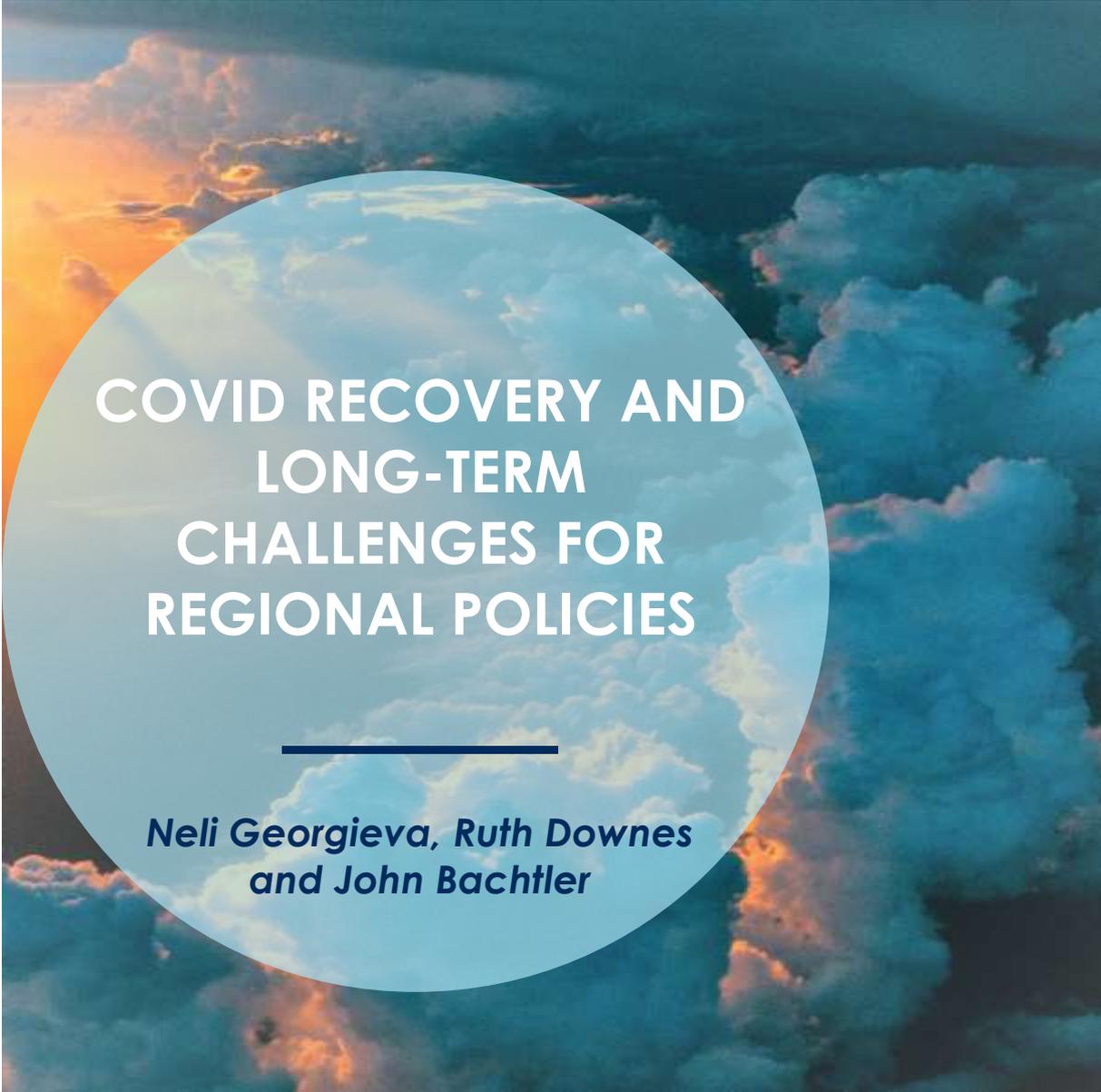




# EoRPA

European regional policy  
research consortium —



## COVID RECOVERY AND LONG-TERM CHALLENGES FOR REGIONAL POLICIES

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## EXECUTIVE SUMMARY

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This paper brings together evidence of the territorial and policy implications of the COVID-19 pandemic with the long-term strategic thinking in regional policy in the past twelve months. It shows that, in the period 2020-2021, governments dealt both with the immediate unprecedented impacts of the pandemic crisis as well as developments in regional policy that were rooted in challenges preceding the pandemic.

The recovery from COVID-19 is underway but the path ahead remains uncertain. National economic activity is still behind pre-crisis levels, and the sectoral and territorial impacts of the pandemic and recovery will vary.

Regional policy has played mostly a secondary role in responding to the economic impact of the pandemic. Regional support across European countries depended largely on the established political priorities of government authorities, existing institutional frameworks and regional policy instruments, and their geographical scope. Instruments were, however, recalibrated in terms of budgetary allocation, duration, eligibility and output requirements to suit specific crisis-related needs. Support measures have been devised in some countries to assist hard-hit areas or structurally weak regions.

So far, there is limited evidence that the pandemic has influenced the *strategic* regional policy thinking. Regional policy developments over the past 12-18 months have been driven primarily by long term political and policy priorities.

The pandemic hit at a time when governments were already dealing with complex territorial inequalities and widening regional differences in economic growth challenges. Recent regional policy developments have focused on intensifying support for equalising territorial development, targeted territorial stimuli, the efficiency and effectiveness of policy and the timely response of regional policy to 'grand' societal challenges. These changes indicate an increased commitment to combatting territorial inequalities and supporting regional growth potentials in a more integrated and multi-faceted manner, recognising place-specific development trajectories and involving multiple actors.

As the effects of the pandemic on society, economy and territory further evolve, it is expected that these will have implications for regional policy. Will the pandemic speed up ongoing policy trends? Or does this represent a 'critical juncture' calling into question existing policy approaches and institutional and territorial arrangements?





## 1 INTRODUCTION

In the span of less than 15 years, the global economy has faced two major shocks, the global financial crisis of 2008-2010 and the COVID-19 pandemic that broke out in 2020 and triggered the deepest socio-economic crisis in a century. The pandemic has been an unprecedented challenge for all governments with implications for regional inequalities and regional policy, most notably through the macroeconomic impact, with negative economic growth, and labour market turbulence (**Section 2 and Sections 3**). The effects of the pandemic, however, extend to other issues of increasing relevance for regional development such as well-being, digitalisation and urbanisation.

The pandemic and the subsequent process of recovery are taking place in the context of national and regional governments already dealing with a range of different long-term, but also more recent, regional development pressures. While regional policies have been successful, in some cases, in spurring growth in territories suffering from extended development challenges, an increasingly differentiated picture of socio-economic disparities have been emerging.<sup>1</sup> In response, regional policy is becoming more complex in terms of strategic objectives through legislative commitments, governance through institutional and spatial arrangements, and delivery mechanisms. Recent EoRPA annual reports on the state of regional policies in Europe have highlighted the transition to a more place-based and cooperative approach to regional policy with the aim of addressing specific territorial challenges and empowering sub-national levels to develop their potentials on the ground.<sup>2 3</sup>

Even in the context of COVID-19, these developments in strategic policy thinking have continued to play a significant role in shaping the key trends of regional policy between 2020 and 2021. This paper takes stock of these recent developments and reviews them in **Section 4**. It distinguishes four particular trends and illustrates the policy responses within them:

- reducing regional disparities;
- promoting targeted growth;
- widening the scope of regional policy; and
- promoting efficiency and effectiveness in delivering regional policy.

Lastly, **Section 5** brings together the ongoing impact and implications of the pandemic with the longer-term regional policy developments.

## 2 MIXED PICTURE OF ECONOMIC RECOVERY

While the COVID-19 pandemic caused a rapid and severe economic recession worldwide from spring 2020, economic recovery has been underway in parts of Europe since the third quarter of 2020. However, the recovery process has been uneven, both nationally and regionally, and continues to be only partial (see Figure 1). The strongest rebound in the latest quarter (Q2-2021) took place in Ireland, although this is largely attributed to its multinational

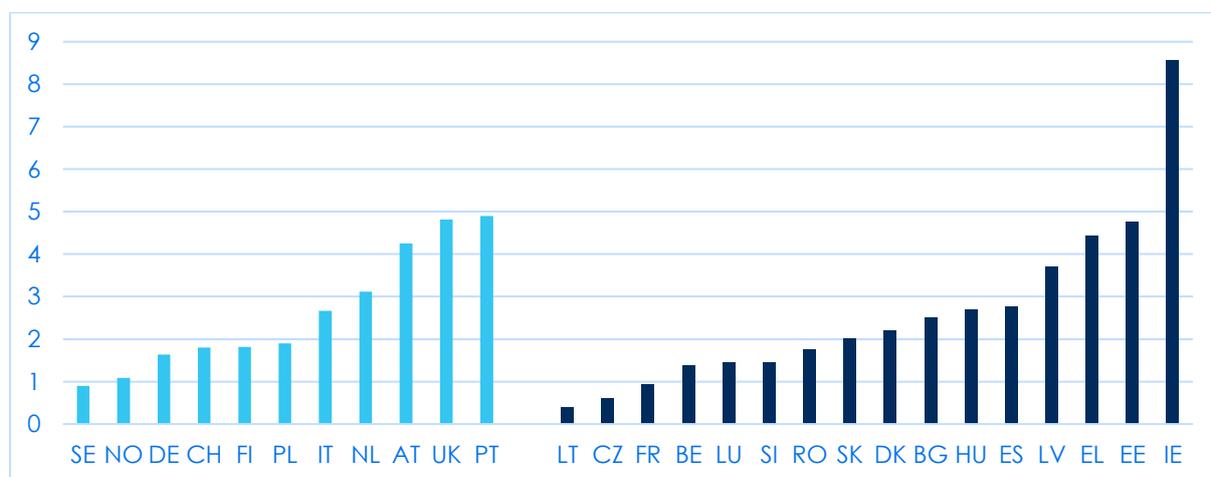




sector. Comparing gross domestic product (GDP) in the second quarter of 2021 with pre-pandemic levels (Q4-2019), GDP still lags behind, with gaps ranging from minus 4.4 percent in the UK to minus 0.5 percent in Switzerland.<sup>4,5</sup> Renewed waves of the virus and associated containment measures, together with varied vaccination progress, continue to moderate the pace of GDP recovery and economic output across national and regional economies. Nevertheless, the economic downturns after the first wave of the pandemic have been less pronounced. This has been attributed to business adjustments already put in place – wider accessibility to remote working, online retail, etc. – as well as to the policy responses by governments. Unlike in spring 2020, the sectoral impact of the subsequent pandemic waves has been more limited to contact-based services such as tourism, hospitality, transport, arts and retail, which were most impacted by containment measures.

