



**New Policy Frameworks, New Policy
Approaches:
Recent Regional Policy Developments
in the EU and Norway
EoRPA Paper 08/1**

*Douglas Yuill, Martin Ferry and Heidi Vironen
with Irene McMaster and Katja Mirwaldt (new Member States)*

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European Policies Research Centre
University of Strathclyde
40 George Street
Glasgow G1 1QE
United Kingdom

Tel: +44-141-548-3222
Fax: +44-141-548-4898
e-mail: douglas.yuill@strath.ac.uk





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Preface

This paper aims to provide a comparative review and assessment of recent regional policy developments in the countries of the EU and Norway, concentrating particularly on the period since the start of 2007. 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 the EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU Cohesion and Competition policies. EoRPA members currently comprise the following partners:

Austria

- Bundeskanzleramt (Federal Chancellery), Vienna

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- Ministerium für Wirtschaft, Technologie und Arbeit, Freistaat Thüringen, Erfurt

Italy

- Ministero dello Sviluppo Economico (Ministry of Economic Development), Dipartimento per le Politiche di Sviluppo e Coesione (Department for Cohesion and Development Policies), Rome

Netherlands

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

Norway

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

Poland

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

Sweden

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

United Kingdom

- Department for Business, Enterprise and Regulatory Reform, London
- The Scottish Government, Enterprise, Transport and Lifelong Learning Department, Glasgow

The research for this paper was undertaken by EPRC in consultation with EoRPA partners. It involved a programme of desk research and fieldwork visits among national and regional authorities in sponsoring countries during the first half of 2008.

The paper has been drafted by Douglas Yuill, Martin Ferry and Heidi Vironen, with Irene McMaster and Katja Mirwaldt (new Member States). It draws on country-specific research contributed by the following research team:

- Dr Sara Davies (Germany)
- Dr Irene McMaster and Dr Katja Mirwaldt (EU12) together with country specialists
- Dr Martin Ferry (Poland)
- Carlos Méndez (Portugal, Spain)
- Dr Martin Ferry & Rona Michie (United Kingdom)
- Dr Katja Mirwaldt and Frederike Gross (Luxembourg)
- Frederike Gross (France)
- Laura Polverari (Italy)
- Frederike Gross and Dr Katja Mirwaldt (Belgium)
- Maria-Amalia Vergoula (Greece)
- Professor Henrik Halkier (Denmark)
- Heidi Vironen (Finland, Sweden)
- Stefan Kah (Austria)
- Professor Douglas Yuill (The Netherlands, Norway)
- Dr Irene McMaster (Ireland)

More detailed information on regional policy changes in the countries listed above can be found in EoRPA Paper 08/2. At present, the country reviews focus on the EU15 plus Poland and Norway, with the remaining EU12 countries being combined together in a single review. The focus on the EU15, Poland and Norway reflects the historical coverage of EoRPA prior to enlargement and the fact that both Poland and Norway are members of the Consortium. The hope is, resources permitting, to continue to increase the EU12 dimension to the overview in future.

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Disclaimer

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

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New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway

EXECUTIVE SUMMARY

INTRODUCTION

The aim of this paper is to examine domestic regional policy changes and the reasons for change in the period from the start of 2007. This phase has been one of significant change at the EU level linked to the new budgetary and programming period. Many of the changes to EU policy frameworks have potentially significant impacts on domestic regional policies. Most directly, changes to the EU regional aid guidelines impact on regional aid instruments, maps and ceilings. In addition, the new Structural Funds regime has the potential to bring domestic and EU regional policies closer together through the new strategic framework introduced for EU Cohesion policy.

Given these contextual developments, this paper charts the regional policy changes made in the Member States and Norway since the start of 2007 and the main reasons for policy change. The paper is based on detailed country reviews for the EU15 plus Poland and Norway, together with an overview of policy developments in the remaining Member States.¹ It is in five further sections: Section 2 reviews the changing definition and coverage of regional policy; Section 3 considers how the nature and perception of the regional problem have been developing; Section 4 highlights the overall level of policy change and analyses developments in key policy features: objectives, spatial orientation, instruments and spending; Section 5 discusses recent changes in the administration and management of policy; finally, Section 6 provides conclusions and raises issues for discussion.

THE DEFINITION AND COVERAGE OF REGIONAL POLICY

This section considers how regional policy is defined and delimited and whether and how the definition and scope of policy have been changing (as summarised in Table 1). The definition of what constitutes regional policy has altered significantly over time. From the immediate post-war period up until the late 1990s, the focus was predominantly on regional investment aid and infrastructure support, with policy interventions targeted heavily on designated aid areas. During this period, most domestic regional policy was nationally-administered or (in federal countries) nationally-coordinated though, over time, more decentralised approaches developed.

More recently, regional programmes and programming have grown in prominence. In some countries, this has developed out of EU programming demands and/or experiences, but it also reflects a more general policy shift towards support for endogenous development and the business environment, building on regional potential and aiming to foster innovation-

¹ Yuill D (ed) (2008) *Regional Policy Developments in the Member States and Norway: Country Reviews 2007-08*, EoRPA Paper 08/2, European Policies Research Centre, University of Strathclyde

oriented initiatives. These developments have gone hand-in-hand with more general moves to increase regional inputs and responsibilities for economic development. They also reflect broader globalisation pressures and the perceived need for locations to think more about their competitive position. At the same time, budgetary considerations have seen value-for-money demands increase, with attendant pressures for more coordinated policy approaches aligned to national policy goals.

While many countries have been subject to broadly similar external pressures regarding the development of their regional policies, differences in the range, intensity and profile of regional problems, as well as in national contexts, mean that there is considerable breadth of experience with respect to the nature and content of regional policy.

In those countries where Cohesion policy funding is of major importance (including *Poland* and most of the new Member States as well as *Greece*, *Portugal* and *Spain*), regional policy is largely synonymous with Cohesion policy. It is programme based, has both thematic and regional components and focuses on growth and competitiveness. EU Operational Programmes provide the main source of funding and are the chief policy mechanism. The stress is on national rather than regional development (though regional programmes are growing in importance) and the prime aim is to reduce the development gap with EU averages. This was also the approach in *Ireland* in past periods; however, the major decline in EU support for 2007-13 means that the programme-based National Development Plan (NDP) is no longer EU-funded. In *Italy*, the more targeted EU approach for 2007-13 led to the creation of a new unitary regional policy, utilising EU planning frameworks and regimes but focusing joint EU and domestic resources on an integrated, programme-based development strategy.

In a second group, there has historically been a distinction between narrow regional policy (top-down, aid-based, investment-oriented, targeted at aid areas) and broad regional policy (focusing on the regional impact of sectoral policies and striving to coordinate such measures to regional development ends). Over time, broad regional policy has become more important in response to international competitiveness pressures, an enhanced growth and innovation orientation, and the programme-based EU regime; on the other hand, aid targeted at traditional problem regions generally remains significant. Such developments can be seen in the Nordic countries, though with obvious differences between them. In *Denmark*, there has been no regional aid since 1991; the new approach, centred on regional growth partnerships, integrates local, regional, national and EU development activities within a single, programme-based policy structure. In similar vein, the renamed regional growth policy in *Sweden* aims to improve local and regional competitiveness across all regions via regional programmes and enhanced regional and sectoral coordination; on the other hand, regional aid remains important within the aid areas. In *Finland*, globalisation pressures, and concerns about the settlement structure, mean that an all-region approach has been followed, though regional aid remains important in the aid areas; regional strategic programmes play a growing role in aligning EU and domestic priorities, while new budget planning mechanisms help bring sectoral and regional goals closer together. Finally in *Norway*, the district component of policy, centred on peripheral rural areas, has recently been enhanced; however, broader growth-oriented measures remain important, as do efforts to improve sectoral coordination in the regions.

In a third group, domestic regional policy is lower key, generally reflecting the small size of the countries concerned and their limited regional problems. In the *Netherlands*, regional programming has moved centre-stage following the *Peaks in the Delta* White Paper; the aim is to build upon development opportunities in the regions which are in line with national priorities. In *Ireland*, national policy goals similarly underpin the programme-based NDP, though regional participation in policy development is growing and balanced regional development is a horizontal theme. In *Luxembourg*, regional policy is synonymous with national industrial policy; the only explicit regional component, regional aid, is currently in abeyance, pending new legislation. In *Belgium*, regional aid lies at the heart of regional policy, though regionalisation processes have meant that regional initiatives relating to the business environment and strategic planning have grown in importance. Finally In *Austria*, regional development is a *Land* responsibility; regional policy at the national level is closely aligned with Cohesion policy and is primarily concerned with policy coordination.

Last, there are three countries where domestic regional policy is important, but where the nature of policy is country-specific. In *France*, regional policy has traditionally had broad coverage, involving a territorial approach to a range of policy fields, not least through the coordination activities of DATAR (now DIACT). Innovation-related and competitiveness-oriented measures have grown in importance, including the designation of competitiveness poles, though balanced development remains at the core of policy. In *Germany*, regional policy aims to assist areas of structural weakness, most obviously in the new *Länder* but also in parts of the old *Länder* facing adaptation problems. With regional policy a *Land* responsibility, the main national element, the Regional GA, is a joint federal-*Land* coordination framework which mainly finances direct aid to business and business-oriented infrastructure. In the *United Kingdom*, regional policy has broadened in recent years, moving from regional aid and infrastructure-based measures to initiatives designed to target key productivity drivers in the regions (competition, enterprise, innovation, skills and investment). Policy has been devolved to Scotland, Wales and Northern Ireland and has been decentralised in England, with a growing strategic role for Regional Development Agencies (RDAs).

In summary, the definition and scope of regional policy is varied. Where EU Cohesion policy dominates, regional policy is strongly programme-based and growth-oriented, aiming to close the development gap with the rest of the EU. Internal disparities are of secondary, though often growing concern. In the Nordic countries, domestic regional programmes have become core policy instruments, bringing together local, regional, national and EU funding sources in a coordinated way; at the same time, regional aid and related measures remain significant in the sparsely-populated north and in areas facing structural challenges. Where problems are less marked - as in Austria, Ireland and the Benelux - regional policy is lower-key and competitiveness-oriented, with policy coordination often stressed. Coordination also lies at the heart of policy in France and Germany. In the former, it is the core activity of the DIACT, while in Germany it provides the rationale for the Regional GA. In both countries, balance in development is a prime goal, though increasing attention is now paid to growth and competitiveness. Finally, in the UK, regional policy has expanding coverage, reflecting its productivity focus, while also becoming more devolved and decentralised. As elsewhere, measures to enhance policy coordination are an increasing policy feature.

THE CHANGING NATURE AND PERCEPTION OF THE REGIONAL PROBLEM

The nature and perception of the regional problem have clearly evolved over the years. Traditionally, the regional problem has been characterised by the distinction between depressed areas, on the one hand, and more prosperous regions, on the other. While the weaker areas have traditionally suffered from high levels of unemployment and low rates of growth, more prosperous areas also face specific challenges, often related to in-migration, congestion and inflationary pressures. In the face of global challenges, many countries have moved beyond this dichotomy between depressed and prosperous areas and have adopted a broader approach, which goes beyond socio-economic considerations to include, also, competitiveness factors and views of regional potential and strengths. Furthermore, in terms of the severity of regional problems, some countries no longer consider that they have significant internal disparities, others view the challenges facing particular regions as being highly differentiated, and nearly all accept that regional issues need to be considered not only from a disparity perspective, but also in terms of the need to improve regional productivity, competitiveness and growth. The level of analysis has also widened, including comparisons with international benchmarks, while analyses at sub-regional levels have also become increasingly important.

The countries under study are allocated to one of six groups (see Table 2). First, in Member States such as *Austria, Denmark, Luxembourg*, and to a lesser extent the *Netherlands* (where perceptions differ), regional disparities are considered to be relatively limited, particularly in comparison to other EU countries. This is not seen to justify major regionally-targeted interventions. In a second group - *Belgium, France, Ireland* and the *United Kingdom* - there are seen to be differentiated regional problems, which call for fine-tuned policy responses. In the third group, *Finland, Sweden* and *Norway*, sparsely populated regions (and certain areas facing problems of structural adjustment) continue to be acknowledged by targeted policy measures, although a growth focus on all regions has gradually moved centre stage, particularly in Finland and Sweden. Fourth, in *Germany* and *Italy*, severe internal regional differences remain between east-west and south-north respectively, and these continue to provide the main policy focus. Fifth, despite significant internal disparities, *Greece, Portugal* and *Spain* are mainly concerned with enhancing national development. Finally, in *Poland* and most of the rest of the *EU12*, internal disparities are marked (particularly between capital city and lagging regions often along eastern borders) and there is generally also a major development gap with the rest of the EU. In these countries, too, the policy stress is on national development.

A number of comparative points can be made. In most countries, socio-economic disparities persist, though there are differences as to how these problems are perceived. In some instances, disparities are seen to be declining or are not considered to be a real problem. Nevertheless, nearly all countries favour policy intervention. While a focus on weaker areas remains largely embedded in policy approaches, there has been a shift in most countries towards a more differentiated approach for tackling regional problems. Related, many countries now situate themselves within the global context and, therefore, prioritise the development of all regions in their efforts to maximise national growth. The traditional

focus on disparities *between* regions has thus increasingly given way to an acknowledgement that the potential within *all* regions must be fully utilised.

The nature of the problem has also become more varied. Generally, problems are related to socio-economic disparities. However, in the face of globalisation, many countries have adopted a broader approach, focusing on competitiveness but also including newer challenges relating to environmental and energy-related issues. Although in some countries the latter aspects are already part of the policy process, in others discussions are ongoing on the need to develop relevant indicators. The response to emerging challenges depends on how problems are perceived. While in some regions, they are felt to create constraints on development, in others, they are seen to provide opportunities for employment and growth. Although some countries continue to analyse regional problems in a uniform way in terms of trends in disparities, many others now view the success of regions as being dependent on their ability to anticipate and respond to new challenges.

Related to discussions on the nature of the regional problem, the level of analysis has changed. On the one hand, there is an increasing interest in sub-regional disparities, where the evidence is that they have become more significant in some countries. This in turn has redirected policy towards the sub-regional level. On the other hand, many countries view their regions in a broader, global context; as a result, comparisons are increasingly extending to regions outside national borders. This has happened in England, where the performance of problem regions is now benchmarked against EU comparators. In addition, countries with border regions often include the immediate bordering regions in their analysis.

THE CHANGING POLICY RESPONSE

The degree of policy change

In considering the degree of policy change since the start of 2007, Table 3 distinguishes between legislative developments and broader policy reviews. *Luxembourg* stands alone in having no significant changes to report. Regional policy is limited to regional aid and new legislation in line with the new regional aid guidelines has not yet been passed. In *Belgium*, change has also been limited, with new regional aid decrees in both Flanders and Wallonia and the continuing implementation of 2005-06 regional strategy documents which aim for a more coordinated approach to regional development. In the longer-term, the protracted crisis resulting from the federal elections of June 2007 may lead to profound changes in the institutional set-up of the country and in the division of competencies to the regions.

At the other end of the spectrum, change has been major in a range of countries. In *Denmark*, a completely new policy approach was introduced from 2007, following wide-ranging local government reform and the 2005 Business Development Act. Five new regions have statutory responsibility for economic development through regional growth partnerships, which aim to integrate economic development activities across spatial levels within a single, programme-based structure which also takes the national globalisation strategy into account. In similar vein, the new *Peaks in the Delta* programmes in the

Netherlands are built on a regionally-grounded approach, which utilises geographic rather than instrument-based policymaking. The policy aims to target regional strengths and make funding choices in line with national priorities. Change has also been extensive in *Italy* where the new unitary regional policy brings together EU and domestic funding to deliver a regional development strategy which adopts domestic rather than EU targets and applies a territorial development philosophy rather than one based on growth and competitiveness. Domestic priorities are at the heart of the approach, whilst utilising EU programming, monitoring and evaluation regimes. On the other hand, following the recent change of government and the renewed commitment to balance the budget by 2011, it is not clear whether the necessary domestic funding for the new approach will remain available.

In a further group of countries, important changes have been driven mainly by domestic considerations. In *Sweden*, a change of government in 2006 and a Budget Bill in 2008 saw regional development policy renamed regional growth policy, with a stronger focus on developing growth potential in the regions via the promotion of regional and local competitiveness. Through Regional Development Programmes, the core aim is to improve the climate for entrepreneurship, innovation and investment in the regions. In *Finland*, Regional Development Act revisions in 2007 strengthened the coordination role of Regional Councils in regional programming and increased their influence on the regional allocation of sectoral funding. Coordination will be further promoted in 2010 when further Regional Development Act amendments should enhance the regional policy role of regional strategic programmes and streamline the national special programmes. On top of these law changes, the election of a new government led to revised regional policy priorities for 2007-11.

Though different in nature, important domestic policy changes have also been registered in *Germany*. Following on from the federalism reform of 2006, regional policy is now one of just two areas where joint federal-*Land* activities (GA) are found; in line with this, the Regional GA law was reformulated in 2007 and the annual Framework Plan replaced by a multi-annual Coordination Framework. The Investment Allowance, an automatic tax concession in the new *Länder*, was extended from 2009 to 2013 but will be phased out over this period, reflecting a wider debate about resource transfers to the new *Länder* in a period of fiscal constraint.

Developments in France and the United Kingdom are also worth mentioning. In *France*, new State-region contracts have been introduced alongside the new Structural Funds programmes, with a stress on support for large-scale projects. The regional policy grant (PAT) has also been revised with, again, an emphasis on major strategic projects. Finally, following a change of government in July 2007, the territorial development focus is now on both rural areas and the capital region, with new State Secretaries appointed with these specific responsibilities. The new government has also extended the competitiveness poles initiative. In the *United Kingdom*, consultation is taking place in England on future policy directions and delivery. The aim is achieve sustainable economic development and regeneration at every spatial level through the better alignment of spatial and economic planning. Policy coordination is seen as key, with proposals for RDAs to develop Integrated Regional Strategies and with consideration as to how development bodies might be reconfigured in the context of functional economic areas.

Alongside these domestic drivers of change, regional policy has been impacted by Cohesion policy developments. This is obviously true in the *new Member States* where the launch of the new NSRFs and OPs for 2007-13 mark a new phase of regional economic development policy, with most regions benefiting from high levels of EU Convergence funding, with many having explicit regional development support within their Convergence programmes and with four countries (the *Czech Republic, Hungary, Poland* and *Slovakia*) delivering substantial funding through regional OPs. In *Poland*, large-scale Cohesion policy funding has given regional development a high profile, with a more coherent, strategic and legal system for regional policy. Interestingly, the stress on domestic policy priorities is growing. A new concept of national regional policy is under consultation which emphasises growth and competitiveness and a new national spatial strategy highlights the development role of metropolitan areas. In *Greece*, EU enlargement has impacted on Cohesion policy funding flows, with only just over one-third of the population now in full Convergence regions. As in *Poland*, there is a focus on improved policy governance and the regional dimension of policy. In *Portugal*, the emphasis in the new period is on the promotion of competitiveness at national and sub-national levels, alongside more effective governance. Finally in *Spain*, the new programming period has brought with it major reductions in Cohesion policy funding, an increased focus on competitiveness and a rationalisation in the number of programmes. Potentially more significant, the regions have progressed new statutes of autonomy which will impact on the distribution of future policy responsibilities in Spain.

In *Austria*, the NSRF process brought together a wide range of stakeholders to create STRAT.AT as a framework for domestic regional policy, with active collaboration carried into the new programming period via the 'STRATH.AT plus' process. Alongside the new EU programmes, most *Land* development strategies were refined or reviewed. In *Ireland*, the much-reduced Cohesion policy budget means that the NDP is now wholly domestically financed. Regional development is now a horizontal theme, with a focus on nine regional gateways. Given its administrative challenges, Cohesion policy funding is now restricted to a limited number of niche policy areas, including urban development.

Finally, most recent regional policy changes in *Norway* have been low-key, consisting mainly of the implementation of policy actions foreseen in the 2006 White Paper. One major development has been the reintroduction of the social security concession in areas outside the far north, as made possible under the new regional aid guidelines. This and related aid measures (including new aid maps) aim to increase levels of support in peripheral rural areas (the districts) in line with government priorities.

Summing up these developments, the degree of recent regional policy change has been considerable. To an extent, this can be attributed to the new EU policy frameworks which have impacted on the volume and direction of funding and have caused development strategies to be reviewed. EU Cohesion policy is of obvious importance where it provides pivotal funding for regional development (as in *Poland* and other new Member States); in these countries, not only has the level and direction of funding been significant but also the linking of support to improved governance. Revised eligibility criteria have also impacted on *Greece, Portugal* and *Spain*. Funding has fallen (in *Spain*, dramatically) and its spatial allocation has changed markedly. In contrast, Cohesion policy change in RCE regions has been more limited, with more opportunity to support areas of growth. The requirement to

develop an NSRF has enhanced the national coordination of regional interventions. The new regional aid guidelines have also had an effect, changing map coverage, award ceilings and aid instruments.

Equally, a range of significant developments respond to domestic drivers of change. This can be seen in the new all-region, programme-based regimes in Denmark and the Netherlands - the former in response to a regional administrative reform and a desire for more policy coordination; and the latter as a consequence of a wish to make policy choices across all regions based on national priorities. The theme of policy coordination underpins many recent changes. In addition to the Danish and Dutch cases, examples include the new unitary regional policy in Italy, the renamed regional growth policy in Sweden, the amendments to the Regional Development Act in Finland, the reaffirmation of the GA approach in Germany, the new NDP in Ireland and the move towards integrated regional strategies in England. In addition, domestic regional policy has responded strongly to globalisation pressures and the need to capture regional potential and promote regional innovation - as reflected in recent developments in Denmark, the Netherlands, Sweden, Finland and France. In Poland, too, the development of a concept for domestic regional policy has seen a growing emphasis on growth and competitiveness. Finally, the rationalisation of regional aid regimes has also been a feature in a number of countries, with a view to streamlining aid administration and enhancing value-for-money in award.

Changing policy objectives

In recent years, there has been a strong move towards the promotion of growth and competitiveness in the regions, though a concern with territorial balance continues to lie at the heart of most regional policies (see Table 4). Recent examples of the increasing growth orientation of policy include: the new *Peaks* approach in the *Netherlands* which has the goal of “*stimulating economic growth in all regions by exploiting region-specific opportunities on national significance*”; the renamed regional growth policy in *Sweden*, which aims to achieve “*dynamic development in all areas of the country with greater local and regional competitiveness*”; the enhanced growth orientation to policy in *France*, complementing the long-standing objective to preserve territorial cohesion; and, in *Belgium*, the continuing policy focus in Flanders on growth and competitiveness while, in Wallonia, traditional concerns with territorial balance are now accompanied by a stronger growth orientation in line with EU objectives. Countries where Cohesion policy is important also stress growth and competitiveness. In *Poland*, the Ministry of Regional Development has argued for the primacy of competitiveness goals in launching the new concept of domestic regional policy and these also lie at the heart of policy in other *new Member States* while, in *Portugal*, the promotion of competitiveness has been stressed for 2007-13, alongside improving policy governance.

At the same time, some recent developments have strengthened the equity components of policy. In *Denmark*, the new regional policy approach has explicit equity considerations (targeting peripheral areas), albeit in the context of a growth-oriented agenda. In *Greece*, too, the thrust is towards increasing growth and competitiveness, but with more stress on regional balance than in the past. Most markedly, the 2006 White Paper in *Norway* shifted

the policy balance significantly towards equity objectives by focusing on the traditional district component of policy (following a change of government).

Table 4 shows that the most countries operate regional policies with both equity (territorial balance) and efficiency (growth and competitiveness) elements. In addition to these core goals, explicit policy objectives aimed at strengthening the territorial structure are found in *Finland* and *Norway* as well as *Ireland*, while sustainable development is becoming an explicit regional policy objective in countries such as *France* and *Belgium*. A number of countries (including *Portugal*) also attach a governance goal, aiming to improve policy delivery as well as administrative capacity in the regions.

Those countries where growth and competitiveness are stressed include *Austria*, *Belgium* (Flanders), *Denmark*, *Finland*, *France* (but alongside the traditional objective of preserving territorial cohesion), *Greece*, *Luxembourg*, the *Netherlands*, *Portugal*, *Spain*, *Sweden*, the *United Kingdom* and *Poland*. The growth and competitiveness focus is, in part, a response to broader growth imperatives (including the Lisbon agenda), but it also reflects the importance attached to endogenous growth, utilising growth potential in the regions to the full. A number of countries also stress the link between regional growth and territorial balance and view these twin policy objectives as being closely inter-connected.

Regional equity underpins regional policy in many countries - including those with a constitutional commitment to territorial balance, such as *Germany*, *Italy* and *Spain*. There is also a clear equity component to regional policy in the Nordic countries. In *Denmark*, peripheral areas are favoured under the new policy with a view to ensuring that regional disparities are minimised; in *Finland*, regional balance has long been a goal of policy; in *Sweden*, traditional weak and peripheral areas continue to be prioritised; while in *Norway*, the goal of providing equal living conditions across the country was strengthened in the 2006 White Paper. Larger countries, too, have explicit equity objectives. In *France*, the preservation of territorial cohesion has long been a core regional policy goal, while in the *United Kingdom* one of the REP PSA objectives is to reduce the persistent gap in growth rates between regions. More generally in the countries under review, regional policy allocations tend to favour problem regions (see Section 4.3).

Maintaining and/or developing the territorial structure is a policy goal in a more limited group of countries. Historically, it has been stressed in countries with areas challenged by sparse population, where uniform service provision is an issue - *Finland*, *Sweden* and *Norway*. Outside the Nordic countries, the focus on designated regional gateways in *Ireland* has increased the emphasis on regional structures. More generally, spatial planning priorities are now reflected more within regional development goals. This has long been the case in the *Netherlands* and has been highlighted in recent years in countries like *Greece*, *Portugal* and *Poland* as the EU prominence of spatial planning has increased.

Finally, sustainable development is beginning to find its way on to regional policy agendas (e.g. in *France* and *Belgium*) and improved governance is also a regional policy goal in some countries. It has been explicitly mentioned in *Greece*, *Portugal* and *Poland* and is also a horizontal priority under the NSRF in *Austria*.

In summary, both equity and efficiency objectives are present in most regional policies; moreover, in many countries the two goals are viewed as inter-connected and, indeed, reinforcing. In recent years, change has tended to be in the direction of a stronger growth and competitiveness orientation to policy, though core equity concerns provide the foundations for policy nearly everywhere. Viable territorial structures are also a policy goal in countries with sparse population and peripheral rural communities and have become of more general significance as spatial development planning has become more prominent. Finally, there are some signs of sustainable development increasing in significance while governance concerns are also of growing importance.

Changes in the spatial orientation of policy

In considering changes to the spatial orientation of regional policy (see Table 5), the growing stress on regional growth and competitiveness, on maximising regional potential, and on programme-based policymaking mean that, in most countries, significant aspects of regional policy now have an all-region focus. Thus, in *Austria*, regional policy is carried out mainly through *Land*-level programmes; in *Denmark*, each of the new regions is legally obliged to promote economic development in its area; the programme-based component of regional policy in *Finland* similarly applies across all regions; in *France*, most policy measures (including State-region project contracts) have an all-region spatial development focus; in *Germany*, regional policy is a *Land* responsibility; in *Greece*, all regions are eligible for regional aid and most Cohesion policy funding is channelled through the regions; in *Ireland*, spatially-oriented support under the NDP is targeted at nine regional gateways spread across the country; in *Italy*, the new unitary regional policy applies to all regions, even though the funding focus is on the *Mezzogiorno*; in the *Netherlands*, *Peaks in the Delta* is an all-region approach to spatial economic policy; in *Sweden*, the renamed regional growth policy aims to promote dynamic development in all areas of the country; in the *United Kingdom*, regional policy operates in all regions and nations; in *Poland*, all regions benefit from regional policy funding (national and EU); and, in *Norway*, the regional policy component of district and regional policy has an all-region coverage. In the *new Member States*, too, all regions benefit from Cohesion policy support.

On the other hand, the spatial orientation to regional policy remains significant - through the designation of regional aid areas, differential funding flows to different areas, and specific spatial targeting. These aspects are discussed in turn.

From the earliest days of regional policy, specific areas have been designated for regional aid purposes. While the coverage of such areas has been cut back over time and regional aid has declined in significance, they remain an important element of the architecture of policy (see Figure 4.1). Aid area cutbacks for 2007-13 fall into three categories: those where the population decline is around 50 percent (*Denmark*, *Luxembourg*, the *Netherlands*, *France* and *Ireland*); those with reductions of between 16 and 24 percent (*Austria*, *Belgium*, the *United Kingdom*, *Germany*, *Italy*, *Finland* and *Portugal*) and those with broadly stable coverage (*Norway*, *Sweden*, *Greece*, *Spain* and *Poland*). Across the *EU10*, population coverage fell from 100 percent to 97.2 percent, with coverage in the *Czech Republic* falling to 88.6 percent, in *Cyprus* to 50 percent and in *Slovakia* to 88.9 percent. One consequence of the much-reduced population quotas in the *EU15* is that,

within broader problem regions, designation increasingly targets locations where regional aid can have an impact. As a result, regional aid maps in the *Netherlands*, *France* and the *United Kingdom*, for instance, focus on core growth zones within disadvantaged areas.

As regards funding flows, there is evidence across a wide range of countries that weaker regions are favoured. Thus, in *Denmark*, at least 35 percent of programme expenditure must benefit the designated peripheral areas (which hold 10 percent of the national population). In *Germany*, six-sevenths of Regional GA funding is allocated to the new *Länder* which contain less than one-fifth of the national population. In *Italy*, support under the new unitary regional policy is concentrated on the *Mezzogiorno*, which has one-third of the population but more than four-fifths of the available funding. On the other hand, following the recent change in government, it remains unclear whether the necessary domestic funding will be available to finance this. In the *Netherlands*, the *Peaks* approach has transitional provisions under which 27 percent of the budget flows to the north over the 2006-10 period compared to a population share of 10 percent. In *Sweden*, the four northernmost regions received some 44 percent of programme-based funding in 2007 compared to their 11 percent population coverage. In the *United Kingdom*, RDA funding in England is heavily needs-based and strongly favours the traditional problem regions. Finally, in *Poland*, domestic and EU ROP funding are allocated according to a formula which favours sub-regions with low GDP per head and high unemployment. In many of the other *new Member States*, lagging regions tend to be favoured, though growth centres are an increasingly prominent focus for policy. In addition, the importance of regional aid means that designated aid areas benefit most from regional policy support in *Norway* and *Finland*, while in *Spain* the funding focus is on Objective 1 regions.

Considering, finally, more specific spatial targeting, the process of developing regional strengths and promoting innovation has led to policy changes which promote urban areas and growth centres. Examples of this can be found in *Austria*, *Denmark*, *Finland*, *France*, *Germany*, *Ireland*, *Italy*, the *Netherlands*, *Portugal*, *Sweden*, the *United Kingdom*, *Poland* and *Norway* as well as in many *new Member States* under Cohesion policy. On the other hand, in *Belgium*, there has been public resistance in Flanders to concentrating development in and around cities (mainly on environmental grounds). Urban areas are also a focus in countries where policy stress is on viable territorial structures - as in *Finland*, *Sweden* and *Norway*. More generally, the growing links between national spatial development strategies and regional policies have raised the strategic profile of urban areas - as in *Greece*, *Ireland*, the *Netherlands*, *Portugal*, and the *United Kingdom*. On the other hand, rural areas also continue to be highlighted in many countries. The new approach in *Denmark* explicitly targets peripheral areas; such areas also lie at the core of policy in *Norway*; and in *Finland* the goal of enhancing regional viability includes measures to strengthen sparsely-populated areas. In *Sweden*, a national rural strategy is under development, while the emphasis on functional regions means that rural and coastal areas are included within regional policy. *France* is also interesting for its many designated zones which include rural, mountainous and coastal areas. In *Germany*, the recent period has seen intensive discussions about whether peripheral rural areas require special assistance, while, in *Portugal*, there is a new programme for areas of low population density. In *Belgium*, too, the designation of problem zones in Wallonia covers rural as well as urban

areas. Lastly in *Poland*, the development of marginal rural areas is an important element of policy, not least given the special programme for the development of eastern Poland. Rural and urban linkages also receive particular attention in many new Member States.

Changing policy instruments

This section reviews recent changes in regional policy instruments. They divide into those which relate to the regional aids on offer (Table 6) and those which concern broader support for the business environment (Table 7).

Although there were major cutbacks to aid area population quotas under the regional aid guidelines, the new maps were agreed relatively quickly, reflecting the increased flexibility under the designation system. Countries were able to designate areas of particular need (including sparsely-populated areas in *Norway* and *Sweden* and border regions in countries like *Austria*) and areas of development potential within problem regions (as in *France*, the *Netherlands* and the *United Kingdom*). Only in *Italy* was designation challenging due to the very limited Article 87(3)(c) population quota. *France* retained just over 250,000 of its quota for areas facing future crises. After defence cuts, two such areas were designated in June 2008, reflecting the role of regional aid in zones experiencing economic change.

Significant reductions in regional aid maxima were introduced under the 2007-13 guidelines. Large firm ceilings fell to 10 or 15 percent in eligible Article 87(3)(c) areas and to 30 percent in all but the poorest and most distant (3)(a) regions. These are much lower ceilings than a decade ago (when the equivalent maxima were at least twice as high). However, only now are guideline-determined ceilings beginning to constrain awards made - and then only in respect of large firms. For small firms, the guideline ceilings do not normally represent a major constraint on the operation of domestic regional aid regimes.

The guidelines also impacted on regional aid instruments. In particular, changes to the guidelines allowed the social security concession in *Norway* to be reintroduced in areas of very low population density, having been previously phased out from all but the far north. This change had been a priority for the Norwegian authorities who were convinced of the efficacy of the scheme for sparsely-populated areas facing permanent hardship. The new guidelines also permitted aid to encourage new and growing businesses, with support restricted to small firms and relatively small projects and linked to expenses incurred in the first five years of a business. Such support was introduced in both *Austria* and *Norway*.

Other regional aid changes reflect domestic considerations. In *Finland*, four regional aids were reduced to two in an effort to simplify the system and increase its effectiveness. In *France*, the industry and services components of the regional policy grant (PAT) were combined, with a focus on major strategic projects in zones experiencing economic change; in addition, the R&D and innovation elements of the PAT are now available throughout the country (including in Paris and Lyon). In *Portugal*, the new period saw the previous SIME regime replaced by three new aids - for R&D, innovation, and SME modernisation and internationalisation. Support is more targeted and selective, more SME-focused, more innovation-oriented and better administered. Similar themes are found elsewhere. In *Germany*, fiscal constraints at the *Land* level have led to more selectivity in award; in

Ireland, a revised and simplified grant regime was introduced in January 2008; and in *Scotland*, three R&D schemes were merged and brought together with regional investment aid, generating economies of scale and providing a better service to applicants. In *Belgium*, a uniform 10 percent rate (before bonuses) has been introduced in Flanders to increase aid visibility and streamline administration. In Wallonia, domestic and EU aid funding have been more closely aligned to provide a more coherent approach.

Other notable aid changes include in *Italy*, where there has been a shift towards more targeted support (the new industrial innovation projects) but also towards new automatic tax concessions in the *Mezzogiorno*. In contrast, Germany and Poland are moving away from fiscal aids. In *Germany*, the Investment Allowance will be phased out by 2013 in response to concerns about its deadweight effects (due to its automatic nature) and how it is funded (largely, though indirectly, by the old *Länder*). In *Poland*, there is also a move away from tax concessions (within the Special Economic Zones) and towards grants which are viewed as more transparent. Overall, grants continue to lie at the centre of most regional aid regimes, including in the *Netherlands* where concerns about potential cross-border competition for mobile investment saw the Investment Premium continue. There have, however, been some moves towards loans in response to financial constraints (e.g. at the *Land* level in *Germany*) as well as towards financial engineering measures (co-financed by the Structural Funds in *Greece* and *Portugal*).

In recent years, there has been a move away from regional aid and towards wider support for the business environment. In part, this reflects changes in EU frameworks - on the one hand, the constraints imposed by the regional aid guidelines and, on the other, the broader programme-based approach under EU Cohesion policy. In addition, the domestic focus is increasingly on factors to improve regional growth and competitiveness. Allied to more regionalised and programme-based regimes, this has caused policy attention to focus more on the business environment - whether through infrastructure support, innovation-related assistance or more general advisory and support services.

The provision of infrastructure to promote economic development has long been an important element of regional policy in Convergence/Objective 1 regions, as well as in Nordic areas characterised by long distances and difficult geography. This emphasis has continued into the new policy period. In *Greece*, there remains considerable policy stress on upgrading transport infrastructure, often co-financed by the Structural Funds; in *Poland*, transport infrastructure is the most significant expenditure heading within the Regional OPs and it represents core support in most *new Member States*; in *Ireland*, infrastructure investment is a pillar of the new NDP, focusing on critical infrastructure to promote self-sustaining growth and balanced development.; in *Italy*, domestic regional policy funding under the Fund for Underutilised Areas (FAS) focuses on strategic infrastructure networks; in the *Netherlands*, the *Peaks* approach underlines the importance of effective transport and other connections; in *Sweden*, 36 percent of NSRF funding is directed to accessibility issues; and in *Norway*, there is a strong focus on transport infrastructure (to improve accessibility and reduce peripherality).

The provision of targeted infrastructure in the form of industrial estates, science parks and technology centres has also been traditional in countries like *Germany*, where some 30

percent of Regional GA support takes the form of business-oriented infrastructure. Amongst recent developments, the new regional policy in *Denmark* is built around framework measures in support of the business environment. In the *Netherlands*, the industrial estates strategy is under review, given a perceived lack of quality and sustainability in the previous approach. Industrial estates are also important in *Belgium*, with May 2007 legislation in Flanders to support their upgrading and regeneration. Business infrastructure is also prominent in many new Structural Funds OPs, including those in *Portugal*, *Spain* and *Poland* (and most of the other *new Member States*). More generally, the regionalisation of policy delivery (through regional programmes) has increased the focus on business environment measures.

Many recent changes in support for the business environment are innovation-related. In *Denmark*, three of the six new priority areas concern innovation, ICT and entrepreneurship. In *Finland*, the Centre of Expertise programme has been renewed and amended for 2007-10. In *France*, further competitiveness poles have been designated and they are also a key element of the Marshall Plan in Wallonia in *Belgium*. In *Germany*, mainstream GA funding now supports cooperation networks and cluster management projects as well as business-oriented research institutions. In *Ireland*, a new Gateway Innovation Fund addresses the challenges facing the regional gateways. In *Italy*, new industrial innovation projects aim to upgrade the competitiveness of five selected industrial sectors. In *Portugal*, the new OP Factors of Competitiveness provides support for clusters, competitiveness and technology poles and other networks. In *Spain*, ERDF support aims to strengthen the R&D and innovation system (including through research-industry cooperation). In *Poland*, innovation measures are supported under the OP Innovative Economy as well as Regional OPs. Lastly, in *Norway*, three further Centres of Expertise were designated in June 2007, part of the process of improving the business environment in small and medium-sized cities.

Finally, there have been developments in the provision of business advice and support. In *Austria*, regional management offices have lost their Structural Funds support, leaving the *Länder* to fill the resultant funding gap; this may move them closer to the *Land*- rather than the local-level in organisational terms. In *Ireland*, both IDA-Ireland and Enterprise Ireland aim to promote regional balance through their activities (as reflected in a new Enterprise Ireland strategy for 2008-10). In *Italy*, the institutional support infrastructure has been strengthened, with *Invitalia* replacing *Sviluppo Italia* and the creation of a *Mezzogiorno* Bank. In *Sweden*, the new regional growth policy aims to create a better climate for entrepreneurship, innovation and investment, not least through the activities of NUTEK and VINNOVA. In the *United Kingdom*, the main development agencies have been restructured in Scotland while, in England, the business support portfolio is being rationalised and brought within the responsibility of the RDAs. Also, in *Greece*, *Portugal*, *Spain* and *Poland*, considerable weight is placed in the new OPs on improving administrative capacity and efficiency in the regions, as is the case, too, in a number of other *new Member States*.

Summing up, regional aid has been declining in importance, partly in response to State aid pressures but also because of a shift towards broader regionally-based support. Under the regional aid guidelines, population quotas were cut back significantly and aid ceilings were also reduced. Regional aid was streamlined in countries like Finland, Ireland and the United Kingdom and the Investment Allowance is being phased out in Germany. Aid schemes are

becoming more innovation oriented (as in Portugal) and more selective and targeted (as in France and Wallonia in Belgium), though the reintroduction of the social security concession in Norway and automatic tax concessions in the *Mezzogiorno* run counter to this. As far as business environment support is concerned, infrastructure remains important in the Convergence regions and some Nordic countries, though recent developments are largely limited to the new Structural Funds OPs. With respect to targeted business infrastructure, there have been developments in industrial estates policy in a number of countries, including efforts to improve their quality and sustainability. New innovation-oriented measures have been relatively widespread, including in Belgium, Denmark, Finland, France, Germany, Ireland, Italy and Norway. Attention has also been focused on the provision of general business advice and support, with the restructuring of development agencies in some countries and more use made of the municipal level in others. Such developments reflect the increasing policy weight attached to endogenous development, the growing impact of the competitiveness agenda, and the enhanced role of the regional level in the development and delivery of policy.

Changing policy budgets and expenditure

A final theme in this section concerns regional policy budgets and expenditure (see Table 8). There is evidence of funding increases in a group of countries: in *Italy*, under the domestic FAS (though this may not prove to be sustainable given the new government's commitment to a balanced budget by 2011); in *Norway*, following a change of government and a shift in policy emphasis towards district policy; and in the *Netherlands*, due mainly to extra support for the north in response to parliamentary pressures; as well as in *Poland* and other *new Member States* (under Cohesion policy). Elsewhere, regional policy budgets have been fairly stable, as for instance in *Denmark* (under the new programme-based approach to policymaking). In addition, current regional aid funding in *Finland* and the *United Kingdom* is broadly similar to 2004, even though spending fell between 2006 and 2007 (perhaps unsurprising given the transition to new regional aid regimes). In both *France* and *Germany*, regional aid budgets have stabilised in recent years following periods of decline (in part reflecting more general public expenditure constraints). Under Cohesion policy, overall budgets have been relatively stable in *Greece* and *Portugal*, but with some significant changes in their regional distribution. Finally, regional aid spending has recently fallen in *Sweden* and in Flanders in *Belgium* (though, as elsewhere, this may be related to the transition to new regional aid regimes for 2007-13); regionally-managed resources have been cutback in *Ireland* (in response to Cohesion policy changes); and Cohesion policy funding has been markedly reduced in *Spain* (though domestic regional policy support via the FCI and Regional Investment Grant has increased).

CHANGING REGIONAL POLICY ADMINISTRATION AND DELIVERY SYSTEMS

This section focuses on changes in the implementation and delivery of regional policy (in its broad sense) and on the reasons for change. Four related themes are addressed: the *reworking* of policy design and delivery responsibilities across administrative tiers; moves to enhance policy *coordination* (at the national level, in the regions and between tiers);

changes to improve the *efficiency* of delivery mechanisms; and, developments to enhance the *accountability* of policy delivery.

Reallocating delivery powers across administrative tiers

The reorganisation of responsibilities for the implementation of regional policy across administrative levels has been apparent in the EU in recent years. Changing approaches to policy administration, shifts in regional policy objectives and instruments and the influence of EU Cohesion policy have all contributed to processes of decentralisation and the increasing prominence of the regional level as a focal point for administrative arrangements (see Table 9 for an overview of recent changes).

The review confirms that regional policy delivery responsibilities are being reworked throughout the EU, reforming the inputs of national, regional and local authorities and agencies. Several trends can be identified. First, the regionalisation of policy delivery is continuing. The scope of regionalisation depends on existing domestic administrative contexts. In some unitary states, increasing administrative powers are being transferred to officials representing or appointed at the national level. Elsewhere, regionalisation has involved the transfer of economic development responsibilities to regional authorities that exercise a greater degree of autonomy - as under the recent local government reform in *Denmark*. In *Finland*, the revised Regional Development Act has increased the cooperation responsibilities of Regional Councils and they have also been given management and implementation responsibilities under the Structural Funds. In *Poland*, legislative proposals in May 2008 included provisions to shift responsibility for a broader range of policy issues to regional self-governments. Following devolution in the *United Kingdom*, increasingly distinctive economic development strategies are emerging from the devolved administrations. Regionalisation is also a prominent part of the political debate in *Sweden*, where a parliamentary review has proposed the creation of new elected regional authorities with broad regional development mandates. In some cases, the Structural Funds have provided an external impetus to regionalisation. Examples of this can be found in *Denmark* and *Ireland*, as well as a number of *new Member States*.

However, it would be wrong to assume that the increasing role of the regional level entails a corresponding decrease in central government inputs. In most cases, central government remains a significant source of funding for regional development. Moreover, where national politicians remain accountable for results, it is inevitable that the centre will reserve a strong interest in policy delivery. The need to integrate regional policy delivery systems to improve efficiency or strategic overview can drive rationalisation processes at higher levels of government. In *Finland*, the newly-created Ministry of Employment and the Economy merges previously separate units for regional development in pursuit of a more simplified central-level structure for overseeing regional policy interventions. In *Italy*, the new 'unitary' regional policy has reasserted the role of the national level in setting out an integrated framework of regional policy objectives. Across Europe, therefore, the role of the central level is being redefined rather than diminished. Generally, the steering role of national authorities is increasingly emphasised. In fact, it can be argued that, by becoming increasingly involved in the 'government of governance', states are actually building new capacity.

Arrangements for the implementation of Structural Funds can contribute to centralising as well as regionalising processes. In some Member States, including the *EU12*, increased funding has demanded more sophisticated, multi-level implementation arrangements. This emphasises the role of central government in ensuring efficient management and control. In *Greece*, reforms for the 2007-13 EU programming period, have moved toward a more centralised approach in an effort to improve policy effectiveness. In *Austria*, arrangements for the 2007-13 period have included strengthening the coordination function of the federal level through the NSRF process. Reduced levels of Structural Funds can also contribute to more focused, streamlined approaches to implementation, as in *Scotland*.

A final point refers to the promotion of the sub-regional level in regional policy delivery. This can be a response to fragmentation at local levels, pooling financial resources and policy competences and aggregating them upwards. In the *Netherlands*, the government is considering providing more generic grants for municipalities, introducing budget transfers and expanding local taxation. This 'rescaling' can also be part of efforts to develop a more flexible or 'fine grained' delivery system that can respond to any mismatches between regional administrative boundaries and functional economic areas such as cities and other urban territories. This is evident in developments in *England* and also in *France* and *Sweden*. Again, Structural Funds implementation arrangements are part of this process in some cases. In *Greece*, recent legislative changes ensure preference is given to Structural Funds project applications submitted by consortia of local authorities as a means of incentivising stronger local governance. In *Portugal*, decentralised implementation of integrated actions is supported through global grants to groupings of municipalities.

Coordination of regional policy

Coordination has become a fundamental issue for the administration of regional policy. Traditional regional policy models targeted particular sectors in specific territories, which meant that levels of government could function in a relatively segregated way. However, the broad expansion of the territorial coverage of regional policy towards all regions has prompted the introduction of new coordination approaches that can encompass a range of socio-economic contexts. Related, the perceptions of regional development challenges have broadened to encompass issues that cross territorial and administrative boundaries. As a result, policy responses increasingly require coordinated contributions from a wider range of sectors and actors. Thus, in several countries, the integration of different themes under the regional policy heading, particularly the increasing orientation towards growth and competitiveness, has provided another impetus for improving coordination. The process of regionalisation, by opening up the system of policy making and loosening hierarchical controls, has also encouraged the emergence of a variety of partners at regional level with various resources, agendas and legal or political standing, often interacting in complex ways.

The influence of Cohesion policy and the Structural Funds programmes it finances cuts across these issues and has been particularly apparent in the past year or two as Member States have designed national and regional strategies and developed management and implementation systems for 2007-13. It is important to note that, despite these drivers for coordination, the tension between the desire to develop an inclusive model of regional

policy which encourages the participation of a variety of actors from different levels and the concern that the regional policy field can become too complex or deadlocked is a significant challenge. Moreover, the desire and capacity of sectoral ministries and regional bodies to engage in coordination processes cannot be taken for granted.

Recent coordination trends are summarised in Table 10. Within regional policy, legal, institutional and administrative arrangements are emerging to coordinate the input of an expanding range of players and agencies. These include:

- *Devolving power within the context of national frameworks and targets guidelines.* In countries with traditionally centralised administrative models, processes of ‘coordinated regionalisation’ are apparent. These stress the submission of regional-level plans to national targets or regulatory guidelines (e.g. *United Kingdom*).
- *Negotiating contracts, agreements to commit delivery bodies to shared sets of targets.* In states with regionalised frameworks, coordination mechanisms may serve to ensure that national-level policy decisions and regional priorities cohere. Such instruments can include provisions to negotiate the integration of sectoral and regional development funding. This can be accomplished through the use of national-regional contracts (e.g. *France, Poland*) or other less formal agreements.
- *Participation in strategic coordinating committees and partnership groups.* These ‘joint-steering’ structures are apparent across different administrative systems, coordinating the input of the key actors and interests from different levels through joint representation on administrative bodies. This approach is apparent in countries with established corporatist traditions (e.g. *Austria, Germany, the Netherlands* and the *Nordic* countries) but the influence of systems for the implementation of Structural Funds programmes has also been influential in several cases. The shift in regional policy towards strategic programming, including under Cohesion Policy, has provided a framework for coordinating committees and groups.

Combinations of these coordination mechanisms are evident across countries. Indeed, with regional policy in a state of transition throughout Europe, elements of different models can be identified in the same national context. Moreover, they can be found at various levels, operating vertically and horizontally. A basic three-fold typology is adopted to assess recent horizontal and vertical coordination processes: national-level coordination, regional-level coordination, and national-regional coordination.

As regards *national-level coordination*, the function of the national level in regional policy systems is changing. The role of central government in designing and delivering major regional development interventions, though still evident, is generally declining as regional policy systems have opened up to a broader range of participants. National ministries and agencies are increasingly acting as coordinators and partners in regional development. The centre is now concerned with setting the framework or guidelines and overseeing the coordination mechanisms within which regional policy can be formulated and implemented. This can be a difficult task, particularly given the expansion of the regional policy agenda in recent years. From a situation where regional policy was the responsibility of a limited

number of government units, in several countries efforts are underway to coordinate a broader range of national government departments whose activities are now perceived to have an impact on regional development. Identifying and committing policy priorities and, particularly, funding streams or packages in sectoral ministries that can be integrated under the regional policy heading is challenging. Indeed, before attempting to integrate activities, recent coordination initiatives in some countries have sought to strengthen the basic commitment of central government to regional development activities beyond the main sponsor department. Different mechanisms for strengthening national level coordination are apparent.

