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New International Challenges and Priorities for Regional Policy

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EXECUTIVE SUMMARY

Political concern with interpersonal and interregional socio-economic disparities has grown in Europe in 2017-18, in response to national election/referendum results and wider unease at the unequal distribution of resources and opportunities. Studies suggest that:

- Regional disparities in GDP per capita in Europe have widened since 2008, partly due to an increase in inequalities between countries;
- Lagging regions in Europe can be divided into those characterised by 'low income' (eastern regions) and those characterised by 'low growth' (southern regions);
- Key drivers of interregional inequality in Europe in the past decade include: long-run technological change; structural changes in central-eastern countries since 1990; the diverse impact of the 2008/09 financial/economic crisis; and political and policy decisions;
- Household disposable income inequality rose in most EU Member States in 1989-2015, due to increased disparities in labour income and growing concentration of capital income and wealth.

Key regional policy changes in 2017-18

In response, governments are taking new steps to address interregional inequalities:

Major regional policy reforms are underway

Significant changes in regional policies are underway in a number of countries. Finland is revising delivery systems in the context of a reform of regional government. Germany is revising the support system for structurally weak regions nationwide from 2020. The Netherlands' new government is placing a clearer emphasis on regional development, including targeted support for specific regions. Poland is negotiating a set of domestic strategies, including a new National Strategy for Regional Development. The United Kingdom is developing new approaches to regional policy e.g. local industrial strategies.

Policy-makers are seeking to generate and agree new ideas

At country-level, mechanisms for negotiating new ideas are focused around new national strategies for regional development or are driven by domestic political commitments. At regional/local levels, methods for ideas-generation require regional partnerships to develop integrated and innovative approaches.

Peripheral, rural and urban areas are being targeted more strongly

New instruments and/or more intense discussions have been launched for 'marginalised', 'peripheral', 'interior' or 'mountainous' areas. The increased emphasis on digitalisation in regional policy also often targets peripheral areas. More broadly, there is a stronger focus on rural areas and on small or medium-sized towns which are seen to be experiencing increased difficulties.

Concern with industrial restructuring is growing

Industrial restructuring areas are also the focus of new instruments and support packages Coal transition regions are a particular focus of additional funding, linked to national climate protection policies aimed at shifting out of coal production and coal-fired energy generation.

Regional policy support for business continues to evolve

Business support instruments are growing more diversified, via the use, not only of grants and loans, but also interest rate subsidies, tax incentives, venture capital, and advice/consultancy. In 2017-18, Austria has closed two regional policy business aid schemes, while Poland has effectively ended the Special Economic Zones (as incentives are now available nationwide). In contrast, Italy is launching Special Economic Zones and has introduced other new schemes (e.g. relief on employers' social security contributions in the South), while Portugal's new SI2E programme supports micro-entrepreneurship linked to EU Cohesion policy's territorial approaches (CLLD and ITI).

Coordination and administrative capacity are prioritised

Efforts continue to improve coordination between governmental levels, including via contractual approaches. Institutional and administrative capacity-building is the focus of further measures.

The wider institutional context is undergoing reforms

The focus and delivery of regional policy are also affected by broader public sector reforms, including changes to fiscal equalisation systems, the allocation of tasks between national/regional/local levels, and the structure of sub-national authorities. There are also renewed efforts to re/locate public sector entities and employment outside the capital city region or to structurally weaker regions.

Looking forward to 2019

In EU countries, the end of 2018 and 2019 will see EU-level negotiations on Cohesion policy post-2020, as well as domestic steps to reorient Cohesion policy strategies, instruments and frameworks.

The important domestic regional policy reforms initiated in Germany, the Netherlands, Finland, Poland and the United Kingdom will be pursued in 2019. Further reforms could potentially be seen e.g. in those countries where national elections are scheduled in 2019 (Finland, Poland, Portugal and Switzerland).

An important unknown for late 2018-2019 is the outcome of Brexit negotiations, which could have significant impacts on national and regional economic development in the United Kingdom and in other European countries.

1. INTRODUCTION

The renewed focus on inequality which followed the financial/economic crisis of 2008-09 has further strengthened in 2016-18. Election and referendum results in a number of European countries have demonstrated the discontent of substantial sections of the population – people who feel they "don't matter" in "places that don't matter".[1] This increased interest in interpersonal and interregional inequality is reflected in national/regional policy shifts, and in new analyses of the trends and drivers of societal and geographical socio-economic disparities.

Shifts in regional policy in 2017-18 are further fuelled by preparations for domestic frameworks and strategies for the post-2020 period of EU Cohesion policy, as well as by the progression of existing reforms and developments in domestic regional policy objectives, instruments and structures.

In this context, this paper provides a **comparative overview of the regional socio-economic situation and regional development policies in 30 European countries**:[2]

Chapter 2 analyses regional disparities in Europe, focusing on reasons for shifts in disparities e.g. long-term technological change, the ongoing impact of the financial crisis, and governance.

Chapter 3 explores outlines trends and drivers of change in regional policies in Europe, focusing on the geographical focus, instruments, funding and institutional frameworks of regional policy.

Chapter 4 examines in more detail major shifts in the regional policies of Finland, Germany, the Netherlands, Poland, and the United Kingdom in 2017-18.

Chapter 5 concludes and sets out issues for discussion.

Annexes to the report include: a) tables of changes in the instruments of selected countries in 2017-18 and (b) tables providing an overview of regional policy in 30 European countries.

The report draws on a programme of research on regional development and regional policy in 2017-18, including interviews with senior policy-makers responsible for Cohesion policy, regional aid and domestic policy in 30 European countries. Detailed country-specific information is available in:

(i) a report on regional policy for each of 30 European countries,
(ii) comparative tables of regional policy instruments, including changes in 2017-18, [3]
(iii) fiches on domestic regional policy instruments,
(iv) fiches on Cohesion policy in the EU28 in 2014-20,
(v) fiches on regional aid maps for 2014-20 in the EU28 and Norway, and
(vi) fiches on the institutional frameworks of regional policy in 30 European countries.

[1] A. Rodríguez-Pose (2018) The revenge of the places that don't matter (and what to do about it), *Cambridge Journal of Regions, Economy and Society*, 11(1): pp.189–209

[2] This paper was originally prepared for the 39th Meeting of the European Regional Policy Research Consortium (EoRPA) held on Loch Lomondside on 30 September – 2 October 2018. It has been updated to reflect new research and policy contributions since the EoRPA meeting.

[3] R. Downes and S. Davies (2018) *Regional Policy Instruments in Europe – Comparative Tables*, Paper for the 39th meeting of the EoRPA Regional Policy Research Consortium, 30 September - 2 October 2018

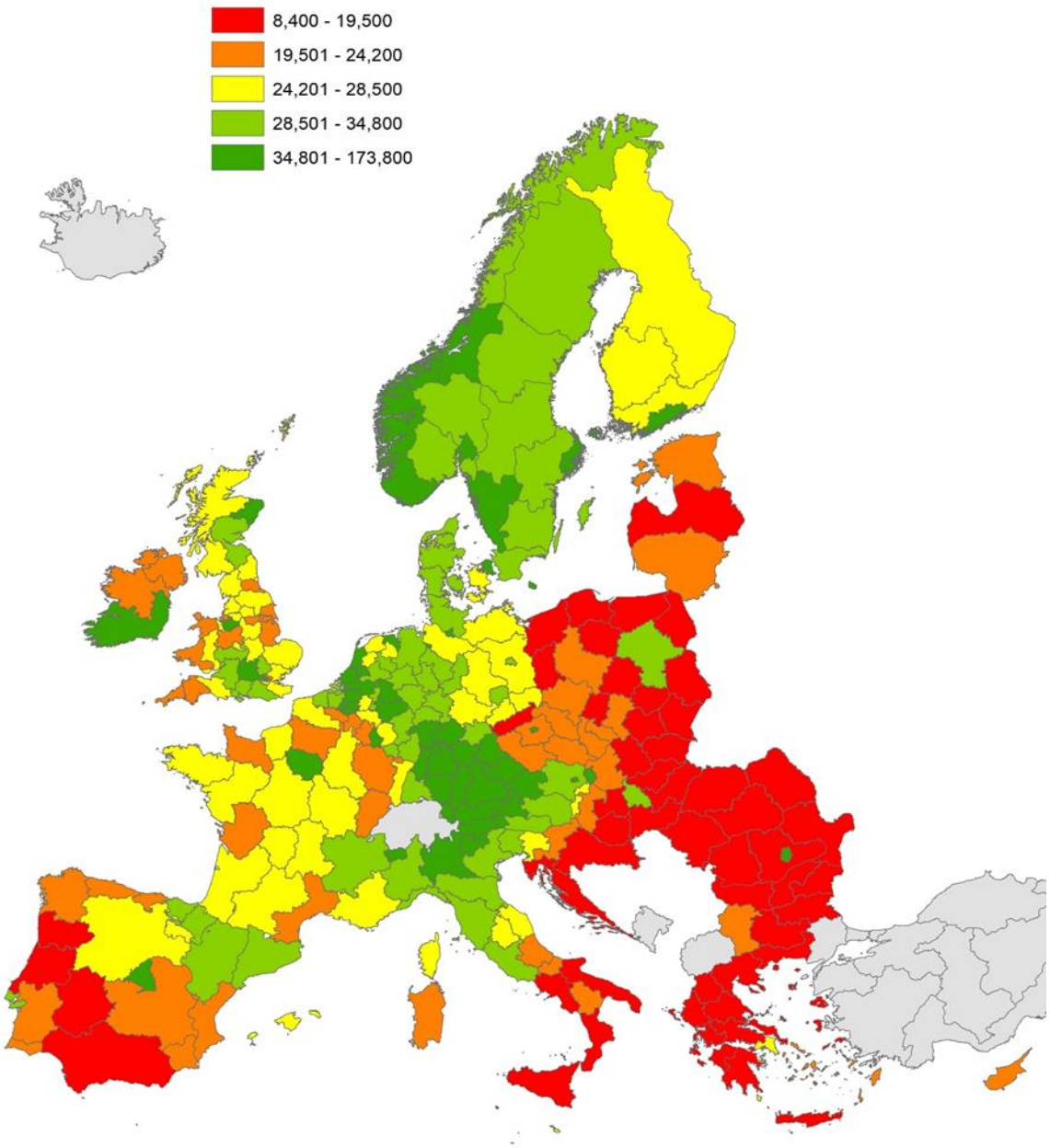
2. REGIONAL DEVELOPMENT TRENDS IN EUROPE

2.1 Persistent disparities across countries and regions

Structural economic disparities in Europe show east/west and north/south patterns, with disparities between countries often outweighing interregional disparities within countries. This broad picture is clear, although the specific situation of countries and regions varies, depending on time period, indicator and geographical level (e.g. EU-wide or within-country, and whether at NUTS 1, 2 or 3 level).

Figure 1 shows regional variation in GDP per capita, with higher levels in western/central and northern regions, as well as capital city regions elsewhere, but lower levels in eastern and southern regions.

