



**Preparing for the Next Policy Phase:
A Comparative Overview of
Recent Regional Policy Developments**

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Douglas Yuill

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European Policies Research Centre
University of Strathclyde
40 George Street
Glasgow G1 1QE
Tel: +44-141-548-3222
Fax: +44-141-548-4898
e-mail: douglas.yuill@strath.ac.uk



PREFACE

This overview of recent regional policy developments in the EU Member States and Norway focuses on the period from the start of 2004. The paper has been 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 regional and competition policies.

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The paper has been drafted by Professor Douglas Yuill. It draws on country-specific research contributed by the following research team (all EPRC unless indicated)

- Tobias Gross (Austria)
- Sara Davies (Germany)
- Frederike Gross (Belgium, France, Luxembourg)
- Henrik Halkier, Ålborg University (Denmark)
- Douglas Yuill (Finland, the Netherlands)
- George Petrakos, Yannis Psycharis, both University of Thessaly (Greece)
- Irene McMaster (Ireland)
- Laura Polverari (Italy)
- Nina Celina Quiogue (Norway, Sweden)
- Carlos Méndez (Portugal, Spain)
- Martin Ferry (UK)
- Irene McMaster (New Member States)

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1. INTRODUCTION

This overview of recent developments in the field of regional policy aims to provide a comparative review and assessment of policy change in the countries of the EU and Norway from the start of 2004 until mid-2005. The overview is primarily based on detailed and structured reviews which have been prepared on each of the EU15 Member States and Norway.¹ However, where relevant, use has also been made of comparative material produced for the Benchmarking Regional Policy in Europe conference, held in Riga in April 2005.² This allows the analysis in respect of the main themes addressed to be extended to the new Member States.

The present policy phase is an interesting one. On the one hand, the current period of operation of the two main EU frameworks which impact on domestic regional policies - the Structural Funds and the Regional Aid Guidelines - is drawing to a close and considerable progress has been made in mapping out the main policy parameters for the 2007-13 period. On the other hand, there still remain major uncertainties about policy futures, the more so following the lack of agreement on the EU budget last June. At present, it remains unclear what funding will be available for regional policy post 2006, what forms of policy will be permitted under the Regional Aid Guidelines and/or co-financed under the Structural Funds, which areas will be eligible for support and in respect of which activities. At the same time, the period under study has been one of substantial policy review and change. At one level, policy review has been inevitable as countries begin to make preparations for the next EU programming period. However, in addition, there have been a number of important domestic developments, including major new regional policy White Papers in the Netherlands and Norway and a new Business Development Act in Denmark, new regional incentive legislation/regulations in Belgium, France, Greece, Portugal and Sweden, the conclusions of an important review of the framework for regional policy in Germany, and new pronouncements on future policy developments in Finland, Luxembourg, Portugal and Spain following the election of new governments. In addition, recent policy initiatives in France, Portugal, Sweden and the United Kingdom have carried forward new policy directions introduced by legislation and reviews over the 2001-03 period.

This overview is in six sections. Following this introduction, Section 2 discusses changing perceptions of the regional problem, in particular the shift from a focus on narrowly-defined disadvantaged areas to a broader approach built around the need to improve the contribution of all regions to national growth and competitiveness. Section 3 then considers the policy response, as highlighted in the country reports. It first reviews developments on a country-by-country basis before drawing out the main comparative themes. Section 4

¹ Yuill D (editor) *A Country-by-Country Review of Recent Regional Policy Developments in the Member States and Norway: Changes in 2004-05*, EoRPA Paper 05/2, European Policies Research Centre, University of Strathclyde, September 2005

² European Policies Research Centre, *Benchmarking Regional Policy in Europe*, Second International Conference, Riga, 24-26 April 2005. The conference papers are accessible via the EoRPA website.

looks in more detail at the different components of regional policy. Building on the taxonomy of regional policy measures which has been developed in recent EoRPA reports, it discusses four main types of policy instrument: regional aid schemes, support for the business environment, regional programmes and strategy development, and other spatial policy initiatives. For each, a comparative overview is provided, together with a more detailed analysis of recent policy changes. Section 5 then highlights the key administrative developments, setting them in the context of longer-term administrative trends (especially moves in recent years to introduce more decentralisation and associated efforts to ensure that policy is appropriately coordinated). Finally, Section 6 draws together the main conclusions and raises a number of issues for discussion.

2. PERCEPTIONS OF THE REGIONAL PROBLEM

A summary overview of regional problems by country within the EU is provided in Table 2.1. The EU15 countries divide into four broad groups (discussed in the next four sections). First, there are those where the perceived problem is essentially national, with national GDP per head well below the EU25 average - Greece, Portugal and Spain. Second, there are two countries facing major internal disparities - Germany, with a clear distinction between the old and the new *Länder*, and Italy, with its long-standing north-south divide. Third, there are the Nordic Member States in which large areas are experiencing long-term disadvantages due to their location, climate and fragile settlement structures - Finland and Sweden (with Norway obviously also in the same group). According to the measures of disparity in Table 2.1 (and used by the EU), the remaining EU15 countries face only limited regional problems. They can be divided into two sub-groups: those where the perception is that there is no longer a regional problem associated with disadvantaged areas; and those where it is felt that there are still area-specific issues but that these are not reflected in the broad-brush measures of disparity used for EU policy purposes. The penultimate section discusses how the regional problem is perceived in the new Member States, while a final section highlights the main points to emerge.

2.1 The Cohesion countries

Considering, first, the three Cohesion countries within the EU15 (Greece, Portugal and Spain), a summary overview of their perceptions of the regional problem (drawn from the country reports) is provided in Table 2.2, alongside the other EU15 Member States and Norway. In *Greece*, there is clear recognition that disparities with the rest of the EU are significant, reflecting the country's peripheral position with respect to core EU markets, its difficult border conditions and its highly fragmented physical and economic space. In response, the main policy focus (see, for instance, the new Development Law 3299/2004 of December 2004) is on improving the competitiveness and attractiveness of Greece as an investment location, with support targeting strategic innovative sectors more than the development of lagging regions. On the other hand, internally, the dominant position of Athens and Thessaloniki is an issue, the more so given the volume of public investment in Athens due to the Olympic Games. There is, moreover, a view that internal disparities are not appropriately reflected in EU data (especially GDP per head) since the NUTS II boundaries downplay the role of Athens in the Greek economy.

Table 2.1: Regional disparities in the EU Member States

	Population coverage post 2006? (% of population)					
	Convergence GDP (PPS)<75% EU25	Statistical effect GDP (PPS)<75%EU15	Economic growth areas	Sparse population NUTSIII<12.5 per km²		
EU25	27.7	3.6	3.6	0.41		
EU15	15.0	4.3	3.5	0.49		
Austria		3.4				
Belgium		12.4				
Denmark						
Finland			13.0	10.71		
France	2.7					
Germany	12.5	6.1				
Greece	36.6	55.5	7.8			
Ireland			26.5			
Italy	29.2	1.0	2.9			
Luxembourg						
Netherlands						
Portugal	70.1	3.8				
Spain	36.0	5.9	16.3	0.34		
Sweden				13.04		
UK	4.0	0.6	4.4			
NMS10	92.9		3.8			
Czech Rep	88.6					
Estonia	100.0					
Cyprus						
Latvia	100.0					
Lithuania	100.0					
Hungary	72.2		27.8			
Malta	100.0					
Poland	100.0					
Slovenia	100.0					
Slovakia	88.9					
	GDP (PPS) per head 2000-02 (EU25=100)		Unemployment rates 2001-03 (EU25=100)		Population density	
EU15	National GDP per head	Population coverage NUTSIII<85% (% of nat'l)	National unemploy- ment	Population coverage NUTSIII>115% (% of nat'l)	National average	Population density<12.5 per km² (% of nat'l)
Austria	123.0	40.8	43.7	20.5	96.0	0.0
Belgium	116.9	42.2	82.6	32.3	338.6	0.0
Denmark	125.1	31.4	54.1	35.7	124.7	0.0
Finland	114.0	33.8	100.7	39.5	17.1	18.8
France	113.8	40.5	102.2	19.0	109.4	0.3
Germany	110.1	43.5	97.0	24.4	231.0	0.0
Greece	74.6	23.0	110.4	n.a.	83.5	0.2
Ireland	129.6	47.9	49.3	21.9	55.7	0.0
Italy	110.4	36.2	100.7	35.1	189.7	0.0
Luxembourg	214.6	0.0	30.0	0.0	172.5	0.0
Netherlands	122.6	28.3	32.6	19.3	476.7	0.0
Portugal	77.0	45.5	56.7	n.a.	112.8	0.0
Spain	92.9	35.5	123.0	23.8	81.6	1.0
Sweden	116.9	17.1	57.8	29.3	21.7	13.0
UK	115.6	47.4	55.9	33.1	243.3	0.4

Source: For top half of the table, see EoRPA Paper 05/3, Figure 3 (see also notes to that figure). Bottom of the table calculated from Eurostat data.

In *Portugal*, the history of regional policy is intertwined with the Structural Funds. The economic development focus is on the coastal strip between Lisbon and Oporto (where population is concentrated), with Lisbon the main motor of the economy; indeed, the relative prosperity of Lisbon led to a revision of the NUTS II classification in 2002 which drew the NUTS II borders more tightly around the capital. The main policy stress is on improving competitiveness and productivity at the national level, with only a limited acknowledgement of regional issues. Interestingly, though, specific regional measures have recently been introduced to target unemployment and underinvestment in six depressed areas. This followed a detailed analysis of the nature and extent of the regional problem which showed that the traditional coastal/interior dichotomy was too simplistic. The six designated regions are both on the coast and in the interior. They suffer from acute disadvantages linked mainly to population decline and agricultural dependence but in some areas also involving industrial restructuring.

In *Spain*, the national approach to regional development is similarly embedded in the Structural Funds framework, while also being underpinned by the constitutional commitment to balanced development. Although regional labour market disparities have been marked and persistent, national regional policy is relatively low-key, reflecting the highly decentralised nature of policymaking and the key economic development role of regional governments. In line with this, territorial governance is perhaps the most pressing issue on the current political agenda. At the national level, the economic development focus is sectoral rather than regional, with a particular emphasis on the competitiveness agenda and boosting productivity. The new (March 2004) government has introduced a number of broader initiatives which impact on economic development in the regions - in particular, a programme for competitiveness, a new innovation programme and a major long-term infrastructure strategy.

2.2 Germany and Italy

In *Germany*, the core regional problem is the major structural economic disparity between the old and the new *Länder*, as reflected in levels of GDP per head, labour productivity and unemployment rates. While there are different gradations of problem within both the east and the west, the fundamental structural weaknesses of the new *Länder* remain the key regional concern. The traditional rationale for regional policy is to provide support to structurally-weak regions to help them overcome their locational disadvantages and take part in broader development processes. This remains the regional policy focus. However, recent years have seen some questioning of traditional approaches. Responding to concerns about the broader effectiveness of policy for the new *Länder*, in September 2004 the federal level (*Bund*) called for a new strategic approach which will see public investment in the new *Länder* targeted more at existing sectoral and regional strengths with a view to stimulating innovation and economic growth.

Table 2.2: Current perceptions of the regional problem in the EU15 and Norway

Austria	Regional disparities are limited though increasing nationally. Enlargement has raised the profile of border issues; the relationship of urban areas to their hinterlands is also a concern. Limited disparities mean less interest in micro-zones, more in a broader policy approach. This fits with traditional concerns with regional problems (issues) rather than problem regions (maps).
Belgium	Flanders is generally prosperous but has some issues relating to old mining areas, inner cities and suburbanisation. The focus has shifted over time from employment concerns to innovation potential and FDI. Wallonia has significant internal disparities, reflecting the need for industrial restructuring and low GDP/head in rural areas as well as broader concerns with skill levels.
Denmark	Standard regional disparities are very limited but regional differences remain with respect to the regional competitiveness index and work-related income. The main focus is on maximising regional contributions to national growth but there is some preferential treatment for peripheral areas facing population decline and limited opportunities for economic development.
Finland	Globalisation, EU integration/enlargement, international competitiveness factors and the move to innovation-driven growth have shifted the policy focus towards creating the pre-conditions for regional economic growth. However, traditional problems remain in the north and east (sparse population, out-migration, fragile settlement structures) and in areas faced by de-localisation.
France	Disparities in household incomes have been falling while disparities in wealth creation have been widening, shifting the policy focus from regional problems (industrial restructuring, urban development, rural issues) to the contribution of regions to national growth. The new global perspective stresses competitiveness/territorial attractiveness but in the context of solidarity.
Germany	The core problem is the structural disparity between old and new <i>Länder</i> in terms of GDP/head, labour productivity and unemployment. Policy aims to help structurally-weak regions overcome their locational disadvantages and take part in broader development processes. Since Sept 2004, the <i>Bund</i> has targeted public investment in the new <i>Länder</i> at sectoral and regional strengths.
Greece	Disparities with the rest of EU15 and internally are significant due to Greece's peripheral position regarding EU markets, its fragmented economic and physical space and the unbalanced regional distribution of its population and activities. Although regional GDP/head disparities are modest in EU terms, other measures of internal disparity show significant differences.
Ireland	Over the past decade, national GDP/head converged with and then significantly exceeded the EU average. Post 2000, regional issues increased in profile (reflecting national catch-up with the EU, more pronounced internal disparities (due mainly to rapid growth in Dublin) and new regional authorities. More recently, the policy focus has been on R&D, innovation and competitiveness.
Italy	North-south dualism, reflected across a wide spectrum of indicators, is the key reason for public intervention in the regions. There is a renewed policy focus on the competitiveness of the <i>Mezzogiorno</i> (south), due to the fact that it is not catching up despite recent improvements to its institutional capacity. A related aim is to align policy with the Lisbon/Gothenburg objectives.
Luxembourg	Given the country's size and location, the policy focus is on border issues and promoting international competitiveness, including the attraction of FDI. The regional problem, such as it is, is traditionally associated with steel restructuring in the south and fragile agricultural areas in the north. There is also a concern to increase the level of economic diversification.
Netherlands	Regional disparities are limited and have remained fairly constant (suggesting that traditional approaches may lack impact). Moreover, public service provision is uniform across the country and all regions are now thought to have growth potential. As a result, policy choices now aim to maximise the potential contribution made to national economic development.
Portugal	The focus is on improving national competitiveness, with Lisbon as the engine for growth. The regional problem is subsidiary, though the PRASD programme has been introduced to address unemployment and underinvestment in certain areas/sectors. Six depressed regions have been designated; their acute disadvantages are linked to population decline/agricultural dependence.
Spain	The national approach to regional development is firmly embedded in the Structural Funds framework, bearing in mind, too, the constitutional commitment to balanced development. Regional labour market disparities are marked and persistent (reflecting low internal migration flows). Nationally, there is a stress on the competitiveness agenda and boosting productivity.
Sweden	The emphasis is on the stimulation of growth and productivity (with a focus on regional potential and an all-country approach). However, demographic issues remain key (population ageing, sparsely-populated areas, depopulation). The concern is to maintain attractive living areas with good levels of service provision everywhere. Some areas also face problems of industrial decline.
UK	Basic patterns of regional differentiation seem entrenched, but with increasing variations within regions. The policy approach is driven by the perception that productivity and employment differentials are the key obstacles to regional and national growth. Policy targets the five productivity drivers (skills, innovation, investment, competition, enterprise) in all regions.
Norway	The main regional challenges concern sparse population and peripheral areas with accessibility problems. The concentration of population in urban areas is also an issue, as are problems with industrial structure. Globalisation has led to a new goal: that all parts of the country should have the chance to exploit their growth potential, with city areas as important development motors.

In *Italy*, the north-south divide, as reflected across a range of indicators, remains a prominent political issue and is the prime justification for regional policy. Despite long-standing efforts to reduce the underlying dualism in the economy, including recent attempts to strengthen the institutional capacity of the *Mezzogiorno* (south), the position of the *Mezzogiorno* has not improved as rapidly as anticipated. This has caused policy to focus anew on the *Mezzogiorno*, the reasons for its relative poor performance and how its competitiveness might best be improved. A *Mezzogiorno* strategy document is currently in preparation. At the same time, related policy goals involve aligning national and EU approaches more closely and ensuring the strategic coherence of economic development policy with the Lisbon and Gothenburg objectives.

2.3 The Nordic countries

In *Finland*, traditional regional problems remain significant in the north and east due to distance from markets, sparse population, out-migration and associated fragile settlement structures. There are also ongoing concerns about the lack of diversity in industrial structures in some areas (and the related dangers posed by de-localisation and enhanced international competition) and about the impact of ageing on regional development. Nevertheless, from a position where traditional issues of territorial balance and service provision lay at the heart of policy, the focus has moved, in recent years, towards enhancing regional competitiveness across the country, taking particular account of the role of urban centres and the need to tailor policy to the demands of different regions. This new policy emphasis reflects the pressures of globalisation, the demands of EU integration and enlargement and the associated importance of innovation-driven rather than investment-driven growth. Policy no longer solely focuses on narrowly-defined traditional problem regions but is now particularly concerned with enhancing the conditions for economic growth in all regions.

In *Sweden*, concerns about both regional and national growth performance led to the current regional policy stress on stimulating growth and competitiveness throughout the country. The key policy objective is to promote the growth potential of all regions. At the same time, demographic factors remain a major regional issue. Population ageing, sparsely-populated areas and ongoing depopulation in the north continue to be high on the policy agenda. The expectation is that, apart from the major urban centres and university towns, most regions will continue to lose population, raising questions about maintaining attractive living conditions and good levels of service provision in all parts of the country. In addition, some smaller areas dependent on single industries are experiencing disadvantageous labour market conditions due to industrial decline and there are also acute social problems in some urban areas. While these different aspects of the regional problem are well recognised, the core of the problem is now perceived to involve the encouragement of regional potential: that is, ensuring that all regions, each with its own set of specific problems, can contribute to national growth to the maximum extent possible.

In *Norway*, the new regional policy White Paper takes a different view of the regional problem from past approaches. Traditionally, regional policy has been a response to the inherent disadvantages associated with sparse population, accessibility difficulties, depopulation and, in some centres, over-concentrated industrial structures. Whilst

recognising the continuing importance of these traditional concerns, the White Paper takes a broader view. It analyses the problem in terms of the fall in employment in the primary sector and in industries open to international competition, the move towards service sector (and more highly-skilled) employment and the associated concentration of population growth in the largest cities (especially Oslo). Bearing in mind also the broader challenges of globalisation and international competition, the White Paper places the policy spotlight on innovation, growth and the need for an all-country perspective adapted to the different needs of different regions. No longer is the regional problem perceived solely in terms of settlement patterns, though these remain a core concern; instead, it is also about ensuring that all parts of the country are in a position to exploit their growth potential.

2.4 Countries with limited disparities

In the remaining EU15 countries, regional disparities are more limited. Rather than consider this group simply as a large and diverse range of countries, the two sections which follow divide them into those where policy still recognises spatially-defined problems associated with disadvantaged areas and those which instead tend to take a country-wide approach to the promotion of regional development.

2.4.1 Countries with an explicit area-specific focus

In *Denmark*, it is recognised that regional disparities are low by international standards and, indeed, the aim of policy is to maintain the country's "leading position within Europe as one of the countries with the smallest differences between regions".³ At the same time, regional differences continue to be seen, especially when more sophisticated measures of disparity are used - for instance, a synthetic regional competitiveness index or measures of sub-regional disparity which omit welfare-related transfers (for instance, work-based income). Such analyses underpin a dual perception of the regional problem made explicit in the 2003 White Paper. On the one hand, the main focus of policy is to maximise the contribution of every region to national growth (this has been the key regional policy objective since the early 1990s) but, on the other, there is preferential treatment for peripheral areas not benefiting from growth impulses. Related, it is interesting that, as part of a move to reorganise the system of regions and municipalities, intensive work is being undertaken to improve the information basis for regional development. Instead of having to rely on traditional regional breakdowns of official statistics, a more sophisticated approach is being developed, involving regional modelling and the provision of tailor-made regional indicators to reflect six key policy areas highlighted in the new Business Development Act (see below).

In *France*, a major reorientation of regional policy was announced at the end of 2002. This recognised the new context for regional development which had arisen from pressures associated with EU enlargement, internationalisation and decentralisation. Importantly, though, the new approach continued to stress the role of the state in correcting regional

³ Regeringen (2003) *Den regionale vækststrategi*, København: Økonomi- og erhvervsministeriet; for an English version of this White Paper, see www.oem.dk/publication/growth/strategy.pdf, page 55

inequalities and in guaranteeing territorial coherence and social cohesion in an increasingly decentralised system. In analysing the regional problem, the 2002 review noted that disparities in household income were narrowing while disparities in wealth creation were widening. This meant that, alongside the traditional regional problems (linked to the dominance of Paris, the perceived lack of cities of European stature, rural depopulation, industrial restructuring, and urban problems associated with issues of social exclusion), there were also seen to be disparities in the contribution made by different regions to national growth. Given also the new global perspective for policy and the fact that regions and other territorial entities (especially cities) had become better placed to promote development, the policy stress shifted towards developing regional competitiveness and territorial attractiveness, albeit within the context of the (state-guaranteed) goal of solidarity across space. As a result, support for growth poles and metropolitan areas to stimulate wealth creation has been complemented by measures which respond to the needs of “sensitive” areas (including zones of industrial restructuring and rural areas).

In the *United Kingdom*, recent research into the evolution of regional disparities shows that the basic pattern of regional differentiation is entrenched. London, the South East and Eastern England occupy the top positions on a range of indicators while Yorkshire and the Humber, Northern Ireland, Wales and North East England bring up the rear. At the same time, there is evidence of growing variation *within* regions, with sub-regional pockets of prosperity and decline in close proximity. This has raised questions as to whether regional policy initiatives should reflect administrative boundaries or be driven by spatial patterns of economic development; the latter approach places more emphasis on the sub-regional level (including urban areas). The regional development strategy in the UK is based on three key strands: macroeconomic stability, microeconomic reform (leading to productivity improvements) and a policy framework of devolution and decentralisation (empowering regions to deliver locally-led policies while remaining centrally accountable). The overall approach is underpinned by the desire for all parts of the UK to achieve their full potential in order to maximise national economic performance. Efforts to enhance regional productivity are thus at the centre of the policy agenda. The aim is to improve regional performance against five ‘drivers of productivity’ (skills, investment, infrastructure, enterprise and competition) whilst developing the evidence base to track progress. As well as this stress on regional growth, there is a commitment to equity in the form of a long-term goal to reduce the persistent gap in growth rates between the regions.

In *Belgium*, Flanders and Wallonia face largely different regional problems (though there are common issues related to business burdens, low levels of entrepreneurship and limited space for economic development) and operate wholly distinct regional policies. Flanders is relatively prosperous in an EU context, though some old mining areas face high levels of unemployment and some major cities have inner city problems and concerns about suburbanisation. Reflecting its improving situation, the policy emphasis has shifted from an employment focus in the early 1990s to current attempts to build on the innovation potential in the regions and promote FDI. Wallonia has a much lower level of prosperity as well as quite significant disparities between its constituent provinces. Hainaut, for instance, qualifies as a statistical effect region for the 2007-13 period. The main problems relate to industrial restructuring and the low levels of GDP per head in the rural areas

which make up more than half the territory. As a result, Wallonia places more stress on equity concerns and on the spatial orientation of policy.

2.4.2 Countries with a limited or no area-specific focus

While it might be misleading to classify the remaining EU15 countries as having absolutely no regional policy component which targets disadvantaged areas, it is certainly true that the stress placed on map-based policymaking (focusing on areas of disadvantage) is much less than in other Member States.

In *Austria*, not only are spatial disparities limited (though they have recently been increasing domestically), but spatially-targeted regional policy has always had a low profile. Indeed, many would argue that map-based policymaking is part of the regional policy portfolio mainly because of EU policy frameworks (especially the Structural Funds). Certainly, from a domestic perspective, the traditional focus has been on regional problems rather than problem regions. This also seems likely in future given the already-noted reduction in socio-economic disparities and the move away from micro-zoning under the Structural Funds. The main problems in the next policy period are expected to relate to border issues (given enlargement) and the relationship of urban centres to their hinterlands, though there are also some concerns about the Weinviertel in Lower Austria which is losing ground. More generally, a continuation of the current policy stress on R&D and innovation in the regions seems likely, with more funding flowing to areas with a high potential for growth and innovation (eg Styria).

