



Spatial targeting under EU and national regional policies

Conference Discussion Paper No. 5

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Benchmarking Regional Policy in Europe

Second International Conference
Riga, 24-26 April 2005



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April 2005

Preface

This paper has been prepared as a background discussion document for the Second International Conference 'Benchmarking Regional Policy in Europe' being held in Riga on 24-26 April 2005. The Conference is being hosted by the Ministry of Finance, Latvia, and organised by the European Policies Research Centre, University of Strathclyde, UK.

The Conference is being supported by the following organisations, whose sponsorship is gratefully acknowledged in making the meeting possible:

- Ministry of Finance, Latvia
- Scottish Executive, UK
- Ministry of the Interior, Finland
- British Council Latvia
- Highlands & Islands Enterprise, UK
- European Commission
- University of Strathclyde, UK

This paper has been written by Professor Douglas Yuill (Director) and Nina Celina Quiogue (Research Assistant) of the European Policies Research Centre. The paper is the product of desk research, based on previous EPRC studies in the EU27 countries, and a fieldwork interview survey among national authorities in EU Member States and Candidate Countries. The field research team comprised the following EPRC researchers:

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The research team is grateful for the assistance provided by national government officials and experts from the EU Member States and Candidate Countries and their contribution to the papers. The papers will be revised after the Conference and disseminated more widely; EPRC would welcome feedback on any of the issues contained in the papers.

EPRC, April 2005.

SPATIAL TARGETING UNDER EU AND NATIONAL REGIONAL POLICIES

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SPATIAL TARGETING UNDER EU AND NATIONAL REGIONAL POLICIES

EXECUTIVE SUMMARY

The main purpose of this paper is to review how and to what extent spatial targeting enters into the operation of EU and national regional policies. In both the new Member States and within the EU15 (and Norway), there are often tensions between the desire to encourage national growth and development and concerns about the spatial distribution of that growth. The paper adopts a comparative perspective, focusing particularly on the new Member States and accession countries (EU12) but also, where relevant, benchmarking experiences against developments within the EU15 Member States and Norway.

It is in four main sections. By way of background for the policy discussion which follows, Section 2 reviews perceptions of the regional problem within EU12 and, in particular, the views that countries have about the nature and significance of their regional problems. Whilst regional problems are almost everywhere recognised as important (and growing), the prime focus is on national growth and development, bringing levels of national prosperity closer to the EU average. In the EU15 and Norway, recent developments have seen changes in the perception of the regional problem, part of a move towards a new policy paradigm. In most countries, the policy focus has shifted from narrowly-defined 'problem' regions to maximising the contribution of *all* regions to national growth and development.

Section 3 then discusses the degree to which there is spatial targeting under EU cohesion policy. In particular, it considers whether and, if so, how, in practice, there is a spatial element to the allocation of EU cohesion policy resources within the EU12 countries. It concludes that the national development orientation to policy is reflected strongly within EU cohesion policy. Although balanced development is often recorded as a policy priority, there is relatively little evidence of the explicit spatial targeting of resources towards 'problem' regions.

The aim of Section 4 is to provide a brief comparative review of national regional policy, focusing particularly on EU12. It considers, in turn, the legislative basis of policy, its prime objectives (and, especially, the relative weight attached to equity- and efficiency-based goals), the main components of policy and the prime features of policy administration, including the extent of regionalisation in policy delivery. Although national regional policy often has a significant equity component, within EU12 countries it suffers, almost everywhere, from low levels of national funding. As a result, and certainly for the 2004-06 period, it has generally not had the necessary co-finance to attract significant EU funding. It has, however, been important in helping to develop administrative structures for regional development and, in particular, in aligning policy approaches to EU requirements.

Finally, Section 5 draws together the main points made and identifies a number of issues for discussion.

SPATIAL TARGETING UNDER EU AND NATIONAL REGIONAL POLICIES

1. INTRODUCTION

Among both old and new Member States, there are often tensions between the desire to encourage national growth and development and concerns about the spatial distribution of that growth, leading in many instances to increased regional differences within countries. In the national regional policy context, such debates reflect what are generally termed the 'efficiency' and 'equity' justifications for regional policy. They are also found at the EU level where, especially within the new Member States and Candidate Countries, the main focus of EU Cohesion policy is on bringing levels of national development up towards the EU average. Concerns about regional disparities within countries generally receive much less stress.

The main purpose of this paper is to review how and to what extent spatial targeting enters into the operation of EU and national regional policies. The paper adopts a comparative perspective, focusing particularly on the new Member States and Candidate Countries (EU12) but also, where relevant, benchmarking experiences against developments within the EU15 Member States (and Norway). It is in four further sections. By way of background for the policy discussion to follow, Section 2 reviews perceptions of the regional problem within EU12 and, in particular, the views that countries have about the nature and significance of the regional problems which they are facing. It also sets these perceptions against those found within EU15. Section 3 then discusses the degree to which there is spatial targeting under EU Cohesion policy. In particular, it considers whether and, if so, how, in practice, there is a spatial element to the allocation of EU Cohesion policy resources within the EU12 countries. The aim of Section 4 is to provide a brief comparative review of national regional policy within EU12. It considers, in turn, the legislative basis of policy in each country, its prime objectives (and, especially, the relative weight attached to equity- and efficiency-based goals), the main components of policy and the prime features of national regional policy administration, including the extent of regionalisation in policy delivery. Finally, Section 5 draws together the main points made and identifies a number of issues for discussion.

2. PERCEPTIONS OF THE REGIONAL PROBLEM

A first question to consider is the degree to which spatial problems are perceived to be of policy importance. An overview of current perceptions of the regional problem in the EU12 countries is provided in Table 1, which draws on the country reviews prepared for this conference. A number of common themes emerge.

- In most countries, regional disparities are either significant and/or on the rise, a reflection of the fact that it is the most wealthy and dynamic areas within each of the EU12 countries which tend to be growing fastest. Notwithstanding this, the main policy focus is on reducing the *national* development gap with the EU

average. While regional disparities are growing, equity concerns are nearly everywhere secondary to the desire to stimulate national growth and development.

- The same basic concerns permeate discussions of the regional problem in most EU12 countries: the growing divide between capital cities (and, in some countries, large urban centres more generally) and the rest of the country; the problem of rural areas dependent on often outdated agricultural structures and suffering from out-migration and related demographic problems; and the decline of traditional industries, with high levels of unemployment resulting from structural changes brought on by globalisation and transition to a market economy. In geographical terms, these features are often reflected in an east-west divide, with western areas generally benefiting from easier access to markets while, in the east, there are often very poor rural areas, with low-level infrastructure, uncompetitive structures, sparse and poorly qualified labour and fragmented agriculture.
- Finally, there are common concerns about levels of infrastructure provision more generally and about often significant demographic challenges (rural-urban migration, population ageing, rural depopulation and associated pressures on settlement structures).

Set against these common themes, the obvious point must be made that there are also significant differences between the countries in Table 1 in terms of the nature and severity of the regional problem and, related, the emphasis placed on regional development issues. For instance, it is clear that the challenges facing the island economies of Cyprus and Malta, with GDP per head of 84 percent and 73 percent of the EU25 average, are completely different from those of Bulgaria and Romania, both with GDP per head of less than 30 percent of the EU25 average. The history, size and location of the Baltic states similarly distinguishes their perceptions of the regional problem, as does their generally low levels of national economic development (between 39 percent and 47 percent of EU25 GDP per head). In Poland, too, the importance of national development is obvious (current GDP per head is 46 percent of the EU25 average); however, at the same time, the need to build on the emerging regional units of self government and to keep regional disparities within politically acceptable bounds is well recognised. In the Slovak Republic, Hungary and the Czech Republic, the dominance of their capital city regions is the clear distinguishing feature. Finally, in Slovenia, regional problems have traditionally been given considerable weight, especially the difficulties facing 'demographically-endangered areas' in the highlands and on the periphery.

