



# EoRPA

European regional policy  
research consortium



## RETHINKING REGIONAL TRANSFORMATION: THE STATE OF REGIONAL POLICY IN EUROPE

---

*John Bachtler and Ruth Downes*

EoRPA Report 23/1, European Regional Policy Research Consortium

ISBN 978-1-914241-65-9 University of Strathclyde Publishing, December 2023



The European Regional Policy Research Consortium (EoRPA) is funded by eleven national government ministries and agencies responsible for regional policy in Austria, Finland, 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 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: 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

Cover photo by Raphael Biscaldi



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>New Directions in Regional Transformation</b> .....	<b>6</b>
2.1	Policy trends.....	6
2.2	Major policy reforms and new strategies .....	8
2.2.1	Germany: a paradigm shift in regional policy .....	8
2.2.2	Norway: a new White Paper for cohesion and security.....	10
2.2.3	Austria: a new strategy for regions – more focus on rural areas.....	12
2.2.4	Estonia: a new regional policy plan to reduce marginalisation .....	13
2.3	Policy changes on the horizon .....	14
2.3.1	Switzerland: gearing up for the New Regional Policy 2024-31 .....	15
2.3.2	Poland: policy integration and territorialisation of development.....	16
2.3.3	Netherlands: making ‘every region count’ .....	17
2.3.4	Finland: stronger urban policy and future oriented planning .....	19
2.3.5	Sweden: need for a ‘thorough review of regional policy’ .....	20
2.3.6	Slovenia: a new approach to balanced development? .....	22
<b>3</b>	<b>Institutional Changes: Coordination and Capacity</b> .....	<b>23</b>
3.1	National institutional change .....	23
3.1.1	National government reorganisation .....	23
3.1.2	Rebalancing regional and national responsibilities - Netherlands? .....	25
3.2	Decentralisation and capacity building.....	25
3.2.1	Local autonomy and regional empowerment – Portugal and Bulgaria.....	26
3.2.2	Decentralisation, differentiation, deconcentration and decomplexification - France .....	29
3.2.3	Deal based devolution? - United Kingdom .....	30
3.2.4	Contested decentralisation: Romania and Slovenia .....	32

3.2.5 Stronger localisation and place-based initiatives: Austria, Belgium and Denmark .....	34
3.3 Cross-sectoral policy coordination and impact assessment: Czechia, Lithuania and Ireland .....	36
<b>4 Conclusions.....</b>	<b>39</b>





---

## EXECUTIVE SUMMARY

---

As political and policy concern with regional and local inequality continues to grow across Europe, regional policies are challenged by the **competing objectives of tackling long-term structural disadvantage and the reduction of disparities**, in the context of the green and digital transitions, and dealing with crises including the Covid pandemic and conflict in Ukraine.

Policy trends over the past 12-18 months are characterised by five key themes:

- initiatives to combine **sustainability with competitiveness and innovation**;
- promotion of more **place-based approaches**;
- a greater emphasis on vulnerable or **marginalised regions**;
- policy intervention to improve **quality of life** and access to public services; and
- ongoing **reform of governance** and institutional structures and **capacity building** at regional and local levels.

Policy reforms and new strategies have been introduced in **Germany, Norway, Austria** and **Estonia**. In some cases, the reforms signify a paradigm shift, broadening the previous approach to regional growth or introducing new foci such as quality of life or the support of marginalised areas.

Future policy changes (or pressure for change) are anticipated in **Switzerland, Poland, Netherlands, Finland, Sweden** and **Slovenia**. These reinforce the above trends, especially the focus on sustainable development, particular types of region or territorialising government investment and aspirations for better coordination of regional and sectoral policies.

Institutional changes in governance are underway at national level in **Italy** and a process of potentially rebalancing national/regional responsibilities in the **Netherlands**.

Decentralisation and local empowerment are being taken forward in different ways in **Portugal, Bulgaria, France** and the **United Kingdom** – sometimes contested as in **Romania** and **Slovenia**. There are also interesting initiatives to facilitate a more place-based approach through greater localisation or other intermediate governance levels, as in **Austria, Belgium** and **Denmark**.

Lastly, there are some new examples of tools or measures to promote cross-sectoral cooperation across levels of government and territorial impact assessment.

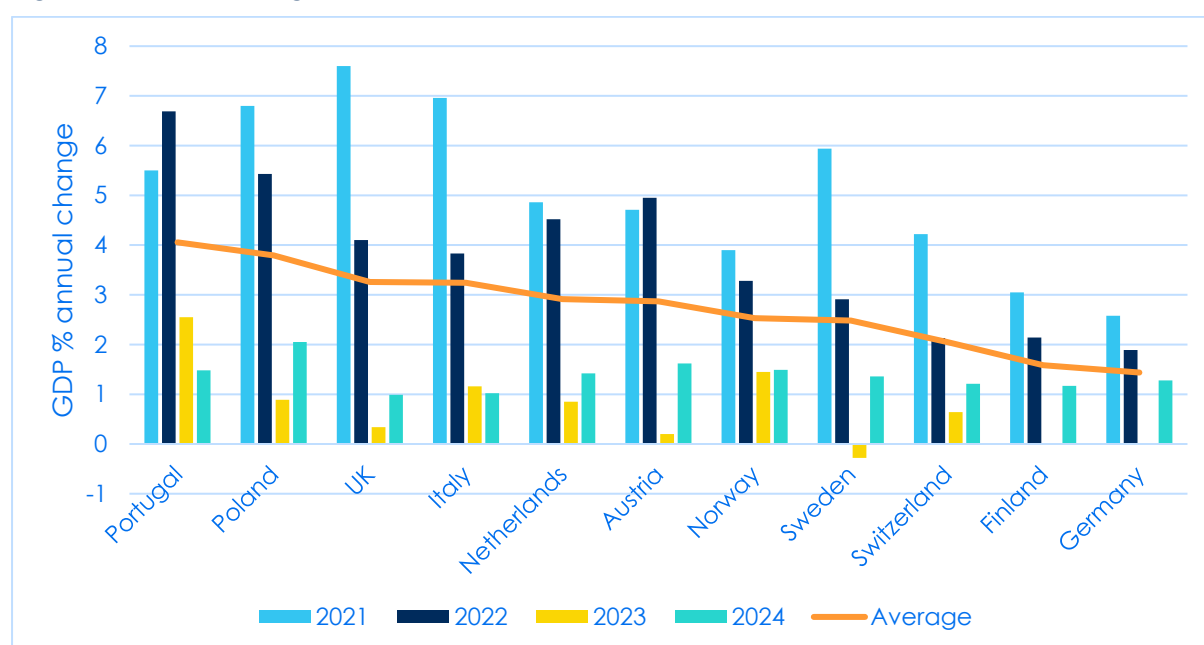




# 1 INTRODUCTION

The past decade has seen a resurgence of political and policy concern with regional and local inequality across Europe. This has been driven by the slowdown in economic growth in many countries, the long-term impact of the financial and economic crises of the late 2000s and the challenge of recovery from the Covid pandemic. There is also acute awareness of the uneven territorial impacts of demographic change, the drive to meet net zero targets and the digital transition, as well as the rapid move away from reliance on Russian sources of gas and oil. In several countries, the so-called 'geography of discontent'<sup>1</sup> has found political expression among people and communities who are unhappy about the perceived loss of economic security, employment opportunities and quality of life.

**Figure 1: GDP % change in EorPA countries 2021-24**



Source: OECD Economic Outlook No 113, June 2023 (<https://stats.oecd.org/>)

Economic growth in Europe over the past 12-18 months has been particularly challenging, not just in the aftermath of the Covid pandemic but also in the context of the energy crisis triggered by the conflict in Ukraine. In overall economic terms, GDP slowed markedly during 2022 for all EorPA countries although to differing degrees (see Figure 1). However, falling

<sup>1</sup> Dijkstra L, Poelman H and Rodríguez-Pose A (2020) The geography of EU discontent, *Regional Studies*, 54:6, 737-753, DOI: [10.1080/00343404.2019.1654603](https://doi.org/10.1080/00343404.2019.1654603). McCann P and Ortega-Argilés R (2021) The UK 'geography of discontent': narratives, Brexit and inter-regional 'levelling up', *Cambridge Journal of Regions, Economy and Society*, Volume 14, Issue 3, November 2021, Pages 545–564, <https://doi.org/10.1093/cjres/rsab017>

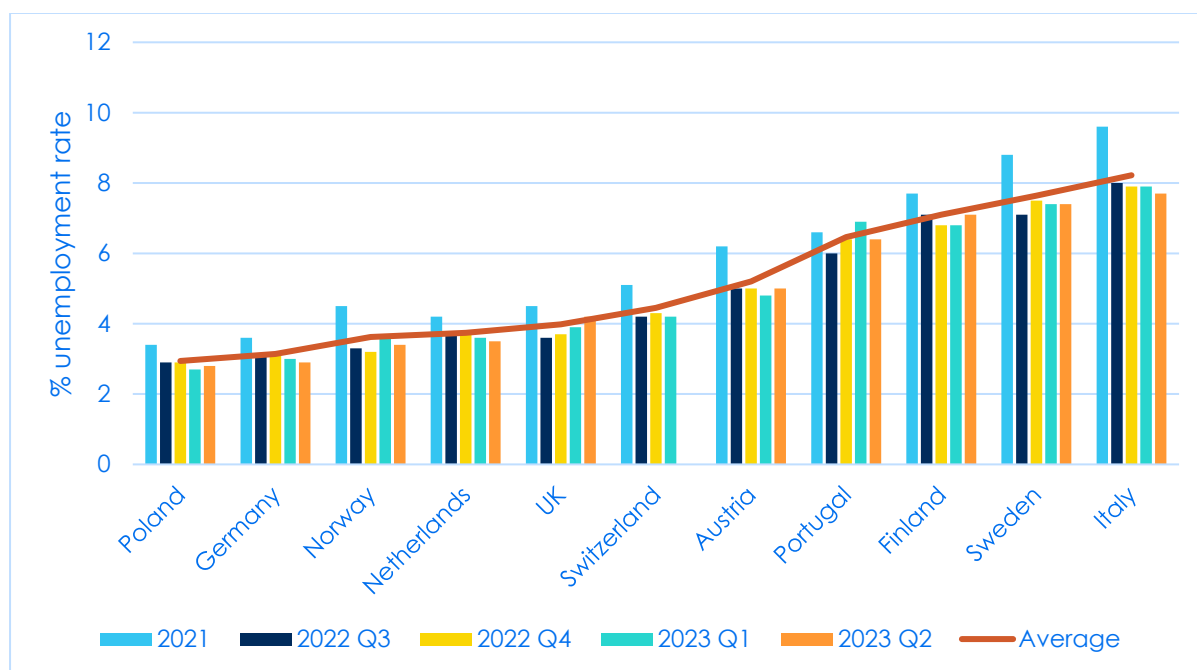




energy prices and inflation (although still high), a reopening of the Chinese economy and strong employment are all factors supporting a move to a relatively weak recovery.<sup>2</sup>

In terms of unemployment, rates have fallen since 2021 and remained relatively steady across the EoRPA member countries in the second half of 2022 and the first half of 2023 although at different levels (see Figure 2). In some countries, such as Germany and Poland, unemployment is very low at under three percent in 2023 while in other countries, including Italy, Sweden and Finland, unemployment in the second quarter of 2023 was over seven percent.

**Figure 2: Unemployment rates in EoRPA member countries (%)**



Source: OECD Economic Outlook No 113, June 2023 (<https://stats.oecd.org/>)

At sub-national level, there continue to be major differences in regional competitiveness and socio-economic conditions among European countries. The most recent OECD Regional Outlook, published in June 2023, highlights a situation of ongoing and, in many countries, increasing regional inequality.<sup>3</sup> Rising inequalities can be seen both in high income countries with above OECD average per capita GDP (including Belgium, Denmark, France, Sweden and the UK) as well as in rising income countries, including in Central and Eastern Europe. Where regional inequalities have fallen in Southern European countries, such as Greece, Spain and Portugal, this has occurred in the context of weak overall economic performance. A number of trends in regional development patterns are identified. In general, higher GDP per capita can be seen in metropolitan regions, although challenges linked to their success are

<sup>2</sup> OECD (2023), *OECD Economic Outlook*, Volume 2023 Issue 1, OECD Publishing, Paris, [https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2023/issue-1\\_ce188438-en](https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2023/issue-1_ce188438-en)

<sup>3</sup> OECD (2023) *OECD Regional Outlook 2023: The Longstanding Geography of Inequalities*, OECD Publishing, Paris <https://doi.org/10.1787/92cd40a0-en>







associated with diseconomies of agglomeration. Conversely nearly 40 percent of remote regions in the OECD shrank between 2001-2021 with corresponding challenges related to service provision, depopulation and labour market. Significant regional disparities can be identified in relation to public service provision and infrastructure with rural and lagging regions in particularly negatively impacted in terms of labour market retention, education and healthcare services and access to digital infrastructure. The persistence and apparent entrenchment of regional inequalities are leading to significant economic, social and political costs.

Within the EU, the latest regional competitiveness report uses a composite range of indicators which aim to widen the definition of competitiveness 'beyond GDP' to look at a region's capacity to provide an attractive growth environment with both a short and longer term perspective.<sup>4</sup> The report similarly highlights growing regional divides in many countries. Most capital cities are more competitive, emphasising a polycentric pattern where regions with large urban areas benefit from agglomerative effects, connectivity and higher levels of human capital – this includes capital city regions in eastern and southern Europe. The gap between the capital city and the remainder of the country varies across EU countries with more competitive countries generally having a smaller gap (and lower overall levels of disparity) between regions. More competitive regions tend to have important areas of socio-economic advantage including higher levels of GDP, easier access to the job market for recent graduates and better labour market and educational outcomes for women.

There is a similar story for other European countries. The situation in the UK, for example, presents a particularly stark example of the disparity between the capital city and the remainder of the country. Recent research has found that London and nearby parts of South East and Eastern England "are becoming increasingly decoupled from the rest of the nation"<sup>5</sup> exacerbated further by the fact that UK cities outside London have relatively low productivity for their size and do not appear to benefit to the same degree from agglomeration economies seen elsewhere.<sup>6</sup> In Switzerland there is an important divide between the metropolitan areas in the *Mittelland* on the one hand and the Alpine tourism centres and peripheral rural areas on the other. Similarly in Norway, the four main labour market areas around the urban areas of Oslo, Bergen, Stavanger and Trondheim account for around 45 percent of the workforce and population, with Oslo alone accounting for around a quarter.

