REGIONAL STRATEGIES FOR INDUSTRIAL AREAS
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NOTE
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Abstract

Urban areas with a legacy of “old industries” have faced large-scale investment needs in the regeneration of derelict land, rehabilitation of housing and infrastructure and in addressing ecological challenges, in addition to massive changes in economic activities and jobs. Cohesion policy has contributed to rehabilitation and new development. These regions depend on national and European industrial policy as well as on the capacity of local and regional actors to plan and develop a new and amenable space and a base for future economic development. This briefing note explains how urban areas like Manchester, Essen, Lille and Bilbao have mastered reconversion. In the future, urban areas could greatly benefit from the new possibilities offered through the Integrated Territorial Investment foreseen for the upcoming Cohesion policy period, 2014-2020.
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AGMA  Association of Greater Manchester Authorities
ANRU  Agence Nationale pour la Rénovation Urbaine
CF    Cohesion Fund
CIADT Government Committee for French Development and Planning
COMIN Competence centre for information and communication technology
COPIT Conférence permanente intercommunale transfrontalière
CPP   Community Planning Partnership
DCLG  Department for Communities and Local Government
ECSC  European Coal and Steel Community
EGF   European Globalisation Adjustment Fund
EGTC  European Grouping for Territorial Cooperation
ERDF  European Regional Development Funds
ESF   European Social Funds
EURATOM European Atomic Energy Community
FI    Flagship Initiative
GDP   Gross domestic product
GMCA  Greater Manchester Combined Authority
NACE  Statistical Classification of Economic Activities in the EU
NWOP  North-West England
OIR   Old industrialised regions
PNRU  Programme National de Rénovation Urbaine
PPP   Public-Private Partnership
R&D   Research and Development
RCE   Regional Competitiveness and Employment
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>RIS</td>
<td>Regional innovation systems</td>
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<tr>
<td>RTDI</td>
<td>Research, Technological development and innovation</td>
</tr>
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<td>SCOT</td>
<td>Schéma de Cohérence Territorial</td>
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<td>SME</td>
<td>Small and medium-sized enterprises</td>
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<tr>
<td>TFEU</td>
<td>Treaty of the Functioning of the European Union</td>
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<td>TGV</td>
<td>Train à Grande Vitesse</td>
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<td>UDF</td>
<td>Urban Development Funds</td>
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<td>ZUS</td>
<td>Zones urbaines sensibles</td>
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EXECUTIVE SUMMARY

European industry contributes to output, jobs, innovation and exports and amounts to 16% of the EU GDP. Manufacturing historically has been the driver of economic growth and structural change. During the financial and economic crisis governments provided short-term help to ailing industries, (such as steel producers and car manufacturers), and at the same time arguments for a more active industrial policy were raised. Thus, a combination of the Europe 2020 strategy and the crisis has triggered new efforts in European industrial policies; efforts that also aim to involve the Cohesion policy. The Flagship Initiative on “Industrial Policy: Reinforcing competitiveness” combines horizontal measures like increased R&D and innovation efforts in renewable energy and raw materials, and sustainable production methods, with sectorally targeted strategies for lead industries such as biotech, pharmaceutical, and ICT. The most recent EC Communication “A stronger European Industry for Growth and Economic Recovery – Industrial Policy Update” calls for combined actions for a Third Industrial Revolution, based on a shift towards renewable energies and internet technologies to transform power grids into smart grids, new growth and development, emanating from conversion of buildings and production, and leading to a new wave of creation of jobs, goods and services - and wealth.

Not all regions face the same conditions in their effort to achieve growth and technological development. Even if income levels are comparable, the possibilities to attract public and private investment for modern infrastructures, services and innovative enterprises, skilled labour and high living amenities might differ significantly. Especially a legacy of traditional industries based on coal, steel, textiles or machinery that had provided for prosperity over several decades, often militates against the conditions required for structural change and growth. Such regions are located in Member States with high industrial shares (the North-West of England with Manchester and West Midlands with Birmingham; the Ruhr Area with Essen, Dortmund, Bochum, etc; the Basque Country with Bilbao; Northern France with Lille, etc). Also in the Eastern parts of Germany, in the Czech Republic, Poland and Slovakia central planning has left similar, if not worse problems.

Traditional industries have often bequeathed a culture of dependency on large firms, a weak tradition of entrepreneurship, derelict sites and buildings, oversized infrastructures and polluted environments with low amenities. Much effort has been made since the 1980s, and many of the regions diversified their economic base, cleared up the dereliction, invested in social housing and improved the environment. However, municipalities and cities often lack the resources which are still required to continue and complete rehabilitation, and also for addressing the crucial “human factor”: skills, entrepreneurship, and attitudes are difficult to change within a few years.

In the 1970s and 1980s old industrialised regions were at the heart of Regional policy. However, with the enlargement of the EU, on the one hand, and the slow recovery of some of the areas on the other, this type of regional problem has ceased to be a focal point for policy makers. The crisis has put again the spotlight on these regions, but only in the short term. Competing for scarce public funds, including Cohesion policy, would be more difficult for these regions, as other regions could show quicker and better results of support received from development policies. Especially the focus on RTDI in Cohesion policy and the reluctance to designate specific regions as eligible for funding, has improved the position of regions without industrial legacy in competing for public funds. However, in the absence of any data on territorial allocation of Cohesion policy funds, no figures are available to support this hypothesis.
Support for the reconversion of old industrial areas is provided through Cohesion policy and national and regional or urban economic development policies. EU Regional Aid Guidelines allow for subsidies in specifically designated regions under certain conditions. Though Cohesion policy cannot change the overall competitiveness of industries, it may support very important measures to assist old industrialised regions in finding new development paths. These include the rehabilitation of physical infrastructures, the raising of skills, qualifications and entrepreneurship, enhanced connectivity, as well as institutional and cultural factors. An important dimension of Cohesion policy is the approach towards sustainable urban development. As a horizontal theme ESF and ERDF may combine various measures to support rehabilitation of urban areas. Relevant tools include JESSICA, a financial instrument, and URBACT a programme for exchange of experience.

With the “Leipzig Charta” on sustainable cities adopted by the Member States in 2007, the ministers responsible for spatial policy have emphasized the importance of cities in the formulation of European policies. However, in a number of Member States approaches towards tackling industrial decline, decay of infrastructures and the housing stock often remain local and regional, whereas a national approach is missing. This is echoed in Cohesion policy programmes, which often do not take up the options offered by the regulatory framework to develop strategies and implementation mechanism for urban areas. At present, urban authorities in general have little overview on the allocation of projected funded by ERDF and ESF, let alone that they are able to pursue a strategic approach using European funds.

Empirical research has shown that some regions are better able than others to trigger change in economic structures, institutions and knowledge basis. It appears that the diversity in these structures is a key asset and strategies that build on competences available in the regions seem to be more successful than those that are disconnected from previous industries, structures and knowledge assets.

A closer look at urban areas like Manchester, Essen, Lille and Bilbao shows the long-term tasks that are related to reconversion of land, housing estates, industry and the service sector, environment and people skills, soft qualifications and attitudes. It takes several decades and large volumes of funds. Each of these cities had to master similar challenges. Key assets for future development were the reclamation of derelict sites, creation of modern transport connections, rehabilitation of the housing stock, refurbishment of public spaces and environmental upgrading of rivers and open spaces. This paved the way for new industries, services and cultural activities to locate in the previously distressed areas. Each of the four cities had specific projects that were symbols for change and positive future scenarios. A further common feature was the need for cooperation with neighbouring local authorities. In Essen this took the form of “Regionalverband Ruhr” (Regional Association Ruhr), one of the oldest planning associations in Europe, where local authorities (towns and cities in the Ruhr Area) delegated planning powers to an association they have established. More recently, a regional assembly composed of the participating institutions became the decision-making body. Lille took a cross-border approach to development, where the latest step was the establishment of the EGTC (European Grouping for Territorial Cooperation) Eurométropole Lille-Kortrijk-Tournai. The EGTC seeks to further deepen the work along a common development vision, corresponding action plans and pilot projects.