Simultaneously, the recovery has been driven in many places by domestic demand as well as a rise in industrial production and exports (e.g. in NL, CH, IE, LT, BE) and in agriculture (e.g. in LT). Similarly, the construction sector has been on its way to recovery, boosting investment levels (e.g. in FI, LT, BE). The tourism sector, however, continues to be under the grip of the crisis across Europe with the current number of overnight stays far below the levels of 2019.<sup>6</sup>

**Figure 1: Quarterly GDP Percentage change on previous quarter, Q2 2021, seasonally adjusted data**



**Source:** <https://data.oecd.org/gdp/quarterly-gdp.htm#indicator-chart> Note: data for Q1 for Ireland, Estonia, Greece, Bulgaria, Luxemburg and Slovenia

In terms of the labour market, however, in many European countries the pandemic has had rather limited effect, largely due to the wide availability of national job retention schemes. Among EoRPA countries, annual change in **unemployment rates** in 2020 varied from a **decline in Italy and Poland** to an **increase of up to 1.5 percentage points in Sweden** (see Figure 2). Despite the generally limited impact on unemployment, there are **large regional differences** within countries, as well as considerable labour market implications in terms of reduction in working hours and in youth and seasonal employment, as well as an increase in economically inactive people. The recovery of the labour market to pre-pandemic levels is forecast to be generally gradual, although this will depend on pre-crisis situations related to levels of





unemployment and skill shortages. An upturn in employment levels is expected to remain limited for the hardest hit sectors.<sup>7</sup>

**Figure 2: Change in national unemployment rate between 2019 and 2020 in EoRPA countries**



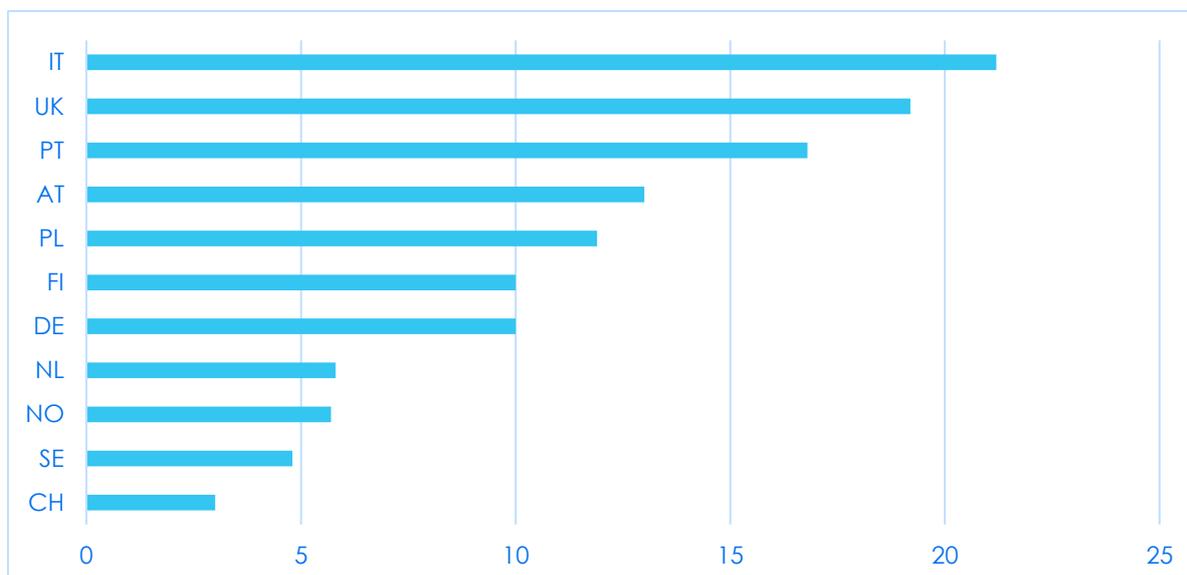
**Source:** <https://data.oecd.org/unemp/unemployment-rate.htm>. **Note:** break in time series in Poland, Germany and Sweden; provisional data for Austria and Italy

To cope with the impact of the crisis, many European governments have significantly increased public spending, with implications for the sustainability of their public finances (Figure 3). The **highest increase in gross government debt** (among EoRPA countries) at the end of 2020 (Q4), compared to same period of 2019, **has taken place in Italy (21.2 percentage points), followed by UK (19.2 percentage points) and Portugal (16.8 percentage points)**. These are also the three countries with the highest government debt in absolute terms in 2020, among the selected countries. At the other end of the scale, the lowest increases in debt have been observed in Switzerland (3 percentage points) and Sweden (4.8 percentage points).





**Figure 3: Percentage point difference in Government consolidated gross debt as percentage of gross domestic product (GDP) between 2019-Q4 and 2020-Q4, General government**



**Source:** Eurostat, <https://bit.ly/3IlyRCB>; UK comparable data - <https://bit.ly/3nwrM4>; Swiss comparable data - <https://bit.ly/3IlyKfH> (accessed 14/09/2021)

Currently, macroeconomic forecasts relating to the recovery are available at national level. According to the OECD, the recovery is likely to be uneven across the globe, with much of Europe expected to take nearly three years since the beginning of the pandemic to recover in terms of GDP and employment levels.<sup>8</sup> However, this will take place against other ongoing pressures in each country related to growth prospects, general government deficit, demographic, climate and globalisation challenges. Each country also had a different starting point for both the initial impact of the pandemic and the subsequent recovery process - for some the crisis struck after an almost 10-year period of steady annual GDP growth (e.g. DE, PL, NO), while it hit others after a long period of stagnation (e.g. IT). New challenges such as increased prices in key commodities, electricity and shipping costs, increased inflation, and disrupted global value chains will also impact the recovery process.

## 3 TERRITORIAL IMPLICATIONS OF COVID-19 AND REGIONAL RESPONSES

### 3.1 Territorial implications

Within this general macro-economic situation, the economic crisis triggered by COVID-19 has had a **differentiated impact within countries**.

Economically strong regions, and especially their **capital and (large) metropolitan areas**, have initially taken the hardest economic hit in terms of falls in GDP, business liquidity difficulties and



rises in unemployment (e.g. Uusimaa (south) in FI; Lombardy, Veneto & Emilia Romagna in IT, Amsterdam in the NL; metropolitan areas in SE and Oslo in NO). These have been regions with service-based economies, with dense global mobility networks and contact to global markets, and have been hit especially hard by both the health crisis and the containment measures. Among the implications for some of these regions has also been a halt in the process of urbanisation with a parallel relocation to rural areas and to secondary homes due to tele working opportunities (e.g. in NL, SE, FI).<sup>9</sup> Reductions in economic output have been relatively equally distributed in some countries (e.g. SE) but more severe in some poorer regions (e.g. in UK and PL).<sup>10</sup>

Over time, other territorial patterns and regional geographies have emerged, partially driven by the combination of crisis-related and longer-term development processes.<sup>11</sup>

- **Industrial regions** where local businesses were highly dependent on imports of certain components, or on exports to international markets, have been affected negatively due to interruptions in international value chains and trade. Some of these regions may have been facing certain structural challenges pre-COVID-19, in which case the pandemic has had a further aggravating effect.
- **Coastal areas and islands** reliant on a tourist and hospitality sector were cut off from their main sources of income. These often represent regions with healthy economies but susceptible to external shocks due to the high dependence on mono-sectoral economy and seasonal activity. For instance, tourism accounts for an estimated 17 percent of GDP in Malta and restrictions resulted in visitor numbers dropping by 84 percent in summer 2020.<sup>12</sup>
- **Structurally weak regions** - urban, rural or remote in character - have seen their problems exacerbated. These regions were in a weaker position in terms of access to services, public funds and private welfare that could support businesses and households to cope with the hit and adapt to containment measures. Their economic structures have also been more exposed due to the prevalence of SMEs and traditional or low-skilled businesses. Therefore, they have been more vulnerable to job losses and business closures (for instance, the unemployment rate in December 2020 was 1.5 percentage points higher in the eastern German *Länder* including Berlin than in the western *Länder*). The drop in investments attracted by regional investment incentives during the pandemic has also disproportionately hit this category of regions, at least in some countries (e.g. Bulgaria).
- Coping with the restrictive national containment measures has been asymmetrically challenging for **border regions** as well. This has been especially the case for those places with a high number of businesses and trade tied to markets in a neighbouring country (e.g. between the borders of Nordic and Benelux countries).<sup>13</sup> For, instance, border settlements in the Västra Götaland County in Sweden faced an increase in unemployment of nearly 75 percent in the period November 2019 - November 2020 due to sectoral connection to border trade and services.<sup>14</sup>

**Some of these territorial effects are, however, temporary.** The concentration of economic activity and population is expected to continue to favour urban areas. Thanks to their diversified, frequently innovation-dense, economic base, urban areas are in fact being the drivers of economic growth in most countries during the ongoing recovery (e.g. FI, NL, PL).





Conversely, other areas, including less-developed, rural and (inner) peripheral areas are likely to continue to decline due to long-term underlying conditions but potentially also as a consequence of the crisis.<sup>15</sup>

**The scarring effects of the pandemic are expected to continue to emerge, albeit only in some territories.** As economies are re-opening and nationwide support measures, especially sectoral ones, are gradually being withdrawn, the effects of the crisis on regional economic fabrics will continue to evolve. Negative effects in certain regions will be more significant due to their sectoral specialisation but also based on pre-pandemic growth and productivity levels which have had implications on their resilience. This means that the highest price will not necessarily be paid by regions hardest hit in the pandemic, but rather those vulnerable to the long-term structural effects. Smaller and less productive firms, and regions undergoing economic restructuring processes, may therefore be the losers in the recovery process.<sup>16</sup>

**It is important to note that regional development opportunities may also be emerging as a result of COVID-19.** This relates in particular to the changes that digitalisation and online work have stimulated. The increase in distance (tele-) work for people in suburban or rural areas and the possibility of working and living in multiple locations (e.g. use of secondary homes in Finland, Norway, Sweden and Switzerland which are in many cases located in the more rural and remote areas) could provide new opportunities, especially to those areas that are de-populating. These opportunities are limited to countries and regions with good digital infrastructure and e-administrations, and in some cases with preference to areas closer to large cities.

## 3.2 Regional policy responses

In many countries, the extensive national fiscal and monetary response measures have been critical for cushioning the economic shock. They have helped to keep the private sector afloat, to sustain employment and income, and consequently to maintain a certain level of demand. **State aid schemes** under the EU Temporary framework and EU State aid rules have gained prominence and **allowed Governments to recapitalise key companies** (especially large companies in the aviation sector), **compensate sectors with restrictions-related losses** (such as trade fair organisers) **and provide liquidity assistance** (to different sectors depending how hard they were hit). In some cases, the aid schemes provided more targeted territorial support (e.g. for the Azores in PT or Bavaria in DE).

Such state aid was primarily in the form of grants. However, public guarantee programmes have also been evaluated among the most significant measures, based on the total public-private investment they can attract and in terms of the amount of public funds committed in the event of the guaranteed loans not paid back.<sup>17</sup> Indirectly, sectoral measures have had positive regional consequences as they prevented many companies and hard-hit sectors, which form the core of some regional economies, to go in bankruptcy. The **widely adopted**



**short-time work schemes** on the other hand ensured that affected segments of the economy have been able to respond quickly when demand started to increase.

To address the disproportionate impacts on certain groups of society, countries have also provided various types of support to low-income households, youth and the underprivileged including: **one-off payments** (e.g. of €150 to 2.5 million households in France, in total €1 billion); **aid for paying rent and utility bills**; **guarantees for mortgages** (e.g. of 90-95 percent loan to value ratio for house purchase, up to £600,000 in UK); **aid for purchase of various consumer goods** (e.g. amounting to €5 billion in IT); and **labour market integration programmes for youth**.<sup>18</sup> Additional allocations or compensations to the budgets of regional and municipal authorities have also been made to support the increased need for social and health services and for tailored business support measures. Governments, however, have been also criticised for some intervention: for example, social security measures to compensate for COVID-19 related social risks were considered more generous compared to regular pre-existing benefit systems, leading to social inequalities.<sup>19,20</sup>

National fiscal stimuli have continued throughout 2021 with the extension or strengthening of national schemes or the adoption of new ones owing to prolonged/new restrictions and infection waves and partial recovery. However, most of these measures will gradually be phased out in the course of 2021-2022 including:<sup>21</sup>

- temporary unemployment benefits programmes (varying end-dates up until Dec- 2021 (e.g. in DE, ES, IT, NO, PT, SE, UK);
- state guarantee schemes (e.g. extended till December 2021 in UK, ES, IT, FR);
- funding for regions and local authorities responsible for the provision of health care and social services (e.g. in SE, NO); and
- ban on dismissal of employees (e.g. in IT until Dec-2021 and in ES until Sep-2021).