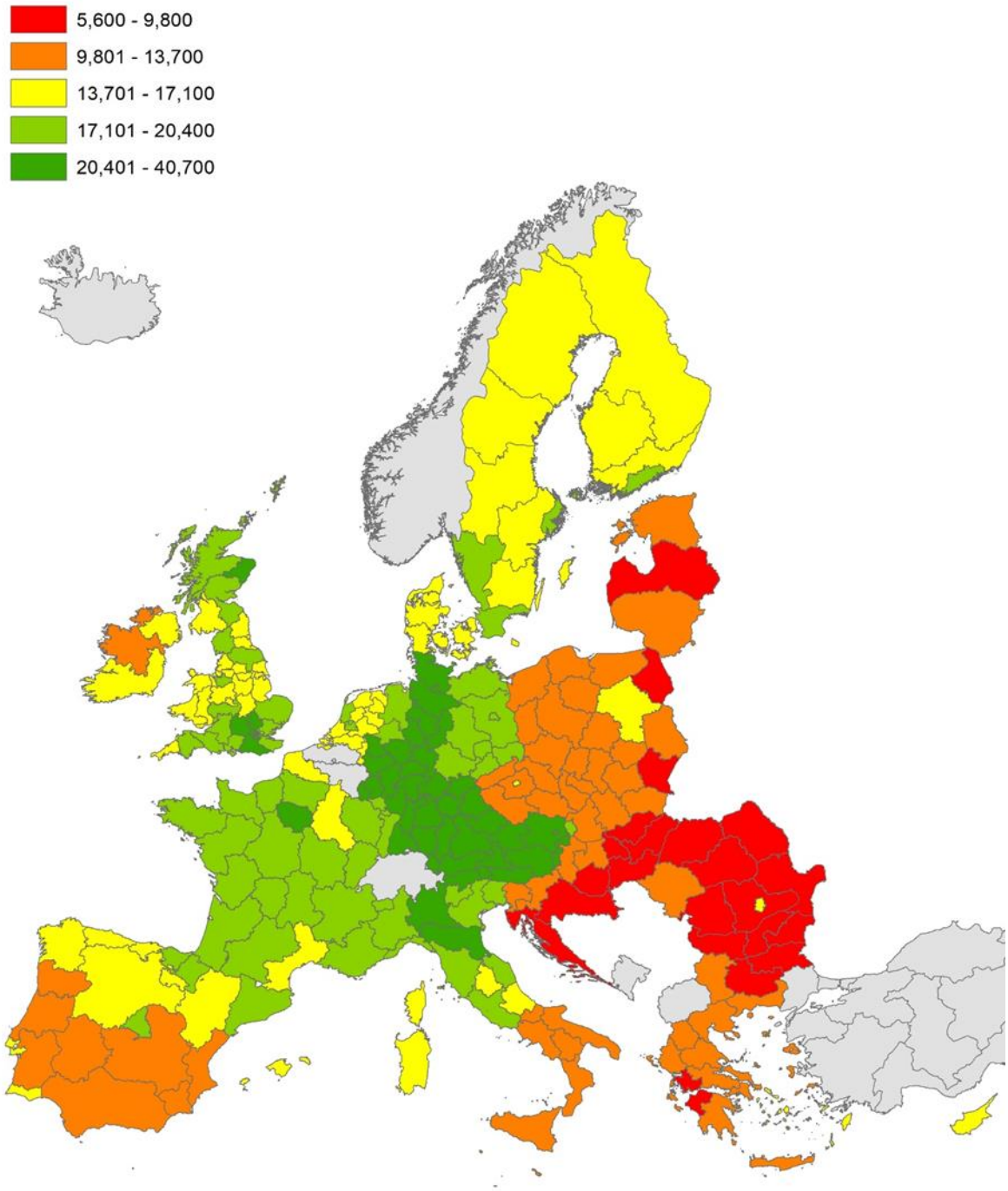
Figure 1: Regional Gross Domestic Product (GDP) per capita (PPS), NUTS 2, 2015



Source: EPRC, with Eurostat data (nama_10r_2gdp), accessed 17 September 2018

Figure 2 on household disposable income (HDI) per capita shows more homogeneity between regions within individual countries, due to the equalising effects of redistributive tax and benefit systems. National levels of HDI per capita depend in part on the extent to which the State provides services are free of charge and so not within the monetised economy (which may account for relatively lower levels of HDI per capita in e.g. Finland, the Netherlands and Sweden than might be expected).

Figure 2: Household disposable income (PPS) per capita, NUTS 2, 2015



Source: EPRC, with Eurostat data (nama_10r_2hhinc), accessed 17 September 2018

2.2 Rising regional disparities in Europe?

Studies suggest that Europe has seen a rise in regional disparities in productivity, as well as increases in poverty and interpersonal inequality, since the 2008-09 crisis.[4] While regional trends are complex, it is clear that the impact of – and recovery from – the crisis has varied significantly across countries, and that more differentiated regional patterns are emerging, perhaps particularly within central/eastern countries. Box 1 sets out the findings of a recent World Bank study on inequality in the EU.

Box 1: C. Ridao-Cano & C. Bodewig (2018) Growing United. Washington DC: World Bank

National and regional GDP per capita across the EU converged in 2000-08 but have since diverged, partly due to increased economic disparities between countries.

In 2005-15, GDP per capita growth was particularly slow in Greece, southern regions of Italy and Spain, much of Portugal, eastern regions of Bulgaria, Hungary, Poland and Romania.

Lagging regions in Europe can be divided into those with 'low income' (CEE eastern regions) and those with 'low growth' (Greece, southern Italy, most of Portugal, and southern/central Spain). A World Bank study has sought to explain variation in regional GDP per capita across Europe in terms of population density, market access, education, institutions, sectoral structure, and investment.[5]

If the EU is divided into six groups (Northern Europe, Continental Europe, Southern Europe, CEE North, CEE Continental, and CEE South), varying patterns are seen in the growth of labour productivity and total factor productivity (TFP). All groups saw a slowdown in TFP growth between 1997-2001 and 2011-16, but especially the Southern Europe (EU15) group. Strongest growth was seen in the three CEE groups and the Northern Europe (EU15) group.

Household disposable income inequality rose in most EU Member States in 1989-2015, especially in the CEE groups in 1989-95. On this measure, inequality is above the OECD average in most CEE and Southern European countries (2014). Trends in interpersonal inequality are explained by:

- Labour income inequality, which is the main driver of interpersonal income inequality, and is increasing, as low-income people fall further behind;
- Capital income and wealth, which are becoming more concentrated among a smaller group of people;
- Fiscal policy (tax and benefit systems), which offset some of this inequality but "it is becoming harder to offset the increasing labour and capital income inequality" (p.56).

[4] E.g. C. Ridao-Cano and C. Bodewig (2018) *Growing United: Upgrading Europe's Convergence Machine*, World Bank Report on the European Union, Washington DC

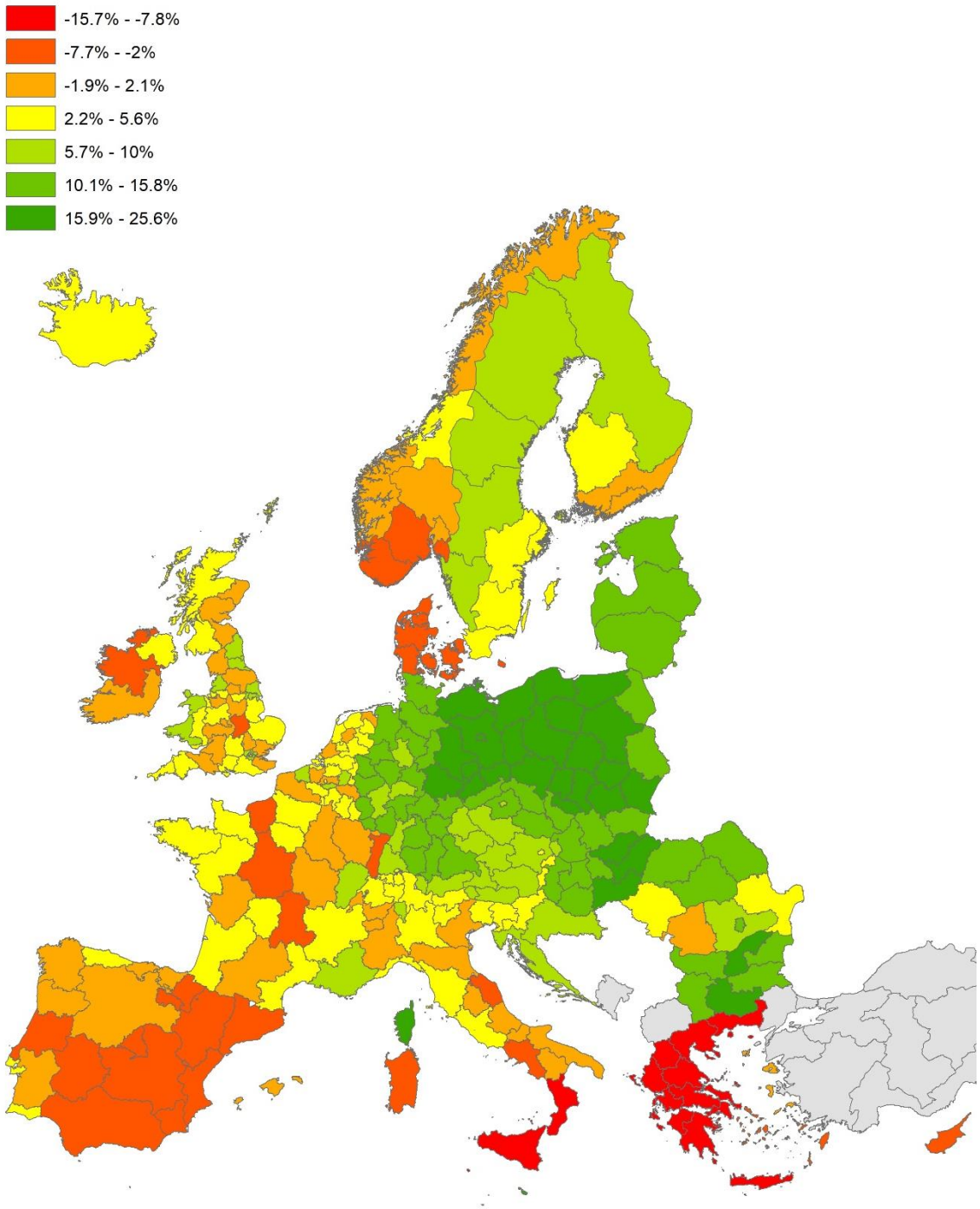
S. Iammarino, A. Rodriguez-Pose, M. Storper (2018) Regional inequality in Europe: evidence, theory and policy implications, *Journal of Economic Geography*, pp.1-26

OECD (2016) *Regional Outlook: Productive Regions for Inclusive Societies*, Paris: OECD

[5] T. Farole, M. Roberts, J. Park and C. Hooton (2018) *Assessing the economic potential of Europe's regions*, Washington DC: Wold Bank

Figure 3 provides an overview of changes in regional employment rates across the EU between 2005 and 2017, which shows the strongest growth in employment rates in Germany, Poland, Finland, Sweden and most central/eastern regions. In contrast, employment rates have fallen in many southern regions, and in some regions in France, Ireland, the Netherlands, Norway and the United Kingdom – although actual employment rates remain high in some of these regions (e.g. over 70 percent in the Norwegian regions where employment rates have fallen).

Figure 3: Change in regional employment rates between 2005 and 2017 (percentage point)



Source: EPRC, with Eurostat data (lfst_r_lfe2emprtn), accessed 18 September 2018

2.3 Reasons for shifts in regional disparities

2.3.1 Long-term technological change and globalisation

Studies since 2016[6] have argued that there is growing "geographical concentration of the best jobs and most innovative activities… [and] 'traps'… in the less-favoured regions, comprising a mixture of low incomes and skills, low labour-force participation, institutions that stifle development and social dysfunction in the form of despair, withdrawal from economic life and health problems."[7] More specifically, regional disparities are being driven by:[8]

- Expanding business and employment opportunities in major metropolitan areas;
- A decrease in jobs in some previously strong industrial/manufacturing regions; and
- Persistent disadvantages in peripheral regions, despite the opportunities offered by new information and communication technologies.

One explanation of such trends is that the current long-wave of technological change that began in the 1970s, based on information and communication technologies, finance and advanced services, is generating divergence between those places where technology-leaders are located and other places.[9]

A key driver of divergence is the attraction of more and more skilled people to leading areas where there are higher returns to human and knowledge capital. Technological change and globalisation are generating new opportunities for regions with many highly skilled firms and workers but reducing opportunities for regions with a preponderance of low-skilled workers and firms. Moreover, the type and complexity of skills required in the new economy is growing: in addition to "job-specific *technical* skills", workers now need "advanced *cognitive* skills (such as critical thinking and problem-solving) [and] *social-emotional* skills (such as conscientiousness, goal orientation and ability to work in teams)… [i.e.] skills [which] are formed from a very early age".[10]

Mainstream economic theory suggests that, in principle, this trend should ultimately slow down and reverse as the costs of operating in leading regions rise, so that capital and skilled labour move to other regions, leading to interregional convergence.[11] However, agglomeration processes may be continue if reinforced by formal and informal institutions e.g. "new economy skills are not just individual human capital, but are acquired and exercised through networks… by 'being there'".[12] Similarly, policy can shape these processes e.g. by investing in human and knowledge capital, as well as measures which support either further concentration or the spread of economic activities.