The strategies chosen differed in some respects, and are shaped by local approaches, but also by the national background of industrial policy and regional policy. Manchester focused on knowledge-based industries and large developments schemes. ERDF had not only contributed financially, but also strengthened the local and regional level. Essen chose a
specific role as centre of culture, creativity and services flagged by a number of projects and initiatives like the “Zeche Zollverein”, that offers business zones for SMEs involved in design and art and the “Scheidt'sche Hallen”, where a former textile mill now offers mixed use areas for creative industries, exhibitions and housing. ERDF supported a number of such flagship projects. Lille was strongly supported by national deconcentration efforts that helped in establishing technology intensive clusters with growth industries supported by ERDF. Bilbao had to overcome the legacy of shipbuilding and mining areas. Regeneration was mainly assigned to public-private partnerships. The “Guggenheim Museum” paved the way for a new image. Here ERDF support for regeneration was substantial.

In drawing conclusions and recommendations, a key lesson is that any industrial strategy that relies on a diversified economy with a favourable business environment and well performing services has a good chance to equip regions with a sound structure. Any blueprints of industrial development need to be avoided: if in many cases areas succeeded in attracting cultural and creative industries, the market gets settled at some stage and this option might not be successful in the next case. The same holds true for many of the national or European “champions”: Pharmaceutical industry, electronics, biotechnology are not the industries each region needs for sustained growth. Those concepts that have proven to be most successful are those, where regions draw upon their own past experiences, capacities and capabilities, and out of which grow new businesses and ventures.

Nevertheless, the scale of investment needed to tackle the problems of derelict land, housing and infrastructure over several decades, puts regions with an industrial heritage in a weaker position when competing for public funds to support research, technological development, innovation and modern skills. Since the Cohesion policy has more and more turned into a policy for RTDI related investments, and regional success stories can be told from these investments, old industrial regions may have fallen short of attention and public awareness. Since the 1980s old industrialised regions have been out radar range as far as the analytical as well as the political level are concerned. Still, they have not disappeared, neither in the industrial countries of EU-15 nor in the new Member States and continue to present major challenges.

Thus this briefing note suggests that the European Commission redirects its attention from research in the long-term development of these regions and returns to a more tailor-made guidance on how to use funds for helping them in a practical way. Blueprint strategies relating to smart and sustainable growth amount to general guidelines. However, massive tangible experience has been gathered in all aspects of reconversion issues - legal, technological, economic and ecological - and it is extremely valuable but neglected.

The European Parliament should emphasize the need to involve cities and urban areas in the decision making process of programme elaboration and implementation. A territorial strategy with allocation mechanism for the selection of projects and appropriate monitoring and evaluation tools should be the minimum requirement. Structural and Cohesion funds offer a wide range of funding opportunities that can be integrated in operational programmes. However, urban authorities are often not involved in setting up and implementing programmes or parts of such programmes, but rather participate at an individual project level.

Member States should ensure that old industrial regions are not left behind in the competition for scarce state funds. Member States and regional and local authorities could take advantage of the new instrument “Integrated Territorial Investment” offered in the
draft regulation for the new funding period 2014 – 2020 which will support sustainable urban development. An Integrated Territorial Investment may be established for a designated area (e.g. a functional region or a sub-urban region), suggest a package of actions (from various European funds, which need to be complemented by national/regional co-financing) and provide a governance arrangement. Member States and regional and local authorities are asked to take a positive view on the development opportunities embodied in such an Integrated Territorial Investment and to encourage old industrialised areas to engage at this level. Of course this might require some changes in the operations of programmes as territorial allocation mechanism must be put in place. Local and regional authorities are asked to draw up local action plans to establish their territorial strategy. This should be focused on a specific problem or issue (rather than urban development in general), cover the relevant territory (not just the distressed areas, but also prosperous ones to link with), allocate a time plan, budgets and responsibilities, and establish a monitoring and evaluation framework as well as an exchange and learning platform. Such Integrated Territorial Investments could bring a new territorial approach towards integrated development of old industrial areas and help these regions to start off in the “third industrial revolution”.
1. ECONOMIC, SOCIAL AND ECOLOGICAL CHALLENGES OF STRUCTURAL TRANSFORMATION

KEY FINDINGS

- Industrial policy results from the interplay of several policies that are either targeted at industries or at macroeconomic competitiveness in general. Current policy approaches foster the improvement of common standards and other framework conditions, as well as horizontal measures directed at improving RTDI, infrastructures, skills, entrepreneurship.

- As a response to the sharp downturn of the manufacturing industry in Europe during the crisis and the slow recovery, the emphasis on industrial policy has recently gained momentum. The Flagship initiative on Industrial policy sets out initiatives at horizontal level to boost innovation and improve competitiveness and takes a comprehensive view on the entire value chain, from raw materials to after-sale service.

- Cohesion policy is assisting regions in implementing smart specialisation strategies and strengthening local clusters. Modernising the skill base is essential for the success of such strategies.

- Although industrial policy may not be targeted at regions, its impact materialises in specific types of regions with a high industrial base.

- Industrial areas – notably those undergoing extensive sectoral restructuring (e.g. old coal, steel, shipbuilding or textile areas) face major challenges that affect business development but also the broader social and environmental context. With the Eastern enlargement of the EU and the massive increase in regional disparities, the focus of Cohesion policy has shifted from this type of region.

- New theoretical approaches highlight the importance of transformation processes in regional systems. Changes that establish links to existing elements of the innovation system (such as research and training organisations, enterprises, skill levels, network relations) are more likely to succeed than those which are unrelated.

- With the Leipzig Charter Member States have committed themselves to support integrated urban development concepts, which put a stronger focus on the integration of sectoral policies with urban development issues.

- Cohesion policy with its emphasis on smart specialisation and some support for urban dimension offers a large “toolkit”. However, with the emphasis on RDTI, areas with an old industrial base might not always be well positioned to succeed in attracting sufficient funds for conversion.
1.1. The significance of industry

Manufacturing has historically been the driver of growth and structural change. Within the past 10 to 15 years the European industry has increased productivity substantially, shown strong innovation, improvements in environmental performance, accomplished a considerable re-orientation of its workforce and capital investment, and developed new products and new markets\(^1\). Value chains that combine products and services have become increasingly complex. Production methods are oriented towards mass customisation and closeness to the markets, and have changed the overall environment for industries.

Although declining, the importance of manufacturing is still high. Currently industry accounts for about 16% of the European Union (EU) gross domestic product (GDP)\(^2\). A growing share of the service sector is closely related to the manufacturing industries, either through inputs into the production process or through the equipment and hardware they use such as transport, information and communication\(^3\). The European Commission (EC) estimates that for every 100 jobs created in industry 60 to 200 new jobs come into existence in the rest of the economy, depending on the industrial sector\(^4\).

The financial and economic crisis has hit the manufacturing sector dramatically. Industrial production fell almost uninterrupted for 14 months, before reaching a low point in April 2009, some 20.7 % below its (seasonally adjusted) pre-downturn peak. A total of 3 million industrial jobs have been lost since the outset of the crisis with industrial production 10% lower than pre-crisis and consumer and business confidence at a low level. A DG Enterprise report states, that it might take more than four years to reach the pre-crisis level\(^5\).

Crisis and recovery affected industries in a very uneven way. Capital goods, durable and intermediate goods were hit harder than non-durable consumer goods. Reduction in output was significantly higher in industry than in services. In 2011 production levels for consumer goods were close to pre-crisis levels, while the hardest hit goods were still well below. Especially the automotive industry, basic metals and machinery experienced larger declines in production than other manufacturing industries\(^6\).

