoured). Use was also made of the Commission's €500,000 *de minimis* limit. In *Spain* some temporary regional aid changes were made in late 2008 in response to the crisis. The selection criteria gave more weight to stable job creation, award rates per job rose by between 5 and 40 percent depending on the number of jobs created, and the method of measuring jobs was made less stringent. In Flanders in *Belgium*, award conditions under a number of aid schemes were relaxed in April 2009 and higher levels of pre-finance support were made available. Finally, in *England*, the main regional aid (SFIE) was rebranded as the Grant for Business Investment and became more accessible and flexible in response to the crisis. Also the previous upper limit for SMEs (£100,000) was removed.

Table 5: Changes in regional incentive policy in the EU and Norway

Austria	No change. Some questioning of the suitability of aid instruments under regional policy. For 2007-13, reduced aid area coverage (from 27.5 to 22.5 percent of the population) and lower aid ceilings; also new federal support for young entrepreneurs and innovation in SMEs.
Belgium	In Flanders, the SME growth premium was discontinued at the start of 2009 (due to insufficient demand) and the budget was transferred to the ecological premium, where conditions and award rates were made more attractive. In April 2009, award conditions across a range of schemes were relaxed in response to the crisis. In Wallonia, some implementation decrees were introduced in 2008. In addition, in May 2009, SME award ceilings for environmental aid were increased.
Bulgaria	Regional aids are not widespread under domestic regional policy. The need to attract investment, however, has led to new types of aid for key investors. In April 2009, the Law on the Promotion of Investments was amended. Strategic investors can now be granted the right to purchase state or municipal land at lower prices. The system favours individual investors as well as consortia or clusters which include a higher education establishment, an R&D centre or a local authority.
Cyprus	No change. A number of aids aim to influence the location of investment within Cyprus, including a programme of support for the relocation of small enterprises into industrial zones, grants for the development of rural manufacturing and the Larnaca Free Zone. There are also aid schemes for the promotion of SMEs in the sectors of agrotourism and manufacturing in rural areas.
Czech Republic	Regarding aids for large investors (not necessarily FDIs), 2009 saw a significant change: investment incentives are no longer available to industrial plants but only to service or technology centres.
Denmark	No change. Regional aid ceased in 1991; for 2007-13, aid available only for small no-bridge islands in designated areas. Peripheral areas designated mainly for programme-based support (and for determining regional policy funding allocations).
Estonia	No change. The NSRF stresses the competitiveness of enterprises. Specific measures are geared to the development of skilled labour; increasing R&D capacity, innovation and productivity; improving connectivity; supporting balanced regional development; and enhancing administrative capacity.
Finland	No major change since new Aid to Business Act 2007 merged four regional aids into two. Less funding; lower aid ceilings (in response to the regional aid guidelines); a more focused approach to aid (aid area population coverage cut from 42.3 to 33 percent); more restrictive large firm support; and more award decisions taken regionally. SME award ceilings increased in Aid Area 3.
France	In July 2008, a circular changed PAT objectives and implementation arrangements for 2007-13 (PAT complements broader support measures; recovery projects and extensions defined - no job conditions now apply to such projects). End 2008 circular set out changes to aid regulations (also with respect to R&D). Finally, decree changes in March 2009 responded to the economic crisis - lower investment minima, fewer jobs. New areas designated from reserve population quota.
Germany	A larger category of GA 'D' areas has been created, thus increasing support for rural areas in the old <i>Länder</i> . Award maxima for large projects in certain 'C' and 'D' areas have increased as permitted by EU temporary framework measures. The rules to prevent relocation between GA areas have been tightened. The Investment Allowance is to be phased out by 2013.
Greece	No change to the 2007-13 OPs but, in response to the crisis, stress placed on policy instruments which have a particular effect on firm liquidity (including SME support).
Hungary	No change. A growth pole programme (€1.7 billion for 2007-13) fosters innovation and exports. It supports clusters and horizontal economic development by funding physical and human infrastructure developments. The growth poles cover seven regional centres: Budapest, Győr, Pécs, Szeged, Debrecen, Miskolc and the Székesfehérvár-Veszprém axis.
Ireland	Crisis has shifted agency resources towards business generation. Stress on Ireland as the 'innovation island' and a location of future-oriented firms. Aid ceilings much reduced for 2007-13, with no regional aid in Greater Dublin (aid area population coverage down from 100 to 50 percent).
Italy	Continuing reduced role for regional aid (Law 488/1992). New automatic tax credits for investment and job creation have faced budget restrictions. More selective and targeted aid (e.g. support for industrial innovation projects) has made progress. New general instruments for economic development launched in July 2009 (development contracts) - not regionally-oriented.

Latvia	The crisis has limited the availability of EU Funds due to the co-funding requirement. This has led to a prioritisation of activities that are already well-advanced in order to make financing available to applicants in regions. In the current climate, with scarce national financing, EU Funds are of major importance to regional development.
Lithuania	An economic recovery plan was agreed by the new government in November 2008. Inter alia, it aims to: improve access to finance for business (SMEs); reduce red tape by 30% by 2011 by improving the legal environment, labour market regulation, financial relations between business and the state and the competitive environment; promote investment and exports. There are also some regionally targeted aspects of EU Structural Funds that support the recovery: regional aid measures for energy, regional aid and state aid for R&D.
Luxembourg	Regional, SME, R&D and environmental protection aid scheme laws revised in 2008-09 - a response to new EU aid frameworks. Regional aid now extends beyond grants to interest payments; tax relief no longer available. SME rates increased in line with the new guidelines. R&D aid law established a new innovation fund.
Malta	Certain measures support the development of Gozo, e.g. through emphasising service provision, tourism and micro enterprises. There is a stress on creating new job opportunities. For example, as part of its human resources development programme, the government is targeting certain actions directly at Gozo, including vocational education courses and lifelong learning opportunities.
Netherlands	Transitional aid area designation for 2007-08 (plus 2.4 percent). The Investment Premium has been continued (reflecting cross border competition concerns), though budget now lower (crisis impact).
Poland	2007-13: whole country eligible for support. The traditional focus has been on tax concessions (in Special Economic Zones). However, under EU programmes, grants are now available, albeit with limited regional differentiation. Some aids have been introduced in response to the economic crisis in line with EC frameworks; however, (longer-term) Structural Fund measures generally unchanged.
Portugal	2007-13: previous aids (SIME) were replaced by three new schemes - for R&D, innovation, and SME modernisation and internationalisation. Further changes introduced in response to the crisis. Additional flexibility by extending eligibility beyond innovation to include impacts on production, employment or exports; also rate maxima increased by 5 or 10 percent and less onerous criteria.
Romania	No change. Regional aids are offered through Romania's ROP. Key areas of intervention include the development of sustainable business support structures of regional and local importance, the rehabilitation of unused polluted industrial sites and preparation for new activities as well as support for the development of micro-enterprises.
Slovakia	No change. Domestic regional policy is implemented through aid schemes - investment aid, infrastructure aid and institutional assistance. Regional aid is available for the economic development of regions with low living standards or high unemployment rates. Most commonly this takes the form of income tax relief, grants and subsidies in the form of non-repayable financial contributions and penalty relief.
Slovenia	Next to an initial stimulus that included government guarantees, loans, and equity investments, the first crisis response was adopted in December 2008. It covered subsidies, tax concessions and reductions, especially for SMEs. A second package in February 2009 aimed to boost the lending activities of banks to improve liquidity and enhance lending to enterprises, while some funds were intended for development-oriented measures.
Spain	For 2007-13, minor change to aid area coverage. Overall aid ceilings fell but no impact on the aid maxima under the Regional Investment Grant. In late 2008, temporary changes were made in response to the crisis: selection criteria gave more weight to stable job creation; award rates per job rose; and the method of measuring jobs eased. Also, decision-making processes speeded up.
Sweden	2007-13: slight cut in aid area population quota (from 15.9 to 15.3 percent). The exclusion of three major cities in the north allowed other areas to be designated. Award ceilings for large firms were cut, in some cases significantly. No major changes to the available aids following on from changes in July 2005, except for the transport grant and the aid ceilings. Aid spending increased in 2008
UK	In 2009 the SFIE in England was rebranded as the Grant for Business Investment. It became more accessible and flexible in response to the crisis. All of England and Scotland now eligible under Tier 3 (for SMEs) and rates have increased in line with the regional aid guidelines. Aid delivery in Scotland moving to Scottish Enterprise.
Norway	Regional aid map for 2007-13 continues, covering areas of low population density (27.5 percent population coverage). Rate maxima generally lower than in 2000-06 but areas eligible for the maximum award extended. Social security concession available in the least-populated areas (17.7 percent population coverage). 2008 <i>Nyvekst</i> scheme for new small firms with growth potential.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

In similar vein, the emphasis placed on aid-based support has grown in a number of countries in response to the perceived need to increase firm liquidity. Thus, in *Greece*, there has been a recent stress on policy instruments which improve access to finance (including SME support). In *Ireland*, the focus of the main development agencies (including their aid provision) is now concentrated on business generation activities and innovation-oriented developments in line with the country's new 'Smart Economy' framework. In *England*, within RDAs there has been a clear shift to business support schemes and capital infrastructure projects, while social renewal measures have been downgraded. In *Poland*, the government has developed a number of financial responses to the crisis in line with Commission anti-crisis measures, including a scheme to increase levels of funding for firms and to provide advice and support for employers. However, thus far, the direct impact on the regional aid regime has been limited, since regional aid is co-financed under Structural Funds OPs which are fixed over the medium-term and, to that extent, 'crisis-proof'. Finally, amongst other new Member States, an initial stimulus package in *Slovenia* included subsidies and tax concessions, especially for SMEs. SMEs also received special support in *Slovakia* and the *Czech Republic*, while *Hungary* and *Slovakia*, introduced job-saving initiatives. In *Lithuania*, the economic recovery plan aims to improve access to finance for business (particularly SMEs) and provided some crisis-related and regionally-targeted support under the Structural Funds, including energy-related assistance, regional incentives and R&D aid.

For another group of countries, part of the response to the crisis has been to enhance the available support by increasing award rates, especially for SMEs, and by extending the areas eligible for such support. Under the regional aid guidelines, maximum rates of award had been increased from 7.5 percent to 10 percent for medium-sized firms and from 15 percent to 20 percent for small firms. In a range of countries, the areas eligible for these higher award ceilings were significantly widened and/or awards were enhanced. Thus, in the *United Kingdom*, all of England and Scotland are now eligible for SME support under Tier 3; previously such support had been spatially restricted. In *Germany*, award maxima for large projects in certain 'C' and 'D' areas were increased as permitted by EU temporary framework measures and the coverage of the D areas was extended (mainly to include peripheral rural areas, as mentioned earlier).¹⁷ Finally, in *Finland*, the aid ceilings for SMEs were increased in line with the new maxima under the regional aid guidelines in Aid Area 3; with the onset of the crisis, the highest possible awards have been promoted as a means of helping to accelerate project implementation.

A final aspect of regional aid policy where the crisis has had an impact is with respect to funding. It has already been noted that GA funding increased in *Germany* as part of the crisis response, as did support under the Central Innovation Programme (ZIM). In contrast, aid funding in *Latvia* has declined (due to the lack of domestic co-finance) and has focused on projects which can be quickly progressed, while funding constraints in *Ireland* and *Italy* have given aid policy less of a regional orientation. In *Italy*, new automatic tax credits for

¹⁷ On the other hand, the rule limiting the support for firms moving from one GA area to another has been strengthened. The agreement of the previous host location must now be sought in all cases. Where not received, the rate maximum of the previous location applies.

investment and job creation in the *Mezzogiorno* were delayed in their implementation and have met budget constraints in the face of heavy demand. In *the Netherlands*, the regional aid budget has declined, reflecting the fall in demand rather than broader funding constraints.