In some cases, coordinating structures have been established at the national level. Examples include: the establishment of a Cabinet sub-committee on regional development in *Norway*; and the creation of a regional development negotiation committee in *Finland* to, amongst other things, coordinate the preparation and monitoring of Ministries' regional budgets. In *France*, the DIACT is part of an established system of inter-ministerial coordination which has been enhanced under the new generation of state-region contracts. In *Italy*, the ambitious project of introducing a new unitary regional policy has also created coordination challenges and related responses. In some countries, central ministries and departments have been restructured to increase the focus and coordination of regional policy interventions - as, most recently, in *France* and *Finland*. In various countries, increased coordination at the national level is achieved through the restructuring of organisations tasked with the implementation of the Structural Funds. This has recently happened in both *Greece* and *Portugal*. Elsewhere, coordination at the central level is facilitated by agreements, frameworks and instruments - as in the *United Kingdom*, for instance. Finally, national-level horizontal coordination can include greater cooperation between government departments and the agencies involved in implementing programmes (as in recent developments in *Ireland* and *Norway*).

With respect to *regional-level coordination*, processes of regionalisation have increased the participation of regional level actors with various resources, agendas and legal or political status (including governmental agencies, civic associations and private-public partnerships). However, institutions can compete for limited resources and duplicate functions. A fragmented system may mean that institutions are unable to develop the critical mass to operate effectively. In response, coordinating mechanisms for setting development goals, planning initiatives or allocating resources have been developed at sub-national levels in several countries. In *Finland*, strategic regional programming has encouraged the key regional development actors to formulate plans and decide on priorities jointly. In the *Netherlands*, regional *Peaks* programmes bring together leading regional representatives of the private sector, the knowledge economy and the public sector. In *England*, plans to create a framework for the development of Integrated Regional Strategies aim to strengthen the strategic programming role of RDAs. In some cases, new regional-level structures have emerged to improve coordination. Examples are provided from *Belgium*, *France*, *Portugal*, *Denmark* and *England*.

Finally, regarding *vertical national-regional coordination*, a number of approaches have emerged to strengthen coordination between national and regional development priorities. Structures with joint national and regional representation can play an important

coordinating role for both domestic and EU-funded regional policy - as in *Germany* (the Regional GA); *Sweden*, where the government has established a national forum to promote dialogue between regional and national representatives about development issues; *Italy*, where thematic committees, consisting of national and regional authorities, will supervise policy implementation under the new unitary regional policy; and the *Netherlands*, where senior national officials participate in regional Programme Commissions and where central government representatives are active in regional programme teams (including as programme secretariats). Implementation structures for Structural Funds programmes can also contribute to national-regional coordination, as for instance in *Spain* and *Portugal*.

In some countries, national-regional coordination includes the application of national-level guidelines or targets. RDAs in *England* must take central government policy objectives into account and meet performance targets set by national government. In *Poland*, regional governments must respond to national framework guidelines concerning the content and implementation of regional programmes. In federal countries, national-level mechanisms, based on rules agreed between federal and state levels are evident, as in *Germany*.

Finally, national-regional coordination can be accomplished through the use of contracts or agreements with varying levels of formality and legal status. These often involve agreements on budgetary commitments or joint financing arrangements. In *France*, planning contracts, signed between the state and the regions, have been in operation since 1982. DIACT functions as the main partner of the regions in developing and implementing these planning documents and the co-financing of interventions is seen as an important coordination mechanism. In *Poland*, regional contracts coordinate the state's regional policy in the regions. They are signed agreements between the government and self-government authorities under which regions receive a set budget for investment in a range of policy fields. In *Denmark*, partnership agreements between central government and each of the six regional growth fora were signed in early summer 2007, covering the period 2007-09. These entail both a general political commitment to shared goals and specific undertakings. Also the new regional growth fora must cooperate with national and local bodies if their strategies are to be funded. In *Finland*, target agreements are negotiated between Ministries and deconcentrated regional state authorities. Moreover, in future, this process will run in parallel to new budgetary negotiations between Ministries and Regional Councils on proposals contained in regional development programmes. A similar process is underway in *England*, where a Regional Funding Allocation exercise is attempting to draw together the budget plans of central ministries and regional bodies. In the *Netherlands*, the requirement under *Peaks in the Delta* that 50 percent co-finance be provided by sub-national authorities helps guarantee strong coordination and regional commitment to aided projects.

Efficiency and accountability

Issues of efficiency and accountability arise from the reworking of regional policy design and delivery responsibilities across administrative tiers. In terms of efficiency, part of the rationale behind these new approaches is that they deliver policy at a lower cost through changing traditional hierarchical relationships. 'Value for money' considerations are, therefore, prominent. However, new systems, operating in national and regional spaces

with several institutions interacting in complex ways, can create problems with policy transparency and evaluation. In terms of accountability, one of the impulses for new delivery models is to bring policies closer to the territories and people they impact on. However, ensuring democratic legitimacy in regionalised policy design and delivery operating through coordinated networks, partnerships and deliberative forums can be problematic. Table 11 provides a summary overview of recent efficiency and accountability changes.

With respect to efficiency, value for money has been improved by investing in evaluation. Examples are given of countries where evaluation is long-established (the *United Kingdom*, the *Netherlands*, *Germany*); of countries where new policy approaches have led to an increased emphasis on evaluation (*Italy*, *Denmark*); of countries where the commitment to evaluation has a debt to pay to the Structural Funds (*Austria*, *Ireland*, *Belgium*); and of countries where evaluation is moving up the policy agenda (*France*, *southern Member States*, *new Member States*). Policy efficiency has also been improved by having better monitoring frameworks (as, for instance, in *Italy*, *France* and *Portugal*); by rationalising territorial authorities, policies and services (on the agenda in a number of countries); by setting clear expectations for performance (*Denmark*, to a degree, and *Flanders*); and by strengthening efficiency in resource allocation (with examples given from *England*, *France*, *Italy* and *Denmark*).

With regard to anchoring accountability, the emergence of regional policy governance through networks, partnerships and deliberative forums has made legitimacy through democratic means a priority. A number of developments are of note in this context: clarification of the separation of policy design and delivery functions (as discussed with respect to *Austria*, *Denmark*, *Portugal* and *Poland*); improving consultation regarding policy developments (as in *Belgium*, *Poland* and the *United Kingdom*, for instance); increasing the use made of partnership bodies (as in *Flanders*, *Ireland* and *Denmark*, amongst others); and strengthening the involvement of elected representatives (as in *Denmark*, *England*, *France* and *Portugal*).

New Policy Frameworks, New Policy Approaches: Recent Regional Policy Developments in the EU and Norway

1. INTRODUCTION

The aim of this paper is to examine domestic regional policy changes and the reasons for change in the period from the start of 2007. This phase has been one of significant change at the EU level linked to the new budgetary and programme planning period. Many of the changes made to EU policy frameworks have potentially significant impacts on domestic regional policies. Most directly, changes to the EU regional aid guidelines have a clear impact on the regional aid instruments on offer, the regional aid maps where support to large firms is available and regional aid ceilings. In addition, the new Structural Funds regime has the potential to bring domestic and EU regional policies closer together, not least through the operation of the new policy development and delivery framework involving Community Support Guidelines, National Strategic Reference Frameworks and Operational Programmes. On top of this, the increased stress on the Lisbon agenda and new approaches to spatial targeting under the Regional Competitiveness and Employment Objective also have the potential to impact on domestic regional policy. Finally, other EU developments, including enhanced competitiveness funding and distinct rural development support, may similarly have implications for domestic regional policies.

Given these contextual developments, this paper charts both the regional policy changes which have been made in the EU Member States and Norway since the start of 2007 and the main reasons for policy change. Three key questions lie at the core of the research:

- *What* has changed with respect to domestic regional policy and its surrounding context - that is, *which aspects* of policy have changed?
- *How* has domestic regional policy changed - involving a clear description of the *scale and direction* of change set in an historical context?
- And, perhaps most importantly, *why* has change been taking place? In analysing the *factors underpinning* change, two particular themes are explored: first, to what extent can change be explained in terms of the new EU policy frameworks and regimes which have been introduced for the 2007-13 period; and, second, in a phase of new thinking about regional policy, what has been the domestic rationale for the changes introduced?

The paper is based on detailed country reviews of policy change for each of the EU15 Member States plus Poland and Norway, together with an overview of policy developments in the remaining Member States. Sincere thanks are due to colleagues at EPRC and beyond for this detailed country analysis.²

² Yuill D (ed) (2008) *Regional Policy Developments in the Member States and Norway: Country Reviews 2007-08*, EoRPA Paper 08/2, European Policies Research Centre, University of Strathclyde

The paper is in five further sections. By way of introduction, Section 2 reviews the changing definition and coverage of regional policy, while Section 3 considers how the nature and perception of the regional problem have been developing. Section 4 discusses the degree of policy change since the start of 2007, before analysing the changes which have taken place in the main features of policy: policy objectives, spatial orientation, instruments and spending. Section 5 then reviews recent changes in the administration and management of regional policy before Section 6 draws together some conclusions and raises a number of issues for discussion.

2. THE DEFINITION AND COVERAGE OF REGIONAL POLICY

To set the scene, this section considers how regional policy is defined and delimited in the countries under review and whether and how the definition and scope of policy has been changing. It follows a structure common to most of the remainder of this paper: first it provides a country-by-country review of the definition and coverage of regional policy, supported by a comparative table drawn from the individual country reviews (Table 1); and, second, it highlights the main comparative points to emerge.

2.1 Country-by-country review

In *Austria*, regional policy has traditionally been a limited policy; constitutionally, regional economic development is a *Land* responsibility and, at the federal level, the nature and intensity of any regional problems have never been such as to initiate a major policy response. It was only with accession to the EU in 1995 that federal involvement became more significant, with the need to build up implementation systems for the Structural Funds and to designate problem regions for regional aid purposes. As a consequence, strategic and policy instruments typically follow the rhythm of EU policy changes. Most recently, this has seen considerable effort at the federal level to develop the National Strategic Reference Framework, STRAT.AT, by bringing together all the relevant federal, *Land* and sub-*Land* actors, as well as social partners. STRAT.AT goes beyond EU Cohesion policy requirements and constitutes an important framework document for Austrian regional policy as a whole; moreover, the process of developing STRAT.AT was felt to have furthered cooperation and policy learning and has been carried forward into the new programming period. In contrast, federal-level regional aid provision has been low-key since the abolition of the Regional Innovation Premium in 2000.

In *Belgium*, regional policy was traditionally synonymous with regional aid. Policies for regional development operate at the regional level and continue to be defined in fairly narrow terms, concerning mainly aid to firms across a growing number of policy areas. Although most economic regulations affecting the start-up, expansion and closure of businesses are at the federal level (e.g. registration, taxation, social security, competition and bankruptcy), regional, provincial and municipal regulations also affect the business environment. Additionally, strategic approaches can be identified in Flanders and Wallonia which provide a general framework for regional policies. Policy documents have been developed in both regions - the “Marshall Plan” in Wallonia and “Flanders in Action” - which aim, among other things, to support a more integrated approach to regional policy.

Table 1: The nature of regional policy in the EU15, Poland and Norway

Austria	Neither spatial planning (<i>Raumordnung</i>) nor the division of competencies for regional policy are defined in the federal constitution; the <i>Länder</i> are responsible for regional policy, with coordination and cooperation between government levels via the Austrian Conference on Spatial Planning (ÖROK). No strong regional policy prior to EU accession; policy closely aligned with EU Cohesion policy.
Belgium	Traditionally, regional policy was synonymous with regional aid and was governed by federal framework laws. More recently, policy responsibilities have been regionalised. Although regional aid remains important (especially in Wallonia), the current approach to regional economic development is broader. New policy documents in both regions support a more integrated approach to regional policy.
Denmark	A new institutional set-up integrates local, regional, national and EU economic development activities within a single programme-based policy structure, which gives the recently-established regions statutory responsibility for economic development through partnership bodies (regional growth fora). Partnership agreements aim to tie these regional programme-based initiatives to national policy goals.
Finland	Regional policy covers a range of measures: strategic regional programmes, regional business aid, national special programmes (Centre of Expertise, Regional Centre, Rural and Island) and EU programmes. The strategic regional programmes help align EU and domestic priorities and are increasingly coordinated with the plans of sectoral Ministries through the budget negotiation process.
France	Regional policy has a territorial development focus. It brings together wide-ranging financial and human resources, in particular via state-region project contracts. It has broad thematic coverage, applying a territorial approach to industrial, environmental and rural issues. Policies are generally redistributive, though innovation-/competitiveness-oriented measures are receiving more attention.
Germany	The core of regional policy is the policy coordinated by the Regional GA (<i>Gemeinschaftsaufgabe</i> , Joint Task), mainly regional aid and business infrastructure support. The GA focus is on structurally-weak regions and regionally-exporting activities. Broader policy initiatives also target the new <i>Länder</i> , focusing on structural obstacles to development, notably transport, investment and R&D weaknesses.
Greece	The policy focus has traditionally been on reducing the development gap with the EU. Regional policy is built around EU Cohesion policy programmes. A Development Law provides the framework for investment support in Greece and has differentiated aid ceilings in favour of problem regions.
Ireland	Economic development policy follows an integrated programming approach under the NDP which, for 2007-13, is wholly domestically-funded. Regional development is centred on: the implementation of the NDP (with balanced regional development as a horizontal theme); the strategic use of Cohesion policy funding; the mobilisation of the NSS; & the regional orientation of enterprise agency activities.
Italy	For 2007-13, domestic regional policy has a separate territorial and thematic focus from EU Cohesion policy and a distinct budget. However, via the National Strategic Document (NSD), domestic and EU regional policy are brought together within a unified regional policy with agreed budgetary resources and uniform timeframes and common monitoring and evaluation procedures.
Luxembourg	Regional policy is not a distinct policy area except in regional aid terms. Regional aid is currently in abeyance.
Netherlands	Regional policy operates in line with the philosophy in the <i>Peaks in the Delta</i> White Paper. The focus is on developing the potential of all regions by making policy choices which target region-specific opportunities of national importance. Implementation is mainly via regional programmes, though support remains available for regional aid, industrial estates, urban economic policy and tourism.
Portugal	Regional policy is built around EU Cohesion policy. The policy focus is on improving national (and territorial) competitiveness, with Lisbon as the key engine for growth.
Spain	The constitutional commitment to balanced development is seen in two national policy instruments - the Inter-Territorial Compensation Fund, which provides regional governments in lagging regions with financial support for infrastructure and related investments, and the Regional Investment Grant. The national approach to regional development is embedded in the (sectoral) Structural Funds framework.
Sweden	Regional growth policy is a programme-based all-country approach which has been adapted to produce dynamic development in all parts of the country, with particular stress on local and regional competitiveness and on developing growth potential. Under the new policy, Regional Development Programmes are the main policy instrument. Regional aid remains targeted at the problem regions.
UK	Regional policy falls under the Regional Economic Performance Public Service Agreement. It has an 'all-region' approach and covers measures which impact on the key productivity drivers in the regions (competition, enterprise, innovation, skills and investment), as delivered through the RDAs in England (and related sub-regional and local bodies) and the Devolved Administrations elsewhere in the UK
Poland	As part of EU Cohesion policy, regional policy has adopted a strategic and integrated programming framework, with an all-country perspective and a growing stress on competitiveness and productivity. Recently, there has been increasing discussion of domestic (rather than EU) policy priorities, which may lead to more emphasis on support for internal factors of growth and competitiveness.
Norway	Regional policy has traditionally been known as district and regional policy, combining a (mainly aid-based) district policy targeted at designated peripheral and sparsely-populated areas, with a growth- and innovation-oriented regional policy available across all regions. The current government has increased the district elements of policy, whilst also stressing the importance of policy coordination.

Table 1 (continued): The nature of regional policy in the remaining EU12 Member States

Bulgaria	The Regional Development Act was approved in 2008. The aims of State policy for regional development are: diminishing inter-regional and intra-regional disparities in levels of economic and social development; ensuring conditions for accelerated economic growth and high employment rates; and the development of territorial co-operation.
Cyprus	Development policies within Cyprus focus on addressing disparities between the three main urban centres and the rural areas of the country, and maximising the development potential of each area.
Czech Republic	State support for regional development aims to promote the development of socioeconomic and environmental potential of the regions, to increase their competitiveness, to support balanced development, and to reduce disparities levels with respect to economic and social development and environmental conditions.
Estonia	The overall aim of regional policy is to ensure all regions are 'attractive' places to live and work. Three main policy objectives are: 1) meeting people's needs regardless of where they live, 2) achieving a sustainable competitiveness of regions, and 3) enhancing links with cross-border regions and the rest of Europe.
Hungary	Hungary's National Regional Development Concept outlines the following regional development goals: competitiveness; assistance for less-developed regions; balanced community networks; sustainable development; interregional cooperation in Europe; strengthening decentralisation and subsidiarity.
Latvia	The overall development aim in Latvia is to catch-up with EU development averages. Within the country, the aim is to implement an effective and territorially differentiated social and economic development policy. In particular, centres of regional importance and cities other than Riga should be strengthened.
Lithuania	The main aim of national regional policy is to diminish social and economic disparities between and within regions, and to foster equal and sustainable growth throughout the country. Lithuanian regional policy is oriented towards more equal development of growth centres and towards avoiding investment concentration in current growth centres.
Malta	As in 2004-06, addressing the island of Gozo's economic development needs remains a cornerstone of Malta's development strategy, alongside the wider objectives of achieving economic competitiveness, ensuring sustainable environment and investing in education.
Romania	Objectives of the Romanian National Strategy for Regional Development are: to stimulate growth in order to reduce disparities between Bucharest-Ifov and the regions and the east and west; to develop small and medium sized towns, especially those reliant on single industries; to reverse the socio-economic decline of some big cities and improve their linkages with rural hinterlands; to improve the attractiveness of the regions; and to enhance programme management expertise at regional level.
Slovakia	Regional development support aims at balanced, sustainable economic and social development, and the reduction of interregional disparities. Recently, more emphasis has been placed on competitiveness and innovative capacity of regions, endogenous development, enhancement of economic performance and living conditions, which will be reflected in a new Regional Development Support Act, currently being drafted.
Slovenia	Amongst the objectives of the 2005 Law on Balanced Regional Development are: reduce differences in levels of economic development and living conditions between individual areas of the country; prevent the emergence of new areas with major development problems; promote the polycentric development of settlement and polycentric economic development; develop and increase the competitiveness of the economy in all development regions while considering their particularities; reduce the unemployment level in development regions and promote integrated approach to the development of rural areas.

In *Denmark*, central government provision of regional aid ended in 1991; for most of the period since, regional policy has consisted of Structural Funds programmes and limited bottom-up initiatives (mainly in the form of advisory services and other support measures for the business environment). However, following a major reform of local government which came into force from 1 January 2007 and a 2005 Business Development Act which gave the five newly-created regions statutory responsibility for economic development through partnership-based regional growth fora, a new institutional set-up has been created which integrates local, regional, national and EU economic development activities within a single, programme-based policy structure. Moreover, this is linked to the broader Globalisation Strategy of the Danish government through partnership agreements which aim to increase coordination between national policy goals and economic development initiatives at the regional level.

In *Finland*, regional policy has evolved from the 1960s through phases of industry-focused and planning-oriented regional policy to the present programme-based regional development policy. Over the same period, there has also been a gradual shift from targeted (and mostly aid-based) regional policy towards broader sectoral regional development measures in support of the business and innovation environment in the regions. While the weakest regions continue to receive considerable support (including via the regional aid regime), globalisation has shifted the policy focus towards the development of all regions. Regional policy operates within a policy framework where the national government lays down the goals of policy via a Government Decision; where, beneath this, regions develop regional strategic programmes (and annual implementation plans) and sectoral Ministries produce regional plans; and where national special programmes (Centre of Expertise, Regional Centre, Rural and Island), as well as the Structural Funds, provide related funding. The strategic regional programmes play an important role in helping to align EU and domestic priorities and are increasingly coordinated with the plans of sectoral Ministries through the budget negotiation process.

In *France*, regional policy has progressed from *aménagement du territoire*, which mainly involved infrastructure- and investment-related interventions, to *développement du territoire* which focuses on regional potential, with regional problems seen in a much more differentiated light. Regional policy brings together wide-ranging financial and human resources to territorial development ends, in particular via state-region project contracts. It is characterised by its cross-cutting nature and broad thematic coverage, with a territorial approach being applied across a range of policy fields (e.g. industrial, environmental, rural). It basically covers everything that has to do with, and happens in, the “territories”; this can range from strategic approaches to specific areas, such as those facing economic challenges, to *ad hoc* responses to negative developments, e.g. relating to decisions to close local court offices or defence restructuring. Policies are generally redistributive, involving shifts in jobs and infrastructure to ensure balanced development across the country and particularly with respect to areas facing economic or social difficulties. More recently, innovation-related and competitiveness-oriented measures have received more attention in a context of global competition. The main principles of regional policy are now increasingly couched in terms of the development of competitiveness *and* the preservation of territorial cohesion.

In *Germany*, regional policy is an important instrument for achieving balanced economic development and reducing disparities in employment opportunities. It focuses mainly on the structural weaknesses of the new *Länder*, although more limited funding is provided to areas facing structural difficulties in the old *Länder*. The core instrument of domestic regional policy is the Joint Task for the Improvement of Regional Economic Structures (*Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur'*, GA). The Regional GA is a coordination framework which is used mainly to finance direct aid to business (as well as related consultancy and training), plus business-oriented infrastructure. It also provides more limited funding to R&D institutes, regional strategy-building and cluster initiatives. Six-sevenths of funding under the Regional GA is directed at the new *Länder*. In addition, other federal policies target the new *Länder*; such measures focus on specific structural obstacles to economic development, notably weaknesses in major transport infrastructure, business investment and business R&D. Finally, each individual *Land* has its own strategies and schemes for economic development, some of which have a regional dimension. EU Cohesion policy co-finances the Regional GA, as well as a range of other instruments, at both *Land* and federal levels.

In *Greece*, the policy focus has traditionally been on reducing the development gap with the EU (measured in GDP per head terms) and regional development measures have been strongly based on the policy instruments provided under EU programmes. This continues to be the case for 2007-13, during which period there will be five regional and eight thematic Operational Programmes (OPs). The NSRF and OPs are complemented by a number of domestic policy initiatives, the most important of which is the 2004 Development Law, as amended, which provides the framework for investment aid in Greece. Under the regional aid guidelines, the entire country remains eligible for support under this law, albeit with differentiated aid ceilings. In addition, there is a nationally-funded development programme for the Pindos mountain area and access to further EU support under JEREMIE. However, it is the EU Operational Programmes which lie at the heart of the Greek approach to regional development.

In *Ireland*, there is only a weak tradition of regional policy and regional governance. This is unsurprising given the size of the country and its long-standing policy focus on national growth and development. On the other hand, levels of decentralisation and regional participation in policy development have slowly begun to grow, in particular following the EU-funding driven division of the country into two NUTS II regions and the establishment of a Regional Assembly in each. Economic development policy takes an integrated programming approach under the National Development Plan (NDP) which, for 2007-13, is wholly domestically-funded. Regional development is centred on the implementation of the NDP, the strategic use of Cohesion policy funding with respect to niche policy areas, the mobilisation of the National Spatial Strategy (with its focus on regional gateways and hubs) and the growing regional orientation of economic development institutions and strategies. Under the NDP, balanced regional development is a “horizontal” theme which stresses the need to build on existing strengths in all regions, and to address particular development deficits, especially in the area of infrastructure.

In *Italy*, the long-standing underdevelopment of the South (*Mezzogiorno*) has seen a variety of regional policy approaches adopted over the years. The initial provision of “special

intervention” in the *Mezzogiorno* (in the form mainly of infrastructure support and regional aid) covered the post-war period up until the early 1990s when special intervention was replaced by increasingly EU-oriented and programme-based measures. Over the 2000-06 period, domestic regional policy was very closely linked to the Structural Funds, being increasingly consensus-based, competitiveness-oriented and directed towards the release of under-utilised regional potential. The need to produce a national strategic document for 2007-13, combined with more targeted EU support (with the Convergence regions for the first time omitting major parts of the traditional *Mezzogiorno*) and with the (then) government’s view that a strong domestic regional policy should continue, saw a new unitary regional policy introduced. This combined EU and domestic regional policy budgets (€125 billion over the 2007-13 period), adopted the EU’s seven-year financial planning framework and monitoring and evaluation procedures, and developed a county-wide, programme-based approach which, however, concentrated financially on the Convergence regions and the traditional *Mezzogiorno*. On the other hand, following the recent change of government and the renewed commitment to balance the budget by 2011 and give more power to the regions by introducing fiscal federalism, it is unclear whether the necessary domestic funding for the unitary policy approach will remain available.

In *Luxembourg*, regional policy is largely synonymous with national industrial and economic policy, which tends to focus on endogenous development and the attraction of foreign investment. The only explicit regional component to policy has traditionally been the regional aid provided in line with the EU regional aid guidelines. However, with the expiry of the previous legislation at the end of 2006, regional aid is currently in abeyance pending the passing of new legislation (anticipated later in 2008).

In the *Netherlands*, a strong programme-based approach to spatial development has been followed since 2004 when the *Peaks in the Delta* White Paper was published. Following a 2004-06 development phase, it became fully operational from the start of 2007. Under *Peaks in the Delta*, the focus shifted from instrument-based spatial policymaking (distinguishing between regional investment aid, industrial estates, big city policy, tourism support, regional programming and the Structural Funds) to geographic programmes which target regional strengths. At the same time, the Spatial Economic Policy Directorate of the Ministry of Economic Affairs was reorganised along regional lines. By having an ongoing active presence in the regions, and with enhanced budgetary flexibility following the move away from instrument-based policymaking, the Ministry significantly increased its scope to influence and engage with development opportunities in the regions which are in line with national priorities. Related, there has been a policy shift away from the traditional problem regions in the north and towards more selective regional policy interventions across the country in the national interest.

In *Portugal*, there was a weak tradition of regional policy prior to EU accession in 1986, a reflection of the country’s size and centralised state. Regional policy is closely intertwined with the operation of EU Cohesion policy which co-finances the main regional aids and a range of other sectoral initiatives with spatial and/or national development objectives. Moreover, the level of Portuguese prosperity in relation to the Community average has meant that policymaker attention has been focused on improving national competitiveness in a European context, with all regions eligible for financial support. This has meant that

the city of Lisbon, in particular, has been viewed as the main engine of national economic development. On the other hand, successive governments have been concerned to counter the tendency towards an excessive concentration of economic activity on the coast, notably in Lisbon and Porto, and the ‘desertification’ of the interior and other depressed areas of the country. Given this policy orientation, the recent focus of regional policy activity has been on the formulation, approval and launch of the 2007-13 NSRF and Operational Programmes.

In *Spain*, regional policy operated at the national level consists of three policy instruments: the EU Structural and Cohesion Funds, which constitute the most significant set of policy measures in terms of financial volume and are delivered through a combination of national and regional programmes; the ‘Inter-Territorial Compensation Fund’ (*Fondo de Compensación Inter-Territorial* - FCI), which provides funds to regional governments for financing investment expenditure in the fields of infrastructure, public works, irrigation, planning, housing, transport and communications; and the Regional Investment Grant which aids business investment. The latter two instruments have been restricted historically to Objective 1 regions, though regions that lost Objective 1 status in 2007-13 (under the Convergence Objective) continue to remain eligible for the FCI and regional aid in order to cushion the impact of reduced funding allocations. This concern with territorial balance reflects the constitutional commitment to the “establishment of a fair and adequate level of economic equilibrium between the different parts of the country”.

In *Sweden*, a Government Bill in 2001 signalled an important shift of focus from the traditional aid-based regional policy targeted at the historically weak and peripheral regions to a more programme-based regional development policy which strove to achieve growth and development in all regions. The Bill underlined the importance of local and regional levels in promoting growth, and stressed cross-sector coordination in tackling regional problems. Following a change of Government in September 2006 and the subsequent adoption of the 2008 Budget Bill, regional development policy was renamed regional growth policy. The new policy retained the same basic orientation as before - encouraging ‘*dynamic development in all areas of the country with greater local and regional competitiveness*’ - but placed more stress on regional growth potential. The new policy emphasises local and regional competitiveness and the need to improve the climate for entrepreneurship, innovation and investment. Sectoral and regional coordination have been strengthened by the EU NSRF process and play a key role in policy delivery. Regional Development Programmes continue to form the basis for regional strategy building, and are now viewed as the main instrument for delivering the new regional growth policy. More spatially-targeted regional policy is implemented through regional aid schemes, with additional support within the designated aid areas, mostly in the north.

In the *United Kingdom*, regional policy was long associated with the provision of regional aid in the designated assisted areas, combined with targeted business infrastructure. In 1999, devolved strategy-making and policy delivery began with Scottish and Welsh devolution. In 2003, *A Modern Regional Policy for the United Kingdom* adopted an all-region perspective and considered regional disparities to be a consequence of market- or government-based failures to alleviate differences in underlying drivers of productivity. Since then, regional policy has adopted a broader perspective, targeting the key drivers of

productivity (competition, enterprise, innovation, skills and investment), and with an enhanced commitment to devolved - or, in England, decentralised - arrangements for policy delivery. Recent government plans aim to create a framework of Integrated Regional Strategies in England, built around the strategic programming role of the Regional Development Agencies and utilising policy instruments that support not only specific infrastructure or business aid provision but also measures to promote spatial development, innovation, urban development, education and training, housing and the environment.

In *Poland*, regional development is high on the policy agenda, in part because of the sheer scale of EU Cohesion policy support but also because territorial disparities (at regional and sub-regional levels) are entrenched and growing; in addition, decentralisation processes have raised issues about policy competencies and resource allocation. While traditional concerns with struggling regional economies remain, the strategic focus under the EU programmes which lie at the heart of regional development efforts is on enhancing competitiveness and productivity in all regions. A feature of Poland at present is the extent to which future policy directions are under discussion. A broad consultation process on a new conceptualisation of regional policy was launched in Spring 2008 and is considering issues related to the aims and priorities for domestic regional policy, the delivery of policy, its financing and policy instruments. At the same time, there is discussion of the future of EU Cohesion policy and also of the development of a new framework for domestic regional policy. Given the weight of EU funding as a source of regional development finance, the lack of an overarching regional development strategy has meant that Cohesion policy objectives have tended to dominate the domestic agenda. However, there is an increasing strategic emphasis on supporting internal factors of growth and competitiveness and there may also be more stress in future on sub-regional levels.

In *Norway*, regional policy has traditionally been known as “district and regional policy”. This makes clear that there are two main elements to the policy which have been allocated different weightings over time. At the outset, policy was oriented towards the districts - the term used for peripheral, mostly rural areas. With clear spatial targeting, district policy helped compensate peripheral areas for the disadvantages which they faced. By the 1990s, a shift towards a regional innovation and economic development policy had begun, though the district aspects of policy continued to be supported. The new broader approach to regional policy included policy instruments that did not target designated problem areas and also took more account of the interplay between different policy sectors. Under the 2001-05 government, the focus was on regional rather than district policy, with an emphasis on innovation, regional growth, small and medium-sized cities and an all-region approach. However, following a change of government, the 2006-10 period has seen more weight attached to the district elements of policy, with particular emphasis on improving the financial situation of the districts. Policy consists of both district measures (municipality support, regional aid, the social security concession and specific support for the north) and broader growth-oriented policy (including the provision of business infrastructure and the new Centre of Expertise programme), while also stressing policy coordination, in particular, across Ministries.

In the *new Member States*, the majority of the EU12 countries have developed legislative provisions for regional policy. In some cases, such as the *Czech Republic*, explicit regional

development policies have been in place for an extended period. In other cases, broad regional policy frameworks have been adopted, which inform the direction and approach to regional development. In the lead up to the 2007-13 programming period, new legislation has been introduced and new or revised development strategies have been adopted in number of EU12 Member States. For instance, in *Bulgaria*, a new Regional Development Law, setting out State policy for regional development, was adopted in May 2008. In *Hungary*, new legislation is currently being developed to streamline regional development policy.

With the respect to the content of policy, strategic EU goals tend to dominate, in particular, promoting competitiveness and reducing the development gap with the rest of the EU. However, some of the new Member States set out distinctive policy goals. For example, *Slovenia's* Law on Balanced Regional Development emphasises the scope for linkages to be developed across borders. *Romania's* National Strategy for Regional Development highlights the specific needs of towns dominated by a single industrial employer. The Baltic States, especially *Estonia and Latvia*, put increased emphasis on polycentric development models in their development plans. In addition, based on a range of factors, regional policy has different 'weight' across the EU12 countries. Country size is a key factor in shaping policy responses, with lower-key policies in countries like *Slovenia, the Baltic States*, and in particular *Cyprus and Malta*. Policy tradition and domestic resources also have a crucial impact on the extent to which distinct regional policies are pursued. Across the EU12, and in particular in the Central and East European (CEE) Member States, macro-economic development concerns, linked to post-socialist reforms and EU accession criteria, have dominated the policy agenda in the past and have drawn the focus away from specific regional concerns. Related, a widely experienced problem is that, although domestic regional policy legislation is in place, the impact of policy can be extremely limited, linked to the scale of the development challenges being addressed and a lack of domestic financial and institutional resources.

2.2 Comparative points

The above review shows clearly that the definition of what constitutes regional policy has changed significantly over time. From the immediate post-war period up until the late 1990s, the focus in most countries was predominantly on infrastructure support and investment-oriented regional aid, with policy interventions targeted heavily on designated aid areas. During this period, most domestic regional policy was nationally-administered or (in federal countries) nationally-coordinated though, over time, more decentralised approaches gradually developed.

More recently, regional programmes and programming have grown in prominence. In some countries this has developed out of EU programming demands and/or experiences as well as resources, but it also reflects a more general policy shift towards support for endogenous development and the business environment, building on regional potential and aiming to foster innovation-oriented initiatives. These developments have gone hand-in-hand with more general moves to increase regional inputs and responsibilities for economic development. They also reflect broader globalisation pressures and the perceived need for locations to think more about how their competitive position might best be strengthened.

At the same time, budgetary considerations have seen value-for-money demands move up the policy agenda, with attendant pressures for policy to become more coordinated, not least with a view to promoting national policy goals.

While many EU countries have been subject to broadly similar external pressures regarding the development of their regional policies, differences in the range, intensity and profile of regional problems, as well as in national contexts, mean that there is considerable breadth of experience with respect to the nature and content of regional policy in the countries under review.

In those countries where EU Cohesion policy funding is of major importance (including *Poland* and most of the *new Member States* as well as *Greece*, *Portugal* and *Spain*), regional policy is largely synonymous with EU Cohesion policy. It is programme based, has both thematic/sectoral and regional components (with eligible regions covering the entire country) and focuses heavily on growth and competitiveness. EU Operational Programmes provide the main source of funding and are the chief policy mechanism. The focus is generally on national rather than regional development (though regional programmes are growing in importance) and the prime policy aim is to reduce the development gap with other Member States. This was also the approach adopted in *Ireland* in previous periods; however, the major decline in EU support for 2007-13 (reflecting the strong growth performance in recent years) means that the core Irish development programme, the National Development Plan, is no longer EU-funded. Another country where EU support has been at the heart of domestic regional development efforts is *Italy*. However, the more targeted EU approach for 2007-13, combined with a national desire for a domestic regional policy encompassing all of the traditional problem regions, led to the new unitary regional policy, which utilises EU planning frameworks and regimes but focuses combined EU and domestic resources on an integrated, programme-based development strategy implemented via combined EU and domestic funding and approaches.

In a second group of countries, there has historically been a distinction between narrow regional policy (top-down, aid-based, investment-oriented, and targeted at designated problem regions) and broad regional policy (focusing on the regional impact of sectoral policies and striving for more coordination of such measures to regional development ends). Over time, broad regional policy has grown in importance in response to international competitiveness pressures, an enhanced growth and innovation orientation, and, to a degree, the all-region programme-based regime of EU Cohesion policy; on the other hand, aid-based support targeted at traditional problem regions generally remains significant. Such developments can be seen, in particular, in the Nordic countries, though with obvious differences between them in the content and coverage of regional policy.

In *Denmark*, for instance, there has been no regional aid since 1991; the new institutional set-up centred on regional growth partnerships integrates local, regional, national and EU economic development activities within a single, programme-based policy structure. In similar vein, the renamed regional growth policy in *Sweden* aims to improve local and regional competitiveness in all regions via regional programmes and enhanced regional and sectoral coordination; on the other hand, regional aid schemes remain important within the designated aid areas. In *Finland*, too, globalisation, combined with concerns about the

settlement structure, has shifted the policy focus towards the development of all regions, though regional aid is still significant in the traditional problem regions; regional strategic programmes are playing a growing role in helping to align EU and domestic priorities, while new budget planning mechanisms aim to bring sectoral plans and regional priorities closer together. Finally in *Norway*, the district component of policy, centred on the traditional problem regions, has been given more weight in the current period; however, broader growth-oriented measures (including the Centre of Expertise programme) also play an important policy role, as do efforts to enhance policy coordination across sectoral Ministries to regional development ends.

In a third group of countries, domestic regional policy is lower key, generally reflecting the small size of the countries concerned and the limited nature of the regional problem (see Section 3). In the *Netherlands*, competitiveness-oriented regional programming has moved centre-stage following the *Peaks in the Delta* White Paper; the aim has been to identify and build upon development opportunities in the regions which are in line with national priorities. In *Ireland*, national policy goals similarly underpin the programme-based National Development Plan (NDP), though regional participation in policy development is growing; balanced regional development is a horizontal theme under the NDP which stresses the need to build on existing strengths in all regions and to address particular development deficits, especially infrastructure-related. In *Luxembourg*, regional policy is largely synonymous with national industrial policy, focusing on endogenous development and FDI attraction; the only explicit regional component, regional aid, is currently in abeyance, pending new legislation to reflect the 2007-13 regional aid guidelines. In *Belgium*, regional aid has traditionally been at the heart of regional policy, though regionalisation processes have meant that regional-level initiatives (relating to the business environment and strategic planning) have grown in importance. Finally In *Austria*, regional development is a *Land* responsibility, with the result that regional policy at the national level is primarily concerned with policy coordination; in this context, the development of STRAT.AT (a consequence of EU policy) not only created an important framework for Austrian regional policy but has also helped to further regional policy cooperation and learning.

Last, there are three countries where domestic regional policy remains significant, but where the nature of policy is very much country-specific. In *France*, regional policy has traditionally had very broad coverage, involving the application of a territorial approach to a range of policy fields, not least through the coordination activities of DATAR (now DIACT). More recently, innovation-related and competitiveness-oriented measures have grown in importance, including the designation and operation of competitiveness poles; territorial policy now focuses more on regional potential and growth-enhancing measures, though balanced development remains at its core. In *Germany*, regional policy has long been an important instrument for assisting areas facing structural weaknesses, most obviously in the new *Länder* but also in parts of the old *Länder* facing adaptation problems. With regional policy a *Land* responsibility under the German Constitution, the Regional GA is a joint federal-*Land* coordination framework which is used mainly to finance direct aid to business and business-oriented infrastructure, though in recent years limited funding has also been made available for R&D institutes, regional strategy building and cluster initiatives. In the

United Kingdom, the focus of regional policy has broadened considerably in recent years, moving from regional aid (particularly) and infrastructure-based measures to a broader set of initiatives designed to target the key productivity drivers in the regions (competition, enterprise, innovation, skills and investment). At the same time, policy has been devolved to Scotland, Wales and Northern Ireland and decentralised in England, with a growing strategy-led role in the English regions for the Regional Development Agencies.

In summary, it can be seen that the definition and scope of regional policy is quite varied in the countries under review. Where EU Cohesion policy plays the dominant funding role, regional policy is strongly programme-based and growth-oriented, with the goal of closing the development gap with the rest of the EU. The tackling of internal disparities is generally viewed as a secondary concern, though, as discussed further below, it is moving up the policy agenda in a number of Member States. In the Nordic countries, domestic regional programmes have become core policy instruments in recent years, not least as a means of bringing together local, regional, national and EU funding sources in a coordinated way; at the same time, more traditional policy measures (including regional aid) remain significant in many of the worst off areas, including the far north. Where regional problems are less marked - as in Austria, Ireland and the Benelux countries - regional policy tends to be low-key. On the other hand, the domestic *Peaks* programmes are significant spatial development measures in the Netherlands, the NDP is a major policy framework in Ireland (albeit with balanced regional development only as a horizontal theme), and the regional policy coordination activities of the federal authorities in Austria have been strengthened by the STRAT.AT process. Coordination also lies at the heart of domestic regional policy in France and Germany. In the former, it is the core activity of the DIACT, while in Germany it provides the fundamental rationale for the Regional GA. In both countries, balance in development is an important policy goal, though increasing attention is being paid to growth and competitiveness measures. Finally, in the United Kingdom, regional policy now has a relatively broad coverage (reflecting the focus on measures which target the key productivity drivers in the regions), while also becoming increasingly devolved and decentralised in its delivery. As elsewhere, measures which aim to enhance policy coordination are a growing feature of UK regional policy.

Despite the variety in approach taken to regional policy in the countries under review, a number of common themes emerge from recent regional policy developments. These include the significant level of recent regional policy change in most countries, the increasing orientation of regional policy towards growth and competitiveness, the continuing importance of traditional problem regions in funding terms, including through the provision of regional aid, and the ever more central role played by regional programmes and by policy coordination. The aim in the remainder of this paper is to consider these developments in more detail. To prepare the way, the next section discusses the changing nature and perception of the regional problem.

3. THE CHANGING NATURE AND PERCEPTION OF THE REGIONAL PROBLEM

The nature and perception of the regional problem have clearly evolved over the years. Traditionally, the regional problem has been characterised by the distinction between depressed areas, on the one hand, and more prosperous regions, on the other. While the weaker areas have traditionally suffered from high levels of unemployment and low rates of growth, more prosperous areas also face specific challenges, often related to in-migration, congestion and inflationary pressures. In the face of global challenges, many countries have moved beyond this dichotomy between depressed and prosperous areas and have adopted a broader approach, which goes beyond socio-economic considerations to include, also, competitiveness factors and views of regional potential and strengths. Furthermore, in terms of the severity of regional problems, some countries no longer consider that they have significant internal disparities, others view the challenges facing particular regions as being highly differentiated, and nearly all accept that regional issues need to be considered not only from a disparity perspective, but also in terms of the need to improve regional productivity, competitiveness and growth. The level of analysis has also widened, including comparisons with international benchmarks, while analyses at sub-regional levels have also become increasingly important.

This section is in two parts: first, there is a review of the nature and perception of the regional problem on a country-by-country basis before Section 3.2 draws together some comparative conclusions.

3.1 Country-by-country review

This country-by-country review summarises how regional problems are perceived in the EU and Norway (see Table 2). The countries under study are allocated to one of six groups. First, in Member States such as *Austria, Denmark, Luxembourg*, and to a lesser extent the *Netherlands* (where perceptions differ), regional disparities are considered to be relatively limited, particularly in comparison to other EU countries, and this is not seen to justify major regionally-targeted interventions. In a second group - *Belgium, France, Ireland* and the *United Kingdom* - there are seen to be differentiated regional problems, which call for fine-tuned policy responses. In the third group, consisting of the Nordic countries, *Finland, Sweden* and *Norway*, sparsely populated regions (and certain areas facing problems of structural adjustment) continue to be acknowledged by targeted policy measures, although a growth focus on all regions has gradually moved centre stage, particularly in Finland and Sweden. Fourth, in *Germany* and *Italy*, severe internal regional differences remain between east-west and south-north respectively, and these continue to provide the main policy focus. Fifth, despite significant internal disparities, *Greece, Portugal* and *Spain* are mainly concerned with enhancing national development. Finally, in *Poland* and most of the rest of the *EU12*, internal disparities are marked (particularly between capital city and lagging regions often along eastern borders) and there is generally also a major development gap with the rest of the EU. In these countries, too, the policy stress is on national development.

Table 2: Current perceptions of the regional problem in the EU15, Poland and Norway

Austria	Limited problems, not justifying large-scale policy interventions. Problems focus on urban-periphery and west-east divide. Other concerns relate to public services in rural areas, changing mobility behaviours and urban-rural sprawl. Climate change, energy, demography are embedded in policy. Analysis increasingly focused on functional regions that go beyond national borders.
Belgium	In Flanders, major problems relate to congestion, industrial estates, and urban sprawl. Policy focus has shifted to innovation potential/FDI. Also unemployment is a problem in some areas. Wallonia underperforms in terms of GDP and employment, and continues to have fragile areas, including rural. Other problems relate to outward commuting and poor qualification levels. Sustainable development is increasingly supported in both regions.
Denmark	Limited problems (capital versus the rest of the country), which have become even more uniform in recent years. Policy aims to maximise regional contributions to national growth, but acknowledges also less well-off peripheral areas.
Finland	Policy focuses increasingly on all regions, although targeted measures exist for weak, rural, and urban regions. Regional disparities have not increased recently, but problems remain in north, east, and between urban and peripheral areas. Challenges are also faced at the municipal level. Key future issues include: ageing, availability of workforce, globalisation, IT and climate change.
France	The perception of the problem has become differentiated over the years. Regional disparities are set in a global context as part of the competitiveness approach, but policy responses are also adapting to local situations. Key concerns include: urban structure, rural areas and firm relocation. Sustainable development is also increasingly part of the analysis.
Germany	The core problem is the ongoing structural socio-economic disparity between old and new <i>Länder</i> . Debates have continued about the rationale, focus and funding of regional policy. One view is that economic development should focus on 'metropole regions'; another, that it should address rural area problems more. However, policy continues to target structurally-weak areas.
Greece	Regional disparities remain severe, although they are not expected to grow in the longer-term. Convergence to the EU average in GDP per head terms is slow, as regions face different problems (e.g. in terms of population, urbanisation, structure of industry, location and geographical features). Policy focuses largely on increasing the country's growth potential.
Ireland	Development disparities continue to persist, particularly between Dublin and the more peripheral regions (Border, Midlands, West). Rural-urban disparities are an ongoing concern, while employment and population growth have become more widely distributed.
Italy	North-south economic and social dualism continues to be the key reason for regional policy intervention. However, assessments of the causes for the divide vary, and discussions on the most appropriate policy response continue.
Luxembourg	The regional 'problem' is traditionally associated with steel restructuring (south) and fragile agriculture (north). Other concerns relate to the lack of economic diversification, concentration of economic activity in the centre and cross-border commuting.
Netherlands	The perception of the regional problem continues to be debated. While the central-level argues that there are limited disparities, the northern provinces consider that they should be compensated for their specific disadvantages. Hence, although policy focuses mainly on national development, northern areas continue to be recognised through transitional support.
Portugal	A new view of the regional problem has seen traditional north/south, coastal/interior divides replaced by: the emergence of two horizontal axes with Spain; a shift in underdevelopment from the interior to the periphery; and differentiation between the Porto and Lisbon regions. Policy aims to increase regional competitiveness in order to maximise growth and reduce disparities.
Spain	Increasing number of regions are performing above the EU average (GDP per capita), although progress is slower in most Convergence regions. Other key issues include: concentrated population growth (coast, urban areas); ageing; below EU average performance in productivity and labour costs, labour market and training variables, R&D and innovation. National approach is embedded in the Structural Funds, which is increasingly focusing on competitiveness.
Sweden	Policy focus is on generating growth in all regions, although geographically targeted initiatives continue to be implemented (also outside the prioritised areas). Problems remain between the urban and northern regions, and discussions continue about the importance of larger regions. Changing age structures, globalisation and climate change also play an important role.
UK	The gap between the south-east and the rest of the country remains a core concern. Comparisons are now made with EU15 benchmark regions to gain a clearer picture of performance. Overall, trends indicate narrowing gaps between regions, e.g. regional skills. There is also increasing awareness of disparities within regions.
Poland	Despite national growth, regional and sub-regional disparities are rising. Key divides concern weaker east and better performing west, and also metropolitan regions (west, centre) and other regions. Demography and migration have are also influencing regional economic development.
Norway	The main regional challenges concern sparse population and peripheral areas with accessibility problems. Another issue is the concentration of population in urban areas, and problems linked to the industrial structure. Regional challenges are also increasingly seen in the context of globalisation. The current policy focus is to improve the situation of rural and peripheral areas.

Table 2 (continued): Current perceptions of the regional problem in the remaining EU12 Member States

Bulgaria	All regions are characterised by high dependence on traditional manufacturing, inefficient agriculture, lack of a 'culture of innovation', and deficiencies in infrastructure. Additionally, considerable development disparities exist between regions, particularly in terms of levels of economic activity, attraction of investment, labour shortages and levels of innovation. The south-western region, which includes the capital city of Sofia, is the most prosperous region. In other areas, an unevenly distributed network of big cities has led to 'centre-periphery' disparities and intra-regional disparities.
Cyprus	Perceptions of the regional problem in Cyprus have to be understood against the background of broader development concerns. Yet, despite its small size, regional disparities are apparent, most notably between rural and urban areas, with rural areas facing the challenges of depopulation, population ageing and poor access to key transport links.
Czech Republic	Regional disparities in the Czech Republic have gradually increased, particularly between the prosperous capital city region and Moravskoslezský kraj and Severozápad. The Czech NSRF differentiates between the following types of NUTS II regions: <i>undergoing rapid development</i> - Praha; <i>undergoing development</i> - Jihozápad and Střední Čechy, <i>lagging behind</i> - Střední Morava, and <i>in decline</i> - Moravskoslezský kraj and Severozápad. Even more pronounced disparities can be identified at the NUTS III regional and micro regional levels.
Estonia	Even though Estonia is a small country, there are significant regional differences in living standards and economic competitiveness. Regional disparities have increased since 1999. They are especially pronounced between, on the one hand, Tallin and Tartu and, on the other, the North-East and South-East Estonia.
Hungary	Regional development disparities are considerable in Hungary. The capital city region is the most prosperous region. There is an East-West divide. The West benefits from high levels of FDI. The regional economies of eastern areas are dominated by heavier industry and agriculture. In addition, more peripheral regions suffer from a lack of adequate infrastructure and skilled labour.
Latvia	Notable development disparities exist between the capital city region in the west and eastern Latvia and the rural areas, which suffer from a lack of physical infrastructure, deficits in human resources, lack of a qualified workforce especially in engineering, increasing labour costs, decreasing competitiveness in manufacturing, low productivity rates, low levels of science and technological research, and insufficient transport infrastructure.
Lithuania	Growing regional disparities, in terms of economic development and general living standards, are apparent between urban and rural regions and between the largest cities and the rest of the country.
Malta	Development challenges have to be seen against a background of a small, open economy. Malta faces the challenge of peripherality, accessibility, insularity, ageing population, managing population density and limited natural resources. These problems are amplified in the Island of Gozo, which faces the challenge of double insularity, because of its reliance on Malta for economic transport and communications links.
Romania	In terms of regional development key concerns are: increasing development disparities between Bucharest-Ilfov and the regions; unbalanced development between the eastern and the western parts of the country; chronic under-development in the east, particularly on the border with Moldova and in the South, along the River Danube; small and medium-sized towns in economic decline, linked to industrial restructuring; and declining growth in many large urban centres, limiting their role in development of surrounding areas.
Slovakia	The position of Slovakia's capital city in the extreme west of the country contributes to polarised economic growth and amplifies the 'west - east' development gradient in the country. Southern and eastern parts of the country have a rural character, with below average economic productivity, low investments rates accompanied by high unemployment, spatial concentration of marginalised groups, poor transport links and infrastructure.
Slovenia	Development gaps are most notable between advanced western and central regions of Slovenia and eastern regions, and between the capital city Ljubljana and other cities. Less developed regions in Slovenia face constraints in terms of physical infrastructure and have high rates of unemployment. Additionally, migration out of peripheral areas reduces their developmental capacity.

