Rethinking Regional Policy at National and European Levels: Short-Term Pressures and Long-Term Challenges

Annual Review of Regional Policy in Europe

EoRPA Paper 12/1

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Preface

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

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- Ministerium für Wirtschaft, Bau und Tourismus, Mecklenburg-Vorpommern (Ministry for the Economy, Construction and Tourism, Mecklenburg-Western Pomerania), Schwerin

Italy
- Ministero dello Sviluppo Economico (Ministry of Economic Development), Dipartimento per lo sviluppo e la coesione economica (Department for Development and Economic Cohesion), Rome

Netherlands
- Ministerie van Economische Zaken, Landbouw en Innovatie (Ministry of Economic Affairs, Agriculture and Innovation), The Hague

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

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

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

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

United Kingdom
- Department for Business, Innovation and Skills, London
- The Scottish Government, Enterprise, Transport and Lifelong Learning Department, Glasgow

The research for this report was undertaken by EPRC in consultation with EoRPA partners. It involved a programme of desk research and fieldwork visits among national and regional authorities in sponsoring countries during the first half of 2012. The EoRPA research programme is coordinated by Professor John Bachtler, Fiona Wishlade, Dr Sara Davies and Stefan Kah.

The report was drafted by an EPRC team comprising Sara Davies, John Bachtler and Fiona Wishlade, with research contributions from Frederike Gross and Stefan Kah. The report draws on country-specific research contributed by the following research team:

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For each of the above countries, a separate country report is available to EoRPA partners via the EoRPA website, providing fuller, country-specific information on the themes covered in this report.

EPRC staff would also be pleased to provide further, country-specific briefing material relating to the issues covered in this report on request from EoRPA partners, where this is available.

Many thanks are due to everyone who participated in the research. Thanks also to Dr Keith Clement, Lynn Ogilvie and Alyson Ross for editorial, coordination and secretarial support respectively. In addition, the European Policies Research Centre gratefully acknowledges the financial support provided by the members of the EoRPA Consortium.

Disclaimer

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

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Executive Summary

Introduction

The aim of this report is to review recent changes in domestic regional policies across Europe, focusing on policy change over the 2011-12 period. The report has three main sections covering: an analysis of regional economic problems and trends in Europe over different timescales; a typology for understanding the different regional policy responses; and a review of recent changes to regional policies across 29 countries.

The report is based on research in individual European countries and presented in a series of country reports that have been provided separately (see EoRPA Paper 12/2). The paper is supported by a series of comparative tables that summarise the main regional policy instruments (see EoRPA Paper 12/3).

A challenging context for regional policy in Europe: short-term problems and longer term trends

Regional economic development in Europe in 2011-12 has been broadly shaped by the on-going financial crisis and economic downturn. National and regional GDP per capita and unemployment rates in 2011-12 have in many cases not yet returned to pre-crisis levels, particularly in those countries that have been strongly affected by macroeconomic uncertainty, a loss of business confidence and fiscal constraints. In some European countries, however, relatively benign economic conditions and falling unemployment rates in 2011 and the first half of 2012 have created a more favourable context for regional socio-economic development. Although there is variation across countries, most show a correlation between rises (falls) in national unemployment rates and falls (rises) in the dispersion of regional unemployment rates in 2010-12, due to disproportionate changes in regions with initially low unemployment rates.

The effects of the crisis and downturn can seem to dominate current regional socio-economic trends and debates yet structural processes and factors continue to shape longer term development prospects. At the international level, two sets of longer term influences continue to grow in importance, namely economic rebalancing across the world's macro regions on the one hand, and the challenges of climate change and non-renewable resource constraints on the other. Together, these two processes have the potential to restructure radically the context for regional development in Europe.

From a national and European perspective, regional development also continues to be shaped by well-recognised drivers of geographical inequality. The tension between national and regional economic development is the primary feature of geographical disparity in most of the Convergence countries, along with the strong sectoral shifts that are inherent to the catching-up process. Further, all countries face issues relating to agglomeration and spread effects, with problems typically being most acute in the least accessible regions. In addition, endowments of human, knowledge, public and social capital strongly shape longer term development prospects, not least by embodying bottom-up potential and capacities. Lastly, government policies have a significant influence on regional socio-economic disparities, via explicit regional policies, interpersonal redistribution and fiscal equalisation

mechanisms, and broader strategies, policies and frameworks that shape regional accessibility and capital endowments.

The policy response: a typology of regional policies in Europe

In response to territorial challenges and trends, national governments in Europe have developed different types of regional policy. They share common characteristics, but the forms of intervention are very different with respect to the objectives, strategies, priorities, governance and instruments used.

The objectives of regional policy are commonly discussed in terms of whether their primary orientation is to promote 'efficiency' or 'equity' although the definition of these terms varies greatly. An efficiency goal in regional policy is commonly interpreted as maximising the contribution of regions to national growth, whereas an equity goal frequently means reducing socio-economic differences between regions. In practice, the differences are not so clear cut: a strategy to reduce disparities by exploiting underutilised potential in lagging regions, or improving productivity, is likely to improve overall national efficiency. Thus, the regional policies of many countries involve a mix of efficiency and equity objectives, with different policy elements or interventions serving different objectives.

In order to understand the differences between the regional policies of European countries, it is possible to construct a typology of countries, with categories based on their: territorial challenges; the political commitment to territorial development; and national approaches to regional policy. The roles of EU Cohesion policy and EU Competition policy control of State aid are also important.

The first category comprises countries – **Finland, Germany, Italy, Norway, Spain, Sweden** - where there is a national legal or constitutional commitment to reducing regional disparities. They are countries where prominent regional differences are accepted as the principal focus for spatially differentiated policies, and where there are well-funded domestic regional policy instruments

Second, there are countries – **Belgium, France, United Kingdom** - with diverse territorial challenges (old industrial undergoing restructuring, rural development, urban regeneration, peripherality etc.). There is limited prominence given to regional disparities on the scale of countries like Germany or Italy, although there are some targeted measures for problem regions. The main focus is on regional or sub-regional (local) competitiveness from the perspective of enhancing national growth (except for Belgium), and a range of relatively small-scale programmes and instruments, partly implemented by regional self-governments.

Third, there are small, prosperous European countries - **Austria, Denmark, Luxembourg, Netherlands, Switzerland** - with limited regional disparities. Priority is given to enhancing national competitiveness, there is a strong emphasis on social cohesion and the focus of much support is on the business environment. However, there is a policy focus on localised problems and balanced development is considered important.

The fourth category comprising **Cyprus, Greece, Ireland, Malta, Portugal** and **Slovenia** covers countries with important geographical issues in an EU context (peripherality,

insularity) or internally (islands, mountain areas, isolated regions, capital city dominance). These are smaller countries, mainly just under the EU average of GDP per head. The focus of economic development policy is on national development and competitiveness, although some internal disparities may be significant and getting increased policy attention.

Finally, there are countries, all in Central and Eastern Europe (**Poland, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia**) where the focus for two decades has been on national growth and development. These are less prosperous countries, compared to EU averages, and have seen widening territorial disparities, especially between metropolitan areas and other regions. Domestic regional policies have, in the past, been weak, and regional development priorities and funding have been driven by EU Cohesion policy, although this is now changing in some countries such as **Poland**.

Across these five categories, and the 29 countries in the study, the roles of EU Cohesion policy and EU Competition policy in relation to State aids are of crucial importance in all countries apart from Switzerland. EU Cohesion policy is a significant financial resource in many EU12 countries. Elsewhere, the scale of spend is marginal at the national level, but the Funds may retain considerable importance at the regional level in leveraging in funding. EU Competition policy has long exerted stringent controls over the use of regional aid in the EEA countries, and has had a significant influence on the form of business incentives, their value in aid rate terms, and most of all in the extent of assisted area coverage. In most Central and Eastern European countries, the entire territory is eligible for regional aid, with only modest differences between regions in terms of maximum rates of award. By contrast, elsewhere, regional aid maps have tended to be progressively more constrained with national policymakers forced into hard policy choices about which areas to include. Given that the map above all determines the availability of investment aid to large firms, those choices are sometimes reflect as much the perceived suitability of an area for such investments as the severity of regional disparities.

Turbulent times: recent developments in regional policies in Europe, 2011-12

Turning lastly to how regional policy has evolved over the 2011-12 period, in a context of weak growth or stagnant economies, and the associated political turbulence, the major preoccupation for governments across Europe is understandably how to escape the economic crisis and stimulate growth. Particularly in some of the less-developed parts of the EU, the focus on the macro-economic situation is at the expense of policies and interventions to address economic and social cohesion; the policy changes in **Hungary** and the severe cuts to regional policy budgets in **Spain** are obvious examples in this regard.

In many Central and Eastern European countries, regional policy has been synonymous with EU Cohesion policy, as noted above. Structural and Cohesion Funds have been a guarantor of spending on regional development priorities since their accession to the EU. However, it is only over the past 2-3 years that domestic regional development strategies have started to emerge, notably in **Poland, Slovenia, Slovakia, Bulgaria** and **Romania**, with a possible new regional policy also in the **Czech Republic** under discussion. These policy documents are asserting, sometimes for the first time, a national perspective on regional development that will inform the drafting of Partnership Agreements and Operational Programmes for the funding under Cohesion policy in 2014-20.

Across the EU15, regional policies have been established for much longer – although much of the funding is still dependent on Cohesion policy in countries like **Spain, Greece** and **Portugal**. The trends in regional policy are very different. In the **Netherlands** and the **United Kingdom (*England*)** there has been retrenchment, with the termination of policy instruments and the abolition of regional development bodies. In **France**, by contrast, policies for balanced and sustainable development may be getting a higher profile following the 2012 elections. Policy change has been significant in **Finland**, where reforms have involves substantial cuts in public spending and, for regional development policy, new policy goals for the 2011-2015 period, but emphasising welfare services and 'continuous regional renewal', and the retention of regional innovation as a core part of the policy. Regional policy in **Italy** has also seen major institutional change with a revised legal framework for territorial cohesion policy and the creation of the Bank for the South (*Banca del Mezzogiorno*).

At a time of pressures on public finances, performance/effectiveness issues have come to the fore in some countries (e.g. **Finland, France, Germany**), and there are questions about the survival of some policy instruments. Indeed, in Finland, recent reforms have put pressure on all institutions involved in regional policy to improve performance and accountability for their measures.

A trend common to all EU Member States are the preparations for a new policy phase from 2014 onwards. Changes to EU frameworks under Cohesion policy and Competition policy control of State aid (Regional Aid Guidelines) are having a major influence on policy thinking with respect to strategic priorities, funding, aid maps and institutional aid maps. For the most part, however, the shape of changes is not yet clear given that regulatory frameworks are still being negotiated at EU level. In the interim, the absorption of Cohesion policy funding for the remaining part of the 2007-13 period is of major concern for many EU Member States.

The perennial challenges of policy coordination and governance feature strongly in the changes to regional policy in a range of countries. The questions are how to ensure that regional policy goals are coordinated with sectoral policies, how to structure relations between different levels of government and how to manage integrated development strategies. Here, there are no common trends: on the one hand, there are examples of centralisation and localisation of responsibilities for economic development (**Hungary, Netherlands, United Kingdom**); but there are also cases of increased regionalisation (**France, Greece, Slovenia, Sweden**).

Countering the longer term trend of declining use of regional aid, the economic crisis has seen a resurgence in the use of State aid, even if only temporarily, to support business survival and the retention of employment, and steps to encourage the take-up of investment instruments. The spatial coverage of regional aid maps has been relatively stable, the main changes being due to the European Commission's 2010 review of statistical effect regions and the subsequent reclassification of eligibility for some regions.

Finally, for the future, policy changes are in the pipeline in several countries. New regional innovation policy initiatives are being prepared in **Finland** and **Sweden,** and major policy and institutional changes are being discussed in **France** which could have significant

implications for regional policy. A White Paper in **Norway** is due to be presented to the cabinet in late 2012 and debated by the parliament in 2013. Looking further ahead, a working group has been set up in **Switzerland** to develop ideas for the future of regional policy from 2016 onwards.

Rethinking Policy at National and European Levels: Short-Term Problems and Long-Term Challenges

Annual Review of Regional Policy in Europe, 2011-2012

1. INTRODUCTION

Regional economic development in Europe in 2011-12 has been broadly shaped by the on-going financial crisis and economic downturn. The economies of many countries have not yet returned to pre-crisis levels, and the effects of the crisis and downturn are dominating policy debates. However, structural processes and factors continue to shape longer term development prospects, notably economic rebalancing and the challenges of climate change and non-renewable resource constraints. From a national and European perspective, regional development also continues to be shaped by drivers of geographical inequality.

Regional policymakers are, therefore, dealing with short-term problems, notably budgetary constraints, pressures to maximise the take-up of investment support, and concerns about the effectiveness of instruments. They are also dealing with long-term territorial challenges associated with economic competitiveness, demographic changes, energy security and climate change.

The aim of this report is to provide an overview of these and other recent changes in regional development policies across Europe. It comprises a comprehensive and comparative review of how the challenges for regional development policy are evolving, and the changing policy response – in terms of objectives, instruments and administration. The intention is to give regional policy-makers a clear picture of the current state-of play and recent developments with respect to regional development policies, the rationale for policy trends, and how individual countries fit within the broader picture.

This type of regional policy report is produced each year under the EoRPA research programme, and the current review is the 33rd annual report to be produced since EoRPA was founded in 1978-79. It builds on previous such reports, most notably those produced in 2010 and 2011.[1]

This report focuses mainly on policy changes over the 2011-12 period, highlighting the key developments taking place and the main factors underpinning change. The report is based on detailed research on the regional policies of 29 individual European countries[2] and is supported by a series of standard comparative tables, as part of each chapter, highlighting

[1] J. Bachtler, S. Davies, M. Ferry, F. Gross, I. McMaster (2010) Regional Policy and Recovery from the Economic Crisis: Annual Review or Regional Policy in Europe, *EoRPA Paper 10/1*,European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow, October 2011.

[2] The research has covered the EU27 plus Norway and Switzerland. See: S. Davies, F. Gross and S. Kah (Eds.) Regional Policy Developments in Europe: Country Reviews 2011-12, *EoRPA Paper 12/2*, European Policies Research Centre, University of Strathclyde, Glasgow, September 2012.

recent policy developments on a country-by-country basis; these tables are also available as a separate document, providing a quick summary of how individual aspects of policy are evolving in each country.[3]

It should be noted that the structure and format of this annual report differs significantly compared to previous versions. In response to feedback from EoRPA partners, the report is much more concise, and focuses on three main issues: regional problems; regional policy responses; and recent developments. This takes account of two requests from partners: one is to provide a clearer overview of how regional policies differ; and the second is to have a more compact overview of change. The aim is to make the report more readable and increase understanding of the commonalities and contrasts, as well as development trends in regional policies across Europe. These changes to the annual overview report have been accompanied by a new structure for the individual country reports (see EoRPA Paper 12/2) which is intended to ensure clearer presentation of the current situation, distinguishing between policy instruments specifically for problem regions from broader national frameworks for regional development. The recent regional policy changes are also presented more clearly.

The paper is in three further sections. Chapter 2 begins by examining the evidence for regional development trends in Europe in 2011-12, and the longer term context for regional development in Europe and trends. The analysis is supplemented by annexes with detailed data and graphics. Chapter 3 provides an overview of the different regional policy responses across the countries in the study, first by looking at the objectives of regional policies and then using a typology of countries based on territorial challenges, the political commitment to territorial development, and national approaches. The differential influence of EU policy frameworks – EU Cohesion policy and EU Competition policy control of State aid – are also discussed. Lastly, Chapter 4 provides a synthesis of the changes to regional policy over the 2011-12 period, focusing first on the implications for regional policy of government changes over the past year or so and then discusses the developments with respect to policy objectives, institutional frameworks, spatial coverage, nationwide regional policy frameworks and the instruments of regional policy. The final section draws together the main points to emerge from the chapter and identifies some questions as a starting point for discussion at the EoRPA meeting.

[3] See: S. Davies and F. Gross (2012) Regional Policy Developments in Europe: Comparative Tables 2011-12, *EoRPA Paper 12/3*, European Policies Research Centre, University of Strathclyde, Glasgow, September 2012.

2. A CHALLENGING CONTEXT FOR REGIONAL POLICY IN EUROPE: SHORT-TERM PROBLEMS AND LONGER TERM TRENDS

2.1 Introduction

Regional policy largely focuses on longer term challenges such as development and restructuring. Increasingly, these structural issues are seen not only to involve socio-economic dimensions (e.g. growth, employment, public services and demographic issues) but also problems relating to sustainability (e.g. resource constraints and climate change). In many countries, however, the short-term horizon is dominated by continued problems in the Eurozone and elsewhere, reflected in weak growth, rising unemployment and constraints on public investment and other spending. These national and international challenges continue to be the key driving forces affecting regional development and regional policy processes in many European countries in 2011-12.

Regional socio-economic development is shaped by a complex range of factors and processes. First, regional economies are strongly affected by the international and national context, notably macroeconomic trends and policies, trade patterns and international movements of capital and labour. Second, the development of individual regions is influenced by structural factors within individual countries, such as economic forces of agglomeration and sectoral change, as well as government decisions on public investment, redistribution and regulatory frameworks. These broader international and national processes constrain or encourage the emergence and operation of bottom-up potential and capacities within individual regions, both within the private and public sectors.

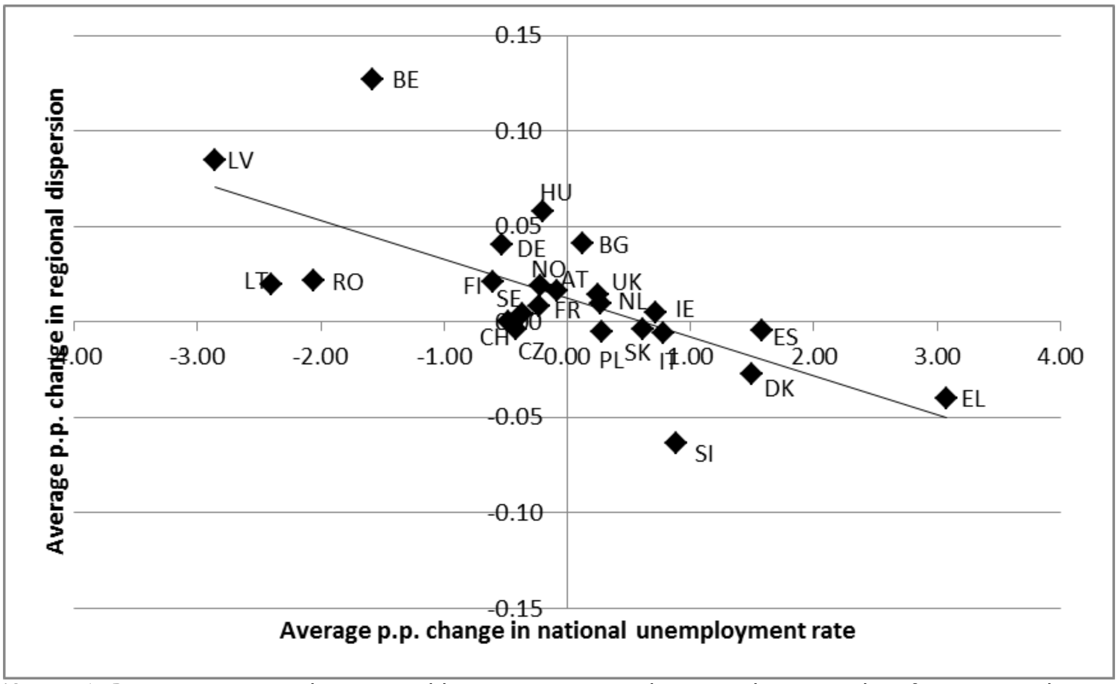
The analysis of regional disparities is not only shaped by conceptual and empirical aspects but also by pragmatic issues relating to regional definitions and data availability, quality and comparability. Not only are statistical regions generally defined on the basis of administrative boundaries rather than economic relations, but data at different regional levels (e.g. NUTS 1, 2 or 3) may show quite different results. Although Eurostat has improved the availability of comparable regional data across Europe, there are still gaps and quality issues. When examining developments in 2010-12, for example, this Chapter has drawn on national data sources, thus favouring data availability over comparability.

The remainder of this Chapter is structured as follows: Section 2.2 assesses evidence on regional development in European countries in 2010-12, drawing particularly on regional unemployment data. Section 2.3 then turns to the longer term context for regional development in Europe, focusing on the continued effects of the financial crisis and economic downturn; broader international economic re-balancing; and the challenges posed by climate change and limited non-renewable resources. Section 2.4 then examines long-term trends in regional development in Europe, notably the balance between national economic growth and regional disparities in the Convergence countries; the driving forces of agglomeration and accessibility; the importance of endowments of human, knowledge, public and social capital for regional development; and the roles of government in shaping development potential and mitigating disparities. Section 2.5 concludes.

2.2 Shifts in regional disparities in 2010-12

At a regional level, the only indicator where regional data are available across European countries for 2010-12 is the unemployment rate, with data being drawn from national sources (although, at a national level, more data are available, notably on national GDP growth rates - see Table A1). Many countries saw relatively strong changes in national and regional unemployment rates in 2010-12 in the context of the financial crisis and economic downturn. In most countries, there is a correlation in 2010-12 between rises (falls) in national unemployment rates and falls (rises) in the dispersion of regional unemployment rates (see Figure 1 and Table A2). This is largely driven by disproportionate changes in regions with initially low unemployment rates i.e. regions with high structural levels of unemployment have on average been less affected by either rises or falls in unemployment rates in 2010-12.

Figure 1: Dispersion of regional unemployment rates and national unemployment rates, by quarter in 2010-12



Notes: 1. Data are not strictly comparable across countries because they are taken from national sources and use different definitions, and also because data are at different NUTS levels (see Table A2 in Annex). 2. The horizontal x-axis shows the average quarterly percentage point change in the national unemployment rate in 2011-12 relative to the same quarter in the previous year, while the vertical y-axis shows the average quarterly percentage point change in the coefficient of variation of regional unemployment rates. 3. The coefficient of determination or R-squared is 46.4 percent.

Source: EPRC calculations based on national statistical office or labour office data.

In **Figure 1**, countries fall into four groups:

- in the top left-hand (north-west) quadrant are countries where the national unemployment rate fell and regional dispersion rose in 2010-12 (**Austria, Belgium, Germany, France, Hungary, Latvia, Lithuania, Romania, Finland, Sweden, Norway, Switzerland**);

- in the top right-hand (north-east) quadrant are countries where both the national unemployment rate and regional dispersion rose (**Bulgaria, Ireland, the Netherlands, United Kingdom**);

- in the bottom right-hand (south-east) quadrant are countries where the national unemployment rate rose and regional dispersion fell (**Denmark, Greece, Spain, Italy, Poland, Slovenia, Slovakia**);

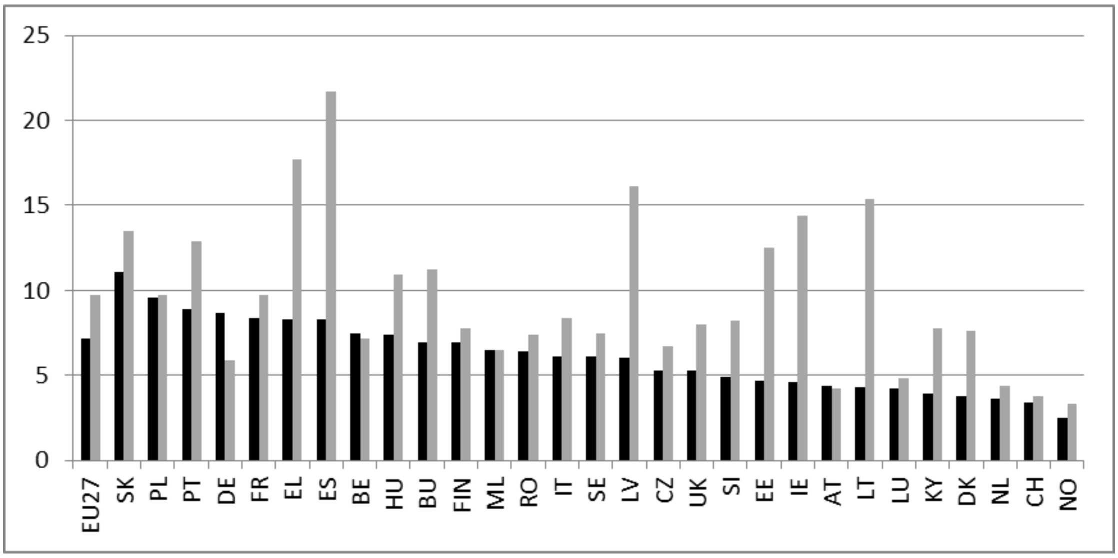
- in the bottom left-hand (south-west) quadrant is the only country where both the national unemployment rate and regional dispersion fell (**Czech Republic**).

2.3 Context for regional economic development in Europe

2.3.1 Continued effects of the 2008-12 crisis

All major world economies have seen the impact of the on-going financial crisis and economic downturn in 2011-12. In Europe, there have been particular stresses because of market concerns over individual countries and over the capacity of Eurozone governments and institutions to respond effectively.[4] Demand and confidence remain low due to governments' fiscal consolidation strategies, plus bank de-leveraging which has reduced the supply of credit to firms and households. In some countries, real GDP per capita in 2011 was still below 2007 levels (see Figure A1 and Tables A3-A4 in Annex) and unemployment rates were significantly higher (see **Figure 2** and Table A5 in Annex), while public finances also remain affected (see Table A6 in Annex).

Figure 2: Unemployment rates in 2007 and 2011



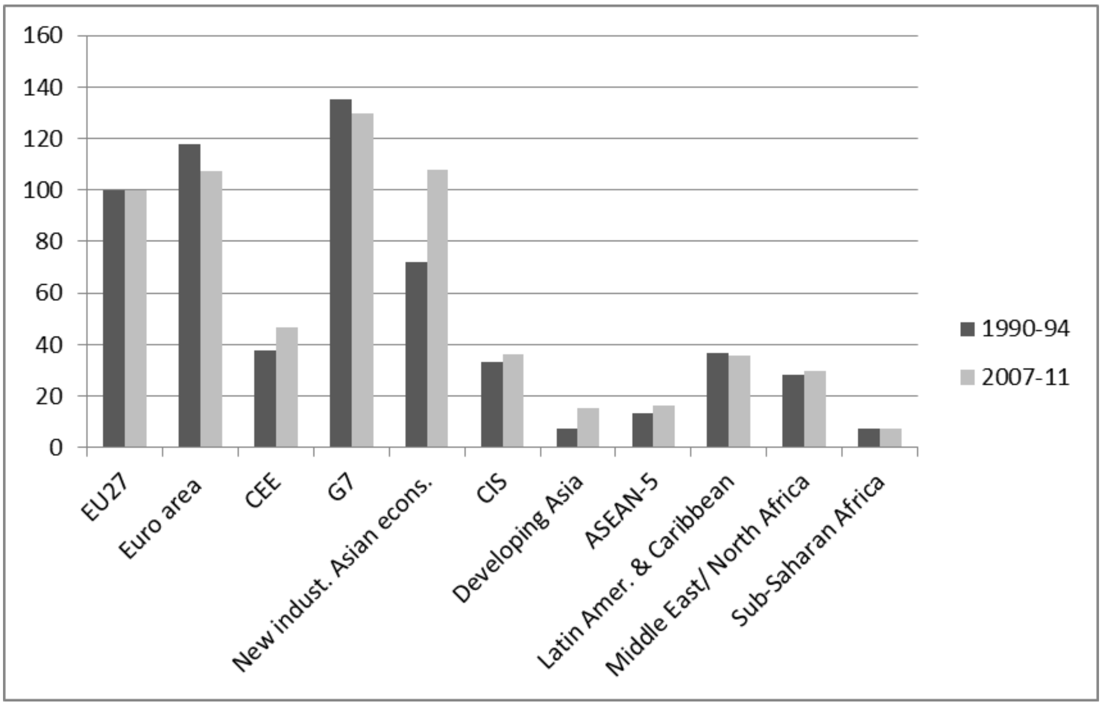
Source: Ameco.

[4] IMF (2012) *World Economic Outlook: Growth Resuming, Dangers Remain*, Washington D.C., April 2012. See also IMF (2012) *World Economic Outlook Update: New Setbacks, Further Policy Action Needed*, Washington D.C., July 16, 2012.

2.3.2 International economic re-balancing

From a longer term perspective, the 1980s-2000s have seen a degree of economic re-balancing internationally, due mainly to the growth of many Asian economies, although GDP per capita in most macro-regions remains well below EU27 levels (see **Figure 3** and Table A7). Moreover, product and capital markets have become more strongly internationalised (see Table A8). Although increased income and production in other macro-regions raise European export potential and reduce the price of goods for European consumers, these shifts sometimes raise concerns over a potential weakening of European economic and political power and over possible losses for particular groups (e.g. firms and workers in sectors with low comparative advantage).

