

COM-1/010

Brussels, 8 October 1999

**OPINION**

of the

Committee of the Regions

of 16 September 1999

on

**Independent local and regional authority initiatives  
as instruments of regional policy in a competitive Europe**

**The Committee of the Regions**

**HAVING REGARD TO** its Bureau's decision of 10 March 1999 to draw up, in accordance with the fourth paragraph of Article 198c of the Treaty establishing the European Community, an opinion on **independent local and regional authority initiatives as instruments of regional policy in a competitive Europe**, and to assign the preparation of this opinion to Commission 1 for Regional Policy, Structural Funds, Economic and Social Cohesion, Cross-Border and Inter-Regional Cooperation;

**HAVING REGARD TO** the draft opinion (CdR 108/99 rev. 2) adopted by Commission 1 on 30 June 1999 (rapporteur: **Mr Menacher**, mayor of Augsburg, Committee member, German Association of Cities, D/PPE);

**adopted the following opinion at its 30th plenary session of 15 and 16 September 1999 (meeting of 16 September):**

**1. Introduction**

1. The European Union's structural policy seeks to reduce economic and social disparities between the regions. The sixth periodic report on the social and economic situation and development of the regions of the European Union<sup>1</sup> confirms the trend towards growing convergence identified in the earlier periodic reports and in the

cohesion report. Overall, Structural and Cohesion Fund activities undertaken in previous funding periods may be considered a success. They provide effective back-up for national and regional policies to assist less viable regions.

2. However, this positive development cannot conceal the persistence of considerable regional disparities. One indicator for this is the continuing high levels of unemployment in the Union. Unemployment varies widely from region to region, with the weaker regions particularly hard hit. Thus, the biggest challenge for structural policy at local, regional, national and European level is to foster an environment which helps create lasting jobs.

## 2. **Changed conditions of economic policy**

1. The planned eastward enlargement will give the European Union a fundamentally new profile, bringing the vision of a united Europe within our grasp. At the same time, integrating new Member States will have a major impact on the economies of the current members. Local and regional authorities will be seriously affected as they face growing regional competition in a Europe that is becoming ever more closely knit. This applies not least to the drive for modernization and the implications this will have for regional employment potential.
2. Eastward enlargement, a logical consequence of the European unification process, is taking place against a backdrop of increasing globalization of the world economy. New communication channels make it possible to transmit vast amounts of data across the world instantly and are set to network virtually all the political, economic and social players in the industrialized world. These developments will have a direct impact on the EU's regions and localities, placing the onus particularly on them both as engines of sustainable economic growth, and because of their closeness to the man in the street.

## 3. **Strategies to strengthen regional and local authorities in a competitive Europe**

1. The developments outlined above have broadly been taken into account in Structural Fund planning for 2000 to 2006. In this context, fostering sustainable regional growth and boosting regional competitiveness are considered appropriate ways to harness the employment potential of the regions and to create and maintain viable jobs. Jobs are deemed viable when they are generated within a framework of economic development which is committed to the idea of sustainability. In this context, the common key factors of sustainable development are environmental protection, economic efficiency and social solidarity.
2. Given the financial challenges of eastward enlargement, it was decided under Agenda 2000 to concentrate limited resources and consistently target their use on supporting the most needy regions. This aim is also implied in the Commission's call to all local and regional authorities to shoulder more responsibility for themselves, regardless of whether they are designated as support areas or do not enjoy Objective region status. With the subsidiarity principle in mind, this also means that all local- and regional-level players must be aware of the part they can play in balanced regional development.
3. This idea has been expressly promoted by the European Commission (*see inter alia* Article 10, ERDF). As far as regional and local authorities are concerned, the new departures involved may be a way of taking original, exemplary action on the development policy front. With an eye to the associated objective of job creation, a key role should be played not only by Community initiatives but also by the new Objective 3. Objective 3 should be seen as an effective means of backing up innovation strategies

at local and regional level, thereby strengthening local employment potential. Local and regional authorities are indeed fully-fledged actors in safeguarding employment, particularly by encouraging a business-friendly environment. The new ESF regulation includes a measure for promoting local employment initiatives. It would therefore be desirable for the new Objective 3 to contribute to the development of new sources of employment, to the promotion of local employment and to territorial pacts for employment.