Table 1: Current perceptions of the regional problem

Country	Perceptions of the regional problem
Czech Republic	Previously minor regional disparities have begun to increase. The north-eastern and eastern parts of the country lag behind; and Moravia-Silesia and North-West Bohemia have considerable structural problems and high unemployment. Also, rural areas face particular difficulties; and there is a polarisation between Prague and other regions.
Estonia	Inequalities have increased with transition to a market economy. Soviet-period agricultural and industrial areas suffer from high unemployment, infrastructure degradation and social problems. There is a polarisation between Tallinn and the rest of the country, with concerns about over-concentration on the capital. Demographic challenges/poor labour force skills remain major issues.
Cyprus	Economic development over the past two decades has favoured the urban centres and coastal areas at the expense of rural areas. Coastal areas were able to exploit the boom in tourism and the urban centres also profited from the expansion of service sector activities. By contrast, rural areas have suffered from economic out-migration and population ageing.
Latvia	Disparities between eastern Latvia and the rest of the country, between urban and rural areas, and between Riga (where economic activity is concentrated) and the rest of the country. High unemployment remains in the east, south-east and south-west. High unemployment in rural areas has led to rural-urban migration and contributed to poor demographic structures in rural regions.
Lithuania	Regional disparities have continued to grow, especially between urban and rural regions and between the largest cities and the rest of the country. Rural areas in particular suffer from poorly developed infrastructure, low levels of income and agricultural decline. Regional disparities are likely to continue to increase with ongoing agricultural and industrial restructuring.
Hungary	Disparities increased in the 1990s due to historical trends and the impact of the reform process. The two main patterns of disparity are between Budapest and the rest of the country and the east-west divide, with more easterly regions tending to have uncompetitive structures (heavy industry, agriculture) and less access to markets.
Malta	Malta comprises three islands, so there is not much of a 'regional' problem. The economy is heavily dependent on tourism. Core challenges of traditional production sectors, like shipbuilding, are restructuring and improving competitiveness. Spatial targeted interventions focus on the island of Gozo due to its relatively low economic activity compared to the other two islands.
Poland	There is increasing regional/sub-regional differentiation: the best performing areas grow fastest. Warsaw is dominant, but most large centres are doing well (Kraków, Poznań, Wrocław, Łódź), as is the west. The key problem is the 'eastern wall', very poor rural areas, mainly in the east and north, with poor infrastructure, sparse and poorly-qualified labour and fragmented agriculture.
Slovenia	Internal disparities are significant. The 2001-06 NDP distinguishes between areas which are economically weak, those witnessing depopulation, industrial areas with structural problems and border and other areas with limited development potential. Historically, the focus has been on demographically-endangered areas suffering de-population.
Slovak Republic	Despite rapid growth, regional disparities remain very significant, reflecting both historical factors and the impact of structural change. Disparities reflect: the dominance of the capital; an increasing east-west divide; stronger economic development in urban areas; and a number of highly-disadvantaged rural areas, mostly in the south and east.
Bulgaria	Regions close to large cities (especially Sofia but there are other key regional centres) have the highest development levels. GDP per head differences are small (24-26 percent of EU25 average) except for the Sofia region (40 percent). Poor areas are in border regions or peripheral to large centres. Long-term challenges are demographic (depopulation, ageing, settlement structures)
Romania	Regional disparities are increasing, not least due to the growth of Bucharest. Growth dynamics have followed an east-west pattern. Western/central areas benefit from proximity to markets and a lower agricultural dependence. Other concerns are: the underdeveloped north-east and south; urban decline in small/medium-sized towns and industrial restructuring in mono-industry towns.

It is interesting to compare the perceptions of the regional problem in the new Member States and Candidate Countries with those in the EU15 countries and Norway (see Table A in Annex 1).¹ The EU15 divides into five broad groups:

¹ See Yuill D, with Ferry M and McMaster I, *Regional Policy in the Shadow of Reform: A Comparative Overview of Recent Policy Developments in the Member States and Norway*, EoRPA Paper 04/1, Paper prepared for the EoRPA consortium, European Policies Research Centre, University of Strathclyde,

- four countries (Austria, Denmark, Luxembourg and the Netherlands) where regional disparities are viewed as minor and where problem regions are not perceived to be an issue;
- the Nordic Member States, where the regional problem has traditionally been seen in terms of the maintenance of service provision and settlement structures in the north, but where competitiveness concerns have grown in importance, leading to a stress on enhancing development potential in all regions;
- the four countries with significant Objective 1 regions (Greece, Portugal, Ireland and Spain) where the problem has traditionally been viewed more in terms of national rather than regional development;
- Italy and Germany, which face severe internal disparities and where issues of regional competitiveness are increasingly coming to the fore; and
- a miscellaneous group (Belgium, France and the United Kingdom) where regional economic development issues are gaining increasing weight, with a growing policy stress on the contribution that each region can make to national development.

Across the EU15 countries as a whole, the perception of the regional problem has changed significantly in recent years. The emphasis is no longer solely or, in most countries, even mainly on narrowly-defined 'problem' regions. Instead, the aim virtually everywhere is to enhance growth, competitiveness and productivity at the regional level, developing appropriate policies in each region to help maximise the regional contribution to national growth and development. This is very much in line with the increasing conceptual emphasis on enhancing endogenous potential and is also in tune with moves at the EU level (with respect to both Cohesion and Competition policy) to reduce the spatially-targeted component of policy and increase its thematic content, with a particular stress on innovation and competitiveness. The next section discusses spatial targeting under EU Cohesion policy in more detail.

3. SPATIAL TARGETING UNDER EU COHESION POLICY

A second question for this paper concerns whether and how the spatial problems outlined above are reflected in the spatial targeting of policy interventions. Beginning with the EU level, Table 2 provides a summary overview of the approaches taken by the EU12 countries to spatial targeting under EU Cohesion policy. The geographical choices facing Member States in developing their EU Cohesion policy strategies have already been discussed in some detail.² As mentioned earlier, the main policy focus, particularly for the 2004-06 period, is very much on *national* growth and development. While many of the countries in Table 2 make reference to balanced development, relatively little stress is placed in

October 2004. This paper is drawn on directly to provide an EU15 perspective on the issues addressed in the remainder of this review.

² Conference Discussion Paper No. 2, Davies S and Gross T *The Challenges of Designing Cohesion Policy Strategies*, April 2005

practice on the regional allocation of Cohesion policy spending. Indeed, in reviewing the EU12 countries, only a few have explicit allocation mechanisms in place which ensure specific funding flows to specific areas.

One example is Slovenia where, alongside the two key objectives of enhancing growth and creating jobs (“in order to achieve further convergence in the levels of economic and social development with the EU”³), there is the objective of balanced regional development “to mitigate internal balances within Slovenia”.⁴ This latter goal is to be achieved not by having an explicit balanced regional development priority but by introducing an element of spatial targeting across the whole programme. A stipulation was brought in that 60 percent of the available support must go to those areas designated as ‘lagging’ under national regional policy. In other words, spatial targeting is treated as a horizontal objective within the 2004-06 SPD. This is reflected in calls for tender for support where there are special provisions for projects from lagging regions. In addition, awards are monitored to determine the spatial spread of spending - and this then feeds back into changes in selection criteria etc. The policy approach has been described not as “equity or efficiency” but as a case of “equity for efficiency”.

In Poland, the prime aim of the 2004-06 NDP is to develop a competitive economy. In line with this, around two-thirds of overall funding is allocated to sectoral OPs, a further third to the Cohesion Fund and less than one quarter to the Integrated Regional Operational Programme (IROP). However, the IROP does differentiate levels of regional support according to varying socio-economic conditions. It states that 80 percent of its funds will be allocated to all regions in proportion to the number of inhabitants; 10 percent will be divided proportionally on a per head basis amongst those regions with GDP per capita less than 80 percent of the national average; and the final 10 percent will be assigned to *powiats* (the intermediate level between region and municipality) with average unemployment rates above 150 percent of the national average. Employing these criteria, IROP funding favours those regions most in need. Whereas, IROP per head funding is around 80 percent of the Polish average in Malopolskie, Śląskie and Wielkopolskie it is above 125 percent in Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-mazurskie. On the other hand, as noted above, the IROP accounts for less than one quarter of overall Cohesion policy funding to Poland.

In similar vein, the indicative allocation of resources under the regional OP in Romania uses a formula which takes account of differing socio-economic conditions. Specifically, allocations are determined by an index based on three components: per capita income and population; unemployment rate and population; and basic transport and utilities infrastructure. Malta, too, has a geographic component to its funding allocations in the form of special provisions for the island of Gozo.