When it comes to regional policy, there are no consistent patterns in the **territorial distribution of regional policy support** across European countries. This has depended largely on the established political priorities of governmental authorities, existing regional policy instruments and their geographical scope, and institutional frameworks related to governance and fiscal autonomy.

Almost without exception, regional policy support has been delivered through existing regional policy instruments. In some cases, those have been incorporated into broader fiscal stimulus packages. In others, their objectives, duration or eligibility have been amended to serve the initial response and the recovery (Box 1). Cohesion Policy funds have played a leading role for a spatially targeted response in countries that are large recipients or beneficiaries of REACT-EU. Most of these regional policy measures are temporary, although a limited number of changes do not specify an expiration date (legislative ones). One example of a new regional instrument introduced in response to COVID-19 is the French **Environmental Recovery and**





**Transition contracts (CRTE).** This instrument aims to accelerate the recovery and support ecological, demographic, digital and economic transitions in the territories as part of the French recovery plan. The CRTE were introduced in 2020 and are signed for six years.<sup>22</sup>

### Box 1: Changes in existing regional policy instruments in response to COVID-19-induced crisis

#### ❖ Stimulating the uptake of investment incentives through

##### • Eligibility requirements

(1) The Investment Incentives Act in the **Czech Republic** was amended to reduce requirements on investment size so as to support smaller investments;

(2) Until 31 December 2021, business investment projects supported by the Joint Task for the Improvement of the Regional Economic Structure (GRW) in **Germany** will be eligible either (a) if annual total investment is at least 25 percent (usually: 50 percent) higher than the average level of annual income set off against tax in the previous three years or (b) if the project increases the number of permanent jobs in the business operation by at least five percent (usually: ten percent);

• **Co-financing:** the **Flemish** Strategic Transformation Instrument has increased its co-financing from 20-25 percent to 50 percent, targeting the uptake of training and innovation investments in COVID-19 related products and services (available until November 2021);

• **Tax credits:** the **Italian** Government introduced an increase in the rate of tax credits for investments in research and development for companies operating in the southern regions.

#### ❖ Increasing budget allocation of existing instruments

• **To support rural areas:** in **Denmark** the 2021 budget allocation of the Rural Development Instrument supported via the State block grant has been three times higher (DKK 62 million, €8.3 million) compared to 2020 budget;

• **To support regional recovery:** the 2020 budget of the **Finnish** domestic regional development fund (AKKE) (originally €21 million) was nearly doubled by topping it with additional €20 million for the regional recovery activities of COVID-19. This fund provides support to the region's own development, to agreement-type cooperation, and also to the operations of the Talent Boost programme which aims to attract employees to migrate to Finland;

• **To support structurally weak areas:** In **Germany** an additional €500 million of federal funds has been allocated to the GRW in 2020-21 (€250 million annually). *Länder* are also allocating additional funds, in order to be able to draw down federal resources, as projects are financed 50:50 by federal and *Land* authorities.

• **To strengthen City and Growth Deals:** As part of the recovery response, the **UK** Government also announced accelerated investment in several previously publicised City and Growth Deals – three in Scotland (Ayrshire, Argyll and Bute, and Falkirk) and three in Wales (Swansea Bay, North-Wales and Mid-Wales).



#### ❖ Supporting structurally weak areas via

- **Recovery programmes:** Spatially-focused elements of the **Scottish** Government's programme for recovery include targeted support for the islands, including through the launch of an Islands Green Recovery Programme delivering investment in low carbon transport, food sustainability and zero waste projects.
- **Economic zones:** in **Belgium**, the three economic zones created in Flanders (around Genk, Turnhout and Zaventem-Vilvoorde) have been expanded in terms of spatial coverage and extended by 18 months on top of their respective expiration dates. These economic zones offer tax benefits to promote job creation in areas exposed to job losses due to company closures;
- **Investment Incentives:** e.g. via the Joint Task for the Improvement of the Regional Economic Structure (GRW) in **Germany**; tax credits in **Italy**.

#### ❖ Shifting strategic objectives

- In the Brussels-Capital region, a new overarching strategy called Go4Brussels 2030 was adopted in autumn 2019 with the aim, by 2030, of making all public support to the economy conditional on a contribution to help the circular transition of the economy.<sup>23</sup> An update to the strategy in 2021 in order to respond to the COVID-19 crisis shifted the focus towards maintaining economic activity and the purchasing power of residents;<sup>24</sup>
- Most of the beneficiaries of Cohesion Policy have made use of the temporary flexibility (via CRII & CRII+) to shift remaining funding of 2014-2020 programmes to other priorities (mostly in the field of health, employment and business support) or regions.

#### ❖ Extending the duration of existing instruments

- **Tax credits:** in **Italy**, the tax credit instrument supporting acquisitions of new capital goods in production plants in the Mezzogiorno has been extended to the end of 2022 (initially until 2019). Large number of national and regional Cohesion Policy programmes have also been extended in beneficiary countries to absorb additional funds allocated via CRII & CRII+, and REACT-EU;
- **Economic zones:** e.g. the economic zones in Belgium mentioned above.

#### ❖ Supporting hardest hit areas via

- **Cohesion Policy:** in **Finland**, ERDF and ESF funds were re-programmed (in total c. €62.4 million) with the fourth supplementary budget of the Finnish Parliament of June 2020 and funding was awarded to all regions with a specific focus on those which had been most affected by the COVID crisis and sudden structural changes.<sup>25</sup>

Source: EoRPA Country reports 2021

## 4 STRATEGIC DIRECTIONS FOR REGIONAL POLICY

While COVID-19 has been the major policy priority of the past 12-18 months, there have also been a number of other developments in long-term strategic thinking. These can be grouped into four distinctive trends: reducing territorial disparities; stimulating targeted territorial developments; widening the scope of regional policy, especially in support to pressing grand societal challenges; and unlocking policy synergies in view of ever increasing interlinkages



across policy domains and stakeholder groups (see Table 1). In 2020-2021, policy changes have emerged, or further evolved, across countries in response to these long-term trends, and can be grouped in four domains: strategic, institutional, spatial and operational.

**Table 1: Strategic policy changes based on EorPA Country reports 2021**

Response Trend	Legislative / Strategic	Institutional	Spatial	Operational
<b>Reducing territorial disparities</b>	<p>Strengthening the focus on disadvantaged areas CH, NO, UK, PL, HR</p> <p>Support targeting small and medium-sized cities NO, PL, BE, FR</p>	<p>Decentralisation processes PT, BE, BG, FR, LT</p> <p>Institutional capacity building IT, PL, SE, CZ, LT</p> <p>Re-location of public sector jobs DE, NO, PT, UK</p>	<p>Strengthening use of place-based responses (stimulating new forms of economic activity, holistic approach) PL, UK (Sco), BE, BG</p>	<p>Programmes/measures to implement strategic shifts, including the urban dimension FI, UK, BE, FR</p> <p>Programmes/measures to strengthen place-based inclusive development of territories with structural economic weaknesses UK (Sco)</p>
<b>Stimulating targeted territorial developments</b>	<p>Legal frameworks laying ground for stronger agreement-based regional policy FI</p>	<p>New instruments supporting thematically targeted territorial transition NL, DK</p>	<p>Introducing or expanding on the concept of functional zones NL, PL, LT</p>	<p>New contract/partnership-based regional instruments FI, PL, FR</p>
<b>Regional policy in support of grand societal challenges</b>	<p>Pursuing sustainability, well-being and quality of the living environment as objectives of regional policy FI, SE, NL, BE, IE, LU, MT</p>			<p>New action plans SE</p>
<b>Efficiency &amp; effectiveness in policy delivery</b>	<p>Policy coordination to encourage consideration of territorial dimension in other policies NO, SE, CZ</p>	<p>Shift of policy responsibilities to sub-national level / consideration of new sub-national frameworks AT, PT, BE, EE</p>		





In specific terms, across EoRPA countries, significant strategic developments have been underway in Norway, UK, Poland, Sweden, and Netherlands, and under discussion in Finland, Austria and Switzerland. New institutional arrangement, including ones with coordination, capacity-building and job re-location purposes, have been introduced in Germany, Norway, Portugal, and UK. A diversity of changes in terms of policy instruments took place as well in Finland, Germany, Poland Sweden and UK (national and devolved administration level).

The remainder of this section looks in more detail at the nature and scope of these changes within each of the policy trends, together with illustrative country examples.

## 4.1 Reducing territorial disparities

Against a background of ongoing entrenched regional disparities in many countries,<sup>26</sup> a substantial number of changes in regional policy over 2020-21 have been geared towards intensified action to reduce territorial disparities. Policy changes are evident across all four domains: national strategies, instructional arrangements, spatial perspective and operational implementation (see Table 1)

**At a general strategic level, the national commitment to balanced regional development has been reinforced within national strategies in some countries.** This has been especially prominent in countries where inter- and intra-regional disparities have increased despite substantial funding being directed to cohesion objectives (especially through Cohesion Policy). For instance, in **Croatia**, the **National Development Strategy 2030** was approved and launched in February 2021 and underlines the importance of balanced regional development in the country, with some explicit objectives focused on areas with specific development needs and on strengthening regional competitiveness.

Further at strategic level, developments in **Norway, the UK, Switzerland and Poland** are giving policy priority to more remote and vulnerable areas/districts, to 'left-behind' places, to mountainous rural areas and places at risk of permanent marginalisation. While in Norway this is to increase the prominence of the already existing district policy (with similar intentions in CH), in the UK this signifies a revived commitment to regional economic development policy ('levelling up') at the UK government level.



In the case of **Norway**, the recently approved White Paper - 'Vibrant Communities for the Future – the district report'<sup>27</sup> - focuses on the *districts* and the issues and weaknesses that predominate there (skills, labour shortages, age dependency ratios, quality of public services and the challenges of business development). The White Paper provided for **two Commissions** to report on aspects of district policy - one **on the role of businesses** and the other **on demographic challenges**. In addition, a **'youth panel'** was set up to provide insights into what makes, or would make, district life attractive to younger people. These Commissions reported shortly after the adoption of the White Paper and are feeding into wider debates in the run up to the national election (held in September 2021), reflecting the increased political salience of district policy.





The **UK** Government policy has included an emphasis on 'levelling up' across the whole of the UK. The **2021 Plan for Growth describes the levelling up agenda as the government's most important mission** to include 'tackling geographic disparities, supporting struggling towns to regenerate, ensuring every region and nation of the UK has at least one globally competitive city, and above all, strengthening the Union'. Until recently, there has been no UK-wide regional policy with responsibility for regional policy divided between the four constituent parts of the UK, with economic development being a devolved area of responsibility. **New UK Government powers** were, however, introduced in the United Kingdom **Internal Market Act 2020**<sup>28</sup>, which enables the UK Government to undertake economic development activities throughout the UK, including in the devolved nations. This has resulted in devising funding **instruments, targeted at pre-defined priority places**.



An increased focus on coherent spatial development is also visible in **Switzerland**, as proposed by the Spatial Concept Switzerland. **Rural, and in particular, mountainous areas have increasingly become a focus for regional policy**. This addresses the previously perceived lack of attention to mountainous areas, which came about at the launch of the New Regional Policy (NRP). Two important drivers are the Federal Agglomeration Policy and the Federal Policy for Rural and Mountainous Areas. Both are currently evaluated in a joint evaluation, with the results expected in Spring 2022.