6.1.2 The impact of broader policy developments

As already mentioned, changes made under the 2007-13 regional aid guidelines have been feeding through into domestic regional aid provision. The new guidelines restricted support to large firms by significantly reducing designated aid area coverage in many countries and lowering award ceilings; at the same time, award maxima for SMEs were increased. The new SME aid ceilings have now been introduced (including in *Finland, Germany, Luxembourg* and the *United Kingdom*), new schemes (e.g. for young entrepreneurs) were established in *Austria* and *Norway* and new aid regulations were adopted in *France, Luxembourg* and *Belgium*. In *France*, new circulars underlined the complementary role of regional aid (as part of broader regional development support), while the definitions of project types where job criteria had been removed (extensions, recovery projects) were clarified. In *Luxembourg*, aid legislation was revised in line with the new EU frameworks; regional aid now includes both grants and interest payments, but tax relief is no longer available. Finally in *Belgium*, aid for environmental projects has been enhanced - in Flanders by transferring the SME growth premium budget to the ecological premium and in Wallonia by increasing award rates for SMEs in receipt of environmental support.

There have also been some wider aid-related developments. In July 2008, the Federal Cabinet in *Germany* extended funding for the Investment Allowance (available to support investment in the new *Länder*) beyond 2009 but, importantly, agreed to phase out the aid by 2014. Also in the new *Länder*, a new Central Innovation Programme (ZIM) was established, replacing previous federal innovation schemes. In *Italy*, a new development law was introduced in July 2009 as part of national industrial policy. It focuses on growth and competitiveness, energy provision and consumers and includes important reforms which will impact on regional policy, including a reorganisation and simplification of the aid regime. In *Scotland* regional aid delivery is moving to Scottish Enterprise, a response to the rationalisation of aid provision but also part of the process of transferring implementation to a specialist agency. Two new Member State developments are also of note. Even though regional aids are not widespread under domestic regional policy in *Bulgaria*, the need to attract inward investment has led to new types of assistance for key investors under the 2009 Law on the Promotion of Investments, including support for the purchase of land. In contrast, the *Czech Republic* is gradually shifting from a 'low road' to a 'high road' of international competitiveness. In line with this, support is no longer available for large manufacturing plants but focuses instead on service and technology centres.

6.2 Significant business environment changes, but mainly for regional policy reasons

In recent years, there has been a policy shift away from regional aid and towards wider support for the business environment. This has been linked to the growing focus on regional growth and competitiveness and, related, the more regionalised and programme-based

policy regimes now found in most Member States. This, in turn, has caused regional policy to focus less on regional aid (also reflecting the increasingly restrictive regional aid guidelines) and more on broader measures to support the business environment - whether through infrastructure support, innovation-related initiatives or more general advisory and support services.¹⁸ This section reviews recent changes in support for the business environment in the EU Member States and Norway (see Table 6). Those which relate back to the economic crisis are discussed in the next section. Changes which reflect broader regional policy developments are considered in Section 6.2.2.

6.2.1 The impact of the economic crisis

The economic crisis has had an obvious impact on measures in support of the business environment, though change has, for the most part, been relatively low-key. A common theme has been the bringing forward of public infrastructure investment to help stimulate construction activity. However, this has generally been national in orientation with no explicit regional component. In addition, the regional development focus on innovation has been strengthened in some countries, as international competitiveness has moved up the policy agenda in response to the crisis. Improvements to the advisory and regulatory environment have also been given more policy weight, with an emphasis on better policy coordination and less bureaucracy. Examples of such developments are discussed further in the remainder of this section.

With regard to more rapid policy spending, the February 2009 economic recovery plan in *France* significantly accelerated spending under the State-region contracts (CPER) which play an important role within French spatial development policy. The plan also provided support via a national territorial renewal fund (FNRT) for areas affected by industrial restructuring where no other restructuring measures were available. In *Portugal*, an 'investment and employment initiative' in early 2009 did not change the NSRF strategy, which was felt to be flexible enough to respond to the crisis, but did introduce some measures to bring forward spending, including on school building and educational programmes. In *Spain*, the crisis-related Plan to Boost the Economy and Employment (Plan E) included job-related measures via a Special Fund for Employment and Economic Reactivation, which channelled support towards strategic sectors and projects, and a Fund for Local Investment which supported immediate investment in municipal public works projects. In *Germany*, additional GA funding as part of the crisis response will flow in part to business environment support, bringing forward business-oriented infrastructure provision.

¹⁸ For an overview of the current position, see Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 4.4.

Table 6: Changes in regional business environment support in the EU and Norway

Austria	No regional policy change, though some policies with regionally-differentiated effects changed in response to the crisis. Long-standing regional policy stress on innovation/technology transfer continues. Collaborative support mechanisms supported by the continuing STRAT.ATplus process.
Belgium	In Flanders, two agencies merged in April 2009 to provide a one-stop approach to business support. Support for strategic training and investment projects has been revised and funding for industrial sites increased. In Wallonia, the 2006-09 Marshall Plan provides support for clusters and competitiveness poles and more coherent business support (ASE/AST support bodies established).
Bulgaria	To encourage economic activity and improve the business environment, a Concept for the Construction of New Important Industrial Zones with Governmental Support was launched in 2008. It aims to develop 20 industrial zones, capable of attracting highly productive and export-oriented investments. To this end, a National Company for the Construction of Industrial Zones was set up in 2009. The main criteria to select suitable locations will include: availability of adequate plots of state (municipal) land; an available local workforce; and adequate local infrastructure, as well as conditions to develop the necessary infrastructure.
Cyprus	No change. Support from EU Cohesion policy focuses on five priorities: strengthening the productive base of the economy and supporting enterprises; the knowledge society and promotion of RTDI; human resources, employment and social cohesion; environment, transport and energy infrastructure; and the development of sustainable communities.
Czech Republic	A second stimulus package (February 2009) has implications for the business environment. It comprises a range of revenue and expenditure measures aimed to support mainly SMEs during the downturn. Principally, these include: provision for accelerated write-downs on capital goods; tax reductions on the purchase of small motor vehicles; as well as grants and subsidies. The stimulus packages also include modest capital injections in order to ease credit conditions for SMEs.
Denmark	Business environment support has been the backbone of regional policy since 1991. 2005 Business Development Act provided a statutory basis for innovation, ICT, entrepreneurship, human resource, tourism and peripheral area measures. Wide variety of measures, but used variably by region.
Estonia	The public institute Enterprise Estonia (EAS), initially set up for Structural Funds implementation, now supports enterprises by providing financial services, advice, partnership opportunities and training for entrepreneurs, R&D institutions and the public and third sectors. It is accountable to the Ministry of Economic Affairs. Young and small businesses are the main beneficiaries. Services include start-up grants, consultancy, training opportunities and business infrastructure support. Cohesion Policy, funding focuses on human resource development, R&D, innovation and productivity as well as infrastructure development.
Finland	Innovation support/networking highlighted in 2009-11 regional strategy of Ministry of Employment and Economy. Centre of Expertise programme continues (2007-13) while Regional Centre, Rural and Island programmes will be combined into the KOKO programme in 2010. KOKO call in 2009.
France	The February 2009 economic recovery plan significantly accelerated spending under the State-region contracts (CPER) and introduced restructuring support. A July 2008 competitiveness pole evaluation suggested that 39 continue for at least three years; 19 for three years but with an 18-month review; and that 13 be evaluated after one year. New tender for poles in the field of eco-technologies. New approach to <i>Grand Paris</i> launched plus targeted strategy for the <i>Grand Nord-Est</i> . Specific measures for defence restructuring. More focus on sustainable development measures.
Germany	Mainstream GA funding extended to include cooperation networks, cluster management projects and support for business oriented, non-profit, research institutions. New pilot support for regional strategies (Regional budget) and to fund new initiatives not previously supported under the GA (Experimentation clause). Additional innovation support (new ZIM) plus extra crisis support.
Greece	No change. Regional policy is built around EU programmes, with a focus on infrastructure provision and the Lisbon priorities.
Hungary	In response to the economic crisis and rising unemployment, the Ministry of National Development and Economy announced a crisis package in November 2008 to be funded from a restructuring of the New Hungary Development Plan and the New Hungary Rural Development Programme. This package offers 1.4 trillion forint in lending guarantees, direct subsidies, interest subsidies and direct loans to SMEs above all. Investments are promoted in less developed regions. There is also a 1.8 trillion forint package to support the construction sector and an employment policy package that helps vulnerable enterprises maintain their personnel. The employment package includes regional crisis management funds that lower social aid contributions and facilitate applications for EU funds.
Ireland	2007-13 NDP set out ambitious infrastructure plans, with key business infrastructure in gateway locations and new Gateway Innovation Fund, GIF. Major NDP cutbacks in response to crisis and GIF suspended. Support increasingly focused around the 'Smart Economy' framework, which is mainly nationally-oriented, though with some regional aspects (eg. strategic corridors, rural development)
Italy	FAS support for certain infrastructure (education, R&D, networking and mobility) reduced in non-Convergence parts of the <i>Mezzogiorno</i> . New industrial innovation projects - part of industrial policy, but with significant regional impacts. They aim to enhance competitiveness in innovation-related sectors. <i>Contratti di programma</i> relaunched in 2008; extended beyond the aid areas. Now part of industrial not regional policy. Urban renewal support also extended beyond <i>Mezzogiorno</i> .

Latvia	Amendments to documents governing the use of EU Structural and Cohesion Funds have brought about certain changes to Latvian support for the business environment. Although the NSRF and the three OPs were approved in late 2007, the Cabinet of Ministers Regulations that lays down the implementation rules for the each activity, were issued in 2008-09.
Lithuania	The national economic recovery plan has important impacts on the business environment. In particular, the aim is to cut red tape by 30% over the next two years. This involves: improving the legal environment; improving labour market regulation; improving financial relations between the state and business; improving the competitive environment; and measures to reduce red tape.
Luxembourg	No significant change. Luxembourg for Business agency established to enhance business support.
Malta	Several measures to support the economy were adopted in 2009. They aim to increase public investment in infrastructure and the environment, as well as supporting manufacturing, tourism and SMEs and household purchasing power. While the public investment measures are of a temporary nature, no concrete end-date is foreseen for the ad hoc support to companies.
Netherlands	Economic infrastructure important under the <i>Peaks</i> programmes (in line with national spatial strategy). Strong innovation component to programmes, plus urban focus. Industrial estates policy reviewed (enhanced municipal cooperation). New FES infrastructure support for strong regions.
Poland	No change. Regional support under 2007-13 EU programmes grew via the ROPs, which included measures to strengthen business support institutions. In the ROPs, transport infrastructure receives one quarter of the budget and R&D, innovation and enterprise support another quarter.
Portugal	No change to the NSRF strategy, which was felt to be flexible enough to respond to the crisis. An initiative to strengthen public investment in schools infrastructure saw domestic support advanced. Advantage was also taken of the six-month extension to payment eligibility; unspent funds targeted at financial engineering, school upgrades and the education component of the technology plan.
Romania	No change. The ROP aims to improve inadequate regional business structures, especially the lack of utilities and space for economic activities, as well as poor information and communication technologies. By investing in localities with development potential, the Ministry of Development, Public Works and Housing hopes to attract smaller investments and to reinvigorate and develop regional and local economies. Eligible activities include construction or extension of buildings, repair or extension of road systems, modernisation of basic utilities, cabling, internet broadband networks, promotional activities and other related activities needed to set up/develop business structures.
Slovakia	No change. The NSRF describes the strategic target for the 2007-13 period as a “considerable increase of competitiveness and productivity of the regions and of the Slovak economy and employment by respecting sustainable development until 2013”. Measures to achieve this target include support for infrastructure development, stimulating sustainable growth and improving human resources. Moreover, an integrated network of RDAs is in place to stimulate endogenous development and cooperation between public and private actors. The RDAs provide a wide range of services: project management, information points, strategic planning, training etc.
Slovenia	No change. The National Agency for Regional Development was appointed in 1999 as the key national institution to implement the new regional development policy. Its aim is the co-ordination, promotion and implementation of a regional structural policy for balanced and sustainable regional development. The Agency encourages inter-regional, cross-border and cross-sectoral co-operation, and is also responsible for the implementation of EU Structural and Cohesion policy.
Spain	There are two ERDF programmes - for the knowledge-based economy (R&D and quality science); and to promote R&D and innovation for/by firms. A specific priority targets business development & innovation in SMEs (entrepreneurship, simplifying processes, innovation, internationalisation, competitiveness). Crisis measures focus on job creation, mainly through sectoral initiatives.
Sweden	The new regional growth policy operates via Regional Development Programmes and aims to create a better climate for entrepreneurship, innovation and investment in the regions. NUTEK (now <i>Tillväxtverket</i>) and VINNOVA play an important role by supporting business development and innovation respectively in the regions. Given the downturn, innovation remains high on the agenda.
UK	In England, more stress on integrated regional strategies, on simplified business support and on coordinated support services within functional economic areas (lead role of RDAs). RDAs also responsible for innovation-related measures. New industrial policy in response to the crisis - more coordinated support, more active public sector response, clearer allocation of responsibilities.
Norway	Business environment support is important within regional policy, not only transport infrastructure (to improve accessibility and reduce peripherality) and business infrastructure (incubators, knowledge parks, business “gardens”) but also the Centre of Expertise programme. 3 new centres in 2009. Regionalised business support activities: enhanced regional role for counties and RCN.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

While business environment support has been brought forward in some countries, in others the crisis has had a negative impact on such spending in the regions - either by channelling funding towards national policy priorities or by reducing regional policy support. In this context, in *Ireland*, the crisis resulted in major cutbacks in funding for NDP activities, including major infrastructure developments. The proposed Gateway Innovation Fund was suspended, removing €300 million of funding from specified regional centres over the 2008-10 period. In similar vein, cutbacks in the regionally-oriented Fund for Underutilised Areas (FAS) in *Italy* has meant that infrastructure support (relating to education, R&D, networking and mobility) has been reduced in non-Convergence parts of the *Mezzogiorno*. At the same time, and not only for crisis-related reasons, regional policy has been diluted by the launch of a number of new national growth and development measures.