[6] For a longer term perspective, see: J. Martí-Henneberg and D. Tirado-Fabregat (Eds) (2018) Special Issue: A New Look at the Origins of Economic Growth and Regional Inequality, *Journal of Interdisciplinary History* 49(1)

[7] S. Iammarino, A. Rodriguez-Pose, M. Storper (2018) *op. cit.*

[8] OECD (2016) *op. cit.*

[9] M. Storper (2018) Explaining the current wave of regional economic polarization, *Journal of Economic Geography* 18: pp. 247-270

[10] Ridao-Cano and Bodewig (2018) *op. cit.* p.25

[11] E.g. G. Myrdal (1957) *Economic Theory and Underdeveloped Regions*, London: Methuen

N. Kaldor (1970) The Case for Regional Policies, *Scottish Journal of Political Economy* 17: pp.337-348

M. Fujita, P. Krugman and A. Venables (2001) *The Spatial Economy: Cities, Regions, and International Trade*, Cambridge MA: MIT Press

[12] Storper (2018) *op. cit*. p.262

2.3.2 Long term structural change in central/eastern Europe since 1990

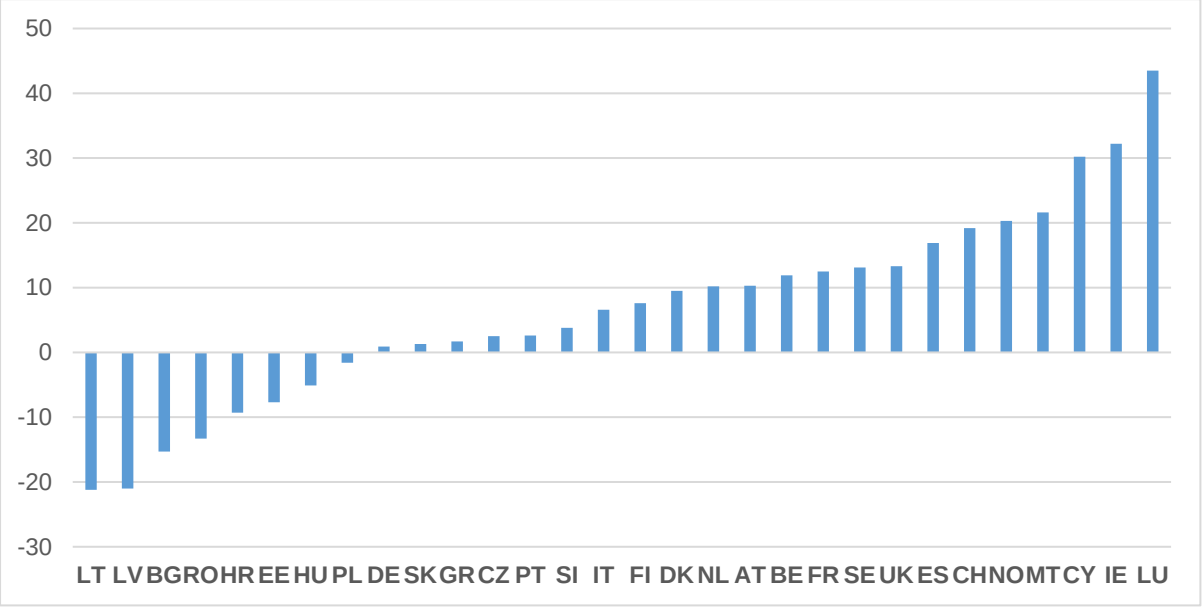
In central/eastern Europe, the shift to a market economy and economic integration into the EU have fuelled national economic growth and convergence since 1990 but also an increase in interregional and interpersonal income disparities, as some areas and individuals have benefitted more than others from increased growth opportunities. While capital cities have typically seen dynamic economic growth, expanding services and high FDI inflows, old industrial regions are undergoing major restructuring, and eastern regions are less likely to benefit from FDI and production oriented towards core EU markets.[13]

Figure 4: GDP per capita in 2017 as a % of 1995, constant 2010 prices and national currencies

Source: EPRC calculations based on Ameco data (RVGDP), accessed 19 September 2018

The scale of structural shifts in Central/Eastern are illustrated by population data, with significant falls in Lithuania, Latvia, Bulgaria, Romania, Croatia, Estonia, Hungary and Poland in 1996-2017 (Figure 5).

Figure 5: National population, % change in 1996-2017



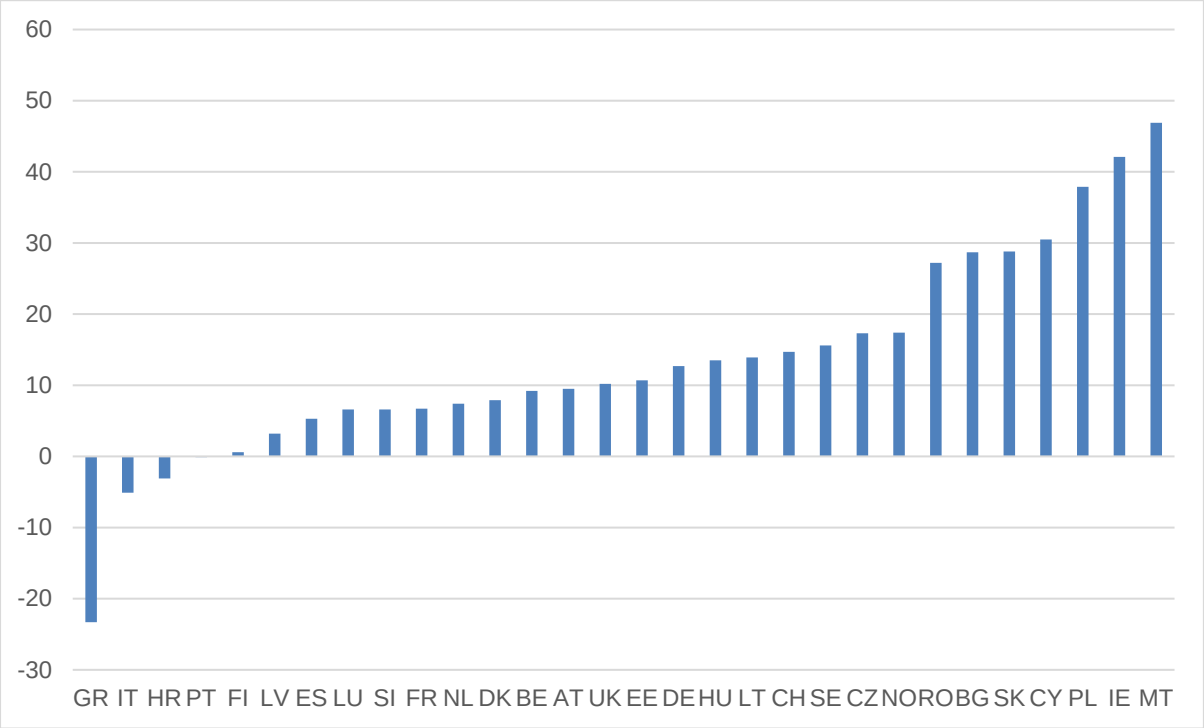
Source: EPRC calculations based on Eurostat data (demo_pjan), accessed 19 September 2018

[13] S. Chapman and V. Meliciani (2018) Explaining regional disparities in Central and Eastern Europe: The role of geography and of structural change. *Economics of Transition*

2.3.3 Ongoing impact of the financial/economic crisis, ten years on

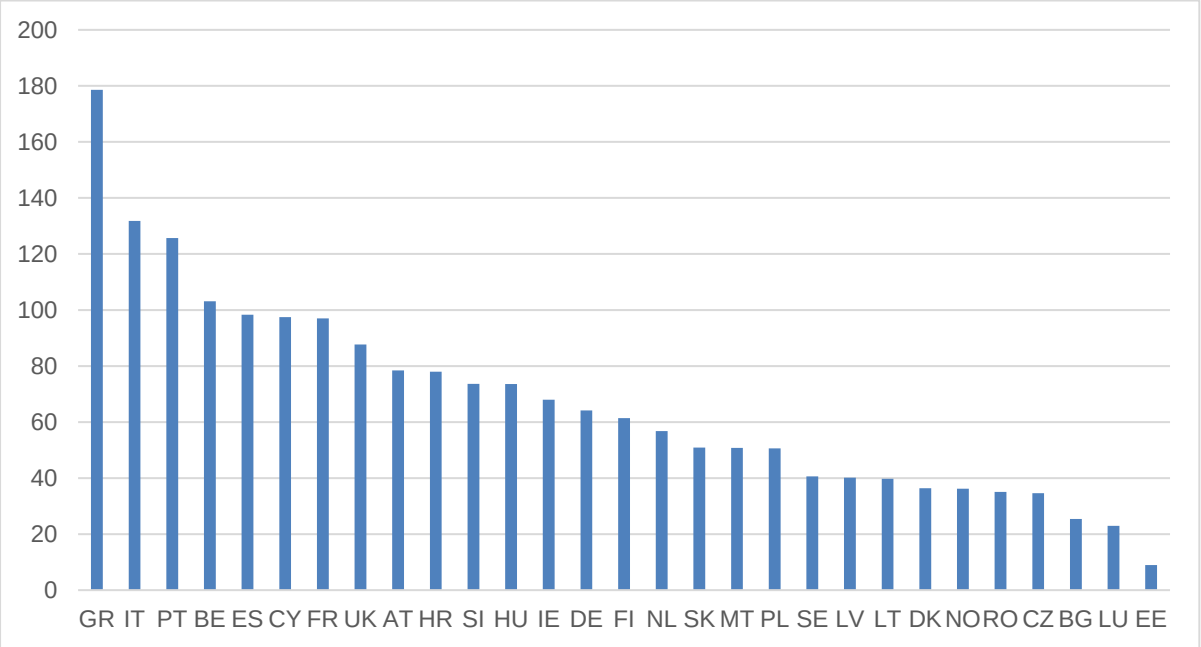
A decade on, a number of countries are still seeing significant effects from the financial/economic crisis of 2008-09, with GNI in 2017 still below 2007 levels at constant prices in Greece, Italy, Croatia and Portugal (Figure 6). The crisis also continues to weigh on public finances, with gross government debt over 100 percent of GDP in Greece, Italy, Portugal and Belgium (Figure 7).