3.1.1 Countries with limited regional problems

In *Austria*, regional problems are not very accentuated, certainly in comparison to other EU countries. Therefore large-scale regional policy interventions are not felt to be justified. At the sub-*Land* level, there are small-scale disparities, which relate mainly to differences between urban and peripheral areas. This is a particular concern in the east due to dominance of Vienna. The main disparities at the national-level continue to be reflected in the historical west-east divide. Although this gap has been declining, recent trends highlight the dominance of the western *Länder*, mainly due to export growth. Some discussions are emerging on the most appropriate level of analysis of the regional problem. In this respect, functional regions (e.g. particularly those that go beyond national borders, such as Vienna-Győr-Bratislava) have become increasingly important. Other problems which have a regional dimension relate to the constrained provision of services in rural areas, changing mobility behaviours and the urban-rural sprawl. In addition, problems related to climate change, energy and demography are being considered in the context of regional policy (e.g. through long-term scenario building). Energy has a long-standing tradition as an action field and the strong engagement in climate change issues can be explained in part by the country's topographical challenges. With respect to demographic issues, a particularly important challenge concerns immigration, which is increasingly affecting also rural areas.

In *Denmark*, regional problems are limited. Disparities in wealth between the capital area and the rest of the country are small, at least by international standards, and have become even more uniform in recent years. The perception of the regional problem continues to focus on two broad concerns, which were institutionalised in the 2005 Business Development Act. On the one hand, it is important that all regions maximise their contribution to national growth; on the other, equity considerations remain relevant in the less well-off peripheral parts of the country where there are concerns about population decline and limited economic development. This dual perception is reflected in the six priority areas under the Business Development Act: innovation, ICT, entrepreneurship and human resources (growth-oriented aspects), and, tourism and the development of peripheral areas (equity-oriented elements). This new policy approach differs from the earlier policy focus, when the dominant concern was to ensure equal growth opportunities in every region.

In *Luxembourg*, the regional problem, such as it is, is traditionally associated with the restructuring of the coal and steel industries in the south and with fragile rural areas in the north. The nature and objectives of regional policy are fundamentally affected by the small size of the economy and the fact that the country is effectively a border region. For this reason, regional policy is largely synonymous with national industrial and economic policy. One key challenge is the lack of economic diversification and the fact that economic activity tends to be concentrated in the centre of Luxembourg. These aspects have been aggravated by more recent challenges linked to demographic and migratory trends. In particular, cross-border commuting has not only increased the attractiveness of the labour market, but has contributed to transport and environmental problems, such as congestion and pollution.

In the *Netherlands*, debates on the nature of the regional problem remain. On the one hand, and as reflected in the fundamental interdepartmental review (IBO) of regional policy in 2004, it is argued that the disparities between north and the rest of the country are small and the emphasis should be on stimulating economic development throughout the country. On the other hand, the northern provinces argue that they continue to be characterised by relative socio-economic deprivation in relation to the rest of the country. The policy focus under the *Peaks in the Delta* White paper is on all regions. However, the political influence of the northern provinces and their historical access to policy funding have ensured the allocation of transitional support under the *Peaks* budget and the award of a transitional northern allocation under the 2007-13 Structural Funds.

3.1.1 Countries with differentiated regional problems

In *Belgium*, the regional problem is complex due to the differing socio-economic development in the regions of Flanders and Wallonia. While Flanders is the more prosperous region, internal disparities can be observed at the municipal level, particularly in terms of unemployment rates. Other major challenges concern congestion, the shortage of high quality industrial estates, and sustainable spatial development in the 'urban-sprawl'. Generally, the perception of the problem has moved beyond employment disparities to a policy which focuses on developing innovation potential and FDI attractiveness. Wallonia, in contrast, continues to face lower GDP per head and higher unemployment rates, which also vary substantially within the region. There are fragile areas which continue to face conversion and restructuring problems, as well as rural areas which suffer from very low GDP per capita levels. Other problems in Wallonia include outward commuting (particularly towards Flanders) and poor qualification levels, which are seen as one of the key causes of the unemployment situation. Sustainable development is emerging as a new theme, with more coherent support available.

In *France*, the perception of the regional problem has shifted over time from a rather uniform and predictable approach to a more differentiated view, which focuses on regional potential. Current regional difficulties relate to the dominance of the capital region, although recently it has also been recognised as a growth motor for competitiveness; to rural areas suffering from out-migration; and to areas facing industrial restructuring, particularly in the context of firm relocations which are now more dispersed and harder to influence due to foreign ownerships. On the one hand, regional disparities are perceived in a global context, reflected in the drive for competitiveness. On the other hand, disparities are also increasingly viewed at the sub-regional or municipal levels. In line with the growth-oriented approach, GDP per head remains the most important indicator for analysis, although R&D expenditure and regions' scientific and technological competences are also monitored, particularly in the context of competitiveness poles. At the same time, efforts have been made to develop indicators linked to sustainable development.

In *Ireland*, convergence between the regions has taken place, but development disparities continue to persist and new challenges are emerging. In the Greater Dublin region, the main concerns relate to competition for high-value added investment, the development of innovation and R&D activities, and tackling economic centralisation, labour shortages, and urban sprawl. In contrast, the Border, Midlands and West region is perceived to be lacking

the ‘critical mass’ to effectively drive development and address economic weaknesses, such as a limited industrial base, underdeveloped urban structure, deficiencies in infrastructure, and a ‘brain-drain’. Related, the potential for increased rural-urban development disparities are an area of concern. However, in some areas, disparities are not as distinct as they were in the past. For instance, there have been increases in employment in a number of regions outside the traditionally dominant East. Another key issue has been strong population growth, which has been relatively widely distributed across regions, and not just focused on the Dublin area.

In the *United Kingdom*, all regions have experienced considerable growth in recent years, although the gap between the top and bottom performing regions remains a core concern. Against this background, the Government has recently incorporated comparison between the economic performance of UK regions with counterparts in the EU15 (rather than with the dominant economic driver of South East England), as this is seen to give a more rounded picture of their performance. In fact, such comparisons reveal an improvement in relative economic performance for regions outside the South East. Overall, trends indicate narrowing gaps between the regions, for instance with respect to regional skills. However, entrepreneurial activity and innovation activity continue to be focused on South East. There is also increasing awareness of disparities *within* regions, with for instance the London region containing many of the country’s more deprived communities.

3.1.2 Countries with sparsely-populated problem regions

In *Finland*, the perception of the regional problem has evolved from the historical targeting of narrowly-defined problem regions to broader policy measures with a focus on the development and competitiveness of the entire country. Due to differing development conditions in the regions, targeted policy responses continue to be implemented for the weaker regions, while the needs of larger urban regions and rural regions have become increasingly important. In recent years, the all-country perspective has been extended and regions are now perceived as part of the changing global economy. Although regional disparities have not increased in recent years, problems remain in the north and east, and between urban centres and the more remote areas of the country. Challenges are also increasingly faced within regions, at the municipal level. The key future challenges for regional development concern the changing age structure, the availability of a knowledgeable workforce, globalisation, the development of information technology and climate change. In the context of climate change, the focus is particularly on urban regions and on the need to improve energy efficiency and energy-related innovations.

In *Sweden*, the regional problem and the perception of the problem have not changed significantly in recent years. The key concerns include lack of economic growth, competitiveness, sustainability, innovation and issues surrounding the distribution of welfare across the country. These were reflected in the 2001 Bill, which recognised regional differences yet, regardless of the regional situation, expected all regions to contribute to national growth in line with their ability. In similar vein, the new regional growth policy, introduced in the 2008 Bill, takes an all-country approach, but emphasises the growth orientation of policy and the role of local and regional levels in this process. There continues to be a need for geographically-targeted initiatives, which go beyond the

designated areas (covering, for instance, rural, sparsely-populated or urban areas). Despite the fact that the national economy has been performing well in recent years, problems remain, particularly between urban and the smaller northern regions. Related to these problems, there are ongoing discussions about the importance of larger and more diversified regions in generating growth. In addition, changing age structures, globalisation and climate change are other factors expected to play an increasingly important role in regional development. While problems related to climate change and energy are creating considerable challenges, they are also seen to provide opportunities, not least through the available expertise in environmentally-friendly and efficient technology and in the renewable energy sector.

In *Norway*, the traditional regional challenge has come in the form of sparse population across much of the country, combined with peripheral areas that experience accessibility problems due to long distances to regional centres and markets. Related, there has been an ongoing centralisation of population due to differential birth rates and migration. Over time, urban centres have experienced an increase in population whilst rural districts have been losing inhabitants. The industrial structure of the country has also been part of the regional challenge. Certain areas are recognised to be overly dependent on primary industries and single enterprises. In addition, the regional challenge has, in recent years, also been set in the context of the trend towards globalisation, with the promotion of innovation seen as the appropriate response. The 2006 White Paper adopted a strong district (i.e. peripheral) focus to respond to these regional challenges. This complemented initiatives introduced in the 2005 White Paper (under the previous Government) which focused more on all-region, growth-oriented approach.

3.1.3 Countries with severe and concentrated regional problems

In *Germany*, despite some positive developments in recent years which have facilitated catch-up in major urban areas in the east, the main regional development challenge relates to ongoing structural economic weaknesses in the new *Länder*. They continue to lag behind the rest of the country on key indicators, including GDP per capita and unemployment. Moreover, the new *Länder* have experienced significant demographic decline in recent years, due not least to the out-migration of younger, educated people, especially women. They also continue to have difficulties with respect to limited public resources. In addition, some areas in the old *Länder* face specific structural problems due, for example, to long-term industrial or agricultural restructuring. Recent years have seen extensive discussions about the rationale and level of funding for regional policy, though no major changes have resulted so far. Geographical targeting has been part of the debate. Should the focus continue to be on structurally-weak areas, is there an argument for targeting the largest agglomerations ('metropole regions'), and should there be a specific response to the problems faced by the peripheral rural areas, especially those undergoing demographic decline?

In *Italy*, the focus of the regional problem remains on the duality between a wealthy and developed Centre-North and a lagging *Mezzogiorno*. This dualism has not been resolved; past policies have been only partially able to overcome the underdevelopment of the South. Indeed, in 2007, lower growth and employment rates continued to be observed in the

Mezzogiorno. The assessments of the causes for the divide vary. While some argue that it is the intensity rather than the nature of the problem that differs (i.e. factors that cause low competitiveness are the same across Italy), others point to the structural differences that separate the *Mezzogiorno* from the rest of the country.

3.1.4 Countries with a national development focus

In *Greece*, regional disparities remain severe (also at the intra-regional level), although they are not expected to grow in the longer-term. Overall, the regions are converging to the EU average in GDP per head terms, but the process is slow, due to the fact that different regions face very different problems (e.g. population size, role of urban centres, structure of industrial production, ability to sustain production growth, location, features of geography). With the exception of the areas around Thessaloniki (part of Kentriki Makedonia) and Attiki, the country's regions neither have sufficient critical mass in terms of population nor the necessary production and technological dynamics to effectively meet the multiple challenges and problems with which they are faced - whether linked to the structural problems of the economy as a whole or to problems emerging within each region or group of regions as a result of increasing competition. The overall policy objective is to increase the country's growth potential, but attention is also paid to more balanced economic growth through the development of the less privileged regions.

In *Portugal*, there has been a lack of progress in the reduction of inter-regional disparities, thus justifying the continuation of policy intervention. Although there has been positive progress in terms of social cohesion, it has not been matched by a similar performance with respect to competitiveness. In considering this, a number of key themes have emerged with respect to the conceptualisation of the regional problem which replace the traditional 'coastal' versus 'interior' and 'North-South' divides. These include: the emergence of a new spatial economic dynamic along two horizontal axes with Spain; a shift in the spatial basis of underdevelopment from the 'interior' to the 'periphery'; the central contribution of the two main development poles (Grande Lisboa and Grande Porto) to overall national growth; acknowledgement that the upgrading of infrastructure across the country has contributed to the reduction in important basic deficits, but has not countered depopulation trends or ensured sustainable growth and job creation in some areas; and, lastly, recognition of strong variations in the territorial dimension of competitiveness, with the capital city region playing a major role in promoting national competitiveness.

In *Spain*, the regional problem is generally analysed in the context of EU Cohesion policy, which is increasingly focused on the promotion of competitiveness. In terms of GDP per capita, the number of regions above the EU average has increased, while Convergence regions (except for Murcia) are moving towards the EU average at a slower pace than Spain as a whole. Other issues in the Convergence and RCE regions include: an above EU average situation in terms of demographic variables due to high population growth (concentrated in coastal areas and large urban centres), although ageing remains a concern (pronounced in regions with lower population density); below EU average performance in productivity and labour costs, although with above average (but regionally differentiated) GDP growth; a below EU average situation with regards to labour market and training variables (particularly in the Convergence regions); a below EU average position in terms of R&D and

innovation (particularly in the Convergence regions); a good situation in terms of road transport infrastructures, reflecting the significant investments made in recent years.

3.1.5 The EU 12 Member States

In *Poland*, the economy has experienced significant levels of overall growth in recent years, but this has been accompanied by rising regional and sub-regional disparities. The level of economic development in Poland's eastern regions continues to be significantly lower than in the west, and disparities are set to grow. Moreover, the development gap between regions with strong metropolitan cores (predominantly in the west and centre) and other regions has also widened and this has been reflected in rising intra-regional disparities. Issues such as demography and migration have exerted an increasing influence on regional economic development. In this context, the impact of the external environment has been crucial. EU measures have had a significant impact on population mobility, with Poles leaving in large numbers for other EU Member States.

In the rest of the *EU12*, the key economic challenge is to reduce the development gap with the EU average. In 2005, of the 69 nine regions in the EU27 which had GDP per head below 75 percent of the EU average, 49 were in CEE States, including fifteen in *Poland*, eight in *Romania*, seven in the *Czech Republic*, six in *Bulgaria* and *Hungary* and three in *Slovakia*. However, as Figure 3.1 makes clear, the group is very heterogeneous with respect to levels of GDP per capita, national growth and internal disparities. For instance, while some EU12 Member States, such as *Cyprus* and *Slovenia*, are relatively close to the EU27 average in terms of GDP per capita (and the capital city regions of Prague (*Czech Republic*) and Bratislava (*Slovakia*) have per capita GDP levels above the EU27 average), others continue to lag significantly behind, such as *Romania*, *Bulgaria* and the eastern parts of *Poland*. Another major challenge in the EU12 concerns growing internal disparities. Indeed, a particular feature of many of these countries is that capital city regions have developed quite dynamically whereas rural and heavy industrialised regions continue to lag behind. Particularly wide differences can be witnessed in the *Czech Republic*, *Slovakia* and *Hungary*, although the urban-rural development gaps are also a growing concern in the *Baltic States*, *Bulgaria*, *Cyprus*, *Romania* and *Slovenia*. Other distinctive challenges relate to the geographical insularity of *Cyprus* and *Malta* and to the mountainous areas of *Slovenia*. In all EU12 countries, national development lies at the heart of the policy agenda.

3.2 Comparative points

A number of comparative points can be made with respect to the changing nature and perception of the regional problem. In most countries, it is acknowledged that socio-economic disparities continue to persist, though there are differences as to how these problems are perceived and what the most appropriate policy response should be. In some instances, the disparities are seen to be declining or are not considered to be a real problem. Nevertheless, nearly all countries are in favour of continuing policy intervention. While a focus on weaker areas remains largely embedded in policy approaches, there has been a clear shift in most countries towards a more differentiated approach for tackling regional problems. Related to this, many countries now situate themselves within the

global context and, therefore, prioritise the development of all regions in their efforts to maximise national growth. As a result, the traditional focus on disparities *between* regions has increasingly given way to an acknowledgement that the potential within *all* regions must be fully utilised.

Figure 3.1: Main aggregate economic indicators in EU27 in 2007

	GDP per capita in PPS	Unemployment in %	Employment growth in %	Labour productivity per hour worked
Austria	127.3*	4.4	2.2	104.8
Belgium	118.0	7.5	1.7	123.7
Bulgaria	38.1	6.9	2.8	32.0
Cyprus	93.1	3.9	3.2	68.9
Czech Republic	81.5*	5.3	1.8	n/a
Denmark	122.8	3.8	1.6	100.4
Estonia	72.1	4.7	0.7	50.7
Finland	116.8	6.9	2.2	97.3
France	111.2	8.3	1.3	n/a
Germany	113.1	8.4	1.7	109.7
Greece	97.8	8.3	1.2	n/a
Hungary	63.5	7.4	-0.1	55.4
Ireland	146.3*	4.6	3.6	n/a
Italy	101.4	6.1	1.1	88.0
Latvia	58.0	6.0	3.5	42.1
Lithuania	60.3	4.3	2.9	48.2
Luxembourg	276.3	4.1	4.2	174.0
Malta	77.3	6.4	2.6	75.1
Netherlands	132.6	3.2	2.4	n/a
Poland	53.8	9.6	4.5	45.7
Portugal	74.8	8.1	0.0	59.3
Romania	40.7*	6.4	1.3	n/a
Slovenia	88.7	4.9	2.7	72.6
Slovakia	68.5	11.1	2.1	64.2
Spain	106.9	8.3	3.1	95.6
Sweden	126.1	6.1	2.3	106.1
United Kingdom	115.8	5.3	0.7	89.8
EU 15	111.6	7.0	1.6	100.0
EU 25	103.8	7.2	1.8	91.6
EU 27	100.0	7.1	1.8	88.0

Source: Eurostat

Note: * forecast

The nature of the problem has also become more varied. Generally, problems are related to socio-economic disparities (which often differ between weaker and more prosperous areas). However, in the face of globalisation (and EU Cohesion policy priorities), many countries have adopted a broader approach, focusing on competitiveness but also including newer challenges relating, for instance, to environmental and energy-related issues. Although in some countries the latter aspects are already part of the policy process, in

others discussions are ongoing on the need to develop relevant indicators. The response to emerging challenges is very much dependent on the way problems are perceived. While in some regions, they are felt to create constraints on development, in others, they are also seen to provide new opportunities for employment and growth. Although some countries continue to analyse regional problems in a uniform way in terms of trends in disparities, in the face of the changing global economy, many others are increasingly viewing the success of regions as being dependent on their ability to anticipate and respond to new challenges.

Related to discussions on the nature of the regional problem, the level of analysis has changed. On the one hand, there is an increasing interest in sub-regional disparities, where the evidence is that they have become more significant in some countries. This in turn has redirected policy towards the sub-regional level. On the other hand, many countries view their regions in a broader, global context; as a result, comparisons are increasingly extending to regions outside national borders. This has happened in England, where the performance of problem regions is now benchmarked against EU comparators. In addition, countries with border regions often include the immediate bordering regions in their analysis.

4. THE CHANGING POLICY RESPONSE

This section reviews the policy changes which have been introduced since the start of 2007. It begins by discussing the degree of policy change, before considering recent developments in respect of four policy features: the objectives of regional policy; its spatial orientation; the main policy instruments; and regional policy budgets and expenditure. Changes in respect of the administration and implementation of regional policy are discussed in Section 5.

4.1 The degree of policy change

The aim in this section is to review the main policy changes which have been introduced since the start of 2007 and the origins of these changes, distinguishing between legislative developments and broader policy reviews (see Table 3). The section first considers the degree of policy change on a country-by-country basis before drawing together the main comparative points to emerge.

4.1.1 Country-by-country review

In *Austria*, national regional policy is, as already noted, relatively low-key, in part related to the limited regional problem but also to the fact that regional economic development is a *Land* responsibility; the federal focus is mainly on policy coordination. Given this background, EU policy frameworks have been important generators of regional policy change since accession in 1995. With the start of a new EU budgetary and programming period, there have been a number of developments of note. One is that the requirement to produce the STRAT.AT NSRF brought together all the relevant federal, *Land* and sub-*Land* actors as well as social partners to develop a document which provides a valuable framework for Austrian regional policy. Moreover, the collaborative process which produced STRAT.AT was seen as beneficial and has been carried forward into the new programming period (under STRAT.AT plus). With respect to policy content, micro-zoning was dropped under the Structural Funds (a positive development from an Austrian perspective), EU policy funding was significantly reduced (by some 30 percent) and the Lisbon objectives were given further weight; the implication is that more funds will flow to central areas and that lagging regions may lose out (though rural and peripheral areas benefit from enhanced EAFRD funding). Alongside the new EU programmes, most *Länder* revised or refined their own development strategies; innovation continues to lie at their core. Finally, the 2007-13 regional aid guidelines have seen a cutback in regional aid areas and lower aid ceilings. However, designation flexibility has meant that initial concerns about cross-border aid disparities have moderated. Regional aid remains limited at the federal level, though advantage was taken of the new guideline provisions to introduce a new aid for young entrepreneurs and innovation in SMEs. Support in Austria is increasingly channelled through R&D and innovation schemes.

In *Belgium*, regional aid regimes now operate under distinct legislation in Flanders and Wallonia, following the abolition of federal laws post 2000. New decrees have been introduced in both regions to align their aid systems with the 2007-13 EU guidelines. In

Flanders, there has been a further strengthening of horizontal support while, in Wallonia, a territorial approach is favoured, with efforts to concentrate aid in zones needing specific assistance. In both regions, secondary legislation has been passed to enhance environmental aid for firms and, in Flanders, there has also been a decree on strategic investment and training aid. The growing importance of support for the business environment in Flanders is reflected in the role played by the Agency for Economy, created in July 2006; it is expected to merge with the Flemish Enterprise Agency in 2009. In both regions, there is a focus on the implementation of recent strategic documents. The Wallonian “Marshall Plan”, adopted in August 2005, aims to pool domestic and EU funds to enhance development in disadvantaged areas and promote job creation. Apart from this territorial approach, which was reaffirmed with the creation of “*franc zones*”, a more thematic and innovation-oriented policy is also being promoted through the creation of competitiveness poles. Following an evaluation in autumn 2007, an additional priority on sustainable development and energy efficiency was introduced and in May 2008 an “Air-Climate” plan was adopted as a horizontal framework with regional development elements. Similarly, a more coordinated approach is being developed in Flanders where the 2006 strategy document “Flanders in Action” identifies a number of initiatives which will progressed in future e.g. focusing on logistics as a major source of economic growth. Finally, although the June 2007 federal elections did not impact immediately on regional policy, the protracted crisis of government formation may, in the long run, lead to profound changes in the institutional set-up of the country and the division of competences.

In *Denmark*, regional policy has been undergoing a period of intense change. A major local government reform came into force from 1 January 2007, reducing the number of local authorities from 275 to 98 and the number of intermediate units from 14 *Amter* to five large regions. Importantly, the new regions have been given statutory responsibility for economic development under the 2005 Business Development Act, with powers in respect of innovation, ICT, entrepreneurship and human resources as well as tourism and peripheral areas. The new institutional set-up is built around statutory regional partnership bodies, so-called regional growth fora; there is one for each region but two for the capital city region from which the island of Bornholm has been separated out. They are partnerships of local government (the new districts and regions) as well as private-sector organisations and knowledge institutions and have the task of developing regional strategies and programmes for their regions. This new approach integrates economic development activities across all levels (local to European) within a single, programme-based structure. Moreover, partnership agreements with the national government ensure that national globalisation concerns are coordinated with regional development initiatives. This contrasts with the previous regime where the different levels of government operated in a much more segregated manner, often through separate organisational channels. Moreover, sub-national initiatives were voluntary and informal and thus uneven geographically. The changes reflect a desire to develop a more effective policy approach that is both comprehensive (involving all regions) and selective (with funding favouring peripheral areas). Equity concerns thus co-exist with a heavily growth-oriented regional policy agenda.

Table 3: Recent legislative change and broader regional policy reviews (2007-08)

	Detailed incentive/policy legislation	Broader policy reviews/changes
Austria	New regional aid map approved for 2007-13. The ERP loan was re-approved in January 2007. New scheme for young entrepreneurs and SME innovation.	STRAT.AT plus OPs approved. Many <i>Länder</i> reviewed their strategies. New EU strategic element (Lisbon agenda etc) and no micro-zoning may increase focus on central areas.
Belgium	New regional aid map approved for 2007-13. In both Flanders and Wallonia, new regional aid regimes have been approved for 2007-13.	Marshall Plan in Wallonia (introduced 2005, evaluated 2007) and Flanders in Action (2006) set down strategies for more joined up policy.
Denmark	The 2005 Business Development Act has given the five new regions statutory responsibility for economic development through statutory partnership bodies - the regional growth fora. The fora are also key Structural Funds bodies.	The policy framework laid down by the 2003 White Paper remains in place; it is now being fully enacted following the local government reform which took effect from 1 January 2007.
Finland	New Law and Act on Business Development Aid entered into force on 18 June 2007. Reflects the new regional aid guidelines (RAG) and developments since the previous (2001) law.	Revised Regional Development Act from 2007; new Government Decision on regional policy in February 2008; further changes to the Regional Development Act planned for 2010.
France	PAT decrees were introduced on 11 May 2007 (industry and services) and 15 June 2007 (R&D and innovation). Change reflected the new map/EU guidelines and globalisation pressures.	New state-region contracts from 2007, new Structural Funds programmes, policy made more specific (territorial/capital region development), competitiveness poles extended.
Germany	GA 2007-10 framework approved in April 2007. New regional aid map and other changes to reflect the regional aid guidelines. Investment Allowance phased out by 2013 (July 2008 law).	September 2007 Regional GA law: from annual Framework Plan to multi-annual Coordination Framework. Cluster and network support mainstreamed. New OPs. Ongoing policy debates.
Greece	Development Law 3299/2004 has been amended by Law 3522/2006 to reflect the new regional aid guidelines.	NSRF plus new OPs (differentiated eligibility & funding). New law to improve management, control & implementation has introduced fewer programming regions to enhance efficiency.
Ireland	Regional aid regime updated in line with the new regional aid guidelines.	New domestically-funded NDP, with horizontal regional development objectives built around regional gateways (NSS). Separate NSRF & OPs.
Italy	Aid map approved in November 2007. Finance Law 2008 brought in tax credit for <i>Mezzogiorno</i> job creation & fiscal exemptions in deprived urban areas; and reallocated regional aid funds.	2007-13 NSD and OPs. New 'unitary' regional policy brings together EU and domestic funding within a common framework. 2009-13 EFPD focuses FAS funds on strategic infrastructure.
Luxembourg	New regional aid legislation under development in line with the 2007-13 RAG.	None.
Netherlands	New regional aid map approved. Initially no central budget for the Investment Premium; new budget line reflects the perceived need for support to counter aid in neighbouring countries	New government reviewed <i>Peaks</i> approach. Approved to 2010. New programmes: effective project generation; streamlined administration; special provision for the north.
Portugal	Previous SIME and SIPIE schemes replaced by aid schemes for R&D, innovation and SMEs. New aid map, reduced ceilings, new administration.	New NSRF and OPs. Paradigm shift: focus on national/regional competitiveness and better governance. Differentiated regional funding.
Spain	National legislation governing the Regional Investment Grant has been adapted to comply with the 2007-13 RAG - Royal Decree 175/2007 of 9 February 2007. Limited changes.	Significant changes under the 2007-13 NSRF and OPs. Funding cuts, increased competitiveness focus, strong shift from infrastructure to Lisbon themes. Territorial governance high on agenda.
Sweden	New legal basis for regional investment aid (decree 2007:61, February 2007) in line with the regional aid guidelines; and for transport grants (decree 2007:953, December 2007).	New regional growth policy in 2008 Budget Bill. Focus on regional growth potential and policy coordination. Regional Development Programmes key. Administrative reform debate.
UK	Regional aid regime aligned with new regional aid guidelines. Business Support Simplification Programme regarding broader aid provision.	Basic productivity-oriented philosophy still, as in <i>A Modern Regional Policy</i> (2003) New <i>SNR</i> (2007) plus consultation on delivery (2008). Green Paper on the <i>Governance of Britain</i> .
Poland	December 2006 Law on the Principles of Development. Together with the NDP, it has strengthened strategic and administrative frameworks for policy design etc.	New generation of national and EU strategies. Ratification of the 2007-15 NDP and launch of 2007-13 OPs. More stress on competitiveness. Administrative debates remain (regional role?).
Norway	Revised regional aid regime in line with the new regional aid guidelines: reinstatement of social security concession; new maps and award rates.	Continued implementation of the 2006 White Paper: more weight to district policy measures, more sectoral coordination. Debate on regional system of administration but change limited.

Table 3 (continued): Recent legislative changes in the remaining EU12 Member States.

Bulgaria	<p>A revised Regional Development Act was introduced in 2008, which takes into account requirements related to the country's membership in the EU.</p> <p>Accompanying OPs and an NSRF are being implemented.</p>
Cyprus	<p>Introduction of the NSRF and accompanying OPs.</p> <p>A wider, medium-term development is the Strategic Development Plan 2007-2013. The overall aim of the Plan is the establishment of Cyprus as a bridge of economic cooperation between the EU and the countries of the Middle East and North Africa.</p>
Czech Republic	<p>The introduction of new NSRF and OPs is the key change affecting regional development approaches.</p> <p>The Regional Development Strategy, introduced May 2006, defines the priorities of Czech regional policy and identifies those regions which receive concentrated state support.</p>
Estonia	<p>A new Regional Development Strategy came into force in 2005. It puts forward the main aim to make all regions attractive places to work and live, and to promote sustainable development.</p> <p>Introduction of the 2007 NSRF and three sectoral development plans.</p>
Hungary	<p>The government has submitted an extensive new law on development policy that will streamline development policy, but it is not yet in force.</p> <p>In 2007, the Second National Development Plan with eight sectoral and seven regional OPs came into effect.</p>
Latvia	<p>The main medium-term strategic planning document, the National Development Plan (NDP) 2007-13, was approved in July 2006. Its main priorities are education, technology and research. These are also linked to balanced regional development.</p>
Lithuania	<p>Lithuania's Regional Development Strategy to 2013 was adopted in 2005, as a medium-term strategic planning document.</p> <p>The Lithuanian Strategy for the Use of European Union Structural Assistance for 2007 - 2013 came into force in 2007.</p>
Malta	<p>The implementation of the NSRF and OPs are key developments.</p> <p>Other key legislative documents are the Pre-Budget Document 2006-2010 'A Better Quality of Life', published in 2005, and the Pre-Budget Document 2007 'Securing Our Future' published in 2006. The Pre-Budget documents set out Malta's vision for development for the period 2006-2010.</p>
Romania	<p>Regional Development Policy is based on the Regional Development Law (Law No 315/2004).</p> <p>The introduction of the NSRF and OPs also represent a key development in the regional policy arena.</p>
Slovakia	<p>Modifications of regional policy after 2006 are linked to the introduction of the NSRF and OPs and reflect the shifts in the orientation of EU Cohesion policy.</p> <p>A new law on regional development and a strategy for regional development are being prepared.</p>
Slovenia	<p>2007-13 NSRF and OP have been launched.</p> <p>In 2005, the Promotion of Balanced Regional Development Act was passed. The Act redefined the objectives, principles and organisation for the promotion of balanced regional development. A new Strategy for Regional Development is currently being prepared.</p>

In *Finland*, a new government came to power in March 2007. The coalition continued to be led by the Centre Party (with the same Prime Minister) though the Social Democratic Party was replaced as the main coalition partner by the right-leaning National Coalition. A new Government Decision set out the government's regional policy goals for its four-year period in office. These were grouped under three headings: improving national and international competitiveness in the regions; strengthening regional viability and reducing regional disparities; and solving specific regional challenges. These themes were similar to those of the previous government which had aimed to strengthen regional competitiveness, safeguard the service structure, and achieve a balanced regional structure. In January 2007, the Regional Development Act, the framework legislation for regional policy in Finland, was revised. The Regional Council role was strengthened in the programming process (they now have sole responsibility for approving the annual implementation plans) and with respect to the allocation of regional funding (sectoral Ministries must now negotiate with the regions before submitting budget proposals for government approval). These changes are also expected to help improve coordination and cooperation between the central and regional levels. Further changes to the Regional Development Act are planned for 2010: the role of regional strategic programmes will be further enhanced; a new Regional Cohesion and Competitiveness programme will combine previously separate special programmes; and a long-running process of regional reform will be completed. New Aid to Business legislation has also been introduced to simplify the former business aid system, make it more efficient and improve its impact, while also reflecting the new regional aid guidelines. Finally, a new Ministry of Employment and the Economy has seen the units for regional development from the Ministries of Trade and Industry, Labour and the Interior merged in pursuit of a more simplified central-level structure.

In *France*, a new generation of State-region contracts was introduced alongside the 2007-13 Structural Funds programmes. Both increased their focus on the Lisbon and Gothenburg agendas and enhanced the stress on monitoring and evaluation. The new State-region contracts are organised around large-scale projects that are ready to be committed, with a view to avoiding the lengthy delays experienced under past contracts. The contracts reflect three priority themes: the promotion of territorial competitiveness and attractiveness, the environmental dimension of sustainable development, and social and territorial cohesion. In line with EU regulations, the zoning approach under the Structural Funds programmes was ended, while the regional aid map took on a very different form in response to its much-reduced population coverage under the regional aid guidelines. The main regional aid, the PAT, was revised, with new decrees for the PAT industry and services and for the nationally-available PAT R&D and innovation. In the new period, PAT industry and services grants will concentrate on major strategic projects in zones experiencing economic change. Following a change of government in June 2007, responsibilities for regional development moved to the new "super" Ministry of Ecology, Sustainable Development and Planning. Related, the emphasis on sustainable development has grown, with a consultation process launched in July 2007 and new legislation expected to follow. After the municipal elections in March 2008, regional policy interventions were made more specific: two new State Secretaries were appointed, one for territorial development (leading to greater efforts to support rural areas) and the other for the development of the capital region. The new government has also carried forward the flagship competitiveness poles initiative. Five

additional poles were designated in July 2007 and, following a July 2008 evaluation report, the initiative is to be extended for a further three years.

In *Germany*, the first stage of the federalism reform in July 2006 considered the allocation of tasks between federal and *Land* authorities. It confirmed the role of the Regional GA as one of only two remaining joint federal-*Land* tasks. In response, Article 91a of the Constitution was revised, and the federal law on the Regional GA was reformulated in September 2007. Amongst other things, the previous annual GA Framework Plan was replaced by a multi-annual Coordination Framework. The current Framework runs from 2007 to 2010 and was approved by the federal parliament in April 2007. It reflected the revised regional aid map and rules agreed with the European Commission for 2007-13, while also taking into account the new Structural Funds programmes for 2007-13. In addition, some minor changes were made to the Regional GA in March 2008, with the mainstreaming of funding for cooperation networks and cluster initiatives as well as for projects in non-profit-making, business-oriented research institutions; such activities had previously been eligible for assistance, but only on a pilot basis. A significant development in July 2008 saw the government prolong the life of the Investment Allowance scheme. This is a major tax concession which supports economic development in the new *Länder* and which had been due to run out in 2009. However, importantly, aid rates will fall rapidly from 2010 and the scheme will be phased out at the end of 2013 by which time the award rate will be zero. More generally, the recent period has seen intense policy debates on funding levels as well as on the specific shape and focus of policy; nevertheless, the commitment to encouraging business development in structurally-weak areas remains strong. On the other hand, considerable attention is already being paid to the nature and scope of both domestic and EU regional policy post 2013.

In *Greece*, the most significant regional policy changes relate to the approval of the NSRF and associated Operational Programmes for 2007-13. From a position in 2000-06 when the entire country qualified for Objective 1 assistance, two regions (7.8 percent of the population) are now eligible as RCE phasing in regions and a further three (55.5 percent of the population) are phasing out regions. This impacts directly on funding flows and leaves just 36.6 percent of the population (in eight regions) under the Convergence Objective. In addition, the number of regions for programming purposes was reduced from 13 to 5. The aim was to achieve greater efficiency in programme implementation and economies of scale, whilst avoiding fragmentation. At the same time, the regional dimension to EU funding was enhanced: the NSRF is being implemented through the distribution of 80 percent of ESF and ERDF funding to the regions. The administration of the new programmes is set out in a new Law on Management, Control and Implementation of Development Actions, which passed in December 2007. This aimed to strengthen the supervision of development planning and implementation, to reduce bureaucracy and managerial costs by cutting back on the number of OPs, to establish stronger Managing Authorities and, more generally, to improve the quality and effectiveness of Structural Funds management. On the domestic policy front, revisions were made to the aid-oriented Development Law (to reflect the revised regional aid guidelines, and also to respond to the major fires of 2007). In addition, a new spatial planning framework was introduced (mainly in response to EU pressures in this area of policy); a National Social Cohesion Fund was established (to try to

improve the position of those in poverty); and progress was made with both EU JEREMIE support and measures targeted at mountain regions (the Pindos programme).

In *Ireland*, the launch of the 2007-13 NDP and the 2007-13 NSRF mark a new phase in regional economic development policy, though elements of continuity remain with the 2000-06 period, in particular through the retention of a programming approach to public investment and the use of the 2002 National Spatial Strategy (NSS) as a reference point for both NDP and NSRF. The NDP continues to provide a high-level strategic framework for policy (and major funding - €184 billion over the period) but differs from 2000-06 in being entirely domestically funded; EU Cohesion policy is no longer included within the NDP, reflecting its much-reduced budget (just €750 million). In addition, as mentioned earlier, balanced regional development has become a horizontal theme; the NDP stress is on developing strengths in all regions and, in particular, on addressing specific development deficits, especially infrastructure-related. In line with the NSS, regional development is built around the regional gateway concept, aiming to harness the development potential of nine designated gateways and related hubs to generate critical mass within regional economies. The NSS also informs the 2007-13 NSRF and accompanying OPs. However, their lower funding means that they now focus on a limited range of interventions, the aim being to rationalise the administrative burden of working with the Funds. Finally, a number of more specific policy developments are of note: major reductions in designated aid area coverage (halved to 50 percent of the national population) and in aid ceilings; the launch of the Gateway Innovation Fund to provide support in respect of the particular (often coordination-related) challenges facing developing gateways; and the continuing promotion of a regional focus in economic development institutions and strategies, as reflected most recently in the new (2008-10) strategy for Enterprise Ireland.

In *Italy*, the reduced funding and coverage of EU Cohesion policy for 2007-13, combined with the (then) government view that a strong domestic regional policy was important, led to the creation of a new comprehensive strategy for regional development (the 2007-13 National Strategic Document, NSD). This adopted a whole-country approach and merged EU and domestic budgets to create a new unitary regional policy with significant resources (€125 billion) and common (EU) approaches to programming, monitoring and evaluation. The NSD has a wider territorial focus than Cohesion policy (the main target is the *Mezzogiorno*, not just the Convergence regions), a broader thematic coverage and a territorial development philosophy rather than a concentration on growth and competitiveness. While the new approach has strengthened regional policy, it faces some challenges. The formation of a new (Centre-Right) government following April 2008 elections has seen a major economic package introduced to promote financial discipline and growth, with a renewed commitment to balance the budget by 2011. This may impact on the funding and profile of regional policy, not least given that fiscal federalism is also on the political agenda. The 2009-13 EFPD (Economic and Financial Programming Document) of the new government concentrates domestic regional policy funding (the FAS) on strategic infrastructure, increases the areas of intervention of Industrial Innovation Projects (IIP) and creates a new Bank for the *Mezzogiorno*. For the first time, the EFPD did not include a section on the *Mezzogiorno* and a later decree (Decree 112) cut resources from the national component of the FAS by some €11-12 billion. It is at present unclear to what extent the

NSD will be able to be funded in future. Specific regional policy changes were also announced in the 2008 Finance Law (under the previous government): a tax credit for new permanent jobs in the *Mezzogiorno*; the reallocation of regional aid under Law 488/1992 to other (mainly *Mezzogiorno*) development measures; and new fiscal support for disadvantaged urban areas. Changes were also made to the regional aid regime in response to the regional aid guidelines, with the new map approved in November 2007 and reductions in award rates. There has been a shift away from traditional regional aid and towards general tax credits on the one hand (as under the 2008 Finance Law) and more selective measures for large projects on the other (as under the IIP).

In *Luxembourg*, the last significant regional policy change was in 2000 when the most recent law on regional aid was adopted. This law expired at the end of 2006 under the previous regional aid guidelines. A new law is currently in preparation. In accordance with the 2007-13 guidelines, it foresees a marked reduction in aid area population coverage (from 32 percent to 16 percent of the national population) while the regional aid ceiling will be cut from 10 percent net to 10 percent gross. In the absence of regional aid, aid expenditure for R&D, SMEs and environmental protection increased in 2007. More generally, policy has sought to improve general conditions for business. This has involved encouraging innovation and competitiveness (in support of the Lisbon strategy), improving infrastructure (including major science and innovation parks in Belval-Ouest and Foetz), and facilitating access to appropriate finance (via measures funded by the National Agency of Credit and Investment). Also of note, there is an ongoing debate on territorial and administrative reform, though recent progress has been slow. Increased efforts have however been devoted to improve the integration of different policies with a spatial impact.

In the *Netherlands*, the programme-based *Peaks in the Delta* approach (outlined originally in a 2004 White Paper) come into full operation in 2007 in five out of six regions, with a transitional programme (*Koers Noord*) adopted in the north. A number of *Peaks*-related developments are of note: first, the operation of the programmes was strongly endorsed (until 2010) by the new government which took office in February 2007; second, programme tenders have continued to be oversubscribed, indicating the effectiveness of the regional *Peaks* teams in generating projects; third, project administration has been streamlined: all funding is now distributed regionally (since regional choices have been seen to meet national priorities) and the innovation agency SenterNovem has taken over the implementation of support after project selection; and fourth, there are ongoing discussions about the post 2010 policy. These focus on the relationship of *Peaks* support to innovation policy and on the degree to which *Peaks* implementation might be decentralised. The continuing different treatment of the north is reflected in transitional funding until 2010 (when further additional support should become available as compensation for the recent decision to abandon the high speed rail link to Groningen) and in the broader nature of *Koers Noord*, which covers regional priorities as well as nationally-agreed regional strengths. On the other hand, all the programmes are oriented towards developing regional competitiveness. Changes are also in train with respect to other aspects of spatial economic development policy. In particular, industrial estates policy is under review, while there is a broader policy interest in developing regional strengths (including policy for the Randstad). Finally, EU developments have seen, on the one hand, ERDF control functions centralised

with a stronger coordination role for the Ministry of Economic Affairs and, on the other, significantly reduced coverage for regional aid policy. That said, the Investment Premium remains as a (low-key) component of Dutch regional policy, following a period when its continuation into the 2007-13 period had been in doubt.

In *Portugal*, there is a close relationship between regional policy and EU Cohesion policy. As a consequence, the main focus of regional policy activity has been on the formulation, negotiation and launch of the 2007-13 NSRF and OPs. The NSRF was approved in July 2007 and the main OPs in October; the programmes began in November 2007. In line with the programme of the government which took office in 2005, regional policy aims to support those factors which underpin spatial competitiveness, with a view to delivering sustained regional growth and enhancing territorial cohesion. This is clearly reflected in the new framework for Cohesion policy which the government views as a paradigm shift compared to past programmes, with a far stronger focus on the promotion of competitiveness at national and sub-national levels and with a more effective governance model to deliver the desired results. Five strategic principles underpin the new policy: operational concentration (from 13 sectoral programmes to three thematic programmes - targeting competitiveness, human potential and territorial improvement); selectivity in investment and development actions; economic viability and financial sustainability of operations; territorial cohesion; and strategic management and monitoring. At the same time, the new period has seen important changes to the Structural Funds map, with significant differentiation between the Portuguese regions for the first time (impacting particularly on Lisbon and the Algarve). In similar vein, changes in aid area designation have been introduced, with the adoption of a new regional aid map and schemes for 2007-13. Three new incentives have been designed - for R&D, innovation and SMEs. The aim has been: to reduce the priority and financial weight attached to aid (as opposed to other forms of support, including financial engineering); to lower award rates (in line with the regional aid guidelines); to increase the focus and targeting of aid; to give greater priority to SMEs; and to improve aid administration (with schemes partly managed at the regional level for the first time).

In *Spain*, changes to the domestically-funded Inter-Territorial Compensation Fund (FCI) and ERDF co-funded Regional Investment Grant have been limited, reflecting the importance attached to policy stability in this context. Regions which lost their Objective 1 status post 2006 retained their eligibility for both instruments, even though eligibility had previously been restricted to Objective 1 areas. The national legislation governing the Regional Investment Grant was revised in February 2007 (Royal Decree 175/2007) to reflect the new regional aid guidelines. Only Valencia and a neighbouring district lost aid area status, and the lower aid ceilings were also unproblematic because the previous standard awards were within the new thresholds. Spatially-oriented policies anyway form only a small part of the national policy framework, a consequence of the highly-decentralised nature of policymaking, the key role played by regional governments in economic development and the importance nationally of sectoral policies. The main policy changes have therefore been in respect of the 2007-13 NSRF (approved in May 2007) and OPs (agreed in December). These saw: a major fall in overall funding (over 40 percent), with the highest relative declines under the Cohesion Fund (almost three-quarters) and in phasing-in and phasing-out regions (both over 60 percent); an increased focus on competitiveness, with a strong

expenditure shift from basic infrastructure to Lisbon-oriented themes; and a rationalisation in the number of multi-regional NOPs through which funding is channelled (with just two ERDF NOPs remaining). In parallel with these developments, a particularly salient issue on the domestic agenda concerns territorial governance; all the regions are currently immersed in the process of approving new statutes of autonomy as a basis for a further decentralisation and consolidation of power.

In *Sweden*, the previous regional development policy has been renamed regional growth policy, following the change of government in September 2006 and the adoption of the 2008 Budget Bill. The renaming is significant in that the revised policy places a firmer focus on growth potential in the regions via the promotion of local and regional-level competitiveness and measures to create an improved climate for entrepreneurship, innovation and investment. In addition, cooperation and coordination of policy responses are now set in a wider context, involving cross-sectoral, local, regional, national and European actors. Policy coordination has been aided by the new EU policy frameworks and especially the development of an NSRF. The main policy tools remain broadly as before, though Regional Development Programmes have emerged as the key instrument for the delivery of regional growth policy. Distinct from these all-region measures, spatially-targeted regional policy continues to be implemented through regional aid schemes, which have new decrees (2007:61 for regional investment aid and 2007:953 for the transport grant) to reflect the 2007-13 regional aid guidelines. The population coverage of the designated aid areas has fallen, if only marginally, from 15.9 percent to 15.3 percent and they remain concentrated on the sparsely-populated north. The key regional aids are also basically as before, though award ceilings are lower (with new maxima for large firms of 15 percent and 10 percent in Aid Areas A and B respectively). A final point to note is that, following the publication of the conclusions of the Parliamentary Committee on Public Sector Responsibilities, broader discussions related to future policy administration continue to dominate much of the policy agenda, with as yet unresolved debates about the division of responsibilities between levels and related horizontal and vertical coordination.

In the *United Kingdom*, the government has published several papers that can be expected to have a far-reaching impact on future regional policy in England. The 2007 *Review of Sub-National Economic Development and Regeneration in England* (SNR) reinforced recent policy developments: the focus on factors of productivity in all regions; the ongoing rationalisation of 'supply-side' business support measures; the inclusion of a broader range of policy areas under the regional development heading; and the decentralisation of some delivery responsibilities. A subsequent March 2008 consultation document, *Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration*, put a clear emphasis on delivery issues. Its stated aim is to reform public institutions to achieve sustainable economic growth, development and regeneration at every spatial level through better alignment of spatial and economic planning in a sustainable development framework. Key to this is the development of Integrated Regional Strategies led by Regional Development Agencies and the introduction of instruments to bring together various configurations of central, regional and sub-regional bodies to deliver policy in the context of functional economic areas. The resulting changes are intended to enable regions, sub-regions and local areas to develop and implement solutions at a level

where decisions can best be taken under the framework of national policy and taking account of the overall regional strategy. In Scotland, regional policy is a devolved responsibility. Recent developments following a change to a minority SNP government in 2007 have seen a further rationalisation of aid schemes and administrative streamlining, with a restructuring of Scottish Enterprise and Highlands and Islands Enterprise (to focus on high-growth businesses and improving the business environment) and with local authorities playing a complementary local role with respect to business support services.

In *Poland*, regional policy approaches have evolved significantly in recent years. The initial impetus was provided by EU accession, the influx of Structural Funds and the management and implementation of the OPs. However, in the past year, policy debates have become more forward-looking (given globalisation processes and discussions about EU budgets and Cohesion policy post 2013) and introspective (via a consultation process to develop a new conceptualisation of Polish regional policy). The strategic emphasis on internal growth and competitiveness factors is growing and the planned publication of a new national spatial strategy has highlighted the role of metropolitan areas and growth centres. Regional aid continues to move away from sectoral, passive, tax-based aids for investment and towards regional subsidies and grants for entrepreneurship. Most business support is organised via the OPs and tends to flow to growth centres. The 2007-13 programming framework has produced a more coherent, strategic and legal system for regional policy. Several challenges remain, however, including coordination with sectoral strategies and between national and sub-national levels. Given this, the development of a new strategy for national regional development is seen as a priority. Over 2007-13, more resources will be available for regional interventions. The resource allocation formula for Regional OPs and the launch of an OP for eastern Poland guarantee some focus on less developed regions, though, taking all OPs together, most funds target more developed areas where population and businesses are concentrated. Concerning thematic priorities, most ROP funding flows to infrastructure (particularly transport), though the share is less than in 2004-06. In contrast, human resources and enterprise support have increased somewhat in importance, reflecting the stress on internal growth factors and the Lisbon agenda.

In *Norway*, regional policy change has been limited in the lead-up to a new district and regional policy White Paper in 2009. Most developments have involved the implementation of tasks set out in the 2006 White Paper, which was introduced by the current government shortly after it took office. The previous government's 2005 White Paper had focused on an all-region approach to regional policy, promoting innovation, regional growth and the role of small and medium-sized cities. In contrast, the 2006 White Paper gave more weight to district policy (support for municipalities, designated regional aid areas and the far north) and stressed sectoral coordination (via a new Cabinet sub-committee) and the importance to Norway of revisions to the regional aid guidelines. In the event, the new guidelines allowed the social security concession to be re-introduced outside the far north, the core regional investment aids to be refreshed, the regional transport aid to be continued (if funding is provided by interested municipalities), and a new scheme for entrepreneurs with development potential to be introduced. In addition, a new Competence Centre on Rural Development was created to support peripheral areas. Three new Centres of Expertise were also designated and efforts are in train to regionalise aspects of research and innovation

support. There have also been a number of urban initiatives, including a new White Paper on the Oslo region. Finally, the administrative reform process which began in 2003 was debated in parliament in 2008, but seems unlikely to lead to major changes in either regional-level responsibilities or the number of regions. However, some changes were proposed to regional development tasks at the county level, including making the counties co-owners of Innovation Norway, establishing Regional Research Funds and regionalising the activities of SIVA (the Industrial Development Corporation of Norway). Progressing these proposals has created a process which should help improve overall policy coordination.