4. Independent local and regional authority initiatives are already under way today both within and without the ambit of the Structural Funds. Here, independent initiatives are taken to mean the targeted networking of expertise from the fields of politics, administration, industry, research, development, education and training. Their common purpose is to foster sustainable economic development in ways that benefit the people of the region and help create lasting employment.
5. Despite differences of approach, these independent initiatives should gear their course of action to the objectives set out by the European Commission in its guidance for programmes in the period 2000-2006<sup>2</sup>:

a) boosting the competitiveness of regional economies in order to create new, sustainable jobs;

b) increasing employment and social cohesion;

c) promoting urban and rural development in the context of a balanced European area.

6. Ideally, the implementation of such independent regional and local authority initiatives should be accompanied by the creation of so-called "centres of excellence". Centres of excellence target high-level knowledge, skills and technical and administrative infrastructure on one viable, sustainable economic sector. High concentration of key skills in one specific sector and region is a factor in the location of centres of excellence.
7. The success of independent initiatives and the accompanying emergence of centres of excellence is largely due to the broad-based networking of - as far as possible - all local- and regional-level decision-makers. Not only can networking generate synergistic benefits, but in the implementation of regional development strategies, it also makes for efficiency and secures acceptance.

#### 4. Using instruments of regional policy to boost competitiveness

1. The primary purpose of independent local and regional initiatives is to boost competitiveness. Following the same line as the OECD, competitiveness is deemed to be "the ability of companies, industries, regions, nations and supranational regions to generate, while being exposed to international competition, relatively high income and employment levels."
2. No satisfactory way has yet been found to present competitiveness empirically as a measurable unit, particularly when comparing different regions to determine relative competitiveness. As the Commission rightly points out in its sixth periodic report on the social and economic situation and development of the regions of the European Union, studies in this field are of limited use. Nevertheless, such studies do constitute a first step towards identifying cause and effect in this area, and, as such, can help assess

potential competitiveness.<sup>3</sup>

3. The competitiveness of companies, research bodies, educational establishments and public administration is a core element in regional economic prosperity and in generating and maintaining high levels of employment. In models drawn up in a bid to explain the various different facets of competitiveness, research and technological development (RTD) are considered particularly important for the establishment of centres of excellence. Successful RTD activities must not, however, be viewed in isolation. They must be part of a raft of measures which can improve transport and telecommunications infrastructure, upskill the working population and thus enhance long-term local and regional competitiveness.
4. RTD activities feature strongly in the business and production structures of the most competitive regions. As the European Commission notes, successful regions generally pursue a strategic approach to innovation, which is the mainstay of independent initiatives. This includes giving support to companies to enable them to pool their own resources and experience with those of government agencies, research bodies, higher education and training establishments, economic development associations and other companies. Such an approach makes for the more effective use of new technologies and creates an environment conducive to RTD and product and process innovation. The aim is to generate a critical mass of RTD potential in the regions.
5. Political decision-makers play a key role in independent local and regional initiatives. They are responsible for defining clear political priorities for the parameters which underpin the development of an effective RTD environment:

a) fostering innovation (new financing methods, new partnership models, establishment of technology-transfer agencies, business incubators etc.);

b) networking;

c) upskilling workers;

d) taking the lead (sometimes in conjunction with other decision-makers).

6. It is thus the task of local and regional authorities to initiate a culture of innovation and excellence and to network the players involved on a wide scale. Independent local and regional RTD initiatives are thus a way to identify innovative potential and develop it so as to create new jobs.

## 5. Centres of excellence in Europe

1. Over the past few years, independent initiatives have been launched in various European regions both inside and outside eligible Objective areas. At regional level, this has led to the formation of "clusters" in certain sectors, which may be termed centres of excellence. Although clusters such as these are sector-specific, they can nonetheless become the driving force throughout the whole economic environment.
2. The purpose of this opinion is to launch a broad-based exchange of experience and views on the various approaches, and to show how the proposed projects can serve as a model for other regions and localities in order to strengthen their competitiveness and employment potential.