Figure 3: World GDP per capita (PPS, current international dollar), EU27=100

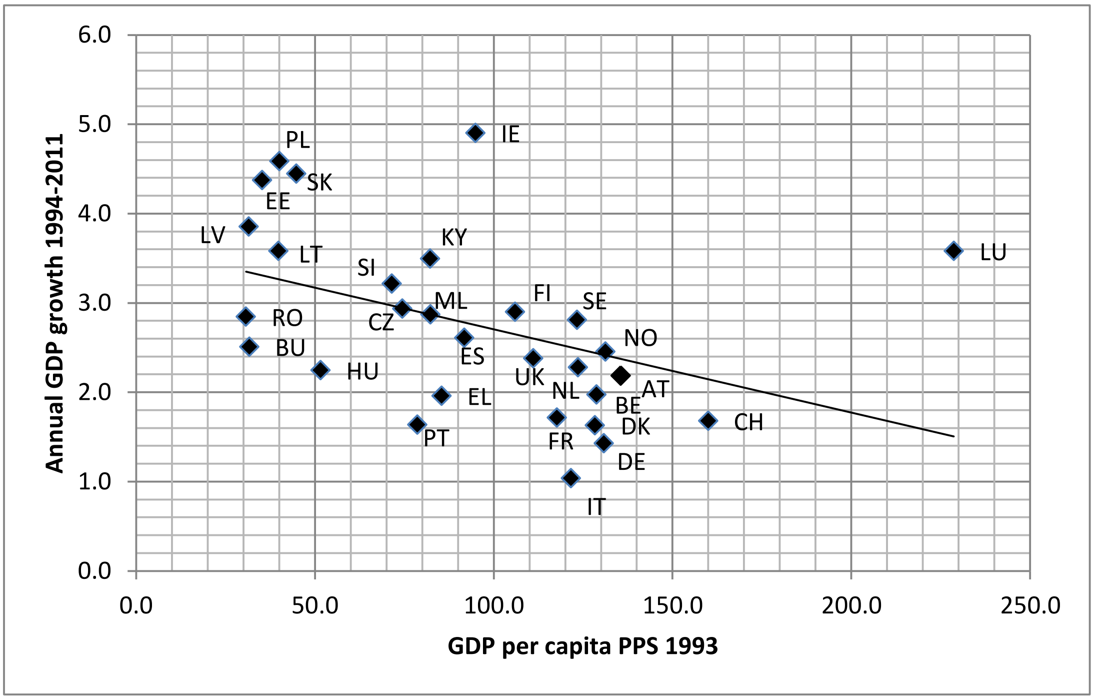


Notes: 1. See Table A7 for data and for details of the country groups. 2. Data for the Euro area start in 1993 and data for the CIS start in 1992.

Source: EPRC calculations based on International Monetary Fund, World Economic Outlook Database, April 2012 (accessed 3 September 2012).

In Europe, there has been a degree of real economic convergence between countries in the 1990s-2000s (see **Figure 4**) i.e. countries with lower initial GDP per capita have on average seen stronger real growth. However, the correlation is not very strong, notably because some wealthier countries also saw above-average growth (e.g. Luxembourg, Finland, Sweden and Norway) (see Table A4). Moreover, GDP per capita data in some central European countries (e.g. Bulgaria, Estonia, Hungary, Latvia, Lithuania and Romania) are affected by significant falls in population in the 1990s-2000s (see Figure A2).

Figure 4: Initial GDP per capita levels in 1993 and annual average GDP growth rates in constant prices in 1994-2011



Note: The coefficient of determination or R-squared (i.e. the percentage of the difference in GDP growth that can be explained by initial levels of GDP per capita) is 18.0 percent.

Source: EPRC calculations based on European Commission Ameco data.

2.3.3 Sustainability: resources and climate change

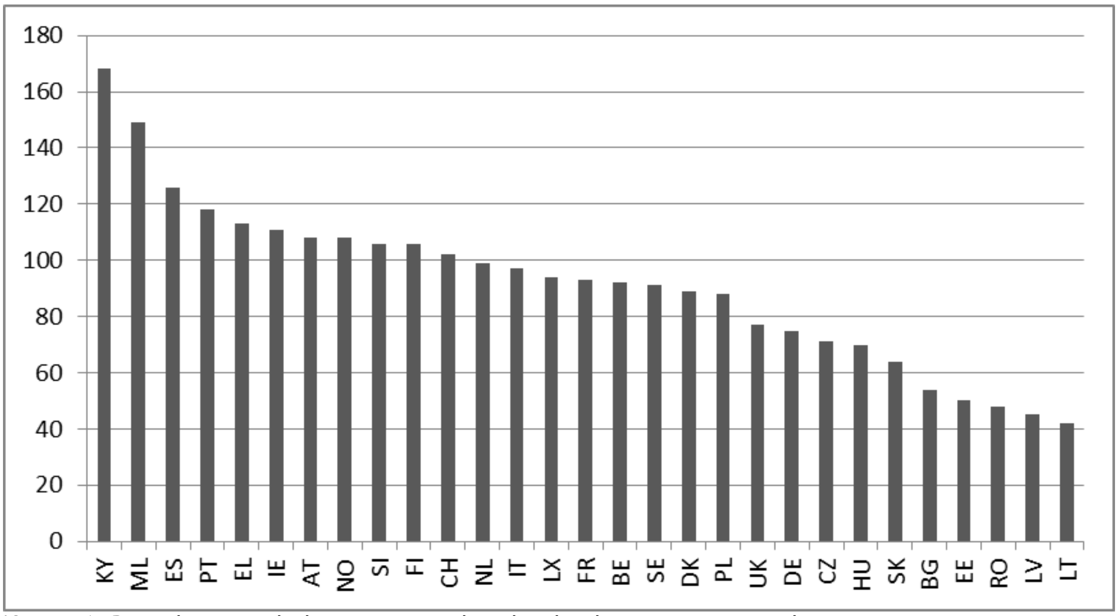
Climate change and constraints on the availability of non-renewable natural resources raise questions over current approaches to production and consumption, especially as income levels rise in poorer countries. It is estimated that, if all humans had the current European level of consumption, there would be a need for the equivalent of 2.1 planet-Earths (nearly five planets for US levels of consumption).[5] Although technological and organisational innovations could potentially allow economic growth to be de-coupled from negative environmental impacts,[6] present trends in energy consumption and CO2 emissions continue to mirror trends in economic growth.[7] If progress towards climate change targets remains limited (see **Figure 5** and Tables A9-A10), it is likely that international tensions will increase over time.

[5] S. Spratt, A. Simms, E. Neitzert and J. R.-Collins (2010) *The Great Transition: A tale of how it turned out right*, London: New Economics Foundation, p.20.

[6] K.-H. Paqué (2010) *Wachstum!: Die Zukunft des globalen Kapitalismus*, Munich: Carl Hanser.

[7] T. Jackson (2009) *Prosperity without Growth: Economics for a Finite Planet*, Earthscan.

Figure 5: Greenhouse gas emissions in 2010, 1990=100 (Europe 2020 target = 80)



Notes: 1. Data do not include emissions related to land use, international aviation or maritime transport, or biomass with energy recovery. 2. See Table A9 for data and definitions.

Source: Eurostat.

2.4 Long term trends in regional development

2.4.1 National catching-up and regional dispersion trends

Countries experiencing rapid structural change (catching-up) often face tensions between national and regional development as new higher value-added activities tend to concentrate initially in particular regions, so that regional disparities increase along with national growth.[8] As structural change spreads (e.g. as firms move to new regions to avoid congestion and high land/property and labour costs), regional disparities in catching-up countries may fall over time. Thus, in theory, this correlation between national economic growth and regional disparities is less likely to be seen (or is driven by other factors) in wealthier countries. Data on European countries in the 1990s-2000s support this theory, as the Convergence countries show a negative correlation between annual average change in the regional dispersion of GDP per capita and annual average change in national GDP per capita (see **Figure 6** and Tables A11-A12) but wealthier countries do not (see Figure A3).

Changes in the regional distribution of economic activity are often associated with sectoral shifts, for example out of lower skilled activities into more sophisticated manufacturing and service sectors. For example, the regional concentration of financial and business services rose in most central European countries in the 2000s but fell in other European countries (see **Figure 7** and Tables A13-A14). Similarly, the growth of public and private household services in recent decades may constrain the agglomeration of economic activities because the regional distribution of these sectors tends to mirror population.

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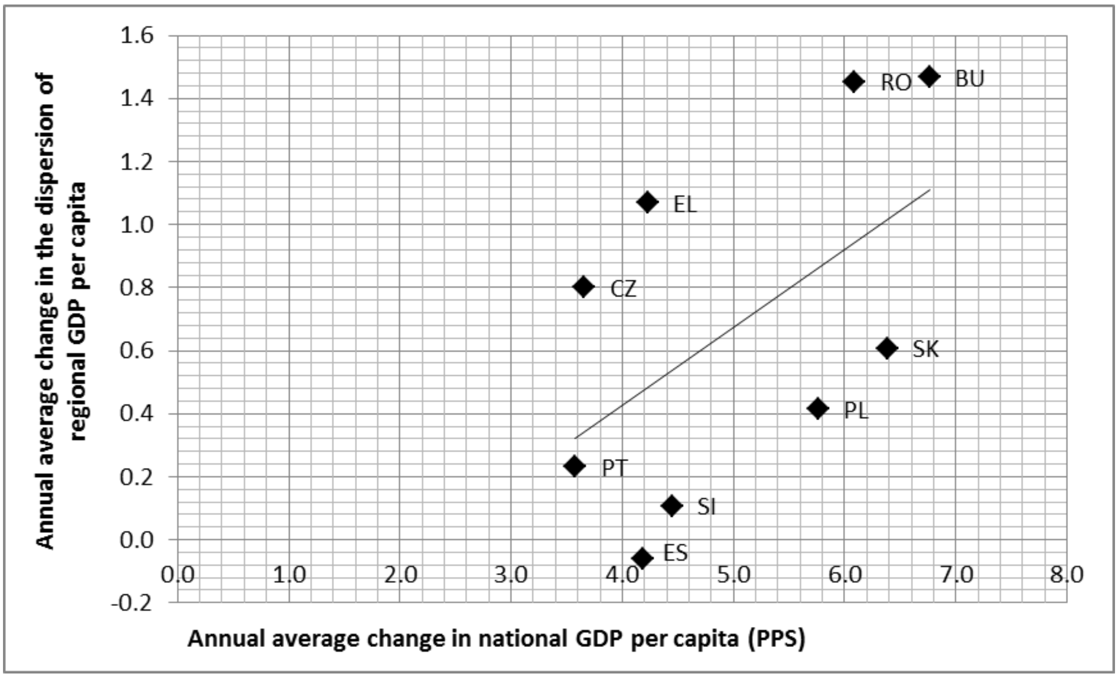
[8] J. G. Williamson (1965) Regional inequality and the process of national development: A description of the patterns, *Economic and Cultural Change* 13: pp.1–84.

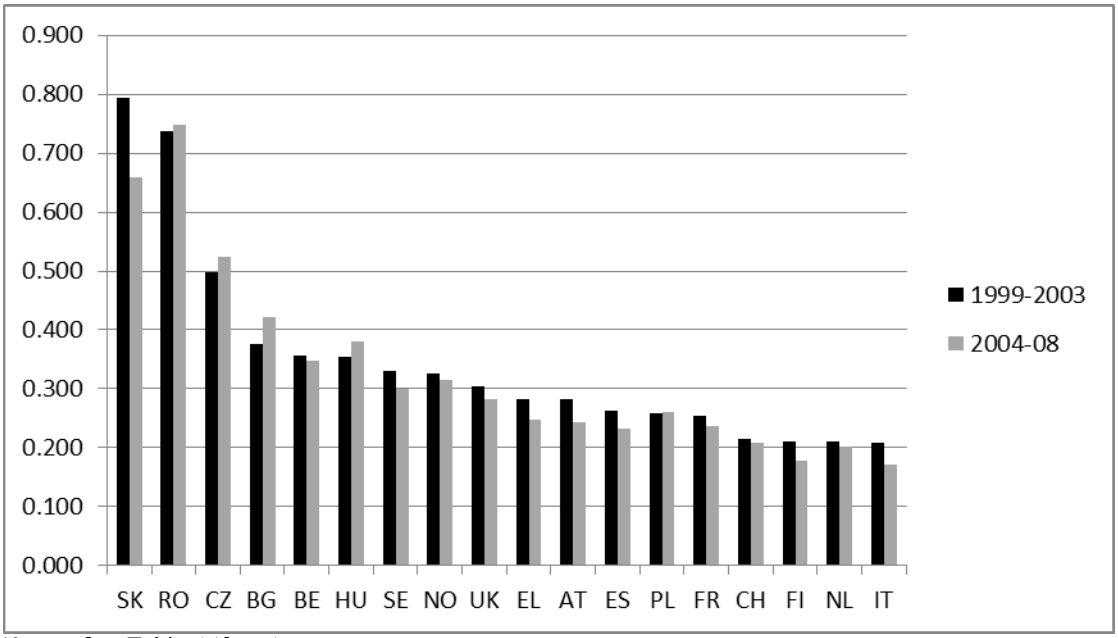
Figure 6: Annual average percentage point changes in national GDP per capita, plotted against annual average percentage point change in the dispersion of (NUTS 2) regional GDP per capita (Williamson curve) in 1997-2009



Notes: 1. For the definition of regional dispersion, see Table A11 in Annex. 2. The coefficient of determination (R-squared) shows that 29.6 percent (37.9 percent at NUTS 3 level) of the variation in regional dispersion can be explained by variation in national GDP per capita.

Source: EPRC calculations based on Eurostat data.

Figure 7: Coefficient of variation of the regional dispersion of employment in financial and business services, 1999-2003 and 2004-08



Notes: See Table A13 in Annex.

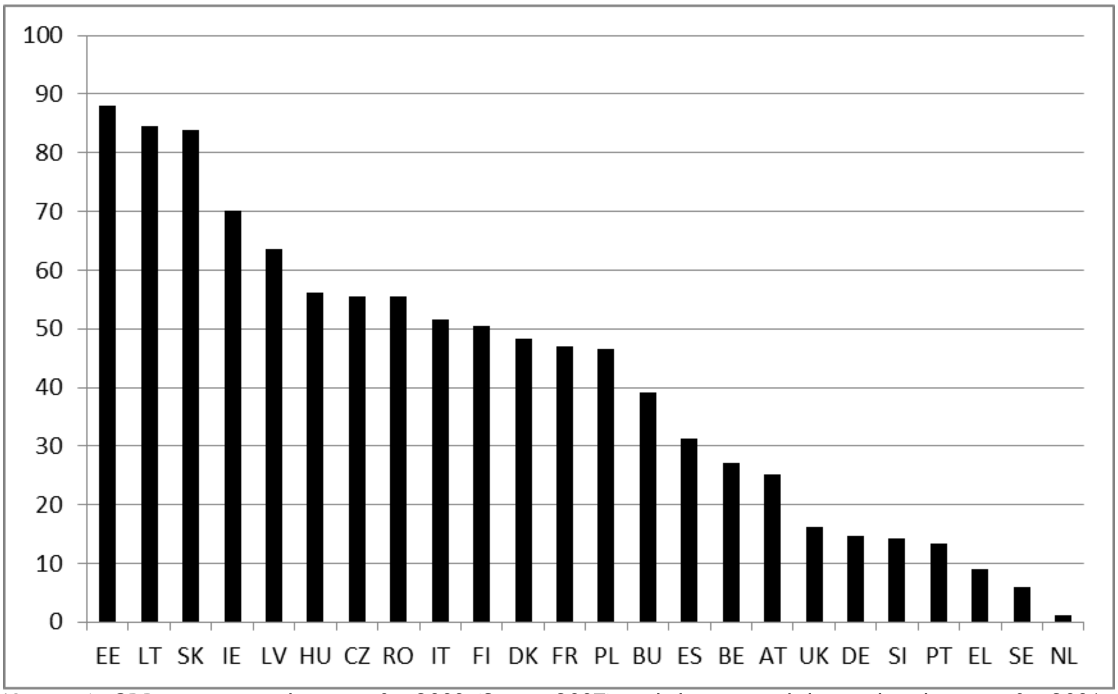
Source: EPRC calculations based on Eurostat data.

2.4.2 Agglomeration and accessibility

Economic activities are widely agreed to be subject to cumulative agglomeration or concentration (e.g. due to initial market size, labour pooling, input-output linkages and knowledge spillovers).[9] However, the actual geographical distribution of activities varies between countries. While poor accessibility at NUTS 3 level is strongly correlated with low GDP per capita in Estonia, Ireland, Latvia, Lithuania and Slovakia, there is only a weak correlation in Germany, Portugal, Slovenia and the United Kingdom (see **Figure 8** and Table A15).

This is due to variation in historical economic and population structure, as well as current government interventions. For example, spread effects are encouraged by public investment in interregional transport and communications infrastructure, the decentralisation of public sector employment, a commitment to universal public service delivery (which can help anchor households and workers in less central locations), and steps to internalise negative externalities (e.g. pollution and congestion) associated with agglomeration (thus increasing the cost advantages of more peripheral regions).

Figure 8: Correlation between regional (NUTS 3) GDP per capita (PPS) and accessibility



Notes: 1. GDP per capita data are for 2009 (Spain: 2007) and the accessibility index data are for 2006. 2. Data for France exclude the Overseas Departments. 3. For details of the accessibility index methods, see K. Spiekermann, M. Wegener et al. (2011) Transport accessibility at regional/local scale and patterns in Europe (TRACC), Report to ESPON, Dortmund. 4. Correlation is measured by the coefficient of determination (R-squared) which shows the percentage of variation of GDP per capita that can be attributed to variation in accessibility.

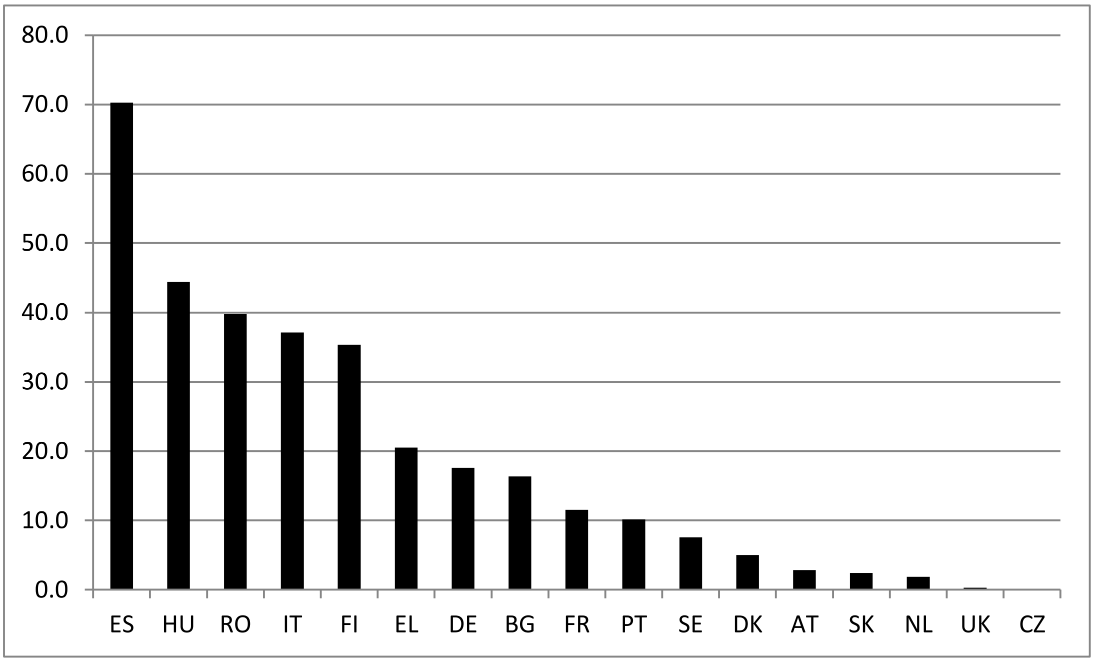
Source: EPRC calculations based on data from Eurostat and from © ESPON 2006.

[9] M. Fujita, P. Krugman and A. Venables (1999) *The Spatial Economy: Cities, Regions and International Trade*, Cambridge (MA) MIT Press, and G. Myrdal, G. (1957) *Economic Theory and Underdeveloped Regions*, London: Duckleworth.

2.4.3 *Endowments of human, knowledge, public and social capital*

Endowments of human, knowledge, public and social capital are seen as key factors that shape long-term growth prospects and bottom-up developmental capacities and potential.[10] In practice, however, the degree of correlation between national/regional prosperity and indicators of these forms of capital varies. For example, although there is a strong correlation between regional GDP per capita and business R&D spending in some countries (e.g. Spain, Hungary, Romania, Italy and Poland), there is no clear correlation in others (e.g. Czech Republic, United Kingdom, Netherlands, Slovakia and Austria) (see **Figure 9** and Table A15). This may be partly because GDP per capita can be high in some regions with economies based on natural resources (e.g. energy) or sophisticated public and private service functions which may not perform very strongly on R&D or human capital indicators.

Figure 9: Correlation between regional (NUTS 2) GDP per capita (PPS) and business R&D spending as a percentage of GDP



Note: Data are for 2009 except Bulgaria (2008) and Greece (2007). French data exclude the Overseas Departments.

Source: EPRC calculations based on Eurostat data.

2.4.4 *The roles of government in regional development*

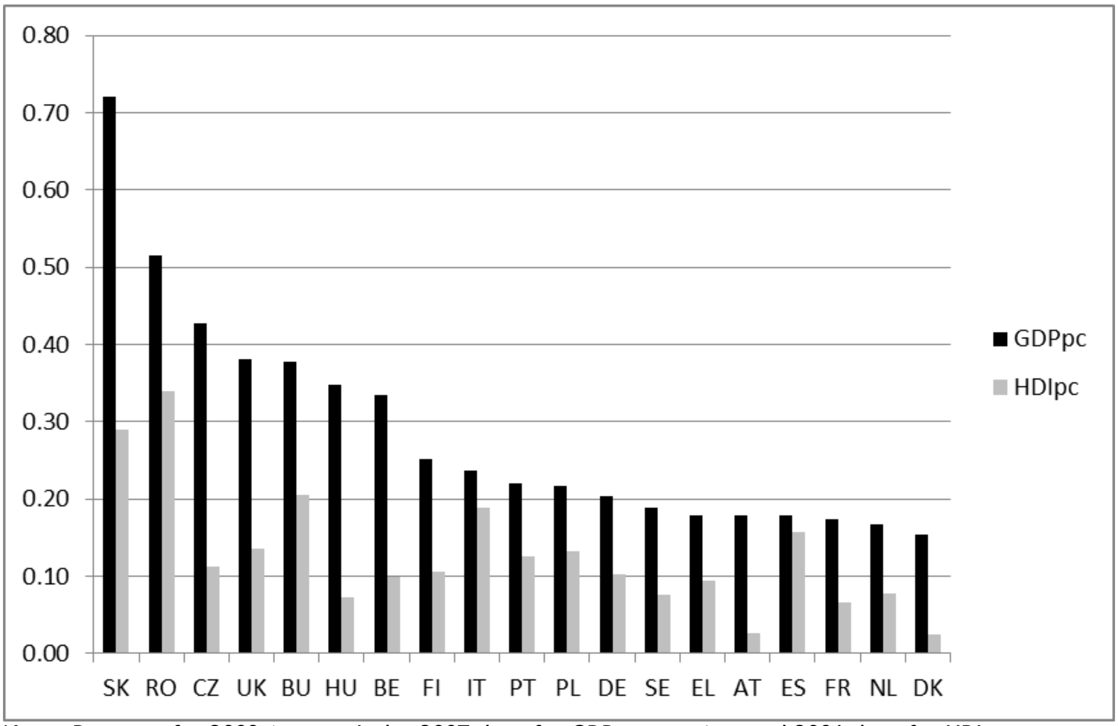
Government policies also affect regional socio-economic disparities, not only via explicit regional policies but also through a range of other measures. First, interpersonal redistribution (tax-benefit) and fiscal equalisation mechanisms mean that the regional dispersion of household disposable income per capita is significantly lower than the

[10] F. Barca (2009) *An agenda for a reformed Cohesion policy: A place-based approach to meeting European Union challenges and expectations*, Report to Danuta Hübner, Commissioner for Regional Policy, Brussels; and R. Lucas (2000) Some macroeconomics for the 21st century, *Journal of Economic Perspectives* 14: pp.159–168; and P. Romer (1986) Increasing returns and long-run growth, *Journal of Political Economy* 94: pp.1002–1037.

dispersion of GDP per capita in most European countries (see **Figure 10** and Table A16). Second, various policies shape regional accessibility and capital endowments and thus influence not only potential for economic development within individual regions but also the overall geographical distribution of economic activities. Such policies include the level and focus of public investment in physical, human, knowledge and social capital; land-use planning rules; regulatory frameworks; and decisions on the location of public sector employment.

Some countries have introduced changes to their fiscal equalisation mechanisms in 2010-12 or are discussing changes (e.g. Belgium, Denmark, Germany, France and Italy), often informed by a combination of domestic factors and fiscal constraints due to the financial crisis and downturn. Moreover, tight fiscal policies have led to cuts in regional policy spending in some countries (e.g. Bulgaria, France, Greece, Italy and the United Kingdom), or to broader reductions in public investment (e.g. Czech Republic, Ireland, Greece, Spain, Italy, Malta, Portugal and Slovakia) (see Table A17). In a longer term perspective, however, some countries have seen significant increases in public investment since the mid-2000s (e.g. Bulgaria, Latvia, Lithuania, Poland and Romania).

Figure 10: Coefficient of variation of NUTS 2 regional GDP per capita and household disposable income per capita (PPS) in 2009



Note: Data are for 2009 (except Italy: 2007 data for GDP per capita, and 2006 data for HDI per capita). Data for France exclude the Overseas Departments.

Source: EPRC calculations based on Eurostat data.

2.5 Conclusions

Regional economic development in Europe in 2011-12 has been broadly shaped by the on-going financial crisis and economic downturn. National and regional GDP per capita and

unemployment rates in 2011-12 have in many cases not yet returned to pre-crisis levels, particularly in those countries that have been strongly affected by macroeconomic uncertainty, a loss of business confidence and fiscal constraints. In some European countries, however, relatively benign economic conditions and falling unemployment rates in 2011 and the first half of 2012 have created a more favourable context for regional socio-economic development. Although there is variation across countries, most show a correlation between rises (falls) in national unemployment rates and falls (rises) in the dispersion of regional unemployment rates in 2010-12, due to disproportionate changes in regions with initially low unemployment rates.

The effects of the crisis and downturn can seem to dominate current regional socio-economic trends and debates yet structural processes and factors continue to shape longer term development prospects. At the international level, two sets of longer term influences continue to grow in importance, namely economic rebalancing across the world's macro regions on the one hand, and the challenges of climate change and non-renewable resource constraints on the other. Together, these two processes have the potential to restructure radically the context for regional development in Europe.

From a national and European perspective, regional development also continues to be shaped by well-recognised drivers of geographical inequality. The tension between national and regional economic development is the primary feature of geographical disparity in most of the Convergence countries, along with the strong sectoral shifts that are inherent to the catching-up process. Further, all countries face issues relating to agglomeration and spread effects, with problems typically being most acute in the least accessible regions. In addition, endowments of human, knowledge, public and social capital strongly shape longer term development prospects, not least by embodying bottom-up potential and capacities. Last, government policies have a significant influence on regional socio-economic disparities, via explicit regional policies, interpersonal redistribution and fiscal equalisation mechanisms, and broader strategies, policies and frameworks that shape regional accessibility and capital endowments.

3. POLICY RESPONSES: A TYPOLOGY OF REGIONAL POLICIES IN EUROPE

3.1 Introduction

In response to the territorial challenges and trends outlined in Chapter 4, national governments in Europe have developed different types of regional policy. They share common characteristics, most notably a political recognition that the geographical differences in social and economic development across a national territory are due to market or government failures requiring outside intervention. In the first instance, such differences are dealt with by personal transfers through the welfare system and fiscal equalisation transfers between richer and poorer regional or local authorities. Regional policies are based on the presumption that there is a need for additional forms of territorially differentiated intervention to improve the utilisation of resources. The forms of intervention are, however, very different with respect to the objectives, strategies, priorities, governance and instruments used. Also, they evolve over time in response to factors such as changing economic circumstances, new governments and policy programmes, or outside pressures such as the EU Cohesion policy and EU Competition policy frameworks.

This chapter provides an overview of the different types of regional policy in the 29 countries covered by this study. It starts with a brief overview of the objectives of regional policies. It then presents a typology of countries, with categories based on their territorial challenges, the political commitment to territorial development, and national approaches to regional policy. Additionally, given the significant influence of EU Cohesion policy on the strategic objectives and funding of national regional policies in some EU Member States), the typology takes account of the role of Structural and Cohesion Funds and EU Competition policy control of State aid.