Figure 6: Gross national income (GNI) in 2017 as % of 2007 (constant prices, national currency)



Source: AMECO database (OVGN), accessed 11 September 2018

Figure 7: General government consolidated gross debt (% of GDP), 2016

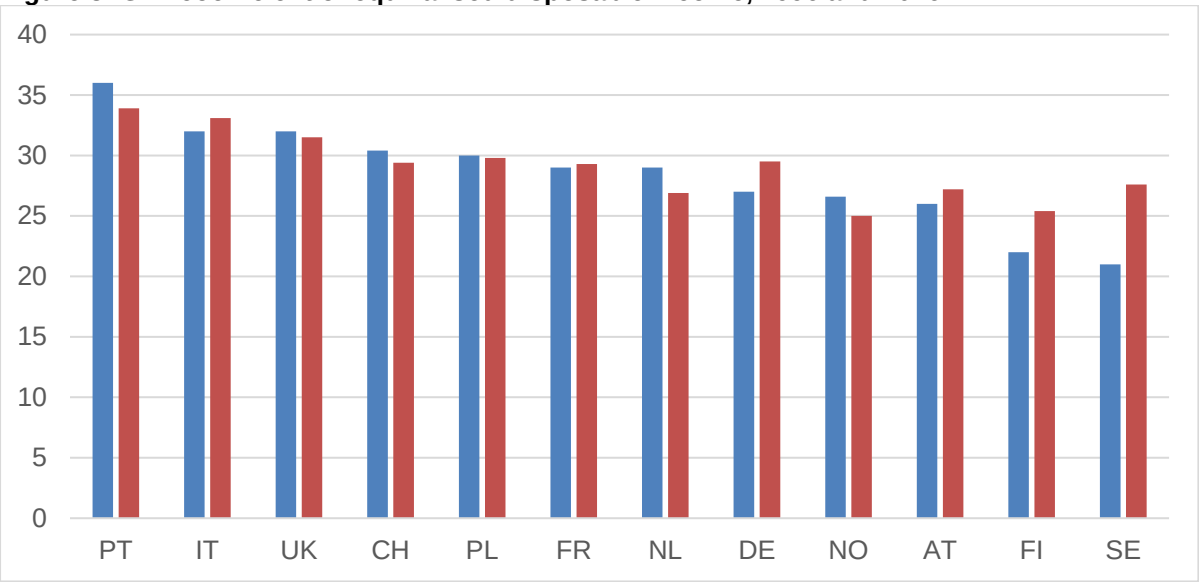


Source: AMECO database (UDGG), accessed 11 September 2018

2.3.4 Institutional frameworks also shape interregional inequality

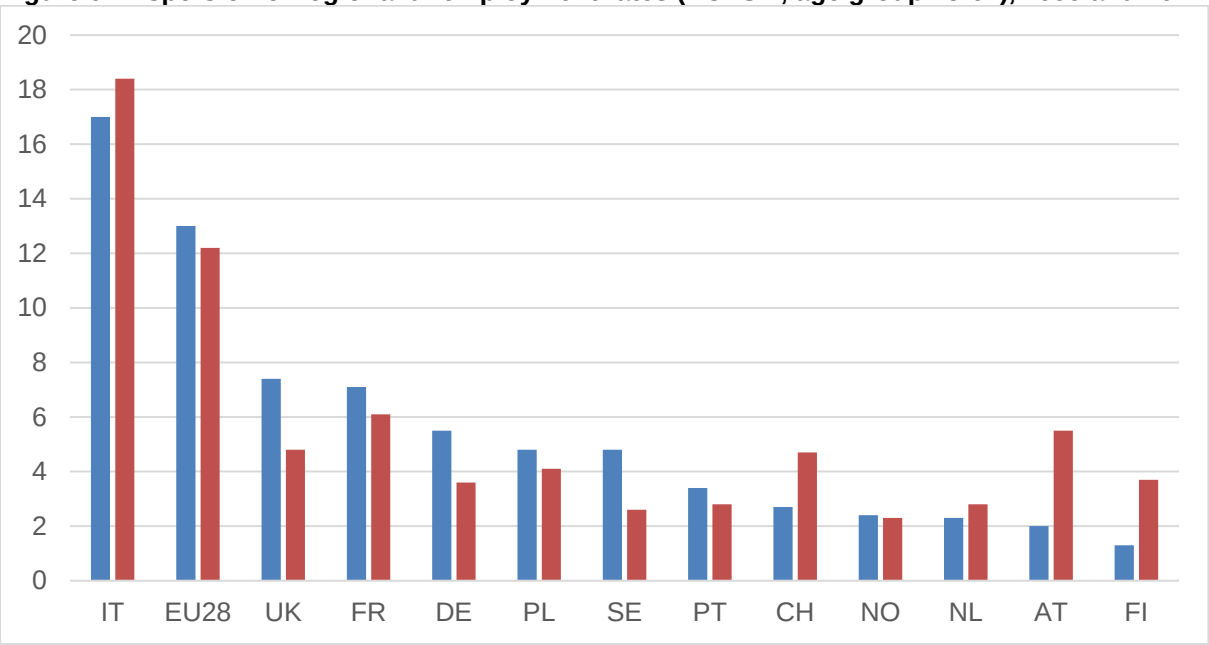
Trends in disparities are also influenced by political and policy decisions. Interpersonal income disparities (Figure 8) depend e.g. on decisions on tax, employment, welfare and pension systems. Regional disparities are affected by policies that shape the geographical distribution of endowments, resources, capabilities and opportunities, including regional policy and fiscal equalisation mechanisms. Variation in regional unemployment rates (Figure 9) is influenced by regional endowments and capacities and also by tax, benefit and employment systems. Moreover, unemployment rates may fail to reflect other dimensions of work-related inequality, e.g. wages and job security/quality.

Figure 8: Gini coefficient of equivalised disposable income, 1996 and 2016



Note: Baseline year for Norway is 2003, Poland 2000, Sweden 1997 and Switzerland 2007.
Source: Eurostat data (EU-SILC survey) (tessi190), accessed 18 September 2018

Figure 9: Dispersion of regional unemployment rates (NUTS 2, age group 15-64), 1999 and 2017



Note: Data for Switzerland are 2001 and 2017.
Source: Eurostat data (lfst_r_lmder), accessed 11 September 2018

2.3.5 Ways forward for regional policy?

Studies in 2017-18 include varying recommendations of policy responses to address interpersonal and interregional inequalities.

Many recommendations represent a continuation of policies targeted at EU-level and in many European countries e.g. the World Bank study[14] argues that, in order to upgrade "Europe's convergence machine, to seize the benefits of technological change for all Europeans", policy should "support the capabilities of people (skills) and firms (innovation), and provide a level playing field for people and firms through "flexicure" labor markets and an enabling business environment".

Others call for a stronger 'place-based' or differentiated approach, "oriented towards local resources and strengths",[15] and "tapping into untapped potential and on providing opportunities to those people living in the places that 'don't matter'"[16] – again often focused on innovation, human capital and business.

A further emphasis is on institutional quality, and the need to take account of the ways in which formal and informal institutions influence differentiated development, e.g. by stimulating or hindering knowledge spillovers via networks (see Section 2.3.1).

An institutional focus is also seen to imply the need to ensure that regional policy strategies incorporate measures to ensure that authorities have the skills, capacities and competence to design and implement strategies, and to raise the quality of strategies (e.g. by including multiple mutually-reinforcing actions, and grounding strategies in robust diagnoses).[17]

A more fundamental critique of current policies is based on the view that the world is facing a 'double crisis' i.e. a deep financial crisis and an environmental crisis, which together imply a waste of abundance, labour and resources.[18] The financial crisis and climate change are both seen to show that the current model of economic growth is fundamentally flawed, and that there is a need for a new model of regional economic and environmental well-being, focused on reducing inequality and waste within the system.

[14] Ridao-Cano & Bodewig (2018) *op. cit*. p.17;

cf. R. Bubbico and L. Freytag (2018) *Inequality in Europe*, European Investment Bank, Luxembourg

[15] Chapman & Meliciani (2018) *op. cit.*; Iammarino, Rodríguez-Pose & Storper (2018) *op. cit*.

[16] Rodríguez-Pose (2018) *op. cit*.

[17] A. Rodríguez-Pose & C. Wilkie (2018) Strategies of gain and strategies of waste: what determines the success of development intervention? *Progress in Planning*

[18] B. Donald and M. Gray (2018) The double crisis: in what sense a regional problem? *Regional Studies*

3. LONGER-TERM REGIONAL POLICY TRENDS IN EUROPE 30

3.1 The geographical focus of regional policy

The geographical orientation of regional policy varies across countries and includes:

- The development of regions with structural economic difficulties and the reduction of regional economic disparities (in e.g. Germany, Spain and Switzerland);
- The reduction of regional disparities and support for national economic growth (e.g. Poland).
- The dual goals of reducing regional disparities and supporting development in all regions (e.g. Finland, France, Italy, Netherlands, Norway, Portugal, Sweden, UK-Scotland & Wales).
- Support for the development of all areas/regions but with no specific focus on structurally weaker regions (Austria, UK-England & Northern Ireland).

Ongoing trends in the geographical focus of regional policy include an orientation towards:

- Renewed focus (Netherlands) or decreased focus (Austria) on structurally weak regions;
- A wider range of areas at risk of marginalisation in some central/eastern countries (e.g. Czech, Poland), alongside an existing focus on agglomerations and peripheral or restructuring regions;
- Urban and/or rural areas (e.g. in Finland, France, Norway, Sweden, Switzerland);
- Coal transition regions, linked to climate protection goals (in Czech, Germany, Poland);
- 'Peripheral' or 'interior' territories (e.g. in Estonia, France, Portugal, UK-Scotland).

Shifts in the geographical focus of regional policy are driven by a range of factors, including:

- Changing economic circumstances (e.g. emergence of more complex disparities in central/eastern European countries in the decades since their transition to a market economy);
- Changing politics (e.g. following elections in 2017-18 in Austria, France, Germany, Italy, Netherlands, Norway, Sweden);
- Wider domestic discussions (e.g. Portugal's Movement for the Interior); and
- The geographies of EU policies. E.g. the EU regional aid map population ceiling fell from 52.5 to 47.2 percent in 2004-17 (EU15: 43.3 to 34.7 percent) (Figure 10).[19] Conversely, the EU Treaty safeguards on the status of sparsely-populated areas and outermost regions maintain coverage in Finland, France, Portugal, Spain and Sweden.

Figure 10: EU regional aid map, assisted area coverage

	2004	2007	2009	2014	2017
EC9	35.4	28.6	25.5	26.5	26.9
EC10	37.7	31.1	28.1	29.0	29.4
EC12	44.4	37.9	33.4	35.4	35.7
EC15	43.3	37.0	32.8	34.5	34.7
EU25	**52.5**	46.8	42.9	43.7	43.8
EU27		**49.9**	**46.1**	46.7	46.8
EU28				**47.2**	**47.2**
NMS10/12/13	100.0	95.2	97.9	95.6	95.6

Source: F. Wishlade (2017) *op. cit.*

[19] F. Wishlade (2017) *State aid control of regional development policy at 60*, Paper for the 38th meeting of the EoRPA Regional Policy Research Consortium, 1-3 October 2017.)

3.2 The instruments of regional policy

The main instruments of regional policy across Europe are:[20]

- Aid schemes for business investment and/or job creation, for large firms and/or SMEs;
- Business-oriented infrastructure (e.g. business parks, land reclamation, transport links;
- Support for R&D/innovation (business aid, infrastructure, S3 strategies…);
- Packages of business and infrastructure support in particular locations;
- Support for bottom-up approaches e.g. building strategies and developing networks/clusters;
- Funding for quality of life measures, often in remote/peripheral areas.

Ongoing trends in regional policy instruments include:

- Diversification of business support instruments (grants, loans, interest rate subsidies, tax incentives, venture capital and business/technical advice/consultancy);
- Packages for particular types of area (e.g. Poland's programmes for less developed areas threatened by marginalisation and for medium-sized towns losing their functions; Italy's focus on land reclamation and infrastructure in industrial crisis areas; Czech package for industrial restructuring regions);
- Special economic zones (e.g. Italy is launching a SEZ in each of the five less developed regions, each a port and back-port area, benefiting from more generous tax incentives);
- Programmes/funding for individual regions (e.g. Netherlands' Region Envelope targets six regions including Zeeland, and South Rotterdam; Poland's Strategy for Responsible Development targets eastern Poland, and Silesia);
- Digitalisation infrastructure and take-up (e.g. in Switzerland and Germany);
- Regional partnerships for integrated and innovative approaches (e.g. Netherlands' Region Deals; and Germany's Ideas Competition in coal transition areas);
- Targeted support linked to EU Cohesion policy's territorial approaches (e.g. Portugal's SI2E programme for micro-entrepreneurship under CLLD and ITI);
- Closure of instruments (e.g. Austria's ERP Regional Programme and the Lower Austria Agency for the Promotion of Border Regions were closed in 2017).

There is also renewed focus, sometimes outside regional policy, on the re/location of public sector entities and employment (e.g. Germany, Denmark, Estonia, Norway).

