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## **Regional Policy Intervention for Industrial Areas in Crisis**



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## EXECUTIVE SUMMARY

This paper explores regional policy support for areas facing industrial decline, de-industrialisation, transition to new economic sectors, closure of major employers. This type of support has been a dominant feature of the regional policy packages in a cyclical fashion, in line with the evolution of economic cycles and development theories, and has become once again prominent as a consequence of the 2008 economic crisis. The post-2008 recession has had an uneven regional impact, largely reinforcing and widening existing disparities. Many of the regions hit hardest were those still affected by the legacy of industrial restructuring and previous recessions. In response, regional policy initiatives in support of these areas were launched or re-opened in a number of countries. This renewed attention raises a series of questions about how to address serious socio-economic pressures in these areas, as well as how to achieve sustainable economic and social development in the long term.

**Policy objectives.** In considering the restructuring of these areas' economies, policymakers have the task of striking a balance between short-term and long-term objectives, and between supporting diversification or specialisation of these regional economies. Policy objectives may include a mix of industrial restructuring, enterprise assistance, clustering, labour market programmes, investment attraction, capacity building and social inclusion. Among the selected 12 European countries, the specific objectives of policy initiatives in these areas vary. Goals are often combined and emphasis, in some cases, has shifted over time. Objectives range from the reactivation of industrial activities and the safeguard of employment, to the strengthening of regional resilience and support to structural change, and others.

**Spatial targeting.** Spatial targeting can be applied through strict and standardised statistical criteria (e.g. the Italian scheme for non-complex industrial areas in crisis) or through more qualitative and participative selection procedures. The aim is to ensure sufficient flexibility to capture complex and varied geographies and to tailor policy interventions to specific contexts, including through multi-level dialogue between the varieties of actors involved locally and the national and subnational administrations. These procedures produce a range of spatial categories that often cut across administrative boundaries, namely: regions or large areas with structural economic weaknesses (e.g. **Poland, Germany, United Kingdom-England**); localities that are undergoing rapid structural change due to the closure of key businesses or entire industries (e.g. **the Netherlands**); geographically delimited areas where boundaries are drawn to maximize opportunity and economic/social impact (e.g. **Italy, Poland, the United Kingdom**); (iv) cities and localities (e.g. **Norway**).

**Instruments.** A range of regional policy instruments are available to address the challenges facing industrial areas in crisis: direct aid to productive investment in the form of discretionary grants or subsidies to firms in disadvantaged areas; public investment in local infrastructure; support for bottom-up development, capacity-building; provision of tax and regulatory incentives; financial instruments; and, most frequently, integrated packages that combine instruments. In the selected 12 European countries, the most significant policy measures comprise: (i) dedicated schemes (e.g. in **Italy and Norway**); (ii) the use and/or combination of general schemes (sometimes with earmarked funding, dedicated sections or special access conditions; in **Finland, France, Germany and the United Kingdom**); (iii) special programmes for large territorial areas (in **Poland** and North East **England**); (iv) the creation of special Funds (in **Germany and the UK**); and, (v) the realisation of business foresight exercises (in **Sweden**).

**Governance.** Regional policy approaches to cope with the consequences of industrial crisis generally take a multi-stakeholder approach to governance. While national governments typically play more strategic roles, other actors (e.g. public employment services, economic development agencies, service providers) are involved in implementation. When looking at contemporary approaches to the governance of policy initiatives in these areas, two features appear as prominent: (i) the important role of national investment or innovation agencies in policy delivery (in *Italy, Norway and Sweden*); and (ii) the establishment of dedicated coordinators, task forces or committees responsible for networking, coordination and mediation functions (in *France, Germany, Sweden, United Kingdom*).

**Case studies.** An overview of regional policy responses to the problems of areas in industrial decline or transition reveals substantial variation across countries in the ranking of priorities, the spatial focus, the combination of instruments utilised and the approach to governance. The paper focuses on selected examples which provide scope for transferability: (i) dedicated schemes in *Italy, Norway, and the UK*; (ii) dedicated sections or earmarked funding from general schemes (*Germany's* Experimentation Clause for the Lausitz area and *Finland's* Proactive Framework for Sudden Structural Changes); and a special programmes for Silesia (Silesia's Investment Programme).

**Conclusions.** There is no evaluation evidence as yet on the performance of the new/re-opened measures for the support of industrial areas in crisis. However, the academic and policy literatures highlighted several themes from which recommendations can be drawn. First, pre-established cooperation of regional actors facilitates the design and implementation of these instruments. Where such pre-existing linkages are not in place, cooperative governance arrangements at local level and across levels of government need to be fostered. Second, the diversity of the territorial effects of large-scale restructuring requires the design and implementation of an integrated strategic approach. Third, the effectiveness of intervention is closely related to the competence and expertise of local actors. Where these are lacking, they need to be built-up and be brought-in. Fourth, even more so than for generic economic development policy measures, delays in implementation hamper effectiveness. Prompt design and implementation are essential. Fifth, while national-level coordination can be helpful to foster collaborations and provide necessary capabilities, economic restructuring efforts are better implemented by the actors in the area involved. Lastly, economic restructuring and structural change are ongoing adaptive responses to a constantly evolving environment: government agents and local stakeholders need to continuously monitor the economic, labour market and social developments in their regions and beyond, in a logic of 'anticipatory local risk management'. These conclusions raise a number of questions:

- Are the measures reviewed temporary, linked to the economic crisis, or are they likely to be a longer term feature of the regional policy package?
- How can both inward and outward-orientation in the design of strategies be encouraged?
- How can the right balance between present need and future opportunities, short-term and long-term goals, be achieved? How can the most appropriate balance between specialisation and diversification be achieved?
- What is the right balance between centralisation and devolution, and how can this be best achieved? How crucial is the role of agencies or coordinators to ensure effective delivery? What kinds of capacities – human resources, structures and tools – are needed?



## 1. INTRODUCTION

This paper explores regional policy support for areas facing industrial decline, de-industrialisation, transition to new economic sectors, and/or closure of major employers.<sup>1</sup> The focus of the paper is on *specific measures dedicated to the industrial restructuring of areas facing these challenges*. These types of measures have become a dominant feature of the regional policy packages of European countries in a cyclical fashion, in line with the evolution of economic cycles and development theories (Figure 1).

Traditionally, support for industrial areas in difficulty was a staple component of the regional policy agendas across Europe. Broadly speaking, up to the 1980s regional policy was explicitly targeted on less favoured regions, aiming to reduce disparities between core and periphery.<sup>2</sup> However, regional policy also focussed on areas in more developed regions facing challenges of industrial restructuring. Supporting industrial regions in their restructuring efforts became a dominant goal of regional policy during the 1980s. At this time, governments in many Western European countries started to pursue liberalist agendas, reducing the scale of public intervention in the economy and, as a result, the scale of regional policy.<sup>3</sup> In the following decades, this approach became once again less prominent, due to: an economic development paradigm focussed on endogenous growth based on place-based assets (thus centred more on areas of strengths and potential for innovation); the emergence of an all-region approach aimed at developing competitive advantage in all regions; and a generalised reduction of the role of business aids. However, more recently the effects of the economic crisis have led to a resurgence of interest in industrial areas within regional policy and on industrial policies more widely.<sup>4</sup>

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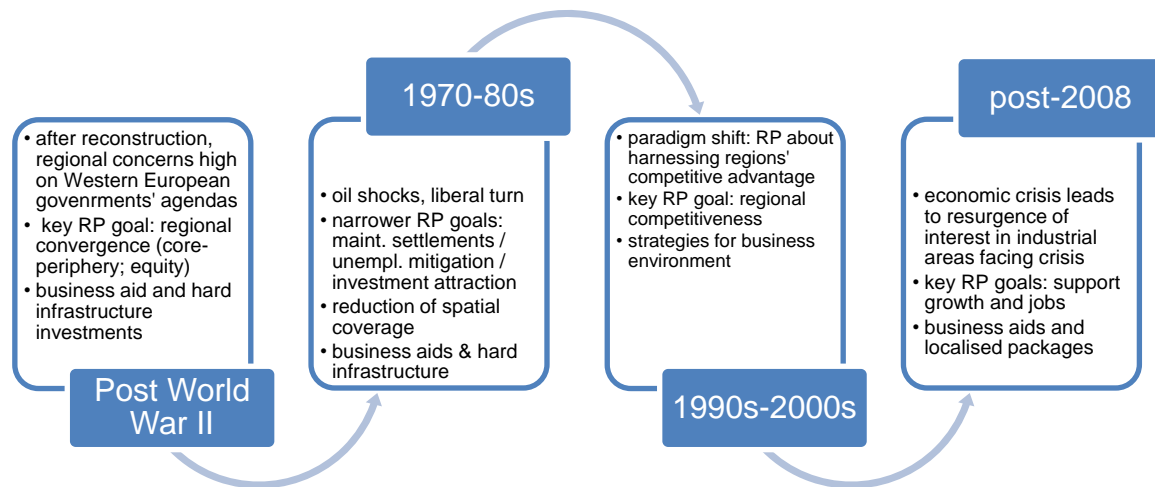
<sup>1</sup> This paper was originally prepared for the 38<sup>th</sup> Meeting of the European Regional Policy Research Consortium (EoRPA) held on Loch Lomondside on 1-3 October 2017. It has been updated to reflect new research and policy contributions since the EoRPA meeting.

<sup>2</sup> Martin, R. (1989) The new regional economics and the politics of regional restructuring, in Albrechts, I., Moolaert, F., Roberts, P. and Swynghedouw, E. (Eds) *Regional Policy at the Crossroads: European perspectives*. London, Jessica Kingsley.

<sup>3</sup> Bachtler J. and Yuill D. (2001) Policies and Strategies for Regional Development: A Shift in Paradigm?, *Regional and Industrial Policy Research Paper*, Number 46, European Policies Research Centre, University of Strathclyde, Glasgow.

<sup>4</sup> Both some of the EU Member States and the EU launched new industrial policies in the last couple of years. A new EU industrial strategy was announced on 13 September 2017 by Commission President Juncker in its State of the Union Speech.



**Figure 1: Evolution of the prominence of support to industrial areas in regional policy over time**

**Source:** Authors, adapted and updated from Bachtler and Yuill (2001) *op. cit.*

The impact of the crisis in areas already in industrial decline highlighted the disjuncture between regional policies that promoted endogenous growth in all regions and the complex institutional, entrepreneurial and historical factors shaping the uneven evolution of older industrial areas.<sup>5</sup> This reflects uncertainty about why individual regions, and the different types of industries that support their economies, are more resilient to external shocks. It also highlights a tendency for research to focus on successful regions to the neglect of cases whose characteristics provide limited safeguards against substantial job losses.<sup>6</sup> Consequently, recent years have seen the re-introduction or launch of regional policy initiatives designed to address the challenges facing areas undergoing industrial decline or restructuring, not just from the perspective of addressing immediate problems but with the aim of strengthening the resilience of these areas in the longer term. Within this, policymakers face a series of decisions concerning the strategic priorities and objectives of these initiatives, their spatial coverage and governance arrangements, and the selection of appropriate instruments.

Against this background, the paper provides a brief review of the historical evolution of policy instruments targeting areas facing industrial decline, de-industrialisation, transition to new economic sectors, and/or closure of major employers (Section 2), and a classification of the different types of approaches to supporting these areas based on a review of literature and policy responses of selected 12 European countries (Section 3). Section 4 reviews in detail specific instruments, providing examples of successful tools and practices that could provide transferrable insights. Conclusions and questions for discussion are provided in Section 5.

<sup>5</sup> Doussard M. and Schrock G. (2015) Uneven decline: Linking historical patterns and processes of industrial restructuring to future growth trajectories, *Cambridge Journal of Regions, Economy and Society* 2015, 8, 149–165.

<sup>6</sup> Clark J. (2013) *Working Regions: Reconnecting Innovation and Production in the Knowledge Economy*. London: Routledge.

## 2. HISTORICAL EVOLUTION AND RATIONALE

**Declining industrial regions have traditionally been an important focus of regional policy.**

Industrial areas based on coal, steel, textiles or machinery faced challenges that hindered necessary structural change and growth: a culture of dependency on large firms; the lack of appropriate skills within the workforce; a weak tradition of entrepreneurship; derelict sites and buildings; oversized infrastructures and polluted environments with low amenities. Regional policy sought to address these problems, directing investment into depressed regions through a range of 'top down' incentives and subsidies. Heavy industrial regions, such as the Ruhr area in **Germany**, North-East France, North-East **England** and South **Wales** in the UK received substantial amounts of regional aid for industrial conversion, retraining, attracting new investment, environmental renewal and urban regeneration.<sup>7</sup> In **Italy**, a special 'section' of the main industrial regional incentive scheme – law 488/1992 - focused on areas 'in crisis' and a dedicated law supported the relaunch of areas in severe industrial decline.

Within this broad picture, countries took different approaches to supporting such areas. For example, in **France and Germany**, policy aimed to build on existing regional assets and competences, encouraging diversification into related technologies and the technological upgrading of existing industries. In contrast, in the **United Kingdom** policy supported the attraction of inward investment in order to introduce new technologies and practices into these areas.<sup>8</sup>

**From the late 1990s onwards, the emphasis placed by regional policy on these areas declined.**<sup>9</sup>

Enlargement of the EU and the slow recovery of some of these areas shifted the policy focus. In terms of instruments, subsidies to firms were cut back, at least in part due to the EU State aid regime that increasingly reduced the possibilities for investment support to large enterprises in the more developed Member States. Moreover, a new regional policy model emerged, supporting endogenous development in all types of region through the strengthening of the skills base, focusing on research and development, innovation and supporting SMEs. Regional policy focused on concepts such as the 'knowledge economy', 'learning regions' and the 'new regionalism'. More emphasis was placed on internal factors and conditions within regions, viewing these as the key to generating investment and growth. Along with other types of regions, the challenges facing industrial areas were interpreted from this perspective of the potential for 'bottom up' development, based on endogenous factors. For instance:

- In **Austria**, a dedicated policy instrument (*Förderungsaktion für Eigenständige Regionalentwicklung*, FER) was established to provide support for endogenous regional redevelopment. FER was initially targeted at rural and peripheral regions, but later also covered regions facing industrial decline. Its aim was to develop niche products and industries in the supported regions and to promote regional business cooperation, promoting the establishment of regional management bodies (*Regionalmanagements*) to support and facilitate strategy- and capacity-building processes within these regions.

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<sup>7</sup> Birch K et al (2010), Old Industrial Regions in Europe: A Comparative Assessment of Economic Performance, *Regional Studies*, 44 (1), 2010,35-53

<sup>8</sup> Tödtling-Schönhofer, H. and Davies, S. (2013) *Regional Strategies for Industrial Areas*, Study requested by the European Parliament's Committee on Regional Development, Brussels.

<sup>9</sup> Bachtler J. & Yuill D. (2001), "Policies and strategies for regional development: a shift in paradigm ?", *Regional and Industrial Policy Research Papers* 46.

- *In Finland*, approaches to addressing structural change have evolved since 2006 to become more proactive, with a focus on three key aspects: anticipative and proactive measures; regional responsibility for the development of businesses and their renewal; and the reinforcement of smart specialisation and experimental culture in order to improve the resilience of the region or the sector.<sup>10</sup>

However, the global economic crisis that emerged in 2008 again placed the spotlight on areas facing structural difficulties, raising a series of fundamental questions about how to address serious socio-economic pressures in these areas but also how to achieve sustainable economic development and social cohesion in the long term. The crisis emphasised the point that the characteristics of these areas make them particularly vulnerable to market fluctuations. Lacking the type of capital, technological and labour assets of more dynamic cities and regions, with the historic legacy of over-reliance on a narrow group of heavy industries, and experiencing processes of deindustrialisation, many of these areas are particularly vulnerable to external economic shocks.<sup>11</sup> The post-2008 recession and subsequent partial recovery have had an uneven regional impact, largely reinforcing and widening existing disparities. Many of the cities and regions hit hardest were those still affected by the legacy of industrial restructuring and previous recessions. With sharp changes in demand conditions and increased competition for scarce public funds, those industrial regions that had been in decline for many years faced renewed challenges in recovering from the recession. In response, regional policy initiatives in support of these areas were launched or re-opened:<sup>12</sup>

- In the *Czech Republic*, a support programme for economically weak and structurally ‘harmed’ regions was re-opened in 2010. It was intended for the development of infrastructure and the business environment, the reduction of unemployment, and support for tourism development.
- In *Denmark* targeted support for economic restructuring was provided through a ‘Renewal Fund’, with one of its three priority areas being to support structural change in localities most affected by the crisis.
- In *France*, a National Territorial Renewal Fund was launched in February 2008, targeting employment zones affected by industrial restructuring.
- In *Italy*, a scheme for the support of industrial crisis areas was re-activated in 2015 (law 181/1991).
- Enterprise Zones were re-introduced in the *United Kingdom* in 2011. While these differ in focus in different parts of the UK, they generally offer a range of potential benefits to businesses who locate within these areas, including discounts on business tax rates and tax relief. The

<sup>10</sup> Hokkanen, P., Anttonen, L. and Mattila, T. (2015) *Reagoinnista rakennemuutoksen ennakointiin*, Työpoliittinen aikakauskirja 1/2015 <http://www.tem.fi/files/42371/hokkanenanttonenmattila.pdf> (accessed 28 April 2015).