³ Government Office for Structural Policies and Regional Development, *Single Programming Document 2004-2006*, Republic of Slovenia, December 2003, page 9

⁴ Ibid

Table 2: Spatial targeting under EU Cohesion policies

Country	Spatial Targeting
Czech Republic	A 'pro-growth' strategy has been adopted, emphasising the development of growth poles but also recognising the need to support lagging regions. The CSF sets out balanced development of regions as one of its horizontal objectives. In addition, there is a Joint Regional Operational Programme which accounts for over 31 percent of the Objective 1 CSF.
Estonia	The 2004-06 NDP forms the basis of the Objective 1 programme. There is no explicit spatial targeting of policy. The main objective is balanced sustainable economic development. The focus of the NDP is thematic (human resources, business development and infrastructure) and not spatial, although there is a priority for agriculture, fisheries and rural development.
Cyprus	One of the NDP's four development priorities is to achieve balanced regional and rural development. The Objective 2 SPD is focused on a wide rural area and an urban area along the cease-fire line. There is a Fisheries SPD and an Objective 3 SPD, which covers the entire country.
Latvia	Despite some minor funding to reduce regional disparities, the clear choice for the 2004-06 period was to promote national rather than regional development. Structural Fund resources focus on infrastructure provision (32.6%), enterprises and innovation (25%), human resources/employment promotion (21.2%) and the development of rural areas/fisheries (18.5%).
Lithuania	The SPD aims to encourage the development of a few key strategic economic growth centres and key sectors that can act as a catalyst for sustainable economic development across the country. There is no designation of areas considered to be problematic or in need of special support. However, the spatial spread of projects is a factor in award decisions under some measures.
Hungary	One of five CSF programmes is for Regional Development (18 percent of CSF OP funding). The Regional Development OP aims to develop: the regional endogenous potential of lagging regions; the community environment and development potential, especially in disadvantaged areas; and the adaptability of local actors. The CSF does not make specific allocations to specific areas, but some measures focus on the most disadvantaged regions while others prioritise such areas via selection criteria. For the future, there are concerns about Budapest (as an Objective 2 area).
Malta	Overall approach encompasses the whole country although there are spatially-targeted interventions in Gozo. The core SPD objective is to converge towards average EU levels of socio-economic development, though one of three sub-objectives is that the growth be spread equitably.
Poland	The 2004-06 NDP aims to develop a competitive economy. The five sectoral OPs focus on competitiveness (18% of SF total); human resources (17%); food/rural (14%); fish (2%); & transport (9%). The regional OP (39%) complements the sectoral OPs and is allocated by region in line with population (80%), GDP per head less than 80% the national average (10%) and unemployment (10%).
Slovenia	The 2004-06 SPD stipulates that 60 percent of the available support must go to areas designated as 'lagging' under national regional policy. In this sense, spatial targeting is treated as a horizontal objective. Awards are monitored to identify the spatial spread of spending and selection criteria adjusted accordingly.
Slovak Republic	The NDP stresses the need: to support linkages <i>within</i> the capital and other growth centres and <i>between</i> these centres; to strengthen linkages between urban centres and their hinterlands; and to support population stabilisation in rural areas. The CSF approves this growth centre/growth-oriented approach, alongside measures to correct regional imbalances. Balanced regional development receives 30 percent of the EU funds.
Bulgaria	A 2000-06 National Economic Development Plan provides a basis for EU pre-accession funds but has no spatial strategy. It aims to achieve a standard of competitiveness and development to facilitate EU integration. Four priorities seek to improve: competitiveness (6% of 2003-06 funding); basic infrastructure/environmental protection (62%); human resources (6%); and agriculture/rural areas (18%). A fifth priority focuses on balanced and sustainable regional development (8%).
Romania	The 2004-06 NDP has five priorities: improved competitiveness (0.1% of EU contribution); transport and energy infrastructure (52%); human resources (3%); agriculture/rural development (25%); and developing regional/local potential (20%). The last priority ensures that all regions contribute to balanced development. The aim is to stimulate competitiveness and the capacity of areas to adapt, building on local potential and not only targeting the poorest areas.

In most of the remaining EU12 countries, there is no explicit allocation mechanism which sets down what resources should flow to particular target areas. On the other hand, it is obvious that certain areas are likely to benefit under particular measures and priorities.

- Under Priority 1 of the Joint Regional Operational Programme for the Czech Republic,⁵ two categories of problem region are the main beneficiaries of support: regions determined by Government Regulation 722/2003 (essentially, economically weak regions facing structural problems, holding around 29 percent of the national population); and regions with weak economic potential (some 12 percent of the national population). Most Priority 1 support is directed towards the former areas, the so-called “regions of concentrated state aid”.
- In Hungary, a number of measures are clearly focused on disadvantaged areas, either through limiting support to such areas or through prioritising such areas under project selection criteria.
- In Lithuania, project selection criteria also favour lagging regions under some measures.

More generally, sectoral targeting obviously has an associated spatial dimension, including for instance support for agriculture and rural areas and tourism measures. The priority attached in most programmes to balanced development similarly helps ensure that there is at least an element of spatial spread in the project choices made. However, the limited explicit spatial element to funding allocations within programmes remains noteworthy; across the new Member States the funding focus is very much on national growth and development.

4. APPROACHES TO NATIONAL REGIONAL POLICY

EU Cohesion policy is only one part, albeit an important one, of the overall economic development picture. This section reviews the approach taken in the EU12 countries to national regional policy. It begins by considering the legislative basis of policy, before discussing policy objectives, implementation and administration.

4.1 Legislative basis

Nearly all EU12 countries have national regional policy legislation (see Table 3). The two main (and understandable) exceptions are the island states of Cyprus and Malta. Much of this legislation has been introduced since the late 1990s with the aim of incorporating basic EU principles (programming, partnership, concentration) into national law as an essential part of the accession process. However, in some cases, regional policy legislation goes back further to the early 1990s (eg. Estonia, Hungary, Slovenia), while in many countries (eg. Lithuania) regional interventions were historically undertaken under the aegis of sectoral

⁵ This programme accounts for over 31 percent of the Objective 1 CSF; Priority 1 represents some 10 percent of the programme.

policies (as, for instance, in the centrally-determined location of economic activity). A feature of many of the recent national regional policy laws is that they have been concerned primarily with institutional issues - not least, creating the appropriate administrative framework for the operation of EU Cohesion policy. In addition, in many instances, they have been supported by only limited national funding provisions so that their impact in funding terms has been largely dependent on EU Cohesion policy resources.

In comparison to the position in the new Member States, national regional policy is a long-established area of policy in most of the EU15 countries, pre-dating EU Cohesion policy in most cases. Indeed, in the United Kingdom, national regional policy dates back to the 1930s. The legislative basis for national regional policy is, therefore, almost everywhere long-standing. However, it is notable that in recent years there has been a series of significant legislative reviews and reforms (White Papers, Government Decisions, policy memoranda and consultation documents) which, in countries like Denmark, Finland, France, the Netherlands, Sweden and the United Kingdom, have led to a major change in the 'paradigm' of regional policy (see Table B in Annex 1). In part, this reflects the previously mentioned changes in the perception of the regional problem. The new policy approaches are associated with a growing emphasis on the need to enhance growth, competitiveness and productivity at the regional level, a clear widening in the scope of policy beyond its traditional focus on regional aid and in particular towards measures to promote innovation and competitiveness, a widespread move towards an 'all-region' approach to regional policy instead of focusing narrowly on traditional problem regions and a more general emphasis on the role of urban centres in regional economic development. However, these new developments also recognise the changing policy environment at the EU level and the need to prepare the groundwork nationally for future EU policy regimes.