---

<sup>4</sup> Dijkstra, L *et al* (2023) *EU Regional Competitiveness Index 2.0*, 2022 edition, revised May 2023, Publications Office of the European Union, Luxembourg ([https://ec.europa.eu/regional\\_policy/sources/work/rci\\_2022/eu-rci2\\_0-2022\\_en.pdf](https://ec.europa.eu/regional_policy/sources/work/rci_2022/eu-rci2_0-2022_en.pdf))

<sup>5</sup> *UK Competitiveness Index 2023*, School of Geography and Planning, Cardiff University, and Nottingham Business school, Nottingham Trent University, 2023.

<sup>6</sup> Stansbury, A, Turner, D and Balls, E (2023) *How to tackle the UK's regional economic inequality: Focus on STEM, transport and innovation*, VOXEU column 6 March 2023, CEPR (<https://cepr.org/voxeu/columns/how-tackle-uks-regional-economic-inequality-focus-stem-transport-and-innovation>)



In the context of the stronger economic performance of capital cities and large urban areas, it is worth noting that the longer term impact of the Covid pandemic and the associated changes in work patterns and location are not yet fully known.<sup>7</sup> However, it is expected that the digital and green transitions are likely to exacerbate regional disparities in Europe.<sup>8</sup> Already economically strong metropolitan areas, and regions specialised in high-tech manufacturing industries, are best placed to benefit from digital transition and, at the same time, display high levels of readiness for green transition and the development of green technologies. Conversely, the less developed regions, including those in southern European countries and particularly on the external eastern European border, show the least readiness to benefit from either digital or green transitions.

Demographic factors are an increasingly important component of the regional development challenge impacting a range of areas including population density, the labour market situation, and the age profile of regional populations which influence territorial viability and growth. In the Nordic countries, for example, socio-economic disparities (especially in terms of GDP per capita) tend to be relatively small, and regional disparities are characterised very much by demographic concerns and physical geography. However, differences between and within the regions have been on the increasing in Finland and Sweden; an urban-rural disparity also continues to be evident in this context with the capita/larger cities and metropolitan regions across all the three Nordic countries (Finland, Sweden and Norway) accounting for a high share of the population and workforce.

Recent EoRPA reports have charted the conceptual and strategic shifts in policy thinking and practice with respect to objectives, institutional arrangements and implementation mechanisms for regional policies across Europe.<sup>9</sup> A strong common focus is a renewed commitment to regional policy in virtually every European country as well as a broadening in approach with a view to ensuring coherent territorial development and advancing the integration of sustainability and climate objectives in regional policies.

However, the scale and scope of development challenges are complex. Research has drawn attention to so-called regional 'development traps' in middle-income (but also less-

---

<sup>7</sup> Hamann, S, Niebuhr, A, Roth, D and Sieglen, G (2023) How does the Covid-19 pandemic affect regional labour markets and why do large cities suffer most? *Journal of Regional Science*, pp1-23 (<https://onlinelibrary.wiley.com/doi/pdf/10.1111/jors.12662>)

<sup>8</sup> Maucorps, A, Römisch, R, Schwab, T and Vujanović, N (2023) The Impact of the Green and Digital Transition on Regional Cohesion in Europe, *Intereconomics*, 58(2), pp102-110

<sup>9</sup> Georgieva, N (2022) *Regional Policies in Europe: Managing Territorial Inequalities and Global Transitions*, Paper to the 43<sup>rd</sup> meeting of the EoRPA Regional Policy Research Consortium, October 2022, European Policies Research Centre, Glasgow and Delft. Georgieva, N, Downes, R and Bachtler, J (2021), *COVID Recovery and the Long Term Challenges for Regional Policies*, Paper to the 42<sup>nd</sup> meeting of the EoRPA Regional Policy Research Consortium, October 2021, European Policies Research Centre, Glasgow and Delft. Ferry, M and Downes, R (2020) *Mega-trends and Development Traps: How are Regional Policies Responding?* Paper to the 41<sup>st</sup> meeting of the EoRPA Regional Policy Research Consortium, October 2020.



developed) regions that have stagnated or declined over the past 10-15 years. These stagnating regions encompass formerly prosperous industrial regions as well as rural regions outside the hinterland of cities, where market towns have lost employment in tradeable sectors and the closure of major employers. There is a widespread concern with the quality and availability of public services.

This EoRPA paper provides an overview of developments over the past 12-18 months in regional policies across Europe. It 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 2023. These Country Reports each provide a systematic and structured review of regional socio-economic disparities, fiscal equalisation, institutional frameworks objectives, funding, geographical coverage, instruments, relationships with Cohesion Policy (for EU Member States), and the emerging policy issues.<sup>10</sup>.

The following paper reviews the main policy developments including the overall trends in regional policy, the major reforms introduced or underway, and potential changes over the horizon. It then discusses institutional developments at national and subnational levels, highlighting key changes to governance arrangements, notably decentralisation and capacity-building.

---

<sup>10</sup> The EoRPA Country Reports are only available to EoRPA Partners on the [EoRPA website](#) and provide country-specific detail on each of the issues discussed in this paper.



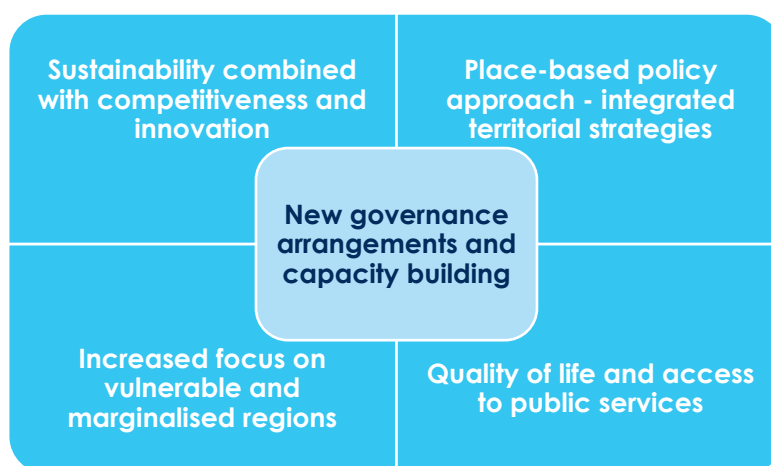
## 2 NEW DIRECTIONS IN REGIONAL TRANSFORMATION

### 2.1 Policy trends

Regional policies in many European countries are challenged by competing objectives. On the one hand, they have the primary goal of long-term structural changes in disadvantaged regions and the reduction of regional socio-economic disparities. On the other hand, they have had to respond to a succession of short-term crises – ameliorating the economic effects of the Covid pandemic, facilitating recovery, and dealing with the consequences of the Ukraine-Russia war, especially the cost of energy and other inflationary pressures on the cost of living. Further, underlying all government policies is the need to meet climate change targets with huge consequences for industrial production, energy generation and employment.

Five key themes run through the policy trends observed over the past 12-18 months in European countries, several of which have been highlighted in previous EoRPA reports (see Figure 3).

**Figure 3: Key regional policy trends**



First, regional policies are seeking to combine **sustainability with competitiveness and innovation** (BG, CH, DE, FI, SE). The objective of 'regional growth' is being recast as 'sustainable growth' or 'sustainable regional development'. In most cases, there is explicit recognition of the uneven territorial impact of climate change measures and the impact on already structurally weak regions. However, innovation and competitiveness remain central to most regional policies, with interesting new initiatives including knowledge clusters and 'business beacons' (DK), ecosystem agreements (FI and investment zones and freeports (UK).

Second, many regional policies are designed to facilitate a **place-based approach** with more holistic and integrated territorial development strategies, concepts and initiatives that can be tailored to the specific needs of places (BG, CZ, CY, FR, HR, PT, UK). This approach also stems





from policy objectives to exploit local potential, utilising the full range of regional and local assets (including, for example, environmental, natural, historical and cultural heritage).

Linked to this policy goal are efforts to promote more **coherence between regional and sectoral policies** through new or better coordination at different government levels (CZ, EL, FR, HU, IT, LT, NL, PL, SE). In part, this is being pursued through a territorial dimension to sectoral policies, for example using territorial impact assessment to highlight how sectoral policies have regional effects. However, this is often difficult in practice and so lead to diffusion of objectives and difficulty in assessing progress (CZ, SE).

Third, there is greater emphasis in many countries on **vulnerable or marginalised regions** (AT, CH, CZ, DE, EE, HU, NL, NO, PT, SE, SI, SK). In several cases, this reflects a renewed political concern with the economic and social difficulties facing **rural areas**, often in remoter parts of countries and where there are perceptions of neglect in favour of a policy focus on cities (AT, CH, NO, PT, SE). This focus is also related to the aim of improving regional resilience, as a consequence of territorial vulnerabilities revealed by the impact of the pandemic, and the need for regions to be more resistant to shocks. In several countries, there is a continued need for regional policies to invest in infrastructure (BG, CZ, DE), whether to facilitate business investment (DE), deal with housing shortages (CZ) or deficiencies in transport infrastructure and connectivity of marginalised or peripheral regions (BG).

Fourth, the focus on more vulnerable areas is part of a wider policy objective of using regional policy intervention to improve **quality of life and access to public services** where these have been under pressure or associated with demographic decline (AT, DE, FI, NL, NO, PT). There is also an emerging 'wellbeing agenda' influencing policy choices (NL, UK(Sco), FI). Notwithstanding the commitment to 'equitable living conditions' in some countries, dealing with demographic changes may also involve 'smart adaptation' (CZ, FI, NO), anticipating and managing a loss of people and sustainability of settlements and services, and identifying the potential of modern technologies for ameliorating or resolving developmental issues. Some of the challenges stem from a mismatch in skills supply and labour market demand in both the public and private sectors (EE, SE) and where there may be barriers to rapid digitalisation of service provision and skills supply.

Lastly, a theme of policy change for much of the past decade continues to be **reform of governance** and institutional arrangements for regional policy and **building capacity** at regional and local levels (AT, ES, HR, NO, PT, RO, UK). The complex mix of objectives discussed above is demanding of governance, especially at regional and local levels, and is associated with decentralisation (both delegation and devolution) of powers and responsibilities (PT, FR). Of note is the way that this is asymmetric in some countries – different forms of decentralisation for different areas – and involves new geographies that do not necessarily align with existing administrative boundaries or administrative units (AT, BE, UK). Initiatives that have been evident for some time are also promoting mergers and rationalisation of municipalities (CY, LV), and greater cooperation between regional and local authorities (AT, BE, BG).





The following sections examine these issues, beginning with the major policy reforms and new strategies introduced, and then those reforms that are on the horizon. The subsequent chapter discusses the main institutional developments and national and subnational levels (Section 4).

## 2.2 Major policy reforms and new strategies

The past 12-18 months have seen some major changes to the legislative and policy frameworks for regional policy, most notably in **Germany** (Section 2.2.1), where the most significant reform in 50 years has introduced a broader approach to sustainable regional growth. Important policy changes have also been introduced in **Norway** (Section 2.2.2), with a new White Paper (the third in five years) that reinforces the emphasis on access to employment, housing and services throughout the country. Quality of life is also central to the new framework for regional and local development in **Austria** (Section 2.2.3), designed to promote 'equivalent living conditions for all people in all regions'. Several of these objectives are evident in the new regional policy emerging in **Estonia** (Section 3.2.4), focusing on marginalised parts of the country.

As noted in recent EoRPA reports, the launch of a new programme period under EU Cohesion Policy was the impetus for creating new 'national development strategies' to provide a domestic framework covering the 2021-27 period and beyond. This has taken place in a range of countries; the National Strategy for Regional Development of **Slovakia** (covering the period to 2030) provides a good example. It sets three priorities for regional development (although lacking quantified targets and dedicated financial resources): (i) sustainable, competitive, innovative and environmentally oriented economy of regions; (ii) enhancement of quality of life, utilisation of natural and human resources; and (iii) harmonisation of territorial and regional development. Similar to other national strategies, it emphasises integrated development, coordination between national, regional and local level, synergies and efficient use of public funding.

### 2.2.1 Germany: a paradigm shift in regional policy

The recent reform in Germany recognises that structurally weak regions face significant challenges in adapting to climate transition and the goals of climate neutrality, energy crisis and demographic trends. Many structurally weak regions are struggling to maintain employment with a shrinking base of working age adults, a mismatch between skills and job opportunities available, and the need for more business emphasis on innovation, digitalisation and productivity. The reform of the main regional policy instrument, the Joint Task for the Improvement of the Regional Economic Structure (*Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur'*, GRW), is part of a broader funding system for structurally weak



regions encompassing seven policy fields and 22 programmes.<sup>11</sup> This broader system is also being evaluated over the 2022-24 period, in tandem with the drafting and publication of a new federal report of equal living conditions.

The reform of the GRW has led to a significant shift in policy approach and the instrument now has three interlinked objectives (see Figure 4): to equalise locational disadvantages; to create and secure employment and increase growth and prosperity; and to accelerate the transformation towards a climate neutral and sustainable economy.

The main changes to the policy framework are as follows.<sup>12</sup>

- a) **Stronger focus on endogenous regional development.** The GRW has historically supported businesses with 'inter-regional exports' (in practice 50+ km). Under the reform, firms that are primarily active within the region are eligible for support, a move intended to strengthen regional value added chains in structurally weak regions and support the potential for endogenous regional development.

**Figure 4: GRW reform 2023: changes to objectives, focus and priorities**

<b>Objective</b>	Employment creation (also increase prosperity and growth)	Equalise locational disadvantage	Speed up transformation process (climate protection/sustainability)		
<b>Focus of funding</b>	Business support (expanded)	Business-oriented infrastructure (expanded)	Networking and cooperation	Services of general economic interest	
<b>Priorities</b>	Increase regional productivity and wealth creation	Support endogenous regional development	Strengthen 'investment planning' principle	Improve regional attractiveness (also for labour market security)	
<b>Implementation</b>	New intervention logic	Strengthen 'positive work'	More flexibility for some funding	Increased transparency, evaluation & evidence use	Digitalisation/faster application processes

No change
  New from 2023

Source: Adapted from BMWK (2023) *Schlaglichter der Wirtschaftspolitik*, Berlin.