<sup>11</sup> Council of European Municipalities and Regions (CEMR) (2009) *The Economic and Financial Crisis: Impact on Local and Regional Authorities. Second Survey – November 2009*. CEMR, Paris/Brussels (available at: [http://www.ccre.org/docs/second\\_survey\\_ec\\_crisis\\_en.pdf](http://www.ccre.org/docs/second_survey_ec_crisis_en.pdf)); Davies S. (2011) Regional resilience in the 2008-2010 downturn: comparative evidence from European countries, *Cambridge Journal of Regions, Economy and Society*, 4 (3), 369-382.

<sup>12</sup> Bachtler J, Davies S, Ferry M, Gross F, Kah S and McMaster I (2010) *Regional Policy under Crisis Conditions: Recent Regional Policy Developments in the EU and Norway*, Paper to the 30th Meeting of the European Regional Policy Research Consortium (EoRPA), Ross Priory, Loch Lomondside, Scotland 4-6 October 2009.

focus of the initial zones selected in England was on cities and areas that were perceived to have missed out on economic growth and in response to job losses caused by the closure of large manufacturing firms.<sup>13</sup>

Thus, the pressure to identify new sources of growth and for policy initiatives to spur development in areas facing industrial decline has intensified in recent years. The regional policy discourse has turned to the 'resilience' of these regions.<sup>14</sup> How can policy interventions reduce the susceptibility of these areas to external shocks?<sup>15</sup> This draws in issues concerning the adaptive capacity of these areas and the identification of factors required to resist a recessionary downturn and facilitate sustainable development.<sup>16</sup>

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<sup>13</sup> Ward, M. (2016) Enterprise Zones, Briefing Paper No. 5942, House of Commons Library, 17 March 2016.

<sup>14</sup> Sensier M., Bristow G. I. and Healy A (2016) Measuring regional economic resilience across Europe: operationalising a complex concept, *Spatial Economic Analysis* 11 (2), 128-151; Bristow G. and Healy A. (2017) Innovation and regional economic resilience: an exploratory analysis, *The Annals of Regional Science*, <https://link.springer.com/content/pdf/10.1007%2Fs00168-017-0841-6.pdf>

<sup>15</sup> Briguglio, L. Cordina, G., Farrugia, N. and Vella, S. (2009) 'Economic Vulnerability and Resilience: Concepts and Measurements', *Oxford Development Studies*, 37 (3), 2009.

<sup>16</sup> Eraydin, A. (2016) 'The role of regional policies along with the external and endogenous factors in the resilience of regions', *Cambridge Journal of Regions, Economy and Society*, 9 (1), 2016, 217-234.

### 3. CURRENT APPROACHES

The choices faced by policymakers in designing and implementing initiatives for areas facing industrial decline, de-industrialisation or transition can be grouped under broad headings, related to the choice of strategic objectives, spatial focus, type of instrument and governance arrangements.

#### 3.1 Objectives and rationales

In considering the restructuring of these areas' economies, policymakers have the task of striking a balance between short-term objectives, for instance compensating job losses resulting from the closure of factories, and long-term strategies such as expansion into targeted sectors.<sup>17</sup> For example, a Task Force approach has historically been an important part of the Government's response to industrial closures in the UK, and has been used, for instance, in the automotive, steel, energy and defence sectors. In **Sweden**, foresight initiatives during the economic crisis facilitated the preparation of action plans for regions affected by announcements of redundancies (see Box 3).<sup>18</sup> There is extensive academic literature on the efficacy of the approach as a policy response. Policy successes are evident at the regional level in anticipating and responding to crises: a rapid coordinated response by policymakers to support, inform and retrain workers who lose their jobs can avoid large-scale, short-term unemployment. However, in the longer term, workers face a precarious situation and the need for policies to create and sustain 'good quality' jobs remains paramount. Public policy responses to closures must be multi-dimensional, in that they transcend narrow sector based concerns and address broader spatial impacts, and inclusive, in that they build on a broad coalition of economic and social stakeholders. Building in such strategic considerations in the context of crisis, where action is imperative and there is limited time for deliberation, is challenging.<sup>19</sup>

A further issue is where to set the balance in policy support for diversification or specialisation in these regional economies.<sup>20</sup> There are contradictory views on the importance of these two aspects of an economic structure,<sup>21</sup> linked to the different interpretations on the relevance of productive restructuring as a factor of crisis and as a remedy to it.<sup>22</sup> There are examples of regions that have successfully implemented smart specialisation strategies to achieve industrial restructuring<sup>23</sup>, though, in general, diversification as a source of adaptive capacity finds more supporters in literature. The concept of

<sup>17</sup> Carlsson, E., Steen, M., Sand, R. & Nilsen, S.K. (2014) 'Resilient peripheral regions? The long-term effects of ten Norwegian restructuring programmes', *Norsk Geografisk Tidsskrift–Norwegian Journal of Geography*, 68 (2), 91-101.

<sup>18</sup> Eurofound (2014), *Effects of restructuring at regional level and approaches to dealing with the consequences*, Publications Office of the European Union, Luxembourg.

<sup>19</sup> Bailey, D., Bentley, G., de Ruyter, A. and Hall, S. (2014) Plant closures and taskforce responses: An analysis of the impact of and policy response to MG Rover in Birmingham, *Regional Studies, Regional Science*, 1 (1). pp. 60-78.

<sup>20</sup> Kemeny, T. and Storper, M. (2015) Is Specialization Good for Regional Economic Development?, *Regional Studies*, 49:6, 1003-1018.

<sup>21</sup> Holm, J. R., & Østergaard, C. R. (2015) Regional employment growth, shocks and regional industrial resilience: A quantitative analysis of the Danish ICT sector, *Regional Studies*, 49, 95–112.

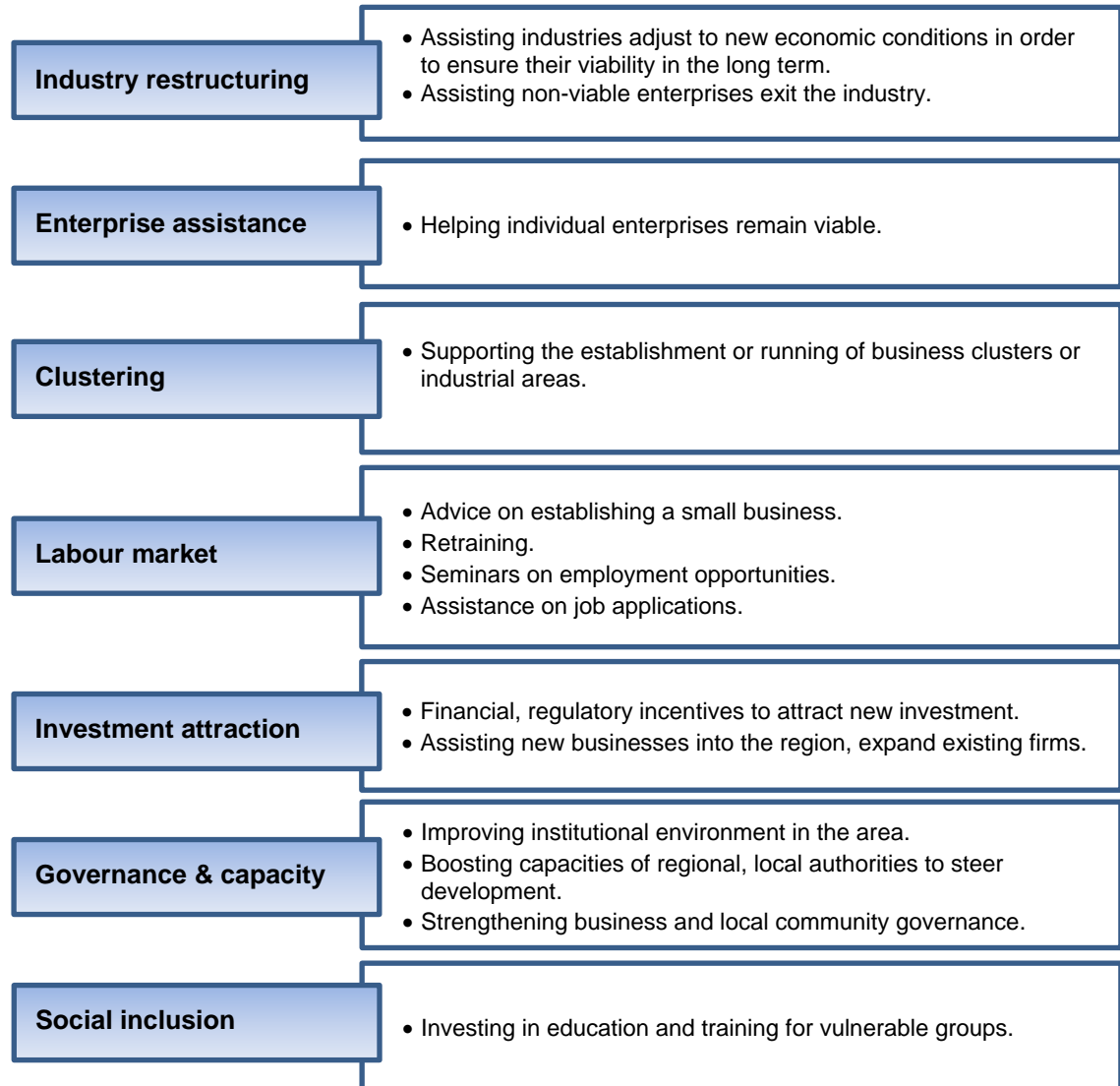
<sup>22</sup> Komninos N., Musyck B., Reid A. I. (2014) 'Smart specialisation strategies in south Europe during crisis', *European Journal of Innovation Management*, 17 (4), 448-471; and Rajan R. (2012) 'A crisis in two narratives', Project Syndicate, [www.projectsyndicate.org/commentary/a-crisis-in-two-narratives](http://www.projectsyndicate.org/commentary/a-crisis-in-two-narratives) (accessed 15.09.2017).

<sup>23</sup> Bertini S (2017) 'Smart Specialisation, a Strategy to Support the Transformation of a Consolidated Manufacturing System – The Emilia-Romagna Experience', *ESIf European Structural and Investment Funds Journal*, 5 (1) 2017.

‘related variety’ suggests a middle ground based on establishing favourable industrial contexts for knowledge spillover between new and existing bases.<sup>24</sup>

Within this, policymakers have a range of related policy aims to select from (Figure 2).

**Figure 2: Regional policy objectives in industrial areas**



**Source:** Authors, based on Beer A. (2014) Structural adjustment programmes and regional development in Australia, *Local Economy*, pp. 21-40.

Thus policy objectives may include a mix of the following:

- **Industrial restructuring.** One of the key goals of policy has been to support industries in adapting to new market conditions, ensuring long-term economic viability. This can involve different modes of restructuring: the exit, downsizing or relocation of firms.
- **Enterprise Assistance.** In contrast to industrial restructuring, enterprise assistance looks to strengthen the performance of firms in the industrial areas, providing support to aid economic

<sup>24</sup> Frenken, K., Van Oort, F. & Verburg, T. 2007. Related variety, unrelated variety and regional economic growth. *Regional Studies* 41, 685–697.

stability and viability, raise productivity, and promote growth for instance through the development of new types of technology or more advanced manufacturing activities.

- **Clustering.** Firms in such regions often face the problems of mature industries: fragmentation (few links within the region) or the operation of networks 'locked in' to the old technology paths. The renewal of clusters can help companies to build bridges to new technology paths, supported by a strengthened regional innovation system.<sup>25</sup>
- **Labour Market Programmes.** The importance of skills and labour mobility in facilitating or impeding development in these areas is recognised.<sup>26</sup> Policy initiatives are often introduced to assist workers who have lost their jobs through the closure or downsizing of firms. This can involve retraining, advice and information on job opportunities, support in launching small businesses etc.
- **Investment attraction strategies.** These initiatives can include the provision of financial or regulatory incentives to attract new investment to the area, involving either the entry of new firms or the expansion or modernisation of existing enterprises. In some instances, this consists of the entry of new businesses into the region, on other occasions it reflects the expansion of existing enterprises.<sup>27</sup>
- **Capacity-building.** There is increasing attention on how institutional capacity might be enhanced to enable organisations, firms and regions to anticipate to and be better prepared for disasters and other problems. Some approaches explicitly address weaknesses in the social or institutional environment in these areas. Structurally weaker regions typically lack the social capital, networks and institutional and administrative capacities that facilitate economic development.<sup>28</sup>
- **Social inclusion.** Many old industrial areas are characterised by high levels of unemployment and social dislocation, which in turn limits local potential for business development and innovation. Research indicates the benefits of investment in education and training, particularly for vulnerable groups and young people.<sup>29</sup>

**Among the selected 12 European countries, the specific objectives of policy initiatives in these areas vary.** Goals are often combined and emphasis, in some cases, has shifted over time. In **Portugal**, for example, areas facing industrial restructuring were tackled traditionally by Cohesion policy

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<sup>25</sup> Skokan K (2009) Regional clusters and the transformation of old industrial regions. Third Central European Conference in Regional Science. Conference Proceedings. October 7th – 9th, 2009. Košice, 761–774.

<sup>26</sup> Dawley S, Marshall N, Pike A, Pollard J and Tomaney J (2014) 'Continuity and Evolution in an Old Industrial Region: The Labour Market Dynamics of the Rise and Fall of Northern Rock', *Regional Studies* 48 (1), 54-172.

<sup>27</sup> Beer A (2014) Structural adjustment programmes and regional development in Australia, *Local Economy*, 30 (1), 21–40.

<sup>28</sup> Davies S (2011) Regional resilience in the 2008–10 downturn: comparative evidence from European countries, *Cambridge Journal of Regions, Economy and Society*, 4, 369–382.

<sup>29</sup> OECD Regional Outlook (2011) *Building resilient regions for stronger economies*, Paris, 2011.

programmes with a predominant environmental focus. Currently, however, the support for these areas is also through urban regeneration programmes, part of a renewed emphasis on urban policies.

Table 1 below, provides an overview of the objectives of the most significant policy measures for areas facing industrial restructuring in the selected 12 European countries. These instruments are reviewed in detail in Section 0 of this paper. Overall, approaches across the selected countries can be classified as follows:

- **dedicated schemes**, such as those implemented in **Italy** (support to complex and non-complex industrial crisis areas) and **Norway** (support to restructuring areas);
- the **use and/or combination of general schemes**, i.e. schemes not specifically geared to crisis areas, sometimes with earmarked funding, dedicated sections or special access conditions for areas in economic and social difficulty. Examples of this approach can be found in **Finland**, where the AIKO regional aid includes a section comprising a 'Proactive Framework for Sudden Structural Change'; in **France**, where the CPER can provide place-based support to areas in difficulty; in **Germany** with the GRW-funded 'Experimentation clause'; and the in the **UK (England)**, with Enterprise Zones in the crisis areas of Humber, Lancashire, and Tees Valley;
- **special programmes** for large territorial areas, like the 'Investment Programme for Silesia' in **Poland** and the Northern Powerhouse Strategy for the **North East England** (discussed in Box 1 below);
- the creation of **special Funds with territorial and sometimes also thematic orientation** – for example, the Energy and Climate Fund in **Germany**, which allocates €4 million annually over a ten year period for an 'Ideas Competition' for the four main lignite-producing regions, or the SSI Task Force Jobs and Skills Investment Fund in **England**, which was established to support the Tees Valley, faced by a major steel plant's closure, consisting of c. £16.5 million (c. €18.8 million); and
- the provision of public funding for the realisation of **business foresight exercises**, as in **Sweden** (discussed in Box 3).



