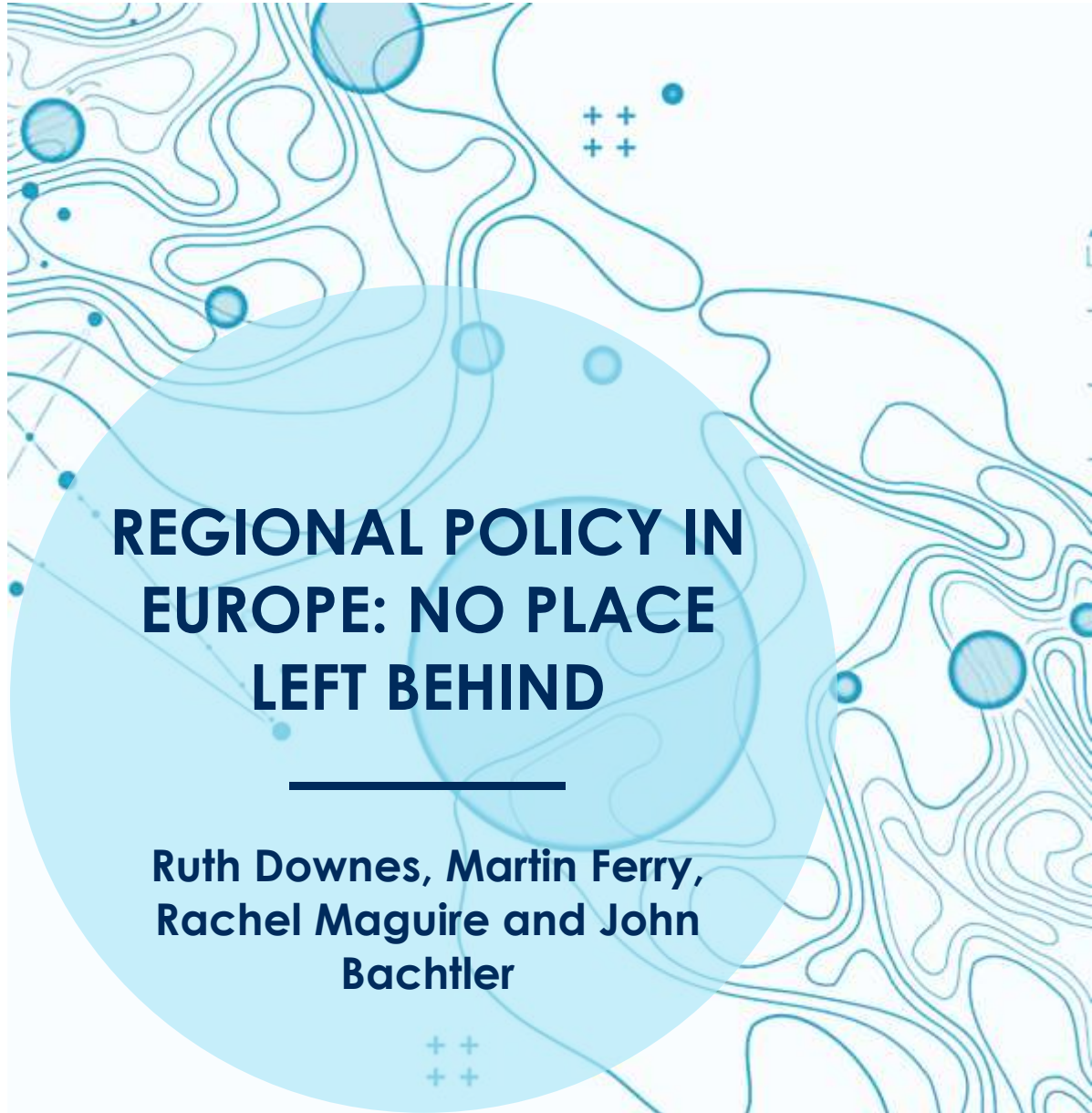




# EoRPA

European regional policy  
research consortium



## **REGIONAL POLICY IN EUROPE: NO PLACE LEFT BEHIND**

**Ruth Downes, Martin Ferry,  
Rachel Maguire and John  
Bachtler**

EoRPA Report 24/1, European Regional Policy Research Consortium

ISBN: 978-1-914241-72-7 University of Strathclyde Publishing, November 2024



The European Regional Policy Research Consortium (EoRPA) is funded by twelve national government ministries and agencies responsible for regional policy in Austria, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Portugal, Sweden, Switzerland and the United Kingdom. It is managed and run by EPRC and produces comparative research and knowledge exchange on regional policy in 30 European countries.

Disclaimer: The views expressed in this report do not necessarily represent the view of Consortium members but are the views of the authors alone.

This paper should be cited as: Downes, R, Ferry, M, Maguire, R and Bachtler, J (2024) *Regional Policy in Europe: No Place Left Behind*, EoRPA Report 24/1, EoRPA Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow and EPRC Delft



European Policies Research Centre  
School of Government and Public Policy  
University of Strathclyde  
40 George Street  
Glasgow G1 1QE  
E [eprc@strath.ac.uk](mailto:eprc@strath.ac.uk)  
W <https://eprc-strath.org/>



Stichting EPRC Delft  
Faculty of Architecture and the Built Environment,  
Technische Universiteit Delft  
Julianalaan 134  
2628 Delft  
E [info@eprcdelft.eu](mailto:info@eprcdelft.eu)  
W <https://eprc-strath.org/eu/>

The place of useful learning  
The University of Strathclyde is a charitable body, registered in Scotland,  
No SC015263

Stichting EPRC Delft is a non-profit foundation registered in the Netherlands (No. 69203288)



# TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION</b> .....	<b>1</b>
<b>2</b>	<b>REGIONAL DISPARITY TRENDS AND IMPACTS</b> .....	<b>2</b>
<b>3</b>	<b>CHANGING POLICY LANDSCAPE: SECURITY, BUDGETS AND ONGOING CHALLENGES</b> .....	<b>9</b>
3.1	Security concerns influence policy direction.....	9
3.2	Policy innovations amid ongoing challenges.....	10
<b>4</b>	<b>THE DIRECTION OF REGIONAL POLICY: NEW LEGISLATION AND STRATEGIES</b> .....	<b>13</b>
4.1	Major legislative change.....	13
4.1.1	Switzerland: New Regional Policy 2024-31 comes into force.....	13
4.1.2	Hungary: new Law on Regional Development.....	14
4.2	National strategies: setting the policy direction.....	15
4.2.1	Finland: new 2024-27 Regional Development Decision.....	16
4.2.2	National Development Concept and Strategy Review in Poland.....	17
4.2.3	Lithuania's vision for the future.....	20
4.3	New regional strategies: sustainability, innovation and wellbeing.....	20
<b>5</b>	<b>TAKING STOCK OF POLICY EFFECTIVENESS</b> .....	<b>22</b>
5.1	Germany: Equivalent Living Conditions Report.....	23
5.2	Finland: evaluation of national model for regional development.....	24
5.3	Sweden: inquiries following National Audit Office report.....	25
5.4	Hungary: review of regional policy framework.....	26
5.5	Ireland: "Towards Balanced Regional Attractiveness in Ireland" Report.....	27
<b>6</b>	<b>WHICH WAY FORWARD? NEW GOVERNMENTS AND POLICY REAPPRAISAL</b> .....	<b>29</b>
<b>7</b>	<b>NEW POLICY INSTRUMENTS: SPATIAL TARGETING, CLIMATE CHANGE AND COMPETITIVENESS</b> .....	<b>32</b>
7.1	Geographically targeted programmes.....	32

7.2	Revitalising rural and 'threatened' areas .....	34
7.3	New approaches to spatial targeting .....	35
7.4	Increasing competitiveness .....	37
7.5	Responding to climate change .....	38
<b>8</b>	<b>REGIONAL POLICY GOVERNANCE: POTENTIALS AND RISKS OF DECENTRALISATION</b> .....	<b>40</b>
8.1.1	Rationales and types of decentralisation.....	41
8.1.2	Upscaling sub-national governance .....	43
8.1.3	Decentralisation of subnational spending and revenues. ....	51
8.1.4	Asymmetric decentralisation .....	55
8.1.5	Decentralisation: supporting regional development but with challenges and risks	61
<b>9</b>	<b>POLITICAL, ECONOMIC AND SOCIAL IMPERATIVE FOR REGIONAL POLICY: CONCLUDING OVERVIEW .....</b>	<b>63</b>



---

# EXECUTIVE SUMMARY

---

Regional policy makers face multiple challenges at different scales of intervention. Long-term structural disparities are exacerbated by the impact of more recent crises. The green transition is creating new vulnerabilities. Security issues have also recently emerged as a growing factor in regional development. The economic and social consequences of regional disparities are giving rise to increasing popular discontent.

These pressures are continuing to be reflected in a significant political and policy commitment to addressing territorial inequality. There is growing focus on place-based and place-sensitive approaches, a trend which has been observed now for several years.

New legislation and national development strategies have been launched in the past 12-18 months which strengthen the territorialisation of policy, support targeted development based on regional characteristics and encourage multi-level government coordination (CH, HU, FI, PL, SE). National elections have also resulted in changes in policy direction under new governments (UK, NL, PT, FR).

Interesting evaluations and assessments taking stock of regional policy intervention and effectiveness have been produced (DE, SE, HU, FI). Major reports on the state of play in regional inequalities have been undertaken which will contribute to future

policy formation. In other cases, evaluations of the whole national model for regional development are being carried out, designed to ensure alignment with current challenges.

Recent changes in policy instruments reflect spatial targeting based on the needs of particular types of region (FI, PL, FR, NO, CZ), the ongoing importance of competitiveness (UK, IT), and the continued push to integrate climate and sustainability objectives into regional policy measures (DE, SK, BE).

The overarching importance of governance structures and institutions for effective regional policy is increasingly acknowledged. Institutional changes at national level support policy integration and coordination (IT, CZ, EE, HU). The distribution of powers and resources between central and sub-national governments is an ongoing area of reform and debate. Decentralisation trends take a variety of forms including upscaling sub-national governance (NO, NL, FR, FI, PT), fiscal decentralisation (ES, PL, BG) and asymmetric decentralisation (PT, IT, SE, UK, FR). While decentralisation can support contemporary regional development objectives, the processes are also associated with a range of risks and challenges.





# 1 INTRODUCTION

The economic, social and increasingly political impact of regional disparities in every European country continues to make regional policy a key area of government intervention. While some convergence trends are evident both in the context of Europe as a whole and within individual countries, other entrenched patterns of disparity prove more difficult to influence or reverse. Discontent among the populations of structurally weak or declining regions is making itself increasingly evident in the ballot box, further raising the importance of a positive regional policy response (section 2).

Security concerns have emerged in the past 12-18 months as an important new factor influencing the design and targeting of regional policy in a number of European countries while cuts in public spending have influenced the way regional policy can be funded and carried out (section 3). Overall regional policy makers continue to work to identify effective approaches to tackling long standing challenges, combined with developing innovations to tackle the spatial implications of global mega trends such as the green transition, demographic change, digitalisation and urbanisation. Policy trends such as combining sustainability with competitiveness and growth, place-based targeting, promoting policy coherence and coordination and refining governance models continue to be in evidence.

Starting with a short analysis of regional disparity trends and impacts, this paper takes more detailed stock of recent developments in regional policy over the past 12-18 months, highlighting a number of key areas:

- Major legislative change or shifts in strategic priorities (Finland, Switzerland, Hungary)
- New national and regional strategies setting policy directions for the future (including Poland, Sweden, Lithuania)
- Taking stock exercises evaluating effectiveness and impact of regional policy (Germany, Finland, Sweden, Hungary)
- Newly elected governments and policy reappraisal (Netherlands, UK, Portugal, France)
- New regional policy instruments emphasising spatial targeting, climate change and competitiveness (including Nordic countries, France, UK, Poland, Hungary)
- More detailed analysis of decentralisation trends and their potentials and risks in regional policy governance.

This EoRPA paper is based on desk and fieldwork research in 30 European countries undertaken by EPRC and builds on a set of **30 'country reports' on national regional policies** produced in the first half of 2024 as well as previous EoRPA overview and wider thematic reports.<sup>1</sup>

---

<sup>1</sup> The EoRPA Country Reports and supporting country materials as well as all comparative reports are available to EoRPA partners on the [EoRPA website](#).



## 2 REGIONAL DISPARITY TRENDS AND IMPACTS

Entrenched or growing regional disparities are associated with a well-documented range of economic and social costs. These include economic stagnation, untapped growth potential, un- or underemployment which can particularly affect certain labour market groupings, inadequate or overstretched public services, housing crises and many more. Economic growth is increasingly concentrated in larger urban areas although pockets of serious deprivation and populations at risk of poverty and social exclusion can be identified even in the most dynamic cities. Many regions have stagnated or declined, falling into so-called 'development traps' in the context of an overall decline in competitiveness in Europe.<sup>2</sup> There is also increasing recognition that regional attractiveness is based on factors which extend well beyond economic factors alone.<sup>3</sup>

**Figure 1: Change in per capita GDP between top 20% and bottom 20%, 2008-17 (USD PPP)**



Source: Garcilazo, Moreno-Monroy and Martins (2021)

Note: Top/bottom refers to top/bottom 20% regions with highest/lowest GDP per capital levels (PPP) with populations adding up to at least 20% of national population

In terms of the underlying causes of regional disparities, the key role of **structural factors as long term drivers of regional inequality** are highlighted in analysis by Garcilazo, Moreno-Monroy and Oliveira Martins.<sup>4</sup> Their analysis points to the role of structural factors related to both the composition of productivity (ie. concentrated in high productivity, generally large city, regions

<sup>2</sup> Diemer, A et al (2022) The Regional Development Trap in Europe, *Economic Geography*, 98(5), pp 487-509

<sup>3</sup> Hansen, T (2021) The foundational economy and regional development, *Regional Studies*, 56(6), pp 1033-1042; Mackinnon, D et al (2022) Reframing urban and regional 'development' for 'left behind' places, *Cambridge Journal of Regions, Economy and Society*, 15(1), pp39-56

<sup>4</sup> Garcilazo, E, Moreno-Monroy, A and Oliveira Martins, J (2021) Regional inequalities and contributions to aggregate growth in the 2000s: an EU vs US comparison based on functional regions, *Oxford Review of Economic Policy*, 37(1), pp70-96

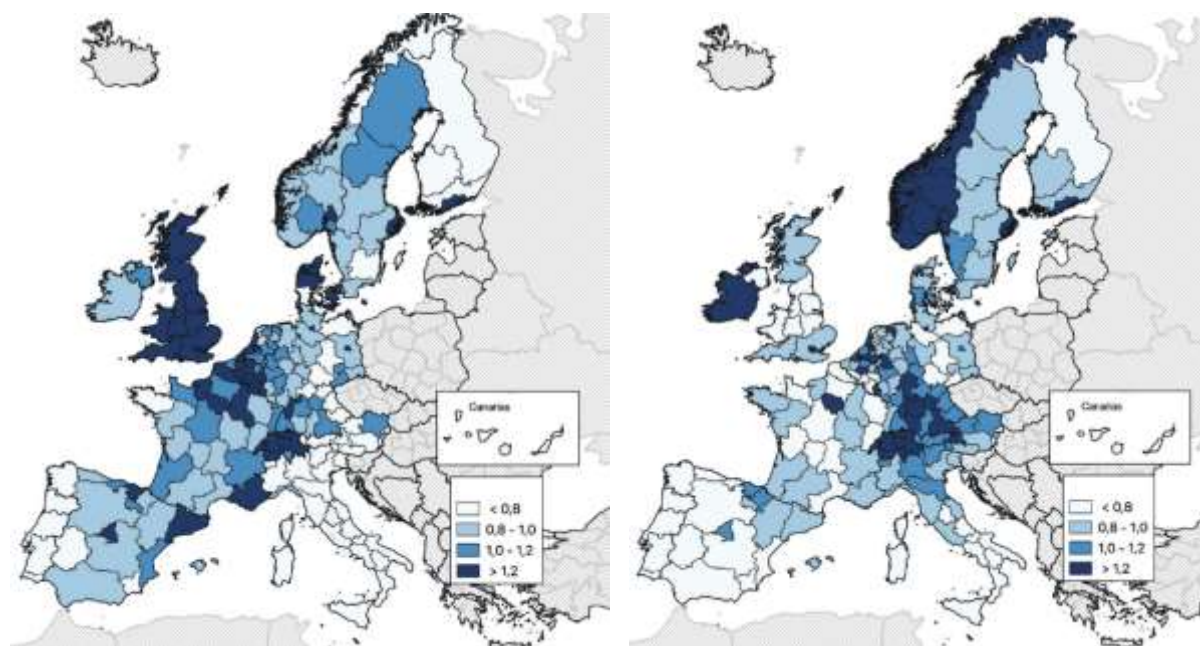




or more spatially distributed) and growth models (metro-dominated or mixed) in causing regional divergence. Macro economic shocks in this context were found to either exacerbate structural factors or create artificial convergence patterns from poor performance of otherwise high productivity regions. Cörvers and Mayhew (2021) also differentiate three types of disadvantaged regions: those which have been relatively poor in the very long term; those which have failed to adjust to structural change; and those disproportionately affected by a macroeconomic shock. This means that “regional inequalities can be persistent and self-sustaining”.<sup>5</sup>

The long term role of structural factors is also supported by Rosés and Wolf in a much more longitudinal analysis from 1900-2015.<sup>6</sup> The study demonstrates that the distribution of GDP per capita across regions became more equal between 1900-1980 but then reversed from 1980 – 2015 (see Figure 2).

**Figure 2: Relative GDP per capita 1900 and 2015 (2011 US\$)**



**Source:** Rosés, J R and Wolf, N (2021)

This reflected an increasing spatial concentration from 1980 onwards and rising regional inequality linked to strong growth in densely populated metropolitan areas which was exacerbated by other factors such as technological changes, global market integration favouring high-skilled labour and specific types of services and decline of lower-skilled often

<sup>5</sup> Cörvers, F and Mayhew, K (2021) Regional inequalities: causes and cures, *Oxford Review of Economic Policy*, 37(1), pp1-16

<sup>6</sup> Rosés, J R and Wolf, N (2021) Regional growth and inequality in the long-run: Europe, 1990-2015, *Oxford Review of Economic Policy*, 37(1), pp17-48





resource intensive industries. Institutional (the national and supra-national framework) and geographical factors are also spatially differentiated, including natural and physical factors such as climate, natural resources and coastal or mountain areas and manmade factors including, most importantly, ability to access markets.

*The share of overall variation in GDP per capita that is due to within-country differences has grown from around 30 percent in 1900 to over 50 percent in 2015, notably from 1980 onwards. Formerly rich, industrialised regions failed to adjust to structural change, such as the decline of coal mining.<sup>7</sup>*

A number of recent publications also highlight ongoing challenges of intractable regional disparities and re-emphasise many of these underlying factors. The 2023 **OECD Regional Outlook** defines the emergence of four trajectories in terms of national economic growth and regional disparities over the past 15-20 years:<sup>8</sup>

- **High income countries with rising inequality:** countries including Belgium, Denmark, France, Sweden and the UK have GDP levels above the OECD average but with increasing regional inequality;
- **Rising income countries with rising inequality:** many Central and Eastern European countries with economies catching up with the OECD GDP per capita average has simultaneously seen regional inequality rise;
- **High income countries with lower inequality:** these include countries such as Finland, Norway, Germany and the Netherlands where high GDP per capita has been maintained with narrowing of regional disparities; and
- **Low growth countries with lower inequality:** Southern European countries such as Greece, Spain and Portugal have seen stable or lowering regional inequalities but in the context of overall weak economic performance.