3.2 The objectives of regional policy

The objectives of regional policy are commonly discussed in terms of whether their primary orientation is to promote 'efficiency' or 'equity' although the definition of these terms varies greatly. An efficiency goal in regional policy is commonly interpreted as maximising the contribution of regions to national growth, whereas an equity goal frequently means reducing socio-economic differences between regions. In practice, the differences are not so clear cut: a strategy to reduce disparities by exploiting underutilised potential in lagging regions, or improving productivity, is likely to improve overall national efficiency. Thus, the regional policies of many countries involve a mix of efficiency and equity objectives, with different policy elements or interventions serving different objectives.

This becomes clear from the broad categorisation of regional policy strategies and instruments in Table 1 which shows that sometimes the same countries have interventions that are wholly geared towards efficiency objectives (promoting business investment in all regions) or equity objectives (support for job creation or quality of life in weaker regions) as well as some interventions that fulfil both objectives.

Table 1: Efficiency versus equity objectives in regional policies

Efficiency: business investment in all regions	Mainly efficiency but higher funding in weaker regions	Efficiency & equity – business investment in weaker regions	Equity – job creation or quality of life in weaker regions
Regional government economic development strategies in all regions: AT, CH, DE, ES, IT, UK State-region contracts for economic development in all regions: FR Economic development programmes in all regions: CH, FI, SE Business-led strategies in any region: UK Clusters: FI, NL, NO, SE	EU Cohesion policy as a whole – additional domestic bias towards weaker regions in e.g. DK, DE, FI Economic development strategies in all regions but with higher funding for weaker areas: DK	Grants for business investment/innovation in weaker regions: AT, BE, DK, DE, GR, ES, FI, FR, IE, IT, PT, SE, UK Tax relief for business investment/innovation in weaker regions: CH, DE, FR, IT Funding for business context/infrastructure in weaker regions: DE, ES, FR, IT, PT	Transport aid in weaker regions: GR, FI, NO, SE, UK Grants for job creation in weaker regions: DE, IT, SE Tax relief for job creation in weaker regions: FR, IT, UK Tax relief for all firms in weaker regions: FR, NO Funding for local services/quality of life in weaker regions: GR, NO Fiscal equalisation mechanisms: All countries

The objectives of regional policy and the level in the legislative hierarchy at which they are set vary considerably. In **Germany, Italy** and **Spain**, for example, there is a constitutional commitment to equitable regional development. More commonly policy objectives are set out in broad policy documents, such as the KSSR in **Poland** which runs to 2020 or the White Paper in **Norway**, which generally has a four-year term. However, in some countries (**Belgium, United Kingdom**) there is no overarching strategy for regional development policy at the national level because policy responsibility is devolved to the subnational level.

The last decade or more has seen a fundamental shift in regional policy objectives across a number of countries. The main thrust has been a move away from an emphasis on spatially-targeted measures – especially business aid schemes for general investment in designated problem areas – towards all-region policies aimed at increasing regional and national competitiveness and often with a particular focus on innovation. In consequence, in many countries, regional development policies are characterised by dual objectives. However, this trend has not been universal: some countries retain a strong ‘problem region’ focus to policy – notably **Germany, Spain** and **Italy**, while in others an all-region approach has long tended to dominate – as in **Ireland** and **Austria**. For many there is an inherent tension in the pursuit of dual objectives; this is perhaps especially so in many of the **EU12** where not only are internal disparities often wide and growing, but there is also significant disparity between national economic performance and the EU average.

Also important, however, is the extent to which high level objectives actually feed through into policy instruments. Without going so far as to say that some aspirations to reduce regional disparities or equalise living conditions are no more than rhetoric, it is evident that

in a number of countries such aims are not really translated into practical policy instruments either due to lack of political will or owing to budgetary pressures resulting from the economic climate.

3.3 Categorising regional policies in Europe

Turning to the typology of countries, this is based on several characteristics of countries and policies: territorial challenges, such as nature and scale of regional disparities, and specific problems; the political commitment to territorial development; and national approaches to regional policy, with respect to the objectives, instruments and scale of spending.

The five categories are listed in Table 2. The categorisation is based on the long-term research conducted through EoRPA, with initial variants presented in previous EoRPA reports,[11] developed further in a major EU study contributing to the Fifth cohesion Report,[12] and subsequently refined.

Table 2: Typology of national regional policies in Europe

Prominent regional disparities – regional development policy	Finland, Germany, Italy, Norway, Spain, Sweden
Diverse territorial challenges – regional competitiveness policy	Belgium, France, United Kingdom
Limited regional disparities - national competitiveness policy	Austria, Denmark, Luxembourg, Netherlands, Switzerland
Diverse geographical issues - national development policy	Cyprus, Greece, Ireland, Malta, Portugal, Slovenia
Widening regional disparities - national growth/development policy	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

Any typology such as this is open to debate. On the one hand, it is arguable, with some justification, that it involves over-simplification, neglects important context and loses sight of necessary detail. The allocation of countries to one or other category may be contentious. On the other hand, it provides a comprehensive overview – even at a general level – of how regional policies vary across Europe. The typology is presented here in pilot form and will be refined and modified in future years in response to feedback from EoRPA partners. In all cases, it is important to refer to the individual country reviews for a fuller picture of the regional policies of each country.[13]

3.4 Prominent regional disparities – regional development policy

The first category comprises countries – **Finland, Germany, Italy, Norway, Spain, Sweden** (see Figure 11) - where there is a national legal or constitutional commitment to reducing regional disparities. They are geographically large countries where prominent regional

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[11] See: http://www.eprc.strath.ac.uk/eorpa/Partner_reports_archive3.cfm

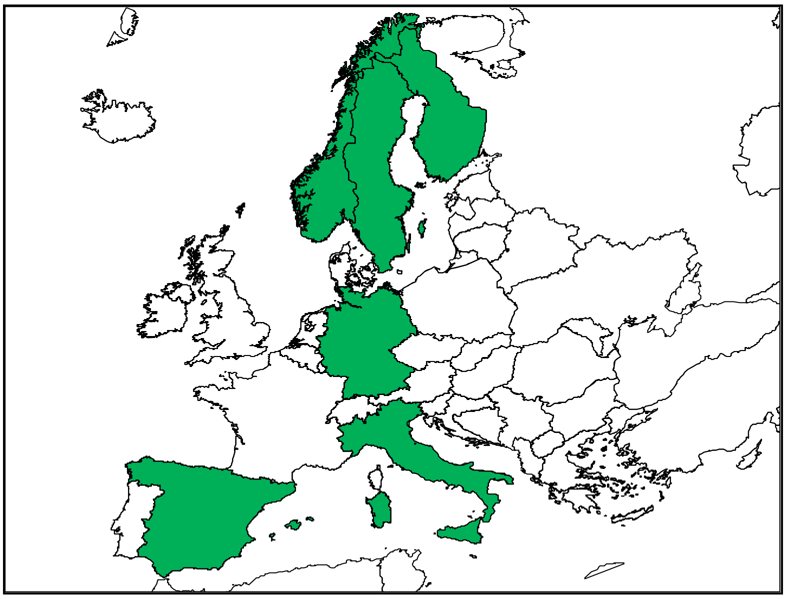
[12] Wishlade, F. *et al* (2010) *The Objective of Economic and Social Cohesion in the Economic Policies of Member States*, Report to DG Regio, European Commission.

[13] S. Davies *et al* (Eds.) Regional Policy Developments in Europe: Country Reviews 2011-12, *EoRPA Paper 12/2*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

differences are accepted as the principal focus for spatially differentiated policies, and where there are well-funded domestic regional policy instruments

The three Nordic countries – **Finland, Norway, Sweden** – fall into this category. In all three countries, regional policy covers the whole country but has a historically strong political commitment and policy focus on the regions in the far north of Norway, northern Sweden, and eastern and northern Finland, which are peripheral, sparsely populated, and have structural economic weaknesses. At the same time, regional policy has moved over time to focus on other regions also, either because these are areas undergoing structural change (such as industrial areas undergoing restructuring) or because there is a policy objective of stimulating the potential of every region.

Figure 11: Countries with prominent regional disparities and regional development policies



This combined objective is evident in the references to 'district and regional policy' in Norway, the district component referring to the focus on the disadvantages of the peripheral and sparsely populated areas, and the regional element on the promotion of economic development in all regions. The importance of regional policy contributing to national and regional competitiveness is also evident in the term 'regional growth policy' used in Sweden and the fact that regional policy in Finland is increasingly becoming a regional innovation policy.

Regional policy in **Germany** also has a primary focus on reducing prominent territorial disparities, in this case narrowing the structural differences between the old and new *Länder* (states) in western and eastern Germany. Although labour market differences have narrowed since unification, the new *Länder* continue to have lower productivity levels reflecting differences in sectoral structure, firm size, business R&D and export propensity. Demographic change is a concern too. German regional policy also focuses on structural economic weaknesses in specific areas of the old *Länder*, within a framework of regional policy intervention – involving a joint task between the federal and State governments to improve regional economic structure (*Gemeinschaftsaufgabe Verbesserung der regionalen*

Wirtschaftsstruktur) - which serves the constitutional goal of achieving ‘equivalent living conditions’ *(gleichwertige Lebensverhältnisse)*.

Italy is characterised by a structural socio-economic divide between the Centre-North and the South (*Mezzogiorno*), the southern regions significantly underperforming the Centre-north on a wide range of indicators, and the gap has widened in the 2000s on indicators such as GDP per head. Italy has a constitutional commitment to the allocation of State resources to promote regional economic development and remove socio-economic imbalances. Despite the decentralisation of government economic development tasks to the regional level, particularly since the 1990s, the central State has a clear role in the strategic direction, funding and oversight of regional policy. Although some elements of regional policy cover all regions in Italy, priority is given to the eight southern regions, which are also the focus of substantial EU Cohesion policy funding.

Lastly, regional policy in **Spain** has evolved to meet a constitutional commitment ‘to promote conditions favourable to a more equitable distribution of income and ‘oversee the establishment of a fair and adequate level of economic equilibrium between the different parts of the country’. Traditionally, there has been a perceived north-south divide in Spain’s regional development (based on the Ebro river axis), although in recent years disparities are less significant between NUTS 2 regions than between metropolitan and urban areas on the one hand and rural, sparsely populated areas on the other. While domestic regional policy has three policy instruments managed by the central government, the more significant instruments in terms of funding are provided through EU Cohesion policy and are delivered by a combination of national and regional programmes.

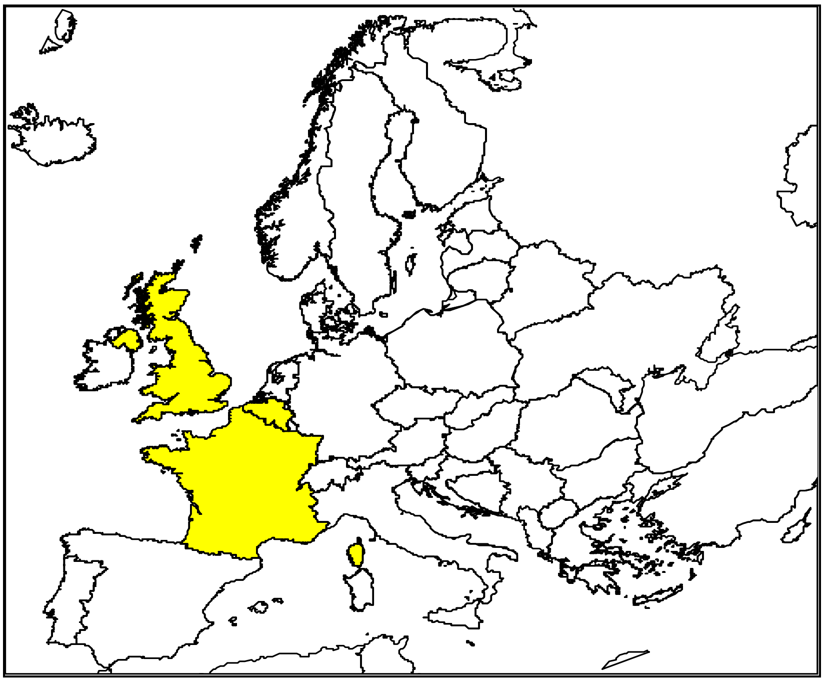
3.5 Diverse territorial challenges – regional competitiveness policy

The second category consists of countries – **Belgium, France, United Kingdom** (see Figure 12) - with diverse territorial challenges (old industrial undergoing restructuring, rural development, urban regeneration, peripherality). These are relative prosperous countries, but some regions are significantly below the EU average. However, there is limited prominence given to regional disparities on the scale of countries like Germany or Italy, although there are some targeted measures for problem regions. The main focus is on regional or sub-regional (local) competitiveness from the perspective of enhancing national growth (except for Belgium), and a range of relatively small-scale programmes and instruments, partly implemented by regional self-governments.

France typifies this category. Interregional socio-economic disparities in mainland France are limited, although significant structural weaknesses remain in the overseas regions and, to a lesser extent, Corsica. There are also concerns over the difficulties facing old-industrial areas and mountainous rural areas, for example. The economic crisis has exacerbated the disadvantaged position (demographic dynamics, ageing, education levels) of the regions of north-eastern France. In response, regional policy has a combination of goals, on the one hand supporting lagging areas with a variety of small-scale measure targeted at assisted areas and rural areas and, on the other hand, enhancing the attractiveness and competitiveness of all regions. The diverse aims are evident in the mandate of the national development agency, DATAR, which include: strengthening economic attractiveness, cohesion and competitiveness of territories; supporting economic

change; improving accessibility; and promoting sustainable, balanced, coherent development of rural and urban territories. Thus, regional policy is a cross-cutting policy which encompasses a large number of instruments for different types of territory.

Figure 12: Countries with diverse territorial challenges - regional (and sub-regional) competitiveness policies



The map of territorial challenges in **Belgium** is also complex. There are considerable disparities in economic development between the two main constitutive regions, Flanders and Wallonia, and also major sub-regional disparities, especially in Wallonia where the Hainaut region has 'statistical effect' status until 2013. In line with Belgium's federal structure, regional policy is largely regionalised and there are no overarching national policy objectives to enhance regional economic cohesion apart from a 'national solidarity mechanism'. Across the two regions, the common objectives of regional development policies are to create and safeguard jobs and to reduce the locational disadvantages of structurally weaker areas; the two main strategies (Pact 2020 in Flanders, and Marshall Plan 2.Green in Wallonia) have a range of objectives and territorial initiatives.

Lastly, the **United Kingdom** presents a complicated regional policy picture too. There are persistent regional disparities in the United Kingdom in terms of GDP per capita, labour market and household disposable income indicators, with a significantly stronger economic performance in the south-east than in other regions. Disparities have widened during the crisis, and the level of GVA per head has declined since 2000 in all parts of the United Kingdom except London, South-East England and Scotland, with manufacturing regions being particularly severely affected. Regional policy is a devolved responsibility, so is administered separately in the four constituent parts of the United Kingdom (England, Northern Ireland, Scotland and Wales) and is increasingly characterised by the pursuit of economic development policies that do not have a strong spatial focus, but do include a range of often small-scale regional and sub-regional measures. In England, recent policy changes have abolished a former regional policy (based on regional development agencies

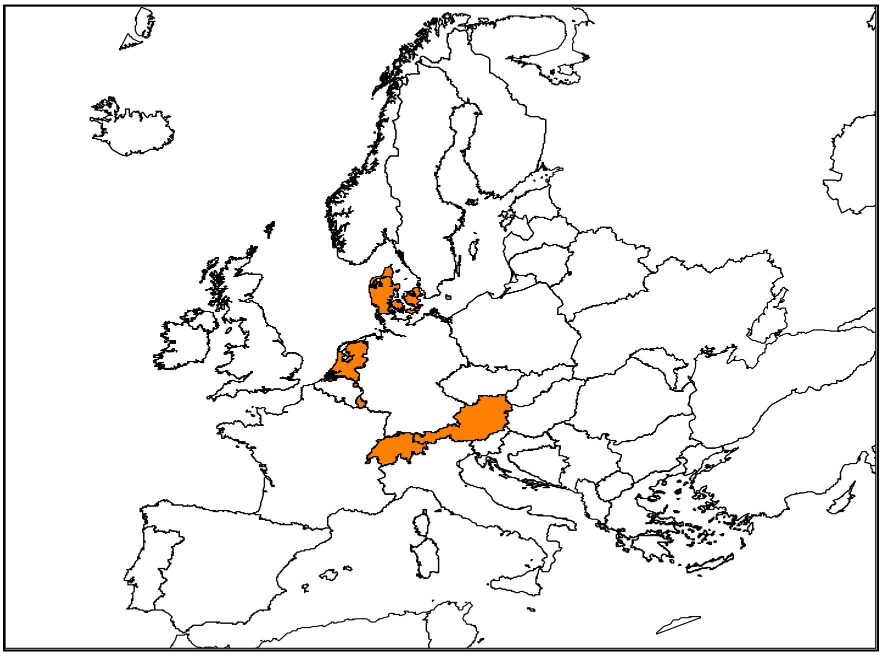
and regional strategies) to focus on a policy goal of a 'more balanced economy'' and reduced public-sector intervention through local, rather than regional, measures to promote growth. The devolved administrations (in Northern Ireland, Scotland and Wales) have their own economic development strategies with regional aid an important policy tool (although less so in Wales where a refocusing of policy has seen a move away from direct grants to business).

3.6 Limited regional disparities – national competitiveness policy

The third category comprises small, prosperous European countries - **Austria, Denmark, Luxembourg, Netherlands, Switzerland** - with limited regional disparities (see Figure 13). Priority is given to enhancing national competitiveness, there is a strong emphasis on social cohesion and the focus of much support is on the business environment. However, there is a policy focus on localised problems and balanced development is considered important.

Thus, in **Austria**, there are no major national regional policy instruments, but there is some support for business in areas with structural problems. The country has a strong fiscal equalisation system, which in practice has a levelling effect across regions. The limited character of traditional regional policy instruments is partly due to the comparatively small scale of interregional economic disparities, although old industrial regions continue to find it difficult to restructure and many rural peripheries along the borders with the former Eastern Bloc are still lagging behind. The lower importance of regional policy at national level is related to the country's federal structure; regional economic development is largely the responsibility of the *Länder*, which have their own strategies and instruments to support innovation and SMEs. However, there are some federal instruments and the national level has an important coordination function.

Figure 13: Countries with limited regional disparities – national competitiveness policies



Similarly, inter-regional disparities in **Denmark** are limited, in particular in terms of employment and unemployment rates, although some localities relatively distant from the two metropolitan growth areas of Copenhagen and East Jutland still lag behind in terms of socio-economic development. Regional development policies have therefore aimed, first, to mobilise regional economic potential through place-specific initiatives and, second, to address the situation of lagging peripheral localities within each of the five regions. Regional policies, in terms of national and Structural Funds programmes, cover the entire country, but higher levels of support can be used in State aid designated areas, and political consensus exists with regard to concentrating a relatively large share of Structural Funds expenditure in designated peripheral areas.

The **Netherlands** also has relatively small regional disparities in GDP, growth, economic activity and unemployment. Economically, the western provinces (South Holland, North Holland and Utrecht) have consistently displayed the strongest performance, while the development of the northern provinces (Groningen, Drenthe, Friesland, Overijssel and Flevoland) has been weaker according to some indicators. Until recently, spatial economic policy was focused on: promoting economic priorities in all regions; more selective place-based policy interventions targeted at regional strengths of national interest; and geographic, programme-based policymaking. Following a change in policy, the regional instruments have been largely abolished, and funding has been reallocated to a new enterprise policy (focusing on the competitiveness of selected areas of industrial or commercial strength, termed ‘top sectors’), and spatial economic responsibilities have been decentralised to provincial and local governments.

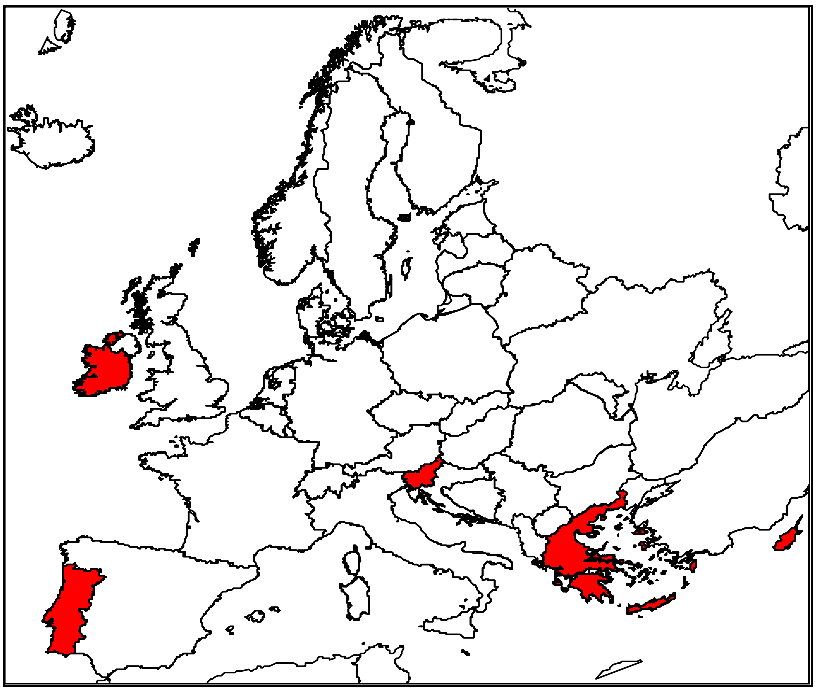
As in the other countries in this category, **Switzerland** does not display major regional disparities, with Swiss regions performing well across a number of indicators. However, there are concerns over concentration trends in terms of population, employment and wealth creation. The balanced development of the country has therefore been a historically important goal. Compared to previous policies focusing on regional aid and infrastructure investment, a New Regional Policy introduced in 2008 puts an enhanced focus on regional competitiveness and value creation. This involves greater attention in terms of support for the business environment, investment in institutional capacity, network building, planning instruments, and regional strategies. As a corollary, the New Financial Equalisation (NFA) is intended to pursue the balancing objective, particularly regarding support for basic infrastructure.

Lastly, although **Luxembourg** is a small, rich country, there are some territorial disparities, with income levels lower in rural areas in particular. The goals of 'regional' policy are mainly to foster business and economic growth through an aspatial, thematic approach, especially linked to R&D and innovation, and to reduce the locational disadvantages of structurally weaker rural areas, in order to contribute to the mitigation of territorial disparities, job creation, and to strengthen economic and business growth. Regional policy emphasises economic diversification, competitiveness and the removal of constraints on economic growth, particularly favouring R&D.

3.7 Diverse geographical issues – national development policy

The fourth category comprising **Cyprus, Greece, Ireland, Malta, Portugal** and **Slovenia** (see Figure 14) covers countries with important geographical issues in an EU context (peripherality, insularity) or internally (islands, mountain areas, isolated regions, capital city dominance). These are smaller countries, mainly just under the EU average of GDP per head. The focus of economic development policy is on national development and competitiveness, although some internal disparities may be significant and getting increased policy attention.

Figure 14: Countries with diverse geographical issues – national development policy



Greece exemplifies this group of countries. Economic policy priorities are mainly concerned with national growth and development, especially in the context of the crisis. However, there are deep and persistent regional inequalities in Greece, with polarisation between the Attica (Athens) region and all other regions. Those regions located distant from the Athens-Thessaloniki axis are lagging behind and in danger of remaining structurally disadvantaged measured not just in terms of regional GDP but also employment, R&D, demographic change, urban development and some social service provision. Thus, some policy attention has been accorded to balanced economic growth and the development of the less-developed regions. Regional policy is largely synonymous with EU Cohesion policy; it is programme-based and has both thematic and regional components. The main national regional policy instrument is the Development Law, which aims at promoting economic development and regional convergence through private investment incentives.

Regional policy is also weak in **Ireland,** which has operated a national economic development policy that seeks to be inclusive of all regions. As the country became one of the wealthier EU Member States in 1990s and early 2000s, all regions saw rising prosperity during the growth years, although economic growth was stronger in the Dublin region than in other regions, particularly in the North and West. The crisis has seen significant declines

in output and employment across all regions, with the previously middle-ranking South East region being particularly badly hit. Nationally, it is recognised that balanced growth across the country depends on investment in regional cities or gateways to make them as attractive as the Dublin region for foreign direct investment and entrepreneurship. A National Development Plan (NDP) is in place to foster such development, but this has been hit by continuing cuts in public expenditure. The main regional dimension to policy is driven by the varied availability and ceilings of State aid under the EU regional aid map, as well as differential levels of Cohesion policy funding across regions. Regional policies have thus been put in place in response to EU frameworks rather than due to domestic government decisions within Ireland.

In **Portugal**, traditional characterisations of the regional problem have emphasised the duality between a dynamic urban coast, on the one hand, and a declining rural interior with high out-migration on the other. In recent decades, new dynamics of activity have emerged based on major axes connecting growth areas with Spain, the interior has been developed and infrastructure asymmetries have been reduced across the country. However, the two development poles of Greater Lisbon and Greater Oporto continue to be the main drivers of overall national growth, and many areas suffer from depopulation trends and a lack of sustainable growth and job-creation Policymaker attention being historically focused on improving national development competitiveness in a European context; while all regions have been eligible for financial support, the capital city Lisbon has often been seen as the main engine of national development. Regional policy in Portugal is synonymous with EU Cohesion policy, which co-finances the main regional aid schemes and a wide range of other policy initiatives with sectoral and territorial objectives.

Regional development in **Slovenia** can be characterised in terms of a west-east divide. Socio-economic indicators are considerably worse in the eastern part of the country than in the western part that includes the capital city, Ljubljana, in the Central Slovenian region. The differences in GDP per capita among Slovene regions are high and increasing. Slovenia has a long tradition of regional policy (since 1971). Although national development is a priority, there is a tradition of regional policy dating back to the early 1970s, with an equity goal of supporting less-developed areas. Since 1999, regional structural policies have covered the whole country, but with a continued special focus on areas with particular development problems. Most domestic regional policy is tied in closely with EU Cohesion policy, which includes programme support to strengthen regional development potential. In addition, there is particular concern for border problem areas, Roma settlements and particular areas including the regions of Posočje, Pomurje and Pokolpje.

The small size of both Cyprus and Malta means that the scope for regional policy is limited, although in both countries there are territorial policy initiatives. In **Cyprus**, economic development is seen as unbalanced, favouring the urban centres and coastal areas at the expense of the rest of the island. Rural areas have suffered from economic outmigration and population ageing. The division of island has also been problematic; areas along the Green Line (the UN buffer zone) are underdeveloped and there are emerging concerns at the environmental impact of tourism in coastal areas. The promotion of balanced regional and rural development is one of the axes of the Strategic Development Plan 2007-13, which is the main domestic framework for economic development policy. The basic aim is to

enhance territorial and social cohesion through integrated urban regeneration; and to increase the attractiveness of rural areas by emphasising the multifunctional character of agriculture and increasing the involvement of local government in development.

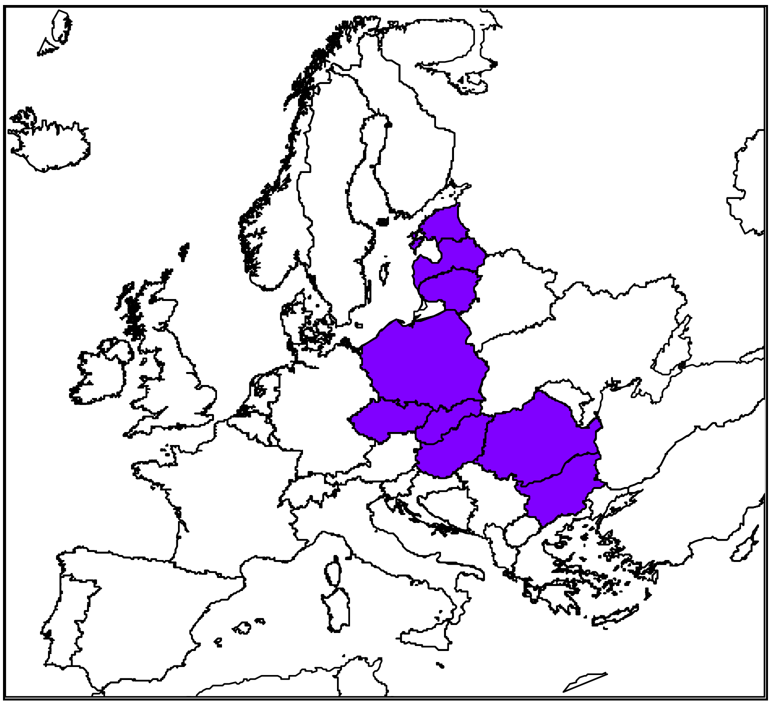
Lastly, in **Malta**, economic development policy focuses on tackling the structural problems of the country as a whole. The exception is a special recognition of the territorial needs of the island-region of Gozo focusing on the island's 'double insularity' problems. There are also regions on the island of Malta that face lower levels of economic and social development, particularly within the Southern Harbour, but these areas do not have specific policies that target structural problems and are only considered as regions for statistical purposes.