Table 3: The legislative basis of national regional policy

Country	Regional policy legislation
Czech Republic	The Principles of Regional Policy (Resolution No. 235/1998) lays down the principles, objectives and mode of implementation of national regional policy. The Act on Support for Regional Development (No. 248/2000) broadened the scope of regional policy and incorporated basic EU principles (programming, partnership, concentration).
Estonia	The Guidelines of Regional Policy 1994, the Regional Development Strategy 1999 and the 2000 National Spatial Planning Document "Estonia 2010" form the legal basis of policy, outlining the objectives, principles and implementation of national regional policy. New legislation possible in 2005 but depends on the political climate, which is sensitive to the fast pace of change occurring after EU accession.
Cyprus	No explicit national regional policy; this reflects the size of the island and its partition. The NDP, SPDs and five-year rural development plans could provide a basis for the spatial targeting of policy but, for the most part, policies tend to apply to the whole territory.
Latvia	The Law on Regional Development 2002 makes provision for co-ordinated regional development planning documents in line with EU Cohesion policy (eg National Development Plan, National Spatial Plan, Regional Policy Guidelines etc) and also sets out guidelines for specially-supported territories. However, it has been poorly funded; the general view is that a regional development culture has still to be created.
Lithuania	Pre-1998, regional interventions were via sectoral policy. Government Decree 902 'On Regional Policy Guidelines' (21 July 1998) and Decree 538 'On the Implementation of Regional Policy Guidelines' (6 May 1999) made regional policy a distinct state activity. A 2000 Law prepared for EU Cohesion policy. A 2002 revision introduced 'problem regions', but the current government is following a growth pole strategy.
Hungary	Regional policies are based on Act XXI of 1996 on Regional Development and Physical Planning (as amended in 1999) and on the National Regional Development Concept adopted in 1998. The former aimed to introduce a comprehensive approach to regional development based on the EU model; the latter established principles, set guidelines and aims and acted as an 'orientation point' for other organisations/sectoral policy.
Malta	No legal basis for national regional policy. Given Malta's size, the approach to economic development is national. The latest Business Development Act dates from 2001; it is not spatially targeted, although the island of Gozo is provided with added benefits to address its transport problems.
Poland	From 1998, the Law on Regional Self-Government and the Law on the Principles of Supporting Regional Development reformed the regional policy system by introducing new programming arrangements, new institutional structures and capacities and an emphasis on the EU principles of decentralisation and partnership. The latter law, which came into force in 2000, introduced regional contracts to coordinate regional development and implement regional strategies and programmes.
Slovenia	There has been an interest in balanced regional development dating back to the early 1970s. The most recent Promotion of Balanced Regional Development Act (OG RS No. 66/99) dates from 29 July 1999. It covers policy aims, principles (EU-based), implementation, instruments and spatial focus. However, funding has been very limited.
Slovak Republic	The Principles of the Regional Policy of the Slovak Republic were approved in September 2000 and set out a system of state support for regional development. Thereafter, the Regional Development Support Act 503/2001 more clearly defined competences and objectives as well as instruments and targeted areas. The Act incorporated key EU principles (programming, partnership, concentration, complementarity).
Bulgaria	A 1999 Law on Regional Development aimed to establish a regional policy framework but its impact was limited in the absence of a national regional development strategy. A new Act on Regional Development (1/1/2004) reflected EU regulations and covered planning regions/targeted action areas; strategic planning; regional programming; regional development control; financing and state aid issues. It has been designed to underpin the Regional Development OP for the 2007-13 period.
Romania	Basic policy objectives are set out in Law 151/1998 which is currently being revised in line with the Chapter 21 negotiations. The law initially saw regional development in terms of focusing aid on disadvantaged zones. However, since 2002, a more sophisticated approach has aimed to foster economic links within regions and to exploit development potential. That said, in practice, domestic regional policy does not extend far beyond the sectoral strategies of central ministries in the regions.

4.2 Policy objectives

In most of the EU12 countries, national regional policy objectives tend to have a significant equity component, emphasising balanced regional development and the need to reduce regional disparities (see Table 4). There are, however, some, including Lithuania and the

Slovak Republic, where national regional policy is explicitly based around growth poles, albeit, in the Slovak case, alongside the goal of balanced regional development. In addition, a number of countries (eg. Estonia) are of such a size that there is not believed to be any significant tension between national and regional development objectives. Despite the stress placed on balanced regional development in national regional policy legislation, it is not always clear what balanced development means in practice or how it is to be achieved on the ground. In particular, it is not always apparent that the necessary national funding is in place to operationalise national regional policy goals.

In contrast, EU Cohesion policy has a predominant efficiency orientation - promoting economic growth and competitiveness, enhancing and developing human resources, highlighting the importance of infrastructure development and stimulating innovation and RTDI-related activities. Although Table 4 might suggest a degree of balance between equity and efficiency objectives, most countries allocate significantly more weight in practice to efficiency goals. Certainly, the language which is adopted in most policy documents is the language of competitiveness, with frequent references to innovation and the knowledge economy. In part, this reflects the view that national rather than regional development is the key priority at present, but in a number of countries it has also been a pragmatic response to the short timescale of the current programming period and the need to ensure as much absorption as possible. Funding has tended to flow to where co-finance is available which, in most countries, has generally been within sectoral rather than regional policy. On the other hand, there are signs that more weight than at present may be attached to equity goals in the next policy period.

For comparative purposes, an overview of regional policy objectives in the EU15 Member States (and Norway) is provided in Table C in Annex 1. As already mentioned, the policy pendulum has swung towards efficiency objectives in recent years. For instance:

- the 2004 Dutch regional policy memorandum has moved regional economic priorities away from the traditional problems in the north and towards making regional choices which maximise the benefit to the national economy;
- in Finland, a 2004 Government Decision on regional policy has placed particular stress on the stimulation of regional competitiveness across the country;
- in Italy, the policy focus is on enhancing endogenous growth potential to increase the competitiveness of the regions which make up the *Mezzogiorno*; and
- in the United Kingdom, the policy emphasis under the *Modern Regional Policy* consultation document of March 2003 is on productivity as the fundamental driver of regional economic change.

On the other hand, it would be wrong to suggest that equity considerations no longer play a role in the regional policies of the EU15. The table entries for Denmark, Finland, Germany, Sweden and the United Kingdom, amongst others, make clear that there remains a balance to be struck between stimulating regional growth and competitiveness and ensuring that problems are not stored up for the future through certain regions being left behind.

Table 4: EU and national regional policy objectives

Country	Equity-based	Efficiency-based
Czech Republic	The CSF notes that “decreasing the negative impacts of unbalanced economic growth and growing regional differences is important for internal cohesion and the stability of the country as a whole”.	The CSF aims to “guarantee that in the long-term <i>all</i> regions can benefit from economic growth.” It aims to remove development bottlenecks in each region and to enable all the country to benefit from Prague spill-over effects.
Estonia	A common objective of the NDP and national regional policy is to ensure fast, socially and regionally-balanced, sustainable economic development. Concern also about equal service provision across the country.	NDP priorities are: human resource development, competitiveness of enterprises and infrastructure (as well as rural development). They support the aim of creating a modern Estonian economy. Innovation and R&D are also important objectives.
Cyprus	One of the four development priorities in the 2004-06 SPD is balanced regional and rural development. The aim is to improve the growth balance between urban and rural areas as well as within rural areas.	Core objective of 2004-06 SPD is to achieve a satisfactory rate of sustainable growth. Obj 2 aims to regenerate urban and rural areas facing serious structural problems. Obj 3 aims to improve human capital.
Latvia	The Obj.1 programme aims to help create “the conditions for new, sustainable and balanced socio-economic growth” as does the Regional Development Law 2002.	EU funds concentrate on infrastructure provision, enterprises and innovation, human resources, rural areas. A key aim is for Latvia’s economy to become knowledge-based. For 2004-06, the focus is on national rather than regional development
Lithuania	SPD aims to achieve parity with more prosperous Member States by 2015; regional disparities play only minor role. One aim of the Law on Regional Development is to decrease regional disparities, but no designated areas.	SPD focuses on human resource development, infrastructure development, development of the productive sector. It aims to establish a modern knowledge economy. The plan is to focus in future on five growth poles/centres.
Hungary	National regional policy objectives emphasise development in the regions and the need to reduce regional disparities while also promoting high levels of growth.	In addition to promoting growth across the economy, the CSF aims both to strengthen growth poles and to address the problems of the most disadvantaged areas/regions.
Malta	Core NDP objective is to converge towards the average level of socio-economic development in the EU. A sub-objective is to spread growth equitably - socially and geographically.	NDP focuses on sustainable economic growth, promoting international competitiveness, and the optimum use of human resources, encouraging an increase in the size of the workforce.
Poland	The long-term equity-efficiency debate is moving in favour of the latter, at least in terms of sequencing and setting short-term priorities. This is reflected in the draft 2007-13 strategies, but is obviously subject to a political dimension	The draft 2007-13 NSRD aims to improve economic competitiveness of all regions, using endogenous resources better, preserving the rational management of resources and securing greater cohesion.
Slovenia	National regional policy is mainly about balanced regional development, focusing on areas with special development problems. Tensions between this and EU cohesion goals.	The SPD has two competitiveness objectives (to enhance growth and create jobs) but also aims for balanced regional development (via earmarked 60 percent spend). Described as ‘equity for efficiency’
Slovak Republic	Lack of funding has seen efficiency (the 2003 NDP/the 2004-06 CSF) rather than equity (the 2001 Act) stressed. Under the Act, regional policy aims to ensure balanced development, reduce disparities, prevent new backward areas and sustain regional development.	The CSF is based on a growth pole strategy operating concurrently with regional balance goals. However, funding constraints have seen the former stressed (eg road spending has prioritised motorways).
Bulgaria	The 2004 Act aims to create conditions: to promote balanced and sustainable regional development; to reduce disparities; to support employment and income growth; and to develop cross-border cooperation. Target areas are both growth regions and areas in decline.	In addition to four growth oriented priorities (improve competitiveness, enhance basic infrastructure, develop human resources, develop agriculture/rural areas), the 2000-06 NEDP aims for balanced and sustainable regional development
Romania	While disparities are taken into account and the poorest areas targeted, the main objective is to improve regional capacities, allowing regions to capitalise on local potential.	EU programme priorities focus on economic competitiveness, infrastructure, human resources, rural development and the balanced participation of all regions in development.