In *Luxembourg*, regional problems have never had a high profile for obvious reasons. Indeed, the whole country was eligible for investment support until 1993 when pressures from DG Competition led to a growing number of areas being excluded from eligibility for large-firm investment aid. For the most part, the country's size and location have meant that the policy focus has been on border issues and on promoting international competitiveness (including the attraction of FDI), although economic diversification has also been a policy goal. To the extent that policy has a regional dimension, it is primarily associated with the need to restructure the steel industry in the south.

In *the Netherlands*, differentials between the traditional problem region, the north (the provinces of Groningen, Drenthe and Friesland), and the rest of the country are relatively limited and have remained fairly constant over the past decade. The 2004 Policy Memorandum/White Paper concluded that "this relatively modest prosperity gap is linked to differences in age composition, education, labour participation and unemployment [and that] these factors are difficult to influence through policy".⁴ Since, in addition, the basic quality of public service provision in the north is on a par with that elsewhere in the Netherlands and since the growth potential of the north is believed to be considerable

⁴ Ministry of Economic Affairs, *Peaks in the Delta: Regional Economic Perspective*, The Hague, July 2004 (Ministerie van Economische Zaken, *Pieken in de Delta: Gebiedsgerichte Economische Perspectieven*, The Hague, July 2004), Section 1.3. This policy memorandum is available in English at <http://appz.ez.nl/publicaties/pdfs/04l26.pdf>

(with growth in the 1990s similar to the rest of the country), the Policy Memorandum argued that national regional policy resources should no longer be targeted at the north but should be allocated to specific projects and areas on the basis of their potential contribution to national economic development. In other words, the policy focus should not be on disadvantaged areas but on areas of development potential. Parliament agreed, albeit with some transitional provisions in favour of the north until 2010.

Finally, in *Ireland*, there have been some interesting changes in perspective over the past decade. When the country fell within the Cohesion policy grouping, the focus was very much on national growth and development, aiming to close the national prosperity gap with the EU. Then, over the 2000-06 period, an explicit regional dimension entered into policymaking via the National Development Plan and the related National Spatial Strategy. In part, this reflected the fact that the national development gap had been closed (allowing more weight to be given to regional issues). In part, it was due to more pronounced regional disparities, not least between the rapidly-growing (indeed, overheating) Dublin area and the Border, Midland and Western region. And in part it was because of the establishment of new regional authorities in response to the regional division of the country for EU funding purposes. More recently, views on the regional development challenge have been entering a new stage. The loss of substantial Cohesion funding post 2006 and limited eligibility under future Regional Aid Guidelines are expected to impact markedly on regional development resources. With government policy increasingly focused on the promotion of innovation, R&D and competitiveness, there must be questions about the future regional orientation of Irish economic development policy.

2.5 The new Member States⁵

For comparative purposes, an overview of current perceptions of the regional problem in the EU12 countries is provided in Table 2.3. A number of common themes emerge. First, in most countries, regional disparities are either significant and/or on the rise, a reflection of the fact that it is the most wealthy and dynamic areas which tend to be growing fastest. Notwithstanding this, the main policy focus is on reducing the *national* development gap with the EU average. While regional disparities are growing, equity concerns are nearly everywhere secondary to the desire to stimulate national growth and development. Second, the same basic concerns permeate discussions of the regional problem in most countries: the growing divide between capital cities (and, in some countries, large urban centres more generally) and the rest of the country; the problem of rural areas dependent on often outdated agricultural structures and suffering from out-migration and related demographic problems; and the decline of traditional industries, with high levels of unemployment resulting from structural changes brought on by globalisation and transition to a market economy. In geographical terms, these features are often reflected in a growing east-west divide, with western areas generally benefiting from easier access to markets while, in the

⁵ This section is drawn directly from Yuill D and Quogue N, "Spatial targeting under EU and national regional policies", Conference Discussion Paper No. 6, in European Policies Research Centre, *Benchmarking Regional Policy in Europe*, Second International Conference, Riga, 24-26 April 2005.

east, there are often very poor rural areas, with low-level infrastructure, uncompetitive structures, sparse and poorly qualified labour and fragmented agriculture. Finally, there are common concerns about levels of infrastructure provision and about often significant demographic challenges (rural-urban migration, population ageing, rural depopulation and associated pressures on settlement structures).

Table 2.3: Current perceptions of the regional problem within EU12

Czech Republic	Previously minor regional disparities have begun to increase. The north-eastern and eastern parts of the country lag behind; and Moravia-Silesia and North-West Bohemia have considerable structural problems and high unemployment. Also, rural areas face particular difficulties; and there is a polarisation between Prague and other regions.
Estonia	Inequalities have increased with transition to a market economy. Soviet-period agricultural and industrial areas suffer from high unemployment, infrastructure degradation and social problems. There is a polarisation between Tallinn and the rest of the country, with concerns about over-concentration on the capital. Demographic challenges/poor labour force skills remain major issues.
Cyprus	Economic development over the past two decades has favoured the urban centres and coastal areas at the expense of rural areas. Coastal areas were able to exploit the boom in tourism and the urban centres also profited from the expansion of service sector activities. By contrast, rural areas have suffered from economic out-migration and population ageing.
Latvia	Disparities between eastern Latvia and the rest of the country, between urban and rural areas, and between Riga (where economic activity is concentrated) and the rest of the country. High unemployment remains in the east, south-east and south-west. High unemployment in rural areas has led to rural-urban migration and contributed to poor demographic structures in rural regions.
Lithuania	Regional disparities have continued to grow, especially between urban and rural regions and between the largest cities and the rest of the country. Rural areas in particular suffer from poorly developed infrastructure, low levels of income and agricultural decline. Regional disparities are likely to continue to increase with ongoing agricultural and industrial restructuring.
Hungary	Disparities increased in the 1990s due to historical trends and the impact of the reform process. The two main patterns of disparity are between Budapest and the rest of the country and the east-west divide, with more easterly regions tending to have uncompetitive structures (heavy industry, agriculture) and less access to markets.
Malta	Malta comprises three islands, so there is not much of a 'regional' problem. The economy is heavily dependent on tourism. Core challenges of traditional production sectors, like shipbuilding, are restructuring and improving competitiveness. Spatial targeted interventions focus on the island of Gozo due to its relatively low economic activity compared to the other two islands.
Poland	There is increasing regional/sub-regional differentiation: the best performing areas grow fastest. Warsaw is dominant, but most large centres are doing well (Kraków, Poznań, Wrocław, Łódź), as is the west. The key problem is the 'eastern wall', very poor rural areas, mainly in the east and north, with poor infrastructure, sparse and poorly-qualified labour and fragmented agriculture.
Slovenia	Internal disparities are significant. The 2001-06 NDP distinguishes between areas which are economically weak, those witnessing depopulation, industrial areas with structural problems and border and other areas with limited development potential. Historically, the focus has been on demographically-endangered areas suffering de-population.
Slovak Republic	Despite rapid growth, regional disparities remain very significant, reflecting both historical factors and the impact of structural change. Disparities reflect: the dominance of the capital; an increasing east-west divide; stronger economic development in urban areas; and a number of highly-disadvantaged rural areas, mostly in the south and east.
Bulgaria	Regions close to large cities (especially Sofia but there are other key regional centres) have the highest development levels. GDP per head differences are small (24-26 percent of EU25 average) except for the Sofia region (40 percent). Poor areas are in border regions or peripheral to large centres. Long-term challenges are demographic (depopulation, ageing, settlement structures)
Romania	Regional disparities are increasing, not least due to the growth of Bucharest. Growth dynamics have followed an east-west pattern. Western/central areas benefit from proximity to markets and a lower agricultural dependence. Other concerns are: the underdeveloped north-east and south; urban decline in small/medium-sized towns and industrial restructuring in mono-industry towns.

Source: Yuill D and Quiogue N, *Spatial targeting under EU and national regional policies*, Conference Discussion Paper No. 6, Benchmarking Regional Policy in Europe Conference, Riga, 24-26 April 2005.

Set against these common themes, there are obviously also significant differences between the countries in Table 2.3 in terms of the nature and severity of the regional problem and, related, the emphasis placed on regional development issues. For instance, it is clear that the challenges facing the island economies of Cyprus and Malta, with GDP per head of 84 percent and 73 percent of the EU25 average, are completely different from those of Bulgaria and Romania, both with GDP per head of less than 30 percent of the EU25 average. The history, size and location of the Baltic states similarly distinguishes their perceptions of the regional problem, as does their generally low levels of national economic development (between 39 percent and 47 percent of EU25 GDP per head). In Poland, too, the importance of national development is obvious (current GDP per head is 46 percent of the EU25 average); however, at the same time, the need to build on the emerging regional units of self government and to keep regional disparities within politically acceptable bounds is well recognised. In the Slovak Republic, Hungary and the Czech Republic, the dominance of their capital city regions is the clear distinguishing feature. Finally, in Slovenia, regional problems have traditionally been given considerable weight, especially the difficulties facing ‘demographically-endangered areas’ in the highlands and on the periphery.

2.6 Conclusions

Within the EU15 and Norway, the main policy weight is now attached to the need to improve national growth and competitiveness by enhancing the potential for development in *all* regions. The regional problem is no longer seen solely or even mainly in terms of the particular disadvantages facing certain (narrowly-defined) regions. Instead, the analysis of the problem is nearly everywhere couched in terms of the globalisation challenge, increased international competition, and an associated need to ensure that all regions are in a position to maximise their contribution to national growth and development. This reflects the increasing conceptual emphasis on enhancing endogenous potential and is also in tune with moves at the EU level (with respect to both Cohesion and Competition policy) to reduce the spatially-targeted component of policy and increase its thematic content, with a particular stress on innovation and competitiveness. Such an approach is seen to demand the differentiation of policymaking by region, with, in many countries, a growing weight attached to the role of urban centres in economic development. This in turn has raised questions in some about the most appropriate spatial unit within which to analyse (and also operationalise) policy and about the information and evidence base upon which policy development and evaluation should rest.

That having been said, traditional problem region concerns have not disappeared. They remain high on the policy agenda in Germany and Italy in the face of continuing significant structural disparities; and also in the Nordic countries, where the long-term challenges in the north not only have an obvious domestic profile but anyway seem much less suited to the competitiveness agenda. In addition, even in countries where regional disparities are, from an EU perspective, more limited, the political (and, thus, policy) weight attached to regional problems often remains significant. In short, while issues associated with improving regional competitiveness have permeated the regional policy agenda in all countries - and while regional policy has broadened in most to cover all regions rather than just those designated as being backward, disadvantaged or in need of industrial restructuring - there

remains a political and policy focus on traditional regional problems as well as, in the case of potential delocalisation, on the dangers of allowing new problems to develop in future.

3. THE POLICY RESPONSE

This section reviews how regional policy has responded to the changing perceptions of the regional problem. The focus is on recent policy changes, covering 2004 and the first half of 2005, though longer-term developments are obviously discussed where relevant. A summary overview of legislative changes and broader policy reviews in the EU15 and Norway since the start of 2004 is provided in Table 3.1.

It can be seen that there has been no significant regional policy change in just five countries - Austria, Ireland, Italy, Luxembourg and Spain. In all five, regional incentive legislation was introduced at the start of the 2000-06 period and will apply for the whole period. More generally, domestic regional policy in these countries is tied closely to EU Cohesion policy. Policy is currently being reviewed in the context of developing National Strategic Reference Frameworks for 2007-13 but there have been no major domestic regional policy developments since the start of 2004.

In four countries (Belgium, Greece, Portugal and Sweden), significant regional incentive changes are highlighted in the table, notwithstanding the fact that new Regional Aid Guidelines will not come into force until 2007. In Belgium, the new regional incentive laws in Flanders and Wallonia reflect pressures from DG Competition to replace national framework legislation. In Greece, the 2004 Development Law follows the election of a new government and aims to improve the competitiveness and attractiveness of the country as an investment location. In Portugal, the new aid regulations also stem from a change of government (in 2002) and the related introduction of an austerity programme and a new operational programme for the economy (the PRIME). Finally, in Sweden, the regular cycle for updating the regional aid regime has seen regional incentive policy aligned with the underlying government principle of less state aid, while also preparing the ground for the next policy phase.

Three other incentive-related developments are mentioned in the table. In France, the main regional aid, the *prime d'aménagement du territoire* (PAT), has been revised slightly with respect to the eligibility of property and also to bring the decree into line with updated EU regulations. In Germany, the tax-based *Investitionszulage*, which operates separately from the joint *Bund-Land* (GA) regional policy regime, has had its period of operation extended by two years to the end of 2006. Finally, in England, Regional Selective Assistance and Enterprise Grants were replaced in April 2004 by a new scheme, Selective Finance for Investment in England (SFIE). This follows a DTI review of business aid which both streamlined the available support and increased the extent to which it reflected the UK's productivity agenda (by shifting the focus from job creation to wealth creation, high-quality projects and skilled jobs).

Table 3.1: Recent legislative change and broader regional policy reviews (2004-05)

	Detailed incentive/policy legislation	Broader policy reviews/changes
Austria	No change. Incentive guidelines (<i>Richtlinien</i>) apply for the full 2000-06 period. The ERP loan is the sole regional investment aid.	No change. Regional policy is innovation-oriented and regionally delivered. A new Revenue Sharing Act was adopted in late 2004, but without consequences for regional policy.
Belgium	Flanders: 2003 decree on economic aids (including regional aid); Jan 2005 amendments. Wallonia: 2004 regional aid legislation. Both laws replace federal framework legislation.	Flanders: Development of the Strategic Plan for Spatial Economy, leading to an industrial estates action plan. Wallonia: Jan 2005 Future Contract following new government in July 2004
Denmark	New Business Development Act, <i>Lov om erhvervsfremme</i> , L47 of 16 June 2005. This gives the new regions in Denmark statutory responsibility for economic development.	The general thrust of regional policy remains as laid down in the May 2003 White Paper, <i>The Regional Growth Strategy</i> . A major reform of local government will come into force in 2006.
Finland	No change. The Aid to Business Act came into force on 1 January 2001. A new Act is currently in preparation.	A Government Decision (Jan 2004) set out the new government's policy targets: to reinforce regional competitiveness, safeguard the service structure, achieve a balanced regional structure
France	The main incentive legislation is <i>décret</i> 2001-312 plus two <i>arrêtes</i> of 1 June 2001. Minor changes were made in <i>décret</i> 2005-584 relating to property investment and EU regulations.	New 2002 government led to major new policy orientation (CIADT) - still being implemented. 2004 decree set up a territorial observatory; also impact of new decentralisation legislation.
Germany	Annual regional policy (GA) plan. The 34th plan was approved in March 2005 for 2005-08. New instrument for cooperation networks/clusters. Also, agreement to extend IZ in new <i>Länder</i> .	Agreement to continue regional policy GA framework. New Solidarity Pact (2005-19). Federal strategy for new <i>Länder</i> focuses public investment on sectoral and regional strengths.
Greece	Following the election of a new government, Development Law 3299/2004 was introduced in December 2004.	Broader changes include: the relocation of certain functions from Athens to Thessaloniki; a series of new sectoral spatial plans; and more bottom-up inputs to the 2007-13 CSF.
Ireland	No change. The main incentives were approved for EU state aid purposes in October 2000.	No change. The National Development Plan runs from 2000-06. The Enterprise Strategy Review Group reported in 2004, developing a forward-looking strategy for growth and employment.
Italy	Regional aid continues to be based on Law 488/1992 and 2000-02 implementation decrees. The loan component of awards has increased. Also regional-level aids increasingly important.	No change. Looking to the future, the aim is to align national and EU programming through single integrated programming. Renewed policy attention on the <i>Mezzogiorno</i> .
Luxembourg	No change. Law on Economic Development of Certain Regions of 22 December 2000 amended the form, coverage and intensity of regional aid (in line with the EU Regional Aid Guidelines).	No change. To counter the steel run-down, two new innovation-oriented industrial sites are being developed. Also, the country's administrative structure is under review.
Netherlands	No change since Regional Investment Project Grants Decree 2000 (Statute Book 22.08.2000, 354)	IBO policy review plus new Policy Memorandum (July 2004). Focus on promotion of regional strengths of national importance. Move to single budget; new implementation approach.
Portugal	Revised legal basis for the SIME and SIPIE including the introduction of the SIME-Innovation (see Portaria 262/2004 of February 2004 and Portaria 94/2004 of January 2004).	2002 austerity measures led to a new OP for the economy (PRIME) and a new problem region programme (PRASD). 2005 government brought in new infrastructure support/Technology Plan.
Spain	No change to the legal basis of the Regional Investment Grant.	No change. New government introduced some related measures: competitiveness programme; innovation programme; long-term infrastructure strategy. Major territorial governance issues.
Sweden	New regulations relating to the Regional Development Grant, Employment Grant and Rural Aid from 1 July 2005; changes to the Transport Aid expected in August 2005.	Most developments relate to the ongoing implementation of the 2001 Bill, <i>A Policy for Growth and Viability throughout Sweden</i> . Regional Growth Programmes from start 2004.
UK	Following a DTI review, Regional Selective Assistance and Enterprise Grants were replaced in England by Selective Finance for Investment in England (April 2004).	Principles set out in 2003 paper, <i>A Modern Regional Policy</i> , remain. Focus on measures to improve productivity in a devolved yet accountable environment.
Norway	No change since the budget and operation of regional aid was regionalised in 2003.	May 2005 White Paper emphasises innovation, regional growth and an all-country perspective, but still special intervention in the north. Review of regional system of administration.

As far as broader regional policy reviews and developments are concerned, at least half of the countries in Table 3.1 have registered policy changes. The most significant have been in the Netherlands and Norway where major new regional policy White Papers have been published. In both countries, the reviews represent a marked change in the focus of regional policy, with the introduction of all-country approaches which aim to maximise development potential in the regions. In Denmark, a new Business Development Act gives the five new regions into which the country will be divided from April 2006 (following a major reform of local government) statutory responsibility for economic development, significantly raising the domestic profile of economic development in the regions. In Finland, the March 2003 change of government saw the publication of new targets for regional policy in January 2004 which make the promotion of regional competitiveness the main policy objective. In addition to these developments, recent initiatives in France, Portugal, Sweden and the United Kingdom have carried forward the new policy directions introduced by legislation and reviews over the 2001-03 period. Finally, in Germany, agreement has been reached that the GA regional policy framework should continue, following a detailed review by a Federal Commission set up by the two federal houses of parliament to examine the division of tasks and relations between the *Bund* and the *Länder*.

The remainder of this broad review of recent policy change is in two sections. The first considers recent developments on a country-by-country basis, drawing on the detailed information in the individual country reports. The second then discusses the main comparative themes to emerge.

3.1 A country-by-country review of change

In *Austria*, regional policy was very fragmented prior to EU accession in terms of both policy instruments and actors. With accession, policy became closely related to the Structural Funds framework via *Land*-level regional programmes. As a result, and bearing in mind, too, that the Regional Aid Guidelines apply for the entire 2000-06 period, there has been little regional policy change at the federal level since 2000. Two developments are, however, of note. One is that a new Revenue Sharing Act was adopted in 2004 (for the 2005-08 period) along with a new domestic Stability Pact. The financial distribution of tax revenues is an important tool for the even provision of public services across the country; however, the new Act did not introduce any fundamental changes. The other is that, with respect to the delivery of policy, there have been moves to bring together previously separate delivery mechanisms. This happened with respect to general business services in 2002 with the establishment of the AWS (*Austria Wirtschaftsservice*, Austrian Economic Service) which, amongst other things, administers the sole remaining regional aid in Austria, the ERP Fund; in similar vein, the Austrian Research Promotion Agency (*Forschungsförderungsgesellschaft*) was set up in June 2004 to bring together advice, support and promotion in the field of business-related research and innovation. Like the AWS, it is an important tool of federal policymaking in the regions.

In *Belgium*, policies for regional development are generally defined in rather narrow terms, concerning mainly regional aid schemes. Following pressures from DG Competition, the former federal framework legislation for investment aid (dating from the 1970s) had to be

replaced. In Flanders, a new decree was introduced in 2003 which covered regional investment aid, as well as horizontal measures directed at SMEs, the environment, training and advisory support. The main aim was to ensure that the new law conformed fully with EU state aid regulations. Also in Flanders, detailed research was undertaken between 2001 and 2004 to develop the Strategic Plan for Spatial Economy. Amongst other things, this led to an action plan targeting the regeneration of brownfield sites. In Wallonia, the election of a new government in July 2004 saw more policy stress placed on industrial development and job creation. New incentive legislation covering investment aid for SMEs and large firms as well as support related to environmental issues was adopted in 2004, though its implementation was delayed by budgetary constraints. Whereas the Flemish decree mainly concerned horizontal aids, there was more of a focus on support for lagging regions in Wallonia. In January 2005, a revised “Future Contract” for Wallonia was adopted, providing a broad framework for the design and implementation of future regional policies. This aims to enhance the regional development dynamic by, amongst other things, supporting cluster development. It will be implemented via four strategic plans relating to activity and job creation; the development of human capital, knowledge and know-how; social inclusion; and balanced and sustainable territorial development.

In *Denmark*, the general strategic thrust of regional policy remains as laid down in the Regional Growth Strategy White Paper of May 2003. The White Paper continued the long-standing policy emphasis on maximising the contribution of every region to national growth (through framework measures relating to advisory services, network building and other forms of ‘soft’ infrastructure) but, at the same time, introduced a degree of preferential treatment for peripheral areas. More recently, two closely-related policy initiatives will impact significantly on the operation of regional policy. First, a major reform of local government, which will come into force in April 2006, will markedly reduce the number of local authorities (from 275 to 98 municipalities and from 14 *Amter* to 5 regions). Related, a new Business Development Act, passed in June 2005, gives the new regions statutory responsibility for economic development, thus raising the domestic profile of such activity significantly. The new Act defines the purpose of regional policy in terms of six priority areas: innovation, ICT, entrepreneurship and human resources (all reflecting the competitiveness agenda) as well as tourism and demographic balance (to help counter the persistent underperformance of peripheral areas). The new policy will operate through partnership-based regional growth fora which, on the one hand, will replace the Regional Business Development Coalitions which previously operated in a cross-region capacity while, on the other, subsuming the Regional Growth Coalitions which were active in nine peripheral localities.

In *Finland*, a January 2004 Government Decision set out the regional policy priorities of the new government elected in March 2003. The prevailing themes of the 2002 Regional Development Act were carried forward via three broad policy targets: to reinforce regional competitiveness; to safeguard the service structure throughout the country; and to achieve a balanced regional structure. The first involved the intensification of regional innovation policy (including reinforcement of the Centre of Expertise programme), improvements to the regional business environment, measures to enhance the operation of regional labour markets, a more active information society policy (making broadband widely available) and

better transport links. The second was based on ensuring the availability and quality of basic local government services throughout the country. And the third saw more stress being placed on the development of regional centres and urban policy - including measures to improve cooperation between municipalities within the Helsinki metropolitan area, a special policy package to improve the international competitiveness of nine major urban centres, the further development of the Regional Centre Development programme and specific actions for areas facing structural difficulties. The successful implementation of these targets was seen to rest on four premises: that policy measures be differentiated to take account of the different needs of different regions; that national regional development goals be given priority over regional or EU goals; that there be strong horizontal coordination, especially at the regional level; and that sectoral ministries work more effectively and in a more coordinated way to meet regional development goals.

In *France*, there was a major reorientation of policy following a 2002 change of government which has subsequently been implemented via the CIADT (Interministerial Committee for Regional Development Policy). Responding to EU enlargement, internationalisation and decentralisation pressures, the new approach highlighted five main objectives: to encourage the international orientation of regions (enhancing the role for large towns); to involve all parts of France in national development (especially rural areas); to use regional development to contribute to wealth creation (making policy more forward-looking and introducing new *pôles de compétitivité*); to correct regional inequalities through promoting equal opportunities (rather than equity); and to revise the relationship between central and local government. Since the start of 2004, some of the key developments have been: the setting up in March 2005 of a territorial observatory to take a more forward-looking view of regional developments and to provide data and analysis to stimulate debate and facilitate policy decisions; the July 2005 selection, via a call for tender process, of the first *pôles de compétitivité* (partnerships between industry, research and higher education in specific locations which aim to enhance the weight attached to industrial innovation in economic development); a new decentralisation law of August 2004 which, amongst other things, has provided the basis for a new instrument for regional strategy development (SRDE, *Schéma régional de développement économique*); and, following the appointment of a new government in June 2005, the merger of the regional policy coordination body, DATAR, with the Interministerial Mission on Economic Change (MIME), with a view to raising the profile of longer-term employment issues within regional development.