**Table 1: Objectives and rationales of main instruments reviewed – selected 12 European countries**

Policy measure	Objectives
<b>Dedicated schemes</b>	
<b>Italy – support to complex industrial crisis areas</b>	To support the reactivation of industrial activities, safeguard employment, launch new development programmes and attract new investments, reclaim and modernise the physical environment.
<b>Norway – support for restructuring areas</b>	To provide a response to sudden significant change in employment in a given area. Ultimate aim is generally job creation (in existing or alternative activities). Increasing the population is also frequently cited as an objective (depending on the area).
<b>Dedicated sections of wider schemes</b>	
<b>England – Enterprise Zones</b>	To support growth in sectors that are relevant to the area, to overcome structural, long-term barriers to development (e.g. infrastructures) and attract new investments.
<b>Finland – Proactive Framework for Sudden Structural Changes (ERM)</b>	To implement quick and experimental measures to strengthen regional resilience and speed-up economic renewal. To support economic renewal, growth and internationalisation of economy and businesses, and to create new jobs and firms.
<b>Germany – Experimentation Clause (Lausitz)</b>	To support structural change, safeguard and create jobs, prevent further depopulation.
<b>Special programmes for large territorial areas</b>	
<b>Poland – Investment Programme for Silesia</b>	To Increase the competitiveness and innovation of the regional economy in areas where the region possesses or can build competitive advantages. Structural change in traditional industries. Functional integration within the region. Adaptation of human resources qualifications to the labour market. Environmental reclamation.

Source: Authors.

## 3.2 Spatial targeting

**Spatial targeting of policy instruments in support of industrial areas in difficulty can be applied through strict and standardised statistical criteria**, for instance following EU and/or national regional aid frameworks for selecting areas in which support is made available. This is the case, for example, of the *Italian* scheme for non-complex industrial areas which applies to areas selected based on statistical indicators at the level of local labour market systems.<sup>30</sup> **However, more qualitative and participative selection procedures are also being used.** The aim is to ensure sufficient flexibility to capture complex and varied geographies and to tailor policy interventions to specific contexts, including through multi-level dialogue between the variety of actors involved locally and the national and subnational

<sup>30</sup> Namely: (i) prevalent productive specialisation (on 'made in Italy', heavy manufacturing, non-specialised and non-manufacturing, excluding labour market areas dominated by tourism and agriculture); sub-optimal combination of employment and unemployment rates (2014); sub-optimal variation of employment and unemployment rates over the period 2008-2014; and, labour productivity (added value per employee – 2012). See <http://www.sviluppoeconomico.gov.it/index.php/it/impresa/competitivita-e-nuove-imprese/aree-di-crisi-industriale/crisi-industriale-non-complessa> (in Italian). Unlike the scheme for complex industrial areas, discussed in Section 4.1, the aim of this scheme is to support a firm, rather than the relaunch of an area.

administrations. These procedures produce a range of spatial categories that often cut across administrative boundaries to address socio-economic factors, namely:<sup>31</sup>

- **Regions or large areas with structural economic weaknesses**, for instance covering old industrial regions. Funding can be focused on administrative regions which show structural weaknesses on a range of economic indicators (e.g. productivity, employment, business creation). Flexibility is often built in to these initiatives to ensure that there is sufficient spatial focus. In **Poland**, the Investment Programme for Silesia covers the NUTS 2 region of Silesia, which is the same territory covered by the Cohesion policy regional OP 2014-20. Within this, specific actions target particular territories (for instance, revitalisation initiatives target specific urban areas at NUTS 3 level). In **Germany**, the Lausitz area has a population of around one million, and crosses the border between the two Länder of Brandenburg and Saxony (also bordering on Poland). It includes seven local authorities. It is the target of an Experimentation Clause under the GA, whose advantage is that it offers greater flexibility than many other existing programmes/instruments, including in relation to the types of actors eligible to apply for support (discussed in detail in Section 4.4). In the **United Kingdom**, the Northern Powerhouse and Midlands Engine cover large areas in the north and midlands of **England** (Box 1).

**Box 1: Regional initiatives in England: The Northern Powerhouse and Midlands Engine**

UK government policy over the last decade has not had a strong spatial focus, and there are currently very few schemes or packages specifically targeting areas facing industrial decline. Although the UK assisted areas map is dominated by areas in industrial decline, and the (few) existing regional aid schemes can potentially play a role in job safeguarding, use of the regional aid schemes has been negatively impacted in recent years by changes to the regional aid guidelines, constraining grant aid to large firms. However, as well as being included in the assisted areas map, regions in industrial decline are still a focus of policy. For example, the north of England was badly affected and still suffers from the after effects of the decline of traditional industries in the 1980s. The previous Conservative government (the Conservative-Liberal Democrat Coalition, in power from May 2010 to May 2015) supported the development a '**Northern Powerhouse**' in the north of England, to balance the impact of London on England's economy. Although the concept is less favoured by the current Government, a Northern Powerhouse Strategy was published in November 2016.<sup>32</sup>

<sup>31</sup> S. Davies, M. Ferry and H. Vironen (2015) Regional Policy in Europe Targeting Growth and Inequality: Annual Review of Regional Policy in Europe, EoRPA Paper 15/1, Paper prepared for the 36th meeting of the EoRPA Regional Policy Research Consortium at Ross Priory, Loch Lomondside, 4-6 October 2015.

<sup>32</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/571562/NPH\\_strategy\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571562/NPH_strategy_web.pdf)



The Northern Powerhouse's objective is to achieve a sustained increase in productivity across the whole of the North of England. This involves investment in transport and digital infrastructure, and housing, including through Growth Deals with Local Enterprise Partnerships, investment in skills, and support for enterprises through the Northern Powerhouse Investment Fund and North East Fund, both ERDF co-funded and delivering loan and equity finance to SMEs.

A further initiative in the Midlands of England (also badly affected by industrial decline in previous decades) is the '**Midlands Engine**', a strategy for which was published in March 2017.<sup>33</sup> This strategy also involves investment in transport, skills, support for industrial clusters, and the ERDF-funded Midlands Investment Fund which will offer loans and equity finance for SMEs.



- **Localities that are undergoing rapid structural change due to the closure of key businesses or entire industries, often with a particular focus on addressing existing or potential job losses and unemployment rate increases.** Action Plans or Task Forces can focus on the location of specific firms or industries. For instance, where major plant closures have occurred in the *Netherlands*, key actors from the national level meet with the province concerned and a Task Force chaired by representatives of the province is established, often to support the unemployed and help them find further employment to mitigate the social impact of the closure.

<sup>33</sup>

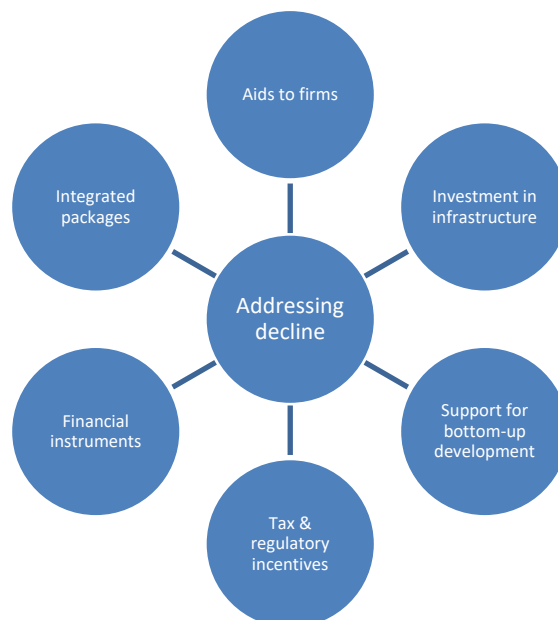
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/598295/Midlands\\_Engine\\_Strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598295/Midlands_Engine_Strategy.pdf)

- **Geographically delimited areas where boundaries are drawn to maximize opportunity and economic/social impact.** This can refer to special economic zones (e.g. *Italy, Poland*), enterprise zones/areas (e.g. *United Kingdom*) or crisis areas (e.g. *Italy*) where tax breaks, zero bureaucracy or other regulatory incentives are offered to attract business investment. Although the criteria used to set the boundaries of these areas vary, and might not necessary relate to economic restructuring, they are often located in proximity to areas facing an increasing degree of economic and social difficulties.
- **Cities, local authorities** - Municipalities can also provide basic units for spatial targeting. This is particularly the case where city governments or urban authorities enjoy considerable independence and autonomy and hold significant policy competences, for instance in terms of planning, services, transport infrastructure, education and training etc. In some cases, association of municipalities come together to form spaces that cover challenges across administrative boundaries. For instance, in *Norway*, at any one time a number of municipalities are designated as undergoing regional 'conversion' or 'transition'.<sup>34</sup> Municipalities apply for designation as restructuring areas. The area may cover one or more municipalities depending on the nature and scope of the crisis and designation is approved by county authorities.

### 3.3 Instruments

A range of regional policy instruments are available to address the challenges facing these areas (Figure 3):

**Figure 3:** Regional policy instruments addressing industrial decline



**Source:** Authors.

<sup>34</sup> Karlsen A and Lindelov B (2000) Omstilling i Næringsliv og Regioner - eksemplene Østfold Industrioftensiv og Vekst i Grenland, Nordlandsforskning NF – rapport nr. 19/2000.

- **Direct aid to productive investment in the form of discretionary grants or subsidies to firms in disadvantaged areas.** Capital stock and business investment are typically lower in structurally weaker regions. Investment grants are used in most EU15 and many CEE countries. This includes regional aid schemes for industrial restructuring. Combinations of different general schemes, not specifically earmarked for crisis areas, can also be used with earmarked funding or special access conditions for areas in economic crisis. This is the case in **France**, for instance, where the CPER has provided place-based support to areas in difficulty. Evaluations of regional policy grants for business investment have found positive results in terms of the short-term impact on job creation. However, results vary as to whether instruments increase the longer-term productivity of individual firms. There is some evidence that smaller grants are more cost effective than larger grants.<sup>35</sup>
- **Public investment in local infrastructure.** The quality of public infrastructure is important for the resilience of these areas.<sup>36</sup> Infrastructure is often poorer in structurally weaker regions and can affect firms' investment decisions and competitiveness. This includes investment infrastructure that "structures" productive activity (e.g. business parks, incubators for firms starting up, etc.). Strengthened transport infrastructure can increase the effective size of a local labour market and therefore boost the productivity of firms and individual workers.<sup>37</sup> Transport infrastructure, communications programmes, new energy capability and environmental schemes can facilitate business attraction and expansion. It should be noted that improving the business environment usually requires regulatory and institutional changes at the national level.<sup>38</sup>
- **Support for bottom-up development, capacity-building.** A number of countries provide additional support for various aspects of bottom-up development in the areas facing industrial restructuring, including the support of business-related networks (e.g. in **Germany, Denmark** and **Switzerland**) and clusters (e.g. in **Germany, France** and **the Netherlands**). Support for the development of bottom-up strategies or projects (e.g. in **Austria, France, Norway and Portugal**) and for the establishment of local/regional development agencies is also provided. In some cases, support and incentives are put in place to encourage the development of new ideas and innovative approaches in these areas (e.g. the Energy and Climate Fund in **Germany**, allocating €4 million annually over a ten year period for an 'Ideas Competition' for the four main lignite-producing regions, which are now undergoing decommissioning and restructuring). General administrative capacity building is an element of support in some countries (notably through Cohesion policy in countries where the lack of such capacity is seen as an obstacle to policy implementation and economic development (Box 2).

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<sup>35</sup> Mouqué D. (2012) What Are Counterfactual Impact Evaluations Teaching Us about Enterprises and Innovation Support?, *Regional Focus*, 2/12, Brussels.

<sup>36</sup> Christopherson S., Michie J. and Tyler P. (2010) Regional resilience: theoretical and empirical perspectives, *Cambridge Journal of Regions, Economy and Society*, 3 (1), 3 – 10.

<sup>37</sup> OECD (2016) 'OECD Regional Outlook 2016: Productive Regions for Inclusive Societies', OECD Publishing, Paris.

<sup>38</sup> European Commission (2017) Competitiveness in low-income and low-growth regions The lagging regions report, Commission Staff Working Document SWD(2017) 132 final.

## Box 2: Support for bottom-up development in Poland – supporting medium-sized cities losing socio-economic functions

Poland's Strategy for Responsible Development (*Strategia na rzecz Odpowiedzialnego Rozwoju* – SOR), launched at the beginning of 2017, includes plans to support medium-sized cities losing their socio-economic functions. This initiative concentrates on cities and towns outside of **Poland's** largest cities which are losing important functions within the settlement system of the country as social and economic problems accumulate. The SOR identifies as a key challenge the limited capacity of public authorities in these areas to effectively cope with the experienced socio-economic problems: outmigration of qualified workforce, ageing of the population, weakening of the economic base, low transport accessibility and moderate attractiveness for investors.



The initiative will support innovative projects to boost entrepreneurship, increase the investment attractiveness of these cities, increasing human capital, social initiatives, housing and other measures to reconstruct the economic base these cities. This involves capacity-building for these local authorities to develop advanced financial planning of public projects. Local authorities in these areas were given the possibility to have their planned municipal investments thoroughly analysed by a team of consultants in terms of different financial models and sources of funding. The aim is to build capacity through a learning process and spread the knowledge of various financial sources for municipal investments. The main elements of the package are the above-mentioned consultations with experts, preferences in access to different sources i.e. EU funds and preferences for location of investments. The Ministry of Economic Development presentation gave an indication (...) PLN 2.5 bln (approximately €0.6 bln).

- **Provision of tax and regulatory incentives to foster restructuring, for instance through special economic zones**, with the aim of channelling investment to regions in need of outside assistance to rekindle economic activity. Although opinions differ on the impact they have, most analysts share the view that, to be fully effective the zones should be concentrated in a small number of regions.<sup>39</sup> Moreover, evaluation evidence indicates that in order to avoid deadweight effects, tax-based instruments must target specific local development objectives and higher quality projects.<sup>40</sup>
- **Financial instruments in the form of loans and guarantees.** Access to funds can be a considerable problem for traditional enterprises having to introduce new technology. Conventional forms of financial assistance may no longer be sufficient and innovative funding schemes have been run successfully in a number of regions restructuring their economies. For instance, a regional equity investment corporation (such as the *Société Régionale d'Investissement de Wallonie* - SRIW - in **Belgium**). There is evidence that guaranteed loans can have more positive effects on employment in disadvantaged areas than elsewhere.<sup>41</sup>
- **Integrated packages that combine instruments.** There is broad recognition among policymakers that holistic approaches are needed to coordinate different instruments in plans or programmes tailored to specific areas.<sup>42</sup> Support under this category ranges from long-standing funding streams for structurally weaker macro-regions (as in **Germany**), strategies for structurally weak regions (e.g. **Norway, Poland**) and ad hoc measures aimed at alleviating the consequences of a localised crisis (e.g. in **Italy**). Cohesion policy approaches are part of this trend as funding for industrial regeneration often involves the integration of different types of intervention in territorial strategies and operational programmes. There is evidence of the benefits of the 'package of support' approach e.g. in the development of synergies between subsidy provision and support for networking. The effect of the measures combined was much greater than the sum of their individual effects.<sup>43</sup>

### 3.4 Governance arrangements

Regional policy approaches to cope with the consequences of industrial crisis generally take a multi-stakeholder approach to governance. While national governments typically play more strategic roles (setting the general framework conditions, designing, coordinating and funding the interventions), other actors (e.g. public employment services, economic development agencies, service providers) are involved in implementing the measures (Table 2). Some actors are involved in both strategic and operational phases (companies, works councils, trade unions, and regional or local governments). The governance approach used and the combinations of actors involved varies across countries and

<sup>39</sup> 'Specjalne strefy ekonomiczne podzieliły resorty' Forsal 24/1/13  
[http://forsal.pl/artykuly/675724,specjalne\\_strefy\\_ekonomiczne\\_podzieliily\\_resorty.html](http://forsal.pl/artykuly/675724,specjalne_strefy_ekonomiczne_podzieliily_resorty.html).

<sup>40</sup> Federal Finance Ministry (2011) *Bericht an den Finanzausschuss des Deutschen Bundestages zur Überprüfung der degressiven Ausgestaltung der Investitionszulage im Investitionszulagengesetz 2010*, Berlin.

<sup>41</sup> Mason C, Michie R and Wishlade F (2012) Access to finance in Europe's disadvantaged regions: Can 'new' financial instruments fill the gap? Paper for the 33rd meeting of the EoRPA Regional Policy Research Consortium, 3-5 October, Ross Priory, Loch Lomondside.