The final report of the **High-Level Group** on the Future of Cohesion Policy, published in February 2024 identifies critical areas such as competitiveness for EU regions, polarisation, lack of opportunities and turbulent global dynamics all of which impact the ability of regions to grow and thrive and underscore the need for targeted interventions to address such complex issues. The Report stresses the need for regional and cohesion policies to be *place based as much as people based* in order to tailor effective intervention in the context of technological disruption, demographic shifts, environmental imperatives and geo-political challenges.<sup>9</sup> It highlights that economic, social and territorial cohesion is needed to enable people to use their full potential

---

<sup>7</sup> Rosés, J R and Wolf, N, *op cit*

<sup>8</sup> OECD (2023), *OECD Regional Outlook 2023: The Longstanding Geography of Inequalities*, OECD Publishing, Paris

<sup>9</sup> [Inforegio - High-Level Group Report Sets Blueprint for Future of EU Cohesion Policy \(europa.eu\)](https://europea.eu)



and tap into pools of talent found not just in dynamic regions but also in smaller cities, towns and rural areas and in industrial and remoter regions with fewer opportunities.<sup>10</sup>

Long term patterns are also reflected in the analysis of the European Commission's **Ninth Cohesion Report** published in March 2024.<sup>11</sup> Against the background of another potential large scale enlargement of the EU, the Report points to strong convergence of the countries which joined the EU in 2004 as average GDP per capita rose over the intervening 20 years from ca. 52 percent of the EU average to nearly 80 percent in 2023. This convergence has largely been driven by increased productivity in less developed regions. However, differences in productivity and competitiveness have meant that many other regions in the same time period have experienced a gradual divergence, particularly regions in southern Member States as well as regions at all stages of development even in more developed Member States which have struggled to return to stages of development prior to the financial crisis in 2008.

In the context of the concept of 'development trap', the Report sets out three types of regions. First **regions on high-growth trajectories** which include catching up regions in eastern Europe but also most capital city regions as well as at least one NUTS 3 region in every EU Member State. Other research points to similar high growth trajectory for the capital cities in non-EU Member states as well. Second, **regions in a development trap** which vary widely in terms of their characteristics and the underlying reasons for economic stagnation. Common characteristics of such regions, however, include lower shares of manufacturing industry, higher dependency rates, lower educational attainment and weaker innovative capacity.<sup>12</sup> Finally, **regions in a development trap and the geography of discontent** points to the wider social costs and political resentment that can emerge when people feel 'left behind' – a situation also clearly seen in the UK.<sup>13</sup>

*“Helping regions in economic decline can address one of the most neglected externalities linked to the growing concentration of economic activities and its ensuing territorial polarisation: the political repercussions of economic decline.”<sup>14</sup>*

---

<sup>10</sup> European Commission (2024) *Forging a Sustainable Future Together: Cohesion for a Competitive and Inclusive Europe*, Report of the High-Level Group on the Future of Cohesion Policy, Publications Office of the European Union, Luxembourg

<sup>11</sup> European Commission (2024) *Ninth report on economic, social and territorial cohesion*, Publications Office of the European Union, Luxembourg

<sup>12</sup> Rodríguez-Pose, A, *et al* (2024) *op cit*

<sup>13</sup> McCann, P and Ortega-Argilés, R (2021) The UK 'geography of discontent': narratives, Brexit and inter-regional 'levelling up', *Regions, Economy and Society*, 14(3), pp 545-564

<sup>14</sup> Dijkstra, L (2024) What do we owe a place? How the debate about left behind places is challenging how we distribute public funding and the problems it should address, *Cambridge Journal of Regions, Economy and Society*, Vol. 17(2), July 2024 pp 417-423



This **political cost** of growing regional inequality and economic stagnation is gaining increasing prominence. Popular discontent can arise from objective factors such as high regional unemployment, industrial decline, inadequate provision of housing and services but also from subjective feelings of marginalisation related to particular circumstances, living environments or comparison with better off areas. The result can be undermined trust in government and democracy, disengagement and falling social cohesion. Figure 3, for example, shows that, in absolute terms, regions in northern Europe, Switzerland and Austria show the highest levels of satisfaction with democracy and the political system and the lowest are in a number of Central and East European countries as well as lower levels in France, Spain and Portugal. In relative terms, however, when compared to the national average, considerably lower levels of satisfaction can be seen in eastern German regions as well as former industrial and rural regions in northern and eastern France as well as northern Spain. Ejrnaes et al categorise the relationship between spatial inequality and political discontent into economic drivers, identity drivers (associated with perceptions of local or place-based identity) and benchmarking against other regions.<sup>15</sup>

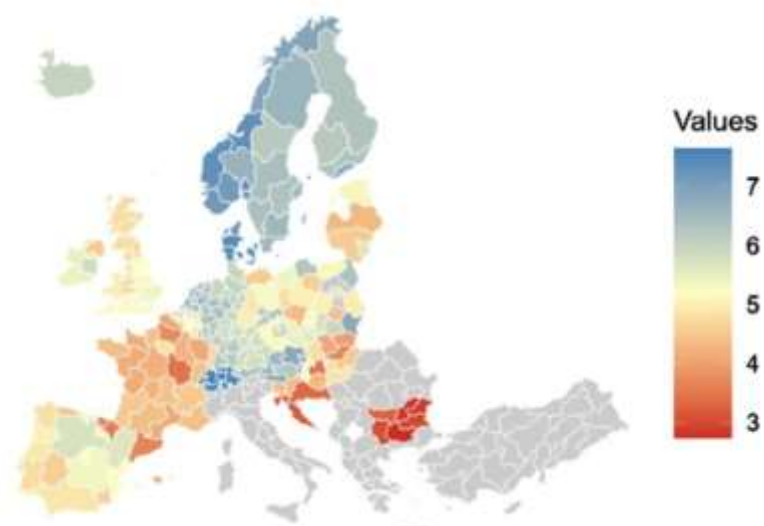
---

<sup>15</sup> Ejrnaes, A et al (2024) Introduction: Regional inequality and political discontent in Europe, *Journal of European Public Policy*, 31(6), pp 1465-1493

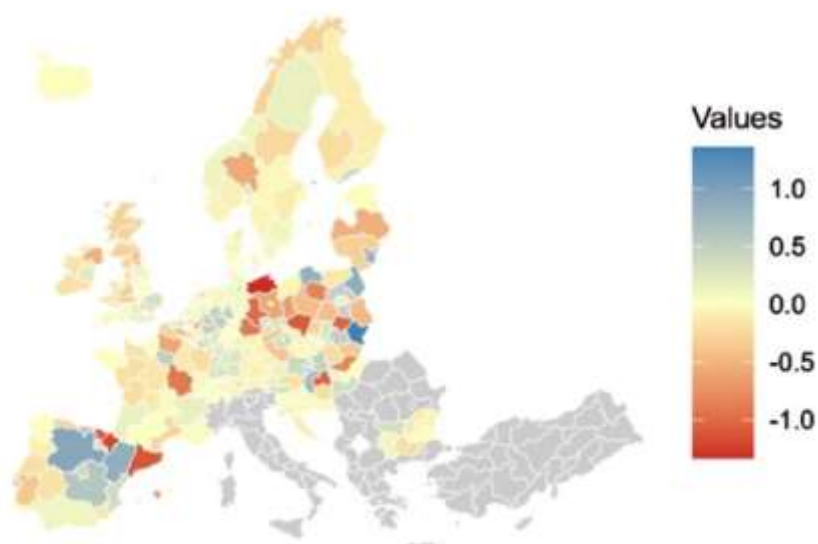


Figure 3: Satisfaction with democracy

### Absolute (a)



### Relative (b)



**Source:** Ejrnæs, A et al (2024) Introduction: Regional inequality and political discontent in Europe, *Journal of European Public Policy*, 31(6), pp 1465-1493. Figures based on European Social Survey Round 9 (2018)

**Note:** (a) shows absolute regional variation in political attitudes and (b) shows relative variation in comparison to national average





The electoral developments in many European countries over the past 12-18 months have reflected this political impact in the **rise of far right populist parties**. Schraff and Pontusson (2024) point to a contrast in the economic geographies of right-wing populism between core and peripheral EU member states. In core Member States, a more favourable context for right wing electoral support is found in areas which fall behind the richest regions in the country whereas in more peripheral member states, the wealth gap compared to the EU core is an additional source of resentment exploited by right wing popular parties. The importance of policies which not only compensate regions and countries which have fallen behind but which also actively promote long term territorially equitable economic growth are emphasised.<sup>16</sup> Political discontent can also be associated with the green transition and industrial decarbonisation where regional populations can have a sense of economic and social unfairness at needing to pay a disproportionate price for meeting national net zero targets.<sup>17</sup> Again targeted policy can make an impact with evidence suggesting that a successful navigation of industrial decarbonisation will dampen the perception of unfairness and thus of its potential political impact.<sup>18</sup>

***Social discontent in territories that will bear the brunt of the green transition may erupt in social protests...and erode public support for climate action....This requires implementing more ambitious policy initiatives aimed at supporting and developing – and not simply compensating – highly vulnerable regions in their transition to green economies.<sup>19</sup>***

---

<sup>16</sup> Schraff, D and Pontusson, J (2023) Falling behind whom? Economic geographies of right-wing populism in Europe, *Journal of European Public Policy*, 31(6) pp 1591-1619

<sup>17</sup> Rodríguez-Pose, A and Bartalucci, F (2023) Regional Vulnerability to the Green Transition, *Single Market Economics Papers*, Working Paper 16, European Commission, Brussels

<sup>18</sup> Im, J (2024) Paying the piper for the Green Transition? Perceptions of unfairness from regional employment declines in carbon-polluting industrial sectors, *Journal of European Public Policy*, 31(6), pp 1620-1646

<sup>19</sup> Rodríguez-Pose, A and Bartalucci, F (2023) op cit



## 3 CHANGING POLICY LANDSCAPE: SECURITY, BUDGETS AND ONGOING CHALLENGES

New developments in regional policy design and delivery reflect the challenge of finding effective approaches to tackling long-term structural difficulties while also responding to more recent regional development impacts of global transitions and geo-political change. Policy makers continue to innovate in terms of effective approaches to long standing challenges and structural problems while new concerns such as security and cuts in public spending introduce new challenges for regional policy.

### 3.1 Security concerns influence policy direction

One important new trend in regional policy development which has become apparent in the last 12-28 months is the **impact of security on regional policy**. While the war on Ukraine and the current geo-political context have a universal impact in terms of energy prices and a greater focus on overall defence spending (with ramifications for spending in other areas), the impact of security concerns can also be seen in many countries in much more specific ways (see Box 1).

#### Box 1: Impact of security on regional policy

- In **Finland** the geopolitical and economic challenges and long shared border with Russia have underlined the importance of security and sustainable economic activities in regional development. This is reflected in the dedicated programmes for East and North Finland and the inclusion of comprehensive security as an entirely new cross cutting theme in the 2024-27 Regional Development Decision. Security is now considered to be a key factor in creating wellbeing for the population, business operations and investments and ensuring regional attractiveness.
- Similarly in **Sweden**, defence and civil preparedness have become themes in regional development work in areas such as food and energy supply, infrastructure and cooperation arrangements.
- In **Estonia** a recent example of the intersection between regional development and national security is the expansion of a military training area in Võrumaa, Southern Estonia driven by the war in Ukraine and NATO security needs. The expansion could have a significant negative impact on regional socio-economic conditions and well being while a lack of expansion could endanger the country's security capability.
- In **Norway**, the war in Ukraine underlines the security policy dimension of maintaining and strengthening the settlement and government presence in the far North of the country with an activity package designed in collaboration with local government, the business community and other social partners to support business, maintain and develop jobs and strengthen infrastructure.
- In **Poland**, significant long-term demographic pressures, including a growing urban-rural divide and the embedding of unfavourable trends in regions such as Silesia and Łódź, have been exacerbated by the impact of the conflict in Ukraine. In addition, a new programme has been created for the north-eastern border area most impacted by the war in Ukraine. Local government units directly adjacent to the border can apply for support for physical and social infrastructure development, environmental improvement, sustainable local tourism and other measures supporting endogenous sustainably growth.



For countries on the eastern external border of the European Union in particular, the Russia-Ukraine war has had a direct and very negative impact on eastern border regions. This can be seen, for example, in the cessation of trade or cross border linkages, the need to take risk and preparedness into account in regional development planning, restrictions on wider regional development options and the impact of migrants.

### 3.2 Policy innovations amid ongoing challenges

More generally, however, changes and trends in regional policy reflect policymakers seeking innovative approaches to tackling long standing challenges. This is combined with building on growing understanding of the territorial implications of wider trends such as the green and digital transition, demographic trends, industrial and technological change and the recognition that regional attractiveness is rooted in much more than economic factors. For this reason, many of the key themes in policy trends identified in the 2023 EoRPA overview report<sup>20</sup> have remained valid in the intervening period and include:

- Regional policies seeking to combine sustainability and clean/green transition with competitiveness and innovation;
- Facilitating a place-based approach to encourage holistic and integrated territorial development tailored to the specific needs and challenges of places and their individual development trajectories;
- Identifying an effective territorial approach and the rise of focus on functional regions and regional targeting which goes outside formal administrative boundaries;
- Promoting improved coherence and coordination between regional and sectoral policies in a recognition that sustainable regional socio-economic development cannot be achieved by regional policy alone;
- Increased emphasis on vulnerable or marginalised regions, with a particular focus in many countries on rural areas;
- Growing importance of improving quality of life, wellbeing, access to public services and overall regional attractiveness, in addition to economic growth, as a critical base for long term positive development in regions;

---

<sup>20</sup> Bachtler, J and Downes, R (2023), *Rethinking Regional Transformation: The State of Regional Policy in Europe*, EoRPA Report 23/1, EoRPA Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow and EPRC Delft





The **governance and institutional** aspect of regional policy continues to have a high policy profile.

*Even if it is assumed that all regions have the right institutional configuration and appropriate instruments to implement strategies, many regions are hindered by the competitive attitude of local actors, a different perception of problems, or the presence of alternative logics of spatial action and interaction between actors.<sup>21</sup>*

In this context, there is clear evidence of ongoing effort to reform arrangements required for effective regional policy and, in particular, to build capacity and quality in sub-national government. Processes of decentralisation and devolution are also continuing in a number of European countries with the aim of improving and empowering sub-national agency and decision making (see section 8).

The **cuts in public spending** in many countries is a further factor impacting regional policy development and options. The **Czech Republic**, for example, has seen a significant reduction in the domestic budget for dedicated regional policy in 2024 as part of wider public budget consolidation to reduce debt. The financial focus has shifted in particular towards affordable housing. In **the UK**, central government departments responsible for regional development are facing budget pressures with potential spending cuts in the Ministry of Housing, Communities and Local Government from 2025-27. Economic forecasters suggest that the status of public finances inherited by the new Labour government in July 2024 are such that the next budget may involve only a constrained one-year spending settlement followed by a long term departmental spending review in 2025. This would have serious implications for any concrete and funded policy developments over the coming months. Ongoing budgetary restrictions in **Finland** have placed focus on strengthening cooperation, using networks and identifying new ways of working, as well as making EU Cohesion Policy funding a key source of regional development finance.

The following sections outline in more detail the policy developments which have taken place across Europe, and in EorPA countries in particular, over the past 12-18 months.

- A number of countries (CH, HU, FI, SE, LT, PL, HU) have adopted **major new legislation, strategies or vision documents** which will guide the direction of regional economic development over the coming period. In some cases, these represent important new policy directions while in others, there is broad continuity with smaller areas of changing focus and approach.

---

<sup>21</sup> Vanthillo, T, Beckers, J and Verhetsel, A (2021) The changing nature of regional policy in Europe, *Oxford Review of Economic Policy*, Volume 37(1), pp201-220



- Several countries have undergone a recent **change of government** following national elections which may have an important impact on the future direction of policy (NL, UK, PT).
- Efforts to **take stock** of the status of regional disparities and evaluate the effectiveness of the overall model of regional development in the context of global trends are evident in several countries (DE, FI, SE, LT, IE, HU).
- Direct **programme and instrument responses and innovations** to challenges of sustainable transition, competitiveness and place based challenges have been put in place (FR, FI, CZ, EE, UK, DK, DE, LV).
- The ever present challenge of **governance**, implementation efficiency and policy coordination is reflected in changes in many countries (IT, CZ, HU, EE, PT).





## 4 THE DIRECTION OF REGIONAL POLICY: NEW LEGISLATION AND STRATEGIES

The impact of so-called 'global mega-trends' such as digitalisation, demographic shifts and climate change together with geo-political developments and the ongoing impact of the Covid pandemic have made many governments re-evaluate the approach and effectiveness of regional economic development policy. Over the past 12-18 months, this process of review and revision can be seen in a number of ways across the countries of Europe. In some countries, major new legislation has been introduced while in others, key national and regional strategies have been re-worked to set development priorities for the coming years.

### 4.1 Major legislative change

Sustainability, security and specific categories of disadvantaged places are the foci of policy change over the past 12-18 months. Two countries have seen major new legislation come into force in the past twelve months following a process of consultation and development: the process of revising the long standing, multi-annual New Regional Policy in **Switzerland** was finalised in January 2024; and a new Law on Regional Development was introduced in **Hungary** as part of a major reassessment of the approach to regional development in the country.

#### 4.1.1 Switzerland: New Regional Policy 2024-31 comes into force

The New Regional Policy in Switzerland was first launched in 2008 and takes the form of eight year multi-annual programmes with the second period starting in 2016. Characteristic of Swiss policymaking in this field is extensive consultation and debate, reflecting the confederal governance of the country with different interests to be reconciled. The process of preparation and drafting for the third 2024-31 Swiss NRP multiannual programme began in summer 2020 (and has been reviewed in previous EoRPA annual reports) with the publication of a White Paper on regional policy<sup>22</sup>, in which 28 experts reflected on and discussed the options for a future approach to regional policy. This was followed by a series of online discussion events involving a wide range of stakeholders. This consultation process was



<sup>22</sup> [Staatssekretariat für Wirtschaft \(2020\) Weissbuch Regionalpolitik, Bern.](#)



supported by an evaluation of both the former NRP programme and the earlier NRP pilot measures for mountain regions which were designed in part to act as laboratories for new approaches to the NRP.<sup>23</sup> The evaluation of the NRP provided a number of recommendations relating, for example, to the balance between grants and loans, the need for a more flexible approach to some of the eligibility criteria (e.g. export-oriented value creation) and support for more cooperation with other policy areas to ensure coherent territorial development.

The NRP bill (*Botschaft*) 2024-31 was debated and agreed in Parliament in 2023 and came into force 1 January 2024.<sup>24</sup> The new NRP 2024-2031 broadly continues the approach of previous programmes, focusing on innovation and value creation for regions facing structural challenges. The NRP will continue to target rural areas, mountain regions, and border regions, including their regional centres. These areas face unique challenges and often have less dynamic economic growth compared to major urban centres. The focus of the NRP also remains on regional economic development, supporting projects that create regional value while maintaining the export base principle. However, the preparatory work suggested broadening the NRP's scope to include aspects of the local and residential economy and the new programme will support projects aligned with both the export base principle and the local economy, mobilising local actors in less populated areas to meet local and regional demand innovatively. This development is similar to changes made in the recent reform of the main regional policy instrument, the GRW, in Germany.<sup>25</sup> There is also a new emphasis on cross cutting themes, including digitalisation. Federal funding comes from the Swiss Regional Development Fund (SRDF), which has provided an indicative budget of up to CHF 400 million<sup>26</sup> of loans and CHF 400 million of grants for 2024-31.