In *Germany*, the long-running debate about the future of the joint Federal-*Land* framework (GA) within which regional policy operates was resolved with the decision to retain the GA. Moreover, agreement has been reached that GA criteria on area eligibility will be used to allocate EU Cohesion policy funds between the *Länder* post 2006, underlining the continuing relevance of the GA framework and criteria. The 34th annual GA plan was agreed in March 2005 for the 2005-08 period. Changes were relatively minor, but an interesting development was the introduction of a new instrument for “Cooperation networks and cluster management”, aimed at supporting regional and supra-regional cooperation between businesses and other relevant partners. Beyond the regional policy GA, three developments are of note: the decision to extend the tax-based *Investitionszulage* (IZ), which supports manufacturing investment in the new *Länder*, for a further two years until

the end of 2006 (despite reservations from a number of the old *Länder*); agreement on a second Solidarity Pact (for 2005-19) which redistributes funds towards the new *Länder* for capital spending; and the announcement of a new federal strategy for the new *Länder* in September 2004 which will see the focusing of public investment on existing sectoral and regional strengths, with a view to stimulating innovation and economic growth.

In *Greece*, the election of a new government in early 2004 led to a new Development Law (3299/2004) in December 2004, “Private investment incentives towards economic development and regional convergence”. As the title of the law suggests, it has twin goals. Its main purpose is to change the investment profile of the country and improve its development potential by enhancing the competitiveness and attractiveness of Greece as an investment location. However, it also aims for balanced growth and development combined with regional convergence. That said, the main focus of the law seems to be more about the support of strategic innovative sectors than the development of specific lagging regions. Beyond incentive policy, and of symbolic importance, the new government has moved all the functions of the Ministry of National Economy relating to Interreg programmes from Athens to Thessaloniki in order to highlight the importance of the northern Greek regions to regional integration and cross-border cooperation. It has also introduced a series of sectoral spatial plans (to improve the regulatory environment for the location of investment and housing); and has taken a more bottom-up approach to the development of the 2007-13 CSF, with active and coordinated dialogue at the local and regional levels about strategic objectives and suitable policies for each region.

In *Ireland*, there has been no major policy change: the objective of regional development continues to be pursued through the implementation of the National Development Plan (2000-06), the mobilisation of the National Spatial Strategy (launched in 2002) and the promotion of a regional focus in economic development institutions and strategies. Regional development is also addressed through enterprise policy. In this context, the 2004 report of the Enterprise Strategy Review Group is of note. Taking a forward-looking perspective, the report and a subsequent action plan saw a continuing role for state intervention and the activities of enterprise development agencies in the following areas: facilitating access to overseas markets, encouraging R&D and the application of technology, attracting FDI, fostering entrepreneurship and training. Particular emphasis was placed on coordinated support, targeting economic competitiveness and innovation. Amongst other things, the report fed into a new strategic plan for Enterprise Ireland which is charged with developing Irish industry. The new strategy focuses on: internationalisation and export growth, industry-led research and innovation, assisting SMEs to achieve scale and increasing the number of high-potential start-up companies. It applies across all regions, though some elements (eg the promotion of entrepreneurship and the provision of seed capital) have an explicit regional development dimension.

In *Italy*, there have been no major policy changes; the 2000-06 CSF continues to be the main framework instrument for the development of the *Mezzogiorno*. The main policy focus has been on preparing for the next (2007-13) policy phase. The new strategic approach for 2007-13 includes considerations that relate to the future role of state aid as well as priorities under the Structural Funds. As far as state aids are concerned, the Italian position is: to reduce the use made of state aid; to re-orientate national aid towards horizontal

measures; to promote SMEs, with higher aid intensities in all parts of the country; and to protect against delocalisation, not least in border areas. With respect to priorities under the future Structural Funds, four main themes can be identified: the move towards single, integrated programming, using the National Strategic Reference Framework to pull together and align EU Cohesion policy, national regional policies, policies for rural development, and policies aimed at achieving the Lisbon and Gothenburg objectives; a strongly evidence-based approach, with a detailed diagnostic phase to aid understanding of the underlying development processes; a strategy based on bottom-up inputs rather than a top-down procedures; and a renewed focus on the *Mezzogiorno* (as defined historically), reflecting an acknowledgement that there is still a “Problem South” and that a common development path will have to be followed for the entire region.

In *Luxembourg*, the last significant regional policy developments date back to 2000 when a new regional aid map and associated regional aid regime was introduced by the Law of 22 December 2000. Following on from this, a number of measures have been introduced to strengthen the business environment, including the introduction of a cluster-based initiative in 2001 and, more recently, the continuing development of innovation-oriented industrial sites often on former steel-industry land in the south (for instance, the Centre of Enterprise and Innovation at Foetz and the City of Sciences, Research and Innovation project at Belval-Ouest) and a stress on reducing business burdens. In addition, there is an ongoing debate about territorial and administrative reform. The proposal is to create larger sub-national entities to facilitate greater equality in service provision across the country.

In *the Netherlands*, the past year has been very important for the future of regional policy, with two major policy papers published in July 2004. First, a fundamental inter-departmental review (IBO) concluded that Dutch regional policy could be justified only if its focus was on promoting regional strengths of national importance. In line with this, the regular (four-yearly) Spatial Economic Policy Memorandum (*Peaks in the Delta*) identified the goal of regional policy as being “to stimulate economic growth in all regions by exploiting region-specific opportunities of national significance”.⁶ In meeting this goal, stress is to be placed on the need for a specific (customised) approach at the regional level based on partnership (given the joint use of regional, national and EU funds) and for explicit and objective choices to be made in line with the national interest. The key national policy priorities are seen to be: to create an adequate number of high quality industrial estates; to enhance the competitive position of the port of Rotterdam and Schiphol airport (the two Dutch “mainports”); to make specific infrastructure improvements to enhance accessibility to the prime urban centres and growth points; and to coordinate developments with relevant national policies (in particular, innovation policy, urban economic policy and the tourism agenda). These national priorities were then related to regional strengths - the “peaks” in the Delta. Following parliamentary approval of the new approach in October 2004 (which saw transitional support provided to the traditional problem regions in the north until 2010), moves have been made to establish a single

⁶ Ministry of Economic Affairs, *Peaks in the Delta: Regional Economic Perspective*, The Hague, July 2004, Section 1.2

funding pot for the new policy, to develop proposals for the distribution of that pot in line with the new philosophy and to introduce a new regionally-based mode of operation within the Spatial Economic Policy Directorate of the Ministry of Economic Affairs. Some of these new initiatives are viewed as experimental; the full implementation of the *Peaks in the Delta* approach is not due until 2007, giving time to determine the best way to achieve the policy goals laid down.

In *Portugal*, a new centre-right government in April 2002 brought in a series of austerity measures and a new Programme for Productivity and Economic Growth (PPCE) which then led to a May 2003 revision of the EU co-funded operational programme for the economy (renamed the PRIME). The PRIME included a new Programme for the Recovery of Depressed Regions and Sectors (PRASD) which addressed unemployment and underinvestment in certain areas and sectors and led to the adoption of a new map of disadvantaged and depressed areas in 2004. These areas benefit from: regionally-differentiated fiscal, financial and social benefits (including regional aids like the SIME and the new SIME-Innovation); higher rates of award under PRIME-funded investments; and the provision of risk capital. In 2005, a centre-left government was elected under the slogan, “a new contract of confidence, a plan and a commitment”. The *new contract* included a Programme for Investment in Priority Infrastructure (PIIP), which identified 14 flagship projects involving urban regeneration, urban networks for competitiveness and innovation, developing the high-speed rail network, extending broadband provision and a new airport for Lisbon; increased competition in the economy (including the liberalisation of the gas industry); and the development of a more favourable business environment (with, for instance, simplified procedures for business start-ups). The *plan* took the form of a Technology Plan to mobilise the public and private sectors around the key factors which underpin growth and competitiveness. Finally, the *commitment* related to the restoration of the public finances to a sustainable position (involving a balanced budget and the reform of public administration).

In *Spain*, there has been no recent regional policy change - in part, because Spanish regional policy is strongly embedded within the EU Cohesion policy framework and, in part, because the Regional Investment Grant has anyway been highly stable over time. On the other hand, following the election of a new government in March 2004, there have been a number of wider policy initiatives which impact on regional development. The most important has been the Plan for Dynamising the Economy and Boosting Productivity, which was launched in early 2005 with a view to stimulating productivity and employment (via measures to improve competition, markets for goods and services, factor markets, R&D and innovation, the quality and efficiency of the public sector, and the regulatory framework). In addition, a major new long-term transport and infrastructure strategy has been developed (including ‘social and territorial cohesion’ as one of its four underlying objectives); and a new programme for R&D and innovation has also been launched (Ingenuity 2010). However, it is territorial governance which is currently centre-stage. Live topics include the reform of the Constitution, the reform of regional governments’ statutes of autonomy, the reduction of centre-region conflict, the creation of a Conference of Regional Presidents to provide a forum for high-level political debate, the institutionalisation of regional participation in EU policymaking, and the reform of local

government. Such measures are part of a second wave of decentralisation (both to the regions and, even more so, to the local level) which will obviously impact on regional policy whilst also consolidating the federalisation of the Spanish state.

In *Sweden*, a regional policy Bill in December 2001 (2001/02:4) brought together traditional regional policy (mainly aid-based and focused on designated aid areas) and newer (programme-based) regional industrial policy. The new regional development policy aimed to produce “*well-functioning and sustainable local labour market regions with an acceptable level of service in all parts of the country*”.⁷ It involved: an increased stress on a whole country approach, involving all regions in economic development; a greater focus on issues of regional competitiveness, growth and employment; the more explicit involvement of a wider range of national policy areas in regional development; a clearer distribution of responsibilities between government and local authorities; and the encouragement of programming and policy learning. On the other hand, traditional regional aids remained in place and continued to function much as before. In the subsequent period, most policy developments have related to the implementation of the 2001 Bill. From the start of 2004, new Regional Growth Programmes were introduced. These lie at the core of the new policy approach, encapsulating the key principles of partnership (especially at the regional level) and policy coordination. More recently (in July 2005), revisions were made to the regional aid package. The Regional Development Grant, Employment Grant and Rural Aid all changed their scope, eligibility criteria and titles in line with the underlying government principle of less but better aid. Looking to the future, the delivery arrangements for the Structural Funds are currently under review (with a view to bringing together the arrangements for national and EU policy). More fundamentally, a parliamentary committee is currently considering the division of tasks between government levels with a view to improving service provision; the committee’s final report is due in early 2007 and seems bound to impact on the future delivery of regional policy.

In the *United Kingdom*, the main goals and principles of regional policy remain those set out in the 2003 consultation document, *A Modern Regional Policy for the United Kingdom*. The aim is that all parts of the country should achieve their full potential in order to maximise national economic performance. Although the nations and regions are pursuing their own development agendas, the focus continues to be on enhancing productivity in all regions. In England, this has led to a focus on measures to improve employment rates, enhance skills, decentralise public employment, increase levels of R&D spend and streamline business support. With respect to the last, Regional Selective Assistance and Enterprise Grants were replaced by Selective Finance for Investment in England in April 2004 following a DTI review. In addition to the productivity agenda, a key feature of policy involves increasing capacity in the regions and nations. The approach is “*to support and strengthen regional leadership, empower the regions to generate their own solutions in the light of their particular strengths and weaknesses and ensure the optimum fit between national and regional policies*”.⁸ The principle of devolved strategy-making and policy

⁷ Regeringens proposition 2001/02:4, *En politik för tillväxt och livskraft i hela landet*

⁸ DTI, *Strengthening Regional Economies*, Chapter 6 of the DTI Departmental Report, 2005

delivery, begun with Scottish and Welsh devolution and the creation of the Regional Development Agencies (RDAs) in England, has continued to be supported, with increased funds and budgetary autonomy being granted to the RDAs. At the same time, coordination mechanisms between national and regional levels remain important and, indeed, have been strengthened. Notwithstanding these developments, the rejection by voters of an elected regional assembly in North-East England in November 2004 has left the final destination of policy unclear and may prove a significant milestone. It has certainly prompted debate about the way forward which, amongst other things, has raised the question as to whether the region is the most appropriate focus of economic development policy.

In *Norway*, a May 2005 White Paper signalled a new way of thinking about regional policy. *“The Government has as its objectives for regional policy to maintain the overall settlement pattern and to release the wealth creating potential in all parts of the country. ... The Government emphasises that initiatives to promote regional policy objectives shall also assist in strengthening international competitiveness.”*⁹ To achieve these objectives, a number of strategies will be followed, namely: establishing a good macroeconomic framework for industrial policy; differentiating policy in the regions, based on decentralisation and cooperation; strengthening the basic conditions for growth regions; providing the environment for innovation, restructuring, employment and profitable activities; and laying the foundation for good service provision and attractive areas. Different from previous approaches, there was an emphasis on innovation, regional growth and an all-country approach. The focus was on the promotion of regional development in all regions through the regional differentiation of policy. On the other hand, some traditional policy features remained - the stress on maintaining settlement patterns (which lies at the core of the Norwegian regional problem) and the continuing favourable treatment of sparsely-populated and peripheral areas in the north which are to benefit from “special intervention”. Finally, by linking population settlement issues to the development of the industrial structure, the White Paper increased the importance accorded to city areas in regional policy. It not only sought to achieve a more balanced distribution of growth between city areas in different regions and between city areas of different sizes, but also wished to see smaller and medium-sized cities in particular developing as both attractive living areas and as locations suitable for city-oriented businesses. To this end, a Centre of Expertise programme is expected to be introduced from September 2006.

⁹ St.meld.nr. (2004-2005) *Om regionalpolitikken*, p.7

3.2 A thematic review of change

Based on the above country review, there are four main themes which emerge from recent developments and, indeed, from policy changes over the past three or four years.

3.2.1 More stress on regional competitiveness and on all-region approaches

First, it is clear that, in the EU15 Member States and Norway, there is now a strong regional policy focus on growth, competitiveness and productivity. Related, in many countries, regional policy no longer exclusively targets narrowly-defined problem regions. Instead, the key regional policy objective is increasingly to promote productivity and competitiveness in *all* regions, with a view to maximising regional contributions to national growth. This move away from an equity-oriented, spatially-targeted justification for policy towards an efficiency-based, all-region rationale reflects the changing perception of the regional problem discussed earlier. In light of the growing challenges of globalisation and international competition, domestic regional policy is increasingly embracing the competitiveness agenda. Certainly, an efficiency-based justification for regional policy permeates the recent White Papers in the Netherlands and Norway and also underpins the new Business Development Law in Denmark. The reinforcement of regional competitiveness similarly lies at the core of the new targets for regional policy in Finland and was a key element of the policy reviews in Sweden, France and the UK over the 2001-03 period which have since guided the implementation of policy in those countries. In Germany, too, while the basic orientation of the GA remains unchanged, the new federal strategy for the new *Länder* announced in September 2004 will see the focusing of public investment on sectoral and regional strengths. In addition, although there has been less regional policy change in countries like Greece, Portugal, Spain and Ireland, where the Structural Funds currently play an important role, the policy focus is very much on growth and competitiveness, albeit more at the national than the regional level.

On the other hand, it would be wrong to ignore the policy weight still attached to more traditional, equity-based, concerns. For instance, the new Business Development Law in Denmark continues to make specific provision for disadvantaged peripheral areas; the new regional policy targets in Finland include commitments to safeguard the service structure and achieve a balanced regional structure; new initiatives in support of growth poles and metropolitan areas in France are complemented by measures to assist “sensitive” areas (both zones of industrial restructuring and rural areas); the GA framework in Germany continues to operate mainly within the traditional designated aid areas; Italian regional policy is once again concentrating on the long-standing problems of the *Mezzogiorno*; in the Netherlands, the parliamentary debate on the new *Peaks in the Delta* approach resulted in transitional support for the traditional problems in the north; in Portugal, notwithstanding the national stress is on productivity and growth, a new programme (the PRASD) has been introduced for depressed regions and sectors; in Sweden, the 2001 Bill states that, while regional policy covers all parts of the country, the main focus continues to be on the prioritised areas in the north; in the United Kingdom, as mentioned earlier, there is a commitment to equity through the goal to reduce the gap in regional growth rates; and in Norway, the stress on maintaining settlement patterns remains at the heart of policy.

In short, although there has been a clear shift in emphasis towards efficiency-oriented goals and measures in the EU15 and Norway, equity-based objectives and concerns continue to be of importance in many countries. This is confirmed by Table 3.2 which is based on information contained in the country reviews. For comparative purposes, Table 3.3 presents similar information for the EU12.¹⁰ In most new Member States, domestic regional policy objectives tend to have a significant equity component, emphasising balanced regional development and the need to reduce regional disparities. However, in practice, it is not always clear what balanced development means nor how domestic regional policy is funded. In contrast, EU Cohesion policy in the new Member States is mainly efficiency-oriented - promoting economic growth and competitiveness, developing human resources, highlighting the importance of infrastructure development and stimulating innovation and R&D. It is also well-funded. Although Table 3.3 might suggest a degree of balance between equity and efficiency objectives, most EU12 countries allocate significantly more policy weight to efficiency goals.

3.2.2 The broadening of regional policy

Recent policy developments confirm the broader view of regional policy now being taken in most countries. The focus is no longer solely or, in many countries, even mainly on narrowly-targeted regional aid schemes but rather extends to broader policy measures in support of the business environment. This was made very obvious in the 2005 Norwegian White Paper where reference to narrow, aid-based regional policy (known as “district” policy in Norway) was, for the first time, omitted from the title of the White Paper. In similar vein, the 2004 Dutch White Paper stressed measures to enhance regional strengths, including the provision of high quality industrial estates, infrastructure improvements to increase accessibility to prime urban centres and growth points and closer coordination with relevant national policies, especially innovation policy, urban economic policy and tourism support. The 2005 Business Development Act in Denmark continued the long-standing Danish emphasis on business environment policies, regional aid having been abolished as long ago as 1991. Further, the 2004 government targets in Finland emphasised the need to intensify regional innovation policy, invest in the regional business environment, enhance the working of regional labour markets, introduce a more active information society policy and improve transport links, as well as increase the emphasis placed on policy coordination across sectors.

Other examples of recent broader policy initiatives include new action plans for industrial estates in Belgium, Luxembourg and Ireland, a continuing stress on business-oriented infrastructure provision in Germany, Italy, Ireland, Portugal and Spain and measures to improve the coordination of sectoral and regional policies in, for instance, France, the Nordic countries and the United Kingdom. These are discussed in later sections. For the present, it is worth highlighting two particular areas of policy which are being increasingly closely related to regional policy - innovation policy and urban economic policy.

¹⁰ See European Policies Research Centre, *Benchmarking Regional Policy in Europe*, Second International Conference, Riga, 24-26 April 2005.

Table 3.2: Regional policy objectives in the EU15 and Norway

	Equity-based	Efficiency-based
Austria	Regional policy has always had a low profile in equity terms (perhaps related to the existence of fiscal equalisation mechanisms). There are no significant regional aid schemes.	Regional economic development is closely associated with innovation policy. At the federal level this tends to be country-wide in orientation. The <i>Land</i> -level also plays a significant role.
Belgium	Regional policy is mainly associated with the impact of industrial structuring and decline - especially in Wallonia where the prime objective is job creation.	In Flanders, the emphasis is on attracting 'strategic investments' (R&D, new production methods etc) and there is also an explicit emphasis on FDI.
Denmark	May 2003 White Paper stated that a number of peripheral localities still lag behind and should receive extra support. This was confirmed in the 2005 Business Development Act.	Since 1991, regional policy has been a means to increase regional and hence national efficiency. Interregional equality now also an issue.
Finland	The January 2004 Government Decision aimed to safeguard the service structure and achieve a balanced regional structure (as secondary goals)	The January 2004 Government Decision confirmed the ongoing shift towards the stimulation of regional competitiveness across the country
France	The new approach introduced in 2002 favours wealth creation over redistributive approaches and equal opportunity over equality.	All areas should contribute to wealth creation through regional development; each region should have the chance to exploit its potential to the full.
Germany	The main policy aim is to ensure that structurally-weak regions can take an equal part in economic development through addressing locational disadvantages. Also, fiscal equalisation.	Regional policy is seen as a component of overall economic policy in that it contributes to economic growth and employment creation and is also viewed as strengthening competitiveness.
Greece	The 2004 Development Law also aims for balanced growth and development combined with regional convergence.	The 2004 Development Law aims to change the investment profile of the country and improve its development potential by enhancing the competitiveness and attractiveness of Greece.
Ireland	The 2000-06 NDP aimed for more balanced regional development in order to reduce disparities and increase the contribution of the two regions to national prosperity	Both national economic policy and regional policy aim to reinforce the ongoing shift to a growth-oriented, knowledge-based economy
Italy	The renewed policy attention on the <i>Mezzogiorno</i> acknowledges that there is still a "problem south" and that it is necessary to have a common development path for the whole of the region.	The stress on promoting growth and competitiveness as part of regional policy is significant, part of the aim to align national and EU objectives and approaches. The policy focus is on exploiting potential and increasing competitiveness.
Luxembourg	No significant equity component; regional policy is largely synonymous with national industrial policy.	Policy aims are fundamentally affected by the size of the country and the fact that it is essentially a border region; this explains the focus on regional competitiveness.
Netherlands	Regional disparities are viewed as minimal and not such as to justify a focus on traditional problem regions	The goal of spatial economic policy is to stimulate economic growth in all regions by exploiting region-specific opportunities of national significance
Portugal	A balance has had to be struck between promoting economic competitiveness and improving the quality of life, protecting the environment and promoting social integration.	The main focus of the 2002 PPCE is to promote economic growth and productivity across the country as a whole.
Spain	There is a constitutional commitment to balanced regional development - with a more equitable distribution of income and a fair level of economic equilibrium.	Regional policy has a low priority nationally. The main national development focus is on stimulating productivity and employment.
Sweden	The 2001 regional policy bill saw a weakening of the traditional support for peripheral areas, though this remains a secondary policy objective.	The prime regional policy aim is to have well functioning and sustainable labour market regions with an acceptable level of service in all parts of the country.
United Kingdom	The aim in the regional policy Public Service Agreement (PSA) to reduce the persistent gap in growth rates between regions has meant that there is an explicit equity element into the objectives of policy.	By viewing productivity as the fundamental driver of economic change, the core aim of policy is to make sustainable improvements in economic performance in all regions while reducing the gap in growth rates between regions.
Norway	The maintenance of the overall settlement pattern remains within the objectives of regional policy. There is also a balanced development goal under which all parts of the country should experience population growth.	The 2005 White Paper aims to maintain the overall settlement pattern and to release wealth creating potential in all parts of the country. Regional policy initiatives should also help strengthen international competitiveness.