<sup>42</sup> Eurofound (2014), Effects of restructuring at regional level and approaches to dealing with the consequences, Publications Office of the European Union, Luxembourg.

<sup>43</sup> Mouque, D. (2012) *op. cit.*



instruments, according to institutional frameworks and capacities, the scale of the initiative, the types of instruments involved.

**Table 2: Actors and their involvement in restructuring at regional level**

	General framework conditions	Designing interventions	Implementing measures	Coordinating activities	Financing interventions	Lobbying
National government	X	X		X	X	
Regional/local government	X	X	X	X	X	
Public employment service			X			
Development agencies			X	X		
Employer bodies, trade unions		X	X			X
Service providers (education, social services)			X			
Firms		X	X			

Source: Eurofound (2014) *op. cit.*

When looking at **contemporary approaches to the governance of policy initiatives in these areas**, two features appear as prominent:

- The important role of **national investment or innovation agencies** in the delivery of the policy measures for areas in economic crisis in some countries (namely **Italy**, **Norway** and **Sweden**);
- The establishment of dedicated **coordinators, task forces or committees** responsible for networking, coordination and mediation functions.

(i) *The role of development agencies*

Development agencies are often well-equipped to play important roles in the implementation of initiatives in these areas. They often have the flexibility to span sectoral, ministerial or departmental boundaries, facilitating their role in coordinating ‘packages’ of instruments in these areas. With remits to support economic growth, agencies typically have established connections with the private sector. Agencies can also lend capacity to stakeholders involved in these initiatives at regional or local levels, providing financial assistance, exchange of experience or support for networking.

In **Italy**, the national agency Invitalia is in charge of the coordination of Italian schemes for complex and non-complex crisis areas, and of other regeneration plans.<sup>44</sup> This includes the recently launched plan

<sup>44</sup> <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale.html>; <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale/rilancio-bagnoli.html>; <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale/rilancio-bagnoli/documenti.html> (accessed 5 July 2017).



for the decommissioned steel area of Bagnoli.<sup>45</sup> In **Norway**, Innovation **Norway** offers a range of tools and templates to support the local level in developing restructuring projects. In **Sweden**, the Agency for Economic and Regional Growth (Tillväxtverket) was tasked with the realisation of a business foresight exercise, to enable the activation of prompt responses to restructuring processes and redundancies resulting from these (Box 3).

### Box 3: Tillväxtverket and Business Foresight in Sweden

In 2017, the Swedish Government set out plans to assist with the 'response to redundancies and restructuring in the business sector'. The Government instructed Tillväxtverket that by the end of 2018 a business foresight process should be undertaken. The intervention will be coordinated with the Agency's existing regional growth and industrial policy and aims to create continued sustainable regional growth and business development in the regions concerned. Activities include gathering business intelligence and further developing contacts with relevant business networks, in order to 'better prepare and respond quickly to change'. Tillväxtverket aims to offer regions:

- Knowledge: providing analysis and assessment of growth and business trends;
- Financing: providing financial resources, where relevant, or by linking to other appropriate sources of finance (acting as the 'one door' for support);
- Networking: coordinating and linking contacts with state agencies and stakeholders;
- Multi-level coordination: The agency will promote sectoral coordination between national authorities and between national and regional levels.

This work will be undertaken in close collaboration with the relevant county authorities and national agencies. Between 2017 and 2018 the Government will allocate 1 million SEK (c. €105,000) to the process. The task will be finalised no later than 29 March 2019. The aim is to promote sectoral cooperation between the relevant authorities and between national and regional levels. If an area experiences a sudden economic readjustment a contact person can be appointed to work with the affected area, allowing the government to take an active, engaged and visible role.

### (ii) *The establishment of dedicated coordinators, task forces or committees*

Dedicated institutional responses, such as the appointment of committees, coordinators or task forces charged with the identification of target areas and/or the provision of tailored policy responses is a fairly common response to localised crises. These actors generally play a key networking, coordinating and mediation role, aimed at drawing actors and resources together towards a joint regeneration effort for the area. Examples include the following:

- In **France**, an inter-ministerial committee for industrial restructuring (*Comité interministériel de restructuration industrielle, CIRI*) acts as a dedicated 'service' at the **national level**, with a specific focus on areas facing de-industrialisation. The Committee has a

<sup>45</sup> Ausiello G (2017) 'Arcuri: Sfida Bagnoli piano da un miliardo', Il Mattino, 16 July 2017; Di Costanzo A (2017) 'Siglato l'accordo sulla riqualificazione di Bagnoli', La Repubblica 4 August 2017; Viola V (2017) 'Bagnoli, via libera anche dalla Cabina di regia', Il Sole 24 Ore, 5 August 2017. Invitalia site, 'Bagnoli, Cabina di Regia: si all'accordo per bonifica e risanamento, 4 August 2017, <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale/rilancio-bagnoli/notizie/cabina-regia-bagnoli-palazzo-chigi.html> (accessed 14 August 2017).

remit over large firms in difficulty (more than 400 employees) and is charged with mediation tasks between the stakeholders affected (enterprises, shareholders, suppliers, banks, employees), to support the identification of solutions to prevent closure, recover activity and maintain jobs. The Committee works on a case by case basis.<sup>46</sup> Similar bodies are in place within the Departments, under the aegis of the regional *Préfets*, and undertake similar functions where industrial restructuring affects firms that have less than 400 employees.

- **In Sweden, in 2015 the national government appointed a coordinator in Gotland** after its decision to cut capacity at the island's limestone quarry, which was a key employer in the area. Centrally appointed regional coordinators had been used across Sweden up to 2012 in order to support local actors in developing responses to the economic crisis. However, the initiative was discontinued when the government judged that there was now sufficient capacity at sub-national levels. The government made an exception in the case of Gotland, including an allocation of more than 100 million SEK between 2016-19, reflecting the impact of the job losses, and the accessibility and capacity challenges created by its island location. The coordinator worked with the area and with Tillväxtverket in order to develop sustainable renewable growth. Four reports were produced in March 2017, prioritising issues to be addressed, and setting out action plans. Although still to be implemented, the process of developing the reports has brought benefits in bringing stakeholders together.
- **In Germany, the federal Climate Protection Plan committed the authorities to setting up a Commission for Growth, Structural Change and Regional Development to start work in 2018.** The Commission will be based in the Federal Ministry for Economic Affairs and Energy, and work in cooperation with the *Länder*, local authorities, and businesses. The Commission aims to develop a mix of instruments to support structural change in lignite-producing regions, bringing together the goals of economic development, social responsibility and climate protection. Preparatory work for the Commission is already well underway, e.g. via consultations with relevant partners, and also via the launch of a number of preparatory studies in 2017.
- **In the United Kingdom, a Task Force approach has historically been used in crisis situations, such as job losses at a major employer.** The approach is still used. For example, in 2015 in **Scotland**, the Scottish Steel Taskforce brought together key partners to co-ordinate the development of a joint, multi-agency Economic Recovery Plan to mitigate the economic impacts resulting from the proposed closure of Tata Steel in Lanarkshire (Box 4).<sup>47</sup> Similarly, in **England**, a Task Force in 2015 brought together key partners in Redcar when the SSI steel plant was threatened with closure (Box 4).

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<sup>46</sup> <http://www.tresor.economie.gouv.fr/CIRI>

<sup>47</sup> <https://news.gov.scot/news/update-on-steel>

**Box 4: Task Forces in Scotland and England**

The Scottish Steel Taskforce launched a plan for the areas affected by the closure of Tata Steel in Lanarkshire when closure was threatened. The plan included:

- working with the employer and trade unions to secure a future for the site, continuing evaluating the business and identifying potential efficiency savings, training support and market opportunities;
- providing support and advice for the individuals employed at the site, and working in the supply chain, to maximise each individual's opportunity to secure alternative employment, should this be required;
- providing support to the communities impacted by uncertainty and potential future job losses;
- assessing the economic infrastructure of the local area, to identify whether improvements could be made to support economic development; and
- considering additional area regeneration activity to support local economic regeneration and recovery.

A Scottish Government grant of £195,000 was announced to keep key workers on standby to safeguard full manufacturing capability, ensuring the plant could get up and running again as quickly as possible.<sup>48</sup> A reduction on business tax rates for one year was also offered to alternative operators.<sup>49</sup> The outcome is still being negotiated.<sup>50</sup>

The SSI Task Force, in England, was set up in 2015 and included representatives of the steel company, local agencies, businesses, trade unions, MPs, council leaders and other stakeholders. The aim was to provide tailored support to affected workers, local businesses, communities and the wider economy. The Task Force quickly organised a range of support including a 'jobs fair' a week after the closure announcement, a support hub to provide a range of advice (finances, benefits, training, job search, health and well-being), a telephone helpline and an advice booklet. Government funding of c. £80 million included £30 million ring-fenced for redundancy payments, and £50 million for helping people back to work, training, placements for apprentices, help to start new businesses, and support for supply chain companies.<sup>51</sup> A £16.5 million (c. €18.3 million) SSI Task Force Jobs and Skills Investment Fund was set up as a wage subsidy scheme to help businesses in Tees Valley and the surrounding area create new job opportunities and employ former SSI employees, their spouses or partners living in the same house, supply chain workers or contractors affected by the closure of the steel works.<sup>52</sup> The Skills and Investment Fund is run by the local authority, and is co-financed by the ERDF.<sup>53</sup>

<sup>48</sup> <http://www.bbc.co.uk/news/uk-scotland-glasgow-west-35309422>

<sup>49</sup> <https://news.gov.scot/news/steel-business-rates-relief>

<sup>50</sup> <https://www.theguardian.com/business/2016/mar/21/talks-save-scottish-steel-mills-happening-breakneck-speed>; <https://www.ft.com/content/b8c42166-f640-11e5-803c-d27c7117d132>.

<sup>51</sup> [https://www.redcar-cleveland.gov.uk/taskforce.nsf/c7ec965d5c9e6c0b80257f930030066e/\\$File/SSI%20Task%20Force-%20One%20Year%20on%20Report.pdf](https://www.redcar-cleveland.gov.uk/taskforce.nsf/c7ec965d5c9e6c0b80257f930030066e/$File/SSI%20Task%20Force-%20One%20Year%20on%20Report.pdf)

<sup>52</sup> <https://teesvalley-ca.gov.uk/what-we-are-delivering/employment-and-skills/ssi-task-force-jobs-and-skills-fund/>

<sup>53</sup> <https://www.teesbusinesscompass.co.uk/support-for-growth/ssi-task-force-jobs-and-skills-fund.htm>

## 4. CASE STUDIES

An overview of regional policy responses to the problems of areas in industrial decline or transition reveals substantial variation across countries in the ranking of priorities, the spatial focus, the combination of instruments utilised and the approach to governance. Given this broad variation, it is useful to focus on specific examples of policy initiatives in different national contexts (Table 3). It should be noted that these types of initiative are not exclusive to specific countries: the cases have been selected to include a range of initiatives that are being pursued. The examples relate to three of the approaches described in Section 3: (i) dedicated schemes; (ii) dedicated sections or earmarked funding from general schemes; and, (iii) special programmes for a large territorial area. For each case, the general context within which the initiative operates is set out before detail is provided on its objectives and rationale, resources, geographical scale and governance approach.

### 4.1 Dedicated scheme: Support to ‘complex’ industrial crisis areas in Italy

#### 4.1.1 *Objectives and rationale*

The scheme aims to support a limited number of areas affected by the crisis of a large firm or production specialisation. The idea of the scheme is not just to bring financial resources to these areas, but especially to create coordination between the various territorial and national administrations. Initially, the scheme had a predominant focus on environmental reclamation – because target areas tended to be brownfield site – but over time it evolved into a tool for the economic relaunch of the areas.

#### 4.1.2 *Resources*

The resources are allocated to each Industrial Reconversion Plan on a case by case basis based on an appraisal of need and demand, undertaken according to the procedures discussed in the next Section. The resources allocated so far are summarised in Table 4 below. The core funding is provided under national law 181/1991, however each Industrial Reconversion Plan can mobilise also regional resources and any other applicable incentive schemes.

**Table 3: Case study summaries**

Case	Objectives/rationale	Approaches taken	Resources	Comments
<b>Dedicated schemes</b>				
IT: Support to 'complex' industrial crisis areas	Support the reactivation of industrial activities, safeguard employment, launch new development programmes and attract new investments, reclaim and modernise the physical environment.	Designation of 'complex' industrial crisis areas based on criteria defined by law at the request of the regional authority. Definition of 'industrial reconversion plan'. Implementation assisted by agency Invitalia and overseen by dedicated inter-ministerial/multi-level committee, based on programme agreement signed by all actors involved. Range of actions (e.g. business aids, bureaucratic simplifications, infrastructure).	Decided on a case-by-case basis, based on industrial reconversion plan. Currently ranging from c. €16 million to €581.4 million.	There is a parallel measure for 'non-complex' industrial crisis areas too, which relates to crises which are not complex but do present a significant impact on the economic and employment prospects of the areas involved. Area eligibility in this case is defined based on statistical criteria (local labour market systems) and projects selected via open call.
NO: Support for restructuring areas	Respond to sudden significant change in employment in a given area, ultimate aim is job creation.	Designation of 'restructuring area' at municipal level, in agreement with county councils. Development of action plans, implemented by local restructuring agency. Range of actions (e.g. business parks, tourism etc.).	Decided on a case-by-case basis. Ministry funding provided to counties is usually in the range €0.2 - 0.4 million p.a. per programme, programmes generally last six years	Approach gaining a higher profile, growing interest in "deals" to produce policy results in specific areas.
<b>Dedicated sections and/or earmarked funding from general schemes</b>				
UK (Eng): Enterprise Zones	Overcome structural barriers to development, facilitating business investment.	Selected by central government in less developed areas. Implemented at local level. Offer tax relief, simplified planning, support for broadband, capital for machinery, other grants and loans.	Government investment includes: Capital allowances (£95 million 2012-2017); Local Infrastructure Fund (£59 million); Capital Grant Fund (£100 million 2014/15).	Early stages, some evidence of new investment but scepticism in past over displacement effects.
FI: Proactive Framework for Sudden Structural Changes	Respond to sudden structural changes and job losses. Encourage experimental measures. Strengthen regional resilience.	Regions develop contingency plans. Central government funding allocated to projects in the regions (e.g. training, innovation centres, attracting business etc.).	€15 million for the period 2016-18, central gov't and ESIF resources.	Likely to be discontinued in 2019 as reforms strengthen regional competence. But valued as proactive, focussing on: forecasting; regional responsibility, developing experimental culture.
DE: Experimentation Clause for Lausitz area	Structural change away from lignite opencast mining, coal-fired power generation. Cooperation between <i>Länder</i> , between local authorities. Joint strategic approaches and practical actions.	Funding option under GRW, <i>Länder</i> can use up to 10 percent of their quota. Funds pilot projects (e.g. location marketing, energy efficiency, digital access, tourism).	Experimentation Clause for the Lausitz area €7.3 million in 2017-2021.	Application of Experimentation Clause in Lausitz part of enhanced focus on structural change in areas with lignite (brown coal) industries.
<b>Special programme for large territorial area</b>				
PL: Investment programme for Silesia	Regional competitiveness, innovation Functional integration Adaptation of labour market, Improve business and living environments. Coordination of public and private institutions	NUTS 2 region. Implemented through ESIF. Focus on: attracting investment, mining, energy, human resources, new financial institutions, infrastructure support, urban regeneration.	Can draw on €3.5 billion available in Silesian Regional OP 2014-20, several hundred million zlotys is planned for projects in new Polish Development Fund which launched in 2016.	Launched in 2017 but plans to continue beyond 2020.

**Table 4: Public resources allocated for the industrial reconversion plans of complex industrial crisis areas**

Complex Industrial Crisis Area	Public resources allocated to the Industrial Reconversion Plan
Frosinone	NA
Gela	Tbc (call for expressions of interest closed on 15 March 2017)
Livorno	€581.4 million
Piombino	€20 million
Portovesme	NA
Porto Torres	NA
Rieti	€16.1 million
Savona Province	NA
Taranto	Tbc (call for expressions of interest closed on 3 February 2017)
Terni-Narni	Tbc (call for expressions of interest closed on 4 August 2017)
Termini Imerese	€240 million (150 national funding and 90 regional resources)
Trieste,	Tbc, programme agreement being finalised
Val Vibrata-Valle del Tronto Piceno	Tbc (call for expressions of interest closed on 14 October 2016)
Venafro-Campochiaro-Bojano	Tbc (call for expressions of interest closed on 10 October 2016)

**Source:** <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale.html> (sub-links specific to each area).

### 4.1.3 Eligibility, selection procedure and criteria

The definition of what constitutes a ‘complex’ industrial crisis is provided in a 2013 decree of the Ministry of Economic Development (Decree 31 January 2013). A complex industrial crisis is a crisis that relates to a specific area affected by economic recession and employment loss of national relevance due to:

- the crisis of one or more large or medium firm, with knock-on effects on the supply chain;
- a grave crisis of an industrial sector in which the area is highly specialised;
- the crisis cannot be solved solely with the resources and instruments available to the Regional Authority in which the area is located.