In the *new Member States*, the launch of the new 2007-13 National Strategic Reference Frameworks (NSRF) and accompanying Operational Programmes (OPs) mark a new phase of regional economic development policy. The majority of regions will benefit from high levels of EU Convergence funding. In terms of explicit regional development support within the Cohesion policy programmes, *Cyprus*, the *Czech Republic*, *Bulgaria*, *Estonia*, *Hungary*, *Latvia*, *Malta*, and *Romania* all make some reference to support for regional, or balanced regional development in their National Strategic Reference Frameworks. The *Czech Republic*, *Hungary*, *Poland*, and *Slovakia* are delivering substantial funding through regional OPs. In the 2004-06 period, there were no region-specific programmes, with regional development interventions being delivered through (mainly centrally-managed) joint or integrated regional OPs. By contrast, in the 2007-13 period, four Member States are implementing a proportion of Cohesion policy funding through regionalised programmes, accounting for: 24 percent of funding in *Poland* (one OP for each of the 16 *voivodeships*); 23 percent in *Hungary* (eight regional OPs); 18 percent in the *Czech Republic* (eight Cohesion regional OPs) and 13 percent in *Slovakia* (2 regional OPs, one for the Bratislava 'Competitiveness' region and an Integrated Operational Programme for the Convergence regions of the country, which will be partly implemented by self-governing regions). The EU12 Member States also have broad regional policy frameworks in place which inform the direction and approach to domestic regional policy. In a number of cases, new domestic frameworks or legislation have been introduced in recent years, e.g. in *Bulgaria* a new regional development law was introduced in 2008 and in the *Czech Republic* a new Regional Development Strategy was adopted in 2006.

4.1.2 Comparative points

In considering the above policy developments, a first point to make is that the level of regional policy change has been considerable. *Luxembourg* stands alone in having no significant policy changes to report. This reflects the fact that regional policy in Luxembourg is limited to regional aid and new legislation in line with the 2007-13 regional aid guidelines has not yet passed through the full legislative process. In the interim, funding under R&D, SME and environmental protection aid schemes has helped to fill, albeit partially, the funding gap created by the absence of regional aid. In *Belgium*, too, change has been limited, with new regional aid decrees in both Flanders and Wallonia (in line with the regional aid guidelines) and with the ongoing implementation of 2005-06 regional strategy documents which aim to introduce a more coordinated approach to regional development. More important in the longer-term, the protracted crisis resulting from the federal elections of June 2007 may lead to profound changes in the institutional set-up of the country and the division of competencies to the regions.

At the other end of the spectrum, domestic regional policy change in a range of countries has been major. This is most obviously the case in *Denmark*, where a completely new approach to regional policy was introduced from 2007, following wide-ranging local government reform and the 2005 Business Development Act which gave the five new regions statutory responsibility for economic development through partnership-based regional growth fora. The aim has been to try to integrate economic development activities across all levels (local to European) within a single, programme-based structure which also takes national government priorities into account. In similar vein, in the *Netherlands*, the new regional policy set out in the 2004 *Peaks in the Delta* White Paper came into full operation in 2007 following a two-year trial and development phase and a subsequent review by the new government. As in Denmark, the central role played by regional programmes in domestic regional policy represents a new policy approach, the more so now that the Spatial Policy Directorate of the Ministry of Economic Affairs is organised along geographic rather than instrument-based lines. The rationale underpinning the new policy has been to target regional strengths rather than problem areas and to make funding choices in line with national priorities.

Change has also been extensive in *Italy* where a unitary regional policy has been introduced which brings together EU and domestic funding to deliver a new comprehensive strategy for regional development (the 2007-13 NSD). In this case, a key development has been the adoption of domestic rather than EU policy targets (focusing on all the *Mezzogiorno* regions rather than just those designated as EU Convergence regions) and the application of a territorial development philosophy rather than the EU concentration on growth and competitiveness. The new approach responds to the recognition that domestic regional policy priorities could no longer be subsumed within the changed focus and coverage of EU programmes. On the other hand, the new policy operates using EU programming, monitoring and evaluation regimes. In addition, following a change of government and a pledge to balance the budget by 2011, it is at present unclear to what extent the domestic component of the NSD can be financed.

In a further group of countries, important policy changes have also been driven primarily by domestic policy considerations. In *Sweden*, a change of government in 2006 was followed by the 2008 Budget Bill which saw regional development policy renamed regional growth policy, with a stronger focus on developing growth potential in the regions via the promotion of regional and local competitiveness. Through Regional Development Programmes, the core aim is to improve the climate for entrepreneurship, innovation and investment in the regions. At the same time, policy cooperation and coordination are now set in a wider context, assisted by the process of developing an NSRF for EU policy purposes. In *Finland*, revisions to the Regional Development Act in 2007 strengthened the role of Regional Councils within the regional programming process and increased their influence on the regional allocation of sectoral funding. Measures to improve the horizontal and vertical coordination of policy are expected to be further promoted in 2010 when additional changes to the Regional Development Act are expected to enhance the regional policy role of regional strategic programmes; at the same time, the national special programmes will be streamlined. On top of these changes to the legal framework for policy,

the election of a new government in 2007 led to the announcement of a new Government Decision on regional policy which set out revised policy priorities for 2007-11.

Though different in nature, important domestic policy changes have also been registered in *Germany*. Following on from the federalism reform of 2006 which, amongst other things had scrutinised the validity of joint federal-*Land* activities (preferring, wherever possible, to keep policy actions and responsibilities separate) it was confirmed that regional policy should be one of just two remaining areas where joint activities in the form of a *Gemeinschaftsaufgabe* (GA) were appropriate; in line with this, the federal law on the Regional GA was reformulated in September 2007. The previous annual GA Framework Plan was replaced by a multi-annual Coordination Framework, though the broad thrust of policy (and its underlying philosophy) remained as before. Also of note, in July 2008 the end-date for the legislation underpinning the Investment Allowance scheme, an automatic tax concession available only in the new *Länder*, was extended from 2009 to 2013. The scheme will be phased out gradually over this period. This change is related to a wider debate about resource transfers to the new *Länder* in a period of fiscal constraint.

Domestic regional policy developments in France and the United Kingdom are also worth highlighting, though legislative change has been more limited. In *France*, a new generation of State-region contracts has been introduced alongside the 2007-13 Structural Funds programmes, with a particular focus on large-scale projects where funds can be readily committed. The main regional aid has also been revised via new decrees with, again, a particular focus on major strategic projects. Finally, following a change of government in July 2007, regional policy interventions have been made more specific, with two new State Secretaries appointed, one for territorial development (essentially rural areas) and the other for the capital region. The new government has also extended the flagship competitiveness poles initiative for a further three years after a positive July 2008 evaluation. In the *United Kingdom*, following the publication of several policy papers in 2007 and 2008, consultation is taking place in England regarding future regional policy directions and delivery. The aim is to reform public institutions to achieve sustainable economic growth, development and regeneration at every spatial level through the better alignment of spatial and economic planning. Enhanced policy coordination is seen as key, with proposals for Regional Development Agencies to develop Integrated Regional Strategies and with consideration being given as to how development bodies might best be reconfigured in the context of functional economic areas.

Alongside these domestic drivers of change, regional policy in a range of countries has been impacted significantly by EU Cohesion policy developments. This is obviously true in the *new Member States* where the launch of the new NSRFs and OPs for 2007-13 mark a new phase of regional economic development policy, with most regions benefiting from high levels of EU Convergence funding, with many having explicit regional development support within their Convergence programmes and with four countries (the *Czech Republic*, *Hungary*, *Poland* and *Slovakia*) delivering substantial funding through regional OPs. In *Poland*, large-scale Cohesion policy funding has ensured that regional development retains a high policy profile. The 2007-13 programming framework has produced a more coherent, strategic and legal system for regional policy, though sectoral and regional coordination challenges remain. Interestingly, there is a growing stress on developing domestic regional

policy priorities. A consultation process aims to produce a new conceptualisation of national regional policy (with more emphasis on internal growth and competitiveness factors), while a new national spatial strategy has highlighted the development role of metropolitan areas and growth centres. The sub-national level is also receiving more policy attention. In *Greece*, EU enlargement has had a major impact on Cohesion policy funding flows, with just 36.6 percent of the population now in full Convergence regions. In addition, considerable efforts have been made to improve policy governance, with fewer and larger-scale programmes administered in line with a December 2007 Law on Management, Control and Implementation. As in Poland, the regional dimension is also receiving more attention. In *Portugal*, there is now a far stronger focus on the promotion of competitiveness at national and sub-national levels, alongside a more effective governance model to ensure effective policy delivery. This has been referred to within government as a paradigm shift. Finally in *Spain*, the new programming period has brought with it major reductions in Cohesion policy funding, an increased focus on competitiveness and a rationalisation in the number of programmes. Potentially even more significant, all of the Spanish regions have been progressing new statutes of autonomy; this will have a major bearing on the distribution of future policy responsibilities in Spain.

Two further countries have seen domestic regional policy impacted by Cohesion policy developments. In *Austria*, the NSRF process brought together a wide range of stakeholders to create STRAT.AT as a valuable framework for domestic regional policy. Moreover, active collaboration has been carried forward into the new programming period via the 'STRATH.AT plus' process. Also of note, alongside the new EU programmes, most *Land* development strategies have been refined or reviewed, with a particular focus on innovation. In *Ireland*, the much-reduced Cohesion policy budget has meant that the new National Development Plan (NDP) is wholly domestically financed. The NDP provides a high-level strategic framework for policy spending over the 2007-13 period. Regional development has become a horizontal theme under the NDP, with a particular focus on nine designated regional gateways and related hubs (in line with the National Spatial Strategy). Given its administrative challenges, Cohesion policy funding has been separated out and, for 2007-13, will focus on a limited number of niche areas, including urban development.

Finally, regional policy in *Norway* has obviously not been impacted by Cohesion policy developments nor, more generally, by the EU budget and programming cycle. As a result, most policy changes have been low-key, consisting mainly of the implementation of policy actions foreseen in the 2006 district and regional policy White Paper. However, one major development has been the reintroduction of the social security concession in areas outside the far north, as became possible under the revised regional aid guidelines. This and related aid measures (including new aid maps and a new scheme for young entrepreneurs) are part of a broader policy thrust to increase levels of support in peripheral rural areas.

Summing up these various developments, it is apparent that the level of regional policy change since the start of 2007 has been considerable. To a degree, this can be attributed to the new EU policy frameworks for 2007-13. These have clearly impacted on the volume and direction of regional development funding and have also caused development strategies to be reviewed. EU Cohesion policy is of obvious importance in those countries where it has become the pivotal funding source for regional development (as in Poland and other new

Member States); in these countries, it is not only the level of funding which has been significant but also where it has gone and the extent to which EU support has been linked to improved governance procedures, especially in the regions. Revised Cohesion policy eligibility criteria have also impacted directly on countries like Greece, Portugal and Spain where, not only has the volume of funding fallen (in some cases, dramatically), but its spatial allocation has changed markedly (see Section 4.3). In contrast, Cohesion policy change in the RCE regions has been more limited - on the one hand, involving lower budgets and, on the other, the removal of micro-zoning and thus the opportunity to direct support away from narrowly-targeted problem areas. The requirement to develop an NSRF has also had an impact on domestic regional policies - in particular in Austria, via the STRAT.AT process, but also in countries like Sweden and Italy where more emphasis is now placed on the national coordination of regional interventions. The new regional aid guidelines have also had an effect, changing (often significantly) the coverage of regional aid maps, the level of award ceilings and the types of aid on offer (see Section 4.4).

However, equally, a range of significant recent policy developments respond to domestic drivers of change. This includes the new all-region, programme-based regimes in Denmark and the Netherlands - the former in response to a regional administrative reform process and a desire for a more coordinated approach to regional development; and the latter as a consequence of a wish to move towards an all-region approach, with policy choices based on national priorities. A second important domestic theme has been the stress on policy coordination as a means of enhancing policy impacts. In addition to the Danish and Dutch cases, examples include the new unitary regional policy in Italy (with national and regional administrations encouraged to prepare unitary strategic documents), the renamed regional growth policy in Sweden, the amendments to the Regional Development Act in Finland, the reaffirmation of the GA approach in Germany, the new NDP in Ireland and the move towards integrated regional strategies in England. Third, virtually everywhere, domestic regional policy has responded to globalisation pressures and the perceived need to promote regional innovation. In Denmark, the new regional programmes focus on competitiveness factors and also take the government's globalisation strategy into account; in the Netherlands, the *Peaks* approach aims to develop regional strengths as viewed from a national perspective; in Sweden, there is a stronger emphasis on developing growth potential in the regions; in Finland, the new Government Decision on regional policy aims to improve national and international competitiveness in the regions; and in France, the stress on the Lisbon and Gothenburg agendas within State-region project contracts has grown, while flagship competitiveness poles have been extended for another three years. In Poland, too, the development of a concept for domestic regional policy has seen a growing emphasis on internal growth and competitiveness. Finally, the rationalisation of regional aid (as in Finland, France, Germany, Italy and the UK) has also been a feature, part of moves to streamline aid administration and enhance value-for-money in regional support.

4.2 Changing policy objectives

The aim in this section is to discuss recent changes in the objectives of regional policy. At the start of a new policy phase within the EU, how have regional policy aims been changing and why? The review first considers country-by-country change before turning to broader comparative themes. Table 4 provides an updated overview of regional policy objectives.

Table 4: Regional policy objectives in the EU15, Poland and Norway

Austria	Regional policy is a <i>Land</i> responsibility; the federal level focuses on policy coordination. <i>NSRF goals</i> : to increase regional economic competitiveness at a faster rate, increasing employment and income levels and, at the same time, contributing to balanced and sustainable regional development. The <i>Länder</i> have an innovation focus: some target growth areas, others more balanced territorial development
Belgium	No national-level objectives. Regional policy is a regional responsibility. Flanders has a horizontal focus (innovation and regional strengths) while Wallonia continues to favour a territorial approach. Sustainable development is moving up the policy agenda in both regions.
Denmark	<i>2003 White Paper and 2005 Business Development Act</i> : Each region must maximise its contribution to national growth (priorities: innovation, ICT, entrepreneurship, human resources); peripheral areas are favoured to ensure they are not cut off from growth (priorities: tourism, peripheral areas). This new equity element sits alongside a continuing strong emphasis on regional growth and competitiveness.
Finland	<i>2008 Government Decision on regional policy</i> : to improve national and international competitiveness in the regions; to strengthen regional viability and reduce regional disparities; and to solve specific regional challenges. These goals broadly continue previous policy objectives, combining efficiency and equity concerns with an interest in strengthening the territorial structure of the country.
France	Long-standing objective to preserve territorial cohesion. Alongside this, regional policy is ever more seen as a growth-enhancing instrument (e.g. as reflected in the new competitiveness poles and the renaming of DATAR as DIACT). More recently, DIACT has been increasingly committed to sustainable development. Thus, two core goals - territorial cohesion and competitiveness - plus sustainability.
Germany	<i>GA policy</i> : to ensure that structurally-weak regions can take an equal part in economic development through addressing locational disadvantages. Within the GA, there is an emphasis on supporting the export base in structurally-weak regions. Equity and efficiency goals are seen as complementary. Constitutional commitment to 'uniformity of living standards'.
Greece	<i>2007-13 NSRF</i> : The focus is on growth and competitiveness, while also aiming to reduce inter- and intra-regional differences. Regional policy thus has both competitiveness and equity objectives, but with most emphasis on the former. On the other hand, the stress on regional balance is growing.
Ireland	<i>2007-13 NDP</i> : highlights infrastructure deficits; enterprise development, innovation, training provision etc; regional development within the NSS framework; environmental sustainability; all-island collaboration; social inclusion; and value-for-money. Balanced regional development, with all regions achieving their full potential, is a horizontal theme. Focus on designated regional gateways (NSS).
Italy	<i>2007-13 NSD</i> : acknowledges that the persistence of territorial disparities and the relative stagnation of the national economy require more targeted policies, focusing on the key weaknesses that impact negatively on national competitiveness. The NSD adopts a country-wide approach, but resources are concentrated on the <i>Mezzogiorno</i> ; this reflects the constitutional commitment to 'substantial equity'.
Luxembourg	Regional policy is synonymous with national industrial policy and targets economic diversification. The policy focus is on development opportunities in the fields of innovation & research.
Netherlands	<i>2004 Peaks in the Delta</i> : to stimulate economic growth in all regions by exploiting region-specific opportunities of national significance. Under the <i>Peaks</i> approach, the aim is to make national spatial economic choices in line with the national economic return to the government.
Portugal	The mission of the regional development Ministry is to define, implement and coordinate policies within a sustainable development and territorial perspective, with the objective of achieving sustained and environmentally sustainable convergence with Europe and promoting territorial cohesion at national and European levels. This involves promoting the underlying factors of spatial competitiveness
Spain	<i>1978 constitution</i> : to promote the conditions favourable to a more equitable distribution of income by overseeing the establishment of a fair and adequate level of economic equilibrium between the different parts of the country. Ongoing shift from basic infrastructure towards Lisbon-oriented themes.
Sweden	<i>2008 Budget</i> : The renamed regional growth policy aims to achieve dynamic development in all areas of the country, via greater local and regional competitiveness. This is similar to the 2001 Government Bill which had shifted the focus of policy towards growth and development in all regions. However, alongside this all-region approach, regional aid policy continues to target traditionally weak areas.
UK	<i>2007 REP PSA</i> : to make sustainable improvements in the economic performance of all English regions; and to reduce the persistent gap in growth rates between regions. The 2007 SNR also has a commitment to reduce the spatial concentration of deprivation. The focus in Scotland is on long-term sustainable economic growth
Poland	<i>NDP 2007-15</i> : to create conditions for the growth of competitiveness of all regions in such a way as to promote economic, social and territorial cohesion and aim at levelling the development opportunities of <i>voivodships</i> . It thus contains both competitiveness and territorial cohesion goals. A subsequent MRR report argues for the primacy of competitiveness objectives in domestic regional policy
Norway	<i>2006 White Paper</i> : to provide equal living conditions across the country; to maintain the features of the settlement pattern; to focus on and develop regional strengths. Compared to the 2005 White Paper, there was an increased weight on the provision of equal living conditions in the traditional problem regions (the districts).

Table 4 (continued): Regional policy objectives in the remaining EU12 Member States

Bulgaria	The Regional Development Act was approved in 2008. The aims of State policy for regional development are: diminishing inter-regional and intra-regional disparities in levels of economic and social development; ensuring conditions for accelerated economic growth and high employment rates; and the development of territorial co-operation.
Cyprus	Development policies within Cyprus focus on addressing disparities between the three main urban centres and the rural areas of the country, and maximising the development potential of each area.
Czech Republic	State support for regional development aims to promote the development of socioeconomic and environmental potential of the regions, to increase their competitiveness, to support balanced development, and to reduce disparities levels with respect to economic and social development and environmental conditions.
Estonia	The overall aim of regional policy is to ensure all regions are 'attractive' places to live and work. Three main policy objectives are: 1) meeting people's needs regardless of where they live, 2) achieving a sustainable competitiveness of regions, and 3) enhancing links with cross-border regions and the rest of Europe.
Hungary	Hungary's National Regional Development Concept outlines the following regional development goals: competitiveness; assistance for less-developed regions; balanced community networks; sustainable development; interregional cooperation in Europe; strengthening decentralisation and subsidiarity.
Latvia	The overall development aim in Latvia is to catch-up with EU development averages. Within the country, the aim is to implement an effective and territorially differentiated social and economic development policy. In particular, centres of regional importance and cities other than Riga should be strengthened.
Lithuania	The main aim of national regional policy is to diminish social and economic disparities between and within regions, and to foster equal and sustainable growth throughout the country. Lithuanian regional policy is oriented towards more equal development of growth centres and towards avoiding investment concentration in current growth centres.
Malta	As in 2004-06, addressing the island of Gozo's economic development needs remains a cornerstone of Malta's development strategy, alongside the wider objectives of achieving economic competitiveness, ensuring sustainable environment and investing in education.
Romania	Objectives of the Romanian National Strategy for Regional Development are: to stimulate growth in order to reduce disparities between Bucharest-Ifov and the regions and the east and west; to develop small and medium sized towns, especially those reliant on single industries; to reverse the socio-economic decline of some big cities and improve their linkages with rural hinterlands; to improve the attractiveness of the regions; and to enhance programme management expertise at regional level.
Slovakia	Regional development support aims at balanced, sustainable economic and social development, and the reduction of interregional disparities. Recently, more emphasis has been placed on competitiveness and innovative capacity of regions, endogenous development, enhancement of economic performance and living conditions, which will be reflected in a new Regional Development Support Act, currently being drafted.
Slovenia	Amongst the objectives of the 2005 Law on Balanced Regional Development are: reduce differences in levels of economic development and living conditions between individual areas of the country; prevent the emergence of new areas with major development problems; promote the polycentric development of settlement and polycentric economic development; develop and increase the competitiveness of the economy in all development regions while considering their particularities; reduce the unemployment level in development regions and promote integrated approach to the development of rural areas.

4.2.1 Country-by-country review

In *Austria*, a distinction has to be drawn between policy objectives at the federal level (as reflected in STRAT.AT) and those within the *Länder*. STRAT.AT identified four priorities: regional knowledge base and innovation; attractive regions and quality of location; adaptability and qualification of the labour force; and, reflecting the importance of cross-border issues, territorial co-operation. In addition, 'governance' was a horizontal priority. More specifically, the point was made that "*Austria must increase its regional economic competitiveness at a faster rate, with a growth path that provides increasing employment and income levels. Furthermore, the growth path has to contribute at the same time to a balanced and sustainable regional development*".³ This implies a clear efficiency orientation for regional policy, with a strong macroeconomic performance expected to have positive effects on regional growth, thus contributing to regional balance. Support for innovation (a long-term feature of Austrian regional policy) and the upgrading of human resources were seen as crucial for achieving this objective. At the *Land* level, the general focus is on regional innovation. However, there are differences in the extent to which *Länder* support areas of growth potential (a feature in Styria, Upper Austria and Carinthia) or pursue more balanced territorial development (as in Lower Austria and Salzburg).

In *Belgium*, the main policy objectives in Wallonia under the Marshall Plan and related strategic documents are: to increase wealth creation and the employment rate; to develop knowledge on a continuing basis; to continuously improve the living environment; and to ensure balanced territorial development by concentrating support on disadvantaged areas. Apart from a recent new focus on sustainable development, the current emphasis is on implementing policy in line with these objectives. Thus, there remains a significant stress on territorial balance in Wallonia, albeit now accompanied by a more positive attitude to regional development in line with EU objectives. In Flanders, general regional development objectives are set out in the 2004-09 policy programme: to promote the region as a competitive knowledge economy; to promote Flanders as a competitive region to invest in; and to promote competitive firms. More specifically, the regional policy Hermes Fund (managed by the Agency for Economy), aims: to utilise investment support to enhance the growth of all types of firm and ensure the sustainable provision of industrial estates; to strengthen regional dynamics; and to promote entrepreneurship in the context of a networked economy. In addition to these growth and competitiveness objectives, sustainable development has been moving up the policy agenda in Flanders, as in Wallonia.

In *Denmark*, the 2003 White Paper marked a strategic turning point. It defined the regional development goal of central government as maintaining Denmark's "*leading position within Europe as one of the countries with the smallest differences between regions*" through "*specific initiatives ... that target peripheral areas so that they are not cut off from the growth occurring in other parts of the country*".⁴ Compared to the strategies of the 1990s,

³ STRAT.AT (2006), *Nationaler Strategischer Rahmenplan Österreich 2007-2013*, Wien, p. 18. Available at: <http://www.oerok.gv.at/eu-regionalpolitik/eu-strukturfonds-in-oesterreich-2007-2013/nationale-strategie/stratat.html>.

⁴ Regeringen. (2003). *Den regionale vækststrategi*. København: Regeringen.

which viewed regional policy as a means to increase regional - and hence national - efficiency,⁵ interregional equality became a goal in its own right. On the other hand, in the context of the 2005 Business Development Act, this stress on equity coexists with a strong growth-oriented agenda which focuses on the role of the new regions in promoting economic development. Four of the six priority areas under the Act reflect growth drivers (innovation, ICT, entrepreneurship, human resources) and just two, equity considerations (tourism and peripheral areas). The stress on regional growth and competitiveness is underlined by the fact that regional programmes must reflect the globalisation strategy of the national government.

In *Finland*, the three broad objectives of regional policy over the 2003-07 period were: to strengthen regional competitiveness; safeguard the service structure throughout the country; and achieve a balanced regional structure. They thus reflected both efficiency and equity concerns as well as an interest in the territorial structure of the country. Following a change of government in March 2007 (but under the same Prime Minister), these objectives were revised to reflect the new government's regional priorities.⁶ While taking account of the changing policy environment, the new goals were similar to those of the previous period: to improve national and international competitiveness in the regions (focusing on regional expertise, innovation, labour supply and entrepreneurship); to strengthen regional viability (through supporting a multi-centred regional structure) and reduce regional disparities (by, for instance, strengthening conditions in sparsely-populated regions and improving interactions between urban and rural areas); and to solve specific regional challenges (relating, for example, to sudden structural changes, social exclusion, migration flows, service provision and sustainable cross-border growth).

In *France*, there has been a long-standing objective to preserve territorial cohesion. This has been supported over the years by the EU stress on economic and social cohesion, by decentralisation processes which have enhanced the scope of local authorities to be active in this field and, more recently, by the globalisation agenda (with its focus on regional potential) and the growing stress on sustainable development. Alongside territorial cohesion, regional policy is increasingly seen as a growth-enhancing instrument, as reflected in the launch of the competitiveness poles initiative and the 2006 name change from DATAR to DIACT. There is, moreover, a general drive for growth; in this context, it has been argued that balanced regional development comes via indirect equalisation mechanisms based on wealth creation.⁷ This, in turn, reflects EU and international pressures to increase competitiveness and focus on the Lisbon agenda. Additionally, linked to its affiliation to the Ministry of Ecology, the DIACT is increasingly committed to sustainable development. These various aspects were reflected in a May 2008 circular: "*The development of competitiveness and the preservation of territorial cohesion are the two*

⁵ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9(3): 323-38.

⁶ Ministry of Employment and the Economy, '*Valtakunnalliset alueiden kehittämisen tavoitteet vuosiksi 2007-2011*', February 2008.

⁷ Albertini, J-B (2006) *De la DATAR à la nouvelle DIACT: la place des questions économiques dans la politique d'aménagement du territoire*, in: *Revue française d'administration publique*, 2006/3 - no. 119, p. 419.

*fundamental principles of territorial development. Today, they cannot be conceived without particular attention to issues in terms of the ecological footprint ...”.*⁸

In *Germany*, the GA Coordination Framework sets out the Joint Task’s core policy objectives, which have remained stable over a long period of time. The basic aim of the GA is to reduce the locational disadvantages faced by structurally-weak regions and thus to facilitate their participation in broader economic development processes and to reduce overall developmental disparities. Further, regional policy is seen to contribute to Germany’s growth and employment policy and to enhance its effectiveness, particularly by enhancing aggregate economic growth in structurally-weak regions as well as by facilitating structural change through the creation of permanent jobs. The Coordination Framework also emphasises that German regional policy has medium- to long-term aims and focuses on the supply side of the economy. More generally, the federal government is committed to support the economic development of the new *Länder*, both by ensuring appropriate broad macroeconomic conditions and policies, and also by providing specific additional assistance. This reflects the Constitutional commitment to ensuring ‘uniformity of living standards’.

In *Greece*, the objectives of regional policy are reflected in the goals set in the 2007-13 NSRF. This highlights the fact that Greece lags behind in terms of competitiveness: “*The overall objective is to expand the country’s growth potential, accelerate its economic growth rate and increase productivity at levels higher than the Community average, with the prospect of achieving real convergence and improving the living quality of all citizens, with no exclusions whatsoever*”. At the same time, the desire to reduce inter- and intra-regional differences is explicitly acknowledged: “*... Greece aims to become an outward-looking country with strong international presence; productive, competitive with an emphasis on quality and innovation... The strategy concentrates on the need to implement policies at national and regional level, in such a manner that both regions and cities are attractive places for business, improving at the same time the living standard of its citizens and reducing inter- and intra-regional disparities.*” Regional policy, thus, has both competitiveness and equity objectives, but with most emphasis on the former, reflecting the Lisbon agenda and the core focus on broader Cohesion policy priorities. On the other hand, the stress on regional balance is increasing: “*The new growth model ... aims to address the shortcomings of previous years by pursuing more balanced economic growth through the development of the less privileged regions and by tackling social exclusion*”.⁹

In *Ireland*, the government’s objectives for regional policy in 2000-06 were to “*achieve more balanced regional development in order to reduce disparities between and within the two [NUTS II] regions and to develop the potential of both to contribute to the greatest extent to the continuing prosperity of the country*”.¹⁰ This was in the context of a National Development Plan (NDP) which was co-financed by the Structural Funds and had two main priorities: to address infrastructure bottlenecks and regional imbalances. In 2007-13,

⁸ Ministère de l’Ecologie, de l’Energie, du Développement Durable et de l’Aménagement du Territoire (2008) *Circulaire aux préfets*, 27.05.2008.

⁹ National Reform Programme for Growth and Jobs 2005-08 (01.12.2005) p.30

¹⁰ Government of Ireland, *2000-06 National Development Plan*, The Stationary Office: Dublin p. 43

balanced regional development became a horizontal theme in an NDP which is wholly domestically funded and which no longer finances regional programmes (though these continue to be funded under EU Cohesion policy). The new approach shifts the emphasis slightly by stressing the need to build on existing strengths in *all* regions and to address particular infrastructure deficits. More specifically, the regional development objectives of the NDP are to: ensure that designated 'gateway' regions maximise their potential for economic and social development; achieve a better balance between the regions in economic and social development; and foster enhanced co-ordination in the development of 'gateways' and their regions.¹¹

In *Italy*, the marked north-south duality of the socio-economic situation has made the achievement of socio-economic "re-balancing" (*riequilibrio*) an explicit objective of the Italian Constitution since 1947. Over the 2000-06 period, regional policy was closely linked to the Structural Funds - consensus-based, competitiveness-oriented, and directed towards the release of underutilised potential in the regions. For 2007-13, the enhanced spatial targeting under Cohesion policy, combined with the greater stress on the Lisbon agenda, meant that domestic regional policy could no longer be subsumed under Cohesion policy but, rather, complemented it under the new unitary regional policy. The NSD acknowledged that the persistence of territorial disparities and the relative stagnation of the national economy required more targeted policies, addressing factors that impact negatively on national competitiveness: the failure of the State to supply collective services and guarantee competitive conditions; the inadequate level of competencies amongst both adults and the young; the low level of industrial innovation; and inefficient capital markets, incapable of supporting entrepreneurship.¹² Whilst the NSD adopts a country-wide approach, resources are concentrated on the *Mezzogiorno*, thus allowing national competitiveness goals to be combined with territorial cohesion.

In *Luxembourg*, regional policy, such as it is, has long been driven by the need for economic diversification. In recent years, this has caused policy to focus on development opportunities in the fields of innovation and research. This also reflects the country's pre-occupation with the Lisbon strategy, seen as a path towards competitiveness and full employment.

In the *Netherlands*, the 2004 *Peaks in the Delta* White Paper, which came fully into force in 2007, was an important policy departure. It acknowledged the reduced growth performance of the Dutch economy and its structural problems and stressed the need for remedial action to restore international competitiveness. Such action was seen to require not only broader macroeconomic measures to improve the business climate but also spatially-targeted initiatives to remove regional obstacles which limit national growth potential. From this, a new goal for spatial economic policy was developed. "*The government aims to stimulate economic growth in all regions by exploiting region-specific*

¹¹ Department of Finance, *National Strategic Reference Framework for Ireland*, Department of Finance: Dublin 8 June (2007), p. 29

¹² Ministero dello Sviluppo Economico, Dipartimento per le Politiche di Sviluppo e Coesione (2008) *Rapporto Annuale 2007 del Dipartimento per le Politiche di Sviluppo e Coesione sugli interventi nelle aree sottoutilizzate*, Rome, 2008, pp. 75-76.

opportunities of national significance".¹³ In meeting this goal, *Peaks in the Delta* identified the need for a customised approach at the regional level based on partnership and the importance of making objective policy choices in line with the national interest. Further, it argued that the north (the traditional problem region) had reached a level of performance to allow it to be treated on a par with the other regions, permitting "*national economic return [to] be the government's guide to making national spatial economic choices*".¹⁴

In *Portugal*, the mission of the Ministry for Environment, Spatial Planning and Regional Development is to "*define, implement and coordinate environmental, spatial and city planning, and regional development policies, within a sustainable development and territorial cohesion perspective*" with the objective of "*achieving sustained and environmentally sustainable convergence with Europe and promoting territorial cohesion at the national and European levels.*"¹⁵ The pursuit of this objective is underpinned by the view that it is the "*promotion of the underlying factors of spatial competitiveness that can deliver sustained regional growth and bring about territorial cohesion in the medium and long-term.*"¹⁶ This approach is strongly reflected in the new framework for Cohesion policy in Portugal, which, as mentioned earlier, is considered to represent a paradigm shift in regional policy, with a far stronger focus on the promotion of competitiveness at both national and sub-national levels combined with a much more stringent governance model.

In *Spain*, the overarching objectives of both the Inter-Territorial Compensation Fund and the Regional Investment Grant are anchored in a constitutional commitment to balanced development and solidarity, which remains unaltered since its introduction in 1978. The stated objectives of EU Cohesion policy have also not changed considerably in the new programming period, although there have been significant changes in the thematic allocation of funding. The central objective of the NSRF strategy is to "*contribute to the Union's cohesion and balanced development, by means of joint and sustainable growth in both Spain and each of its Autonomous Cities and Communities*". Translating these strategic objectives into policy choices, the most important development in the new programming period is the increased focus on competitiveness, involving a strong expenditure shift from basic infrastructure to Lisbon-oriented themes.

In *Sweden*, regional policy was initially formulated to address the specific problems facing the far north as well as structural problems related to old industrial areas. In 2001, there was a shift in focus from a regional policy targeted at the traditional weak and peripheral regions to a regional development policy striving to achieve growth and development in all regions. The overall objective was to create "*well functioning and sustainable labour market regions with a good level of services in all parts of the country*". Although the new regional development policy took an efficiency-oriented approach by emphasising the role

¹³ Ministry of Economic Affairs, *Peaks in the Delta: Regional Economic Perspective*, The Hague, July 2004, Section 1.2.

¹⁴ *Ibid*, Section 1.5

¹⁵ Decree No 51/2007 of 27 de Abril 2007

¹⁶ Ministério do Ambiente, do Ordenamento do Território e do Desenvolvimento Regional (MAOTDR) (2007) 'Balanço de Dois Anos: 2005-2007', MAOTDR, Lisbon, p. 97

of all regions in contributing to national sustainable growth and prosperity, it recognised that the traditional problem regions should retain their special status because of the disadvantages they faced with regards to growth conditions. In 2008, the renamed regional growth policy has the objective of achieving “*dynamic development in all areas of the country with greater local and regional competitiveness*”. The growth orientation of the new policy is thus underlined, with its focus on competitiveness, on measures to enhance the regional business climate and on enhanced coordination. However, alongside this, regional aid policy continues to target the specific challenges facing weak and peripheral areas mainly in the north.

In the *United Kingdom*, regional policy is a devolved policy. In England, basic regional policy objectives continue to be set by the Regional Economic Performance Public Service Agreement (REP PSA), to which the Treasury, the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Communities and Local Government (CLG) are joint signatories. The 2007 Comprehensive Spending Review made BERR the lead department for the REP PSA (to which six other departments also contribute) and also for two other cross-government PSAs. Under these agreements, BERR has three main goals: to raise the productivity of the UK economy; to deliver the conditions for business success in the UK; and, under the REP PSA, to make sustainable improvements in the economic performance of all English regions and reduce the persistent gap in growth rates between the regions. Thus, the REP PSA has both productivity and equity-oriented commitments, aiming to improve economic performance across all regions while also being concerned to limit the growth rate gap between regions. The June 2007 *SNR* also contains a commitment to reduce the spatial concentration of deprivation. In Scotland, the main economic development focus is on ensuring long-term sustainable economic growth.

In *Poland*, the strategic objectives of regional policy have been evolving. In 2000-06, the twin goals were to enhance the economic development of regions *and* to prevent the marginalisation of certain areas. Productivity-related goals were present in the form of support for ‘growth factors’ in all regions but, at the same time, funding allocations revealed a strong pro-equity orientation. The 2007-13 programming period provided the opportunity to reassess policy objectives. The *National Development Strategy (NDS) 2007-15* combined equity- and efficiency-related aims: “*To create conditions for a growth of competitiveness of all regions in such a way as to promote economic, social and territorial cohesion and aim at levelling the development opportunities of voivodships*”. The subsequent *MRR Report on Development and Regional Policy*, which launched the consultation on a new conceptualisation of domestic regional policy in 2007, argued for the primacy of competitiveness objectives, stating that Poland’s key development problems are related to low levels of competitiveness and innovation, not to regional disparities. Although internal cohesion was acknowledged as important (in the context of the eastern areas), it was seen in terms of the provision of equal chances for growth.

In *Norway*, the policy objectives set down in the 2006 White Paper were: to provide equal living conditions across the country; to maintain the main features of the settlement pattern across the country; and to focus on and develop regional strengths. These objectives had a degree of continuity with those of the previous government. The 2005 White Paper had also stressed the maintenance of the key features of the settlement

pattern, whilst emphasising, in addition, the goal of releasing growth potential in all parts of the country. The main difference between the two White Papers was the increased weight which the new government attached to the provision of equal living conditions in the traditional problem areas, the peripheral and rural districts. This reflected the composition of the new governing coalition (including the rural-oriented Centre Party) and its commitment to strengthening the position of the peripheral districts.

Finally, in the *new Member States*, the regional policy objectives set out in framework documents and new legislation have strong similarities (unsurprising given the context within which they have been developed). Promoting balanced regional development, developing regional competitiveness and tackling regional disparities are widely shared goals. However, there are also distinctive policy objectives. As already noted, the Law on Balanced Regional Development in *Slovenia* emphasises the scope of linkages to be developed across borders; the National Strategy for Regional Development in *Romania* highlights the specific needs of towns dominated by a single industrial employer; and the Baltic States, especially *Estonia* and *Latvia*, emphasise polycentric development models in their development plans. Also as mentioned earlier, regional policy has different ‘weight’ across the EU12 countries. In *Slovenia* the *Baltic States*, and in particular *Cyprus* and *Malta*, the geographic scale of regional development challenges and the numbers of inhabitants living in lagging regions are comparatively small. Consequently, in *Malta* and *Slovenia*, ‘regional policy’ measures are commonly dominated by more ‘local’ interventions and are more focussed on specific issues, such as the development of the island of Gozo, in the case of Malta. In Slovenia, since 2007, only few measures of domestic ‘regional’ policy (financed solely from domestic sources) have been retained. They include a programme for the development in the Posočje Region 2007-2013, development of the Roma settlements, support for areas of national minorities, and municipal infrastructure investment.

4.2.2 Comparative points

From the above review, there is clearly a strong regional policy undercurrent towards the promotion of growth and competitiveness in the regions; on the other hand, a concern with territorial balance continues to lie at the heart of most regional policies. A number of examples can be given of the increasing growth orientation of regional policy. For instance, the new *Peaks in the Delta* approach in the *Netherlands* has the goal of “*stimulating economic growth in all regions by exploiting region-specific opportunities on national significance*”. Linked to this change in focus, policy in favour of traditional problem regions is being phased out. In *Sweden*, the renamed regional growth policy aims to achieve “*dynamic development in all areas of the country with greater local and regional competitiveness*”. In *France*, the long-standing objective to preserve territorial cohesion has been complemented in recent years by an enhanced growth orientation to policy. Reflecting this, a 2008 ministerial circular states that the “*development of competitiveness and the preservation of territorial cohesion are the two fundamental principles of territorial development*”. In *Belgium*, too, the continuing policy focus in Flanders is on growth and competitiveness while, in Wallonia, traditional concerns with territorial balance are now accompanied by a more positive approach to regional development in line with EU policy objectives. Also, countries where EU Cohesion policy is important tend to place considerable weight on growth and competitiveness, striving to close the GDP-per-head gap

with the EU average. In *Poland*, in launching the new conceptualisation of domestic regional policy, the Ministry of Regional Development has argued for the primacy of competitiveness goals and these also lie at the heart of policy in other *new Member States*. In *Portugal*, too, the promotion of competitiveness at both national and sub-national levels has been stressed for 2007-13, alongside the goal of improving policy governance.

At the same time, some recent developments have enhanced the equity component of regional policy. Thus, in *Denmark*, the new regional policy approach introduced from the start of 2007 has explicit equity considerations (through specific initiatives that target peripheral areas), albeit within the context of a strong growth-oriented agenda. In *Greece*, too, the basic thrust is towards increasing growth and competitiveness, but with more stress on regional balance than in the past. Of most note, the 2006 White Paper in *Norway* shifted the policy balance significantly towards equity objectives by strengthening the traditional district component of policy following a change of government.

Considering the current policy goals of the countries under review, Table 4 shows that the vast majority operate regional policies which have both equity (territorial balance) and efficiency (growth and competitiveness) elements. In addition to these core goals, policy objectives tied also to improving or maintaining the territorial structure are found in countries like *Finland* and *Norway* as well as *Ireland*, while sustainable development is becoming an explicit objective of regional policy in some Member States (such as *France*) while moving up the policy agenda in others (such as *Belgium*). A number of countries (including *Portugal*) also attach a governance goal to regional policy, aiming to improve regional policy delivery as well as administrative capacity in the regions.

Those countries where growth and competitiveness goals are particularly stressed include *Austria* (where regional policy has long been associated with innovation-oriented initiatives), Flanders in *Belgium* (where there has also long been a focus on growth and competitiveness), *Denmark* (where the new programme-based approach has a strong growth orientation), *Finland* (where the stimulation of regional competitiveness has been a key goal since 2003), *France* (but alongside the traditional policy objective of preserving territorial cohesion), *Greece* (in the context of the 2007-13 NSRF), *Luxembourg* (as part of a national focus on research, innovation and the Lisbon agenda), the *Netherlands* (where, as already mentioned, *Peaks in the Delta* is very much growth and competitiveness-focused), *Portugal* (given the weight attached to EU convergence and the promotion of spatial competitiveness), *Spain* (with its increased emphasis on competitiveness and Lisbon themes), *Sweden* (through its renamed regional growth policy), the *United Kingdom* (where the core objective of the REP PSA is to improve the economic performance of the English regions) and *Poland* (where the policy aim is to promote competitiveness in all regions). The regional policy focus on growth and competitiveness is, in part, a response to broader growth imperatives (including the Lisbon agenda and related Cohesion policy targets), but it also reflects the importance attached to endogenous growth and the related desire to utilise fully the growth potential available in the regions. A number of countries also stress the link between regional growth and territorial balance and view these twin policy objectives as being closely inter-connected.

As mentioned above, issues of regional equity underpin regional policy in many countries - including those with a constitutional commitment to territorial balance. In *Germany*, for instance, the GA responds to developmental disparities by targeting location-based disadvantages faced by structurally-weak regions; in *Italy*, the creation of a unitary regional policy has allowed competitiveness goals to be combined with the territorial balance expected under the constitution; and in *Spain*, the constitutional commitment to balanced development and solidarity has ensured the adoption of a stable policy approach which favours the worst-off regions. There is also a clear equity component to regional policy in the Nordic countries. Thus, in *Denmark*, peripheral areas are explicitly favoured under the new (2007) policy approach, with a view to ensuring that regional disparities are minimised; in *Finland*, regional balance has long been a goal of policy, with the reduction in regional disparities one of the new government's policy objectives for 2007-11; in *Sweden*, traditional weak and peripheral areas continue to be prioritised under regional aid policy; and in *Norway*, the goal of providing equal living conditions across the country was strengthened under the 2006 White Paper, with its stress on the traditional districts. Larger countries, too, have explicit equity objectives under their regional policies. In *France*, the preservation of territorial cohesion has long been a core regional policy goal, while in the *United Kingdom* one of the REP PSA objectives is to reduce the persistent gap in growth rates between regions. Wallonia in *Belgium* is also a region which has long stressed the importance of territorial balance. More generally in the countries under review, regional policy allocations tend to favour problem regions; this issue is discussed further in the next section.

Maintaining and/or developing the territorial structure has been a goal of policy in a more limited group of countries. Historically, it has been stressed particularly in countries with areas challenged by sparse population, where uniform service provision is an issue. Thus in *Finland*, one of the regional policy goals is to strengthen regional viability (through supporting a multi-centred regional structure). In *Sweden*, the objectives under regional development policy included the provision of a good level of services in all parts of the country; although this is no longer explicitly highlighted under the renamed regional growth policy, it remains an underlying policy theme through the focus on functional regions. In *Norway*, maintaining the features of the settlement pattern has been a long-standing objective of regional policy and was one of three policy goals in the 2006 White Paper. Outside the Nordic countries, in *Ireland*, the focus on designated regional gateways (as originally discussed under the National Spatial Strategy) has increased the stress placed on regional structures. More generally, spatial planning priorities are being taken into account within regional development goals in a growing number of countries. This has long been the case in the *Netherlands* and has been highlighted in recent years in countries like *Greece* and *Poland*, in part in response to broader EU policy pressures.

Based on the review in Section 4.2.1, two final points relating to the policy objectives identified are worth mentioning. One is that sustainable development is beginning to find its way on to regional policy agendas. An example is *France* where, with regional policy falling within the remit of the Ecology Ministry, sustainable development goals have become more important within regional development. A second is that a number of countries include improved governance within their regional policy goals. This has been

explicitly mentioned in *Greece*, *Portugal* and *Poland* and is also a horizontal priority under the NSRF in *Austria*.

In summary, both equity and efficiency objectives are present in the regional policies of most of the countries under review; moreover, in many, the two goals are viewed as interconnected and, indeed, reinforcing. In recent years, change has tended to be in the direction of a stronger growth and competitiveness orientation to policy, though core equity concerns provide the foundations for policy almost everywhere. Viable territorial structures are also a policy goal in countries with sparse population and peripheral rural communities and have become of more general significance as spatial development planning has increased in prominence within regional policy. Finally, there are some signs of sustainable development becoming more significant while, in a number of countries, governance concerns are also of growing importance.

4.3 Changes in the spatial orientation of policy

The aim in this section is to review briefly how the spatial orientation of regional policy is changing. In a situation where regional policy is becoming more programme-oriented in many countries and where important aspects of policy are provided on an all-region basis (rather than being targeted at designated problem regions), it is interesting to consider how the spatial orientation of regional policy has been developing, and why. The review begins by considering change on a country-by-country basis, before drawing together the main comparative issues to emerge. A summary overview of recent changes in the spatial orientation of policy is provided in Table 5.

4.3.1 Country-by-country review

In *Austria*, accession to the EU had a significant impact on the territorial dimension of regional policy, with micro-zoning under the Structural Funds and increasingly narrowly-defined regional aid areas. Prior to this, the focus had been on regional problems rather than problem regions. For 2007-13, regional aid areas have become even more targeted; population coverage has fallen from 27.5 percent to 22.5 percent. However, this has not had a major impact since regional aid is a low-key component of regional policy and since the *Länder* had reasonable flexibility in designating areas under the regional aid guidelines. The abandonment of micro-targeting under the Structural Funds has been more significant, allowing EU support to flow to growth areas as well as lagging regions. Since, at the same time, EU funding has fallen by some 30 percent overall, previously-targeted regions may suffer from significant funding falls. Actual outcomes depend on the attitude to spatial targeting at the *Land* level; some *Länder* explicitly target lagging areas, while others prefer to focus on growth centres. Generally, regional policy tends to target urban regions, given its innovation focus. Those lagging regions that are rural and/or peripheral can, however, benefit from significant alternative funding under the EAFRD.

Table 5: The spatial orientation of regional policy in the EU15, Poland and Norway

Austria	<i>Land</i> responsibility. The stress on innovation/regional strengths suggests an urban focus. Rural and peripheral areas are dealt with by other funding streams (e.g. EAFRD at the European level). Reduced EU funding and lack of micro-zoning acts against lagging areas (though some <i>Länder</i> still favour them).
Belgium	In Flanders, the approach to regional aid is horizontal (with a single aid maximum). In Wallonia, a differentiated approach is favoured under regional policy while urban and rural zones (<i>franc zones</i>) have also been designated. Competitiveness poles have also recently been created.
Denmark	No regional aid regime. There is an all-region approach, with extra funding for designated peripheral areas. Four of the six policy priorities (innovation, ICT, entrepreneurship, human resources) have a growth orientation (i.e. an urban focus); the other two are directed at tourism and peripheral areas.
Finland	There is a significant urban component to policy (goal of polycentric development, Centre of Expertise and Regional Centre programmes) which has been strengthened (new metropolitan - capital city - policy). However, weaker regions are also a focus of policy (in both funding and regional aid terms). In addition, there is clear spatial targeting to address rural, island and urban issues
France	The all-country approach is reflected in the state-region contracts, the competitiveness poles, and the all-region spread of the regional aid map. Although the main focus is on regional potential, specific problem zones are designated (urban, rural, industrial restructuring, mountains, coastal areas etc).
Germany	Most regional policy funding targets the new <i>Länder</i> . The Regional GA focuses on structurally weak areas and allocates six-sevenths of its funding to the new <i>Länder</i> . Recent debates have discussed the geographical orientation of policy, including support for metropolitan areas and peripheral rural areas.
Greece	The entire country is eligible for regional aid, with no significant differentiation in award rates until post 2010. Support is available for travel to and from the Greek islands and there is also a specific programme for the Plindos mountains. Finally, the move from the 2000-06 to 2007-13 programming period involved significant changes to the eligibility of the Greek regions for Cohesion policy support.
Ireland	The regional aid map favours the BMW region (particularly), as well as the South-East and small islands in the South-West. In addition, NDP social infrastructure and social inclusion policies target disadvantaged urban, rural, <i>Gaeltacht</i> and island communities. The NDP also strongly supports the implementation of the National Spatial Strategy (NSS). It recognises the significance of Dublin's international gateway status as well as the strategy for developing the other eight regional gateways.
Italy	The new unitary regional policy has a whole country approach but with a strong <i>Mezzogiorno</i> orientation (over 80 percent of funding, though domestic element now in question). The regional aid map has significantly reduced coverage; Article 87(3)(c) coverage fell from 10 to 3.9 percent. New fiscal exemptions for disadvantaged urban areas. New industrial innovation projects (growth sectors).
Luxembourg	Regional aid limited to designated aid areas. Reduced coverage but still found in north, south & east.
Netherlands	<i>Peaks in the Delta</i> is an all-region approach, with transitional provisions and extra funding (plus a more broadly-based programme) in the north. The <i>Peaks</i> focus is on building upon regional strengths.
Portugal	Cohesion policy funding is highly differentiated with major cut-backs in Lisbon and the Algarve. Related, Lisbon is no longer eligible for regional aid. The National Programme for Spatial Planning aims to strengthen territorial competitiveness, promote polycentric development and ensure territorial equity. There is a new Policy for Cities and the PROVERE initiative for low population density areas.
Spain	The coverage of the regional aid map is broadly unchanged at around three fifths of the national population. The FCI also has had stable coverage. In contrast, there have been major cuts in Cohesion policy support. Generally, policy tends to be national in coverage and sectoral in orientation.
Sweden	Policy has gradually changed from its traditional focus on weak and peripheral regions to a policy striving to achieve growth and development in all regions. The renamed regional growth policy is an all-region policy which places particular stress on functional regions. Specific policies have been initiated for different types of area: rural areas, major urban regions, designated aid areas (sparsely-populated regions). Overall, programme-based support continues to favour the northernmost regions.
UK	The UK approach is an all-region one, operating through the Devolved Administrations in Scotland, Wales and Northern Ireland and the RDAs in England. The emphasis is on addressing the different factors of economic growth at the most appropriate spatial level. The stress on growth implies a particular focus on urban areas and city-regions, though there are also cross-region initiatives and also sub-regional measures (dealing with deprived areas).
Poland	All regions benefit from regional policy funding. The allocation formula for domestic regional contracts and EU ROPs favours weaker regions. However, ROPs represent only 25 percent of overall OP support. Broader national sectoral OPs tend to favour more developed areas. Looking to the future, more weight seems likely to be attached to metropolitan areas and growth poles.
Norway	There is a strong focus on the districts, peripheral and sparsely-populated municipalities. Support is differentiated so that most flows to the most disadvantaged areas. The weight attached to district policy has increased under the current government. Broader regional policy has an all-region focus, aiming to release wealth creation in all parts of the country and to support small and medium-sized cities.