Table 3.3: EU and national regional policy objectives in the EU12

	Equity-based	Efficiency-based
Czech Republic	The CSF notes that “decreasing the negative impacts of unbalanced economic growth and growing regional differences is important for internal cohesion and the stability of the country as a whole”.	The CSF aims to “guarantee that in the long-term <i>all</i> regions can benefit from economic growth.” It aims to remove development bottlenecks in each region and to enable all the country to benefit from Prague spill-over effects.
Estonia	A common objective of the NDP and national regional policy is to ensure fast, socially and regionally-balanced, sustainable economic development. Concern also about equal service provision across the country.	NDP priorities are: human resource development, competitiveness of enterprises and infrastructure (as well as rural development). They support the aim of creating a modern Estonian economy. Innovation and R&D are also important objectives.
Cyprus	One of the four development priorities in the 2004-06 SPD is balanced regional and rural development. The aim is to improve the growth balance between urban and rural areas as well as within rural areas.	Core objective of 2004-06 SPD is to achieve a satisfactory rate of sustainable growth. Obj 2 aims to regenerate urban and rural areas facing serious structural problems. Obj 3 aims to improve human capital.
Latvia	The Obj.1 programme aims to help create “the conditions for new, sustainable and balanced socio-economic growth” as does the Regional Development Law 2002.	EU funds concentrate on infrastructure provision, enterprises and innovation, human resources, rural areas. A key aim is for Latvia’s economy to become knowledge-based. For 2004-06, the focus is on national rather than regional development
Lithuania	SPD aims to achieve parity with more prosperous Member States by 2015; regional disparities play only minor role. One aim of the Law on Regional Development is to decrease regional disparities, but no designated areas.	SPD focuses on human resource development, infrastructure development, development of the productive sector. It aims to establish a modern knowledge economy. The plan is to focus in future on five growth poles/centres.
Hungary	National regional policy objectives emphasise development in the regions and the need to reduce regional disparities while also promoting high levels of growth.	In addition to promoting growth across the economy, the CSF aims both to strengthen growth poles and to address the problems of the most disadvantaged areas/regions.
Malta	Core NDP objective is to converge towards the average level of socio-economic development in the EU. A sub-objective is to spread growth equitably - socially and geographically.	NDP focuses on sustainable economic growth, promoting international competitiveness, and the optimum use of human resources, encouraging an increase in the size of the workforce.
Poland	The long-term equity-efficiency debate is moving in favour of the latter, at least in terms of sequencing and setting short-term priorities. This is reflected in the draft 2007-13 strategies, but is obviously subject to a political dimension	The draft 2007-13 NSRD aims to improve economic competitiveness of all regions, using endogenous resources better, preserving the rational management of resources and securing greater cohesion.
Slovenia	National regional policy is mainly about balanced regional development, focusing on areas with special development problems. Tensions between this and EU cohesion goals.	The SPD has two competitiveness objectives (to enhance growth and create jobs) but also aims for balanced regional development (via earmarked 60 percent spend). Described as ‘equity for efficiency’
Slovak Republic	Lack of funding has seen efficiency (the 2003 NDP/the 2004-06 CSF) rather than equity (the 2001 Act) stressed. Under the Act, regional policy aims to ensure balanced development, reduce disparities, prevent new backward areas and sustain regional development.	The CSF is based on a growth pole strategy operating concurrently with regional balance goals. However, funding constraints have seen the former stressed (eg road spending has prioritised motorways).
Bulgaria	The 2004 Act aims to create conditions: to promote balanced and sustainable regional development; to reduce disparities; to support employment and income growth; and to develop cross-border cooperation. Target areas are both growth regions and areas in decline.	In addition to four growth oriented priorities (improve competitiveness, enhance basic infrastructure, develop human resources, develop agriculture/rural areas), the 2000-06 NEDP aims for balanced and sustainable regional development
Romania	While disparities are taken into account and the poorest areas targeted, the main objective is to improve regional capacities, allowing regions to capitalise on local potential.	EU programme priorities focus on economic competitiveness, infrastructure, human resources, rural development and the balanced participation of all regions in development.

Source: Yuill D and Quigogue N, *Spatial targeting under EU and national regional policies*, Conference Discussion Paper No. 6, Benchmarking Regional Policy in Europe Conference, Riga, 24-26 April 2005.

A number of examples can be given of the growing role of innovation within regional policy.¹¹ For instance, in Austria, regional policy is now very much innovation-oriented following the withdrawal of the last federally-funded regional investment grant in 2000. In Wallonia, a revised framework for regional policy (the January 2005 Future Contract) makes specific provision for cluster development. In Finland, it has been confirmed that the Centre of Expertise programme will continue post 2006 and will be more closely integrated with national innovation policy. In France, the first *pôles de compétitivité* were selected in July 2005, bringing together industry, research and higher education in specific locations to enhance the role of industrial innovation in economic development. In Germany, a new GA instrument, “Cooperation networks and cluster management”, was introduced from January 2005 to support regional and supra-regional cooperation between businesses and other relevant partners. In Ireland, the 2004 Enterprise Strategy Review Group report placed particular weight on the need for coordinated support targeting economic competitiveness and innovation. In Italy, innovation-oriented goals are being more systematically introduced into development programmes. In the Netherlands, the new *Peaks in the Delta* approach has highlighted innovation as a key regional strength in four of the six Dutch regions. In Sweden, regional programming has targeted policy more towards innovation, education and creating an environment for firms to progress and achieve sustainable development. In the United Kingdom, the continuing policy focus on productivity has, amongst other things, brought attention to bear on levels of R&D spending within regional economies and on strategic links between universities and businesses. And in Norway, the recent White Paper announced a new Centre of Expertise programme, underlining the significance now attached to innovation in regional development.

There is a similar wide range of examples of how the role of cities has been gaining in prominence within regional policy. In France, the December 2003 CIADT set out a five-prong strategy to improve the European importance of French cities and to stimulate their potential as motors of regional development. More recently, the new French government has stressed the importance of medium-sized cities in economic development, not least in helping to transfer the dynamics of global metropolitan areas to the rest of the national territory. In Finland, the new government targets for regional policy highlighted measures to strengthen the international competitiveness of nine major urban centres; a further 25 regional centres receive support under the Regional Centre Development programme, with a view to developing a balanced network of regional centres. In the Netherlands, the economic component of urban policy has, in recent years, become closely associated with regional policy; the improved economic performance of big cities since the mid 1990s means they are now viewed as key drivers of the Dutch economy and play a central role within the *Peaks in the Delta* philosophy. The regional development role of cities has also increased in Sweden where they are seen as fundamental to the regional fabric; enhancing the significance of city-regions in economic development is viewed as beneficial “not just for the cities themselves but also for their hinterlands”.¹² In the United Kingdom, too,

¹¹ A more detailed discussion of the role of innovation in regional policy can be found in EoRPA Paper 05/5

¹² 2005 Swedish Budget Statement

urban economic policy is seen as a way of strengthening the spatial dimension of the productivity agenda; in England, the Core Cities project has developed an action plan which supports urban renaissance as a basis for improving regional performance. And in Norway, a 2003 urban policy White Paper argued that large cities should be viewed as a natural part of regional policy; they house significant R&D institutions and are also gateways to international trends, research and knowledge.

3.2.3 Decentralisation and the increasing role of regional-level inputs

A third important theme concerns the increasing role of the regional level from a strategy development and, indeed, delivery perspective. This is clearly linked to the all-region approach and the emphasis placed on ensuring that each region can contribute positively to national growth and development. This, in turn, leads to the philosophy of different policies for different regions, based on regional-level inputs and knowledge. It also reflects longer-term (and broader) trends towards more decentralised approaches to policymaking.

Again, this is a theme discussed in more detail later. At this stage, it is necessary simply to confirm the growing importance of regionally-grounded inputs in the countries under review.¹³ In Denmark, a major reform of sub-national government will see the regional level cut from 14 *Amter* to just five regions in 2006. At the same time, the new regions have statutory responsibility for economic development, increasing the policy profile of regional development and the role of partnership-based regional growth fora in this. In Finland, the importance of regional inputs has been growing - first, through the 2002 Regional Development Act (which provided the framework for strategic regional programmes) and then by encouraging sectoral ministries to take regional-level priorities more into account. In France, an August 2004 decentralisation law provides the basis for a new instrument for regional strategy development (the SRDE); also in France, *aménagement du territoire*, which reflects a top-down, centralised approach, is now complemented by *développement du territoire*, suggesting a more active role for sub-national actors. In Italy, there has been a strong recent trend towards decentralisation, combined with efforts to improve regional institutional capacity. In the Netherlands, *Peaks in the Delta* revolves around a specific, customised approach in each region. In Sweden, the Regional Growth Programmes, launched in January 2004, lie at the heart of policy implementation; they provide a partnership-based foundation for all development activities at the regional level. In the United Kingdom, regional policy rests on the principles of devolved strategy-making and policy delivery with, for instance, significant extra funding (and responsibilities) for RDAs in recent years. Finally, in Norway, the 2005 White Paper was sub-titled, "A policy for different regions", signalling the importance of region-specific inputs.

One last point to make is that in a range of countries - including France, Luxembourg, Spain, Sweden and Norway - territorial and administrative reform is firmly on the policy agenda. As in Denmark, such reforms seem likely to have a subsequent (and potentially significant) impact on regional policy.

¹³ The examples are drawn from non-federal countries. In the federal Member States, the regional-level has always had an important role to play in regional policy.

3.2.4 The growing importance of policy coordination

A final (and related) theme concerns policy coordination. As regional policy has broadened its perspective and range of policy instruments, more weight has been attached to coordination issues. As will be discussed in more detail later, different types and levels of coordination are involved. With an increasing focus on bottom-up policy inputs, much coordination takes place at the regional level, often on the basis of regional partnerships. However, sectoral coordination at the national level can also be important. Moreover, a number of countries are emphasising national-regional coordination, ensuring that national goals and objectives are taken appropriately into account. Some are also stressing the value of aligning EU and national priorities, instruments and approaches.

Examples of recent developments with respect to regional-level coordination include the new partnership-based regional growth fora in Denmark under the 2005 Business Development Act; the weight attached to horizontal (regional) coordination in Finland under the 2004 government targets; and the 2004 Regional Growth Programmes in Sweden which place regional-level policy coordination at the core of regional policymaking. With respect to national-level coordination, there have been moves to unify previously separate delivery mechanisms in Austria and Denmark; and cross-sector coordination has been enhanced in France, Finland, Sweden and the United Kingdom. As regards national-regional coordination, different methods have been adopted to try to deliver policy in line with national goals. These range from essentially informal approaches in Austria, to a system in Finland which encourages regions to give priority to national goals and objectives, to the joint Federal-Land GA framework in Germany which - through a systematic, rules-based mechanism - provides a means for organising and coordinating interventions, to the Dutch *Peaks in the Delta* approach which makes clear that it is national priorities which determine where national regional development resources flow, to the situation in the United Kingdom where centrally-defined parameters (combined with relatively detailed monitoring of policy outcomes) aim to ensure policy consistency. Finally, it is of note that, particularly in the context of developing new policy approaches for the 2007-13 period, there is a growing emphasis (for instance, in Italy and Sweden) on aligning national and EU goals, measures and practices.

3.2.5 Concluding points

Two final policy developments are worth mentioning, though they are perhaps not widely enough based to be classed as a “theme”. One is that a number of countries are placing more stress on policy analysis, both forward-looking (to try to predict and respond to future problems) and with a view to learning from experience. In France, for instance, a new “territorial observatory” (*Observatoire des territoires*) was established in March 2005. Managed by DATAR and utilising data collected at European, national, regional and sub-regional levels, it has three aims: to provide an overview of developments in various fields (eg sustainable development, location factors, good practice, evaluation), to stimulate debate about major challenges and to facilitate policy decisions. It is to be supported by observatories in the regions which will help to develop regional regeneration strategies and action plans. In similar vein, the encouragement of policy benchmarking and learning processes has been an important feature of current policy in Sweden. The goal has been to

use knowledge and experience more methodically to renew development policy and cross-sectoral working methods, using regional comparison as a driving force for policy learning. In the United Kingdom, the strong commitment to evidence-based policymaking (both for reasons of transparency and to strengthen the influence of regional analyses on other areas of policy) has placed new demands on regional data and, particularly, on sub-regional information. The same is true in Denmark where the new perceptions of the regional problem are leading to improvements in the information and analytical basis for regional development. A last (related) point is that there are indications that the focus on the region as the main target of policy is under debate in some countries. At one level, this reflects the growing weight attached to cities as motors of economic development; at another, it is due to perceived (often acute) problems at the sub-regional level; and, more generally, it reflects the increasing regional policy importance attached to functional rather than administrative regions.

4. THE COMPONENTS OF REGIONAL POLICY

The aim in this section is to move from the general overview of policy change provided so far to a more detailed review of change with respect of the main components of policy - regional incentives, support for the business environment, regional programming and strategy development, and a final miscellaneous group of policy changes.

4.1 Regional incentives

With respect to regional incentive policy, it might be anticipated that there would be few changes to report, not least given that new Regional Aid Guidelines do not come into force until 2007. However, as indicated in the discussion of legislative change, there have in fact been a number of significant developments. An overview of regional incentive changes since the start of 2004 is provided in Table 4.1. It shows that the most marked changes have been in Belgium, Greece, Portugal and Sweden, though there have also been interesting developments in Finland, France, Germany, Italy, the Netherlands and the United Kingdom.

In *Belgium*, there have been long-standing EC pressures for the framework Economic Expansion Laws of 1970 (regional aid) and 1978 (SME support) to be replaced and brought into line with the state aid regulations. In Flanders, new aid decrees and regulations were introduced between 2003 and 2005, with separate components for large firms, SMEs and environmental support. The main feature of the new approach is that it is budget-limited and selective. Both SME and regional aid operate under a two-tier, fixed budget system, with budget-limited calls-for-tender (four times a year) for investment up to €8 million and a highly discretionary approach for larger “strategic projects”. In Wallonia, the new (2004) legislation is also selective, with the need for support having to be proved; this is very different from the previous automatic system. Selection reflects a range of criteria - regional interest (in terms of R&D/innovation), job creation, environmental impact, capital intensity and economic repercussions - with decisions taken by a technical committee. However, the introduction of the new approach has been delayed by budgetary constraints.

Table 4.1: Recent regional incentive changes (2004-05)

Austria	No legislative change. Only ERP loan support is now available at the federal level in aid areas.
Belgium	<p>In Flanders, a new decree concerning business aid was introduced in January 2003 and amended in January 2005 in response to business feedback. It differs from the previous approach in taking the form of a budget-limited call-for-tender system for investment of up to €8 million and a highly selective system for larger “strategic projects”. New venture capital support provisions.</p> <p>In Wallonia, new regional aid legislation was introduced in March 2004. However, following a change of government in July 2004, implementation was delayed by six months and awards have since been postponed until 2006 due to budgetary constraints. The approach is selective, which contrasts with the previous system of automatic awards. The legislation envisages a progressive reduction in the aid ceiling for large firms (from 24% in 2003 to 20% in 2007).</p>
Denmark	No regional incentives
Finland	No legislative change. New Aid to Business Act in preparation. One concern relates to the degree to which it may (or may not) be possible to co-finance investment aid under the Structural Funds’ Competitiveness priority. Future legislation may see more support for start-ups, more emphasis on growing companies and more orientation towards innovation and technology.
France	A 2005 decree made some minor changes to property eligibility under the PAT, as well as bringing the legal definitions under the scheme into line with changed EU definitions. More significantly, there has been a decline in awards every year since 2001 - in part due to less favourable economic conditions but also reflecting more selective award procedures.
Germany	<p>No change to the GA framework. Some minor changes were made to the operation of GA business aid from the start of 2005, mainly due to amendments to EU definitions and eligibility rules. Further minor changes to the operation of the GA have been introduced by individual <i>Länder</i>. For instance, award ceilings were cut in Sachsen to accommodate budgetary cutbacks.</p> <p>The period of operation of the tax-based <i>Investitionszulage</i>, which is available only in the new <i>Länder</i> and falls outside the scope of the GA, was extended for a further two years.</p>
Greece	In December 2004, Development Law 3299/2004 replaced Development Law 2601/1998. The law aims to change the investment profile of Greece and improve its competitiveness and attractiveness; the law also refers to balanced growth and regional convergence. The law: increases award rates (especially for technology-based firms), reduces minimum investment costs, removes previous discrimination between new and existing firms and significantly simplifies administration. The main focus is on new technologies and innovation.
Ireland	No legislative change, though less emphasis is now placed on grant funding than in the past.
Italy	Minor operational changes under Law 488/92, plus conversion of part of the grant into a loan. Spending reductions and shift towards regional-level aids. The traditional focus on investment aid is being replaced by more stress on business environment support; aid schemes are becoming more targeted and selective. Instruments are favoured which are innovative in terms of aims (horizontal aid - e.g. for R&D) or implementation (integrated and simplified procedures)
Luxembourg	No legislative change.
Netherlands	No legislative change. The budget for the centralised IPR has been cut from €23mn in 2002 to €13mn in 2004-06 in line with broader government cuts. This led to a more restrictive treatment for “strategic expansions”. Looking to the future, the IBO concluded that the IPR should not continue, but the government remains concerned about the international competitive position.
Portugal	Following the approval of the PRASD map in early 2004, provision was made for higher award maxima to apply in designated areas. Earlier reviews of the main aids in 2003 (under the PRIME) led to a move from grants to potentially repayable support (with the introduction of a completion premium). In addition, the innovation component of the SIME was separated out, as a repayable grant, in 2004. In early 2005, simplified administrative procedures were announced.
Spain	No legislative change. The Regional Investment Grant remains basically as originally introduced.
Sweden	Changes to the regional aid regime were introduced from 1 July 2005 (and notified to the EC). The Regional Development Grant has become Regional Investment Aid. There will be a gradual phase out of support in Area B. NUTEK will take over scheme administration in Area B where only projects of special interest will be supported. ALMI loans will be available in Area B. The Employment Grant now relates only to job creation in <i>new</i> establishments, except in special circumstances and then only in Area A. NUTEK now administers all of it. Rural Aid is now the Regional Grant (available to SMEs country-wide). Changes to the Transport Aid are anticipated.
UK	<p>RSA replaced in England by SFIE from April 2004. This reflected a DTI review of business aids, the steady decline in RSA spending and the need to enhance the productivity perspective. The reform is still in its early stages but SFIE eligibility criteria have ruled out some RSA cases and are reorienting aided projects towards higher skills and higher value.</p> <p>In Scotland, RSA is in decline. Policy moving from one large straightforward aid to several more flexible measures. New conditions (April 2004) to improve resource efficiency and sustainability.</p>
Norway	No legislative change. Main regional aids approved for 2000-06. However, budgets devolved to the regions from 2003. Social security concession to be phased out by 2007, except in far north.

In *Greece*, Development Law 3299/2004 was adopted in December 2004 as a replacement of Development Law 2601/1998. The law followed the election of a new government in March 2004. Its main purpose was to improve the competitiveness of Greece and its attractiveness as an investment location, though it was also seen as contributing to balanced growth, the development of the economy and regional convergence. Some of its key features included: subsidies for high value added as well as for job creation; the promotion of large-scale investment and investment with an international orientation; a flexible tax regime for investments in high technology and the manufacturing of new products; administrative simplification; special provisions for lagging regions, investment important for national growth, and large enterprises in danger of closure; support for SMEs, especially in lagging regions; and special *ad hoc* support for sectors or regions with serious employment or development problems. Comparing the new and old laws, the main differences are: that, within the same global aid ceiling, higher award maxima now apply in particular to dynamic and technologically-advanced projects in better-off areas (for instance, the Athens and Thessaloniki rate maxima increased from 25 percent to 40 percent); that minimum eligible investment costs have been reduced while eligible investment has been widened (in particular, taking in new high value added products and services); that there is now no discrimination between new and existing enterprises (previously new enterprises were favoured); and that aid administration has been simplified and significantly speeded up.

In *Portugal*, major changes were made to the aid regime following the 2002 economic austerity measures and the subsequent May 2003 revisions to the Operational Programme for the Economy and its renaming as the PRIME. In particular, the main business aid, the SIME, moved from being a straightforward grant to a measure where aid repayment became a possibility, with the introduction of a “completion premium” which had to be paid back if the project’s initial financial estimates were not fulfilled. In addition, the innovation component of the SIME was separated out as the SIME-Innovation scheme in January 2004. It also took the form of a repayable grant, except in respect of certain types of investment. The Programme for Depressed Areas and Sectors (PRASD), also introduced in 2004, both made provision for higher award maxima in PRASD designated areas and introduced some new aid possibilities (including the provision of significant seed capital funding). Finally, the Portuguese authorities announced in early 2005 that the administration of PRIME-based incentive schemes would be simplified and payment delays reduced.

In *Sweden*, several changes to some of the main regional aids were introduced by new regulations from 1 July 2005. The changes were in line with the government’s favouring of a more restrictive state aid regime and its related policy of replacing some grants with loans. The Regional Development Grant was renamed Regional Investment Aid. Whereas it was previously available in Aid Areas A and B, it will now be gradually phased out of Area B (in line with expected developments in the Regional Aid Guidelines). As part of this, projects will be eligible in Area B only if they are of “special interest” (that is, of strategic importance or particular interest for regional development). To fill the gap, new ALMI loans will become available to higher risk projects in Area B. In similar vein, the Employment Grant has become more restrictive. It will be available to support job creation only in *new* establishments, except in Area A where, in special circumstances, it will also be available

for other types of establishment. Finally, Rural Aid (which had been restricted to rural areas) has been renamed the Regional Grant and is now available to SMEs throughout the country. This allows SMEs to participate in Regional Growth Programmes and EU Structural Funds programmes irrespective of location. At the same time, the Rural Loan was abolished. Overall, the aid budget for the three schemes has not changed. However, with NUTEK taking over responsibility for the administration of Regional Investment Aid in Area B from the County Administration Boards (and also now being fully responsible for the Employment Grant), more funding is available for County Administration Boards to use for other business development purposes.

In the remaining countries, the changes in Table 4.1 can be reviewed more briefly. In *Finland*, a new Business Development Act is in preparation which is not expected to lead to major new developments; there is, though, concern about the possible non-eligibility of investment aid for co-finance under the Structural Funds' Competitiveness objective since this could impact significantly on the future regional aid budget. In *France*, a new 2005 decree made some minor changes to the eligibility of property investment under the PAT and updated the legal basis of the scheme to take account of new EU definitions and changed administrative practices. More significantly, PAT awards have been in decline in recent years; in part this is due to less favourable economic conditions, but it also reflects a more selective approach. In *Germany*, changes to the GA regional aid framework have been minor, reflecting new EC definitions and eligibility rules. On the other hand, at the *Land*-level, some significant changes can be found, not least in response to budgetary constraints (including reduced federal funding for the GA). For instance, Sachsen has recently reduced award ceilings by 10 percentage points (except for new inward investors or extension projects where there was genuine international competition), placed an absolute limit (of €300,000) on the extra bonus to SMEs in designated aid areas, and made awards to rationalisation projects more restrictive.

In *Italy*, in addition to some minor operational changes, the Law 488/92 regional investment grant has, from May 2005, been replaced in part by loan finance. Related, the traditional focus on aid for fixed investment is being downgraded; aid schemes are slowly becoming more targeted and selective, with aids favoured which are innovative in terms of aims (especially horizontal measures) or implementation (simplified and integrated approaches). Also, there is a shift towards the development of more regional-level aids. In *the Netherlands*, the IBO review recommended that the Investment Premium (IPR) should not continue post 2006 and that its budget should be used to support the *Peaks in the Delta* strategy. The government was more cautious. It was concerned about the impact on the international competition for mobile investment; a final decision on the future of the IPR will await clarification of the post 2006 Regional Aid Guidelines. In the *United Kingdom*, the main regional aid, Regional Selective Assistance (RSA), was replaced in England in April 2004 by Selective Finance for Investment in England (SFIE) which more closely reflects the productivity agenda (with productivity and skills assessments gradually re-orientating projects towards higher skilled, higher value activities). In Scotland, RSA expenditure is in decline and there is a move towards smaller, more flexible forms of support. In addition, new award criteria ensure that all recipients of large RSA awards in Scotland must look constructively at the environmental, waste and resource issues raised by the aided project.

A number of themes emerge from these developments. An obvious one is that large-scale investment grants are becoming less important - partly for budgetary reasons, partly on value-for money grounds and partly due to state aid pressures. This can be seen in the new budget-limited and more discretionary approach in Belgium, in moves in countries like Portugal, Italy and Sweden to switch at least part of the available support from grants to loans (or repayable grants) and from the general increase in award selectivity. There has, in addition, been an attempt in a number of countries to direct aid more towards value added and innovation rather than investment and jobs - as, for instance, in aspects of the new Greek Development Law, but also in Italy, Portugal (with the new SIME-Innovation) and the UK (where the stress under the SFIE is on productivity improvements). There have also been moves in a number of countries to introduce smaller, more flexible forms of support (including regional venture and seed capital funds). Another common theme concerns the already-mentioned greater selectivity in award. This can be clearly seen in Belgium but also in France, the Netherlands, Sweden and the UK. A stress on administrative simplification is highlighted in Greece and Portugal. Finally, the degree to which a number of these trends will continue will be determined by the new Regional Aid Guidelines. While many countries favour the idea of less but better aid, concerns remain about the consequences of the relocation of jobs and investment due to competitive outbidding.