3.8 Widening regional disparities – national growth/development policy

The final category comprises countries, all in Central and Eastern Europe (**Poland, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia** – see Figure 15) where the focus for two decades has been on national growth and development. These are less prosperous countries, compared to EU averages, and have seen widening territorial disparities, especially between metropolitan areas and other regions. Domestic regional policies have, in the past, been weak, and regional development priorities and funding have been driven by EU Cohesion policy.

However, this category is perhaps the most problematic, given the way in which (in some countries, notably Poland) internal disparities are being accorded a higher political and policy profile, and as noted in Chapter 4, stronger domestic regional development strategies and programmes are emerging. It is likely that, in future years, one or more countries would fall under another of the categories in this typology.

Figure 15: Countries with widening regional disparities – national growth/development policy



The challenge of regional development has a high political saliency in **Poland** by virtue of the country's size, diversity and degree of regionalisation of economic development. Robust economic growth has been accompanied by rising regional and sub-regional disparities, especially between the western and eastern regions of the country. These disparities are due to the growing gap between, on the one hand, low-productivity agricultural areas and small/medium-sized towns undergoing industrial restructuring and, on the other hand, fast-growing urban areas developing services and medium-to-high-tech industries. Cohesion policy funding provides the bulk of resources for development policy, including regional policy. This has contributed to a shift in Polish regional policy objectives: priorities related to the problems of structurally weak territories have been superseded by priorities related to the potential of areas with the greatest capacity to spur economic growth (i.e. the largest urban centres). In this context, a National Strategy for Regional Development (KSRR) was adopted in 2010 this setting out Poland's domestic regional development vision, aligned with but distinct from EU Cohesion policy (see Section 4.5.1 for further details).

In the **Czech Republic**, regional disparities have been relatively moderate apart from the considerable dominance of the capital city, Prague. However, structural problems persist in some regions, and there has been trend towards deeper differentiation at micro-regional and local levels. Explicit national regional policy (outside Cohesion policy and EU regional State aid policy) is negligible. Traditional national regional policy programmes were reduced or phased out, and most regional policy financial sources have been reallocated towards co-financing EU Cohesion policy. A strong regional dimension is evident within the State labour market policy and in the nationwide State programme for the attraction of large (often foreign) investors through regional differentiation of incentives. The overall strategic aim of regional policy accentuates both equity-related (in particular, national or domestic regional policy) and efficiency-oriented (due to EU Cohesion policy) objectives. Resources have been targeted at the most underdeveloped regions suffering from high unemployment and/or poor economic performance as well as territories of special State interest.

Since the early 1990s, **Hungary** has experienced growing interregional economic disparities, particularly between the Central Hungary region (Budapest and Pest County) and the other six regions, and also between western and eastern regions more generally, as well as urban and rural peripheral areas. The crisis has exacerbated the economic difficulties of the structurally weakest regions, where unemployment and poverty have increased. The 2011-12 period saw on-going tension between the two core developmental goals of Hungary, namely national economic convergence towards EU levels of GDP per capita and the reduction of interregional socio-economic disparities. Regional policy in Hungary is almost entirely co-financed by EU Cohesion policy (and EU rural development policy), which focuses over 90 percent of funds on the six Convergence regions (and the remainder on the Central Hungary region). Most aid schemes award funding throughout the country, although with aid rates varying between regions. In the past, some funding was targeted at the structurally weakest micro-regions, but this funding ended in 2009.

Capital city dominance is also an issue in **Slovakia**, where the Bratislava region has traditionally been ahead of other regions in terms of social and economic development. Over the past decade, regions located in the western part of the country have constantly

registered higher economic performance than eastern regions and currently, Slovakia has one of the highest regional dispersions of GDP per capita in the EU. Slovakia formulated its own regional policy for the first time in the 2010 National Strategy for Regional Development, emphasising convergence as well as the goals of growth and regional competitiveness. Again, the main regional policy instruments are Cohesion policy programmes and investment aid, with the intensity of regional policy favouring structurally weaker regions.

As with smaller countries elsewhere in the EU, the scope for regional policy in **Estonia, Latvia** and **Lithuania** is more limited than in larger countries. While regional development strategies and instruments exist, they are secondary to the goal of national convergence within the EU. **Estonia** has significant regional disparities, notably between the capital Tallinn and other regions. Harju County (around Tallinn) and the second biggest city Tartu are reasonably well developed, but most of Estonia could be considered as peripheral, with disparities in terms of living standards, settlement size, internal migration, GDP and (un)employment rates. Estonia's Regional Development Strategy for 2005-2015 has the objective of achieving sustainable development in all regions. Subordinate goals are to meet the basic needs of people in all areas, to achieve lasting competitiveness in all regions, and to enhance ties between Estonian regions and cross-border regions as well as with the rest of Europe. In addition, the strategy focuses on developing strong regional centres with their hinterlands.

In **Latvia**, there is also a conflict between regional convergence and national growth objectives, especially under conditions of recovery from the economic crisis. National economic growth is driven by activity in a small number of cities, notably the capital city region, and other areas are much weaker in economic terms. The amount of national and EU support for weaker regions remains relatively small. Cohesion policy programmes funded by the EU are the primary source of funding for regional development of Latvia. There are also some national support measures in the form of small earmarked grants for local governments, as well as targeted support (tax relief) for businesses in designated problem regions.

As in the other two Baltic countries, economic development in **Lithuania** faces the twin challenges of increasing national growth and reducing internal disparities. National economic growth is largely driven by business activities in the main cities of Vilnius, Kaunas and Klaipeda, where per capita income and employment levels are considerably higher than in more peripheral NUTS 3 areas. Regional policy involves a combined EU Cohesion policy and national (State) regional policy. According to the Law on the Regional Development, the main goal is the reduction of social and economic disparities among and within the regions and within the regions, and the promotion of the balanced and sustainable development of the entire territory of the State. Social and territorial cohesion is measured in terms of indicators such as income per capita and unemployment rates in the territories.

Bulgaria also has the dual task of achieving national economic convergence towards EU averages and a reduction in internal regional disparities. National GDP per capita was only 45 percent of the EU27 average in 2011, while interregional disparities are pronounced. Structural problems are evident in all regions of Bulgaria, although less so in the South West

Region, particularly in the capital Sofia, which along with other western areas has seen stronger average growth for almost two decades. Regional policy is based on the regional plans promoting growth and competitiveness, improving the quality of life, and reducing significant intra-regional disparities in economic and social development. The relatively low level of national economic development means that all regions are eligible for support under Cohesion policy and the EU regional aid map. Interventions prioritise both regions that can contribute to growth most quickly and as well as problem regions with the highest unemployment rates.

Finally, along with the convergence challenge, **Romania** is another country characterised by significant interregional disparities. Alongside the structural divide between the capital city region of Bucharest-Ilfov and the other NUTS 2 regions, there are clear developmental imbalances between eastern and western regions. Critical issues, particularly in the least developed regions in the north-east and south, include the economic decline of small and medium-sized towns, the severe negative impact of economic restructuring on mono-industrial areas, and major urban–rural gaps. All regions are covered by EU Cohesion policy. Although there is no specific programme or strategies for problem regions, there is a nationwide regional development programme which has the objective of achieving 'sustainable, territorially balanced economic and social regional development, concentrated on urban growth poles support, infrastructure and business environment improvement, so as to make the Romanian regions attractive for investors and inhabitants'. The programme incorporates a differentiated approach depending on the problems identified at regional level and the less-developed regions benefit from higher allocations.

3.9 Impact of EU policy frameworks

The above pen-portraits of regional policy of the 29 countries in the study frequently refer to the role of EU Cohesion policy and EU Competition policy in relation to State aids, which are of crucial importance in all countries apart from Switzerland.[14] Before concluding this review of different regional policies, it is worth comparing briefly the significance of these policy frameworks and how their influence varies between countries.

3.9.1 Influence of EU Cohesion policy

EU Cohesion policy is a very significant financial resource in many EU12 countries and, and as the above descriptions indicate, there is no practically no domestic policy response to regional disparities beyond that provided for by Structural and Cohesion Funds. Elsewhere, the scale of spend is marginal at the national level, though it may retain considerable importance at the regional level in leveraging in funding. However, across the board, the extent to which Cohesion policy is deployed to address regional disparities varies.

[14] Norway does not benefit from EU Cohesion policy, but is affected by Competition policy controls on regional aid.

Figure 16: Scale of Cohesion Policy (2007-13 annual average commitment appropriations)

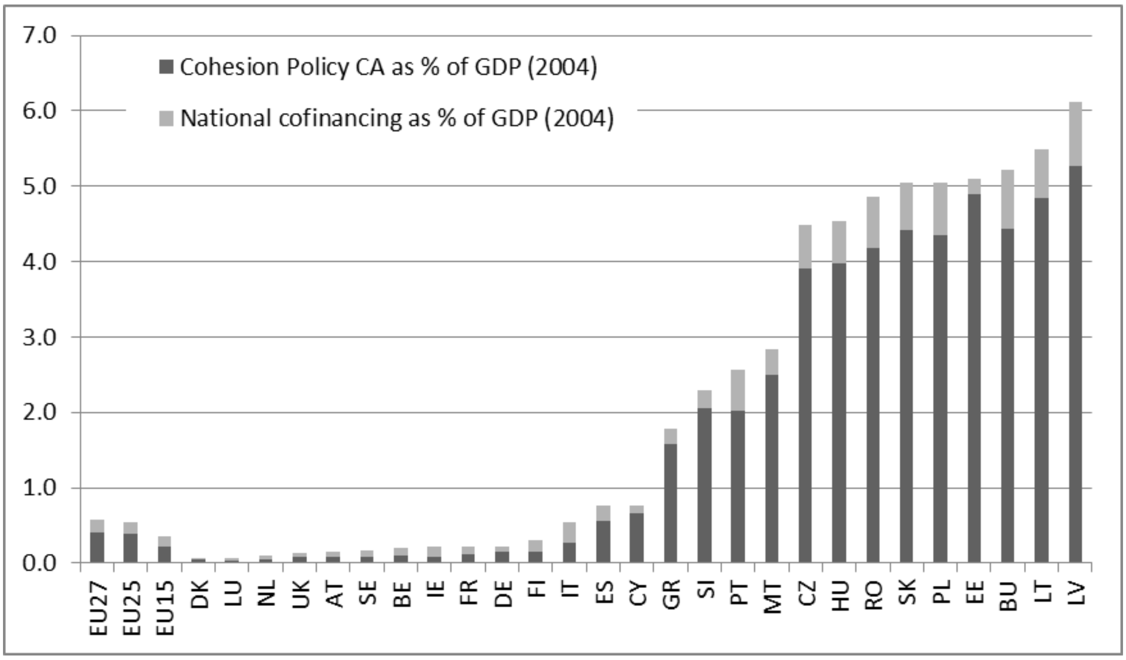


Figure 16 illustrates the wide differences in the scale of Cohesion Policy commitments both in terms of EU and national commitments. For nine of the EU12 countries, annual commitments average around four percent or more of 2004 GDP, while at the other end of the spectrum, in Denmark and Luxembourg, Cohesion policy contributions represent 0.04 percent of GDP or less. Also important in terms of *national* policy however, is the scale of domestic funding that is tied to co-financing EU Cohesion policy. Here five broad groups of countries can be identified, where:

- co-financing exceeds 0.75 percent of GDP (**Latvia** 0.85 percent; **Bulgaria** 0.79 percent);
- co-financing is between 0.55 and 0.7 percent of GDP (**Poland, Romania, Lithuania, Slovakia, Czech Republic, Hungary, Portugal**);
- co-financing is between 0.2 and 0.35 percent of GDP (**Malta, Italy, Slovenia, Greece**);
- co-financing is between 0.1 and 0.2 percent of GDP (**Estonia, Spain, Finland, Ireland, Belgium, France, Cyprus**); and
- co-financing is between 0.02 and 0.07 percent of GDP (**Sweden, Germany, Austria, United Kingdom, Netherlands, Luxembourg, Denmark**).

The extent of national co-financing in many countries, most notably in Central and Eastern Europe, makes clear why independent domestic regional policies are weak or almost non-existent.

3.9.2 Influence of EU Competition control of State aid

EU Competition policy has long exerted stringent controls over the use of regional aid in the EEA countries, and has had a significant influence on the form of business incentives, their value in aid rate terms, and most of all in the extent of assisted area coverage. In most Central and Eastern European countries, the entire territory is eligible for regional aid, with only modest differences between regions in terms of maximum rates of award. By contrast, elsewhere, regional aid maps have tended to be progressively more constrained with national policymakers forced into hard policy choices about which areas to include. Given that the map above all determines the availability of investment aid to large firms, those choices are sometimes reflect as much the perceived suitability of an area for such investments as the severity of regional disparities.

The scale of the impact of Competition policy intervention for the current period can be seen from Table 3. This shows that across the EU action by DG Competition resulted in a 15.7 percent reduction in assisted areas, but that this was heavily concentrated in the EU15. Among the EU12, only Cyprus saw a reduction in coverage, with assisted areas halved in population terms between 2000-6 and 2007-13. Interestingly, however, the EEA countries saw an *increase* in assisted area coverage, reflecting the impact of population density, an absolute criterion unaffected by enlargement, as the principal measure of regional disparities.

A key pattern that emerges from DG Competition intervention in national assisted area maps is that those in the more prosperous countries are very tightly constrained while, as noted, those in less prosperous countries are extensive, often covering the entire country. This has arguably contributed to a situation where there is scant, if any, real regional discrimination in the use of regional incentives in many EU12 countries.

Table 3: EU and EEA total coverage 2000/4-6 and 2007-13

	2000-6	2007-13				% Change
	TOTAL	'a' areas	Stat effect	'c' areas	TOTAL	
EU27	**55.3**	32.2	3.4	11.0	**46.6**	-15.7
EU15	**43.1**	15.0	4.3	13.2	**32.6**	-24.5
NMS12	**98.3**	94.9		3.1	**98.0**	-0.4
EEA3	**26.1**			29.4	**29.4**	12.8
Belgium	**30.9**		12.4	13.5	**25.9**	-16.2
Bulgaria	**100.0**	100.0			**100.0**	0.0
Czech Rep	**88.6**	88.6			**88.6**	0.0
Denmark	**17.1**			8.6	**8.6**	-49.7
Germany	**34.9**	12.5	6.1	11.0	**29.6**	-15.2
Estonia	**100.0**	100.0			**100.0**	0.0
Greece	**100.0**	36.6	55.5	7.9	**100.0**	0.0
Spain	**79.2**	36.2	5.8	17.7	**59.7**	-24.6
France	**36.7**	2.9		15.5	**18.4**	-49.9
Ireland	**100.0**			50.0	**50.0**	-50.0
Italy	**43.6**	29.2	1.0	3.9	**34.1**	-21.8
Cyprus	**100.0**			50.0	**50.0**	-50.0
Latvia	**100.0**	100.0			**100.0**	0.0
Lithuania	**100.0**	100.0			**100.0**	0.0
Luxembourg	**32.0**			16.0	**16.0**	-50.0
Hungary	**100.0**	72.2		27.8	**100.0**	0.0
Malta	**100.0**	100.0			**100.0**	0.0
Netherlands	**15.0**			7.5	**7.5**	-50.0
Austria	**27.6**		3.4	19.1	**22.5**	-18.5
Poland	**100.0**	100.0			**100.0**	0.0
Portugal	**100.0**	70.1	3.8	2.8	**76.7**	-23.3
Romania	**100.0**	100.0			**100.0**	0.0
Slovenia	**100.0**	100.0			**100.0**	0.0
Slovakia	**88.9**	88.9			**88.9**	0.0
Finland	**42.3**			33.0	**33.0**	-22.0
Sweden	**15.9**			15.3	**15.3**	-3.8
UK	**30.7**	4.0	0.6	19.3	**23.9**	-22.1
Iceland	**33.2**			37.5	**37.5**[a]	13.0
Liechtenstein	**0.0**				**0.0**	0.0
Norway	**25.8**			29.1	**29.1**	12.8

Source: Own calculations from Guidelines on National Regional Aid for 2007-13, Wishlade F., *Regional State Aid and Competition Law in the European Union,* Kluwer Law International, The Hague (2003), Figure 34 at p 205, *The EFTA Surveillance Authority adopts new Regional Aid Guidelines for 2007-13,* ESA Press Release PR(06)18, ESA Decision 378/06/COL and Eurostat data.

4. TURBULENT TIMES: RECENT DEVELOPMENTS IN REGIONAL POLICIES IN EUROPE

Regional policy in Europe is going through a turbulent period. Following the changes of government in the **Netherlands** and the **United Kingdom** in 2010, which led to major reforms of regional policy, there have been elections and/or new government programmes in **Finland, France, Hungary** and **Italy** over the 2011-12 period, which have also involved substantial changes to the objectives, instruments or governance of regional development policies in those countries. In several cases, these policy reforms have involved a rationalisation of policy support, driven by the need to make savings in public expenditure, a concern with effectiveness, and (in some cases) a different political perspective on the role of government intervention. However, this is not universal: in **France** and **Italy**, it is interesting that new government posts have been created with the title of Minister for Territorial Equality/Cohesion indicating a strong commitment to the goals of regional policy.

Looking beyond the crisis, many countries are assessing how their regional policies will be affected by the current reforms of EU Cohesion policy and the Regional Aid Guidelines, which have implications for the funding, policy priorities and spatial coverage of strategies and interventions. Several countries – **Poland, Slovakia, Bulgaria, Romania, Hungary, Czech Republic** – have either launched or are discussing new national regional development strategies to provide a reference framework for Structural and Cohesion Funds in 2014-2020.

Apart from these ‘headline’ developments, the 2011-12 period has seen a range of lesser changes to regional policies that are often country-specific. Policy objectives have been reassessed, institutional arrangements modified and instruments adapted to align them with changing political priorities, the need to improve take-up or to increase the performance of interventions. There are also important changes in the pipeline: in both **Norway** and **Switzerland**, working groups are reassessing the effectiveness of regional policy in the context of the changing environment and developing new policy proposals.

This chapter provides a synthesis of the changes to regional policy over the 2011-12 period in the 29 European countries covered in this study. It begins with a summary of the implications for regional policy of government changes over the past year or so (Section 4.1) and then discusses the developments with respect to policy objectives (Section 4.2) and institutional frameworks, covering both the (re)organisation of regional policy responsibilities and changes to the allocation of tasks between national and sub-national levels (Section 4.3). The subsequent sections then discuss changes to the spatial coverage of regional policy, specifically modifications to regional aid maps (Section 4.4) and revisions to nationwide regional policy frameworks with respect to national strategies, plans and concepts, sub-national strategies and Cohesion policy programmes (Section 4.5). The focus then shifts to recent developments affecting the instruments of regional policy, covering regional aid instruments, support for the business environment and specific support for particular problem regions (Section 4.6). The final section draws together the main points

to emerge from the chapter (Section 4.7) and identifies some questions as a starting point for discussion at the EoRPA meeting (Section 4.8).

It should be noted that, in the interests of readability, this chapter provides only brief summaries of the changes under each of the above headings. Further detail on all the changes mentioned in this chapter is available in the country reviews, which also set the developments into the political, institutional and policy context of each country.[15]

4.1 New governments, new policy approaches

Over the period 2011-12, the major changes to regional policy in Europe have taken place in Finland, France, Hungary and Italy – all of which flowed directly from parliamentary elections and/or changes of government.

In **Finland**, the changes followed parliamentary elections (April 2011), the subsequent launch of a new government programme (June 2011) and a new national budget (October 2011). The new policy context brought substantial cuts in public spending and, for regional development policy, new policy goals for the 2011-2015 period, emphasising welfare services and 'continuous regional renewal', although the existing aim of promoting regional innovation remains a core part of the policy. The most noticeable adjustment in the policy framework is the termination of the domestic Cohesion and Competitiveness (COCO) programme which supported 'development based on regional strengths', but was not seen as successful in integrating into the regional development system at the regional level. Regional development funds are now more strongly based on regional strategic programmes and performance agreements, which have been reinforced together with the accountability of government ministries in regional development, to ensure that the State's regional development targets are met. However, significant cuts were also made to the funds allocated to regional councils and (State) ELY-Centres, which are now also required to conduct a re-evaluation of their measures. The only instrument to remain almost unchanged in 2011-12 is the Centre of Expertise programme, which has continued to be developed as an important instrument for promoting innovation at the regional level.

Elections and a change of government in **France** in June 2012 are also the source of potentially radical institutional and policy changes which could affect regional policies. These discussions are largely driven by the new government but are also informed by preparations for the new Cohesion policy programmes and the regional State aid map in 2014-20. At a strategic level, a new Ministry of Territorial Equality and Housing has been created to which the national development agency, DATAR, has been reassigned, and the government has signalled more policy emphasis on regional development. It remains to be seen how far this new objective will be translated into practice; several instruments were already under review as was an appraisal of different possible zoning approaches to the spatial coverage of interventions. The new government also announced a new phase of decentralisation in mid-2012, which is set to have important implications for the

[15] S. Davies S (Eds.) Regional Policy Developments in Europe: Country Reviews 2011-12, *EoRPA Paper 12/2*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

management and implementation of regional policy, including Cohesion policy programmes, which has so far been overseen by the regional State representatives in close cooperation with DATAR. A new bill is being prepared for autumn 2012, which could enhance the role of the regional authorities. As noted later in this report, DATAR's role is likely to change, as there are plans to subsume it under a General Commissariat of Territorial Equality associated to the Prime Minister in February 2013 based on a government report expected by the end of 2012.

The national elections in **Hungary** in 2010 led to major legal, institutional and policy changes during 2011-12. Of most importance are a new Constitution and various new laws and plans which set the overall context for regional development, including the new national economic strategy of January 2011, the New Széchenyi Plan. Moreover, a range of changes to institutional structures were introduced, which were seen as a means of ensuring that public resources were used more efficiently. These included significant reforms to the system of territorial public administration affecting regional development involving: replacement of regional and county development councils with consultative fora; increased central control over the regional development agencies; and plans to establish de-concentrated State offices at micro-regional level to take on several functions currently exercised by local governments.

Lastly, in **Italy**, a range of new initiatives, legal and institutional changes and financial revisions to regional policy took place during in 2011-12, particularly after the Monti government came to power in November 2011, although the core objectives, strategies and broad types of instrument remained largely stable. The main reforms to the domestic Fund for Development (FSC-FAS) and Cohesion policy programmes were undertaken because of fiscal constraints and difficulties with financial absorption. An Action Plan for Cohesion revised the thematic allocation of resources in the Convergence programmes, while the FSC-FAS saw funding cuts, internal re-programming and steps to accelerate spending. The key institutional changes in 2011-12 were the revision of the legal framework and the launch of the Bank for the South, as well as steps to improve transparency in relation to Cohesion policy and FSC-FAS funding. Changes were also made to several instruments.

4.2 Changes to policy objectives

The objectives of regional policy tend to be stable over long periods of time. While policy reviews or new legislation may reorient a government's strategy in terms of the investment priorities, instruments or governance mechanisms, the underlying policy goals change much less frequently. Indeed, in some countries – such as Germany and Spain – the rationale for regional policy is embedded in national constitutions which commit the State to promoting equity in living conditions or opportunities.

A long-term trend in regional policy objectives, as noted in previous EoRPA reports,[16] has been a shift in regional policy goals from being a policy primarily concerned with territorial

[16] D. Yuill D, I. McMaster I and K. Mirwaldt (2009) Regional Policy under Crisis Conditions: Recent Regional Policy Developments in the EU and Norway, *EoRPA Paper 09/2*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

equity to one promoting growth and competitiveness at the regional level. Over shorter timescales, the emphasis placed on particular goals has evolved due to factors such as the impact of the economic crisis, political changes, preparations for post-2013 EU Cohesion policy, and the increasing prominence of the Europe 2020 agenda. Some of the changes are also attributable to new strategic thinking and debates, including the concept of 'place based' territorial development which stresses the need for an integrated development approach combining a range of policies, and interventions adapted to specific territorial scales.

'Balanced and sustainable development' is the leitmotif of recent regional policy change in both France and Slovenia. In **France**, the new government has reformulated the overarching regional policy objective in order to place a greater emphasis on balanced and sustainable development; other changes to regional policy are likely to be announced over the coming months. In **Slovenia**, the national parliament approved a new Law on Stimulating Balanced Regional Development in March 2011. The new law places more emphasis on sustainable development and partnership, and also intends to place regional development policy on a more consistent, systematic footing and to reduce demand for *ad hoc* interventions in specific regions. Provisions concerning particularly vulnerable regions, such as those hit by exogenous shocks, are meant to enable the government to respond rapidly to regional problems without the need to adopt specific legislation.

Sustainability – especially by strengthening the social dimension – is also the focus of recent adjustments made to regional policies in Sweden, the Czech Republic and Lithuania. In **Sweden**, changes to the objectives of regional growth policy emerged in the context of the Swedish government's 'Attractive Sweden' initiative, launched in April 2012, which seeks a more holistic approach to promoting the development of regions, encompassing not just economic activity through business development but also the quality of the broader living environment in order to attract a skilled labour force. This approach includes recognising the virtues of multiculturalism and gender equality; thus, the preparation of regional growth strategies in 2012 are being influenced, for example, by the 2011 national strategy for gender equality.

In the **Czech Republic,** the broad policies for regional socio-economic development were affected by the approval of a Strategy for Combating Social Exclusion for 2011-2015, where social exclusion is not only perceived as a social problem but also as having economic and security dimensions. This strategy supports the social inclusion of people in socially deprived localities, via action in the fields of education, employment, housing, social services, family policy, healthcare, security and regional development. Each measure in the strategy is allocated to a particular ministry, which must finance the relevant activities.

Social cohesion is also a key objective of the Programme of Reduction of Social and Economic Differences 2011-2013 in **Lithuania**, which was adopted in 2011. It renews the programme of the same name which ran during the 2007-10 period and sets out domestic regional policy objectives, goals and priorities. The main goal is to increase territorial social cohesion between and within the regions and to integrate urban and rural residential areas.

By contrast, in the **United Kingdom,** economic growth is at the heart of the United Kingdom government's new approach to sub-national economic development. In comparison with the former policy, much more emphasis is placed on local autonomy, on the role of the private sector and on market-based organising principles. This approach was reflected in the four 'ambitions' set out in the *Plan for Growth* at the beginning of 2011: to create the most competitive tax system in the G20; to make the United Kingdom one of the best places in Europe to start, finance and grow a business; to encourage investment and exports as a route to a more balanced economy; and to create a more educated workforce that is the most flexible in Europe.

Looking forward, possible changes to regional policy objectives may emerge from planned reviews of regional development policies and strategies in Norway and Switzerland.

In **Norway**, the 2011-12 period has seen preparations for a new White Paper, which is likely to be considered by the Cabinet in autumn 2012. The 2009 White Paper set the broad objectives of regional policy in terms of the provision of equal living conditions across the country, maintaining the main features of the settlement pattern across the country, and developing regional strengths, while also emphasising community development and the role of the sub-national level. Although it is too early to predict the content of the future White Paper, there are some indications of a shift in emphasis, notably an increased focus on 'a knowledge-based workforce' and the mismatch between the (highly) skilled labour needed for economic growth and the pockets of comparatively high unemployment and welfare dependency, especially in remote regions. Policy responses may involve a focus on transport infrastructure in improving labour market access, as well as on the need to address higher secondary school dropout rates in some regions and increase the pool of skilled labour. A further theme may be the location of public sector jobs – an issue that was addressed in 2011-12 with the Ministry for Government Reform 'task letters' that require the public administration to consider a 'non-Oslo' location when restructuring, relocating or expanding activities. Another theme that is likely to be covered in the future White Paper is the provision of a range of core public services, particularly in rural areas.

Lastly, in **Switzerland**, preparations have been started for the 2016+ phase of the New Regional Policy (*Neue Regionalpolitik*). A working group comprising representatives of federal government and canton authorities was established in early 2012 with a view to preparing a report by June 2013 which would form the basis for the NRP 2016-23 multiannual programme. Three evaluation studies will be incorporated into the drafting process examining the NRP 2008-15 programme experience, the Swiss involvement in INTERREG, and the tax relief provided to firms under regional policy.

4.3 Institutional frameworks – reorganising responsibilities

The policy upheaval caused by electoral changes to governing parties or coalitions also has an important institutional dimension. Some of this is minor, involving reconfiguration of ministerial tasks or the names of departments, but there are also substantial changes involving the creation/abolition of ministries and agencies, or the reallocation of regional development responsibilities between different levels of government.