With the persistence of the financial problems, the EC states that “Europe needs its real economy more than ever to underpin the recovery of economic growth and jobs. Our industry is well placed to assume this role: Europe is the world-leader in many strategic sectors such as automotive, aeronautics, engineering, space, chemicals and pharmaceuticals. Industry still accounts for 4/5 of Europe’s exports and 80% of the private R&D investment comes from manufacturing”\(^7\).

\(^7\) European Commission (2012a), p. 3.
Against the background of these challenges the EC launched the Flagship Initiative (FI) on “Industrial Policy: Reinforcing competitiveness” in 2010, as part of the Europe 2020 Strategy. The initiative picks up on the importance of a strong, competitive and diversified industrial manufacturing value chain for the EU’s competitiveness and job-creation potential and sets out a framework for a new integrated industrial policy. In order to support the transition to a more sustainable, inclusive and resource-efficient economy, industrial policy will focus on both horizontal and sectoral policies at all levels.

The basis of the FI is a wide understanding of industrial policy, putting competitiveness and sustainability of European industries centre place. Considering the impact of other policies - like transport, energy, environment, social and consumer protection and single market - on competitiveness, and pushing innovation policies forward for achieving a quantum leap, are among the 10 key actions suggested. Other actions concern support to small and medium-sized enterprises (SME) in accessing finance, upgrading of infrastructures and a focus on the entire value chain from raw materials to after-sale services.

Specific reference is made to Cohesion policy and the Research Framework Programme “to assist regions to adopt ‘smart specialisation strategies’ to strengthen their competitiveness through developing innovation niches.....Through local clusters that are connected Europe-wide, a critical mass can be achieved for R&D and innovation, skills, funding, the cross-fertilisation of ideas and entrepreneurial initiatives”. Modernising the skill base, which is closely related to the industrial policy FI, is the main aim of the FI “An Agenda for new skills and jobs”. Shortage and mismatch of specific skills and qualifications is still one of the problems European industries and industrial regions are struggling with, and calls for strengthening of the European Social Fund (ESF) to support qualification and matching.

The most recent communication of the EC on “A stronger European Industry for Growth and Economic Recovery – Industrial Policy Update” emphasises the need for a European vision to lay the foundation for a Third Industrial Revolution. A shift towards renewable energy; conversion of buildings and production into an energy efficient mode with renewable energies on-site and using internet technology to transform power grids into smart grids will require a reconfiguration of the entire economic infrastructure and will create new jobs, goods and services. Again, the Structural Funds will need to focus on the advancement of infrastructures necessary to boost this energy shift.

1.2. Definitions and concepts

The emergence of a keen interest in industrial policy calls for a closer look at the terminology. The term “industry” is far from being clearly defined – it may refer to the manufacturing sector, or to the entire productive sector including also energy production, mining and services or denote simply a specific sector (like automotive industry).
The ambiguity in the definition of “industry” is to some extent echoed in the term “industrial policy”. As part of structural policy, industrial policy includes those decisions and measures that directly or indirectly aim at changing industrial structures\textsuperscript{12} (see also Figure 1:). These may be classified into policies that indirectly target industry (like macroeconomic, re-distributional, wage, tax policies, agriculture and fisheries etc) and policies for industries. The latter can be differentiated into another two groups: Non-industrial policy measures directly affecting industry (like regional development, “buy national” campaigns, price controls, specific environmental policies, etc) and policies that can be subsumed as a wider concept of industrial policy. Such a wider concept includes first of all framework aspects, which follow directly the core competencies of the EU and include internal market measures and Cohesion Policy. Horizontal industrial policies constitute the new focus of European industrial policy. These include R&D strategies, entrepreneurship, skills and human capital, public procurement, etc.

**Figure 1:** Overview of industrial policy approaches

Sectoral interventions and specific industrial policy (technology policy, defence, trade etc) have formed the origin of the EU, which began in 1952 with free trade and interventions in the form of the European Coal and Steel Community (ECSC). Throughout the European integration process a range of sectors were subject to specific regulations or exemptions from regulations (e.g. textile, shipbuilding, cars). However, 50 years after the ECSC such

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\textsuperscript{12} Hochfeld Ch. Et al (2012), *Sustainable Industrial Policy for Europe: Governing the Green Industrial Revolution*. Memorandum on guiding principles and perspectives for the green transformation of the European industry. A memorandum by the Öko-Institut e.V. Green New Deal Series volume 3, p. 10.

specific industrial policies have become very limited and are mainly applied as crisis management measures.

Nowadays subsidies, tax incentives, restructuring programmes, public procurement, cluster policies and research and innovation are the main instruments used in industrial policy. Of these, the cluster policies can be regarded as a modern form of sectoral intervention. Moreover, the understanding of industrial policy has changed over time. Starting from an approach targeted at large enterprises and sectors the focus has moved to horizontal policies changing the business environment and fostering SMEs.

Many of the current problems in industries are rooted in the past. In the 1950s, 1960s and 1970s the UK and FR governments attempted to create national champions (especially in computers and aerospace) essential for the growth of national economies and aiming at closing the technology gap between Europe and the US, whereas DE fostered research and technology and a strong medium-sized and technology based SME sector (“Mittelstand”)\(^\text{14}\). Lessons from the industrial policy in the 1960s and 1970s were that governments had overrated the risks and costs of market failures and underestimated the risks of failure in government interventions. Most of the interventions were directed at preservation of declining industries (coal, steel, textiles) while the future oriented development could not be captured by policy measures.

Sectoral policies laid the foundation of European Integration with ECSC and the European Atomic Energy Community (EURATOM), both predecessors of the “European Community”. Steel was one of the troubled industries and governments were looking for Europe-wide solutions for the so-called “sun-set industries”, while the industrial nations tried to keep control over the “sun-rise industries”.

From the 1980s onwards there was a shift towards horizontal, non-selective policies aiming at improving the business environment and fostering new technologies. More emphasis was placed on competition, especially with the internal market. Since the Maastricht Treaty industrial policy is part of the EU legislation. Article 173 of the TFEU (Treaty of the Functioning of the European Union) states that “the EU and the Member States shall ensure the conditions necessary for the competitiveness of the Union’s industry exist”\(^\text{15}\). The single market improved the framework for European industries. With Europe 2020 and the crisis industrial policy returned back to the European agenda.

1.3. **Reconversion and restructuring in old industrial regions**

1.3.1. **Challenges for industrial regions**

Industrial policy does not follow a territorial approach. However, industry has been spatially concentrated and thus regions are differently affected by major trends in industrial development. With the changes in the international division of labour in the 1970s, the oil crisis and subsequent blow to manufacturing in Europe, industrial regions in Europe (in EU-


\(^{15}\) This article further defines the scope of EU industrial policy as “1) Speeding up the adjustment of industry to structural changes, 2) Encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings, 3) Encouraging an environment favourable to cooperation between undertakings, 4) Fostering better exploitation of the industrial potential of policies of innovation, research and technological development”. Industrial policy is well integrated into a number of other EU policies including trade, single market, R&D, competition, social and employment, consumer protection and environment; in European Parliament (2012), General Principles of EU Industrial Policy. www.europarl.europa.eu, p. 1.
15) relying on coal, steel, textiles or machinery were suddenly confronted with shrinking businesses, unemployment and decline. A common feature of these regions was that they had enjoyed long periods of economic growth in the past. The source of prosperity often was the specialisation on products that were basic inputs to other sectors (steel, trains and rail infrastructure, chemical products, electronics), or mass consumption goods (textiles, cars). The physical infrastructure as well as the qualification of the workforce was completely focused on these basic industries. When these industries faced Europe-wide decline, the crisis had severe impact on the entire region. Most of these regions were centred on large cities outside the capital regions (Northern England with Manchester, Ruhr-Valley with Essen, Dortmund, Bochum, etc, Basque Country with Bilbao, Northern France with Lille etc). Within a decade many of these urban areas lost a substantial number of their jobs in textiles, steel making, coal mining and shipbuilding. The largest old industrialised regions (OIR) can be found in the UK, France, Germany and Spain.