4.2 Support for the business environment

Notwithstanding the above developments, the provision of regional investment aid remains a significant part of the regional policy regime in nearly all of the countries under review. The main exception is Denmark, where the regional aid package was abolished in 1991, though Austria now also has only low-key federal regional aid (in the form of ERP loans) following the withdrawal of the Regional Innovation Premium in 2000. However, as discussed earlier, there has been a clear broadening of regional policy over time, and particularly in recent years, with support for the wider business environment moving up the policy agenda. The aim in this section is to review recent developments in this regard, drawing on the detailed information in the country reports.

It has to be said at the outset that this is not straightforward since it touches on aspects where regional policy overlaps with other policy areas, including measures at the regional and local levels.¹⁴ To provide boundaries for the review, the main focus is on initiatives which are considered to be part of regional policy, though nationwide measures to improve the business environment and policy initiatives at the regional and local levels are also mentioned. This section does not deal with regional policy efforts to influence the operation of national sectoral policies at the regional level (such coordination measures are discussed instead in Section 5.2); nor does it consider the programme-based environments within which support for the business environment is often set (see Section 4.3).

For the purposes of the review, recent developments have been allocated to one of three summary tables. Table 4.2 highlights changes in general measures in support of the business environment, in particular the provision of business infrastructure but also covering

¹⁴ These are obviously often of particular importance in federal Member States.

business advisory and support services. Table 4.3 concentrates on innovation-related developments - that is, measures to help improve the business innovation environment. Finally, Table 4.4 focuses on recent policy changes which help progress the regional development role of cities through regional policy measures to enhance the urban economic environment.

4.2.1 Infrastructure and related initiatives

Traditionally, infrastructure provision has been a significant part of regional policy alongside regional aid. Infrastructure spending remains important in those countries which currently have large-scale EU Cohesion policy funding - Greece, Portugal, Spain, Ireland, Italy, Germany. However, particularly within Cohesion countries, such spending is often part of programmes which are not explicitly part of domestic regional policy (for instance, the June 2005 Programme for Investment in Priority Infrastructure in Portugal and the July 2005 Strategic Plan for Transport Infrastructure in Spain), even though they may take issues of territorial cohesion into account.

On the other hand, transport and communication issues are increasingly being addressed by regional policymakers. In *Finland*, the 2004 Government Decision on regional policy targets argued for an active information society policy (including extensive broadband access) to increase regional competitiveness and equality of opportunity and also stressed the importance of transport links in support of regional competitiveness and a balanced regional structure. In *France*, the broader concept of *aménagement du territoire* has given infrastructure investment a central regional policy role. Recent developments have placed particular emphasis on tackling the “digital divide” through universal broadband coverage at an acceptable cost as well as on transport infrastructure. The new Prime Minister has indicated that large-scale infrastructure projects will continue to play an important policy role. Finally in *the Netherlands*, the *Peaks in the Delta* approach takes national infrastructure goals - like maintaining the competitiveness of the Dutch “mainports” and enhancing accessibility to the prime urban centres and growth points - and uses them to inform decisions on where regional policy priorities should lie.

More generally, the process of devolving and decentralising economic development responsibilities has made the provision of economic infrastructure more central to regional development efforts. This can be seen in recent developments in countries like Italy and the UK, but it also applies where more use is being made of regional programming, as in the Nordic countries for instance. Support for economic infrastructure has always been important in *Germany* where joint Federal-*Land* (GA) funds can be used to finance infrastructure oriented towards economic development and business activity - industrial parks and technology centres, improvements to transport, energy, water and waste infrastructure, as well as the construction or improvement of education and training institutions. This aspect of the GA package was subject to EC state aid scrutiny when the GA aid map and related measures were submitted for (re-)approval for the 2004-06 period. Two elements of support, relating to regional airports and technology centres, did not gain approval until 2005, even though they were submitted unchanged from the 2000-03 period. This suggests that such measures may draw more state aid attention when Member States come to submit their regional policy packages for state aid approval post 2006.

Table 4.2: Recent changes in business environment support - infrastructure and related

Austria	In June 2004, the FFG was set up to bring together advice, support and promotion in the field of business-related research and innovation; the AWS had similarly merged business support services in 2002. In addition, funding is available to improve innovation and technology infrastructure in regions, with a call for tender under the <i>REGplus</i> scheme in December 2004.
Belgium	In Flanders, the 2004 aid regime provides support for the provision of advice and training. Also, one-stop-shop (HVE) introduced for entrepreneurs and for company start-ups. An action plan for industrial estates was launched in 2004. In Wallonia, a February 2005 decree aims to support initiative and entrepreneurship by reducing the administrative burdens facing firms.
Denmark	Since the abolition of regional aid in 1991, support has focused on framework measures relating to advisory services, network building and “soft” infrastructure. The 2005 Business Development Act views regional policy in terms of innovation, ICT, entrepreneurship and human resources (reflecting the competitiveness agenda) as well as tourism and demographic balance.
Finland	The 2004 Government Decision noted that: the regional business environment should be improved to encourage entrepreneurship; regional labour markets should be made more efficient; there should be a more active information society policy; and transport links should be developed. Safeguarding the service structure and achieving balanced growth also contributed.
France	New measures aim to increase territorial preparedness for the problems of economic change, including the setting up of the MIMÉ, its June 2005 merger with DATAR, and new territorial observatories (national and regional). There has also been a stress on improving accessibility, with measures to tackle “the digital divide” and a focus on large-scale infrastructure projects.
Germany	GA funds finance economic and business development infrastructure: industrial parks; transport; energy/water/sewage; construction/improvement of education/training institutions. This gained EC approval for 2004-06 in 2003, apart for regional airports (Jan 2005) and technology centres (May 2005). GA funds also support consultancy, training, human capital acquisition, applied R&D.
Greece	None highlighted. Infrastructure support is channelled through the Public Investment Programme budget which includes the Structural Funds.
Ireland	Infrastructure priorities under the NDP/NSS include investment in transport/communications and strategic business site development plus improved education/training facilities. Agencies focus on flagship parks, upgrading business-related education, research, skills and developing strategic business areas/clusters in gateway locations. Stress on agency staff supporting new businesses.
Italy	Infrastructure continues to be the main focus of public action for regional development. The main domestic instruments relating to infrastructure support are the <i>Accordi di Programma Quadro</i> (Framework Programme Agreements) and the <i>Legge Obiettivo</i> (Law 433/01), which focuses on large infrastructure works; this law finally came into operation in 2004.
Luxembourg	Focus on strengthening business support (industrial parks, finance, infrastructure and SME assistance) plus cutting business burdens. Of regional relevance, new infrastructure to support start-ups in the City of Sciences project in Belval-Ouest (see Table 4.6); and the Centre of Enterprise and Innovation in Foetz. Also, new national committee to promote entrepreneurship.
Netherlands	<i>Peaks in the Delta</i> draws on National Spatial Planning Strategy priorities: to create sufficient high quality industrial estates (action plan prepared in 2004); to stress the role of Rotterdam port and Schiphol airport as economic drivers; and to improve accessibility to the main urban centres and growth points. These national priorities are then used to develop regional strategies.
Portugal	The June 2005 Programme for Investment in Priority Infrastructure (PIIP) identifies 3 priorities: basic infrastructure (transport, energy, environment, culture), territory (cities, tourism, natural heritage) and knowledge information and training (especially ICT). Amongst 14 flagship projects are: urban regeneration, urban innovation networks, high-speed rail, broadband, Lisbon airport.
Spain	A July 2005 Strategic Plan for Transport Infrastructure (2005-20) had ‘social and territorial cohesion’ as one of four core objectives. Funding is channelled to railways (44%), roads (25%), urban transport (13%), ports/maritime (9%), air (6%), inter-nodal (1%), R&D/ innovation (1%). A 2000-06 SME Plan focuses on the information society and new business techniques/practices.
Sweden	In the context of regional programmes, regional policy instruments are now targeted more at innovation, education and creating an environment for firms to progress and achieve sustainable development. They have a strong focus on entrepreneurship, SMEs and innovation.
UK	The five key drivers of economic growth are skills, investment, infrastructure, enterprise and competition. Policy focuses on measures to improve employment rates, enhance skills, decentralise public employment, increase R&D spending, and streamline business support. This, plus macroeconomic stability, impacts directly on the business environment.
Norway	Support for the business environment is now a core component of regional policy: the 2005 White Paper continues support for incubators, business parks, entrepreneurship, SMEs and RTDI. In February 2005, NOK 795 million was distributed for business development to regions affected by the social security concession phase out. Also 2006 Centre of Expertise programme.

Where infrastructure support comes within the direct remit of regional policy, it tends to involve more narrowly-targeted business infrastructure, particularly in the form of industrial estates, business parks and technology centres. Examples of recent developments with respect to such targeted infrastructure can be found in Table 4.2. They include: the introduction of new action plans for industrial estates in Flanders, Luxembourg and the Netherlands; the provision of internationally-competitive economic infrastructure within key selected regional gateways in Ireland, including the development of flagship business and technology parks; the development of a new Centre of Expertise programme in Norway; and a further call-for-tender under the *REGplus* scheme in Austria, which provides federal funding for regional technology centres across the country. More generally, the growing policy emphasis on support for regional competitiveness and on ensuring that regional policy is tailored towards specific regional needs and strengths has increased the policy weight attached to such measures in support of the business environment.

Finally with respect to Table 4.2, a number of miscellaneous developments can be briefly mentioned. One set of initiatives responds to the wish to simplify the operational environment for business - either by creating one-stop approaches to the provision of advice and support (as in recent developments in Austria, Flanders, Denmark and under the PRASD programme in Portugal) or by streamlining business support possibilities (as in the UK) or by aiming to reduce the burdens on business (as in Wallonia, Luxembourg, Portugal and Spain). Others are related to the promotion of entrepreneurship and new firm formation. Policy initiatives in this direction are recorded in Denmark, Finland, Ireland, Luxembourg, Sweden and Norway. And there are a number of examples of measures to improve the development and supply of human resources at the regional level, including through improved education and training facilities (as, for instance, in Flanders, Denmark, Germany, Ireland and Sweden). In many cases, such policy developments are closely related to the increasing regionalisation of policy delivery.

4.2.2 Innovation-related initiatives

The entries in Table 4.3 make it clear that the priority accorded to regional innovation has increased markedly in recent years. Indeed, changes in *Austria* have been such that, to the extent that there is a domestic regional policy in operation, it is a regional innovation policy. The stress now placed on innovation in regional policy reflects the growing emphasis on regional, national and, indeed, EU competitiveness and the related importance attached to innovation-driven growth. Measures highlighted in the table include attempts at the regional level: to enhance funding for R&D and innovation; improve science-industry cooperation; transform academic ideas into viable business concepts; increase the regional development impact of universities and polytechnics; support business clusters; and stimulate innovation in SMEs. A separate report has been produced on the broader role of innovation in regional policy.¹⁵ This section concentrates on recent developments (ie since the start of 2004). It focuses on those countries where there have been interesting initiatives involving changes in regional, rather than national, innovation policy.

¹⁵ See EoRPA Paper 05/5

Table 4.3: Recent changes in business environment support - innovation measures

Austria	A number of federal technology and innovation-oriented aid schemes are relevant to regional development: Kplus, AplusB, Protec 2002+, FHplus. They aim to stimulate cooperation between science and industry, help turn academic ideas into viable businesses and stimulate innovation in SMEs. However, none is limited to problem areas; none has changed significantly in recent years.
Belgium	No recent change. In March 2003, an innovation pact was concluded between the Flemish government, representatives of Flemish industries, the universities and Flemish research institutes. In Wallonia, recent developments have seen support directed at clusters and competitiveness poles.
Denmark	The new Business Development Act defines the purpose of regional policy in terms of six priority areas, two of which relate to innovation and ICT. The Act follows a growth-oriented agenda which focuses on the role of the newly-defined regions in promoting economic development.
Finland	The 2004 Government Decision aimed to intensify regional innovation policy by: enhancing the regional effectiveness of universities/polytechnics; intensifying the use made of technology funding in the regions; reinforcing the Centre of Expertise Programme; and by improving innovation services to SMEs, small urban centres and rural areas.
France	Following a call-for-tender, 67 <i>pôles de compétitivité</i> were selected in July 2005, with 6 of international rank. These partnerships between industry, research and higher education respond to the Lisbon agenda and to concerns about industrial relocation processes. They are also linked to a new industrial policy and to the creation of a new agency for industrial innovation, All.
Germany	The 34th GA plan introduced a new instrument from 1 January 2005: Cooperation networks and cluster management. This aims to support regional and supra-regional cooperation between businesses and other relevant partners. The federal government also funds a range of programmes which provide support for innovation and enterprise in the new <i>Länder</i> .
Greece	There is a significant (aid-based) innovation component to the 2004 Development Law. It stresses the adoption of new technologies/innovative products, as well as technological modernisation. In addition the new government has continued the practice of establishing new universities/university departments in cities or regions that did not previously have one.
Ireland	No recent change. The NSS is built around determinants of sustained economic performance, including R&D and innovation. Part of the IDA-Ireland strategy involves the development of strategic business areas and relevant clusters, including flagship parks in gateway locations. Enterprise Ireland also aims to stimulate internationalisation, innovation and R&D activities.
Italy	No recent change. There are innovation-related measures under the 2000-06 O1 CSF which includes an OP for scientific research, technological development and higher education as well as in regional OPs/SPDs. The main domestic measures are primarily aid-based: Law 488/92, PIA Innovation, the Fund for Technological Innovation and the Fund for Applied Research.
Luxembourg	No change, except for new innovation-oriented business parks (see Table 4.2). A 2004 study has suggested more support for higher education and R&D (Article 6 of the 1993 Framework Law aids R&D). In addition, a cluster initiative was launched in 2001 (to at least 2007). The first three clusters relate to "AeroSpace", "InfoCom" (ICT) and "SurfMat" (new materials).
Netherlands	<i>Peaks in the Delta</i> draws on the 2003 Innovation Memorandum which had, as one of its goals, the development of a selective, region-specific innovation policy focusing on internationally-competitive "hotspots". In 2005/6, the south-east and east regions will be used to pilot the new approach. In four out of six Dutch regions, innovation is seen as a strength ('peak') to develop.
Portugal	A core strand of the new government's programme was a Technology Plan, with measures to support growth and competitiveness. This follows the February 2005 'Basis for a National Innovation Plan' which, amongst other things, highlighted the need for strategic clusters (innovation platforms). The <i>Linking Portugal</i> information society strategy was announced in July.
Spain	A national plan for R&D and innovation (2004-07) provides the strategic context. The new government kept the same strategic directions, but boosted funding and announced the Ingenuity 2010 programme (June 2005). This increases research funding and aims to improve business/researcher and private/public cooperation. Annual call introduced for science parks.
Sweden	Visanu, a national (2002) programme provides support for clusters/innovation systems, knowledge development, international marketing. The VINNVÄXT programme (2002) encourages regional growth through dynamic innovation systems. It has concentrated efforts around regional ideas, with more collaboration between companies, research, politics and public organisations.
UK	The government is committed to increasing R&D expenditure levels across the country. RDAs focus investment on start-up and early stage businesses with growth potential and interest in R&D. More funding made available for RDAs to increase the number of businesses with strategic links to universities. Innovation also important within strategies of the devolved administrations.
Norway	The 2005 White Paper made the release of wealth-creating potential a key policy objective, enhancing the innovation environment a core strategy, and the Centre of Expertise programme an important new initiative. The new role accorded to innovation in economic development was underlined by renaming the main development body as <i>Innovation Norway</i> at the start of 2004.

In *Denmark*, regional policy has been defined under the 2005 Business Development Act in terms of six priority areas. Four of these relate to key drivers of economic growth (innovation, ICT, entrepreneurship and human resources) while the other two concern equity objectives (tourism and demographic balance). Although attention is paid to the needs of peripheral localities, it is the wider growth agenda which receives most stress, ensuring a strong innovation orientation to future regional policy. In *Finland*, and in somewhat similar vein, the 2004 Government Decision which set out the main targets for regional policy until 2007, highlighted the need for regional innovation policy to be strengthened - increasing the regional effectiveness of universities and polytechnics, intensifying the use made of technology funding in the regions, improving the provision of innovation services to SMEs and also in small urban centres and rural areas, and reinforcing the Centre of Expertise programme (which aims to enhance regional competitiveness by encouraging the development of regional networks among key research providers and users in different sectors). A recent review of the public research system in Finland has concluded that the Centre of Expertise programme should continue post 2006 and that its linkages with national innovation policy should be strengthened.

In *France*, the first *pôles de compétitivité* were selected in July 2005. They bring together industry, research and higher education in specific locations to enhance the role of industrial innovation in economic development. They constitute a significant component of regional policy and also respond to concerns about ongoing industrial relocation processes and industrial policy more generally. In July 2005, the CIADT selected 67 poles, six of which were regarded as of international rank, with nine others having the potential to join this group. The remainder are national in focus. All benefit from exemptions from fiscal and social charges, the development of economic intelligence and the combining of resources. The six main poles receive priority treatment, including from the recently-established Agency for Industrial Innovation (AII) and benefit from the targeting of new research jobs. In *Germany*, a new GA instrument, "Cooperation networks and cluster management", was introduced from January 2005 to support regional and supra-regional cooperation between businesses and other relevant partners. Funds of up to €300,000 are available for network building and management for up to three years (€500,000 for larger projects involving at least five partners). Participants must pay at least 30 percent of the project's costs.

In *the Netherlands*, the new *Peaks in the Delta* approach builds on the 2003 national Innovation Memorandum. As one of its goals, this aimed to develop a region-specific innovation policy by stimulating those aspects of the innovation process which take place at the regional level and by exploiting the innovation attributes of particular regions. In *Peaks in the Delta*, four out of six Dutch regions were deemed to have innovation strengths and two of them, the south-east and the east, have been chosen to pilot the new region-specific approach to innovation. The experiences gained will be applied in other relevant regions when *Peaks in the Delta* is fully launched in 2007. In *Sweden*, regional programming (as under the 2004 Regional Growth Programmes) has caused policy to be targeted more at innovation, education and creating an environment for firms to progress. This process has been enhanced by a national innovation programme, the VINNVÄXT programme, which was introduced in 2002. This is not unlike the Dutch approach in that it concentrates innovation efforts around a strategic idea at the regional level. The aim is to develop dynamic

innovation systems (bringing together companies, the research community, the political level and public organisations) with a view to creating international competitiveness at the regional level with respect to specific growth themes.

In the *United Kingdom*, two factors have raised the profile of innovation within regional policy. One is that the increasing emphasis on productivity as the main driver of both regional and national economic development has broadened the focus of innovation policy beyond having a strong science sector to also ensuring that the business community is in a position to draw on that research base; the other is that recent processes of devolution and decentralisation have given the regions and nations of the UK more scope to develop their own development plans, including innovation strategies. Thus, for instance, the 2003 Treasury-sponsored *Lambert Review* of business-university collaboration advocated the use of English RDAs to stimulate business demand for research in regional economies and match companies with local university departments. Subsequently, RDA funding to this end has been increased substantially. In similar vein, the *Smart Successful Scotland* economic strategy, which has recently been revised, emphasises the need for Scotland to exploit the knowledge economy, hasten the rate of spin-outs from scientific research and retain Scotland's talent base. Innovation was also included as a key component of the *Economic Vision for Northern Ireland*, published in 2005.

Finally, in *Norway*, the 2005 White Paper made the release of wealth-creating potential a key regional policy objective and argued that regional policy initiatives should contribute to international competitiveness. The strategies set out in the White Paper included strengthening the basic conditions for growth regions and enhancing the innovation environment. One of the new policy measures is a Centre of Expertise programme which is currently being piloted and is due to start in September 2006. This business-led programme aims to support regional industrial and knowledge clusters which include businesses that have growth ambitions and international competitiveness potential; such clusters will be helped to develop cooperation and undertake demanding innovation projects.

4.2.3 Urban-related initiatives

Table 4.4 contains a significant number of examples of how urban areas have been gaining in prominence within regional policy. On the one hand, this reflects the growth and competitiveness agenda and the perceived core role of cities as motors of economic development; on the other hand, it is related to the increasing emphasis placed on territorial cohesion in a range of countries, with towns and cities seen as key building blocks in achieving a balanced and sustainable regional structure. From a regional policy perspective, perhaps the most interesting recent developments aimed at improving the urban economic environment have been in Finland, France, the Netherlands, Sweden, the United Kingdom and Norway.

Table 4.4: Recent changes in business environment support - urban measures

Austria	None highlighted.
Belgium	None highlighted. In Flanders, urban policy focuses on Antwerp and Ghent and on medium-sized towns within urban conurbations. Policy focuses on reducing migration to the suburbs. In Wallonia, the Future Contract (see Table 4.5) contains measures to improve urban regeneration and partnerships between economic development actors.
Denmark	None highlighted.
Finland	The 2004 Government Decision stressed the need: to develop functional urban areas (not least through the Regional Centre Development Programme); to intensify cooperation within the Helsinki region; to strengthen the international competitiveness of 9 major urban centres. An innovation network has been established under the RCDP for 25 medium-sized and small cities.
France	The 2003 CIADT set out a five-prong strategy to improve the European importance of French cities and their role as economic motors: reinforcing their economic influence; strengthening their higher education/research activities; supporting culture/art via major infrastructure; relocating public sector jobs; improving transport access. Recent stress on medium-sized cities.
Germany	None highlighted under the regional GA. There are, however, various forms of urban support which sometimes target structurally-weak areas. Urban policy more generally benefits problem regions.
Greece	None highlighted.
Ireland	The NDP/NSS is built around the idea of developing a number of high-quality, well-served and effectively-networked regional gateways and hubs, designed to broaden the number of areas that can offer viable locations for internationally-competitive enterprise.
Italy	None highlighted.
Luxembourg	None highlighted, apart from the "City of Sciences" plan for Belval-Ouest (see Table 4.6).
Netherlands	The role of cities in economic development has been increasing. In 2002/03, the Ministry of Economic Affairs undertook a collaborative exercise with the 30 big cities after which multi-year economic development plans were produced. The government signed covenants with the 30 cities in February 2005 (for 2005-09). The funding involved is part of the broader <i>Peaks</i> budget.
Portugal	The PIIP devotes €1.6bn to cities over the 2005-09 period, including urban regeneration projects and urban innovation networks. Lisbon and Oporto are seen as the key economic drivers. Amongst broader urban-related measures, the government has recently adopted new guidelines to increase the efficiency of central government intervention in problematic urban areas.
Spain	None highlighted. Spatial and urban policies are not part of national economic development policy due to the distribution of power across government tiers; rather they fall within regional and local government remits. Central government policies are highly sectoralised. As noted, part of the available infrastructure funding is explicitly directed at metropolitan areas/urban centres
Sweden	Cities now included in the analysis of regional development (as basic elements of the regional fabric and drivers of growth). Urban policy aims to provide the conditions for growth and tackle urban problems. The development role of cities is seen as important for their own development <i>and</i> for surrounding areas. NUTEK is currently studying urban issues from a growth perspective.
UK	The spatial dimension of the productivity agenda has been strengthened by focusing on urban economic policy. The <i>Core Cities</i> project brings together relevant bodies to develop an action plan which - to improve regional economic performance - benchmarks urban competitiveness, strengthens productivity and supports urban renaissance in England's major regional cities.
Norway	The 2005 White Paper signalled the importance of city areas for regional development. Stress placed on small & medium-sized. Business locations in such cities will be developed via the 2006 Centre of Expertise programme. A previous 2003 urban policy White Paper focused on 6 large cities, seen as drivers of regional development and the locations of significant R&D institutions.

In *Finland*, the January 2004 government targets for regional policy put increasing stress on the role of urban centres in economic development. The Regional Centre Development programme, originally launched in 2000 and currently covering 34 regional centres, is to be continued post 2006 as part of the broader policy goal of achieving a balanced regional structure. The programme aims to strengthen the role of regional centres within their broader regions (functional urban areas) by helping them cooperate with surrounding areas and by stimulating private/public cooperation; for the 2004-06 phase, there is to be a particular focus on improving networking *between* centres, including the establishment of an innovation network for 25 medium-sized and small cities. More significantly, the 2004

Government Decision led to a special policy package for the nine major urban centres which, due to their levels of innovation, knowledge and expertise, are considered to be important to the continuing competitiveness of the country as a whole. At the same time, cooperation between the municipalities which make up the Helsinki metropolitan area is being intensified in order to improve the international competitiveness of the capital.