- b) **Funding eligibility and regional economic impact.** The eligibility of businesses for GRW funding will now be determined solely by the nature of the activity and its regional economic impact, based on a so-called 'positive list' of sectors and activities considered to contribute to the objectives of the GRW. Regional impact is measured according to three criteria:

<sup>11</sup> Bundesregierung (2020) *Das gesamtdeutsche Fördersystem für strukturschwache Regionen*, Berlin, 31 March 2020. BMWi (2021) *Erster Bericht der Bundesregierung zum Gesamtdeutschen Fördersystem für strukturschwache Regionen*, Berlin, April 2021

<sup>12</sup> Koordinierungsausschuss der GRW (2022) *Koordinierungsrahmen der Gemeinschaftsaufgabe „Verbesserung der regionalen Wirtschaftsstruktur“ ab 1. Januar 2023*, Berlin





- *employment/investment criteria*: increase in permanent jobs of at least ten percent or annual investment that is at least 50 percent higher;
  - *research criterion*: spending on R&D investment higher than the sector average;
  - *environmental criterion*: investment lowering higher CO<sub>2</sub> emissions by at least 20 percent as a result of the investment activity or which exceeds the relevant national or EU standards for environmental protection or energy efficiency.
- c) **Infrastructure support.** Local authorities applying for GRW support of more than 60 percent of the costs of the infrastructure investment must demonstrate that the planned measures are in line with the relevant regional development strategy to ensure a more coherent approach to the development of the region. The reformed GRW also offers better incentives for sustainable and climate-friendly investment.
- d) **Regional services of general interest.** These represent a new area of funding for the GRW, intended to improve the locational attractiveness and competitiveness of the regional economy.

### 2.2.2 Norway: a new White Paper for cohesion and security

The challenge of adequate service provision and the loss of population in structurally weaker regions of the country also underlie the new White Paper on regional policy in Norway. Entitled 'A good life in all parts of Norway - district policy for the future' (*Eit godt liv i heile Noreg – distriktspolitik for framtida*), the White Paper was launched in June 2023.<sup>13</sup> It reinforces the previous emphasis on the role of district policy, relating it to maintaining and building trust, security and cohesion at a time of major global pressures (international migration, technological change and the Russia-Ukraine war). The key themes include:

- ensuring that people have access to work, housing and good services close to where they live, including new solutions to address demographic challenges with a strong focus on digitalisation;
- increased role and responsibility at local levels (with a distancing from previous reforms associated with greater centralisation of basic services and a top-down imposition of administrative boundary mergers); and
- efforts to increase population in specific district municipalities.

---

<sup>13</sup> Unusually for regional policy legislation in Norway, traditionally based on a four-year cycle of White Papers as the basis for policy by an incoming government, the past five years have now seen three White Papers, the previous two being the 2017 White Paper 'Urban sustainability and strong rural areas'<sup>13</sup> and the 2020 White Paper - 'Vibrant Communities for the Future – the district report'<sup>13</sup>. Further details are in the EoRPA Country Report for Norway.





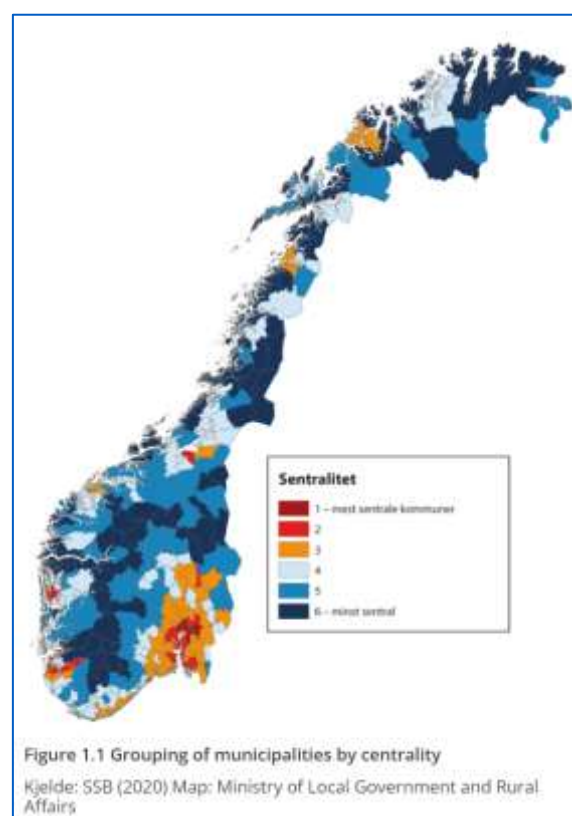
The White Paper commits to an active district policy supporting sparsely populated areas, while also recognising the need for a differentiated approach sensitive to specific territorial needs, including challenges faced by individual localities in more central areas. A so-called 'centrality index' (see Figure 5) has been used to measure geographical disadvantages in the country, based on the premise that some areas have particular disadvantages linked to size and distance and thus require extra policy attention.

A key concern is addressing the consequences of demographic ageing in rural areas, notably facilitating net migration and ensuring good services in areas with scattered housing. Part of the response anticipates new initiatives such as co-creation of welfare service solutions, greater cooperation between regional actors on service delivery, access to housing, improved transport accessibility and broadband services, especially for northern and coastal communities. Other measures include the distribution of public employment across the country, adaptation of land use policy to local conditions, simpler and more affordable communication, and more housing construction.<sup>14</sup>

Policy coherence is also a theme of the White Paper. District policy is expected to be coordinated with policies for climate change to support the greening of the transition. Plans include support for growing green industries in many district municipalities in various parts of the country linked to offshore wind, batteries, hydrogen, CO<sub>2</sub> handling, process industry, maritime industry and the forestry and wood industry and other parts of the bioeconomy, which again need to be supported by adequate labour supply and services.

The Russia-Ukraine war underlines the security policy dimension to maintaining and strengthening the settlement and government presence in the far North of the country, especially in the areas close to

**Figure 5: Municipalities by centrality**



---

<sup>14</sup> Regjeringa med distriktmelding: – Folketalet skal auke i norske district Pressemelding | Dato: 20.06.2023 <https://www.regjeringen.no/no/aktuelt/regjeringa-med-distriktmelding-folketalet-skal-auke-i-norske-distrikt/id2985969/>





the borders.<sup>15</sup> Related, the government has pledged support of NOK 105 million (€9.1 million) to support activity and development in Finnmark in 2023. The activity package was designed in collaboration with the municipality, their business community and the social partners, and contains measures to contribute to strengthening business, maintaining and developing new jobs, and strengthening infrastructure.<sup>16</sup> Reinforcing crossborder and collaborative links, in the face of serious disruption following the collapse of relations with Russia, is also a priority. Territorial cooperation in the far north of the country is particularly important in this area due to its high strategic value and low population density, and cross border dialogues with Sweden and Finland, on issues such as green transition, access to expertise and increased interaction between local businesses and universities will be strengthened.

### 2.2.3 Austria: a new strategy for regions – more focus on rural areas

A similar debate on quality of life and service provision has been underway in Austria, assessing how to respond to multiple crises and strengthen regional resilience. The focus of analysis and local dialogue under the 'My Region' initiative during 2021-22<sup>17</sup> has been on developing a new framework for regional and local development that can contribute to 'equivalent living conditions for all people in all regions'.

The outcome is a new government strategy for regions launched in November 2022, 'My Region. Our Path' (*Meine Region. Unser Weg*).<sup>18</sup> The strategy addresses four areas, predominantly with soft measures:

- designing living spaces sustainably: reduce land use – protect soil;
- making living spaces attractive: regional services of general interest;
- designing living spaces efficiently: strengthening the regional economy and the ability to innovate; and
- as a cross-cutting issue, strengthening regional cooperation.



<sup>15</sup>Meld. St. 27 (2022–2023) Eit godt liv i heile Noreg – distriktpolitikk for framtida <https://www.regjeringen.no/no/dokumenter/meld.-st.-27-20222023/id2985545/?ch=1>

<sup>16</sup> Meld. St. 27 (2022–2023) Eit godt liv i heile Noreg – distriktpolitikk for framtida <https://www.regjeringen.no/no/dokumenter/meld.-st.-27-20222023/id2985545/?ch=1>

<sup>17</sup> Bundesministerium für Land- und Forstwirtschaft, Regionen und Wasserwirtschaft [Meine Region. Heimat. Zukunft. Lebensraum.](#)

<sup>18</sup> Bundesministerium für Land- und Forstwirtschaft, Regionen und Wasserwirtschaft (2022) [Meine Region. Unser Weg](#), Vienna, 2022



A key tool will be the establishment of a platform for exchange between regions. It will offer a mix of analogue and digital activities, including a dedicated website.<sup>19</sup> Central elements of the approach are a place-based policy response, that reflects the opportunities and needs of different parts of the country, and a stronger role for 'regions' (between the *Land* and municipality levels) to facilitate more targeted intervention (see Section 3.2.5).

The context for the strategy is also shaped by political trends in Austria that have pushed rural areas up the political agenda, reflected in both rural development and regional policy being located in the same government department over the past five years (now called the Federal Ministry of Agriculture, Forestry, Regions and Water Management).

Looking to the future, an interesting initiative is a project launched in May 2023 by one of the two key regional policy institutions in Austria, ÖROK, entitled 'Regional innovation & transformation' (RIT).<sup>20</sup> Running until early 2025, it will look at innovation and transformation from a regional policy perspective, aiming to make a contribution to future policy-making in the Austrian multi-level system.

#### **2.2.4 Estonia: a new regional policy plan to reduce marginalisation**

Estonia is one of the small European countries that is centrally governed and has often lacked a significant regional policy. However, the new government which took office in March 2023 has stressed the importance of regional development in its coalition agreement.<sup>21</sup> The main focus is on the reduction of marginalization and increasing the revenue base of local governments.<sup>22</sup> The long-term 'Estonia 2035+ Strategy' includes a 'Regional Policy Programme 2022-24' although this is mainly a statement of policy objectives.

More significant is the 2022 Regional Development Action Plan (RETK, *Regionaalse arengu tegevuskava*), completed in 2022, which provides a new strategic framework for regional development. The RETK defines the most important problems that lead to inequality between regions and sets out responsibilities of line ministries. Specific action plans have also been drawn up for the regions of Ida-Viru and South-East Estonia, to accelerate development, with a joint implementation plan to coordinate these with the RETK.

---

<sup>19</sup> <https://www.meine-regionen.at/> (accessed 30 June 2023).

<sup>20</sup> [ÖROK-Projekt Regionale Innovation & Transformation \(RIT\)](https://www.oerok.gv.at/region/aktuelle-themen/regionale-innovation-transformation)  
<https://www.oerok.gv.at/region/aktuelle-themen/regionale-innovation-transformation> (accessed 30 June 2023).

<sup>21</sup> <https://www.err.ee/1608941486/loodav-voimuliit-avalikustas-koalitsioonileppe>

<sup>22</sup> <https://valitsus.ee/valitsuse-eesmargid-ja-tegevused/valitsemise-alused/koalitsioonileppe> (accessed 18 May 2023).





## 2.3 Policy changes on the horizon

Several of the themes running through the policy reforms in Germany, Norway and Austria also feature in policy changes under preparation or anticipated elsewhere in Europe. The long-heralded reform of the New Regional Policy in **Switzerland** maintains the key principles of current policy but with a stronger focus on sustainable development and on policy measures favouring the most disadvantaged regions (especially rural and mountainous areas).

Preparation of a new National Development Concept in **Poland** is also likely to continue emphasising declining towns, peripheral and rural areas. As in some other countries, policy discussions are considering a wider 'territorialisation' of government investment and coordination of sectoral and regional policies, especially those dealing with climate change and environmental protection.

Similar thinking features in a government report in the **Netherlands** which advocates reassessment of the policy logic of government intervention, with a merging of budgets for combined solutions in regions, and a focus on broad welfare in all regions when making national policy. Longer term regional development programming is also recommended.

However, the challenge of broadening the scope of regional development policies is evident in **Sweden**. Although regional policy was renewed relatively recently to focus on sustainable development, the national audit office has criticised a number of issues in relation to this policy area. This includes a lack of clarity over regional development roles and responsibilities, the multiplicity of objectives and the lack of a long-term perspective for collaboration between government authorities at different levels, the difficulty of evaluating the impact of the policy, and a concern that the content of policy is insufficiently adapted to the objectives set in the policy.

While rural areas are getting more attention in several countries, following a change of government, policy discussion in **Finland** is steering towards urban areas as drivers of economic growth. As elsewhere, though, policy analysis is taking a broader view of what constitutes regional 'vitality', encompassing inclusion and safety, social networks and different dimensions of sustainability. An interesting aspect of policy thinking in Finland concerns 'smart adaptation', seeking to anticipate the effects of demographic changes and develop strategies to prepare for changes. This kind of anticipatory approach, focused on pre-empting or addressing structural change, including in economically stronger regions, has evolved over the years in many of the Nordic countries (and has similarities with measures in the Netherlands, Poland and United Kingdom) but is demanding in terms of coordination and capacity.

Lastly, **Slovenia** has been moving towards a more integrated approach to regional policy but with slow implementation in practice. There is a lack of strategic framework for regional policy and most objectives/instruments are responding more to short term crises. However, discussion



is now opening up as part of government plans to amend the Balanced Regional Development Act in 2024.

### 2.3.1 Switzerland: gearing up for the New Regional Policy 2024-31

The most imminent new reform is the New Regional Policy (NRP) in Switzerland as the current NRP programmes will finish at the end of 2023 and the preparations for the next policy period 2024-31 are well underway. Work started in summer 2020 with the publication of the 'White Paper Regional Policy' (*Weissbuch Regionalpolitik*)<sup>23</sup> in which 28 options for a future approach to regional policy are discussed. These contributions have been used to provide fresh impetus and suggestions for the development of the policy.<sup>24</sup> In 2021-22, SECO organised a series of online events involving a wide range of stakeholders, serving as a platform to exchange ideas about the future direction of the NRP. The findings are being used to develop a first draft of the NRP bill (*Botschaft*) 2024-31, which will be debated in the Swiss Parliament at the end of 2023. The aim is for the next NRP period to be ready for implementation on 1 January 2024. The NRP fits within a broader 'umbrella strategy' to improve the locational attractiveness of Switzerland for economic development (see Figure 6) which also encompasses policies for SME development, tourism, and export support.