Among the factors shaping regional policy instruments are constraints/incentives at EU level e.g.:

- EU regional aid rules e.g. lower **aid intensity ceilings**; r**estrictions on investment aid for larger firms** in Article 107(3)(c) areas in 2014-20 (largely limited to greenfield investment); l**imits on scope to fund certain infrastructure** (e.g. regional airports, innovation centres…), particularly following the ruling by the European Court of Justice on the Leipzig-Halle case.
- EU Cohesion policy funding for diverse themes, particularly following the decision to link Cohesion policy with EU growth strategies (Europe 2020 and, previously, the Lisbon Strategy).

[20] See also Downes and Davies (2018) and EoRPA 2018 Country reports and Instrument fiches

3.3 Funding for regional policy

Time series data on regional policy budgets are often limited but the following trends can be discerned.

Regional policy funding depends on the domestic priority given to regional economic disparities e.g.

- The Netherlands' new (2017) government has set up a new Region Envelope fund with €950 million in 2018-22 aimed at unlocking added value through enhanced regional cooperation;
- Germany's federal coalition agreement (2018) identifies funding of €1.5 billion for 'regional structural policy / structural change linked to coal policy' in 2018-21, in addition to existing federal resources (€600 million annually) for the Regional Joint Task;
- Italy has set goals of funding for the South: at least 80 percent of the Development and Cohesion Fund, and 34 percent of ordinary capital expenditure of the national administrations.

Funding levels depend on the types of instrument that are seen as appropriate e.g.

- In Switzerland, since the New Regional Policy replaced the Investment Aid in 2008, funding has been broadly lower, largely due to a move away from regional aid and infrastructure towards business environment, institutional capacity, network-building, planning and strategies.

Further factors are shifts in economic conditions and policy responses e.g.

- The financial crisis of 2008-09 led to fiscal constraints in countries most affected e.g. in Spain, leading to cuts to the Regional Investment Fund and the Inter-Territorial Compensation Fund;
- Regional policy has been used to channel additional public investment in Germany e.g. in response to the financial crisis, an additional €180 million was allocated to the Regional Joint Task in 2009-11. The Regional Joint Task was also one channel of funding for business support and infrastructure investment to the eastern *Länder* following reunification in 1989.

Domestic funding is also shaped by the EU Cohesion policy budget (e.g. due to co-financing), which has fluctuated over time (0.35 percent of GDP in 2006, 0.4 percent in 2007-13 and 0.34 percent in 2014-20),[21] with varying impacts on structurally weaker regions and individual countries (Figure 11).

Figure 11: Distribution of funding between categories of region, 1989-2020 (%)

	1989-93	1994-99	2000-04	2004-06	2007-13	2014-20
Less Developed (LD)	73.2	61.6	63.6	63.2	59.0	53.5
Transition	0.0	0.2	2.6	2.0	7.5	10.8
More Developed	23.6	27.4	24.3	19.1	12.9	16.5
Cohesion Fund (CF)	3.1	10.8	9.4	15.7	20.7	19.2
LD and CF	76.4	72.4	73.1	78.9	79.7	72.8
Total	100	100	100	100	100	100
EU	EU12	EU15	EU25	EU25	EU27	EU28

Source: COM (2014) *Investment for Jobs and Growth,* Sixth report on economic, social & territorial cohesion

[21] For more detail, see: S. Davies (2017) *Regional policy in a changing Europe*, Paper for the 38th meeting of the EoRPA Regional Policy Research Consortium, 1-3 October 2017, Section 3.2

3.4 The institutional frameworks of regional policy

The broad institutional frameworks of regional policy are generally stable over time (Figure 12) but shifts can be identified in specific dimensions of these frameworks, notably:

Mechanisms aimed at generating/agreeing strategic approaches at national level:

- Two Commissions were launched in Germany in 2018 to generate policy proposals i.e. a) on Growth, Structural Change and Employment and b) on Equivalent Living Conditions;
- Poland is developing an integrated set of national, sub-national and sectoral strategies, including a new National Strategy for Regional Development 2020+.

New methods for generating bottom-up development:

- Partnership & competitive approaches (e.g. the Netherlands' Region Envelope, and Germany's Ideas Competition for coal transition regions).

Efforts to improve coordination and cooperation between governmental levels:

- Contractual approaches between national/regional/local levels (e.g. France, Finland, UK);
- In France, a National Territorial Conference met in 2017 with the aim of strengthening cooperation between State and subnational authorities.

Steps to strengthen domestic institutional frameworks and administrative capacity under regional policy:

- In Italy, stronger national framework e.g. legislation to strengthen the role of the President of the Council of Ministers (e.g. power to re-programme funds if not absorbed), and appointment of Minister who can monitor progress of Pacts for Development under domestic regional policy.
- In Poland, a new Advisory Support Centre will assist areas (e.g. with difficulties in designing projects and applying for funding), focusing focus on cooperation, training and consultancy.

Regional policy is also affected by wider reforms e.g. to fiscal equalisation systems (Austria, Germany), division of tasks between national/regional/local levels (Denmark, Finland, France, Portugal, United Kingdom), and the structure/orientation of sub-national authorities (Finland, France, Norway, Sweden).

Figure 12: Institutional frameworks of regional policy

Federal: responsibilities are mainly regional, with only a minor role for national coordination	Regionalised: responsibility is mainly regional but with active national coordination	Decentralised: national level has main responsibility but regions have some tasks	Unitary: essentially national but possibly some role for sub-national entities
Austria, Belgium, Germany, Switzerland	France, Italy, Netherlands, Spain, UK (NI, Sco, Wal)	Czech Republic, Denmark, Finland, Greece, Norway, Poland, Slovakia, Sweden	Bulgaria, Croatia, Cyprus, Estonia, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovenia, UK (Eng)

4. MAJOR REGIONAL POLICY CHANGES IN 2017-18

4.1 Finland: Reforming regional 'growth services' and regional policy

The delivery of regional development policy is being revised, in the context of a major reform of regional government, healthcare and social welfare. The Ministry of Economic Affairs and Employment will continue to coordinate regional development but, at sub-national level, the new Counties will become the key regional development authorities, and will be responsible for developing regional strategies and providing 'growth services' (employment and business services). Key elements of the reform include:

- The Counties will have sole responsibility for the various regional development and growth/employment tasks which are currently undertaken by a range of sub-national entities, notably the State's regional administration, including the ELY-centres, TE-offices (public employment and business services), and regional State administrative agencies (AVI), as well as the healthcare and social services which are currently provided by the Regional Councils and municipalities. The ELY-centres, TE-offices and the Regional Councils will close.
- The Counties will be elected, unlike the existing Regional Councils.
- The principles underlying the provision of health and social services, namely customers' freedom of choice and diversification of service providers, will also be applied to growth services, with a view to improving efficiency and effectiveness. Thus the Counties could either provide growth services themselves or purchase them from private or third sector entities.
- The current approach of State control over State regional entities will be replaced by legislative control and cooperation between the State and the Counties. The Law proposal (HE2018/35) states that 'the counties and the State will hold annual discussions on regional development objectives in each region to arrive at a consensus on development principles and activities'. Region-led pilot discussions were held in 2018, focusing on key development priorities.
- The new counties will have greater autonomy than the current regional entities but will not have the right to collect taxes. Instead, they will be financed by State grants.[22] No State financing will be earmarked for regional development or growth services; instead, the counties will be able to use different instruments to achieve the objectives set in their regional strategies.

The reform process has been subject to delays, with further parliamentary discussion and public debate ongoing. It is unclear whether all necessary legislation will be adopted before the parliamentary elections in 2019. The reforms also imply a revision of the fiscal equalisation system as the transfer of tasks from the municipalities to the Counties implies a transfer of over half of municipal funding. The transfer to the new system will be incremental in order to minimise the impact on the municipalities.[23]

Moreover, public discussions are underway on the future of regional policy in Finland. An event was held in September 2018 to present a study[24] which concluded that there is a need for customised solutions that meet the needs of individual regions.[25] The Minister of Economic Affairs has also launched a 'Livelihood from the Regions' tour, focused on the issues affecting the future of each region. .

[22] Hallituksen esityksen yksityskohtaiset perustelut , 31 August 2016

[23] http://alueuudistus.fi/kuntien-valtionosuusjarjestelma

[24] Heikkilä A and Jutila K (2018) Aluepolitiikasta elinvoimapolitiikkaan – selvitys suomalaisten aluekehittämistä koskevista näkemyksistä, Study commissioned by the Ministry of Economic Affairs and Employment, Helsinki

[25] Ministry of Economic Affairs and Employment (2018) Uusia alupolitiikka valtasi Vanhan, 10 September 2018

4.2 Germany: New nationwide support system for structurally weak regions

The federal government's 2018-21 coalition agreement[26] includes a strengthened commitment to regional economic development and other themes related to the constitutional goal of 'equivalent living conditions'. The agreement sets the goal of developing a nationwide support system for structurally weak regions from 2020, also building on discussions under the previous federal government. [27] The new system would include the main existing regional policy instrument, the Regional Joint Task (GRW) and potentially also other federal instruments e.g. those which currently target the eastern *Länder*, such as the Innovation Skills East (*Inno-Kom-Ost*) programme and the Enterprise Region (*Unternehmen Region*) programme. [28] The coalition agreement also notes that there will be additional funding of €1.5 billion for 'regional structural policy / structural change linked to coal policy'.

Reform of domestic regional policy is necessary because current Solidarity Pact funding for the eastern *Länder* will cease at the end of 2019; domestic rules require the *Länder* to maintain cyclically adjusted budgets from 2020; and there are concerns that EU Cohesion policy funding for many Länder could fall further after 2020, following significant reductions for the eastern *Länder* in 2007-13 and 2014-20.

One important focus is on support for structural change in coal regions:

- A Commission on Growth, Structural Change and Employment was launched in June 2018 and is made up of business organisations, trade unions, environmental associations, local authorities, *Länder,* the federal parliament and academics. It aims to agree an action programme by the end of 2018 to achieve climate protection goals,[29] including a shift out of coal-fired energy production, and support for coal-related structural change in relevant regions.
- The Enterprise Coal Area programme (*Unternehmen Revier*) was launched in November 2017, with €4 million annually for ten years, targeted on the four main lignite regions,[30] and coordinated by the Federal Ministry for Economic Affairs and Energy. Each region has developed an investment strategy,[31] and will allocate funds via competitive calls for new ideas.

A separate Commission on Equivalent Living Conditions, with representatives from federal ministries, *Länder* and local authority associations, aims to increase fairness distribution of resources and opportunities across all inhabitants and regions, and will report by the end of 2020.[32] It has six working groups focused on: local authority debt; business and innovation; spatial planning and statistics; technical infrastructure; social services and employment; societal participation and cohesion.

[26] [26] Bundesregierung (2018) *Ein neuer Aufbruch für Europa. Eine neue Dynamik für Deutschland. Ein neuer Zusammenhalt für unser Land*. Koalitionsvertrag zwischen CDU, CSU und SPD, Berlin, 14 March 2018

[27] BMWi (2017) Fortschrittsbericht der Bundesregierung zur Weiterentwicklung eines gesamtdeutschen Fördersystems für strukturschwache Regionen ab 2020. Berlin, 13 September 2017

[28] G. Untiedt, H. Karl, J. Rosche, M. Kersting and B. Alecke (2016) *Aufgaben, Struktur und mögliche Ausgestaltung eines gesamtdeutschen Systems zur Förderung von strukturschwachen Regionen ab 2020*, GEFRA and RUFIS, Münster, Bochum: 26. April 2016

[29] Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit (2016) *Klimaschutzplan 2050: Klimaschutzpolitische Grundsätze und Ziele der Bundesregierung*, Berlin

[30] BMWi (2017) Richtlinie zur Förderung von Maßnahmen zur Strukturanpassung in Braunkohlebergbauregionen im Rahmen des Bundesmodellvorhabens „Unternehmen Revier". *Bundesanzeiger*, 3 November 2017

[31] https://www.bmwi.de/Redaktion/DE/Artikel/Wirtschaft/strukturwandel-in-den-braunkohleregionen.html

[32] https://www.bundesregierung.de/Content/DE/Artikel/2018/07/2018-07-18-gleichwertige-lebensverhaeltnisse.html

4.3 Netherlands: Renewed focus on regional development

The national coalition government formed in October 2017 has led to a stronger focus on regional development policy, including greater recognition of the need to address regional disparities.