In *France*, urban centres are seen as a major way to enhance the attractiveness of France in the face of increasing international competition to attract skills, job-creating investments and strategic activities. The December 2003 CIADT set out a five-prong strategy to improve the European importance of French cities and to stimulate their potential as motors of regional development. This included: reinforcing their economic influence; strengthening their higher education and research activities; supporting their cultural and artistic influences through infrastructure provision; continuing the policy of transferring public sector jobs from Paris; and improving transport access. More recently, the new French government has stressed the importance of medium-sized cities in economic development, not least in helping to transfer the dynamics of global metropolitan areas to the rest of the national territory.

In *the Netherlands*, the economic component of urban policy has, in recent years, become closely associated with regional policy; the improved economic performance of big cities since the mid 1990s means they are now viewed as key drivers of the Dutch economy and play a central role within the *Peaks in the Delta* philosophy. Over the 2002-03 period, the Ministry of Economic Affairs (MEZ) undertook an exercise under which the 30 “big cities” were asked to prepare plans relating to their future economic climate, space for physical development and promotional activities; the focus was on the medium-term economic goals of the cities. Building on this, each city subsequently developed a multi-year economic development plan which was then assessed by relevant national ministries. The government signed covenants with the 30 cities in February 2005 in relation to 2005-09 programmes. Most of the MEZ component of the budget is directed towards industrial estates, new firm formation, innovation and tourism. This funding may become part of the single *Peaks in the Delta* funding pot post 2009.

With the increased emphasis on an all-country approach to regional policy, the regional development role of cities has also grown in *Sweden* where they are seen as fundamental to the regional fabric; enhancing the significance of city-regions in economic development is viewed as beneficial “not just for the cities themselves but also for their hinterlands”.¹⁶ Related, there have been efforts to move urban policy away from purely social issues and towards providing urban regions with good conditions for long-term growth. NUTEK (the national agency for economic development issues) has recently received significant funding to study urban areas from a growth perspective.

In similar vein, in the *United Kingdom*, urban policy is seen not only in social terms but also as a way of strengthening the spatial dimension of the productivity/competitiveness agenda. In England, the *Core Cities* project has brought together city councils, RDAs and

¹⁶ 2005 Swedish Budget Statement

regional Government Offices to develop an action plan which supports urban renaissance as a basis for improving regional performance. In Scotland, too, the focus of investment and attention is shifting towards the themes of urban regeneration areas, economic zones and city regions.

In *Norway*, the nature of the regional problem has meant that there has always been a policy focus on maintaining settlement patterns; this remains at the heart of the 2005 White Paper. The White Paper argues that, to achieve the goal of balanced population development, it is necessary to bring about a more balanced distribution of growth between city areas in different regions and between city areas of different sizes. This places policy stress on the development of medium-sized and small cities, as for instance through the proposed Centre of Expertise programme. In parallel, a 2003 urban policy White Paper argued that there should be a focus on the six largest cities and that their national and regional development roles should be strengthened; they are seen as important from a competitiveness perspective since they house significant R&D institutions and are also gateways to international trends, research and knowledge. The White Paper also made the point that, as drivers of regional development, large cities are a natural part of regional policy.

4.3 Regional programmes and strategy development

A third component of regional policy - in addition to regional incentives and measures in support of the business environment - is regional programming and strategy development. Recent changes in this regard are set out in Table 4.5.¹⁷

An obvious initial point to make is that there are very different contexts in the countries under review for the operation of regional programmes. In Member States with wide-ranging Objective 1 or Objective 1 phase-out areas, most programming and strategy development is directly related to the operation of the Structural Funds. This is the case in Greece, Ireland, Portugal and Spain and has meant that, in these countries, there has been little change in recent years. On the other hand, there are clear differences between these countries in their approach to, and enthusiasm for, regional programming. In both *Greece* and *Portugal*, programming has in practice been largely national, although the 2000-06 period saw regional operational programmes introduced for the first time. In the next programming period more weight may well be attached to regional-level programming. In *Ireland*, the introduction of regional programming was directly related to the two distinct regions established for Structural Fund purposes for 2000-06. Its future depends both on the up-coming EU policy frameworks and the relative domestic weighting attached to the growth agenda and balanced regional development. Different from Ireland, regional programming and strategy development is firmly institutionalised at the regional level in *Spain* where economic development powers have long been regionalised. The significance of regional programming has been enhanced in recent years by EU co-funded regional innovation strategies; it will continue irrespective of how the Structural Funds develop.

¹⁷ The changes in the table mainly concern how regional programmes relate to national regional policy; detailed changes in the programmes *per se* are not covered.

Table 4.5: Recent changes in regional programmes and strategy development

Austria	None. There is a strong emphasis on bottom-up initiatives and endogenous development. Every <i>Land</i> has at least one <i>Regionalmanagements</i> , local agencies to stimulate an integrated approach to bottom-up development. <i>Land</i> programmes are also of obvious importance.
Belgium	In Flanders, a new “Strategic Plan for the Spatial Economy” has been developed following a (2000-04) programme of academic research. In Wallonia, a revised “Future Contract” has been agreed for 2004-09. The revised contract is articulated around four horizontal strategic plans (activity/job creation; development of know-how; social inclusion; balanced development).
Denmark	Each of the five new regions is obligated to establish one or more regional growth fora, partnership bodies for strategy development in the Structural Funds’ mould. The new regional growth fora replace the inter-regional Regional Business Development Coalitions and subsume the Regional Growth Coalitions. Regional strategies will be modified as a result.
Finland	Strategic regional programming is an important element of regional policy. A new programming round is in train for the 2007-10 period. This will not only reflect partnership-based views about regional priorities but will also align regional needs with national aims and objectives (as specified in the 2004 Government Decision).
France	Major changes have taken place in planning and strategy development over the years resulting in a complex structure of instruments at and between various levels. Amongst recent developments, a new instrument for regional strategy development (SRDE) was provided by the 2004 decentralisation law; and state-region planning contracts (CPER) are also being reformed.
Germany	Each <i>Land</i> develops and implements its own economic development strategies, drawing partly on <i>Bund</i> funds and joint GA instruments. The GA targets some funds at regional or local strategy building through <i>Regionalmanagement</i> projects, networking projects to help prepare regional development strategies; the 34th GA plan extended support for such projects to end 2006.
Greece	None. EU Community Support Frameworks provide the programming environment for Greek national and regional economic development. There is evidence of more bottom-up inputs than previously in developing the next round of CSFs.
Ireland	None. Under the Structural Funds, two Regional Operational Programmes are in place in Ireland. In addition, and linked to the National Spatial Strategy, 8 regional authorities are charged with translating the overall national strategy into effective planning strategies at the regional level.
Italy	None. The 2000-06 CSF continues to be the main framework instrument for the development of the <i>Mezzogiorno</i> . It was revised in July 2004 following the mid-term review.
Luxembourg	None. A regional plan for the south was set up in 1999 in response to the challenge of industrial restructuring. However, its implementation has been slow, certainly when compared to measures targeted directly at steel-related industrial wasteland (see Table 4.6)
Netherlands	The sole regional programme funded from the national regional policy budget is in the north (the EU co-financed <i>Kompas</i> programme). <i>Peaks in the Delta</i> sees a shift to areas and activities where there is a regional comparative advantage. <i>Peaks</i> is a strategic rather than a programming document. However, it provides a basis out of which regional programmes will develop.
Portugal	None. There is no regional level of government in Portugal. The key driving factor in regional strategy building has been EU Cohesion policy requirements. The 2000-06 programme introduced a specific regional element but, according to the mid-term evaluation, it remains problematic.
Spain	None. Regional programming and strategy development is firmly institutionalised at the regional level (due to the regionalisation of economic development powers from the early 1980s, but also stimulated by the Structural Funds). Recently, EU co-funded regional innovation strategies have grown in importance. National development programmes tend to have a sectoral orientation.
Sweden	Regional programmes lie at the heart of the implementation of regional development policy and are increasing in importance. New Regional Growth Programmes (RGP) were introduced in January 2004. Within each region, the RGP is an operational programming document that implements the objectives of the strategy-based Regional Development Programme (RDP).
UK	In England RDAs must draw up Regional Economic Strategies (RES). Guidelines for the next phase stress: the importance of economic/sustainable development; the benefits of clear financial plans; linkages with other regional strategies (transport, housing); the importance of the evidence base. Distinct regional strategies are also found in Scotland, Wales and N. Ireland.
Norway	As part of the new policy approach, there is an emphasis on a partnership-based process at the regional level in which the county takes the lead. On this basis, each county is responsible for the development and implementation of a regional development programme (RDP).

In federal countries, regional-level programmes tend to play a significant domestic role. In Austria and Germany, for instance, *Land* programmes are central to the delivery of economic development policy. In *Austria*, spatial planning is the responsibility of the *Länder* and the local authorities. In each *Land*, there is one or more so-called “*Regionalmanagements*” which operate between the *Land* and its local authorities to produce an integrated approach to bottom-up regional development. Since the end of the 1990s, all the *Länder* have had an economic development strategy in place, though most focus on sectoral rather than regional issues (including support for innovation and cluster development). The *Land* programmes are closely linked with the Structural Funds, with the result that there have been few recent changes. In *Germany*, each *Land* develops and implements its own economic development strategies, drawing partly on *Bund* and GA funds. Many *Länder* have also developed strategies at the sub-*Land* level. In 1995, some GA support was made available to help *Länder* in this process. In August 2000, this funding was increased. The objective was to encourage networking projects aimed at developing integrated regional development strategies within the *Länder*. The 34th GA Plan has extended the period of funding of such “*Regionalmanagement*” projects to the end of 2006.

Countries which have become more devolved or more decentralised in recent years have seen more emphasis placed on regional programmes and bottom-up strategies. For instance, in *France*, the basis for a new instrument for regional strategy development was provided by the decentralisation law of 13 August 2004. This allows regions to develop an experimental “regional scheme for economic development” (SRDE), involving a wide range of actors within the region (territorial groups, state bodies, regional development agencies, chambers of commerce and industry, firms, universities etc) and coordinated by the *conseil régional*. It remains to be seen how important these documents will become, but many regions are now engaged in their preparation; the first SRDE was adopted by the Bourgogne region in May 2005. In the *United Kingdom*, regional strategy development has markedly progressed as part of the devolution/decentralisation process. In each of the devolved administrations, new economic development strategies now provide clear frameworks for economic development. In addition, in England, the RDAs have the task of drawing up Regional Economic Strategies (RES) that provide a shared vision for the development of regional economies, aiming to improve economic performance and enhance regional competitiveness. The original strategies are now being reviewed, placing particular stress on economic development issues, establishing clearer financial plans, developing linkages with other regional strategies (space, transport, housing) and doing all this on the basis of a comprehensive and shared evidence base.

In the Nordic countries, there have been a number of significant recent developments which have enhanced the profile of regional programming and strategy development. In *Denmark*, each of the five new regions which will be established in April 2006 has a statutory responsibility for economic development under the 2005 Business Development Act and an obligation to establish one or more regional growth fora, partnership bodies for strategy development in the Structural Funds mould. The new statutory role of these fora underlines the increasing importance attached to regional programming. Interestingly, in the parliamentary programme for 2006, legislation is scheduled to give the new fora a key role in the administration of the next phase of the Structural Funds. In *Finland*, strategic

regional programmes have been an important element of regional policy since their introduction under the 2002 Regional Development Act. Following municipal elections and the formation of new Regional Councils (made up of municipal representatives) programmes for 2007-10 are in preparation. As well as representing a bottom-up consensus with respect to future regional priorities, the new programmes will be aligned with national goals and priorities (as required under the January 2004 Government Decision regarding future regional policy directions). In *Sweden*, regional programmes lie at the heart of the implementation of regional development policy; they have been increasing in significance in recent years as Swedish regional policymaking has taken on a longer-term perspective. New Regional Growth Programmes were introduced from 1 January 2004, replacing the previous Regional Growth Agreements. Finally in *Norway*, the new policy approach reflected in the 2005 White Paper emphasises programme-based decision-making, where the regional level (i.e. the county) is given the lead role in developing and implementing regional development programmes as part of a regional partnership which includes the county, its constituent municipalities, the private sector, development agencies and academic and research institutions.

One last country to mention is *the Netherlands* where the *Peaks in the Delta* White Paper represents an important new policy approach. *Peaks in the Delta* is a strategic document which sets out the government's priorities with respect to region-specific economic development and its views as to the broad types of project which should be supported at the regional level (in light of national priorities). The next stage involves discussions with the regions to develop shared objectives and common goals. The overall aim is to put the Ministry of Economic Affairs in a position where it can directly influence regional development programmes and strategies by using central funding and priorities to alter regional agendas.

4.4 Other components of policy

A final (EU15) comparative table with respect to the components of regional policy is Table 4.6. This contains a variety of policy measures where there has been recent change. A common theme has been the relocation of public sector jobs to regional development ends. This can be seen in a range of countries including Finland, France, Greece, Ireland, Spain, Sweden, the United Kingdom and Norway. A number of countries have also seen a broadening of regional policy to include rural development issues and tourism. This has happened most clearly in Denmark under the 2005 Business Development Act. In France, too, new rural development legislation has recently been introduced. In some countries, special actions in response to structural problems are highlighted in the table, as for instance in Finland, France and Portugal. In France, the stress placed on policy preparedness and anticipating change is of particular interest (as already discussed in Section 3.2.5). Finally, in some countries, the increasing focus on sub-regional issues and policy responses is of note. In the United Kingdom, in particular, there has been a stress on developing policy instruments which target local issues, especially with respect to areas of deprivation. This in turn has highlighted the need to ensure that any such narrowly-targeted initiatives are appropriately aligned with regional economic priorities.

Table 4.6: Recent changes in other components of policy

Austria	None. With 70% of its agricultural area classified as a less-favoured area, support for mountainous regions is important. There are related programmes for rural development, environmental protection and tourism.
Belgium	None. A study underpinning the Strategic Plan for Spatial Economy in Flanders highlighted the diversity and richness of rural areas and suggested that rural-urban partnerships be developed. In Wallonia, the Future Contract mentions the establishment of a development fund for rural areas.
Denmark	The new regions do not have any spatial planning powers (these have been transferred either to central government or mainly to local government). However, they have a statutory obligation to promote economic development (in contrast to the previous, bottom-up voluntary approach). The inclusion of tourism, as well as peripheral/rural areas, extends the scope of regional policy.
Finland	The 2004 Government Decision made specific provision for special actions in certain regions - east Finland, east Lapland and Kainuu. Also, a proposal for special actions for areas subject to sudden structural change (job losses). Special provision is made for rural and island areas - Rural Programme (2004-08), Islands Programme (2004-06). Devolution of central government functions
France	Recent focus on preparing territories to respond to economic change. Following some high-profile closures, the May 2003 CIADT introduced <i>contrats de site</i> . These provide a framework for private-public partnership; they require large firms in particular to contribute to area development, including job creation. Also public sector job relocation to <i>pôles de compétitivité</i> . In 2005 a new law on the development of rural areas was adopted.
Germany	Germany has a strong tradition of spatial planning which is reflected, <i>inter alia</i> , in <i>Land</i> development plans. These in turn provide the basis for disaggregated planning at the local level. There is also a framework plan for the location of public authorities. Rural and, importantly, fiscal equalisation policies also impact on regional development. Solidarity Pact II for 2005-19.
Greece	The Ministry of Planning Environment and Public Works has launched a series of sectoral spatial plans for tourism, industry, coastal regions etc, dealing with land use questions, environmental issues, investment location and housing. This aims to remove previous significant obstacles to the location of new firms.
Ireland	The government has a decentralisation plan, dating from December 2003, which involves the relocation of government department headquarter jobs from Dublin. By July 2004, the Department of Agriculture and Food had transferred staff to Portlaois and the Department of Social and Family Affairs to Sligo.
Italy	New localisation contracts were introduced by the 2003 Finance Law. They aim to attract FDI to the south, specifically the five Objective 1 regions and Molise. They are reserved for medium and large firms with investment above a certain size. They guarantee the provision of infrastructure, training and research support and aid. Contracts are signed with <i>Sviluppo Italia</i> .
Luxembourg	None. There is an important programme for the conversion of industrial wasteland and economic diversification which responded to steel closures in the late 1990s. It focuses on four priority sites (Belval-Ouest, Ehlerange, Terre-Rouge and Rodange). The main project, the City of Sciences in Belval-Ouest, is being implemented with the help of the <i>Fonds Belval</i> set up in 2002.
Netherlands	<i>Peaks in the Delta</i> aims to exploit region-specific opportunities of national importance. National priorities are drawn from the National Spatial Planning Strategy, the Industrial Estates Action Plan, the Innovation Memorandum, the Urban Economic Policy Framework and the New Tourism Agenda. <i>Peaks</i> funding will be used to support regional projects which reflect national priorities.
Portugal	A specialised office has recently been set up to provide integrated support for regional restructuring (GIRRE); a new instrument targeting Businesses of National Interest (PIN) offers support to overcome administrative barriers; and the IAPMEI (SME) agency has created a network in Spain. Under the PRASD, there are aids to support business creation and technical assistance.
Spain	The Plan for Dynamising the Economy and Boosting Productivity was approved in February 2005. Centres on six strategic areas of intervention: competition; goods and services markets; factor markets; R&D/innovation; the quality and efficiency of the public sector; the regulatory framework. Moves to relocate public service jobs (telecoms regulator to Barcelona in July 2004).
Sweden	As a response to the closure of defence bases, the government has agreed to relocate more than 2200 jobs to Östersund and 3 other locations by 2007. The main institutions affected are NUTEK and ITPS (the Institute for Growth Policy Studies).
UK	The drive towards devolution in England has included legislation to strengthen regional planning guidance. Scotland, Wales and Northern Ireland have National Spatial Strategies and, in England, Regional Spatial Strategies now set the strategic direction for local plan preparation. At the same time, inter-region initiatives (<i>Northern Way</i>) and city regions have grown in importance. The decentralisation of public employment remains on the agenda.
Norway	The relocation of public sector jobs has been actively pursued in recent years. The government is committed to pursue an active relocation policy to strengthen regional centres outside Oslo. Also of note, county plans are to become less comprehensive and more voluntary (no longer requiring central ministry approval). This reflects their less central role in regional development.

4.5 Policy instruments in the new Member States¹⁸

Summing up the previous discussion, there has been a broadening of regional policy instruments in the EU15 and Norway in recent years. No longer can regional policy be viewed solely or even mainly in terms of direct regional aid schemes (although all countries except Denmark continue to have regional investment aids on offer). Instead, increasing weight is now attached to (indirect) support for the business environment. As part of this, the emphasis on infrastructure provision has grown significantly - including through policy initiatives to align large-scale infrastructure investment more closely with regional development goals, the provision of targeted economic infrastructure (for instance, flagship business and technology parks) and support for the economic development role of urban centres. In addition, the innovation component of regional policy has been strengthened in a range of countries and there has also been a growing stress on measures to encourage regional programming and strategy development. At one level, these various developments reflect the preferences of the European Commission, with the broadly-based programming approach of DG Regio and the ongoing efforts of DG Competition to curtail (non-horizontal) business aid. On the other hand, EU15 Member States themselves now clearly favour programme-based measures to improve the regional business environment, part of the consensus which has grown up around the need to improve the regional contribution to national growth and the importance of supply side factors in this.

A summary overview of the main components of national regional policy within the new Member States and Candidate Countries is provided in Table 4.7. Bearing in mind that regional policy legislation within EU12 has been developed in line with EU regulations and funding priorities, it is obvious that the approach in all countries is programme-based and that, reflecting the nature of EU programmes, a wide range of measures and policy instruments is involved. These include regional aid schemes, measures in support of innovation and competitiveness, broad infrastructure support, support for the business environment (including, in some Member States, the development of growth centres) and, in a number of countries, support for capacity-building.

One problem with national regional policy in many EU12 countries has been the lack of national funding with which to implement the legislation. This in turn has impacted on the ability of national regional policy to co-finance EU cohesion policy. There are, however, some EU12 countries where national regional policy has played (or is beginning to play) a more significant role. For instance, in the Czech Republic - where national regional policy has traditionally been relatively low-key - the profile of regional policy has increased, regional policy strategies and instruments have become more refined and the institutional infrastructure for policy delivery has been developed. In Poland, too, recent years have seen a marked shift towards a more coherent and coordinated approach to regional policy, in part through the consolidation of the Ministry of the Economy as the dominant central

¹⁸ This section is drawn directly from Yuill D and Quiogue N, "Spatial targeting under EU and national regional policies", Conference Discussion Paper No. 6, in European Policies Research Centre, *Benchmarking Regional Policy in Europe*, Second International Conference, Riga, 24-26 April 2005.

institution in the regional field and in part through the newly emerging programming/strategy development role of the regional units of self-government. Finally in Hungary, national regional policy has a significant history and a well-established legal basis. It has, moreover, its own funding system (with increased resources in 2005 despite budget cuts elsewhere) and has also enhanced its institutional status, now having its own Minister.

Table 4.7: The components of national regional policy within EU12

Country	Policy measures
Czech Republic	Standard economic and financial instruments can be applied in all regions, but support is regionally-differentiated in favour of regions with structural problems and economically-weak regions (including rural areas) and (micro-) regions facing specific problems. The former cover 29 percent of the national population (Government Resolution 722/2003) and the latter 12 percent.
Estonia	There are few national regional policy instruments besides the initiatives under the NDP, due to lack of national financial resources. There used to be seven regional programmes targeting different parts of the country but only the rural programme remains. Otherwise, Enterprise Estonia provides grants and loans to businesses in the entire country.
Cyprus	No national regional policy. However, there are rural development programmes and schemes and grants to encourage collaboration between businesses across all sectors and academic institutions. Incentive schemes for manufacturing operate across the whole territory under the 'New Industrial Policy' approved in 1999.
Latvia	The 2002 Law provides for support for regions with negative economic and social development trends. Development of such specially-supported territories is, in theory, promoted by means of special credit policy, tax relief and resources from the Regional Development Fund. There is also an aid scheme for lagging municipalities, but with very limited resources, and support for entrepreneurship.
Lithuania	In principle, support may be provided if regional unemployment is significantly higher than average and/or regional living conditions significantly lower than average. However, in practice appropriate regional policy instruments are not available. Sectoral policies to encourage investment in lagging regions are more important than regional aids. A growth-centre strategy is being developed.
Hungary	Regional support is targeted at micro-regions suffering from complex socio-economic disadvantages or in need of industrial restructuring or with agricultural/rural development needs. 94 out of 150 micro-regions (NUTS IV) are so classified. Regional policy has its own Minister and funding system. Support is via two main budget lines: the regional development allocation (of most significance); and spatial equalisation support. Attempts have also been made to coordinate regional development and sectoral budgets (Integrated Regional Programme).
Malta	No regional policy measures; a whole-country approach is followed. The 2001 Business Development Act is not spatially targeted. Incentives are mainly fiscal in nature but there is also factory provision, loan-related measures, training grants and SME assistance.
Poland	The 2003-06 NSRD provides for regional self-governments to apply for grant support in relation to regional programmes/strategies and to agree a support contract with the Department of Regional Development. The NSRD provides extra resources to regions with GDP per head below 80% of the national average, regions with unemployment above 150% of the national average and regions with employment in heavy industry 125% above the national average. Specific programmes target regions with structural problems, economically weak regions and regions with environmental problems.
Slovenia	A distinction is made between direct regional measures (incentives and other forms of support aimed exclusively at lagging regions) and indirect regional measures (country-wide sectoral measures but with some regional orientation). Much more support is indirect rather than direct; indeed direct support is negligible.
Slovak Republic	The 2001 Act identifies two types of supported region: economically weak regions and regions with adverse economic structures. No regions are currently aided under the Act; instead, all available resources go towards co-financing EU funds. However, other spatial policies exist (and operate in line with the growth pole strategy): to set up industrial parks; to build motorways; to support the Slovak development agency; to provide housing; and to award state aid.
Bulgaria	The 2004 Act defines 6 types of "regions for targeted impact" including growth regions, industrial decline regions, underdeveloped border regions, underdeveloped rural regions, underdeveloped mountainous regions and the capital city area. The Act has not yet been implemented. In theory, aid takes the form of grants, tax allowances and the transfer of buildings from the public sector and concentrates resources on the target regions in order to meet the regional development goals set.
Romania	Following the abandonment of an aid-based approach targeted on disadvantaged zones, four programmes were introduced by Government Decrees in 2002-03: one providing support to selected small/medium-sized towns; another fostering inter-county cooperation in devising/implementing development projects; and two more assisting the devolution process in the fields of social services and local government capacity building in the development field.