With the Eastern Enlargement of the EU, similar, if not much more pronounced problems of economic decline appeared in the industrialised regions in Eastern Germany, PL, CZ and SK. Decades of central planning left regions with even larger problems of dependence on basic industries, rapidly rising unemployment, severe environmental problems and a derelict infrastructure.

Traditional industries have left a heritage of large firm dominance and a narrow economic base, which makes the region vulnerable to economic shocks. A weak tradition of entrepreneurship and the orientation of the skills at the dominant industries cannot be overcome within a few years. Particularly where industries have contracted relatively quickly and policy interventions were insufficient or inappropriate, high and long-term unemployment has developed, particularly among young people and older men, as well as low wage levels and a lack of job security. This in general leads to broader social dislocation and wider social problems. Underinvestment and deterioration of the natural and built environment enforce these problems. Thus, the main challenges for Regional policy lie in:

- Physical regeneration of land;
- regeneration of housing and social infrastructure;
- renewal of infrastructure, oriented to the needs of new industries;
- the adaptation of existing skills and the development of new forms of human capital that are not focused on old industries;
- building up of RTDI activities;
- changes in institutional networks and cultural factors, to allow the mobilisation of local resources and their use to develop new industries, rather than maintaining a lock-in to old industries.

These challenges help to explain why private investment in these areas may be insufficient as they are less profitable than in some other areas because of:

- Physical infrastructure that is not adapted to the needs of new industries and/or extensive need for land reclamation;
- lack of future-oriented skills and R&D capacities;

17 Lock-in refers to a situation in which the weight of existing assets, cultures and practices has prevented successful regional adjustment.
little forward-looking entrepreneurship;
physical distance from / poor connectivity to future-oriented agglomerations;
institutional and cultural factors that make it more difficult for forward looking firms to operate profitably.

1.3.2. Theoretical approaches concerning the transformation of old industrial areas

Old industrialized regions have been at the core of theoretical and analytical literature in the 1980s and 1990s. Since then the term “old industrialised regions” (OIR) has largely disappeared from the scientific literature, partly as a result of the dominant themes and concepts of knowledge economy, learning regions, and the “new regionalism”. Among the vast literature on regional innovation systems and knowledge based development, two policy concepts can be mentioned, that provide important contributions to understand adaptation and change processes in OIR

Approaches related to regional innovation systems (RIS) (also subsumed under the “new regionalism concepts”), emphasise the role of key actors from science, business and policy and their interaction, as well as the role of institutions for innovation processes.

Transformation processes within RIS generally follow historic development paths and may take the following forms:

- Path renewal denotes the rejuvenation of existing clusters or industries and may imply severe changes in products, processes and organisations, e.g. through the application of new technologies in existing industries. But it does not transform the RIS in a broader way.
- Path formation in established industries is related to diversification into established industries that are new for the region. This may be induced through inward investment and leads to the development of new supply chains. New clusters may emerge and provoke changes in the technology and knowledge base.
- Path creation implies a more radical change towards new high-tech and knowledge intensive industries and results in more substantial changes of the technology and knowledge base.

Such changes - driven by key actors from business, science or policy - may be planned and based on knowledge and foresight but also occur spontaneously in response to crisis situations. The direction and the kind of change is shaped by the context (national industrial policy, global competitiveness of industries etc) and by specific characteristics of the RIS. Thus even identical policy interventions may lead to very different results. Some authors argue, that different national institutional conditions, for example between the more market-driven approach of the UK, and the more statist and corporatist frameworks in FR and DE, might lead to different patterns of regional adaptation.

Nevertheless, there are some commonalities. Transformation materialises in “soft factors” (routines, attitudes), RIS elements (research and training organisations, firms), knowledge

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19 Path dependency denotes how economic performance is shaped by the legacy of past decisions and events
relations and networks within the region or beyond. Thus, policy actions need to enhance the capacity for transformation and target the areas in a comprehensive way. Recent research has focused on the question of why some regions are more able than others to promote path renewal, formation or creation. In this context, a key concept refers to “variety” (diversity in economic structures, institutions and knowledge basis, the transformational capacity of a region being positively affected by variety. A further distinction is the one between “related” and “unrelated variety”. Related variety (diversity that builds upon competences available in the region) seems to be more beneficial to a region, as it allows for complementarities to existing industries and knowledge base. Connections to knowledge sources outside the RIS are considered to be particularly important to ensure variety and new innovation impulses. Unrelated variety (e.g. emergence of a new industry that is not related to the existing ones) might protect the region against external shocks, but it seems less sustainable in the long term.

1.3.3. Regional policy approaches

During the 1970s and 1980s, OIR like the Ruhr area in DE, North-East FR, North-East England and South Wales in the UK received substantial amounts of regional aid for industrial conversion, retraining, attracting new investment, environmental renewal and urban regeneration\(^{21}\). In the 1980s, however, the UK effectively reduced regional spending whilst other European countries like DE and FR doubled it. Also, the approaches were different between these countries: FR and DE strived to build on existing regional assets and competences (“related variety”) promoting processes of diversification into related technologies and the technological upgrading of existing industries; while the UK favoured the support of inward investment in order to transplant new technologies and organisational practices into OIR.

In DE the Länder governments were the main policy actors. In FR, the UK and ES the process of devolution has given regional actors a more important role (regional development agencies in England and devolved administrations in Wales and Scotland; elected regional councils in FR, autonomous regions in ES). Moreover, during the 1980s a new Regional policy model found favour, supporting endogenous development through skill development, focusing on RTDI and supporting SMEs. Subsidies to firms were cut back, also due to the EU state aid regime that increasingly reduced the possibilities for investment support to large enterprises in the more developed Member States.

**Integrated policy** approaches have been discussed since the 1980s. They introduce a territorial dimension into sectoral policies. The view that “space matters” and the understanding that policies needed to be differentiated according to their territorial contexts, was at the origin of the current territorial cohesion concept. The ministers responsible for spatial planning of the Member States adopted the “Leipzig Charter” on sustainable European cities in 2007. This charter emphasizes the importance of cities in the formulation of future EU policies and calls for a better use of integrated urban development policies for creating and ensuring high quality public spaces, modernizing infrastructure networks, providing innovation and educational policies and supporting deprived neighbourhood policies\(^{22}\). The Toledo Declaration reiterates the importance of integrated approaches as one instrument for implementing the Europe 2020 strategy. Criteria for success are partnerships between government, real estate and finance, as well as the local population and other stakeholders. The declaration addresses the challenges of

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\(^{21}\) Birch K et al (2010), pp. 35-53.  
demographic change and social inclusion. Furthermore there is a need for openness in political life, as well as the activation and participation of local residents\textsuperscript{23}.

This note also shows that a growing number of EU Member States have adopted integrated approaches. Still there are wide differences between Member States. Some Member States have adopted comprehensive programmes for integrated urban development at national level (BE, DK, DE, FI, FR, IE, IT, NE, SE, UK), while others have implemented smaller scale approaches at national or regional levels (AT, BG, CZ, CY, HU, LV, LI, MT, PL, PT, RO, SI, ES). For the first group the national level plays an important role in providing impulses and incentives, although financial resources are declining in face of financial rigour related to the economic crisis (DK, DE, UK). The second group includes most of the new Member States, which are affected by industrial decline, disinvestment in infrastructure and the housing stock, and social as well as environmental problems. In these Member States approaches often remain at a regional and local level, and there is a lack of national policy approaches and funds\textsuperscript{24}.

