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EoRPA POLICY BRIEFING

Enhancing regional cooperation in the Netherlands through the Regional Budget

1. REGIONAL REFORMS IN THE NETHERLANDS

The Dutch national government Rutte III (2017-) has launched a new approach to regional policy – the Regional Budget – which is a national instrument that can be accessed by self-governing regional partnerships. It also embodies a number of important themes in regional policy reforms across Europe. It awards funding competitively and aims to stimulate bottom-up regional coalitions and initiatives, with a view to unlocking added value via regional empowerment, but can also allocate funding to specific structurally weaker regions. Further, it targets a ‘Broad Definition of Welfare’¹ – i.e. wellbeing or quality of life – rather than simply economic growth.

The Regional Budget (*‘regio envelop’*) involves the national contribution of funding to newly established partnerships between national Ministries and regional stakeholders, or ‘Region Deals’. This can be seen in the context of decentralisation processes initiated by the (centre-)right government in 2010, which has led to a stronger role for regional actors in a wide range of policy fields (e.g. climate change, asylum, biodiversity, healthcare). Against a background of broader measures (e.g. Top Sectors policy, City Deals),² regional economic development policies have become spread across different national Ministries, while the sub-national dimensions of policies such as spatial planning and infrastructure have intensified.³ These reforms have also led to increased debate on potential scope for greater fiscal equalisation, as municipalities and provinces continue to rely on central government funds.⁴ With these issues in mind, this briefing first examines Dutch regional inequalities (Section 2), while Section 3 introduces the Regional Budget as an attempt to relocate economic development tasks and budgets to the regional level, and Section 4 concludes.

¹ SCP (2016) *Het brede-welvaartsbegrip volgens het SCP*. Den Haag: Sociaal en Cultureel Planbureau.

² J.Th.J. van den Berg (2018) *Meer doordachte decentralisatie*. Available at: https://columns.parlement.com/id/vkqaavbgrmpm/meer_doordachte_decentralisatie (accessed 7 January 2019).

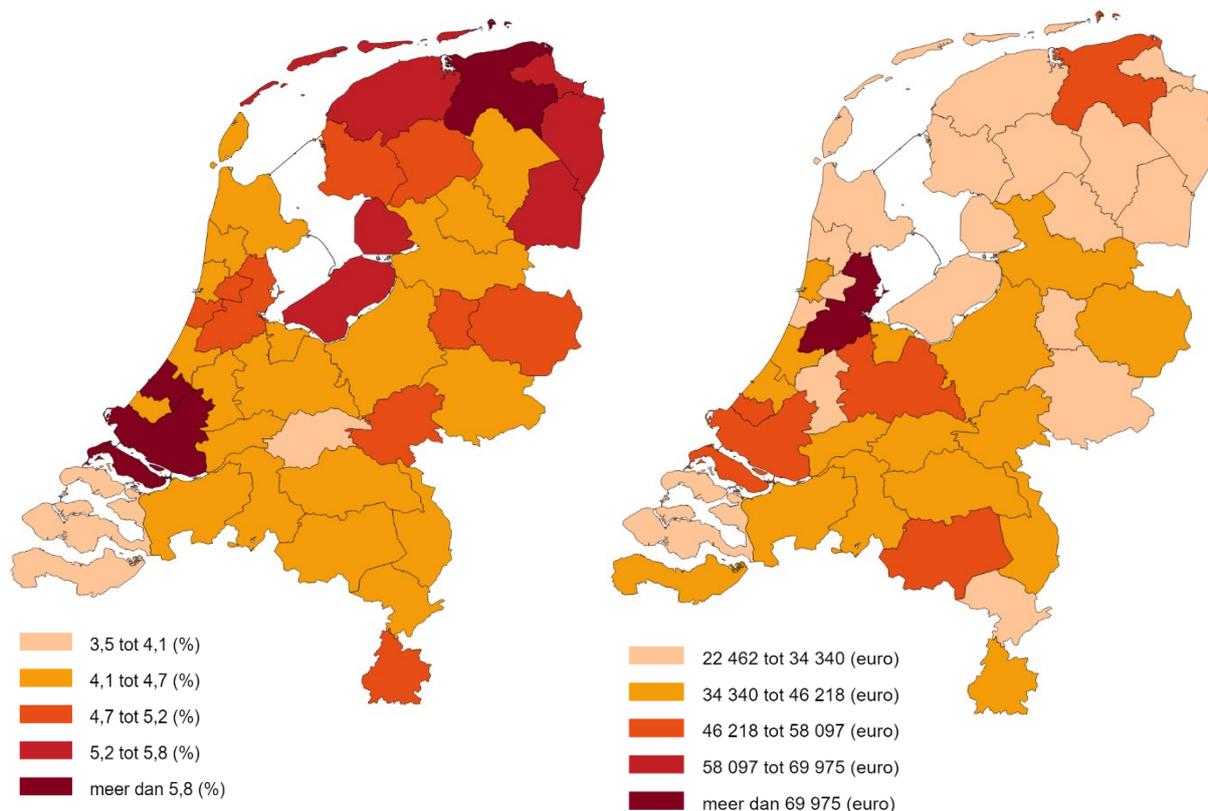
³ D. Stead and E. Meijers (2015) *Urban planning and transport infrastructure provision in the Randstad, Netherlands*. Discussion paper for the OECD International Transport Forum, July 2015.