Source: Yuill D and Quigogue N, *Spatial targeting under EU and national regional policies*, Conference Discussion Paper No. 6, Benchmarking Regional Policy in Europe Conference, Riga, 24-26 April 2005.

5. THE ADMINISTRATION OF REGIONAL POLICY

In recent years there have been two main themes as far as regional policy administration is concerned: on the one hand, a continuation of the long-term policy trend for policy development and delivery to be increasingly regionalised, particularly in a programming context; and, on the other, a related increase in emphasis on policy coordination, not least to ensure that regionally-delivered policies are in line with national goals and objectives. These two aspects are considered in the next two sections. A final section comments on the administration of regional policy in the new Member States.

5.1 The regionalisation of policy

One of the clearest long-term trends with respect to the administration of regional policy has been for policy implementation to become increasingly decentralised. In the late 1960s and early 1970s, when regional policy was in most countries synonymous with the award of regional aid, the administrative approach was highly centralised and top-down. If the sub-national level had a role to play, then that role was closely governed by guidelines and criteria determined from above. Even in federal Germany, where economic development is constitutionally a *Land* responsibility, a joint Federal-*Land* framework (GA) was set up in 1969 to regulate the award of regional aid by introducing a rules-based coordination regime. From this starting point, policy regionalisation increased steadily over time. It began with more award decisions being taken at the regional level in respect of smaller projects, moved to enhanced budgetary responsibility in the regions for decentralised awards and then, particularly after the reform of the Structural Funds in 1988 and the introduction of regional programming, reached a stage where the regional level now plays a significant regional policy role in most Member States.

Recent changes in the regionalisation of regional policy are set out in Table 5.1. The countries in the table can be divided into four broad groups which are reviewed in turn in the sections which follow. First, there are those where the administration of regional policy is tied closely to the operation of the Structural Funds. In Greece, Portugal and Ireland, the regionalisation of policy delivery can be largely explained by the regional-level approach under the Funds. Second, there are the federal Member States - Austria, Germany, Belgium and Spain - where the regionalisation of policy obviously reflects their federal nature. In these countries, there have been some interesting developments in the regional policy relationships between the regions and the federal level. Third, there are countries like France, Italy and the United Kingdom where there have been broader moves to devolve or decentralise policy administration and where the regionalisation of regional policy has been part of that process. Finally, the Nordic countries and the Netherlands can be characterised as countries which have moved towards all-country approaches to regional policy, with a particular focus on region-specific policymaking, tailoring policy to the needs of individual regions. This new regional policy environment has increased the stress placed on regional-level inputs.

Table 5.1: Recent changes in the regionalisation of regional policy

Austria	No recent change. A more regionalised approach to regional development policy emerged in the mid 1990s with the establishment of <i>Regionalmanagements</i> to help bring about a more integrated approach to bottom-up regional development at a spatial level between the <i>Länder</i> and the local authorities.
Belgium	Following constitutional reform in 1970, regional economic development competencies have been transferred away from the federal level, though federal powers still cover some important areas including commercial and competition law. In 2003-04, the economic aid frameworks were regionalised. Debates remain at the regional level about the distribution of sub-regional powers.
Denmark	A major reform of local government will reduce the intermediate level from 14 <i>Amt</i> to 5 regions in April 2006 and the local level from 275 to 98 municipalities. The regions have been given statutory responsibility for economic development, with strategies developed bottom-up by regional growth fora (replacing previous non-statutory cross-region and sub-region coalitions).
Finland	Policy has been regionalised via the 2002 introduction of strategic regional programmes and the 2003 requirement that sectoral ministries take regional priorities into account in developing their regional approaches and budgets. However, the 2004 Government Decision made clear that national policy objectives have the ultimate priority. Most regional aid is regionally delivered.
France	Decentralisation began in 1982. Local authorities gained new freedoms and regions/departments executive powers. Inter-commune groupings became more important over time. In July 2002, decentralisation was a key issue; however, the transfer of territorial development competencies was limited. An August 2004 decentralisation law introduced scope for experimentation.
Germany	Under the Constitution, economic development is a <i>Land</i> responsibility. In 1969 a joint Federal-Land task (GA) was set up to introduce rules-based coordination. A Federal Commission has recently examined the division of tasks between <i>Bund</i> and <i>Länder</i> and, in particular, the efficacy of various GAs. It concluded at the end of 2004 that the regional policy GA should be retained.
Greece	Under Structural Funds pressures, a regional government level was introduced by Law 2503/97. The 2000-06 CSF introduced regional operational programmes for the 13 NUTS II regions (<i>periferia</i>). In preparing the 2007-13 CSF, decentralised administrative units have been more involved than in the past; Interreg programme administration has been moved to Thessaloniki.
Ireland	The overall institutional framework supporting regional policy has been unchanged following the introduction of a two-region structure for 2000-06 for Structural Funds reasons. Although enterprise agencies have a regional office structure, it remains to be seen to what extent there will be a significant regional component to strategy development and policy delivery post 2006.
Italy	The 1997-98 Bassanini laws and 1999-2001 constitutional reforms reshaped centre-region relations and transferred many economic development competencies to the regions. The much stronger emphasis on the regional and local levels has led to a stress on capacity-building, an increased use of bottom-up regional programming and more regionalisation of spending.
Luxembourg	No change. Regional policy is administered centrally with no significant involvement of local actors. More generally, there has been a recent debate about the three-tier structure of the country (3 districts, 12 cantons, 118 municipalities), with a view to reducing the number of municipalities. This may lead to new territorial, administrative and financial structures.
Netherlands	<i>Peaks in the Delta</i> reflects the government's general approach, 'decentralise if possible, centralise if necessary'. The MEZ determines national policy priorities and uses these to influence policy goals/implementation at the regional level. To enhance its regional presence and help integrate policy delivery in the regions, the MEZ has adopted a regional way of working.
Portugal	There is no regional level of government, following a negative referendum result in 1998. In light of this, the key driving factor in regional strategy building has been EU Cohesion policy requirements. However, while a regional element has been introduced into the implementation of the funds, the mid-term evaluation judged it to be 'problematic'.
Spain	Economic development powers have lain at the regional level since the early 1980s. The new (2004) government has a major territorial governance agenda, including: constitutional reform; reform of region's statutes of autonomy; reduced centre-region conflict; a new Conference of Regional Presidents; regional participation in EU policymaking; and local government reform.
Sweden	Regions are more responsible for regional development due to Regional Growth Programmes and the growing role of County Administration Boards (CABs) in developing and pushing forward such programmes. Moreover, there have been recent incentives to transfer CAB responsibilities to newly-created Municipal Cooperation Bodies. Broader administrative reform being considered.
UK	Regional policy rests on devolved strategy-making and policy delivery. Beginning with Scottish/Welsh devolution, it was taken forward by creating RDAs and markedly increasing their funding/budgetary autonomy. Rejection of a regional assembly for the north-east halted the process, prompting debate about how to proceed and at what level (sub-regional? city-regions?).
Norway	The subtitle to the 2005 White Paper, "A policy for different regions", signalled that policy should be determined at the lowest possible level of government. Although regional policy is developed nationally, it is delivered in the regions through Innovation Norway and other relevant national authorities. Regional programming is county-led and budgets have also been regionalised. Further decentralisation may flow from ongoing public service/territorial reforms.

5.1.1 Structural Fund-driven regionalisation

In *Greece*, regions were established for NUTS purposes in 1986. However, it was not until 1997 that, in response to pressures created by the institutional demands of EU programmes, the 13 NUTS regions (*periferia*) were given substantive responsibilities for economic development and planning by Law 2503/97. Under the 2000-06 CSF, the 13 regional operational programmes account for just over one-quarter of the CSF budget and there are some signs that decentralised administrative units are being involved more in the preparations for the 2007-13 CSF. On the other hand, the current role of the regional level should not be overstressed. Despite significant steps towards decentralisation at the regional level and self-government at the prefectural and municipal levels, Greece remains a highly-centralised state.

In *Portugal*, there is no regional level of government, following a negative referendum in 1998. As a result, the key driving factors in regional strategy building (and in any regionalisation of regional policy) have been EU Cohesion policy requirements. The 2000-06 CSF has 19 operational programmes of which seven are regional. Such regionalisation is viewed as somewhat problematic due to highly complex management and coordination structures. The mid-term evaluation has proposed that national interventions in the next programming period be reduced to just four thematic programmes - competitiveness, productivity, transport, and environment and energy. This suggests that regional programmes may increase in importance. Certainly, regional strategies are already being developed for the 2007-13 period as inputs into the National Strategic Reference Framework.

In *Ireland*, there has traditionally been a highly-centralised approach to the Structural Funds (and regional policy), not least because the whole country was designated as a NUTS II region up until 1999. At that point, the country was divided into two administrative regions to ensure the continuation of Structural Funds support and this was then carried through to the regional dimension of the National Development Plan and the 2002 National Spatial Strategy. More recently, the 2004 Enterprise Strategy Review Report adopted an all-region approach which focused more on improving synergies and cooperation between agencies than on regional issues. Although enterprise agencies have a regional dimension to their operation, it remains to be seen what weight will be attached to this post 2006, given the likely focus on broader competitiveness issues.

5.1.2 Regionalisation in a federal context

In the federal systems of Austria, Germany, Belgium and Spain, regions with elected parliaments and significant budgetary, legislative and fiscal powers take the initiative in regional policymaking, with the federal level playing a coordinating or facilitating role. Reviewing recent developments, there have been some signs that federal influences on policy developments may be weakening.

For instance, in *Belgium*, institutional reforms over the past three decades have progressively transferred responsibilities from the centre to the federated bodies (the French, Flemish and German-speaking communities and the Brussels-Capital, Flanders and

Wallonia regions). The regions are now able to design and implement a very wide range of policies in line with their specific needs. As regards regional policy, the federal framework Economic Expansion Laws of 1970 and 1978 have recently been replaced by regional legislation - a 2003 decree on economic aid in Flanders (further amended in 2005) and 2004 regional aid legislation in Wallonia (see Section 3.1). At the same time, both regions are reviewing the allocation and coordination of economic development powers and responsibilities at the sub-regional level.

In *Spain*, recent developments have seen territorial governance issues move up the policy agenda. To this end, the new (2004) government has: proposed reforms to the Constitution; stated its willingness to accept changes to regional governments' statutes of autonomy as long as they respect the Constitution and reflect a wide political and social consensus; expressed its commitment to reducing conflict between the central government and the regions; created a Conference of Regional Presidents to provide a forum for high-level debate and interaction; institutionalised regional participation in EU policymaking; and made proposals for the reform of local government. These various developments seem likely to increase the role of the regions with respect to future regional policy.

In *Germany*, a Federal Commission has been examining the division of tasks and relations between the *Bund* and *Land* levels of government, including the future of joint Federal-*Land* frameworks like the regional policy GA. Such frameworks have been criticised for being administratively costly and for reducing incentives for sub-national authorities to allocate public funding efficiently (since the federal level pays half the costs). However, it was concluded at the end of 2004 that the regional policy GA should be retained. Its key attributes are seen to be: its transparent indicator-based system for assessing regional problems; its consensus-based coordination framework which allows equal problems to be treated equally; its systematic rules-based approach to the award of aid; its facility for coordinating EU and national regional policy interests; and its ability to provide a coordinating framework for other policy fields with spatial effects. Notwithstanding these attributes, the fact that the regional policy GA was called into question after more than 30 years of operation (albeit in the context of a wider review of Federal-*Land* relations) does indicate that there are at least some pressures to shift the current *Bund-Land* balance towards the *Länder*.

Finally in *Austria*, there have been no recent changes with respect to the regionalisation of regional policy. In legal terms, regional economic development is in the hands of the *Länder*, coordinated by the Federal Chancellery (BKA) and supported by the non-binding recommendations of the Austrian Conference for Spatial Planning (ÖROK). This ensures a high bottom-up and consensus-based component to regional policy.

5.1.3 Regionalisation as part of constitutional change

In France, Italy and the United Kingdom, recent constitutional and administrative reforms have had a significant impact on policy regionalisation. In *France*, moves towards a more decentralised approach began in March 1982 but were given added impetus in July 2002 when the new government placed decentralisation at the centre of its policy agenda. A constitutional reform in March 2003 removed obstacles to changing the powers and status

of local authorities, though subsequent implementing decrees moderated the practical scope of the changes. One aim has been to produce a more coordinated approach between state and regional bodies in the regions and to boost sub-national inputs to economic development. To this end, state-region planning contracts (CEPR, which form the basis of regionalised economic development in France) are currently being reviewed. A further development is that inter-municipality associations (EPCIs, groupings of communes for economic development purposes) have been growing in importance and have become significant actors in local economic governance. The new decentralisation law of August 2004 has reinforced the role of EPCIs (for instance, allowing them to exercise certain competences on behalf of departments and regions) and has also given regions the chance to experiment in fields like the management of the Structural Funds and regional strategy development (under the SRDE, *Schéma régional de développement économique*).

In *Italy*, the decentralisation process initiated by the Bassanini laws of 1997-98 was completed by the end of 2002, with the transfer of a wide range of economic development competences to the regions. In addition, major constitutional reforms over the 1999-2001 period entirely reshaped centre-sub-national relations by placing all tiers of government on the same level (in contrast to the previous vertical hierarchy). The principle of subsidiarity applies, with sub-national levels exercising responsibility in an increasing number of policy areas, including economic development. This has required significant improvements to the capacities of public actors at the regional and sub-regional levels, especially in the *Mezzogiorno*, and the introduction of efficient coordination mechanisms. In this, the Department for Cohesion Policy has the lead role and has introduced a number of initiatives to strengthen sub-national institutions. The reforms have been accompanied by a growing regionalisation of expenditure, particularly for the improvement of underdeveloped areas, and the increasing use of locally-grounded, partnership-based strategies, contracts and agreements.

In the *United Kingdom*, the principles of devolved strategy-making and policy delivery began in 1999 with Scottish and Welsh devolution and the creation of RDAs in England. They have continued to apply, with distinctive economic development strategies in the devolved administrations of Scotland, Wales and Northern Ireland and increasing funds and budgetary autonomy being granted to the RDAs in recent years. The single pot budget for RDAs will increase from £1.93 billion in 2004/05 to £2.32 billion in 2007/08 to meet a range of new obligations, including the regional management of the Business Link support agency, enhanced business-university collaboration and a countryside regeneration role. RDAs are increasingly recognised as key players in regional development in England. At the same time, the rejection by voters of a regional assembly for North-East England has raised questions as to how the government's programme of regional devolution in England will proceed.

5.1.4 Regionalisation in the new regional policy environment

In a final group of countries - Denmark, Finland, Sweden, Norway and the Netherlands - the enhanced regional policy focus on the regional level in recent years reflects the changing nature of regional policy, in particular its move to an all-region approach, covering a much broader spectrum of policy instruments and making extensive use of regional programming.

In *Denmark*, a major reform of local government has been legislated for which will reduce the intermediate level of government from 14 *Amter* to five large regions and the number of local authorities from 275 to 98 by April 2006. The new regions have a statutory responsibility for economic development and are obliged to establish one or more regional growth fora, partnership bodies in the Structural Funds tradition. Indeed, as mentioned earlier, it seems likely that they will form the core of Structural Funds administration post 2006. The statutory nature of the new fora contrasts with the previous more *ad hoc* approach centred on inter-regional Regional Business Development Coalitions and sub-regional Regional Growth Coalitions. It suggests an enhanced role for the regional level in the next policy phase.

In *Finland*, regional policy has been regionalised in recent years through the introduction of strategic regional programmes under the 2002 Regional Development Act and the subsequent (2003) Government Decision requiring ten central government departments with regional interests to take regional priorities into account in developing their regional approaches and budgets. While the stress on the regional level remains strong, it should be noted that the January 2004 Government Decision on the future targets for regional policy made it clear that it is *national* policy goals which have ultimate priority. Strategic regional programmes have to be developed and sectoral ministries' regional inputs determined in line with the aims and objectives of national government.

In *Sweden*, the introduction of Regional Growth Programmes in January 2004, and the importance attached to regional programming more generally, has enhanced the role of the region from an economic development perspective. County Administration Boards, consisting of regional representatives of national ministries, now administer a block grant for regional development purposes and, in many counties, are responsible for almost all regional development-related activities at the county level (including developing and taking forward regional programmes). Following 2001 legislation, municipalities are increasingly combining to form Municipality Cooperation Bodies at the county level. Where Municipality Cooperation Bodies have been formed, they become the main animating agencies at the county level, taking over responsibility for the Regional Growth Programmes from the County Administration Boards. Taken together with the bottom-up nature of the Regional Growth Programmes, the creation of Municipal Cooperation Bodies is a further example of the decentralisation of regional development responsibilities in Sweden. A broader review of administrative structures is currently in train, with a Parliamentary Committee due to report on this theme in February 2007.

In *Norway*, the 2005 White Paper was based on a bottom-up growth model which stressed the importance of policy differentiation at the regional level. The White Paper saw the partnership principle as being particularly important in developing regional strategies and programmes; it argued that regional policy challenges can only be met if local and regional actors are actively involved. The role of the national level is to orient relevant components of national policy towards regional priorities and to further decentralise policy responsibility and authority to municipalities, counties and national organisations in the regions. The stress put on the county as a regional development stakeholder reflects the outcome of a 2003 White Paper on local democracy. This gave the county more executive

authority with respect to regional policy resources and made it the lead partner with respect to regional programming.

Finally in *the Netherlands*, the philosophy in *Peaks in the Delta* is that the sub-national level (provinces, municipalities and businesses within these areas) should take the lead in improving the business environment in their areas (in line with the slogan of the ruling coalition, “decentralise if possible, centralise if necessary”). The role of the national level is a selective one; namely, to focus on specific areas and activities which are vital to the development of the economy as a whole. The aim is to bring a national vision (and national resources) to bear on sub-national goals and implementation. To this end, the Spatial Economic Policy Directorate within the Ministry of Economic Affairs has adopted a regional mode of operation. Regional teams have been established which will work together with the regional offices of the Ministry and with regional economic development actors to progress region-specific initiatives. This new regionally-oriented approach involves working actively and directly with sub-national authorities and the private sector to bring about more coordinated actions at the regional level, ensuring that central government operates in the regions in the most effective and coordinated manner to bring about its desired policy outcomes.

5.1.5 Concluding points

Analysis of these regionalisation processes reveals a wide range of structures, roles and capacities. Despite this diversity, the development of new modes of regional policy administration has produced some common themes. First, regardless of different ‘starting points’, policy regionalisation is an almost universal trend. In traditionally centralised states, the implementation of the Structural Funds has stimulated the creation of specific frameworks and institutions which have filled an institutional void at the regional level. In federal states, the power of the regions seems to be growing. Regionalisation has also been an important driver in countries undergoing constitutional reform and is found extensively in countries which have introduced new forms of regional policy (all-region, programme-based, bottom-up).

Second, although central government retains a legitimate interest in regional policy through setting the macroeconomic framework and sponsoring regional development, its functions are changing. The traditional role of the centre as a direct promoter of regional development is tending to decline as regional and local authorities become more closely involved in the design and delivery of regional policies. Roles for central government focus increasingly on facilitation and support for the development of regional and local economic development strategies, the building of capacity, the provision of regional infrastructure, and the coordination of policy and service delivery across agencies.

Third, the emphasis on the regional contribution to programming and networking has opened up the system of policy making and loosened hierarchical controls. A variety of partners are emerging at the regional level, with various resources, agendas and legal or political standing, often interacting in complex, informal ways. This, in turn, is placing increased stress on policy coordination. The next section reviews current approaches to coordinating regional policy across and between administrative levels.

5.2 The coordination of policy

The growing breadth (across policy areas) and depth (between policy levels) of regional policy means that a much greater range of actors is now involved, implying the need for enhanced coordination across and between different administrative tiers. Increasing emphasis on the complex issues of productivity and competitiveness also points to the importance of coordination mechanisms. There is a perception that traditionally exclusive departmental structures and hierarchical centre/regional relations are incapable of dealing with economic development issues that reach across sectoral boundaries and administrative levels. There is also a growing wish to find ‘holistic’ solutions to difficult policy problems, prompting a search for new vertical and horizontal policy instruments.

5.2.1 Regional-level coordination

At the regional-level, parallel processes of organisational consolidation and strategy development are vital to enhanced policy coordination. Coalitions of different regional actors are institutionalised in a variety of ways, most notably through the formulation of partnership-based regional development strategies. The aim is to create an organisational setting where organisations work more closely together to common ends. The influence of the Structural Funds has been prominent in this approach. The process of implementing the Funds - particularly the requirement to produce multi-annual, integrated regional development plans - has stimulated the creation of cross-institutional programme groups and increased coordination at the regional level.

However, as Table 5.2 shows, it is not only in the context of the Structural Funds that partnership-based coordination at the regional level has increased in prominence. In the Nordic countries in particular, recent domestic regional policy developments have seen considerable stress placed on regional partnerships in a programming context. Thus, in *Denmark*, the new regional growth fora are partnership bodies which help develop regional strategies and, in so doing, help to promote policy coordination at the regional level. In *Finland*, strategic regional programming encourages the key regional development actors in each region (the Regional Council, the representatives of state bodies in the regions and the social partners) to formulate plans and decide on priorities jointly. In this context, the tripartite Regional Management Committee, originally established for Structural Funds purposes, plays an important role in generating a consensus in each region around the programme. In *Sweden*, the new Regional Growth Programme structure, based as it is on regional partnership, has been set up to nurture an environment of policy coordination and a more holistic approach to regional development. Finally in *Norway*, the 2005 White Paper accorded the partnership principle considerable importance in strategy building as a means of coordinating policy at the regional level.

Table 5.2: Recent changes in the coordination of regional policy

Austria	The institutional structure between the federal and <i>Land</i> levels is somewhat fragmented. In legal terms, spatial planning is a <i>Land</i> function, coordinated by the Federal Chancellery and supported by non-binding ÖROK recommendations. Despite the lack of formal coordination tools, there is efficient informal coordination. Also, one-stop-shop approach to service delivery.
Belgium	Regional policy coordination has moved to the regional level with the replacement of the federal Economic Expansion Laws. In Flanders, a May 2004 decree brought together spatial-economic and employment issues through the creation of partnership bodies (RESOC). In Wallonia, the economic development competencies of different ministries are increasingly coordinated.
Denmark	New regional growth fora are partnership-based. The central government agency responsible for regional policy is now the National Agency for Enterprise and Construction (NAEC) - previously the National Agency for Enterprise and Housing (NAEH). The NAEC concentrates on policy areas which target private firms. The delivery of business development services has been consolidated.
Finland	Policy coordination is central to current approaches to regional development in Finland, with partnership-based regional strategic programmes (being revised for 2007-10) and a strong coordination role for the Centre of Expertise and Regional Centre Development Programmes. The 2004 Government Decision on regional policy targets enhanced national-regional coordination.
France	DATAR has acted as a territorial development coordination institution since 1963. Its role changed in 1982 with the introduction of state-region planning contracts (to coordinate central and regional policies). It is to merge with the MIME, increasing its industrial restructuring role. The decentralisation law of August 2004 lets regions coordinate comprehensive strategic regional planning documents (SRDE) while also reinforcing the role of inter-municipal cooperation (EPCI).
Germany	The 2004 decision to retain a regional policy GA ensured that rules-based coordination remains part of the German approach to regional policy. The regional GA provides a framework for coordinating interventions that means that regions with the same levels of problem are treated equally. It also helps German-EU coordination and coordination with other policy fields.
Greece	Despite some moves to involve the regional level more in policy administration, there is a natural tendency towards administrative centralisation in Greece. Regional policy falls within the responsibility of the Ministry of National Economy. However, coordination with other ministries with a spatial role (eg Ministry of Planning, Ministry of Development) is limited.
Ireland	The overall institutional framework supporting regional policy has been unchanged in recent years. The 2004 Enterprise Strategy Review Report highlighted the need for improved synergies and cooperation between agencies, with a more integrated approach to indigenous industry. Following an Enterprise Ireland review, partnership is seen as central to increasing effectiveness.
Italy	Following recent regionalisation processes, the national level is playing a stronger coordination and facilitation role. The Department of Cohesion Policy is in charge of coordinating policy implementation in the South. Efforts are also being made to move towards a single, integrated approach to programming, aligning national and EU goals, instruments and implementation.
Luxembourg	No change. Coordination is not an issue given the size of the country and its related centralised approach to policy delivery. Aid decisions are made by an inter-ministerial committee involving the Ministries of Economy, Finance, Regional Planning, Home Affairs and Employment.
Netherlands	Policy coordination is an important part of the <i>Peaks in the Delta</i> approach. The White Paper brings together the outputs of national strategy documents (spatial planning, transport, urban, industrial estates, innovation, tourism) and applies these in a coordinated way in a regional context. The national <i>Peaks</i> framework allows coordinated policy implementation in the regions.
Portugal	Policy coordination takes place in the context of the CSF. In recent years a number of government agencies have been merged, restructured or removed to avoid service duplication.
Spain	With respect to policy coordination, there have been a number of recent initiatives to ensure that local government interests are taken more effectively into account. These include bringing the Federation of Spanish Municipalities and Provinces (FEMP) into the Spanish inter-governmental architecture.
Sweden	Improved policy coordination lies at the core of Swedish regional development policy. With respect to sectoral coordination, 8 policy areas must take the regional dimension into account in their strategies. Regarding regional coordination, partnership-based Regional Growth Programmes should nurture coordination and a more holistic approach to regional development.
UK	The increasing funding and budgetary autonomy granted to English RDAs has been accompanied by stronger national-regional coordination mechanisms, including developing closer working relationships between RDAs and central government and more rigorous evaluation procedures to make RDAs more accountable. Revised systems of national-local coordination are being considered in Scotland while in Wales there are moves to unite previously separate bodies.
Norway	Policy coordination between national policy sectors is encouraged in the 2005 White Paper, though no specific coordination mechanisms are proposed. Regional coordination is promoted via the partnership-based regional programmes. With more resources spent regionally, stress is now placed on evaluation to ensure that spending is both efficient and within policy frameworks.