More targeted efforts to level up national development are also witnessed in the **increased consideration of and support to small and medium-sized towns** with regional importance (FI; FR; BE; PL, NO (see Box 2)). These smaller urban areas are increasingly being seen as potential motors of regional development, evidenced by recent **strategic and operational responses**. What is notable is that urban strategies and programmes (e.g. in BE; FI) are no longer limited to addressing urban challenges characteristic for large metropolitan areas. They also encompass specific visions and measures for **smaller and medium-sized towns** with the aim of increasing their innovation capacity and transition potential, and preventing them from losing their socio-economic function. In some countries, this is supported by specific funding instruments (detailed below). **These developments are in line with observations that the relation between proximity to large centres and population growth is weakening and that small towns are becoming the most dynamic settlement type** (e.g. in DE), although they are extremely heterogeneous in terms of development trajectories and underlying driving factors.<sup>29</sup>

### Box 2: Norwegian Strategy for Small Towns

In **Norway**, the **2021 Strategy for small towns** explicitly builds on the work of two Commissions and the youth panel provided in the White Paper - 'Vibrant Communities for the Future – the district report', as well as on a recent study commissioned by Ministry of Local Government and Modernisation (KMD) which explored the role of small towns in regional development. The study highlights the diversity of Norwegian small towns and settlements outside the major agglomerations and notes that, unlike major urban centres, they have not been a focus of policy in spite of their potential for stimulating regional development. **The new strategy focuses on the role of small towns as motors of development for surrounding areas, reinforcing their role as 'specialised' centres for service provision**. It makes several concrete proposals related to partnership, digital technologies, greater collaboration and potentially co-location of government.<sup>30</sup> There is, however, at present no specific funding associated with this strategy.

**Source:** EoRPA Country Report – Norway 2021



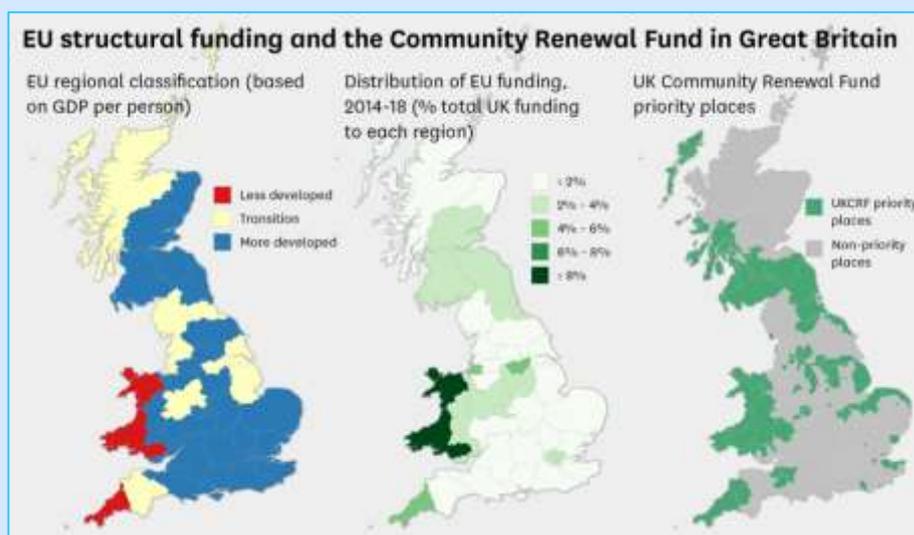


**Most of the operational responses** are directed at the implementation of above mentioned strategic shifts. These include both new instruments (see Box 3) and the allocation of funding sources.

### Box 3: Instruments introduced under the UK 'Levelling Up' agenda

At UK level, the UK Government's 'Levelling Up' agenda has introduced several new instruments which are focused on 'priority areas':

- The **UK Community Renewal Fund (CRF)** aims to support pilot programmes and new approaches for investment in skills, enterprise and employment, as a precursor to a new **UK Shared Prosperity Fund** due to launch in 2022, replacing EU Structural & Investment Funds.<sup>31</sup> Allocated budget is £220 million (257 million), where Northern Ireland has a pre-determined allocation of £11 million (€12.9 million). The CRF is competitive, and **100 priority places have been identified** (for both submitting funding applications and receiving capacity funding<sup>32</sup>) **based on "an index of economic resilience"** across Great Britain which measures productivity, household income, unemployment, skills and population density". As displayed in the map below, the priority places are particularly concentrated in Wales. A notable difference with EU Structural Funds coverage can be seen along the coast in the East and South East of England, which receive comparatively little funding from EU Structural Funds. The CRF provides mainly revenue funding and will be delivered through local authorities/councils.



- The **Levelling Up Fund (LUF)** will provide grant support to local authorities throughout the UK for capital investment in infrastructure projects (transport, regeneration and town centre investment, cultural investment).<sup>33</sup> **The LUF is competitive and prioritises places with the 'most significant need'**. Local authority areas across the UK have been categorised into three bandings which will form part of the assessment criteria for assessing bids. The Levelling Up Fund has a budget of £4 billion (€4.7 billion) for England, and £800 million (€935 million) for Scotland, Wales and Northern Ireland for the period 2021-2024/25;

**Source:** EorPA Country report – UK 2021





In Flanders (**Belgium**), the new urban vision document outlines a common agenda for 34 regional cities. Within this approach, the Government earmarks ten percent of the 2021-2027 Flemish ERDF budget to 11 smaller, regional cities (*Centrumsteden*). Thematic interests are aligned with Flanders' long-term policy framework, Vision for 2050, whereas multi-level governance and horizontal cooperation are the strategic objectives in order to bridge the gap between these cities and surrounding territory.



The **urban dimension** is strongly present in the **Finnish** Government Programme and is implemented with three distinctive programmes: urban programme 2018-22 (targets the largest cities), the '**regional city**' (*seutukaunki*) **programme 2020-22 (targets smaller cities with regional importance)** and sustainable urban development programme (2019-23) which is under the responsibility of the Ministry of Environment.



In **France**, the **Small Towns of Tomorrow programme** (*Petites Villes de Demain*) was launched in 2020 and mobilises €6 million in 2020-26. It aims at promoting environmentally-friendly revitalisation of **small towns and municipalities**.

Partially within this agenda, but also more broadly, governments continued to extend the use of place-based responses to support balanced regional development, leading to **changes in spatial coverage of regional policy instruments**. More details on place-based instruments are provided on the next page under 'spatial response'.

In several countries, **institutional responses** have been taken up, as seen in *decentralisation processes* (LT, FR (See Box 4)) and the more prominent use of incentives related to the *location of public sector jobs* (DE, PT, NO, UK).



In **Germany**, the Federal Government is aiming to provide an impetus for the economy in structurally weak regions and regions particularly affected by structural change through the creation of **new federal agencies, authorities and departmental research institutions in the eastern Länder**. Accordingly, the Ministries are planning around 8,200 **new jobs** in the new *Länder* in the coming years, and around 10,000 including Berlin.



In **Portugal**, over 2020-21, some of the main developments in the operationalisation of measures specifically aimed at the interior areas included Incentive Programme for the **Settlement of State-sector Workers in the Interior** and a **National Network of Teleworking and Co-working Spaces in the Interior**.

#### Box 4: French Act of Decentralisation

A **new Act of decentralisation** was introduced in Spring 2021 – “*Le projet de loi 4D*”.<sup>34</sup> It is expected that the Act will be read to the National Assembly in autumn 2021<sup>16</sup> and aim at

- **Decentralisation**, with a review of competences between state and sub-national level;
- **Differentiation**, to allow flexibility in the way sub-national authorities organise themselves and implement public policies;
- **De-concentration**, to enhance decision-making and policy competences of local state services (Prefects); and
- **De-complexification**, or simplifying local public action.



Within the Act, 80 measures were agreed upon, divided into the following six themes:

- Trust local democracy and facilitate territorial differentiation;
- Set out the **ecological transition** in the territory, namely clarify the division of responsibilities at each level;
- Give communities the means to respond to **housing demand** and **town revitalisation** needs;
- Reinforce the **role of communities** in social cohesion and health;
- Strengthen the territorial services of the State and their community support capacity;
- **Simplify local public action** by, for example, facilitating the exchange of data between administrations, in a transparent framework, when it simplifies the procedures for users.

**Source:** *EoRPA Country report – France*

Another prominent part of the institutional response is **building institutional capacity** (SE, PL, IT, CH). This has different priorities and mechanisms in different countries:<sup>35</sup>



In **Sweden**, this aims to strengthen capacities, especially in those regions and municipalities that face the largest development challenges, led by *Tillväxtverket* (the national agency for economic and regional growth).<sup>36</sup>



In **Poland**, this is enabled by addressing activities to areas of strategic intervention (ASI) identified in the National Strategy for Regional Development (NSRD 2030) as medium-sized cities losing their socio-economic functions and areas at risk of permanent marginalisation.



In **Italy**, this is envisaged in the '2030 Plan for the South' and enabled through the Budget Law 2020 (*Legge di Bilancio 2020*, Law no. 160/2019), which provides the possibility of hiring new human capital by 2023.

**In spatial terms**, changes in regional policy targeted at the reduction of regional disparities have, to certain extent, continued to address more traditional types of disparities – focusing on areas with specific development needs, rural and geographically disadvantaged areas (remote, coastal, etc.). However, there is evidence that **efforts to reduce disparities are also being directed to trigger new spatial patterns of economic activity**. The most pronounced example of this is the recognition of small and medium-sized towns as potential re-balancing forces. More generally, the adoption of the place-based approach has expanded in an effort to provide a more inclusive and holistic response to problem areas, as opposed to a narrower and more investment-oriented one (see Box 5)



In the next financial perspective 2021-27, **Poland** plans to **increase the potential use of territorial instruments**, linked to measures targeting marginalised municipalities or small and medium-sized towns at risk of losing their socio-economic function.





**Integrated Territorial Investments (ITI)**, funded through the EU ERDF, are used in **Flanders** to implement a transversal objective of **smart specialisation in sub-regions** and provinces. The core objective is to improve the economic fabric in peripheral areas, as well as to address the risk of brain drain, using a Flanders-wide methodology that **supports the sub-regional entities to develop and deliver their own strategies**. An important aspect in the implementation of the latter are the efforts to engage sub-regional stakeholders and to match knowledge centres with targeted RD&I investments.



In **Bulgaria**, 2021-27 Cohesion Policy places a **stronger emphasis on the place-based and integrated approach to regional development** to counteract a continuous increase in inter- and intra-regional disparities linked to a sectoral approach to Cohesion Policy implementation. As a response, in the new programming period 2021-27 municipalities at each NUTS 2 level are incentivised to **collaborate** with each other in order to make use of **ITI funds** allocated to the region. The aim is use collaboration as an approach to **distribute funds in a more balanced way**, not only to core/larger municipalities but also to smaller ones. The latter has been a challenge in the 2014-2020 period due to more limited capacities of applicants outside large municipalities to win and implement projects.

#### **Box 5: Community wealth building through place-based investments in Scotland, UK**

Scotland has launched a Place Based Investment Programme to provide a more coherent approach to all place-based funding initiatives, including community-led regeneration and town-centre revitalisation. Alongside this, **a new Community wealth building approach is being piloted across Scotland**. Community wealth building<sup>37</sup> (CWB) is defined as **'a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people'**. Key principles include progressive procurement, fair employment and just labour markets, shared ownership of the local economy, socially just use of land and property and making financial power work for local places.

Another development, indicating the strengthened place-based approach is the new regional development agency for the south of Scotland, launched in 2020. **South of Scotland Enterprise** has a focus on inclusive growth, competitiveness and tackling inequality within the region.