Another impact of the crisis has been for more emphasis to be placed on innovation, international competitiveness and policy coordination. By way of example, in the *United Kingdom*, a new industrial policy, published in April 2009 in response to the crisis, identified coordinated support of innovation, skills and enterprise as a national priority and outlined a more active approach to policy by the public sector, including enhanced coordination. It also clarified the allocation of responsibilities by administrative level, giving RDAs the key role in driving forward sustainable development in the English regions. In *Sweden* and also *Austria*, the crisis has similarly been kept innovation high on the policy agenda, with international competitiveness a key national priority. Innovation-oriented support has also been prioritised in *Ireland* under the national 'Smart Economy' framework.

Finally, the economic crisis has had an impact on business environment measures in the *new Member States*. Some changes aim to ease access to credit, especially for SMEs (as in the *Czech Republic*); others focus on employment-related support (*Hungary* and *Slovakia*), while *Lithuania* has introduced measures to reduce bureaucracy and improve the legal environment, labour market regulation and the competitive environment. In *Malta*, several measures in support of the economy were adopted in 2009 which aim to increase public investment in infrastructure and the environment, while also supporting manufacturing, tourism and SMEs.

6.2.2 The impact of broader policy developments

Compared to the crisis-related developments just discussed, those recent changes in support for the business environment which reflect broader regional development imperatives have generally carried forward longer-term regional policy trends - towards more strategic and programme-based policymaking, towards more innovation-oriented measures and towards improved advisory and support services - as highlighted in the country examples which follow.

In *Denmark*, the policy focus has been on broader business support measures since 1991 when regional aid provision was withdrawn. The new policy approach underpinned by the administrative reform introduced in 2007 and the 2005 Business Development Act provides a statutory basis for regions to engage in innovation, ICT, entrepreneurship, human resource, tourism and peripheral area measures via partnership-based and programme-oriented regional growth fora. In *Finland*, innovation support and networking activities were given a

high priority in the 2009-11 regional strategy of the Ministry of Employment and Economy, continuing the strong Finnish emphasis on innovation in a regional development context. Future programme-related changes will see the Centre of Expertise programme continue post 2010. However, the other special national programmes - for regional centres, rural areas and islands - will be combined into a new Regional Cohesion and Competitiveness programme (KOKO). A call for programme proposals in 2009 attracted the participation of all but eleven municipalities, formed into 52 KOKO programme areas.

In *France*, innovation has similarly been an important recent development theme. A new phase of the competitiveness pole policy was announced in September 2008. There is to be a greater focus on policy synergies, based on growth and innovation 'ecosystems', and a more selective approach to designation. Reflecting evaluation evidence, 39 poles will continue for at least three years, 19 will face an 18-month review and 13 will be evaluated after one year. In addition, the strategic approach to the poles will be consolidated via new 'performance contracts'. The strategic component to policy has also been enhanced through broader strategic reviews of *Grand Paris* and *Grand Nord-Est*. In *Germany*, mainstream GA funding has recently been extended to include measures to strengthen the business environment - cooperation networks, cluster management projects and support for business oriented, non-profit, research institutions. Such projects had previously been assisted only on a pilot basis. At the same time, new pilot support has been introduced for the development of regional strategies in areas below the *Land* level and to fund new initiatives not previously assisted under the GA (the so-called 'experimentation clause'). Such measures must raise the attractiveness and competitiveness of the regional economic structure in disadvantaged regions. They reflect a stronger emphasis on support for bottom-up initiatives within the GA.

In *Italy*, there have been a number of new policy developments relating to the business environment. Many extend support beyond the *Mezzogiorno*. Thus, for instance, *contratti di programma* (programme contracts) were re-launched in 2008 and (except for large firms) are now available throughout the country. In similar vein, measures for deprived urban areas (*zone franche urbane*) are no longer restricted to the *Mezzogiorno*. New industrial innovation projects have also been progressed - but, as with the programme contracts, as part of industrial rather than regional policy. Finally, a new (national) Development Law was published in July 2009. The most important aspects from a regional policy perspective are: the introduction of support for spatially-distant networks of firms, the rationalisation of the business aid regime, the reorganisation of instruments and agencies to help internationalise firms, and the introduction of a 'development plan' for national strategic investments. While helping to improve the business support environment, the new law is national rather than regional in orientation and, thus, is seen by some to dilute regional policy.

In *the Netherlands*, the provision of economic infrastructure is an important element of policy under the *Peaks* programmes (in line with the national spatial strategy). A recent infrastructure-related change stems from a review of industrial estates policy. In June 2009, an agreement was reached in principle between the national, provincial and municipal levels under which national funding for industrial estates will be devolved. However, some national support will remain available (under the Economic Structure

Enhancement Fund (FES)) for the restructuring of a limited number of industrial estates of national importance. The FES budget is also being used to provide extra (regional policy) infrastructure support to four large projects in 'strong regions'. In *Sweden*, the new regional growth policy operates through strategic Regional Development Programmes and aims to create a better climate for entrepreneurship, innovation and investment in the regions. Two delivery agencies - NUTEK (now *Tillväxtverket*) and VINNOVA - play important regional development roles by supporting business development and innovation respectively in the regions.

In the *United Kingdom*, the recent stress in England has been on the development of integrated regional strategies (bringing together economic development and spatial planning priorities at the regional level), on the simplified provision of business support and on coordinated business support services within functional economic areas (with RDAs in the lead role). Regional strategy development and regional-led delivery thus lie at the heart of the approach. In similar vein, in Scotland, there is an increasing reliance on local government and local partnerships in economic development, operating within a broader national strategy. In *Norway*, business environment support is an important component of regional policy under the 2009 White Paper, not only transport infrastructure (to improve accessibility and reduce peripherality) and business infrastructure (incubators, knowledge parks, business "gardens") but also the Centre of Expertise programme, which aims to strengthen and develop regional industrial and knowledge clusters. The programme had a further three centres designated in 2009, taking the total to twelve. In addition, the activities of the Research Council of Norway (RCN) are being regionalised to help stimulate regional R&D.

In the *new Member States*, recent change has generally been limited since policy is heavily impacted by the Cohesion policy programmes which have been agreed for 2007-13 and thus provide a stable policy environment; moreover much business environment support has a national rather than a regional orientation. In *Poland*, support for the business environment is an increasingly significant component of development funding under the Structural Funds. The majority of measures under the sectoral OPs aim to strengthen and develop various business support institutions, often without any explicit regional or spatial dimension, though the main beneficiaries are often in strong regional centres. In the current 2007-13 period, regional OPs have become more important, though funding remains limited compared to the national and sectoral OPs. Finally, in *Bulgaria*, and related to the already-mentioned increase in emphasis there on business development, new measures have been introduced to help establish 20 industrial zones capable of attracting productive, export-oriented investments.

6.3 Trends in terms of policy instruments

Drawing together the main points made in the above review, the economic crisis has had a relatively limited impact on regional policy instruments. This reflects the fact that regional policy is a structural rather than cyclical policy, with many of the key instruments developed in the context of longer-term EU frameworks - the 2007-13 regional aid guidelines on the one hand and the co-funding opportunities provided by the Structural Funds on the other. Crisis-related regional aid changes have seen aid scheme eligibility

criteria eased in some countries (including *France, Portugal, Spain* and the *United Kingdom*), more stressed placed on business aid in others (for example, *Greece, Ireland* and various *new Member States*) and higher award ceilings and/or more extensive aid coverage, especially for SMEs (as in the *United Kingdom, Germany* and *Finland*). However, while some aid budgets have increased (*Germany*, for instance), budgetary constraints and/or falling demand have more generally seen a reduction in regional aid expenditure (*Ireland, Italy, the Netherlands*).

Nor has the economic crisis had a major impact on support for the business environment. While it has brought forward spending in a number of countries (*France, Portugal, Spain*), it has led to reduced levels of regional support in Member States such as *Ireland* and *Italy*. It has also caused more emphasis to be placed on innovation, international competitiveness and policy coordination in the *United Kingdom, Sweden* and *Austria*, as well as *Ireland*. Finally, the economic crisis has had a (limited) impact on business environment measures in a number of the *new Member States* (including the *Czech Republic, Hungary, Slovakia* and *Lithuania*).

Separate from the influence of the crisis, regional aid developments have generally been in the direction of reduced levels of support, reflecting the impact of the regional aid guidelines and a longer-term trend away from regional aid. In *Germany*, the decision has been taken to phase out the Investment Allowance in the new *Länder* by 2014, while in countries like *Italy* and the *United Kingdom*, the rationalisation of business aid provision is on the policy agenda. Interestingly, in the *Czech Republic*, support is no longer available for large manufacturing plants, in line with a move to the 'high road' of international competitiveness; though in *Bulgaria* new legislation and related measures have been introduced to help attract productive investment. Finally, in a wide range of countries, various changes have been made to reflect the new regional aid guidelines, including higher award maxima for SMEs and new forms of support for young entrepreneurs.

Lastly, taking a longer-term perspective, business environment support continues to grow in prominence, with an ongoing emphasis on regional programming and strategy development (as in *Denmark, England, Finland, France, the Netherlands, Sweden* and *Poland*), an enhanced stress on business infrastructure and innovation support (*Austria, Finland, France, Italy, the Netherlands, Sweden* and *Norway*, amongst others), and an increasing focus on the sub-national delivery of business environment policy (*Denmark, France, Germany, Italy, Spain, the United Kingdom* and *Poland*, for instance). Such developments continue to reflect the increasing policy weight attached to support for endogenous development, the growing impact of globalisation and the competitiveness agenda and, as will be discussed further below, the enhanced role of the regional level in the development and delivery of policy.

7. DECENTRALISATION AND REGIONALISATION, CONTINUING COORDINATION

Over time, there have been significant developments in the implementation and delivery of regional policy. In the early stages, regional policy in non-federal countries was essentially a central government concern, with targeted regional aid provision and infrastructure support at its heart. Over the years, policy approaches became more decentralised, especially in respect of regional aid for small firms and projects. In parallel, there were broader decentralisation trends in many Member States and moves towards more network-based arrangements involving a wider range of policy participants and with more reliance on cooperative structures. More recently, the introduction of regional programming has seen this trend continue, with the regional level coming together to develop regional strategies and, thus, contributing to the overall coordination of what have become broad-based approaches to regional development.