With the exception of two areas – Piombino and Trieste – that were identified by law, the identification of areas generally starts with a request by a Regional Authority to the Ministry of Economic Development. This request comprises a *socio-economic analysis* of the area and of the problem, providing data related to key indicators referenced against national and regional averages. In the same document, the Regional Authority provides an indicative *Industrial Modernisation and Reconversion Plan* (*Programma di Riqualificazione e Riconversione Industriale*, PRRI), which outlines the economic strength and productive vocations of the area. The dossier is then appraised by the Directorate General for Industrial Policy and Competitiveness of the Ministry of Economic Development. If the area is recognised as in crisis, then the Ministry appoints a ‘*Coordination and Control Group*’ to oversee the implementation of the Plan. The Group comprises representatives from the Ministry of Economic Development (two different DGs), the Ministry of Labour, the Regional Authority involved, and any other territorial or national administrations relevant to the case. At this point, the implementation phase starts and it is undertaken in a number of stages:

- First, the agency Invitalia prepares a fully fleshed-out *Industrial Reconversion Plan*, elaborated based on more detailed statistical and economic data, including data acquired through a dialogue with local firms, entrepreneurs' associations, trade unions and other local stakeholders.
- Second, once the plan is approved by the Coordination and Control Group, Invitalia carries out a detailed mapping of all the industrial sites available in the area, including their productive characterisation. It prepares a *non-binding list of foreseen investments*, *drafts a list of necessary complementary actions* (e.g. animation, technology transfer with local universities) and elaborates a *list of the employees that need to be re-allocated* (name by name).
- Third, Invitalia opens a *call for expression of interest* to see how many/which firms would be interested in investing in the area. The call is used by the Coordination Group and Invitalia to appreciate the sectors in which potential investors operate and the possible size of investments they may realise. Overall, the ratio between those who express an interest and those who, at the end of the process, realise the investments is 10 to 1.
- Fourth, based on the reconnaissance obtained from the call for expression of interests, the Ministry appoints the *financial resources for the Industrial Reconversion Plan*, and *approves it officially*.
- A *programme agreement (accordo di programma)* is drafted and signed by all actors involved. This allows Invitalia to launch the necessary *calls for projects and public procurement procedures* (which can range from different types of infrastructure, to environmental investments, to business aids and human resources measures). These are designed to match the foci emerged from the expression of interests. In many cases, a simplification of procedures/fast-tracking is also foreseen.<sup>54</sup>

#### **4.1.4 Types of intervention/support provided**

Interventions range from business aids, to support to various types of infrastructure and public works, to the simplification/fast-tracking of administrative procedures, to the support of human resources and energy efficiency investments.

#### **4.1.5 Implementing actors**

The main actors involved are as follows.

- The Ministry of Economic Development, DG Industrial Policies, is responsible for the scheme.
- Regional Authorities generally submit the initial request that an area be recognised as in a condition of 'complex industrial crisis'; it also participates in all stages of the implementation of the industrial reconversion plan.
- Invitalia is the agency charged with implementation and supporting tasks.
- A dedicated committee, so called 'Coordination and Control Group', is appointed for each selected area to oversee implementation. It comprises representatives from the Ministry of Economic Development (two different DGs), the Ministry of Labour, the Regional Authority involved, and any other territorial or national administrations relevant to the case.
- The firms that invest in the area and the employees that are reallocated.

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<sup>54</sup> For example, in the case of Livorno, the scheme funded investments in the port area of c. €500 million which have been delivered with streamlined procedures, to speed-up realisation.

#### 4.1.6 Eligible investments

Investments vary from case to case and range from infrastructure to business aids. So far, fifteen such complex crisis areas have been selected and the related investment plans are ongoing: Rieti, Piombino, Livorno, Gela, Taranto, Trieste, Venafro-Campochiaro-Bojano, Val Vibrata-Valle del Tronto Piceno, Terni-Narni, Termini Imerese, Bagnoli, Frosinone, Savona, Portovesme and Porto Torres.

In addition, special interventions under the scheme are also being implemented in Region Campania (€150 million), Region Marche (Merloni plant, €81 million), Naples (Bagnoli plant, €1 billion including private funding) and the Murgia area (€119 million). These interventions are even larger in scale and include funding from a dedicated development contract and a variable mix of incentives (for investments, innovation/R&D and employment), training schemes, infrastructure, support to the local credit system.<sup>55</sup>

#### 4.1.7 Selection criteria and procedures

Invitalia issues the calls for expression of interest and for projects, and selects projects.

### 4.2 Dedicated scheme: Support for restructuring areas in Norway

Norway has a structured and systematic approach to dealing with areas affected by restructuring, and this is an important part of regional economic development policy. However, it is not a high profile aspect of policy externally – wide-ranging reviews of Norwegian regional policy do not mention the specific initiatives undertaken in response to dramatic sectoral or employment change.<sup>56</sup> Moreover, the scale of funding is not large in national terms, though in the localities concerned the intensity of support can be important. The significance of intervention lies in the wider economic geography of Norway, with remote municipalities often dependent on a small number of employers, with the result that closure or down-sizing has the potential to have a disproportionate effect on the local economy.

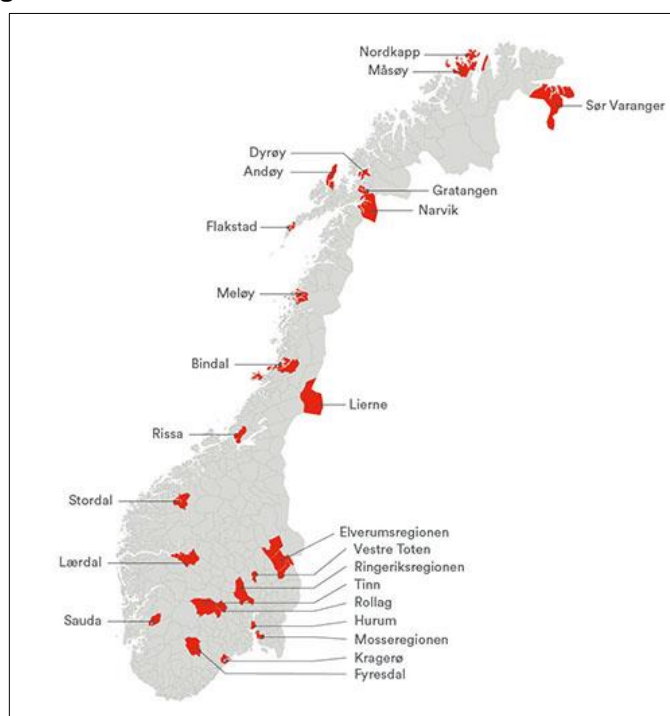
At any one time a number of municipalities are designated as undergoing regional ‘conversion’ or ‘transition’ (*omstilling*). Current designated areas are illustrated in Figure 4. Policy targeting such areas dates back some time – for example, the area of Grenland received specific central government support for industrial restructuring through the regional industrial development agency Vekst i Grenland back in 1993-99 (some NOK 81 Million, equivalent to c. €8.7 million) as did Østfold IndustriOffensiv in 1994-98 (NOK 37 million, c. €3.97 million).<sup>57</sup>

<sup>55</sup> <http://www.invitalia.it/site/new/home/cosa-facciamo/rilanciamo-le-aree-di-crisi-industriale/a.-merloni/a.-merloni.html> (last accessed 24 August 2017).

<sup>56</sup> See Angell, A, Yngve, F and Grimsrd, G. (2016) The Rural and Regional Policy of Norway, Stein Rokkan Centre for Social Studies, Uni Research Bergen; OECD (2007) OECD Territorial Reviews – Norway, OECD, Paris.

<sup>57</sup> Karlsen A and Lindelov B (2000) Omstilling i Næringsliv og Regioner - eksemplene Østfold Industrioffensiv og Vekst i Grenland, Nordlandsforskning NF – rapport nr. 19/2000.



**Figure 4: Restructuring areas**

**Source:** Innovation Norway.

A key feature of the approach is the involvement of several actors, with the initiative for designation as a restructuring area resting primarily with the local level. Designation is proposed by the municipal level in response to sharp falls in employment – generally more than 15 percent of the workforce in the labour market area, though this can be relaxed in the case of very remote areas. In general, designation is in response sudden changes in industry, but may also be because of anticipated changes in public sector employment.<sup>58</sup> The overall approach to restructuring is broken down into four phases: (i) Clarification; (ii) Strategy; (iii) Implementation; (iv) Conclusion.

- The *clarification* stage is primarily the responsibility of the country councils, but with contributions from the municipality (or municipalities) concerned, which applies to the county for support in seeking restructuring area status. The county council has access to the relevant data, forecasts and so on, but the involvement of the municipal level is considered important to understand the reality 'on the ground'. Innovation Norway may also be involved in this phase. In the clarification phase, the county council prepares a social impact assessment of the locality. This documents the area's industry and employment growth in the past 10 years and provides a forecast of developments in the coming 10 years. It also describes the assumptions underlying the projections, and considers how reliable they are. The documentation must also include relevant demographic information: depopulation, migration, education, commuting, age and sex distribution in the area, etc. The social impact assessment provides the analysis to underpin the application to the Ministry of Local Government and Modernisation for restructuring area status. The clarification stage normally takes two to three months.

<sup>58</sup> For example, the municipality of Andøy, one of the larger islands in northern Norway, hosts an air base which is set to close in 2020 as part of changes in the defence sector, and has been designated as a restructuring region in advance of that closure.

- In the strategy phase the municipality appoints a project coordinator and a steering committee, and employs an external project manager. This project team develops a restructuring plan, comprehensive of a development analysis, and action plans based on a development analysis:
  - The development analysis is broadly a SWOT analysis that also includes proposal for specific development projects.
  - The restructuring plan is the core document for the restructuring process. It should set out the 'vision' and goals for the plan; goals must be measurable. The plan also sets out relevant measures and projects, together with financing, and should also include a communication plan. The restructuring plan covers the whole period – usually six years – but can be re-evaluated annually.
  - Action plans are drawn up for each year and define specific activities or projects and specify spending plans. The strategy phase is led by the municipality level which may outsource some or all of the strategy phase. Innovation Norway offers a range of tools and templates to support this activity. The municipality should establish internal structures or appoint / set up an external body as a 'restructuring agency' to lead the process.<sup>59</sup> The strategy phase normally lasts six to eight months.

The county authorities approve the restructuring and action plans.

- The implementation phase is led by the restructuring agency (which may be internal or external to the municipality and may take one of several legal forms – including a limited company owned by local enterprises). Innovation Norway provides advice and guidance to the municipality and restructuring agency, in close cooperation with the county councils. Innovation Norway offers also offers a range of tools, templates and courses for this phase. Key activities include SME development, entrepreneurship, networking, infrastructure projects.
- The *conclusion* phase begins not less than two years before the end of the restructuring period. This phase involves a *plan for the continuation of the restructuring process*. In addition, the restructuring agency prepares a final report. Innovation Norway provides a template for the final evaluation report, which is undertaken by external consultancy organisations.

#### **4.2.1 Objectives and rationale**

The overall objective of the measures is to provide a response to sudden significant change in employment in a given area. Typically, this involves closure or restructuring of a major local employer resulting in increased unemployment and outmigration, particularly of skilled people. This in turn makes it more difficult for remaining businesses to adapt and grow and hard to create start-ups or attract entrepreneurs. The ultimate aim is generally job creation (in existing or alternative activities), but the precise context and objectives vary by area and are defined in the restructuring and action plans. Increasing the population is also frequently cited as an objective.

#### **4.2.2 Resources**

Resources are decided on a case-by-case basis. Funding provided to county councils by the Ministry of Local Government and Modernisation (KMD) is usually in the range NOK 2-4 million per year per programme (c. €200,000-400,000), with programmes generally lasting six years. KMD also provides

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<sup>59</sup> See: <http://www.innovasjon Norge.no/no/regional-omstilling/verktoy/>

funding to Innovation Norway which provides a 'toolkit' of support and templates, and also funds some of the preparatory work. Around 25 percent of funding comes from the municipality level. Exceptionally, Parliament may allocate funds on a larger scale, as in the case of Lierne in 2016 (NOK 15 million, equivalent to c. €1.6 million) and Sør-Varanger in 2017 (NOK 20 million, €2.5 million). Funds allocated for restructuring regions for 2017 are in a separate budget line (553.65); this is new and it was previously more difficult to identify exactly how much was allocated to restructuring areas. These funds are allocated by KMD – NOK 130 million in 2017 (c. €14 million) - to the relevant counties reflecting the location of restructuring areas, and to Innovation Norway for its supporting activities, together with any exceptional sums allocated by Parliament (Table 5).

**Table 5: Resources for restructuring – 2017 allocations NOK million (€)**

County	2017 budget	Restructuring area
Østfold	7 (752,000)	Mosseregionen
Akerhus	-	
Oslo	-	
Hedmark	4 (430,000)	Elverum
Oppland	4 (430,000)	Vestre Toten
Buskerud	4 (430,000)	Hurum; Ringeriksregionen; Buskerud
Vestfold	1 (110,000)	
Telemark	6 (640,000)	Tinn; Fyresdal; Kragerø
Aust-Agder	5 (540,000)	
Vest Agder	5 (540,000)	
Rogaland	9 (970,000)	Sauda
Hordaland	9 (970,000)	
Sogn og Fjordane	6 (640,000)	Laerdal
Møre og Romsdal	9 (970,000)	Stordal
Sør-Trøndelag	2 (210,000)	Rissa
Nord-Trøndelag	1 (110,000)	Lierne; Ytre Namdal
Nordland	13 (1,400,000)	Bindal; Flakstad, Meløy, Andøy; Narvik
Troms	6 (640,000)	Gratangen
Finnmark	4 (430,000)	Måsøy; Sør-Varanger; Nordkapp
Parliament allocation to Sør-Varanger	20 (2,150,000)	
Innovation Norway	15 (1,610,000)	
<b>Total</b>	<b>130 (13,970,700)</b>	

**Source:** Compiled from *Statsbudsjettet 2017 – Orientering om framlegg til statsbudsjettet for 2017 – programkategori 13.50 Distrikts- og regionalpolitikk – førebels rammer*, 16/7-10; and Innovation Norway at: <http://www.innovasjon Norge.no/no/regional-omstilling/regioner/>

### 4.2.3 Eligibility and geographical scale

Municipalities apply for designation as restructuring areas. The area may cover one or more municipalities depending on the nature and scope of the crisis. Designation is approved by county authorities. Under national guidelines, there must generally be a loss of employment of at least 15 percent of the workforce, though this may be relaxed for very remote areas. Designated areas need not be within the assisted areas map, though in practice most are.