⁴ V. Balz (2018) *Regional policy development in the Netherlands, 2017-2018*. EoRPA Country Reports.

2. REGIONAL DISPARITIES IN THE DUTCH CONTEXT

The Netherlands is a relatively small and densely populated EU Member State. It performs well on socio-economic indicators such as GDP per capita and un/employment rates. All regions are classified as ‘more developed’ in the 2007-13 and 2014-20 ESIF programme periods. The country’s division into four NUTS 2 regions or twelve provinces (the provincial level is a key administrative and policy layer) may not however tell the full story. Disparities in labour market access, employment, GDP per capita, and demographic change are often stronger at a more fine-grained (NUTS 3) scale⁵ (Figure 1).

Figure 1: Unemployment rate (left; as % of working-age population) and GDP per capita (right; in € per capita) at the lowest regional level (2017)⁶



There are ongoing debates about the orientation of central government funding. Local authorities question the criteria used for distributing the Municipal Fund (e.g. do they favour larger municipalities at the expense of small and medium-sized cities, particularly in shrinking regions? Should there be greater recognition of municipalities’ economic income/potential?). The sectorally oriented Top Sectors policy was launched in 2011 with the aim of stimulating regional capacity and innovation, and since 2015 has explicitly involved provinces and structural regional partners. The ‘Compensation Fund’ (RSP) continues to fund the structurally weaker northern provinces (with (co-)funding of €3.2 bn in 2007-20).⁷

⁵ CBS (2018) *Bevolking in bijna kwart van gemeenten gedaald*. Statistics Netherlands via <https://www.cbs.nl/nl-nieuws/2018/01/bevolking-in-bijna-kwart-van-gemeenten-gedaald> (accessed 7.1.2019).

⁶ CBS (Statistics Netherlands Database): <https://opendata.cbs.nl/#/CBS/nl/dataset/83933NED/map?ts=1546957388217> (accessed 9.1.2019); <https://opendata.cbs.nl/statline/#/CBS/nl/dataset/84432NED/map?ts=1547051502708> (accessed 19.2.2019).

⁷ V. Balz (2018) *op. cit.*

3. CATALYSING DEVELOPMENT THROUGH A REGIONAL BUDGET

3.1 Objectives and framework

The Regional Budget (*regio envelop*) aims to tackle the structural challenges facing lagging Dutch regions and unlock potential in all funded regions. It loosely defines ‘region’ as a partnership of local stakeholders with common thematic interests (e.g. socio-economic welfare, economic transition, population decline, ecological challenges) which may cross municipal and provincial boundaries. The Budget shares some similarities with the Dutch Economic Structure Enhancement Fund (FES) which closed in 2011 (see Box 1). However, it is underpinned by theories of a broader scope, as it focuses on the social, economic and ecological indicators that together form the ‘Broad Definition of Welfare’.⁸ This ‘wellbeing’ or quality of life-oriented concept explicitly draws on the 2010 Stiglitz/Sen/Fitoussi report⁹ and defines policy impact along dimensions of (i) present impact, (ii) impact on future generations, and (iii) impact elsewhere. The Regional Budget looks beyond economic indicators, focusing on bottom-up regional challenges of a multiple (i.e. social, economic and ecological) nature. This distinguishes the Budget from other regional policies such as the Top Sector policy (aimed at economic competitiveness) and the City Deals (aimed at restructuring governance models).