Cohesion policy offers a wide array of measures related to urban and regional development. The main fields are support of economic development policies (with support of infrastructures, rehabilitation of land, education and training, RTDI and employment generation) as well as business focused policies (business parks, vocational training, applied RTDI projects, support for entrepreneurship and clusters) and institutional capacity building and partnerships. Since the launch of the Lisbon Strategy the emphasis has been more and more on RTDI related measures. From a simple benchmarking exercise, with expenditure categories attributed to Lisbon objectives, the emphasis now lies on “smart specialisation”: identifying the characteristics and assets of a specific type; highlighting the comparative advantages; and inducing regional stakeholders and resources to collaborate on an excellence driven strategy for the future of the respective region. The urban dimension has received some attention in the current period, but still remains fragmented and often quite vague.

\textsuperscript{23} Difu (2012), 5 years after the LEIPZIG CHARTER – Integrated Urban Development as a Prerequisite for a Sustainable City. By German Institute for Urban Affairs (Difu), commissioned and published by the Federal Ministry of Transport, Building and Urban Development. Berlin; p. 20f.

\textsuperscript{24} Difu (2012), p. 83f.
2. POSSIBILITIES OF FUNDING IN INDUSTRIAL AREAS UNDER STRUCTURAL FUNDS

**KEY FINDINGS**

- Cohesion policy offers a comprehensive range of instruments to support the regeneration of industrial areas.

- Support for industrial regeneration is provided through Cohesion policy, national and regional or urban economic development policies and is regulated by the EU Regional Aid Guidelines.

- Cohesion policy contributes to industrial conversion through support for business innovation and investment - similar to the "smart specialisation” strategies proposed for 2014-20.

- A second strand of support refers to social inclusion measures to tackle high levels of unemployment and social dislocation. Such measures in turn enhance the local potential for business development and innovation.

- A further dimension constitutes the integration of different types of interventions, like the implementation of urban regeneration as horizontal theme for ESF and ERDF, as practiced in Sachsen-Anhalt.

- JESSICA supports urban development based upon an integrated plan for sustainable urban development. This new financial instrument is focused on public-private partnerships and supports a wide range of measures contributing to reconversion of urban areas.

- Exchange of experience in urban development is provided through the URBACT programme. A main focus here is on urban regeneration issues and the link between planning and reconversion. Major issues identified are the need to involve more than one municipality in rehabilitation of sites, infrastructure and environment and focus on social issues to rehabilitate the image.

2.1. Cohesion policy and industrial reconversion policy

Cohesion policy funds a range of interventions in support of industrial regeneration (see 0). The European Social Fund (ESF) was set up in 1957 to improve workers’ employment opportunities and now funds labour market interventions, entrepreneurship and social inclusion. The European Regional Development Fund (ERDF) was established in 1975 with the aim of correcting major regional imbalances, including those due to industrial change and structural underemployment, and today co-finances business support, infrastructure and RTDI. The Cohesion Fund (CF) was created in 1993 and co-finances major transport and environmental infrastructure in the Convergence Countries.

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Table 1: Cohesion policy support for industrial reconversion by Fund in 2007-13

<table>
<thead>
<tr>
<th></th>
<th>ERDF</th>
<th>ESF</th>
<th>CF</th>
</tr>
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<tbody>
<tr>
<td>Transport and environmental (inc. energy) infrastructure</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information society interventions (inc. infrastructure)</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Land reclamation and brownfield redevelopment</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Support for the creation/growth of businesses, esp. SMEs,</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>inc. funding, services and cluster support</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>R&amp;D and innovation infrastructure and projects</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Education and training infrastructure and services</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to employment</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Social inclusion of disadvantaged people</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Local development initiatives</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening institutional capacity</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Other e.g. tourism, culture, health &amp; social infrastructure</td>
<td>X</td>
<td></td>
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Moreover, since the Structural Funds’ reform of 1988, Member States have been required to develop and implement programmes on the basis of partnership-based strategies that bring together regional actors and resources to develop economic development solutions. This bottom-up approach is argued to be fundamental to the mobilisation of capacities for socio-economic development, and has been extended to the local level, via integrated, bottom-up urban and rural (LEADER) development strategies. Proposals for 2014-20 require thematic bottom-up strategies, notably for smart specialisation, and poverty.

The thematic allocation of the Cohesion policy budget varies across Member States (see Annex). There are clear differences between Member States, with a higher percentage of funds being allocated to infrastructure in the Convergence Countries, whereas funding in richer Member States is typically focused on RTDI and Entrepreneurship or on Human capital and other labour market measures. The main reason for this difference is that one third of funding in the Convergence Countries is channelled through the Cohesion Fund, which only finances major transport and environmental infrastructure networks.

Cohesion policy funding for industrial regeneration is implemented alongside other EU and Member State economic development policies, not least the EU Regional Aid Guidelines which regulate funding for state aid in structurally weaker regions. In addition, other elements of the EU budget also co-finance economic development projects, notably the Framework Programme and the Competitiveness and Innovation Programme, and the


European Globalisation Adjustment Fund (EGF) which provides short-term support to help workers who have lost their jobs due to the financial crisis or globalisation pressures.\(^{30}\)

2.2. **Examples of the use of Cohesion policy for industrial areas**

Cohesion policy support for industrial reconversion tends to be concentrated on urban areas because in practice the main areas with extensive needs for this type of public investment are relatively large urban areas, particularly second tier cities outside the main metropolitan centres (which instead tend to be characterised by more advanced service sectors). Urban areas are often sites of industrial restructuring because most businesses locate in major population centres in order to serve markets, link to suppliers and draw on labour and knowledge sources. Cohesion policy funds a range of different approaches to industrial reconversion in urban areas in 2007-13.

First, Cohesion policy support for industrial reconversion in many regions emphasises support for business innovation and investment (similar to the ‘smart specialisation’ strategies proposed for 2014-20). This approach is seen, for example in the sub-region of Keski-Suomi and its main city of Jyväskylä (in the NUTS 2 region of western Finland), which has experienced the restructuring of major industries (notably the IT sector, specifically Nokia) and relatively high unemployment rates in recent years. A comprehensive approach to innovation support is seen as critically important for the region’s future economic development.\(^{31}\) This strategic approach is facilitated by the region’s existing strengths, notably innovative businesses and dense regional innovation institutions (including a number of universities and intermediary bodies). Key challenges include shortages of skilled labour, weak public investment in R&D, dependence on a few large industrial companies and limited population of innovative SMEs. In response, the ERDF/ESF co-financed regional strategy in 2007-13 has focused on supporting the key clusters of mechanical engineering, bio-energy and housing, through investment in R&D, innovation, education and training and business development.\(^{32}\)

A second strand of Cohesion policy support for industrial regeneration in 2007-13 concerns social inclusion. Many old industrial areas are characterised by high levels of unemployment and social dislocation, which in turn limits local potential for business development and innovation. The ERDF OP in Lowlands & Uplands Scotland (UK), for example, supports entrepreneurship and physical regeneration in disadvantaged urban areas, alongside the region’s ESF OP’s funding for vocational training, advice for job-seekers, assistance with childcare, and initiatives to encourage employers to understand the needs of vulnerable groups entering the workforce.\(^{33}\) Both EDF and ESF funding is implemented by Community Planning Partnerships (CPP), which are led by local authorities and involve a range of public entities. The CPP have a broad remit to ensure that local people are engaged in decisions on local public services, and to facilitate cooperation between organisations in public service

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provision. This approach is seen to have led to a more strategic use of resources, and to have stimulated more effective local cooperation and service delivery.