4.3.1 Reorganisation of regional development responsibilities at national level

The most significant organisational changes at central government level are in France, Italy and Slovenia.

- **France:** Following the elections, in June 2012 responsibilities for regional development were moved from the ministry of Agriculture, Food, Fisheries, Rural Affairs and Territorial Development to a new ministry for Territorial Equality and Housing. Recently, plans were announced to create a 'General Commissariat of Territorial Equality'. The national development agency, DATAR, will be subsumed within the new structure, reporting directly to the Prime Minister.

- **Italy:** A key institutional change was the revision of the legal framework of domestic territorial cohesion policy in May 2011. The new law gives responsibility for political decision-making to the Minister for Territorial Cohesion but also emphasises that regional policy governance is based on cooperation both at central State level and between different levels of government. A second institutional development was the creation of the Bank for the South (*Banca del Mezzogiorno*), which now provides loans to SMEs in the South and manages public loan funds for business development throughout Italy. Steps have also been taken to enhance transparency and accountability, via a new government website with detailed information on projects funded through domestic and EU co-financed cohesion policies.

- **Slovenia:** The above-noted 2011 Law on Balanced Development introduced major institutional changes, notably the creation of a 'Council for the Territorial Co-ordination of Development Initiatives', headed by the Prime Minister. Further changes were introduced following the election of a new government in February 2012, notably the abolition of the Government Office of the Republic of Slovenia for Local Self-Government and Regional Policy, which was previously responsible for the design, coordination and implementation of EU Cohesion policy and domestic regional policy, and the allocation of its tasks to the Ministry of the Economic Development and Technology. The new government also took steps in June 2012 to speed up implementation of the 2011 law, including the merger of the Slovenian Regional Development Fund (*Slovenski regionalno razvojni sklad*) with the Slovene Enterprise Fund (*Slovenski podjetniški sklad*).

Recent organisational developments in **Finland** are of a more functional nature, with the aim of improving coordination between government departments, and specifically to strengthen the (hitherto weak) contribution of sectoral policies to regional development. Under the 2011 government programme, eight ministries[17] are obliged to develop target-driven regional plans that set out their regional development objectives and measures.

[17] Employment and the Economy; the Environment; Education and Culture; Transportation and Communications; Agriculture and Forestry; Finance; Social affairs and Health; and Interior.

Other organisational changes affecting responsibilities for regional policy taking place over the 2011-12 period are listed in Table 4. Many of these are relatively minor, a consequence of the reallocation of portfolios to ministers following elections, or the renaming of departments to signal policy directions (**Denmark**). The changes are country specific without clear patterns, as the examples of **Finland** and **Sweden** indicate: responsibility for rural policy has been merged with regional policy in the first case, but separated in the second. Lastly, an interesting development is the creation of a National Territorial Observatory within the Ministry of Regional Development in **Poland**, with responsibility for developing indicators and monitoring/analysing development processes across the country.

Table 4: **Organisational changes affecting responsibilities for regional policies**

DK	National Agency for Enterprise & Construction reformed as Danish Business Authority to manage regulation of all types of support for business and digital infrastructure, sponsored by Ministry of Business & Growth. Partnership agreements renamed 'regional growth partnerships'.
FI	Rural development unit relocated from Ministry of Agriculture and Forestry to Ministry of Employment and the Economy, and merged with the regional development unit to integrate rural issues better in regional development measures.
FR	Creation of a Ministry of Territorial Equality and Housing and a General Commissariat of Territorial Equality in February 2013. DATAR will be subsumed under the new structure, which will report to the Prime Minister.
IT	Revision of the legal framework of territorial cohesion policy, giving political decision-making responsibility to Minister for Territorial Cohesion. Creation of the Bank of the South.
LV	Merger of two national ministries to form Ministry of Environmental Protection & Regional Development, including responsibility for the State Regional Development Agency which has management responsibility for State support programmes and Cohesion policy.
NL	Ministry of Economic Affairs merged with Ministry of Agriculture, Nature & Food Policy, plus innovation policy functions, to become Ministry of Economic Affairs, Agriculture & Innovation.
PL	Inclusion of urban policy in the competences of the Ministry of Regional Development from the start of 2013, including both urban regeneration and the competitiveness of the largest cities.
SE	Tasks relating to rural development policy were relocated to the Ministry of Rural Affairs in 2011, although responsibility for coordinating regional growth policy remains with the Ministry of Enterprise, Energy & Communications.
SI	Creation of Council for Territorial Co-ordination of Development Initiatives, headed by Prime Minister. Abolition of Government Office for Local Self-Government & Regional Policy and allocation of tasks to Ministry of Economic Development & Technology. Merger of Regional Development Fund and Enterprise Fund.
SK	Responsibility for regional policy shifted to new Ministry of Transport, Construction & Regional Development. National Council for Regional Policy & Supervision of Structural Instruments merged with other advisory bodies.

4.3.2 Centralisation versus regionalisation

The division of regional policy responsibilities between national, regional or local levels is often subject to change, particularly in countries where there is no constitutional specification of the powers and tasks of different levels of government. The prevailing trend over the past 20-30 years has been one of regionalising responsibility for regional policy, through devolution to regional self-governments or various forms of decentralisation to regional agencies or offices of the State. Over the past two years this trend has been challenged in the **Netherlands** and part of the **United Kingdom (*England*)**.

- Until the national elections in May 2010 and change of United Kingdom Government, the key instrument for the delivery of regional development policy in ***England*** was the network of (NUTS 1 level) regional development agencies (RDAs). After the election, the RDA network and regional government offices were

abolished and the regional policy delivery framework was dismantled. A new institutional architecture is emerging, consisting of 39 Local Enterprise Partnerships (at June 2012), which are led by local authorities and businesses across so-called 'natural economic areas'.

- Driven by a similar combination of political and economic imperatives, the 2010 elections in **the Netherlands** led to a series of reforms with implications for the organisation and implementation of spatial economic policy. Programmes under the former Peaks in the Delta policy have been discontinued and funding to Regional Development Agencies is to be rationalised. As part of wide-ranging rationalisation of government ministries and civil servant numbers, certain regional development tasks were discontinued and others left to provinces and municipalities.

For national economic development policymakers in both countries, the challenge has been how to continue exerting some influence over sub-national economic development in these changed circumstances. In ***England***, the United Kingdom Department of Business, Innovation & Skills has established 'local units' to support vertical and horizontal coordination, although the available resources are limited (c. 50 staff covering all of England compared to thousands of staff working in RDAs and regional government offices under the previous policy). In the **Netherlands**, the Ministry of Economic Affairs, Agriculture and Innovation has created a number of 'interface' arrangements (led by ministerial 'Regional Ambassadors') to facilitate liaison between central government and the provinces, the 'top teams' and wider business community implementing the new enterprise policy.

Centralisation has also been a feature of recent changes in **Hungary** where, as noted above, significant reforms to the territorial public administration are being undertaken. Changes to the Act on Regional Development eliminated the regional and county development councils and replaced them with consultative forums. In addition, the regional development agencies were subordinated to the Minister for National Development and the National Development Agency. Similarly, the counties are losing functions; the government is planning the establishment of de-concentrated state offices at 'micro-regional level', which will assume a number of functions currently exercised by local governments.

There is an element of stronger State control in the sub-national changes being introduced as part of institutional changes in **Finland**. Governance of regional development in the regions is split between the indirectly elected regional councils and the regional offices of the State – the ELY-Centres, which were created as part of a regional governance reform project in 2010. The current changes foresee more operational tasks and funding being managed by the ELY-Centres. As part of local government reform 2015, some ELY -centres (and regional councils) may be merged and some responsibilities reallocated between regional and municipality levels. These moves are partly informed by a self-governance experiment piloted in Kainuu region in 2003-2012 which has been successful in terms of public service delivery but has not improved business and employment conditions or slowing outmigration to the extent expected.

By contrast, regionalisation in **France** may be strengthened. Following the recent national elections, there is a debate over the division of tasks between the State level (including the *préfets,* the State representatives in the regions) and the elected sub-national authorities, particularly the regional councils. There are discussions on a possible new phase of decentralisation, including reassessing the 2010 Law on Reform of Territorial Authorities.

The experimental regionalisation of regional development in **Sweden** is also being reinforced. In two pilot regions, Skåne and West Götaland, the directly elected regional bodies were given permanent status in January 2011 and have taken over responsibility for regional development from the (State-run) County Administrative Boards, and similar responsibilities have been given to the directly elected regional body of Halland and the municipality of Gotland.

In **Greece**, too, there are institutional changes in the direction of regionalisation. The first phase of the transition of responsibilities from the decentralised State administrations to the elected regions was completed in July 2011. Among the units transferred are the Intermediate Managing Authorities of the Regional Operational Programmes, the Departments of Planning and Development, and the Departments of Technical Services. Through the new legislative framework, the new municipalities and the elected regions are responsible for preparing and implementing five-year operational plans, divided into annual action plans and incorporating local and regional development strategies.

The new legislation in **Slovenia** rationalises regional institutions, giving them more competences and strengthening cooperation to achieve greater efficiency. Regional development councils will have a different remit, with responsibility for deciding on issues such as regional development programmes and development priorities for their region rather than having only a consultative role. The law also requires the State have a majority role in the regional development agencies, most of which have been non-profit companies owned by a combination of private and public sector interests. Regional development networks are a new concept intended to promote cooperation between regional and local bodies such as development agencies, business incubators, centres of excellence etc.

Two other countries where governance changes have been mooted are Romania and Cyprus. Proposals to change the structure and powers of NUTS 2 regions were proposed in **Romania** during 2011. Specifically, the main party of the government coalition at that time advocated re-organising development regions into administrative units but no consensus could be found to support this proposal. The re-organisation debate has been postponed and could possibly re-emerge after the 2012 parliamentary elections. In **Cyprus**, changes the governance of regional policy could be enacted through forthcoming local government legislation, where the aim is to decentralise powers to local authorities while rationalising local governments to create larger, more effective authorities and provide budget savings.

In the context of regionalisation, it is worth noting that the constitutional status of ***Scotland*** **(United Kingdom)** is in flux. Apart from the planned referendum on independence, the devolution of further competences from the United Kingdom to the Scottish level is currently in progress. While regional development policy responsibilities are already largely devolved, the United Kingdom parliament is debating an extension of Scotland's current revenue borrowing powers and new capital borrowing powers from 2013.

The issue of separate corporation tax rates for ***Scotland***, ***Wales*** and ***Northern Ireland*** has also been debated.

Lastly, constitutional changes in **Belgium**, flowing from the sixth State Reform agreed in October 2011, have direct implications for how the regions implement their policies. The financial autonomy of the regions has been enhanced, notably via increases to their own resources, and further responsibilities have been delegated, mainly in the area of social security. In addition, it was decided to maintain the 'national solidarity mechanism' (part of the national fiscal equalisation system), but with adaptations to eliminate distortions.

4.4 The spatial coverage of regional policy – preparing for RAG review

As noted in the 2011 EoRPA annual report,[18] so-called 'all-region' policy approaches have become more dominant in many countries over the past years. However, several countries retain major regional policy instruments targeting a specific part of their territory. Many regional policies also have instruments with distinctive geographies, such as urban centres as growth drivers in the context of a functional region approach or spaces with special features that need tailor-made instruments. Some rethinking of the most suitable implementation level for policies has been underway in some other countries, with a greater focus on the local dimension.

The spatial coverage of regional policy has been relatively stable in most countries over the 2011-12 period. This applies in particular to maps of areas eligible for regional aid whose coverage is regulated by the Regional Aid Guidelines, currently in force for the 2007-13 period, although some changes were introduced following the European Commission's 2010 review of statistical effect regions. As discussed in detail elsewhere,[19] a new version of the Guidelines is being negotiated for the 2014-20 period, and EU Member States are currently assessing how the coverage of regional aid might change.

In **Germany**, for example, the GRW (regional policy) Sub-Committee has started discussing methods for designating areas in the regional aid map for 2014-20. It has agreed that four indicators will be combined into a composite indicator (as in 2007-13), but the final definition of the indicators and the weighting between them has yet to be decided, and the final data to be used have not yet been published. There are likely to be only limited changes in the regional ranking compared to the 2007-13 period, with the situation of a small number of eastern areas improving, and the situation of some western areas deteriorating. Depending on the overall population ceiling covered by the EU Regional Aid Guidelines in 2014-20, the number of western *Länder* with no Article 107(3)(a) or (c) areas could increase, and this could potentially affect the relevance of the GRW as a Germany-wide coordinating framework for regional policy. Further, the German authorities are

[18] J. Bachtler J *et al* (2011) Regional Policy in Europe: Divergent Trajectories? Annual Review of Regional Policy in Europe, *EoRPA Paper 11/1*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

[19] F. Wishlade (2012) Non-paper - Non-Starter or Non-Negotiable? EU Competition Policy and Regional Aid Control Post 2013, *EoRPA Paper 12/5*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

discussing revisions to the GRW Coordination Framework from 2014 as a direct consequence of the on-going review of the Regional Aid Guidelines and also for domestic reasons.

The **United Kingdom** government also has a review underway. The lead United Kingdom government ministry (Department for Business, Innovation & Skills) launched a public consultation in July 2011 on this issue, including an invitation for comments on, among other things, the removal of the automatic Assisted Area status of Northern Ireland (see also Section 4.6.1 below). In **France**, a broader reassessment of the spatial coverage of regional policy was launched by the previous government, including various studies on different possible zoning approaches that expected to report in autumn 2012. As part of this, the regional aid map is being assessed in order to feed into the negotiations on the future map and the incentive effect of the main regional policy instrument, the PAT.

Apart from these strategic reviews related to the forthcoming changes to the Regional Aid Guidelines, the 2011-12 period has also seen a series of revisions to maps of regional aid in **Austria, Bulgaria, Finland, Germany, Greece, Latvia, Portugal, Spain, Switzerland** and the **United Kingdom.** Most of these involved the implementation of reductions in eligibility for aid, in part following the European Commission's 2010 review of statistical effect regions (see Table 5).[20]

Table 5: Implementation of the European Commission 2010 review of Statistical effect regions from 1 January 2011

Member State and region	'a' or 'c' area status from 1 January 2011	Aid ceiling for large firms from 1 January 2011, %
Austria		
• Burgenland	'c' area	20
Belgium		
• Hainaut	'a' area	30
Germany		
• Brandenburg South-west	'c' area	20
• Halle	'c' area	20
• Leipzig	'c' area	20
• Lüneburg: NUTS 3 regions of Lüchow-Dannenberg and Uelzen	'c' area	20
• Lüneburg: NUTS 3 regions of Celle, Cuxhaven and Lüneburg	'c' area	15
Greece		
• Attica	'c' area	20
• Central Macedonia	'a' area	30
• Western Macedonia	'a' area	30
Italy		
• Basilicata	'a' area	30
Portugal		
• Algarve	'c' area	20
Spain		
• Asturias	'c' area	20
• Murcia	'c' area	20
• Ceuta	'c' area	20
• Melilla	'c' area	20
United Kingdom		

[20] For a full discussion of these changes and other revisions introduced as part of the Commission's mid-term review of regional aid, see: F. Wishlade (2010) To roll forward or roll back? Regional Aid Control 2014+, *EoRPA Paper 10/4*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

• Highlands & Islands of Scotland	'c' area	20

Source: European Commission (2010) Communication of the Commission on the review of the State aid status and the aid ceiling of the statistical effect regions for the period 1.1.2011-31.12.2013, Official Journal C222/02.

4.5 Revisions of nationwide regional policy frameworks

4.5.1 New national strategies, plans and concepts

The reviews of aid maps noted above are part of a wider reassessment of national regional policy frameworks which is currently underway and which also involves preparations for the next programme period for Cohesion policy, 2014-2020 and the revisions to the Regional Aid Guidelines. This rethinking of regional policy has been particularly prominent in the EU12.

Both **Poland** and **Slovakia** developed national regional development strategies in 2010, and these are now being implemented. Under the Polish National Strategy for Regional Development 2010-2020 (KSRR), an Action Plan was adopted in November 2011 with the aim of addressing three core issues through associated working groups: improving the quality of the public administration, particularly the territorial dimension; rationalising the system of public finances for development policy that has a territorial dimension; and preparing a system for the realisation of regional policy and mechanisms to increase its effectiveness. Moreover, work on new territorial contracts between national and regional levels in the context of the new National Strategy for Regional Development has continued in 2012, with adjustments being made to the contracts in order to take into account the European Commission's draft Cohesion policy regulations.

Progress has been slower in **Slovakia**. The 2010 National Strategy for Regional Development made a first attempt to define the objectives of domestic regional policy, promoting an integrated approach to the development of regions based on use of endogenous potential. However, implementation has yet to get seriously under way due to financial constraints on the resources needed for relevant interventions, as well as the weak coordination capacity of the Ministry of Transport, Construction and Regional Development.

Bulgaria also now has a new National Strategy for Regional Development for the 2012-2022 period, which was elaborated at the end of 2011, and Regional Development Plans and District Development Strategies for the 2014-2020 period are being prepared. The Strategy's objectives cover the major aspects of cohesion – economic, social, and territorial – at three levels (international, national, regional). Policy directions for the regional development planning documents have been formulated on the basis of the National Development Programme 'Bulgaria 2020', the EU Strategy 'Europe 2020', the expected priorities of EU Cohesion policy for 2014-2020, and regional development analyses. An impact assessment is also planned to help evaluate the effectiveness of the legislative framework.

A more targeted national framework is the new National Plan for Infrastructure Development (*Planul National de Dezvoltarea Infrastructurii,* PNDI) in **Romania**, which was formally set up in 2010 to support regional development and launched over the 2011-12 period. The PNDI is a public investment programme which mainly funds the upgrading of county roads, water and sewerage systems, as well as village modernisation. It gives

priority to projects on the waiting list of the Cohesion policy co-funded Regional Operational Programme. The PNDI covers the 2011-2015 period and the payments will continue until 2020. **Cyprus** also saw the launch in 2011 of a relevant sectoral framework – the Tourism Development Plan; the Plan underpins business aid on the island, with award levels governed by the regional aid map.

Among EU12 countries with frameworks in the pipeline are the **Czech Republic** and **Hungary**. Preparations for a new Czech Regional Development Strategy for the post-2014 period (RDS 2014+) started in early 2011 and have continued into 2012, shaped by debates on the future of Cohesion policy. The analytical section of the RDS 2014+ was published in January 2012 and the full RDS 2014+ (i.e. including sections on strategy and implementation) should be approved by the government in October 2012. The new RDS 2014+ is expected to reflect changes in the currently prevailing regional policy paradigm, including various shifts: from the designation of territorially-administrative regional units towards the designation of functional regions; from supporting only 'underdeveloped and problem' regions towards providing support for all regions; and towards regional competitiveness concepts and sustainable development.

In **Hungary**, a new National Development Policy Concept – which governs all domestic and EU interventions related to regional development - and a new National Spatial Development Concept are planned for 2013.The aim of the current Concept is to ensure that regional development issues are taken into account in the elaboration of departmental policies and national and regional programmes in order to promote a 'balanced level of regional development' by 2020. It has five overall objectives: (i) regional competitiveness; (ii) territorial convergence; (iii) sustainable territorial development and protection of heritage; (iv) spatial integration into Europe; and (v) decentralisation and regionalism. However, the concept *per se* does not have dedicated financial resources, and the pursuit of its policy objectives are instead being realised mainly through EU funding in the course of the implementation of the New Hungary Development Plan (NSRF) and the New Széchenyi Plan of 2011.

Outside the EU12, national frameworks for regional development have not seen the same extent of change, although policy reviews indicate possible substantial changes in coming years, notably in France and Switzerland. A new regional strategic agenda has also been set out in the Netherlands.

In **France**, preparation of the next generation of State-region project contracts (*Contrats de projets Etat-région, CPER*) started in February 2012, in parallel with preparations for the 2014-20 Cohesion policy programme period. A key issue is the added value of the CPER, especially given State budget constraints (the CPER budget saw a cut of €1 million in the budget for territorial policy in 2012) and competition for funding from sectoral strategies, initiatives and projects, as well as the perceived need for a more strategic and unified approach for the different instruments. In the interim, a mostly technical mid-term review was finalised in December 2011 to replace dormant projects, to readjust operations, or to transfer funding. Changes were made to 25 of the 26 regional contracts to adapt and align them with new domestic funding opportunities, such as a public investment programme

launched in 2010 (*Investissements d'avenir)*, targeted support provided to groups of universities (*Plan Campus)* and cluster policy (*pôles de compétitivité*).

In the wake of the 2010-11 reforms to regional policy in the **Netherlands**, the Ministry of Economic Affairs, Agriculture and Innovation (*Ministerie van Economische Zaken, Landbouw en Innovatie, MEZLI*) has recently adopted a Regional Spatial Strategic Agenda which aims to link central government priorities to the regional level. Five such priority policy areas are identified. The first aims to relate the initiatives and funding of regional governments to national enterprise policy in support of 'Top Sectors'. Second, there is support for spatial clusters and a desire to further develop the 'mainports', 'brainports' and 'greenports' strategies with the regions. Third, the MEZLI aims to link regional, national and EU policy through the regional and cross-border Structural Funds programmes and to integrate these with the Horizon 2020 and Top Sector approach. Fourth, there is a strong focus on reciprocal re-enforcement of ecological and economic issues. Fifth, MEZLI aims to establish close links with the Ministry for Infrastructure and Environment (MI&M) in order to enhance the spatial dimensions of the national spatial, mobility, water and environmental policies for which MI&M is responsible. In addition, the MEZLI has formulated two internal strategic priorities. One is to create a team of 'regional ambassadors' to liaise with each of the regions on enterprise policy, and this is being supported by a programme of strategic meetings between the MEZLI, provinces and municipalities to discuss national-regional coordination on economic development issues. Additionally, a key task of the regional ambassadors is to improve links between political/ administrative actors and business leaders in each region (focusing on the top 20 companies). A second internal priority of the MEZLI strategy on regional and spatial issues concerns regional crisis management.

In **Switzerland**, the State Secretariat for Economic Affairs (SECO) started an analysis of the first four years of implementation of its New Regional Policy (*Neue Regionalpolitik,* NRP), as noted above. This is one of a number of inputs that will feed into preparations for the 2016-2023 multi-annual regional policy programme. NRP 2016+ is a strategic project that was launched in early 2012 by the SECO with the creation of a canton-federal working group tasked with developing ideas for the future of the NRP and considering amendments to its legal base.

More immediate are planned changes to the framework for regional policy in Finland and Sweden, where new innovation policy initiatives are being prepared. In **Sweden**, a new national innovation strategy, based on a broad definition of innovation, is expected to be launched in autumn 2012 which will also place innovation at the core of regional policy. In **Finland**, a new regional innovation policy initiative is being prepared with the aim of strengthening synergies between national and regional innovation policy measures to create global innovation hubs, with connections to national and international networks, and thematic clusters rather than traditional technology and industry-based clusters. To support this new approach, the government will establish growth agreements with large city-regions, universities and business-development organisations.

Finally, it is worth noting the further development of conceptual plans, setting out challenges for the long-term and broad spatial development objectives, over periods of ten or 20 years. In some cases, they respond to EU-level debates on territorial cohesion and

greater awareness of the spatial dimension of longer term challenges. Key themes running through many of the plans are globalisation, energy security, sustainable development, climate change and demographic change. Previous EoRPA reports have noted the creation of such plans in **Poland** (National Spatial Development Concept), **Latvia** (Sustainable Development Strategy 2030) and **Romania** (Strategic Concept of Territorial Development – 2020).

Among developments over the past year are those in Poland, Switzerland, Estonia and Austria.

- **Poland:** The National Spatial Development Concept was adopted in 2012 in order to provide the basis for national spatial planning policy up to 2030. It follows the National Strategy for Regional Development in focusing on the largest metropolitan areas and their connections with other large European cities, as well as support for towns outside the core metropolis network.

- **Switzerland:** The latest version of the overarching Spatial Concept Switzerland (*Raumkonzept Schweiz)* was approved in April 2012 although it has not yet been formally adopted by the Federal Council. The document is intended as a guidance framework for all spatially oriented activities, with the guiding principles of safeguarding and enhancing spatial diversity, sub-national cohesion, solidarity among different population groups and the competitiveness of the country as a whole.

- **Estonia:** Work is currently underway on a new National Spatial Plan 'Estonia 2030+' which touches on regional development while addressing a broad range of spatial development issues for whole country.

- **Austria:** The past year has seen publication of the Spatial Development Concept 2011 (*Österreichisches Raumentwicklungskonzept,* ÖREK), which has the stated goals of creating and maintaining compact settlement structures, polycentric structures, high-capacity axes, functional interrelations, a network of small and medium-sized central towns, and the development of non-urban areas. There are no financial resources linked to the ÖREK, and implementation is reliant on monitoring by the Austrian Conference on Spatial Planning (ÖROK) and proposed 'implementation partnerships' for each of 36 tasks, bringing together sectoral actors at different spatial levels; five such partnerships have so far been set up and a further three are being created.

4.5.2 Changes to subnational strategies – focusing on growth

Sub-national strategies and plans are an important part of the framework for regional development in federal states and in countries where economic development responsibilities are devolved to regional self-governments. A common objective of most subnational strategies (re)launched in recent years has been to stimulate growth and deal with crisis-related problems in the labour market. Insofar as there are commonalities, they feature a combination of job-creating infrastructure investment, a focus on future

competitiveness especially through innovation, actions to promote renewable energy sources and employment/training measures.

This applies to the economic strategies published in the **United Kingdom** by the devolved administrations for Scotland and Northern Ireland (a similar strategy for economic renewal was launched in Wales in 2010). In ***Scotland***, the 2011 *Economic Strategy* focuses on economic recovery, with measures to tackle unemployment and promote employability. Six strategic priorities are: a supportive business environment; transition to a low-carbon economy; learning, skills and well-being; infrastructure development and place; effective government; and equity. In ***Northern Ireland***, a new *Economic Strategy: Priorities for sustainable growth and prosperity*, published in March 2012, has the overarching goal to improve the economic competitiveness of the Northern Ireland economy through export-led economic growth.

Similar goals characterise the White Paper on New Industrial Policy published in **Belgium (*Vlaanderen*)** in May 2011, emphasising improvements to the business environment under four 'pillars': the economy, focusing on enhancing productivity competitiveness; an industrial innovation policy to support the transformation of the industrial sector and large-scale projects for cluster-oriented network value chains; an infrastructure policy to secure a modern and competitive industry and economy; and a labour market policy to acquire appropriate skills and a reorganisation of work life (notably regarding job security). In this context, the main aid instrument is being evaluated and is set to be adapted at the start of 2013. This follows on from the 2010 update of the economic development strategy of the other main Belgian province, ***Wallonie*** – interestingly called 'Marshall Plan 2.Green' – to promote intervention to support to the creation of businesses and jobs, consolidate support for research and its application, improve personal and childcare services, and enhance skills and knowledge.

As with some of the national strategies, alignment with the objectives of the Europe 2020 and anticipation of the requirements of the next Structural Funds programme period, 2014-20, are factors influencing the renewal of economic development strategies. In **Austria,** all of the regional self-governments (*Länder*) have some form of economic or spatial development strategy which is renewed periodically; the same is true in Germany. The most recent Austrian *Land* strategies to be renewed, during 2011, are in ***Lower Austria*** and ***Styria***, and have been drawn up as regional 'smart specialisation strategies', reflecting Europe 2020 and Cohesion policy objectives.

Outside the EU, the cantons in **Switzerland** have been implementing the first generation of cantonal implementation programmes, drafted for the 2008-11 period under the New Regional Policy based on SECO guidelines and linked with existing cantonal economic development objectives and strategies. In terms of content, each programme was elaborated around a 'Territorial Innovation Programme of the Canton' (*Territoriales Innovationsprogramm des Kantons,* TIPK) in compliance with the principles of the Regional Policy Law. The cantons are currently engaged in drafting the second-generation implementation programmes for the second four-year period (2012-15); 21 of 24 programmes had been accepted by June 2012. The themes of tourism and knowledge and

technology transfer will become more important, and renewable energy and energy efficiency will also feature prominently in these new cantonal implementation programmes.

In countries where regional self-governments are absent or weakly endowed with powers and resources, sub-national strategies are dependent on national support. Thus, as previously reported, a change of government in the **United Kingdom** in 2010 led to the abolition of regional strategies and their parent regional development agencies in ***England***. The same is true in the **Netherlands**, where the regional Peaks in the Delta programmes were discontinued. By contrast, in **France**, the role of regional strategies may be enhanced. Regional Economic Development Schemes (*Schémas régionaux de développement économique*, SRDE) were developed by regional authorities on an experimental basis for the 2005-10 period to enhance the coordination of economic development. There is uncertainty over whether the schemes will be continued, but there has been an interest in pursuing the initiative at the level of the regions. However, the scope for implementing these strategic documents is very much determined by the role conceded to the regional authorities in the French institutional landscape. This may be changing in line with government proposals for a third phase of decentralisation, and the Minister for Territorial Equality recently underlined that the regional schemes should become obligatory and cover a number of related policies (air-energy-climate, territorial development, transport) based on a single document.