With positive evidence on the relevance, efficiency and effectiveness of the NRP (including the durability of project effects) having been provided in a 2021 evaluation report,<sup>25</sup> the current NRP approach will be continued in the new period, but some aspects will be adjusted. The main expected changes will include a loosened export-orientation (the COVID-19 crisis having highlighted Switzerland's dependence on international value chains), a strengthened sustainability dimension and increased infrastructural support under certain conditions (notably to finance certain types of small infrastructure, with non-refundable financial aid).<sup>26</sup> There are concerns about the risk of budget cuts in the next period which may result in a reduced capacity to support disadvantaged regions.

---

<sup>23</sup> Staatssekretariat für Wirtschaft (2020) *Weissbuch Regionalpolitik*, Bern, <https://regiosuisse.ch/sites/default/files/2020-07/SECO%20%282020%29%20C%2ABWeissbuch%20Regionalpolitik%C2%BB.pdf> (accessed 30 May 2023).

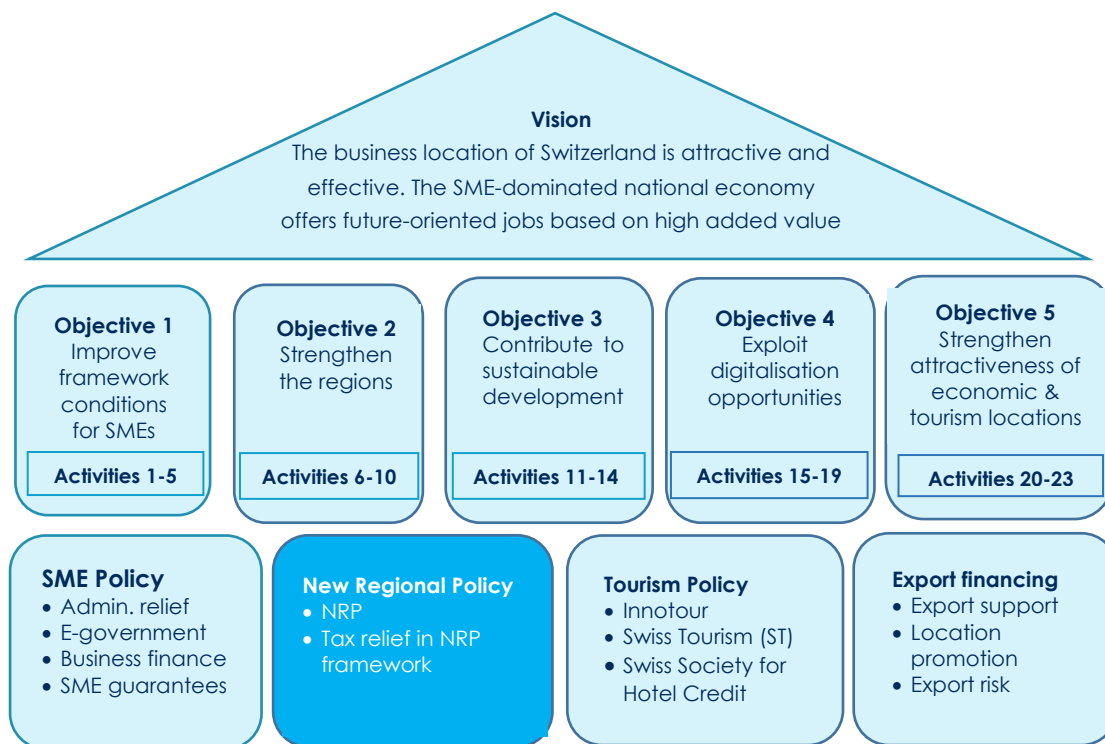
<sup>24</sup> Regiosuisse, *Processus d'élaboration de la NPR 2024-2031*, Available at <https://regiosuisse.ch/fr/processus-delaboration-npr-2024-2031>, accessed on 21/06/2023

<sup>25</sup> SECO (2022) *Unabhängige Evaluation des Mehrjahresprogramms 2016-2023 der Neuen Regionalpolitik (NRP)*. *Evaluationsbericht mit Management Response*, February 2022, [https://www.improve-nrp.ch/files/teaser/desktop/Version\\_f%C3%BCr\\_Download\\_Evaluation\\_Mehrfjahresprogra%20mm\\_NRP\\_2016\\_-\\_23\\_1644916720.pdf](https://www.improve-nrp.ch/files/teaser/desktop/Version_f%C3%BCr_Download_Evaluation_Mehrfjahresprogra%20mm_NRP_2016_-_23_1644916720.pdf) and <https://www.improve-nrp.ch/> (accessed 30 May 2023).

<sup>26</sup> <https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen/bundesrat.msg-id-93244.html> (accessed 25 April 2023)



**Figure 6: Overall strategy for Swiss economic development**



Source: *Botschaft zur Standortförderung 2024–2027*, 23.1.23

As in some other countries, policy thinking about the future is giving a higher priority to rural areas, and mountain areas in particular. A 2019 pilot programme of measures for mountain areas<sup>27</sup> found deficits in administrative capacity among local actors relating to lack of knowledge and innovation. However, the pilots enabled experimentation with new policy approaches that will inform the NRP in 2024-2031.

### 2.3.2 Poland: policy integration and territorialisation of development

Over a longer timescale, regional policy in Poland is now entering a period of review and revision that seeks to focus on long-term development goals while adapting to more immediate challenges, including the war in Ukraine, post-pandemic recovery, and the disruption of supply chains.

The current policy framework is governed by the Strategy for Responsible Development (*Strategia na rzecz Odpowiedzialnego Rozwoju*, SOR), launched in 2017 and the National Strategy for Regional Development 2030 (*Krajowa Strategia Rozwoju Regionalnego do 2030 roku*, KSRR), launched in 2019 and a range of associated initiatives. Taken together, these have

<sup>27</sup> Regiosuisse, *Politique pour les espaces ruraux et les régions de montagne*, Available at <https://regiosuisse.ch/fr/politique-espaces-ruraux-regions-montagne>, accessed on 20 June 2023



increased the focus on different types of territory, including 'areas of strategic intervention' (small and medium sized towns, medium-sized cities losing their socio-economic functions and peripheral, rural or declining areas), alongside the main urban centres. The strategies also introduced measures to strengthen the design and implementation of development strategies for these territories.

**Figure 7: Key aim of the National Development Concept 2050 in Poland**



*"The National Development Concept 2050 (NDC 2050) is a visionary document which will guide the management of Poland's development...."*

*"...Different areas of Poland need a different perspective and their own development paths. Our objective is to preserve the diversity of all areas while strengthening territorial cohesion and sustainable use of natural resources."*

These strategic frameworks and initiatives are now being reviewed in tandem with a broader debate on the future of EU Cohesion Policy. A key policy goal is to strengthen a place-based response to development problems, ensuring that the territorial context is taken into account in development interventions, drawing in sectoral policies as well as regional policy instruments. This is exemplified in two prominent initiatives.

- A new National Development Concept 2050 (*Konsepca Rozwoju Kraju*) which will act as a reference point for development policies and plans in the form of a long-term vision and spatial development goals over the 2020-2050 period. Its scope is reflected in the ambition of bringing together sustainable development, climate protection, environmental protection, but also socio-economic and cultural development policies. This contributes to ongoing efforts to strengthen the territorial dimension in sectoral policies in Poland. It will guide the next generation of regional development strategies and EU policies (post-2028 Cohesion policy, EU Territorial Agenda 2030 etc).
- The establishment of the Sub-Committee for the Territorial Dimension as a forum for discussion and cooperation between the national administration, regional governments and other stakeholders in order to develop recommendations regarding sectoral and regional policies.

### **2.3.3 Netherlands: making 'every region count'**

Although regional disparities in the Netherlands are historically not large by European standards, increasing inequality has led to a policy debate on sustainability and welfare across the country. A new government-commissioned report 'Every Region Counts! a new approach to differences between regions' (*Elke Regio telt!: een nieuwe aanpak van verschillen tussen*





regio's refers to a 'frightening' increase in undesirable differences between Dutch regions.<sup>28</sup> It notes the challenges faced by regions outside the economic centres:

***“essential facilities in the regions are crumbling simultaneously: primary schools are closing, general practices disappearing, shops closing their doors, bus stops are being removed. This downward spiral of impoverishment has far-reaching consequences for community life in a region”***

The report argues that government investment mainly benefits economic core regions and urban areas to the detriment of lagging regions. The authors advise a change in policy towards the Dutch regions, with three main recommendations:

- reassess the investment and policy logic at a national level, including allowing a merging of budgets for combined solutions in regions, and focusing on broad welfare in all regions when making national policy;
- invest in long term regional development programmes with long term budgets and look at opportunities (*kansenagenda's*) in regions for broader welfare; and
- work on a good relationship between the regional level and national level and a modern policy for broader welfare in all regions – a positive relationship also includes the mutual representation of regions on national level.

Responding to the report, Minister of the Interior & Kingdom Relations, Bruins Slot, said: *“Things will only really go well in the Netherlands if things go well everywhere in our country. That is unfortunately not the case. It has to be different and better.*

*We must recognise that investing only in regions where things are going well will not work for the whole of the Netherlands. That requires a different approach. Not only from the drawing board in The Hague, but also from the strength of the regions. This is a mammoth tanker that has to change course.*

*Together with provinces, municipalities, companies and social organisations, I want to start charting a different course.”*

*Cabinet response 'Every region counts!': working together on the strength of regions, 12.7.23*



---

<sup>28</sup> <https://www.elkeregiotelt.nl>





The initial response from the government was to signal a change in course – implying a more active national regional policy that was largely abandoned in the late 2000s in favour of a more sectoral policy approach with limited regional policy tools.

### 2.3.4 Finland: stronger urban policy and future oriented planning

Finland is one of several countries (also Sweden, Netherlands) where policy trajectories are uncertain following national elections and changes of government, actual or anticipated. Following the formation of a new Government in Finland in June 2023, planning has started for a new Regional Development Decision which provides the direction for regional policy. The Government Programme together with other analyses, such as the study on regional development guidelines for 2040,<sup>29</sup> are key considerations in the drafting of the new Decision.

While the key regional development priorities of the new Government will emerge in the preparation of the new Regional Development Decision, certain areas of territorial emphasis can already be seen. Stronger urban policy, for example, is called for in the new Government programme in recognition of the role of cities and their surrounding areas for driving growth and internationalisation in the country. This is to be based on 'fair partnership' between central government and the cities, with cities categorised by the six largest cities, regional cities and



regional towns. It is anticipated that cities and urban areas will be given a greater role than currently in terms of boosting the economy through employment, higher

education and innovation policy measures – although with different approaches in different types of urban areas.<sup>30</sup>

Besides the strong focus on urban areas, the new Government programme notes specific measures for North and East Finland. the Government is expected to launch a northern programme, and it will continue the work on the vision of East Finland which provides a common framework for the state, businesses and regions to promote development in line with the region's specific strengths.<sup>31</sup> While these areas are recognised due to their sparse-

---

<sup>29</sup> Ministry of Economic Affairs and Employment (2022) Aluekehittämisen suuntaviivat 2040, TEM oppaat ja muut julkaisut, 2022:17

<sup>30</sup> Government (2023) Vahva ja välittävä Suomi, neuvottelutulos hallitusohjelmasta, 16 June 2023 <https://valtioneuvosto.fi/documents/10184/158702198/Neuvottelutulos+hallitusohjelmasta+16.6.2023.pdf/2feb7a7-d5a1-6f17-df2d-95561de7a6de/Neuvottelutulos+hallitusohjelmasta+16.6.2023.pdf?t=1686924779616>

<sup>31</sup> Ministry of Economic Affairs and Employment, <https://tem.fi/itaisen-suomen-kehittamisvisio> (accessed 23 June 2023).





population, the distribution of funding between the East and North, and South and West of Finland is likely to be discussed further to see whether a more balanced distribution of funds will be possible in line with the changing regional development patterns.

Related to this, there has been an increasing focus on the use of a wider range of indicators to provide a better and more accurate picture of regional development. For example, economic growth or population change data do not provide an overall picture of the regions and their vitality. Rather, as noted in the (current) Regional Development Decision, there is scope for including additional indicators such as inclusion and safety, social networks and different dimensions of sustainability.<sup>32</sup>

Lastly, smart adaptation has emerged over the past years as an approach which aims to address demographic developments, in particular the declining population and the changing age structure. The term is (relatively) new in the regional development discussions in Finland, and as such, the approach is still not firmly established. The smart adaptation approach identifies opportunities for the development and renewal of regions and municipalities. The aim is to develop new strategies, plans and policies to prepare for the population decline and manage the changes. Smart adaptation is about securing and developing services and quality of life regardless of the growth opportunities and, while it is not a synonym for place-based development, the two approaches are intended to be seen as complementary.<sup>33</sup>

### **2.3.5 Sweden: need for a ‘thorough review of regional policy’**

Sweden is only a couple of years into the 2021-30 National Strategy for Sustainable Regional Development for 2021-30, but the direction of policy has been challenged by a critical National Audit Office report<sup>34</sup> and other evidence.<sup>35</sup>

The National Strategy identified four strategic areas: equal opportunities for housing, work and wellbeing; skills supply and development; innovation, renewal, entrepreneurship and businesses; and digital and transport accessibility. Importance is also given to gender equality, integration, diversity and other social objectives, as well as being focussed on promoting better environment, energy transition, and conditions for jobs and productivity in businesses.

---

<sup>32</sup> Government of Finland (2020) Valtakunnalliset alueiden kehittämisen painopisteet 2020-2023, *Op.cit*

<sup>33</sup> Kahila P, Hirvonen T, Jolkkonen A, Kurvinen A, Lemponen V, Makkonen T, Rautiainen S, Copus A, Teräs J, Turunen E, Lebbing J, Vester L, Meijer M (2022) Mitä on älykäs sopeutuminen? Valtioneuvoston selvitys- ja tutkimustoiminnan julkaisusarja 2022:42

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

<sup>35</sup> Tillväxtverket, Politik för utvecklingskraft i hela Sverige, 2018; Tillväxtverket, Statliga myndigheters medverkan i det regionala tillväxtarbetet – Sammanställning av redovisningar från myndigheter som har i uppdrag att återrapportera sin medverkan i det regionala tillväxtarbetet, 2018; Tillväxtverket, Uppföljning med fokus på resultat, 2019.