Box 1: The Netherlands’ Economic Structure Enhancement Fund

FES ran between 1993 and 2011 and used gas extraction revenues for road and water infrastructure investments nation-wide.¹⁰ It allocated a total of €27 bn. In its last period (2007-2011), projects included the *Randstad* mainports, energy investment in Groningen (where natural gas supplies are located), food sector in Wageningen, and Brainport Southeast Netherlands.¹¹ Under the Balkenende IV cabinet (2007-2010) the Fund was discontinued due to criticisms that there were multiple infrastructure funds, geographically unequal expenditure, and practical issues with fluctuating revenues of gas extraction.

The Regional Budget aims to enhance added value and policy effectiveness through greater regional cooperation. The Ministry of Agriculture, Nature and Food Quality (LNV) is largely responsible for the €950 mln fund, cooperating with the Ministry of the Interior and Kingdom Relations (BZK) and other ministries, depending on the focus of specific activities.¹² This makes LNV the executive of a national, interdepartmental initiative. The LNV Minister is also Deputy Prime Minister. The fund will be allocated in multiple phases throughout 2018-2022:

- The first part of the fund aims to support the development of six pre-defined regions, following the six main development priorities of the 2017 Coalition Agreement. By confronting these so-called ‘regional bottlenecks’, the Cabinet aims to create added value through either unlocking

⁸ SCP (2016) *op. cit.*

⁹ Stiglitz, J.E., A. Sen, and J.P. Fitoussi (2010) *Report by the commission on the measurement of economic performance and social progress*. Paris: Commission on the Measurement of Economic Performance and Social Progress. <https://ec.europa.eu/eurostat/documents/118025/118123/Fitoussi+Commission+report>.

¹⁰ Ros, A.P. (2009) *De historie van het Fonds Economische Structuurversterking*. Tijdschrift voor Openbare Financiën 41 (1): 2-14.

¹¹ Yuill, D. (2009) *Policy developments in the Netherlands 2008-09*. EoRPA Country Reports.

¹² Ministerie van Landbouw Natuur en Voedselkwaliteit (LNV) (2018) *Kamerbrief Stand van zaken Regio Envelop*. Available online at <https://www.rijksoverheid.nl/documenten/kamerstukken/2018/02/19/kamerbrief-stand-van-zaken-regio-envelop> (accessed 7.1.2019).

potential for supra-regional economic effects or through supporting regions that are seen to lack own capacity to solve problems;¹³

- A second part is allocated during the making of 'Region Deals', which aim to ensure integrated, innovative and effective approaches to regional development by forming new partnerships. Each partnership consists of a variety of national ministries, local governments (municipalities or provinces), knowledge institutions, civil society organisations and the private sector. The call for proposals closed in the second half of 2018.
- A third part is expected after these first two sets of Deals are underway. The content, timing and selection process have not yet been fully defined, but earlier unfunded deal proposals are likely to apply again in the third tranche.

The Regional Budget acknowledges the need for enhanced support for structurally weaker regions in domestic regional policy, as well as for regions of strategic national interest. Some of the resources allocated in the first tranche are dedicated to regions that are seen to lack sufficient capacity to solve their socio-economic problems. The structural nature of the support for such regions remains to be seen, as all tranches are designed as one-off stimuli under the current coalition government.

3.2 Funding instruments and regulations

The Regional Budget fund includes €950 million for the years 2018-22. The first tranche of funding (€482 mln) targets six 'regional bottlenecks' (see also Table 1 in Annex):

- The development of the 'Brain Port' Eindhoven – National contribution: €130 mln;
- The clustering of specialised economic activities around the European Space Research and Technology Centre (ESTEC) – €40 mln;
- Stimulation of economic activities in the rural and shrinking Zeeland region – €35 mln;
- The resolving of nuclear problems, linked to the closure of nuclear power plants – €117 mln;
- The reduction of socio-economic segregation in South Rotterdam – €130 mln;
- Enhanced social cohesion on the three Caribbean islands that are special municipalities of the Netherlands (Bonaire, Sint Eustatius, Saba – the BES islands) – €30 mln.¹⁴

These 'bottlenecks' have varying geographical scales, and were a direct product of the 2017 coalition negotiations. The challenges these regions face are deemed structural, multiple and surpassing their own capacities, making them eligible for Budget funding as part of the Deals agreed with these regions.