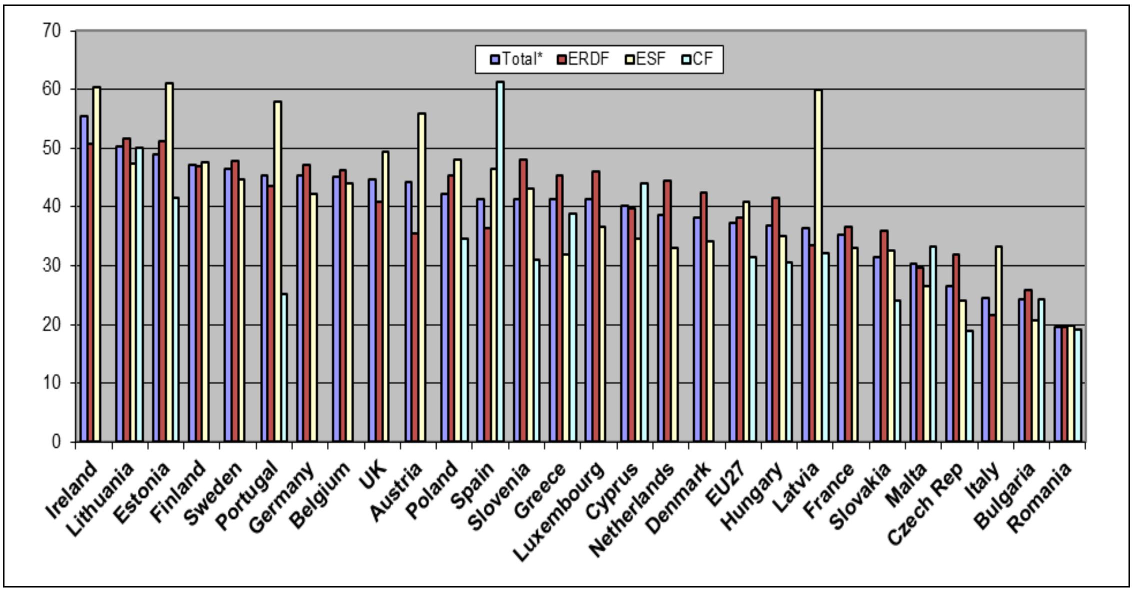
4.5.3 Cohesion policy programmes – absorption is the priority

EU Cohesion policy programmes are an important part of the frameworks for regional development in many EU countries. Indeed in several cases (e.g. **Portugal** and many **EU12** Member States), the main economic development framework is constituted by the National Strategic Reference Framework and the national/regional Operational Programmes for implementing Structural and Cohesion Funds. Even where there are separate domestic regional policy frameworks (e.g. **Finland, France, Italy, Poland, Spain, Sweden**), national programmes are partly or wholly aligned with the timeframe or thematic coverage of Cohesion policy progammes.

Over the 2011-12 period, the main concern for policymakers dealing with Cohesion policy programmes has been to ensure sufficient absorption of funds, especially with the deadline for committing expenditure being end-December 2013. As shown in Figure 17, almost 40 percent of Structural Funds allocations had been paid out across the EU27 by May 2012, but with big differences between Member States and Funds, ranging from 50-60 percent in **Ireland, Lithuania** and **Estonia**, to 20-25 percent in **Bulgaria** and **Romania**. Although many Member States took advantage of the 'simplification measures' in 2009-10 to accelerate spending or the creation of special instruments and initiatives, the use of recovery plans varied widely[21] and, as the crisis has continued and deepened, some countries have been experiencing severe difficulties with co-financing Structural Funds projects from national public and private sources. Payment interruptions as a result of audits have also played a part in some cases.

[21] J. Bachtler J and C. Mendez (2010) *Review and assessment of simplification measures in Cohesion policy 2007-2013*, Directorate-General for Internal Policies, European parliament, Brussels, 2010.

Figure 17: Structural Funds payments in 2007-13 (May 2012)



Source: Commission data from 23 May 2012.

The very low level of absorption in **Romania** has prompted various measures to accelerate spending, mainly strengthening administrative capacity to ensure relevant bodies assume greater administrative responsibility, and the simplification of procedures. The European Commission has approved two large transport infrastructure projects for railway modernisation that could significantly contribute to raising the absorption rate in 2012.

Similarly, in **Italy**, which has had a lowest absorption rate in the EU27 over the 2011-12 period, the government has also taken steps to accelerate spending by setting goals for specific tasks and expenditure targets in early 2011 and again in early 2012. Following government commitments to the EU in October 2011, an Action Plan for Cohesion (*Piano di azione coesione,* PAC) was agreed with the European Commission and with State ministries and regional authorities aimed at greater thematic concentration and a stronger focus on results. Key measures include: a reduction in the domestic co-financing rate in the regional Convergence programmes and Sardinia from 50 to 25 percent; agreement with the EU that domestic co-financing of up to €1 billion annually for Cohesion policy programmes will not be subject to the domestic Stability Pact's rules in 2012-14; a reallocation of €1.4 billion of funds within the southern programmes to themes of major national strategic importance (especially education, the digital agenda, employment and rail infrastructure); and a reallocation of EU funding managed by central State authorities in the four Convergence regions towards childcare, care for dependent elderly people, young people, competitiveness, business innovation, and areas with major cultural attractions.

In **Spain**, revisions were made to ten regional ERDF programmes in December 2011 to address absorption challenges in response to the on-going effects of the crisis and constraints on public finances. Specifically, the EU co-financing rate was increased from 70 percent to the permitted maximum rate of 80 percent (in Convergence, Phasing-in and Phasing-out regions and in some Priority Axes) and funding was reallocated across priorities

in some programmes. Likewise, in **Portugal**, reprogramming of the NSRF led to a general increase in the EU co-financing rate, extension of eligibility conditions for infrastructure projects, promotion of administrative modernisation and a reprioritisation of funding within and across programmes, including an increase in the budget allocated to business aid schemes. Another strategic review of the NSRF was launched in March 2012 with the aim *inter alia* of: prioritising productive private investment and consolidation of the business environment to encourage employment and growth; promoting regional development by combining economic competitiveness and territorial cohesion goals; and promoting employment, with particular relevance to youth employment, as well as social cohesion and the integration of economically and socially weaker groups and individuals.

These are four examples of countries where concern about absorption is particularly acute, but many programmes across the EU27 are dealing with spending problems. Programme revisions have been recorded over the past year or so in **Austria, Bulgaria, Czech Republic Estonia, Germany, Greece, Latvia, Poland, Portugal** and **Slovenia**. There also concerns (e.g. in **France, Czech Republic, Greece**) about potential decommitment under the n+2(3) rule in coming years when funding committed during the early years of the economic crisis will have to be spent.[22]

Looking forward, Member States have been reviewing the strategic frameworks for Cohesion policy programmes in 2014-2020. The strategic planning of Partnership Agreements and Operational Programmes is underway in all Member States, involving the launch of consultation processes, setting up working groups, commissioning studies and evaluations, and the drafting of the actual strategies.[23]

4.6 Recent developments affecting regional policy instruments

4.6.1 Regional aid instruments

All European countries have one or more regional aid scheme, governed in terms of coverage and aid intensity by EU State aid rules.[24] They vary in the type of aid offered – most are in the form of grants but they also include low-interest loans, different forms of tax relief, depreciation allowances, loan guarantees and reduced social security contributions. Many are available to all sizes of firm, although a significant number focus on new start-ups, micro-firms and small and medium-sized enterprises. Depending on spatial coverage and differentials in award rates, the instruments are more or less focused on problem regions, although in the EU12 Member States, discrimination between regions is limited, since all or most regions are covered by Article 107(3)(a) or (c). Policy instruments in these countries also have a strong sectoral orientation, and lagging regions have been

[22] S. Kah (2012) Planning for the future while maintaining focus on spending: review of programme implementation – Winter 2011 - Spring 2012, *IQ-Net Review Paper* 30(1), European Policies Research Centre, University of Strathclyde, Glasgow.

[23] *Ibid.*

[24] See Table 1 in S. Davies and F. Gross (2012) Regional policy instruments in Europe: comparative tables, *EoRPA Paper 12/3,* European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

mainly supported through welfare policies, although this is now changing and there are increasing examples of structural regional policy being channelled to areas most in need.

The long-term trend has been for a more restrictive use of regional aid, influenced significantly by EU Competition policy control of State aid. Award ceilings and spatial coverage have been reduced considerably in the more developed parts of the EU over the past two decades. More recently, during the 2011-12 period, there have been five main trends, two of them directly associated with the economic crisis.

First, the economic crisis has seen a resurgence in the use of State aid, even if only temporarily, to support business survival and the retention of employment. As noted in previous EoRPA reports, the European Commission put in place a Temporary Framework for State aid measures from 2008 to 2010; Member States made extensive use of the different options, aiming to unblock bank lending and to facilitate aid schemes that encourage continued investment.[25]

Some of the special aid arrangements have been phased out. For example, in **Germany**, a special programme (*GRW Sonderprogramm*) introduced in 2008 as part of the federal government's fiscal stimulus package, with an allocation of €180 million, was closed at the end of 2011. The temporary guarantee system in the framework of economic recovery in **Luxembourg** was also terminated after being extended until the end of 2011.

At the same time, efforts are being made to encourage the take-up of regional aid instruments to encourage investment in Greece, France, Portugal and Spain.

- **Greece:** The most significant change involved the 2011 revision of Greece's main national regional policy instrument, the Development Law, to promote economic growth in Greece by introducing investment aid schemes to improve entrepreneurship, technological development, the competitiveness of enterprises and regional cohesion, and to promote the green economy, efficient functioning of existing infrastructures and the deployment of the country's human resources. The law provides for the allocation of tax relief, grants and leasing subsidies across the whole country, but with three geographical zones with different aid ceilings.

- **France:** Under the Reindustrialisation Aid scheme, in March 2012 aid was extended to cases presenting a particular interest: this concerns certain small firms on the one hand, with projects of at least €2 million (notably in sectors relying on workforce rather than capital, e.g. textiles, leather goods); on the other hand, large firms of over 5,000 employees can benefit if they invest more than €50 million and create at least 200 jobs. Also, the Rural Renewal Zones (ZRR) scheme was extended by three years under the 2011 budget, and tax breaks were extended to cover firm takeovers. The scheme was simplified too: the duration of support was

[25] See F. Wishlade (2010) *To roll forward or to roll back? Regional Aid Control 2014+*, EoRPA Paper 10/4, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow, October 2010, pp. 6-10.

reduced from 14 to eight years (degressive for three years), and support was limited to micro-firms, the main target group for the ZRR.

- **Portugal:** A range of modifications were made to regional aid schemes over the 2010-12 period aimed at accelerating spending, simplifying procedures and increasing strategic concentration. The changes include facilitating access to credit lines to support private sector co-financing, rescheduling planned investments, and the introduction of an export-intensity eligibility condition associated with concerns about international competitiveness.

- **Spain**: In July 2012, modifications were made to eligibility and scoring criteria to take account of the worsening economic climate and in accordance with recent European Council conclusions on supporting growth and take-up of Structural Funds. Changes include: extension of eligibility to the agri-foods and drinks sectors; an increase in the project appraisal score by 50 percent for SMEs; less stringent requirements for 'expansion' and 'modernization' projects: a minimum of 25-35 percent of project investment in intangible assets (instead of 40-50 percent); a lower threshold for investment projects (i.e. representing at least 150 percent of the average depreciation value over the last three years instead of 200 percent); a target for increased productivity of at least 15 percent after the project is completed (instead of 25 percent); and elimination of the requirement for projects to undertake at least 25 percent of the investment during the first year of the implementation of the project.

Second, regional aid spending has come under pressure as governments seek to reduce budget deficits. The most visible impacts of the crisis and the associated austerity measures on regional policy in **Spain** are the cuts in the budgets of the two core regional policy instruments, the Inter-Territorial Compensation Fund and the Regional Investment Grant. From an annual average of almost €1.3 billion in 2007-10, the budget for the Fund has fallen to an annual average of €723 million in 2011-12. The Regional Investment Grant budget allocation to the regions fell from €201.2 million in 2010 to €52.9 million in 2011 – compared to annual allocations averaging more than €400 million over the 2001-07 period. As part of a broader programme of government cuts in the **United Kingdom (*England*),** the Grant for Business Investment Scheme was closed in February 2011, except for 'large exceptional projects' and applications to the Department of Energy and Climate Change to support offshore wind schemes. The equivalent scheme in ***Wales*** (the Single Investment Fund, SIF) was largely terminated in 2010 as part of a post-recession refocusing of Welsh Government resources, with funds reallocated to infrastructure projects and six key sectors. Some flexibility to offer funding was retained, for 'regionally important growth businesses' and strategic projects, including inward investment, outside key sectors. In **Finland**, a 60 percent reduction in the level of aid for transport awarded under the Regional Transport Grant was introduced in early 2012 with the aim of ensuring that funding lasts until 2014.

A more comprehensive indication of trends in aid spending is available from the data gathered by DG Competition in the course of its role in monitoring State aid expenditure (see Table 6). Data should be treated with caution as the level of aggregation conceals

some definitional issues. In principle, however, the data should exclude Structural Funds expenditure so that it provides a measure of domestic policy intervention. However, it also includes expenditure that does not necessarily have a regional bias.

Table 6: Expenditure trends in state aid for regional development (€ million) 2005-10

	2005	2006	2007	2008	2009	2010	2005-8	2008-10
EU27	**9789**	**11019**	**10106**	**13307**	**14115**	**14852**	**10305**	**14092**
Belgium	127	175	60	123	106	120	120	117
Bulgaria	22	29	19	6	18	6	23	10
Czech Rep	321	309	394	807	383	423	341	538
Denmark	6	5	0	0	0	0	4	0
Germany	2783	3228	2311	3291	3718	3637	2774	3549
Estonia	3	2	2	1	1	2	3	1
Ireland	276	278	262	294	279	289	272	287
Greece	277	321	509	1049	1389	1605	369	1348
Spain	1263	1344	1412	1774	1088	1079	1340	1314
France	1630	1995	2692	3175	4099	4306	2106	3860
Italy	1137	1315	784	890	1033	1112	1079	1012
Cyprus	5	7	4	1	1	8	5	3
Latvia	26	22	27	20	8	9	25	12
Lithuania	19	16	7	4	37	54	14	32
Luxembourg	15	8	9	6	9	2	11	5
Hungary	301	294	211	315	437	491	269	414
Malta	0	0	0	0	14	15	0	10
Netherlands	28	25	67	16	12	11	40	13
Austria	98	115	19	97	160	132	77	130
Poland	217	442	307	462	608	735	322	602
Portugal	43	41	111	124	121	114	65	120
Romania	57	68	25	44	49	108	50	67
Slovenia	47	52	41	83	139	83	47	102
Slovakia	184	194	136	185	108	113	171	135
Finland	82	78	48	53	39	43	70	45
Sweden	132	150	173	192	98	87	152	126
UK	692	509	476	297	164	267	559	242

Note: All data are in € million at constant prices (2000), but referenced to 2010. ESA collates expenditure data for the non-EU EEA countries, but not on a strictly comparable basis.
Source: DG Competition.

Third, lower aid ceilings were implemented in some regions as a consequence of the European Commission's review of statistical effect regions in 2010, as noted above (see Section 4.4). This affected regions in Austria, Germany, Greece, Portugal, Spain and the United Kingdom.

Fourth, the perennial question of the effectiveness of regional aid instruments has raised its head in both France and Germany. In **France**, a critical report on the main regional development grant (*prime d'amenagement du territoire*, PAT) by the French Audit Court noted the limitations of the budget, lack of targeting, insufficient focus on poorer regions, and issues with performance management. Project monitoring has previously been a concern, and the system was adapted in 2011 to include all projects, including those still awaiting completion, to give a better picture of the effectiveness of the grant in terms of

investments and job creation. These issues are likely to be subsumed into the broader review of the PAT which has recently been announced by the new French government. In **Germany**, a 2011 report from the Federal Finance Ministry to the Bundestag confirmed the earlier decision to end the Investment Allowance (*Investitionszulage*) in 2013, primarily because of positive developments in the eastern German economy in the 2000s, but also because of concerns over the instrument's effectiveness.

There are also ongoing debates over the effectiveness of policy measures in **Finland**, particularly regional aid for the less-developed regions. Some studies have found that business aids are inefficient and ineffective regional policy instruments because they can hamper the long-term renewal of the regional business structure, although they may have positive short-term effects. Furthermore, the most effective instrument in reducing regional disparities seems to be fiscal equalisation. Other studies have found Finland's Business Development Aid to be effective in promoting structural change; also, it has been concluded the efficiency of subsidies could be increased if aid support were to be tailored to the needs of different regions rather than applying nationally mandated guidelines. The additional aid for areas undergoing restructuring has been assessed as effective in responding sudden decline in employment, business closures and redundancies. As the emerging problems tend to vary in nature and type, this approach allows for more versatile measures and procedures on a case-specific basis.

Lastly, several countries (Germany, Luxembourg, Norway, Poland, Slovakia, United Kingdom) have been reviewing or initiating changes to the conditions under which regional aid is awarded or its administration:

- **Germany:** GRW business aid was extended in January 2011 to include 'high-performance broadband connections and next-generation networks' in areas where current connection speeds are less than 25 Mb. The GRW (regional policy) Sub-Committee is currently discussing whether the range of types of intervention funded should be broadened from 2014. One possibility would be to enable *Länder* to use GRW funds to provide low-interest loans to businesses, while another would be to widen eligibility to include renewable energy and energy efficiency projects, with a view to enhancing the alignment of the GRW with the Europe 2020 Strategy and Cohesion policy funding. Further the *Länder* have been given additional scope to orient the GRW support to their own specific needs and priorities.[26]

- **Luxembourg:** A new law on the aid scheme for environmental protection and the rational use of natural resources was adopted in February 2011. An aid rate of up to 35 percent of eligible expenditure can be awarded to investments in large

[26] As an example, Mecklenburg-Vorpommern is introducing changes to the shape of GRW business aid, following the election of a new *Land* government in autumn 2011. Instead of allocating aid at the rate set by the EU aid ceilings, the *Land* has decided in future to set a basic aid rate at the level of half the aid ceiling and to award additional percentage points of aid to higher-quality projects. Also, it is planning to introduce additional conditions in relation to the option for firms to take aid as a wage subsidy for jobs created, rather than as an investment subsidy. In future, wage subsidies will only be available in exceptional cases and will in any case only apply to permanent jobs where the gross wage is at least €8.50 per hour, not to temporary workers (*Leiharbeitnehmer*) or lower-paid jobs.

enterprises in environmental protection that exceed EU norms or investments that increase the level of environmental protection. Higher rates are available for small and medium-sized enterprises.

- **Norway:** In 2011, the *NyVest* scheme for entrepreneurs with growth potential was closed. Introduced in 2008, the scheme aimed to promote entrepreneurial activity in designated aid areas, but uptake of the scheme was low, possibly because of the restrictive eligibility criteria.

- **Poland:** a new aid scheme (*Program wspierania inwestycji o istotnym znaczeniu dia gospardaki polskiej na lata 2011-20*) became operational in 2011. Building on an earlier instrument and due to run until 2020, the scheme provides State aid to business investment projects deemed as important for the national economy.

- **Slovakia:** New rules for investment support were introduced with the adoption of the 2011 Act on Investment Aid, leading to a stronger emphasis on more sophisticated sectors and on lagging regions. Two criteria now determine the aid ceilings, namely the type of investment and the level of unemployment in the district of investment. In principle, the higher the unemployment rate in a district and the more sophisticated the investment, the higher the aid ceiling applied, within the limits of the ceilings for regional State aid for 2007-13. Although the Act does not contain any explicit reference to reducing regional disparities or prioritising development in lagging regions, the criteria for aid provision favour the problem regions and have the effect of excluding the Bratislava region which was previously eligible.

- **United Kingdom**: A consultation by the Department for Business, Innovation & Skills in July 2011 sought comments from stakeholders on four proposed changes to the Industrial Development Act: the removal of the automatic Assisted Area status of ***Northern Ireland*** (as noted above); an increase in the per project limit for aid from the current £10 million (€12.4 million) after which a parliamentary resolution is required; and removing the distinction that excludes payments under foreign currency guarantees from that increased limit; the inclusion of telecommunications and broadband in the definition of the 'basic services' that the Government can contribute towards in a development area; and widening the basis on which the government can develop land it acquires. The consultation closed in November 2011 and at the time of writing was still awaiting a United Kingdom Government response. In ***Scotland***, the government that took power in May 2011 made a manifesto commitment to continue Regional Selective Assistance (RSA), which has now been fully transferred in terms of budget and administration to the enterprise agencies.

4.6.2 New support for the business environment in problem regions

In parallel with the reduced use of regional aid over the past decades, regional policies have placed increased emphasis on improvements to the business environment.[27] An important driver has been policy thinking focused on addressing supply-side factors such as local or national transport and IT infrastructure, the availability of business sites and premises, the quality and availability of skills, access to business finance, links between SMEs and universities, and the costs of regulation. As discussed in past EoRPA reports, in some countries there is no explicit spatial differentiation of business environment measures (e.g. **Denmark**), while others operate instruments that are specifically targeted at lagging areas (e.g. **Germany**). In most Central and Eastern European countries, improving the support environment for business has been a focus of both national and EU regional policy interventions, although not always well coordinated.

Over the 2011-12 period, several countries have focused on improving support for different forms of infrastructure in the regions. The development of localised business support through growth poles, competence centres and enterprise zones has also continued.

In **Germany**, regional policy support for infrastructure is being widened. Currently, the GRW provides support for local infrastructure projects, workforce training and business consultancy; from early 2011, the GRW funding for broadband infrastructure was extended from the provision of only 'basic services' in areas with no or low coverage (less than two Mb) to include also 'high-performance broadband connections and next-generation networks' in areas where current speeds are less than 25 Mb (upstream and/or downstream). Further, the German authorities are planning to notify some changes in GRW support for infrastructure to the European Commission in 2012. These concern amendments to the types of firm which can locate in technology and start-up centres, as well as to the treatment of regional airports and technology and start-up centres.

Improving regional IT infrastructure is also the aim of a new EU-funded measure launched in **Estonia** to support infrastructure connections in the regions, and in **Bulgaria** where a new grant scheme was started in 2012 to support the construction of broadband connections at the peripheries of cities and in less urbanised and rural areas. In **Cyprus**, changes to business environment support over the past year have concentrated on more traditional infrastructure connections, notably in the transport sector where a number of initiatives are being undertaken to improve provision in rural and in urban areas, involving regulatory changes and the provision of incentives to public providers.

In recent years, business environment support in many countries has been concentrated on clusters, growth poles or other defined local areas. Among newer developments, the 2011 Investment Incentives Law in **Greece** broadened the range of support (grants, leasing subsidy, soft loans) for partnership and networking in the framework of clusters. In **Slovakia**, 'innovation' and 'cohesion' growth poles of growth have been identified in all

[27] See Table 2 in S. Davies and F. Gross (2012) Regional policy instruments in Europe: comparative tables, *EoRPA Paper 12/3,* European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

regions with the aim of positive spread effects across the territory, and in **Ireland** there has been a progressive development of Competence Centres, which provide a framework for firms and research organisations to collaborate and undertake R&D. New EU-funded measures in **Bulgaria** also include support for regional business incubators, technology parks and centres, clusters and technology transfer offices (as well as more generic support for technological modernisation in SMEs, and the commercialisation of innovative products, processes and services).

Focusing more on fiscal and regulatory support, the use of Enterprise Zones has re-emerged as a policy tool for the business environment in selected local areas in the **United Kingdom**. 24 Zones have been designated in ***England***, where benefits include a 100 percent discount of local business tax worth up to £275,000 (€340,850) over a five-year period. Moreover, all increases in local business tax revenues within the zone for a period of at least 25 years will be retained by local authorities in the Local Enterprise Partnership area to support their economic priorities. There will also be government and local authority help to develop the planning approaches in the zone and government support to ensure that superfast broadband is rolled out. Subsequently, four Enterprise Areas were launched in ***Scotland*** in early 2012, located across 14 sites and sectorally focused on the industries viewed as having the greatest potential to boost economic growth: life sciences; general manufacturing; and low carbon/renewables. There is a particularly strong link with key renewables sites identified within Scotland's National Renewables Infrastructure Plan, and a number are located in the sparsely populated Highlands and Islands region. Incentives and actions to stimulate investment include: local business tax discounts worth up to £275,000 (€340,850) per business or enhanced capital allowances; new streamlined planning protocols across all sites; skills and training support; and an international marketing campaign to promote the sites. Lastly, in ***Wales***, the Welsh Government has introduced seven Enterprise Zones with £10 million (€12.4 million) funding over five years, again organised along sectoral lines, focusing on: financial and professional services; energy; advanced manufacturing; aerospace; energy and environment; and ICT sectors.

Support for this kind of initiative has recently been reconfirmed in **Lithuania** where significant funding is allocated to Free Economic Zones. Klaipeda Free Economic Zone and Kaunas Free Economic Zone were established more than ten years ago and are supported under the current 2007-13 Structural Funds programme. During 2012, regional policy funding for such Zones in Siauliai, Marijampole and Akmene was agreed; the funding includes business aid and support for improving the business environment, specifically infrastructure to prepare land for business use or to set up services for investors.

A common criticism of localised interventions to support the business environment is insufficient concentration and a lack of integrated interventions in the target areas. However, the value of such initiatives in the form of 'competitiveness poles' – one of several cluster initiatives in **France** that also include 'rural excellence poles' - has recently been validated. The French *pôles de competitivité* aim to promote collaborative innovation and R&D projects; they have received €1.1 billion from the State and €685 million from sub-national authorities since 2005, plus a further €1.1 billion in 2009-11. An evaluation in June 2012 concluded that the poles had been effective and recommended pursuing the approach further in alignment with the new generation of Structural Funds programmes.

Lastly, a business environment measure was discontinued in in **Estonia**. No new applications have been accepted since May 2011 under the regional development planning programme, which supported the preparation of investment projects relating to the business environment. The programme funded the preparation of strategies for assessment, specification and implementation of region-specific resources, and the specification of development complexes and planning for investment projects. Activities included future development plans, evaluations of socio-economic profitability, feasibility analyses, investment/action plans, marketing strategies, and environmental impacts analyses.

4.6.3 Regional programmes/strategies for problem regions

Regional policy is, by definition, territorially focused given that interventions are targeted at regions or sub-regions, with varying degrees of selectivity. In addition to regional policy business aid and support for the business context in problem regions or lagging areas,[28] several countries have broader programmes or strategies covering a range of interventions that are targeted at particular regions suffering from difficulties of economic restructuring, underdevelopment, peripherality or other specific territorial disadvantages (see Table 7).

During 2011-12, special programme support (or plans for support) have been introduced for particular regions in Estonia and Slovenia, as well as new support for coastal and coalfield communities in the United Kingdom.

Table 7: Regional policy support for particular (types of) problem regions

CZ	Some regions focus support on the most lagging areas, mainly located close to administrative borders. The South Moravian region has a strategy to combat adverse geographical and socio-economic conditions in delineated micro-regions lacking job opportunities and suffering from depopulation (e.g. via preferential treatment of applicants from these micro-regions in the context of business support measures).
EE	The programme for the development of ***Setomaa*** region aims to ensure the sustained viability of Setomaa, by developing the local business environment and people and by supporting marketing activities in the region. All activities carried out in Setomaa are eligible, as are those outside Setomaa if they contribute to the development of the business environment of Setomaa or the businesses operating in Setomaa.
FR	A multi-annual infrastructure investment programme for ***Corsica*** to help the island overcome its handicaps related to its geography and to enhance infrastructure and service provision. Dating back to 2002, it was revised and expanded in 2009-10.
GR	A Special Framework for Spatial Planning of Coastal Zones and Islands has been developed, applying an 'eco-system approach', involving integrated management and inclusive governance.
PT	The Programme for the Economic Enhancement of Endogenous Resources was launched in 2010 to promote competitiveness in low-density areas through integrated development plans based on partnerships of regional and local actors.
MT	A specific strategy is operating (over the 2010-12 period) for the island of ***Gozo*** promoting sustainable jobs, a better quality of life, the natural and cultural environment, social care, and the island's identity. Its development needs were reaffirmed in the 2012 Budget Bill.
NO	The '***High North***' region is the focus of a long-term strategy focused on business development, not just through regional policy, but a range of relevant policy fields.
SI	A development programme is run in the ***Posočje*** region to help remedy the consequences of earthquake damage. It aims to increase the competitiveness of the economy and improve human resources in order to reduce disparities within the region and ensuring the integrated development of the Upper Soča Valley in particular.

[28] See Table 3 in S. Davies and F. Gross (2012) Regional policy instruments in Europe: comparative tables, *EoRPA Paper 12/3*, European Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow.