This breadth of policy scope is one of the underlying concerns of the National Audit Office (see Box 1), which is critical of the lack of clarity over regional development roles and responsibilities, the lack of a long-term perspective for collaboration between government authorities at different levels, the difficulty of evaluating the impact of the policy, and a concern that the content of policy is insufficiently adapted to the objectives set in the Strategy.

### Box 1: Key issues arising in the review of the Swedish National Audit Office

The review of the Swedish National Audit Office (*Riksrevisionen*) has highlighted a number of concerns regarding the state's efforts in delivering regional development policy, many of which have been noted also in previous studies (e.g. by the Swedish Growth Agency, *Tillväxtverket* which has recommended a review of the policy<sup>36</sup>). The review makes specific recommendations including a thorough evaluation of the policy. More specifically the review raises the following issues.<sup>37</sup>

**Lack of clarity over roles and responsibilities.** The review points out that the regional development responsibilities are not entirely clear. This relates in particular to the state's role. The lack of clarity makes the cooperation between the regions and the state authorities difficult, and has become an issue concerning the different areas which are an important part of the regional development work, including broadband, rural development, sustainability, energy, labour market and skills supply.

**Need for a clear and long-term perspective for collaboration.** While regional development work is long-term by nature, the review points out that, for example, the assignments to the authorities, the various calls and offers to the regions, and the funding are generally short-term. This in turn makes long-term cooperation and learning difficult.

**Difficult to evaluate the impact of the policy.** While the review notes improvements in the government's reporting of results, it also raises concerns that it is difficult to evaluate the State's efforts in regional development. The budget heading 19 provides limited funding in relation to the overall objective, and it is difficult to have an oversight of the activities undertaken via other policy areas related to regional development. Therefore it is not easy to have an overall picture of how the policy meets the set objectives. Nonetheless, the review notes that the government is making efforts to produce more impact evaluations, although it is not yet possible to assess the outcome of these evaluations. Furthermore, it points out that the government has developed its approach with regard to the collection and reporting of results from the regions, which is considered to have become clearer and more consistent.

**The direction of the policy has changed more than its content.** Building on the previous National Strategy and its priorities, the policy focus of the new National Strategy includes sustainability, broad societal challenges and Agenda 2030. However, the study notes challenges such as: the lack of changes regarding the budget heading 19; the unclear roles and responsibilities; the varying conditions of the regions; the difficulties in coordinating resources between the different sectors; and the shortcomings with regard to the participation of government agencies. The study therefore points out that it is difficult to get an overview of the scope and financing of regional development policy, and how the different activities are connected. This in turn makes it difficult to coordinate and evaluate the policy.

The Audit Office has recommended a 'thorough investigation' of regional development to set out an intervention logic for the policy, to identify an authority with an overall responsibility for regional development in the State administration, and to look at the consequences of the regional reform which saw regions take over responsibilities for regional development.

---

<sup>36</sup> Tillväxtverket, *Politik för utvecklingskraft i hela Sverige*, 2018 *op. cit.*

<sup>37</sup> Riksrevisionen (2022) *Den regionala utvecklingspolitiken – svaga förutsättningar för ett effektivt samlat statligt agerande*, RIR 2022:8





Moreover, the Audit Office has recommended that the government should provide clear aims, requirements and expectations in its various regulatory letters and assignments that apply to regional development. The government is also recommended to commission *Tillväxtverket* to follow up the implementation of the National Strategy for 2021-30.<sup>38</sup>

The previous government was broadly in agreement with the conclusions of the review, and provided responses to the observations and recommendations via a government letter.<sup>39</sup> However, the government letter was superseded by the October 2022 elections and formation of a new government whose response is currently under development.

### **2.3.6 Slovenia: a new approach to balanced development?**

For some years, Slovenia has been moving towards a more integrated approach to regional policy, focusing on investment, competitiveness and multi-level governance (a place-based approach). Implementation however, has been slow, due to a range of factors, including the economic downturn, frequent government changes, limited vertical coordination (between central and regional/local levels) and horizontal interministerial cooperation. There is the lack of a strategic framework for regional policy, and most objectives/instruments are responding to short-term crises rather than longer term structural changes and reduction of regional disparities.

Nevertheless, discussion is now opening up on these issues as part of government plans to amend the Balanced Regional Development Act in 2024, which will include public debates. The Ministry of Cohesion and Regional Development has proposed five areas for review: (i) role of cohesion and development regions, strengthening of regional structures; (ii) border and other problem areas, programme of development incentives for balanced regional development, definition and financing; (iii) agreements for the development of regions, regional development programmes, definition of regional projects and financing; (iv) development risk index - placement in legislation, determination, monitoring and purpose; and (v) monitoring of regional development, indicators and criteria.<sup>40</sup>

---

<sup>38</sup> Regeringen (2022) Regeringens skrivelse 2022/23:5, Riksrevisionens rapport om den regionala Skr. Utvecklingspolitiken, 13 October 2022

<sup>39</sup> Regeringen (2022) Regeringens skrivelse 2022/23:5, Riksrevisionens rapport om den regionala Skr. Utvecklingspolitiken, 13 October 2022

<sup>40</sup> <https://skupnostobcin.si/novica/prvi-sestanek-delovne-skupine-za-pripravo-predloga-sprememb-zakona-o-spodbujanju-skladnega-regionalnega-razvoja/> (accessed 22 July 2023).



## 3 INSTITUTIONAL CHANGES: COORDINATION AND CAPACITY

### 3.1 National institutional change

#### 3.1.1 National government reorganisation

The past 12-18 months have seen several changes to ministerial responsibilities and nomenclature (see Table 1). The most significant of these has been in **Italy**, where the Agency for Territorial Cohesion (originally established in 2014) will cease to exist and its responsibilities will be transferred to the Department for Cohesion Policies of the Presidency of Council (see below for more detail).

Also significant is the creation of a new Ministerial position for Regional Policy and EU Funds in the Prime Minister's Office in **Hungary** following a restructuring of the government in May 2022. In the short term, the priority is to coordinate national regional policy and EU funding under Cohesion Policy programmes and National Recovery and Resilience Plan. In the long term, the new ministerial position is meant to provide more effective integration of territorial aspects in national/sectoral policies in the post-2027 period.

Other ministerial name changes over the past year – in **Sweden** and **Estonia** - reflect shifts in governmental allocations of policy responsibilities and signalling of policy priorities. Following the formation of the new government in Sweden, regional policy has been transferred from the Ministry of Enterprise & Climate to the Ministry of Rural Affairs & Infrastructure, indicating the government's interest in prioritising rural areas. While the renamed Enterprise Ministry has responsibility for climate, the environment, energy, enterprise and innovation, the portfolio of the Ministry of Rural Affairs & Infrastructure includes regional development alongside rural issues, food and land/water-based industries, transport and infrastructure, housing and community planning. This marks a significant institutional change as regional development has been part of the enterprise/industry portfolio since 1996.

In Estonia, ministerial coordination of regional policy at the centre of government has become steadily more important over the past decade. In 2023, the post of Minister of Regional Affairs was re-established with a wider remit to include public administration, rural development and spatial planning.<sup>41</sup>

---

<sup>41</sup> <https://www.err.ee/1608941537/regionalminister-votab-ule-riigihaldus-ja-pollumajanduskusimused> (accessed 26 June 2023)



**Table 1: National institutional changes in regional policy governance, 2022-23**

Country	GDP	Unemployment	Population
Estonia	Ministry of Public Administration → Ministry of Regional Affairs		
Hungary	New Minister for Regional Policy & EU Funds in the Prime Minister's Office		
Italy	Agency for Territorial Cohesion subsumed into the Department for Cohesion Policies of the Presidency of the Council		
Sweden	Transfer of regional policy from Ministry of Enterprise → Ministry of Rural Affairs & Infrastructure		

### i Streamlining coordination of investment in cohesion - Italy

Following the national elections in October 2022, the Italian government has taken two steps to increase the coordination of EU and national investment via stronger ministerial control and rationalisation of administration.

With respect to ministerial responsibilities, the role of 'Minister for the South and Territorial Cohesion' was introduced in 2018, primarily to support acceleration and coordination of spending under the 2014-20 Cohesion Policy programmes. This ministerial role has been expanded under the current government to become the Minister for European Affairs, Southern Italy, Cohesion Policy and the NRRP (*Ministro per gli affari europei, il Sud, le politiche di coesione e il PNRR*). The portfolio now integrates the responsibility for the coordination and implementation of cohesion and territorial development policies with responsibility for the NRRP and Structural Funds. A key objective is to ensure improved 'cross fertilisation' between the different systems for EU Cohesion Policy and RRF, with streamlined regulations and procedures.

One aspect of the administrative coordination and simplification process has been a major reorganisation of the Agency for Territorial Cohesion (ACT) in Spring 2023. The Agency will be abolished in its previous form and become part of the Department for Cohesion Policies (*Dipartimento per le politiche di coesione*) of the Presidency of the Council (*presidenza del Consiglio*). The Decree also introduced a review of the governance of the NRRP and foresees a strengthening of the administrative capacity of actors involved in the implementation of the interventions and measures envisaged by the Plan.<sup>42</sup>



<sup>42</sup> <https://politichecoesione.governo.it/it/pnrr-e-coesione/>



### 3.1.2 Rebalancing regional and national responsibilities - Netherlands?

An interesting dimension of policy debates in the Netherlands is whether the role of the national level in regional development will be strengthened. For much of the 2000s, the Dutch government had a well-developed role under a policy approach known as 'Peaks in the Delta'. However, under the coalition government which took power in 2010, the central government regional economic policy was "scrapped and decentralised".<sup>43</sup> Most regional policy instruments were abolished, and funding was reallocated to selected areas of industrial or commercial strength termed 'top sectors'. The role of central government was cut back to focus on the overall 'business climate', and provinces and municipalities were encouraged to take responsibility for regional and local development tasks.

The role of national government in regional development has not disappeared entirely since 2011, with some instruments continuing to support subnational authorities. For example, recent measures such as the Regional Budget (*Region Deals*, 2018-2022 and 2022-2025) and the Growth Fund (2020-2026) have created incentives for further 'regional self-organisation' in response to development challenges. In some regions, this has had positive results, creating new, flexible partnerships among public and private actors, but this varies across regions depending on administrative capacity.

These experiences and the increasing concern over regional disparities and long-term spatial challenges noted above have prompted discussion about the responsibility of the national government for regional development. Evaluation research on the governance structure of territorial policies recommends a stronger national approach.<sup>44</sup> A key question is how the new Dutch Government responds to these pressures.

## 3.2 Decentralisation and capacity building

Moving from the national to the regional level, two key themes of institutional change across many European countries in recent years are the reform of subnational governance and the development of administrative capacity in regional and local authorities.

One of the most wide-ranging programmes underway over the past decade is in **Portugal** involving greater empowerment of regional and local level bodies (Section 3.2.1). Further decentralisation, allowing for differential delegation of responsibilities, has been launched in **France** (Section 3.2.2) and there is a similar process of devolving decision-making powers and

---

<sup>43</sup> [https://www.mae.ro/sites/default/files/file/2013/pdf/coalition-agreement\\_olanda\\_2010.pdf](https://www.mae.ro/sites/default/files/file/2013/pdf/coalition-agreement_olanda_2010.pdf)

<sup>44</sup> Ministry of the Interior (2021) op.cit.; DenkWerk (2020) Klein land, grote keuzes: ruimtelijke ordening richting 2050.





building sub-national institutional capacity in the **United Kingdom (England)** (Section 3.2.3) but with asymmetric implications for different parts of the country.

Several of these changes involve delegation rather than devolution. This also applies to **Bulgaria**, where under the 2020 Regional Development Act more powers have been delegated to Regional Development Councils (RDCs) operating in the NUTS 2 regions which previously only served a statistical purpose under Cohesion Policy. This gives them the responsibility for project selection and elaboration of integrated territorial concepts (Integrated Territorial Investments, ITIs) under the Operational Programme Development of Regions 2021-27. However, the RDCs do not have their own personnel or budget but rather are run by staff members delegated from above, from the National Ministry for Regional Development, and from below from the deconcentrated district administrations (NUTS3). Decision-making power in terms of the selection of integrated territorial concepts within the RDCs was also extended in 2022 beyond the district and municipal authorities to include local stakeholders from the private and third sectors.

In smaller countries, there is a difficult question of where and how to (re)shape subnational territorial administration. **Latvia** is a good example. For the past decade, a process of State administrative reform has rationalised the number of municipalities (from 119 to 43), and planning regions and local authorities are more involved in investment planning. However, the goals of the reform have been impeded by the lack of administrative capacity, in terms of sufficient qualified and well-motivated staff, performance management, funding and effective interdepartmental coordination.

Getting the balance right between top-down control and flexibility for bottom-up development is another difficult issue. **Romania, Slovenia** and **Lithuania** have struggled to find an appropriate territorial division and allocation of powers that commands support at different levels of government and in the political arena.