4.3 Policy instruments and implementation

It was mentioned earlier that there has been a broadening of regional policy instruments in the EU15 and Norway in recent years (see Table D in Annex 1). No longer can regional policy be viewed solely or even mainly in terms of direct regional aid schemes (although all countries except Denmark continue to have regional investment aids on offer). Instead, increasing weight is now attached to (indirect) support for the business environment. As part of this the emphasis on infrastructure provision has grown significantly - including through policy initiatives to align large-scale infrastructure investment more closely with regional development goals, the provision of targeted economic infrastructure (for instance, flagship business and technology parks) and support for the economic development role of urban centres. In addition, the innovation component of regional policy has been strengthened in a range of countries and there has also been a growing stress on measures to encourage regional programming and strategy development. At one level, these various developments reflect the preferences of the European Commission, with the broadly-based programming approach of DG Regio and the ongoing efforts of DG Competition to curtail (non-horizontal) business aid. On the other hand, EU15 Member States themselves now clearly favour programme-based measures to improve the regional business environment, part of the consensus which has grown up around the need to improve the regional contribution to national growth and the importance of supply side factors in this.

A summary overview of the main components of national regional policy within the new Member States and Candidate Countries is provided in Table 5. Bearing in mind that regional policy legislation within EU12 has been developed in line with EU regulations and funding priorities, it is obvious that the approach in all countries is programme-based and that, reflecting the nature of EU programmes, a wide range of measures and policy instruments is involved. These include regional aid schemes, measures in support of innovation and competitiveness, broad infrastructure support, support for the business environment (including, in some Member States, the development of growth centres) and, in a number of countries, support for capacity-building.

One problem with national regional policy in many EU12 countries has been the lack of national funding with which to implement the legislation. This in turn has impacted on the ability of national regional policy to co-finance EU cohesion policy. There are, however, some EU12 countries where national regional policy has played (or is beginning to play) a more significant role. For instance, in the Czech Republic - where national regional policy has traditionally been relatively low-key - the profile of regional policy has increased, regional policy strategies and instruments have become more refined and the institutional infrastructure for policy delivery has been developed. In Poland, too, recent years have seen a marked shift towards a more coherent and coordinated approach to regional policy, in part through the consolidation of the Ministry of the Economy as the dominant central institution in the regional field and in part through the newly emerging programming/strategy development role of the regional units of self-government. Finally in Hungary, national regional policy has a significant history and a well-established legal basis. It has, moreover, its own funding system (with increased resources in 2005 despite budget cuts elsewhere) and has also enhanced its institutional status, now having its own Minister.

Table 5: The components of national regional policy

Country	Policy measures
Czech Republic	Standard economic and financial instruments can be applied in all regions, but support is regionally-differentiated in favour of regions with structural problems and economically-weak regions (including rural areas) and (micro-) regions facing specific problems. The former cover 29 percent of the national population (Government Resolution 722/2003) and the latter 12 percent.
Estonia	There are few national regional policy instruments besides the initiatives under the NDP, due to lack of national financial resources. There used to be seven regional programmes targeting different parts of the country but only the rural programme remains. Otherwise, Enterprise Estonia provides grants and loans to businesses in the entire country.
Cyprus	No national regional policy. However, there are rural development programmes and schemes and grants to encourage collaboration between businesses across all sectors and academic institutions. Incentive schemes for manufacturing operate across the whole territory under the 'New Industrial Policy' approved in 1999.
Latvia	The 2002 Law provides for support for regions with negative economic and social development trends. Development of such specially-supported territories is, in theory, promoted by means of special credit policy, tax relief and resources from the Regional Development Fund. There is also an aid scheme for lagging municipalities, but with very limited resources, and support for entrepreneurship.
Lithuania	In principle, support may be provided if regional unemployment is significantly higher than average and/or regional living conditions significantly lower than average. However, in practice appropriate regional policy instruments are not available. Sectoral policies to encourage investment in lagging regions are more important than regional aids. A growth-centre strategy is being developed.
Hungary	Regional support is targeted at micro-regions suffering from complex socio-economic disadvantages or in need of industrial restructuring or with agricultural/rural development needs. 94 out of 150 micro-regions (NUTS IV) are so classified. Regional policy has its own Minister and funding system. Support is via two main budget lines: the regional development allocation (of most significance); and spatial equalisation support. Attempts have also been made to coordinate regional development and sectoral budgets (Integrated Regional Programme).
Malta	No regional policy measures; a whole-country approach is followed. The 2001 Business Development Act is not spatially targeted. Incentives are mainly fiscal in nature but there is also factory provision, loan-related measures, training grants and SME assistance.
Poland	The 2003-06 NSRD provides for regional self-governments to apply for grant support in relation to regional programmes/strategies and to agree a support contract with the Department of Regional Development. The NSRD provides extra resources to regions with GDP per head below 80% of the national average, regions with unemployment above 150% of the national average and regions with employment in heavy industry 125% above the national average. Specific programmes target regions with structural problems, economically weak regions and regions with environmental problems.
Slovenia	A distinction is made between direct regional measures (incentives and other forms of support aimed exclusively at lagging regions) and indirect regional measures (country-wide sectoral measures but with some regional orientation). Much more support is indirect rather than direct; indeed direct support is negligible.
Slovak Republic	The 2001 Act identifies two types of supported region: economically weak regions and regions with adverse economic structures. No regions are currently aided under the Act; instead, all available resources go towards co-financing EU funds. However, other spatial policies exist (and operate in line with the growth pole strategy): to set up industrial parks; to build motorways; to support the Slovak development agency; to provide housing; and to award State aid.
Bulgaria	The 2004 Act defines 6 types of "regions for targeted impact" including growth regions, industrial decline regions, underdeveloped border regions, underdeveloped rural regions, underdeveloped mountainous regions and the capital city area. The Act has not yet been implemented. In theory, aid takes the form of grants, tax allowances and the transfer of buildings from the public sector and concentrates resources on the target regions in order to meet the regional development goals set.
Romania	Following the abandonment of an aid-based approach targeted on disadvantaged zones, four programmes were introduced by Government Decrees in 2002-03: one providing support to selected small/medium-sized towns; another fostering inter-county cooperation in devising/implementing development projects; and two more assisting the devolution process in the fields of social services and local government capacity building in the development field.

4.4 Policy administration

In the EU15 Member States, there has been a strong trend in recent years towards the regionalisation of regional policy administration which, in turn, has seen more emphasis

placed on policy coordination - regionally, nationally and between the centre and the regions. The move towards a more regionalised approach reflects both long-standing arguments for administrative regionalisation (including increased efficiency through economies of scope and more accountability through political devolution) and the trend in regional policy perspectives towards the development of economic potential in *all* regions. The administration of the Structural Funds has also played a role, with the principles of partnership and subsidiarity encouraging regional input into policy initiatives. This has been particularly the case in centralised unitary states such as Greece, Ireland and Portugal where regionalisation trends were initially a pragmatic response to Structural Funds pressures but where more regionalised approaches to policymaking across the board may be becoming embedded. Other EU15 countries with unitary systems, such as Italy and the United Kingdom, are in the process of devolving significant powers to sub-national levels - cases of centrally-inspired regionalisation. In the Nordic countries, the development of an appropriate regional administrative tier is a feature of broader changes in public administrative systems. Most often, the contribution of the sub-national level in these countries is being enhanced by the emergence of more integrated and inclusive programming frameworks. Finally, in the federal EU15 countries, there has been a tendency for the regional level to reaffirm its role in economic development - so-called regionalisation from the bottom.