The new approach involves a stronger appreciation of the capacity of regional actors to address development challenges within their territories. Further, the government seeks to support and stimulate regional initiatives by addressing shared interests and tasks between levels of government.

A new block of State funding, the 'Region Envelope' (€950 million in 2018-22, with at least 50 percent co-funding), is divided into two tranches.[33]

Tranche one (€468 million) is allocated to six 'regional bottlenecks' and aims to create added value both by unlocking potential for supra-regional economic effects and by supporting regions that are seen to lack own capacity to solve problems. These six bottlenecks are:

- The economic cluster around the European Space Research and Technology Centre (ESTEC);
- Stimulation of economic activities in the rural and shrinking Zeeland region;
- Reduction of socio-economic segregation in Rotterdam South;
- Resolving nuclear problems, linked to the closure of nuclear power plants;
- Social cohesion on the three Caribbean islands that are special municipalities (Bonaire, Sint Eustatius, and Saba – the BES islands); and
- Development of the 'brain port' in Eindhoven.

Tranche two will be allocated via Region Deals, to be proposed by coalitions of municipalities, provinces, knowledge institutes and businesses in self-defined regional territories. The Deals aim at integrated, innovative and effective approaches to regional development through regional partnerships.

Changes have also been introduced to the Top Sectors policy. This was originally a national industrial/innovation policy but in 2013 a regional dimension was introduced via the SME Innovation Stimulus Top Sectors (MIT), whereby central and regional authorities worked with SME representatives to improve innovation support for SMEs (drawing on principles such as 'one-stop shop' and 'no closed door').[34] In 2015, MIT was revised to include regional funding allocations and regional innovation strategies, with the Provinces playing a key role in designing these strategies.

The 2017 coalition agreement indicated continuation of the Top Sectors policy beyond its original end date (March 2018) and a future increase in financial resources.[35] Moreover, in June 2018, the national government announced the creation of an additional Top Sectors fund under the header SME Action plan,[36] aimed at developing a broader economic base, beyond a small number of Top Sectors, with €200 million. It will support SMEs with human capital, financing, regulations, application of innovation and digitalisation, taxation and international trade.

[33] Tweede Kamer der Staten-Generaal (2018) Gebiedsgerichte economische perspectieven en Regionaal Economisch Beleid, kst-29697-37

[34] MEZ (2015) *Mkb Samenwerkingsagenda Rijk – regio.*

[35] VVD, CDA, D66, & ChristenUnie (2017) *Vertrouwen in de toekomst. Regeerakkoord 2017 – 2021*.

[36] https://www.rijksoverheid.nl/documenten/rapporten/2018/06/29/mkb-actieplan

4.4 Poland: National Strategy for Regional Development beyond 2020

Following the launch of the national Strategy for Responsible Development [37] in February 2017, further strategic documents are under discussion in 2017-18, including a new National Strategy for Regional Development 2030.

Figure 13: Comparison of 'old' and 'new' National Regional Development Strategies in Poland

	2010-20	After 2020
Strategic objectives	Development of all regions, removing barriers and realising potential based on regional strategies	Development of all regions, with greater consideration given to their level of development and development potential
Territorial focus	Main regional centres of growth, rural areas, sub-regional towns, cross-border areas, eastern Poland	Areas threatened by marginalisation, medium sized towns losing their socio-economic functions
Thematic focus	Depending on CP thematic objectives and regional strategies (in practice infrastructure support)	Integrated approach, focusing on development barriers and potential (e.g. economic specialisation, institutions)
Institutional model	Main role played by regional governments (coordination with State through territorial contracts)	Increased role of local governments and socio-economic partners, clarification of the role and status of regional and local levels.
Territorial instruments	Mainly based on Cohesion policy (ITI, CLLD)	Greater role for domestic instruments (including territorial contracts)
Funding	Mainly external sources (EU funds).	Increasing significance of domestic funds.

Source: Ministry of Economic Development (2018) Strategy for Regional Development, Warsaw, 7 June 2018.

The three Objectives of the new draft National Strategy for Regional Development are as follows:

Objective 1: Competitiveness – effective use of regional development factors

- Development of human and social capital
- Innovative regional development based on smart specialisation
- Stimulating business investment in regional economies
- Balanced infrastructure support, supporting functional areas

Objective 2: Cohesion – social, economic, territorial, at regional and sub-regional levels

- Increasing the development chances of areas threatened with marginalisation, especially rural areas and small & medium sized towns
- Increasing the potential of medium-sized towns losing their socio-economic functions
- Effective system for financing development projects in the regions
- Strengthening rural-urban linkages

Objective 3: Efficiency – administrative efficiency for development policy

- Strengthening administrative capacity of local governments and ability to cooperate
- Improving the organisation of local public services
- Strengthening cooperation and integrated approach at local, regional, macro-regional levels
- Effective and stable system for funding development policy

[37] Ministerswo Rozwoju (2017) *Strategia na rzecz Odpowiedzialnego Rozwoju*, Warsaw, February 2017.

4.5 UK: Developing domestic approaches to regional policy post-Brexit

The overall policy agenda in the UK continues to be dominated by plans to leave the EU by 29 March 2019. UK Government departments, the Scottish Government and Welsh Government are planning future domestic approaches to regional policy. The Northern Ireland elected Assembly was suspended in January 2017 and so the Northern Ireland Executive (the Assembly's administrative arm) is currently responsible for economic development policy in Northern Ireland.

UK-wide initiatives include:

- The UK Government's Industrial Strategy White Paper of November 2017[38] includes plans to work in partnership with sub-national 'places' to develop **local industrial strategies**, identifying priorities for skills, innovation, infrastructure and business growth and guiding the use of national and local funding. Agreement on the first strategies is expected by March 2019.[39] In England, strategies will either be led by mayoral combined local authorities or by Local Enterprise Partnerships. Approaches in Scotland, Wales and Northern Ireland will be agreed with the Scottish Government, Welsh Government and Northern Ireland Executive.
- From 2018/19, a new £115 million (€131 million) Strength in Places Fund will allocate funding competitively to consortia in existing clusters a) with existing research/innovation excellence focused on wealth-creation and b) where activities are likely to have a significant impact.[40]
- A UK Government White Paper/consultation document on a new Shared Prosperity Fund 'to reduce inequalities between communities across our four nations' is expected in autumn 2018.

Additional initiatives in England include:

- A new Transforming Cities fund for intra-city transport of £1.7 billion (€1.9 billion);[41]
- A new £2 million (€2.3 million) Cultural Development Fund to support place-based cultural development in English town and cities outside London.[42]

In Scotland, key shifts in 2017-18 include:

- Following a policy review, changes to the regional enterprise and skills agencies are underway, including creation of an additional regional enterprise agency for the South of Scotland.[43]
- Loosely organised around City Region/growth deals, Scottish Government aims to encourage 'regional economic partnership arrangements… self-assembled around the bespoke requirements of particular regions', and with private, public and third sector participation.[44]

In Wales, the Welsh Government's approach to a future regional investment policy was set out in a policy paper December 2017[45] and, following a consultation, is being finalised in 2018.

[38] HM Government (2017) Industrial Strategy. Building a Britain fit for the future, Cm 9528, November 2017
[39] https://www.ukri.org/files/funding/ukri-strength-in-places-fund-programme-overview-pdf/
[40] https://www.ukri.org/files/funding/ukri-strength-in-places-fund-programme-overview-pdf/
[41] https://www.gov.uk/government/publications/apply-for-the-transforming-cities-fund (accessed 26 June 2018)
[42] https://www.artscouncil.org.uk/sites/default/files/download-file/CDF_Applicant_Guidance_June2018.pdf
[43] Scottish Government (2017) Enterprise and Skills Review: Phase 2, South of Scotland Enterprise Agency
[44] Scottish Government (2017) Enterprise and Skills Review: Phase 2: Regional Partnerships Report
[45] Welsh Government (2017) Regional investment in Wales after Brexit. Securing Wales Future

5. CONCLUSIONS

Political concern with interpersonal and interregional socio-economic disparities has grown in Europe in 2017-18, in response to national election/referendum results and wider unease at the unequal distribution of resources and opportunities. Studies suggest that:

- Regional disparities in GDP per capita in Europe have widened since 2008, partly due to an increase in inequalities between countries e.g. with southern European countries falling further behind;
- Lagging regions in Europe can be divided into those characterised by 'low income' (eastern regions) and those characterised by 'low growth' (southern regions);
- Key drivers of interregional inequality in Europe in the past decade include: long-run technological change; structural changes in central-eastern countries since 1990; the diverse impact of the 2008/09 financial/economic crisis; and political and policy decisions;
- Household disposable income inequality rose in most EU Member States in 1989-2015, due to increased disparities in labour income and growing concentration of capital income and wealth.

Key regional policy changes in 2017-18

In response, governments are taking new steps to address interregional inequalities, including in the field of regional policy:

Major regional policy reforms are underway

Significant changes in domestic regional policies are underway in a number of countries. Finland is revising systems for delivering regional development policies, in the context of a major reform of regional government. Germany is reforming the support system for structurally weak regions nationwide from 2020, in the context of the federal government's 2018-21 coalition agreement that focuses strongly on ensuring the constitutional goal of 'equivalent living conditions'. The Netherlands' new government is also placing a clearer emphasis on regional development, including targeted support for regions lacking capacity to solve their own problems. Poland is negotiating a set of domestic strategies, including a new National Strategy for Regional Development, and addressing more differentiated groups of regions. The United Kingdom is developing new approaches to regional policy post-Brexit, including local industrial strategies and new funding allocations.

Policy-makers are seeking to generate and agree new ideas

At country-level, mechanisms for negotiating new ideas are focused around new national strategies for regional development (Bulgaria, Czech Rep., Poland) or are driven by domestic political commitments (Germany's Commissions on Growth, Structural Change and Employment and on Equivalent Living Conditions). At regional/local levels, methods for ideas-generation take the form of national funding which requires regional partnerships to develop integrated and innovative approaches (e.g. the Netherlands' Region Deals, and Germany's Ideas Competition in coal transition areas).

Peripheral, rural and urban areas are being targeted more strongly

New instruments and/or more intense discussions have been launched for 'marginalised', 'peripheral', 'interior' or 'mountainous' areas (Estonia, France, Poland, Portugal, Switzerland). The increased

emphasis on digitalisation in regional policy (e.g. in Germany and Switzerland) also often targets peripheral areas. More broadly, there is a stronger focus on rural areas (Austria, France, Sweden) and on small or medium-sized towns (Finland, France, Poland) which are seen to be experiencing increased difficulties.

Concern with industrial restructuring is growing

Industrial restructuring areas are also the focus of new instruments and support packages (Czech Rep., Italy, Poland). Coal transition regions are a particular focus of additional funding, linked to national climate protection policies aimed at shifting out of coal production and coal-fired energy generation (Germany).

Regional policy support for business continues to evolve

Business support instruments are growing more diversified, via the use, not only of grants and loans, but also interest rate subsidies, tax incentives, venture capital, and advice/consultancy. In 2017-18, Austria has closed two regional policy business aid schemes, while Poland has effectively ended the Special Economic Zones (as incentives are now available nationwide). In contrast, Italy is launching Special Economic Zones and has introduced other new schemes (e.g. relief on employers' social security contributions in the South), while Portugal's new SI2E programme supports micro-entrepreneurship linked to EU Cohesion policy's territorial approaches (CLLD and ITI).