Table 5 (continued): The spatial orientation of regional policy in the remaining new Member States

Bulgaria	The 2008 Act identifies 'areas for spatially targeted support' - areas which are lagging compared to national development averages. In contrast, EU Cohesion policy programmes make specific provisions for support to urban areas as potential drivers of growth.
Cyprus	Relevant policy interventions are largely focussed on urban-rural disparities and the development of urban centres. According to the NSRF, Nicosia, Limassol, Larnaka and Paphos could act as potential poles of attraction for the entire Republic of Cyprus, in functional cooperation with rural areas.
Czech Republic	Regional Development Strategy sets out three strategic objectives: development-oriented objectives (increasing economic and environmental potential, competitiveness and social levels of regions to a level comparable with developed regions of Europe), disparity-oriented objectives (reducing regional disparities), and an 'instrumental' objective (improving public administration and services). Targeted support is available for structurally disadvantaged regions, economically weak regions and rural regions, and regions where it is desirable for other reasons: e.g. cross-border regions and former military bases.
Estonia	Estonia pursues an all-region policy: all regions are deemed to have development potentials that can be pursued by using regions' own resources. There are separate approaches to development in the two big cities, in other growth regions and outside of growth regions.
Hungary	A Parliamentary decision determines the principles for allocating regional policy funds, which offer support for local economic development, local infrastructure measures and support for less developed micro regions. Additionally, the Second National Development Plan introduced seven ROPs for the seven NUTS II Planning Regions (rather than just one ROP for all seven regions, as in the 2004-06 period). This change increased the share of funding spent on ROPs from 16 percent to 25 percent. The country's National Development Concept (NDC) also sets out a growth pole strategy, with Budapest as a centre and others large towns listed as growth poles, Győr, Pecs, Szeged, Debrecen, Miskolc and the linked axes of Szekesfera and Vcszprem.
Latvia	In the 2004-06 period, targeted support was offered to selected, lagging territories, covering around 25 percent of the population. However, the support was not sufficiently targeted. In 2008, support will be given to national and regional level development centres covering 17 cities (including special measure for Riga as the capital city). Attempts to include territorial development as a criterion in project selection are being made, in order to balance the distribution of funds among the five planning regions.
Lithuania	Lithuania's General Territorial Plan identifies twelve territorial centres, to which the largest flows of investment should be directed. However, there are also plans to concentrate investment in those centres that are surrounded by areas with low standards of living. It is expected that these centres will become regional growth poles and that their development will guarantee greater territorial cohesion in the region and the whole country. EU Structural Funds in Lithuania are not generally spatially targeted. However, some exceptional measures are targeted at specially selected problem territories.
Malta	Regional interventions focus on addressing Gozo's regional distinctiveness, promoting enterprise and the development of key economic sectors, addressing the key accessibility issues, protecting the environment and developing human capital and skills.
Romania	As part of EU Cohesion policy, in order to support lagging regions, the allocation of funds is differentiated by region in the Regional OP and Human Resource Development OP. The strategy for the allocation is based on a range of criteria, including regional GDP, population and employment indicators.
Slovakia	Regional aid continues to be available for economic development in regions with extremely low living standards or high unemployment rates. However, more generally, financial assistance is increasingly concentrated on growth poles with a view to enhancing the effectiveness of, particularly, Cohesion policy resources.
Slovenia	Supported regions are classified according to a 'development threat index', based on a range of indicators including GDP per capita, gross basis for income tax per inhabitant, rate of registered unemployment, rate of registered employment, dependency ratio, average number of schooling years share of population connected to public sewage system, share of Natura 2000 areas.

In *Belgium*, the general approach to regional policy in Flanders is horizontal, involving a uniform approach across all areas. In line with this, there was initial resistance to introduce an aid map for 2007-13; in the end, a map was agreed covering 6 percent of the national population (a reduction of one-third) and coherence was ensured by applying the same basic maximum across the whole country. Also in Flanders, arguments for focusing economic development activities in and around cities have met with public resistance (on environmental grounds) and are currently being reconsidered. In future, there may be more of a focus on transport corridors between cities. A spatial development decree is under development to make space management more efficient, including a more sustainable approach to industrial estates. In Wallonia, the concentration under the new aid map is on disadvantaged urban and rural areas (in line with the objective of balanced territorial development). Aid area population coverage has fallen from 22 to 19 percent. Hainaut is eligible in its entirety (but with a focus on towns and urban agglomerations) and Liège is also eligible, but zones around Namur and Luxemburg have lost their designated status. There is now greater coherence between different zoning approaches and instruments. In particular, investment aid under the Structural Funds programmes, the regional aid map and the Marshall Plan is now concentrated on ‘*franc zones*’, deprived areas but also areas of potential. Competitiveness poles have also been created under the Marshall Plan.

In *Denmark*, the new policy approach has brought with it two changes from a spatial perspective. On the one hand, policy has become spatially comprehensive, with each of the five new regions obliged under law to establish one or more regional growth fora to further economic development in the region. At the same time, spatial selectivity has become a formal feature: a new regional map has designated “outer” (i.e. peripheral) areas that benefit from targeted support. At least 35 percent of expenditure on regional development projects under the new programmes (which utilise regional, national and EU funding sources) must benefit the designated peripheral areas (which hold around 10 percent of the national population). Support is directed towards priority activities, four of which are growth- (and hence urban-) oriented, while two are specifically for tourism and peripheral areas. With one exception, the new map is not used for regional aid purposes: there is no regional business aid regime and the new Structural Funds programme has not been notified for regional aid purposes. The only areas in which investment aid to firms may be offered are small islands with no bridge to the mainland which lie within the designated areas.

In *Finland*, there has been a notable change in the spatial weighting of regional policy since EU accession. The 2003 Regional Development Act confirmed a move away from targeted support aimed at territorial balance and service provision and towards the stimulation of competitiveness across the country. More recently, the 2008 Government Decision highlighted the importance of broader sectoral policies for regional development. On the other hand, narrow regional policy continues to focus on the weaker regions by strengthening their economy and services structure, as well as their ability to respond to sudden structural changes. Policy foresees different responses for different types of region: for regions with large urban centres, the focus is on developing such centres and their surrounding linkages (through the Centre of Expertise and Regional Centre programmes and also the new capital city policy), while regions outside such centres benefit from specific policy measures (through the rural and island programmes, for instance). While in policy

terms the main focus is on regional competitiveness, most regional policy funding targets the weaker regions. Thus, for example, over two-fifths of business aid (by far the most significant regional policy budget) flowed to the east in 2007 (holding 12 percent of the population), with a further fifth to the north (10 percent of the population).

In *France*, there have been designated aid areas since the 1950s; however, most policy measures (including the important State-region contracts) have a nationwide spatial development focus rather than a problem region orientation. For the most part, regional aid has been limited, and has been reduced further in significance by the recent aid map changes (involving a 50 percent reduction in population coverage to just 18.4 percent of the national population). In recent years, a notable development has been the policy orientation towards regional potential as well as problems. This is seen in the designation of areas of potential (such as competitiveness poles and rural excellence centres) alongside problem-oriented zoning (such as the designation of urban zones, zones of rural development, industrial restructuring areas, mountain zones and coastal areas). A final point is that policy choices are often made in response to the pressing issues of day-to-day politics, leading to a certain “*géographie de l’urgence*” in territorial development policies.

In *Germany*, most funding continues to be targeted at the new *Länder*, which receive all the resources awarded via the Solidarity Pact, the Investment Allowance scheme, and federal instruments for R&D, innovation, enterprise and marketing, as well as six-sevenths of the Regional GA. The remaining GA funding is available in designated, structurally-weaker areas in the old *Länder*. Some limited changes in area designation have been introduced with the adoption of a new regional aid map. The combined coverage of Article 87(3)(a) and (c) areas has been reduced from 34.9 to 29.6 percent of the national population, though the new *Länder*, excluding Berlin, remain eligible for Article 87(3)(a) support in their entirety. However, this will no longer be the case post 2013, raising issues about future policy directions. More immediately, there have been important changes in the spatial allocation of the Structural Funds for 2007-13, with the proportion flowing to the new *Länder*, falling from 68.2 to 59.9 percent. There have also been active discussions as to whether specific policy approaches are needed for dynamic metropolitan areas and whether peripheral rural areas require special assistance.

In *Greece*, the move from the 2000-06 to 2007-13 programming period involved significant changes to the eligibility of the Greek regions for Cohesion policy support. From a position in 2000-06 when all of Greece qualified for Objective 1 assistance, two regions, holding 7.8 percent of the national population, are now eligible as phasing in regions, while a further three (including Attiki) are now phasing out regions (holding 55.5 percent of the national population) This leaves just 36.6 percent of the Greek population in Objective 1 regions. In addition to these classification - and associated funding - changes, the Greek authorities reduced the number of regions for programming purposes from 13 to 5 (to achieve greater efficiency in programme implementation) and increased the regional dimension to EU support (by distributing 80 percent of ESF and ERDF funding via the regions). As regards domestic measures, the regional aid map continues to cover the entire country; it will not impact on award rates until after 2010. Finally, it is of note that specific measures target the Greek islands, while the development programme for mountainous areas (Pindos) has also been receiving more policy attention.

In *Ireland*, the much-reduced coverage of the regional aid map (halved to 50 percent of the national population) has seen regional aid concentrated in the Border, Midland and Western region as well as in the South-East and small islands in the South-West. For SMEs, the Mid-West plus Kerry and the Cork urban regeneration area in the South-West are also eligible. In addition, the 2007-13 NDP places particular stress on designated regional gateways, concentrating spatially-oriented support on nine gateways and related hubs (designated as part of the National Spatial Strategy). The key development agencies are expected to link the new state aid regime to this gateway strategy. In addition, a Gateway Innovation Fund has been established to help support the developing gateways. Also of note, NDP social infrastructure and social inclusion policies target disadvantaged urban, rural, *Gaeltacht* and island communities. Added to these domestic developments, Cohesion policy funding has fallen massively (from €3.8 billion for 2000-06 to €750 million for 2007-13); this has caused EU support to be excluded from the NDP and directed towards niche aspects of policy, including urban development.

In *Italy*, overall population coverage under the regional aid map has been reduced from 43.6 to 34.1 percent and Article 87(3)(c) coverage from 10 to 3.9 percent, with the Trentino Alto Adige region and Lombardy losing their designated status. Related, the new Cohesion policy has seen the *Mezzogiorno* regions of Abruzzo, Molise and Sardinia removed from the Convergence Objective. Together, these developments meant that domestic regional policy could no longer be subsumed within EU Cohesion policy. This, in turn, led to the creation of a new unitary regional policy, combining domestic and EU resources to national regional development ends. Support is concentrated on the *Mezzogiorno*; it has been allocated over €101 billion of funding under the unitary regional policy, more than four-fifths of the available support. On the other hand, following the recent change of government and the pledge to balance the budget by 2011, the domestic component of the funding has already been reduced by some €11-12 billion and it is unclear what future allocations will be. Finally, tax concessions have been introduced for urban renewal projects in deprived metropolitan areas, while the new industrial innovation projects seem likely to benefit growth regions.

In *Luxembourg*, the new regional aid map has seen coverage halved to 16 percent of the national population, though small areas in the north, south and east continue to be eligible. At present, no regional aid is available, pending the approval of the necessary domestic legislation to enact the revised regional aid regime.

In the *Netherlands*, *Peaks in the Delta* proposed an all-region approach to spatial economic policy, targeting regional strengths and moving away from the traditional focus on the north. This was accepted for the post 2010 period but, in the interim, transitional compensation will flow to the north. As a result, the north has been allocated 27 percent of the 2007-10 *Peaks* budget, falling to around 9 percent thereafter. In similar vein, the north will receive 27.5 percent of the ERDF programme budget in 2007-10, but just 11.6 percent for 2011-13. Overall, the north (which holds 10.5 percent of the population) will receive just over 24 percent of total ERDF and associated co-funding. Two final points are of note. One is that additional sources of economic development support will become available to the north post 2010 in the form of compensatory funding for the decision to abandon the fast rail link to Groningen. The other is that, beyond specific regional policy support, a

wide range of other policies and funding sources support economic development in the regions, including broader infrastructure support (the FES) and Dutch innovation policy. The north is not a major beneficiary of such funding.

In *Portugal*, there have been significant changes in the geographical focus of Cohesion policy, with an eligibility map which now includes all four types of possible region. Although overall funding has fallen only slightly, there have been major cut-backs in Lisbon and the Algarve, which will receive just 20 and 25 percent respectively of their 2000-06 allocations, as well as in Madeira (down by a half). In contrast, in the remaining Convergence regions funding is broadly unchanged. Mirroring these developments, the whole of the country no longer has aid area status. Part of the Lisbon NUTS II area has lost its eligibility under the regional aid guidelines following a reduction of just under one quarter in the aid area population quota. The 2007-13 NSRF highlights two other spatially-targeted developments: on the one hand, a more integrated and coherent approach to urban policy is developing, not least through the National Programme for Spatial Planning and the new “Policy for Cities”; and, on the other, a new high-profile initiative has been introduced for areas of low population density, the PROVERE programme.

In *Spain*, changes to the spatial orientation of the Inter-Territorial Compensation Fund (FCI) and the Regional Investment Grant have been limited (in the interests of retaining a stable regional policy environment). While both measures have been restricted historically to Objective 1 regions, eligibility was extended for 2007-13 so that Cantabria could continue to be almost wholly covered despite its loss of Objective 1 status. Only Valencia (the region’s capital) and a neighbouring district were excluded from the regional aid map, in line with the cut in the guideline population quota from 60.7 to 59.6 percent. In contrast, there were major reductions in Cohesion policy funding - involving an overall decline of more than 40 percent, but with phasing in and phasing out regions falling by over 60 percent while Convergence region funding was reduced by less than one-fifth.

In *Sweden*, the renamed regional growth policy aims to promote dynamic development in all areas of the country. It thus takes an all-region approach, with a particular focus on functional regions. This reflects the view that dynamic labour markets play a key role in increasing economic growth. Related, the concept of regional enlargement has come to the fore, since a more extensive labour market is seen to provide better access to educated employees, leading to larger and more competitive environments. The responsibility for all the regions to utilise their specific strengths to contribute to national growth has meant that different types of area have initiated more targeted policy instruments. A national strategy for rural areas is under development and is expected to be finalised by the end of 2008. Similarly, NUTEK has launched a national programme for the major urban regions for the period 2006-09, thus allowing Stockholm, Göteborg, Malmö and Östergötland (Norrköping-Linköping) to receive funding for growth-oriented projects. In addition, regional aid policy continues to provide significant support to sparsely-populated regions. Designated aid area population coverage has fallen only marginally under the regional aid guidelines (from 15.9 to 15.3 percent). Overall, programme-based support continues to favour the northern regions of Norrbotten, Västerbotten, Jämtland and Västernorrland. They received approximately 44 percent of the total funding in 2007 compared to their population coverage of 11 percent.

In the *United Kingdom*, general economic development policy tends to focus on the South-East (cross-rail network, London Olympics, Thames Gateway project). Active regional policy targets the less developed regions, partly through regional aid provision, but also through the resources made available to the Devolved Administrations (in Scotland, Wales and Northern Ireland) and in England through RDA funding. This reflects regional needs and opportunities but favours the worst-off areas. The per capita allocation to the North-East RDA was more than six times the South-East allocation in 2004. More broadly, the aim in England is to address the different factors of economic growth at the appropriate spatial level, with increasing attention paid to functional economic areas. In this context, there have been a range of initiatives to encourage sub-regional collaboration including urban or city-region strategies, local area agreements and multi-area agreements as well as the Local Enterprise Growth Initiative (which aims to boost enterprise in deprived communities) and the Local Authority Business Growth Incentives scheme (which rewards councils which promote economic growth in their areas).

In *Poland*, all regions benefit from regional policy funding. Domestic (regional contract) support is allocated according to an equity-related formula under which 80 percent of funds are distributed in line with population, 10 percent to sub-regions with low GDP per head and 10 percent to sub-regions suffering high unemployment. The same allocation system has been used for the EU Regional Operational Programmes (ROP) for 2007-13, while the eastern regions benefit from a dedicated OP. While ROP funding favours weaker regions and has more than doubled compared to IROP funding in the 2004-06 period (in terms of average levels of support per year), ROP allocations represent just 25 percent of overall OP funding. National sectoral programmes for infrastructure, the environment and business support allocate funding throughout the country, and tend to favour more developed areas where population and businesses are concentrated. Reflecting this, whereas the ratio between the highest and lowest levels of regional support per inhabitant was 1:2.3 for active regional policy in 2000-06, it was 1:3.4 for more general economic development support. Looking to the future, more weight is being attached to sub-national cooperation mechanisms, which may see more focus on metropolitan areas and growth poles.

In *Norway*, the regional policy focus of the government which took office in 2005 has been on the districts (that is, the peripheral rural municipalities). The budget flowing to local government has grown by one-third and regional development support has also increased significantly. Moreover, importantly in the Norwegian context, the social security concession has been re-introduced outside the far north, as made possible by the 2007-13 regional aid guidelines. Regional aid policy has also been strengthened, with a slightly increased population coverage for the regional aid map (up from 26 to 27.5 percent) and with more scope to award maximum awards. In addition, a new Competence Centre for Rural Areas (*Distrikssenteret*) has been established; this has both information and support roles as well as a possible future advocacy function, giving voice to the peripheral rural areas. Alongside the spatially-targeted district policy measures, broader regional policy has an all-region orientation and, amongst other things, favours small and medium-sized cities.

In the *new Member States*, most regions benefit from EU Convergence funding. However, as part of Cohesion policy programmes and linked to domestic policy approaches, further distinctions are made in the spatial targeting of policy. In some cases, there has been a high

level of consistency in the spatial targeting of policy over an extended period, e.g. in the *Czech Republic* and *Slovakia* in the form of support for lagging regions. However, there have also been some notable recent changes in approach. In *Bulgaria*, the 2008 Regional Development Act targets ‘lagging regions’ alone, in contrast to the previous Act which made provision for support to both growth poles and lagging regions. Similarly, development strategies in *Estonia* are now differentiated between the two main cities, growth areas and territories located outside of growth areas. In *Slovakia*, the thematic and geographic concentration of Cohesion policy resources on growth poles is expected to improve the efficiency and convergence of the target regions and their hinterlands. In a number of cases (e.g. *Bulgaria, Lithuania and the Czech Republic*) interventions also aim to develop linkages *between* localities and regions rather than focusing solely on developments *within* regions. In Lithuania, the objective of integrating regional centres with their hinterlands is a new development. In the period until 2013 regional policy assistance will be oriented towards the development of seven regional centres that have been designated as growth poles for their surrounding areas.

4.3.2 Comparative points

In considering changes to the spatial orientation of regional policy, the growing stress on regional growth and competitiveness, on maximising regional potential, and on programme-based policymaking has meant that, in most countries, significant aspects of regional policy now have an all-region focus. Thus, in *Austria*, regional policy is carried out mainly through *Land*-level programmes; in *Denmark*, each of the new regions is legally obliged to promote economic development in its area; the programme-based component of regional policy in *Finland* similarly applies across all regions; in *France*, most policy measures (including State-region project contracts) have an all-region spatial development focus; in *Germany*, regional policy is a *Land* responsibility; in *Greece*, all regions are eligible for regional aid and most Cohesion policy funding is channelled through the regions; in *Ireland*, spatially-oriented support under the NDP is targeted at nine regional gateways spread across the country; in *Italy*, the new unitary regional policy applies to all regions, even though the funding focus is on the *Mezzogiorno*; in the *Netherlands*, *Peaks in the Delta* is an all-region approach to spatial economic policy; in *Sweden*, the renamed regional growth policy aims to promote dynamic development in all areas of the country; in the *United Kingdom*, regional policy operates in all regions and nations - it is the responsibility of the Devolved Administrations in Scotland, Wales, and Northern Ireland and the RDAs in England; in *Poland*, all regions benefit from regional policy funding (national and EU); and, in *Norway*, the regional policy component of district and regional policy has an all-region coverage. In the *new Member States*, too, all regions benefit from Cohesion policy support.

On the other hand, there remains a significant spatial orientation to regional policy - in part through the designation of areas for regional aid purposes, in part through differential funding flows to different areas, and in part through more specific spatial targeting. These aspects are discussed briefly in turn.

From the earliest days of regional policy, specific areas have been designated for regional aid purposes, normally reflecting income- and unemployment-related measures of disadvantage (except in the Nordic countries where the focus has traditionally been on

peripheral, sparsely-populated areas). While these designated areas have become less central to regional policy in recent years (as regional aids themselves have declined in significance), they remain an important element of the architecture of policy. Figure 4.1 shows their population coverage since 1980, using the same country groupings as in Section 3. The common trend is for there to have been reductions in population coverage over time in response to growing pressures from the State aid authorities and especially since the introduction of formal regional aid guidelines (from 2000).

Aid area cutbacks for 2007-13 fall into three categories: those where the population decline is around 50 percent (*Denmark, Luxembourg, the Netherlands, France* and *Ireland*); those with reductions of between 16 and 24 percent (*Austria, Belgium, the United Kingdom, Germany, Italy, Finland* and *Portugal*) and those with broadly stable coverage (*Norway, Sweden, Greece, Spain* and *Poland*). Across the *EU10*, population coverage fell from 100 percent to 97.2 percent, with coverage in the *Czech Republic* falling to 88.6 percent, in *Cyprus* to 50 percent and in *Slovakia* to 88.9 percent. One consequence of the much-reduced population quotas in the *EU15* is that, within broader problem regions, designation increasingly targets locations where regional aid can have an impact. As a result, regional aid maps in the *Netherlands, France* and the *United Kingdom*, for instance, focus on core growth zones within disadvantaged areas.

Figure 4.1: Designated area population coverage (1980-2007/13)

	1980	1985	1990	1995	2000-06	2007-13
Austria				35.2	27.5	22.5
Denmark	27.0	24.0	20.7	19.9	17.1	8.6
Luxembourg	100.0	100.0	100.0	79.7	31.9	16.0
Netherlands	27.4	25.0	19.9	17.3	15.0	7.5
Belgium	39.5	33.1	33.1	35.0	30.9	25.9
France	38.2	39.0	41.9	40.9	34.0	18.4
Ireland	100.0	100.0	100.0	100.0	100.0	50.0
UK	45.5	37.8	37.8	36.8	30.7	23.9
Germany (west/total)	36.0	35.0	34.8	22.0/38.2	17.7/34.9	11.9/29.6
Italy	35.6	35.6	35.6	48.8	43.6	34.1
Finland				41.6	42.3	33.0
Norway			33.0	25.0	26.0	27.5
Sweden				18.5	15.9	15.3
Greece		100.0	100.0	100.0	100.0	100.0
Portugal			100.0	100.0	100.0	76.7
Spain			58.6	58.6	60.7	59.6
Poland					100.0	100.0

Note: (i) The data relate to the period of EU membership, except for Norway (where the figures are from 1990),; (ii) Transitional provisions apply in 2007-08 in some countries.

Source: The 1980-2000 figures are drawn from the 1999 EoRPA overview. The 2007-13 data are from EoRPA Paper 06/04.

As regards regional policy funding flows, there is evidence across a wide range of countries that weaker regions continue to be favoured. Thus, in *Denmark*, the new statutory all-region approach is combined with spatial selectivity under which at least 35 percent of programme-based expenditure must benefit the designated peripheral areas (which hold 10

percent of the national population). In *Germany*, six-sevenths of Regional GA funding is allocated to the new *Länder* which contain under one-fifth of the national population; also, only the new *Länder* benefit from the Solidarity Pact and the Investment Allowance. In *Italy*, support under the new unitary regional policy is concentrated on the *Mezzogiorno*, which has one-third of the population but more than four-fifths of the available funding (though, as noted earlier, that funding is now in question following the recent change in government). In the *Netherlands*, the all-region *Peaks* approach has transitional provisions under which 27 percent of the budget flows to the north over the 2006-10 period compared with a population share of 10 percent. In *Sweden*, the four northernmost regions received some 44 percent of programme-based funding in 2007 compared to their 11 percent population coverage. In the *United Kingdom*, RDA funding in England is heavily needs-based and strongly favours the traditional problem regions. Finally, in *Poland*, both domestic support and EU ROP funding are allocated according to an equity-related formula which favours sub-regions with low GDP per head and high unemployment. In addition, there are countries where the relative importance of regional aid means that designated aid areas benefit most from regional policy support: *Norway*, given the level of funding for the social security concession and district policy more generally; *Finland*, where support for spatially-targeted regional aid (over €108 million in 2007) is much greater than programme-based funding (less than €30 million); and *Spain*, where FCI transfers and Regional Investment Grant assistance are restricted to Objective 1 regions.

Structural Funds allocations also impact on domestic funding flows, including through the provision of co-finance. Within the EU15, the new funding period brought with it two main changes. On the one hand, EU enlargement significantly reduced the number of full Convergence regions and associated funding. This affected domestic regional policy in *Italy*, leading to the new unitary regional policy. In *Germany*, it saw the proportion of the Structural Funds flowing to the new *Länder* fall from over two-thirds to less than three-fifths. Further, it introduced marked regional differentiation in countries like *Greece* and *Portugal* following the ineligibility of their capital regions from full Convergence status. On the other hand, within the RCE regions, lower budgets and the abandonment of micro-zoning cut funding to lagging areas and created the opportunity for more prosperous areas to be supported. This was a factor in *Austria*, for instance, where regional policy is innovation-oriented and a number of *Länder* explicitly target growth areas. More generally, lower levels of EU support have led to the closer alignment of EU and domestic funding (as in *Denmark*, *Finland*, *France*, *Sweden* and the *United Kingdom*). Within the EU12, EU funding flows have obviously grown markedly. In *Poland*, the equity component to ROP funding saw the worst-off regions benefit most under ROP and related programmes. However, ROP allocations are just 25 percent of overall OP funding. Taking other OPs into account, the overall funding focus has been on productive areas, especially larger towns and cities. Interestingly, the new concept for domestic regional policy seems likely to highlight domestic sources of growth and competitiveness and, in particular, urban areas. In many of the other *new Member States*, lagging regions tend to be favoured (see Table 5), though growth centres are an increasingly prominent focus for policy.

Considering, finally, more specific spatial targeting, the process of developing regional strengths and promoting innovation has led to an enhanced focus on urban areas and

growth centres. This can be seen in *Austria*, reflecting the innovation orientation of policy; in *Denmark*, with four of the six priority themes having a growth-oriented focus; in *Finland*, given the policy weighting attached to competitiveness, the renewal of the Centre of Expertise programme and the introduction of specific measures for large urban regions; in *France*, in light of the designation of new competitiveness poles and the continuation of the initiative for a further three years following evaluation; in *Germany*, where there has been active discussion as to whether specific policies are required for dynamic metropolitan areas; in *Ireland*, given the role of designated regional gateways; in *Italy*, with a new tax concession for urban renewal projects and the continuing development of industrial innovation projects; in the *Netherlands*, via the regional *Peaks* programmes; in *Portugal*, with its new Policy for Cities; in *Sweden*, given the focus on regional growth and the new national programme for major urban regions; in the *United Kingdom*, with its stress on city-regions; in *Poland*, where domestic policy is focusing more on metropolitan areas and growth poles, and in many *new Member States* under Cohesion policy; and in *Norway*, where a new Centre of Expertise programme began in 2006. On the other hand, in *Belgium*, there has been public resistance in Flanders to concentrating economic development in and around cities (mainly on environmental grounds) and this aspect of policy is currently being reconsidered. However, in Wallonia, competitiveness poles are a new feature of policy.

Urban areas are also a policy focus in countries where the maintenance/development of territorial structures is a priority. Thus, in *Finland*, the new Government Decision includes measures to strengthen regional viability (including the Regional Centre programme); in *Sweden* the stress on functional regions underlines the importance of urban centres for policy; and in *Norway*, measures to promote small and medium-sized cities aim to help retain the current settlement pattern. More generally, the links between national spatial development strategies and regional policies appear to be growing, thus raising the strategic profile of urban areas. This can be seen in recent developments in *Greece*, where a new spatial development framework is in preparation; *Ireland*, where the National Spatial Strategy has had a significant impact on the 2007-13 NDP and the related regional gateways; the *Netherlands*, where the *Peaks* approach is aligned with the National Spatial Planning Strategy; *Portugal*, where the new National Programme for Spatial Planning aims to promote polycentric development; and the *United Kingdom*, where economic and spatial development strategies in the English regions are being brought together within integrated regional strategies.

While urban areas are now more prominent within the regional policies of many countries, rural areas also continue to be highlighted. In the Nordic countries, this reflects a concern that rural economies might end up separated from regional growth impulses. The new regional policy in *Denmark* explicitly targets peripheral areas; such areas also lie at the core of policy in *Norway* and are now in receipt of greater funding; and in *Finland* the goal of enhancing regional viability includes measures to strengthen development conditions in sparsely-populated areas and to improve interactions between urban and rural areas. In *Sweden*, a national rural area strategy is under development, while the emphasis on functional regions means that rural and coastal areas are included within the regional policy remit. *France* is also interesting for its wide range of designated zones which include

rural, mountainous and coastal areas. An important development in France has been the move towards designating areas of potential, including rural excellence centres. In addition, in *Germany*, the recent period has seen intensive discussions about the extent to which peripheral rural areas might require special assistance, while, in *Portugal*, there is a new programme for areas of low population density. In *Belgium*, too, the designated 'franc zones' in Wallonia cover rural as well as urban areas. Lastly in *Poland*, the development of marginal rural areas is an important part of policy, not least given the special programme for the development of eastern Poland. Rural areas and urban-rural linkages also receive particular attention in many *new Member States* (see Table 5).

Finally, there are a number of countries where specific measures have been developed for areas facing particular challenges, including mountains, islands and coastal areas. In Table 5, these are mentioned explicitly in respect of *France*, *Greece* and *Ireland* as well as in *Malta*. The impression is that territorial typologies are growing in complexity. In addition, there is a recognition that standard administrative boundaries may not always be appropriate from a policy perspective. This has led to detailed examinations of roles and responsibilities at the sub-national level (especially in the *Nordic* countries) and to the formation of different spatial groupings for different policy purposes (as in *France* and *England*).

In summary, regional policy in a wide range of countries now has an all-region perspective, reflecting the impact of the growth and competitiveness agenda and the stress placed on regionally-grounded, programme-based measures. On the other hand, nearly everywhere there remains a significant spatial orientation to policy. This is in part due to the fact that regional aid continues to play a core role in a range of countries; in part because funding flows anyway tend to favour weaker regions (in line with the equity rationale that is part of the justification of most regional policies); and in part because of specific spatial targeting in favour of, in particular, urban areas and rural or peripheral locations.

4.4 Changing policy instruments

The aim in this section is to review recent changes in regional policy instruments and the reasons for such policy change. The section covers both developments in regional aid regimes following the introduction of the 2007-13 regional aid guidelines (as summarised in Table 6) and changes to broader measures in support of the business environment (as highlighted in Table 7).

4.4.1 Country-by-country review

In *Austria*, there has been no major regional aid since the withdrawal of the Regional Innovation Premium in 2000 in response to budgetary pressures, though ERP loans were renewed for the 2007-13 period and continue to support innovation-oriented projects in weaker (often rural) regions. However, taking advantage of the new regional aid guidelines, a federal scheme to support young entrepreneurs and innovation in SMEs has been introduced in the designated aid areas, with an annual budget of €6.5 million. With respect to broader business environment measures, the strong focus on innovation-oriented support remains, channelled mainly through the Austrian Research Promotion Agency (FFG), but

rarely with an explicit regional component. As regards support for endogenous development, the long-established regional management offices continue to provide an integrated approach at regional and sub-regional levels, including advisory services. However, the removal of Structural Funds from their financing has left the *Länder* to cover the resultant funding gap. This has had implications for their organisational relationship with each *Land*, with a more centralised approach adopted in a number of *Länder* in respect of organisations which traditionally have operated in response to bottom-up needs.

In *Belgium*, regional-level aid was adapted to comply with the 2007-13 regional aid guidelines and measures were implemented to improve the business environment and reduce burdens on business. In Flanders, the main aid scheme was amended in February 2008. Support targets large projects exceeding €8 million. Award rates are determined by a scoring system up to a basic 10 percent maximum - and this despite the possible 15 percent maximum in some areas under the guidelines. The uniform approach aims to increase simplicity and visibility. An extra growth premium for SMEs will be discontinued in 2009, with the funding channelled to an ecological premium. Also, a new approach to industrial estates has been adopted to encourage the development of brownfield sites and changes aim to make urban development more integrated. In Wallonia, aid has become more selective and is targeted on *franc zones*, urban and rural areas facing challenges (plus areas near regional airports). Coherence between regional aid and the Structural Funds has increased. Policy reflects five development priorities under the 2006-09 Marshall Plan: to create competitiveness poles (aerospace, life sciences, agro-industries, transport and logistics); to stimulate firm creation; to lower corporation tax and create *franc zones* with attractive tax regimes (there are now 52 urban and 17 rural zones); to enhance research and innovation in firms; and to create jobs (including via targeted and selective aids).

In *Denmark*, regional aid ceased to be available in 1991; for 2007-13, financial aid to businesses can only be used in the ultra-periphery - small, no-bridge islands in the designated peripheral areas. Under the new approach to regional policy, the vast majority of projects supported by the new regional growth fora take the form of 'framework measures' in support of the business environment. They relate to one or more of six priority areas: innovation, ICT, entrepreneurship, human resources, tourism and peripheral areas. Two features of their functioning since 2007 are, first, that they have supported a very wide range of initiatives within these priority areas; and second, that the profile of projects supported has differed markedly by region. This is in line with the goal under the new policy that policy responses should reflect region-specific challenges and priorities.

In *Finland*, business aid legislation was introduced for 2007-13 to reflect the new regional aid guidelines (reduced area coverage, lower award ceilings) and to simplify and improve the business aid regime. The investment aid and SME development aid were merged into a new business development aid, with improved support for broader business development projects. Development aid for the business environment was extended to increase the flexibility available to support SME development and enhance cooperation with educational and research institutes. Development aid for agricultural products and production was shifted to the Ministry of Agriculture. Thus four regional aids became two. Regarding broader business environment support, the Centre of Expertise programme was renewed for 2007-13. A cluster-based approach (with 13 knowledge clusters, each involving 4 to 7 of the

21 centres) aims to improve cooperation between clusters, enhance regional specialisation and focus more on internationalisation and the promotion of SME growth. The Regional Centre programme was also renewed, but only until 2010 when it will merge with the Rural and Island programmes. For 2007-10, it aims to strengthen the vitality and competitiveness of urban regions and, thus, the territorial structure by helping to develop 34 regional centres. Under the 2007-10 Rural programme, goals include improving strategic planning in rural areas and enhancing the role of rural areas in innovation policy. The Island programme is unchanged; however, under the planned 2011-13 Regional Cohesion and Competitiveness programme (KOKO), island themes are expected to become more prominent. By targeting all regions together, KOKO aims to improve programme-based approaches through new cooperative working methods and networking, the promotion of good practice and learning, better forecasting of local developments, and partnership working.

In *France*, the regional policy grant (PAT) has been adapted by decree to take account of the new aid map (with an almost 50 percent cut in the population quota leading to a highly distributed map focusing on areas of growth potential); over one quarter of a population reserve of 250,000 has already been used up by two zones facing economic challenges (due to defence closures). There are now two components to the PAT: an industry and services element which targets major projects and where the maximum aid per job has increased from €11,000 to €15,000; and an R&D and innovation element which is now available throughout France (Paris and Lyon were previously ineligible) and where the aid per job can be increased to €25,000 for strategic or networking projects. A feature of the new period is that the PAT will mainly be concentrated on major strategic projects in zones experiencing economic change. With respect to support for the business environment, the most prominent feature is the competitiveness poles initiative which, in line with industrial policy objectives, aims to concentrate innovation-related efforts in a collaborative way to achieve national and international excellence. Although there are 71 poles, with five new ones designated in July 2007, project selection has channelled most funding to relatively few. In a June 2008 evaluation, the networking, SME involvement and visibility of the poles were viewed positively, but there were some concerns about their diversity. It was recommended that 39 poles be extended unconditionally for three years, 19 be subject to a funding review after 18 months, and 13 receive an initial one-year extension.

In *Germany*, the Regional GA allocates some 70 percent of its resources to business aid, with the remainder supporting business-oriented infrastructure, business consultancy, workforce training, R&D support and networking projects. In response to the regional aid guidelines, the aid map was redrawn and lower aid ceilings apply in most areas. In addition, there have been moves from grant- to loan-based support in some *Länder* (e.g. Thüringen) in response to fiscal constraints; these have also led to more selectivity in award. In March 2008, mainstream GA funding was extended to include cooperation networks and cluster management projects previously supported on a pilot basis. In similar vein, non-profit-making, business-oriented research institutions (outside universities) are also now eligible for mainstream GA support. Distinct from the Regional GA, the Investment Allowance in the new *Länder* was extended beyond 2009 but will be phased out by 2013. Rate maxima for large firms will fall from 12.5 percent to zero by end 2013. This is a significant development; Investment Allowance aid for 2010-13 is estimated at some €2.3 billion.

Table 6: Recent regional incentive changes in the EU15, Poland and Norway (2007-08)

Austria	Reduced aid area coverage (from 27.5 to 22.5 percent of the national population) and lower aid ceilings. New federal scheme to support young entrepreneurs and innovation in SMEs.
Belgium	Reduced aid area coverage (30.9 to 25.9 percent) and lower award maxima. Wallonia has a spatial approach (Hainaut is a statistical effect region) but Flanders' approach is horizontal. In Flanders, regional aid targets large projects of up to €8 mn, with a uniform award maximum (10 percent). In Wallonia, aid has become more selective and targets specific zones (<i>zone franche</i>) as well as recently-established competitiveness poles. Policy more coherent (regional aid/Structural Funds).
Denmark	Regional aid ceased in 1991; for 2007-13 aid available only for small no-bridge islands in the designated aid areas. Peripheral areas designated and used mainly for programme-based support (and for determining regional policy allocations under the regional policy budget).
Finland	New Aid to Business Act in 2007 has merged four regional aids into two. Less funding; lower aid ceilings (in response to the regional aid guidelines); a more focused approach to aid (aid area population coverage cut from 42.3 to 33 percent); more restrictive large firm support; and more award decisions taken regionally.
France	New decrees have seen the PAT (now covering services as well as industry) continue to focus on nationally important projects with structural impacts. There is more selectivity (reduced budgets compared to 2001-03), lower award ceilings (under the regional aid guidelines) and more narrowly defined aid areas (with population coverage down from 34 to 18.4 percent). A new nationwide PAT for R&D and innovation has been introduced (previously Paris and Lyon were ineligible).
Germany	Budget cutbacks have led to more selective awards at the <i>Land</i> level and to moves from grants to loans in some. GA map population coverage down from 34.9 to 28.1 percent. GA ceilings are lower in most areas in 2007-13, especially for large firms. The <i>Investitionszulage</i> , a fiscal aid available only in the new <i>Länder</i> , is to be phased out by 2013.
Greece	2004 Development Law amended to reflect the regional aid guidelines. Although the whole country remains eligible, the guideline ceilings have been significantly cut. However, the lower ceilings will impact on awards made under the Development Law only post 2010 and then in only a few areas.
Ireland	Regional aid ceilings much reduced. No regional aid available now in the Greater Dublin Area (aid area population coverage down from 100 to 50 percent). Awards depend on quality of employment and location (with regional gateways favoured). Revised and simplified aid regime.
Italy	New regional aid map (and associated regional aid) approved (population coverage cut from 43.6 to 34.1 percent, most in the <i>Mezzogiorno</i>). Reduced role for Law 488/1992 aid. New automatic tax credits for investment and job creation. Also, more selective and targeted aid (e.g. support for industrial innovation projects). Regional-level incentives more important, but small-scale.
Luxembourg	More focused aid area map (population coverage halved to 16 percent), but law not yet enacted.
Netherlands	Aid area population coverage halved (to 7.5 percent) and lower aid maxima. The Investment Premium has been continued into 2007-13 (reflecting cross border competition concerns).
Portugal	Previous aids (SIME) were replaced by three new schemes - for R&D, innovation, and SME modernisation and internationalisation. Parts of Lisbon are now ineligible for regional aid and award maxima are significantly lower. The priority attached to aid is lower, aid is more selective and targeted, and there is a focus on SMEs, innovation and improved aid administration
Spain	Minor change to aid area coverage. Cuts in aid ceilings more marked, but they do not yet impact on the aid ceilings under the Regional Investment Grant.
Sweden	Slight reduction in the aid area population quota (from 15.9 to 15.3 percent). The exclusion of three major cities in the north allowed other areas to be designated. Award ceilings for large firms were cut, in some cases significantly. No major changes were made to the available aids following on from the changes made in July 2005, except for the transport grant and the aid ceilings.
UK	Significant cut in aid area population coverage (down from 30.7 to 23.9 percent). New map fits within the old map. Major reductions in aid maxima. Broader business support simplification programme. In Scotland, regional aid is being consolidated with R&D support (single application form etc.); three R&D measures have been merged.
Poland	Whole country remains eligible for support, but with aid ceilings falling over time. The traditional focus has been on tax concessions (as in the system of Special Economic Zones). However, under EU programmes, investment grants are now available, albeit with limited regional differentiation.
Norway	Regional aid map for 2007-13 approved, covering areas of low population density (27.5 percent population coverage, up from 26 percent). Rate maxima generally lower but areas eligible for the maximum award extended (combination of previous zones A and B). Social security concession re-introduced in the least-populated areas from the start of 2007 (17.7 percent population coverage). New <i>Nyvækst</i> scheme for recently-established small firms with growth potential.

Table 6 (continued): Recent regional incentive changes in the remaining Member States

Bulgaria	Traditionally there has been no well established system of regional incentives. However, corporate tax breaks have been available for investments in municipalities with high unemployment
Cyprus	Despite its small size, a number of incentives aim to influence the location of investment within Cyprus, including a programme of support for the relocation of small enterprises into industrial zones, grants for the development of rural manufacturing and the Larnaca Free Zone.
Czech Republic	Regionally differentiated support measures are available. They include income-tax relief, support for job creation and support for training and retraining.
Estonia	The 2007 NSRF stresses the competitiveness of enterprises. Specific measures are geared towards the development of skilled labour; increasing research and development capacity and increasing levels of innovation and productivity of enterprises; improving connectivity; balanced development of regions; and improved administrative capacity.
Hungary	National regional aid can take the form of repayable and non-refundable assistance or interest free grants. There are two categories of funding: funds targeting the development of the local economy (employment, international cooperation etc.) and assistance to local governments for infrastructural developments.
Latvia	In the previous programming period there was an SME support programme (financed from the ERDF) and an income tax relief programme for specially supported territories, which was funded by the State. Since 2007, new national support instruments have been introduced for the development of municipalities including, support for investment projects, subsidies and infrastructure development.
Lithuania	National investment priorities envisage financial allocations for infrastructure in public and private areas, and for the renovation of recreational areas. Investment Programmes are mainly funded from EU Structural Funds, but also from municipal budgets and the State budget. In addition, there are financial assistance mechanisms such as Ministry of Economy-funded public services for businesses.
Malta	Measures are in place that support the development of Gozo, e.g. through particular emphasis on the service sector, tourism and micro enterprises.
Romania	In 2008, a government ordinance was introduced which limits the award of investment incentives to a number of sectors and stipulates that the investment must contribute to regional development goals.
Slovakia	Regional aid is available for the economic development of regions with extremely low living standards or high unemployment rates. Most commonly this takes the form of income tax relief, grants and subsidies in the form of irrecoverable financial contributions and penalty relief.
Slovenia	Local incentives are available. Municipalities may offer different forms of incentives, which are negotiated on a case-by-case basis. These incentives may include easy access to industrial sites, utility connections and holidays from local taxes.

Table 7: Recent changes in business environment support in the EU15, Poland and Norway (2007-08)

Austria	Long-standing regional policy stress on innovation/technology transfer continues. The withdrawal of Structural Funds support from regional management offices has changed their relationship with some <i>Länder</i> which have adopted a more centralised approach to long decentralised organisations.
Belgium	The Flanders in Action programme underlines the importance attached to innovative entrepreneurship, enhances SME support, tackles urban bottlenecks and improves industrial estate provision. In Wallonia, the 2006-09 Marshall Plan provides new support for clusters and competitiveness poles and more coherent business support (ASE/AST support bodies established).
Denmark	Business environment support has been the backbone of regional policy since 1991. The Business Development Act provided a statutory basis for measures for innovation, ICT, entrepreneurship, human resources, tourism and peripheral areas, which much increased their profile from 2007.
Finland	Centre of Expertise programme renewed (2007-13) with new cluster-based approach and focus on internationalisation and SME growth. Regional Centre and Rural programmes extended (2007-10); more support for urban competitiveness and rural strategic planning. KOKO programme planned
France	Five competitiveness poles selected in July 2007, increasing the total to 71. They are important for regional policy, and also respond to industrial policy concerns. A July 2008 evaluation was positive but, reflecting their different performances, suggested that 39 continue for at least three years; 19 for three years but with an 18-month funding review; and that 13 be evaluated after one year.
Germany	Mainstream GA funding extended to include cooperation networks, cluster management projects and support for business oriented, non-profit, research institutions; previously, such activities had been supported on a pilot basis.
Greece	Regional policy is built around EU programmes, with a focus on infrastructure provision and the Lisbon priorities. 2005 legislation established regional innovation poles. Support also targets good governance and administrative efficiency (including through the 2005-11 Thiseas programme).
Ireland	2007-13 NDP set out ambitious infrastructure plans, with key business infrastructure in gateway locations (e.g. flagship parks). New Gateway Innovation Fund to assist gateway development. Also, broader support activities of the development agencies, including university-industry collaboration.
Italy	FAS supports strategic infrastructure. New industrial innovation projects. Part of industrial policy, but with significant regional impacts. Aim to enhance competitiveness in innovation-related sectors. New re-industrialisation programme agreements for areas of pollution or industrial crisis. New <i>Invitalia</i> agency and new <i>Mezzogiorno</i> Bank.
Luxembourg	Business support measures are national in orientation. The Centre of Enterprise and Innovation (Ecostart) in Foetz has recently been extended; the Ecostart 2 site opened in June 2007.
Netherlands	Considerable weight attached to the provision of economic infrastructure under the <i>Peaks</i> programmes (in line with national spatial strategy). In addition, strong innovation component to the programmes, and also an urban focus. Industrial estates policy under review.
Portugal	Alongside the three new aids schemes, three other instruments are highlighted: financial engineering measures, support for collective actions (relating to clusters, competitiveness and technology poles etc), and public actions to support measures sponsored by public bodies (including technology parks, support for SME networks and measures to improve administration).
Spain	Under EU Cohesion policy, there are just two ERDF programmes - one for the knowledge-based economy (R&D and quality science); and the other to promote R&D and innovation for and by firms. A specific priority targets business development and innovation and focuses on SMEs (entrepreneurship, simplifying processes, innovation, internationalisation, competitiveness).
Sweden	The new regional growth policy (operating through Regional Development Programmes) aims to create a better climate for entrepreneurship, innovation and investment in the regions. The activities of NUTEK and VINNOVA also play an important role by supporting business development and innovation respectively in the regions.
UK	The policy balance continues to shift towards support for the business environment. The business support landscape is being rationalised (from 3000 to 100 schemes by 2010) and support services are also increasingly coordinated at the regional level (e.g. via the RDAs in England). RDAs are also responsible for innovation-related measures and have an increasingly broad strategic role. Restructuring of development agencies in Scotland.
Poland	Regional support provided under EU programmes is growing in importance, including measures to strengthen and develop business support institutions. The regional dimension to business support should increase in 2007-13 via the ROPs. Within these, transport infrastructure is due to receive one quarter of the available budget and R&D, innovation and enterprise support a further quarter..
Norway	Business environment support is important within regional policy, not only transport infrastructure (to improve accessibility and reduce peripherality) and business infrastructure (incubators, knowledge parks, business "gardens") but also the extended Centre of Expertise programme which aims to strengthen regional industrial and knowledge clusters. Six centres were chosen in 2006 and three more in 2007. Regionalisation of certain business support activities is under discussion.