**Source:** EoRPA Country report – UK 2021

## **4.2 Stimulating targeted territorial developments**

While responses to territorial disparities have been prominent, other policy changes in 2020-2021 have aimed to unlock the specific growth potentials of individual regions/areas and to enable complex territorial transitions. Promoting economic growth is not a new trend in regional policy, but its increasing relevance in addressing newly emerging and often spatially specific challenges and opportunities is worth mentioning. In the majority of cases, this trend has impacted the way regional policy is delivered in terms of institutional arrangements (DK, NL) and instruments (FI, FR), although spatial implications are evident as well.



At the **institutional level**, the main objective of the changes in 2020-2021 has been to enable **thematically concentrated developments** around the cooperation of multiple stakeholders. It is recognised, however, that this approach has challenges such as increased institutional complexity and shortage of knowledge, data and implementation capacity.



As of 2021, **eight 'NOVI-regions'** have been identified in **the Netherlands** which act as the most concrete implementation mechanism of the upcoming Environment and Planning Act. The regions are: Rotterdam and the Amsterdam **port areas**; De Peel and Groene Hart **rural areas**; **energy and climate transitions** and **urbanisation and heritage** in the Zwolle delta and Groningen city region; and the **cross-border regions** of South Limburg and Canal Zone Zeeland-Flanders (focusing on Ghent's seaport).<sup>38</sup> **The NOVI-regions were identified as areas faced with 'grand transitions' that are essential for the welfare of the Netherlands.** To underline this national importance, multi-level cooperation between authorities involved in addressing these transitions is a requirement (based on non-binding agreements). The approach is also considered to provide flexibility to form functional regions, including across borders. The NOVI-regions are foreseen to build on already existing funding instruments such as the Region Deals.



With the aim of unlocking the specific growth potentials of individual regions, the **Danish** government has introduced new **Regional Growth Teams** (see Box 6).

#### Box 6: Regional Growth Teams in Denmark

A new tier of organisation was introduced in March 2021 when the government announced the **creation of seven Regional Growth Teams** (*Regionale Vækstteams*), **covering part of or the entirety of the five Danish regions**. The teams combine private sector partners, local authorities, trade unions and HIEs, and are tasked with developing strategies to address one of seven specific challenges, individually set by government after consultation with the local business development centres. The seven themes are:

- Off-shore wind energy (Bornholm)
- Industrial robotics (Fyn)
- Health and obesity (Greater Copenhagen)
- Water technologies (Mid Jutland)
  - CO2 storage technologies (North Jutland)
  - Biotechnology and sustainable construction (Zeeland)
  - Power-to-X technologies (South Jutland)

The creation of the Regional Growth Teams is a new and different place-based response to development challenges in Denmark. While the more flexible business development centres focus on place in the sense of bringing together a wide range of activities within their area of spatial responsibility, **the Growth Teams are focused on a single designated development opportunity**. Funding will initially be built around REACT-EU, but as the initiatives are planned to outlive this European programme, significant levels of national funding will be required to keep up the momentum in later stages. These Regional Growth Team both provide an additional thematic focus but also **add to the institutional (and in some cases geographic) complexity**.

Source: EoRPA Country report – Denmark 2021

**Operational responses** are **collaborative-based** and designed to enable more **'adaptable' implementation frameworks**. Adaptability relates not only to the ability to adjust to different





regional characteristics but also to a framework that could respond to structural changes more quickly. In this regard, a process of de-regulation can be observed, creating space for more 'fluid' cooperation as opposed to rigid planning.



In **Finland**, the delivery of regional policy is increasingly based on partnerships and agreements which address the specific traits of each region. The **new Ecosystem Agreements** as well as the **new statutory regional development discussions** are key examples of this approach. Generally, while regional policy instruments remain important, especially those that provide regionally targeted support to businesses, the **regional policy in Finland is shifting away from an instrument-driven development** (See Box 77).

### Box 7: Strengthening the agreement-based regional policy in Finland

The proposal for the new Law for Regional Development in Finland, [planned to be adopted in September 2021], suggests that

- the practice of drafting Regional Strategic Programmes by the Regional Councils will be continued but the Law itself would not stipulate the role and the content of the Programmes as strictly as in the past; and
- the Law would not require the drafting of the implementation plans and as such would lighten the administrative burden.

Instead, it is proposed that **the implementation would rely on agreements**, which does not solely include 'paper-based' agreements, but also 'physical' agreement-based cooperation. In the Cohesion Policy context, agreement-based cooperation will take place between the State and University cities through the Sustainable Urban Development model. This will be implemented through the so-called **Ecosystem Agreements**, which are drafted on the basis of the strengths of the individual cities, but linked to wider themes of low-carbon, digital technology, well-being and health. An example of a physical agreement-based cooperation are the **statutory regional development discussions**. These will provide the platform for the State and the Regional Councils to discuss the objectives and conditions for regional development. This will also include a proactive monitoring and response to bottlenecks from (positive) structural change.

**Source:** EoRPA Country report – Finland 2021





In **France**, the various forms of contractual arrangement are being revised, with different contracts being combined to streamline and achieve better coherence between the various actions. In this context, the new generation of State-Region Planning Contracts (2021-27) (*Contrats de Plan Etat-Région, CPER*)<sup>39</sup> began preparation in 2020 and the new CPER arrangement<sup>40</sup> reflects a renewed framework for dialogue between the State and Regions based on four main principles:

- a **bottom-up approach** based on the expectations and needs of the territories;
- an **extension of the scope of the contractual approach** to include new themes, in order to support the territories in ecological, digital, productive and demographic transitions (health, agriculture, sports, education and youth, equality between women and men and the sea and the coast);
- the implementation of **territorial differentiation** with CPERs whose content and layout will be different depending on regional issues; and
- **close coordination** with the 2021-27 European funds and the 2021-22 recovery plan - of the €28 billion that the State will mobilise in the 2021-27 CPER, €8.6 billion from the regionalised recovery plan will be aimed for the recovery of the CPERs in addition to the common law credits.

In **spatial terms**, policy changes in relation to the reduction of regional disparities and those targeting the stimulation of territorial development (esp. when linked to **enabling complex transitions**) appear to trigger different spatial implications. Unlike in the first trend, where support goes often in line with certain type of geographical units (rural and remote areas, small towns etc.), it is noticeable that responses within the latter trend may require more functional approach. This is driven by the thematic transition that the response aims to facilitate and as such, the spatial coverage often cut across existing administrative or even national borders (e.g. in NL). This is not only to facilitate functional economic links but is also in response to broader socio-economic developments that are more effectively addressed beyond defined administrative territorial units.



A 2020 amended Law in **Lithuania reinforces the territorial concept of the functional zone** for the implementation of regional policy. This was preceded by a 2017 White Paper that includes the concept of the functional zone, or functional region, as a system of economic development, movement of workers, and urban and rural locality interaction using common infrastructure, transport and service networks which disregard the administrative division of Lithuania. **The amended Law has raised the profile of the functional zone and made it more proactive concept to guide and influence regional development policy.** Regional policy makers are now required to consider functional zones, as opposed simply to municipal administrative boundaries, when formulating regional development or multi-regional development plans.

### 4.3 Widening the scope of regional policy to address 'grand challenges'

Complex challenges related to climate change, sustainable development and well-being require transformation in different fields of action, which are, nevertheless, coherent. Over the





past years, regional policy has been increasingly considered as one instrument which can contribute to addressing these challenges. This has become evident especially in recent changes in (proposed) regional development strategies and laws which strengthen regional policy commitments in this direction. This has also raised questions, especially in policy analysis<sup>41</sup>, on potential shifts in defining regional disparities (widening the view on regional challenges) and regional development (including broad welfare indicators).

In concrete terms, in 2020-2021, six countries – **Sweden, Finland, Belgium (Wallonia), Ireland, Luxembourg and Malta** – have made or are planning changes in strategic and legal documents with the aim of incorporating or more firmly embedding sustainability and ecological transition objectives (Box 8 and Box 9 ). Five countries – **Finland, Sweden, Ireland, Belgium (Wallonia) and Malta** - have strengthened the focus on well-being, quality of living environment and social inclusion. These changes lay the groundwork for a strategic long-term planning. Stocktaking on possible adjustments reflecting the importance of the green agenda in regional policy is also present in **Germany** and changes in political priorities are likely, following the federal elections in September 2021. Similarly, sustainability will be a key principle in the next NRP in **Switzerland**, which is currently being developed.

#### **Box 8: Luxembourg's Framework Programme for Territorial Development**

Regional policy actions in Luxembourg are guided by the Framework Programme for Territorial Development (*Plan Directeur d'Aménagement du Territoire, PDAT*) which is currently being updated. A working group was set up in 2020 to lead the drafting process. **The document will have two distinct parts with a mid-term horizon until 2030 and another long-term horizon until 2050.**

The new document will provide a new definition of a territorial vision and a new spatial planning strategy including concrete instruments/concepts for implementation. Overall, it aims to achieve the following goals and objectives which have a strong environmental and climate change focus:

- **zero carbon** emissions by 2050;
- drastically **reducing the greenhouse gas** of CO<sub>2</sub> emissions as well as that of reducing the ecological footprint;
- **no net land take** by 2050;
- promote **biodiversity**, improve the quality of ecosystems and preserve natural areas
- accelerate the **ecological transition** by designing together the major infrastructures of transport, energy, housing and digitalization;
- inhabited **territories that are resilient to climate change**;
- stable, fair and solidarity-based economic development;
- social and territorial cohesion.

**Source:** EoRPA Country report – Luxembourg 2021



### Box 9: Swedish National Strategy for Sustainable Regional Development 2021-2030

The new **National Strategy for Sustainable Regional Development (2021-2030)** was published in March 2021. The Strategy shifts the policy focus from growth to development, suggesting a **more holistic and longer-term view of development** and including a **specific focus on sustainability**. While sustainability was already embedded in regional development policy regulations and in the previous Strategy, the purpose is to strengthen the focus in future regional development policy work. Simultaneously, as part of the commitment to learning, the **regions are responsible for analysing, monitoring and evaluating their work across the three dimensions of sustainability** (economic, social and environmental) and in consideration of equality aspects.