**Table 6: Key features of approved restructuring areas**

Area	Key features	Budget provision (if available)
<a href="#">Bindal</a>	<b>Restructuring:</b> 2015-20 <b>Issue:</b> Bankruptcy of major employer Bindlasbruket AS <b>Objective:</b> 50 new jobs and an increase in employment to 550 and population to 1500 by 2020.	Budget NOK 3 million for year 1; municipality to contribute 25%
<a href="#">Flakstad</a>	<b>Restructuring:</b> 2012-17 <b>Issue:</b> Major loss of fish quotas and significant consequences for the local community <b>Objective:</b> 80 new jobs and growth in population.	Budget NOK 4 million per year for 3 + 3 years. 75% from Nordland County and 25% from the municipality
<a href="#">Hurum</a>	<b>Restructuring:</b> 2014-19 <b>Issue:</b> Sodra Cell AS pulp production closed with loss of 296 jobs <b>Objective:</b> Strengthened business, sustainability, increased level of skills, more immigration and better reputation.	Budget NOK 9 million from Buskerud county for 2014-17
<a href="#">Lærdal</a>	<b>Restructuring:</b> 2012-18 <b>Issue:</b> Closure of several activities and loss of population <b>Objective:</b> 190 new jobs, 124 new residents.	
<a href="#">Måsøy</a>	<b>Restructuring:</b> 2013-18 <b>Issue:</b> Depopulation, restructuring of the fishing industry and high unemployment <b>Objective:</b> 60 new jobs and population increase to 1300.	Annual budget around NOK 3.75 million, of which NOK 3 million from Finnmark county.
<a href="#">Ringeriksregionen</a>	<b>Restructuring:</b> 2013-19 <b>Issue:</b> Defence restructuring and closure of several larger industrial companies. <b>Objective:</b> Strengthen employment - creating/securing at least 250 jobs - and skills base and increase population growth.	Annual budget NOK 2 million from Buskerud county
<a href="#">Saude</a>	<b>Restructuring:</b> 2013-19 <b>Issue:</b> Negative population growth and weak employment development <b>Objective:</b> Population increase to 5,000+ inhabitants.	
<a href="#">Sør-Varanger</a>	<b>Restructuring:</b> 2016-22 <b>About:</b> Closure of Sydvaranger Mine AS, over 400 jobs lost <b>Objective:</b> Increased robustness in business and 300 new jobs by 2022.	Exceptional grant from Parliament NOK 40 million from KMD for reorganisation. In addition, KMD funds of NOK 5 million. Local and regional cofunding estimated at NOK 16 million, so total NOK 60.2 million.
<a href="#">Vestre Toten</a>	<b>Restructuring:</b> 2010-15 <b>Issue:</b> Job losses: The municipality lost more than 550 jobs 2008-09 as a result of the impact of the financial crisis on industry <b>Objective:</b> Develop existing and new jobs in Vestre Toten. Create a sustainable platform for economic development of the municipality and the region. Create at least 50 new jobs per year.	Budget Oppland county NOK 18.25 million; municipality NOK 3.65 million.
<a href="#">Elverum region</a>	<b>Restructuring:</b> 2014-18 <b>Issue:</b> The closure of two companies, over 200 job losses <b>Objectives:</b> 150 jobs. Establish a viable environment for innovation.	
<a href="#">Gratangen</a>	<b>Restructuring:</b> 2013-18 <b>Issues:</b> Depopulation, unilateral business, and poor economic outlook. <b>Objectives:</b> At least 80 new jobs and 20 incoming families by the end of 2018.	
<a href="#">Lierne</a>	<b>Restructuring:</b> 2015-21 <b>Issue:</b> Closure of key employer – Lierne Bakeri AS with loss of 85 jobs, <b>Objective:</b> To create 130 jobs and build networks in the municipality.	

Area	Key features	Budget provision (if available)
<a href="#">Meloy</a>	<b>Restructuring:</b> 2012-18 <b>Issue:</b> The closures in REC Wafer and the loss of 650 jobs – collapse of solar panel production as a result of cheaper Chinese production <b>Objective:</b> Establish 400 jobs and become a powerhouse in the region.	“Extraordinary appropriation” from Parliament of NOK 50 million. Nordland county and Meloy municipality contribute further NOK 50 million, so NOK 100 million in 2012-18
<a href="#">Nordkapp</a>	<b>Restructuring:</b> 2013-18 <b>Issue:</b> Depopulation, structural changes in the fisheries sector on which area is very dependent <b>Objective:</b> Goals and strategies are being developed.	Budget – county contribution NOK 3 million per annum with a further NOK 0.75 per annum from the municipality
<a href="#">Rollag</a>	<b>Restructuring:</b> 2011-20 <b>Issue:</b> Population and employment decline over time, small industries, high employment and declining population. Difficult growing conditions in firms ; closure of major employer KA Rollag <b>Objective:</b> - Contribute to the creation of at least 30 (total 50) new jobs by the end of 2017 and 50 (total 70) by the end of 2020 - Contribute to population increase over the years 2016 to 2020.	
<a href="#">Stordal</a>	<b>Restructuring:</b> 2014-18 <b>Issues:</b> loss of 400 jobs in the furniture industry. <b>Objective:</b> creation of 75 new jobs in 2014-18.	
<a href="#">Tinn</a>	<b>Restructuring:</b> 2015-20 <b>Issues:</b> Closures and relocation of hospital services. <b>Objective:</b> 100 new jobs.	

**Source:** Innovation Norway. \*Hyperlinks take to pages of the Innovation Norway agency website that are only available in Norwegian.

### 4.3 Funding from wider schemes: Enterprise Zones/Areas in the United Kingdom

Enterprise Zones were re-introduced in **England** in 2011, and followed in **Scotland** - where they are called Enterprise Areas - **Wales** and **Northern Ireland**. They offer a range of potential benefits to businesses who locate within these areas, including discounts on business tax rates and Enhanced Capital Allowances (tax relief). The number of zones/areas has increased incrementally across the UK since they were introduced. There are now 48 zones across England; in Scotland, the Enterprise Areas which were launched in 2012/2013 are organised on a sectoral basis across 16 sites. In Wales, the eight Enterprise Zones launched since 2011 are also focused on sectors, while in Northern Ireland, one pilot Enterprise Zone came into force in 2016.<sup>60</sup>

Although there is no explicit regional development focus to the policy as a whole, the zones/areas which have been set up are strongly linked to industrial decline and transition. In **England**, the focus of the initial zones selected was on cities and areas that were perceived to have missed out on economic growth in the previous decade, with new areas added in response to changing economic circumstances, and linked to Government initiatives such as the Northern Powerhouse.

Among the first wave of zones in **England** were the Humber Green Point Corridor and Lancashire Enterprise Zones, which were set up separately in response to job losses announced by BAE Systems.<sup>61</sup> In 2015, the extension of the Tees Valley Enterprise Zone in **England** was designed to accommodate oil and gas decommissioning. Similarly, the launch of the Port Talbot Enterprise Zone in **Wales** in 2016 was closely linked to potential redundancies announced at the Tata steel plant in the area.<sup>62</sup> On the other hand, in Scotland, the Enterprise Areas are sectorally focused on the industries viewed as having the greatest potential to boost economic growth: life sciences, general manufacturing and growth sectors and, especially, low carbon/renewables. According to the Scottish Government, the aim of the two low carbon/renewables Enterprise Areas is to help support the transition to a low carbon economy while encouraging businesses in the sector to set up and grow in Scotland, therefore establishing 'early mover advantages in an emerging sector which is viewed as offering strong growth opportunities domestically and internationally'.<sup>63</sup>

As an example of the operationalisation of the scheme, the **Humber Enterprise Zone** set up in England in response to job losses announced by BAE Systems was created in three tranches: the Humber

<sup>60</sup> There was widespread criticism of the previous incarnation of Enterprise Zones in the UK in the 1980s, as well as some scepticism about whether their re-introduction will avoid previous mistakes; see Larkin K and Wilcox Z (2011) *What would Maggie do? Why the Government's policy on Enterprise Zones needs to be radically different to the failed policy of the 1980s*, Centre for Cities. A National Audit Office report in 2013 stated that the long-term aim of Enterprise Zones to enable Local Enterprise Partnerships (LEPs) to attract investment and jobs is hindered by 'short-term financial incentives' which 'create uncertainty for businesses', while a Public Accounts Committee published a report in May 2014 which described the reported 4,649 jobs created by Enterprise Zones the end of 2013 as "particularly underwhelming" in light of initial Treasury projections of 54,000. The report recommended that concerned government departments should "scrutinise thoroughly any forecasts of jobs its schemes will create before presenting them to Parliament and the public." (House of Commons Committee of Public Accounts (2014) *Promoting Economic Growth Locally*, HC1110, <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/1110/1110.pdf> (accessed 19 September 2017). In response to information on progress, DCLG has strengthened central governance and monitoring arrangements, and by July 2013, they had agreed the first versions of action plans for each zone, setting out the actions needed to achieve growth by 2015.

<sup>61</sup> Ward M (2016) *Enterprise Zones*, Briefing Paper No. 5942, House of Commons Library, 17 March 2016.

<sup>62</sup> <http://www.walesonline.co.uk/business/business-news/treasury-support-enterprise-zone-port-11048417>

<sup>63</sup> <http://www.gov.scot/Topics/Economy/EconomicStrategy/Enterprise-Areas>



Renewable Energy Super Cluster and Humber Green Port Corridor sites were launched in 2012, while the remaining sites gained EZ status through an extension to the zone from 1 April 2016. The Humber EZ supports growth in ports, logistics and renewables and the region's ambition to become a leading national and international centre for energy. The Humber EZ programme seeks to overcome structural, long term barriers to development in the region through investment in access and infrastructure, implementation of simplifies planning arrangement and effective marketing of the Enterprise Zone to attract high quality investment projects.<sup>64</sup> The remainder of this Section illustrates in detail this specific example.

#### **4.3.1 Objectives**

The objective of the Humber EZ are linked to the overarching goal of the Humber Strategic Economic Plan (SEP) 2014-20 to 'maximise the potential offered by the Humber Estuary, leading the Humber to become a renowned national and international centre for renewable energy and an area whose economy is resilient and competitive'. The main focus is on promoting the Humber as the 'Energy Estuary' emphasising the region's strategic importance for a centre for renewable energy and oil and gas processing.<sup>65</sup>

#### **4.3.2 Resources**

Information is only available for EZs as a whole. The Government estimated in 2012 that the 100 percent first year capital allowances available in selected EZs would cost around £95 million over the period 2012-13 to 2016-17 (c. €106 million). In February 2013, the Government announced the creation of the Local Infrastructure Fund (LIF) to support early enabling works in and around Enterprise Zone sites and also accelerate large scale housing developments. Investment is made on either a loan or equity basis and is managed by the Homes and Communities Agency. £59 million worth of funding was made available (c. €65.8 million). In October 2013, the government announced the creation of the Enterprise Zones Capital Grant Fund, a £100 million fund (c. €111.6 million) for Enterprise Zones to complete infrastructure projects and become commercially viable for development that was made in the 2014/15 financial year.<sup>66</sup>

#### **4.3.3 Eligibility and geographical scale**

Support within the EZ is aimed at enterprises. At 1,238ha (3,059 acres), the Humber has the largest Enterprise Zone in England, comprising a package of 49 sites, with individual sites of up to 290ha, located close to four main ports (Goole, Grimsby, Hull and Immingham), as well as several additional deep water quays, rail and motorways on both banks of the Humber estuary.<sup>67</sup> The Humber Enterprise Zone covers almost all of the strategic employment sites linked to the Humber Estuary (Figure 5).

<sup>64</sup> Humber Enterprise Zone Implementation Plan December 2016 <http://www.humberlep.org/wp-content/uploads/2017/01/Paper-G-Appendix-1-Humber-Enterprise-Zone-Implementation-Plan-January-2017.pdf>

<sup>65</sup> <http://www.humberlep.org/wp-content/uploads/2017/01/Paper-G-Appendix-1-Humber-Enterprise-Zone-Implementation-Plan-January-2017.pdf>, p. 5.

<sup>66</sup> Ward M (2016) Op cit.

<sup>67</sup> <http://www.humberlep.org/wp-content/uploads/2015/03/Humber-Enterprise-Zones-AH-Digital-Brochure-With-Links2.pdf>

Some of the EZ sites are located in areas designated as Assisted Areas on the UK regional aid map. Enterprise Zone sites within Assisted Areas can be offered additional financial support.

#### **4.3.4 Support provided**

The Humber LEP and local authorities have developed an *Investment Plan* consisting of strategic infrastructure projects aimed at accelerating development on the Humber Enterprise Zone. One of the major sources of public sector funding for the Investment Plan is the reinvestment of income from retained rates and funds borrowed against future growth in business rates. Several projects within the Implementation Plan have applied for funding through the Humber LEP's Growth Deal Round Three and ESIF programmes, including flood risk management schemes, road access improvements and speculative development of office and industrial premises.

#### **4.3.5 Types of intervention/support provided**

Incentives for businesses locating in the EZ include up to 100 percent business rate discounts worth up to £275,000 per business over a five year period (c. €307,400). Businesses that locate on sites from the first round of Enterprise Zones must have done so before 31 March 2018 to be able to access business rate discounts. For new sites starting in April 2016, they will need to have located onto the Zone before 31 March 2021 to qualify.

Other benefits include:

- Subsequent business rates growth within the EZ will be shared by the local authorities in the Local Enterprise Partnership (LEP) and reinvested locally to support LEP economic priorities;
- Development of simplified planning approached in the EZ, such as Local Development Order powers;
- Government support to ensure superfast broadband is rolled out throughout the EZ;
- Enhanced capital allowances for plant and machinery on some of the sites;
- Other grant and loan schemes may be available - the LEP can discuss bespoke packages for major investments. For example, inward investors may be eligible to apply for Humber LEP's 'Growing the Humber' programme<sup>68</sup> - a grant scheme to help grow businesses in the Humber area, and designed to unlock projects which have positive economic outcomes. Also, the Humber LEP Business Loan Fund offers loans to unlock capital projects that have the potential for job creation and can quickly deliver tangible economic outcomes through providing additional capital investment.<sup>69</sup>

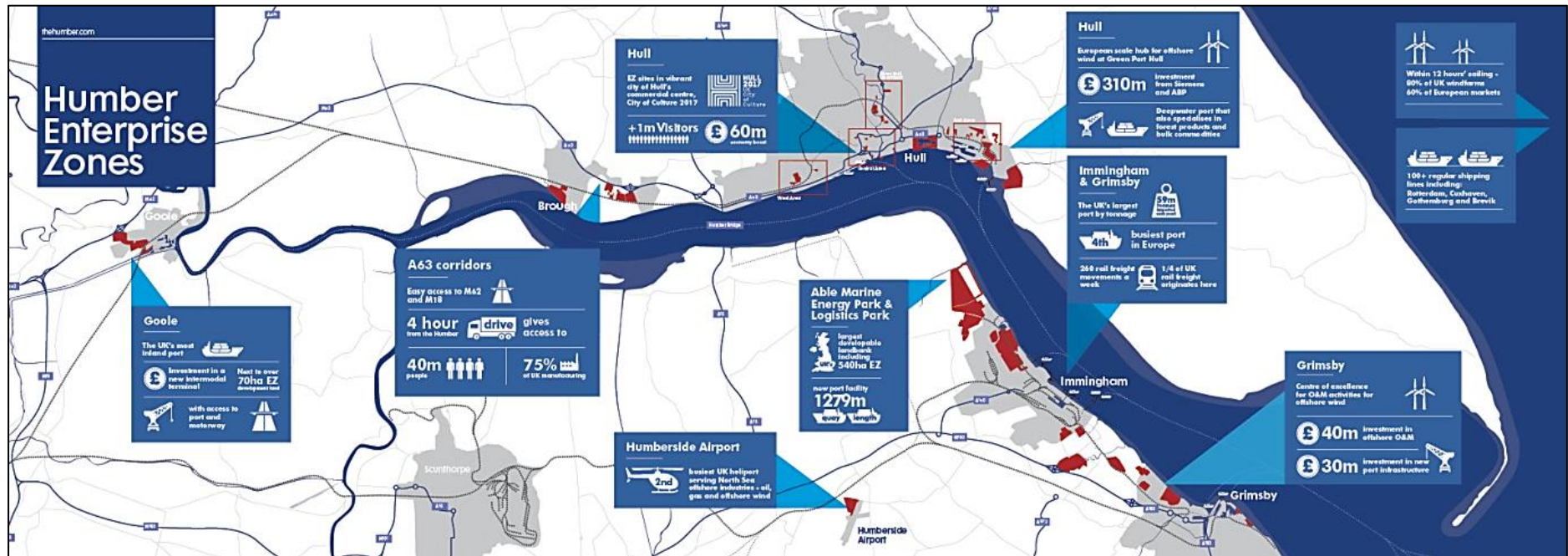
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<sup>68</sup> <http://www.humberlep.org/business/funding/growing-the-humber/>

<sup>69</sup> <http://www.humberlep.org/business/funding/loan-fund/>



Figure 5: Humber Enterprise Zones



Source: <http://www.humberlep.org/business/enterprise-zones/>

### **4.3.6 Implementing actors**

A *Humber Enterprise Zone Local Memorandum of Understanding* has been agreed between the Humber LEP and the four Humber Local Authorities. The Local MOU sets out provisions for the use of retained rates, governance and monitoring. It covers all designated Enterprise Zone sites within the Humber LEP area.

The Humber Enterprise Zone programme is governed in accordance with the Humber LEP Accountability and Assurance Framework. The *Governance Group* for the Humber Enterprise Zone is the *Humber LEP Board*, which includes representatives of each relevant local authority and meets at least quarterly.