Table 7 (continued): Recent changes in business environment support in the remaining Member States

Bulgaria	For an extended period a range of 'framework' support measures have been in place, e.g. investment in local infrastructure, investment in business support services and sites, and education and training. For 2007-13, Regional Development Councils have adopted plans that identify and prioritise key projects. The aim is that these plans should help to better target resources.
Cyprus	Support available from EU Cohesion policy funds focuses on upgrading and expanding basic infrastructure and financing instruments for the enhancement of entrepreneurial activity and upgrading of business infrastructure.
Czech Republic	Support focuses on a range of activities, ranging from basic infrastructure provision to building links between business and research and educational institutions, e.g. through Technology Innovation Centres.
Estonia	The public institute Enterprise Estonia (EAS), initially set up for Structural Funds implementation, now supports Estonian enterprises by providing financial services, advice, partnership opportunities and training for entrepreneurs, research and development institutions and the public and third sectors. In terms of Cohesion Policy, the previous funding period focussed on investments in research and development, environmental, transport and educational infrastructure as well as training and social inclusion of non-Estonian speakers. The aim of cohesion policy is now to strengthen and stabilise the achievements that have been made in these areas.
Hungary	To assist innovation and competitiveness, development poles were created around eight cities. The Hungarian government also underlined the importance of spatial cooperation between bigger towns. The programme for growth poles has two pillars: development of SMEs and horizontal economic development. The first supports enterprises (clusters) that will be able to produce high value-added export goods and high level services. The programme contributes to the acquisition of tangible assets, human resources, business services and repayable sources. The second pillar aims to advance the overall business environment through physical and human infrastructural development. Beneficiaries can be institutions in education, research, health or local governments.
Latvia	Several programmes, mainly administered by the Latvian Investment and Development Agency, offer support for science, innovation and entrepreneurship by promoting research development and technology transfer, by supporting the establishment of new enterprises and by improving access to financial resources. In 2007-13, a large part of the resources available go to 'indirect' support by establishing business centres and technology incubators, attracting highly-qualified employees and promoting innovative production. Investments also go to enterprises producing high added value.
Lithuania	The Lithuanian Regional Policy Strategy 2007-13 pays particular attention to services for business development, especially in the regional centres, e.g. through the establishment of innovation centres, business incubators, and development of business consultancy services. Business and science cooperation is seen as particularly desirable. Other priorities include infrastructure and human resources development. Cohesion policy, too, aims to increase productivity, infrastructure development and business support.
Malta	Investment in hard infrastructure is continuing, especially in the road network and sea and airports. Development and access to ICT is also a focus. A number of initiatives have been introduced, e.g. the Regional Innovation Strategy for the Maltese Islands (MARIS) and the development and implementation of R&D initiatives linked to the development of business technology networks.
Romania	Basic infrastructure development crucial to improving the business environment in Romania. Efforts are also being made to develop more specialised business infrastructure and facilities. For instance, a number of industrial parks have been developed in order to encourage economic development and to reduce unemployment particularly in areas affected by the industrial restructuring process.
Slovakia	In addition to addressing regional infrastructural deficits. The development of business services is being pursued. An integrated network of Regional Development Agencies is in place to stimulate endogenous development and cooperation between public and private actors.
Slovenia	There has been a shift towards innovation-oriented regional policy (networks of regional incubators, technological park network, and network of business zones, as well as possibilities to invest into higher education regional centres).

In *Greece*, the 2004 Development Law has been amended to take account of the 2007-13 regional aid guidelines. The aid map continues to cover the whole country. Although aid maxima under the guidelines have fallen, these will not impact on award ceilings under the Development Law until 2011 when a few Zone A areas will see their maximum ceilings reduced from 20 to 15 percent. Also on the aid front, recent progress has been made with respect to the implementation of JEREMIE funding in Greece. Suitable funding instruments have been identified (guarantees, venture capital, micro-finance) and appropriate structures established. As regards support for the business environment, there is considerable emphasis on upgrading transport infrastructure, often co-financed by the Structural Funds. Regional innovation poles were also designated under 2005 legislation and particular attention has been paid to improving administrative capacity and efficiency in the regions. Not only is this a focus under the Structural Funds but a 2005-11 development programme (Thiseas) involves support for local authority administration.

In *Ireland*, aid area coverage was markedly reduced for 2007-13; the population quota under the regional aid guidelines was halved to 50 percent. Both the Dublin region and the Mid-East lost their eligibility to award regional aid. This is now limited to the Border, Midland and Western (BMW) region and the South-East plus the Mid-West and some small islands, Kerry and the Cork urban regeneration area in the South-West. In these areas, award ceilings have fallen significantly. For instance, the 40 percent large-firm maximum in the BMW region in 2006 fell to 30 percent in 2007 and will be 15 percent from 2011. Within this aid framework, development agencies support the regional gateway strategy which is a core regional element of the 2007-13 NDP (including via flagship business parks). In January 2008, a revised and simplified grant regime was introduced by IDA-Ireland and Enterprise Ireland. In addition, a new Gateway Innovation Fund has been established to address the challenges facing the regional gateways (including support for cooperation across administrative borders, stronger private sector participation and the implementation of planning and sustainable development strategies). More generally, infrastructure investment continues to be a pillar of the NDP, focusing on critical infrastructure to promote self-sustaining growth and balanced development. Stress is also placed on capacity building for R&D and innovation, including university-industry links. The broader support activities of the development agencies are also vital, with a new Enterprise Ireland strategy to drive enterprise growth and accelerate the development of world-class Irish companies.

In *Italy*, a new regional aid map has been approved which focuses mainly on the *Mezzogiorno*. There has been a progressive reduction in traditional regional aid (under Law 488/1992), mainly due to dissatisfaction with its impact. The 2008 Finance Law made provision for 85 percent of the resources unused under this measure to move to other *Mezzogiorno* activities (including a programme for the employment of young graduates and measures to reclaim industrial sites). At the same time, new automatic tax credits are in the process of being introduced, one for investment in the *Mezzogiorno* under the 2007 Finance Law (though, following amendments, this has still to receive DG Competition approval); and another for employment creation under the 2008 Finance Law (involving funding of €200 million per annum from 2008-10). Regarding broader business support measures, domestic regional policy funding (under the FAS) focuses on strategic infrastructure. In addition, industrial innovation projects aim to upgrade the

competitiveness of chosen strategic sectors through selective public investment; progress has been slow so far (reflecting political instability) but plans were adopted in March/April 2008 for three of the five chosen sectors (each involving €180-200 million in funding). In addition, a July 2008 parliamentary bill aims to launch so-called Re-industrialisation Programme Agreements to support areas facing pollution or industrial crisis; such interventions will be administered by a new agency, *Invitalia*. This has a narrower remit than the agency it replaces, *Sviluppo Italia*, which was viewed as ineffective. *Invitalia* also aims to improve the operation of Localisation Contracts which facilitate the attraction of FDI to the *Mezzogiorno* by creating a single point of contact. Finally, a Bank for the *Mezzogiorno* is being established to help sustain economic development and growth in the region.

In *Luxembourg*, the new regional aid map has been approved (involving a 50 percent reduction in population coverage to 16 percent and a lower aid ceiling) but new regional aid legislation has not yet been passed. No awards have thus been made since 2006. Although there have been more R&D, SME and environmental awards in the absence of regional aid, the overall level of support is much lower than previously. Non-aid-based measures to improve the business environment are mainly national in orientation. They include measures funded by the National Agency for Credit and Investment, support for industrial clusters, activities to promote R&D, innovation and entrepreneurship (including science and business parks) and more general measures to progress the Lisbon strategy. However, there have not been any major policy developments in recent years, though the Ecostart 2 park for innovative firms began to operate in June 2007.

In the *Netherlands*, the sole national regional aid, the Investment Premium, has continued into the 2007-13 period, in light of concerns about cross-border competition for mobile investment. The new aid map has population coverage of just 7.5 percent, half the previous quota, leading to a focus on the north and South Limburg. Designated areas within these regions are those in vulnerable border locations or which have made use of the Investment Premium in the past. With respect to broader support for the business environment, *Peaks* programmes focus on regional strengths, often with an innovation orientation and/or urban focus. The National Spatial Strategy has impacted on the *Peaks* approach, underlining the importance of effective transport and other connections. Recently, there has been dissatisfaction with the provision of industrial estates; the previous support system is under review with the aim of improving estate quality and sustainability.

In *Portugal*, three new aid schemes were introduced for 2007-13 - one for R&D, another for innovation and a third for SME modernisation and internationalisation. The aids responded to the regional aid guidelines in terms of area coverage (with the exclusion of parts of Lisbon from eligibility for investment support) and award rates (with reductions in regional aid maxima of 15 to 29 percentage points). They also reflected a number of strategic goals: to reduce the priority and financial weight accorded to aid schemes (as opposed to financial engineering measures and 'collective actions'); to make aid more selective and targeted; to increase the priority attached to SMEs, whilst also recognising the importance of innovation-oriented investment; and to improve aid administration, increasing the speed and quality of decisions. The schemes aim to help improve competitiveness factors related to R&D cooperation, innovation, entrepreneurship and SME support; and also to exploit

synergies through the promotion of competitiveness and technology poles, clusters, regional development poles and urban renewal. Project calls to the value of €163 million were launched in 2007 - €95 million for innovation aid, €38 million for SME support, and €30 million for R&D aid. In addition to aid schemes, three further policy instruments are supported under the OP Factors of Competitiveness for 2007-13: financial engineering measures (risk capital, interest rebates, bank guarantees and the recently created Fund for Innovation Financing Support (FINOVA)); support for collective business development actions which aim to improve competitiveness through promoting clusters, competitiveness and technology poles and other networks; and public actions to support projects sponsored by public bodies (including technology parks, SME network support and measures to modernise the public administration).

In *Spain*, there have been no substantive changes to the Regional Investment Grant. Under the regional aid guidelines, there was a slight reduction in the population quota (60.7 to 59.6 percent) leading to the exclusion of Valencia and a neighbouring district from eligibility. Award maxima were lowered significantly, but they remain above the national award ceilings under the scheme. Regarding broader business development support, the new programme architecture under EU Cohesion policy reduced the number of multi-regional NOPs. There are just two ERDF programmes: one for the knowledge-based economy, aiming to increase the level of R&D and quality science; and the other to promote R&D and innovation for and by firms - through actions to structure the R&D and innovation system (including research-industry cooperation, technology platforms and clusters), the creation and consolidation of technology centres, support for technology transfer, actions to broaden the science base, and support for traditional R&D and innovation projects. A specific priority axis on business development and innovation targets SMEs and aims to boost entrepreneurship, simplify the legal and administrative framework, increase the adoption of innovation and ICTs, enhance the international presence of businesses, and stimulate business growth and competitiveness.

In *Sweden*, the aid area population quota fell marginally, from 15.9 to 15.3 percent. In response, coverage continues to focus on the sparsely-populated north (but now excluding the cities of Luleå, Umeå and Sundsvall) plus a few areas in central and south-east Sweden. In response to the regional aid guidelines, the aid maxima for large firms were reduced to 15 percent in Aid Area A and 10 percent in Aid Area B. The regional aids on offer otherwise remained broadly unchanged (under new decree 2007:61), though amendments were made to the transport grant (under decree 2007:953). With respect to support for the business environment, the new regional growth policy (operating through Regional Development Programmes) aims to create a better climate for entrepreneurship, innovation and investment. The government agencies NUTEK and VINNOVA also play an important role in providing support for business development and innovation respectively. The programmes they operate show a clear shift in focus from redistribution to more competitive and loan-based support. NUTEK has programmes which promote sustainable development, international collaboration and regional clusters, while VINNOVA has a range of programmes supporting business-related research and innovation (excellence centres, cluster support, competence centres etc.).

In the *United Kingdom*, government spending has been shifting from direct business aid to broader support for the business environment. Under the regional aid guidelines, the cut in aid area population coverage was significant - from 30.7 to 23.9 percent. The new map fits within the previously-designated areas, but with much more of a patchwork quilt effect. Award ceilings for large projects have also been markedly reduced: from 35 to 30 percent in Article 87(3)(a) areas; from 40 to 30 (2007-10) and then 20 percent (2011-13) in Northern Ireland; and from 10-20 percent net to 10-15 percent gross in most other Article 87(3)(c) areas. In both England and Scotland, reviews have aimed to simplify and streamline business support. In Scotland, the main development agencies have been restructured and innovation aid has been consolidated (with three schemes merged) and brought together with regional investment aid. More generally, the UK government is committed to rationalising business support. By 2010, the aim is to have all publicly-funded support delivered via a portfolio of no more than 100 products and services which target business needs, have a clear rationale and offer strong value-for-money. Related, the Business Link network, which provides advice to SMEs in England, has been brought within the area of responsibility of the RDAs with a view to encouraging regional rationalisation. Further streamlining may be achieved through more sub-regional collaboration in the context of functional economic areas (including city-regions).

In *Poland*, the entire country remains eligible for regional aid, with ceilings of 50 and 40 percent gross (30 percent in Warsaw from 2011). Aid to business has decreased significantly since EU accession; in particular, sectoral support (related to coal mine restructuring, for instance) has fallen markedly. Most such aid had a strong territorial concentration, notably in Śląskie, Dolnośląskie and Pomorskie. In recent years, regional aid has grown in importance, in part related to the operation of Special Economic Zones (SSEs) offering tax concessions. There are currently 14 SSEs, the largest in Śląskie, Dolnośląskie and Podkarpackie. Cohesion policy has increased aid funding and enhanced the proportion of aid awarded as grants. Broader business support is growing in significance, mainly through the OP Innovative Economy (budget €9.7 billion). Most measures aim to strengthen business support institutions (technology transfer centres, science and technology parks, industrial parks, technology incubators, R&D institutions, loan and guarantee funds, seed capital). Most have no explicit spatial dimension though beneficiaries tend to be located in areas of potential. Regional OPs also contain business support measures. After transport infrastructure, support for R&D, innovation and entrepreneurship is of most significance, reflecting the Lisbon orientation of the Regional OPs.

In *Norway*, designated aid area population coverage increased from 26 percent to 27.5 percent in 2007, with the addition of 24 municipalities. All the designated areas have low population density (less than 12.5 inhabitants per km²). Rate maxima for 2007-13 are much lower for large firms and most medium-sized firms but have broadly maintained their value for small firms. Moreover, with more extensive maximum rate areas, the scope to award the maximum has increased. In addition, the social security concession has been re-introduced in areas with less than 8 inhabitants per km², containing 17.7 percent of the population. Eligible zones are similar to those prior to 2004, when the (then) regional aid guidelines caused the concession to be phased out except in the far north. Further, a scheme was introduced in 2008 for small, recently-established enterprises with growth

potential (*Nyvekst*), as permitted under the guidelines. Municipalities were also encouraged to increase their start-up advice and services for new businesses. Regarding broader business support, there has long been a focus on transport infrastructure (to improve accessibility and reduce peripherality and on the provision of business infrastructure (incubators, knowledge parks, business “gardens” etc.). Three further Centres of Expertise were designated in June 2007, adding to the six established in April 2006. There has also been discussion about whether SIVA (which provides business infrastructure across all regions), should be regionalised. Related the Research Council of Norway (RCN) has extended its regional presence, sharing offices with Innovation Norway. Discussions are also taking place about the establishment of Regional Research Funds, to assist in transferring quality research to small firms in the regions.

In the *new Member States*, and beginning with regional aid provision, many EU12 States retained their 100 percent population coverage, although aid levels were reduced in a number of regions. For instance, in *Estonia*, aid levels fell from 50 to 40 percent in North Estonia (including the capital of Tallinn). In *Malta* and *Slovenia*, aid intensity decreased from 40 to 30 percent. Other countries saw a reduction in both population coverage and aid levels. In *Hungary*, for instance, the Közép-Magyarország region (covering Budapest and Pest county) became a (3)(c) area, and aid levels were decreased in various regions: from 50 to 40 percent in Közép-Dunántúl, and from 45 to 30 percent in Nyugat-Dunántúl. Aid rates in Budapest will drop from 35 to 10 percent in two stages (an initial decrease of 10 percent from January 2007 and the balance from the start of 2011). Both *Slovakia* and *Czech Republic* have a reduced population coverage (by 11.1 percent in Slovakia and 11.4 in Czech Republic) while in Cyprus the cutback was 50 percent. As the majority of regions are eligible for some form of regional aid, regional policy legislation in the EU12 makes provision for a range of investment incentives, including tax relief, soft loans, grants, guarantees, credit incentives, depreciation allowances and subsidies (see Table 6).

With respect to business environment support (Table 7), a wide range of policy measures are in place, linked to the diverse economic position of the *EU12 Member States* and their regions. Investment in basic infrastructure remains a key pillar of support and is most commonly addressed at the national level. For instance, in *Slovakia* road infrastructure development is implemented according to the Programme for the Preparation and Construction of Motorways and Highways for 2007-10, which identifies priority locations for investment. As well as the development of infrastructure, key to the development of regional economies in *Romania* and *Bulgaria* are efforts to embed a more entrepreneurial culture and promote on-going economic reform, e.g. through support for SMEs. In other EU12 States, economic reform processes are further advanced and support measures aim to consolidate the progress made and advance regional development by encouraging higher-value added investments. In some cases this involves support to promote R&D, innovation and high-tech investment, e.g. technology innovation centres in the *Czech Republic*. More generally, business environment support does not necessarily have a specific ‘regional’ focus. However, the potential to team business infrastructure provision with regional investment support can improve the overall attractiveness of key locations. The focus on integrated actions, covering a range of interventions and geographic areas, is an emerging trend. For instance, in *Lithuania*, the government and municipalities have selected eight

industrial sites to be developed by 2008-09, using Structural Funds resources. These will be fully serviced sites, with purpose-built business facilities.

4.4.2 Comparative points

Changes in regional policy instruments divide into two broad groups: those which relate to the regional aids on offer and those which concern broader support for the business environment. With respect to regional aid, the most common themes to emerge from Table 6 relate to changes in the spatial coverage of the available aids and their award ceilings, both of which were significantly impacted by the 2007-13 regional aid guidelines.

Regarding area coverage, Figure 4.1 (in Section 4.3.2) showed that there were reductions in the population quota of around one half in *Denmark, Luxembourg, the Netherlands, France, Ireland and Cyprus*; and of between 16 and 24 percent in *Austria, Belgium, the United Kingdom, Germany, Italy, Finland and Portugal*, with declines of around 11 percent in the *Czech Republic and Slovakia*. In contrast, the quota was broadly stable in *Norway and Sweden* (due to the sparse population criterion) as well as in *Spain, Greece and Poland* (with the last two countries, and also the remaining *EU12 Member States*, remaining eligible in their entirety). Different from the previous period, the new aid maps were agreed relatively quickly, a reflection of the increased flexibility under the designation system. Countries were able to designate areas of particular need (including sparsely-populated areas in *Norway and Sweden* and border regions in countries like *Austria*) and areas of development potential within problem regions (as in *France, the Netherlands and the United Kingdom*). Only in *Italy* was area designation particularly challenging, due to the limited population quota for Article 87(3)(c) areas (just 3.9 percent of the population). It is of note that *France* retained just over 250,000 of its quota for areas facing future industrial crises. Following defence industry cuts, two such areas (combined population 70,000) were designated in June 2008, reflecting the perceived importance of regional aid in zones experiencing economic change.

In terms of award ceilings, significant reductions in award maxima were introduced under the 2007-13 guidelines (see Figure 4.2). Large firm maxima fell to 10 or 15 percent gross in eligible Article 87(3)(c) areas and to a maximum 30 percent gross in all but the poorest and most distant Article 87(3)(a) regions. These are much lower ceilings than applied less than a decade ago (when the equivalent maxima were at least twice their current levels). However, it is only now that guideline-determined ceilings are beginning to constrain actual awards made - and then only in respect of large firms. For small firms, the guideline ceilings do not in general represent a major constraint on the operation of domestic regional aid regimes.

The regional aid guidelines also impacted on the types of regional aid on offer. In particular, changes to the guidelines allowed the social security concession in *Norway* to be reintroduced from 2007 in areas of very low population density, having been phased out from all but the far north under the previous guidelines. This change had been a priority for the Norwegian authorities who were convinced of the efficacy of the scheme for sparsely-populated areas facing permanent hardship and campaigned actively for changes to the guidelines to permit its reinstatement. The new guidelines also permitted aid to encourage

new businesses in the aid areas, with support restricted to small firms, limited to €2 million in Article 87(3)(a) areas and €1 million in (3)(c) areas and linked to expenses incurred in the first five years of a business. Such support was introduced in both *Austria* and *Norway*.

Figure 4.2: Maximum rates of award for large firms under the regional aid guidelines

	2007-13 (% GGE)	2000/4-6 (% NGE)
87(3)(a) area OMR < 75% EU25 GDP	50	65
87(3)(a) areas < 60% EU25 GDP	40	50
87(3)(a) areas < 75% EU25 GDP	30	40 ^a /50
Statistical effect	30 → 20	40 ^a
Low population density 87(3)(c) areas	15	30
Economic development 87(3)(c) areas	15/10 ^b	20
Other 87(3)(c) areas	15/10 ^b	20/10 ^b
Non-assisted	0	0

Notes: a) This rate applied in 2000-6 to 'a' areas with GDP per head exceeding 60 percent of the EU15 average. b) The lower rate applies to eligible areas where GDP(PPS) per head is higher than the EU average and unemployment below the EU average measured at NUTS III.

Source: EoRPA Paper 06/4. Assembled from information in the 2000-06 and 2007-13 Guidelines.

Other regional aid changes reflect domestic considerations and were not driven by the guidelines - though these obviously created the opportunity for a review of regional aid regimes. Particularly significant changes were made in Finland, France and Portugal. In *Finland*, four regional aids were reduced to two in an effort to simplify the system and make it more efficient and effective. In *France*, the industry and services components of the regional policy grant (PAT) were combined and the scheme is now more focused on major strategic projects in zones experiencing economic change; in addition, the R&D and innovation elements of the PAT are now available throughout the country (including in Paris and Lyon). In *Portugal*, the new period saw the previous SIME regime replaced by three new aids - for R&D, innovation, and SME modernisation and internationalisation. The aim was to make the available support more targeted and selective, more SME-focused, more innovation-oriented and better administered. Similar themes are found in other countries. For instance, in *Germany*, fiscal constraints at the *Land* level have led to more selectivity in award (as in Thüringen, for instance); in *Ireland*, a revised and simplified grant regime was introduced by IDA-Ireland and Enterprise Ireland in January 2008; and in *Scotland*, three R&D schemes were merged and brought together with regional investment aid, part of a move to generate economies of scale and provide a better service to applicants. In *Belgium*, too, the simplification of aid regimes has been an aspect of recent change. In Flanders, a uniform 10 percent rate (before bonuses) has been introduced to increase the visibility of the aid system and streamline its administration. In Wallonia, efforts have been made to align domestic and EU aid funding (under the Structural Funds) more closely to provide a more coherent approach.

A number of other regional aid changes have been made. Disappointment with the lack of impact of traditional grant aid in *Italy* (under Law 488/1992) has seen a shift towards more thematically-focused support (such as the new industrial innovation projects) as well as new automatic tax concessions for investment and job creation in the *Mezzogiorno*. In contrast, Germany and Poland are moving away from regional tax concessions. In *Germany*, the Investment Allowance will be phased out by 2013 in response to concerns about its deadweight effects (due to its automatic nature) and how it is funded (it is financed

largely, although indirectly, by the old *Länder*). In *Poland*, there is also a move away from tax concessions (within the Special Economic Zones) and towards grants which are viewed as more transparent; this trend has been assisted by the availability of Structural Funds support. Overall, grants continue to lie at the heart of most regional aid regimes, including in the *Netherlands* where concerns about potential cross-border competition for mobile investment saw the Investment Premium continue. There have, however, been some moves towards loans (for instance, at the *Land* level in *Germany*) in response to financial constraints as well as towards financial engineering measures (co-financed by the Structural Funds in *Greece* and *Portugal*).

In recent years, there has been a policy shift away from regional aid and towards wider support for the business environment. In part, this reflects changes in EU frameworks - on the one hand, the constraints imposed by the regional aid guidelines and, on the other, the broader programme-based approach under EU Cohesion policy. In addition, the domestic focus is increasingly on endogenous development and on factors to improve regional growth and competitiveness. Allied to more regionalised and programme-based policy regimes, this has caused policy attention to focus more on broader measures to support the business environment - whether through infrastructure support, innovation-related assistance or more general advisory and support services.

The provision of large-scale infrastructure to promote economic development in the regions had long been an important element of regional policy, most obviously in countries and regions in receipt of Convergence Objective support, as well as in the Nordic area where problem regions are often characterised by long distances and difficult geography. This emphasis has continued into the new policy period. Thus, in *Greece*, there continues to be considerable policy stress on upgrading transport infrastructure, often co-financed under the Structural Funds; in *Poland*, transport infrastructure is the most significant expenditure heading within the Regional OPs, and it represents core support in most *new Member States*; in *Ireland*, infrastructure investment is a pillar of the 2007-13 NDP, focusing on critical infrastructure to promote self-sustaining growth and balanced development.; in *Italy*, domestic regional policy funding (under the Fund for Underutilised Areas, FAS) focuses on strategic infrastructure networks; in the *Netherlands*, the *Peaks* approach is built around the National Spatial Strategy, underlining the importance of effective transport and other connections; in *Sweden*, 36 percent of NSRF funding was directed to accessibility issues, the second highest priority after innovation and renewal (46 percent); and in *Norway*, there is a strong focus on transport infrastructure in support of regional development (to improve accessibility and reduce peripherality).

In addition, the provision of more targeted infrastructure in the form of industrial estates, science parks and technology centres has been a traditional component of regional policy in many countries, including *Germany*, where some 30 percent of Regional GA support takes the form of business-oriented infrastructure. Amongst recent developments, the new approach to regional policy in *Denmark* places considerable stress on framework measures in support of the business environment, while in *Norway* there is discussion about the possible regionalisation of SIVA, the agency responsible for the provision of business infrastructure. In the *Netherlands*, too, the industrial estates strategy is currently under review, given a perceived lack of quality and sustainability in the previous approach.

Industrial estates are also an important element of policy in *Belgium*. In Flanders, new legislation came into force in May 2007 to support the development, upgrading and regeneration of industrial estates (with a recent shift in focus towards their sustainability and carbon neutrality) while, in Wallonia, there is a similar focus on the regeneration of industrial zones. The provision of business infrastructure is also prominent in many of the new OPs under the Structural Funds, including those in *Portugal*, *Spain* and *Poland* (and most of the other *new Member States*). More generally, the move towards the more regionalised delivery of policy (through regional programmes) has increased the policy weighting attached to business environment measures.

Many of the recent changes in support for the business environment have an innovation orientation. Thus, in *Denmark*, three of the six priority areas under the new Business Development Act relate to innovation, ICT and entrepreneurship. In *Finland*, the Centre of Expertise programme has been renewed for 2007-10; it has a particular focus on improving cooperation between selected knowledge clusters in the regions, enhancing regional specialisation and promoting SME growth and internationalisation. In *France*, the competitiveness poles initiative is a prominent aspect of recent policy developments; it adopts a collaborative approach to innovation-related efforts in order to achieve national and international excellence. In *Belgium*, the recent selection and development of competitiveness poles is a key element of the Marshall Plan in Wallonia. In *Germany*, mainstream GA funding now supports cooperation networks and cluster management projects plus business-oriented research institutions; these activities were previously assisted only on a pilot basis. In *Ireland*, a new Gateway Innovation Fund addresses the challenges facing the regional gateways; amongst other things, it helps to build capacity for R&D and innovation, including through the promotion of university-industry links. In *Italy*, new industrial innovation projects aim to upgrade the competitiveness of five selected industrial sectors. In *Portugal*, the new OP Factors of Competitiveness provides support for joint actions which promote clusters, competitiveness and technology poles and other networks. In *Spain*, one of the two ERDF programmes aims to strengthen the R&D and innovation system (including through research-industry cooperation, technology platforms and clusters). In *Poland*, innovation-oriented measures are supported under the OP Innovative Economy as well as Regional OPs. Finally, in *Norway*, three further Centres of Expertise were designated in June 2007, adding to the six established in April 2006. They are part of the process of improving the business environment in small and medium-sized cities.

Finally, there have been a number of developments in the provision of business advice and support. In some countries, this has involved changes to the bodies providing the support. In *Austria*, the long-established regional management offices have lost their Structural Funds support, leaving the *Länder* to fill the resultant funding gap; this may move them closer to the *Land-* (rather than the local-) level in organisational terms. In *Ireland*, the broader support activities of the two main development agencies are central to regional development; both IDA-Ireland and Enterprise Ireland aim to promote regional balance through their activities (as reflected in a new Enterprise Ireland strategy for 2008-10). In *Italy*, the institutional support infrastructure has been enhanced, with the replacement of *Svillupo Italia* by *Invitalia* and the creation of a new Bank for the *Mezzogiorno*. In *Sweden*,

the new regional growth policy (operating through Regional Development Programmes) aims to create a better climate for entrepreneurship, innovation and investment, not least through the activities of NUTEK and VINNOVA. In the *United Kingdom*, the main development agencies have been restructured in Scotland while, in England, the government is intent on rationalising the business support portfolio and improving its regional coherence through increasing RDA responsibility for business support in the regions. Lastly, in countries like *Greece, Portugal, Spain* and *Poland* (and a number of the other *new Member States*), considerable weight is placed in the new Structural Funds programmes on improving administrative capacity and efficiency in the regions.

Summing up this section, regional aid has been declining in importance in most countries, partly in response to State aid pressures but also because of the shift in focus in most domestic regional policies towards broader regionally-based support. Under the regional aid guidelines, aid area coverage has been cut back significantly in almost two-thirds of the countries under review and aid ceilings have also been markedly reduced (though only now beginning to impact on national regional aid maxima). More significantly, there has been a streamlining of regional aid in countries like Finland, Ireland and the United Kingdom and the phasing out of the Investment Allowance in Germany, an important measure in the new *Länder*. Aid schemes also tend to be more innovation oriented (as in Portugal) and more selective and targeted (as in France and Wallonia in Belgium), though the introduction of large-scale automatic measures in Norway (the social security concession) and Italy (tax concessions for investment and job creation in the *Mezzogiorno*) is of note. Also worth mentioning is the move from grants to loans in some German *Länder* (in response to budgetary constraints) and the use of financial engineering in Greece and Portugal (encouraged by EU support).

As far as support for the business environment is concerned, infrastructure-related measures remain high on the agenda in the Convergence regions and some Nordic countries. However, there have not been many major policy developments of note (other than the support provided under the Structural Funds in Convergence regions). In contrast, new innovation-oriented measures have been of importance, including in Belgium, Denmark, Finland, France, Germany, Ireland, Italy and Norway. Attention has also been focused more on the provision of general business advice and support, with the restructuring of development agencies in some countries and more use made of the municipal level in others. Such developments reflect the increasing policy weight attached to support for endogenous development, the growing impact of the competitiveness agenda, and the enhanced role of the regional level in the development and delivery of policy.

4.5 Changing policy budgets and expenditure

One last theme to consider in this section is the extent to which regional policy budgets and expenditure have been impacted by recent developments. Change is first reviewed on a country-by-country basis before the main comparative conclusions are considered. A summary of recent change is provided in Table 8.

Table 8: Recent changes in regional policy budgets and expenditure in the EU15, Poland and Norway

Austria	Regional policy is a <i>Land</i> responsibility. The federal level is mainly limited to coordination activities, involving no significant funding. The new scheme for recently-established small businesses has an annual budget of €6.5 million, while annual ERP loan awards are of the order of €400 million per annum. Regional ERDF support for 2007-13 is €677 million, a fall of 30 percent.
Belgium	In Wallonia, the 2006-09 Marshall Plan added some €1 bn to the budget, €280 mn in respect of competitiveness poles and €372 mn for economic stimulation (with €85 mn for Economic Expansion aid). In Flanders, regional aid-related expenditure fell from €281 mn in 2006 to €217 mn in 2007, with regional aid falling from €233 mn to €154 mn. This is related to 2007 being a transition year.
Denmark	The anticipated annual spend on regional economic development under the new regional policy approach was €130 million; in the event, the sum of central government, regional, local, private and European funding in projects supported by regional growth fora in 2007 was €128 million.
Finland	In 2005-07, total annual regional development funding was some €30 million, though it had been over €35 million in 2004. In comparison, regional business aid funding was over €108 million in 2007; this is a significant fall on 2006 (almost €150 million) but is similar to 2003 and 2004 funding.
France	Funding for territorial development is spread across ministries; the annual budget for cross-sectoral territorial development policies is €4 bn. Specific territorial development funding was just 0.8 bn in 2007. DIACT manages the FNADT (€320 mn in 2008), the PAT (€33.5 mn) and running costs/studies (€8.2 mn). The PAT budget is now relatively stable. The DIACT also coordinates state funding under state-region project contracts (€12.7 bn) and Structural Funds (around €12.6 bn).
Germany	Regional GA funding has fallen for the past decade but has stabilised in recent years at around €650 million. The decline reflects the previously very high levels of support for the new <i>Länder</i> and persistent fiscal constraints in recent years. Future funding declines for the new <i>Länder</i> will follow the phasing out of the Investment Allowance and lower Solidarity Pact transfers.
Greece	Overall Cohesion policy support for 2007-13 was down only slightly on 2000-06, at around €9.8 billion. Development Law funding in 2006-07 was significant, an annual-equivalent of €2.1 billion.
Ireland	No explicit regional policy. Massive decline in the regional budgets for the BMW and S&E regions - down by almost four-fifths in the former (to €572 million) and by over 90 percent in the latter (to €367 million). The NDP does not include a regional breakdown. However, regional indicators inform NDP reports and feed into the ongoing allocation of central government resources at project level.
Italy	The new unitary regional policy has funding of €124.7 billion for 2007-13, with €101.6 billion (some 80 percent) allocated to the <i>Mezzogiorno</i> . This is a slightly higher proportion than 1998-2006. However, recent budgetary cuts have thrown this funding into question.
Luxembourg	The only explicit regional policy component is regional aid. This is in abeyance pending new legislation. Between 2001 and 2006, the annual value of regional aid awards was €19 million.
Netherlands	Region-specific funding for industrial estates, tourism, regional development agencies and regional aid has been stable or in slight decline (totalling €53 million in 2008). In contrast, regional programme support has grown (to almost €80 million), as has ERDF co-finance (to over €40 million). This compares with combined programme and co-finance of €70 million in the <i>Peaks White Paper</i> .
Portugal	The Cohesion policy budget for 2007-13 (€21 billion) did not fall significantly compared to 2000-06 (€20.5 billion), though with marked variations across regions. In particular, Lisbon and the Algarve will receive only 20 percent and 25 percent respectively of their previous allocations. There has also been a marked increase in the regionalisation of funding; the mainland regional OPs account for 55 percent of ERDF funding, an increase of 9 percent compared to 2000-06.
Spain	The Cohesion policy allocation for 2007-13 is €31.5 billion, a decline of more than 40 percent. Phasing-in and phasing-out regions fell by over 60 percent and RCE Objective regions by almost 50 percent. In contrast, Convergence Objective regions fell by less than one fifth. FCI funding for 2000-06 Objective 1 regions increased from €1011 million in 2004 to €1378 million in 2008. The value of Regional Investment Grant awards rose from €363 million in 2006 to €375 million in 2007.
Sweden	Overall, regional aid funding declined from SK 2,706 million in the peak year of 2003 to SK 1,965 million in 2007. In contrast, expenditure on Regional Growth Agreements/Programmes increased from SK 13.4 billion in 2001 to a peak SK 26.1 billion in 2006, before falling back to SK 14.8 billion in 2007. Note, though that these trends may not be representative given that 2007 is the first year of a new programming period.
UK	Regional aid declined in Scotland and Wales in 2007-08, but was higher than in 2004-05. In England, the 2007-08 figure was the same as the average for 2004-08. So no clear trends are visible. RDA allocations rose strongly to 2007 but will decline by 5 percent in real terms in 2008-11.
Poland	The total planned ERDF allocation to Regional OPs for 2007-13 was just under €2.3 billion per annum) and, once account was taken of broader programmes, was almost €3.5 billion per annum. This compares to IROP funding of around €1 billion annually for 2004-06.
Norway	Spending on regional aid increased from NOK 1 billion to NOK 1.2 billion over the 2005-08 period. Broader aspects of district policy involve a further NOK 10 billion to NOK 15 billion funding - in particular, the re-introduced social security concession. Set against such funding, broader growth-oriented regional development funding totalled just under NOK 285 million in 2008.

Table 8 (continued): Cohesion policy 2007-13: indicative financial allocations (million EUR, current prices)

	COHESION POLICY FUNDS 2004-06	CONVERGENCE OBJECTIVE		REGIONAL COMPETITIVENESS & EMPLOYMENT OBJECTIVE		TERRITORIAL COOPERATION OBJECTIVE	TOTAL
		Cohesion Fund	Convergence	Phasing-in	'Comp. & Employ.'		
Bulgaria	-	2283	4391	-	-	179	6853
Cyprus	108	213	-	399	-	28	640
Czech Republic	2404	8819	17064	-	419	389	26692
Estonia	615	1152	2252	-	-	52	3456
Hungary	2837	8642	14248	2031	-	386	25307
Latvia	1031	1540	2991	-	-	90	4620
Lithuania	1379	2035	4470	-	-	109	6885
Malta	81	284	556	-	-	15	855
Poland	11202	22176	44377	-	-	731	67284
Romania	-	6552	12661	-	-	455	19668
Slovakia	1544	3899	7013	-	449	227	11588
Slovenia	432	1412	2689	-	-	104	4205

Source: DG Regio *Regional Policy Inforegio*, Division by Member State, available online at < http://ec.europa.eu/regional_policy/policy/fonds/pdf/annexe-recto.pdf > (accessed September 2008).

4.5.1 Country-by-country review

In *Austria*, regional policy is a *Land* responsibility and, at the federal level, is largely limited to coordination activities. Consequently, there is no major federal funding of regional policy. The new scheme for recently-established small businesses has an annual budget of €6.5 million, while ERP loans to the value of some €400 million are awarded annually. The major development in funding terms has been the reduction in the resources available to the *Länder* under the Structural Funds, an average fall of the order of 30 percent. Combined with the abolition of micro-zoning under the Funds, this has significantly reduced the support available to lagging regions and has increased the scope for funding to be directed towards growth centres. The reduced budget, combined with the continuing innovation orientation of regional policy, has led to a shift away from high-cost fixed investment (including infrastructure assistance) and towards low-cost support for measures such as the management of clusters.

In *Belgium*, the 2006-09 Marshall Plan in Wallonia added an additional envelope of around €1 billion to the ordinary budget. Of this, €280 million was devoted to the creation of competitiveness poles and €372.5 million to the stimulation of economic activity (including €85 million to Economic Expansion aids). More recently, €48 million has been added to the budget in the fields of sustainable development and energy efficiency. In Flanders, regional aid-related expenditure (under the Hermes Fund) fell from €281 million in 2006 to €217 million in 2007, the decline due at least in part to the transition to the new aid regime. Funding for regional investment aid fell from €233 million in 2006 to €154 million in 2007.

In *Denmark*, the move to introduce a new approach to regional policy following a major reform of local government and the 2005 Business Development Act was based on the premise that the aggregate level of expenditure on regional economic development should remain broadly unchanged - at around €130 million per annum. In 2007, this assumption was met; the sum of central government, regional, local, private and European funding involved in projects supported by the regional growth fora amounted to €128 million.

In *Finland*, annual regional development funding is allocated to the Regional Councils (except for Kainuu, which is treated separately). The funding supports measures which meet the regional development objectives of the government. Part is for the implementation of the priorities set out in each region's strategic regional programme and implementation plan, while the remainder is reserved for the special programmes delivered in the region (e.g. Centre of Expertise programme, Regional Centre programme). Since 2005, total annual regional development funding has been of the order of €30 million, though it was over €35 million in 2004. In comparison, regional business aid funding was over €108 million in 2007; this represents a significant fall on 2006 levels (almost €150 million) but is similar to funding levels in both 2003 and 2004.

In *France*, funding for territorial development is spread across ministries; an overall annual budget of around €4 billion is allocated to cross-sectoral policies related to territorial development. In contrast, only some €0.8 billion fell within the specific "territorial policies" budget heading in 2007. From 2008, there are only two programmes under this budget heading, the more significant of which relates to the "impulse and coordination of

territorial development” and is managed by the DIACT. It consists of the National Fund for Territorial Planning and Development, FNADT (just over €320 million in 2008), the PAT (€33.5 million) and running costs and studies (€8.2 million). It should be noted that the funding framework for the PAT has fallen since 2000 but is currently relatively stable. A budget of €38 million has been earmarked for 2009 and the two following years. The DIACT is also in charge of coordinating the allocation of state funding under the 2007-13 state-region project contracts (€12.7 billion) and Structural Funds programmes (around €12.6 billion).

In *Germany*, the level of domestic funding for regional policy has fallen for a decade or more but has been more stable in recent years. In 2008, the federal funding allocation to the Regional GA was €644 million, of which €547 million (around six-sevenths) went to the new *Länder*. Regional policy funding has been in decline for two main reasons. First, very high levels of resources were allocated to the new *Länder* in the years immediately following reunification, and it was never intended that these funding levels would continue permanently. Second, all governmental authorities have experienced persistent fiscal constraints in recent years, partly due to increasing demands on public resources in fields such as pensions and healthcare, but also reflecting the heavy costs of reunification. Despite the cutbacks, regional policy funding remains relatively robust, with the new *Länder* in particular enjoying significant additional financial allocations from federal and inter-*Land* instruments. On the other hand, the Investment Allowance will have been phased out by 2013 and federal funding under the Solidarity Pact will also decline progressively; Basket 1 of the Solidarity Pact (two-thirds of the total) is planned to fall from €10,533 million in 2005 to €2,096 million in 2019.

In *Greece*, overall funding under the 2007-13 NSRF was down only slightly compared to the 2000-06 CSF programmes - €9,794 million compared to €9,825 million. At the same time, the regionalisation of the programme has been enhanced, with 80 percent of ESF and ERDF funding distributed via the regions. The latest regional aid data under the 2004 Development Law showed that assistance granted was €3,445 million in the first 20 months of the amended scheme (to July 2007), equivalent to annual expenditure of €2,067 million.

In *Ireland*, there is no explicit regional policy and no regionally-allocated budget information for individual policies. However, the OP for the BMW region was allocated €2,646.1 million in public (domestic and EU) resources for the 2000-06 period, compared to just €572 million for 2007-13 (in the form of the Structural Funds and associated co-finance). The equivalent figures for the S&E region were €3,791.4 million (2000-06) and €367 million (2007-13). These declines - almost four-fifths in the BMW region and more than 90 percent in the S&E region - are particularly noteworthy as they significantly reduce regionally managed resources. The new, domestically funded, NDP does not include a regional breakdown of investments. However, regional indicators inform NDP annual reports and feed into the ongoing allocation of central government resources at project level.

In *Italy*, the resources planned for the new unitary regional policy are outlined in the 2007-13 NSRF. This suggests that the total funds available for 2007-13 are €124.7 billion, consisting of €64.4 billion from the FAS (i.e. the domestic regional policy fund), €31.6 billion in co-finance and €28.7 billion from the Structural Funds. Of this total, €101.6 billion

(more than 80 percent) was allocated to the *Mezzogiorno*, including €54.7 billion under the FAS, €23.9 billion in national co-finance and €23 billion from the Structural Funds. This slightly increased the proportion of explicit regional policy funding flowing to the *Mezzogiorno*, which is estimated to have been just under 79 percent between 1998 and 2006. However, following the election of a new government and its pledge to balance the budget by 2011, there has been a cut in FAS funding (of around €11-12 billion), as part of broader expenditure cutbacks, and the future funding of the new unitary regional policy is unclear.

In *Luxembourg*, the only explicit regional policy component is regional aid. This is currently in abeyance pending the passing of new legislation for the 2007-13 period. Over the 2001 to 2006 period, the annual value of regional aid awards was some €19 million.

In the *Netherlands*, planned region-specific funding with respect to industrial estates, tourism, regional development companies and regional aid has been broadly stable or in slight decline (totalling just over €53 million in 2008). In contrast, support for regional programmes (including ERDF co-finance) has grown markedly. In 2007-08, the budget commitment for regional programmes was almost €80 million, with additional ERDF co-finance of over €40 million; this compared with expected programme-based funding of around €70 million at the time of the *Peaks in the Delta* White Paper. The original plan to switch funding from the north to the all-region *Peaks* programmes has been delayed by transitional provisions in respect of the north and extra ERDF co-finance. As a result, the impact of the new policy approach will not be felt in the north until after 2010, by which time compensation for the cancellation of the fast rail link to Groningen seems likely to come on stream.

In *Portugal*, the overall Cohesion policy budget for 2007-13 (€21 billion at current prices) is broadly comparable to 2000-06 (€20.5 billion), though there were some marked variations across regions. In particular, Lisbon and the Algarve will receive only 20 percent and 25 percent respectively of their previous allocations, while the budget for Madeira has fallen by one half. In terms of funding shifts, there has been a significant strengthening of financial allocations to upgrade the qualification of human resources (up 10 percent compared to 2000-06 to 37 percent of overall resources) and to enhance competitiveness and sustainable growth (up 11 percent to 65 percent of the resources available under the thematic OPs). There has also been a marked increase in the regionalisation of funding; the mainland regional OPs now account for 55 percent of total ERDF funding, an increase of 9 percent compared to 2000-06.

In *Spain*, regional policy operated at the national level involves three policy instruments: the EU Structural and Cohesion Funds, the FCI and the Regional Investment Grant. Under EU Cohesion policy, the total allocation for 2007-13 is €31.5 billion, an overall decline of more than 40 percent compared to 2000-06; The highest relative declines have been in the phasing-in and phasing-out regions (with cutbacks of over 60 percent), followed by the RCE Objective (47.6 percent). In contrast, the declines under the Convergence Objective have been less than one fifth. FCI funding for 2000-06 Objective 1 regions is on the increase, rising from €1,011 million in 2004 to €1,378 million in 2008. Over half of this flows to the two main Objective 1 regions - Andalusia (averaging over 38 percent of the total) and

Galicia (just under 16 percent). Finally, the value of awards under the Regional Investment Grant has also been growing, rising from €363 million in 2006 to €375 million in 2007.

In *Sweden*, there has been a recent fall in regional policy funding. Regional investment aid declined from a peak of almost SK 520 million in 2004 to less than SK 290 million in 2007, the (rural-oriented) regional grant for business development fell from over SK 280 million in 2002 to SK 200 million in 2007 and support for regional development projects from the regional level declined from SK 945 million in 2003 to just over SK 600 million in 2007. In similar vein, funding for the transport grant, having risen from SK 350 million (2002-04) to almost SK 500 million (2006) fell back to SK 313 million in 2007. For its part, funding for the social security concession for SMEs in Aid Area A rose from SK 430 million in 2003 to SK 460 million in 2007. Overall, regional aid funding declined from SK 2,706 million in the peak year of 2003 to just under SK 2,000 million in 2007. Set against this, expenditure on Regional Growth Agreements (2000-03) and Regional Growth Programmes (2004-07) increased from SK 13.4 billion in 2001 to a peak SK 26.1 billion in 2006, before falling back to SK 14.8 billion in 2007. It is, however, difficult to comment on this decline since different regions include different funding aspects within their programmes. Moreover, being at the start of a new funding phase, 2007 may not be typical of spending during the new programming period.

In the *United Kingdom*, the two main instruments targeted at explicit regional policy goals are regional aid schemes (Regional Selective Assistance, RSA, in Scotland and Wales and Selective Finance for Investment, SFIE, in England) and, in England, funding for the Regional Development Agencies. As far as regional aid is concerned, RSA offers in Scotland totalled £86.0 million in 2007-08 and in Wales £61.6 million, down on the previous (end of period) year, but higher than the 2004-05 figure. In England, the value of offers was £74.8 million in 2007-08 and £293.5 million over the four years to end March 2008, suggesting broadly stable funding over the period. Regarding RDA allocations, these increased significantly as part of the move towards a single pot approach to RDA budgets. However, this process came to an end in 2007. An overall process of tighter public spending meant that the RDA resource settlement for 2008-11 included a 5 percent real cut in RDA funding.

In *Poland*, the most important regional policy funding mechanisms relate to EU Cohesion policy. Domestic regional policy measures are extremely limited in comparison. For 2007-13, many more resources became available for regional development interventions, especially under the Structural Funds. The total planned ERDF allocation to Regional OPs for 2007-13 was almost €16 billion (just under €2.3 billion per annum) and, once account was taken also of the OP Human Capital and the OP Development of Eastern Poland and related compensatory funds, was €24.4 billion (almost €3.5 billion per annum). This compares to IROP funding of around €1 billion annually for 2004-06.

In *Norway*, spending on narrowly-defined district policy (mainly traditional regional aid schemes in the form of grants and loans) has increased from NOK 1 billion to NOK 1.2 billion over the 2005-08 period. Of this, some two-fifths went to the three northernmost counties (Finnmark, Troms and Nordland) which together hold just over 10 percent of the national population. Broader aspects of district policy involve a further NOK 10 billion to NOK 15 billion funding - in particular, the differentiated social security concession, certain

agricultural measures and the North Norway Grant (for municipalities in Finnmark, Troms and Nordland). Set against such funding, the broader regional development budgets for Innovation Norway, SIVA, the Norwegian Research Council and also the new Competence Centre for Rural Areas totalled just under NOK 285 million in 2008.

In the *new Member States*, EU Cohesion policy programmes dominate the regional policy agenda. In the 2007-13 funding period, nearly all EU12 regions benefit from EU Convergence funding, aimed at support for growth and job creation by addressing basic development needs related to infrastructure, business development, human capital and the environment (see Table 8). The scale of this funding, combined with constraints and limits on domestic public expenditure, means that, for most EU12 Member States, the 2007-13 phase of Cohesion policy planning is of crucial importance for their long term economic development. Compared to the 2004-06 period, the CEE Member States will receive substantial increases in their Cohesion Policy allocations, opening up new opportunities in terms of what regional policy interventions can be funded and to what extent.

4.5.2 Comparative points

Given the diverse nature of regional policy in the countries under study and the disparate character of the available budgetary and expenditure information, it is not straightforward to identify definitive comparative lessons from the above review. Nevertheless some points can be made.

In broad terms, the funding of domestic regional policy has been relatively stable in the last few years. On the one hand, there is some evidence of increases in regional policy funding in countries like *Italy* (under the domestic FAS, though it remains to be seen whether the planned funding growth over the 2007-13 period will be maintained following the recent change in government), *Norway* (following a change of government and a shift in policy emphasis towards district policy) and also the *Netherlands* (due mainly to extra support for the north in response to parliamentary pressures) as well as in *Poland* and most of the other *new Member States* (where Cohesion policy resources have obviously increased markedly). Elsewhere, broad budgetary stability has been the order of the day, as for instance in *Denmark* (under the new programme-based approach to policymaking). In addition, current regional aid funding levels in countries like *Finland* and the *United Kingdom* are similar to 2004, even though the value of awards tended to fall between 2006 and 2007 (perhaps unsurprising given the transition to new regional aid regimes). In both *France* and *Germany*, regional aid budgets have stabilised in the last few years following earlier periods of decline (in part reflecting public expenditure constraints but also a shift in policy focus away from regional aid). In Cohesion policy terms, overall budgets have been relatively stable in countries like *Greece* and *Portugal*, even if their regional distribution has been affected by eligibility changes. On the other hand, there have been significant declines in regional aid spending in *Sweden* and in Flanders in *Belgium* (though, as in other countries, this may be related to the transition to the new regional aid systems for 2007-13); regionally-managed resources have been cutback in *Ireland* (in response to Cohesion policy changes); and Cohesion policy funding has been cut back markedly in *Spain* (though domestic regional policy support via the FCI and Regional Investment Grant has increased).