The aim in this section is to review the extent to which these longer-term trends towards more decentralised and coordinated policy delivery have been continuing. In this context, the economic crisis has not had a significant immediate impact. One crisis-related development is that more emphasis is being placed on the efficient delivery of policy. By way of example, in *Ireland*, the changed economic conditions seem likely to impact on the structure and remit of a number of government departments and agencies. In July 2009, an advisory group on public spending (*An Bord Snip*) recommended that the government merge the regional offices and shared services of Enterprise Ireland, IDA-Ireland and FÁS (the employment agency), streamline all support for Irish enterprises and related marketing functions in Enterprise Ireland, cut the number of local authorities from 34 to 22, and close down the Department of Community, Rural and Gaeltacht Affairs. While it remains to be seen to what extent these recommendations are adopted, future public spending constraints seem likely to increase policy pressures for more streamlined and coordinated policy delivery - and not just in Ireland. A second development is that, due to the crisis, regional policy interventions have been gaining a higher political profile. This can be seen, for instance, in the enhanced role for regional ministers in *England*, the increasing urgency attached to situations of industrial restructuring in *France* and, in a range of countries, the greater involvement of politicians in crisis-related regional policy responses.

This section discusses recent policy implementation changes. It first considers those which relate to the level at which policy is delivered (as set out in Table 7) and, then, recent changes in policy coordination (Table 8). A final section draws together some conclusions.

Table 7: Changes in the regionalisation of regional policy in the EU and Norway

Austria	The federal system is unchanged: economic development responsibilities lie at the <i>Land</i> level. There has been some strengthening of central coordination associated with administering the Structural Funds and also some decentralisation, again linked to Structural Funds. Possible future change in the operation of innovation policy which may impact on regional policy interventions.
Belgium	Processes since the 1970s have made Belgium highly regionalised and the issue is still under debate. In Flanders, the provincial level, together with RDAs, plays a substantial role in regional development. In contrast, the Walloon provinces do not have important competences. In Wallonia, central support agencies have been created to improve economic development cooperation.
Bulgaria	A Decentralisation Strategy and Implementation Plan for 2006-09 were adopted in 2006. The Strategy is an important programming document which sets out guidelines for the allocation of powers and financial resources between central, regional and municipal authorities. Recent changes, as well as 2008 Regional Development Act changes, contribute to decentralisation and more activism at regional and local levels in regional policy decision-making and implementation.
Cyprus	No change. Local self-governments are involved in planning processes and were consulted in preparing the NSRF. Municipalities act as town planning authorities but their role in policy delivery is limited by their low-level involvement in service provision and lack of administrative capacity.
Czech Republic	No regional policy change. In January 2008, a change in the local government finance system came into force, following complaints to the Constitutional Court from small municipalities. Although the Court did not accept the complaints, the Ministry of Finance introduced a new financing model and several other adjustments to benefit tiny villages and rural areas in general.
Denmark	New approach integrates local, regional, national & EU economic development activities within a single, programme-based, policy. Major local government reform in 2007 brought regionalisation of business support activities and partnership. Five regions are responsible for economic development via regional growth partnerships which provide strategic inputs & have a key Structural Funds role.
Estonia	Overall responsibility for regional policy lies with the Ministry of the Interior though implementation generally devolved to the county level. Counties are mandated to draft a medium-term strategic plan and must evaluate and, if necessary, amend it on a regular basis. This ensures that regions have clear longer-term goals and that measures are in place to achieve these goals.
Finland	Central role in steering regional policy increased by merger of regional development units within new Ministry of Employment and the Economy. Cooperation with the regional level is required (via budget planning). Coordination role of Regional Councils is being strengthened under the 2010 regional governance reform (ALKU) which will also create new regional-level authorities.
France	Long-term decentralisation has increased autonomy for local authorities, inter-commune groupings and regions, though process limited by constitutional and finance issues. A committee reported on local authority reform in March 2009 with the aim of clarifying competences and financial responsibilities. Inter-municipal groupings encouraged. Local business tax reform is under debate.
Germany	Economic development is a <i>Land</i> responsibility; federal level coordinates certain regional policy activities, provides additional funding for weaker regions and mediates with the Commission. The Federal- <i>Land</i> GA involves rules-based coordination. Recent changes have seen the GA finance more 'bottom-up' initiatives and support new types of decentralised measure (experimentation clause).
Greece	No change. A regional government level was introduced in 1997 (EU pressures). For 2007-13, the number of ROPs was reduced to from 13 to 5 and managing authority responsibilities were centralised. Even so, the participation of local-level consortia in generating and implementing plans is supported. There is a strong focus on public administration capacity building.
Hungary	The Ministry of National Development and Economy is responsible for coordinating domestic regional policy. At the sub-national level, development councils (decentralised institutions independent from the government) are responsible for regional development programmes and related finance. County governments have a secondary regional policy role, coordinating community development activities.
Ireland	The centralised framework supporting regional policy (notably through the NDP) is unchanged, with responsibilities shared across government departments. Regional assemblies have more functions as managing authorities for 2007-13 ROPs. Central government departments and agencies play a dominant role. Changed economic conditions may impact on their future structure and remit.
Italy	No major change. Under the 2007-13 'unitary' regional policy, sub-national levels retain significant responsibilities. However, the national role in setting objectives, ensuring integrated approaches across administrative tiers and aligning domestic and EU programmes is key. <i>Sviluppo Italia</i> has been replaced by <i>Invitalia</i> in an effort to boost efficiency in policy delivery.

Latvia	From 2008, the Cabinet adopted regulations on merged municipalities and cities. Territorial reform was completed in July 2009 when the first meeting of the newly-elected councils took place. One level of government (parishes) has been abolished and the number of bodies reduced from 525 to 109 plus nine cities.
Lithuania	Key regional policy decisions are taken by central government. However, the preparation, implementation and co-ordination of regional projects are a county responsibility. Following some decentralisation in the early 2000s, further decentralisation to counties is underway relating to: agriculture, land-planning, social security, health care, education, culture, public order etc, but not in respect of issues of regional importance.
Luxembourg	Regional policy administered centrally with no local involvement. Process of territorial reform to reallocate competences by level, abolish the intermediate tier & encourage municipality mergers.
Malta	No change. All Cohesion Policy programmes are coordinated and managed by a division within the Office of the Prime Minister. The island of Gozo has its own dedicated government ministry.
Netherlands	The Ministry of Economic Affairs now organises its regional policy activities via regional programme teams to ensure that national priorities are reflected in regional policy delivery. New government favours further decentralisation to the provinces and municipalities. A State-province agreement is under development, but progress has been slow. Importance of Regional Commissions may grow.
Poland	The focus on endogenous growth and place-based measures argues for more decentralisation and a stronger role for regional (self-) governments. More responsibilities have been shifted to regional governments (e. g. social welfare, COIE centres) and proposal to establish 16 regional observatories (socio-economic development data gathering). Regional government finance review on the agenda.
Portugal	New 2007-13 Cohesion policy governance model has no regional level of government to ensure the delivery of centrally-set objectives. However, some decentralisation has been introduced: relative funding to regional OPs has increased; some incentive schemes have been regionalised; and, most recently, global grants to municipality groupings promote decentralised implementation.
Romania	Romania has eight development regions that consist of 41 counties and have no specific powers. Moves to decentralise administration and increase local government responsibilities. However, local government capacity needs to be developed. Moreover, there is criticism of the lack of fiscal decentralisation; the local and regional levels do not have the necessary financial resources.
Slovakia	The institutional framework for implementing domestic regional policy and Cohesion policy has not changed since 2007. The process of decentralisation has not progressed. Regional authorities (8 self-governing regions) should be involved in the management and implementation of Cohesion policy as Intermediate Bodies. However, the deadline for their participation was not met because it was conditional on the necessary administrative capacity being in place.
Slovenia	Regionalisation has been a recent issue since Slovenia has no intermediate regional tier. In 2009 an expert group identified two areas of action for regional policy: improved coordination and the need for regions. On this basis, the Slovenian Strategic Council for Decentralisation and Regionalisation was created. It agreed to establish 6-8 provinces and set up a special task force to define the functional, financial, organisational and administrative aspects of these future provinces.
Spain	No significant changes to the delivery of the main domestic and Cohesion policy instruments. Economic development powers remain regional. Regions are currently approving new statutes of autonomy (with new capacities for regional governments) and a new territorial financing model has been agreed (with increased funding for the regions and more fiscal autonomy).
Sweden	From a traditionally centralised approach, regions have become more responsible for regional development due to Regional Growth Programmes and related programme-based developments. The piloting of Municipal Cooperation Bodies furthered the regionalisation process and two more regions are set to become self-governing regions as of 2011 (doubling the number of such regions).
UK	Devolved strategy-making and policy delivery remain organising principles of regional policy, albeit within a centrally-coordinated framework. Economic crisis has increased RDA role in some respects, but their activities still debated. Problem of being business-led organisations yet having an enhanced planning/community role. Other regional and local partners brought in to boost sub-national scrutiny and accountability. Also role of BIS/CLG in approving IRS plus regional ministers.
Norway	Regional policy is developed nationally but regional programming is now established, with counties gaining more steering and funding autonomy. Counties are also taking part-ownership of Innovation Norway. A 2007 White Paper argued the regional/county tier should take on more responsibility for development but a lack of political consensus and the strength of sectoral interests limited change. Counties have gained new transport and regional research tasks plus Innovation Norway ownership.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

7.1 More decentralisation; central role changing but still important

This section discusses recent changes in regional policy delivery, focusing on the administrative level at which policy is implemented.¹⁹ Table 7 shows that policy delivery is becoming more decentralised. Examples are provided from *Denmark*, *Poland*, the *United Kingdom* and the *Netherlands*, as well as *Germany* and *Portugal*. In a second group of countries, broader administrative reforms lie behind the placing of more responsibilities at the regional and local levels - the *Nordic countries* and potentially *France*, as well as *Latvia* and *Slovenia*. In addition, in both *Spain* and *Italy* major changes to the distribution of responsibilities and finance between the centre and the regions are likely to impact on regional policy in the longer-term. While policy decentralisation is a common theme, sub-national administrative capacity is recognised as a constraint in a number of countries (*Greece*, *Cyprus*, *Romania* and *Slovakia*). A further development relates to delivery agencies. Scottish Enterprise has been given responsibility for regional aid administration in *Scotland*, while agencies in *Sweden* and *Flanders* have been merged to improve delivery. Finally, the point is worth making that these developments have not been at the expense of central-level responsibilities. Central ministries remain at the heart of regional policy, though with more focus on steering, coordination, efficiency and accountability.

Reviewing country experiences in more detail, perhaps the most significant development has been in *Denmark*. Following local government reform, five new regions were established in 2007 with statutory regional policy responsibilities under the 2005 Business Development Act. This compared to a previous 14 Amt and a voluntary approach to regional policy at the sub-national level. The new regions established regional growth fora as tripartite partnership bodies which work together with the regional councils to regional development ends (monitoring regional trends, initiating new projects and using the Structural Funds to coordinate and catalyse development funding in the area). Compared to the previous situation, the new institutional setup primarily involves decentralisation, in that all regions are now obliged to engage formally in regional development activities. However, there is also an element of centralisation, in that the development tasks of regions are now positively defined in legal terms and coordination agreements help align regional priorities with national growth and development goals (see Section 7.2).

In *Poland*, the policy focus on endogenous growth and 'place based' measures is leading to a greater role for regional self-governments, a strengthening of their finances and a clarification of the division of powers between them and the state. Recent legislative proposals include provisions to shift various responsibilities to regional self-governments (including social welfare, agricultural advice centres and nature reserves), though the reform of regional financing remains an issue. At the same time, the role of central government ministries and agencies has not diminished; instead, they are adopting a more active approach to regional policy coordination.

¹⁹ A broad overview of delivery mechanisms and approaches can be found in Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 5.1.