Coordination and administrative capacity are prioritised

Efforts continue to improve coordination and cooperation between governmental levels in the field of regional policy, including via contractual approaches (Finland, France, Norway, United Kingdom) and, in France, a National Territorial Conference between the State and subnational authorities. Institutional and administrative capacity-building is the focus of further measures (e.g. in Italy and Poland).

The wider institutional context is undergoing reforms

The focus and delivery of regional policy are also affected by broader public sector reforms (e.g. in France), including changes to fiscal equalisation systems (Austria, Germany), the allocation of tasks between national/regional/local levels (Denmark, Finland, France, Portugal, United Kingdom), and the structure/orientation of sub-national authorities (Finland, France, Norway, Sweden). There are also renewed efforts to re/locate public sector entities and employment outside the capital city region or to structurally weaker regions (Germany, Denmark, Estonia, Norway).

Looking forward to 2019

In European Union countries, the end of 2018 and 2019 will see EU-level negotiations and decisions on Cohesion policy post-2020, as well as the continuation of domestic steps to reorient Cohesion policy development strategies, instruments and institutional frameworks.

The important domestic regional policy reforms initiated in Germany, the Netherlands, Finland, Poland and the United Kingdom will be pursued further in 2019. Further reforms could potentially be seen e.g. in those countries where national elections are scheduled in 2019 (Finland, Poland, Portugal and Switzerland).

An important unknown for late 2018-2019 is the outcome of Brexit negotiations, which could have significant impacts on national and regional economic development in the United Kingdom and in other European countries. Apart from the impact on the UK itself, the International Monetary Fund estimates that the strongest impact of a 'no deal Brexit' on trade between the United Kingdom and the European Union would be seen in Ireland, the Netherlands, Denmark, Belgium and the Czech Republic.[46]

[46] J. Chen, C. Ebeke, L. Lin, H. Qu and J. Siminitz (2018) *Euro Area Policies: Selected Issues*, IMF Country Report No. 18/224, Washington DC: International Monetary Fund.

See also: J. Chen, C. Ebeke, L. Lin, H. Qu and J. Siminitz (2018) *The long-term impact of Brexit on the European Union*, International Monetary Fund Blog, 10 August 2018, https://blogs.imf.org/2018/08/10/the-long-term-impact-of-brexit-on-the-european-union/

ANNEX 1: CHANGES IN REGIONAL POLICY INSTRUMENTS IN SELECTED COUNTRIES, 2017-18

Table 1: New regional policy instruments in 2017-18

Country	New regional policy instruments	Types of area
FIN	'Bridge Agreements' signed in 2018 between national and regional stakeholders, aimed at harnessing growth potential and supporting positive structural change.	South West of Finland
FR	Six year Rurality Contracts are being developed in 2018 providing framework for different forms of support.	Rural areas
FR	City Centre Development Programme (*Action Coeur de Ville*) launched in 2018 and targets urban revitalisation. It aims to mobilise and coordinate policy actors to use their own resources towards the objectives of the programme.	222 medium sized cities
FR	Mountain areas law (January 2017) with special conditions aimed at improving access to services & digital coverage, and supporting local economic activities (e.g. tourism and agriculture).	Mountainous areas
DE	Enterprise Coal Area Programme launched November 2017 with €4 million annually for ten years. Funding for new ideas and pilot projects allocated via partnership-based regional strategies.	Lignite (brown coal) areas
DE	Commission on Growth, Structural Change and Employment, launched June 2018, aims to propose measures supporting structural change with goals of economic development, social responsibility and climate protection.	Lignite (brown coal) areas
DE	New scheme 'Change through Innovation in the Region' (WIR!) launched 2017 under Enterprise Region umbrella supporting structurally weak regions.	Eastern regions (and from 2020 all structurally weak regions)
IT	2017 law introducing Special Economic Zones in the 5 less developed regions, each comprising a port and back-port area, providing tax relief	One specific area in each of the 5 less developed regions
IT	In 2017, a scheme providing seed funding for young entrepreneurs (I remain in the South) was launched.	Southern regions
IT	In 2017, relief on employers' social security contributions for new permanent full time employees.	8 Mezzogiorno regions
NL	Region Envelope set up in late 2017. Half of funding for six 'regional bottlenecks', and half to be allocated competitively via Region Deals (integrated and innovative approaches based on regional partnerships).	6 'regional bottlenecks' include growing (e.g. Eindhoven) and structurally weaker regions (Zeeland; South Rotterdam)
PL	2017 Strategy for Responsible Development provides regionally targeted measures for: (i) economically weakest areas; (ii) medium-sized cities losing their	(i) 46 mostly rural clusters of municipalities in northern and eastern Poland; (ii) medium

	socio-economic functions; (iii) eastern regions and (iv) industrial restructuring in Silesia.	sized cities; (iii) eastern regions and (iv) Silesia
PT	Scheme for the Repositioning of Competitiveness and Productive Capabilities aimed at recovery of business assets damaged or destroyed in October 2017 fires.	Municipalities in Centro and Norte regions

Table 2: Changes to existing regional policy instruments in 2017-18		
Country	**Change to existing regional policy instruments**	**Types of area**
AT	Closure at end of 2017 of the two main regional policy instruments, the ERP Regional Programme and the Lower Austria Agency for the Promotion of Border Regions.	Regional aid map areas
FR	New map of Rural Renewal Zones in 2017, based on inter-municipal groupings rather than municipalities and including a wealth criterion as well as population density.	Low population density, poorer areas
DE	Coordination Framework of the Regional Joint Task (GRW) is revised in August 2017 to allow funding for environmental State aids, some energy infrastructure, wider support for training, R&D and broadband, and guarantees for large firm projects.	Structurally weak regions
DE	The eligible area for the federal INNO-KOM programme, which funds R&D in non-profit, non-university R&D institutes, extended to coincide with the Regional Joint Task map (previously it targeted only eastern *Länder*)	Structurally weak regions
IT	Refinancing of the 1989 law for industrial crisis areas, funding e.g. land reclamation, infrastructure and urban regeneration programmes	Industrial crisis areas
IT	From April 2017, Development Contracts can also cover environmental protection investments by firms	Five less developed regions.
NL	New Top Sectors fund (SME Action Plan) announced June 2018, aimed at supporting a broader economic base beyond the small number of Top Sectors.	All regions
PL	Act on Supporting New Investments (June 2018) replaced the current aid system in Special Economic Zones, effectively ending the zones, as aid may now be granted to business investment in any location.	All areas
PT	Incentive System for Entrepreneurship and Employment (SI2E), set up in March 2017, supports micro/small firms with higher aid rates in low density areas.	Low density areas

ANNEX 2: KEY FEATURES OF REGIONAL POLICY IN EUROPE

Dimension	Austria	Similar Countries
Institutional framework of regional policy	Federal: responsibilities are mainly regional, with only a minor role for national coordination	Belgium, Switzerland
Regional policy objectives	Development of all territories	Belgium, Denmark
Main regional policy instruments	Business support (loans) / Support for underdeveloped areas	Denmark
Regional aid map coverage 2014-20, as % of population	25.87 (all as non-predefined 'c')	Finland, Norway
Regional aid spending as % of GDP in 2014-16	0.011	Luxembourg
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.05	Belgium, Sweden

Dimension	Belgium	Similar countries
Institutional framework of regional policy	Federal: responsibilities are mainly regional, with only a minor role for national coordination	Austria, Germany, Switzerland
Regional policy objectives	Development of all territories	Austria, Denmark
Main regional policy instruments	Business support (grants, tax relief, advisory measures) / Targeted support for areas facing economic difficulties	Finland, Germany, Slovenia
Regional aid map coverage 2014-20, as % of population	29.95 (12.06 in predefined 'c' areas, and 17.89 in non-predefined 'c' areas)	United Kingdom (27.05) and Italy 34.07)
Regional aid spending as % of GDP in 2014-16	0.023	Luxembourg, Sweden
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.08	Germany, Ireland, Sweden

Dimension	Bulgaria	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	
Regional policy objectives	National growth and Reduction in regional disparities	Various CEE Member States
Main regional policy instruments	Business support (grants, tax allowance, admin support) / Support for business infrastructure / Support for underdeveloped areas / Support for bottom-up development	Czech Republic, Hungary
Regional aid map coverage 2014-20, as % of population	100 (all in 'a' areas)	Estonia, Latvia, Lithuania
Regional aid spending as % of GDP in 2014-16	0.302	Poland, Portugal
Cohesion policy allocations, annual average in 2014-20 % of 2011 GDP	2.67	Croatia, Slovakia

Dimension	Croatia	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Czech Rep., Slovakia
Regional policy objectives	National growth and Reduction in regional disparities	Various CEE Member States
Main regional policy instruments	Investment grants / Tax relief for business investment / Business infrastructure / Energy efficiency / Support for bottom up development	
Regional aid map coverage 2014-20, as % of population	100 (all as 'a' areas)	Estonia, Latvia, Lithuania
Regional aid spending as % of GDP in 2014-16	0.162	
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	2.62	Bulgaria

Dimension	Cyprus	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Estonia
Regional policy objectives	National growth	Luxembourg, Netherlands
Main regional policy instruments	Business support (e.g. loans notably to SMEs and the tourism sector)	Denmark
Regional aid map coverage 2014-20, as % of population	50 (all in non-predefined 'c' areas)	Ireland
Regional aid spending as % of GDP in 2014-16	0.001	Austria
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.42	Spain (0.36)

Dimension	Czech Republic	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Croatia, Denmark, Slovakia
Regional policy objectives	Development of all territories and Reduction in regional disparities	France, Portugal
Main regional policy instruments	Business support / Innovation support / Support for business infrastructure / Support for underdeveloped areas	Bulgaria, Estonia
Regional aid map coverage 2014-20, as % of population	88.1 (all in 'a' areas)	Portugal, Slovakia
Regional aid spending as % of GDP in 2014-16	0.434	Hungary
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	1.89	Portugal

Dimension	Denmark	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Netherlands
Regional policy objectives	Development of all territories	Austria, Belgium
Main regional policy instruments	Business support (grants, other development support, and loans to promote exports in the island of Bornholm)	Cyprus
Regional aid map coverage 2014-20, as % of population	7.97 (all non-predefined 'c')	Luxembourg, Netherlands
Regional aid spending as % of GDP in 2014-16	n/a	Netherlands
Cohesion policy allocations, annual average 2014-20, % of 2011 GDP	0.03	Austria, Luxembourg, Netherlands

Dimension	Estonia	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Portugal
Regional policy objectives	Development of all territories	Ireland, Slovenia
Main regional policy instruments	Business support (grants) / Support for innovation / Infrastructure / Support for underdeveloped areas / Quality of life & local services	Czech Republic, Ireland
Regional aid map coverage 2014-20, as % of population	100 (all 'a' areas)	Bulgaria, Latvia, Lithuania
Regional aid spending as % of GDP in 2014-16	0.118	Slovenia
Cohesion policy allocations, annual average in 2014-20 % of 2011 GDP	2.97	Hungary, Lithuania

Dimension	Finland	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Norway, Poland
Regional policy objectives	Development of all territories and Reduction in regional disparities	Norway, Sweden
Main regional policy instruments	Support for businesses (investment grants, transport aid) / Areas of structural change	Germany, Norway
Regional aid map coverage 2014-20, as % of population	26.03 (24.18% as predefined sparsely populated 'c', & 1.85% as non-predefined 'c')	Austria, Norway
Regional aid spending as % of GDP in 2014-16	0.032	United Kingdom
Cohesion policy allocations, annual average 2014-20 % of 2011 GDP	0.10	France, Germany, Ireland, United Kingdom

Dimension	France	Similar countries
Institutional framework of regional policy	Regionalised: responsibility is mainly regional but with active national coordination	Italy, Spain
Regional policy objectives	Development of all territories and Reduction in regional disparities	Finland, Sweden, Norway
Main regional policy instruments	Business support (grants, loans, tax relief) / Support for economic difficulties / Support for bottom-up development	Belgium, Germany
Regional aid map coverage 2014-20, as % of population	24.17 (2.93 in 'a' areas and 21.24 in non-predefined 'c' areas)	Norway, Germany
Regional aid spending as % of GDP in 2014-16	0.12	Croatia
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.10	Finland, Germany, Ireland, United Kingdom