Funding regulations and conditions are more explicit in the second tranche, which is allocated through the Region Deals. The call for proposals includes a Selection Framework (Table 2 in Annex), with a number of criteria, including the use of an integrated approach, agreement on concrete action, public-private partnership (with a preference for triple-helix partnerships), robust regional governance, new development trajectories (not 'filling up funding gaps') and a minimum of 50 percent co-funding from regional governments. On top of that, other regional stakeholders such as private companies can participate in co-funding the Deal. For example, the Brain Port Eindhoven award depends on regional co-financing of €370 mln.

¹³ Tweede Kamer der Staten-Generaal (2018) Gebiedsgerichte economische perspectieven en Regionaal Economisch Beleid, kst-29697-37. Available at <https://zoek.officielebekendmakingen.nl/dossier/29697/kst-29697-37?resultIndex=7&sorttype=1&sortorder=4> (accessed 3.1.2019).

¹⁴ Tweede Kamer der Staten-Generaal (2018) *op. cit.*

The second tranche of funding is allocated through twelve new Region Deals. The Regional Budget contributes up to a total of €215 mln to these deals. The partnerships that proposed the Deals are a combination of national and sub-national governments, knowledge institutes, civic organisations and businesses. After the final call for proposals (1 September 2018), 88 partnerships expressed their interest in the Region Deals, requesting a total of €1.3 bn.¹⁵ The Cabinet made a final selection of twelve regions (Table 1). The two-page proposals were assessed against the criteria of the Selection Framework (Table 2), and the final decision aimed for a balanced distribution over the four regions (North, East, West, South; see Figure 2), also taking into account the location of the six bottleneck regions. The Confederation of Dutch Industry and Employers (VNO-NCW), an umbrella employer organisation, views the allocation positively. In particular, they highlight the societal and economic impact the Deals enable, and encourage the Ministry to consider the unsuccessful bids in the future.¹⁶ The 12 proposals are currently being developed into 12 Deals, with the aim of finalising the Deals before the summer of 2019.

Figure 2: Overview and geographical spread of 12 Region Deals (allocated amounts in mln €)¹⁷



¹⁵ https://www.rvo.nl/sites/default/files/2018/11/Overzicht_voorstellen_Regio_Deals_tweede_tranche_2018.pdf

¹⁶ <https://www.vno-ncw.nl/weekbulletin/regiodeals-gaan-van-start> (accessed 7.1.2019).

¹⁷ <https://www.rijksoverheid.nl/actueel/nieuws/2018/11/16/ruim-200-miljoen-euro-voor-12-regio-deals> (accessed 9 January 2019); see Table 1 for Deal information in English.

4. INITIAL ASSESSMENT AND CONCLUSIONS

Initial results suggest that the Regional Budget is more than a purely financial stimulus. It has led to new, challenge-led partnerships ('coalitions of the willing'), and has resulted in new energy and commitment with strong thematic concentration. For instance, new relationships and exchanges are facilitated by the LNV 'Deal makers' that connect regional challenges to thematic experts. Since challenges are identified from the bottom-up, national officials are better able to understand and address issues within their regional contexts. The 'Broad Definition of Welfare' and the accompanying annual 'Well-being Monitor' undertaken by the National Statistical Office (CBS) provide a useful conceptual tool that should allow for an assessment of the Deals' future- and outward-looking approach and the integration of economic, social and ecological indicators. Lastly, the regions themselves are being provided with new networks and forms of governance that could potentially allow them to maintain the momentum in the longer term.

The Region Deals approach (phase two) has not only provided incentives for further regional self-organisation but has also led to intense competition. The large number of proposals suggests that there is widespread enthusiasm among subnational entities, but also implies that there is a significant unmet demand for alternative funding. As only 12 out of 88 applications received funding, many partnerships have been disappointed. Because of its novelty, including the conceptual framework based on well-being and integrated social, economic and ecological indicators, the Budget remains a learning process for the participating partnerships and the LNV Ministry. Ongoing challenges include: timing issues (of proposals, deadlines); the delivery of early, tangible results to the government; and ensuring that all parties (government officials, local public and private stakeholders) set common targets and speak the same language. There are also concerns that the extensive Selection Framework for the second tranche (Table 2) may have limited the transparency of the procedure.

In conclusion, the Netherlands has a history of ebbing and flowing interest in regional policy. Since 2011, the Top Sectors policy and other sectoral and infrastructural initiatives have renewed national interest in regional policy. The Region Deals (and the Regional Budget) is a new national instrument that can be accessed by self-governing regional partnerships. It strengthens the thematic orientation of Dutch regional policy, and supports the building of public-private partnerships to address tailored and specific place-based challenges, based on diverse thematic interests that contribute to broad welfare rather than territorial governance or administrative structures. Further lessons on both impacts and process are anticipated as implementation of the Regional Budget approach proceeds.