In the *United Kingdom*, there continues to be a strong commitment to devolved or, in England, decentralised arrangements for regional policy delivery, set in the context of the Regional Economic Performance Public Service Agreement. The 2007 SNR in England took this agenda forward and a December 2008 Bill on Local Democracy, Economic Development and Construction aims to implement the SNR recommendations by strengthening the role of local authorities in economic development (as is also happening in Scotland) and by streamlining regional decision-making. Underpinning these developments, and reflecting recent evaluation evidence, Regional Development Agencies (RDAs) are at the centre of the development agenda in England. They now have an enhanced strategic role, though this is subject to more local authority involvement in recognition of the democratic deficit associated with the business-led RDAs. Related, in the absence of Regional Assemblies, the scrutiny function over RDAs has been taken on by parliamentary committees for the English regions, while new Ministers for the English regions represent central government in the regions.

In the *Netherlands*, an ongoing issue concerns the breakdown of roles and responsibilities between the national and regional levels. The 2007 coalition agreement argues for reducing the number of policy layers, distinguishing between policy formulation and implementation, and strongly favours decentralisation to the provinces and municipalities. The practical impact on regional policy remains to be seen. While certain urban and industrial estate budgets have recently been decentralised, core *Peaks in the Delta* funding seems likely to remain at the national level, albeit supported by delivery agreements between levels.

In *Germany*, there is a joint federal-*Land* (GA) approach to regional development, underlining the importance attached to policy coordination in what is constitutionally a *Land* responsibility. Within the framework of the GA, two new pilot measures suggest more emphasis on developments at the sub-*Land* level. On the one hand, the so-called 'Regional budget' provides up to €300,000 annually to (sub-*Land*) regions which already have an effective regional management structure or an integrated regional development strategy. On the other hand, the 'Experimentation clause' allows the *Länder* to use up to 10 percent of their GA quota (up to €10 million) to fund measures not previously eligible for GA funding. Such measures must raise the attractiveness and competitiveness of the regional economic structure in disadvantaged regions. These changes increase the stress on 'bottom-up' initiatives within the GA.

Finally, in *Portugal*, regional policy remains highly centralised. However, the development of global grants under EU Cohesion policy has been taken forward. These are administered by groups of local authorities, which collaborate effectively to this end. In December 2008, 22 such contracts were signed with such municipal associations in the Norte, Centro and Alentejo regions. This represents more than one quarter of the related ROP resources and is a significant development compared to the highly-centralised 2000-06 approach.

In a second group of countries, administrative reform processes are increasing the responsibilities and roles of sub-national authorities in economic development. In *Finland*, municipalities act through the 19 Regional Councils in managing (programme-based) functions relating to regional development, while the central level provides guidance to both sectoral Ministries and the regional level in developing their strategies. Under the

regional governance reform (ALKU), Regional Councils will, from 2010, become the overall coordination authorities with respect to developments at the regional level and will be more involved in negotiations with sectoral Ministries. In *Sweden*, regional responsibility for implementing and coordinating state regional development measures rests either with the County Administration Boards (the government representation in the region) or the Municipal Co-operation Bodies (to which responsibilities are transferred if all municipalities agree) or with the two directly-elected regional governments of Skåne and Västra Götaland. A new development is that Halland and Götland are also set to become regional self-governments from 2011 and that this choice has been opened up for other regions from 2014. In *Norway*, the reform process began in 2003 and focused on the delegation and decentralisation of responsibility across government. Three recent regional policy developments in the direction of more decentralised administration will be enacted from 2010: first, the counties have increased their road construction and maintenance responsibilities; second, they are now more involved in the funding of regional research; and, third, they now own 49 percent of Innovation Norway. This should increase their strategic role and enhance cooperation with both central ministries and Innovation Norway.

Local authority reform is also on the agenda in a range of other countries, with implications for regional policy delivery. In *France*, a process of improving public policy delivery led to the 2009 Balladur report on the reform of local authorities which aims to clarify competences between levels, limit cross-financing, enhance the status of large municipalities (*métropoles*), and encourage inter-municipal working. A reform of the local business tax is also under discussion. Amongst the new Member States, Latvia and Slovenia have been undergoing significant sub-national reform. In *Latvia*, the five planning regions were established as public bodies in 2006, took on planning responsibilities in 2007 (and became a focus for EU funds) and completed the reform process in July 2009, with the election of new regional councils. In *Slovenia*, a newly-created Council for Decentralisation and Regionalisation has agreed to establish six to eight regions as part of an intermediate tier of government established (mainly) for Structural Funds purposes. Consideration is currently being given to the functional, financial, organisational and administrative aspects of the future regions (provinces).

In Spain and Italy, recent developments have reflected important changes in the territorial organisation of the State. In *Spain*, new statutes of regional autonomy are being progressed where they respect the constitution and have widespread political and social support. They incorporate issues which have grown in importance over time (including relations between regions and the EU) and also give regions an enhanced role in economic development and infrastructure policies. In addition, a new territorial financing model has been agreed for the next four years. In *Italy*, a new law on fiscal federalism was approved by Parliament in May 2009. This obviously has major potential implications for regional policy, though it remains some way from implementation.

While most of the change in Table 7 is in the direction of a greater decentralisation of responsibilities, a number of countries explicitly recognise the importance of developing the necessary administrative capacity in regions and localities. Thus, in *Greece*, the current policy phase emphasises public administration capacity building; in *Cyprus*, constraints to the sub-national delivery of policy are attributed to the lack of administrative capacity at

the municipal level; in *Romania*, moves to decentralise administration to the eight development regions have been constrained by the absence of local government capacity; in *Slovakia*, a proposal to decentralise policy delivery has not been progressed because the necessary administrative capacity is not in place; and in *Norway*, the importance of effective local capacity for community development is highlighted in the 2009 White Paper.

Finally, in a number of countries, recent change has involved the streamlining of development agencies and regional policy delivery mechanisms. This has already been noted in respect of *Ireland*, where public expenditure constraints have placed agency reorganisation on the policy agenda. In *Sweden*, the main regional (NUTEK) and rural agencies were brought together within *Tillväxtverket* (the Swedish Agency for Economic and Regional Growth) along with certain commercial and public service tasks previously located within the Swedish Consumer Agency. This change is expected to particularly benefit the development of sparsely-populated and rural areas. Agencies have also been merged in *Flanders* to create a one-stop-shop for business. Lastly, in *Scotland*, aid provision is being transferred from the government to Scottish Enterprise to bring together grant delivery expertise.

The growing responsibilities of the regional and local levels in policy delivery do not mean that there has been a corresponding decrease in central government inputs. The role of the centre is being redefined rather than diminished. Central government remains a significant source of funding for regional development and, thus, inevitably has a strong interest in policy delivery and accountability. With a view to promoting policy efficiency, it is also keen to enhance national-level coordination. Further, it is increasingly seen to have an important steering and coordination function vis-à-vis the regions. Recent developments with respect to policy coordination are considered further in the next section.

7.2 Growing stress on coordination, both horizontal and vertical

As mentioned in this report last year, coordination has become a fundamental issue for regional policy administration.²⁰ The expansion of the territorial coverage of regional policy towards all regions, combined with the different socio-economic contexts found in those regions, has prompted the introduction of more policy coordination across space. At the same time, the broadening of the content of regional policy to wide-ranging business environment support has strengthened the demand for coordination across sectors. The process of regionalising policy delivery and the associated growth in the importance of regional strategies and programming have enhanced the need for the vertical coordination of regional policy, moving towards more alignment of regional priorities with national policy goals and objectives.

²⁰ See Yuill D, Ferry M and Vironen H, with McMaster I and Mirwaldt K, *New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway*, EoRPA Paper 08/1, EPRC, University of Strathclyde, October 2008, Section 5.2.

Table 8: Changes in the coordination of regional policy in the EU and Norway

Austria	Coordinating role of federal level apparent in the design of the NSRF, notably through ÖROK. Cross-policy coordination is a priority for regional policy, particularly concerning interaction with rural development and R&D. The STRAT.ATplus process has helped promote policy collaboration.
Belgium	Restructuring of public administration aims to improve coordination between policy fields. In Wallonia, stress on coordination between French and German communities and the Brussels region. In Flanders, coordination across levels strengthened by a legal framework, provincial/regional agencies working together and regional coordinating committees/councils. In April 2009, the Agency for Economy merged with the Flemish Enterprise Agency, creating one-stop policy delivery.
Bulgaria	To achieve better co-ordination and integrated territorial development, work to develop a National Spatial Development Scheme was to begin in 2008 but has been delayed to 2009. A key objective is to identify regional policy priorities and spatial priorities under the OPs. Despite the delay, the need to coordinate the National Spatial Development Scheme and regional policy is accepted
Cyprus	A perceived strength of the previous programming period was effective central coordination and quick decision-making through a single Managing Authority. A more complex programming structure is in place for 2007-13. A 'Cohesion Policy Coordinating Committee' has been set up as a collective coordinating body. The Committee will oversee implementation of all programmes.
Czech Republic	Preparation for the 2007-13 programming period called for a new regional development framework that would improve coordination between national and EU programmes. A governmental resolution in 2006 reallocated financial resources to co-finance Structural and Cohesion Fund OPs.
Denmark	New framework has increased horizontal coordination as regional fora have responsibilities under both Structural Funds and domestic interventions (also Danish Growth Council nationally). Vertical coordination increased through the regional development role of local authorities and via legislative regulation and partnership agreements between central government and regional fora.
Estonia	The Minister for Regional Affairs within the Ministry of the Interior coordinates regional policy. At least 8 other Ministries are involved, making coordination challenging. The lack of a cohesive policy has been blamed for slow growth in less developed regions. Moreover, concern has recently grown about over-centralised implementation, not least given the role of the Ministry of Finance.
Finland	Central-level coordination enhanced by proposal to combine the domestic and EU negotiation committees in 2010 (new Regional Development Act). Further coordination changes due in 2010 as part of the regional governance reform. Regional Councils due to become the overall coordination authorities with respect to regional development. Also new regional authorities (AVIs and ELYs).
France	Inter-ministerial coordination is an established part of the regional policy system, promoted by the DIACT, and utilising State-region contracts amongst other policy instruments. Regional policy moved to the Ministry of Rural Spaces and Territorial Development in June 2009. Saint-Etienne report has recommended the reintroduction of the 'strategist state', responsible for the territorial compatibility of projects developed at different administrative levels via a cooperative approach.
Germany	Specific policies for the new <i>Länder</i> are coordinated through broader inter-ministerial mechanisms involving federal & <i>Land</i> Ministries. National coordination is integral to the GA which agrees a framework for regional policy. GA committees play key coordinating roles.
Greece	Coordination mechanisms based on Cohesion policy frameworks. For 2007-13, the revised implementation framework includes new Inter-ministerial Committee of Development Programmes with coordination and monitoring roles. National Coordination Authority also established with wide-ranging jurisdiction. It aims to support the efficient coordination of OP implementation.
Hungary	Due to the highly centralised nature of public administration, the extension of partnership has been challenging. Past problems have included a lack of coordination, the changing division of labour between Ministries, fragmented and weak central systems for sub-national representation, and lack of institutions contributing to sub-national development. These issues remain of concern.
Ireland	Coordination across government departments, levels of government and partner organisations is a priority, influenced by Cohesion policy and NDP. Forfás review to ensure maximum coherence and collaboration between agencies and to identify gaps in support. CEB unit within Enterprise Ireland.
Italy	No change. The system for implementing the new unitary regional policy emphasises coordination. The NSD 2007-13 established thematic committees involving national and regional authorities, to coordinate implementation. "National Table" for the coordination of national-level regional policy and various thematic working groups also set up. Domestic "Governance" Plan for 2007-13.