#### 4.1.2 Hungary: new Law on Regional Development

A new Law on Regional Development came into force in Hungary at the start of 2024 which promotes competitiveness, balanced development and territorial cohesion, sustainable spatial structure and land use, improved ability to retain population in rural areas, well-being, equal opportunities and territorial identity. The Law sets out the **objectives of regional policy** which include: (i) to enhance competitiveness and territorial cohesion, balanced development and information flows, optimised land use; (ii) to reduce significant inter-regional and intra-regional differences in socio-economic development, living and infrastructure standards; (iii) to enhance balanced spatial structure; (iv) to support the maintenance and strengthening of national and territorial identities; (v) to reinforce ability to retain population in

---

<sup>23</sup> [Regiosuisse, Processus d'élaboration de la NPR 2024–2031](#)

<sup>24</sup> [Fedlex \(2023\), Message sur la promotion économique pour les années 2024 à 2027, 25 January 2023](#)

<sup>25</sup> See Bachtler, J and Downes, R (2023) *op cit*

<sup>26</sup> As a guide, the ECB rate of exchange with the Swiss franc on 13 July 2024 was €1 = CHF 0.9747



rural areas; (vi) to promote sustainable local economic activities; and (vii) to improve well-being and equal opportunities.

The new Law has introduced new territorial approaches. **Functional urban areas** comprise those towns and villages where at least 15 percent of the population commute to the core city to work. These functional urban areas are in a hierarchy from the Budapest metropolitan area at the top down to a fourth level of smaller functional centres with a population of c. 1.6 million. **Peripheral areas** comprise 3-6 districts sharing a similar socio-economic situation, identity and problems. Outer peripheries constitute territories that have been lagging behind over the long term. Inner peripheries, which display similar characteristics, are found between developed areas. The first integrated model programmes for these areas are currently under preparation.



In order to ensure consistency of implementation to help achieve these objectives, the new Law sets out a planning hierarchy. Within this, provisions for **mandatory coordination between the hierarchy levels** have been strengthened under the new Law to encourage more unified direction and alignment of objectives. County level governments and Budapest municipality, for example, must participate in the drawing up of national strategic regional development documents (including EU funded programmes) and assess and comment on sectoral development concepts, strategies and action plans. They are, in turn, required to coordinate with lower level government levels within their territory. A new Regional Development Service is also to be introduced by 2025 comprising a nationwide network of regional policy specialists to provide technical support for local municipalities in the design and implementation of their projects. In addition, the Service will review the territorial impact of sectoral strategies and programmes with obligatory coordination with counties, cities with county rights, Budapest and its district governments in this appraisal process.

## 4.2 National strategies: setting the policy direction

The reworking and renewal of national strategies, often fundamental in governing the direction of policy aims and objectives, has been undertaken in a number of countries. In **Finland**, a new 2024-26 Regional Development Decision entitled 'Evolving and Prosperous Regions' was enacted in March 2024 and reflects the priorities of the current government which came to power in June 2023. The challenges facing regional development and policy have led to a significant period of strategic review and revision in **Poland**, resulting in a new National Development Concept and emerging national development Strategy. In **Lithuania**, a vision for development up to 2050 has been developed.





#### 4.2.1 Finland: new 2024-27 Regional Development Decision

The context in Finland is the growing polarisation of the regional structure with concentration of development in urban areas. The changed geopolitical situation has also underlined security and regional vitality and the strategic role of the East and North. The government which took office in June 2023 has placed a strong focus on industrial policy and clean transition as factors driving regional development. However, the availability of skilled labour remains a key challenge, especially where larger investments are taking place.



A new Regional Development Decision entitled 'Evolving and Prosperous Regions' was adopted in Finland in March 2024 for the period 2024-27.<sup>27</sup> The Decision sets out the priorities and objectives of the government's term of office and is centred on **three priorities**:

##### 1 Regional development priorities 2024–2027



- **Sustainable vitality and investments.** The transition to sustainable economic activities has become a core task of regional development. The Decision underlines the potential for investments related to clean transition and new technologies as well as opportunities for business in climate change, digital transition, combating nature loss and promoting biodiversity. RDI activities also play an important role in the delivery of this priority.

- **Healthy population and communities.** Another key issue in regional development is the creation of a good life and the promotion of health and wellbeing which differs between and within regions

in Finland. Factors affecting the disparity include the population age structure, the location and integration of working age migrants, increased immobility and challenges linked to mental wellbeing. The priority focuses on reducing disadvantages and promoting opportunities for a good life in the context of regional socio-economic specificities.

<sup>27</sup> Ministry of Economic Affairs and Employment (2024) Uudistuvat ja hyvinvoivat alueet, Valtioneuvoston aluekehittämiss päätös 2024-2027, Publications 2024:2



- **Attracting living environments and diverse nature.** This priority highlights the importance of the quality of the living environment which makes people attached to their home communities, and natural cultural environment and heritage in terms of promoting the identity and attractiveness of places. The condition and location for business activities is an aspect of this priority as well as the fostering of cooperation between local and national actors. It also emphasises the role of clean transition in fostering ecologically sustainable economy and growth.

The 2024-27 Decision includes **two cross cutting priorities**. First the **regional perspective** which recognises the specific traits as well as current or future strengths and social and cultural capital of individual regions. This means that implementation of the three core priorities will involve different efforts and focus areas in different regions. Second, **comprehensive security** has become a key regional development issue due to the geopolitical changes and Finland's membership of NATO. This includes the consideration of issues such security of supply, cyber security, people-specific security issues, or the role of business sector in security. Security is considered to be an important factor in creating wellbeing for the population, business operations and investments, and making regions attractive.

The priorities have become slightly more focused but have all featured in previous Decisions with the exception of comprehensive security which is an entirely new theme. The Decision notes the need for certain preconditions to be met in order to deliver the priorities effectively including, for example, transport and digital accessibility, availability of labour and employment and skills, education and culture. In this context, the new Decision commits the current Government and the ministries to achieving its priorities and steers coordination of regional development efforts of the different administrative sectors of the government and the Regional Councils. The Regional Councils take the Decision into consideration in their respective regional development strategies in partnership with municipalities, cities and other actors. The Decision will be complemented by an Action Plan, which sets out concrete measures on how to deliver the objectives of the Decision. The Action Plan is expected to be finalised by Autumn 2024.

#### **4.2.2 National Development Concept and Strategy Review in Poland**

The challenges facing regional development and policy have led to a significant period of strategic review and revision in **Poland**. This includes consideration of the overall context, drivers and cornerstones of development for the country with a long term perspective as well as more detailed objectives and recommendations for policy direction and action within this overall framework. A key theme to emerge as part of this process is the **strengthening of the territorial dimension of public policies** across sectoral boundaries.





The key reference point for all regional and sectoral development policies and strategies in Poland is the **National Development Concept (Konceptcja Rozwoju Kraju – KRK 2050)** which is currently being finalised (see Box 2). The Concept presents a long-term vision and clearly set spatial



development goals in the 2020-2050 perspective. Its potential value can be understood in terms of its integrated approach, bringing together sustainable development, climate protection, environmental protection, but also socio-economic and cultural development. This contributes to ongoing efforts to strengthen the territorial dimension in sectoral policies in Poland. It is also important in acting as a long-term reference point while Polish regional policy faces a series of immediate challenges, including the war in Ukraine, post-pandemic recovery, and the disruption of supply chains. Public consultations on the KRK 2050 are underway and will last until September 2024. The Council of the Ministers is expected to officially adopt the document in the last quarter of 2024.

A new **medium-term National Development Strategy** is also under preparation in Poland which is informed by the new KRK. The new Strategy is anticipated to include:

- new approach of the **territorial dimension as a horizontal cross cutting theme** rather than separate priority.
- **'functional-spatial'** model which will aim to more precisely define how different sectoral instruments and investments should be applied in different territorial contexts. The model will outline the spatial framework for the construction of central and sub-national government strategies and policies (regional development strategies, supra-local development strategies, municipal development strategies). It will support the coherence and complementarity of different public policies (horizontal and sectoral) and the actions of different actors (especially public authorities at different levels) in a given territory. The model of functional-spatial structure will demonstrate the integrated approach to development policies, both in strategic and territorial dimensions.
- **revise the Areas of Strategic intervention (OSI)** identified to guide investment in different territories. The aim is to rationalise the areas identified in order to concentrate support on the places that need it most.







## Box 2: New National Development Concept in Poland

The new **National Development Concept (Konceptcja Rozwoju Kraju – KRK 2050)** has three key functions:

- To identify key global and national trends shaping the future in the social, economic, environmental and spatial spheres. The Concept shows ways of combining these basic dimensions, together with the institutional dimensions, to encourage synergy between policy actions;
- To indicate a set of the more important development challenges that Poland will face in order to formulate possible development scenarios as a basis for faster strategic choices and preventative choices against future potential crises; and
- To recommend strategic choices in public policies up to 2050.

Six mega trends were defined in the preparation of the KRK: (i) the emergence of a new economy; (ii) technological acceleration; (iii) raising of global social challenges; (iv) escalation of environmental challenges; (v) spatial reorganisation; and (vi) transformation of the global order.

Based on an open participatory process, four crucial challenges were identified for the longer-term development of Poland: (i) Societal transformation that benefits all social groups; (ii) Modern economy respecting the natural environment and climate; (iii) Resilient state with a strong position in Europe and the world; and (iv) Sustainable territory.

The draft KRK draws seven strategic conclusions which will act as guidance for public policies:

- strengthening the state management system;
- adapting the country's development paradigm to global challenges that have the greatest impact and will shape future development;
- strengthening the state's resilience to threats and crises in an era of increasing geopolitical economic and climate instability;
- raising the importance of spatial planning and management based on cooperation between local government units, including a territorial (functional approach) in the country management system;
- taking a multi-disciplinary approach to transformation;
- building social cohesion to address various political, social, economic or technological issues to minimise inequalities; and,
- designing and implementing changes in the area of public finances that take into account short and long-term economic conditions of Poland's development.

Importantly the new KRK includes several **innovative elements**:

- **Strengthened territorialisation of development policy.** Individual themes are seen as interacting with each other in conditioning territorial development processes. The KRK incorporates a set of values to inform development processes including the sustainable use of functionally developed space.
- **Use of foresight activities** which include support of Territorial Impact Assessments in the development of legislative and strategic initiatives.
- **Use of more participatory instruments in the process of KRK development.** The process has been seen as an opportunity to move beyond established methods of cooperation and use new, innovative techniques and tools for participatory planning.





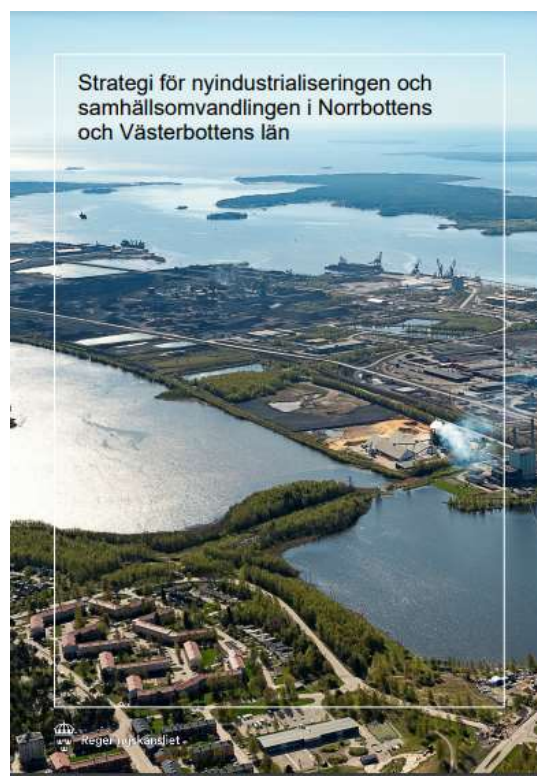
### 4.2.3 Lithuania's vision for the future

In a smaller geographical context, Lithuania's vision for the future "**Lithuania 2050**" was approved in December 2023. The document distinguishes five key directions of progress: (i) democratic culture and governance; (ii) education, health and social policy; (iii) economic breakthrough; (iv) international politics and security enhancement; and (v) improvement of infrastructure and living environment. The document also places explicit emphasis on regional concerns and underscores objectives relating to sustainable territorial development, connectivity and environmental preservation as well as the application of new technologies and innovation. "Lithuania 2050" will be implemented through the National Progress Programme coordinated by the Government.



## 4.3 New regional strategies: sustainability, innovation and wellbeing

Strategy development and revision has also been undertaken over the past 12-18 months at a more spatially targeted level. This recognises the specific needs and characteristics of regions or geographical areas of a country and draws out more place based responses within an overarching national policy framework. In **Sweden**, for example, the overall policy objective of regional development policy is to '*strengthen the local and regional competitiveness for sustainable development in all parts of the country*'.<sup>28</sup> Many of the instruments of regional development policy, however, continue to be specifically focussed on peripheral and sparsely-populated areas in northern and central Sweden. A new **Strategy for Northern Sweden** was launched at the end of June 2024.<sup>29</sup> The strategy recognises the opportunities of industrial activities in the north of the country and identifies six specific areas which are seen to be key



<sup>28</sup> Proposition 2019/20:1 Utgiftsområde 19, Betänkande 2019/20:NU2, Riksdagskrivelse 2019/20:113

<sup>29</sup> Regeringskansliet (2024) Strategi för nyindustrialiseringen och samhällsomvandlingen i Norrbottens och Västerbottens län



for the development of the northern counties of Norrbotten and Västerbotten namely: (i) innovative working methods; (ii) effective environmental permit processes; (iii) secure energy supply; (iv) stronger transport infrastructure; (v) population and housing provision; and (vi) better capacity and flexibility in education and skills provision. While opportunities for industrial development and specifically green investments are recognised, the strategy also takes into account the corresponding demands and implications that development would bring in terms of regional infrastructure, housing, education, access to culture and leisure and basic commercial and public services.

In **Malta**, the Gozo Regional Development Agency (GRDA) was created in September 2020 with the aim of promoting and coordinating regional development policy tailored to the specific needs of the island. The GRDA published a **Regional Development Strategy for Gozo 2023-33** in September 2023. The Strategy identifies three thematic areas for development: (i) promoting sensible use of land and the environment; (ii) re-aligning economic growth with wellbeing; and (iii) re-valuing Gozo's identity. Within these three areas, the Strategy defines eight priority areas for action. Overall the Strategy is designed to be a holistic, long-term vision for the sustainable development of the island taking not just economic, but also social, cultural, environmental and ecological aspects of development into account.





## 5 TAKING STOCK OF POLICY EFFECTIVENESS

In a number of countries, the process of reassessing regional policy in the context of challenging economic, social, environmental and political conditions has taken the form of major policy evaluations and reviews to help determine effectiveness. This process has recently been undertaken, or is currently underway, in **Germany, Finland, Sweden** and **Hungary**. Further, in **Ireland**, an OECD report, prepared in conjunction with the Irish Department of Housing, Local Government and Heritage, reviews mechanisms of public investment and service delivery that address regional disparities.

In several cases, the policy evaluations and reviews conclude that regional policy intervention has been effective, but with important learning points for the future form, scope or geographical focus policy including:

- Recognising the importance of public perceptions of regional development issues, highlighted in **Germany** by the comparative analysis of objective statistical indicators and subjective public consultation results in the new Equivalent Living Conditions Report.
- Supporting the need for policy integration and cooperation between different Ministries to combat fragmentation across policy areas and responsibilities which can lead to conflict and weaken potential synergies (**Finland**).
- Upgrading regional and sub-regional data availability and quality to support effective evaluation (**Germany**).
- Ensuring clear and long-term reporting by the state authorities on the implementation of regional policy measures and reviewing the objectives, direction and design of the future regional development policy and rural policy (**Sweden**).
- Updating the geographical boundaries of intervention through greater consideration of functional areas (**Hungary**).
- Improving the support for capacity building to reinforce technical skills and knowledge in sub-national entities (**Hungary**).



## 5.1 Germany: Equivalent Living Conditions Report

In **Germany**, the first **Equivalent Living Conditions Report** was published in July 2024 (see Box 3) which was a commitment of the current German government Coalition Agreement.<sup>30</sup>

### Box 3: German Equivalent Living Conditions Report



The first Equivalent Living Conditions Report (*Gleichwertigkeitsbericht*) was published by the German federal government in July 2024. The report was produced under the joint leadership of the Federal Ministry of Economy and Climate Action and the Federal Ministry of Interior and Home Affairs. The Report was a major piece of work presenting the current state and development of living conditions at the level of districts and independent cities in analytical detail not previously carried out. In addition to a **statistical analysis** of the living conditions based on a wide range of statistical indicators, the Report also includes the results of an **extensive public consultation** with citizens across all 400 districts and independent cities in Germany. In-depth focus group interviews were also conducted with citizens and stakeholders across eight regions. The analysis in the report, therefore, was able for the first time to **compare and integrate objective statistical results with subjective findings from the consultation on the same topics**.

The Report shows that, for the majority of the analysed indicators, **differences between regions have actually narrowed** over recent years in Germany. However, the Report also emphasises that the challenges facing an even socio-economic development across the country remain considerable, not least in the context of projected population trends. **Disparities are still clear** between eastern and western, as well as northern and southern and urban and rural areas, and more nuanced patterns of disparity are also evident. The public consultation exercise brought to light wide ranging differences in the perception and experience of living conditions in the country.

The Report details all federal programmes and instruments used to encourage regional economic development and the federal government will use the Report as the **basis for strengthening policies supporting the reduction of regional disparities and the fair distribution of resources and opportunities across the country**. This will include further development of the federal funding system for structurally weak regions (GFS) in the current legislative period through improved integration of regional policy measures, increased exchange with the *Länder* and municipalities, and ongoing upgrading of the quality and availability of data for evaluation. Following the publication of the Report, the federal government has initiated a follow up process, including a public consultation, to get reaction, feedback and starting points for further development of the GFS.

The Equal Living Conditions Report includes the **first evaluation of the federal funding system for structural development regions (GFS)**. The GFS is an umbrella for ca. 20 existing funding instruments (including the main German regional policy instrument, the GRW) which have a

<sup>30</sup> Bundesregierung (2024) *Gleichwertigkeitsbericht 2024: für starke und lebenswerte Regionen in Deutschland*, Bundesministerium für Wirtschaft und Klimaschutz, Berlin





focus on structurally weak regions throughout Germany, either through targeted funding allocations or preferential treatment. Each separate programme within the GFS is funded individually within the relevant federal or *Land* budget lines but, in 2022, the GFS represented an estimated funding volume of €4.2 billion. The evaluation found that the overall impact of the GFS was positive in many areas for the development of structurally weak regions, with the GRW, broadband support and the R&D/innovation oriented programmes in particular seen to have significant positive impacts on local economic strength and employment growth. In its entirety, the GFS was also found to support positive population development in structurally weak regions and increase locational attractiveness.