A third dimension of Cohesion policy funding for industrial regeneration involves the integration of different types of intervention. In Sachsen-Anhalt (Germany), for example, the urban dimension is a horizontal theme for the ERDF and ESF OPs. The Land’s main cities are seen as particularly important locations of economic activity because they are the site of high-value infrastructure that serves the wider region and because their knowledge institutions facilitate the development of a knowledge-based economy. The OPs fund integrated approaches to urban development that address a range of themes (RTDI, education, physical regeneration, land reclamation, as well as economic, urban transport, water and waste infrastructure) and involve various actors (e.g. firms, universities, local authorities, Land). Support for the knowledge-based economy is seen to be most effective in the two main cities (Magdeburg and Halle), whereas a broader approach (under the umbrella of the domestic IBA Urban Redevelopment strategy) focusing long-term investment in a range of interventions and drawing on extensive citizen participation and high visibility - is important in other cities. A key challenge for urban development in Sachsen-Anhalt concerns the fiscal constraints facing local authorities and the need for ongoing Land, federal and EU funding in order to implement major projects.

Cohesion policy regulations have not required the direct participation of city authorities in managing programmes. Nevertheless, local authorities (or associations of such authorities) are usually represented on programme monitoring committees, are consulted on programme strategies and are often recipients of programme funding. Although EU authorities have for some time encouraged the involvement of city authorities in Cohesion policy programming, the degree of participation depends in part on the Member State’s domestic decisions and institutional frameworks (e.g. relating to the division of tasks between national, regional and local authorities, as well as broader approaches to partnership).

The evaluation of the “urban dimension” has also shown that, at present, urban authorities in general have little overview on the allocation of projected funded by ERDF and ESF, let alone that they are able to pursue a strategic approach using European funds. The usual procedure is that a department of the city administration submits a project proposal to the respective department in the sectoral ministry. Decisions within various ministries are often taken without much coordination related to the territorial incidence of the projects. Thus only the evaluation shed some light on the actual urban dimension of the Cohesion Funds programmes. Major stakeholders in five cities participated in a process of developing objectives, indicators and assessing results and impacts of European Funds for their respective territory. Although the participation and role of city authorities in Cohesion policy is conditioned by Member States’ own institutional frameworks and political decisions, there may be scope for EU authorities to facilitate a more active approach by providing forums

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36 Internationale Bauaustellung (International Building Exhibition).
for the exchange of best practice and lesson-learning, not only involving city authorities but also the relevant authorities at Member State and regional levels.

A fourth approach aims to mobilise private sector funding and expertise for integrated urban regeneration strategies. JESSICA is a financial instrument which allows ERDF funding to be allocated to Urban Development Funds (UDFs) which in turn provide equity, loans and/or guarantees to public-private partnerships or other projects in the context of an integrated plan for sustainable urban development. Projects can include urban infrastructure; cultural sites; redevelopment of brownfield sites; new facilities for SMEs, IT and R&D; university buildings; and energy efficiency. By the end of 2011, 30 UDFs were operational, with the first investments in projects being made in Estonia, Brandenburg (Germany), Poland and Lithuania. Instruments such as JESSICA can allow funds to be recycled for future use; facilitate the leveraging of other public and private funds; and mobilise private sector expertise for project selection and management. However, they are also complex to administer; can involve tensions between public sector goals and private sector profit orientation; and may see difficulties with state aid compliance.

A final key approach to Cohesion policy support for urban development in 2007-13 focuses on the exchange of experience, via the URBACT II programme, which builds on the earlier URBAN Community Initiative and is funded under the European Territorial Cooperation Programme. It has a budget of c. EUR 68 million (including c. EUR 53 million from the ERDF) and funds the development of integrated Local Action Plans covering physical regeneration, economic and social development and environmental sustainability. Project funding (of EUR 150,000 - EUR 710,000) covers the preparation of the plans (e.g. the costs of meetings, communication and technical assistance) but their implementation is funded by Member States, local partners or mainstream ERDF/ESF OPs. Projects are funded in nine themes: innovation and creativity; active inclusion (e.g. demographic change, social integration); urban renewal (physical regeneration); low carbon urban environments (transport, housing, food systems); disadvantaged neighbourhoods; human capital and entrepreneurship; quality sustainable living; metropolitan governance; and port cities.

One of the projects deals with “Driving Forces of Urban Cohesion”, where several urban areas exchange experiences on recovering of abandoned and obsolete industrial areas. One of the main conclusions in this project is that the major planning issues (reorganisation of infrastructures, location and finance of large projects, improvement of environment and physical space, rehabilitation of derelict land etc) are clearly inadequate to be taken over by a single municipality. A second conclusion is that the social dimension of decline in such cities and towns are one of the major issues to be tackled by public policy, which is important for gaining a future oriented profile again.

References:
45 Managing Authority of the URBACT Programme (2011) URBACT project results, Paris.
3. ILLUSTRATIVE EXAMPLES HOW CITIES HAVE USED STRUCTURAL FUNDING TO TACKLE STRUCTURAL CHANGE IN INDUSTRIAL AREAS

KEY FINDINGS

- Cities with an old industrial legacy like Manchester, Essen, Lille and Bilbao face similar development problems like many other cities, such as the challenge to develop a modern transport system and the need for renewal and rehabilitation of the old housing stock, in addition to the massive changes in economic activities and jobs. But each of the cities also had its specific development strategy.

- The strategy for Manchester defined growth through knowledge-based industries based on attractive sites as the overarching goal. Large-scale schemes developed East Manchester, the main industrial zone of the past, to a neighbourhood with mixed uses, upgraded the city centre, and expanded the airport and its surroundings. ERDF had a significant added value strengthening the regional level and enabling the urban area to support integrated strategies.

- Essen is one of several cities in the Ruhr Area. Its reconversion strategy led to the development of business zones on brownfield sites for business-related services, and the cultural and creative sectors, with several flagship projects signalling the transformation of the image of the area. Cohesion policy focused on cluster development, support of innovative investment and site regeneration projects. A larger-scale strategy is implemented through the Ruhr Association, which is an excellent example of coordination of spatial planning across administrative borders, including the implementation of large projects and democratic decision making.

- Lille’s reconversion strategies, supported by national policies as part of the deconcentration strategy, succeeded in the transformation of its economy with a focus on the tertiary sector and technological development. Striking is the cross-border approach for urban and regional development. Economic development was achieved through a combination of cluster support in high-tech and growth industries, and the renewal and regeneration of major sites. Cohesion policy supports RTDI and territorial development.

- Bilbao followed a project-based regeneration approach, which was laid out in the Strategic Plan for the Revitalisation of the Bilbao Area in 1991. It focused on flagship projects for the reconversion of the port and adjacent land, former mining areas, and other derelict sites, and for new infrastructure and economic growth through the service sector. Most of the regeneration effort was assigned to a development corporation and other similar forms of public-private approaches. Bilbao’s pathway to recovery is characterised by the “Guggenheim effect”, which gave rise to a new image of the city. Cohesion policy support was significant in quantity and quality – Urban, Resider and Renaval were used in the previous periods to push conversion.
Urban areas previously dependent on coal, steel, textile or machinery have undergone transformation processes in order to re-establish a sound industrial and economic basis. This chapter presents four cities in four major industrial countries: Essen in the German Ruhr Area, Manchester in the North-West of England, Lille in the North of France and Bilbao in the North of Spain. Each of these four cities carries a similar legacy. Their paths to conversion and recovery have all shown some success, but in none of the cities the old levels of jobs and wealth have been fully restored.

In the following sections, the individual approaches taken in these four cities are presented, highlighting the impact of regional change on the urban dimension and the pathways to research, innovation and new economic development. A key point to be borne in mind is that reconversion is an all-encompassing and comprehensive task, where urban planning, economic and infrastructure development, social inclusion and labour market policy, as well as cultural projects, need to be tackled together. Therefore; there is no “blueprint” - for each of the cities a broad narrative is given to avoid fragmentation and any shortcuts to “best practices”. Each of these cities represents good practice, as they all accomplished a multiplicity of actions that offered new pathways to development. One of the most important common features is that each of the cities has implemented integrated approaches to urban development.