An Implementation Plan<sup>70</sup> was developed for the EZ in partnership between the Humber Local Enterprise Partnership (LEP) and local authorities; additional partners are: the UK Department for Communities and Local Government (DCLG), the UK Department for Energy and Industrial Strategy (DBEIS), statutory agencies and landowners, developers and agents with an interest in the Humber Enterprise Zone. The plan covers the first 5 years of the Enterprise Zone delivery period, up to March 2021. Strategic management of the plan is provided by the LEP.

### **4.3.7 Eligible investments**

Firms moving to a selected site benefit from EZ features.

### **4.3.8 Selection criteria and procedures**

The Humber LEP board met on 23 June 2011 and decided on the size and nature of the enterprise zone they wished to see in the Humber LEP. The main focus is on promoting the Humber as the 'Energy Estuary' emphasising the region's strategic importance for a centre for renewable energy and oil and gas processing.<sup>71</sup>

### **4.3.9 Monitoring and evaluation**

The *Humber Enterprise Zone Implementation Plan* will be updated annually following the end of each financial year to include a review of delivery against the previous year's plan. An updated Investment Plan for the coming year will be submitted to the Humber LEP Board and Humber Leadership Board. Monitoring of outputs will predominantly be undertaken via the DCLG Enterprise Zone quarterly monitoring returns, which collect information on the value of investments made; job creation, new businesses and site development; impact of the investment and delivery of simplified planning arrangements.

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<sup>70</sup> <http://www.humberlep.org/wp-content/uploads/2017/01/Paper-G-Appendix-1-Humber-Enterprise-Zone-Implementation-Plan-January-2017.pdf>

<sup>71</sup> <http://www.humberlep.org/wp-content/uploads/2017/01/Paper-G-Appendix-1-Humber-Enterprise-Zone-Implementation-Plan-January-2017.pdf>

#### 4.4 Funding from wider schemes: Germany's GRW-funded Experimentation Clause for the Lausitz area

Support for structural change in areas with lignite (brown coal) industries has become a major theme in **Germany** in 2016-17, in the context of the country's Climate Protection Plan 2050.<sup>72</sup> The plan was approved by the federal cabinet on 14 November 2016 and introduced a range of actions aimed at climate protection, including a commitment to reducing coal-based power generation.<sup>73</sup> Because coal production and power generation is concentrated in specific regions, the Plan also commits the federal authorities to addressing the regional economic impacts of the Plan via appropriate regional policies. In practice, there is a particular focus on the four main lignite-producing areas, which are: the Lausitz area of Brandenburg/Saxony; the Rhine area of North-Rhine Westphalia; the central area of Saxony/Saxony-Anhalt; and, the Helmstedt area of Lower Saxony. This commitment has led to two new initiatives, both of which are being led by the Regional Joint Task (GRW) unit in the Federal Ministry for Economic Affairs and Energy, and thus are being integrated with broader regional policy actions.

- First, the federal Climate Protection Plan committed the authorities to setting up a **Commission for Growth, Structural Change and Regional Development** to start work in 2018 (discussed in Section 3.4).
- Second, **Germany's** Energy and Climate Fund is allocating €4 million annually over a ten year period for an **Ideas Competition for the four main lignite-producing regions**. This funding is being managed by the Federal Ministry for Economic Affairs and Energy and will be used to support new ideas and creative approaches to regional (sub-*Land*) economic development strategies and pilot projects. The legal framework for this funding is being drawn up in 2017.

The GRW-funded Experimentation Clause for the Lausitz area needs to be understood in the context of this enhanced focus on coal producing areas. However, the Experimentation Clause for the Lausitz was already approved by the GRW Sub-committee in 2016, before the federal Climate Protection Plan was finalised. The Experimentation Clause for the Lausitz is part of broader support provided by the Regional Joint Task to structurally weak coal producing areas (Box 5).

<sup>72</sup> Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit (2016) *Klimaschutzplan 2050: Klimaschutzpolitische Grundsätze und Ziele der Bundesregierung*, Berlin

<sup>73</sup> As part of its climate change policies, in November 2015 Germany notified the European Commission that it planned to allocate €1.6 billion public financing for mothballing and subsequently closing eight lignite-fired power stations, including compensation for the operators for foregone profits. In May 2016, the European Commission found these plans to be in line with EU State aid rules because the measure promotes EU environmental objectives, as it helps Germany to achieve its CO<sub>2</sub> emission target, without unduly distorting competition in the Single Market. European Commission - Press release IP/16/1911, State aid: Commission clears closure of lignite-fired power plants in Germany Brussels, 27 May 2016.

### Box 5: The GRW – Joint Task for the Improvement of the Regional Economic Structure (*Gemeinschaftsaufgabe zur 'Verbesserung der regionalen Wirtschaftsstruktur'*)

The GRW or the Joint Task for the Improvement of the Regional Economic Structure (*Gemeinschaftsaufgabe zur 'Verbesserung der regionalen Wirtschaftsstruktur'*, GRW) is **Germany's** main national regional policy instrument, which was set up in 1969 to coordinate the allocation of development funding to structurally weak regions and is funded jointly by the federal and *Land* governments.<sup>74</sup> Its role is defined in the constitution and federal law as a specific 'joint task' of the federal and *Länder* authorities; i.e. even though the constitution (Article 30, Articles 70-74) sees regional policy as a task of the *Länder*, it is also defined as an area where joint federal-*Länder* action is needed (Article 91) to address the constitutional goal of 'equivalent living conditions' (*gleichwertige Lebensverhältnisse*) (Article 72). It is coordinated by the Federal Ministry for Economic Affairs and Energy via specific collaborative governance arrangements with the *Länder* (i.e. a GRW Committee at political level, and a GRW Sub-committee at operational level), and implemented by individual *Land* ministries. The GRW is regulated by a **Germany-wide** Coordination Framework, which is agreed by federal and *Land* authorities and has been revised for the 2014-20 period.<sup>75</sup> Each recipient *Land* can establish its own additional regulations, which can, for example, provide for differentiated aid ceilings for different types of firm and project.

A new method for allocating funding between *Länder* was introduced for the 2014-20 period, which means that 79.46 percent is allocated to the eastern *Länder* in 2014-20 (85.71 percent in 2007-13). The GRW includes a wide palette of funding options, including aid for business investment and job creation (wage subsidies), funding for specific types of business-oriented infrastructure, and also a range of other options, including *Land*-specific programmes that support SMEs, as well as a range of other bottom-up networking and cooperation projects such as integrated regional development strategies, cooperation networks and innovation clusters. Each *Land* decides how funding is to be allocated. One funding option introduced is the Experimentation Clause (*Experimentierklausel*).

Under the Experimentation Clause individual *Länder* can use up to 10 percent of the *Land's* GRW quota (with a ceiling of €10 million) to fund measures not generally foreseen in the GRW Coordination Framework but that increase the attractiveness and competitiveness of structurally weaker regions. This funding may not be used to support business investment. The agreement of the GRW Sub-committee must be obtained before funding can be committed. Further, the *Land/Länder* responsible for each Experimentation Clause must report annually to the federal authorities on the use of funds. The remainder of this section focuses on the application of the Experimentation Clause for the Lausitz area.

#### 4.4.1 Objectives and rationale

The Experimentation Clause for the Lausitz area aims to support structural change away from lignite opencast mining and coal-fired power generation. Around 30,000 jobs currently depend either directly or indirectly on the region's coal sector, including c. 8,000 in opencast coal-mining and in the power stations, and a further 20,000 in supplier and service firms in the area. Germany's Climate Protection

<sup>74</sup> <http://www.bmwi.de/DE/Themen/Wirtschaft/Regionalpolitik/gemeinschaftsaufgabe.html>

<sup>75</sup> Koordinierungsausschuss der Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur' (GRW) (2016) *Koordinierungsrahmen der Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur' ab 4 August 2016*, Berlin, <http://www.bmwi.de/DE/Themen/Wirtschaft/Regionalpolitik/gemeinschaftsaufgabe.html>

Plan 2050 implies significant reductions in this employment. In 1990 (i.e. before German reunification), the Lausitz area had c. 73,000 workers in lignite production alone.<sup>76</sup>

The Lausitz area, as an eastern part of the eastern *Länder*, is also strongly affected by demographic change, with a further 20 percent fall in the area's population forecast in 2010-30, leading to concerns over a lack of skilled workers, constraints on the funding of local public services, and challenges for regional economic development. The region is thus seen to be at risk of a vicious circle of socio-economic developmental difficulties.

The Experimentation Clause's key goals in the Lausitz area are: (i) to build cooperation involving the two *Länder* of Brandenburg and Saxony, and the area's seven local authorities (which include the city of Cottbus, the second largest city of Brandenburg); and, (ii) to develop joint strategic approaches and practical action to address the area's developmental challenges.

#### **4.4.2 Resources**

The GRW Experimentation Clause for the Lausitz area started in 2017 and will run for four years, with combined federal and *Länder* funding of €7.3 million. Combined federal and *Land* GRW funding usually amounts to a maximum of 60 percent of costs. However, due to the financial difficulties of the local authorities in the Lausitz area, the GRW Sub-committee agreed that federal and *Länder* funding for the Experimentation Clause can amount to 90 percent of costs in the case of the Lausitz, with the local authorities contributing the remaining 10 percent. A range of other actions for the Lausitz area have been undertaken since reunification and/or are underway through other programmes. For example, federal and *Länder* GRW funding for the Lausitz area in 2011-15 amounted to €365 million, notably for business investment, industrial parks, tourism infrastructure, and innovation centres.

#### **4.4.3 Eligibility and geographical scale**

The Lausitz area has a population of around one million, and crosses the border between the two *Länder* of Brandenburg and Saxony (and also bordering on Poland). It includes seven local authorities. The advantage of the Experimentation Clause approach is that it offers greater flexibility than many other existing programmes/instruments, including in relation to the types of actors eligible to apply for support. The only constraint in this regard in the GRW Coordination Framework is that Experimentation Clauses may not be used to provide investment aid to individual businesses (although this does not mean that businesses are fully excluded from applying for funding).

#### **4.4.4 Support provided**

The GRW Experimentation Clause for the Lausitz area involves combined federal and *Länder* funding of €7.3 million. It will fund pilot projects e.g. in areas such as location marketing, business competitiveness, energy efficiency, mobility and digital access, and tourism. No information is available on the levels of funding available for individual pilot projects. The GRW Experimentation Clause for the Lausitz area also involves the creation of cooperation structures between the two *Länder* of Brandenburg and Saxony and the area's seven local authorities. This could e.g. lead to the creation of

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<sup>76</sup> Land Brandenburg Ministerium für Wirtschaft und Energie (2016) *Strukturwandel in der Lausitz*, Großräschen, 14 October 2016.

a new organisation to implement the Experimentation Clause and coordinate all relevant activities and actors.

#### **4.4.5 Types of intervention**

On the one hand, the GRW Experimentation Clause for the Lausitz area aims to bring actors together and to create cooperation structures between the two *Länder* of Brandenburg and Saxony and the area's seven local authorities. This could lead to the creation of a new organisation to implement the Experimentation Clause and coordinate all relevant activities and actors. On the other hand, it will fund pilot projects in areas such as location marketing, business competitiveness, energy efficiency, mobility and digital access, and tourism. No information is available on the types of interventions included.

#### **4.4.6 Implementing actors**

The two *Länder* of Brandenburg and Saxony are responsible for implementing the project. As noted, half the GRW funding is allocated by the federal budget, and so specific monitoring arrangements are in place. In addition, local authorities will provide 10 percent of funding and will be involved in implementing the project, along with other actors in the region. No further specific information is available.

#### **4.4.7 Monitoring and evaluation**

In addition to general monitoring and audit procedures (e.g. reporting to the two *Land* parliaments, and oversight by domestic *Land* authorities, including the *Land* audit authorities), the two responsible *Länder* of Brandenburg and Saxony are obliged to report to the Federal Ministry for Economic Affairs and Energy, which will monitor the Experimentation Clause. In addition, the two *Länder* are required to report annually to the GRW Sub-Committee on the Experimentation Clause. As the Experimentation Clause for the Lausitz began to be implemented only in 2017, no information on effects/impact is available as yet.

### **4.5 Funding from wider schemes: The Finnish Proactive Framework for Sudden Structural Changes (*Ennakoitu äkillisen rakennemuutoksen toimintamalli, ERM*)**

#### **4.5.1 Objectives and rationale**

The main regional policy instrument in **Finland** – so called regional innovations and experiments instrument (AIKO) - comprises three components. One of these is the Proactive Framework for Sudden Structural Changes (ERM), providing support to regionally-led proactive responses to structural changes (ERM). The ERM is a national regional development instrument and has been funded for the period 2016-18. The idea behind ERM is to implement quick and experimental measures to strengthen regional resilience and speed up economic renewal. Its key aims are renewal, growth and internationalisation of economy and businesses, as well as the funding of novel initiatives to create new jobs and businesses. Although one of the key features of the ERM is to provide quickly access to funding, the scheme needs to be linked to the national regional development priorities, regional strategic plan and to the smart specialisation strategy.

## 4.5.2 Resources

Funding amounts to a total of €15 million for the period 2016-18 (about half of the total allocation to AIKO).<sup>77</sup> In 2016, €4.5 million were allocated for implementing the ERM in the regions (Table 7).<sup>78</sup>

**Table 7: Regional Funding for the implementation of the ERM scheme for the year 2016**

Regional Council	ERM funding (Euro)
Uusimaa	317,000
Häme	183,000
Päijät-Häme	261,000
Kymenlaakso	211,000
Etelä-Karjala	231,000
Varsinais-Suomi	273,000
Satakunta	271,000
Pirkanmaa	264,000
Keski-Suomi	281,000
Pohjanmaa	249,000
Etelä-Pohjanmaa	266,000
Keski-Pohjanmaa	182,000
Pohjois-Pohjanmaa	317,000
Lappi	249,000
Kainuu	206,000
Pohjois-Karjala	291,000
Etelä-Savo	208,000
Pohjois-Savo	196,000
Ministry of Economic Affairs and Employment	44,000
<b>Total</b>	<b>4,500,000</b>

**Source:** Ministry of Economic Affairs (2016) Regional innovations and experiments (AIKO) funding 2016, <http://tem.fi/documents/1410877/2907846/Alueelliset+innovaatiot+ja+kokeilut%2C+alueellinen+jako+2016.pdf/487a0c70-0759-486e-a475-f4e98ecfec26>.

The Ministry of Economic Affairs has decided on the regional allocations based on the quality and implementation potential of the regional contingency plans. The evaluation criteria included: the method for tackling ERM, networking potential of different ERM activities, participatory process and ambitiousness of the objectives.<sup>79</sup>

Funding of ERM-projects is decided by the Regional Councils on the basis of their *contingency plans*. These are compulsory documents, included in the implementation plan of the regional strategic programme. The contingency plan details the exact measures and a list and draft plans of funded

<sup>77</sup> Further funding for structural change, positive and abrupt, is also available, but this is not linked to the ERM instrument.

<sup>78</sup> Alueelliset Innovaatiot ja Kokeilut. Accessed 27 May 2017, <http://tem.fi/alueelliset+innovaatiot+ja+kokeilut>

<sup>79</sup> Työ- ja Elinkeinoministeriö (2017). Alueellisten Innovaatioiden ja kokeilujen käynnistäminen. Määrärahojen jako vuonna 2017.

projects, as well as the roles and responsibilities of the different actors in the event of sudden structural changes.<sup>80</sup> The contingency plan is not only drafted for funding purposes, but it is linked to the broader development of the region.

### **4.5.3 Eligibility and geographical scale**

The ERM instrument covers the whole **Finland**, and is implemented at the regional level in the 18 counties of the Mainland **Finland**. Under the ERM, the Regional Councils can aid groups of businesses, regional development companies, universities and other higher education institutes, research institutes, and associations (i.e. legal persons excluding individual private businesses).

The funding of projects implemented with the help of national funds and structural funds by the Ministry of Employment and the Economy and the Regional Councils is regulated by the the Act on Regional Development and Structural Funds (7/2014). The Act includes provisions on the eligible support forms, which comprise:

- Development projects aiming to regional development and enhancement of economic cooperation between the municipalities of the region (i.e. Regional Development Aid). Development projects may include investments, up to 50 percent of the total costs of the projects.
- Acquisition of fixed assets or their improvement projects for development of basic infrastructure (i.e. Aid for Infrastructure Investments).
- Development and investment projects of the Ministry of Education and Culture.