## 5.2 Finland: evaluation of national model for regional development

An **external evaluation of the national model for regional development** was carried out in Finland between June 2023 and May 2024. The evaluation encompassed three aspects of the national model: national coordination; the government's cooperation and dialogue with the regions; and the government's Regional Development Decision (see section 4.2.1). The evaluation findings appraised the partnership-based approach of the national model designed to facilitate cooperation between different sectors and actors and this was noted to be positive in building up trust and strengthening collaborative structures. The financial incentives and information-based guidance were also assessed to be effective. However, the evaluation pointed to fragmentation across policy areas and responsibilities, for example between rural and island policy and the remaining regional development tasks, which could lead to conflict and weaken potential synergies. In developing the model for regional development further, the evaluation therefore recommended paying attention to the opportunities of policy integration (especially via the Regional Development Decision) and improving cooperation between the ministries to ensure national level alignment.<sup>31</sup>

**Another (internal) evaluation**, which is currently ongoing, concerns the **efficiency and effectiveness of the regional development system**. The government is due to submit a report to the parliament in Spring 2025 covering both the domestic and EU co-funded regional development. This evaluation work is being done at least in part to support future legislative reforms, and with the aim of increasing coherence and effectiveness of the regional development system. As part of the evaluation work, the government will collect monitoring and evaluation data related to the regional development discussions, programme and agreement-based work, and carry out various surveys and interviews.<sup>32</sup>

---

<sup>31</sup> Kahila P, Hirvonen T, Antikainen J, Sinerma J, Helve H (2024) [Kansallisen aluekehittämisen toimintamallin arviointi](#), 12 June 2024

<sup>32</sup> Stenfors P (2024) Aluekehittämisen kokonaisuuden toimivuutta ja vaikuttavuutta arvioidaan eduskunnalle valmisteltavassa selonteossa, Aluekehittämisen uutiskirje 3/2024



A more future-oriented work is undergoing in the form of a **working group** set up by the Minister of Economic Affairs (for the period of 17 June 2022 until 31 December 2024) to examine the **current state of regional development and the development prospects for the near future**. The working group will assess how different trends are affecting the development of individual regions during the 2020s and over the next decade. In a similar way to the new Polish National Development Concept (see section 4.2), the aim is to form a common vision on the opportunities of domestic and Cohesion Policy instruments for strengthening sustainable growth in Finland (including how the regional development instruments can balance some of the regional impacts, but also how they can develop the existing regional strengths and opportunities). A further aim is to identify the development differences within regions (e.g. between central cities and their surrounding areas). The working group will prepare a proposal on key criteria and indicators which can be used to carry out a versatile and objective assessment of the regions. The proposal on the criteria and indicators will also take into account the need to have readily available statistical data. This work will be used as a starting point in the preparations for the future Cohesion Policy period post-2027.<sup>33</sup>

### 5.3 Sweden: inquiries following National Audit Office report

In a 2022 review, the Swedish National Audit Office provided critique on a number of different aspects of regional development policy in Sweden.<sup>34</sup> As a response to the findings, the Swedish government has launched a number of assignments and inquiries, most notably concerning the **implementation of regional development policy by state agencies** and a public inquiry on **regional development policy and rural policy**.

In terms of the **implementation of regional policy**, the National Audit Office report recommended that the government should ensure the provision of clear aims, requirements and expectations regarding the cooperation amongst the state authorities and between the state authorities and the regions within regional development policy. As stated by the Government, the state authorities have in the past reported on their implementation of the regional development and rural policies. However, the Government also notes that it is important to have clearer and more longer-term approach to the reporting by the state authorities.<sup>35</sup>

---

<sup>33</sup> Ministry of Economic Affairs and Employment (2022) Alueiden sunta -työryhmä määrittämään aluekehityksen seurantavälineitä ja -mittareita resurssien kohdentamiseksi, news item, 22 June 2022

<sup>34</sup> Riksrevisionen (2022) Den regionala utvecklingspolitiken – svaga förutsättningar för ett effektivt samlat statligt agerande, RIR 2022:8

<sup>35</sup> Regeringen (2024) Uppdrag att redovisa genomförandet av den regionala utvecklingspolitiken och den sammanhållna landsbygdspolitiken, 14 March 2024



In response to the National Audit Office recommendations, therefore, the Government (*Landsbygds- och infrastrukturdepartementet*) issued an assignment in March 2024 to 12 state agencies and the County Administrative Bodies (CABs) to **report on how their activities have contributed to the objectives of regional development policy and rural policy** (including relevant parts of EU Cohesion Policy). The authorities will report on the efforts and results of their specific areas of operation in line with the strategic priorities of the National Strategy for Sustainable Development for 2021-30 (i.e. they will report on those strategic priorities that are



**Länsstyrelserna**



of relevance to their operations). Following the submission of the individual reports in January 2025 and 2027, *Tillväxtverket* (the national agency for economic and regional growth) will then compile and analyse the reports of all the involved authorities and submit these to the Government in April 2025

and 2027 respectively. Beyond this, *Tillväxtverket* is also responsible for coordinating a network of all relevant authorities (e.g. especially those named in the national strategy) based on their duties within regional development policy and rural policy. This network is expected to contribute to exchange of experiences and knowledge between the authorities and the regions.

The **public inquiry on regional development and rural policy** is rooted in the fact that the current regional development policy and its objectives stem back to the last parliamentary inquiry carried out in 2000. The need for an extensive review has therefore become topical and the public inquiry was formally launched on 11 July 2024. The special investigator appointed to the inquiry will submit a proposal on the objectives, direction and design of the future regional development policy and rural policy and the assignment includes (among other things) analysis of whether there is a need to change the responsibilities and tasks of the authorities and regions. The investigator is also expected to identify obstacles and, if necessary, propose how the coordination between the authorities, regions and municipalities can be developed. The inquiry is set to largely look at the expenditure heading 19 (regional development) but will cover also certain parts of the expenditure area 23 (land- and water-based industries, rural areas and food). The assignment does not, however, cover issues related to EU legislation or the implementation of the future Cohesion Policy and the Common Fisheries Policy, although it will take into account that the regional development policy and the implementation of EU's Cohesion Policy are closely integrated.

## 5.4 Hungary: review of regional policy framework

The broader context for regional policy design and implementation has changed significantly in Hungary and the previous policy framework targeting administrative boundaries and broad intervention areas is now considered inadequate for current trends. In this context, and to more accurately reflect emerging territorial challenges and regional policy instruments, the





Hungarian government is **fundamentally revising Hungary's regional policy framework by 2026**. This revision incorporates recent changes including the 2024 creation of the Ministry for Public Administration and Regional Policy and the new Law on Regional Development which introduced new policy focus areas and pilot programmes for functional urban areas and peripheral areas as well as mandating extensive vertical and horizontal coordination (see section 4.1.2).

The main building blocks of the transformation include:

- a new regional policy concept reinforcing the territorial logic in policy planning and implementation, placing a stronger emphasis on SME competitiveness, supporting the viability of rural areas and unlocking the potential of functional areas, including the creation of a Territorial Development Fund (see section 7.3);
- an institutional system managing a predictable, dedicated financial framework that enables the delivery of medium and long term regional policy investment programmes; and
- the establishment of Regional Policy Service Network, closely collaborating with county level governments, which will address the inequality between counties in development planning and management capacity and reinforce technical skills and knowledge required for the implementation of EU and new territorial development funds.

## 5.5 Ireland: “Towards Balanced Regional Attractiveness in Ireland” Report

In the context of longstanding challenges of investment pressure in critical infrastructure, demographic aging particularly in rural areas, housing and climate change, the OECD worked with the Irish Department of Housing, Local Government and Heritage to prepare a report in 2023 entitled “Towards Balanced Regional Attractiveness in Ireland”.<sup>36</sup> The report suggests **new mechanisms to deliver public investments and services that address marked regional disparities**. The report also underlines the importance of a coordinated approach to the delivery of the National Planning Framework, the principal spatial strategy of Project Ireland 2040. The report notes that regional policy is currently operating in silos - for example, the country has a number of



<sup>36</sup> OECD (2023) Towards Balanced Regional Attractiveness in Ireland: enhancing the Delivery of the, National Planning Framework, OECD Regional Development Papers. OECD: Paris





detailed smart specialisation strategies, but lacks ‘a vision for region implementation which could hinder their sustainability in the long-term’. It is recommended that the Department of Housing, Local Government and Heritage work with the Department of Enterprise, Trade and Employment to fund regional implementation of the National S3 programme.

Recognising the country’s growing and spreading population, the report also highlights the **role of subnational governments** (in particular the Regional Assemblies) in development. However, the current resources and scope for Regional Assemblies to take on a greater role is limited. Related, the report recommends exploring opportunities to increase the fiscal capacity, and own source revenue, of local and regional government. More weight could be given to strategies in place, particularly the RSES and delivery boards set up with representation from national agencies. The report goes as far as to propose that consideration should be given to establishing “directly elected regional assemblies to ensure that regional leadership and accountability underpin the delivery” policy. The report also points to Regional Enterprise Plans as a valuable tool for the future to coordinate investment at local level, identify priorities and engage communities.





## 6 WHICH WAY FORWARD? NEW GOVERNMENTS AND POLICY REAPPRAISAL

Changes to the direction of regional policy can also often be a consequence of new governments taking office. Over the 2023-24 period, national or federal parliamentary elections have taken place in 16 European countries including EoRPA countries Finland (April 2023), Poland (October 2023), Switzerland (October 2023), Netherlands (November 2023), Portugal (March 2024), France (June/July 2024), and the UK (July 2024). Looking forward, elections are due to take place in a further four countries before the end of 2024, including Austria (September). The potential impact of government change on regional policy can be related to a range of factors including the magnitude of change in political ideology of the ruling party and the constitutional framework and division of responsibilities between national and sub-national governments,



Most recently, in **the Netherlands**, a new coalition government (PVV, VVD, NSC and BBB) under Prime Minister Dick Schoof came to power in July 2024 following elections in November 2023. Although major changes in some policy areas, such as welfare and health are anticipated, the details on the future strategic direction and institutional framework of regional policy are briefly outlined.

The importance of the regions and regional development has been acknowledged in the coalition agreement of the new government. The national government will collaborate with the regions in various ways. First, a coherent approach to spatial planning is ensured through the National Spatial Policy Document (*ationale Nota Ruimte*) and the provincial environmental visions (*provinciale omgevingsvisies*). Second, provinces will be integrated in spatial agreements which form the basis for the incorporated national and provincial spatial tasks. And third, for areas with complex and dynamic development issues (so-called NOVI areas), there will be plans supported by implementation and spatial investment agendas to help ensure their effective delivery. Urban regions will have a joint national-regional programme for urbanisation and mobility. Finally, the provinces and regions will work, in cooperation with the Minister of Housing and Spatial Planning, towards the creation of Regional Investment Agendas. These Agendas build on and expand the former regional deals and cover a range of areas including housing, accessibility, education and the economy. They will be drafted as part of the NOVEX approach (*Nationale Omgevingsvisie Extra*) which is a strategic framework introduced by the Dutch government to guide long-term spatial planning and development. NOVEX is part of the National Environmental Vision (*Nationale Omgevingsvisie*, NOVI) and aims to address key challenges such as housing shortages, climate adaptation, energy transition, infrastructure and nature conservation.

It is worth noting that regional policy issues were highlighted in a March 2023 report 'Every Region Counts! A new approach to differences between regions' by the Council for the Living Environment and Infrastructure, the Council for Public Health and Society and the Council for





Public Administration.<sup>37</sup> The report highlighted issues relating to broader welfare and regional development and policy, noting a 'frightening' increase in undesirable differences between Dutch regions and the fact that government investment mainly targeted economic core regions and urban areas at the cost of those lagging behind. The coalition agreement states that, in regions that are lagging behind, the Region Deals will be further developed towards a long term investment agenda for issues such as education, mobility, economy and health care.

Similarly in **the UK**, the **July 2024** general election **heralded a change of government**.



The new Labour government, under Prime Minister Sir Keir Starmer, confirmed that the regional policy terminology of the previous government referring to 'levelling up' would be dropped, starting with the title of the responsible government department (now known as the Ministry of Housing, Communities and Local Government). While the full implications for the future direction of regional policy remain unclear, there has been speculation that there may be a return to cities and city-regions, building on recent policy papers which have recommended prioritising transport, innovation and decentralisation in regional cities. In terms of the governance of policy, a new devolution framework is to be published 'setting out clear conditions and a clear offer in return for places seeking devolution agreement', which 'will enshrine a presumption towards devolution, so places can take on new powers automatically if they meet certain conditions'.<sup>38</sup>

The Labour party manifesto also described plans for a new statutory requirement for Local Growth Plans to cover towns and cities across the country, aligning with a new national industrial strategy. The Growth Plans will involve local leaders working major employers, universities, colleges, and industry bodies to 'produce long-term plans that identify growth sectors and put in place the programmes and infrastructure they need to thrive'.<sup>39</sup> A new 'Council of the Nations and Regions' will also be set up, with its structure and role yet to be decided.<sup>40</sup> However, the scarcity of public sector funding at both central and local levels is likely to have an important impact on what concrete and funded policy developments will be possible in the near future.

---

<sup>37</sup> <https://www.elkeregiotelt.nl>

<sup>38</sup> [https://assets.publishing.service.gov.uk/media/66966f05ce1fd0da7b59263d/Letter\\_from\\_the\\_Deputy\\_Prime\\_Minister.pdf](https://assets.publishing.service.gov.uk/media/66966f05ce1fd0da7b59263d/Letter_from_the_Deputy_Prime_Minister.pdf) (accessed 17 July 2024).

<sup>39</sup> E.g. Stansbury, A, Turner D and Balls E (2023) Tackling the UK's regional economic inequality: binding constraints and avenues for policy intervention, Contemporary Social Science, DOI: 10.1080/21582041.2023.2250745 (accessed 26 June 2024).

<sup>40</sup> <https://www.ft.com/content/d4b456cc-49a3-4ef1-a339-92f4df9e0d0e?desktop=true&segmentId=d8d3e364-5197-20eb-17cf-2437841d178a#myft:notification:instant-email:content> (accessed 16 July 2024).



In **Portugal**, a new minority centre-right (PSD/CDS-PP) government under Prime Minister Luís Montenegro came into power in April 2024 following snap elections but overall continuity of policy direction is in evidence. The broad government structure for regional policy has been maintained although with some minor readjustments. The new government programme also remains committed to improving and deepening the system of transferring powers to local authorities (particularly in key areas such as primary health care, primary school education and social action) and deepening the ongoing process of decentralisation to improve the efficiency and access to public services. By mid-2024 the decentralisation process was largely completed with the transfer of the majority of competences in most policy areas. The main priority now is to improve the governance within already decentralised areas and the coordination between different levels of government.

Lastly, among EoRPA countries, legislative elections were held in **France** on 30 June / 7 July 2024. President Macron has now appointed a new prime minister, but the process of forming a new government is still ongoing as no alliance of parties holds an absolute majority. Some of the parties and alliances that contested the elections have potentially radical policy proposals for different aspects of domestic policy, but any changes will depend on the formation of a new government and programme.





## 7 NEW POLICY INSTRUMENTS: SPATIAL TARGETING, CLIMATE CHANGE AND COMPETITIVENESS

In many countries, regional policies are in flux. Apart from the major legislative and strategic changes and the stock-taking of policy performance discussed above, the portfolios of policy instruments are being refined and adapted. Key changes over the past 12-18 months have involved five sets of developments:

- New geographically targeted programmes (Finland, Latvia, Poland)
- Measures to revitalise rural and 'threatened' areas (France, Norway, Czechia)
- Rethinking approaches to spatial targeting (Estonia, Hungary, Poland)
- Incentives to enhance competitiveness (UK, Italy, Denmark, Latvia)
- Continued efforts to integrate sustainability into regional policy measures (Germany, Slovakia, Nordic countries)

### 7.1 Geographically targeted programmes

Regions in the east and north of Europe have been the particular focus of new programmes and initiatives, in part reflecting the heightened security needs on the eastern border of the European Union and the spatial impact of the Russian war in Ukraine (see section 3.1). The Finnish programmes include this rationale but also emphasise the potential of northern and eastern regions for development based on clean transition and industrial expertise.

- **North and east Finland** have long been prioritised for their specific geographical circumstances, in particular sparse population. However in the context of the changing geopolitical situation, the Government has now committed to developing **specific programmes for the East and the North** which are to be finalised by the end of 2024. These programmes aim to promote the opportunities of the North and the East in terms of economic growth, regional vitality, investments, skills development and the availability of labour. The





programme for East Finland is considered to have strategic national importance, not just for the vitality of the region, but also as an external border to the EU. Both areas are considered to hold much potential in terms of attracting investments with clean energy, industrial expertise, strong entrepreneurial culture and regional cooperation opportunities considered key future foundations. There is no dedicated finance allocated for these programmes.

- To address the specific issues facing the Eastern border territories of Latvia (primarily the Latgale planning region and Aluksne county), the Ministry of Regional Development and Environmental Protection has developed a short-term policy document named **2024-2026 Action Plan for the economic growth of Latvia's Eastern Border**. The economic development of these areas is influenced by many factors that together act as a significant deterrent to economic prosperity. These factors include peripherality in



Source: [Admin Units-Eastern Boarder.pdf](#)

Note: programme areas highlighted in orange

relation to Riga, which is exacerbated by the poor quality of road infrastructure, insufficient availability of public transport, economic backwardness, as well as geopolitical factors given the common border with Russia and Belarus. These factors make the business environment and access to labour and finance particularly difficult. The planning document calls for several targeted courses of action, including: (i) development of human resources in Latgale region through improvement of quality of higher education; (ii) facilitation of re-migration, both internal and external; (iii) improvement of tax policies, namely expansion and extension of support measures applicable to Latgale Special Economic Zone; and (iv) construction of a new high-speed highway Riga-Latgale/Vidzeme.





- In **Poland**, a **new domestically funded programme** was launched in 2024 to improve the quality of life of citizens living in **the north-eastern border area** limited by the negative impact of the war in Ukraine.<sup>41</sup> The beneficiaries are local government units directly adjacent to the border which can receive support for improvement of local road infrastructure, green and blue infrastructure for environmental protection, sustainable tourism building on endogenous strengths and improving educational, health and social infrastructure.



## 7.2 Revitalising rural and 'threatened' areas

Supporting rural areas is an important focus in many European countries particularly in the light of demographic changes. Rural areas have become more diverse and are faced with a wide range of opportunities and challenges (see Figure 4).

**Figure 4: Opportunities and challenges facing rural areas**



Source: Ahlmeyer, F and Volgmann, K (2023)<sup>42</sup>

<sup>41</sup> See <https://www.gov.pl/web/funds-regional-policy/government-programme-will-support-22-poviats-in-the-border-belt>

<sup>42</sup> Ahlmeyer, F and Volgmann, K (2023) What Can We Expect for the Development of Rural Areas in Europe? – Trends of the Last Decade and Their Opportunities for Rural Regeneration, *sustainability*, 15(6), February 2023





Two recent initiatives illustrate new policy developments in the field of rural support.

- In **France**, from July 2024 a new **France Rurality Revitalisation** (*France ruralités revitalisation* FRR) **zoning scheme** will replace a number of previous rural zoning schemes to **boost the attractiveness of vulnerable rural areas**. There will be two levels of zoning - FRR and FRR+ for most vulnerable areas. FRR zones will be determined by population density and disposable income per inhabitant with an emphasis on mountain areas. Businesses located in the new FRR zones will benefit from tax and social security exemptions. The new zoning based on objective indicators is designed to support schemes to be better targeted and harmonised to enhance the attractiveness and dynamism of rural communities. Zoning will be renewed every six years to ensure meets local needs. 
- The rural focus was also reinforced in **Norway** where **new funding** was made available in 2024 for the **rural growth agreements pilot**. This was a significant budget increase from NOK 25,264 to 76,931<sup>43</sup> and underlined a commitment to seeking new ways to support development in the most remote and rural areas and have municipalities take a leading role. The agreements are based around the principles of cooperation and co-creation with the aim of strengthening the coordination of public initiatives across sectors and administrative levels to make combined efforts more effective. Agreements can involve groups of municipalities, the state administration and state agencies and county levels and have broad thematic scope – making them potentially politically and administratively complex. 
- In the **Czech Republic**, a new programme has been introduced for 2024 and 2025 which **focuses specifically on economically and socially threatened areas** as defined in the Regional Development Strategy 2021+. The programme is designed to provide support for the preparation of applications under other programmes in order to **improve absorption capacity**. 