To what extent have there been similar moves in the EU12 countries for regional policy administration to be regionalised and to what degree has there been an associated emphasis on policy coordination? The current position is set out in Table 6. For the most part, policy administration remains fairly heavily centralised, a consequence of politics and history, the small size and territorial structure of many new Member States and the general lack of administrative capacity (and, indeed, in many cases, appropriate institutions) at the regional level. In addition, the continued centralisation of public finances in most countries acts as a practical constraint on the potential economic development role of the regional level, notwithstanding the increasing opportunities for regional involvement in policy delivery in many countries. Poland provides an example of this, with the centralisation of the financial system constraining the impact of regional contracts as a basis for a new regionalised approach to regional policymaking.

As far as policy coordination is concerned, an important first step in many countries has been the establishment of a Ministry of Regional Development (or equivalent) with clear responsibility for the operation of regional policy within central government (including its coordination across central government departments). On the other hand, in a number of countries, the relatively limited profile of regional policy has meant that it has not always been mainstream ministries which have taken on this role (albeit with some notable exceptions, eg. Poland). In addition, many national regional policy laws have established national coordinating bodies, often in the form of inter-ministerial committees. For the most part, these are perceived to have increased policy coordination to regional development ends, although the continuing strength of national sectoral ministries should not be underplayed. Interestingly, the Structural Funds themselves are viewed as a significant coordination mechanism, encouraging joined-up policymaking (for regional policy and more generally) via the provision of co-finance.

Table 6: The administration of national regional policy

Country	Regionalisation	Coordination
Czech Republic	The limited and late development of the role of regional governments has restricted and confused the regional policy tasks of regional-level institutions. There is a feeling of institutional overload at the regional level.	Overlap between regional and sectoral policies and the need for inter-ministerial cooperation and coordination are increasingly recognised. Even with the new Ministry of Regional Development, coordination has proved difficult.
Estonia	Regional policy implementation is the responsibility of the Ministry of Internal Affairs. Enterprise Estonia also has a role (and regional offices) as have county governors (direct representatives of the Government in the regions).	The Ministry of Internal Affairs is responsible for coordinating regional policy in Estonia. Co-ordination in practice is difficult to achieve.
Cyprus	Unsurprisingly, development policymaking is strongly centralised. The key development actor is the Planning Bureau, though the part played by certain sectoral ministries is also important. The SPD has highlighted the need for decentralisation.	Planning Bureau plays a key role in policy co-ordination through its role as the administrative secretariat of the Central Planning Commission and the Planning Committee on Policy and Budget.
Latvia	Main responsibility lies with the Ministry of Regional Development. The State Regional Development Agency and the Investment and Development Agency are also active. RDAs provide advice/consultancy.	A Regional Development Council was established to co-ordinate regional development and territorial planning, and ensure co-ordination of regional development planning and support measures.
Lithuania	The Ministry of Interior is responsible for regional policy. There is no significant sub-national input at present though, under the Law on Regional Development, districts (municipalities) draft and implement strategic regional development plans.	The National Council for Regional Development determines the objectives of policy and approves National and Regional Development Plans. It includes representatives from the government, social partners and NARD (the national RDA).
Hungary	County Development Councils (CDCs) coordinate regional development tasks in 19 counties. Regional Development Councils, drawn from the CDCs, draft regional development plans, direct RDAs and coordinate development processes in 7 regions. Their role is more limited than the CDCs.	Policy responsibility lies with the Prime Minister's Office. Within the PMO, there is an Office for Regional Development (responsible for incentives and the management of the Regional Development OP) and a National Development Office (responsible for the NDP and for regional/sectoral coordination)
Malta	The country follows a national approach to policy, though a Ministry for Gozo promotes the socio-economic development of the island.	The Finance Ministry is responsible for strategic planning and policy co-ordination across ministries, and for the national economic strategy.
Poland	The Ministry of the Economy has overall responsibility for regional planning and the coordination of national/sub-national regional development initiatives. Regional self-governments are becoming more active, part of a more integrated regional policy approach.	Regional contracts agreed between regional self-governments and the Ministry of Economy (and approved by the Council of Ministers and the regional self-government council) allocate resources to regional self-governments to help implement regional strategies and programmes.
Slovenia	Although there has always been potential for central bodies to decentralise administration, policy remains highly centralised in practice (few competent bodies with which to engage in the regions; small municipalities)	Most policy collaboration is centralised via line ministries; this has not always been easy. The SPD provides support for collaboration via co-funding and the stress on partnership etc. The GOSP uses EU funding to promote collaboration.
Slovak Republic	The 2001 Act gives roles to national, regional and local government and to RDAs; however, most policy is delivered centrally (Ministry of Construction and Regional Development). Although RDAs play a role, further decentralisation (to regions) must await fiscal decentralisation.	The Government Council for Regional Policy and Supervision of Structural Operations, set up in 2004, appears to have improved coordination amongst central government ministries, which was previously thought of as a problem. It is chaired by the Deputy Prime Minister.
Bulgaria	The Ministry of Regional Development and Public Works, which has regional offices, coordinates the National Regional Development Strategy and related plans, priorities and measures. However, it has lacked powers or resources to implement regional policy. Effective regional government is also lacking.	An inter-ministerial Central Coordination Unit, chaired by the Deputy Minister of Regional Development, has a programming and planning coordination role. However, in the absence of funding (due in the 2007-13 period), it has been difficult to achieve coordination in practice.
Romania	The Ministry of European Integration (MEI) is responsible for regional programming and for coordinating policy implementation. At the regional level, RDBs steer regional strategies, approve projects, allocate regional resources and supervise the RDAs (the implementing bodies in the regions)	The main coordination mechanism is the NDP. A National Council for Regional Development, chaired by the MEI, with representatives from relevant Ministries and Regional Development Boards (RDBs), (ie elected local and county representatives), exists but has not met recently.

5. QUESTIONS FOR DISCUSSION

The main purpose of this paper has been to review how and to what extent spatial targeting enters into the operation of EU and national regional policies, concentrating particularly on the EU12 countries but also including comparative information on the EU15 (and Norway) as appropriate.

In the EU15 countries, recent developments have seen changes in the perception of the regional problem, part of a move towards a new regional policy paradigm. In most countries, the policy focus has shifted from narrowly-defined 'problem' regions to maximising the contribution of *all* regions to national growth and development. From a policy perspective, this has led to a growing emphasis on measures to enhance competitiveness at the regional level (including more stress on the regional delivery of policy), a clear widening in the scope of policy beyond its traditional focus on regional aid (with increasing use of regional programming and more weight attached to indirect measures in support of the business environment) and more interest in the economic development role of urban centres. In other words, the pendulum has swung firmly towards the efficiency objectives of policy. At the same time, there remains a general recognition of equity concerns, with a balance to be struck between stimulating regional growth and competitiveness and ensuring that problems are not stored up for the future through regions being left behind. As mentioned earlier, at one level, these developments reflect the preferences of the European Commission, with the broadly-based programming approach of DG Regio and the ongoing efforts of DG Competition to curtail (non-horizontal) business aid. On the other hand, the EU15 Member States themselves have been moving in the same direction, part of a growing consensus on the need to improve the regional contribution to national growth and the importance of supply side factors in this.

Within the EU12 countries, the main focus of policy is on reducing the national development gap with the EU average, though there remain obvious regional concerns - about the growing divide between capital cities and the rest of the country; about the continuing problems of rural areas dependent on outdated agricultural structures; about the decline in traditional manufacturing sectors; and about the geographical manifestation of these problems in the form of an increasing east-west divide. The national development orientation to policy is reflected strongly within EU Cohesion policy as it applies in the new Member States. Although balanced development is often recorded as a policy priority, there is relatively little evidence of the explicit spatial targeting of resources towards 'problem' regions. In addition, national regional policy, which often has more of an equity component to its objectives, almost everywhere suffers from low levels of national funding. As a result, and certainly for the 2004-06 period, it has generally not had the necessary co-finance to attract significant EU funding. Although national regional policy legislation has been important in helping to develop administrative structures for regional development and, in particular, in aligning policy approaches to EU requirements, national regional policy remains relatively low-key in most countries as well as being, for the most part, heavily centralised in its delivery. On the other hand, at least some countries see the next policy phase, with its significantly enhanced levels of EU funding overall, as providing an opportunity for more stress to be given to national regional policy goals and objectives and for the regional delivery of policy to be enhanced.