*Source: EoRPA Country report – Sweden 2021*

A notable point is that **the implementation of these objectives would rely substantially on the subnational level**. In **Ireland**, these objectives are included in the Regional Spatial and Economic Strategies of the country's three Regional Assembly Areas, while in **Sweden**, the regionally-specific efforts will be set out in the Regional Development Strategies (RUS) (although a National Action Plan will also complement the National Strategy mentioned in Box 9 and provide further detail on 'how' the strategy will be implemented). Similarly, in **the Netherlands**, the concept of Sustainable Wellbeing (*Brede Welvaart*) has been present for some time in the Region Deals, while in **Norway** actions are foreseen in strategies for **mountain and inland areas**<sup>42</sup> and for **coastal areas**<sup>43</sup>. From policy point of view, such an approach provides flexibility for place-sensitive actions in each region and facilitates the coordination of efforts across different sectoral departments. However, it also poses questions about the extent to which administrative and governance capacities to implement ambitious transformation projects are equally available. **Furthermore, adding a climate and sustainability dimension to regional development strategies will also need to anticipate potential conflicts, for instance vis-à-vis economic prospect opportunities, and consider mechanisms to resolve them.**

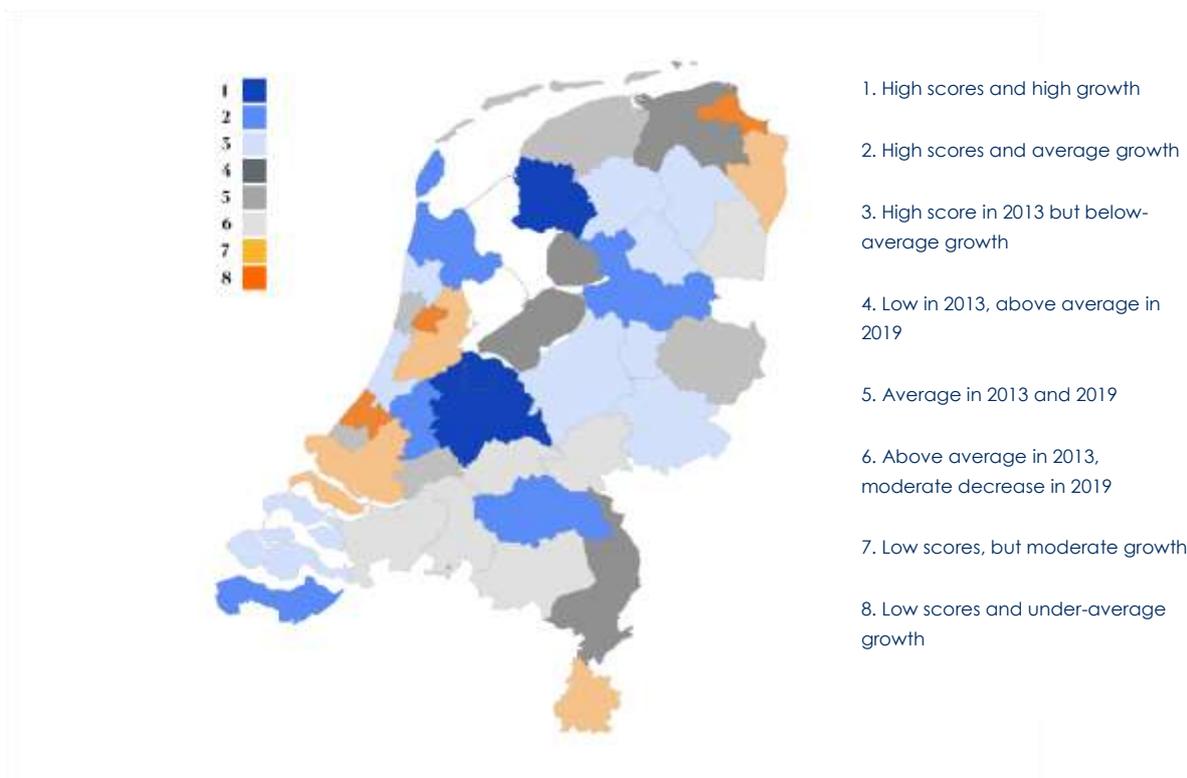
Further thinking on the **spatial interplay between economic growth and broad welfare indicators has been publicised in a recent study in the Netherlands**. It presents a **different understanding of development**, which incorporates a wellbeing dimension. Between 2013 and 2019, the study identifies eight types of regions, with relatively good performances of both growth and wellbeing in some central and (north) eastern regions, Zeeland and northern North Holland, and lower scores in and around larger urban agglomerations. **This analysis indicates the need for tailored actions to each type of region**. For instance, growth regions would have to balance economic growth with natural values and inclusiveness, and ensure the return of the 'human scale'. Outside of the Randstad area, the main challenges are the availability of young and highly educated people on the labour market and affordable housing.<sup>44</sup>

Figure 3 shows the results of a cluster analysis of the wellbeing scores and score trends between 2013 and 2019.





**Figure 3: Eight regional development typologies based on sustainable wellbeing indicators**



**Source:** Rabobank (2021), *Cooperatief Convenant: Pleidooi voor een nieuwe agenda voor Nederland gebaseerd op Brede Welvaart*, p.20.

At the **operational level**, developments in 2020-21 have been substantially driven by the EU's 'Green Deal' embedded in Cohesion Policy and Recovery and Resilience Facility (see Box 10). As a result, many national and regional Cohesion Policy programmes 2021-2027 and recovery plans have been streamlined to support a green recovery.

#### **Box 10: Recovery Plan in Wallonia, Belgium**

A new recovery plan in Wallonia, Belgium (*Plan de relance de la Wallonie*) regroups three individual funding programmes including measures from the EU's Recovery and Resilience Facility and will provide funding of €7.64 billion until 2024 for the following five priority axes:

- Ensuring **environmental sustainability** €2.67 billion
- Supporting **well-being**, solidarity and **social inclusion** €2.119 billion
- Capitalising on the **youth** and the talented of Wallonia €1.442 billion
- Boosting **economic development** €1.264 billion
- Guaranteeing innovative and **participatory governance** €149 million

**Source:** EoRPA Country report – Belgium 2021

Additionally, in several countries there are ongoing discussions regarding how existing instruments can contribute to climate and wellbeing objectives:





-  In **Germany**, reflections are ongoing on whether an increased focus on climate change measures might require **new forms of aid within the GWR** (e.g. green bonds).
-  In **Sweden**, the Government has assigned *Tillväxtverket* to carry out assignments on two specific aspects related to the Transport Grant. **These assignments, which are ongoing, focus on climate aspects and on additional transport costs.**
-  Following the reform of health and social services which will transfer the responsibilities for these services to the regional level in **Finland**, some adjustments to the criteria of the **financial equalisation system** are under discussion. In particular, because municipalities will continue to play an important role in promoting well-being and health even after the transfer of responsibilities, **well-being and health promotion is proposed as a new criterion.**

At the **institutional level**, a White Paper adopted in **Norway** in 2020 considers **how improving efficiency and innovation in the public sector can contribute to addressing major societal challenges**, including climate and demographic changes.<sup>45</sup> This is a good reminder that there are broad **favourable conditions** that could facilitate the thematic widening of regional policy in the direction of evolving societal challenges. Some of these favourable conditions can be observed in recent regional policy changes of some countries such as efforts to increase policy adaptability and focus on monitoring, forecasts and sub-national capacities, as well as the aim to reconcile interests of different sectoral policies.

#### 4.4 Efficiency and effectiveness in policy delivery

The growing complexity of regional challenges, across sectors and geographical spaces, has gained increased prominence in recent years, leading to a broader agenda and more multi-faceted approach to policy interventions within regional policy. This has been already exemplified in changes across policy trends outlined in this paper. Such developments inevitably have implications for the efficiency and effectiveness of policy delivery and these have been gaining in importance, not least because of overstretched financial resources and public discontent with regional inequalities. While the shift towards place- and collaboration-based instruments which align efforts across public and private actors, and across national and sub-national authorities, have contributed positively to some aspects of efficiency and effectiveness, there is also a simultaneous increase in coordination costs and difference in administrative capacities. In return, policy responses strengthening efficiency and effectiveness continue to be discussed and adopted, indicating the need of continuous reflection on desired improvements. **Strategic questions are being addressed regarding the spatial level at which cooperation should be promoted in order to avoid fragmentation and build consensus**, as well as **what role regional policy objectives should play in relation to other national policies**. Responses have occurred in two domains – strategic and institutional.

At the strategic level, the comprehensive pursuit of efficiency and effectiveness has resulted in efforts to achieve a greater recognition of the regional dimension and regional policy





objectives in other national policies. This is evidenced by changes in 2020-2021 occurring especially within the **strategic domain** (in NO, CZ). Changes have also been undertaken at strategic level to lay the basis for more concrete coordination efforts (SE).



In **Norway**, there is increasing emphasis on **coordination with other ministries**, trying to track and understand their activities more closely and proactively and to look for ways of increasing the impact and influence of regional policy objectives in other ministries' thinking. Indeed, the trend in recent years has been for **KMD to step back from day-to-day policy implementation and to focus on strategic and coordination issues, pilot and demonstration projects**. The KMD is not involved in the administration of business incentives or other policy instruments, and the budget for which it is responsible is extremely modest compared to the total regional development 'effort' which mainly falls within the purview of other ministries, especially the Ministry of Finance. Instead, **KMD undertakes analyses, shapes the narrative for regional development policy, and influences the actions of other ministries in various ways**.

- Indirect influence of KMD is noticed in informally putting priorities into the impact assessment required by Ministry of Finance and developing a related toolkit for the use of other Ministries in assessing the impact of policies on employment and services in rural areas.
- Direct influence of KMD is exemplified in the field of **the location of public sector jobs**. A specific process involving criteria related to the type of change and a ranking of possible locations must be followed. This is a requirement to consider non-Oslo sites and, in practice this means regional centres outside the largest cities with the greatest local employment potential must be considered. Furthermore, in line with the High North policy, a northern Norway location should also be considered.



Similarly, in the **Czech Republic, an increasing importance on reflecting regional / territorial issues in other policy areas** can be observed. More specifically, this is seen in the central role that the territorial dimension plays in domestic regional policy and EU funded policies and also in the efforts to incorporate a territorial dimension into regional or thematic programmes and policies. The Ministry for Regional Development (MRD) also attempts to cooperate explicitly with other Ministries, opening up expert discussions to encourage them to understand that regional policy is part of their core policy or that there are strong territorial aspects to certain topics such as climate change, droughts, and urban mobility. **The MRD undertakes specific projects to support the territorial dimension of other policies**. Examples include an educational programme providing training in carrying out a territorial impact assessment on projects (particularly at the regional and municipal level) and involvement of the MRD in a pilot project focused on the assessment of the territorial impact of other national policies within the Territorial Agenda 2030.



In **Sweden**, one of the underlying conditions underpinning the new National Strategy for Regional Development is **cooperation**. Its importance stems from the complexity of societal challenges and the opportunity to involve a wider breadth of actors who bring in new skills and thinking. **Cooperation takes a broad perspective including different policy areas and sectors (e.g. cooperation between the state authorities), but also different territorial levels (local, regional, national, international)**. Whilst cooperation has long been an important part of the policy delivery, **there are higher ambitions for how this is to be carried out, especially between the State agencies**.<sup>46</sup>



Institutional responses have also been undertaken with the intention of strengthening coordination, transferring responsibilities away from the State, and facilitating responses at the most suitable spatial level.



**To address fragmentation of inter-municipal and supra-local forms of collaboration**, in March 2021 the **Flemish Government** approved the **development of an intermediate sub-regional level**. Seventeen such regions, officially referred as **'reference regions'**, have been created, with each Flemish province divided into 2-5 sub-regions. These will coordinate different sectoral policies and new and existing collaborations will have to adhere to their boundaries by the end of 2024 (exceptions may be granted until 2031). The aim of the reference regions is to **present an innovative consensus model** rather than create a new administrative layer. Within their boundaries, the formation of new inter-municipal links is stimulated through a small subsidy provided by the Flemish Regional Government (c. €900,000).



In **Austria**, a **strategy document for the development of 'regions' is envisaged for 2022**. This initiative is aimed at all types of regions, both urban and rural, and is supported institutionally, following the re-organisation of responsibilities for regional policy and rural development, which were brought together into the same Ministry in 2018 (see Box 11).

#### Box 11: The development of 'regions' in Austria

A project implemented by the Department for Coordination, Regional Policy and Spatial Planning of ÖROK in 2019/2020<sup>47</sup> **aimed to identify ways in which regions, understood as the territorial level between municipality and Land, can be empowered to contribute to a sustainable spatial development. The project recognised that the challenges facing society are complex and interrelated** and that defined areas of administrative competence no longer always match the spatial and functional areas in which these interactions take place and need to be managed. **It recognised that the 'region' has become an important spatial level in Austria's multi-level system. The main reason for this is the effectiveness with which topics such as mobility, services of general interest and digitisation, but also integration, employment and equal opportunities can be dealt with at that spatial level. This is because the 'region' has the appropriate framework conditions in terms of functionality, context, resources, spatial proximity and living environment.** The results were published in October 2020<sup>48</sup> and fed into the programming process of the 2021-27 programme period of EU Cohesion Policy and Rural Development Policy.