- **Estonia:** Two new domestic programmes that aim to support the development of specific areas became operational in 2011-12: a new pilot programme of support for service centres was set up in 2012 for three counties in South-East Estonia (Põlva, Valga and Võru counties) to ensure better service availability in rural areas, and associated sustainable development; and a programme for small islands was launched in 2011 with the aim of supporting projects that help to increase the availability and quality of essential services for communities in small islands. Further, the government adopted a regional development plan for Ida-Viru County (in North-East Estonia) with the aim of ensuring the country's balanced development and unified development priorities over the longer term, increase the cohesion of the region with the rest of the country, and enhance current activities in the county. However, the enactment of the full development plan is uncertain given the lack of resources committed in the State budget, and funding will depend on decisions made on the 2014-2020 Structural Funds programmes.

- **Slovenia:** In April 2011, the special programme for encouraging the competitiveness of the Pokolpje region (over the 2011–2016 period) was adopted. It includes: (a) a competitiveness promotion programme worth €20 million; (b) reimbursement of social security contributions; (c) tax relief for hiring and investing: businesses may claim a tax reduction of 70 percent of employee costs or 70 percent of the amount invested in new initial investments; (d) incentives for sustainable rural development from the Rural Development Programme; (e) guarantees with interest rate subsidies for investment loans to companies in the Pokolpje region under regional guarantee schemes for South-eastern Slovenia; (f) improving transport infrastructure; and (g) improving energy infrastructure. In addition to these measures, Pokolpje is the priority area for development policies in the 2011–2016 period.

- **United Kingdom:** Regeneration funding is being provided to coalfield communities through support during the 2011-12 period, with an additional £30 million (€37.2 million) announced in March 2011 by the United Kingdom Government for the Coalfields Regeneration Trust, an independent agency supporting economic and social regeneration of coalfield areas in England, Scotland and Wales. In addition, coastal communities became the focus of a policy initiative launched in July 2011, with the announcement of a new Coastal Communities Fund running from April 2012.

For the future, in **Finland** a new 'Eastern and Northern Finland Programme' is being prepared following the adoption of the government's programme in 2011. The eligible area covers the regions of South and North Savonia, North Karelia, Kainuu, Central-Ostrobothnia, North-Ostrobothnia and Lapland. The aim of the programme is to define strategic, concrete measures and the role of structural policy in development and will be based on the results of a working group set up in 2008 to identify how unemployment could be reduced and how to secure the supply of a skilled workforce.

4.7 Conclusions

In a context of weak growth or stagnant economies, and the associated political turbulence, the major preoccupation for governments across Europe is understandably how to escape the economic crisis and stimulate growth. Particularly in some of the less-developed parts of the EU, the focus on the macro-economic situation is at the expense of policies and interventions to address economic and social cohesion; the policy changes in **Hungary** and the severe cuts to regional policy budgets in **Spain** are obvious examples in this regard.

In many Central and Eastern European countries, regional policy has been synonymous with EU Cohesion policy. Structural and Cohesion Funds have been a guarantor of spending on regional development priorities since their accession to the EU. However, it is only over the past 2-3 years that domestic regional development strategies have started to emerge, notably in **Poland, Slovenia, Slovakia, Bulgaria** and **Romania**, with a possible new regional policy also in the **Czech Republic** under discussion. These policy documents are asserting, sometimes for the first time, a national perspective on regional development that will inform the drafting of Partnership Agreements and Operational Programmes for the funding under Cohesion policy in 2014-20.

Across the EU15, regional policies have been established for much longer – although much of the funding is still dependent on Cohesion policy in countries like **Spain, Greece** and **Portugal**. The trends in regional policy are very different. In the **Netherlands** and the **United Kingdom (*England*)** there has been retrenchment, with the termination of policy instruments and the abolition of regional development bodies. In **France**, by contrast, policies for balanced and sustainable development may be getting a higher profile following the 2012 elections. Policy change has been significant in **Finland**, where reforms have involves substantial cuts in public spending and, for regional development policy, new policy goals for the 2011-2015 period, but emphasising welfare services and 'continuous regional renewal', and the retention of regional innovation as a core part of the policy. Regional policy in **Italy** has also seen major institutional change with a revised legal framework for territorial cohesion policy and the creation of the Bank for the South (*Banca del Mezzogiorno*).

At a time of pressures on public finances, performance/effectiveness issues have come to the fore in some countries (e.g. **Finland, France, Germany**), and there are questions about the survival of some policy instruments. Indeed, in Finland, recent reforms have put pressure on all institutions involved in regional policy to improve performance and accountability for their measures.

A trend common to all EU Member States are the preparations for a new policy phase from 2014 onwards. Changes to EU frameworks under Cohesion policy and Competition policy control of State aid (Regional Aid Guidelines) are having a major influence on policy thinking with respect to strategic priorities, funding, aid maps and institutional aid maps. For the most part, however, the shape of changes is not yet clear given that regulatory frameworks are still being negotiated at EU level. In the interim, the absorption of Cohesion policy funding for the remaining part of the 2007-13 period is of major concern for many EU Member States.

The perennial challenges of policy coordination and governance feature strongly in the changes to regional policy in a range of countries. The questions are how to ensure that regional policy goals are coordinated with sectoral policies, how to structure relations between different levels of government and how to manage integrated development strategies. Here, there are no common trends: on the one hand, there are examples of centralisation and localisation of responsibilities for economic development (**Hungary, Netherlands, United Kingdom**); but there are also cases of increased regionalisation (**France, Greece, Slovenia, Sweden**).

Countering the longer term trend of declining use of regional aid, the economic crisis has seen a resurgence in the use of State aid, even if only temporarily, to support business survival and the retention of employment, and steps to encourage the take-up of investment instruments. The spatial coverage of regional aid maps has been relatively stable, the main changes being due to the European Commission's 2010 review of statistical effect regions and the subsequent reclassification of eligibility for some regions.

Finally, for the future, policy changes are in the pipeline in several countries. New regional innovation policy initiatives are being prepared in **Finland** and **Sweden,** and major policy and institutional changes are being discussed in **France** which could have significant implications for regional policy. A White Paper in **Norway** is due to be presented to the cabinet in late 2012 and debated by the parliament in 2013. Looking further ahead, a working group has been set up in **Switzerland** to develop ideas for the future of regional policy from 2016 onwards.

4.8 Questions for discussion

As a starting point for discussion at the EoRPA meeting, participants will be invited to consider the following questions:

- *How has the economic crisis affected the perception of regional disparities and territorial challenges in each country? To what extent are there new territorial challenges on the policy agenda?*

- *How has the role of regional policy changed in the wake of the crisis? How is regional policy likely to evolve? What are the institutional implications of changes in regional policy thinking and practice?*

- *How are the new EU policy frameworks affecting policy thinking about the development of national regional policies?*

5. ANNEXES TO THE REPORT

Table A1: Quarterly national GDP growth in 2011-12

	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012
EU27	0.6	0.2	0.3	-0.3	-0.1	0.0	0.2	0.2
BE	0.9	0.3	-0.1	-0.1	0.0	0.1	0.1	0.3
BG	0.5	0.0	0.2	0.3	-0.2	0.0	0.4	0.2
CZ	0.5	0.3	-0.1	-0.1	-0.1	0.1	0.1	0.2
DK	0.3	0.4	-0.1	-0.1	0.3	0.2	0.4	0.5
DE	1.3	0.3	0.6	-0.2	0.0	0.3	0.5	0.4
EE	2.8	1.6	0.9	-0.2	0.5	0.0	0.6	0.6
IE	1.1	1.1	-1.1	-0.2	n.a.	n.a.	n.a.	n.a.
GR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ES	0.4	0.2	0.0	-0.3	-0.3	-0.6	-1.1	-1.1
FR	0.9	0.0	0.3	0.2	0.0	0.0	0.2	0.2
IT	0.1	0.3	-0.2	-0.7	-0.7	-0.4	0.0	0.1
CY	0.2	0.0	-0.8	-0.1	-0.6	-0.8	0.9	1.7
LV	1.1	2.0	1.5	1.1	0.0	0.1	0.3	0.6
LT	1.4	1.7	1.3	1.0	0.2	0.1	0.3	0.5
LU	0.2	-0.6	1.0	0.2	0.0	0.2	0.4	0.5
HU	0.7	0.1	0.4	0.3	-0.5	-0.4	-0.2	0.0
MT	0.1	0.4	0.1	-0.6	n.a.	n.a.	n.a.	n.a.
NL	0.7	0.2	-0.4	-0.6	-0.1	-0.2	0.0	0.2
AT	0.8	0.5	0.2	-0.1	0.1	0.1	0.6	0.7
PL	1.1	1.2	1.0	1.1	0.5	0.4	0.4	0.5
PT	-0.7	-0.3	-0.6	-1.3	-1.0	-0.5	-0.6	-0.7
RO	1.1	0.2	1.1	-0.2	-0.3	0.1	0.9	0.7
SI	-0.3	-0.1	-0.4	-0.7	-0.5	-0.2	0.1	0.1
SK	0.8	0.8	0.8	0.9	0.2	0.2	0.2	0.3
FIN	0.3	-0.1	1.1	0.1	0.0	0.0	0.2	0.5
SE	0.4	1.1	0.9	-1.1	0.3	0.5	0.5	0.5
UK	0.2	-0.1	0.6	-0.3	-0.2	0.4	0.6	0.4
NO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CH	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	0.1	0.3	0.5	0.7	0.5	0.4	0.4	0.5
Japan	-1.8	-0.3	1.7	-0.2	-0.1	0.3	0.2	0.5

Source: European Commission (2012) European Economic Forecast – Spring 2012, *European Economy*, Brussels: European Union.

Table A2: The dispersion of regional unemployment rates, and national unemployment rates, by quarter in 2010-12

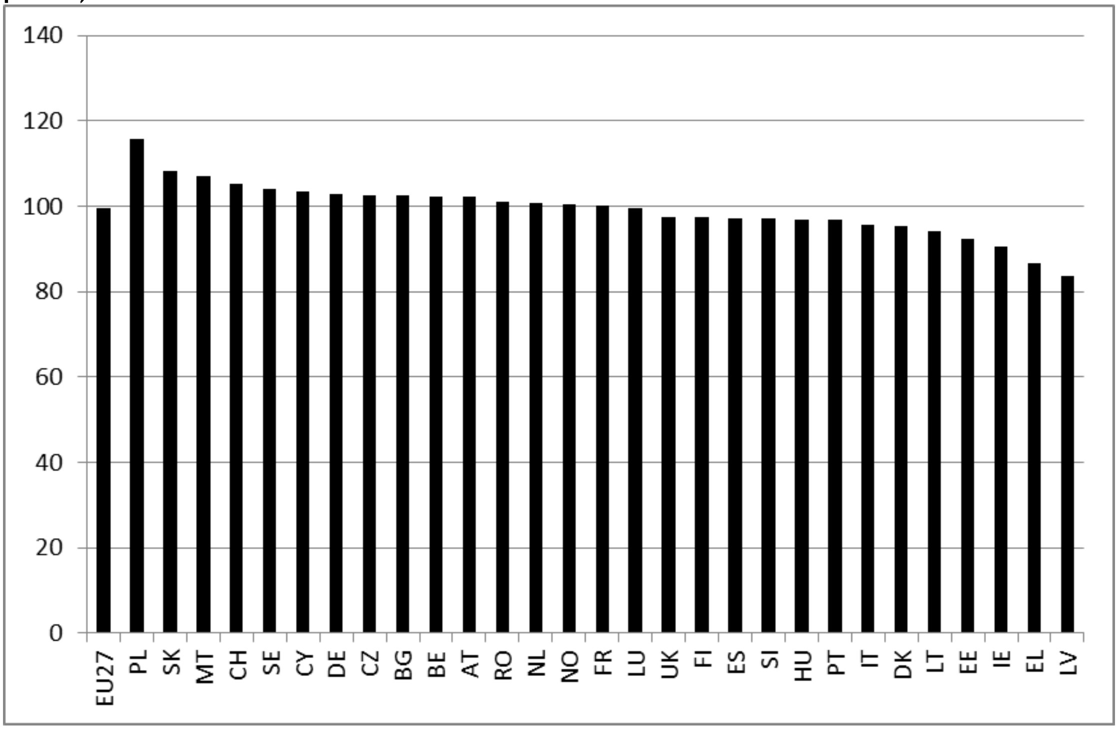
	2010/1	2010/2	2010/3	2010/4	2011/1	2011/2	2011/3	2011/4	2012/1	2012/2
N1 BE	0.518 (8.9)	0.562 (8.5)	0.617 (8.4)	0.684 (7.9)	0.793 (7.2)	0.675 (6.6)	0.603 (7.8)	0.873 (7.1)	0.866 (4.3)	
N1 DE	0.374 (8.6)	0.372 (7.7)	0.364 (7.4)	0.364 (7.0)	0.405 (7.8)	0.414 (7.1)	0.403 (6.9)	0.416 (6.5)	0.419 (7.3)	
N1 UK	0.162 (8.0)	0.146 (7.8)	0.143 (7.7)	0.158 (7.9)	0.169 (7.7)	0.145 (7.9)	0.177 (8.3)	0.174 (8.4)	0.183 (8.2)	0.160 (8.0)
AT N2	0.266 (8.4)	0.199 (6.4)	0.233 (5.9)	0.233 (7.1)	0.294 (7.8)	0.240 (6.1)	0.260 (5.8)	0.248 (7.2)	0.294 (8.0)	0.228 (6.3)
BG N2	0.216 (10.1)	0.213 (9.6)	0.210 (9.1)	0.193 (9.1)	0.186 (9.7)	0.230 (9.2)	0.307 (9.5)	0.274 (10.0)		
CZ N2	0.263 (9.8)	0.262 (8.8)	0.257 (8.6)	0.253 (8.9)	0.248 (9.5)	0.259 (8.3)	0.247 (8.1)	0.249 (8.2)	0.253 (9.1)	0.264 (8.2)
DK N2	0.130 (5.4)	0.082 (6.0)	0.091 (6.3)	0.090 (6.7)	0.048 (8.0)	0.061 (7.6)	0.111 (7.4)	0.064 (7.4)		
EL N2	0.296 (9.3)	0.187 (8.9)	0.228 (9.3)	0.188 (10.3)	0.305 (11.7)	0.128 (11.8)	0.154 (12.4)	0.153 (14.2)		
ES N2	0.236 (20.1)	0.278 (20.1)	0.274 (19.8)	0.264 (20.3)	0.244 (21.3)	0.257 (20.9)	0.279 (21.5)	0.253 (22.9)		
FR N2	0.136 (9.5)	0.140 (9.7)	0.144 (9.3)	0.145 (9.2)	0.148 (9.2)	0.149 (9.1)	0.150 (9.2)	0.151 (9.3)		
HU N2	0.241 (11.8)	0.219 (11.1)	0.212 (10.9)	0.239 (10.8)	0.301 (11.6)	0.279 (10.8)	0.274 (10.7)	0.288 (10.7)		
IT N2	0.435 (9.1)	0.428 (8.6)	0.464 (7.5)	0.416 (8.7)	0.446 (8.6)	0.471 (7.8)	0.432 (7.6)	0.396 (9.6)	0.435 (10.9)	0.443 (10.5)
NL N2	0.151 (6.0)	0.205 (5.6)	0.169 (5.2)	0.112 (5.0)	0.129 (5.4)	0.213 (5.1)	0.198 (5.4)	0.161 (5.6)	0.188 (6.2)	0.147 (6.2)
PL N2	0.236 (12.9)	0.224 (11.6)	0.235 (11.5)	0.241 (12.3)	0.237 (13.1)	0.229 (11.8)	0.229 (11.8)	0.235 (12.5)	0.223 (13.3)	0.216 (12.4)
PT N2	0.237 (10.6)	0.216 (10.6)	0.234 (10.9)	0.255 (11.1)						
RO N2	0.304 (8.3)	0.291 (7.8)	0.279 (7.4)	0.287 (7.0)	0.314 (6.5)	0.318 (5.1)	0.315 (4.9)	0.319 (5.0)	0.318 (5.2)	
SK N2	0.376 (12.9)	0.380 (12.4)	0.377 (12.3)	0.381 (12.3)	0.374 (13.1)	0.382 (12.9)	0.370 (13.2)	0.369 (13.4)	0.370 (13.7)	0.382 (13.3)
FI N2	0.306 (9.4)	0.276 (9.7)	0.331 (7.4)	0.365 (7.5)	0.388 (8.7)	0.403 (9.0)	0.266 (6.9)	0.269 (7.0)	0.388 (8.1)	

	2010/1	2010/2	2010/3	2010/4	2011/1	2011/2	2011/3	2011/4	2012/1	2012/2
SE N2	0.122 (4.6)	0.110 (4.0)	0.098 (4.3)	0.102 (3.9)	0.129 (3.9)	0.120 (3.5)	0.113 (3.8)	0.104 (3.7)	0.095 (4.0)	
CH N2	0.305 (5.1)	0.210 (4.2)	0.325 (4.6)	0.264 (4.2)	0.299 (4.4)	0.383 (3.6)	0.311 (4.2)	0.366 (4.0)	0.398 (4.3)	
N3 DE		0.418 (7.7)	0.416 (7.4)	0.427 (7.0)	0.439 (7.8)	0.463 (7.1)	0.460 (6.9)	0.474 (6.5)	0.464 (7.3)	
N3 IE	0.156 (12.9)	0.148 (13.6)	0.157 (13.9)	0.140 (14.1)	0.123 (14.1)	0.147 (14.3)	0.157 (14.8)	0.162 (14.3)	0.161 (14.7)	
N3 LV	0.159 (17.0)	0.189 (16.2)	0.220 (15.0)	0.247 (14.3)	0.259 (14.5)	0.286 (13.2)	0.308 (11.8)	0.318 (11.5)	0.328 (11.7)	
N3 LT	0.115 (13.2)	0.103 (14.8)	0.094 (15.0)	0.096 (14.1)	0.105 (14.3)	0.109 (12.4)	0.128 (10.9)	0.126 (10.3)	0.143 (11.5)	
N3 SI	0.338 (10.6)	0.298 (10.5)	0.269 (10.5)	0.252 (11.3)	0.240 (12.3)	0.217 (11.6)	0.205 (11.5)	0.199 (11.9)	0.218 (12.3)	
N3 FI	0.258 (9.4)	0.259 (9.7)	0.295 (7.4)	0.295 (7.5)	0.309 (8.7)	0.305 (9.0)	0.328 (6.9)	0.283 (7.0)	0.296 (8.1)	
N3 SE	0.147 (4.6)	0.148 (4.0)	0.139 (4.3)	0.134 (3.9)	0.148 (3.9)	0.151 (3.5)	0.147 (3.8)	0.149 (3.7)	0.143 (4.0)	
N3 NO	0.150 (3.1)	0.156 (2.8)	0.168 (2.9)	0.171 (2.7)	0.155 (3.0)	0.161 (2.6)	0.180 (2.7)	0.196 (2.4)	0.188 (2.7)	0.195 (2.4)
N3 CH	0.385 (4.0)	0.406 (3.5)	0.434 (3.3)	0.433 (3.3)	0.439 (3.3)	0.449 (2.7)	0.445 (2.6)	0.413 (2.8)	0.398 (3.0)	0.403 (2.8)

Notes: 1. Data are not comparable across countries because they have been collected from national statistical offices, use different definitions of unemployment, and are published for different scales of NUTS region. 2. The first figure in each box shows the coefficient of variation of regional unemployment rates, while the second figure in brackets shows the national unemployment rate. 3. No data are available for EE, CY, LU or MT. 4. The table uses registered unemployment rates for: AT, BG, CZ, FI, NO, CH, PL, SE, DK, HU, RO, LT, LV, SK; labour force survey data for GR, IE, ES, PT, SI, FI, BE, IT, NL; and seasonally adjusted registered unemployment rates for FR.

Source: EPRC calculations based on national statistical office or labour office data.

Figure A1: National GDP in 2011 as a percentage of national GDP in 2007 (constant prices)



Source: Eurostat.

Table A3: National GDP per capita (PPS), EU27=100

	1993-1997	1998-2002	2003-2007	2008	2009	2010	2011	2012
EU27	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BE	127.5	124.3	119.7	115.7	117.8	118.6	118.3	117.6
BG	30.0	28.8	36.6	43.5	44.0	43.9	44.5	45.3
CZ	75.9	72.3	79.3	80.9	82.2	79.6	79.7	79.6
DK	131.3	130.0	124.0	124.6	123.0	126.7	125.8	127.2
DE	128.0	118.2	115.6	116.1	115.7	117.8	119.7	120.8
EE	37.1	45.2	61.9	69.3	63.5	64.2	68.2	69.5
IE	104.1	130.7	144.7	133.2	127.6	127.5	126.5	127.0
GR	83.9	84.5	91.5	92.5	94.3	89.6	82.4	78.4
ES	91.9	97.4	102.6	103.6	103.2	100.2	99.5	98.1
FR	115.8	115.1	109.3	106.8	108.3	107.6	107.4	107.6
IT	120.8	117.3	106.5	104.4	103.5	100.5	99.3	97.7
CY	84.8	87.7	90.1	98.8	100.0	99.1	98.0	96.6
LV	32.3	37.4	48.8	56.2	51.3	51.3	53.8	55.5
LT	37.3	41.0	53.6	61.5	54.5	57.4	61.2	63.4
LU	223.2	235.0	260.0	278.8	266.4	271.3	265.9	264.6
HU	51.6	56.2	62.6	63.9	64.7	64.7	65.1	65.2
MT	82.4	81.2	77.7	78.9	82.1	82.3	82.4	83.2
NL	124.3	132.0	130.5	134.3	131.9	132.8	132.0	130.6
AT	134.1	129.8	126.1	124.4	124.7	126.1	127.9	128.8
PL	43.0	48.0	51.4	56.4	60.8	62.6	64.5	66.5
PT	77.8	80.4	78.8	78.0	80.1	80.0	77.6	75.3
RO	31.3	27.3	36.0	46.9	47.1	46.5	47.3	48.1
SI	74.7	80.5	86.7	90.9	87.2	84.8	83.5	82.3
SK	47.9	51.8	60.8	72.6	72.5	73.3	74.7	76.2
FI	107.2	115.1	114.9	119.1	114.6	115.0	116.3	116.9
SE	124.1	124.3	124.0	123.9	119.9	124.0	126.4	126.2
UK	113.9	118.8	120.7	112.2	110.7	112.1	110.6	110.6
NO	138.0	152.6	173.1	191.8	175.6	180.8	179.1	180.3
CH	153.8	143.4	135.0	142.7	143.8	146.9	146.6	146.6

Source: European Commission’s Ameco database (accessed 10 September 2012).

Table A4: National real GDP growth

	1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	2011	2012
EU27				2.8	1.4	1.6	0.6
BE	4.9	3.4	2.0	2.2	1.4	2.2	0.9
BG				-0.7	4.1	2.2	2.3
CZ				0.4	3.4	1.8	0.7
DK	4.8	2.2	2.1	2.6	0.6	1.2	1.4
DE				1.6	0.9	2.9	0.8
EE				5.1	3.9	8.0	3.2
IE	4.2	4.7	3.6	7.2	2.4	1.1	1.1
GR	8.5	4.6	0.7	2.3	2.1	-5.5	-2.8
ES	7.3	3.5	2.9	2.8	2.1	0.7	0.7
FR	5.7	3.7	2.4	2.0	1.1	1.6	0.6
IT	5.7	3.8	2.4	1.6	0.4	0.5	0.1
CY				4.5	2.8	0.3	0.0
LV				-3.7	3.7	4.5	2.5
LT				-3.2	4.4	6.1	3.4
LU	3.5	2.6	5.0	5.0	2.7	1.6	1.0
HU				1.8	2.0	1.4	0.5
MT				4.9	1.5	2.1	1.3
NL	5.1	3.0	2.3	3.2	1.4	1.8	0.5
AT	4.7	3.6	2.2	2.6	1.5	2.9	0.9
PL				3.8	3.9	4.0	2.5
PT	5.8	4.9	3.6	3.1	0.7	-1.9	-3.0
RO				-1.3	4.1	1.7	2.1
SI				1.8	2.7	1.1	1.0
SK				4.5	4.8	2.9	1.1
FI	4.8	3.9	3.1	2.1	1.9	3.1	1.4
SE	4.6	2.0	2.2	2.1	2.1	4.0	1.4
UK	2.8	2.0	2.8	2.6	1.6	0.7	0.6
NO	4.2	4.7	2.5	3.7	1.5	2.4	2.7
CH	4.7	1.2	2.2	1.1	1.7	1.7	1.9

Source: European Commission's Ameco database (accessed 10 September 2012).

Table A5: National unemployment rates

	1995-1999	2000-2004	2005-2009	2010	2011	2012
EU27	n.a.	8.9	8.1	9.7	9.7	10.3
BE	9.2	7.5	7.8	8.3	7.2	7.6
BG	13.3	16.0	7.7	10.2	11.2	12
CZ	5.5	8.0	6.3	7.3	6.7	7.2
DK	5.7	4.9	4.4	7.5	7.6	7.7
DE	9.0	9.0	9.1	7.1	5.9	5.5
EE	10.0	11.2	7.6	16.9	12.5	11.6
IE	9.4	4.3	6.3	13.7	14.4	14.3
GR	10.3	10.5	8.9	12.6	17.7	19.7
ES	17.2	11.2	11.1	20.1	21.7	24.4
FR	10.7	8.7	8.8	9.8	9.7	10.2
IT	11.2	8.8	7.0	8.4	8.4	9.5
CY	3.2	4.2	4.6	6.2	7.8	9.8
LV	16.6	11.9	9.3	18.7	16.1	14.8
LT	9.6	14.1	7.5	17.8	15.4	13.8
LU	2.7	3.1	4.7	4.6	4.8	5.2
HU	8.7	6.0	8.0	11.2	10.9	10.6
MT	6.0	7.3	6.7	6.9	6.5	6.6
NL	5.4	3.6	4.0	4.5	4.4	5.7
AT	4.2	4.1	4.6	4.4	4.2	4.3
PL	12.0	18.6	11.3	9.6	9.7	9.8
PT	6.3	5.9	9.0	12	12.9	15.5
RO	5.6	7.1	6.7	7.3	7.4	7.2
SI	7.1	6.4	5.5	7.3	8.2	9.1
SK	13.1	18.5	12.5	14.4	13.5	13.2
FI	12.9	9.2	7.5	8.4	7.8	7.9
SE	8.6	6.3	7.1	8.4	7.5	7.7
UK	7.0	5.0	5.7	7.8	8	8.5
NO	3.9	3.8	3.2	3.5	3.3	3.1
CH	3.4	3.1	3.7	4.2	3.8	3.9

Source: European Commission's Ameco database (accessed 10 September 2012).