In considering regional policy in the new Member States and Candidate Countries, three broad questions arise with respect to the spatial targeting of policy:

- First, what are the key spatial challenges to policy? To what extent is there an equity/efficiency dilemma in regional development policy, and how is it being resolved, either with respect to the objectives or delivery of policy?
- Second, how important is national regional policy, both currently and in future policy thinking? What are the experiences of different types of regional policy instrument?
- Finally, what are the main challenges for the delivery of economic development policy in the regions? How are these being addressed?

ANNEX 1: COMPARATIVE TABLES ON THE EU15 MEMBER STATES AND NORWAY

This annex consists of four tables drawn from Yuill D, with Ferry M and McMaster I, *Regional Policy in the Shadow of Reform: A Comparative Overview of Recent Policy Developments in the Member States and Norway*, EoRPA Paper 04/1, Paper prepared for the EoRPA consortium, European Policies Research Centre, University of Strathclyde, October 2004. The tables are:

Table A: Current perceptions of the regional problem

Table B: Recent legislative change and broader policy reviews (2003-04)

Table C: Regional policy objectives

Table D: Recent changes in the components of regional policy

Table A: Current perceptions of the regional problem

Austria	The traditional policy focus is on regional problems rather than problem regions. Policy is about the development of <i>any</i> region, not just poor regions. Map-based policymaking remains mainly because of EU policies (especially the Structural Funds). Current debates focus on enlargement-related issues: in particular, border problems and opportunities
Belgium	The devolved nature of economic development policy means that regional policy is viewed from a regional perspective (in Flanders, Wallonia and Brussels). The regions tend to take a whole-region perspective, except with respect to large firm aid which is limited to designated aid areas.
Denmark	The long-standing focus is on maximising the contribution of every region to national growth. No regional aid since 1991. Recently, preferential treatment introduced for peripheral areas: the 15 poorest TTWAs plus those with taxable income per head below 80 percent of the national average.
Finland	The emphasis on international competitiveness and on a whole country approach based around dynamic urban centres has increased. The importance of developing specific policies to meet the needs of specific regions is stressed. Traditional problem regions remain a focus of aid policy and there is provision to respond to problems created by sudden structural change. Population ageing is also recognised as a future issue.
France	Traditionally, there is a nationwide spatial development focus rather than a problem region orientation. The CIADT has recently highlighted regional disparities in wealth creation and has stressed the contribution made by different regions to the national economy.
Germany	GA regional policy consists of spatially-targeted regional aids and infrastructure support. The aim is to help structurally-weak regions overcome their locational disadvantages, strengthen competitiveness and participate in broader economic development processes.
Greece	Although disparities in GDP per head are modest, broader indicators of regional development show significant disparity. The spatial focus of policy, under which support is limited to areas outside Region A (centred on Athens and Thessaloniki), has been eroded over time
Ireland	There are sizable variations in income and output levels between (NUTS III) regions in Ireland, with distinct problems in different areas, ranging from congestion in Greater Dublin to rural challenges in smaller towns in the north, west and south. The policy objective is to try to achieve more balanced regional development to help reduce regional disparities and release regional potential.
Italy	Policy is targeted at the improving the competitiveness of <i>Mezzogiorno</i> , which is perceived to be performing poorly in an EU context. Low growth rates have shifted the focus from traditional GDP and unemployment-based analyses to measures of productivity, R&D, innovation etc. The need to reduce social disadvantage has also seen more stress placed on measures of poverty.
Luxembourg	The nature and size of the economy means that the policy focus is on enhancing competitiveness, partly by encouraging endogenous development but also by supporting FDI.
Netherlands	Policy is shifting from problem regions to areas of development potential (a) because regional disparities are no longer viewed as significant; (b) because previous problem regions are believed to have the basics in place to develop economically; (c) because of the wish to focus policy on projects/areas where the national benefit will be maximised.
Portugal	The regional problem is seen as subsidiary to the basic policy task of promoting economic growth and productivity. Nevertheless, a new policy programme has introduced positive discrimination in favour of designated disadvantaged and depressed areas, to ease their transition towards more sustainable development strategies.
Spain	The national approach to regional development is strongly influenced by and embedded within the Structural Funds framework.
Sweden	Traditionally, regional policy focused on the (mainly demographic) problems of the peripheral north, with a view to maintaining settlement patterns and service provision. While such measures remain in place, the new regional development policy concentrates on developing growth potential in all parts of the country. In part, this all-region approach responds to perceived urban problems.
United Kingdom	The regional problem is seen (in the Regional Growth PSA) in terms of the need to improve economic performance in <i>all</i> regions by focusing on the 'drivers' of productivity (skills, innovation, investment, competition, enterprise). On the other hand, the equity component of policy is also recognised in the policy aim to reduce the persistent gap in regional growth rates.
Norway	The regional problem is couched in terms of the need to achieve balanced development in which all parts of the country experience population growth. There has been a shift from equity issues to efficiency and economic growth concerns. A policy targeted top-down at designated problem regions has been replaced by a bottom-up approach reflecting local needs and requirements.

Table B: Recent legislative change and broader policy reviews (2003-04)

Country	Detailed Incentive Legislation	Broader Policy Review/Change
Austria	No change. <i>Richtlinien</i> apply for the full 2000-06 period. The only remaining regional investment aid is the ERP loan.	No change. Following the demise of the RIP in 2000, regional policy is innovation-oriented and regionally-delivered
Belgium	Decree of 31 January 2003 provided a new investment aid framework in Flanders; new regional aids introduced during 2003. New framework decree in Wallonia on 11 March 2004 and in Brussels on 1 April 2004.	The new Flemish Decree distinguishes between SME aid and regional aid for large firms. The latter is tender-based for small projects, discretionary for large. Budgetary constraints impact on awards in Wallonia
Denmark	No change. Regional aid has not been available in Denmark since 1991.	May 2003 White Paper. Designation of peripheral areas, new policy instruments for these areas, more emphasis on policy coordination. Local government reform?
Finland	No change. The Aid to Business Act came into force on 1 January 2001	2004 Government Decision set out new government's regional policy targets: to reinforce regional competitiveness; safeguard the country's service structure; and achieve balanced regional structure.
France	No change since 2001 (<i>décret</i> 2001-312 of 11 April 2001 plus two <i>arrêtés</i> of 1 June 2001).	2002 change of government led to new (CIADT) regional policy goals: increased international networking (role of towns); an 'all region' approach; regional contributions to wealth creation; equality of opportunity; new State-local authority agreements.
Germany	Annual GA <i>Rahmenplan</i> provides policy framework. EC State aid approval of 33rd Plan (2004-7) except in respect of some infrastructure aspects. Investment Allowance extended to 2005 and 2006.	Debate on future of GA regional policy: objectives, institutional framework, funding and instruments. Link to broader review of Federal- <i>Land</i> relations and tasks.
Greece	No change. Last major regional aid law was Law 2601/1998. New law in preparation by new government.	Broad policy developments determined by CSF III for 2000-06.
Ireland	No change. The main incentives were approved for EC State aid purposes in October 2000.	Broad policy developments determined by 2000-06 National Development Plan and 2002 National Spatial Strategy. Reviews of Industrial Policy (2003) and Enterprise Strategy (2004).
Italy	No change. Law 488 implementation decrees on 6 March, 8 May, 3 July 2000 and 7 October 2002. Fiscal credit under 2001 Finance Law.	National regional policy and the Structural Funds are closely interrelated and are increasingly being aligned (common objectives and procedures).
Luxembourg	No change.	Separation of aid legislation in line with EU State aid frameworks. New environmental aid law (21 January 2004).
Netherlands	No change since Regional Investment Project Grants Decree 2000 (Statute Book 22.08.2000, 354).	New policy memorandum of 2 July 2004, together with interdepartmental review of Dutch regional policy. Concentration on special projects/areas of national benefit
Portugal	Revised legal basis for the SIME and SIPIE: see, for instance, Portaria 262/2004 of February 2004 and Portaria 94/2004 of January 2004.	2002 Programme for Productivity and Economic Growth (PPCE), led to May 2003 economic programme (PRIME). Programme for disadvantaged regions (PRASD) published in 2003; map agreed in 2004
Spain	No change to legal basis of Regional Investment Grant.	Broad policy developments determined by SF programmes 2000-06
Sweden	No change. Ordinance of Regional Aid last amended 1 January 2000; new Transport Aid guidelines as from 11 May 2000.	New Regional Policy Bill, <i>A Policy for Growth and Viability throughout Sweden</i> , passed in December 2001. Regional Growth Programmes from 2004.
United Kingdom	No legislative change. Following a DTI review, Regional Selective Assistance and Enterprise Grants were replaced in England by Selective Finance for Investment (April 2004).	' <i>Modern Regional Policy</i> ' consultation document (2003). Devolved policy frameworks - England: regional focus on growth rates via PSA and RDA strategies; Scotland, Wales and N Ireland: distinct economic strategies developed (2000-02).
Norway	No change to legal basis but budget and operation of regional aid regionalised from the start of 2003.	New all-encompassing approach based on regionalised budgets and delivery; growing stress on innovation; reviews prepared for 2005 White Paper.