Latvia	A major change in regional policy coordination reflects local government reform. The territorial structure is more centralised, but remains complex. The Ministry for Regional Development and Local Government has core responsibility for regional policy. Sectoral ministries and government agencies also have key roles. Inter-ministerial coordination is via a National Regional Development Council (NRDC), which includes Cabinet and planning region representatives. The NRDC coordinates regional development and territorial planning.
Lithuania	Core regional policy functions are performed by central government, though local government is also involved in policy development. Central/local government activities are mostly coordinated by the county governor and regional development councils (local government representatives and socioeconomic partners). Councils consider regional development plans and feed back to the Government/Ministry of the Interior on plan implementation, thus supporting coordination.
Luxembourg	Recent high-level coordination between different Ministries in the drawing-up of spatial planning documents which combine spatial and sectoral dimensions. These plans are still being finalised.
Malta	The SF Managing Authority (PPCD) aims to ensure efficiency, coordination and transparency in implementing EU support. The Council for Social and Economic Development (MCESD) is a forum for coordination. It consists of senior civil servants from the economic, social and financial sectors, the socio-economic partners, tourism representatives, employer organisations, trade unions, professional bodies, the consumers association, local government and civil society groups.
Netherlands	Coordination integral to <i>Peaks</i> approach. Outputs of national strategy documents applied in a coordinated way in a regional context. Central/regional representation on regional <i>Peaks</i> teams enhances coordination. Joint application forms and co-financing arrangements. Efforts being made to align funding sources further, notably with respect to <i>Peaks</i> funding and the Structural Funds.
Poland	Coordination is key to the new regional policy model being developed - both across the new architecture of administrative and functional units and with respect to activities within sectoral ministries with a territorial impact. Reformed regional contracts should support stronger coordination via regional units within sectoral ministries and a coordination role for the MRR.
Portugal	No change. Arrangements for 2007-13 programmes stress coordination. Rationalised organisation of NOPs has demanded inter-ministerial coordination with a lead Ministry taking a coordinating role. New coordination body at NSRF and OP levels with a political supervisory role. Aim is to coordinate different Ministry inputs on strategic decisions. Public Central Administration Restructuring Programme includes new organisational model coordinating deconcentrated regional services.
Romania	A number of institutions improve policy coordination and programme delivery. For Cohesion policy, an Authority for the Coordination of Structural Instruments has been set up within the Ministry for the Economy and Finance. Also in place are: a National Coordination Committee for Structural Instruments, which provides strategic guidance at a political level; a Management Co-ordination Group, which addresses OP management, administration and horizontal issues; and Regional Coordinating Committees, established in the 8 regions to assist regional OP co-ordination.
Slovakia	The Ministry of Construction and Regional Development is the key body responsible for the implementation and coordination of regional development/Cohesion policy. Its main task is to coordinate the activities of state bodies and regional and local government. Additionally, the Government Council for Regional Policy and Supervision on Structural Operations has a central-level coordination role. In 2006, the Association of Chairmen of Self-Governing Regions was formed to coordinate activities in the regions and negotiate jointly with national/international institutions.
Slovenia	Ongoing regional reform affects coordination mechanisms. In 2009, an expert group was formed, with improved coordination as one of its action areas. Thereafter, the Slovenian Strategic Council for Decentralisation and Regionalisation was created to consider: the potential territory of the new regions; their functions and finances; and political aspects. Six to eight regions will be established.
Spain	No change. Five main coordination mechanisms under Cohesion policy: Cohesion policy forum, fund coordination committee, ESF forum, thematic networks (but not yet operational) and monitoring committees. Six partnership-based sectoral networks promote exchange of experiences and skills acquisition in a range of policy domains.
Sweden	New national forum to promote coordination between regional and national representatives has been successful. Partnership-based thematic groups contribute to Regional Development and Regional Growth Programmes, as well as SF programmes. Coordination has increased in importance in response to the economic crisis. Regional coordinators have been appointed.
UK	Coordination stressed in SNR, by REP PSA and under industrial policy. RDAs lead on IRS strategy and responsible for agreeing draft with local authority leaders. Planning responsibilities a joint RDA-local authority leader role. Coordination enhanced by functional economic area mechanisms (LAA, MAA, city-regions), by regional funding allocation exercise, by RDA role and by new REC
Norway	Coordination system based on triangular relationships between national ministries, public agencies (Innovation Norway) and county-level partnerships. Also Cabinet regional development sub-committee. 2009 White Paper stresses coordination via community development.

Source: Information drawn from the individual country reports which form the basis of this overview report - see EoRPA Paper 09/3, EPRC, October 2009. It should be noted that the research data and information in this report are most comprehensive for the EU15, Poland and Norway. Comparable coverage of the EU12 is being developed by EPRC, but in this report the new Member States are generally discussed in less detail.

This section reviews recent changes in the coordination of regional policy (as set out in Table 8). Three strands of coordination are considered below: national-level coordination, aiming to involve national sectoral ministries as partners in regional development; regional-level coordination, in response to the increased participation of regional actors in regional policy; and vertical (national-regional) coordination, reflecting the growing emphasis placed on ensuring that national regional policy funding is spent appropriately and effectively in the regions. To set the scene, the next section briefly reviews the most significant recent changes in policy coordination. In general, change has not been significant in countries where Cohesion policy plays a dominant role since, in these countries, delivery mechanisms have already been determined for the 2007-13 programming period.

7.2.1 More policy coordination, reinforced by the crisis in some countries

In a number of countries, ongoing moves to improve policy coordination have been strengthened by the economic crisis. In *Denmark*, the new approach to regional policy has policy coordination at its core, with a significant extension of both horizontal and vertical coordination. One impact of the crisis has been to draw more partners into the national-regional partnership agreements. In *France*, the crisis has stimulated discussion of a more offensive strategy for territorial development (the Saint Etienne report) with a view to ensuring the strategic coherence and territorial compatibility of projects developed at different territorial tiers; it has also increased the policy coordination role of regional *préfets* and, in some regions, has led to a *commissaire à la réindustrialisation* (reindustrialisation commissioner) being appointed to work alongside the regional *préfet*. In *Ireland*, a highly integrated approach is taken to the management and implementation of Cohesion and domestic policies. The crisis has had a significant impact on regional policy and its delivery and has raised questions as to how maximum coherence and collaboration between development agencies can be achieved. In *Sweden*, national-regional coordination has been a growing part of the policy agenda, with the recent establishment of a national forum for regional competitiveness. The crisis has further enhanced coordination, with the introduction of regional coordinators. Finally, in the *United Kingdom*, the crisis has also encouraged more active regional-central relationships, with a stronger role for the newly-appointed Ministers for the English Regions. These various developments are discussed further below.

In *Denmark*, the new approach to regional policy has increased both horizontal and vertical coordination. In the regions, the tripartite regional growth fora bring together the Structural Funds and national sources to support specific projects. Nationally, the advisory tripartite Danish Growth Council has tasks which range across the entire remit of the 2005 Business Development Act, helping to integrate regional policy into the broader economic development framework. Vertical coordination between regional and local levels has increased through the role of local authorities as funders and (part) implementers of regional development measures. Vertical coordination between the national and regional levels has also been strengthened through legislative regulation and partnership agreements between central government and each growth fora. These agreements aim to secure compatibility between the globalisation strategy of central government and regional

economic development strategies. However, importantly, they also create a degree of commitment to regional development activities by central government departments other than the Ministry of Economic and Business Affairs. The economic crisis has had an impact on the current round of negotiations (the agreements are signed annually). It has extended the number of partners involved and has thus further improved coordination between policy networks.

In *France*, a new approach to strategic policy coordination was developed in the July 2009 Saint-Etienne report. It recommended reintroducing a 'strategist State', responsible for guaranteeing favourable long-term framework conditions. Through a cooperative approach, this would also ensure the strategic coherence and territorial compatibility of projects developed at different territorial tiers. In addition, the resources and competences of the regions would be enhanced with responsibilities focussed on regional innovation, transport and planning. At the same time, a limited number of regional *préfets* would take on a more strategic role. In this model, the State is conceived as a key actor, able to work in partnership with the *métropoles*, regions and cities without duplicating their activities. Altogether, this more strategic and cooperative approach is expected to lead to less public funding and more policy effectiveness at the local level.

In *Ireland*, multi-annual, multi-sectoral programming lies at the heart of policymaking, necessitating a coordinated policy approach across government departments, levels of government and partner organisations. As mentioned earlier, the crisis has had a significant impact and has raised issues about how policy might be better delivered. In order to improve and maximise future coordination, a review is being conducted by Forfás (a national policy advisory body for enterprise and science) to ensure that there is maximum coherence and collaboration between the various enterprise development agencies (Enterprise Ireland, IDA-Ireland, Science Foundation Ireland, Shannon Development and *Údarás na Gaeltachta*). Already, a County Enterprise Board Central Coordination Unit has been set up within Enterprise Ireland to ensure greater cohesion in the strategic and operational activities of the County Enterprise Boards and greater cooperation between them and Enterprise Ireland.

In *Sweden*, a national forum for regional competitiveness, entrepreneurship and employment and related thematic groups were established under regional growth policy to help improve coordination. Over the past year, progress has generally been positive. The national forum promotes dialogue between national and regional politicians with respect to long-term strategic issues of importance to regional development. The meetings held so far have established a suitable framework for the exchange of information that benefits both the national and regional levels. Similarly, the three thematic groups (covering innovation and renewal; skills and labour supply; and accessibility) have strengthened cooperation between government agencies and between agencies and local and regional actors. Coordination has been enhanced in the current economic climate, with the introduction of regional coordinators. They coordinate actions and resources locally and regionally and thus improve the response to the crisis on behalf of the Government. At the central-level, the Government has also appointed a group of State Secretaries to facilitate the dialogue between the Government and the local and regional coordinators.

In the *United Kingdom*, the move towards RDA-led integrated regional strategies in England aims to improve regional-level coordination. With local authorities also given an enhanced role (through Local Authority Leaders' Boards), regional partnership in economic development has been strengthened. The economic crisis has also spurred on regional-central relationships by increasing the role of newly-appointed Ministers for the English Regions. Along with regional Government Offices, they are involved in monthly meetings with regional groupings to identify the key regional challenges. A recently-established Regional Economic Council (REC) is co-chaired by the Chancellor of the Exchequer and the Secretary of State for BIS with membership including Departmental Ministers, Regional Ministers, RDA Chairs, and representatives from local authorities, business and trade unions. It meets quarterly to agree actions for government on the development and refinement of national policies and to decide how regions will individually and collectively respond to economic pressures. National-regional coordination has also been enhanced by a regional funding allocation exercise which feeds regional priorities into the development of policy budgets.

In the remaining countries discussed in this section, recent moves towards improved policy coordination have often been significant but have been less impacted by the crisis. Thus, in *Finland*, a new committee will be established in 2010 to improve the overall coordination of regional policy (national-regional, domestic-EU) while, at the regional level, Regional Councils will play the main coordination role; in *Poland*, there are plans to reform the system of regional contracts so as to increase the participation of relevant ministries and agencies in regional development issues; in *Norway*, the 2009 White Paper stresses the importance of active policy coordination across different levels of government; in *Germany*, a number of recent developments have strengthened the operation of cooperative networks at the (sub-)Land level; in the *Netherlands*, coordination is likely to be a continuing theme post 2010, given the increasingly decentralised delivery of policy and the use of *Peaks* support as a catalyst for drawing together diverse funding sources; in *Austria*, the strong innovation orientation of regional policy means that a proposed more coordinated approach to R&D and related policies will feed through to regional policy over time, with clearer and more coordinated interventions between and within ministries. Finally, in *Italy*, the new unitary regional policy for 2007-13 has been built around the theme of policy coordination. These developments are discussed further below.

In *Finland*, regional policy coordination has been an ongoing challenge due to the large number of different actors involved. At the central level, an important attempt to improve policy coordination will see the merger, from 2010, of the regional development negotiation committee (charged with reconciling sectoral budgets and regional priorities) and the Structural Funds negotiation committee (charged with aligning EU and domestic regional policies). The new committee aims to improve the overall coordination of regional policy (national-regional, domestic-EU). Related, from 2010, regional management committees/secretariats will move from focusing solely on the Structural Funds to coordinating the Funds with domestic activities. At the regional-level, as part of the administrative reform process, Regional Councils will become the overall coordination authorities with respect to regional development in 2010. Furthermore, the Regional Councils will become more closely involved in budget negotiations with sectoral Ministries.

The new approach thus aims not only to improve horizontal coordination but also to enhance central-regional relationships.

In *Poland*, policy changes under consideration aim to improve coordination across a range of administrative and functional units (ministries, agencies, regional self-governments, metropolitan areas etc). There are plans to reform the system of regional contracts, which are signed agreements between the government and regional self-government authorities, under which regions receive a set budget from central government to support investments in a range of policy fields. The reforms aim is to increase the participation of relevant ministries and agencies with a view to achieving greater transparency and stronger coordination of financial and policy inputs. Indeed, there is a proposal to create units in sectoral ministries dedicated to the regional agenda, with the Ministry of Regional Development in a coordination role. The contracts do not substitute for the development programmes produced and funded at the regional level nor do they impact on national regional policy measures. However, they should help to coordinate national and regional programmes across areas of common interest.