3. COR Commission 1 opened its series of seminars entitled *Implementation of the reform of the Structural Funds - 2000-2006 - the contribution of local and regional authorities* in Augsburg on 8 June 1999. In the light of the issues considered in the opinion, this initial seminar presented and discussed a range of different approaches from independent local and regional initiatives. The seminar conclusions, which are appended to this opinion, provide an overview of the initiatives put forward at the meeting as examples from various European regions and local authorities.

## 6. Conclusions

1. The Committee of the Regions feels that prime importance must be attached to fostering the endogenous potential of the regions in order to boost their competitiveness. This is an essential ingredient for achieving the goals set out in the employment policy guidelines for 1999<sup>4</sup> and for creating new, long-term jobs in the regions and localities.
2. The Committee of the Regions recognizes that, to date, European Structural and Cohesion Fund assistance has done much in the pursuit of this goal. In many regions and localities, EU support has helped launch successful development strategies, designed in the long term to generate self-sustaining regional growth and higher levels of employment.
3. The COR notes that the success of European structural policy is due in no small measure to the efforts of the regions and local authorities themselves. Scope for independent action, combined with European structural support and support from the Cohesion Fund, ensures that regional policy objectives can be achieved effectively and efficiently in all regions and localities.
4. The Committee of the Regions calls on the European Commission to ensure that, in future too, against a backdrop of genuine subsidiarity, local and regional authorities retain scope to implement their own "on-the-ground" initiatives effectively as instruments of regional policy. European competition rules must be flexible enough to ensure that each region can conduct effective regional structural policy and foster independent initiatives. Alongside readiness and ability to innovate, however, it is also important that sound infrastructures are maintained within each territorial unit to enable local and regional authorities to back up sustainable economic development in their areas.
5. The COR would ask the Commission to draw up detailed, scientifically based studies or, where these already exist, to consolidate them, taking into account the issues discussed in this opinion. Given changing economic conditions, it would seem logical, particularly as far as demonstrating good practices is concerned, to make the findings of such studies available to all regional and local authorities and to encourage their dissemination.
6. The COR would also encourage the active promotion of exchanges between regional and local authorities, the main objective being to further expand and build up European-level networks. Multiplying networks and experience-sharing forums will in turn enable local and regional authorities to multiply their independent initiatives; in this way, they will also be in a position to ensure better complementarity between such initiatives within the European Union. The INTERREG Community initiative, which has been widened and restructured, should be a key tool to carry through and back up such exchanges of experience. Another useful and logical move might be to set up a suitable Internet forum.

Brussels, 16 September 1999.

The President

The Acting Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

**Manfred Dammeyer**

**Vincenzo Falcone**

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**N.B.:** The appendix, containing additional information, follows.

#### **APPENDIX**

### **Conclusions of the Commission 1 seminar on independent local and regional authority initiatives as instruments of regional policy in a competitive Europe,**

**held in Augsburg on 8 June 1999**

1. The COR Commission 1 series of seminars entitled *Implementation of the reform of the Structural Funds - 2000-2006 - the contribution of local and regional authorities* opened in Augsburg on 8 June 1999. The purpose of this seminar was to present and discuss independent initiatives from various different European Union towns, cities and regions.

1.1 Analysis of the factors influencing the competitiveness of local and regional authorities produced varied results. The issues addressed, however, are representative of the position in most European regions and local authorities.

1.1.1 Infrastructure in its broadest sense must be seen as the basic precondition for any kind of sustainable economic development. In terms of business location, infrastructure requirements are expected to become less significant as a factor of interregional competition once ongoing developments in this field have broadly converged at a high level. This process is still under way.

1.1.2 Increasingly, other elements are becoming more important as regional success factors in a competitive Europe. These include, in the first place, innovation, reflected in the regions, for instance, in the number of patent applications and new business start-ups. Appropriate structures must be set in place in local authorities and regions to harness and further expand innovation potential. This applies in particular to research and development activities, education and upskilling.