Table A6: Public finances

	General government surplus/deficit (% of GDP)				Gross public debt (% of GDP)			
	2000-2009	2010	2011	2012	2000-2009	2010	2011	2012
EU27	-2.4	-6.5	-4.5	-3.6	62.8	80.2	83.0	86.2
BE	-0.9	-3.8	-3.7	-3.0	95.9	96.0	98.0	100.5
BG	0.2	-3.1	-2.1	-1.9	36.7	16.3	16.3	17.6
CZ	-4.0	-4.8	-3.1	-2.9	27.4	38.1	41.2	43.9
DK	2.2	-2.5	-1.8	-4.1	41.5	42.9	46.5	40.9
DE	-2.2	-4.3	-1.0	-0.9	65.4	83.0	81.2	82.2
EE	0.5	0.2	1.0	-2.4	5.1	6.7	6.0	10.4
IE	-1.0	-31.2	-13.1	-8.3	35.1	92.5	108.2	116.1
GR	-6.9	-10.3	-9.1	-7.3	106.8	145.0	165.3	160.6
ES	-1.2	-9.3	-8.5	-6.4	47.6	61.2	68.5	80.9
FR	-3.3	-7.1	-5.2	-4.5	64.4	82.3	85.8	90.5
IT	-3.2	-4.6	-3.9	-2.0	106.6	118.6	120.1	123.5
CY	-2.5	-5.3	-6.3	-3.4	62.7	61.5	71.6	76.5
LV	-2.5	-8.2	-3.5	-2.1	15.8	44.7	42.6	43.5
LT	-2.6	-7.2	-5.5	-3.2	20.7	38.0	38.5	40.4
LU	2.1	-0.9	-0.6	-1.8	7.9	19.1	18.2	20.3
HU	-6.1	-4.2	4.3	-2.5	63.0	81.4	80.6	78.5
MT	-4.8	-3.7	-2.7	-2.6	64.1	69.4	72.0	74.8
NL	-1.0	-5.1	-4.7	-4.4	52.3	62.9	65.2	70.1
AT	-1.8	-4.5	-2.6	-3.0	64.9	71.9	72.2	74.2
PL	-4.5	-7.8	-5.1	-3.0	44.7	54.8	56.3	55.0
PT	-4.7	-9.8	-4.2	-4.7	61.5	93.3	107.8	113.9
RO	-3.4	-6.8	-5.2	-2.8	19.1	30.5	33.3	34.6
SI	-2.6	-6.0	-6.4	-4.3	26.9	38.8	47.6	54.7
SK	-5.0	-7.7	-4.8	-4.7	38.4	41.1	43.3	49.7
FI	3.5	-2.5	-0.5	-0.7	41.1	48.4	48.6	50.5
SE	1.3	0.3	0.3	-0.3	48.0	39.4	38.4	35.6
UK	-3.0	-10.2	-8.3	-6.7	45.1	79.6	85.7	91.2
NO	13.6	11.2	13.6	10.6	42.6	43.7	29.0	36.6
CH	0.0	0.6	0.6	0.5				

Source: European Commission's Ameco database (accessed 10 September 2012)

Table A7: World GDP per capita (PPS, current international dollar), 1980-2012

	1980-1984	1985-1989	1990-1994	1995-1999	2000-2004	2005-2009	2010	2011	2012
EU27	9,463	12,605	15,975	19,138	23,605	29,148	30,540	31,607	31,959
Euro area			18,824	21,672	26,179	31,397	32,727	33,786	34,023
CEE	4,091	5,357	6,023	7,366	9,080	13,089	14,435	15,463	15,913
G7	12,157	16,760	21,624	26,121	31,532	38,051	39,701	40,892	41,829
New indust. Asian econs.	4,130	7,012	11,468	16,095	21,285	29,639	34,561	36,577	38,075
CIS			5,294	4,536	6,347	10,026	11,151	11,926	12,581
Developing Asia	513	777	1,169	1,727	2,377	3,897	5,057	5,506	5,920
ASEAN-5	1,056	1,399	2,102	2,792	3,281	4,510	5,246	5,519	5,810
Latin Amer. & Caribbean	4,093	4,886	5,832	6,950	7,847	10,055	11,253	11,863	12,323
Middle East/ North Africa	3,658	3,910	4,531	5,289	6,417	8,239	9,220	9,896	10,188
Sub-Saharan Africa	985	1,099	1,195	1,304	1,525	2,025	2,273	2,378	2,475

Notes: 1. Data for the Euro area start in 1993 and data for the CIS start in 1992. 2. G7 includes Canada, France, Germany, Italy, Japan, United Kingdom, and USA; Newly industrialized Asian economies include Hong Kong, Korea, Singapore, and Taiwan; Central and eastern Europe (CEE) includes Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Latvia, Lithuania, FYROM, Montenegro, Poland, Romania, Serbia, and Turkey; Commonwealth of Independent States (CIS) includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan; Developing Asia includes Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Laos, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam; ASEAN-5 includes Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: International Monetary Fund, World Economic Outlook Database, April 2012, accessed 3 September 2012.

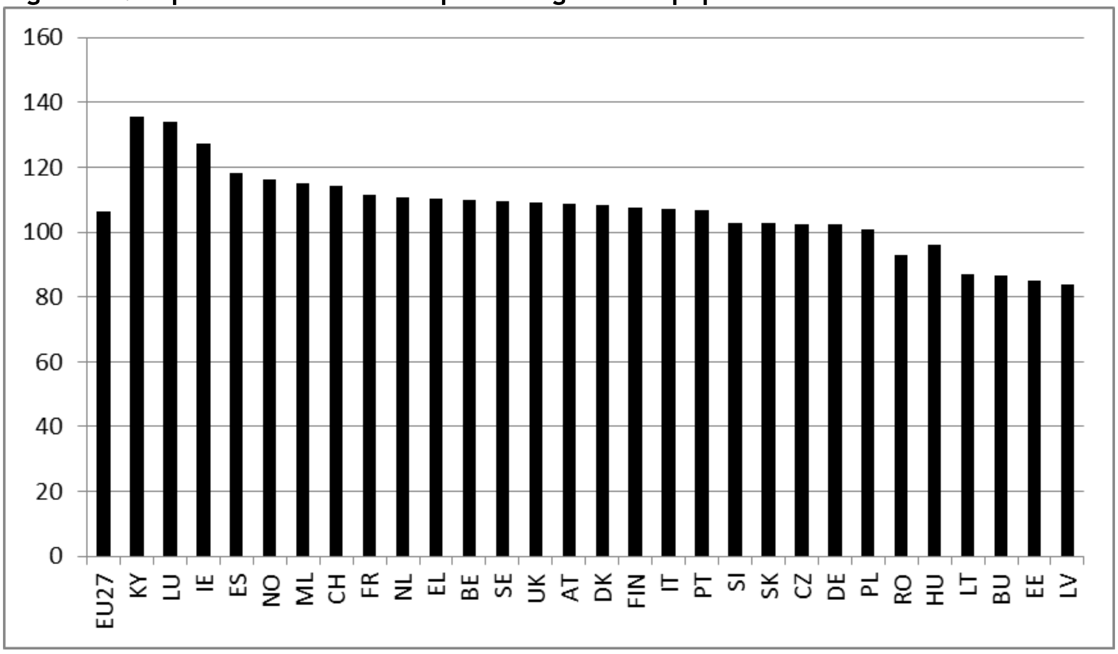
Table A8: Percentage increases in international trade in 1992-2011 (where 1992 = 100)

	1992	1997	2002	2007	2008	2009	2010	2011
Euro area	100	139.3	189.1	253.4	255.1	222.0	246.6	262.2
G7	100	139.5	168.0	227.9	232.0	200.4	225.4	237.9
New indust. Asian econs.	100	173.6	235.8	416.7	434.2	405.5	478.8	505.2
CEE	100	177.2	251.9	442.7	472.9	433.3	477.6	504.8
CIS	100	126.0	153.6	246.7	244.1	215.2	233.3	252.1
Developing Asia	100	187.9	305.8	619.0	658.5	607.1	746.9	806.5
ASEAN-5	100	170.4	227.0	316.0	319.6	299.5	336.9	353.0
Latin Amer. & Caribbean	100	167.4	217.7	306.6	309.0	279.0	311.5	329.4
Middle East/ North Africa	100	122.9	146.0	226.7	240.0	226.7	244.1	252.4
Sub-Saharan Africa	100	140.8	164.6	247.6	262.5	263.1	261.4	280.0

Notes: See Table A4 for details of the country groups.

Source: EPRC calculations based on International Monetary Fund, World Economic Outlook Database, April 2012 (accessed 3 September 2012).

Figure A2: Population in 2011 as a percentage of the population in 1991



Source: EPRC calculations based on Ameco data.

Table A9: Greenhouse gas emissions in 2010, 1990=100 (Europe 2020 target = 80% of 1990)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
BE	101	102	103	100	97	93	95	87	92
BG	55	59	58	58	59	62	60	52	54
CZ	72	74	75	75	76	76	73	69	71
DK	101	108	99	93	104	98	93	88	89
DE	83	83	82	80	80	78	78	73	75
EE	42	46	47	45	44	52	48	40	50
IE	124	124	123	126	125	124	122	112	111
EL	122	125	126	129	126	129	125	119	113
ES	141	143	149	154	151	154	143	130	126
FR	100	101	101	101	99	97	96	92	93
IT	108	111	111	111	109	107	104	95	97
CY	161	167	173	171	178	177	176	172	168
LV	41	41	42	42	44	46	44	41	45
LT	42	42	44	46	47	51	49	40	42
LU	85	88	99	101	100	95	94	90	94
HU	79	82	81	82	80	78	75	69	70
MT	136	145	144	149	148	154	152	148	149
NL	101	102	102	100	98	97	96	94	99
AT	110	118	117	119	115	112	111	102	108
PL	80	83	84	85	88	89	88	83	88
PT	146	137	141	144	136	132	130	124	118
RO	58	60	59	59	60	59	58	49	48
SI	108	107	108	110	111	112	116	105	106
SK	72	73	72	71	71	68	70	62	64
FI	109	120	114	98	113	111	100	94	106
SE	97	97	96	93	92	90	87	82	91
UK	86	86	86	86	85	84	82	75	77
NO	107	109	110	108	108	111	108	103	108
CH	98	100	101	103	102	98	101	99	102

Note: The table shows total man-made emissions of the Kyoto basket of greenhouse gases i.e. carbon dioxide (CO_2), methane, nitrous oxide and the so-called F-gases, expressed in units of CO_2 equivalents. The indicator does not include emissions related to land use, international aviation and international maritime transport, nor biomass with energy recovery.

Source: Eurostat.

Table A10: Resource productivity of the economy (EUR in 2005 prices, per Kg)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU27	1.36	1.39	1.42	1.38	1.39	1.41	1.42	1.43	1.55
BE	1.52	1.57	1.62	1.62	1.6	1.67	1.72	1.74	1.75
BG	0.17	0.18	0.18	0.17	0.18	0.18	0.18	0.18	0.22
CZ	0.48	0.52	0.53	0.52	0.56	0.58	0.61	0.63	0.66
DK	1.48	1.54	1.51	1.47	1.36	1.34	1.39	1.46	1.69
DE	1.62	1.66	1.67	1.67	1.74	1.76	1.82	1.85	1.84
EE	0.46	0.42	0.33	0.37	0.4	0.4	0.35	0.38	0.35
IE	0.76	0.81	0.8	0.81	0.81	0.78	0.78	0.76	0.73
GR	1.02	1.01	0.98	1.02	1.05	1.11	1.12	1.09	1.23
ES	1.13	1.07	1.04	1.04	1.05	1.03	1.04	1.22	1.47
FR	1.91	1.92	2.06	1.92	2.01	2.02	1.97	2.02	2.2
IT	1.57	1.68	1.87	1.76	1.73	1.76	1.88	1.9	2.01
CY	0.77	0.71	0.78	0.71	0.71	0.76	0.73	0.57	0.6
LV	0.28	0.28	0.3	0.31	0.3	0.32	0.32	0.37	0.39
LT	0.62	0.56	0.52	0.49	0.51	0.54	0.5	0.49	0.61
LU	2.66	2.53	2.53	2.67	2.76	2.62	2.88	3.29	3.41
HU	0.55	0.59	0.61	0.54	0.49	0.61	0.78	0.7	0.8
MT	3.55	3.32	3.07	2.52	2.62	2.36	3.93	5.56	3.33
NL	2.48	2.7	2.8	2.76	2.8	2.91	2.91	2.87	3.47
AT	1.27	1.21	1.28	1.25	1.25	1.25	1.29	1.34	1.38
PL	0.4	0.42	0.42	0.42	0.43	0.45	0.43	0.44	0.47
PT	0.75	0.78	0.88	0.83	0.83	0.74	0.74	0.7	0.76
RO	0.23	0.26	0.25	0.25	0.24	0.24	0.21	0.18	0.21
SI	0.73	0.73	0.7	0.72	0.77	0.7	0.68	0.8	0.89
SK	0.54	0.54	0.58	0.51	0.51	0.56	0.64	0.59	0.63
FI	0.78	0.77	0.73	0.77	0.77	0.75	0.79	0.79	0.86
SE	1.51	1.52	1.55	1.56	1.45	1.62	1.53	1.51	1.66
UK	2.15	2.27	2.36	2.34	2.46	2.53	2.62	2.75	2.9
NO	1.42	1.47	1.44	1.4	1.47	1.52	1.48	1.53	n.a.
CH	3.26	3.32	3.42	3.34	3.32	3.35	3.57	3.6	3.46

Notes: 1. EU27 data are estimated by Eurostat. 2. Resource productivity is defined as GDP divided by domestic material consumption (DMC). DMC equals the total amount of materials directly used by an economy. It is defined as the annual quantity of raw materials extracted from the domestic territory, plus all physical imports minus all physical exports. It does not include upstream flows related to imports and exports of raw materials and products originating outside of the focal economy. 3. Data are not comparable between countries because data are reported in Euros i.e. there is potential for exchange rate distortions.

Source: Eurostat.

Table A11: Dispersion of GDP among NUTS 2 regions, as a % of national GDP per capita

	1995	1996-2000	2001-2005	2006	2007	2008	2009
EU27					28.2	27.7	27.2
BE	25.2	25.2	25.4	24.7	24.3	23.9	24.2
BG	13.4	19.5	24.1	31.3	36.1	37.1	39.6
CZ	16.0	19.6	24.5	25.5	26.5	27.3	26.9
DK	14.1	14.7	14.9	15.3	15.1	15.8	15.2
DE	17.0	17.3	17.7	17.0	16.9	16.5	16.1
IE	14.5	15.4	16.1	15.8	16.3	15.2	16.5
GR	11.2	10.0	16.0	22.6	22.4	23.0	23.9
ES	18.8	20.0	19.3	18.4	18.3	17.8	18.5
FR	19.5	20.2	20.4	20.0	23.2	23.1	23.1
IT					23.1	23.0	22.3
HU					37.4	37.5	39.8
NL	9.7	10.5	11.0	11.2	10.6	10.9	10.6
AT					15.1	14.7	15.1
PL	13.3	16.4	18.5	19.7	19.9	19.7	20.7
PT	20.7	21. 8	23.3	23.8	23.5	23.7	23.6
RO	10.9	17.9	24.0	27.4	28.5	32.9	30.4
SI	17.2	16.9	18.0	19.2	19.1	18.2	18.7
SK	26.3	26.2	28.6	29.9	30.8	29.6	33.2
FI	14.4	16.5	15.9	15.4	14.8	14.2	15.6
SE	12.1	15.5	15.4	15.2	15.5	15.6	19.0
UK	17.6	20.1	22.3	23.0	23.4	24.6	24.9

Notes: 1. No data are available for Estonia, Cyprus, Latvia, Lithuania, Luxembourg or Malta. 2. Dispersion levels should not be compared across countries because regions are defined differently in different Member States. 3. The dispersion of regional GDP per capita is measured by the sum of the absolute differences between regional and national GDP per capita, weighted with the share of population and expressed as a percentage of national GDP per capita. It is zero when GDP per capita in all regions of a country is identical, and it rises if there is an increase in the distance between a region's GDP per capita and the country mean.

Source: Eurostat.

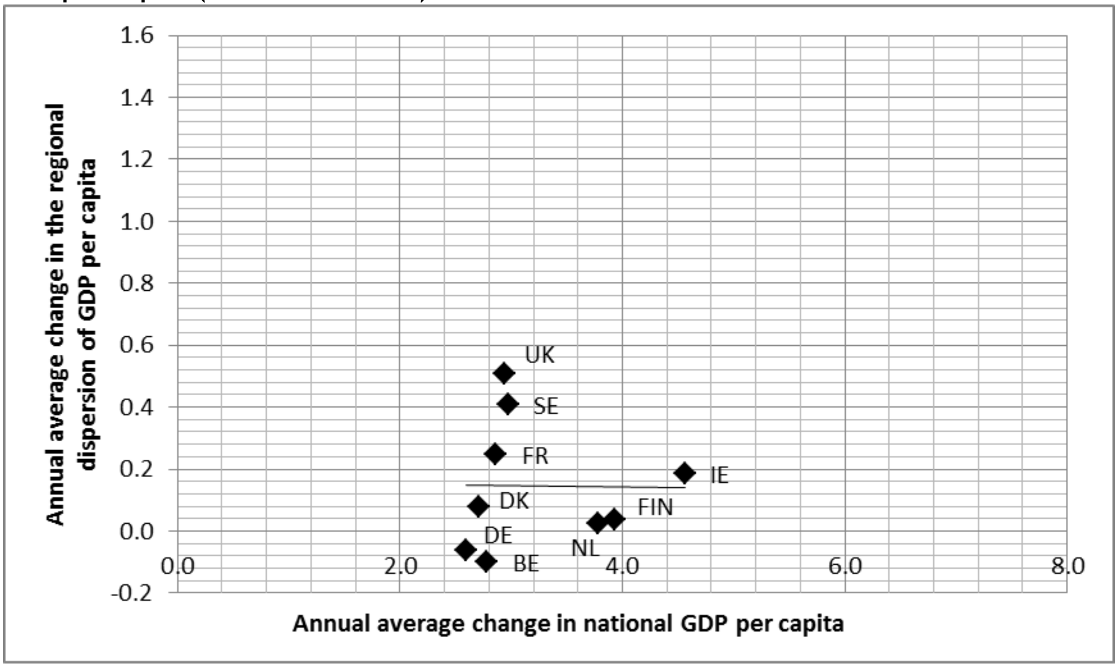
Table A12: Dispersion of GDP among NUTS 3 regions, as a % of national GDP per capita

	1996	1997-2001	2002-2006	2007	2008	2009
BE	30.7	29.8	28.0	27.7	27.0	26.5
BG	25.6	25.6	32.4	42.7	44.4	46.7
CZ	16.5	21.0	24.9	26.5	27.3	26.9
DK	17.4	18.0	18.4	18.5	18.9	18.2
DE	28.6	29.2	29.0	28.5	27.7	27.4
EE	29.8	35.2	41.0	41.9	41.3	43.8
IE	21.8	24.8	27.5	29.0	28.5	32.4
EL	13.0	13.9	19.3	24.2	24.1	25.1
ES	22.4	21.9	19.6	18.8		
FR	22.5	23.3	23.2	25.8	25.6	26.0
IT						23.6
LV	31.6	43.1	50.4	47.1	47.0	43.3
LT	12.4	17.8	25.1	27.4	26.8	28.1
HU				40.7	42.0	44.1
NL	16.5	16.6	18.0	17.7	18.1	17.7
AT				22.8	22.6	22.9
PL		31.9	33.0	34.5	33.6	34.4
PT	27.5	27.9	28.7	29.0	29.2	28.4
RO	17.1	25.7	31.3	35.3	38.2	37.4
SI	19.5	19.1	21.3	22.4	21.6	22.9
SK	27.2	27.6	30.8	34.9	32.7	35.5
FI	17.1	20.3	19.1	19.2	19.0	21.2
SE	13.7	15.8	15.4	15.5	15.9	19.0
UK	22.6	26.4	28.5	29.0	30.2	30.6

Notes: 1. See notes to Table A11. 2. Data for Poland are 1999-2001 (rather than 1997-2001). 3. No data are available for the EU27, Cyprus, Luxembourg or Malta.

Source: Eurostat.

Figure A3: Annual average percentage point changes in national GDP per capita, plotted against annual average percentage point change in the dispersion of (NUTS 2) regional GDP per capita (Williamson curve) in 1997-2009



Note: For definition of regional dispersion, see Table A11.

Source: EPRC calculations based on Eurostat data.

Table A13: Coefficient of variation of the regional dispersion of employment in financial and business services (Labour Force Survey data, NUTS 2)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
BE	0.346	0.349	0.339	0.364	0.397	0.379	0.378	0.369	0.329	0.301
BG					0.438	0.392	0.408	0.431	0.454	
CZ	0.456	0.507	0.517	0.490	0.521	0.545	0.498	0.525	0.516	0.537
DK									0.268	0.280
DE									0.243	0.235
EL	0.277		0.283	0.295	0.303	0.260	0.251	0.244	0.259	0.264
ES	0.275	0.279	0.267	0.256	0.248	0.236	0.231	0.229	0.245	0.232
FR	0.257	0.252	0.266	0.262	0.276	0.256	0.250	0.244	0.227	0.225
IT	0.221	0.197	0.215	0.214	0.213	0.191	0.172	0.178	0.175	0.162
HU	0.382	0.350	0.343	0.366	0.348	0.355	0.379	0.395	0.398	0.382
NL	0.231	0.228	0.201	0.210	0.202	0.213	0.218	0.213	0.193	0.186
AT	0.289	0.271	0.285	0.300	0.277	0.243	0.271	0.239	0.247	0.236
PL		0.285	0.271	0.261	0.251	0.291	0.265	0.248	0.261	
PT								0.479		0.441
RO	0.721	0.712	0.748	0.775	0.764	0.815	0.783	0.721	0.761	0.680
SK	0.806	0.771	0.798	0.810	0.787	0.757	0.658	0.593	0.680	0.622
FI	0.232	0.226	0.201	0.200	0.202	0.201	0.185	0.176	0.166	0.175
SE	0.336	0.340	0.349	0.333	0.305	0.297	0.311	0.305	0.289	
UK			0.312	0.296	0.307	0.290	0.287	0.276	0.290	0.289
NO	0.308	0.344	0.345	0.339	0.308	0.270	0.304	0.327	0.342	0.335
CH			0.184	0.212	0.217	0.210	0.218	0.214	0.205	0.201

Notes: 1. Eurostat data show a break in the time series i.e. data are available for 1999-2009 (used in Table A13) and separately for 2008-11 (used in Table A14). 2. Data for Spain exclude Ceuta and Melilla; data for France exclude Corsica and the Overseas Departments, and data for Finland exclude Åland.

Source: EPRC calculations based on Eurostat data.

Table A14: Coefficient of variation of the regional dispersion of employment by sector in 2011 (Labour Force Survey data, NUTS 2 regions)

	Agriculture	Industry	Construction	Trade	Professional services	Public administration
BE	0.766	0.245	0.186	0.090	0.294	0.130
BG	0.356	0.167	0.131	0.085	0.329	0.095
CZ	0.454	0.280	0.114	0.109	0.467	0.065
DK	0.565	0.240	0.253	0.050	0.278	0.038
DE	0.646	0.249	0.261	0.094	0.210	0.086
GR	0.608	0.362	0.307	0.144	0.256	0.175
ES	0.820	0.396	0.146	0.198	0.233	0.128
FR	0.694	0.279	0.113	0.096	0.256	0.077
IT	0.703	0.342	0.156	0.098	0.159	0.199
HU	0.544	0.255	0.106	0.075	0.361	0.137
NL	0.298	0.250	0.171	0.071	0.190	0.083
AT	0.432	0.276	0.127	0.085	0.237	0.093
PL	0.544	0.196	0.147	0.075	0.272	0.088
PT	0.450	0.387	0.152	0.228	0.383	0.178
RO	0.534	0.351	0.229	0.265	0.738	0.226
SK	0.366	0.233	0.246	0.035	0.606	0.093
FI	0.474	0.217	0.130	0.129	0.181	0.097
SE	0.530	0.326	0.130	0.077	0.302	0.091
UK	n.a.	0.292	0.160	0.077	0.298	0.086
NO	0.596	0.325	0.157	0.067	0.311	0.101
CH	0.412	0.269	0.156	0.038	0.194	0.076

Notes: **1.** Eurostat data show a break in the time series i.e. data are available for 1999-2009 (used in Table A13) and separately for 2008-11 (used in Table A14). **2.** Professional services are defined as: Information and communication, financial and insurance, professional, scientific and technical activities, administrative and support service activities (NACE codes J, K, M and N). **3.** Data for Spain exclude Ceuta and Melilla; data for France exclude the Overseas Departments.

Source: EPRC calculations based on Eurostat data.

Table A15: Correlation between the distribution of regional GDP per capita and indicators of regional accessibility and factor endowments

	Accessibility index 2006 NUTS 3	Business R&D spending as % of GDP 2009 NUTS 2	Total R&D spending as % of GDP 2009 NUTS 2	Population with tertiary education qualification (% of total) 2009 NUTS 2	Human resources in science & technology (both education & job) (% of active population) 2009 NUTS 2
BE	27.0		3.2	33.8	1.7
BG	39.2	16.3	97.1	90.6	91.4
CZ	55.6	0.0	28.2	90.0	88.1
DK	48.4	5.0	14.8	83.6	71.8
DE	14.7	17.6		1.3	9.4
EE	88.1				
IE	70.2				
GR	9.1	20.5	0.9	0.8	0.5
ES	31.2	70.3	56.3	64.9	57.2
FR	47.0	11.5	15.4	46.2	29.2
IT	51.5	37.1	15.9	5.1	0.6
LV	63.7				
LT	84.5				
HU	56.1	44.4	41.6	90.6	82.1
NL	1.2	1.9	23.7	50.1	62.5
AT	25.2	2.8	0.6	61.0	55.4
PL	46.6	35.3	9.7	33.9	51.7
PT	13.4	10.1	2.6	49.4	69.5
RO	55.6	39.8	3.3	92.4	96.2
SI	14.3				
SK	83.8	2.4	49.2	97.1	97.1
FI	50.4	21.6	5.7	0.1	46.7
SE	6.0	7.6	16.9	70.7	71.3
UK	16.2	0.3	1.7	57.5	65.3

Notes: 1. Data for FR exclude the Overseas Departments. 2. Business R&D data in BG are for 2008 and in GR are for 2007; Total R&D data in GR are for 2005; Human resources in science & technology data in FI are for 2008. 3. There are no data for CY, LU or MT and no GDP per capita data for NO or CH. 4. Correlation is measured by the coefficient of determination (R-squared) which shows the percentage of variation of GDP per capita that can be attributed to variations in the reported indicators. 5. For the accessibility index, see K. Spiekermann, M. Wegener et al. (2011) *Transport accessibility at regional/local scale and patterns in Europe (TRACC)*, Report to ESPON, Dortmund.

Source: EPRC calculations based on Eurostat data and accessibility index data from © ESPON 2006.

Table A16: Regional dispersion of GDP per capita and household disposable income per capita (NUTS 2, coefficient of variation)

	GDP per capita (PPS)				Household disposable income per capita (PPS)			
	1995-1999	2000-2004	2005-2008	2009	1995-1999	2000-2004	2005-2008	2009
BE	0.366	0.366	0.343	0.335	0.100	0.105	0.100	0.099
BU	0.184	0.218	0.312	0.377		0.111	0.165	0.205
CZ	0.298	0.394	0.426	0.428	0.092	0.132	0.131	0.112
DK	0.150	0.149	0.155	0.155		0.034	0.026	0.025
DE	0.225	0.228	0.215	0.204	0.110	0.105	0.111	0.103
EL	0.181	0.138	0.173	0.179	0.157	0.154	0.107	0.095
ES	0.201	0.198	0.183	0.184	0.154	0.162	0.163	0.164
FR	0.152	0.157	0.164	0.175	0.072	0.075	0.065	0.066
IT			0.239	0.237	0.222	0.202	0.190	
HU			0.339	0.348		0.195	0.136	0.073
NL	0.152	0.156	0.168	0.168	0.049	0.060	0.067	0.078
AT			0.180	0.178	0.066	0.048	0.027	0.026
PL	0.170	0.198	0.213	0.218	0.121	0.130	0.124	0.132
PT	0.195	0.206	0.219	0.220	0.125	0.135	0.139	0.125
RO	0.234	0.394	0.482	0.516	0.105	0.204	0.322	0.340
SK	0.563	0.605	0.674	0.721	0.191	0.246	0.281	0.290
FI	0.210	0.230	0.190	0.251	0.124	0.144	0.089	0.107
SE	0.156	0.159	0.160	0.190	0.072	0.077	0.065	0.076
UK		0.322	0.346	0.381		0.125	0.134	0.136

Source: EPRC calculations based on Eurostat data.

Table A17: Government gross fixed capital formation as a percentage of GDP

	1995-1999	2000-2004	2005-2009	2010	2011e	2012f
EU27	2.4	2.4	2.6	2.7	2.5	2.4
BE	1.8	1.7	1.6	1.6	1.7	1.8
BG	2.1	3.2	4.6	4.6	3.2	3.3
CZ	4.1	4.1	4.5	4.3	3.6	3.7
DK	1.8	1.8	1.9	2.1	2.1	2.4
DE	2.0	1.7	1.5	1.6	1.6	1.5
EE	4.6	4.3	4.8	3.9	4.2	5.5
IE	2.6	3.7	4.2	3.9	3.3	2.7
GR	3.0	3.5	3.3	2.2	1.6	2.5
ES	3.3	3.4	4.0	3.8	2.8	1.9
FR	3.0	3.0	3.3	3.1	3.1	3.1
IT	2.2	2.3	2.4	2.1	2.0	1.8
CY	3.1	3.3	3.3	3.8	3.4	3.1
LV	1.7	1.8	4.5	3.7	4.2	4.2
LT	2.6	2.8	4.3	4.6	4.2	4.3
LU	4.1	4.4	3.7	4.0	4.0	3.9
HU	2.0	3.8	3.6	3.4	2.9	4.4
MT	3.8	4.0	3.4	2.2	2.5	2.6
NL	3.1	3.3	3.4	3.6	3.5	3.5
AT	2.3	1.3	1.1	1.1	1.0	1.0
PL	3.6	3.2	4.3	5.6	5.8	5.6
PT	4.6	4.1	3.0	3.6	2.6	2.0
RO	2.8	3.2	5.5	5.7	5.2	5.5
SI	3.1	3.2	4.0	4.3	3.6	3.2
SK	3.7	2.8	2.1	2.6	2.3	2.1
FI	2.8	2.6	2.5	2.5	2.5	2.5
SE	3.3	2.9	3.2	3.5	3.4	3.5
UK	1.5	1.5	1.9	2.5	2.2	2.2
NO	3.3	2.8	3.1	3.2	3.2	3.1
CH	2.8	2.5	2.0	2.0	2.1	2.2

Source: Ameco.