In *Norway*, the 2009 White Paper stresses the role of policy coordination across different levels of government. The counties are being encouraged to cooperate more closely with municipalities in the delivery of regional policy. In addition, interactions amongst municipalities and also between them and the drivers of development at the local level (entrepreneurs, the young, voluntary associations) are being strengthened. Cooperation is also seen as important in the innovation field. Outside the big cities, small firms are being brought together within “business gardens” and there are also new loans available to help small businesses network. Finally, coordination across government departments is recognised as important (given the size of sectoral budgets in the regions), but remains challenging in the Norwegian context of strong sectoral ministries.

In *Germany*, the multi-annual GA Coordination Framework sets out all the core rules and procedures relating to the GA, an agreed framework for regional economic development policy at the national and *Land* levels. Within the GA, committees of federal and *Land* representatives play key coordinating roles. While there have been no significant changes to the operation of the GA and its committees, a number of recent developments have strengthened the operation of cooperative networks at the *Land* level.

In the *Netherlands*, coordination is integral to the *Peaks in the Delta* approach and philosophy. The original 2004 White Paper built upon a range of national strategy documents and applied them in a coordinated way in a regional context. There was thus significant alignment with broader sectoral strategies, which has continued since. The *Peaks* approach has also been useful in enhancing regional-level coordination, building on regional strategies and establishing a regional tripartite committee in each *Peaks* region to bring together key economic development players at the regional level. The committees also include senior representatives of the Ministry of Economic Affairs. This ensures coordination between the national and regional levels, as does the fact that regional teams from the Ministry provide the secretariats to the regional committees. In 2007, the new government confirmed its support for the *Peaks* approach, recognising its contribution to stimulating regional alliances around agreed priorities. Looking to the post 2010 period,

policy coordination is likely to be a continuing theme, not least the use of *Peaks* support as a catalyst for drawing together diverse funding sources (including the Structural Funds).

In *Austria*, there has been a recent review of research and innovation policy which has suggested some radical shifts: from a narrow to a comprehensive innovation policy; from an imitation to a frontrunner strategy; from fragmented public interventions to a coordinated vision-based approach; from numerous distinct financial programmes to a flexible, dynamic and broadly-based policy; from blurred to well defined responsibilities between and within ministries (and other players); and from bureaucratic procedures to modern public management techniques. Given the strong innovation orientation of regional policy in Austria, these themes seem likely to feed through to regional policy over time, involving clearer and more coordinated interventions between and within ministries.

Finally, in *Italy*, the new unitary regional policy for 2007-13 was built around the theme of policy coordination, with theme-based national-regional committees, an overall National Committee for the Coordination and Monitoring of Unitary Regional Policy (with national and regional representatives) and various implementation committees. This system remains in force, with no further significant changes in the past year.

7.2.2 Horizontal coordination at the national level

The above review (and Table 8) contains a number of examples of improved coordination at the national level, bringing together national (sectoral) ministries to regional development ends. In some countries, enhanced national-level coordination is being promoted via formal national-level bodies. For instance, in *Denmark*, regional policy has been integrated within the broader economic development framework via the activities of the tripartite Danish Growth Council. In *Finland*, the creation of a new (merged) negotiation committee in 2010 should help improve overall coordination, including between national ministries. In *France*, inter-ministerial coordination has long been an established part of the regional policy system (promoted by the DIACT and involving the CIACT inter-ministerial committee) and is likely to be strengthened should the Saint Etienne proposal for the reintroduction of the 'strategist State' be carried forward. In *Germany*, inter-ministerial mechanisms lie at the heart of regional policy-making, including the GA Coordination Committee. In *Italy*, coordination committees are also centre stage under the 2007-13 unitary regional policy while, in *Norway*, a Cabinet sub-committee helps to promote coordination between national ministries. Finally, in *England*, the recently-established Regional Economic Council (REC) brings together Departmental Ministers, Regional Ministers and regional representatives to decide how regions individually and collectively should respond to the crisis.

In a second group, a more contractual approach is taken to policy coordination. In the *United Kingdom*, a range of central government ministries have signed up to the Regional Economic Performance Public Service Agreement while, in *Poland*, the new regional policy model aims to improve the coordination of sectoral ministry activities with a territorial impact. In this context, reformed regional contracts may help support such coordination, possibly involving regional units within sectoral ministries and with a stronger coordination role for the Ministry of Regional Development.

Improved coordination also emerges from more informal mechanisms and policy developments. For example, in *Austria*, a recent review of innovation policy has suggested that there should be better coordination across ministries, which should lead to improved regional policy coordination too. Coordination is also facilitated by the collaborative STRAT.ATplus process which provides a platform for policy exchange and learning. In *Denmark*, one of the side effects of the development of regional growth fora and partnership agreements has been that national ministries have become more committed to regional development activities and more open to coordination to regional development ends. In the *Netherlands*, coordination is integral to the *Peaks* approach. It has been enhanced by the extent to which national strategy documents continue to be taken into account in a coordinated way in a regional context, as well as by the multiple funding sources utilised for regional projects. Finally, in *Norway*, coordination is facilitated by the fact that a range of ministries channel policy delivery through Innovation Norway. In future, such coordination will be linked more closely with regional-level developments now that Innovation Norway is 49 percent owned by the counties.

These various developments mean that, over time, more attention has been paid to the coordination of regional development inputs across ministries. This in turn reflects the broadening of regional policy coverage over time and the related need to try to ensure that sectoral ministries take more account of regional development issues and challenges.

7.2.3 Horizontal coordination at the regional level

The growing stress placed on regional strategy development and regional programming has meant that, in recent years, there has been more emphasis on ensuring the coordination of regional policy activities at the regional-level. This can be seen, for instance, in *Denmark*, with the establishment of regional growth fora, tripartite bodies which develop regional-level strategies on behalf of regional councils and their constituent local authorities. It is also a feature in *Finland*, where, as part of the regional governance reform, regional councils are due to become the regional policy coordination authorities at the regional level. In *Germany*, regional coordination is a *Land* responsibility. Recent changes to the GA have given the *Länder* more scope to utilise GA funding to promote bottom-up policy coordination. In the *United Kingdom*, a number of recent developments have supported regional-level coordination (in line with the SNR): RDAs are to take the lead in developing integrated regional strategies, pulling together economic and spatial planning at the regional level; local authorities have increased their oversight role, being responsible with the RDAs for regional planning; and regional-level coordination has been enhanced by the creation of functional economic areas - LAAs, MAAs and city-regions. Finally, in Flanders in *Belgium*, delivery agencies have been merged to produce a one-stop-shop approach to policy delivery and enhance overall coordination in line with the better governance policy launched in 2006.

7.2.4 Vertical coordination (national-regional)

In recent years, increasing policy weight has been attached to vertical (national-regional) coordination, not least on grounds of policy efficiency and accountability. Regional policy utilises national funding to regional development ends; it is therefore incumbent on

national regional policy departments to be able to justify the value-for-money of their regional development spend (even where policy delivery is a regional responsibility) and the appropriateness of that expenditure. As a result, considerable attention is now paid to national-regional coordination, aiming to align regional spending with national priorities. A variety of mechanisms are used to this end, including contractual and rules-based coordination, (co-)funding mechanisms and informal influence and persuasion.

As far as national-regional contracts and agreements are concerned, vertical coordination has increased in *Denmark*, partly through the regulation inherent in the operation of the Business Development Act but also via the subsequent annual partnership agreements between central government and each of the growth fora. These involve a general political commitment to shared goals as well as specific undertakings which the two levels aim to progress. In *Germany*, national-regional coordination remains integral to the GA, with jointly-agreed rules-providing the framework for *Land*-level initiatives. In *Poland*, coordination lies at the core of the new regional policy model which is under development. Regional contracts are being reformed with a view to providing a means to coordinate national and regional programmes across areas of common interest. Other examples of contract-based coordination include the *United Kingdom*, where the RDAs in England have to meet guidelines and performance targets and the State-region project contracts in *France*.

A second method of ensuring national-regional coordination is through the use of national co-finance. Increasingly, funding packages for regional projects involve multiple sources of finance, but with national funding often at the core. This gives national authorities the opportunity to ensure that national priorities are appropriately reflected in the projects in receipt of support. This is very much the approach adopted in the *Netherlands*. Not only is national funding an important component of the overall support provided, but the Regional Commissions include a senior Ministry of Economic Affairs representative and are supported by Ministry officials as the programme secretariat.

Finally, in a range of countries there are more informal means of aligning national and regional goals. Thus, in *Austria*, the already-mentioned STRAT.ATplus process continues to provide a low-key, informal approach to policy coordination and information exchange. In *Sweden*, the new national forum to promote dialogue between regional and national representatives about development issues has made a useful start. Partnership-based thematic groups contribute to the operation of a range of programmes. Lastly, in *Norway*, the regional reform process has created more opportunities for informal cooperation and coordination.

7.3 Trends in terms of policy implementation

This review of changes in policy implementation has focused on two longer-term trends - the move for regional policy to become increasingly regionalised in its delivery and the associated increase in emphasis on policy coordination - set in the context of the economic crisis.

For the most part, the crisis has, thus far, had a limited effect on policy delivery. The most significant potential developments are perhaps in *Ireland*, where the changed economic conditions seem likely to impact on the structure and remit of a number of government departments and agencies. However, elsewhere, there are no major plans at present to change delivery structures in response to the crisis though, in a range of countries, there is currently a high political profile to regional policy responses, with Ministers often directly involved. In addition, there is evidence that ongoing moves to improve policy coordination have been strengthened by the crisis, as witness recent developments in *Denmark*, *France*, *Sweden* and the *United Kingdom*.

Table 7 confirms that policy delivery is continuing to become more decentralised. Specific regional policy examples are provided from *Denmark*, *Poland*, the *United Kingdom* and the *Netherlands*, as well as *Germany* and *Portugal*, while broader administrative reforms lie behind decentralisation in the *Nordic countries* and potentially *France*, as well as *Latvia* and *Slovenia*. In addition, in both *Spain* and *Italy* major changes to centre-region relationships seem likely to impact on regional policy in the longer-term. On the other hand, sub-national administrative capacity is recognised as a policy constraint in *Greece*, *Cyprus*, *Romania* and *Slovakia*. Finally, these developments have not been at the expense of central-level responsibilities. Central ministries remain at the heart of regional policy, though with a growing focus on policy steering, coordination, efficiency and accountability.

Over time, coordination has become a fundamental issue for regional policy administration. Table 8 highlights a wide variety of significant developments in the direction of enhanced policy coordination. These have been grouped into three broad categories. First, there is horizontal coordination at the national level, aiming to involve national ministries as partners in regional development. In some instances, this has involved the establishment of national-level coordination bodies (as in *Denmark*, *Finland* and *England*, as well as *France*, *Germany* and *Italy*); in others, a contractual approach is followed (as in the *United Kingdom* and *Poland*); while more informal coordination mechanisms apply in *Austria*, the *Netherlands* and *Norway*. Second, there is horizontal coordination at the regional level. Recent changes in this direction can be found in *Denmark*, *Finland*, *Germany*, the *United Kingdom*, *Norway* and *Belgium*. Finally, recent developments have seen increased policy weight attached to vertical coordination, with examples provided from *Denmark*, *Germany* and *Poland* (national-regional contracts and/or agreements), the *Netherlands* and countries where the Structural Funds are important (co-funding of support) as well as *Austria*, *Sweden* and *Norway* (more informal mechanisms).

8. SUMMARY CONCLUSIONS AND ISSUES FOR DISCUSSION

The aim of this paper has been to review recent changes in domestic regional policies across the EU and Norway, focusing on policy change since the beginning of 2008. Following the significant level of change identified last year - covering the start of the 2007-13 programming period and new regional aid guidelines - the current phase was expected to be quieter. However, the economic crisis has delivered a major external shock to economic development in most countries, with potentially significant regional implications.