### 3.2.1 *Local autonomy and regional empowerment – Portugal and Bulgaria*

For almost a decade, **Portugal** has been engaged in processes of decentralisation and strengthening of local autonomy<sup>45</sup>, which have continued in 2022-23 (see Figure 8). The declared aim is to 'deepen local democracy', giving 'new powers to local authorities', and to revise the tasks of inter-municipal entities and Regional Coordination and Development Commissions (CCDRs) to 'reinforce their democratic legitimacy'. The priority of deepening

---

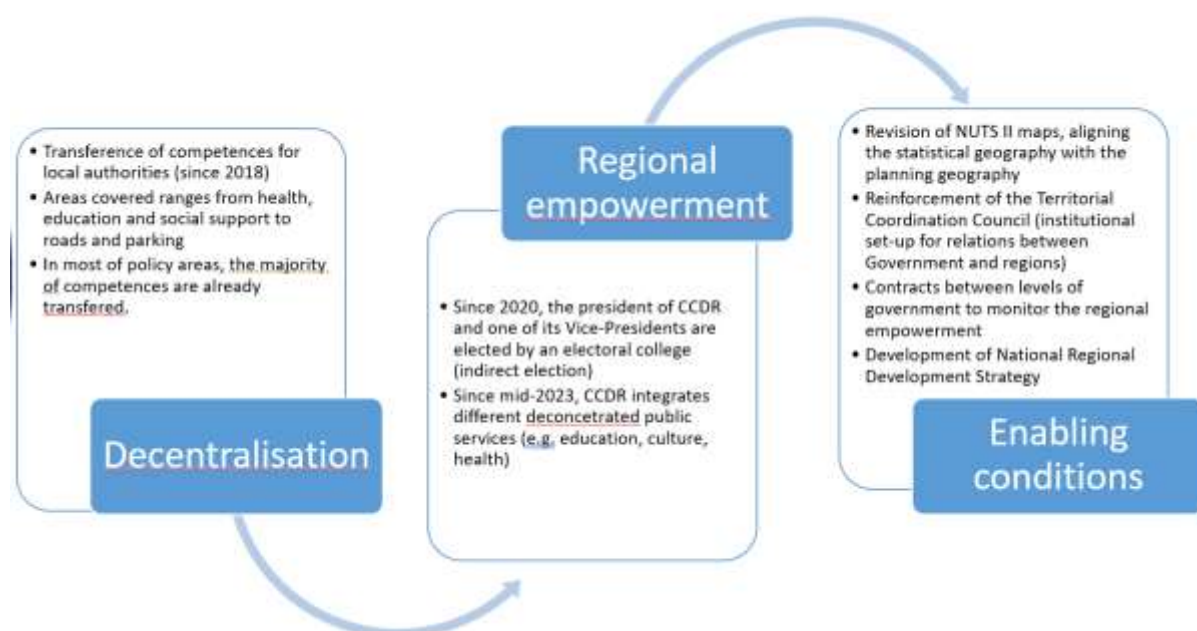
<sup>45</sup> [Programa do XXI Governo Constitucional 2015-2019](#).





political decentralisation, in line with the principles of subsidiarity and good governance, has been further reiterated and consolidated in the programmes of the past two governments.<sup>46</sup>

**Figure 8: Decentralisation Process in Portugal**



Source: Agency for Cohesion and Development

The process comprises two main elements. First, the transfer of competences to local authorities and inter-municipal entities started in 2019. It is anticipated that all local authorities and inter-municipal entities will eventually assume the new competences (as the process is not optional), although at varying speeds depending on the complexity of the relevant competences, and the financial, human and organisational capacity of each municipality. It was originally foreseen that all competencies would be transferred by the beginning of 2021, but amendments have extended this deadline in areas such as education, health and social action in 2022-23.<sup>47</sup>

The second element is reform of the sub-national organisation of the State and empowerment of regional governance in continental Portugal. The adoption of two recent decrees in May 2023 launched the process of approving statutes, the elaboration of programme-contracts of

<sup>46</sup> [Programa do XXII Governo Constitucional 2019-2023; Programa do XXIII Governo Constitucional.](#)

<sup>47</sup> See e.g. Decree-Laws n.º 55/2020 and n.º 56/2020 extending the deadline to 31 March 2022 for the areas of education, health and social action; Decree-Law n.º 23/2022 extending the deadline in the field of social action until 1 January 2023, and Decree-Law n.º 87-B/2022 further extending the deadline in the field of social action until 3 April 2023.

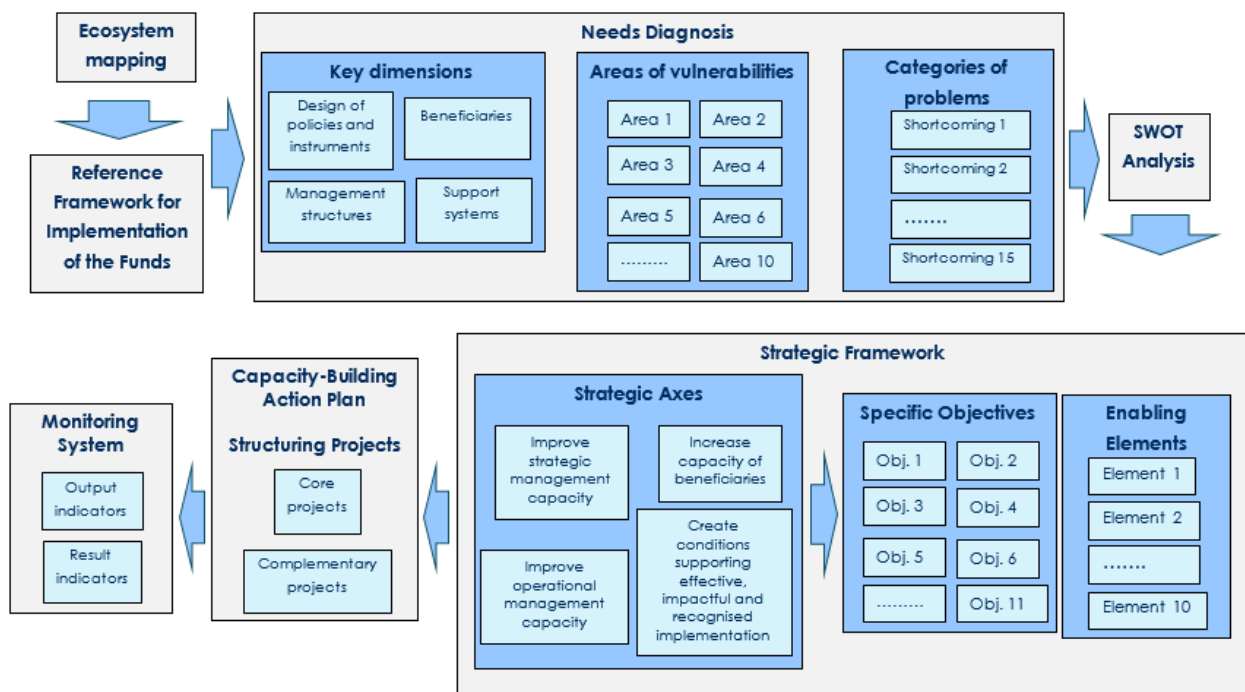




each region and the integration of the different decentralised services of the State that will be brought together in the CCDRs.

A key challenge for the decentralisation process is ensuring a coordinated approach to the processes of the transfer of competences from the central government to the regions, as well as a bottom-up transfer of certain competences from municipalities to the regions (in order to avoid any duplication / overlap and ensure governance efficiency). It will also be important to ensure that all government levels (including regional, inter-municipal and municipal) have adequate resources and capacities to take on new roles and responsibilities efficiently.<sup>48</sup> Considerable work is being done under an administrative capacity-building road map to improve administrative performance and the quality of governance (see Figure 9).<sup>49</sup>

**Figure 9: Methodological process for Portuguese Capacity-Building Roadmap**



Source: CEDRU/EY (2021)<sup>50</sup>

A similar approach to administrative capacity building is underway in **Bulgaria**, again based on a 'national roadmap', with a range of tools focusing on better implementation of EU funds and increased effectiveness and structured under the pillars of strategic planning,

<sup>48</sup> [OECD \(2023\) Rethinking Regional Attractiveness in the Algarve Region of Portugal.](#)

<sup>49</sup> [https://www.adcoesao.pt/wp-content/uploads/Roteiro\\_RFinal\\_junho2022.pdf](https://www.adcoesao.pt/wp-content/uploads/Roteiro_RFinal_junho2022.pdf)

<sup>50</sup> CEDRU/EY-Parthenon Lisbon (2022) Roteiro para a Capacitação do Ecossistema dos Fundos da Política da Coesão para o Período 2021-2027. Relatório Final, março de 2022



organisational structure and human resources, and simplified procedures. As in Portugal, an EU Funds Academy is being set up for training and analysis of staff involved at all levels.

Inter-municipal cooperation is also being promoted in Bulgaria. In the 2021-27 period, urban municipalities at NUTS 2 level are being required to work together to ensure that smaller authorities also benefit from integrated territorial development funding. Voluntary cooperation is being promoted through a dedicated budget for pre-defined clusters of municipalities; these are not necessarily neighbouring authorities but municipalities that share similar industrial specialisation and where there is scope for supporting value chains.

### 3.2.2 Decentralisation, differentiation, deconcentration and decomplexification - France

All of the current European trends in reforming the roles of subnational levels are encapsulated in the new Decentralisation Act (*La loi 3DS*) adopted in France in 2022. The Act is further decentralising policy competences and strengthening the role of sub-national authorities focusing on four key principles: decentralisation (including a review of competences between state and sub-national level); differentiation (to allow flexibility in the way sub-national authorities are organised and implement policy); deconcentration (to enhance decision making and policy competences of the *Prefects*; and 'decomplexification' (measures to simplify local public action).



The new generation of State-Region Planning Contracts (*Contrats de Plan État-Région*, CPER), currently being negotiated for 2021-27, reflect a renewed framework for dialogue between the State and Regions based on four main principles:<sup>51</sup> (i) a bottom up approach based on the needs of territories; (ii) an extension of the contractual approach to include new foci on ecological, digital, productive and demographic transition; (iii) the implementation of territorial differentiation where the content and layout of CPERs can differ depending on regional issues; and (iv) close coordination with the 2021-27 European Funds and NRRP<sup>50</sup>.

This emphasis on decentralisation has involved a gradual shift in the understanding of the central state about its role in delivering regional policy. The main activities of the National Agency for Territorial Cohesion (*Agence Nationale de la Cohésion des Territoires*, ANCT) are

---

<sup>51</sup> Collectivités Locales (2020) Accord de partenariat Etat-Régions. Hôtel de Matignon, 28 September 2020. Available at: <https://www.collectivites-locales.gouv.fr/files/Coh%C3%A9sion%20territoriale/Les%20relations%20contractuelles/Accord-de-partenariat-sign%C3%A9.pdf>, accessed on 07/06/2023





now to enhance capacities of sub-national authorities through coordination and targeted project support, leaving project selection and management to sub-national authorities.<sup>52</sup>

### 3.2.3 Deal based devolution? - United Kingdom

Regional policy in the UK is carried out in a context where economic development is a devolved responsibility across the four constituent regions of the UK. New powers were nevertheless introduced in 2020 to allow the UK Government to undertake economic development activities throughout the UK, although the Scottish and Welsh Governments and the Northern Ireland Executive still maintain separate responsibilities for regional policy and economic development within their own territories.

The focus of UK regional policy over the past 12-18 months has been on translating ambitions for 'levelling up' in the 2022 White Paper into delivery.<sup>53</sup> This is the UK Government's flagship policy document which describes levelling up as concerning "*the success of the whole country: realising the potential of every place and every person across the UK, building on their unique strengths, spreading opportunities for individuals and businesses, and celebrating every single city, town and village's culture.*" The policy agenda involves the setting of medium-term (10-year) missions with wide ranging coverage, and ambitions for alignment with a broad range of policies across Government (including innovation, transport, education, skills, health, benefits, crime, immigration, economic development, culture, infrastructure, transition to Net Zero and the location of public sector jobs). To a certain extent, this approach builds on the emphasis on 'localism'<sup>54</sup> apparent during the previous decade, and strengthens the focus on empowering local-level decision-making.

In England, a process of devolving decision-making powers and building sub-national institutional capacity lies at the heart of the Levelling Up policy agenda (see F10). The White Paper builds on existing 'Devolution Deals' which have been introduced incrementally since 2014 in England in 11 areas, either to 'combined authorities' with a directly elected mayor or to economic partnerships.

Under Levelling Up, 'trailblazer devolution deals' were announced in March 2023 to devolve additional powers and budgets to the Greater Manchester and West Midlands regions in transport, skills, housing, and Net Zero. Presented as laying 'the blueprint for the future of English

---

<sup>52</sup> République Française – Budget général 2021 – Aménagement du Territoire. Document de politique transversale projet de loi de finances pour 2021.

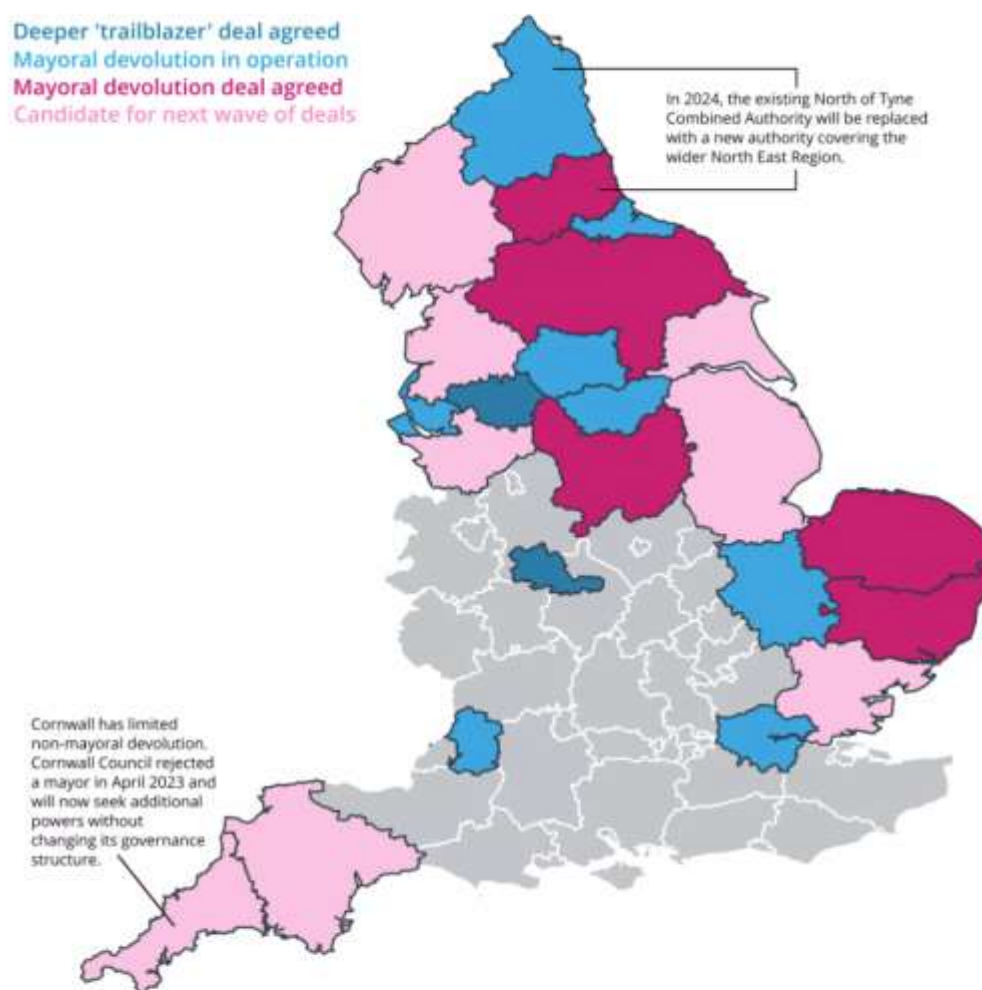
<sup>53</sup> HM Government (2022) Levelling up the United Kingdom, CP604 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1052708/Levelling\\_up\\_the\\_UK\\_white\\_paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf) (accessed 24 July 2023)

<sup>54</sup> This builds on previous governments' emphasis on 'localism' and initiatives such as the Localism Act 2011, the bespoke City Deals launched from 2012, and the Cities and Local Government Devolution Act 2016, which strengthened the role of local authorities in economic development and led to the introduction of metro mayors for combined local authorities in England from 2017.



devolution', these new deals are expected to be replicated with other 'Mayoral Combined Authorities' giving them a predictable budgetary settlement and moving away from the use of competitive funding bids. In addition, the Devolution Deals in England sit alongside (and sometimes overlap with existing deal-based agreements which cover the entire country. Bespoke City Deals and Growth Deals devolve budgets in areas such as housing, regeneration, transport, skills, health and social care. As the deals are individually negotiated and are agreed first with the areas which are most ready, there are large asymmetries in power between them.