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5. CHANGING REGIONAL POLICY ADMINISTRATION AND DELIVERY SYSTEMS

This section focuses on changes in the implementation and delivery of regional policy (in its broad sense) and on the reasons for change. Four related themes are addressed: the *reworking* of policy design and delivery responsibilities across administrative tiers; moves to enhance policy *coordination* (at the national level, in the regions and between tiers); changes to improve the *efficiency* of delivery mechanisms; and, developments to enhance the *accountability* of policy delivery. The starting point for this section is the general trend in recent years for regional policy administration functions to be reorganised along different territorial levels (supranational, national, regional and translocal) and the implications this has for its efficient and accountable coordination. This trend is a response to: significant changes in broad approaches to policy administration and delivery; specific changes in perceptions of and responses to the regional policy challenge; and, the influence of EU regional policy.

- *Broad trends in policy administration*

In recent times, public administrations across Europe have moved toward a new model for policy design and delivery. Traditional hierarchical relationships, where national governments monopolised policy administration, have been supplanted by more ‘heterarchic’ or network-based arrangements involving a wider range of participants and relying on cooperative structures. Through privatisation, deregulation and decentralisation, national governments have, to varying degrees, renounced control over aspects of the policy-making and delivery process. Regional and local administrative tiers, semi-autonomous agencies and partnerships based on combinations of public, private or third-sector interests have become more prominent participants.¹⁷ There are several motivations for this shift. The ability of traditional, hierarchical delivery systems to deal with increasingly complex policy interventions has been called into question. The value of more ‘network-based’ approaches has been highlighted by increasing recognition of interdependencies and interactions between different policy areas. Single policies, managed hierarchically, can be compartmentalised, administered in ‘silos’ and guided by narrow objectives which may not take the broader policy context into account. Thus, a more ‘heterarchic’ delivery model can potentially improve resource allocation and service provision by facilitating more integrated approaches to policy administration and by bringing those most concerned with the policy area closer to the delivery process.¹⁸ Financial pressures have also been influential, including increasing awareness of the practical limits to the expansion of the public sector.

¹⁷ The term ‘governance’ is used to indicate this shift “from centralized and bureaucratic forms of decision-making [government] to a plurality of coexisting networks and partnerships that interact as overlapping webs of relationships at diverse spatial scales” Martin, D., McCann, E. & Purcell, M., (2003), “Space, scale, governance, and representation: contemporary geographical perspectives on urban politics and policy”, *Journal of Urban Affairs*, 25(2), p. 113-121.

¹⁸ Rhodes, R.A.W. (1997) *Understanding governance: Policy networks, governance and accountability*, Buckingham: Open University Press.

- *Specific changes in regional policy environment*

These broad trends in policy administration have been reflected in specific shifts in perceptions of and responses to the regional policy challenge. This overview has already distinguished between traditional, narrow conceptualisations of regional policy based on central interventions in targeted areas (e.g. national government grant support for struggling industrial regions) and integrated policy responses that consider the spatial aspects of all policy sectors. Although regional policy is still framed as regional economic development, the scope of activities pursued under the heading is broadening as new ways of stimulating economic growth are explored. As part of this, there is increasing use of regional programming and of policy instruments that support the development of regional economies not only through specific infrastructure support but also measures to promote entrepreneurship and innovation, urban development, transport, education and training, culture and the environment. The aim is to exploit the potential of forces endogenous to specific locales.

This conceptual shift provides several arguments for increased sub-national participation in the process of regional policy administration. First, regional and local administrations can draw on detailed information on their respective territories in order to design appropriate, innovative implementation approaches that can draw together a range of policy strands. Second, the dispersion of delivery responsibilities across levels is seen to be more flexible and efficient. This model can respond to challenges at various territorial scales, ensuring that policies are considered across functional economic areas (labour markets, travel to work areas, housing markets and retail markets) as well as administrative boundaries. Finally, this approach includes a wider range of sub-national interests, including elected authorities, in the process of administration, potentially creating a stronger sense of regional accountability or 'ownership' of policies.¹⁹

- *The influence of EU regional policy*

The EU has provided an important external or 'supranational' impetus to the evolution of new regional policy delivery models. Through its participation in regional policy, particularly under the Structural Funds programmes funded by Cohesion policy, the EU has contributed to the changing relationships between actors situated at different territorial levels. Moreover, developing arrangements for the implementation of Structural Funds programmes has also influenced the evolution of regional policy delivery systems. The Structural Funds programming principles of partnership and subsidiarity encourage regional, national and supranational levels of government to co-ordinate their regional policy initiatives.

Notwithstanding these common drivers, the scope and direction of this evolving model of regional policy delivery is determined by the specific characteristics of national public

¹⁹ Jones, M., MacLeod, G. and Harrison, J. (2006) *In what sense a regional world? Institutional legacies, territorial fixes, network topologies*. Paper presented at the 2006 Annual Meeting of the Association of American Geographers, Regional Studies Association Session, 'Whither Regional Studies', Chicago.

administration systems. The national context for regional policy administration varies greatly across the EU. Several models can be identified. In the *federalised model*, regions with elected parliaments and significant budgetary, legislative and fiscal powers play the dominant role in regional policy-making. In the *regionalised model*, regions have elected parliaments and limited budgetary and fiscal powers but no constitutional sovereignty to exercise significant authority in regional policy matters. In *devolving unitary systems*, regions have limited powers, with elected parliaments, some budgetary and fiscal powers and substantial funding for regional policy from central transfers. Regions exercise some authority in regional policy-making but only within a framework set by the centre. Finally, in the *unitary model*, central government unbundles its organisation but not its authority regionally. The region has no elected parliament, no budgetary or fiscal powers and all financial resources are transferred from the centre. Regional policy is controlled by the national administration with government offices acting as implementing authorities in the regions. In these different contexts, the reallocation of delivery responsibilities, the use of coordination mechanisms and arrangements to ensure efficient and/or accountable administrative processes can vary considerably.

Second, the extent to which implementing Structural Funds programmes can influence domestic delivery systems again depends on a range of variables (domestic administrative contexts, levels of EU funding available, type of Structural Funds programme etc.). EU legislation does not compel the Member States to adopt an explicit delivery model, either centralised or regionalised, and the EU does not dictate the structure and status of regional institutions in the Member States. Thus, domestic policymakers have considerable discretion in the way responsibilities for Structural Funds administration are allocated and coordinated. Responsibilities for resource allocation may be granted to dedicated structures (as in *Sweden* or the *United Kingdom*) or subsumed under existing domestic arrangements (as in *Austria* or *Germany*). Delivery tasks may be retained at national level (as in *Portugal*), deconcentrated to units of the state in the regions (as in *England, Finland, France* and *Sweden*), devolved to regions (as in *Italy*) or operate through fully regionalised programmes under federal systems (as in *Austria, Belgium* and *Germany*). Bearing this scope for differentiation in mind, the following assessment of regional policy administration reviews recent trends in the allocation and coordination of delivery responsibilities across tiers and considers emerging measures to guarantee the efficiency and accountability of delivery processes. Under each heading, country-by-country reviews are followed by discussions of the main comparative points arising.

5.1 Reallocating delivery powers across administrative tiers

The reorganisation of responsibilities for the implementation of regional policy across administrative levels has been apparent in the EU in recent years. As noted above, changing approaches to policy administration, shifts in regional policy objectives and instruments and the influence of EU Cohesion policy have all contributed to processes of decentralisation and the increasing prominence of the regional level as a focal point for administrative arrangements. Recent changes in the allocation of regional policy responsibilities are summarised in Table 9.

Table 9: Recent changes in regional policy regionalisation in EU15, Poland and Norway

Austria	The federal system is unchanged: economic development responsibilities lie at the <i>Land</i> level. There has been some strengthening of central coordination associated with administering the Structural Funds. Some decentralisation has also taken place, again linked to Structural Funds (management of territorial cooperation programmes moving from federal to <i>Land</i> level).
Belgium	Processes since the 1970s have made Belgium highly regionalised and the issue is still being debated. In Flanders, the provincial level, together with RDAs, plays a substantial role in regional development. In contrast, the Walloon provinces do not have important competences. In Wallonia, central support agencies have been created to improve economic development cooperation.
Denmark	New approach integrates local, regional, national & EU economic development activities within a single, programme-based, policy. Major local government reform in 2007 brought regionalisation of business support activities and partnership. Five regions are responsible for economic development via regional growth partnerships which provide strategic inputs & have a key Structural Funds role.
Finland	Central role in steering regional policy strengthened by merger of regional development units in new Ministry of Employment and the Economy and in plans to create a new, longer-term regional development strategy. Cooperation with the regional level is required (via budget planning) and role of Regional Councils in coordinating & negotiating implementation plans has been confirmed.
France	Long-term decentralisation moves have increased autonomy for local authorities, inter-commune groupings and regions. However, the process has been limited by constitutional issues & questions of local finance. Continued operation of sectoral state services at sub-national levels places an onus on territorial planning: various schemes coordinate the spatial application of sectoral policy.
Germany	Economic development is a <i>Land</i> responsibility; the federal level coordinates certain regional policy activities, provides additional funding for weaker regions and mediates with the Commission. The GA, a joint Federal- <i>Land</i> framework, involves rules-based coordination. A minor change has seen the GA finance 'bottom-up' initiatives - locally-run coordination networks & cluster projects.
Greece	A regional government level was introduced in 1997 (EU pressures). For 2007-13, the number of ROPs was reduced to from 13 to 5 and managing authority responsibilities were centralised. Even so, the participation of local-level consortia in generating and implementing plans is supported. There is a strong focus on public administration capacity building.
Ireland	The centralised framework supporting regional policy (notably through the NDP) is unchanged, with responsibilities shared across government departments. The profile of the NSS is rising. NUTS II Regional Assemblies have increased administrative functions as managing authorities for 2007-13 ROPs, while NUTS III regional authorities are gradually establishing themselves in policy processes
Italy	Under the 'unitary' regional policy developed for 2007-13, sub-national levels retain significant responsibilities. However, the national role in delineating objectives, ensuring integrated approaches across administrative tiers and aligning domestic and EU programmes is key. <i>Sviluppo Italia</i> has been replaced by <i>Invitalia</i> in an effort to boost efficiency in policy delivery.
Luxembourg	Regional policy is administered centrally with no significant local involvement. A comprehensive debate on territorial and administrative reform is underway, with a 2010 referendum planned.
Netherlands	The Ministry of Economic Affairs now organises its regional policy activities via regional programme teams to ensure that national priorities are reflected in regional policy delivery. New government favours further decentralisation to the provinces and municipalities. The implications of this are not yet clear, although responsibility for some <i>Peaks</i> implementation now lies with <i>SenterNovem</i> .
Portugal	New 2007-13 Cohesion policy governance model. There is no regional level of government and governance arrangements aim to ensure the delivery of centrally-set objectives. However, some decentralisation is underway: relative funding to regional OPs has increased; some incentive schemes have been regionalised; and global grants now promote decentralised implementation.
Spain	There have been no significant changes to the delivery of the main domestic and Cohesion policy instruments. Economic development powers remain at the regional level. The government's 'new territorial agenda' is being rolled out, with all regions approving new statutes of autonomy.
Sweden	From a traditionally centralised approach, regions have become more responsible for regional development due to Regional Growth Programmes and related programme-based developments. The piloting of Municipal Cooperation Bodies has furthered the regionalisation process. Proposals from a 2007 parliamentary committee into public sector structures are currently under debate.
UK	Devolved strategy-making and policy delivery remain organising principles of regional policy, albeit within a centrally-coordinated framework. The government has proposed: that the strategic role of RDAs be boosted; a broader range of issues be incorporated into regional strategies, local authorities be encouraged to participate in the design/delivery process; and new regional ministers and committees boost central scrutiny. These proposals are under discussion.
Poland	The 2007-15 National Development Strategy and recent legislation confirm parallel processes of regionalisation and central-level coordination. The Ministry for Regional Development has a key role in the overall administration of regional policy while regional self-governments are active in steering development as MAs for the new ROPs. May 2008 proposals include provisions to shift responsibility for a broader range of policy issues from the state to regional self-governments.
Norway	Regional policy is developed nationally but regional programming is now established, with counties gaining more steering and funding autonomy. Counties are also taking part-ownership of Innovation Norway. A 2007 White Paper argued the regional/county tier should take on more responsibility for development but a lack of political consensus and the strength of sectoral interests has limited change. Counties may gain new tasks in transport, communications and regional development.

Table 9: Recent changes in regional policy regionalisation in the remaining Member States

Bulgaria	Regional Development Councils have been set up as consultative bodies for implementation of State policy at the regional level. Within the Councils, regional coordination committees are involved in the implementation of relevant OPs at regional level. Deconcentrated units of the Ministry of Regional Development and Public Works at regional level were established in September 2008; they act as territorial units for the strategic planning and coordination of regional development.
Cyprus	Local self-governments are involved in planning processes. Their role in policy delivery has been limited by the weak role of local authorities in the provision of services and limits in terms of administrative capacity.
Czech Republic	No significant institutional changes are planned. Instead, attention is focused on improving the quality of institutions. A key objective has been to simplify the administrative processes involved in policy development and delivery, particularly in relation to Regional Operational Programmes.
Estonia	Overall responsibility for regional policy lies with the Ministry of the Interior. However, the implementation of national regional policy is generally devolved to the county level. The counties produce development plans and implement national regional programmes through their own development activities. EU Structural Funds are implemented through a centralised system.
Hungary	The administration of domestic and EU regional policy is separate. The 2007-13 NDP is delivered through a centralised system. The Ministry of National Development and Economy is responsible for coordinating domestic regional policy. At the sub-national level, development councils are responsible for regional development programmes and for the distribution of related financial resources. The councils are decentralised institutions that are independent from the government. County local governments have a secondary role in regional policy (they coordinate the development activities of communities, create databases etc).
Latvia	In 2006, the five planning regions received the status of public bodies, and they have been further strengthened in 2007 for planning purposes and to attract EU funds.
Lithuania	The Government and the Ministry of the Interior are responsible for the coordination of regional policy. However, in practice, most regional planning takes place at county level. For EU Cohesion policy, central government takes the lead role. However, since 2007, project selection was partially transferred to the regional development councils.
Malta	All Cohesion Policy programmes in Malta are coordinated and managed by the Planning and Priorities Co-ordination Division within the Office of the Prime Minister. The island of Gozo has its own dedicated government ministry.
Romania	Moves towards decentralised administration and the responsibilities of local government have increased. However, there is still a need to develop local government capacity to manage public services. In terms of Cohesion policy, some devolved responsibilities are delegated to Regional partners via Regional Coordinating Committees.
Slovakia	In the context of a wider decentralisation of public administration, the role and importance of regional and local self-governments is increasing. Regional governments are responsible for the elaboration of regional economic and social development plans. Under the Regional Development Support Act, the self-governing regions also contribute to the development of a National Development Plan and Operational Programmes. At local level, each municipality is responsible for the elaboration and implementation of a plan for economic and social development, which represents a medium-term development strategy for the municipality. Both regions and municipalities are responsible for elaboration of their own spatial plans
Slovenia	Regional policy remains strongly centralised in Slovenia, due to the lack of an intermediate regional administrative tier. However, there a number of institutions active at the regional level and involved in regional policy, including, regional development agencies, regional councils (representing the views of groups of municipalities), and regional development councils (coordinating the implementation of regional policy at the sub-national level).

5.1.1 Country -by-country review

In *Austria*, regional development remains the responsibility of the nine *Länder*, coordinated by the Federal Chancellery (BKA) and supported by the non-binding recommendations of the Austrian Conference for Spatial Planning (ÖROK). The administration of regional policy has remained largely unchanged in recent years, although arrangements for the 2007-13 Cohesion policy programming period have prompted some minor adjustments. On the one hand, the coordination function of the federal level has been developed through the NSRF process and there has been some organisational centralisation through the merging of federal funding agencies. On the other hand, some tasks have been decentralised. In particular, territorial cooperation, in form of the new Objective 3 programmes, will no longer be managed by the Federal Chancellery but by the relevant Austrian *Land*. Fragmentation at the local level has prompted the emergence of micro-regions (*Kleinregionen*) that collaborate on tasks such as spatial planning and business promotion.

In *Belgium*, processes underway since the 1970s have made the country one of the most regionalised in the EU. Following June 2007 elections, discussions are still ongoing regarding the regionalisation of further competences requested by the Flemish side (e.g. regarding employment). The regions are responding to the decentralisation process in different ways. In Flanders, the provincial level, together with regional development agencies, plays a fairly substantial role in regional development. In contrast, the Walloon provinces do not have any important competences. Notably the creation of central support agencies has illustrated increased concerns with improving economic development cooperation. Fiscal equalisation mechanisms, to balance disparities between the two regions, are the responsibility of the federal level. This is a source of ongoing controversy, particularly in Flanders where there is debate about the regionalisation of fiscal instruments to improve the general business environment.

In *Denmark*, a new institutional framework, established in 2007, is in operation. This integrates local, regional, national and EU economic development activities within a single, programme-based, policy structure. The number of local authorities has been reduced from 275 to 98 and the intermediate level from 14 *Amtter* to just five regions. Key features of the new system are the regionalisation of business development support activities and the use of partnership as a fundamental organisational principle. The regions are obliged to establish one or more partnership-based regional growth fora which provide the elected regional councils with strategic inputs with respect to economic development. New legislation has also given the fora a key role in the administration of the Structural Funds. Political motivations, as well as the anticipated benefits from a regional development perspective, underpinned the reforms.

In *Finland*, responsibility for the delivery of regional policy is shared between the State and the municipalities, acting through Regional Councils. Government objectives coordinate the regional plans of sectoral Ministries and provide guidance for the Regional Councils in the development of their regional strategic programmes. At the beginning of 2008, the main responsibility for regional development was transferred from the Ministry of the Interior to a newly-created Ministry of Employment and the Economy, merging the units for regional development from different Ministries in pursuit of a more simplified central-level

structure. The steering role of central government will be supported with the development a longer-term strategy for regional development, which will provide a basis for domestic and EU co-funded regional policy until 2020. The revised Regional Development Act has introduced measures to increase the cooperation responsibilities of Regional Councils in terms of decision-making in funding allocations for regional programmes. Cooperation between the centre and the regional-level is also increasingly important: sectoral Ministries are required to justify the impact of their funding on regional development, and to take regional implementation plans into consideration. The role of the Regional Councils in designing and delivering plans has been strengthened. Regional Councils have also been delegated management and implementation responsibilities for Structural Funds programmes.

In *France*, the inter-ministerial delegation DIACT, formerly DATAR, functions as the main national partner of the regions in developing and implementing planning documents. Although decentralisation measures are felt to have produced gains in autonomy and new opportunities for regional and local levels, there is a broad consensus that the process has not gone far enough. The issue of financial compensation for extended competences remains controversial and shifts in financial and human resources have stretched the capacities of sub-national authorities. The issue is made more pointed by the government's announcement of a zero growth rate for state transfers from 2008 to achieve budget stability. More widely, the deepening of decentralisation has triggered debate about the competences of different administrative tiers which are closely interlinked due to the standard practice of cross-financing. The continued operation of sectoral state services at sub-national levels puts the onus on territorial planning and coordination: a range of schemes are in place to coordinate the spatial application of sectoral policies.

In *Germany*, the primary responsibility for designing and implementing regional policy strategies lies with the *Länder*. The main role of the federal authorities is to coordinate certain regional policy activities between the *Länder*, including participation in a joint Federal-Land task (GA). Federal authorities also provide additional funding to structurally weaker regions and mediate with the European Commission on key issues, notably the overall German framework for regional aid, as well as Germany-wide issues relating to the Structural Funds. One minor recent change has been decision of the GA Coordination Committee to focus more strongly on bottom-up initiatives, particularly through mainstream funding of coordination networks and cluster projects, which are set up and run by local actors.

In *Greece*, there are three levels operating below the national level: municipalities and communes, prefectures, consisting of 50 self-governing units; and 13 regions which have been fully functional since 1997. In recent years, the administration of regional policy has been largely based on policy instruments provided by EU programmes. Notable changes have been made for the 2007-13 EU programming period, suggesting a more centralised approach in an effort to improve policy effectiveness. A National Coordination Authority has been established with wide-ranging jurisdiction over programming issues. In addition, the number of regional programmes has been reduced from thirteen to five and managing authority responsibilities have been moved from regional authorities to one central authority. At the same time, local governance has been reinforced (with a strong focus of

building capacity within the public administration) and cooperation amongst local authorities is being promoted to strengthen their role in the generation of development projects. Recent legislative changes ensure preference is given to plans submitted by consortia of local authorities over those submitted by lone authorities.

In *Ireland*, regional policy responsibilities are shared across several, national-level government departments: the Department for Enterprise, Trade and Employment deals with enterprise policy; the Department of Finance has responsibility for the implementation of the National Development Plan and EU Cohesion policy funds; and, the Department for the Environment, Heritage and Local Government is responsible for the National Spatial Strategy, which has become an increasingly influential document. The centralised framework supporting regional policy is unchanged; the development of a strong regional administrative tier has been hampered by the relatively small size of the country and the strength of national and local levels. Nevertheless, the experience and influence of sub-national levels (including the NUTS II BMW and S&E Regional Authorities and the NUTS III regions) in the delivery of National Development Plan and Structural Funds programmes has been gradually growing.

In *Italy*, sub-national levels retain powers in steering economic development. The ‘unitary’ regional policy approach introduced in recent years by the government has strengthened the domestic strategic framework for regional development. It has also reasserted the role of the national level, particularly the lead Ministry for Economic Development, in setting out domestic regional policy objectives, ensuring integrated approaches across administrative levels and aligning domestic and EU-funded interventions. The national agency for attracting foreign investment, *Sviluppo Italia*, has been replaced by a new body, *Invitalia*. Different from its predecessor, this is an operational agency of the Ministry of Economic Development. Compared to *Sviluppo Italia*, its functions have been narrowed and reductions made to staff levels and financial resources with a view to increasing efficiency.

In *Luxembourg*, the unitary state is divided into three districts, twelve cantons and 116 municipalities. The districts are administrative units which act as intermediaries between the municipalities and the central government. Regional policy is administered centrally with no significant involvement of local actors. A comprehensive reform debate on territorial and administrative reform is underway. Part of the debate concerns the role of municipalities in policy administration. Their capacity and influence could be boosted through increased inter-municipal collaboration and stronger cooperation with the central level. Proposals currently being debated include the abolition of cantons and districts, the introduction of public regional coordinating agencies and the reform of inter-municipal structures and responsibilities. A referendum on a new municipal map is planned for 2010.

In the *Netherlands*, in response to the *Peaks in the Delta* White Paper, the Spatial Economic Policy Directorate of the Ministry of Economic Affairs moved from an organisational structure clustered around key policy instruments to a geographical mode of operation (based on joint central-regional programme teams). The government wants to reduce the layers involved in any given policy, distinguishing between the level that formulates policy and that which implements the task. In this context, responsibility for implementing aspects of the *Peaks* programme has been given to SenterNovem, an agency

of the Ministry of Economic Affairs. The new government also favours decentralisation to the provinces and municipalities, providing more generic grants for municipalities, introducing budget transfers and expanding local taxation. The implications of this for national regional development spending are not yet clear.

In *Portugal*, there is no regional level of government and governance arrangements aim to ensure the delivery of centrally-set objectives. Arrangements for the administration of the Structural Funds are an important driver in regional policy delivery frameworks and the government developed a new delivery model for 2007-13. The aim is to achieve a more integrated governance system and this includes certain elements of decentralisation: an increase in the distribution of resources to mainland regional OPs relative to national OPs (when compared to the 2000-06 period); a more decentralised approach to the competitiveness agenda through new incentive schemes that are partly managed at the regional level; and, the promotion of decentralised implementation of integrated actions through global grants to groupings of municipalities organised at the NUTS III level.

In *Spain*, there has been no significant centralisation or decentralisation of EU Cohesion policy delivery in the new framework for 2007-13. This reflects the fact that Cohesion policy management and implementation processes are subsumed within domestic delivery processes which are determined by broader institutional arrangements which have not changed in recent years. A change in terms of programme architecture is the reduction in the number of multi-regional OPs managed at the national level to just three programmes and the integration of some central government interventions into the regional programmes. However, the balance of expenditure between national and regional government interventions remains largely as before, There has been some minor decentralisation of specific Monitoring Committee functions to the RCE Objective regions. More generally, as part of the domestic territorial governance agenda, the Spanish regions are currently in the process of approving new statutes of autonomy as a basis for further decentralisation and consolidation of power.

In *Sweden*, the Ministry of Enterprise, Energy and Communications is responsible for the coordination and supervision of regional policy. Most regional policy administration is carried out by the Swedish Agency for Economic and Regional Growth (NUTEK) which has responsibility for aid schemes, developing regional capacity and evaluation. From a traditionally centralised approach, regions have become more responsible for regional development, through Regional Growth Agreements and Programmes, Regional Development Programmes and the creation of Municipal Co-operation Bodies which have some regional development responsibilities. Discussions on administrative structures and responsibilities in Sweden continue to be high on the agenda. A 2007 parliamentary committee review into public sector administrative structures proposed the creation of larger elected regional authorities that would have responsibility for a number of tasks under a broader regional development mandate. These proposals are still being debated. Formal decisions may be taken in December 2009; however, for constitutional reasons it may be delayed until after the next elections (2010) with new regions emerging in 2011.

In the *United Kingdom*, devolved strategy-making and policy delivery remain organising principles of regional policy, albeit within a centrally-coordinated policy framework. In

England, some reorganisation is underway at the central level, with responsibility for achieving the government's regional development targets now integrated in the Department for Business, Enterprise and Regulatory Reform. New regional ministers and parliamentary committees will boost scrutiny of regional development interventions at the central level. Under government proposals that are currently being consulted on, Regional Development Agencies would be granted more powers of strategic overview and would move increasingly from a project to a programme-based approach (notably by leading on new Integrated Regional Strategies). The government's plans would also draw sub-regional levels into the administration of regional policy to a greater extent: several instruments have been introduced to encourage local authorities to work together on economic development issues. In *Scotland*, there have been recent administrative changes, as the new Scottish Government has rolled out its agenda. The number of Government Departments has been reduced from nine to six, the new Finance and Sustainable Growth (FSG) department taking responsibility for business, industry, transport, social enterprise and the voluntary sector. Training and skills responsibilities have passed to a new Education and Lifelong Learning Department. Scotland's main development agencies, Scottish Enterprise and Highlands and Islands Enterprise are also being restructured. There is a renewed focus on supporting strategic, high growth businesses and infrastructure activities of regional or national importance. The sectoral scope of these agencies has narrowed as responsibility for skills and local regeneration and business support has moved to other bodies. The agencies' network of the Local Enterprise Companies is also being streamlined.

In *Poland*, the 2007-15 National Development Strategy and recent legislation have confirmed parallel processes of regionalisation and central-level coordination. The Ministry for Regional Development has a key role in the overall administration of regional policy while regional self-governments play a more active part in steering development than before, as Managing Authorities for the new ROPs. A package of legislative proposals launched by the government in May 2008 included provisions to shift responsibility for a broader range of policy issues from the state to regional self-governments. A consultation process is underway on national regional policy, including debate on the relationship between the state and regional self-governments and on the financial bases of the latter.

In *Norway*, policymaking is traditionally the function of central government (with a strong role for sectoral ministries and with policies then implemented by national agencies, together with municipality or county authorities. However, the regional dimension has gained more weight in recent years following the regionalisation of 80 percent of the regional budget (relating to regional aid) to the county level in 2003. Regional programming is now established and counties are gaining increasing steering responsibility and funding autonomy. More recently, following a long-running debate on the division of responsibilities, a lack of political consensus and the strength of sectoral interests limited further change. However, some (minor) activities are in the process of being decentralised to the counties, relating for instance to transport and communications, land use and regional development. In this context, counties are taking on part-ownership of the industrial development and innovation agency, Innovation Norway, in partnership with the Ministry of Trade and Industry.

In the *new Member States*, some countries have reinforced their existing, centralised approach to implementation (e.g. *Cyprus, Estonia, Latvia, Lithuania, Malta, and Slovenia*). The implementation of regional policy interventions in these countries is predominantly carried out through line ministries and agencies. Elsewhere, some implementation responsibilities have moved from central to regional levels. In the *Czech Republic, Hungary, Poland and Slovakia*, sub-national input into the implementation process is being strengthened, potentially involving a stronger role in resource allocation, project generation and selection. In *Slovakia*, self-governing NUTS III regions have been involved in implementing some measures under the Infrastructure OP. However, concerns about administrative capacity and expertise at the sub-national level mean that central implementation structures continue to dominate. In this context, central actors in *Hungary* remain critical about the regional development councils that are responsible for regional strategy development; they consider them incapable of defining region-specific development goals. In *Estonia*, there is a perception that weak regional governments must be strengthened for regional policy to be effective and that their roles need to be clarified. In *Romania*, institutional capacity at the regional level remains a concern, given a lack of staff, weak strategic capabilities and structural and procedural problems, combined with a lack of clarity on the allocation of responsibilities and financial resources. With a view to improving and clarifying the role of regions in the future, regional reforms are planned in a number of cases. In *Latvia*, administrative territorial reform is in its final stages and should be completed in 2009. A new territorial division of amalgamated (and much larger) local units should be better suited to assist the planning and implementation of regional development projects. In *Slovenia*, plans are being discussed to increase levels of decentralisation and potentially establish a new ‘provincial’ administrative level of government.

5.1.2 Comparative points

This review confirms that responsibilities for regional policy delivery are being reworked throughout the EU, reforming the inputs of national, regional and local authorities and agencies. The motivations for this general process include: broad changes to the administration of public policy that seek to improve efficiency and/or accountability; more specific reforms of regional policy with the aim of tailoring interventions to varied territorial conditions through regionalised delivery; and, responses to the requirements for managing EU Structural Funds.

Several trends can be identified. First, the process of regionalisation of policy delivery, noted in past EoRPA reports, is continuing. The scope of regionalisation depends on existing domestic administrative contexts. In some unitary states, while overall authority remains with central government, increasing administrative powers are being transferred to officials representing or appointed at the national level. In *England*, RDAs are assuming more responsibility for strategic programming on their territories as part of an effort to bring different strands of economic development together under an integrated regional agenda.

Elsewhere, regionalisation has involved the transfer of responsibility for economic development to authorities that exercise a greater degree of autonomy. For instance, in *Denmark*, a local government reform process, establishing five large regions, has been

associated with the launch of a new regional policy approach. Legislation has given the new regions responsibility for economic development through regional growth fora. In *Finland*, the revised Regional Development Act has introduced measures to increase the cooperation responsibilities of Regional Councils in terms of decision-making in funding allocations for regional programmes. The interim report of the ALKU administrative reform project suggests that further decision-making power should lie with the Regional Councils - in respect of the use of regional development funding; the transfer of certain Structural Funds responsibilities from the existing State Provincial Office; and, various other responsibilities related to regional educational needs, traffic and environmental planning in the region. The role of the Regional Councils in designing and delivering plans has also been strengthened. Regional Councils have also been given management and implementation responsibilities for Structural Funds programmes. In *Poland*, a package of legislative proposals launched by the government in May 2008 included provisions to shift responsibility for a broader range of policy issues from the state to regional self-governments. Following devolution in the *United Kingdom*, increasingly distinctive economic development strategies are emerging from the devolved administrations. For instance, in *Scotland*, there have been recent administrative changes, as the new government has rolled out its agenda.

It is also worth noting that, even where no significant recent changes have been apparent, regionalisation remains a prominent part of the political debate. In *Sweden*, for instance, the 2007 parliamentary review that proposed the creation of new elected regional authorities with broad regional development mandates is ongoing. In *Luxembourg*, a comprehensive reform debate on territorial and administrative reform is also underway. Proposals currently being debated include the introduction of public regional coordinating agencies.

Arrangements for implementing Structural Funds have, in some cases, provided an important external impetus to the process of regionalisation. Interaction between domestic and EU implementation systems has been evident in the past year or two as Member States prepared for the 2007-13 programming period. In some countries the implementation of Structural Funds has stimulated the creation of specific frameworks and institutions which can fill an institutional void at regional level, provide practical experience in the design and steering of regional development programmes and encourage a multi-level perspective to the coordination of regional policy. An example of this type of interaction is provided by the creation of regional growth fora in *Denmark*. Although *Ireland* retains a centralised approach, the experience and influence of sub-national levels in regional policy, through the delivery of Structural Funds programmes, has been gradually growing.

However, it would be wrong to assume that the increasing role of the regional level entails a corresponding decrease in central government input into delivery. In most cases, central government remains a significant source of funding for regional development. Moreover, where national politicians remain accountable for results, it is inevitable that the centre will reserve a strong interest in the delivery of regional policy. How regional policy systems are financed is important in this context. Under fiscal regionalisation, some level of resource reallocation is made to allow regional authorities to carry out their functions more efficiently, with arrangements for resource allocation usually negotiated with central authorities. In the federal states and Scandinavian countries the financial system gives sub-

national levels a significant proportion of income from locally-raised taxes. However, in *Belgium*, the fact that fiscal equalisation mechanisms are regulated at the federal level is a source of continued controversy. This has prompted debate in *Flanders* about the regionalisation of fiscal instruments to improve the general business environment.

Elsewhere, heavy reliance on vertical transfers (either in the form of grants or shares in nationally collected or pooled taxes), particularly those tied to specific policies determined by the centre, can obviously constrain regions' freedom to allocate resources and steer regional policy.²⁰ The issue of control over resource allocation can call into question the extent to which real power has been transferred to the regional level, regardless of the statutory or authoritative legitimacy of new arrangements. In *France*, the issue of the financial basis for expanding competences remains controversial and related shifts in financial and human resources have stretched the capacities of sub-national authorities. The issue is made more pointed by the central government's announcement of a zero growth rate for state transfers from 2008 to achieve budget stability. Similar tensions concerning the mismatch between expanding competences of regional authorities and access to adequate funding, including 'own resources', are apparent in other countries (e.g. *Poland*). Central grants remain an important factor in other cases, such as *Ireland*, the *Netherlands* and the *United Kingdom*. However, a general trend towards the allocation of central funding through block grants (e.g. the 'single pot' of RDA funding in *England*) permits a degree of regional flexibility.

The need to integrate regional policy delivery systems to improve efficiency or strategic overview can drive rationalisation processes at higher levels of government. In *Finland*, the newly-created Ministry of Employment and the Economy merges the units for regional development from different Ministries in pursuit of a more simplified central-level structure for overseeing regional policy interventions. In *Italy*, the 'unitary' regional policy approach introduced in recent years has reasserted the role of the national level in setting out an integrated framework of regional policy objectives. Across Europe, therefore, the role of the central level is being redefined rather than diminished. Generally, the steering role of national authorities is increasingly emphasised. In fact, it can be argued that by becoming increasingly involved in the 'government of governance' states are actually building new capacity.²¹

Arrangements for the implementation of Structural Funds can contribute to centralising as well as regionalising processes. In some Member States, including the *EU12*, increased funding has demanded more sophisticated, multi-level implementation arrangements. This emphasises the role of central government in ensuring efficient management and control. In *Greece*, reforms for the 2007-13 EU programming period, have moved toward a more centralised approach in an effort to improve policy effectiveness. A National Coordination Authority has been established with wide-ranging jurisdiction over programming issues and

²⁰ Svensson, B and Osthol, A (2001) 'From Government to Governance: Regional Partnership in Sweden' *Regional and Federal Studies*, Vol. 11. No. 2. Summer 2001

²¹ Harrison, J. (2006) Re-reading the new regionalism: A sympathetic critique *Space and Polity*, Vol. 10, No. 1. (April 2006), pp. 21-46.

some managing authority responsibilities have been moved from regional authorities to one central authority. In *Austria*, arrangements for the 2007-13 period have prompted some minor adjustments. This includes the strengthening of the coordination function of the federal level through process of designing the NSRF process and some organisational centralisation through the merging of federal funding agencies. Reduced levels of Structural Funds can contribute to more focused, streamlined approaches to implementation. In cases such as *Scotland*, this involves fewer regional OPs and regional/local programme bodies and a narrower range of beneficiaries.

A final point refers to the promotion of the sub-regional level in regional policy delivery in several countries. This can be a response to fragmentation at local levels, pooling financial resources and policy competences and aggregating them upwards. In *Luxembourg*, for instance, part of the current regional policy debate concerns the role of municipalities in policy administration. Their capacity and influence could be boosted through increased inter-municipal collaboration and stronger cooperation with the central level. In the *Netherlands*, the government is considering providing more generic grants for municipalities, introducing budget transfers and expanding local taxation. This 'rescaling' can also be part of efforts to develop a more flexible or 'fine grained' delivery system that can respond to any mismatches between regional administrative boundaries and functional economic areas such as cities and other urban territories. In *England*, for instance, several instruments have been introduced to encourage local authorities to work together on economic development issues: local and multi-area agreements and city-regions. Again, Structural Funds implementation arrangements are part of this process in some cases. In *Greece*, recent legislative changes ensure preference is given to Structural Funds project applications submitted by consortia of local authorities as a means of incentivising stronger local governance. In *Portugal*, decentralised implementation of integrated actions is supported through global grants to groupings of municipalities organised at the NUTS III level.

5.2 Coordination of regional policy

Coordination has become a fundamental issue for regional policy administration. Traditional regional policy models targeted particular sectors in specific territories, and this meant that levels of government could function in a relatively segregated way. However, the broad expansion of the territorial coverage of regional policy towards all regions has prompted the introduction of new coordination approaches that can encompass a range of socio-economic contexts (e.g. *Netherlands*, *Denmark*). Related, the perceptions of regional development challenges have broadened to encompass issues that cross territorial and administrative boundaries. As a result, policy responses increasingly require coordinated contributions from a wider range of sectors and actors.²² Thus, in several countries, the integration of different themes under the regional policy heading, particularly the increasing orientation towards growth and competitiveness, has provided another impetus for improving coordination. The process of regionalisation, by opening up

²² Hooghe, L. and Marks, G. (2003) 'Unravelling the Central State, but how? Types of multi-level governance', *American Political Science Review* 97, 233-243.

the system of policy making and loosening hierarchical controls, encourages the emergence of a variety of partners at regional level with various resources, agendas and legal or political standing, often interacting in complex ways. For instance, in the *United Kingdom*, processes of devolution and regionalisation have been accompanied by the introduction of a variety of new coordination tools.

The influence of Cohesion policy and the Structural Funds programmes it finances cuts across these issues. This influence has been particularly apparent in the past year or two as Member States have designed national and regional strategies and developed management and implementation systems for the 2007-13 programming period. It is important to note that, despite these drivers for coordination, the tension between the desire to develop an inclusive model of regional policy which encourages the participation of a variety of actors from different levels and the concern that the regional policy field can become too complex or deadlocked is a significant challenge. Moreover, the desire and capacity of sectoral ministries and regional bodies to engage in coordination processes cannot be taken for granted. The following section provides a country-by-country review of recent coordination trends, as summarised in Table 10.

5.2.1 Country-by-country review

In Austria, the coordinating role of the federal level has recently been most apparent in the design of the NSRF (STRAT.AT), particularly through the work of the country's coordination platform for Cohesion policy, ÖROK. ÖROK also coordinated the regional distribution of European funds and the drawing up of the OPs at the Land level. Cross-policy coordination is a priority for regional policy, particularly concerning its interaction with rural development and R&D. In this context, a new platform has been established for the coordination of R&D activities between the national level and the *Länder*. The *Plattform FTI Österreich* was created by the Austrian Council for Research and Technology Development (*Rat für Forschung und Technologieentwicklung*) in 2007.

Table 10: Recent changes in regional policy coordination in EU15, Poland and Norway

Austria	Coordinating role of federal level apparent in the design of the NSRF, notably through ÖROK. Cross-policy coordination is a priority for regional policy, particularly concerning interaction with rural development and R&D. New platform for R&D coordination between the centre and the <i>Länder</i> .
Belgium	Restructuring of public administration aims to improve coordination between policy fields. In Wallonia, emphasis on coordination between the French and German communities and the Brussels region. In Flanders, coordination across administrative levels strengthened by a legal agreement, provincial/regional agencies working together, & new regional coordinating committees/councils.
Denmark	New framework has increased horizontal coordination as regional fora have responsibilities under both Structural Funds and domestic interventions. Vertical coordination increased through the role of local authorities as prominent supporters of regional development measures and via legislative regulation and partnership agreements between central government and regional fora.
Finland	Strategic programming boosts coordination at regional level, notably through Regional Management Committees. Plans for central Ministries to negotiate budgets for regional programmes with regional councils. Regional development negotiation committee set up at central level, with its activities aligned to similar committee for EU-policy.
France	Inter-ministerial coordination is an established part of the regional policy system, promoted by DIACT. Regional policy now part of “super” Ministry of Ecology, Energy, Sustainable Development and Territorial Development. State-region contracts valued as coordination instruments. New generation of contracts will be assessed by multi-sectoral study and monitoring group. Content and implementation of contracts increasingly integrated with Structural Funds programmes.
Germany	Specific policies for the new <i>Länder</i> coordinated through broader inter-ministerial mechanisms involving federal & <i>Land</i> Ministries. National coordination is integral to the GA which agrees a framework for regional policy. GA committees play key coordinating roles. Federal ministries coordinate meetings of SF managing authorities to share experiences and develop common views.
Greece	Coordination mechanisms based on Cohesion policy frameworks. For 2007-13, the revised implementation framework includes new Inter-ministerial Committee of Development Programmes with coordination and monitoring roles. National Coordination Authority also established with wide-ranging jurisdiction either by directly deciding on issues, or by advising programming authorities.
Ireland	Coordination across government departments, levels of government and partner organisations now a priority, influenced by Cohesion policy. Recently launched joint IDA-Ireland and Enterprise Ireland R&D grant scheme coordinates work of the two agencies. Partnership arrangements provide base for consultative policymaking, including at regional level.
Italy	Sophisticated system for implementing the new unitary regional policy emphasises coordination. The NSD 2007-13 established thematic committees involving national and regional authorities, to coordinate implementation. “National Table” for the coordination of national-level regional policy and various thematic working groups also set up. Domestic “Governance” Plan launched for 2007-13 in alignment with the OP Governance and Technical Assistance.
Luxembourg	Recent high-level coordination between different Ministries in the drawing-up of spatial planning documents which combine territorial and sectoral dimensions. These plans are still being finalised.
Netherlands	Coordination integral to <i>Peaks</i> approach. Outputs of national strategy documents applied in a coordinated way in a regional context. Central/regional representation on regional <i>Peaks</i> teams enhances coordination. Also, joint application forms and co-financing arrangements. Efforts being made to align funding sources, notably with respect to <i>Peaks</i> funding and the Structural Funds.
Portugal	Arrangements for the 2007-13 programming period stress coordination. Rationalised organisation of NOPs has demanded inter-ministerial coordination with a lead Ministry taking a coordinating role. New coordination body at NSRF and OP levels with a political supervisory role. Aim is to coordinate different Ministry inputs on strategic decisions. Public Central Administration Restructuring Programme includes new organisational model coordinating deconcentrated regional services.
Spain	Coordination instruments based on Cohesion policy frameworks. Five main coordination mechanisms: Cohesion policy forum, fund coordination committee, ESF forum, thematic networks and monitoring committees. Six partnership-based sectoral networks established to promote exchange of experiences and skills acquisition in a range of policy domains.
Sweden	New national forum to promote coordination between regional and national representatives. Partnership-based thematic groups set up to contribute to Regional Development and Regional Growth Programmes, as well as SF programmes. Structural Fund partnerships coordinate ERDF and ESF interventions in the regions and oversee coordination with Regional Growth Programme.
UK	<i>Sub-National Review</i> aims to overcome gap between administrative and functional economic boundaries, putting clear onus on coordination. Coordination mechanisms include: central government guidelines and targets for RDAs and contracts and agreements to coordinate central, regional and local inputs.
Poland	Main coordination mechanisms deal with the EU programme administration: national and regional monitoring/steering committees, conferences and negotiations between national and regional programme partners. MRR has coordination units & has developed framework guidelines for regional programming authorities. Regional contracts between central and regional governments help coordinate regional policy in the regions, although they are currently under review.
Norway	Coordination system based on triangular relationships between national ministries, public agencies (Innovation Norway) and county-level partnerships. Cabinet regional development sub-committee set up. Although only an advisory body, it has created a coordination momentum.

Table 10 (continued): Recent changes in regional policy coordination in the remaining Member States

Bulgaria	The establishment of strategic planning processes has been a driver towards improvements in consultation, coordination and the balancing of national, regional and local interests and initiatives. At regional level, regional development councils, which comprise representatives of national as well as regional and local authorities, is an important forum for coordination of sectoral activities and for regional feedback on required sectoral activities. Regional coordination committees have been set up within the councils to ensure a level of regional coordination in the implementation of the OP.
Cyprus	A perceived strength of the previous programming period was effective central coordination and quick decision making through a single Managing Authority. A more complex programming structure is in place for 2007-13. A 'Cohesion Policy Coordinating Committee' has been set up as a collective coordinating body. The Committee will oversee implementation of all programmes.
Czech Republic	The Ministry for Regional Development is responsible for the coordination of regional policy. However, sectoral ministries still play a role in the delivery of some regional assistance, making overall coordination complex. To improve coordination, annual evaluations of sectoral regional disparities have been introduced, as has the incorporation of regional approaches into sectoral policy.
Estonia	The Minister for Regional Affairs coordinates regional policy. At least eight other Ministries are involved, resulting in a complicated process. The lack of a cohesive policy has been blamed for the slow growth in the less developed regions. Moreover, concern has recently developed about over-centralisation in implementation, as central ministries, notably the Ministry of Finance, have a rather broad right to decide the allocation of Structural Funds resources for regional development.
Hungary	Some documents comment on the management of EU funds, including audit reports, mid-term evaluations and other studies. Due to the highly centralised nature of public administration, the extension of partnership has been challenging. Past problems included a lack of coordination, the changing division of labour between Ministries, fragmented and weak central systems for sub-national representation, and lack of institutions contributing to sub-national development. Although certain problems have been resolved, many more remain to be corrected.
Latvia	The Ministry for Regional Development and Local Government has principal responsibility for regional policy. Sectoral ministries and government agencies also have an important role. Inter-ministerial coordination is undertaken through a National Regional Development Council (NRDC), which includes representatives from the Cabinet and the five planning regions. The NRDC coordinates regional development and territorial planning, evaluates planning documents and ensures the co-ordination of regional development support. Various bodies also coordinate policy vertically. However, the question remains open as to whether and how regional and sectoral policies should be coordinated more.
Lithuania	The main regional policy decision making functions are performed by the central government, though local government is also involved in the development of regional policy. Central and local government activities are mostly coordinated by the county governor's administration and regional development councils (comprised of local government representatives and socioeconomic partners). Councils represent their position when discussing and approving regional development plans, provide solutions to the Government or the Ministry of the Interior on the implementation of regional development plans and other questions in their jurisdiction. In this way vertical (regional policy as an autonomous policy) and horizontal (regional policy as a coordination policy) approaches are combined.
Malta	A forum for coordination and discussion of development concerns is the Malta Council for Social and Economic Development (MCESD). The council is composed of a number of senior civil servants from the economic, social and financial sectors, the socio-economic partners, including the Chamber of Commerce, the Federation of Industry, representatives of the tourism sector, employers organisations, trade unions, professional bodies, the consumers association, local government and civil society groups. The MCESD had a central role in the consultation process for the NSRF.
Romania	A number of institutions have been established to improve the coordination of policy and programme delivery. In relation to Cohesion policy funds, an Authority for the Coordination of Structural Instruments has been set up within the Ministry for the Economy and Finance. Also in place are: a National Coordination Committee for Structural Instruments, providing strategic guidance and decision-making at a political level; a Management Co-ordination Group addressing management, administration and horizontal issues with relevance to the OPs; and Regional Coordinating Committees, established in the 8 regions to assist in the co-ordination between OPs.
Slovakia	The Ministry of Construction and Regional Development is the key authority responsible for the implementation and coordination of regional development as well as Cohesion policy (Central Coordinating Body). Its main task is coordination of the activities of state administration bodies and self-government at regional and local level in design and implementation of the Cohesion policy. Additionally, the Government Council for Regional Policy and Supervision on Structural Operations is consultative body of the government and has a coordinating function at the government level. It supervises the performance of ministries and other public bodies in the field of regional development, regional policy, EU Cohesion policy and other relevant EU and national policies. It aims to ensure coordination between Cohesion policy (SF funded programmes) and national policies and strategies. In 2006, the Association of Chairmen of Self-Governing Regions (Higher Territorial Units) was formed to coordinate development activities in the regions and act jointly in negotiations with national and international institutions.
Slovenia	Mechanisms to ensure coordination in policy development and delivery have changed over recent years. The National Agency for Regional Development has been abolished. A Council for Structural Policy is now in place. It had the responsibility of coordinating policy and programme documents, but does not meet on a regular basis. Therefore, less formalised arrangements have dominated.

In *Belgium*, the Flemish and Walloon Governments have focussed on the restructuring of public administration in order to improve coordination between policy fields. In *Wallonia*, mergers are planned to take place between the economic and research sectors, illustrating how the competitiveness agenda is driving change in regional policy administration. The Walloon Declaration on Regional Policy also prioritises coordination between the French and German communities and the Brussels region. The long-term objective is to review and potentially merge agencies and administrations that carry out similar tasks. The “Better governance policy” in *Flanders* has brought together policy instruments in support of entrepreneurship and innovation in one unit. A more technical aspect concerns mechanisms of innovative procurement which aim to increase coordination between the administration and the private sector. Debate in Flanders in recent years on the coordination of competences across administrative levels has produced: a legal agreement on coordinating implementation arrangements; provincial development agencies that operate alongside regional agencies; and the launch of regional economic and social negotiation committees and regional socio-economic councils which have an advisory and coordinating role.

The new regional policy framework in *Denmark* has increased coordination along three lines. First, horizontal coordination between Structural Funds programming and domestic interventions has been enhanced at national and sub-national levels, as the same statutory bodies, the regional growth fora, are in charge of recommending or deciding project support. Second, vertical coordination between the regional and local levels has increased through the role of local authorities as prominent supporters of regional development measures (as funders and also, to some extent, as implementers). Third, vertical coordination between the national and regional levels has increased, not just through legislative regulation but also via the subsequent institution of so-called partnership agreements between central government and each of the six regional growth fora.

In *Finland*, the involvement and impact of a large number of different actors on regional development makes coordination a priority. At the regional level, strategic regional programming has encouraged the key regional development actors to formulate plans and decide on priorities jointly. In each region, a Regional Management Committee generates consensus around regional programmes and implementation plans. This coordination element has now been extended beyond the programming process. It is planned that central Ministries will negotiate with the regions concerning budgets for these proposals. At the central level, the key coordination change has concerned the regional budgeting process. A regional development negotiation committee has been set up to coordinate the preparation and monitoring of Ministries’ regional budgets, to summarise all budget proposals, and to organise negotiations between the central level and the Regional Councils. A similar committee has been set up for EU-policy. It will aim to align the implementation of EU-funded programmes and national programmes.