In reviewing policy change by country (Section 2.1), four broad categories of change were identified: external crisis-driven developments in regional policy (found, for instance, in *Ireland, Italy, Germany* and *France*); major internally-induced regional policy changes, such as legislative reform and strategic reviews (identified in *Denmark, Norway, Sweden* and *Finland*); less significant regional policy changes including modifications of instruments and, in some instances, plans to amend delivery mechanisms (*Poland, the United Kingdom, the Netherlands, Austria, Belgium, Luxembourg* and some *new Member States*); and developments attributable to the influence of Cohesion policy (mainly the *Cohesion countries*).

From a comparative perspective, a number of general themes arose (Section 2.2). One was that there had indeed been crisis-related developments. These had been especially significant in countries where regional policy budgets had been impacted by cutbacks - as in *Ireland, Italy* and also, with respect to RDA funding, in *England*. In addition, the crisis has increased the policy focus on longer-term competitiveness (*Austria, France*), enhanced regional policy budgets (*Germany*), improved Cohesion policy funding flows, and made aid provision more flexible and/or generous (*Spain, Belgium, France, Poland* and the *United Kingdom*). However, overall, the impact of the crisis on regional policy has not been major; regional policy is a medium-term response to structural issues, not a short-term cyclical or crisis measure. Other recent themes relate to longer-term policy developments: the developing conceptual framework for policy and the growing focus on all-region yet region-specific interventions (*Poland, Denmark, Norway, Sweden, Finland*); the increasingly programme-based and regional-level delivery of regional policy (the *United Kingdom, Sweden, Poland, the Netherlands, Denmark, Finland* plus broader developments in *Spain* and *Italy*); and, related, the perceived need for stronger policy cooperation and coordination (*Austria, Germany, Denmark, Sweden, Belgium, Finland, France, the Netherlands, Poland, Norway*).

A feature of the modern-day regional problem is its differentiated nature (Section 3). Many countries have adopted an increasingly refined approach which goes beyond narrow socio-economic disparities to focus on broader competitiveness factors and views of regional potential and strengths, and which increasingly considers development challenges from a regional and sub-regional perspective. Three comparative themes emerge. First, the economic crisis has not so far had a major impact on regional disparities. On the other hand, some locations have clearly been hard hit, most obviously those with manufacturing activities and relatively undiversified economies. The crisis has also brought sub-regional differences to the fore, reflecting the political profile of major location-specific job losses,

and has raised questions about the longer-term development of lagging regions. Second, there is now a more nuanced view of the regional problem in many countries. By way of example, in *France*, two dimensions to the problem are increasingly highlighted: a global perspective, reflected in the drive for competitiveness in an international context; and a close-up view centred on challenges at the sub-regional or municipal levels. More generally, the challenge of international competitiveness is now seen as a core issue for regional development across Europe; the distinctive nature of the problem by region (and sub-region) is also increasingly recognised, leading to the growing tailoring of regional policy to specific regional needs. Finally, and in line with the more refined approach now being adopted, there have been a number of interesting developments with respect to the measurement and analysis of the problem - in *Denmark, France, Portugal, the United Kingdom, Poland and Austria*.

Over time, regional policy has moved from being a policy primarily concerned with territorial equity to one promoting growth and competitiveness at the regional level (Section 4). This change reflects both the growing internationalisation of economic development (also as reflected by the crisis) and the ongoing influence of broader European priorities (including the Lisbon agenda). On the other hand, issues of territorial fairness continue to underpin most regional policies (including for constitutional reasons in *Germany, Italy and Spain*) and funding flows still tend to support the most disadvantaged areas (in *Germany and Italy* but also the *United Kingdom, Denmark and Poland*). In addition to equity and efficiency concerns, regional policy has an interest in maintaining and supporting viable territorial structures (*Finland, Sweden, Norway*) while sustainable development is also a growing priority (*France, Belgium*). In respect of the period under review, a number of developments are of note. First, the emphasis placed on growth and competitiveness continues to increase (*Sweden, many new Member States, the Netherlands*). Second, the goal of reducing regional disparities remains a core objective in most countries. Third, sustainable settlement structures continue to be important in the *Nordic countries*, with their sparse and peripheral populations, and are on the policy agenda in *Slovenia*. Fourth, regional capacity-building is highlighted as a new policy goal in *Norway* and is also a policy objective in *Poland* and other *new Member States*. Fifth, the importance attached to specific regional challenges has increased (*Finland, Norway*) while in *Poland* there is now an explicit emphasis on place-based policy-making and place-based interventions. Finally, increasing policy weight is now placed on sustainable development and 'green growth' (*Denmark, France, Belgium, Portugal, Scotland, Austria*). Sustainability has become an increasingly prominent regional development priority.

There have been longer-term developments in the spatial focus of regional policy, moving away from designated aid areas to the promotion of growth and development across all regions (Section 5). The economic crisis has not had a major impact on spatial coverage. It has, however, led to more focus on developing targeted responses to job losses in specific locations and has also impacted on funding flows (*Germany*). It has also widened the coverage of SME support (*United Kingdom*). Non-crisis-related developments fall into a number of categories. In countries like *Denmark, Sweden* and the *Netherlands*, there has been a strengthening of the all-region approach, though with traditional problem regions continuing to be favoured in funding terms. There has also been a growing stress on

functional economic areas (*France, England, Sweden*) and, related, on creating different (groups of) areas for different policy purposes (*France, England, Poland*). This in turn raises questions about the appropriate size of region for policy purposes, the scope for territorial bodies to combine to tackle specific regional challenges and the growing importance of inter-municipal cooperation (including for city-regions). In addition, growing attention has been paid to specific categories of area, including rural areas (*Germany, Sweden, Norway, Czech Republic*), urban centres (*Poland, Latvia, Sweden*), areas facing difficult structural adjustments (*Finland, France, Czech Republic*) and areas with specific challenges (*Greece*).

The definition of what constitutes domestic regional policy has changed significantly over time (Section 6). From an initial focus on regional investment aid and infrastructure support, attention gradually turned towards the regional business environment and the territorial aspects of sectoral policies. More recently, regional programming has grown in prominence, in part reflecting the influence of Cohesion policy, but also a more general shift towards support for endogenous development, building on regional potential and the regional capacity for innovation. It also reflects the enhanced use of regional development strategies to promote growth and competitiveness and integrate territorially-relevant policies in the regions.

Reviewing recent changes, the economic crisis has had a relatively limited impact on regional policy instruments, most of which were developed in the context of longer-term EU frameworks relating to the regional aid guidelines and the Structural Funds. Crisis-related changes have seen aid scheme eligibility criteria eased in some countries (*France, Portugal, Spain, the United Kingdom*), more stressed placed on business aid in others (*Greece, Ireland, various new Member States*) and higher award ceilings and/or more extensive aid coverage, especially for SMEs (the *United Kingdom, Germany, Finland*). However, while some aid budgets have increased (*Germany*), budgetary constraints and/or falling demand have more generally seen a reduction in expenditure (*Ireland, Italy, the Netherlands*). Nor has the crisis had a major impact on business environment support. While it has brought forward spending in a number of countries (*France, Portugal, Spain*), it has led to reduced levels of regional support in *Ireland* and *Italy*. It has also caused more emphasis to be placed on innovation, international competitiveness and policy coordination in the *United Kingdom, Sweden* and *Austria*, as well as *Ireland*. Finally, the economic crisis has had a (limited) impact on business environment measures in some *new Member States* (the *Czech Republic, Hungary, Slovakia* and *Lithuania*).

Separate from the influence of the crisis, regional aid developments have generally been in the direction of reduced levels of support, reflecting the impact of the regional aid guidelines and the longer-term trend away from regional aid. In *Germany*, the decision has been taken to phase out the Investment Allowance by 2014, while in countries like *Italy* and the *United Kingdom*, the rationalisation of business aid provision is continuing. In the *Czech Republic*, support is no longer available for large manufacturing plants, part of a move to the 'high road' of international competitiveness; in contrast, new aid legislation in *Bulgaria* aims to attract productive investment. Finally, numerous changes reflect the new regional aid guidelines, including higher award maxima for SMEs and new forms of support for young entrepreneurs. For its part, business environment support continues to grow, with

an emphasis on regional programming and strategy development (*Denmark, England, Finland, France, the Netherlands, Sweden and Poland*), a stress on business infrastructure and innovation support (*Austria, Finland, France, Italy, the Netherlands, Sweden and Norway*), and a focus on the sub-national delivery of business environment policy (*Denmark, France, Germany, Italy, Spain, the United Kingdom, Poland*). Such developments reflect the policy weight attached to support for endogenous development, the growing impact of globalisation and the competitiveness agenda and the enhanced role of the regional level in the development and delivery of policy.

Turning finally to the administration and delivery of regional policy, two main issues are reviewed - the extent to which regional policy is decentralised in its delivery and coordinated in its administration (Section 7). Focusing on recent policy developments, the economic crisis has, thus far, had a limited effect on policy delivery. The most significant potential developments are in *Ireland*, where the structure and remit of government departments and agencies is being reviewed. However, elsewhere, there are no major plans to change delivery structures, though there is evidence that longer-term moves to improve policy coordination have been strengthened by the crisis (in *Denmark, France, Sweden and the United Kingdom*).

More generally, regional policy delivery is becoming more decentralised (*Denmark, Poland, the United Kingdom and the Netherlands*, as well as *Germany and Portugal*). Also, broader administrative reforms have led to decentralisation in the *Nordic countries* and potentially *France*, as well as *Latvia and Slovenia*. In addition, in both *Spain and Italy* major changes to centre-region relationships seem likely to impact on regional policy in the longer-term. On the other hand, sub-national administrative capacity is recognised as a policy constraint in *Greece, Cyprus, Romania and Slovakia*. Finally, it is of note that these developments have not been at the expense of central-level responsibilities. Central ministries remain at the heart of regional policy, though with a growing focus on policy steering, coordination, efficiency and accountability.

Over time, coordination has become a fundamental issue for regional policy administration. Three broad aspects of coordination can be identified. First, there is horizontal coordination at the national level, aiming to involve national ministries as partners in regional development. In some instances, this has seen the establishment of national-level coordination bodies (*Denmark, Finland, England*, as well as *France, Germany and Italy*); in others, a contractual approach is followed (the *United Kingdom, Poland*); while more informal coordination mechanisms apply in *Austria, the Netherlands and Norway*. Second, there is horizontal coordination at the regional level. Recent changes in this direction can be found in *Denmark, Finland, Germany, the United Kingdom, Norway and Belgium*. Finally, recent developments have seen increased policy weight attached to vertical coordination, with examples provided from *Denmark, Germany and Poland* (national-regional contracts and/or agreements), the *Netherlands* and countries where the Structural Funds are important (co-funding of support) as well as *Austria, Sweden and Norway* (more informal mechanisms).

Overall, this review of policy change has confirmed that regional policy is a longer-term structural policy which has not been used to any major extent as an immediate response to

the crisis. On the other hand, the crisis obviously has important implications for regional policy, not least with regard to the extent to which it may influence the future context for policy. In particular, it seems likely that the crisis will have an impact in funding terms (given likely future public expenditure constraints), in terms of the longer-term perception of regional challenges (perhaps leading to more stress on the sustainability of policy) and possibly also in terms of policy instruments and delivery. Given these potentially important changes to the fundamentals of regional policy, it will be particularly interesting to see how domestic regional policy develops in the year to come.

Questions for discussion

Do you agree that the crisis has had only a limited impact on regional policy in the short-term? What kind of impacts do you think it might have in the longer-term?

Place-based policy has been gaining in prominence in recent years. What do you understand by the term? How helpful do you think it is in a regional policy context? What implications does it have for the future development of regional policy?

Regional programming and strategy development lie at the heart of most current approaches to regional policy. However, In Finland, there have been suggestions that a shift is taking place from programme-based policymaking towards interactive partnership and negotiation-oriented policy. Do you see the future of regional policy in these terms?

Over time, there has been growing policy weight attached to both horizontal and vertical coordination. In your view, what are the best mechanisms for ensuring effective coordination?