### 7.3 New approaches to spatial targeting

In some countries, new spatial approaches to regional development initiatives are being tested. This reflects the understanding or experience that, particularly for regional development strategies or coordinated initiatives, the inter-connections, infrastructure links, commuting patterns, urban structures and so on do not fit neatly into formal administrative boundaries or need to be seen at a different spatial scale. In a wider sense, a number of countries are moving to increase territorialisation in other policy areas in the recognition that


---

<sup>43</sup> For reference, on 17 September €1 = NOK 11.788



“economic, social and territorial cohesion cannot be achieved without other policies taking into account their uneven territorial impact”.<sup>44</sup>

- In **Estonia**, the state has initiated a **pilot project for regional development agreements** to reduce inequality under which the needs and development direction of the region are jointly determined by the state, local governments, and other regional stakeholders. Initial pilot regions of Central Estonia and Southern Estonia began developing regional development agreements in late 2023 in collaboration with Ministries, local governments, universities, and experts. The aim of the pilot project is to determine whether a development agreement focused on entrepreneurship development for a **larger region than just one county** would be a more effective way to address the needs of regions and increase competitiveness. The overarching goal is to amplify the development potential of regions and thereby contribute to a more balanced development across Estonia. 
- **Hungary's** new Law on Regional Development introduced **new territorial approaches in the form of functional urban areas and peripheral areas** (see section 4.1.2). These new approaches are being integrated into the current revision of the Hungarian National Development and Territorial Strategy due for submission to Parliament in November 2024. In addition, a **new Territorial Development Fund** is being proposed under the new Hungarian regional development concept. This Fund would provide funding for complex investment and community building projects in functional urban areas and inner peripheral areas that are inadequately served by the currently fragmented provision through EU financial assistance (Cohesion Policy and the RRF). The first model programmes have already been prepared. The Fund will also help to reinforce local investment planning and delivery capacity, enabling the replacement of grant support with repayable assistance at a later stage. The Fund is not yet included in the 2024 budget and so the earliest it can be launched is in 2025. 

More broadly, in **Poland**, the Sub-Committee for Territorial Development adopted recommendations on **strengthening the territorial dimension of public policies**. The recommendations were based on a survey sent to members, observers of the Sub-Committee (Ministries, regions, local government) and analyses by the Ministry of Development Funds and Regional Policy. The recommendations concern key issues affecting programming and the implementation of policies including: participatory processes; territorial consideration in all public policies; strengthened coordination; strengthened multi level management; improved institutional capacity; increased territorial dimensions in public statistics; monitoring and evaluation; and increased involvement of civil society. The 

---

<sup>44</sup> European Commission (2024) *Forging a Sustainable Future Together: Cohesion for a Competitive and Inclusive Europe*, Report of the High-Level Group on the Future of Cohesion Policy, Publications Office of the European Union, Luxembourg



recommendations will be used to strengthen the coordination of inter-sectoral activities in support of various territories, increase the effectiveness of public policy implementation through adaptation to needs and challenges in different regions/areas and inform work on updating a range of national and regional development strategies. The Ministry of Development Funds and Regional Policy is now working on a **'toolkit' for practical implementation** of the recommendations with active support from national and regional statistical offices and observatories.

## 7.4 Increasing competitiveness

Economic competitiveness is still a key component of regional development and a number of recent changes highlight changes to existing initiatives designed to maximise effectiveness.

- In the **UK**, a **refocused Investment Zone programme** was launched in 2023 and subsequently extended from five to ten years, offering funding and tax relief to investors in the zones. Thirteen Investment Zones are to be set up across the UK, based on clusters of high growth industries located around a university, on the themes of advanced manufacturing, life sciences, digital technologies, creative industries and green industries (no maps of the zones are available as yet). In Spring 2023 eight areas in England were invited to co-develop an Investment Zone proposal with the government and all eight are expected to start operation in 2024-25. Each Investment Zone will have access to interventions worth £160 million over ten years. Scotland and Wales each also have two Investments Zones.



- Similarly in **Italy**, changes have been made to the Special Economic Zones with the creation in January 2024 of a **single Special Economic Zone (ZES) for the South**. This ZES replaces the previous eight zones



established across the territories of the south. The aim of the single ZES is to provide an integrated and coherent approach to the support of economic development and growth in the areas involved and maximise the competitive impact of all of southern Italy and the islands internationally. It provides businesses with a favourable fiscal and regulatory environment, encouraging investment and the expansion of commercial activities.





- The **Danish** Board for Business Development launched its **2024-27 Strategy for Business Development** in May 2024. The Strategy highlights the need to address potentials and challenges in all parts of the country, including in cities, rural and peripheral areas and the Board does not have a separate strategy or earmarked funds to address the challenges of lagging or peripheral areas. The Strategy does include regional chapters based on analyses of regional challenges and strengths and, while the redistribution of economic growth is not a policy objective, unlocking the specific growth potentials of individual regions clearly is. This is demonstrated, for example, by the introduction of the new 'local business Beacons'. 
- The importance of business development for regional development is reflected in a new support measure introduced in **Latvia** in 2024 to encourage re-migration into the country. The new measure builds on an earlier **re-migration scheme** but introduces a new approach through the **provision of support for businesses**. The aim is to encourage labour force into the country and the new scheme anticipates the much greater financial provision and involvement of municipalities in the scheme. 

## 7.5 Responding to climate change

The integration of sustainability and climate related goals into regional policy objectives and instruments continues to become increasingly widespread. This ranges from including sustainability as a cross cutting priority or focus to adaptation of eligibility criteria in regional support instruments to ensure greater environmental compliance.



The opportunities presented by green or clean technologies for regional economic development are also increasingly recognised and supported. The **Finnish** and **Swedish** programmes for the development of their northern and eastern regions, for example, include a strong recognition of the potential for clean technologies and related industrial development as well as the wider societal implications associated with such growth.

Similarly in **Norway**, development plans in many district municipalities include growth of green industries with the corresponding need for adequate labour supply and services.

A final report of a Swedish government assignment to *Tillväxtverket* on strengthening **sustainable development work in the regions** showed that work at this level does make a difference and that there has been an increased emphasis on reporting on green transition.



The report also underlined the importance of regional capacity and the need for capacity building to support the continued implementation of effective integration of sustainability into regional development work.

Both **Germany and Slovakia** have amended key regional support instruments in line with the European Commission's Temporary Crisis and Transition Framework (TCTF) to allow **strategic technology investment supporting the transition to a climate neutral economy**. In Germany, this involves the temporary extension of the main regional policy support instrument, the GRW, to utilise new support opportunities created under national legislation based on the TCTF. This has provided opportunity for state support under the GRW for transformation technologies in structurally weak regions including the manufacture of strategic equipment and key components of strategic importance for the transition to a climate neutral economy.

There are examples in a number of countries of individual regional investment incentives being adapted through changing eligibility criteria or increased award rates. One recent illustration of this is changes made to the **Brussels general investment aid incentive** in February 2024. Companies must now meet a minimum score across several eligibility criteria which have been aligned with the 'triple transition' framework, focusing on economic, social and environmental impacts. Increased award rates are also available for projects that contribute to renewable energy production and energy efficiency improvements.





## 8 REGIONAL POLICY GOVERNANCE: POTENTIALS AND RISKS OF DECENTRALISATION

Many of the examples of policy change and re-assessment which have been highlighted so far in this report clearly illustrate that **the role of institutions and quality of governance has become an established key factor in the pursuit and implementation of regional economic development**. This encompasses the framework of processes, functions, structures, rules, laws, and norms used for the design and delivery of regional policy, and the impact this has on the effectiveness and efficiency of regional policy.<sup>45</sup> The impact of even well-designed regional development policies will be hampered or restricted where the governance system is not sufficiently equipped to implement them.

*“Subpar institutional quality at the local and regional levels can undermine even the most carefully designed development efforts. This is because institutions mediate the economic returns of public interventions aimed at revitalising regional economies....Neglecting institutions may result in short-term gains but leave regions worse off in the long run and perpetuate left-behindedness”<sup>46</sup>*

While there are many different factors associated with the challenges of effective regional policy governance, **the distribution of powers and resources between central and subnational tiers** emerges as a key area. This includes issues of quality, capacity, and autonomy of action at sub-national levels, and a growing conviction in academic and practitioner circles that decentralised governance arrangements can improve regional policy design and delivery, contributing to improved economic performance and well-being of citizens across different types of territory, including those that are comparatively less developed.<sup>47</sup> This focus is reflected in processes of decentralisation – understood as the transfer of powers and responsibilities from central government level to authorities at subnational tiers (regional governments, municipalities) evident in the past 10-15 years across Europe and beyond.<sup>48</sup>

**Decentralisation is a complex process, covering a range of possible actions launched in different institutional contexts that reconfigure the relationships between central and sub-national governments in various ways.** Moreover, assessments of the link between decentralisation and different regional policy outcomes (increased efficiency, policy innovation, and political accountability) and impacts on economic development have

---

<sup>45</sup> Charron, N, L Dijkstra and V Lapuente (2014), “Regional governance matters: Quality of government within European Union member states”, *Regional Studies* 48(1): 68-90.

<sup>46</sup> Rodrigues-Pose, A et al (2024) *op cit*

<sup>47</sup> See, for example, Almeida, J., & Daniel, A. (2024). Local governance of evolutionary entrepreneurial ecosystems: A case study in a low-density territory. *Local Economy* (published on line, 2024).

<sup>48</sup> OECD (2022), *Regional Governance in OECD Countries: Trends, Typology and Tools*, OECD Multi-level Governance Studies, OECD Publishing, Paris, <https://doi.org/10.1787/4d7c6483-en>.



produced a range of positive, negative or statistically insignificant results.<sup>49</sup> A range of factors, including political change, limitations in institutional frameworks or administrative capacities, and external shocks (such as the Covid pandemic) condition decentralisation processes and their impact (and indeed the extent of re-centralisation processes).<sup>50</sup>

In the light of the relevance and impact of decentralisation processes on the design and implementation of regional policy, this section take a more detailed look at this topic. It **identifies different types of decentralisation processes influencing the governance of regional development policy in European countries over the past decade**, assessing the drivers of these processes and identifying factors determining their results. The analysis combines a broad overview of trends with more detailed focus on specific cases before highlighting some key findings.

### 8.1.1 Rationales and types of decentralisation

**From a regional policy perspective, key motivations for decentralisation include economic efficiency, public accountability, and empowerment.** Decentralised governance arrangements are at the core of regional policies that adopt 'place based' organising principles. This is a prominent concept in EU and national regional policy-making which holds that the transfer of authority and resources from central government to sub-national agencies and tiers of government (and other local stakeholders) ensures more effectively targeted investment of resources, more transparency and accountability and more local 'ownership' of and commitment to policies:<sup>51</sup>

- The **proximity** of decentralised units to specific territories gives them scope to direct investment more effectively to local needs and potentials.
- Decentralisation can boost local **accountability, transparency and commitment**, addressing mismatches between the territorial scale of the policy issues being addressed, the multi-level political and institutional boundaries of the public authorities involved, and the participation of communities with a direct stake in development measures.
- Strengthened sub-national administrative tiers can ensure sufficient **flexibility and capacity** to adapt to the broadening regional policy agenda, address socio-

---

<sup>49</sup> Rodríguez-Pose, A., & Vidal-Bover, M. (2024). Unfunded Mandates and the Economic Impact of Decentralisation. When Finance Does Not Follow Function. *Political Studies*, 72(2), 652-676.

<sup>50</sup> Loewen, B. (2018). From decentralization to re-centralization: Tendencies of regional policy and inequalities in Central and Eastern Europe. *Halduskultuur*, 18(2), 103-126.

<sup>51</sup> McCann, P. (2023) "How Have Place-Based Policies Evolved to Date and What Are They For Now?", Background paper for the OECD-EC High-Level Expert Workshop Series on "Place-Based Policies for the Future", Workshop 1, 14 April 2023





economic growth factors that can cut across organisational boundaries and administrative maps.

**Decentralisation takes a variety of forms in different institutional contexts.** The main differences relate to the administrative roles of sub-national levels, their decision-making autonomy and their policymaking capacity. Much of the variation is rooted in countries' specific constitutional and institutional arrangements, administrative traditions and procedures. In Europe, the process of rescaling can take place within federal systems (where the self-governing status of constituent states cannot be changed by a unilateral decision of the federal government) or unitary systems (where subnational governments exercise only the powers that the central government chooses to delegate or devolve). Across this basic dichotomy, a range of decentralisation processes can be identified. Political regionalisation has been occurring in a number of countries in recent years, responding to sub-national pressures and establishing or strengthening elected regional authorities in order to increase their power in public decision making. Processes of administrative rescaling involve streamlining or sharing the administrative burden of policy management and delivery across territorial scales. Such reforms seek to regionalise or localise authority for providing some public services and delivering some policies. In this complex context, the OECD provides a useful typology of recent decentralisation trends (see Figure 5):<sup>52</sup>

- **Upscaling regional and local governance**, through reinforced regional or local autonomy, municipal amalgamation and co-operation (NO, NL, FR, FI, IE, PT, PL).
- **Decentralisation of public finances** and increased subnational spending and revenues (EE, BG, PL).
- **Asymmetric decentralisation**, with varied assignment of competencies across time, policy fields, subnational governments and territories (SE, IT, PT, UK, FR).

These three trends will be analysed in more detail, including relevant examples from the experience of a range of European countries.

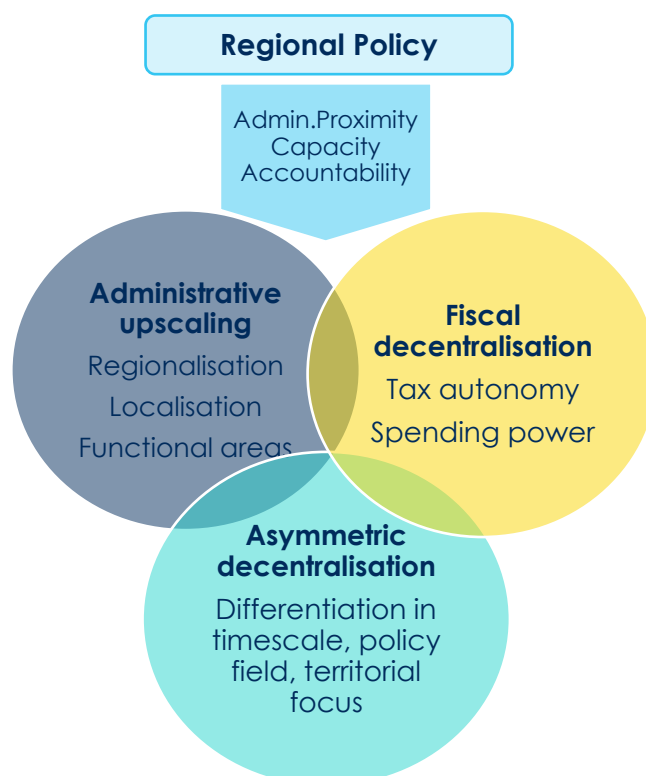
---

<sup>52</sup> OECD (2019), [Making Decentralisation Work: A Handbook for Policy-Makers](#), OECD Multi-level Governance Studies, OECD Publishing, Paris





Figure 5: Decentralisation trends in Europe



Source: based on OECD (2019), *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Multi-level Governance Studies, OECD Publishing, Paris

### 8.1.2 Upscaling sub-national governance

The varying political structures and histories of European countries impacts the distribution of internal governance and the perceived role of local authorities as service providers, regional planners, and political representation. There is no single model for the structural and administrative organisation of the municipal tier of governance across Europe.<sup>53</sup> **The upscaling of subnational government can refer to an increase in the capacity/resources of authorities to undertake and expand on service responsibilities and democratic representation,** complimentary to processes of decentralisation. This upscaling and structural reform process can be motivated by external shocks such as political shifts and financial crisis but also long term trends of urbanisation and demographic shifts<sup>54</sup>. The ultimate aim of these processes is to

<sup>53</sup> Swianiewicz P, Gendzwill A., Zardi A. (2017). [Territorial reforms in Europe: Does size matter? Territorial Amalgamation Toolkit](#)

<sup>54</sup> OECD (2017[11]), [Multi-level Governance Reforms: Overview of OECD Country Experiences](#)






form more robust and efficient territorial units of governance better equipped to deliver territorial cohesion.

The upscaling processes observed across Europe take various forms including: inter-municipal cooperation (IMC) to support service provision and representation; structural reform through municipal amalgamations; the formation metropolitan governance systems as a specialised form of IMC; and, a strengthening or reorientation of the regional level. EoRPA member countries have had differing experiences within each of these types of process as outlined in the following sections.

## i Inter-Municipal Cooperation (IMC)

In order to promote decentralisation and the local management and provision of services, initiatives have been undertaken in some countries to support **inter-municipal cooperation**. **IMC allows for an increase in decentralised responsibilities by upscaling sub-national governance without the sometimes politically fragile process of mergers and territorial reform.** IMC can also be initiated by external impacts including political shifts, economic stressors, and crisis responses e.g. coordinating pandemic measures. At the European level, mechanisms such as ITI provides opportunities and financial incentives for developing cooperation

There are various forms of inter-municipal cooperation, ranging from voluntary and soft arrangements to more structured and legislative agreements. The different legal and administrative practices of individual countries influence the type of IMC adopted.<sup>55</sup> A range of the different IMC formations is evident through the experiences of EoRPA members.

**In France inter-municipal cooperation** plays an important role in coordination of services and subnational governance through the formation of both single and multipurpose unions. With over 35,000 *communes*, the local tier of governance, IMCs  have been prevalent in the form of technical unions through associative cooperation, and integrated communities which hold fiscal and administrative powers. Recently the number of technical unions has decreased whilst communities have developed institutionally to almost form a new tier of subnational governance. The participation of communes in communities is therefore perceived as an alternative to mergers and territorial reform<sup>56</sup>. IMC has been subject to a long term development of a legislative framework with recent changes including the 2014 law which redefined parameters for types of communities (urban, agglomerations/towns, and communities of municipalities) whilst also consolidating Metropoles as a new form IMC. Further to this the 2015 Law NOTRE set up a minimum threshold for inter-municipal groupings. In the

---

<sup>55</sup> Bel, G., Bischoff, I., Blåka, S., Casula, M., Lysek, J., Swianiewicz, P., Tavares, A., and Voorn, B. 2022. Styles of Inter-municipal Cooperation and the Multiple Principal Problem: A Comparative Analysis of European Economic Area Countries. Local Government Studies. Forthcoming. DOI:10.1080/03003930.2022.2041416

<sup>56</sup> Swianiewicz P, Gendzwill A., Zardi A. (2017). [Territorial reforms in Europe: Does size matter? Territorial Amalgamation Toolkit](#)

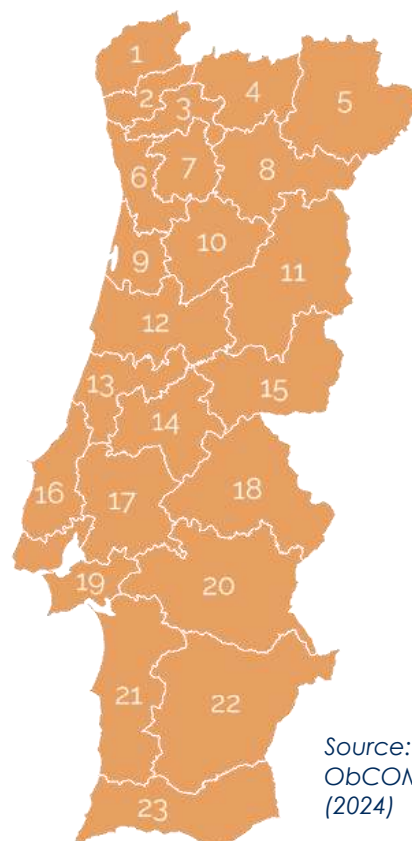


long term, the structure of IMCs appears on track to form a consistent structure of subnational governance with increased responsibilities and autonomy, with communes moving to a position reminiscent of English parish structures.<sup>57</sup>



### **In Portugal, IMC has been driven by legislature introduced in the early 2000s forming**

intermunicipal communities (*comunidades intermunicipais*). Further in 2013, 23 mainland intermunicipal associations were established through the regrouping of previous urban communities, intermunicipal communities for general purpose and metropolitan areas. The municipalities were financially incentivised to join, with all now members of an IMA. Membership is voluntary and the municipality has the right to leave the IMA. However, none have done so, which can be attributed to the value of cooperation but also the loss of administrative and financial allocations if they were to leave<sup>58</sup>. This reintroduces the point of risk and costs in cooperation and mergers. Whilst municipal capacity and resources can be improved



Source:  
ObCOM  
(2024)

there is a degree of democratic centralisation in decision making. In the context of the ongoing decentralisation process, incremental transfer of competences to local authorities and inter-municipal entities has been underway since 2019 (see section 8.1.4).