For further information or feedback, please contact: wilbert.denhoed@strath.ac.uk.

ANNEX

Table 1: Overview of deals and regions in the Regional Budget (tranche 1 and 2)

Deal name	Initiative / Region	Theme	Population	National contribution
Tranche 1: regional bottlenecks	ESTEC ¹⁸	Space technology	n/a	€40 mln
	Zeeland ¹⁹	Population decline, ageing, liveability, rural development	300,000	€35 mln
	South Rotterdam ²⁰	Education, housing, labour market, urban deprivation	200,000	€130 mln
	Nuclear issues		n/a	€117 mln
	Caribbean islands ²¹	High-tech sector, manufacturing, cross-border collaboration	25,000	€30 mln
	Brain Port Eindhoven	Population ageing and decline, crime, knowledge exchange, cross-border	400,000	€130 mln
Tranche 1 total				€482 mln
Tranche 2: Region Deals	Northeast-Fryslân / Holwerd on Sea (North)	Population decline, labour market mismatch, entrepreneurship, tourism	324,000	€25 mln
	South- and East-Drenthe (North)	Population decline, poverty, healthcare, accessibility	300,000	€20 mln
	Nature-inclusive agriculture (North)	Sustainable food, nature-inclusive agriculture, biodiversity	1,668,000	€10 mln
	Twente: Green, Tech Top Cluster (East)	High-tech sector, manufacturing, cross-border collaboration	628,000	€30 mln
	Achterhoek: Triple Smart and making the future (East)	Population ageing and decline, crime, knowledge exchange, cross-border	400,000	€20 mln
	FoodValley (East)	Sustainable food production, food quality, consumption patterns	126,065	€20 mln
	Transforming Parkstad Limburg (South)	Population decline, economic transition, labour market, cross-border collaboration	221,000	€40 mln
	Midden- and West-Brabant Makes and Moves (South)	Sustainable agriculture, renewable materials, logistics, circular economy	1,107,000	€10 mln
	Soil Subsidence Groene Hart (West)	Knowledge generation, heritage, sustainable living	325,000	€10 mln
	Northern Flevoland (West)	Labour market, built environment, social cohesion, maritime industry and fishery	67,000	€15 mln
	Den Haag South-West district (West)	Education, labour market, social-economic problems, safety	70,000	€7.5 mln
	ZaanIJ (West)	Health, mobility, nature and recreation	180,000	€7.5 mln
Tranche 2 total				€215 mln
Budget remaining				€253 mln

¹⁸ <https://zoek.officielebekendmakingen.nl/29697/kst-29697-38.html>.

¹⁹ <https://zoek.officielebekendmakingen.nl/29697/kst-29697-39.html>.

²⁰ <https://zoek.officielebekendmakingen.nl/blg-865079>.

Table 2: Selection framework Region Deals ('Afwegingskader Regio Deals')²²

Substantive elements
To what extent is the challenge multi-faceted?
To what extent is the plan an integrated approach to a regional challenge? <ul style="list-style-type: none"> • The proposed plan relates to the regional challenge (effectiveness); • The plan consists of diverse, but coherent pillars; • Each pillar contains its own actions.
Will the plan positively affect the Broad Definition of Welfare?
Does the plan meet the substantive targets of the Coalition Agreement?
Does the plan request a non-financial contribution by the state?
Is there sufficient expected output in the 2019-2022 period?
Regional elements
Is the challenge distinctive for this region?
Are the target groups of the Deal defined: who does the challenge apply to?
Is there a supra-regional scope or does the challenge transcend the region's capacity?
Financial elements
Does the proposal fit in the range of €5-40 mln?
Are other Deal partners committing to (at least) proportionate co-financing?
Is the financial durability (of the financing model) safeguarded?
Is the financial expenditure expected to be effective?
Financial elements
Is the governance model defined?
Are public-private or Triple Helix partnerships present?
Is there sufficient organisational capacity for a 2019-2022 implementation?

²¹ <https://zoek.officielebekendmakingen.nl/kst-29697-54.html> (accessed 25.2.2019)

²² <https://zoek.officielebekendmakingen.nl/stcrt-2018-32735.html> (accessed 14.2.2019).