**Source:** EoRPA Country report – Austria 2021





Within the wider objective of increasing local democracy, an ongoing process of **decentralisation** in **Portugal** underpins the transfer of new additional State administration competences to local authorities and inter-municipal entities in a wide range of domains.<sup>49</sup> This reform is expected to enhance the efficiency and effectiveness of public service delivery and increase local government participation in public revenue. Resources under the Decentralisation Financing Fund, created by the revised Local Finance Law, have been included in State budgets to help finance, on a transitional basis, the new competences. **By July 2021, c. 18 sectoral decrees, stipulating transfer of competences in different areas, have been adopted. It is foreseen that all local authorities and inter-municipal entities will eventually assume the new competences (the process not being optional)**, although at a varying speed, depending on complexity of the competences to be transferred and the existing municipal capacity, among others.

## 5 WHERE IS REGIONAL POLICY GOING AFTER COVID-19?

Previous EoRPA research has highlighted the concern of a 'static' understanding of regions according to their present levels of development, and the growing recognition that all types of territory can actually fall into 'development traps'.<sup>50</sup> The latter are related increasingly to the spatial impacts of global 'megatrends', including digitalisation and technological change, demographic transition and climate change. In response, regional policies have been increasingly occupied with responding to heterogeneous place-specific development threats.

One vital lesson of the pandemic has been that **anticipation** is critical to mitigating systemic threats.<sup>51</sup> For regional policy, this raises questions of how long-term strategic thinking could prepare for the pandemic's long-term territorial effects and for any future crises. Could the pandemic speed up ongoing policy trends? Or does its impact and implications represent a "critical juncture" which calls into question existing policy approaches or institutional and territorial arrangements? Indeed, sudden and dramatic crisis such as the COVID-19 pandemic have been hypothesised to increase the likelihood to debate and possibly adopt alternatives to existing policy legacies. There are a number of reasons justifying this thinking.

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*The **Covid-19 pandemic** is the latest in a series of cascading crises of global capitalism that have **both exposed and intensified a systemic problem of social and regional inequality** that has in fact been unfolding in the advanced economies for more than four decades.<sup>52</sup>*

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While the pandemic has triggered territorial effects that are expected to be only temporary, longer-term impacts on territorial and social inequalities can be anticipated. This has implications both for possible new patterns of disparities as well as deepening vulnerabilities along existing lines of disparity.<sup>53</sup>



In terms of **possible new patterns of disparity**, the recovery in sectors such as tourism and air transport has been delayed, which means that regions where economic structures are heavily reliant on these sectors could experience protracted and potentially long-lasting effects (also triggered by changes in wider behavioural and lifestyle patterns). The pandemic has indeed underlined the vulnerabilities of regions with mono-sectoral economies, even if they had previously strong growth patterns, and the **need to build resilience through economic diversification**.

Further, a **deepening of existing regional divides** could be anticipated for several reasons including the acceleration of the **digital transition** boosted by COVID-19. There is little doubt that the (initial) winners of this are leading (large) firms located in more productive, core and economically strong regions and agglomerations. This could lead to deeper territorial divides in growth and productivity, with implications for population dynamics. The **acceleration of automation** of certain jobs (most often routine, middle-skilled occupations) has also been among the prominent trends after recent recessions (2008-09; 2001) leading to a **delayed recovery of employment levels** and to job polarisation.<sup>54</sup> It is still early to judge if a so called 'jobless recovery', where the speed of recovery of economic output and real GDP is faster than the recovery in aggregate per capita employment, takes place, however, automation can be expected especially due to the new preference of contact-less services. Such developments are especially **harmful for young people and women**, and for **areas already pressured to retain the younger generation**.

Post-pandemic effects are also expected in terms of **willingness to invest in innovations**, where smaller businesses in particular may be reluctant to do so, leading to disrupted business dynamics in regions with more traditional, low-skilled companies. This tends to be characteristic of declining regions which would find it even more difficult to return to growth trajectories. An **important role for regional policy would be, therefore, to strengthen efforts in reducing (existing) territorial disparities**, ensuring equal digital access, stimulating digitalisation of smaller and more traditional firms, together with schemes targeting re-skilling, youth unemployment and social inclusion. More broadly, such developments should give rise to efforts to develop **more regionally balanced economies, possibly investing further in responses around small and medium towns and place-based policy instruments**. Such efforts could also be helpful to alleviate amplified social mistrust and discontent towards governments caused by COVID-induced social inequalities.

It should be noted that external factors such as national recovery measures also affect territorial cohesion, as they do not necessarily include a territorial dimension. This is visible, for instance, in the distribution of funds through the national recovery strategies, such as the National Recovery and Resilience Plans drawn up by EU Member States.<sup>55</sup> The need for these Plans to spend funding fast puts economically weaker places at risk as they often have lower capacities to absorb funds and experience delays in project implementation. There is also a risk of increasing intra-regional disparities if funds prioritise larger agglomeration areas rather





than smaller cities. As a result, **regional policy may be in a position to re-balance developments** through Cohesion Policy or other territorially targeted funds in the medium term.

The pandemic has also shone a spotlight on government efficiency, including policy coordination and subnational capacities. The latter were required to ensure that measures across levels of government are complimentary and measures respond to the needs on the ground. In many countries, sub-national governments were actively involved in the delivery of national responses or devised their own tailored measures together with local actors. At a more strategic level, the recovery strategies stimulated more active inter-ministerial coordination. If these experiences are to have impact in the future, this will be to raise the profile of institutional arrangements that promote partnership and democracy, such as decentralisation and contract/partnership-based instruments empowering sub-national governments and other local actors, and provide flexibility to respond more quickly to sudden change. Such arrangements would also increase **transparency** with regard to **how and where public spending is invested**, which will be important in the context of any increasing social discontent.

If the pandemic is to have more 'radical effects' in the domain of regional policy, these are related to expectations of increasing **de-globalisation and re-industrialisation**, and of regional policy being more closely linked to **climate and wider wellbeing agendas**.

The disrupted global trade and value chains at the onset of the pandemic have created an **expectation** of increased efforts, at EU and national levels, to secure Europe's strategic autonomy, especially in some key sectors such as health, security, and some branches of manufacturing. It has been speculated that the pandemic could contribute to the already visible slow-down of global trade, giving impetus to de-globalisation endeavours, and renewing aspirations of self-sufficiency and a stronger industrial base built on the basis of place-specific resources.

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*The impact of COVID-19 on national, regional and local economies is **propelling governments to rethink their industrial policies** and production processes **and the length of global value chains**. Consideration is being given to the opportunities associated with reshoring strategic industries.<sup>56</sup>*

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Indeed, the pandemic highlighted some stark vulnerabilities due to dependence on international value chains and these attracted political and policy attention. In reality, statistical data indicates, however, that initial predictions regarding de-globalisation and re-shoring have fallen short so far, as world trade has been on the rise in 2021.<sup>57</sup> Trade volumes overall fell much less than expected during the pandemic, followed by a quick rebound, reflecting the fact that global interconnectedness can also be helpful in dealing with the crisis.<sup>58</sup> **Emerging re-industrialisation agendas, however, are not excluded** at national or regional level. For instance, one of the building blocks of the Italian Recovery Fund (PNRR) is



the new National Transition Plan 4.0 (*Piano Nazionale Transizione 4.0*) which replaces the previous 'Industrial Plan 4.0'. It designs a new industrial policy for the country in which innovation, digital and technological transformation and green investments are at the core of the measure. Re-industrialisation based on 'Industry 4.0' has a clear territorial dimension. Automation could consolidate various steps of the value chain making it more regional, while industrial installations as such are more likely to be built in medium-sized cities, being more often industrial, rather than in large urban centres.<sup>59</sup> **Such developments would depend, however, on large-scale public and private investments in R&D, skills and infrastructure.**

**The pandemic has shown, however, that systemic crises expose and intensify not only economic vulnerabilities but also wider social and environmental ones, possibly triggering a re-thinking of how regional development and resilience should be understood.** While policy and civic attention has been largely occupied with the pandemic and its immediate effects, a subsequent edition of the Intergovernmental Panel on Climate Change (IPCC) Report has also been released, pointing to intensifying climate changes.<sup>60</sup>

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*Human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Evidence of observed changes in extremes such as heatwaves, heavy precipitation, droughts, and tropical cyclones, and, in particular, their attribution to human influence, has strengthened.*<sup>61</sup>

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Climate change has been recognised as a long-term global pressure that will have an explicit impact on regional development and that requires urgent policy responses. In this context, the pandemic presents an opportunity to boost the re-shaping of the economies of tomorrow in a greener and more inclusive way.

In particular, as mentioned above, the pandemic has underlined the importance of subnational governments and local communities when it comes to sudden crisis. The pandemic has been a 'forced laboratory' to test the capacities at subnational (and also community) levels, and the robustness of multi-level governance arrangements, and to spot their vulnerabilities. This is especially relevant for territorial policies in response to climate challenges, as one of the underlying difficulties so far has been to comprehensively streamline national climate objectives and investments into long-term regional and local development strategies.<sup>62</sup> An additional 'trap' in this regard is the likelihood that **the uptake of climate-related objectives in economically weaker regions will be more challenging due to more costly trade-offs, tighter finances, and often lower administrative capacities.**<sup>63</sup> Failing to address such aspects puts national and regional governments at risk of delivering partial response to climate change.





Climate-proof regional policy would also require substantial investments, although with different territorial intensity. One option is to link climate objectives more actively with other instruments such as fiscal equalisation/transfer systems (e.g. introducing climate related criterion) or strategies to attract foreign direct investments (e.g. more actively leveraging foreign investors in green technologies or services)<sup>64</sup>. The integration of the regional dimension within sectoral policies, such as environment, energy and industrial policy, would be expected to increase as well.

Finally, in a similar way to climate change, the pandemic has also increased awareness **of welfare vulnerabilities** that different geographies are exposed to, albeit to a varying degree. Where the pandemic's effects were monitored at the level of broader welfare (e.g. NL, IT), it has shown weaknesses in terms of subjective wellbeing and housing vis-à-vis an increase of personal income.<sup>65,66</sup> The disproportionate exposure to unemployment, including in prosperous regions and cities, among specific social groups such as low-skilled and young workers, as well as women and migrants, has also been exposed. Environmental aspects related to air pollution have gained prominence due to their contributing effect to the number of infections, while digital connectivity gained new relevance as a prerequisite for social contact and health provision. Broadening the scope of regional policy to encompass such wider dimensions of welfare would clearly require substantial rethinking, necessitating the collection of data and research to inform an evidence-based approach to increasingly complex policymaking and implementation.





## Notes

<sup>1</sup> Ferry, M and Downes, R (2020), *Mega-trends and Development Traps: How are Regional Policies responding?* Paper to the 41st meeting of the EoRPA Regional Policy Research Consortium, October 2020

<sup>2</sup> *Ibid.*

<sup>3</sup> For EoRPA Consortium membership, see Table at end of the report

<sup>4</sup> <https://www.oecd.org/sdd/na/gdp-growth-second-quarter-2021-oecd.htm>

<sup>5</sup> <https://www.seco.admin.ch/seco/en/home/wirtschaftslage---wirtschaftspolitik/Wirtschaftslage/bip-quartalsschaetzungen-.html>

<sup>6</sup>

[https://ec.europa.eu/eurostat/databrowser/view/TOUR\\_OCC\\_NIM\\_custom\\_1220646/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/TOUR_OCC_NIM_custom_1220646/default/table?lang=en)

<sup>7</sup> OECD (2021), *OECD Economic Outlook, Volume 2021 Issue 1*, OECD Publishing, Paris, <https://doi.org/10.1787/edfbca02-en>.