## **ii Municipal amalgamations**

Municipal amalgamations are utilised to reduce the number of local government structures and strengthen local governance through the new, larger territorial units. Several countries have introduced such structural reforms although they frequently involve a complex, long-term process which draws in considerations of political, economic, social and administrative structures and norms, resulting in compromises to original reform objectives.

---

<sup>57</sup> Hertzog, R. (2018). Inter-municipal Cooperation in France: A Continuous Reform, New Trends. In: Teles, F., Swianiewicz, P. (eds) *Inter-Municipal Cooperation in Europe. Governance and Public Management*. Palgrave Macmillan, Cham. [https://doi.org/10.1007/978-3-319-62819-6\\_7](https://doi.org/10.1007/978-3-319-62819-6_7)

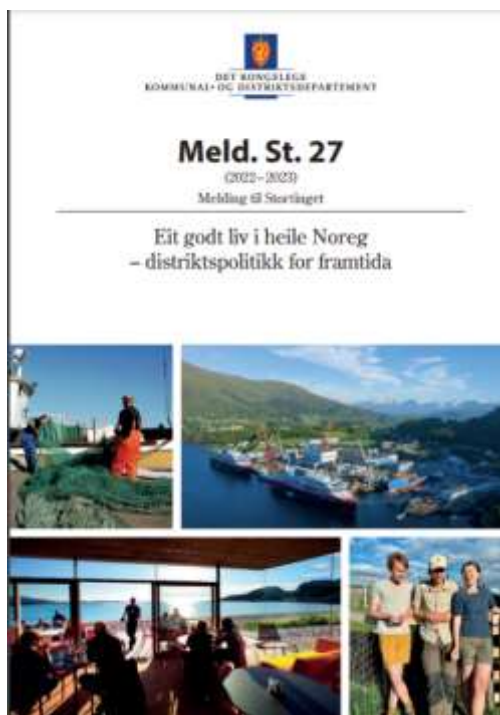
<sup>58</sup> Silva, P., Teles, F., & Ferreira, J. (2018). [Intermunicipal cooperation: The quest for governance capacity?](#) *International Review of Administrative Sciences*, 84(4), 619-638.





**Over the past decade Norway has undergone significant territorial reform at both the municipal and regional level, the first substantial change to the municipal level in 50 years.** Focusing on the local level,

Norway implements a generalist municipal principle that is practiced in line with the regional policy mandate of delivering 'A good life throughout all of Norway'<sup>59</sup>. As such all municipalities are legally obligated to provide the same level of services with no territorial differentiation. This has the objective that a resident can access equal service provision regardless of location in Norway, from urban centres to island archipelagos. This can be a particular challenge for smaller municipalities, with limited resourcing and capacity to deliver on this legal requirement. However, the efficiency of service can be balanced against the visibility and proximity of municipal actions and representation facilitated within smaller territorial units. This importance of citizens democratic rights reflects this balance and remains a strong argument for the maintenance of the generalist system in expert and governmental reports (NOU 2023:9).



The reform process started in 2014 guided by several key objectives outlined in an expert led report including: ideal municipality population sizes of 15,000 to 20,000 inhabitants in order to fully deliver on the generalist principle; grouping urban municipalities to improve commuter and transport planning; and further withdrawal of the state to strengthen local democracy. However, by 2024, over half of Norway's municipalities maintain a population of less than 5,000 people. The mergers were initially financially incentivised on a voluntary bottom-up basis, before imposed mergers were introduced in 2017 which reduced the overall number of municipalities from 428 to 357. Unlike the subsequent county mergers (see subsequent section), the municipal mergers remained stable when offered the option of reversal, with only one of the mergers dissolving on the election of the new government in 2024. A new report on the generalist principle, released in 2023, reiterated the recommendations of the original 2014 report, indicating that municipal mergers and reorganisation will continue as an aspect of regional policy beyond the initial radical wave of reform.

**In the Netherlands municipal reform and organisation has been an ongoing process since the 1960s, which has seen a reduction in municipality numbers** from 672 in 1990 to 403 in 2014 and 342 in 2024. The process is conducted through both regular



<sup>59</sup>Ministry of Local Government and Regional Development (2023) [A good life throughout Norway – regional and rural policy for the future — Meld. St. 27](#) (2022–2023) Report to the Storting



*mergers*, where amalgamating parties are dissolved and together form a new authority, and *minor mergers*, where at least one municipality remains. The mergers are normally initiated by the municipalities themselves who present a proposal for merging, outlining reasoning and future organisational structures<sup>60</sup>. Provinces can initiate the process if municipalities appear inactive or stagnant in development. Although mergers can involve a significant shift in local governance for those involved, the process overall is utilised as a policy tool which can increase democratic legitimacy with long term considerations and improve the efficiency of upscaling and coordination. Whilst municipal reform is ongoing, closer attention is currently being paid towards the creation of metropolitan regions (see subsequent section).

### iii Metropolitan governance

Metropolitan systems of governance have become increasingly popular in line with trends of urbanisation and centralised population growth. Developments in issues relating to housing, commuter patterns and large scale service provision have driven this form of territorially specific cooperation. Municipal governance arrangements can involve municipalities, special city statuses, and other governing bodies for the cohesive management of metropolitan sprawls.

In the same way as wider IMC, there are multiple different forms of metropolitan governance, from soft voluntary networks to legally defined structures. The OECD<sup>61</sup> distinguishes between four specific models of metropolitan systems: informal networks; structured inter-municipal authorities; instituted supra-municipal authorities; and special cities status. Distinctive from more general inter-municipal cooperation, metropolitan governance requires a central/dominant authority or territorial unit. This can affect the risk analysis of participating parties but also has the potential to improve the presence and standing of the other non-dominant authorities through structured systems.



**The Netherlands have prioritised the formation of metropolitan governance in recent years as a key aspect of regional development.** The voluntary network approach to metropolitan governance in the Netherlands differs from the radical structural and administrative shifts that characterised municipal mergers (see earlier section) and the objective is a collaborative implementation of regional planning and responsibilities. The Netherlands contains three metropolitan regions: the Metropolitan Region Amsterdam, MRA (see Figure 6); the Rotterdam-The Hague Metropolitan Region, MRDH; and the Eindhoven Metropolitan Region, MRE. The three metropolitan regions are formed through the cooperation of multiple municipalities within one or more provinces. The two Randstad regions, MRDH and MRA, have important differences in terms of power structures. In the MRA, for example, the provinces (North Holland and Flevoland) are prominent participants and were

---

<sup>60</sup>Ministry of the Interior and Kingdom Relations (2019) [Policy framework for municipal reorganization](#)

<sup>61</sup> OECD (2019), "[Current trends in decentralisation](#)", in *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Publishing, Paris





involved from the start. In the MRDH, on the other hand, the provinces only participate in some committees and were not included from the start of the cooperation.<sup>62</sup>

**Figure 6: Amsterdam Metropolitan Area**



Source: 2024 — Amsterdam Metropolitan Area

**There are plans to strengthen the governance of metropolitan areas in Poland through differentiated decentralisation processes.**

From a legal point of view, there is currently only one metropolitan association in Poland (in the Silesian Voivodeship). However, the creation of a second is in the preparatory phase (the metropolitan association in the Pomerania) and work is underway on a new Metropolitan Act that is intended to intensify cooperation between municipalities and counties, strengthen the approach to common challenges and enable the acquisition of financial resources, including for investments in public transport, education and waste management. This is in line with directions set out in Poland's National urban Policy and reforms being led by the Ministry for Internal Affairs on the division of competences between levels of public administration in the country. The core cities of metropolitan areas provide a number of public services not only to their inhabitants, but also to the inhabitants of the functional area who are daily users of the city. The rationale for metropolitan governance in the Polish context is that there are existing services which have responsibilities shared between the core city and surrounding municipalities based on functional interdependencies.



---

<sup>62</sup> Spaans, M., Zonneveld, W. A. M., & Stead, D. (2021). [Governance and power in the metropolitan regions of the Randstad](#). In W. A. M. Zonneveld, & V. Nadin (Eds.), *The Randstad: A polycentric metropolis* (pp. 255- 280). (Regions and Cities; Vol. 147). Routledge - Taylor & Francis Group.



## iv Regionalisation

Regionalisation is related to the formation and upscaling of intermediary bodies between the local and state levels, often with significant territorial coverage. The policy responsibilities and governmental autonomy of the regional level vary significantly from country to country ranging from quite restricted administrative roles to the constitutionally established structures and responsibilities of federal states. Over the past decade, extensive change has taken place in many European countries to reform the systems of regional governance and administration, with the goal of improving efficiency and reacting to urbanisation trends and demographic shifts. The main objectives of regionalisation include the improvement of cooperation across levels of governance in order to promote policy coherence and service delivery while also creating more competitive economies of scale.

The process of regionalisation, in terms of regional development and policy implementation, can be seen in a variety of forms in EoRPA and other European countries.



**In France, there is an extensive network of subnational governance which forms an intricate system of political representation and service provision.** In 2016, the number of regions was reduced from 22 to 13 to help simplify the subnational system of governance. However, an evaluation of the regional reform by the *Assemblée Nationale* indicated that the complexity of organisation has instead increased, **with distance from citizens within the new regions highlighted as a key issue.** The intention to create economies of scale through the amalgamation of regions has not been realised as expected and has instead led to an increase in costs and coordination challenges<sup>63</sup>. Nonetheless, despite the challenges the reform has pushed subnational authorities to undertake more responsibilities, including economic development schemes, reflective of their increased territorial coverage. Issues with coherence and policy coordination have been encountered through the reallocation of responsibilities, further exacerbated by **a scale increase in inter-municipality authority cooperation, which is currently the main process of municipal reform in France.**



**Finland is currently undergoing substantial reform of the state's regional administration, with preparatory work started in 2023 and changes set to enter force in 2026.** The reform will combine the central government's licencing, control, and supervisory functions into a new national agency covering several sectors. The aim of which is to harmonise approval and regulatory processes, particularly in relation to the green transition, and improve services offered to citizens and businesses. As such the new agency will also take on environmental related responsibilities currently held by the ELY-centres. The other functions of the ELY-centres, bar transport which will be transferred to the Finnish Transport and Communications Agency (Traficom), will be consolidated into new Economic Development Centres (*elinvoimakeskus*). The new centres, as state regional bodies, will take

---

<sup>63</sup> Vie Publique (2024), [Les compétences des régions : aperçu après la loi NOTRe](#), 2 July 2019



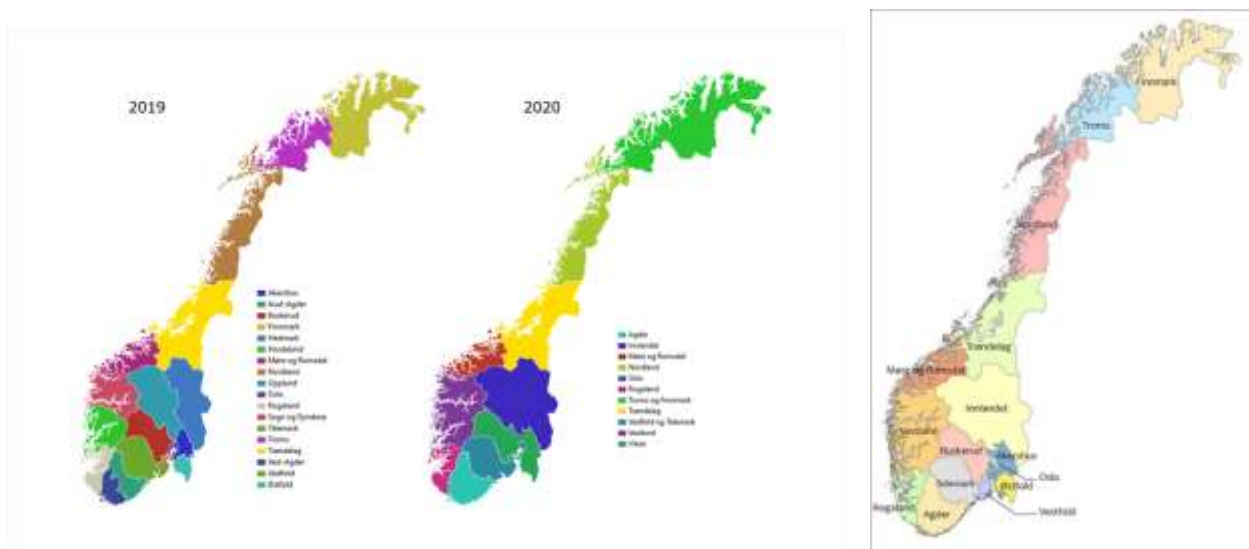


the lead in regional development with the possibility of increased future responsibilities. It is also anticipated that the new centres will largely respect the demarcated responsibility offices of the current ELY-centres, but with a higher number of operating points and an office/other place of business in each region.<sup>64</sup> The reform will clarify the distribution of administrative tasks and improve coherence in previously overlapping areas of responsibility. **As the state's regional bodies, the new centres will act as a decentralisation of administrative functions at the regional level but retention of centralised governance.**



In 2014, a county level reform in **Norway** was introduced at the same time as the wave of municipal amalgamations was initiated. (see previous section). The process was intended to halve the number of regional authorities/counties (*fylkeskommune*) and form economies of scale with more extensive territorial coverage for strategy implementation and regional planning. However, mergers at the county level proved to be more contentious, invoking concerns of regional identities and compromises. Through enforced mergers the number of counties was reduced from 19 to 11 in 2020, combining administrative and local political structures. However, by 2024 the number had risen again 15 as some of the mergers were dissolved by request of the new national government (see Figure 7).

**Figure 7: County level mergers in Norway: 2019, 2020, 2024**



Source: Trøndelag Fylkeskommune and Regjeringen- Kommunalavdelingen (2024)

When parties engage in mergers and cooperation at all levels of governance there is an assessment of risks and benefits. At a subnational level the outcomes of such assessment may not align with state policy goals. In the case of Norway, the upscaling of regional structures for

<sup>64</sup> <https://vm.fi/-/hallituksen-esitys-valtion-aluehallinnon-uudistuksesta-yhtenaistaa-palveluja-ja-teke-luvituksesta-aiempaa-sujuvampaa-esitys-laajalle-lausuntokierrokselle>







some counties was not rooted in strong local-level support and, as such, was fragile during its inception. Administrative delimitations in some countries can follow the boundaries of historical population settlements, parishes, and industrial regions, embedding connotations with regional identity and culture and exacerbating potential difficulties in making significant change to these structures.



Source: Northern & Western Regional Assembly

**In 2014, Ireland introduced the Local Government Reform Act** which significantly restructured the format of subnational governance by reducing the 114 two-tier local councils to 31 single-tier councils. The act strengthened the decision-making powers of councillors within the 31 new authorities whilst introducing the three regional assemblies and established new functions at the regional tier. Regional responsibilities include economic development, spatial planning, and the management of EU funds.



### 8.1.3 Decentralisation of subnational spending and revenues.

Alongside reforms to strengthen the role of regional and local actors in regional policy governance, **decentralisation also has a clear fiscal dimension that is related to levels of tax autonomy and spending power at sub-national levels.** Research indicates that assigning more own source revenue to sub-national governments can support regional policy's convergence goals.<sup>65</sup> The argument is that, while transfers and fiscal equalisation mechanisms are important where regional disparities are significant, the introduction of decentralised fiscal arrangements can encourage less developed territories to adopt policy innovations more rapidly. Conversely, while intergovernmental grants can fuel disparities, discouraging these regions to develop their economic and fiscal base. Moreover, decentralising reforms that assign policy governance tasks without accompanying options to generate requisite financial resources creates unfunded or underfunded mandates that undermine efficiency and effectiveness gains.<sup>66</sup>

<sup>65</sup> Blöchliger, H., D. Bartolini and S. Stossberg (2016), "Does Fiscal Decentralisation Foster Regional Convergence?", *OECD Economic Policy Papers*, No. 17, OECD Publishing, Paris,

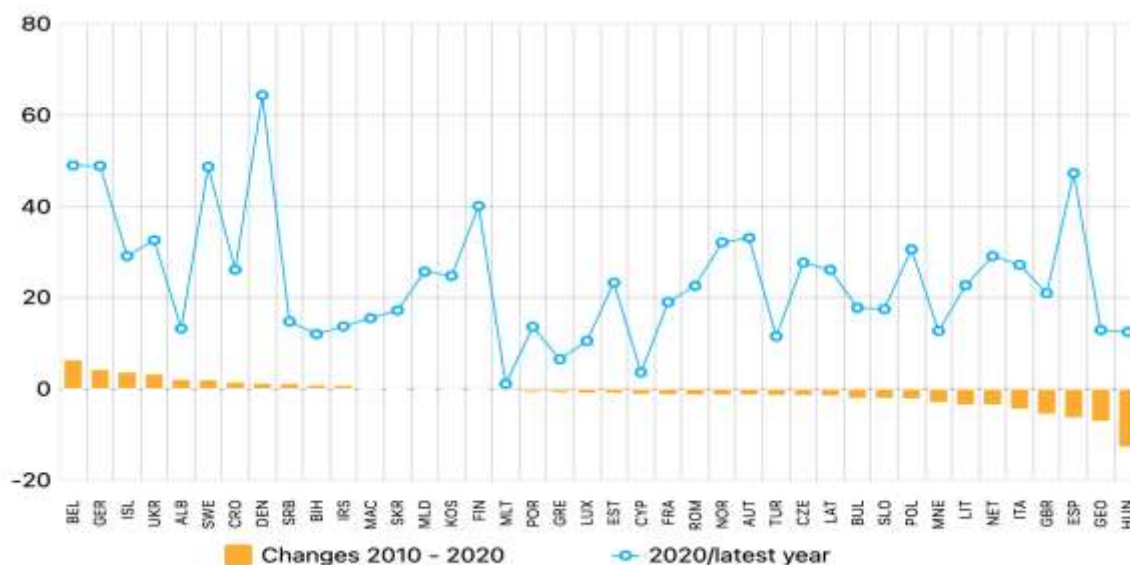
<sup>66</sup> Rodríguez-Pose, A., & Vidal-Bover, M. (2024). Unfunded Mandates and the Economic Impact of Decentralisation. When Finance Does Not Follow Function. *Political Studies*, 72(2), 652-676.





An overview of the extent of fiscal decentralisation in European countries over the past decade shows some broad patterns.<sup>67</sup> There is evidence of path dependency given that **increased local sub-national expenditure is apparent in more decentralised countries** (see Figure 8).

**Figure 8: Subnational government expenditure as % of general government expenditure, 2020 (changes 2010-2020)\***



Source: CCRE-CEMR (2023) *Local finances and the green transition: managing emergencies and boosting local investments for a sustainable recovery in CEMR member countries* p26.