In *France*, the dispersal of funding for regional policy across different ministries makes the coordination of state action indispensable. Inter-ministerial coordination is an established part of the regional policy system, promoted by DIACT. Responsibilities for regional development were recently moved from the Ministry of the Interior to the “super” Ministry of Ecology, Energy, Sustainable Development and Territorial Development. This is in line with the overarching objective to reconcile sustainable and economic development based

on reinforced, strategic inter-ministerial cooperation. The importance of state-region planning contracts in terms of planning, governance and coordination has been highlighted by a recent evaluation. DIACT functions as the main partner of the regions in developing and implementing such planning documents. For the new generation of contracts, a “Study and Monitoring Group of State-Region Project Contracts”, steered by DIACT and the Directorate of the Budget, now has a formal role. It is composed of members from each sector. With the start of the new programming period, increasing links between French and EU regional policies have become apparent. This applies to the content of the contracts and the Structural Funds programmes and to integrated systems for monitoring.

In Germany, specific policies for the new *Länder* (the Solidarity Pact, the Investment Allowance, and specific R&D, innovation, enterprise and marketing schemes) are coordinated in the context of broader inter-ministerial mechanisms involving federal and *Land* ministries. In contrast, specific national coordination mechanisms have long been in place for the Regional GA. The multi-annual GA Coordination Framework sets out all core rules and procedures relating to the GA, both on a Germany-wide basis and in each *Land*. In addition, GA committees play key coordinating roles. Overall, the GA is a coordinating instrument as it sets down a commonly-agreed framework for regional economic development policy. In the context of the Structural Funds, the Federal Ministry for Economics and Technology is responsible for coordination in relation to ERDF programmes, and the Federal Ministry for Labour and Social Affairs is responsible for coordination in relation to ESF programmes. As well as engaging with the European Commission on specific German-wide issues, the federal ministries coordinate meetings of representatives from programme managing authorities, which aim to share experiences and develop common views on issues, notably the future direction of EU Cohesion policy.

In *Greece*, regional policy coordination mechanisms are based on Cohesion policy frameworks. For 2007-13, the revised implementation framework includes a new Inter-ministerial Committee of Development Programmes which has coordination and monitoring roles. The limited number of members of the Committee encourages flexibility and helps speed up decision making. A National Coordination Authority has also been established. It has wide-ranging jurisdiction and authority on almost all of the phases of the programme, either by directly deciding on issues, or by advising on how other authorities should act.

In *Ireland*, coordination is a core feature of the management and implementation of Cohesion and domestic policies. Influenced by Cohesion policy, multi-annual and multi-sectoral programming lies at the heart of policymaking. This demands a coordinated policy approach across government departments, levels of government and partner organisations. A practical example of how such an approach is implemented is the recent launch of a joint IDA-Ireland and Enterprise Ireland R&D grant scheme, which streamlined and simplified existing support and involved collaborative working between the two agencies. It is also important to note that a strong basis for consultative policymaking is in place, through social partnership arrangements.

In *Italy*, the sophisticated system for implementing the new unitary regional policy - which incorporates the creation of Unitary Programming Documents by each regional and national administration, alongside the OPs co-financed by the ERDF and ESF - emphasises the theme

of coordination. The NSD 2007-13 has established a series of thematic committees which, through the participation of national and regional authorities, should help to coordinate policy implementation. The most important such committee is set to be the “National Committee for the Coordination and Monitoring of the Unitary Regional Policy”. It will involve all regional and national administrations in charge of the implementation of regional policy and will meet at least once a year. Additionally, “Direction and Implementation Committees” are being established for each policy field covered by a domestic *Mezzogiorno* NOP or IROP, together with a “National Table” for the coordination of national-level regional policy and various thematic working groups. Finally, a domestic National Implementation Plan “Governance” for 2007-13 has been launched. This will operate in alignment with the OP Governance and Technical Assistance co-financed by the ERDF in the four Convergence regions.

In *Luxembourg*, there is a conviction that an integrated approach to territorial development, which combines spatial and sectoral aspects, is necessary. Recent years have witnessed high-level coordination between different Ministries in the drawing-up of Luxembourg spatial planning documents. This can be seen, for example, in the *Integrated Transport and Country Planning Concept* (IVL), a strategy which links spatial development with policy fields such as transport and environment. More generally, it can be seen in the National Spatial Planning Programme, which combines a territorial dimension (e.g. the *plans directeurs régionaux*) with a sectoral dimension (the *plans directeurs sectoriels*). However, these plans are still being finalised; it is thus too early to say how their actual implementation will be coordinated.

In the *Netherlands*, policy coordination is a significant component of the *Peaks in the Delta* approach. It brings together the outputs of a range of national strategy documents (in the spatial planning, transport, industrial estates, innovation, urban and tourism fields) and applies them in a coordinated (programme-based) way in a regional context. In addition, through discussions at the regional level, a national vision has been formed of regional economic development potential, providing a framework to coordinate policy implementation in the regions. The involvement of regional *Peaks* teams at the regional level (including as programme secretariats) also enhances coordination, as does the presence on each Programme Commission of a senior Ministry of Economic Affairs official. Specific regional examples of coordination relate to joint application forms and co-financing arrangements. Efforts are also being made to break down the barriers between funding sources, notably with respect to *Peaks* funding and the Structural Funds. Looking to the future, the aim is to bring *Peaks in the Delta* and innovation policy more closely together, especially with respect to project generation and funding.

In *Portugal*, arrangements for the current programming period include a strong focus on increased horizontal and vertical coordination. The new, rationalised and thematic organisation of national OPs has demanded a far higher degree of inter-ministerial coordination with a lead Ministry taking a coordinating role for each NOP. Moreover, a new layer of global governance for the programmes has been created through the setting up of a coordination body with a political supervisory role at both the national level (for the NSRF) and programme level (for each OP). The aim is to facilitate the input of the different Ministries into strategic decisions. Within the context of the Public Central Administration

Restructuring Programme and the related reorganisation of the Ministry for Environment, Spatial Planning and Regional Development, a new organisational model has been defined for the government's deconcentrated services operating in the mainland regions (the Regional Cooperation and Development Commissions - CCDRs). Of particular note is the creation of an "intersectoral co-ordination council" within each CCDR in order to improve collaboration between the regional directorates of different ministries operating in the regions.

In *Spain*, coordination instruments are largely based on Cohesion policy frameworks. There are five main mechanisms for coordinating EU Cohesion policy: the Cohesion policy forum, the fund coordination committee, the ESF forum, thematic networks and monitoring committees. The most significant and novel development for 2007-13 is the creation of six sectoral networks to promote exchange of experiences and skills acquisition in the domains of the environment, urban initiatives, innovation, R&D, gender equality and social inclusion. In terms of organisation, the networks will include permanent representation from the Commission, central and regional governments, as well as other actors relevant to the specific network (e.g. local authorities for urban initiatives and NGOs for social inclusion).

In *Sweden*, the government has established a national forum to promote coordination between regional and national representatives about development issues, creating closer links between regional and local strategies and national priorities. Thematic groups have also been set up, covering the themes of innovation and renewal, skills supply and improved labour supply, and accessibility. The groups, consisting of regional representatives, national authorities and local authorities, will contribute to the work of the Regional Development and Regional Growth Programmes, as well as the Structural Funds programmes. This is expected to lead to improved collaboration and clearer priorities concerning the regional level. Structural Fund partnerships, which exist in all eight Structural Fund programme areas, coordinate ERDF and ESF interventions in the regions. They also oversee coordination with other regional programmes, such as the Regional Growth Programme. They are composed of elected representatives from municipalities and County Councils, and where relevant, the Sami Parliament, labour market organisations and interest organisations.

In the *United Kingdom*, the *SNR* objective of overcoming the gap between administrative and functional economic boundaries puts a clear onus on coordination across and between administrative levels. In particular, the proposed Integrated Regional Strategies (IRS) must accommodate a range of agendas based on different policy fields, spanning regional and sub-regional boundaries. Several coordination mechanisms are being used. Central government has produced guidelines for RDAs on the formulation and content of IRSs. The government is also planning to simplify the system of targets used to assess the performance of RDAs. A series of contracts and agreements are also in operation to coordinate the inputs of central, regional and local levels.

In *Poland*, the main regional policy coordination mechanisms deal with the administration of EU-funded programmes include national and regional monitoring and steering committees and conferences and negotiations between programme partners from national

and regional levels. Coordination has become a necessity as the scale of EU funding, the complexity of the programming framework and the sophistication of interventions have all increased in the current programming period. The Ministry for Regional Development (MRR) has a key coordinating role. It is the Managing Authority for Sectoral Operational Programmes and the multi-regional programme for the Development of the Eastern Regions and also the central government representative in coordinating ROPs with the regions. Several coordination mechanisms are used. The Ministry has specific coordination units. The Department for Coordinating Structural Policy prepares development strategies and supervises Community policies. Coordination at management and implementation level is the responsibility of the Department for Coordinating and Managing Community Support. The Ministry has created a specific unit responsible for the coordination of regional OPs and has developed several framework guidelines for regions. Regional contracts between central state and regional governments are an instrument for coordinating the state's regional policy in the regions, although their importance has been questioned by the fact that they are financed predominantly by central government subsidies. The role of contracts is currently being assessed as part of a larger review of regional policy in Poland.

Norway's coordination system is based on the triangular relationships between national ministries, public delivery agencies (Innovation Norway) and county-level partnerships. In 2005, the government established a Cabinet sub-committee on regional development. Although an advisory body, this was an important development in a country where sectoral ministries are traditionally powerful. The sub-committee is chaired by the Minister of Local Government and Regional Development and has six other Ministers as permanent representatives. It is tasked with coordinating government measures which have a bearing on district and regional policy and with establishing the framework for subsequent White Papers and research. This has created a coordination momentum. One set of themes considered by the sub-committee relate to the challenges facing vulnerable communities, including policy for coastal areas and for mountain regions. Most recently, the sub-committee has turned its attention to the upcoming (2009) White Paper. This is seen as a useful way of generating political "buy-in" to the issues raised in the White Paper.

In the *new Member States*, effective coordination of relevant ministries, departments, agencies and levels of government is widely recognised as crucial for delivering new programmes and policies. In recent years, a number of the new Member States have started to address this need (see Table 10). As one example, in the *Czech Republic*, the Ministry for Regional Development has assumed stronger overall responsibility for the management and supervision of Structural Funds and Cohesion Fund activities in order to provide a focal point in the coordination process. However, in a number of the CEE Member States, and Romania and Bulgaria in particular, there remain concerns about the extent to which the institutions and systems in place can deliver the required coordinated approach.

5.2.2 Comparative points

Within regional policy, legal, institutional and administrative arrangements are emerging to coordinate the input of an expanding range of players and agencies. These include:

- *Devolving power within the context of national frameworks and targets guidelines.* In countries with traditionally centralised administrative models, processes of ‘coordinated regionalisation’ are apparent. These stress the submission of regional-level plans to national targets or regulatory guidelines (e.g. *United Kingdom*).
- *Negotiating contracts, agreements to commit delivery bodies to shared sets of targets.* In states with regionalised frameworks, coordination mechanisms may serve to ensure that national-level policy decisions and regional priorities cohere. Such instruments can include provisions to negotiate the integration of sectoral and regional development funding. This can be accomplished through the use of national-regional contracts (e.g. *France, Poland*) or other less formal agreements.
- *Participation in strategic coordinating committees and partnership groups.* These ‘joint-steering’ structures are apparent across different administrative systems, coordinating the input of the key actors and interests from different levels through joint representation on administrative bodies. This approach is apparent in countries with established corporatist traditions (e.g. *Austria, Germany, the Netherlands* and the *Nordic* countries) but the influence of systems for the implementation of Structural Funds programmes has also been influential in several cases. The shift in regional policy towards strategic programming, including under Cohesion Policy, has provided a framework for coordinating committees and groups.

Combinations of these coordination mechanisms are evident across countries. Indeed, with regional policy in a state of transition throughout Europe, elements of different models can be identified in the same national context. Moreover, they can be found at various levels, operating vertically and horizontally.²³ As in past EoRPA reports, this paper adopts a basic three-fold typology to assess recent horizontal and vertical coordination processes: national-level coordination, regional-level coordination, and national-regional coordination.

(i) *Horizontal coordination at the national level*

As noted above, the function of the national level in regional policy systems is changing. The role of central government in designing and delivering major regional development interventions, though still evident, is generally declining as regional policy systems have opened up to a broader range of participants. National ministries and agencies are increasingly acting as coordinators and partners in regional development. The centre is now concerned with setting the framework or guidelines and overseeing the coordination mechanisms within which regional policy can be formulated and implemented. This can be a difficult task, particularly given the expansion of the regional policy agenda in recent years. From a situation where regional policy was the responsibility of a limited number of government units, in several countries efforts are underway to coordinate a broader range of national government departments whose activities are now perceived to have an impact on regional development. Identifying and committing policy priorities and, particularly,

²³ Danson, M. (2003) ‘Regional Problems, Regional Policy and Regional Well-Being’ in G. Blazyca (ed.) *Restructuring Regional and Local Economies: Towards a Comparative Study of Scotland and Upper Silesia* Ashgate:Aldershot p19.

funding streams or packages in sectoral ministries that can be integrated under the regional policy heading is challenging. Indeed, before attempting to integrate activities, recent coordination initiatives in some countries have sought to strengthen the basic commitment of central government to regional development activities beyond the main sponsor department. Different mechanisms for strengthening national level coordination are apparent.

In some cases, coordinating structures have been established at the national level. In 2005, the government in *Norway* established a Cabinet sub-committee on regional development, the first permanent sub-committee on this theme in a country where sectoral ministries are powerful. This created a coordination momentum which has been carried forward into subsequent government policy papers and actions. In *Finland*, a regional development negotiation committee has been created to coordinate the preparation and monitoring of Ministries' regional budgets, to summarise all budget proposals, and to organise the negotiations between the central level and the Regional Councils, as well as to oversee any other coordination tasks with respect to regional development. In *France*, the government organisation DIACT is part of an established system of inter-ministerial coordination. Moreover, for the new generation of state-region contracts, DIACT is involved in steering a "Study and Monitoring Group of State-Region Project Contracts". The Group is also steered by the Directorate of the Budget, is composed of members from each sector and meets monthly, thus ensuring regular contact and allowing for the identification of potential problems. DIACT is also in charge of passing on regional requests to the group. In *Italy*, the ambitious project of introducing a new unitary regional policy (combined with the implementation framework of the new NSD) has created coordination challenges. Responses have included the establishment of a 'National Table' for the coordination of national-level regional policy and related thematic working groups.

In some countries, central ministries and departments have been restructured to increase the focus and coordination of regional policy interventions. In 2007, responsibilities for regional development in *France* were moved: from the Ministry of the Interior to the "super" Ministry of Ecology, Energy, Sustainable Development and Territorial Development. The main aim is to integrate sustainable and economic development based on reinforced, strategic inter-ministerial cooperation. In *Finland*, regional policy responsibilities have recently been transferred to a newly-created Ministry of Employment and the Economy. This has brought together the units for regional development from the Ministries of Trade and Industry, Labour and the Interior in pursuit for a more simplified central-level structure.

In some countries, increased coordination at the national level is being achieved through the restructuring of organisations tasked with the implementation of the Structural Funds. In *Greece*, an Inter-ministerial Committee of Development Programmes and a National Coordination Authority have been established for the 2007-13 programming period to ensure the effectiveness of interventions and the maximum absorption of Community funds. In *Portugal*, arrangements for the current programming period include a strong focus on increased horizontal and vertical coordination. The new, rationalised and thematic organisation of national OPs has demanded a far higher degree of inter-ministerial coordination with a lead Ministry taking a coordinating role for each of the NOPs. Moreover,

a new layer of global governance for the programmes has been created through the setting up of a coordination body with a political supervisory role at both the national level (for the NSRF) and programme level (for each OP). The aim is to facilitate the input of the different Ministries into strategic decisions.

Elsewhere, coordination at the central level is being facilitated by agreements, frameworks and instruments. In the *United Kingdom*, coordination has been strengthened through the setting of cross-departmental PSA targets for the three main government departments involved in regional development (BERR, CLG and the Treasury). The UK Treasury led a Cross Departmental Steering Group that facilitated negotiations between departments and considered alignment of funding streams. Regions also fed their budget plans into the exercise.

Finally, national-level horizontal coordination can include greater cooperation between government departments and the agencies involved in implementing programmes. In *Ireland*, the recent launch of a joint IDA-Ireland and Enterprise Ireland R&D grant scheme streamlined and simplified existing support and involved collaborative working between the two agencies. *Norway's* coordination system is based on the triangular relationships between national ministries, public delivery agencies (Innovation Norway) and county-level partnerships.

(ii) *Horizontal coordination at the regional level*

Processes of regionalisation have increased the participation of regional level actors with various resources, agendas and legal or political status (including governmental agencies, civic associations, private-public partnerships etc). However, institutions can compete for limited resources and duplicate functions. A fragmented system may mean that institutions are unable to develop the critical mass to operate effectively. In response to this, coordinating mechanisms for setting development goals, planning initiatives or allocating resources have been developed at sub-national levels in several countries.

In a number of instances, the design and delivery of regional development strategies is providing an important framework for coordination. In *Finland*, strategic regional programming has encouraged the key regional development actors (the Regional Council, the representatives of State bodies in the region and the social partners) to formulate plans and decide on priorities jointly. In this context, the Regional Management Committee in each region plays an important role in generating consensus in the region around the programme and its implementation plan. The Interim report of the ALKU reform project suggests a stronger coordinating role for the regional strategic programmes. It also proposes improved coordination between the implementation plan of the regional strategic programme and the target agreement process of the regional state authorities. In the *Netherlands*, regional programmes under *Peaks in the Delta* were compiled by recently-established Programme Commissions which bring together leading regional representatives of the private sector, the knowledge economy and the public sector. In *England*, plans to create a framework for the development of Integrated Regional Strategies continue to be rolled out. These aim to strengthen the strategic programming role of RDAs, reflecting the increasing use of regional programming and of policy instruments that support not only

specific infrastructure or business aid provision but also measures to promote spatial development, innovation, urban development, education and training, housing and the environment. It is hoped that bringing these fields and related interests together under a single programme will create a more coherent regional strategic perspective.

In some cases, new regional-level structures have emerged to improve coordination. In 2007, the Walloon government in *Belgium* merged the Ministry of the Walloon Region and the Transport Ministry to increase the coordination of service provision. Further mergers are planned to take place between the economic and research sectors, illustrating how the increasing emphasis on the competitiveness agenda is driving change in regional policy administration. In *France*, three separate services (infrastructure, industry and research) have been merged at the regional level under the auspices of the Ministry of Ecology. In *Portugal*, a new organisational model has been introduced to strengthen the strategic coordination of different deconcentrated services operating in the mainland regions (the Regional Cooperation and Development Commissions - CCDRs). CCDRs will cover: spatial planning; the promotion of strategic and integrated regional development planning; monitoring the design and implementation of de-concentrated policies; and providing an opinion on the central governments public expenditure programme (PIDDAC) in the region. Partnership structures can also increase coordination at the regional level. The partnership model associated with the implementation of Structural Funds programmes has often been influential in this respect. In *Denmark*, regional growth fora, consisting of persons proposed by local and regional government, as well as private sector organisations and knowledge institutions, produce regional development strategies and programmes. It is also worth reiterating that, in several countries, the increasing promotion of the sub-regional level in regional policy delivery has included the development of coordination mechanisms that allow sub-regional actors to make stronger strategic inputs. Multi-area agreements in *England* are currently being launched, while in *Flanders*, “accredited regional partnerships” (ERSV,) have been established to support the development of comprehensive sub-regional policy strategies.

(iii) *Vertical Coordination (national-regional)*

A number of approaches have emerged to strengthen coordination between national and regional development priorities.

- *Use of coordinating structures, partnership groups*

Structures with joint national and regional representation can play an important coordinating role for both domestic and EU-funded regional policy. In *Germany*, the GA has a number of coordination mechanisms, including coordinating committees. Political decisions are taken by the GA Coordination Committee, which is made up of federal and *Land* Economics Ministers. Procedural issues are discussed and adopted by the GA Sub-Committee, which is composed of federal and *Land* civil servants from the relevant Ministries of Economics. The GA Sub-Committee can also set up working groups to examine specific themes. In *Sweden*, the government has established a national forum to promote dialogue between regional and national representatives about development issues, thus creating closer links between regional and local strategies and national priorities. Thematic

groups have also been set up, covering the themes of innovation and renewal; skills supply and improved labour supply; and accessibility. The groups, consisting of regional representatives, national authorities and local authorities, will contribute to the work of the Regional Development and Regional Growth Programmes, as well as the Structural Funds programmes. This is expected to lead to improved collaboration and clearer priorities concerning the regional level. In *Italy*, the increased complexity of the unitary policy - which foresees, alongside the OPs co-financed by the ERDF and ESF, the creation of Unitary Programming Documents by each regional and national administration - has emphasised the importance of vertical coordination. A series of thematic committees, consisting of national and regional authorities, will supervise policy implementation. This includes a “National Committee for the Coordination and Monitoring of the Unitary Regional Policy”, overseen by the Department for Cohesion Policy within the Ministry for Economic Development. It will involve all regional and national administrations in charge of the implementation of regional policy and will meet at least once a year. In the *Netherlands*, senior officials from the Ministry of Economic Affairs participate alongside regional interests in regional Programme Commissions. Central government representatives are active in regional teams implementing the *Peaks in the Delta* programme (including as programme secretariats).

Implementation structures for Structural Funds programmes can contribute to national-regional coordination. Countries have established Cohesion policy fora, coordination committees, thematic networks and monitoring committees where national and regional levels are represented (e.g. *Spain*). In *Portugal*, the creation of new incentive schemes for 2007-13, partly operated at the regional level, will include the creation of a new project selection committee to include input from both national and regional OP managers.

- *Coordinating decentralisation or devolution in the context of national frameworks and guidelines*

In some countries, national-regional coordination includes the application of national-level guidelines or targets. RDAs in *England* have acquired increasing programming responsibilities in recent years. However, they must also take central government policy objectives into account and meet performance targets set by national government. In *Poland*, regional governments have received significant responsibilities as Managing Authorities for regional Structural Funds programmes. However, the Ministry of Regional Development has produced several framework guidelines concerning the content and implementation of the programmes. In federal countries, national-level mechanisms, based on rules agreed between federal and state levels are evident. In *Germany*, the GA provides a framework, based on consensus between the *Länder* and the federal level, for defining eligible areas and agreeing a joint approach to aid ceilings, thus minimising subsidy competition. The joint approach also ensures shared rules on regional policy funding, eligibility and mechanisms and an integrated approach to regional policy instruments.

- *Contracts or agreements to commit delivery bodies to shared sets of targets*

Finally, national-regional coordination can be accomplished through the use of contracts or agreements with varying levels of formality and legal status. These often involve agreements on budgetary commitments or joint financing arrangements. In *France*,

planning contracts, signed between the state and the regions, have been in operation since 1982. Their qualitative added value in terms of planning, governance and coordination has been highlighted by a recent evaluation exercise. DIACT functions as the main partner of the regions in developing and implementing these planning documents. The co-financing of interventions is seen as an important coordination mechanism. In *Poland*, regional contracts coordinate the state's regional policy in the regions.²⁴ Based, in part, on the French state-region contracts, they are signed agreements between the government and self-government authorities under which regions receive a set budget for investment in a range of policy fields. Currently, negotiations take place between the Ministry of Regional Development and regional self-governments. Regional contracts are co-financed by the central budget and local government budgets.

In *Denmark*, partnership agreements between central government and each of the six regional growth fora were signed in early summer 2007, covering the period 2007-09. These entail both a general political commitment to shared goals and specific undertakings that the two sides will attempt to progress. The new regional growth fora do not have any statutory implementation responsibilities; this ensures that they have to cooperate with national and local bodies if strategies are to be funded. In *Finland*, target agreements are negotiated between Ministries and deconcentrated regional state authorities. Moreover, in the future, it is planned that this process will run in parallel to new negotiations between Ministries and Regional Councils on proposals contained in regional development programmes. The aim of this is to improve cooperation and coordination between the regions and the central Government concerning the region's budgeting needs. The strategic regional programmes play an important role in helping to align EU and domestic priorities and are increasingly coordinated with the plans of sectoral Ministries through the budget negotiation process. As noted above, a similar process is underway in *England*, where a Regional Funding Allocation exercise is attempting to draw together the budget plans of central ministries and regional bodies. In the *Netherlands*, the requirement under *Peaks in the Delta* that 50 percent co-finance be provided by sub-national authorities (for instance, in the north wing of the Randstad) guarantees strong coordination and regional commitment to aided projects.

5.3 Efficiency and accountability

Issues of efficiency and accountability arise from the reworking of regional policy design and delivery responsibilities across administrative tiers. In terms of efficiency, part of the rationale behind these new approaches is that they deliver policy at a lower cost through privatisation, deregulation, decentralisation and reorganisation of traditional hierarchical relationships. 'Value for money' considerations are, therefore, prominent. However, new systems, operating in national and regional spaces with several institutions interacting in complex ways, can create problems with policy transparency and evaluation. In terms of accountability, one of the impulses for new delivery models is to bring policies closer to the territories and people they impact on. However, ensuring democratic legitimacy in regionalised policy design and delivery operating through coordinated networks,

²⁴ See OECD (2008) *Draft Territorial Review of Poland* for a review of regional contracts.

partnerships and deliberative forums can be problematic.²⁵ As the following review of change illustrates (see Table 11 for an overview), countries are addressing these challenges in a variety of ways.

5.3.1 Country-by-country review

In *Austria*, the perceived utility of Structural Funds evaluation has prompted the application of similar approaches to national regional policy measures. Evaluation capacity building activities following accession included the establishment of the 'Checkpoint EVA' platform which had the objective of facilitating exchange of experience and learning in regional policy evaluation. This was developed further for the 2000-06 period when the coordination and work platform KAP-EVA was established. This evaluation network is perceived to be a useful tool for stimulating discussions, setting common standards and adapting EU requirements to domestic needs. Processes of consolidation amongst public authorities and agencies have led to a discussion about accountability, including the separation of policy design and delivery functions between different Ministries and agencies. There is an on-going evaluation of this, with results expected in spring 2009.

Efficient policy delivery is an increasing priority in *Belgium*. The implementation of new programmes involves several innovative measures to increase efficiency, including strategic steering committees, regular reporting and evaluation arrangements. The emergence of regulatory impact analysis illustrates a new focus on results-oriented evaluation, linked to the Structural Funds model. Efficiency is also being sought through administrative streamlining and legal simplification. Accountability is supported through the role of socio-economic councils in providing strategic advice and scrutiny.

In *Denmark*, the standardisation of data collection systems for regional growth fora aims to improve the knowledge base, facilitate evaluation and increase efficiency. The performance of regions is being measured against national targets (for training, entrepreneurship, innovation and R&D). Efficiency is also being supported through a competitive element in funding the fora. Formal separation of policy design roles (undertaken by the fora) and delivery functions (undertaken by arm's-length bodies often established by groups of local authorities) boosts accountability. Moreover, the fora include members appointed from elected representatives at the regional or local levels, providing indirect political accountability.

²⁵ McVittie, E and Swales, J.K (2004) 'Constrained Discretion' in UK Monetary and Regional Policy' *Strathclyde Discussion Papers in Economics*, Department of Economics, University of Strathclyde, No. 04-06 (2004).

Table 11: Recent efficiency and accountability changes in the EU15, Poland and Norway

Austria	Evaluation is seen as increasingly important process in ensuring policy efficiency, with EU models influential. Accountability issues are part of current debate on the separation of design and delivery functions.
Belgium	Efficiency is sought through administrative streamlining and legal simplification. The emergence of regulatory impact analysis illustrates a new focus on results-oriented evaluation, linked to the Structural Funds. Accountability has been strengthened through the role of socio-economic councils in providing strategic advice and scrutiny.
Denmark	Standardisation of data collection systems for regional growth fora aims to improve the knowledge base and increase efficiency. Performance of regions measured against national targets. Efficiency also supported through competitive component of fora funding. Formal separation of policy design & delivery functions boosts accountability.
Finland	Efficiency measures respond to recent pressures faced by municipalities. Reforms aim to strengthen the municipal and services structure, including potential mergers of municipalities and a clearer division of responsibilities between municipalities and the state. Restructuring of regional state authorities and extension of Regional Councils' economic development responsibilities are being discussed.
France	Efficiency review of public administration underway, including clarification of competences of regions and departments and rationalisation of territorial state services. Evaluation and monitoring increasingly important. Transparency is a priority: recent adoption of law that formalises parliamentary scrutiny of government policies.
Germany	Evaluation is an integral part of the regional policy GA. Several studies have been launched in 2008. Accountability is ensured through regular reporting on the GA to federal and <i>Land</i> parliaments.
Greece	Instruments to improve efficiency, (target-setting, monitoring, spending and policy reviews and evaluation), are built in to the delivery of Cohesion policy in line with regulatory requirements. Recent rationalisation of Structural Funds implementation aims to increase efficiency.
Ireland	Monitoring and evaluation associated with Structural Funds system but now extended to other areas. Accountability supported via annual report on NDP submitted to parliament for debate. Partnership arrangements also contribute, again based on Structural Funds arrangements.
Italy	Measures introduced to reduce bureaucracy for firms and increase the efficiency of public administration. Efficiency supported in the <i>Mezzogiorno</i> through performance reserve system. Monitoring and evaluation integrated into unitary regional policy, including strong links with national statistics unit to improve data base.
Luxembourg	There are three main instruments which aim to improve efficiency and anchor accountability: legislative simplification of the framework regulation; evaluation; and cutting red tape to improve the business environment.
Netherlands	Established domestic evaluation tradition as part of policy cycle. Provincial and municipal match funding ensures sub-national accountability for regional policy interventions.
Portugal	Increased emphasis on strategic monitoring under Structural Funds system includes new centres to monitor key themes and provide technical knowledge. Regional observation centres perform similar functions at the regional level. Separation of management and political supervision has formalised political responsibility.
Spain	Mechanisms to support efficiency and accountability (target-setting, monitoring, spending and policy reviews and evaluation, reporting), based on the delivery of Cohesion policy in line with regulatory requirements.
Sweden	Efficiency and accountability issues addressed in recent parliamentary committee report. Includes discussion on division of responsibilities between tiers and potential creation of new directly-elected regional authorities and fewer regions.
UK	Ongoing government review seeks to rationalise administration of regional policy. Rationalised targets and indicators for implementation. Regional funding review seeks to increase efficiency of spending. Review seeks to ensure accountability by drawing on democratic mandates at national and local levels.
Poland	Increasing emphasis on monitoring and evaluation as efficiency tools, strongly associated with Cohesion policy. Recent administrative reforms aim to clarify division of responsibilities between state authorities and regional governments.
Norway	Evaluation is central to the activities of Innovation Norway. Local accountability boosted through upgrading of support to municipalities, including increased cooperation with Innovation Norway. Debate on regional-level reform but changes unlikely in the near future.

In *Finland*, some efficiency measures are responding to recent pressures faced by municipalities. In several instances, the size of municipalities was thought to be insufficient to cope with economic pressures resulting from out-migration, ageing and the increased costs of health service provision. Reforms under the *Paras*-project aim to strengthen municipal and services structures, including potential mergers of municipalities, reform of municipal funding and state co-funding, and a clearer division of responsibilities between municipalities and the state. Changes are also expected to existing regional structures. The latest reform of regional governance (ALKU) aims to create a more efficient and accountable regional-level governance structure by 2010. The interim report of the ALKU-project has recommended the restructuring of regional state authorities and the extension of Regional Councils' economic development responsibilities.

In *France*, a general review of the efficiency of public administration is under way. It aims to clarify the competences of regions and *départements* and to rationalise territorial state services in the context of an increased transfer of competences to territorial authorities. Some state services have already been merged at the regional level. Evaluation and monitoring is increasingly important, influenced by and increasingly aligned with the Structural Funds model. Related, a "territorial observatory" has improved the scope for standardised data collection. Principles of financial management and control have been established. The new generation of state-region contracts will be assessed more critically with respect to efficient implementation. Similar to the Structural Funds OPs, funding can be decommitted 18 months after approval for projects for which no commitment has been made. This decision is taken at the regional level. Transparency is also a priority: a recent review of public policy led to the adoption of a law that formalises parliamentary scrutiny of government policies.

In *Germany*, the main recent steps which have been taken to enhance the efficiency of regional policy concern evaluation. Several studies have been launched in 2008, including evaluations of the efficiency of infrastructure projects, coordination mechanisms between policies with a territorial impact, and the development of regions eligible for GA funding. The Federal Finance Ministry is starting to undertake detailed ex ante assessments of the viability of major public infrastructure projects in some areas, given the likely impact of processes such as demographic ageing on future demand. Accountability is ensured through regular reporting on the GA to federal and *Land* parliaments. Information on GA funding recipients is now published more widely in order to improve transparency and to harmonise the GA approach with the new ERDF approach, where all managing authorities are obliged to publish information on funding recipients.

In *Greece*, instruments to improve efficiency, (target-setting, monitoring, spending and policy reviews and evaluation), are built in to the delivery of Cohesion policy in line with regulatory requirements. In programming terms, notable changes have been made for the 2007-13 period. Most importantly, there has been a reduction in the number of programming regions from 13 to five in the 2007-13 NSRF. Reducing the number of regions for programming purposes is expected to lead to greater efficiency in programme implementation through economies of scale.

In *Ireland*, reinforcing value for money through monitoring and evaluation is recognised as an important benefit of working with EU Cohesion policy funds. In the fields of monitoring, financial control and evaluation, national expertise has been built up such that it is now applied in non-EU-supported areas. For instance, reporting requirements are now embedded and cost-benefit and capital appraisal techniques are more widely applied to capital programmes. The partnership model associated with the administration of Structural Funds has been influential in the development of domestic partnership structures which, in turn, have supported accountability.

In *Italy*, the new unitary regional policy is subject to ongoing monitoring and evaluation. Covenants have been put in place between the national statistics institute (ISTAT) and the Department for Cohesion Policies to increase the supply of territorial data and indicators (with respect to both administrative boundaries and functional areas such as labour markets). General measures have been introduced to reduce bureaucracy for firms and increase the efficiency of public administration. More specifically, efficiency will be supported in the *Mezzogiorno* through a performance reserve system.

In *Luxembourg*, legislative simplification has aimed to improve efficiency by introducing greater flexibility into aid schemes. Evaluation is also integral to the policy cycle. Evaluations of enterprise activity are generally carried out internally and are based on regular contacts with recipient firms. There are also various endeavours to simplify bureaucratic rules for business (administrative simplification committee, action plan etc). This is in response to research that suggested that administrative requirements were one of the most important constraints on the development of enterprises.

In the *Netherlands*, evaluation has traditionally been an integral part of the policy cycle. In 2002, a Regulation on Policy Implementation and Evaluation was developed to ensure that government spending was evaluated efficiently, based on information of satisfactory quality and following a uniform approach. An internal Handbook on Policy Evaluation and Implementation was developed to facilitate this. Matching finance is an integral part of the *Peaks* approach, with a view to ensuring funding effectiveness and accountability. The requirement that provinces and municipalities must together match national *Peaks* funding reflects the desire that the sub-national level should demonstrate a clear commitment to projects in their area which are in receipt of *Peaks* support.

In *Portugal*, instruments to improve efficiency, including evaluation, are built in to the delivery of Cohesion policy in line with regulatory requirements. Increased emphasis on strategic monitoring under the Structural Funds system includes four national-level 'rationality centres' which have responsibility for monitoring key themes: training, competitiveness, urban management and governance. They also aim to further understanding and provide technical knowledge on these issues. At the regional level, 'Regional Dynamics Observation Centres' are to be created to perform similar functions. In terms of accountability, partnership-based Strategic Advisory Units oversee the regional implementation of the NSRF, monitor the implementation of the ROPs and make recommendations in relation to the activities of the ROP's Managing Authority. They have been set up, amongst other things, to ensure a clear separation of functions between strategic design and delivery.

In *Spain*, instruments to support efficiency and accountability are founded on frameworks for the delivery of Cohesion policy. The main activities include the publication by the DG for Community Funds of an annual report outlining the main policy developments and financial performance of EU Cohesion policy, the Inter-Territorial Compensation Fund and the Regional Investment Grant. Annual implementation reports on EU Cohesion policy are published at programme level, while monitoring committees provide the main forum for partner participation during programme implementation.

In *Sweden*, efficiency and accountability issues have been addressed in a recent parliamentary committee report. It argued for reform of the current division of administrative responsibilities to improve efficiency. Proposals include the creation of new, directly-elected regional authorities (*Regionkommun*) and the reorientation of County Administration Boards towards central government coordination, supervision and other advisory duties, as well as on follow-up, evaluation and cross-sectoral knowledge building. According to the committee, this would make the roles clearer and would build a base for legitimate, accountable regional leadership and anchor democracy in the regions. These proposals are still under discussion.

In the *United Kingdom*, a fundamental aim of the government's *Sub-National Review (SNR)* is to minimise the risk of duplication and overlap. Efficiency-oriented initiatives are apparent at different administrative tiers and include: clarification of lines of responsibility between RDAs and sponsoring departments at central level; the regional funding allocation exercise which aims to improve the efficiency of government spending; and the rationalisation of the tasking framework set by central government to monitor the performance of RDAs. Regarding accountability, the *SNR* plans to draw on the democratic mandates existing at national level (Regional Ministers and Select Committees) and local levels to fill the perceived deficit at the regional level. Appointed Regional Assemblies will be abolished by 2010. Details on these mechanisms remain limited and the capacity and willingness of different bodies to participate is uncertain.

In *Poland*, there is increasing emphasis on monitoring and evaluation as a means of assessing the efficiency of regional policy interventions. Monitoring/evaluation experience has been developing in the public sector since the mid-1990s but its effective use is limited to and strongly associated with pre-accession and Structural Funds programmes.²⁶ In the 2007-13 period, Poland will administer some of the largest sectoral OPs in the history of the EU. Programmes will be scrutinised closely in Poland as well as by the European Commission to ensure their efficient implementation but also as a means of assessing their contribution to the strategic development of the country. Recent legislation aims to make the division of responsibilities between state authorities and regional governments in Cohesion policy design and delivery more transparent.

In *Norway*, there is a strong evaluation regime within Innovation Norway and the four-yearly White Papers on regional policy also provide an opportunity to review past policies.

²⁶ Krajowa Jednostka Oceny (2005) Rynek ewaluacji w Polsce - diagnoza stanu i perspektyw rozwoju, i konferencja ewaluacyjna - Ewaluacja programów o charakterze społeczno-gospodarczym finansowanych z funduszy strukturalnych, pp.31-45.

Issues of efficiency and accountability are also part of government proposals for a gradual move to larger and more robust municipalities in order to deal with emerging issues (such as demographic ageing). A similar debate has concerned the county/regional level. The proposed decentralisation of policy responsibilities to the regional level (as discussed earlier) was in part made to help enhance the legitimacy of the middle tier of government.

In the *new Member States*, substantial public sector reform processes are under way, often driven by Cohesion policy. These have involved the reorganisation and rationalisation of institutional responsibilities, the introduction and reinforcement of reporting and financial management systems, the decentralisation of responsibilities, the introduction of new public management systems and IT facilities, and professional training. For instance, ensuring transparency and value for money through monitoring and evaluation is recognised as an important benefit from working with Cohesion policy funds. In the fields of monitoring, financial control and evaluation, national expertise is gradually being built up, albeit from a low base. In the *Czech Republic*, reporting and evaluation requirements are now being applied to the domestic Regional Development Strategy, which lies outside EU evaluation and reporting requirements. As well as institutional reform and investment in physical resources, staff recruitment and retention are the focus of a range of activities to reduce staff turnover (and thus enhance efficiency). In addition to revising salary scales and improving employment conditions, training is of critical importance and is the subject of dedicated training strategies and annual implementation plans. These strategies provide a comprehensive and structured response to the need to increase administrative capacity across all stakeholders and at all levels.

5.3.2 Comparative points

(i) Ensuring efficiency

Concerning efficiency, in recent years most countries have introduced instruments to measure the value for money of regional policy delivered under new models.

- *Investing in evaluation*

Across Europe, evaluation is now a standard part of the regional policy cycle. Some countries (e.g. *Germany, Netherlands, United Kingdom*) have long-established evaluation traditions. In *Germany*, evaluation is an integral part of the regional policy GA. Several studies have been launched in 2008, including evaluations of the efficiency of infrastructure projects and of coordination mechanisms between policies with a territorial impact. In the *Netherlands*, evaluation is part of the policy cycle and different components of spatial economic policy are reviewed towards the end of each phase of policy. In the *United Kingdom*, there is a strong tradition of regular regional policy evaluation, stretching back to the 1970s.

Elsewhere, recent reviews or shifts in domestic regional policy approaches have prompted a focus on evaluation. For instance, *Italy's* new unitary regional policy will be subject to ongoing monitoring and evaluation. Although there are no specific plans for the evaluation of the new approach to regional policy in *Denmark*, standardised collection of data on regional economic performance should allow the regional growth fora to base their policies

on up-to-date analyses of regional development trends, while facilitating evaluation within and across regions.

In other countries, a commitment to the evaluation of national regional policy is attributable to the Structural Funds. For instance, *Austria*, *Ireland* and *Belgium* only had limited experience in systemic policy appraisal before EU accession. The perceived utility of Structural Funds evaluation has prompted the application of similar approaches to national regional policy measures. In *Austria*, the KAP-EVA evaluation network is perceived as a useful tool for stimulating discussions, setting common standards and adapting EU requirements to domestic needs. In *Ireland*, reinforcing value for money through monitoring and evaluation is recognised as an important benefit of working with EU Cohesion policy funds and has allowed national expertise to be built up and applied in non-EU supported areas. In *Wallonia*, evaluation has recently received increased attention, associated with the evaluation of Structural Funds.

In *France*, evaluation has traditionally played a limited role in public policy and, until recently, has not been used systematically in regional policy. However, a gradual shift in approach is apparent, linked to evaluation requirements under the Structural Funds. A major development is the institutionalisation of monitoring and evaluation methods for the new state-region contracts in close alignment with the Structural Funds. These developments are supported by progress in the field of territorial analysis and forward planning. In March 2005, a “territorial observatory” (*Observatoire des territoires*) was established as a step towards comprehensive data collection. In other countries evaluation, is applied predominantly to Structural Funds programmes, especially in most *southern EU Member States* and *new Member States*. Experience of monitoring and evaluation has been developing in the *Polish* public sector since the mid-1990s but its effective use is limited and strongly associated with pre-accession and Structural Funds programmes. In *Portugal*, instruments to improve efficiency, including evaluation, are built in to the delivery of Cohesion policy in line with regulatory requirements.

- *Improving frameworks for monitoring implementation*

In most cases the focus on evaluation is accompanied by strengthened arrangements for data collection and the monitoring of policy impacts. Machinery for monitoring implementation is improving efficiency by enabling quick adjustment of priorities, resources and targets. In *Italy*, three covenants have been put in place between the national statistics institute (ISTAT) and the Department for Cohesion Policies. They aim to increase the supply of territorial data and indicators (with respect to both administrative and functional subdivisions of the territory, i.e. regions, provinces and municipalities, on the one hand, and local labour market systems, protected areas and the like, on the other). In *France*, a “territorial observatory” was established in 2005, representing an important step towards comprehensive data collection. In *Portugal*, a stronger emphasis is being placed on ‘strategic monitoring’. At the national level, this will be facilitated by the consolidation of four so-called ‘rationality centres’ which have responsibility for monitoring key themes (qualifications, competitiveness, urban management and governance) and, more broadly and importantly, for furthering understanding and providing technical

knowledge on these issues. Related, at the regional level, 'Regional Dynamics Observation Centres' are to be created to perform similar functions.

- *Rationalisation of territorial authorities, policies and services*

This overview has already addressed the rationalisation of territorial authorities, policies and services to improve coordination and delivery. These processes also promote efficiency by addressing the danger of fragmentation, duplication or 'institutional overload' associated with the 'opening up' of regional policy systems along network-based lines.

- *Setting clear expectations for performance*

This overview has also covered target setting as a component of coordination processes. However, target-setting is also a means to improve efficiency. For instance, the new *Danish* regional policy model is tied to national targets with regard to training, entrepreneurship, innovation, and R&D. For each of these aspects, the performance of each region is measured, though no individual regional targets have yet been defined. *Flanders'*, "Better governance policy" includes a regulatory impact analysis. In this context, a strategic map based on a scoreboard has been developed to set a clear organisational vision for the Agency of Economy. Short- and medium-term guidelines and targets now form the basis of the agency's commitments.

- *Strengthening efficiency in resource allocation*

In some countries, particular emphasis is now placed on the efficiency of regional policy expenditure. In *England*, the renewed regional funding allocation exercise is indicative of the aim to improve the efficiency of government spending by improving information on spending flows. In addition, the tasking framework set by central government to monitor the performance of RDAs is being reviewed in order to appraise their contribution to regional economic growth. In *France*, projects under the new generation of state-region contracts will be assessed more critically with respect to efficient implementation, with decommitment possible (on the Structural Funds model). Elements of competition are being introduced in some resource allocation systems to improve overall efficiency. In some cases, this process draws on Structural Funds practices. In *Italy*, the increase of efficiency of public spending in the *Mezzogiorno* is being supported through the creation of a new performance reserve system.²⁷ In *Denmark*, 10 percent of funding for the regional growth fora is set aside for competitive allocation in order to encourage innovative and inter-regional projects which are allocated according to thematic calls for projects from the Danish Growth Council.

²⁷ For more details, see L. Polverari, C. Mendez, F. Gross and J. Bachtler (2006) *Making sense of European Cohesion policy: 2007-13 on-going evaluation and monitoring arrangements*, IQ-Net Thematic Paper 21(2), European Policies Research Centre, University of Strathclyde, Glasgow, p. 64-65.

(ii) *Anchoring accountability*

With the emergence of regional policy governance through networks, partnerships and deliberative forums, ensuring legitimacy through democratic means has become a priority.

- *Clarifying the separation of policy design and delivery functions*

In several countries, processes of consolidation amongst public authorities and agencies have led to a discussion about the separation of policy design and delivery functions (e.g. *Austria*). In *Denmark*, the new institutional set-up also involves a formal separation between policy design (undertaken by the regional growth fora) and policy delivery (undertaken by arm's-length bodies often established by groups of local authorities). In practice, however, the division of labour has proved to be less clear-cut. The transparent division of responsibilities is also a priority under Cohesion policy. In *Portugal*, newly-established partnership-based Strategic Advisory Units have a strategic role but no implementation responsibilities. In *Poland*, recent legislation aims to clarify the division of responsibilities between state authorities and regional governments in Cohesion policy design and delivery.

- *Improving consultation*

In several cases, accountability is also being strengthened through increased consultation. This may concern direct public consultation at the policy formulation stage (e.g. consultations with regional policy stakeholders are currently underway in *Wallonia, Poland* and the *United Kingdom*). The involvement of partnership bodies representing a range of interests is also increasingly apparent in policy design and delivery. In *Flanders*, for instance, a 2008 policy declaration underlines the role of the Flemish socio-economic council which is consulted on broad economic aspects of regional policy. Again, in some cases the partnership model associated with the administration of Structural Funds has been influential in the development of domestic partnership structures (e.g. *Ireland*, regional growth fora in *Denmark*) or constitutes the main arena for this process (e.g. *new Member States, Greece, Spain, Portugal*).

- *Strengthening the involvement of elected representatives*

Finally, links between regional policy systems and democratic mandates at different administrative levels are being strengthened to improve accountability. In *Denmark*, regional growth fora include members appointed from elected representatives of regional or local levels, providing indirect political accountability. In *England*, the current review of sub-national economic development and regeneration includes plans to formalise the participation of elected representatives at national and local levels in ratifying new integrated regional strategies to fill a perceived deficit at the regional level. Regional Ministers and Select Committees at national level and platforms of local authorities are expected to play important roles. In *France*, transparency is also increasingly important. A general review of public policy has led to the adoption of a law that formalises parliamentary scrutiny and evaluation of government policies. In *Portugal*, the introduction of new coordination bodies with a political supervisory role at both the national level (for

the NSRF) and programme level (for each OP), aims to increase the political accountability of decision-making.

6. CONCLUSIONS AND ISSUES FOR DISCUSSION

This has been a detailed review of regional policy change in the Member States and Norway since the start of 2007. The level of change has very clearly been significant. To an extent, this can be attributed to the new EU policy frameworks which have impacted on the volume and direction of funding and have caused development strategies to be reviewed. EU Cohesion policy is of obvious importance where it provides pivotal funding for regional development (as in Poland and other new Member States); in these countries, not only has the level and direction of funding been significant but also the linking of support to improved governance. Revised eligibility criteria have also impacted on Greece, Portugal and Spain. Funding has fallen (in Spain, dramatically) and its spatial allocation has changed markedly. In contrast, Cohesion policy change in RCE regions has been more limited, with more opportunity to support areas of growth. The requirement to develop an NSRF has enhanced the national coordination of regional interventions. The new regional aid guidelines have also had an effect, changing map coverage, award ceilings and aid instruments.

Equally, a range of significant developments respond to domestic drivers of change. This can be seen in the new all-region, programme-based regimes in Denmark and the Netherlands - the former in response to a regional administrative reform and a desire for more policy coordination; and the latter as a consequence of a wish to make policy choices across all regions based on national priorities. The theme of policy coordination underpins many recent changes. In addition to the Danish and Dutch cases, examples include the new unitary regional policy in Italy, the renamed regional growth policy in Sweden, the amendments to the Regional Development Act in Finland, the reaffirmation of the GA approach in Germany, the new NDP in Ireland and the move towards integrated regional strategies in England. In addition, domestic regional policy has responded strongly to globalisation pressures and the need to capture regional potential and promote regional innovation - as reflected in recent developments in Denmark, the Netherlands, Sweden, Finland and France. In Poland, too, the development of a concept for domestic regional policy has seen a growing emphasis on growth and competitiveness. Finally, the rationalisation of regional aid regimes has also been a feature in a number of countries, with a view to streamlining aid administration and enhancing value-for-money in award.

Three core issues for discussion arise from these developments:

- First, in considering recent regional policy developments in your country, to what extent can they be attributed to EU or domestic drivers of change? What has been the rationale underpinning the policy changes you have made?
- Second, whereas historically countries tended to perceive a trade-off between equity (territorial balance) and efficiency (growth and competitiveness), many current regional policies focus on *both* equity *and* efficiency. Is this possible? How can it best be achieved?

- Finally, a constant theme throughout the review has been the emphasis on policy coordination. This is straightforward to talk about but often difficult to put into practice. How successful have you been in achieving a coordinated approach to regional policy and what do you consider to be the factors behind a successfully coordinated policy?