Dimension	Germany	Similar countries
Institutional framework of regional policy	Federal: responsibilities are mainly regional but with national coordination mechanisms	Austria, Belgium, Switzerland
Regional policy objectives	Emphasis on reducing economic disparities between regions	Spain, Switzerland
Main regional policy instruments	Investment grants / investment loans / Support for business infrastructure / Bottom-up strategies and clusters	
Regional aid map coverage 2014-20, as % of population	25.85 (14.51 in predefined 'c' areas and 11.33 in non-predefined 'c' areas)	Austria, Finland, Norway
Regional aid spending as % of GDP in 2014-16	Data not available	Estonia, Romania, Spain
Cohesion policy allocations, annual average 2014-20 % of 2011 GDP	0.09	Finland, France, Ireland

Dimension	Greece	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Poland
Regional policy objectives	National growth and Reduction in regional disparities	Bulgaria, Romania
Main regional policy instruments	Business support (grants, loans, tax relief) / Support for business infrastructure / Quality of life & local services	Czech Republic, Estonia
Regional aid map coverage 2014-20, as % of population	100 (from 1.1.2017: 60.89 in 'a' areas and 39.11 in non-predefined 'c' areas)	Slovenia
Regional aid spending as % of GDP in 2014-16	0.663	Czech Republic (0.578)
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	1.00	Slovenia

Dimension	Hungary	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Latvia
Regional policy objectives	National growth and Reduction in regional disparities	Bulgaria, Greece, Latvia
Main regional policy instruments	Business support (grants, venture capital) / Support for business infrastructure / Support for underdeveloped areas	Bulgaria, Czech Republic
Regional aid map coverage 2014-20, as % of population	76.71 (70.38 in 'a' areas and 6.33 in non-predefined 'c' areas)	Spain (68.7), Portugal (85.0)
Regional aid spending as % of GDP in 2014-16	0.616	Czech Republic
Cohesion policy commitment appropriations as % of GDP in 2014-20	2.97	Estonia, Lithuania

Dimension	Ireland	Similar countries
Institutional framework of regional policy	Unitary: essentially national but with some role for local entities	Estonia, Portugal
Regional policy objectives	Development of all territories	Austria, Belgium, Denmark
Main regional policy instruments	Business support (grants) / Support for Gaelic speaking areas	Estonia, Slovakia
Regional aid map coverage 2014-20, as % of population	51.28 (all as non-predefined 'c' areas)	Cyprus
Regional aid spending as % of GDP in 2014-16	0.038	France, Croatia
Cohesion policy allocations, annual average 2014-20, % of 2011 GDP	0.095	Belgium, Finland, France, Germany,

Dimension	Italy	Similar countries
Institutional framework of regional policy	Regionalised: responsibilities shared between national and regional levels	Spain
Regional policy objectives	Emphasis on reducing regional disparities and tapping the potential of all territories	Portugal, Slovenia
Main regional policy instruments	Business support (grants, tax relief, loan guarantees, interest rate subsidies) / Support for business infrastructure	Spain, United Kingdom
Regional aid map coverage 2014-20, as % of population	34.07 (29.04 in 'a' areas and 5.03 percent in non-predefined 'c' areas. From 1.1.2017, the following will be eligible: 31.81 in 'a' areas and 3.71 percent in non-predefined 'c' areas	Belgium, United Kingdom
Regional aid spending as % of GDP in 2014-16	0.032	Austria
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.27	Spain

Dimension	Latvia	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Bulgaria, Romania
Regional policy objectives	National growth and Reduction in regional disparities	Greece, Lithuania
Main regional policy instruments	Business support (grants, loans, tax relief in Free Ports & Special Economic Areas) / Support for business infrastructure / Capacity-building	Lithuania, Estonia
Regional aid map coverage 2014-20, as % of population	100 (all in 'a' areas)	Bulgaria, Croatia, Estonia, Lithuania
Regional aid spending as % of GDP in 2014-16	0.458	Hungary
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	3.01	Estonia, Lithuania, Hungary

Dimension	Lithuania	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Estonia, Latvia
Regional policy objectives	National growth and Reduction in regional disparities	Greece, Hungary
Main regional policy instruments	Investment grants / Loans for investment / Tax-based support for business investment / Free Economic Zones / Support for business infrastructure and local infrastructure	
Regional aid map coverage 2014-20, as % of population	100 (all in 'a' areas)	Bulgaria, Estonia, Latvia
Regional aid spending as % of GDP 2014-16	0.159	Malta
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	2.98	Estonia, Hungary, Latvia

Dimension	Luxembourg	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Malta
Regional policy objectives	National growth	Cyprus, Netherlands
Main regional policy instruments	Business support (grants, tax relief, interest rate subsidies / Targeted support for underdeveloped areas	Ireland, Slovakia
Regional aid map coverage 2014-20, as % of population	8.0 (all as non-predefined 'c' areas)	Austria, Denmark
Regional aid spending as % of GDP in 2014-16	0.00	Belgium, Sweden
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.02	Denmark, Netherlands

Dimension	Netherlands	Similar countries
Institutional framework of regional policy	Regionalised: responsibility is mainly regional but with active national coordination	France, Italy, Spain
Regional policy objectives	National growth	Luxembourg
Main regional policy instruments	Support for areas suffering from economic difficulties; All-region approaches	Luxembourg
Regional aid map coverage 2014-20, as % of population	7.5 (all in non-predefined 'c' areas)	Denmark, Luxembourg
Regional aid spending as % of GDP in 2014-16	0.000	Denmark
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.03	Austria, Luxembourg

Dimension	Norway	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Finland, Sweden
Regional policy objectives	Development of all territories and Reduction in regional disparities	Finland, France
Main regional policy instruments	Business support (social security concession, grants, loans, transport aid) / Support for quality of life	Estonia, Finland
Regional aid map coverage 2014-20, as % of population	25.56	
Regional aid spending as % of GDP in 2014-16	0.256	Poland

Dimension	Poland	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Finland, Norway
Regional policy objectives	National growth and Reduction in regional disparities	Hungary, Slovakia
Main regional policy instruments	Business support (grants, tax-based support for business investment), Special economic zones / Support for business infrastructure	Estonia, Italy
Regional aid map coverage 2014-20, as % of population	100 (86.3 in 'a' areas and 13.7 in predefined 'c' areas)	Romania
Regional aid spending as % of GDP in 2014-16	0.314	Bulgaria, Portugal
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	2.81	Slovakia

Dimension	Portugal	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Slovenia, UK(Eng)
Regional policy objectives	Development of all territories and reduction in regional disparities	Czech Republic, Sweden
Main regional policy instruments	Investment grants / SME support / Aid for RTDI / Support for bottom-up development in remote rural areas	Czech Republic, Estonia
Regional aid map coverage 2014-20, as % of population	85.01 (69.25 in 'a' areas and 15.76 in non-predefined 'c' areas)	Czech Republic, Hungary, Slovakia
Regional aid spending as % of GDP in 2014-16	0.299	Bulgaria, Norway
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	1.65	Malta (1.46), Czech Republic (1.89)

Dimension	Romania	Similar countries
Institutional framework of regional policy	Unitary: essentially national but possibly with some role for local entities	Bulgaria, Hungary, Latvia
Regional policy objectives	National growth and Reduction in regional disparities	Bulgaria, Hungary
Main regional policy instruments	Support for business / Support for business infrastructure / Support for bottom-up development	Bulgaria, Hungary
Regional aid map coverage 2014-20, as % of population	100 (89.44 in 'a' areas and 10.56 in predefined 'c' areas)	Poland
Regional aid spending as % of GDP in 2014-16	0.2	Lithuania
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	2.38	Czech Republic (1.9), Bulgaria (2.7)

Dimension	Slovakia	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Czech Republic
Regional policy objectives	National growth and Reduction in regional disparities	Various CEE Member States
Main regional policy instruments	Support for business (grants, tax relief, wage subsidies) / Support for underdeveloped areas	Ireland, Hungary
Regional aid map coverage 2014-20, as % of population	88.48 (all in 'a' areas)	Czech Republic, Portugal
Regional aid spending as % of GDP in 2014-16	0.209	Romania
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	2.72	Bulgaria, Croatia, Poland

Dimension	Slovenia	Similar countries
Institutional frameworks of regional policy	Unitary: essentially national but possibly with some role for local entities	UK (England)
Regional policy objectives	Development of all territories	Estonia, Ireland
Main regional policy instruments	Support for business (grants, loans, tax relief) / Support for business infrastructure / Support for innovation / Support for areas in economic difficulties	Portugal
Regional aid map coverage 2014-20, as % of population	100 (52.92 in 'a' areas and 47.08 in predefined 'c' areas)	Greece
Regional aid spending as % of GDP in 2014-16	0.101	Estonia
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	1.15	Greece, Malta

Dimension	Spain	Similar countries
Institutional framework of regional policy	Regionalised: responsibility is mainly regional but with active national coordination	France, Italy
Regional policy objectives	Reduction of regional disparities	Germany, Switzerland
Main regional policy instruments	Support for business (grants) / Support for business infrastructure	Lithuania
Regional aid map coverage 2014-20, as % of population	68.66 (6.9 as 'a' areas, 28.25 in predefined 'c', former 'a' areas, 0.51 as predefined sparsely populated areas, and 33 as non-predefined 'c' areas. From 1.1.2017, the following is eligible, 32.55 as 'a' areas, 5.94 as predefined 'c', former 'a' areas, 0.51 as 0.51 as predefined sparsely populated areas and 29.66 as non-predefined 'c' areas)	Hungary (76.71)
Regional aid spending as % of GDP in 2014-16	0.042	Germany
Cohesion policy allocations, annual average in 2014-20 as % of 2011 GDP	0.35	Italy

Dimension	Sweden	Similar countries
Institutional framework of regional policy	Decentralised: national level has core responsibilities but regions have some tasks	Denmark, Finland, Norway
Regional policy objectives	Development of all territories and Reduction in regional disparities	Finland, Italy, Norway
Main regional policy instruments	Business support (grants, loans, transport aid, social security concessions)	Denmark, Ireland, Norway
Regional aid map coverage 2014-20, as % of population	12.26 (all predefined sparsely populated 'c')	Denmark, Luxembourg, Netherlands
Regional aid spending as % of GDP in 2014-16	0.022	Belgium, Luxembourg
Cohesion policy allocations, annual average 2014-20 % of 2011 GDP	0.07	Austria, Belgium, Germany, Ireland, United Kingdom

Dimension	Switzerland	Similar countries
Institutional framework of regional policy	Federal: responsibilities are mainly regional, with only a minor role for national coordination	Austria, Belgium, Germany
Regional policy objectives	Reduction of regional disparities	Germany, Spain
Main regional policy instruments	Business support (tax relief) / Support for business infrastructure / bottom-up development	

Dimension	United Kingdom	Similar countries
Institutional framework of regional policy	England: Unitary: essentially national but possibly with some role for local entities Scotland, Wales & Northern Ireland: Regionalised: responsibility is mainly regional but with active national coordination	Portugal, Slovenia France, Italy
Regional policy objectives	England & Northern Ireland: Development of all territories Scotland & Wales: Development of all territories and Reduction in regional disparities	Austria, Denmark Finland, Sweden
Main regional policy instruments	Business support (investment grants, loans, guarantees) / Business infrastructure	Germany, Italy, Poland
Regional aid map coverage 2014-20, as % of population	27.05 (3.91 in 'a' areas, 0.35 in predefined sparsely populated areas and 22.79 in non-predefined 'c' areas)	Finland, Austria, Germany
Regional aid spending as % of GDP in 2014-16	0.028	Belgium, Finland
Cohesion policy allocations, annual average 2014-20 as % of 2011 GDP	0.07	Belgium, Finland, France

EoRPA RESEARCH

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UNION EUROPÉENNE

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