Note: \*Data does not cover CH as a non-CEMR member

Countries demonstrating increasing shares of sub-national spending included two federal countries (Belgium, Germany), and two countries with already extended local services (Denmark, Sweden). On the other hand, the financial weight of subnational governments in general government expenditure decreased most in Hungary, and among the larger countries, including Spain and the UK. In the quasi-federal Spain, the budgets of the state-like autonomous communities and the lower government tiers have also both been cut.

**External crises or shocks** such as the financial crisis of 2008 and Covid-19, **can put pressure on subnational budgets** as tax revenues fall sharply while higher spending on unemployment, social protection and social welfare more generally were often borne at sub-national levels. Related changes in subnational spending can be explained by the effects of fiscal consolidation measures (spending cuts, savings programmes) or public management reforms

<sup>67</sup> CCRE-CEMR (2023) *Local finances and the green transition: managing emergencies and boosting local investments for a sustainable recovery in CEMR member countries*. <https://localfinances-cemr.eu/decentralisation-trends-in-europe.html>



aimed at seeking effectiveness and cost-efficiency (pooling of services and shared services agreements, performance assessments, public staff reforms, assets management, etc.)

Looking in more detail at specific country experiences, the challenges of introducing fiscal reforms, and coordinating the process with the decentralisation of policy governance to sub-national levels are evident.



In Spain, planned reform of the fiscal equalisation system was initially scheduled for 2014. However, the central government deferred the introduction of reform proposals, prioritising financial and economic recovery and navigating the turbulence of political instability. The government which came into power in May 2018 had the aim of adopting a new territorial financing system by the end of 2020. However, the unexpected general election of November 2019 (followed by another in July 2023), coupled with the COVID and energy crises, delayed the reform. A recent conference of experts in May 2024 reviewed key problems in the current system, such as financial inequalities in allocations to regions and the complexity of fiscal management, and proposed several measures.<sup>68</sup> These included the introduction of a transitional equalisation fund to support underfunded regions, revising tax retention and payment systems, and improving the calculation of tax revenues. Additional issues are the need for greater fiscal responsibility among regions, and opposition to the idea of granting complete fiscal autonomy to certain regions like Catalonia, arguing that it would harm national equity and solidarity.



In Poland, the Council of Ministers adopted a draft law in September 2024 on the financing of local governments. Based on these proposals, the new act will strengthen and stabilize the finances of all local government units, with corresponding benefits for Poland's current regional policy initiatives (see Box 4).<sup>68</sup>

---

<sup>68</sup> Polish Council of Ministers (2024) [Draft Act on the Income of Local Government Units](#)





#### Box 4: Fiscal decentralisation and regional policy in Poland

A report by Poland's Supreme Audit Office in March 2024 noted a significant reduction in the own revenues of local government units (regional, county and local) in recent years, calling into question their financial independence and ability to perform public tasks. In response, a draft law on the finances of local government units was adopted in September 2024. The main objectives of the changes are:

- **Strengthening and stabilizing the finances of local government units** by increasing own revenues.
- **Ensuring better allocation of public funds.** The proposed system of local government revenues will take into account the specificity characteristics of individual categories of local government units (regional, county, local), encompassing not only the issue of income differences but also the expenditure needs of local government units related to their responsibilities.
- **Increasing the influence of the local governments on the distribution of funds.** The proposals for the local government revenue system would, with the participation of the local government, make it possible to divide financial resources depending on the conditions for the implementation of tasks in local government units, which vary from year to year.

**From a regional policy perspective, the Ministry of Regional Policy and Development Funds (MDFRP) sees benefits in the proposed changes**, in line with the 'place based' orientation of its measures:

- Increasing the share of local government units in income taxes (PIT and CIT) can contribute to an increase in local governments' own revenues, which in turn can improve the implementation of local investments.
- Increased transparency in the distribution of funds for local government units through the use of objective parameters, means that funds can be allocated in accordance with the actual needs and potential of individual local government units, which would help reduce regional inequalities.
- The recognition of specific categories of local government in terms of both income differences and expenditure needs should allow for more precise allocation of funds by local governments in these areas, which in turn will have a positive impact on sustainable regional development.

The MDFRP has recommended that the planned reform include metropolitan areas as a category in the revised system and the reform also represents an opportunity to incentivise inter-governmental cooperation.



In Bulgaria, debate on fiscal capacity is linked to the process of governmental decentralisation and the associated increased fiscal autonomy of local authorities. However, the process has been slow despite the existence since 2016 of a Strategy and Programme on Decentralisation. Between 2022-2024 the Ministry of Regional Development and Public Works has worked jointly with the EU Technical Support Instrument (DG Reform) and the Council of Europe in producing a comprehensive analysis of the existing legal, administrative and fiscal framework of municipalities. The assessment highlights the excessive reliance on state transfers, which are predominantly in the form of earmarked grants, as well as the limited role of the equalisation system and its fragmentation. It recommends an adjusted system that takes into account the fiscal gap between the municipal expenditure needs and their fiscal capacities. This initial output will be followed by a peer review, training needs analysis, policy advice and capacity development activities.<sup>69</sup>



#### 8.1.4 Asymmetric decentralisation

**There is a growing trend for differentiated decentralisation processes which create tailored governance frameworks for place-based regional policies.** This is distinct from asymmetric political decentralisation where specific regions or subnational governments are given political self-rule and refers to efforts to differentiate institutional and/or fiscal frameworks to better target local capacities and allow a better policy response to local needs.<sup>70</sup> These arrangements can include special regulatory provisions, the creation of additional revenue bases, special grants, or rights to extended service provision. Within this, the prominence of bilateral, negotiated arrangements between state and sub-national levels is increasing as a means of agreeing specific, tailored provisions. The process can also be introduced in a sequenced way, 'piloting' initiatives in specific territories before rolling out decentralisation processes more broadly.<sup>71</sup>

Differentiated decentralisation processes can focus on a range of administrative levels. Regional tiers of administration have been the target of differentiated decentralisation processes, often as part of efforts to address significant geographic, demographic and socio-economic differences. New governance arrangements are also emerging for functional territorial, particularly functional urban areas. Differentiated governance arrangements are

---

<sup>69</sup> COM (2023) Developing fiscal decentralisation and improving local financial management in Bulgaria (June 2022- February 2024).

<sup>70</sup> Allain-Dupré, D., I. Chatry and A. Moisió (2020), "Asymmetric decentralisation: Trends, challenges and policy Implications", OECD Regional Development Papers, No. 10, OECD Publishing, Paris

<sup>71</sup> Ferry, M. (2021). Pulling things together: regional policy coordination approaches and drivers in Europe. *Policy and Society*, 40(1), 37–57.





being put in place to support place-based policies that respond to territorial challenges facing specific configurations of sub-national authorities such as the main urban areas or the most remote rural regions. EoRPA countries have considerable experience with asymmetric decentralisation in a range of forms as illustrated in the following examples.



In **Portugal**, current decentralisation processes comprise both the transfer of new competencies to the local authorities and the reform of the sub-national organisational structure of the State. Both are being implemented on a differentiated basis to take account of specific policy fields and individual circumstances of the different territories (see Box 5).

### Box 5: Differentiation in local and regional reforms in Portugal

**Incremental transfer of competences to local authorities and inter-municipal entities has been underway since 2019.** It has been expected that all local authorities and inter-municipal entities would eventually assume the new competences (as the process is not optional), but at different speeds depending on their particular circumstances, the complexity of the competences being transferred, and the financial, human and organisational implications of the decentralisation process and the existing municipal capacity.<sup>72</sup> This is important to ensure that there are adequate resources and capacities to take on new roles and responsibilities efficiently.<sup>73</sup>

**A range of resources have been established to support and monitor the process.** A Decentralisation Financing Fund was created by the revised Local Finance Law with resources to help State budgets finance, on a transitional basis, the new competences of local authorities and inter-municipal bodies. A decentralisation monitoring committee (*Comissão de Acompanhamento da Descentralização*) was set up to assess the adequacy of the financial resources in each area of competence, as well as a working group for the implementation of decentralisation (*Grupo de Trabalho para a Execução da Descentralização*). The General Directorate of Local Authorities (DGAL), as well as the Monitoring Committees of the municipalities in the different areas, also monitor the transfer and adequacy of funds. By mid-2024, the decentralisation process has been largely completed and consolidated, with the majority of competences having been transferred in most policy areas.

**Differentiated reforms of the sub-national organisation of the State are also underway**, investing Regional Coordination and Development Commissions (CCDRs) with their own legal identity and administrative and financial autonomy, introducing the election of CCDR presidents through an electoral college comprising members of municipal bodies to reinforce democratic legitimacy at regional level and transferring services with a spatially limited scope to the responsibility of the CCDRs. The ultimate objective is to increase the effectiveness and efficiency of implementation of cross-cutting policies which are crucial for regional development within individual territories.

---

<sup>72</sup> The timelines of the integration and restructuring processes differ depending on the process, policy area and respective needs / maturity – e.g. the Decree-Law foresees the conclusion of the integration process ‘within 60 working days’ in the area of agriculture and fisheries, or by 31 March 2024 for the integration processes in the areas of culture and industrial planning.

<sup>73</sup> [OECD \(2023\) Rethinking Regional Attractiveness in the Algarve Region of Portugal.](#)



**In Italy, Law No. 86 on differentiated autonomy of the regions was approved by the Chamber of Deputies on 26 June 2024.<sup>74</sup>** Differentiated autonomy aims to allow

individual regional governments to request more management and programming powers in a range of areas that are currently centralised, including education, health, cultural assets and infrastructure. Under current plans, this devolution of powers to the regions will be accompanied by delegation of tax collection and management and spending of the corresponding revenue in their territories. Regions will be able to obtain the additional functions requested only if they have the capacity to meet Essential Performance Levels for services that must be guaranteed to citizens universally throughout the national territory. Once these criteria have been defined, the State and Regions can have five months to reach an agreement on specific arrangements, which may have a maximum duration of 10 years. This process will be monitored and coordinated by a *Cabina di Regia*, ensuring compliance with the rules and objectives set.

**Table 1: Potentials and risks of asymmetrical decentralisation in Italy**

	Northern Regions	Southern Regions
<b>Potentials</b>	<p>Greater efficiency in public services: regions can adapt services to local needs, improving effectiveness.</p> <p>Decision-making autonomy: greater freedom to make decisions without the extensive supervision of the central state.</p> <p>Greater autonomy could make these regions more attractive for new investments and business activities.</p>	<p>Greater attention from the state: autonomy of the Northern regions could lead to a redistribution of state resources, potentially greater support for the southern regions.</p> <p>Efficiency incentives: need to compete with more autonomous regions could stimulate improvements in delivery of goods and services.</p> <p>Development of tailored policies: Southern regions could benefit from specific policies to address their specific economic and social challenges.</p>
<b>Risks</b>	<p>Additional costs: to finance new skills, it may be necessary to introduce new taxes or charges, influencing the local economic fabric.</p>	<p>Taking on new skills without adequate resources or experience could be particularly problematic for southern regions.</p> <p>The ability of Southern regions to generate tax revenues could be negatively affected by the reallocation of resources in favour of the North.</p> <p>If the Northern regions prosper more as a result of decentralisation, the economic and social gap with the South could widen.</p>

Source: EoRPA research, based on a review of the debate in Italian media.

<sup>74</sup> [The Regions and differentiated autonomy \(camera.it\)](https://www.camera.it)





The potentials and risks of differentiated decentralisation in Italy have been extensively debated (see Table 1). Concerns have been raised, for example, that for the less developed regions in the south of the country, which receive less tax revenue, this mechanism will automatically reduce the resources they have available to manage and exercise their powers, contributing to regional disparities. Indeed since the publication of the new Law, several requests have been filed for a referendum to repeal the Law.<sup>75</sup> These concerns have also been expressed by the European Commission in its Country Recommendations.<sup>76</sup>



**Sweden has pursued a process of asymmetric or evolutionary decentralisation, involving a change from a strongly 'context-dependent' to an increasingly uniform approach.**<sup>77</sup> The intermediate/regional level of county councils has been traditionally considered weaker than national and local levels in terms of decision making for spatial regional development. Since the late 1990s, Sweden has developed different options to strengthen the role of the meso-level in regional policy governance, introducing changes in an asymmetric way. This was based on a bottom-up dynamic: national government did not impose a single model on the counties, preferring a more experimental approach and the pursuit of different options according to specific regional contexts. This includes the retention of deconcentrated state offices as responsible bodies for regional policy in some counties, the assignment of responsibilities to directly-elected county councils, the use of inter-municipal co-operation agencies or indirectly elected regional coordination bodies. In 2019, however, the central government decided to end the asymmetric regionalisation and provide all counties with the same governing bodies (directly-elected councils).<sup>78</sup> At the beginning of 2020, all county councils were further renamed and re-designated as regions.<sup>79</sup> The strengths and weaknesses of this recent reform process have yet to be formally evaluated. However, the value of having democratically elected bodies responsible for regional development is recognised by policy makers as these are more in touch with local and regional issues and can mobilise funding and coordinate actions better than state agencies such as County Administrative Boards.

---

75

[https://www.gazzettaufficiale.it/atto/serie\\_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2024-07-06&atto.codiceRedazionale=24A03523&elenco30giorni=false;](https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2024-07-06&atto.codiceRedazionale=24A03523&elenco30giorni=false)  
[https://www.gazzettaufficiale.it/gazzetta/serie\\_generale/caricaDettaglio?dataPubblicazioneGazzetta=2024-07-18&numeroGazzetta=167&tipoSerie=serie\\_generale](https://www.gazzettaufficiale.it/gazzetta/serie_generale/caricaDettaglio?dataPubblicazioneGazzetta=2024-07-18&numeroGazzetta=167&tipoSerie=serie_generale)

<sup>76</sup> European Commission (2023) *Commission Staff Working Document Country Report 2023 – Italy accompanying the document Recommendation for a council recommendation on the 2023 National Reform Programme of Italy and delivering a Council opinion on the 2023 Stability Programme of Italy*, 24 May 2023).

<sup>77</sup> OECD (2017b) *op. cit.*

<sup>78</sup> The only exception to this being the island municipality of Gotland which has the same responsibilities and tasks normally associated with a region.

<sup>79</sup> [https://riksdagen.se/sv/dokument-lagar/arende/betankande/en-ny-beteckning-for-kommuner-pa-regional-niva\\_H701KU3](https://riksdagen.se/sv/dokument-lagar/arende/betankande/en-ny-beteckning-for-kommuner-pa-regional-niva_H701KU3)





**Differentiated decentralisation has been prominent trend in the United Kingdom over the past two decades.**



Different types of area deals at different territorial scales have been concluded between central government and local entities in England, and between central government and devolved administrations and local entities in Scotland, Wales and Northern Ireland.<sup>80</sup> *City Deals* (across the UK) are 'bespoke packages of funding and decision-making powers' negotiated between the Government and local authorities. They are negotiated on an individual basis and can involve financial support in the form of grants and loans, requests for regulatory change or the relocation of public agencies to facilitate cluster growth. *Devolution Deals* (England only) involve the transfer of powers, funding and accountability for policies from central government. The specific arrangements vary as they are negotiated and agreed separately, based on proposals submitted by cities and surrounding functional economic areas. Most have included the establishment of a Mayoral Combined Authority and all include devolved responsibility for delivery of aspects of transport, business support and further education policy (see Figure 9).<sup>81</sup> In 2023, two 'trailblazer' Devolution Deals went further devolving additional powers and introducing simplified funding arrangements, paving the way for future deals with single departmental-style settlements.

It should be noted that the governance changes associated with devolution in England have been critiqued. On the one hand, an incremental process of devolution has allowed progress to be made based on the demand from and capacity of local areas and allowed new approaches to be piloted. The experience of introducing mayors for combined authorities in England is also perceived to have boosted local political accountability.<sup>82</sup> On the other hand, the differentiated introduction of governance change has resulted in what has been called the 'piecemeal emergence of a complex and geographically uneven system of governance'.<sup>83</sup> As the deals are individually negotiated and agreed first with the areas which are most ready for them, there are asymmetries in power between them. While areas with deals could be seen to be part of a process of decentralisation, those areas which do not yet have deals have had funding recentralised to some extent.<sup>84</sup>

---

<sup>80</sup> For example, as well as City Deals and Devolution Deals, there are also Growth Deals (around 50 Growth Deals across the UK), County Deals and Town Deals.

<sup>81</sup> Sandford M (2023) [English devolution: What's in the new deals?](#) House of Commons Library, 27 March 2023

<sup>82</sup> See '[England's promising experiment with metro mayors](#)' Financial Times 8/4/24.

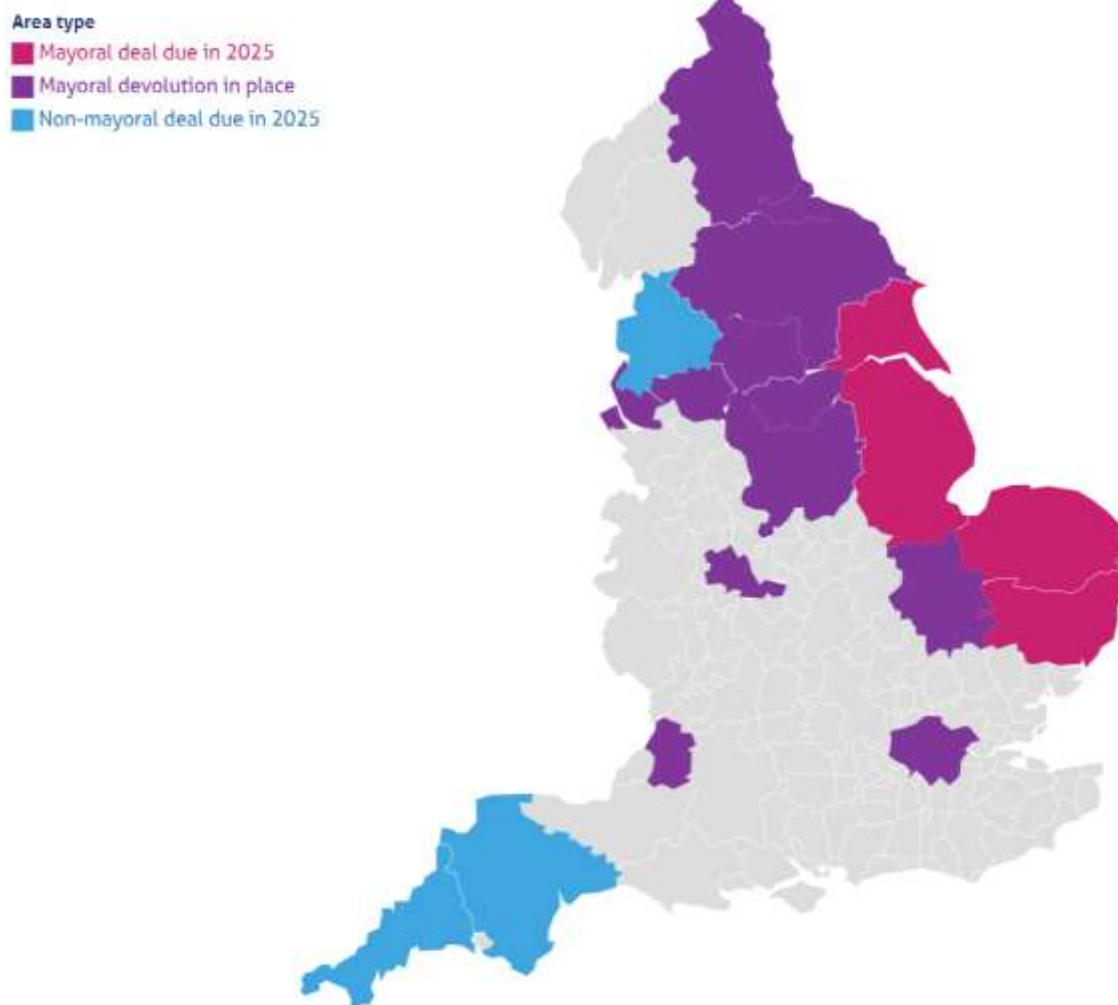
<sup>83</sup> Clelland D (2020) [Beyond the city region? Uneven governance and the evolution of regional economic development in Scotland.](#) *Local Economy*, 35(1), 7-26.