However, it is not only in the context of regional programming (whether in relation to the Structural Funds or domestic regional policy) that policy coordination has been promoted at the regional level. In the *United Kingdom*, for instance, the ability of the English RDAs to coordinate regional economic strategies has been boosted by the ongoing expansion of their competencies in different policy fields (as discussed above) and their increased spending flexibility. In *France*, policy coordination at the regional level generally comes through the operation of state-region planning contracts. However, it has been enhanced in recent years by the introduction of new (experimental) regional strategy documents (SRDE), which bring together a wide range of economic development actors in the regions under the *conseil régional*. Also in France, inter-municipal groupings (EPCI) have been gaining in policy weight. They have become more closely related to regions and departments and also *pays* (spaces of cultural identity which promote common development projects using a bottom-up approach), thus further enhancing regional and sub-regional policy coordination. The combining of local authorities to facilitate a more coordinated approach to policy making in the regions is also a component of policy in a number of the Nordic countries and Luxembourg.

Finally, some countries have achieved enhanced coordination in the regions by merging service provision within single organisations. Thus, for instance, in *Austria*, the AWS was set up in 2002 as a one-stop-shop for business development. The delivery of business development services has also been consolidated in *Denmark*, while, in *Ireland*, the Enterprise Strategy Review Report has led to a policy focus on improving synergies and cooperation between enterprise agencies and related bodies and within the enterprise network. A new organisational structure has been introduced within Enterprise Ireland which aims to enhance partnership not only with local bodies but also with government departments, industry representatives and state agencies. In the *United Kingdom*, there are plans in Wales to unite several regional bodies (the Welsh Development Agency, the Welsh Tourist Board and Education and Learning Wales), leading to the creation of a broad economic development grouping. In similar vein, Innovation Norway was established in *Norway* in January 2004 by combining the Norwegian Industrial and Regional Development Fund, the Norwegian Tourist Board, the Norwegian Trade Council and the Government Consultative Office for Inventors.

5.2.2 National-level coordination

As noted above, part of the changing perception of the regional challenge is awareness that regional economic development involves an array of policy sectors and that the activities of a range of central government departments have an economic impact on regions. Consequently, there is increasing focus across Member States on coordinating the regional dimension of central interventions, as the following examples illustrate.

In *France*, DATAR has acted as a coordinating institution in the field of territorial development since 1963, encouraging ministries to take account of the notion of space. In 2005 the Interministerial Mission for Economic Change (MIME) was merged with DATAR, thus increasing the scope to coordinate regional policy and policy relating to industrial restructuring. More generally, it is a broadly-based interministerial committee, the CIADT

(*Comité interministériel d'aménagement et de développement du territoire*), which lays down the general lines of spatial economic policy in France.

In *the Netherlands*, it has already been noted that policy coordination represents a significant component of the *Peaks in the Delta* approach. The White Paper brings together the outputs of a wide range of national strategy documents (in the spatial planning, transport, industrial estates, innovation, urban and tourism fields) and applies them in a coordinated way in a regional context.

In *Sweden*, the 2001 regional policy Bill specified eight policy areas which were requested to take note of the regional dimension in their strategies and to co-ordinate their activities to achieve regional goals. In similar vein, in *Finland*, ten ministries were required under the 2002 Regional Development Act to take national regional development targets into account in developing their operational and financial plans. The aim was to encourage sectoral ministries to consider systematically and pro-actively the regional impact of their policies and funding. Policy coordination across national sectors is also encouraged by the 2005 White Paper in *Norway*, though no specific coordination mechanism was proposed.

Finally in the *United Kingdom*, recent years have seen concerted, cross-departmental approaches to regional policy design and delivery established, particularly between the Treasury, the DTI and the ODPM. These departments now share a joint regional development Public Service Agreement (PSA) and have developed a delivery plan with respect to the targets set. This joint approach to regional development at the national level is more broadly based than normally found in the UK and, in part, is a response to past criticisms that departments have failed to work together sufficiently to co-ordinate policies with a regional dimension.

5.2.3 National-regional coordination

As regional policy has become more regionalised in approach, the question has arisen as to how regional priorities can best be coordinated with national objectives. How can national goals and objectives be reflected at the regional level? The answer has been different across the Member States as the examples which follow show.

In federal countries, the basic purpose of coordination is to ensure that regional policies, which are the constitutional responsibility of the regional level, do not conflict with national development goals. Traditionally, this has been achieved by directly involving the national level in the planning and/or financing of regional development initiatives. In *Austria*, coordination between the three levels of government is facilitated by the Federal Chancellery (*Bundeskansleramt*, BKA) and is supported by the non-binding recommendations of the Austrian Conference on Spatial Planning (*Österreichische Raumordnungskonferenz*, ÖROK). ÖROK's board is made up of all the federal Ministries, all the *Länder*, the two associations of local authorities, and the socio-economic partners. The coordinating activities of ÖROK include acting as the Monitoring Committee Secretariat for all SPDs and it also produces a consensus-based ten-yearly strategic plan (ÖREK). In practice, coordination in Austria rests heavily on consensus, building on the bottom-up nature of policy development and the efficient informal policy networks which exist.

In *Germany*, regional policy coordination is achieved through a joint Federal-*Land* framework mechanism (GA) which sets the broad context for the implementation of policy at the *Land* level. The GA was introduced in 1969 to bring coordination to a policy area where there was perceived to be wasteful competition between the *Länder*. Its justification continues lie in its rules-based and consensus-oriented approach to coordination. It provides a framework for organising and coordinating interventions that ensures that regions with the same levels of problem are treated equally. It also helps to coordinate interactions between the EU and Germany with respect to state aid and will also be used to decide on the allocation of EU Cohesion policy funds between the *Länder* post 2006.

In *Belgium*, there is relatively little direct coordination of regional policy. As noted earlier, long-standing federal framework legislation has recently been replaced by regional laws. In this new environment, the only significant coordination between regional policy in Flanders and Wallonia takes place within the framework provided by the EU state aid rules.

In *Spain*, intergovernmental relations between the centre and the regions have been determinedly bilateral and intensely political in the past.¹⁹ This has partly been motivated by the asymmetrical nature of the devolution settlement which permitted different regions to acquire competencies at different speeds and therefore required bilateral negotiation to accommodate the varied needs and demands of the system. The main institutional mechanisms for ensuring vertical policy co-ordination are the regular sectoral conferences, involving representatives from both central and regional government. Some academics consider these to be a rather weak coordination mechanism due to the lack of a legal and constitutional foundation.²⁰ However, this situation may be changing. Since 2002, all regions have been placed on an equal footing in terms of competencies and, as mentioned above, the current government is giving considerable political weight to issues of territorial governance, including the horizontal and vertical coordination of policy.

In unitary Member States, where the policy trend is for regional policy responsibilities to be increasingly transferred to the regional level, a growing issue concerns how overall consistency and coherence with national policy objectives can be achieved.

In *Finland*, one of the main innovations under the 2002 Regional Development Act was that specified sectoral ministries were required to take note of national regional development targets in developing their operational and financial planning. This was reinforced by the January 2004 Government Decision on regional policy targets which stipulated that national goals and objectives have priority and must be taken into account both within strategic regional programmes and in the regional plans and budgets of sectoral ministries. On the other hand, at a practical level, there are challenges in operationalising this approach. Beyond persuasion, there are limited means to encourage sectoral ministries to take cognisance of regional priorities. One mechanism is an inter-ministerial working group

¹⁹ Aja, E. (2001) Spain: 'Nation, Nationalities, and Regions' in Loughlin, J. (ed.) (2001) *Subnational Democracy in the European Union* (Oxford: Oxford University Press).

²⁰ Aja, E. (2001), *op.cit.*

which monitors what has been done to meet the targets set in the Government Decision. However, at the end of the day, the issue is essentially a political one, related to how much weight the government wishes to place on such aspects given the broader policy context.

In *the Netherlands*, the *Peaks in the Delta* approach makes clear that it is *national* priorities which should determine where national regional policy resources should flow. In other words, it is the national economic return that is the government's guide in making policy choices. To this end, the Ministry of Economic Affairs: uses its funding leverage as a catalyst for selected developments in the regions (in line with its national vision for economic development); coordinates activities between different levels of government and the private sector in line with the national vision (using its recently-regionalised internal organisational structure to facilitate this); aids implementation by running pilot projects and facilitating exchange of experience; and ensures that EU inputs are appropriately dovetailed with national policy developments.

In the *United Kingdom*, the growth in the funding and policy portfolio of the English RDAs has been accompanied by more policy emphasis on coordination across and between tiers, ensuring "the optimum fit between national and regional policies".²¹ Centrally-defined parameters are playing an increasing role in strengthening the centre's overview of RDA activities and providing overall consistency of policy. To increase accountability, RDAs are going through more rigorous evaluation procedures, involving independent external evaluators. At the same time, initiatives have been launched to develop a closer working relationship between the RDAs and central government, including a National Regional Partnership Programme. This aims to embed the regions and regional issues more deeply in DTI policies and processes, engage the RDAs in DTI policy formulation and involve the DTI more closely in the activities of RDAs. In addition, work is ongoing to establish the infrastructure necessary to support effective centre-region partnership working, including information sharing across the DTI, the regional Government Offices and the RDAs.

In *Norway*, policy evaluation is also moving up the agenda in response to regionalisation. With most of the financial resources for regional policy now in the hands of regional actors, a key task of the Ministry of Local Government and Regional Development is to ensure that these resources are spent efficiently and within the policy framework. This has increased the focus on developing robust performance indicators to measure policy effects. This is linked to a broader question as to how much control central government should have on how regional actors spend their financial resources.

Finally in *France*, the detailed coordination of central and regional policies has been based primarily on the state-region planning contracts (CPER) and especially on the co-financing of interventions. Given decentralisation trends and broader policy developments (including changes to the Structural Funds), the CPER are currently under review. Amongst the issues raised have been the need for a new coordinating effort, not least given the new phase of decentralisation, and the importance of selectivity, focusing each CPER on two or three themes identified by the central state and one or two proposed by the region.

²¹ DTI (2005) Strengthening Regional Economies, Chapter 6 of the DTI Departmental Report 2005.

Based on the above review, there would seem to be three broad methods employed to try to ensure that national goals and objectives are appropriately reflected at the regional level. One is by ensuring that the national level is in a position to *influence* regional actors. This is achieved in Austria mainly through informal mechanisms, in Germany through the forum created by the GA approach to regional policymaking, in Finland by highlighting government targets for policy and by creating mechanisms to discuss and monitor the extent to which they are taken into account, in the Netherlands by bringing national policymakers more directly into contact with regional actors, and in the United Kingdom by developing closer relationships between central and regional policymakers. Some countries also use benchmarking and pilot projects to reinforce influence. This is part of the Dutch approach and is also highlighted in Sweden under the 2001 regional policy Bill.

A more direct form of influence comes in the form of *funding*. In a number of countries co-finance is an important component of regional funding. This is very obviously the case under the French state-region planning contracts and also under the GA approach in Germany. In addition, in many of those countries where strategy development has been regionalised, central funding can often be vital in allowing that strategy to be operationalised. Finally, in the Netherlands, the potential leverage effect of national resources is given considerable weight; there is a strong view that, even when providing what may be relatively limited funding, the centre can have a significant impact on regional priorities and actions.

A third approach is to focus more on outcomes through enhanced *monitoring and evaluation*. This is a feature in the United Kingdom where RDA evaluation procedures have recently been made more rigorous. In Norway, too, the regionalisation of funding has caused attention to be directed at whether resources are being spent efficiently and in line with policy goals; as mentioned, this has increased the focus on developing robust performance indicators. Lastly in Denmark, the 2005 Business Development Act has highlighted six priority areas of policy (innovation, ICT, entrepreneurship, human resources, tourism, and demographic balance) and is developing tailor-made indicators to try to measure the degree to which policy goals are being met.

One final point to make is that, in many countries, the *Structural Funds* also provide a national-regional coordination mechanism, a process which seems likely to be enhanced with the development of National Strategic Reference Frameworks. Even in the current policy phase this aspect of policy coordination is stressed, for instance, in *Italy*, where there is a strong focus on single integrated programming, aligning EU and national objectives, instruments and implementation. The work currently being undertaken to define the strategic content of future Italian regional policy (2007-13) anticipates a further strengthening of this approach.

5.3 Regional policy administration in the new Member States²²

In the EU15 Member States, there has been a strong trend in recent years towards the regionalisation of regional policy administration which, in turn, has seen more emphasis placed on policy coordination - regionally, nationally and between the centre and the regions. The move towards a more regionalised approach reflects both long-standing arguments for administrative regionalisation (including increased efficiency through economies of scale and more accountability through political devolution) and the trend in regional policy towards the development of economic potential in *all* regions. The administration of the Structural Funds has also played a role, with the principles of partnership and subsidiarity encouraging regional input into policy initiatives. This has been particularly the case in centralised unitary states such as Greece, Ireland and Portugal where regionalisation trends were initially a pragmatic response to Structural Funds pressures but where more regionalised approaches to policymaking across the board may be becoming embedded. Other EU15 countries with unitary systems, such as Italy and the United Kingdom, are in the process of devolving significant powers to sub-national levels - cases of centrally-inspired regionalisation. In the Nordic countries, the development of an appropriate regional administrative tier is a feature of broader changes in public administrative systems. Most often, the contribution of the sub-national level in these countries is being enhanced by the emergence of more integrated and inclusive programming frameworks. Finally, in the federal EU15 countries, there has been a tendency for the regional level to reaffirm its role in economic development - regionalisation from below.

To what extent have there been similar moves in the EU12 countries for regional policy administration to be regionalised and to what degree has there been an associated emphasis on policy coordination? The current position is set out in Table 5.3. For the most part, policy administration remains fairly heavily centralised, a consequence of politics and history, the small size and territorial structure of many new Member States and the general lack of administrative capacity (and, indeed, in many cases, appropriate institutions) at the regional level. In addition, the continued centralisation of public finances in most countries acts as a practical constraint on the potential economic development role of the regional level, notwithstanding the increasing opportunities for regional involvement in policy delivery in many countries. Poland provides an example of this, with the centralisation of the financial system constraining the impact of regional contracts as a basis for a new regionalised approach to regional policymaking.

²² This section is drawn directly from Yuill D and Quiogue N, "Spatial targeting under EU and national regional policies", Conference Discussion Paper No. 6, in European Policies Research Centre, *Benchmarking Regional Policy in Europe*, Second International Conference, Riga, 24-26 April 2005.

Table 5.3: The administration of national regional policy in the EU12

Country	Regionalisation	Coordination
Czech Republic	The limited and late development of the role of regional governments has restricted and confused the regional policy tasks of regional-level institutions. There is a feeling of institutional overload at the regional level.	Overlap between regional and sectoral policies and the need for inter-ministerial cooperation and coordination are increasingly recognised. Even with the new Ministry of Regional Development, coordination has proved difficult.
Estonia	Regional policy implementation is the responsibility of the Ministry of Internal Affairs. Enterprise Estonia also has a role (and regional offices) as have county governors (direct representatives of the Government in the regions).	The Ministry of Internal Affairs is responsible for coordinating regional policy in Estonia. Co-ordination in practice is difficult to achieve.
Cyprus	Unsurprisingly, development policymaking is strongly centralised. The key development actor is the Planning Bureau, though the part played by certain sectoral ministries is also important. The SPD has highlighted the need for decentralisation.	Planning Bureau plays a key role in policy co-ordination through its role as the administrative secretariat of the Central Planning Commission and the Planning Committee on Policy and Budget.
Latvia	Main responsibility lies with the Ministry of Regional Development. The State Regional Development Agency and the Investment and Development Agency are also active. RDAs provide advice/consultancy.	A Regional Development Council was established to co-ordinate regional development and territorial planning, and ensure co-ordination of regional development planning and support measures.
Lithuania	The Ministry of Interior is responsible for regional policy. There is no significant sub-national input at present though, under the Law on Regional Development, districts (municipalities) draft and implement strategic regional development plans.	The National Council for Regional Development determines the objectives of policy and approves National and Regional Development Plans. It includes representatives from the government, social partners and NARD (the national RDA).
Hungary	County Development Councils (CDCs) coordinate regional development tasks in 19 counties. Regional Development Councils, drawn from the CDCs, draft regional development plans, direct RDAs and coordinate development processes in 7 regions. Their role is more limited than the CDCs.	Policy responsibility lies with the Prime Minister's Office. Within the PMO, there is an Office for Regional Development (responsible for incentives and the management of the Regional Development OP) and a National Development Office (responsible for the NDP and for regional/sectoral coordination)
Malta	The country follows a national approach to policy, though a Ministry for Gozo promotes the socio-economic development of the island.	The Finance Ministry is responsible for strategic planning and policy co-ordination across ministries, and for the national economic strategy.
Poland	The Ministry of the Economy has overall responsibility for regional planning and the coordination of national/sub-national regional development initiatives. Regional self-governments are becoming more active, part of a more integrated regional policy approach.	Regional contracts agreed between regional self-governments and the Ministry of Economy (and approved by the Council of Ministers and the regional self-government council) allocate resources to regional self-governments to help implement regional strategies and programmes.
Slovenia	Although there has always been potential for central bodies to decentralise administration, policy remains highly centralised in practice (few competent bodies with which to engage in the regions; small municipalities)	Most policy collaboration is centralised via line ministries; this has not always been easy. The SPD provides support for collaboration via co-funding and the stress on partnership etc. The GOSP uses EU funding to promote collaboration.
Slovak Republic	The 2001 Act gives roles to national, regional and local government and to RDAs; however, most policy is delivered centrally (Ministry of Construction and Regional Development). Although RDAs play a role, further decentralisation (to regions) must await fiscal decentralisation.	The Government Council for Regional Policy and Supervision of Structural Operations, set up in 2004, appears to have improved coordination amongst central government ministries, which was previously thought of as a problem. It is chaired by the Deputy Prime Minister.
Bulgaria	The Ministry of Regional Development and Public Works, which has regional offices, coordinates the National Regional Development Strategy and related plans, priorities and measures. However, it has lacked powers or resources to implement regional policy. Effective regional government is also lacking.	An inter-ministerial Central Coordination Unit, chaired by the Deputy Minister of Regional Development, has a programming and planning coordination role. However, in the absence of funding (due in the 2007-13 period), it has been difficult to achieve coordination in practice.
Romania	The Ministry of European Integration (MEI) is responsible for regional programming and for coordinating policy implementation. At the regional level, RDBs steer regional strategies, approve projects, allocate regional resources and supervise the RDAs (the implementing bodies in the regions)	The main coordination mechanism is the NDP. A National Council for Regional Development, chaired by the MEI, with representatives from relevant Ministries and Regional Development Boards (RDBs), (ie elected local and county representatives), exists but has not met recently.

Source: Yuill D and Quogue N, *Spatial targeting under EU and national regional policies*, Conference Discussion Paper No. 6, Benchmarking Regional Policy in Europe Conference, Riga, 24-26 April 2005.

As far as policy coordination is concerned, an important first step in many countries has been the establishment of a Ministry of Regional Development (or equivalent) with clear responsibility for the operation of regional policy within central government (including its coordination across central government departments). On the other hand, in a number of countries, the relatively limited profile of regional policy has meant that it has not always been mainstream ministries which have taken on this role (albeit with some notable exceptions, eg. Poland). In addition, many national regional policy laws have established national coordinating bodies, often in the form of inter-ministerial committees. For the most part, these are perceived to have increased policy coordination to regional development ends, although the continuing strength of national sectoral ministries should not be underplayed. Interestingly, the Structural Funds themselves are viewed as a significant coordination mechanism, encouraging joined-up policymaking (for regional policy and more generally) via the provision of co-finance.

6. CONCLUDING POINTS AND ISSUES FOR DISCUSSION

This review has shown that, notwithstanding the fact that the present policy phase is, in some respects, a preparatory one for the next EU programming period (2007-13), there have been a number of interesting developments to report. There have been major new regional policy White Papers in the Netherlands and Norway, a new Business Development Act in Denmark, new regional incentive legislation/regulations in Belgium, France, Greece, Portugal and Sweden, the conclusions of an important review of the framework for regional policy in Germany, and new pronouncements on future policy developments in Finland, Luxembourg, Portugal and Spain following the election of new governments. In addition, recent policy initiatives in France, Portugal, Sweden and the United Kingdom have carried forward new policy directions introduced by legislation and reviews over the 2001-03 period.

The main changes identified are in line with the longer-term move away from equity-oriented, spatially-targeted, aid-based measures, implemented mainly from centre. Four main themes can be identified. First, in the EU15 Member States and Norway, there is now a strong regional policy focus on growth, competitiveness and productivity, with policy applying in *all* regions with a view to maximising regional contributions to national growth. On the other hand, there remains a significant policy weight on more narrowly-targeted problem regions, not least with respect to regional aid expenditure. Second, a broader view of regional policy is being taken in most countries, with an increasing focus on regional programming and on policy instruments in support of the business environment (not only specific infrastructure support but also measures to promote innovation and the role of cities in economic development). Third, and linked to the all-region, competitiveness-oriented agenda, the regional level is, in most countries, taking on a more prominent role in strategy development and policy delivery. Fourth, as regional policy has broadened its perspective and range of policy instruments and, at the same time, has increasingly been delivered at the regional level, so more weight has come to be attached to issues of policy coordination - regionally, nationally, and between the centre and the regions (to ensure that national goals and objectives are taken appropriately into account).

These developments raise a number of issues for discussion. The first concerns the extent to which this broad overview of recent regional policy developments - and these four themes in particular - ring true at the level of the individual Member State. Viewed from the perspective of the changes which have been taking place in your country, does this description of recent regional policy developments strike a chord? What in your view have been the key regional policy developments in the past year or so? Have any recent policy initiatives been especially successful?

Second, regional policy is often characterised as a policy under tension, with stresses between equity and efficiency rationales, between spatially-targeted and all-region approaches, between aid-based and much broader (often programme-based) interventions, between top-down and bottom-up implementation and between nationally-coordinated and regionally-determined policies. Are you experiencing such tensions in your country and, if not, how have they been resolved?

Finally, since we are approaching a new policy phase - certainly from an EU Cohesion and Competition policy perspective - how do you view the future of domestic regional policy? Are you more or less optimistic about the operation of regional policy than, say, at the start of the current policy phase in 2000? Why?