Cohesion policy publications tend to focus on individual “flagship projects”, highlighting the efforts taken to support reconversion. However, it should be emphasised that data on expenditure and on indicators relating to outputs, results and impacts are collected at programme level, but not at any territorial level below the programme level. This is why it is very difficult to attribute any achievements of Cohesion policy to specific regions or urban areas. Reporting that covers longer periods in a comprehensive manner – dealing also with issues outside the field of Cohesion policy - is often lacking. Thus, this chapter seeks to provide some coherent perspectives on these individual cases.

### 3.1. Manchester

Manchester is the main economic centre in the North-West of England. The city is bordered by the nine other local authorities of Greater Manchester which form the Association of Greater Manchester Authorities (AGMA). In addition, in 2011 the Greater Manchester Combined Authority (GMCA) was established as a top-tier administrative body for the local governance of Greater Manchester. Manchester played a significant role in the industrial revolution in the 18th century with much of its character shaped in the Victorian era. With the decline of industry in the 1960s its population declined. From 1999 and following a successful transformation this decline was reversed from 416,400 inhabitants in 1999 to 473,000 in 2008. Financial and business services have had a sustained role as key drivers of growth in the service industries. The city is a transportation hub with an international airport. It hosts a number of universities and 64,000 students account for a significant share of its population.

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47 More than 30,000 manual jobs in manufacturing have been lost between 1966-72 from a small area at the centre of the conurbation.
3.1.1. **Strategy for urban development**

Manchester has major strengths in economic terms, which are the result of the transformation process and the rapid expansion of a number of sectors, including commercial and professional services, science and research, culture and media, advanced manufacturing and ICT. On the other hand the city is still tackling the legacies of a long period of economic decline. Among the key issues are societal challenges, in particular a high share of unemployed, as well as people dependent on income support, disabled, or belonging to a number of ethnic minority communities. The city is also includes four neighbourhoods that rank within the most deprived 10% at national level\(^{50}\).

The expected population increase will be matched by an increase in the number of households. The city reports a shortage of housing for certain target groups such as large families, elderly and disabled. Thus, there is an urgent need for diversification of available housing. The social housing estates developed in the 1960s and 1970s, are now among the key challenges for the city with a large number of such estates located in East Manchester.\(^{51}\)

In 2012 the City Council adopted the Manchester Core Strategy which is a long-term strategy for the period 2012-2027\(^ {52}\). It is based on a confident growth scenario, expecting the population to reach 581,000 in 2027. As a regional framework the strategy establishes the overarching priority of economic growth through the creation of knowledge-based industries, based on the development of attractive sites. These include digital and creative sectors, financial and business services, biotechnology, engineering and environmental technologies. The strategy also acknowledges the strong link between economy and housing, i.e. attractive employment sites require also an attractive, diverse housing stock\(^{53}\).

At local level the Manchester Core Strategy defines specific areas of regeneration with housing being an important element for the revitalisation of areas. There is a great need in Manchester, as in a number of urban areas in the UK, to find suitable land for housing development. The use of the so known brownfield sites - land previously developed but no longer in use - features in the strategy.\(^ {54}\) It considers protection of existing and the development of business zones in order to safeguard the provision of a wide selection of business space, offering different types, sizes, quality and value\(^ {55}\).

The vital role of the transport system for urban development is self-evident. The international airport functions as major hub with plans for expansion thus becoming a potential focal point for job generation and a catalyst for the regional economy in the strategy. A second major strategy element related to transport is the further extension of the Metrolink network.\(^ {56}\)

As in many other old industrialised areas rivers and valleys form the major green backbone of the city area. Improvement and appropriate adjustment of leisure purposes is another important strategy element to generate neighbourhoods of choice\(^ {57}\).

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\(^{50}\) MCC (2012), p. 9.

\(^{51}\) MCC (2012), p. 97.

\(^{52}\) MCC (2012).

\(^{53}\) MCC (2012), p. 25.

\(^{54}\) MCC (2012), p. 97.

\(^{55}\) MCC (2012), p. 38.

\(^{56}\) MCC (2012), p. 29, p. 32.

\(^{57}\) MCC (2012), p. 33.
3.1.2. Transformation in regeneration and development areas

The strategy makes a point in establishing general guidelines with a view to a clearly preferred option for large-scale schemes, to be implemented through a partnership approach with developers. Such schemes might turn into long-term ventures taking 15 to 25 years from inception to completion\(^58\) as, for instance, in case of the retail core or the area of Spinningfields.

The strategy places due emphasis on three development areas: The City Centre, East Manchester, and Manchester Airport and its vicinity. For the City Centre it defines sites for economic activities, outlining a number of priority locations (which could become subject of large-scale regeneration schemes). In parallel, the constant improvement of residential areas for high quality city living is intended.

East Manchester remains a major economic driver and centre of employment for the conurbation. It offers a relatively low cost base, large flexible sites, access to the M60 motorway and the extension of the Metrolink network. This coupled with major development areas such as Central Park and Eastlands makes it an important employment location. East Manchester has been the focus of intense regeneration activities since 2000 and the continuing challenge is seen as guiding further investment into the area.\(^59\)

In general, East Manchester is marked by a dominant heritage and legacies of the area’s industrial past. Many neighbourhoods reveal the close vicinity of industrial and commercial uses with residential uses.\(^60\)

One of the major business zones under development is Central Park, a business park which is now linked to the urban Metrolink network. Facilities for start-ups and small companies have been created in close proximity to this development site. An example is the Sharp Project\(^61\), which turned a distribution centre into a digital media hub.

Another major development zone in East Manchester is Eastlands, a successful redevelopment of 60 ha of derelict land as a mixed development including sports facilities of national importance, a new district centre, residential, commercial and leisure uses. According to the strategy, Eastlands and Central Park should account for 65 ha as key locations for employment, where a total of about 170 ha is planned up until 2027.\(^62\)

In the 2000-2006 programming period a significant number\(^63\) of large-scale projects in the New East Manchester Programme had been co-funded from ERDF. As in many other cities major greenfield developments are envisaged in the proximity of the airport. A major business location is intended to be developed north of Manchester Airport (50 ha) (logistics, warehouses, high-tech industries).\(^64\) The development touches the urban green belt, though in the wake of the economic crisis economic arguments often prevail in decision-making. Other smaller but relevant projects for restructuring and transformation are:

- University Hospital South Manchester has plans to expand its operation, in key health care areas, bio-science and pharmaceuticals. The expansion will include a mix of education and conference facilities, clinical trial labs, fitness/wellness centre,

\(^{58}\) MCC (2012), p. 62.
\(^{59}\) Manchester City Council 2012, p. 65.
\(^{60}\) Ibidem, p. 18.
\(^{61}\) See Project list in the Annex.
\(^{62}\) MCC (2012), p. 86.
\(^{63}\) In 2008 New East Manchester Programme had 67 ongoing projects, Manchester City Council 2008, p. 2.
\(^{64}\) Manchester City Council 2012, p. 83.
innovation centre, incubator units, hotels and ancillary offices.\(^\text{65}\)

- Manchester Metropolitan University will be developing a new campus at Birley Fields and spin off research and development industries are expected to locate at the Techno Park and Manchester Science Park.\(^\text{66}\)

In line with the general approach to the creation of neighbourhoods of choice refurbishment of public space plays a vital role and ERDF is also being used for this purpose (e.g. through Corridor Manchester, a landscaping and public space refurbishment project to connect universities with a development corridor\(^\text{67}\)).