<sup>84</sup> Where local authorities are bidding into centralised regional policy funding streams.





Figure 9: Coverage of English devolution



Source: Institute for Government analysis of UK government announcements, including the 2023 autumn statement. • Get the data • Embed • Download image

Source: Institute of Government (2024)



**In France, the '3DS' law on 'differentiation, decentralisation, deconcentration and various measures to simplify local public action' of February 2022 marked an important step for French decentralisation that includes provisions for asymmetric processes** to allow flexibility in the way sub-national authorities organise themselves and implement policy. In order to adapt to local realities, the law reaffirms the ability of local authorities to adapt their organisation and action to the specific features of their territory, while respecting the principle of equality. More flexibility is introduced in the operation of municipalities and inter-municipalities. Municipalities will be able to transfer competences to inter-municipal bodies according to specific contexts. However, there has been criticism from local authorities that these measures are still insufficient to meet the current challenges of decentralisation. A 2024 National Assembly report proposes strengthening local powers through increased local regulatory powers and fiscal autonomy, without major institutional



upheaval.<sup>85</sup> The Minister for Territorial Authorities has confirmed that a new law on decentralisation is planned for the end of 2024.

### 8.1.5 Decentralisation: supporting regional development but with challenges and risks

**Decentralisation processes are evident across a wide range of European countries and take different forms including fiscal, administrative and political decentralisation.** Administrative decentralisation, involving the (re)allocation of responsibilities, functions, administrative and human resources, is most frequently pursued. This type of reform generally encounters fewer political and institutional barriers and resistance than political or fiscal decentralisation. However, challenges are still apparent and there are transaction costs in any upscaling or rescaling governance arrangements including information requirements, bargaining, and enforcement costs of putting together collective action, as well as the loss of autonomy to individual actors. Moreover, these processes are fragile and subject to external variables such as political change or crises such as Covid-19. The long term nature of the decentralisation processes in countries such as France, Poland and Sweden is testament to these challenges.

**One important motivation for decentralisation processes is to support contemporary regional development objectives.** The use of decentralisation as a lever for regional development is evident in efforts to mobilise the regional productivity, to be more balanced and inclusive, to increase the capacity of regional and local actors to design and implement place-sensitive regional policy. Decentralisation processes are also informed by growing recognition that administrative borders are not always the best boundaries for regional development dynamics. Regional problems and their solutions are now understood to be far more spatially specific and this is influencing governance arrangements, for example through the targeting of different functional areas.

#### **Decentralisation processes face a range of risks and challenges:**

- Decentralisation efforts can be vulnerable to change or reversal based on political and electoral shifts or the impact of external shocks.
- There is a **risk of creating unfunded mandates if competences and implementation responsibilities are decentralised to regional and local levels without accompanying fiscal reforms.** Sub-national levels can be faced with growing responsibilities as a result of a country's decentralization strategy, but with limited ability to increase financial resources due to small local tax bases.

---

<sup>85</sup> National Assembly (2024) [Information report on a new Act of Decentralisation](#), 10 April 2024





- **Decentralisation can create inefficiencies and complexities, emphasising the need for national coordination.** Governmental bodies at different levels may have overlapping responsibilities and powers, which can cause lack of clarity, complexity, and a democratic deficit.
- Without specific attention to capacity issues, **there is a risk that asymmetric decentralisation can contribute to territorial disparities.** There is a tendency for asymmetric decentralisation processes to focus initially on territories with existing governance capacities and a clear justification for additional responsibilities (frequently large cities and their surrounding functional areas). This may mean that there is less of a focus on peripheral or less-resourced local areas. The potential benefits of decentralisation, therefore, are more likely to be seen in sub-national units which were already better equipped with administrative capacity, potentially reinforcing imbalances across administrations and exacerbating territorial disparities in the long-term.





## 9 POLITICAL, ECONOMIC AND SOCIAL IMPERATIVE FOR REGIONAL POLICY: CONCLUDING OVERVIEW

*“There is a growing consensus that understanding and harnessing local endowments is fundamental for the socio-economic development of regions. These endowments encompass infrastructure and accessibility, but also human capital, competitiveness and innovation and, last but not least, institutions. They also take into consideration other factors such as the presence of regional development traps, the resilience of different places, agency, and sustainability transitions”<sup>86</sup>*

### **Long-term structural issues, newer spatial challenges, socio-political impact**

Regional inequalities in Europe are proving persistent and, in many areas, are actually increasing. Regional policy makers face multiple challenges at different scales of intervention. Sustained, **structurally-rooted regional disparities** are exacerbated by the impact of more recent crises including the war in Ukraine, the energy crisis and the ongoing impact of the Covid pandemic. The complexity of factors which impact the sustainable socio-economic growth of regions is challenging for policy design, implementation and coordination. The **green transition is creating new vulnerabilities** for regional development, particularly in regions that are already structurally weaker. In addition, the climate targets set by many European countries adds new pressure to green transition measures, including within regional policy, in a form of 'deadline driven transformation'. **Security issues** have also recently emerged as an increasingly important factor in regional development as defence budgets limit spending in other areas and regions in the eastern border of the European Union in particular are negatively impacted by the geo-political situation with Russia.



The economic and social consequences of regional disparities are increasingly giving rise to **Europe-wide discontent** which is making itself known in national and regional ballot boxes.



Cultural and identity issues are associated in particular with regions in transition out of major historically important industries or sectors where the future economic path is less secure or understood. The 'development trap' concept identifies regions even in wealthier European countries which have 'lost their edge' and face barriers to ongoing increased productivity and innovation. Demographic decline has a negative impact on many rural and more

<sup>86</sup> Rodrigues-Pose, A et al (2024) op cit





peripheral regions, resulting in brain drain and inadequate public services, increasing the social concerns of the remaining population. The longer the economic stagnation continues, the greater the social and political discontent appears. There is also an important contribution of public perception – where regions feel that they are 'left behind' in comparison to other regions, political and social discontent can be considerable.

### **Renewed political commitment to equitable development**

Against this background, there has been a renewed political and policy commitment to addressing territorial inequality in a way that takes the complexity of regional policy challenges into account in the context of specific regional characteristics and development paths. The concept of 'place-based' policies is now widely understood, with more recent literature highlighting a slightly broader '**place-sensitive**' approach is rooted in



development theory and evidence but also adapted to the particular conditions and challenges of different groups of regions.<sup>87</sup> The three principles of the 'place-sensitive' approach are: the need for differentiation between different types of region; the importance of coordination to bring together top down and bottom up intervention and coordinate across different levels of government; and the centrality of integration, supporting a mix of policies addressing structural, socio-economic and institutional factors to encourage regional economic growth. These principles are clearly reflected in the regional policy trends across Europe in the past 12-18 months through new legislation, strategies, incentive programmes and institutional changes.

### **New legislation and strategies: supporting endogenous growth**



In terms of new legislation (see section 4.1), the **new eight year New Regional Policy 2024-31 programme in Switzerland** continues to target rural, mountain and border areas and support regional economic development but has broadened its scope to support projects aligned with both the export base principle but also the local economy to mobilise local actors to meet local and regional demand. The **new Law on Regional Development in Hungary** introduces new territorial approaches, including

functional urban areas and peripheral areas and strengthens mandatory coordination

---

<sup>87</sup> Rodríguez-Pose, A *et al* (2024) *op cit*





between different levels of government to encourage more unified direction of policy implementation and alignment with regional policy objectives.

A number of countries have introduced new or revised strategies and visions which also reflect the principles of a place-sensitive approach (see section 4.2). The **2024-27 Regional Development Decision in Finland** includes two cross cutting perspectives – comprehensive security and a regional perspectives which recognises the specific traits, current and future strengths and socio-cultural capital of individual regions. In **Poland**, the new **National Development Concept 2050** includes a number of new innovative elements, including a strengthened territorialisation of development policy, use of foresight activities and more tools for participatory planning. The new **Strategy for Northern Sweden** recognises the specific opportunities for industrial activities in the north of the country and identifies six specific areas considered to be key for development. Finland is similarly developing specific programmes for the North and East Finland, building on particular regional characteristics and the potential for clean transition investment in particular.

### ***Is it working? Effectiveness and evaluation studies***

The challenges of the economic, social, political and environmental conditions facing regional policy makers has also led to a number of countries undertaken policy evaluation and review to assess effectiveness and the ongoing relevance of objectives (see section 5). The first **Equivalent Living Conditions Report** was published in **Germany** in July 2024 representing a major exercise in both objective statistical analysis and public consultation on living conditions across the country as a whole. The report shows that regional convergence is evident in many indicators but that significant challenges remain, not least in the public perception of living conditions and relative disparities, and will be used to inform the ongoing development of



spatially targeted policies. An **external evaluation of the national model for regional development** has been carried out in **Finland** which positively appraised and partnership based approach in encouraging cooperation and building trust but pointed to ongoing fragmentation across policy areas and responsibilities. Further evaluations on the efficiency and effectiveness of regional policy and, similarly to Germany, the current state of regional

development and future prospects is underway. In **Sweden**, government response to a National Audit Office report includes an **assignment to County Administrative Boards to report on how their activities contribute to regional and rural policy objectives**. A public enquiry on regional development and rural policy is also underway to ensure that these policy areas are aligned with current challenges and opportunities. **Hungary** is **fundamentally revising its regional policy framework by 2026** including a new regional policy concept reinforcing territorial logic in policy planning and implementation, a strengthened institutional system and a new capacity building network to reinforce sub-national skills and management knowledge.





## ***New governments, new policy directions***

Reassessment of policy objectives is also emerging following national elections and new governments taking office (see section 6). National elections have taken place in 16 European countries in the 2023-24 period, with a further four countries by the end of 2024. The coalition agreement of the new **Dutch** government emphasises the role of regions and provinces in spatial planning and development in a number of ways, including developing region deals for lagging regions into wider investment agendas to support economic growth. The new Labour government in **the UK** has dropped the previous 'levelling up' terminology and, while full implications for regional policy have not yet emerged, may return to greater support of cities and city regions as well as promoting a new devolution framework. The new **Portuguese** government is likely to maintain broad continuity of policy direction with a key priority of improving governance in already decentralisation areas and supporting coordination between levels of government. The implications for regional policy of the recent **French** election are not yet clear.



## ***Policy instruments: spatial targeting, equity vs. efficiency, climate sustainability***

In terms of policy instruments (see section 7), recent changes again clearly reflect the overall principles of a place-sensitive approach. Geographically targeted programmes are being developed, or have been introduced, supporting North and East **Finland**, eastern border areas



in Latvia and the north-eastern border area in **Poland**. These particular spatially targeted initiatives also all reflect the growing importance and impact of security concerns within regional development. Support for rural and 'threatened' areas has been further developed and targeted in **France, Norway** and Czech Republic while new approaches to spatial targeting, recognising the role of functional and cross-regional areas, can be

seen in Estonia and Hungary. In general terms, recommendations to strengthen territorial dimension of public policies have been adopted in **Poland**.

The need for balance of equity and efficiency goals can be seen in new and revised programmes to support competitiveness in the **UK** Investment Zone programme and the creation of a single Special Economic Zone in **Italy**. The ongoing push for the integration of sustainability and climate related objectives into regional policy measures is also clear in amendments made to incentive programmes in **Germany**, Slovakia and Brussels.







### **The importance of governance: national institutional changes...**

The overarching importance of governance structures and institutions for the effective implementation of regional policy is becoming increasingly acknowledged. Reflecting in particular the need for policy coordination, a number of key institutional changes have taken place in a range of European countries over the past 12-18 months. In **Italy**, the **Agency for Territorial Cohesion was abolished and responsibilities transferred to the newly created Department for Cohesion Policies and the South**, under the direct control of the Prime Minister. The new Department was created in December 2023 and the move was part of an attempt to streamline the overall governance process and strengthen cohesion policies and the integration with the National Recovery and Resilience Plan. The creation of the **Czech Committee on Regional Policy** in 2024, formally chaired by the Prime Minister, is designed to strengthen the importance of regional development topics and provide a channel for the Ministry of Regional Development to engage in a targeted way with other Ministries. In **Estonia**, the **Ministry of Regional Affairs and Agriculture** was created in July 2023 representing a reorganisation of Ministerial portfolios while in **Hungary**, a new **Ministry of Public Administration and Regional Development** was created in January 2024 which has widened responsibility for Cohesion Policy Managing Authorities, the national authority for the Recovery and Resilience Facility, and local government.



### **.....and decentralisation trends**

More broadly, the **distribution of powers and resources between central and sub-national government** continues to be an issue of reform and debate in many European countries. Ongoing processes of **decentralisation** are evident motivated by objectives such as economic efficiency, public accountability and empowerment (see section 8). Amid considerable complexity and variation, decentralisation trends can be broadly differentiated into three typologies.<sup>88</sup> First, **upscaling sub-national governance** involves increasing the capacity and resources of sub-national authorities to undertake or expand service responsibilities and demographic representation. This can take a range of forms including: municipal amalgamations; a strengthening or reorientation of the regional level; inter-municipal cooperation (IMC) to support service provision and representation; and metropolitan governance systems representing a specialised form of IMC. Second, **fiscal decentralisation** of public finances and



---

<sup>88</sup> OECD (2019) *op cit*





increasing sub-national spending and revenues. And third, **asymmetric decentralisation** with the varied allocation of competencies across time, policy fields, sub-national governments and territories.

Examples from some EoRPA countries illustrate all these different types of decentralisation. **Norway** has undergone a process of both municipal amalgamation, which continues to be an aspect of regional policy, and county level reform which has proved more fragile from its inception due to lower local-level support. In the **Netherlands**, municipal reform has been ongoing for decades and closer attention is currently being paid to the creation of metropolitan regions. In **France**, regional reform to reduce the number of regions was initiated in 2016 while inter-municipal cooperation plays a key role in the coordination of services and



sub-national governance. In **Portugal**, a process of decentralisation has been ongoing for many years and continues to be a major focus of policy attention. Recent developments include the change in status of the Regional Coordination and Development Committees to support the integration of various deconcentrated public policies

and the signing of inter-administrative programme contracts between the government and the Committees to support the more holistic implementation of policies with regional development impact. There are plans to strengthen the governance of metropolitan areas in **Poland** through differentiated decentralisation and the country also adopted a draft law in September 2024 on the strengthening and stabilising of finances for local government. Asymmetric decentralisation can be seen in **Sweden** through the introduction of a range of different options to strengthen the role of the meso-level in regional policy governance since the late 1990s as well as in **Italy** where reforms on differentiated autonomy are passing through parliament. In the **UK**, differentiated decentralisation has been a prominent trend for the past two decades illustrated by different types of area deal being concluded at different territorial scales while in **France**, the '3DS' law on 'differentiation, decentralisation and deconcentration' of February 2022 included provisions for asymmetric processes to allow flexibility in the way sub-national authorities organised themselves and implemented policy.

The prevalent processes of decentralisation across European countries, albeit in a wide range of different forms, is motivated in part by the desire to support the parallel development of contemporary place-sensitive regional development objectives. Decentralisation processes are also subject to a **range of risks and challenges**, with corresponding potential impact on effective policy implementation and outcomes. Decentralised structures can be vulnerable to





change or reversal based on political or other external factors. Sub-national bodies with growing responsibilities emerging from a decentralisation strategy can be limited in their ability to deliver due to lack of financial resources or limited capacity. Inefficiencies and complexities emerging from newly decentralised structures can increase the need for national or multi-level coordination which is often an area of particular challenge. Particularly negative in a regional policy context, asymmetric decentralisation has the potential to actually contribute to territorial disparities if potential benefits are focused on sub-national units which were already better equipped with administrative capacity.





## EoRPA CONSORTIUM

This paper has been prepared by Ruth Downes, Martin Ferry, Rachel Maguire and John Bachtler of the European Policies Research Centre (EPRC) for the European Regional Policy Research Consortium, EoRPA. In 2024-25, EoRPA partners are:

<b>Austria</b>	Bundesministerium für Land- und Forstwirtschaft, Regionen und Wasserwirtschaft (Federal Ministry for Agriculture, Forestry, Regions and Water Management), Vienna
<b>Finland</b>	Työ- ja elinkeinoministeriö (Ministry of Economic Affairs and Employment), Helsinki
<b>France</b>	Agence nationale de la cohésion des territoires (National Agency for Territorial Cohesion), Paris
<b>Germany</b>	Bundesministerium für Wirtschaft und Klimaschutz (Federal Ministry for Economic Affairs and Climate Action), Berlin Berliner Senatsverwaltung für Wirtschaft, Energie und Betriebe (Berlin Senate Administration for Economic Affairs, Energy and Business)
<b>Italy</b>	Dipartimento per le politiche di coesione (Department for Cohesion Policies and the South), Rome
<b>Netherlands</b>	Ministerie van Economische Zaken (Ministry of Economic Affairs), The Hague
<b>Norway</b>	Kommunal- og distriktsdepartementet (Ministry of Local Government and Regional Development), Oslo
<b>Poland</b>	Ministerstwo Funduszy i Polityki Regionalnej (Ministry of Development Funds and Regional Policy), Warsaw
<b>Portugal</b>	Agência para o Desenvolvimento e Coesão (Cohesion and Development Agency), Lisbon
<b>Sweden</b>	Landsbyggs- och infrastrukturdepartementet (Ministry of Rural Affairs and Infrastructure), Stockholm
<b>Switzerland</b>	Staatssekretariat für Wirtschaft (SECO, State Secretariat for Economic Affairs), Bern
<b>United Kingdom</b>	Ministry of Housing, Communities & Local Government, London Scottish Government, Glasgow

The European Policies Research Centre gratefully acknowledges the financial support provided by the members of the EoRPA Consortium. The EoRPA research programme is directed by Professor John Bachtler, Professor Carlos Mendez, Ruth Downes and Dr Irene McMaster. The research is based on desk research and fieldwork carried out by a research team of national experts from EPRC and across Europe comprising:

- Stefan Kah (Austria)
- Odilia van der Valk (Belgium and the Netherlands)
- Neli Georgieva (Bulgaria)
- Vinko Muštra and Blanka Šimundić (Croatia)
- Eleftherios Antonopoulos (Cyprus and Greece)
- Lucie Jungwiertova (Czechia)
- Henrik Halkeir (Denmark)
- Kristiina Tõnnisson (Estonia)
- Heidi Vironen (Finland and Sweden)
- Eléna Jabri (France and Switzerland)
- Ruth Downes (Germany and Malta)
- Zsuzsanna Kondor (Hungary)
- Irene McMaster (Ireland and Norway)
- Liliana Fonseca (Ireland)
- Virginia Arena (Italy)
- Tatjana Muravska and Jelena Daha (Latvia)
- Gintarė Vikmonaitė and Jonas Jatkauskas (Lithuania)
- Rachel Maguire (Norway)
- Martin Ferry (Poland)
- Viktoriya Dozhdeva (Portugal)
- Neculai-Cristian Surubar (Romania)
- Martin Obuch (Slovakia)
- Damjan Kavaš (Slovenia)
- Carlos Mendez (Spain)
- Rona Michie (UK)