Table C: Regional policy objectives

	Equity-based	Efficiency-based
Austria	Regional policy has always had a low profile in equity terms (perhaps related to the existence of fiscal equalisation mechanisms). There are no significant regional aid schemes.	Regional economic development is closely associated with innovation policy. At the federal level this tends to be country-wide in orientation. The <i>Land</i> -level also plays a significant role.
Belgium	Regional policy is mainly associated with the impact of industrial structuring and decline - especially in Wallonia where the prime objective is job creation.	In Flanders, the emphasis is on attracting 'strategic investments' (R&D, new production methods etc) and there is also an explicit emphasis on FDI.
Denmark	May 2003 White Paper stated that a number of peripheral localities still lag behind and should receive extra support.	Since 1991, regional policy has been a means to increase regional and hence national efficiency. Interregional equality now also an issue.
Finland	The 2003 Act retained territorial balance and the reduction of interregional differences as secondary policy goals. Policy also aims to safeguard country-wide service structures.	The 2003 Act confirmed the ongoing shift towards the stimulation of regional competitiveness across the country, as did the Government Decision of January 2004.
France	The new government (2002) favours wealth creation over redistributive approaches and equal opportunity over equality.	All areas should contribute to wealth creation through regional development; each region should have the chance to exploit its potential.
Germany	The main policy aim is to ensure that structurally-weak regions can take an equal part in economic development through addressing locational disadvantages. Also, fiscal equalisation.	Regional policy is seen as a component of overall economic policy in that it contributes to economic growth and employment creation and is also viewed as strengthening competitiveness.
Greece	The overt objective of policy is to promote productive investment in the less-developed regions and to encourage relocation from Athens.	However, over the years, the range of projects eligible for support in Athens and Thessaloniki has expanded significantly.
Ireland	The 2000-06 NDP aimed for more balanced regional development in order to reduce disparities and increase the contribution of the two regions to national prosperity	Both national economic policy and regional policy aim to reinforce the ongoing shift to a growth-oriented, knowledge-based economy
Italy	The strategy for the <i>Mezzogiorno</i> responds to its credit supply problems and infrastructure deficiencies. It aims to support infrastructure investment and bottom up strategic initiatives.	Former depressed or disadvantaged areas are now referred to as under-utilised areas. This emphasises the focus on exploiting potential and increasing competitiveness.
Luxembourg	No significant equity component; regional policy is largely synonymous with national industrial policy.	Policy aims are fundamentally affected by the size of the country and the fact that it is essentially a border region; this explains the focus on regional competitiveness.
Netherlands	Regional disparities are viewed as minimal and not such as to justify a focus on problem regions	Policy is essentially efficiency-based. The aim is to make policy choices to derive the maximum national economic benefit.
Portugal	A balance has had to be struck between promoting economic competitiveness and improving the quality of life, protecting the environment and promoting social integration.	The main focus of the PPCE is to promote economic growth and productivity across the country as a whole.
Spain	There is a constitutional commitment to balanced regional development - with a more equitable distribution of income and a fair level of economic equilibrium.	
Sweden	The 2001 regional policy bill saw a weakening of the traditional support for peripheral areas, though this remains a secondary policy objective.	The prime aim is to have well functioning and sustainable labour market regions with an acceptable level of service in all parts of the country.
United Kingdom	The aim to reduce the persistent gap in growth rates between regions has introduced an equity element into the objectives of policy.	By viewing productivity as the fundamental driver of economic change, the aim is to make sustainable improvements in economic performance in all regions while reducing the gap in growth rates between regions.
Norway	There has been a shift from a top-down equity-oriented regime to a bottom-up approach in which the aim is that all parts of the country should experience population growth.	The prevailing philosophy is that all regions should have the opportunity to exploit and develop their own resources.

Table D: Recent changes in the components of regional policy

	Regional Incentives	Business Environment	Regional Strategies	Other Measures
Austria	ERP Fund broadly unchanged.	Regionally-oriented aid for innovation. AWS one-stop-shop set up in October 2002.	<i>Regionalmanagements</i> : integrated bottom-up approach. Importance of <i>Land</i> strategies	Fiscal equalisation. Spatial development concept.
Belgium	New regional aid legislation	Aid measures include support for clusters.		
Denmark	No change re business aid. Support for long-distance commuters.	Business environment support favoured (new one-stop-shop).	Focus on support for sub-national coalitions and network-building	Public job dispersal, but difficult in practice
Finland	No change.	Goal: balanced regional structure- urban policy. Innovation stress. Ten ministries take regional priorities into account.	Regional programming important, but must take national goals into account.	Special programmes. Special actions for certain areas; Moves to devolve tasks of central government
France	No change.	Support for cities. Better transport and broadband provision. Competitiveness poles	Reform of state-region planning agreements	Decentralisation. Rural policy. Support for industrial restructuring. Public sector jobs
Germany	33 rd Framework Plan changes. Investment allowance now to 2006.	GA aid for economic infrastructure. EC review of some aspects.	GA finance for <i>Regional-management</i> projects	Fiscal equalisation plus Solidarity Pact. Location of public authorities
Greece	New Development Law in preparation.	None since current CSF introduced	None since current CSF introduced	None since current CSF introduced
Ireland	From grants towards equity. Greater R&D role Revised EI approach (client perspective).	NDP: more stress on framework conditions and infrastructure. Role for innovation.	Programming in the context of the Structural Funds	New decentralisation programme from Dublin. Regional focus of development agencies.
Italy	Operational changes to Law 488/92. Increased loan component. PIA for innovation.	More stress on infrastructure and the business environment.	More focus on bottom-up strategies. Moves to align EU and national programming.	Further regionalisation (enhanced capacities). Localisation contracts (FDI).
Luxembourg	No change.	Focus on conversion of former steel sites.		
Netherlands	Cutback in IPR budget. Possible withdrawal post 2006.	Policy memorandum has national vision for infrastructure spending. Industrial estates plan.	MEZ strategic view of regional priorities in policy memorandum.	Urban economic policy. Region-specific innovation policy. Role of RDAs
Portugal	Changes to the SIME in 2004 (SIME Innovation). Area designation under the PRASD	New PPCE to improve competitiveness and business environment.	No change. Regional OPs under CSF.	Portuguese Investment Agency established (FDI). Decentralisation package.
Spain	No change.	Infrastructure is a key element of the CSF.	Institutionalised at the regional level; RDAs.	Equalisation mechanisms Devolution.
Sweden	No change.	Broad policy approach. Coordination of sectoral policies (eg R&D)	2004 regional growth programmes (RGP): key regional policy aspect	Fiscal redistribution. Administrative review. Evaluation and learning
United Kingdom	DTI review of business support. RSA replaced by SFI in England; revamped in Scotland. SFA in N. Ireland less investment-oriented.	Stress on productivity. Policy tackles barriers to business innovation and growth. Emphasis on coordination.	Increase in weight attached to regional strategies (RDAs in England).	Ongoing devolution of responsibilities (new powers for RDAs)
Norway	Regionalised budgets and responsibilities. SSC being replaced by transport aid (ESA).	New government: emphasis on business environment and innovation policy	New government: stress on regional economic strategies.	Ongoing administrative reforms. Innovation Norway established.