**Figure 10: Existing and planned devolution deals in England** <sup>55</sup>



Source: Institute for Government analysis of UK government and local government announcements. Notes: Devolution is expected to be implemented for areas marked 'mayoral devolution deal agreed' from May 2024, subject to final ratification. Areas marked as 'candidate for next wave of deals' have either been floated as prospects by ministers or published local proposals for a devolution deal. Not all potential deals will proceed and other areas may be developing proposals in private.

<sup>55</sup> <https://www.instituteforgovernment.org.uk/explainer/english-devolution>





Also in England, new Levelling Up Partnerships were announced in March 2023. Central government will work with local leaders and mayors in councils and combined authorities, local businesses, community organisations and residents in 20 areas to identify and address barriers to levelling up. The existing Local Enterprise Partnerships (LEPs) are being discontinued, and will be integrated into bodies with devolved responsibilities where these exist (i.e. mayoral combined authorities or county councils in devolved areas).<sup>56</sup> However, at the same time, local authorities continue to operate in a very difficult environment with drastically reduced budgets.

The devolved responsibilities for economic development and regional policy to the UK's devolved nations allow for differences in policy approach and overall a stronger emphasis on social justice and wellbeing is evident. Scotland's National Strategy for Economic Transformation sets out a vision for a "wellbeing economy", i.e. "*a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland's people and places, within environmental limits*".<sup>57</sup> There is an emphasis on improving outcomes for remote island communities, and on a Community Wealth Building approach. Similarly, in Wales, the Welsh Government has developed a framework for economic development that prioritises the principles of fair work, sustainability and the industries and services of the future. The 2015 Wellbeing of Future Generations Act introduced wellbeing goals and places a statutory obligation on all public bodies in Wales,<sup>58</sup> while Welsh Government's Programme for Government 2021-26 emphasises the values of community, equality and social justice.<sup>59</sup> In both Scotland and Wales, there has been increasing emphasis on the importance of the sub-national level. In Scotland, Regional Economic Partnerships are working to develop long-term Regional Economic Strategies, while in Wales the Welsh Government has worked with local authorities and regional bodies to co-design Regional Economic Frameworks.

### 3.2.4 Contested decentralisation: Romania and Slovenia

The tensions inherent in decentralisation – between national governments wanting to maintain control and subnational entities seeking more powers are well-illustrated in **Romania** where the question of decentralisation and the transfer of powers to the regions has been debated for over a decade. The core issues are the structure and prerogatives of regional entities. As far back as 2013, the Government adopted a memorandum on regionalisation / decentralisation and proposed a Decentralisation Law to decentralise oversight of a range of institutions from central government to county and local councils. These measures would grant considerable

---

<sup>56</sup> Sandford M (2023) Devolution to local government in England, House of Commons Library Briefing Paper Number 07029, 16 January 2023, <https://commonslibrary.parliament.uk/research-briefings/sn07029/> (accessed 2 February 2023).

<sup>57</sup> Scottish Government (2022) Delivering Economic Prosperity. Scotland's National Strategy for Economic Transformation. <https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation-delivery-plans-october-2022/> (accessed 2 February 2023).

<sup>58</sup> <https://www.futuregenerations.wales/about-us/future-generations-act/> (accessed 2 February 2023).

<sup>59</sup> <https://gov.wales/programme-for-government-2021-to-2026.html> (accessed 24 July 2023).



powers to local and regional level authorities in terms of tax collection and use of local assets. While some 'administrative codes' for decentralisation have been progressed, they have not all been fully implemented, and the government is still conducting impact assessments on substantive decentralisation of powers.

Over the past year, there were two notable developments in the regionalisation, decentralisation debate in Romania. The first was linked to the implementation of the National Recovery and Resilience Plan and the reforms that would allow the creation of administrative consortia among local authorities for applying or implementing different funded projects.<sup>60</sup> The second, more substantive one, is concerned with a legislative project that would see the reduction of the 42 counties (NUTS3) to only 12.<sup>61</sup> This would entail the merging of several hundred local municipalities and authorities, would simplify administrative procedures and could increase local capacity for managing resources.<sup>62</sup> However, the likelihood of progress before the 2025 national elections seems low due to government reluctance to bear the political and administrative costs.<sup>63</sup>

From the bottom, some Romanian regions and counties have become more demanding in their push for greater autonomy. Three independent initiatives that have emerged since 2019 are regional groupings of counties: the West League (*Liga Vestului*)<sup>64</sup>; the Movement for the Development of Moldova (*Miscarea pentru Dezvoltarea Moldovei*)<sup>65</sup>; and the Alliance of Green Cities.<sup>66</sup> Organised by mayors from medium to large cities in opposition to centralisation, these initiatives are seeking to pool resources in order to use local and EU resources to fund regional infrastructure projects (i.e. on infrastructure or greening measures).

There are also echoes of such contested debates in **Slovenia**. In July 2022, the National Council (the upper chamber of the Slovenian parliament) proposed a package of laws that would divide Slovenia into 15 provinces plus the capital Ljubljana, the latest in a long series of attempts to devolve some powers to a new level of government between municipalities and

---

<sup>60</sup> <https://www.g4media.ro/primul-pas-pentru-reforma-teritoriala-si-unificarea-localitatilor-a-fost-facut-parlamentul-a-adoptat-legea-care-permite-localitatilor-sa-sa-formeze-consortiile-administrative-cerute-prin-pnrr.html> (Accessed 4 August 2023).

<sup>61</sup> Parliament of Romania, Legislative File amending OUG no. 57/2019 and the Administrative Code, available at: [https://media.hotnews.ro/media\\_server1/document-2023-05-4-26246047-0-proiect-lege-comasare-administrativa.pdf](https://media.hotnews.ro/media_server1/document-2023-05-4-26246047-0-proiect-lege-comasare-administrativa.pdf) (Accessed 7 August 2023).

<sup>62</sup> <https://www.hotnews.ro/stiri-esential-26246058-document-cum-arata-primul-proiect-reorganizare-administrativa-romaniei-din-ultimii-40-ani-noile-judete-institutii.htm> (Accessed 7 August 2023).

<sup>63</sup> <https://www.g4media.ro/ministrul-dezvoltarii-in-privinta-regionalizarii-nu-cred-ca-este-momentul-potrivit-acest-lucru-trebuie-facut-intr-o-perioada-de-acalmie-cel-mai-apropiat-este-anul-2025.html> (Accessed 7 August 2023).

<sup>64</sup> <https://www.hotnews.ro/stiri-esential-22855879-primarii-din-cluj-napoca-arad-oradea-timisoara-lansat-aliana-vestului-pentru-atragerea-fonduri-europene-direct-bruxelles-boc-nu-are-nicio-legatura-proiecte-separatiste.htm> (Accessed 16 June 2019).

<sup>65</sup> <https://www.hotnews.ro/stiri-administratie-locala-22871784-sapte-primari-din-moldova-semnat-infiintarea-aliantei-moldova-dezvolta-dupa-modelul-aliana-vestului.htm> (Accessed 16 June 2019).

<sup>66</sup> <https://www.romania-actualitati.ro/stiri/romania/aliana-oraselor-verzi-constituita-din-patru-municipii-din-vestul-tarii-id176917.html> (Accessed 7 August 2023).



the state. Slovenia has had intermittent debates about provinces for decades, but all previous proposals had failed to garner the required two-thirds majority in the National Assembly. Most disputes have centred on how many provinces the country should have; 16 is the highest number proposed to date which is likely to make it challenging to secure the required two-thirds majority in the National Assembly in the near future.<sup>67</sup> In February 2023, the National Council decided to withdraw the package of laws pending “additional consultations and analyses” before resubmission planned for September 2023.<sup>68</sup>

### **3.2.5 Stronger localisation and place-based initiatives: Austria, Belgium and Denmark**

A theme of decentralisation in both Portugal and the United Kingdom (England) is not just the decentralisation of responsibilities to regions but also measures to encourage ‘localisation’ - strengthening the subregional or local level. Austria and Belgium are both federal countries, with devolved powers to the *Länder* (Austria) and regions (Belgium). Denmark provides a different example, introducing ‘local business lighthouses’ for a more localised and place-based response.

As noted above in **Austria** (Section 2.2.3), the policy objective of a more targeted place-based approach involves a stronger role for sub-regions - or ‘regions’ as they are called, between the *Land* and municipality levels). This regional level has become a more important feature of the Austria multi-level governance system in recent years, regarded as an ‘action space’ that can mediate between public, private and third-sector interests to develop consensus-based and cooperative strategic initiatives:<sup>69</sup>

***“the region has special qualities for shaping regional and spatial development with the participation of key actors from the business sector and civil society, while taking advantage of synergies between cities and/or regional centres and their catchment areas, as well as creating impulses to increase awareness and acceptance for change and development processes.”***

A similar approach has been underway in **Belgium** (Flanders), with the creation of an intermediate sub-regional level, intended to promote more coherence to collaboration between municipalities and other sub-regional entities. The so-called *reference regions* will coordinate different sectoral policies, with new and existing collaborations having to adhere, for the most part, to the new regional boundaries by the end of 2024. A total of 15 reference regions have been created, with each province divided into 2-5 sub-regions (see Figure ); Limburg province has an additional three subregions. The reference regions are presented as

---

<sup>67</sup> <https://insideslovenia.si/349/another-attempt-at-devolution-in-parliament> (accessed 2 August 2022).

<sup>68</sup> <https://ds-rs.si/si/novice/drzavni-svet-je-umaknil-pokrajinsko-zakonodajo-se-seznanil-s-pregledom-stanja-zdravstvenega> (accessed 12 July 2023).

<sup>69</sup> ÖROK (2020) *Die regionale Handlungsebene stärken: Status, Impulse & Perspektiven*, ÖROK Schriftenreihe Nr. 208 Vienna 2020





a consensus model rather than as new administrative layer, with new inter-municipal links incentivised with a small subsidy from the Flemish regional government.

**Figure 11: Demarcation of 'Reference Regions' in Flanders<sup>70</sup>**



Source: Vlaamse Regering (2021) *Regiovorming - afbakening referentieregio's en vervoltraject*. VR 2022 0402 DOC.0139/1 . <https://beslissingenvlaamseregering.vlaanderen.be/document-view/61FD1D6ED5F0FAFA87AFAB29>

In **Denmark**, eight 'local business beacons' have been added to the existing subnational organisational arrangements.<sup>71</sup> Recommended as a way of exploiting the strengths of individual regions, each 'beacon' focuses on a single designated development challenge (see Table 2). They are co-funded with EU support and are led by consortia of national, regional and private organisations with the mission of 'developing business beacons of international calibre'. Although regional economic development policy in Denmark has been purposely redesigned in recent years to be more national and uncomplicated, the addition of the beacons to 14 industry clusters and six cross-municipal business development centres, as well as other place-based elements, is creating a more complex sub-regional map of development support organisations.

---

<sup>70</sup> Vlaamse Regering (2021) *Regiovorming - afbakening referentieregio's en vervoltraject*. VR 2022 0402 DOC.0139/1 . <https://beslissingenvlaamseregering.vlaanderen.be/document-view/61FD1D6ED5F0FAFA87AFAB29> (Accessed 16 August 2023).

<sup>71</sup> <https://udviklingidanmark.erhvervsstyrelsen.dk/lokale-erhvervsfyrtaarne>





**Table 2: Local business beacons in Denmark**

Region	Strategic industrial focus
Bornholm	Green energy island – green and maritime transport hub
Copenhagen	Life science, welfare technology, global capital of health
North Jutland	Green industries, capture, storage and use of CO <sub>2</sub> , Power-to-X
Zealand & islands	<ul style="list-style-type: none"> <li>Femern on sustainable construction (related to road/rail tunnel to Germany currently under construction)</li> <li>Bio-solutions on upscaling new bio-technologies</li> </ul>
Funen	Industry of the future, robotics, automation
Central Jutland	Water technology solutions, innovation collaborations
Zealand & islands - Biosolutions	Climate & environmental challenges, innovation collaborations
South Jutland	Green energy, green technologies, sector coupling

Source: [Local Business Lighthouses | Development in Denmark \(erhvervsstyrelsen.dk\)](#)

### 3.3 Cross-sectoral policy coordination and impact assessment: Czechia, Lithuania and Ireland

The coordination and coherence of regional policy intervention at national and subnational levels has been a regular theme of EoRPA reports. Czechia, Ireland and Lithuania are three examples of countries where different aspects of policy coordination are ongoing areas of debate.

In **Czechia**, supporting the integration of a territorial dimension remains an important theme on the domestic regional policy agenda and includes a number of components. There are official strategic materials, anchoring the territorial dimension in the implementation of Czech regional policy (via the Regional Development Strategy, RDS21, and its action plans) and EU Cohesion Policy in Czechia (Territorial Dimension in Operational Programmes, TDOP).<sup>72</sup> There is also an increasingly visible trend to at least monitor, and ideally coordinate, sectoral policies from the perspective of their territorial impacts. However, this is more of an ambition than a reality as the Ministry of Regional Development (MRD) has no specific mandate to enforce a territorial dimension in other policies.