1.1.3 The networking and involvement of all relevant decision-makers at local and regional level must - together with new forms of cooperation among the economic and social interest groups - be seen as keys to success in a competitive Europe. There should be some attempt here to make the hierarchical relationship between the different decision-making levels (local, regional, national and European) less rigid. We should work towards achieving complementarity between the various tiers.

1.2 The independent initiatives put forward as part of the seminar set out lines of approach for securing a successful place in a competitive Europe.

1.2.1 The example of the city and region of Eindhoven in the Netherlands clearly demonstrated how European structural policy can successfully be linked to independent regional initiatives. Thanks to the efficient use of European structural assistance (the Stimulus programme, promoted under Objective 2), in conjunction with national and regional co-financing, it has been possible to establish a critical mass of companies and research and development agencies in the field of mechatronics. The resultant diversification of business structures in the region has led to a sharp drop in unemployment over the past few years. It will be interesting to track the impact of phasing-out - to be completed by 2006 - on this dynamic development process.

1.2.2 In implementing new development strategies, a key consideration for regions and local authorities should be to reinforce home-grown potential. This means that regions should analyse their strengths and weaknesses and consciously continue to build on their strengths. In this respect, it is particularly important to take account of the identity of a region as it is fixed in people's minds.

1.2.2.1 A prime example put forward in the field of tourism was the Rovaniemi region in Lapland, Finland, and its Christmas Triangle project. This area has managed to assimilate difficult climatic and natural conditions into a tourism scheme which successfully markets the Christmas theme all year round.

1.2.2.2 The structurally weak Kalmar region of Sweden has been given a new profile by specialising in the music and events industry, in conjunction with the use of new media. With Swedish government backing, operations developed since the early 1980s are to continue to be built on to create a high-tech centre for music production and the staging of special events (*Rock'n Roll City*). Another key element here is the establishment of appropriate infrastructure for research and upskilling.

1.2.3 The success of independent initiatives rests not least on the scope available to launch and implement effective regional development measures locally. This requires extensive decentralisation of the remit for regional policy action and decision-making.

1.2.3.1 The environmental centre of excellence established in the German region of Augsburg-Swabia is based on such an approach. The targeted establishment or relocation of environmental research and administrative agencies has enabled the region to build on its existing strengths in the environmental technology sector in such a way that a broad network of expertise in this field is now established there. A contact point has been set up to provide close organisational links between partners from politics, business, research and science. Such a structure also secures broad acceptance and transparency for the project in the private sector, as witnessed, for example, by the successful establishment of an innovation centre for environmental technology.

1.2.3.2 The main focus of the *Parque Tecnologico Industriale Romano* project in Rome, Italy, is to put together an environmental science park. The main purpose of this park will be to establish the idea of sustainable urban development in the minds of all players in society and thus, in the medium- to long-term, to give the city and region a common new identity. One of the key challenges which has thereby to be addressed at regional level is how to redefine, in large conurbations, the traditional

relationship between cities and their surrounding areas.

1.3 To sum up, features of successful independent local and regional initiatives include:

- a) broad-based networking of all players and decision-makers and full use of the potential synergistic benefits that implies;
- b) a shared desire to cut a distinctive image in a particular sector, with aggressive marketing of the operations involved;
- c) the ability to recognise and tap into the region's existing potential;
- d) and finally, the willingness to provide an open forum for new ideas and thus to take consistent advantage of opportunities.

<sup>1</sup> European Commission, Regional Policy and Cohesion, Sixth periodic report on the social and economic situation and development of the regions of the European Union, 1999

<sup>2</sup> European Commission: The Structural Funds and their coordination with the Cohesion Fund: Draft guidance for programmes in the period 2000-06 ((SEC) (1999) 103 final)

<sup>3</sup> The most recent EURICUR study also touches on this issue: European Institute for Comparative Urban Research, Growth Clusters in European Metropolitan Cities: A New Policy Perspective, Erasmus University, Rotterdam, 1999

<sup>4</sup> Council Resolution of 22 February 1999 on the employment policy guidelines for 1999, OJ No C 69, 13.03.1999, p. 2

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