### **4.5.4 Support provided**

There are no specific provisions for ERM but the AIKO support, and the ERM as a part of it, is aided under the support form 1 - the provision on Regional development aid. In addition to this earmarked financing for the instrument, the Government has encouraged the use of other instruments for the anticipation of structural change. These include Business Development Aid and appropriations for employment training (*työvoimakoulutus*), which are administered by the ELY-Centres in the regions.<sup>81</sup>

The development projects and experimentations in the regions should focus on:

- Support to structural change and strengthen the resilience
- Speed up new development projects and new experiments
- Support growth, internationalisation, and employment

Eligible expenditure includes:

- Diversifying physical resources (e.g. land reclamation/re-use) and human resources (e.g. via re-training)
- Creating/attracting new businesses (e.g. via self-employment and start-ups, and support for new business investment)

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<sup>80</sup> Hokkanen P, Anttonen L and Mattila T (2015) *op. cit.*

<sup>81</sup> The 18 regional economic, transport and environment centres are state regional administrations while the 18 Regional Councils are joint interest organisations of municipalities in each respective region



- Creating new hybrid entities (e.g. innovation centres) to encourage new patterns of interaction and knowledge exchange/diffusion/creation
- Bringing existing organisations together to pool resources/ideas and find specific solutions – and to break institutional lock-in.

#### **4.5.5 Implementing actors**

The ERM is coordinated by the Ministry of Economic Affairs and Employment, as the ministry responsible for regional policy and development, in **Finland**. The responsibility for managing sudden structural change is at the regional level. The scheme is delivered through Regional Councils, which are responsible for regional development in their respective regions. As noted, funding of ERM-projects is decided by the Regional Councils on the basis of their *contingency plans* which are linked to the broader development of the region and the regional strategic programmes.

#### **4.5.6 Eligible investments**

AIKO as a whole funds development projects and can contribute a maximum of 70 percent of the project's total public funding.<sup>82</sup> The funding is primarily to be used for development activities but some small investments supporting the development activities are eligible. The funding is not intended to be used for the following purposes: infrastructure and physical structures; the maintenance of current structures; local projects that have local impact; the organisation of individual events.

#### **4.5.7 Selection criteria and procedures**

As defined in the Act on Regional Development and Structural Funds (7/2014), eligible applicants can apply for AIKO funding, and thus for ERM funding also through open calls. The 18 Regional Councils of **Finland** who administer and allocate AIKO funding decide on the call schedules and themes, based on the priority areas of their regional development programmes. The main selection criteria for ERM is the ability to “start new development processes”. The Regional councils may set additional criteria based on the objectives of their regional development strategies and contingency plans.

#### **4.5.8 Monitoring and evaluation**

Formal evaluations of the ERM approach have not been carried out. Overall, the implementation of the AIKO-instrument will be monitored as part of the reporting that is done for the government's key project on competitiveness. The regions must report to the Ministry of Employment and the Economy biannually on the use of AIKO-funding, including ERM. Similarly, the projects report to the regional councils biannually.

As the ERM tool was only launched in 2016, to date there is only limited evidence on its achievements. The Regional Councils perceived the process of preparing the regional contingency plans onerous and time-consuming. However, there is a clear indication that the contingency plans have forced the regions to realistically assess their economic structure and potential, in a cooperation with the regional stakeholders. The absorption of ERM funding has been assessed as satisfactory. The Regional Councils have each reported 3-6 launched development processes and at least 1 experimentation.

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<sup>82</sup> Ministry of Employment and the Economy (2015), Alueelliset innovaatiot ja kokeilut, Ennakoidun rakennemuutoksen suunnitelman laatiminen, 23 November 2015

The ERM tool is likely to be discontinued when the reform of regional governance comes into force in 2019. The discontinuation of the programme will not be due to the performance of ERM but it will be because the governance reform will impact the available domestic budget for regional development and discontinue to possibility to earmark part of the domestic budget for the new regional administrations for certain activities. From the beginning of 2019, it will be up to the regions themselves to decide how they will address structural change.

## **4.6 Special Programme for an entire region: The Investment Programme for Silesia (Poland)**

### **4.6.1 Objectives and rationale**

In terms of the evolution and scope of regional development activities to address industrial restructuring, it is useful to look more specifically at the case of Silesia. The social and economic problems of the mining, iron and steel industries in Upper Silesia meant that it was the subject of pro-equalisation interventions in the 1990s. This included the establishment of a Special Economic Zone and the introduction of a series of restructuring programmes. Katowice, the region's capital, also signed the first Polish 'regional contract' in 1995. This represented an attempt to involve the activities of central government, and regional and local actors with a stake in regional development in the restructuring of Silesia's heavy industrial base. Although notable for its innovative use of 'partnerships', it was not part of a wider, innovative approach to regional development and its practical impact has been questioned.

The Upper Silesian Conurbation is the biggest industrial area in Poland but it is experiencing difficulties in adapting its industrial base to market demands. It is the most urbanized and industrialized region in Poland and over the past two decades its industrial base has gradually diversified. It has good road linkages with economic centres in Poland and Europe and has well developed research and development facilities compared to other regions in Poland. It has natural resources, including hard coal deposits, to ensure energy production for the country for at least 20-40 years, and this has been the basis for concentration in this area for energy, chemical and steel industries. However, in recent years, the economic growth rate of the region has been declining, the restructuring process is not complete and this area is gradually losing its competitive position. This trend is evidenced by the deteriorating situation in local labour markets (in 2014 among 20 cities with the highest unemployment rate in the country, five were from the Silesian region, and the city of Bytom was ranked second with the value of 19.8 percent); very high environmental pollution (40 percent share of national emissions), and substantial outmigration (in the years 2000 - 2014 the population of the Silesian region dropped by 3.64%).

The Investment Programme for Silesia, established in cooperation with national and regional partners, aims to address these issues by pursuing six objectives:

- Increase the competitiveness and innovation of the regional economy (in areas where the region possesses or can build competitive advantages e.g. mining machinery, automobile industry, military, medical, IT, biotechnology), with simultaneous transformations in traditional industries (mining, metallurgy).
- Increase the functional integration of the Upper Silesian Conurbation and the whole region,
- Adaptation of human resources qualifications to the labour market,
- Rebuilding technical resources that improve the business environment and living environment.

- Counteract the effects and reduce the negative impact of mining on the environment.
- Streamline cooperation and coordination mechanisms for public and private institutions and actors, ensuring the integration of actions and projects resulting from the Programme with sectoral policies in Silesia (e.g. mining, energy, environment, R & D).

#### **4.6.2 Resources**

During the period until 2020, the Programme will be implemented mainly through funding under the ESIF national (sectoral) and Regional OPs 2014-20 (adapting OPs so that projects supporting Programme interventions are selected, through changing project selection criteria, targeting specific centres in existing measures, developing new measures etc.). Additional contributions will come from domestic public and private resources. These funding arrangements are still in preparation but the government has outlined the key sources: the 3.5 billion euros available in the Silesian Regional Operational Programme 2014-20 perspective (the largest allocation for a Polish regional operational programme). Funding amounting to several hundred million zlotys is also being planned for projects in Silesia prepared in the framework of the new Polish Development Fund which was launched in 2016.

#### **4.6.3 Eligibility and geographical scale**

The Programme covers the NUTS 2 region of Silesia, which is the same territory covered by the ROP 2014-20. Within this, specific actions target particular territories (for instance, revitalisation initiatives will target specific urban areas at NUTS 3 level – a pilot project is underway in the city of Bytom).

#### **4.6.4 Types of intervention/support provided**

It should be noted that the development of the Programme and its content is the product of inputs from the national and regional levels. In 2016 the Silesian Regional Council for Social Dialogue, consisting of trade unionists, employers, experts, representatives of local government and government administration etc. adopted an "*Agreement for an integrated policy development of the region of Silesia*". In the course of 2017, the preparation and launch is being conducted through a steering group, chaired by representatives of the Regional Council for Social Dialogue and the Ministry of Economic Development, with input from representatives of the national government, regional and local authorities, local communities and economic, scientific and social stakeholders. The aim is to agree a list of actions and targets for the Programme. **Poland's** Strategy for Responsible Development (*Strategia na rzecz Odpowiedzialnego Rozwoju*, SOR) includes a series of general and specific interventions to be included in the Programme:

- Implementation of an active policy of attracting new investments related to the construction of a new economy and increase the innovativeness of the region.
- Development and implementation of national government initiatives in mining and energy sectors in the region.
- Active policy to promote the adaptation of human resources qualifications to the requirements of the labour market, responding to restructuring processes.
- Establishment of a financial institution (a Regional Bank or Fund), to increase access to capital, especially for projects in sectors associated with smart specialisation of the region.
- Completion and implementation of infrastructural projects in the region, integrating national and regional initiatives.

- Comprehensive measures to reduce low emissions, including low carbon transport, thermo-modernization, district heating development and replacement or modernization of heating equipment.
- Reclamation of mining and post-industrial areas and their reuse for economic or social purposes.
- Continuation of the integrated revitalization of Silesian cities, including the pilot project in Bytom.

#### ***4.6.5 Implementing actors***

The body in overall charge of the Programme is the Ministry of Economic Development. Other bodies involved in implementation are the managing authorities and implementing bodies of the relevant operational programmes. This includes sectoral ministries in central government and the regional government of Silesia as managing authority of the Regional Operational Programme for Silesia 2014-20. As noted above, the Silesian Regional Council for Social Dialogue (including representatives of the private sector) is also involved in the design and implementation of the Programme.

#### ***4.6.6 Selection criteria and procedures***

Projects will mainly be selected according to the criteria associated with project calls in the relevant Operational Programmes. As noted above, OPs are being reviewed so that projects supporting Programme interventions are selected, through changing project selection criteria, targeting specific centres in existing measures, developing new measures etc.).

#### ***4.6.7 Monitoring and evaluation***

Two levels of monitoring and evaluation are planned for the Programme. On the one hand, Programme actions supported through Cohesion policy funding will be assessed as part of the arrangements made for monitoring and evaluating the contributing OPs. On the other hand, the SOR states that the implementation of the strategic projects detailed in the document will be subject to close monitoring and evaluation.

## 5. CONCLUSIONS AND QUESTIONS

A decade after the onset of the economic crisis, the selected 12 European countries are implementing a number of instruments devoted to tackling the problems of economic restructuring and structural change in areas facing industrial decline and declining competitiveness. The characteristics of these approaches, in terms of aims and objectives, instruments and governance vary, depending on specific contexts and policy frameworks. The examples discussed in Section 4 are recent. There is no evaluation evidence as yet on their performance and on the factors influencing the effectiveness of their implementation. However, the academic and policy literatures highlighted several themes from which recommendations, that apply specifically to policy measures for industrial restructuring and crisis areas can be drawn.<sup>83</sup>

First, pre-established **cooperation of regional actors** facilitates the design and implementation of these instruments. In situations where difficult decisions are being made concerning the future of individual firms, sectors, local and regional economies, this level of interaction is crucial. Where such pre-existing linkages are not in place, cooperative governance arrangements at local level and across levels of government need to be fostered, for example through networking and exchange, with a view of creating consensus and a sense of shared social responsibility. This shared vision is particularly essential to address, with proactive regional measures, the needs of the most vulnerable, such as less-educated workers or local SMEs negatively affected by large-scale restructuring processes,.

Second, the diversity of the territorial effects of large-scale restructuring (e.g. timing of impacts, affected groups, type of effects) requires the design and implementation of an **integrated strategic approach**. Different types of instrument are appropriate in different contexts but evaluation evidence emphasises the benefits of combining various initiatives in a coordinated package. This needs to include both short-term/emergency relief as well as long-term/strategic measures, covering various policy fields (economic, labour market, social policies) and target groups, linked to the characteristics and potential of each region. This integrated approach also needs to strike a place-relevant balance between regional specialisation (facilitating regional economic development, for example through the availability of skills/workforce or cluster effects) and diversification (to reduce dependency effects between businesses).

Third, interventions need to be tailored to the characteristics of the region while, at the same time, taking advantage of other regions' experiences (lesson-drawing, assessment of transferability). Because of this, the effectiveness of intervention is closely related to the **competence and expertise of local actors**. Where these are lacking, not only do they need to be built-up (which takes time), but they also need to be brought-in, for example through the support of national agencies and consultancy companies. These activities should aim to equip local actors with the required skills on policy development and implementation, and encourage them to go beyond what has been always done, allowing scope for experimentation and innovation. A way by which innovation and experimentation can be fostered is the allocation of dedicated funding, as in the German GRW-Experimentation Clause discussed.

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<sup>83</sup> Eurofound (*op. cit.*); European Commission (2012) Commission Staff Working Document: Restructuring in Europe 2011, SEC(2012) 59 final, Brussels; OECD (2011) OECD Regional Outlook 2011: Building resilient regions for stronger economies, OECD Publishing, Paris; Wood, H. (2006) The closure of Vauxhall, Luton: The role of regional development agencies in organisational restructuring in the UK, Working Lives Research Institute, MIRE, London.

Fourth, even more so than for generic economic development policy measures, delays in implementation hamper effectiveness. **Prompt design and implementation** are essential. They can be enhanced by strong coordination arrangements which can be facilitated, for example, by the appointment of coordinators, steering/monitoring working groups, and/or the leading role of investment and innovation agencies (as in the cases illustrated in Section 4). The cooperation of the variety of stakeholders affected by crisis and restructuring needs to be couched within a framework in which responsibilities are clearly attributed and information is easily accessible to all involved.

Fifth, while national-level coordination and support can be helpful to foster collaborations and provide necessary capabilities, economic restructuring efforts are better **implemented by the actors in the area involved** who need to be afforded some degree of flexibility or autonomy to make decisions and implement them (subsidiarity).

Lastly, economic restructuring and structural change are viewed as ongoing adaptive responses to a constantly evolving environment: government agents and local stakeholders need to continuously monitor the economic, labour market and social developments in their regions and beyond, in a logic of ‘**anticipatory local risk management**’ of the sort realised in **Sweden** with the Business Foresight exercised discussed in preceding sections.<sup>84</sup>

These conclusions raise a number of questions for discussion:

- The economic crisis has led to a revival of instruments dedicated to areas facing industrial decline, de-industrialisation, transition to new economic sectors, and/or closure of major employers. **Are these temporary schemes, rendered necessary by the economic crisis, or are they likely to be a longer term feature of the regional policy package?**
- The literature reviewed suggests that strategies for crisis areas need to be place-based and that their implementation has to capitalise on the knowledge and ownership of the full set of local stakeholders affected by the crisis, in order to reflect local needs and assets. At the same time, the process of strategy design benefits from looking outwards at the experiences of other regions. **How can both inward and outward-orientation in the design of strategies for crisis areas be encouraged?**
- Economic restructuring requires addressing a **delicate balance between supporting those affected by the crises and setting the bases for future competitiveness and resilience**. How can the right balance between present need and future opportunities, between short-term and long-term goals, be achieved? Related, how can the most appropriate balance between specialisation and diversification be achieved?
- The cases examined show that **national governments tend to have strong direction, coordination and oversight roles, while implementation is devolved** to the actors in the areas affected (often with the support of agencies or specially appointed coordinators). What is the right balance between centralisation and devolution, and how can this be best achieved?

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<sup>84</sup> Eurofound (2014) *op. cit.*

How crucial is the role of agencies or specially designated coordinators to ensure effective delivery? What kinds of capacity – human resources, structures, tools – are needed?

## **EoRPA RESEARCH**

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### **Austria**

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### **Finland**

- Työ- ja elinkeinoministeriö (Ministry of Employment and the Economy), Helsinki

### **France**

- Commissariat Général à l'Égalité des territoires (General Commissariat for Territorial Equality, CGET, previously DATAR), Paris

### **Germany**

- Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy), Berlin
- Ministerium für Wirtschaft, Wissenschaft und Digitalisierung (the Ministry for Economic Affairs, Science and Digitalisation), Saxony-Anhalt

### **Italy**

- Agenzia per la Coesione Territoriale (Agency for Territorial Cohesion), Rome

### **Netherlands**

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

### **Norway**

- Kommunal- og moderniseringsdepartementet (Ministry of Local Government and Modernisation), Oslo

### **Poland**

- Ministerstwo Rozwoju (Ministry of Economic Development), Warsaw

### **Portugal**

- Agência para o Desenvolvimento e Coesão (Agency for Development and Cohesion), Lisbon

### **Sweden**

- Näringsdepartementet (Ministry of Enterprise and Innovation), Stockholm

### **Switzerland**

- Staatssekretariat für Wirtschaft (SECO, State Secretariat for Economic Affairs), Bern

### **United Kingdom**

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