One tool whose application is being strengthened is territorial impact assessment (TIA) for which the MRD has published a methodology to systematize TIA in the legislative process. However, rigorous assessment and evaluation of impacts, not only territorial ones, is still relatively rare in national public policies, although the MRD is leading more evaluation work on the territorial impacts of both EU and national policies.<sup>73</sup>

<sup>72</sup> MRD (2021) Territorial Dimension in Operational Programmes 2021+, op. cit.

<sup>73</sup> MRD (2022): Shrnutí evaluací, 52 p., <http://www.dotaceeu.cz/getmedia/4b656d69-cc5b-4ccf-8396-1cd81d2047de/shrnuti-evaluaci-2022-online.pdf.aspx> (accessed 11 June 2022).



Another example of an attempt to improve policy coordination and the monitoring of sectoral policies from a territorial perspective can be found in **Lithuania**. According to the Ministry of the Interior, one of the most important reasons why the goal of equal and sustainable development in the entire territory of the State is not being achieved is that, until 2021, the regional development planning system was based on a top-down approach, with regional development priorities, objectives, targets, and measures shaped not by the specific problems and conditions of a particular region, but by the planning documents of individual ministries and their funding rules. A range of legal acts that entered into force in 2020-21 introduced a systematic change in the field of regional development planning, including the preparation of a new type of national development document – the Regional Development Programme (RDP) - and the creation of conditions for the preparation of regional development plans focusing on the problems to be solved in a specific region.

The RDP is one of the national development programmes each Ministry in Lithuania is required to draft, corresponding to each of the goals of the National Progress Programme. The national development programmes provide detailed analysis of problems and outline the planned measures, requirements and responsible implementing bodies for their area of responsibility. The RDP is prepared by the Ministry of the Interior in conjunction with other Ministries and was approved by the Government in 2022. The RDP encompasses the objectives and measures of regional policy, as well as the horizontal (sectoral) measures for the implementation of these objectives, while also contributing to the strategic objectives of other national development programmes. There are currently 14 measures of regional progress which are implemented by a range of sectoral Ministries. Importantly, from 2023, it is also anticipated that Ministries will be required to prepare annual reports on the implementation of each of the national development programmes to contribute to the annual report of the NPP, including a report on the RDP. This is designed to help ensure coherent regional development, a balanced and effective response to regional policy challenges and consistent long-term monitoring of the situation.

The effective coordination of place-based intervention at sub-regional level is a challenging issue in **Ireland**. The past five years have seen increasing attention given to regional development, although responsibility is diffused across national and regional strategies/authorities. National policy documents, such as the 'National Planning Framework: Project Ireland 2040' and three Regional Spatial and Economic Strategies have a commitment to more 'balanced development' and regional empowerment.<sup>74</sup> The most recent National Development Plan sets out a commitment to more integrated regional investment plans, stronger coordination of sectoral strategies, and rigorous selection and appraisal of projects to secure value-for-money. In practice, implementation relies on different national

---

<sup>74</sup> <https://www.gov.ie/en/press-release/7ac57-government-launches-the-renewed-national-development-plan-2021-2030/>



government bodies (notably the Department of Enterprise, Trade and Employment<sup>75</sup> Regional Assemblies and local authorities.

Over the past three years, Regional Enterprise Plans have emerged to play a role in mobilising and operationalising commitments made in national strategic plans, provide perspectives and inputs from the 'bottom-up', and to build regional collaboration and participation into the process. Regional Reports on 'Project Ireland 2040' progress are published at intervals, the most recent available cover the period up to 2021. The reports provide overviews of capital expenditure in the regions (see Figure 12). As

**Figure 12: Regional monitoring of capital expenditure linked to Project 2040 in Ireland (number of projects)**



Source: <https://storymaps.arcgis.com/stories/7682860c80d64a62b90e8a1ca3d16364>

this example suggests, a 'regional perspective' on government interventions and support is increasingly visible across a range of policy areas. For example, Ireland launched a 2023-2027 Regional Tourism Development Strategy to promote sustainable tourism and support regional recovery and growth, in particular through a greater regional spread of the social economic benefits of tourism across the country.<sup>76</sup>

However, despite policy aims of integration and coherence, the numerous interrelated strategies and plans make effective coordination and regional involvement an on-going challenge. An unresolved question under discussion is how adequate multi-level governance can be achieved in the regional and local development field.<sup>77</sup>

<sup>75</sup> The most recent DETE 'Statement of Strategy 2023-2025' lists the objective to 'sustain full employment and ensure strong regional economic development' as the first of the strategy's six goals.

<sup>76</sup> Failte Ireland (2023) Ireland's Hidden Heartlands, Regional Tourism Strategy 2023-2027, <Ireland-s-Hidden-Heartlands-Regional-Tourism-Development-Strategy.pdf (failteireland.ie)>

<sup>77</sup> NESI (2022), Exploring Place-based Opportunities for Policy and Practice in Transition, NESI Ireland



## 4 CONCLUSIONS

***“Policymakers need to unwind the impact of a sequence of negative shocks to the global economy and face a complex set of challenges in doing so. ... Delivering sustainably higher rates of growth will need bold and forward-thinking structural policy reforms allowing us to harness the opportunities of rapid technological advances, demographic shifts, and the climate transition.”<sup>78</sup>***

As political and policy concern with regional and local inequality continues to grow across Europe, regional policies are challenged by the **competing objectives of tackling long-term structural disadvantage and the reduction of disparities**, in the context of the green and digital transitions, and dealing with crises including the Covid pandemic and the war in Ukraine. Key trends observed across European countries in the past 12-18 months are:

- a) initiatives to combine **sustainability** with competitiveness and innovation;
- b) promotion of more **place-based approaches**;
- c) a greater emphasis on vulnerable or **marginalised regions**;
- d) policy intervention to improve **quality of life** and access to public services; and
- e) ongoing **reform of governance** and institutional structures and **capacity building** at regional and local levels.

These trends are reflected in major changes to the legislative and policy frameworks for regional policy in several countries. Particularly notable is **Germany**, where the most significant reform in 50 years has introduced a broader approach to sustainable regional growth from the start of 2023. The new regional policy framework places stronger focus on endogenous regional development, includes funding criteria linked more strongly to environmental factors and regional economic impact and introduces support for services of general economic interest for the first time. The process of orienting regional structural policy to current development challenges is ongoing with the 2022-24 evaluation of the transparency, efficiency and resilience of the federal funding system for structural development regions and the preparation of a federal government report on equivalent living conditions (due mid 2024). The government report will include a statistical analysis of equivalent living conditions at NUTS3 level as well as a wide ranging population survey assessing satisfaction with living conditions, regional socio-economic conditions and prospects. Both these analyses will cover the four dimensions of infrastructure and services of general economic interest, finance and economy, society and environment and climate.

---

<sup>78</sup> OECD Economic Outlook June 2023, *op. cit.*





Important policy changes have also been introduced in **Norway**, with a new White Paper (the third in five years) that reinforces the emphasis on access to employment, housing and services throughout the country, particularly in the context of demographic ageing trends in rural and sparsely populated areas. Policy coherence is another key focus of the White Paper, particularly with policies supporting the green transition. Quality of life is also central to the new framework for regional and local development in **Austria**, designed to promote 'equivalent living conditions for all people in all regions' and create living spaces that are sustainable, attractive and economically efficient. Several of these objectives are evident in the new regional policy emerging in **Estonia**, focusing on marginalised parts of the country.

Several of the themes running through the policy reforms in Germany, Norway and Austria also feature in policy changes under preparation or anticipated elsewhere in Europe. The long-heralded reform of the New Regional Policy in **Switzerland** maintains the key principles of current policy but with a stronger focus on sustainable development and on policy measures favouring the most disadvantaged regions (especially rural and mountainous areas). Preparation of a new National Development Concept in **Poland** is also likely to continue emphasising declining towns, peripheral and rural areas. Policy discussions are considering a wider 'territorialisation' of government investment and coordination of sectoral and regional policies, especially those dealing with climate change and environmental protection. Similar thinking features in a government report in the **Netherlands** which advocates a reassessment of the policy logic of government intervention in the context of increasing inequalities, with a merging of budgets for combined solutions in regions, and a focus on broad welfare in all regions when making national policy.

However, the trend of broadening the scope of regional policies to reflect the complex development context has challenges. In **Sweden** for example, although regional policy was renewed relatively recently to focus on sustainable development, concern has been expressed over the lack of clarity on the multiplicity of objectives, the collaboration between government authorities at different levels, and the difficulty of evaluating the impact of the policy. In **Finland**, while policy analysis continues to take a broader view of what constitutes regional 'vitality', encompassing inclusion and safety, social networks and different dimensions of sustainability, policy discussion is also focusing on the importance of urban areas as drivers of economic growth.

Turning to institutional issues, the past 12-18 months have seen several changes to ministerial responsibilities and nomenclature in Italy, Hungary, Sweden and Estonia. The most significant of these has been in **Italy**, where the Agency for Territorial Cohesion (originally established in 2014) will cease to exist, and its responsibilities will be transferred to the Department for Cohesion Policies of the Presidency of Council. The principal aim of the change is to streamline the overall governance process and strengthen cohesion policies, supporting integration with the National Recovery and Resilience Programme.



An interesting dimension of policy debates in the **Netherlands** is whether the role of the national level in regional development will be strengthened. From 2010, the role of central government was cut back to focus on the overall 'business climate' and provinces and municipalities were encouraged to take responsibility for regional and local development tasks. However, increasing concern over regional disparities, and evaluation research, have prompted discussion about the responsibility of the national government for regional development.

Moving from the national to the regional level, two key themes of institutional change across many European countries in recent years are the reform of subnational governance and the development of administrative capacity in regional and local authorities. One of the most wide-ranging programmes underway over the past decade is in **Portugal** involving greater empowerment of regional and local level bodies. A key challenge is ensuring a coordinated approach to the dual processes of transferring certain competencies to the regions both down from central government and bottom up from the municipalities. Capacity building is also a central concern.

Further decentralisation, allowing for differential delegation of responsibilities, has been launched in **France** and there is a similar process of devolving decision-making powers and building sub-national institutional capacity in the **United Kingdom (England)** which are key parts of the recent Levelling Up agenda. 'Trailblazer devolution deals' were announced in March 2023 for Greater Manchester and West Midlands devolving additional powers and budgets in key areas such as transport, skills, housing and Net Zero. These deals sit alongside existing deal-based agreements but the individual negotiation of deals with areas which are most ready means that considerable asymmetries in power exist between them. The Scottish Government already has devolved responsibility for regional policy and economic development and policy differentiation can be seen here with a stronger focus on social justice and the wellbeing agenda. Among other countries where there are processes of delegation rather than devolution is **Bulgaria**, where under the 2020 Regional Development Act more powers have been delegated to Regional Development Councils (RDCs).

The tensions inherent in decentralisation – between national governments wanting to maintain control and subnational entities seeking more powers – are well-illustrated in **Romania** where the question of decentralisation and the transfer of powers to the regions has been debated for over a decade. While some 'administrative codes' for decentralisation have been progressed, they have not all been fully implemented, and the government is still conducting impact assessments on substantive decentralisation of powers. There are echoes of such contested debates in **Slovenia** which has had intermittent debates about provinces for decades, but all previous proposals had failed to garner the required two-thirds majority in the National Assembly.

A theme of decentralisation in both Portugal and the United Kingdom (England) is not just the decentralisation of responsibilities to regions but also measures to encourage 'localisation' - strengthening the subregional or local level. **Austria** and **Belgium** are both federal countries,





with devolved powers to the *Länder* (Austria) and regions (Belgium); both are seeking to create intermediate subregional levels to promote more coherent collaboration between municipalities and other sub-regional entities. **Denmark** provides a different example, introducing 'local business lighthouses' for a more localised and place-based response.

Finally, the coordination and coherence of regional policy intervention at national and subnational levels continues to be contemporary theme of policy developments with **Czechia**, **Ireland** and **Lithuania** as three examples of countries where different aspects of policy coordination are ongoing areas of debate. The creation of fora to promote dialogue between regional policy actors and encourage policy coherence across sectoral boundaries is evident in a number of countries including, for example, the new exchange of experience annual conference in Germany and the new Sub-Committee for Territorial Dimension in Poland. The place-based approach focusing on complex needs of individual regions has encouraged a move towards greater dialogue of involved actors, including in the private and social sectors. The challenge of democratic participation and how to encourage popular ownership of transition processes and future development paths, and counteract disengagement and the impact of 'geographies of discontent', is ever more pressing.







## EoRPA RESEARCH

This paper has been prepared by Professor John Bachtler and Ruth Downes of the European Policies Research Centre (EPRC) for the EoRPA European Regional Policy Research Consortium, EoRPA. In 2022-23, 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>Germany</b>	Bundesministerium für Wirtschaft und Klimaschutz (Federal Ministry for Economic Affairs and Climate Action), Berlin Die Senatorin für Wirtschaft, Arbeit und Europa, der Freien Hansestadt Bremen (the Senator for Economic Affairs, Employment & Europe, Free Hanseatic City of Bremen)
<b>Italy</b>	Agenzia per la Coesione Territoriale (Agency for Territorial Cohesion), Rome
<b>Netherlands</b>	Ministerie van Economische Zaken en Klimaat (Ministry of Economic Affairs and Climate Policy), 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 (Agency for Development and Cohesion), Lisbon
<b>Sweden</b>	Landsbygds- och infrastrukturdepartementet (Ministry of Rural Affairs and Infrastructure), Stockholm
<b>Switzerland</b>	Staatssekretariat für Wirtschaft (SECO, State Secretariat for Economic Affairs, Berne)
<b>United Kingdom</b>	Department for Levelling Up, Housing and Communities, London Scottish Government, Glasgow

The EoRPA research programme is directed by Professor John Bachtler, Dr Carlos Mendez and Ruth Downes. The European Policies Research Centre gratefully acknowledges the financial support provided by the members of the EoRPA Consortium.

European Policies Research Centre School of Government and Public Policy University of Strathclyde 40 George Street Glasgow G1 1QE E <a href="mailto:eprc@strath.ac.uk">eprc@strath.ac.uk</a> W <a href="https://eprc-strath.org/">https://eprc-strath.org/</a>	Stichting EPRC Delft Faculty of Architecture and the Built Environment, Technische Universiteit Delft Julianalaan 134 2628 Delft E <a href="mailto:info@eprcdelft.eu">info@eprcdelft.eu</a> W <a href="https://eprc-strath.org/eu/">https://eprc-strath.org/eu/</a>
---	---

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)