<sup>8</sup> *Op.cit.*

<sup>9</sup> EoRPA Country reports – Netherlands, Finland, Sweden 2021

<sup>10</sup> EoRPA Country reports – UK, Poland 2021

<sup>11</sup> EPRC blog (2021a) *Territorial inequalities induced by COVID-19 pose tough choices for regional policy*, <https://www.eprc-strath.eu/public/dam/jcr:16cf5a59-bd5b-4426-b368-707074fba122/COVID-19%20blog.pdf>

<sup>12</sup> EoRPA Country report – Malta 2021

<sup>13</sup> Giacometti, A., & Wøien Meijer, M. (2021). *Closed borders and divided communities: status report and lessons from Covid-19 in cross-border areas*. Nordregio.

<sup>14</sup> <https://nordregio.org/why-is-nordic-co-operation-struggling-during-the-pandemic/>

<sup>15</sup> Florida, R., Rodríguez-Pose, A., & Storper, M. (2021). *Cities in a post-COVID world*. Urban Studies, 00420980211018072.

<sup>16</sup> Bruegel podcast (2021) *Restarting the economy?*, <https://www.bruegel.org/2021/06/restarting-the-economy/>

<sup>17</sup> Alonso Soto, D., Buesa Olavarrieta, A., Moreno Pérez, C., Párraga Rodríguez, S., & Viani, F. (2021). *Fiscal policy measures adopted since the second wave of the health crisis: the euro area, the United States and the United Kingdom*. Documentos Ocasionales/Banco de España, 2118.

<sup>18</sup> *Ibid.*

<sup>19</sup> Béland, D., Cantillon, B., Hick, R., & Moreira, A. (2021). *Social policy in the face of a global pandemic: Policy responses to the COVID-19 crisis*. Social Policy & Administration, 55(2), 249-260.

<sup>20</sup> Blundell, R., Costa Dias, M., Joyce, R., & Xu, X. (2020). *COVID-19 and Inequalities*. Fiscal studies, 41(2), 291-319.

<sup>21</sup> Alonso Soto, D., Buesa Olavarrieta, A., Moreno Pérez, C., Párraga Rodríguez, S., & Viani, F. (2021), *op. cit.*

<sup>22</sup> EoRPA Country reports – France 2021

<sup>23</sup> Région de Bruxelles-Capitale (2019) *Stratégie Go4Brussels 2030*. Available at <http://go4.brussels/>

<sup>24</sup> Région de Bruxelles-Capitale (2021) *op. cit.*

<sup>25</sup> Ministry of Economic Affairs and Employment (2021), *Muistio, Kestävää kasvua ja työtä 2014-20 – Suomen rakennerahasto-ohjelman ja Euroopan alueellinen yhteistyö – tavoitteen myöntämisvaltuuksien*





sekä pk-yritysten kehittämisavustuksiin käytettävissä olevan kansallinen myöntämisvaltyyden jako vuonna 2020

<sup>26</sup> See Ferry, M and Downes, R (2020), *Mega-trends and Development Traps: How are Regional Policies Responding?* Paper to the 41<sup>st</sup> meeting of the EoRPA Regional Policy Research Consortium, October 2020

<sup>27</sup> Meld. St. 5 (2019-20) Levende lokalsamfunn for fremtiden — Distriktsmeldingen <https://www.regjeringen.no/contentassets/935d2cc0d4924184810f4bf336662c80/no/pdfs/stm20192020005000dddpdfs.pdf>

<sup>28</sup> <https://www.legislation.gov.uk/ukpga/2020/27/contents/enacted> (accessed 21 June 2021).

<sup>29</sup> Wolff, M., Haase, A., & Leibert, T. (2021). *Contextualizing small towns—trends of demographic spatial development in Germany 1961–2018*. Geografiska Annaler: Series B, Human Geography, 1-22.

<sup>30</sup> More information on this is available in the upcoming EoRPA Policy Paper: *Ferry, M (2021) Building capacity for effective regional policies*

<sup>31</sup> Ministry of Housing, Communities and local Government (2021) UK Community Renewal Fund: Prospectus 2021-22, Policy paper, 11 May 2021, <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22> (accessed 5 August 2021)

<sup>32</sup> See more on the aspect of funding for capacity building in the upcoming EoRPA Policy Paper: *Ferry, M (2021) Building capacity for effective regional policies*

<sup>33</sup> HM Treasury, Ministry of Housing, Communities and Local Government, Department for Transport (2021) Levelling Up Fund: Prospectus, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966138/Levelling\\_Up\\_prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf) (accessed 4 August 2021)

<sup>34</sup> Ministère de la Cohésion des Territoires et des Relations avec les Collectivités Territoriales (2021) Le projet de loi 4D: différenciation, décentralisation, déconcentration, décomplexification. Dossier de Presse. May 2021. Available at : <https://www.cohesion-territoires.gouv.fr/sites/default/files/2021-05/DP-PJL4D.PDF> (consulted on 13/07/2021).

<sup>35</sup> See more details on these examples in the upcoming EoRPA Policy Paper: *Ferry, M (2021) Building capacity for effective regional policies*

<sup>36</sup> Tillväxtverket (2019) Hållbar utveckling i regionerna <https://tillvaxtverket.se/amnesomraden/regional-kapacitet/hallbar-utveckling-i-regionerna.html> (accessed 15 July 2021)

<sup>37</sup> <https://www.gov.scot/policies/cities-regions/community-wealth-building/>

<sup>38</sup> More information on each region: <https://www.novistukken.nl/uitvoeringsagenda/bijlage+v/default.aspx>.

<sup>39</sup> State-Region Planning Contracts (*Contrats de Plan Etat-Région, CPER* combine, in one comprehensive contract, State financing from various programmes and other financial resources such as regional contributions and EU co-financing.

<sup>40</sup> Collectivités Locales (2020) Accord de partenariat Etat-Régions. Hôtel de Matignon, 28 September 2020. Available at: <https://www.collectivites-locales.gouv.fr/files/Coh%C3%A9sion%20territoriale/Les%20relations%20contractuelles/Accord-de-partenariat-sign%C3%A9.pdf> [accessed on 22/06/2021].

<sup>41</sup> Rabobank (2021), *Cooperatief Convenant: Pleidooi voor een nieuwe agenda voor Nederland gebaseerd op Brede Welvaart*

<sup>42</sup> KMD (2021) Fjell- og innlandsstrategi: <https://www.regjeringen.no/contentassets/931b031f226743a387c532408711f531/no/pdfs/fjell-og-innlandsstrategi.pdf> (accessed July 2021)

<sup>43</sup> KMD (2021) Kyststrategi – Nye jobber langs kysten vil gi vekst og utvikling i Distrikts-Norge: <https://www.regjeringen.no/contentassets/2f8acc360e404c8f8f45538c23e5723d/no/pdfs/kyststrategi.pdf>



<sup>44</sup> Rabobank (2021), op.cit

<sup>45</sup> Meld St. 30 (2019-2020) En innovativ offentlig sektor – kultur, ledelse og kompetanse: <https://www.regjeringen.no/contentassets/14fce122212d46668253087e6301cec9/no/pdfs/stm201920200030000dddpdfs.pdf> (accessed July 2020)

<sup>46</sup> Nationell strategi för hållbar regional utveckling i hela landet 2021-2030, 2020/21:133, pp. 15

<sup>47</sup> <https://www.oerok.gv.at/region/aktuelle-themen/regionale-handlungsebene> (accessed 18 July 2021).

<sup>48</sup> Fischer M, Reiner K, Hiess H and Pfefferkorn W (2020) *Die regionale Handlungsebene stärken: Status, Impulse & Perspektiven*, ÖROK series 208, Vienna, [https://www.oerok.gv.at/fileadmin/user\\_upload/O\\_ROK\\_SR\\_NR.208\\_2020\\_Reg\\_HE\\_online-Version.pdf](https://www.oerok.gv.at/fileadmin/user_upload/O_ROK_SR_NR.208_2020_Reg_HE_online-Version.pdf) (accessed 18 July 2021).

<sup>49</sup> Including education, social action, healthcare, transport and communication channels, culture, heritage, housing, civil protection, community policing, policies related to port and maritime areas and urban areas of tourism and economic development, register of rural land ownership (cadastre), forest management and protected areas, gambling activities, fire safety, public parking, animal health and protection, food safety (municipalities); education, vocational education and training, social work, healthcare, civil protection, justice, tourism promotion, participation in the management of regional ports, management of projects financed with European funds and of investment capture programmes (inter-municipal entities). Previously, local authorities also held a range of (although more limited) competences, e.g. related to (ESIF co-financed) requalification of equipment in healthcare, social services or schools, but on a contractual basis (inter-administrative contracts between the relevant Ministry and municipality), as opposed to the now legislatively stipulated universal transfer of responsibilities (including in terms of financing).

<sup>50</sup> Ferry, M and Downes, R (2020), op.cit.

<sup>51</sup> Regional Outlook, OECD (2021) *Addressing COVID-19 and Moving to Net Zero Greenhouse Gas Emissions*.

<sup>52</sup> Martin, R. (2021) *Rebuilding the economy from the Covid crisis: time to rethink regional studies?*. *Regional Studies, Regional Science*, 8(1), 143-161.

<sup>53</sup> EPRC blog (2021a) op.cit.

<sup>54</sup> Jaimovich, N., & Siu, H. E. (2012). *Job polarization and jobless recoveries* (No. w18334). National Bureau of Economic Research.

<sup>55</sup> EPRC Blog (2021b) *The Recovery & Resilience Fund: an economic stimulus at the expense of territorial cohesion?*, <https://www.eprc-strath.eu/News-and-events/news/News-3172.html>

<sup>56</sup> OECD (2021). *The territorial impact of COVID-19: Managing the crisis and recovery across levels of government*.

<sup>57</sup> Williamson, P. (2021). *De-Globalisation and decoupling: Post-COVID-19 myths versus realities*. *Management and Organization Review*, 17(1), 29-34.

<sup>58</sup> Ibid.

<sup>59</sup> Seric, A., & Winkler, D. (2020). *COVID-19 could spur automation and reverse globalisation—to some extent*. CEPR Policy Portal, <https://voxeu.org/article/covid-19-could-spur-automation-and-reverseglobalisation-some-extent>.

<sup>60</sup> IPCC (2021) *Climate Change 2021: The Physical Science Basis*. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

<sup>61</sup> Ibid.

<sup>62</sup> Dozhdeva, V Bachtler, J and Ogilvie, J (2020), *How Should Regional Policy Respond to Climate Change?* Paper to the 41st meeting of the EoRPA Regional Policy Research Consortium, October 2020

<sup>63</sup> Crescenzi, R., Giua, M., & Sonzogno, G. V. (2021) *Mind the Covid-19 crisis: An evidence-based implementation of Next Generation EU*. *Journal of Policy Modeling*, 43(2), 278-297.





<sup>64</sup> Crescenzi, R., Di Cataldo, M., & Giua, M. (2021). FDI inflows in Europe: Does investment promotion work?. *Journal of International Economics*, 103497.

<sup>65</sup> EoRPA Country report – Netherlands 2021

<sup>66</sup> <https://www.istat.it/it/archivio/254761>





## EoRPA RESEARCH

This paper has been prepared by Neli Georgieva, Ruth Downes and John Bachtler at the European Policies Research Centre (EPRC) for the EoRPA European Regional Policy Research Consortium, EoRPA. In 2020-21, EoRPA partners are:

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