Within the Greater Manchester area, in the City of Salford, two particularly interesting examples of ERDF projects addressing conversion through innovative industries and approaches have been identified; the Media Enterprise Centre and the Salford Energy House, a particularly interesting model for environmentally controllable buildings\(^\text{68}\).

### 3.1.3. The context and role of Structural Funds

Manchester City Council was the accountable body for 140 projects totalling £80.221 million of ERDF grant across three action plans – North and South, Housing Market Renewal and New East Manchester in the 2000-2006 ERDF Programme.\(^\text{69}\)

Total funding for the current Regional Competitiveness and Employment (RCE) programme for North-West England (NWOP) is EUR 756 million.\(^\text{70}\) The overall vision is to achieve “a dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all”, and where productivity and enterprise levels as well employment rates are high, in a low carbon economy, driven by innovation, leadership excellence and high skills; and where concentrations of low employment are eliminated.\(^\text{71}\)

The programme aims at the creation of 37,000 jobs (gross). The priorities of the NWOP are outlined in Table 1:\(^\text{72}\)

<table>
<thead>
<tr>
<th>Priority</th>
<th>Key Actions</th>
<th>ERDF mio EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulating enterprise and supporting growth in target sectors and markets</td>
<td>Business support and financing instruments</td>
<td>205</td>
</tr>
<tr>
<td>Exploiting innovation and knowledge</td>
<td>Creating interfaces between Higher Education institutions, RDTI sector and business, extending market reach of businesses, shift of productions to higher Value Added (VA)</td>
<td>205</td>
</tr>
<tr>
<td>Creating conditions for sustainable growth</td>
<td>Infrastructure and site development</td>
<td>157</td>
</tr>
</tbody>
</table>

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\(^{65}\) MCC (2012), p. 86.

\(^{66}\) MCC (2012), p. 77.

\(^{67}\) See Annex.

\(^{68}\) See Annex.

\(^{69}\) MCC (2008), Statement of Internal Control – ERDF Grant, Report to the Audit Committee, March 14, 2008, by Manchester City Council, p. 2.


\(^{71}\) NWDA (2007), p. 3.

Growing and accessing employment | Addressing urban areas in decline, job creation in regeneration areas, linkages to employment sites, assistance to social enterprises, support to intermediaries for job brokerage etc., delivery through sub-regional partnerships | 159

Technical Assistance | | 30

Total | | 756

According to the GMCA, ERDF funding has had a significant added value from a local perspective. Interestingly, this had been stated despite the re-centralisation of the ERDF agenda in the Department for Communities and Local Government (DCLG) following the abolition of the Regional Development Agencies in England. According to the GMCA, the delivery system has strengthened the local level in tailoring the projects to local needs.

The other important feature of ERDF is the ability to draw in local match funding. National programmes or nationally co-financed programmes often miss the ability to take a holistic approach to problems at a local level. There are often innovative ways of solving problems or using local resources as part of the solution to problems that nationally driven regeneration funding would not be able to deliver.73

3.2. Essen

3.2.1. Main features of the conurbation

The Ruhrgebiet (Ruhr Area) is one of the major industrial conurbation areas in Europe with a high density of large and medium-sized cities such as Essen, Duisburg, Bochum and Dortmund with a predominantly industrial legacy. An important feature is the significant size of the area in terms of population and its attractive location at the crossroads of major transport corridors. It is therefore an important transport hub, as well as an easily accessible market of substantial size.

The development of the Ruhr Area and of Essen in particular was shaped by four leading industries: coal mining, steel production, chemical industries and energy production. The sharp decline of mining industries since the 1960s and the restructuring of the remaining leading industries led to a constant loss of jobs and enterprises.

Essen is situated in the heart of the Ruhr Area. Its population peaked in 1963 at 732,000 inhabitants and has declined since to 571,000 in 201274. By the 1990s the city had reached the peak of adverse demographic developments, notably ageing and out-migration. The city is still confronted with decreasing population figures, albeit the overall performance has been far better than the forecasts of the 1990s. The main positive sign is a tendency towards slightly increasing inward migration.

By the mid-1980s the costly and complex process of brownfield regeneration had been started at a large scale in the Ruhr Area. Derelict sites had been discovered as a scarce and valuable resource in this densely populated area. It is important to note that this was only

73 Greater Manchester Combined Authority, 2010.
74 Website of the City: www.essen.de.
possible as a joint effort of several major players in a Public-Private Partnership\textsuperscript{75} (PPP) – and with support of ERDF.

3.2.2. \textbf{Urban development strategy}

A major report on the future of urban development in Essen "\textit{Stadtentwicklungsprozess Essen 2015+}" was published in 2007.\textsuperscript{76} The main targets of the Plan are to maintain the city's leading position in the structural changes of the Ruhr Area, fulfill its role as the heart of the conurbation, and achieve the consolidation of the city's budget.

The general leitmotif underlying all development initiatives is now “quality instead of quantity”. The Plan led to the definition of 32 flagship projects which have been grouped into six major development areas. A major focus is on areas in decline which demand increasing attention. Like in many other cities, a locally based approach with support of management units in charge of the designated urban areas has been elaborated. It aimed at strengthening the micro-economy of these areas, and also developed projects and initiatives to meet the significant need for change of the housing stock. Restructuring and transforming existing housing stock in order to better meet actual demand is a major task for the city, which has a large share of problematic housing stock and is faced with significant demographic changes.

Priority 3 in the current RCE programme targets this widespread challenge in the Ruhr Area. Urban renewal was triggered off in the mid-80s by the International Construction Exhibition in Emscher Park, which provided a massive impetus for the Ruhr Area to become aware of its partly problematic though unique heritage.

3.2.3. \textbf{Major site developments}

In the previous decade\textsuperscript{77} the focus had been on the development of business zones on brownfield sites. Site clearance and land restoration have been an important pre-requisite to permit redevelopment. Examples are the mixed zones Weststadt, Grugacaree and Krupp-Gürtel, and the business zones M1, Econova, Graf and Beust which have been developed in part as PPPs.

The typical characteristics of such developments are illustrated in the following cases:\textsuperscript{78}

- The Weststadt has been developed on a former industrial area for mixed use; it also hosts the musical hall Colosseum and other facilities for urban entertainment.
- The Grugacaree is a new urban quarter (12.4 ha) with office space and residential areas. It has an excellent accessibility at inner urban and regional level (due to the proximity of Düsseldorf airport).
- The Krupp-Gürtel (Krupp belt – major zone surrounding parts of the city core) is a major site (2.3 km\textsuperscript{2}), its development with mixed uses being a long-term task, including the creation of a major urban green zone to generate neighbourhoods that meet high standards, as well as major new road arteries.

\textsuperscript{75} Major players are RAG Montan Immobilien (Mining Real Estate Foundation), Regionalverband Ruhr (RVR) (regional association) and the Landesentwicklungsgesellschaft North Rhine Westphalia (LEG; business agency of NRW); these players have joined forces in order to guide the management and reuse of brownfields in the Ruhr Area.

\textsuperscript{76} Essen (2007a), \textit{Stadtentwicklungsprozeß Essen 2015+ - Perspektiven, Planungen, Projekte – Kurzbericht Phase II (perspectives, plans, projects – summary stage II)}, City of Essen, March 2007.


\textsuperscript{78} Website of the Essener Wirtschaftsförderungsgesellschaft mb (Business Agency Essen) http://www.ewg.de/de/immobilien.
• The university quarter Grüne Mitte (green centre) on the area of a derelict former railway station (13.3 ha). This development of a new urban quarter for mixed use with a major green zone started in 2008 and will link the city centre with the university.

3.2.4. **Support for a diversified service industry**

The major current issue for the city is the development of necessary preconditions for attracting a diversified service sector, with the focus on business-related services.\(^79\) Next to business-related services Essen perceives its strengths in education, health\(^80\), design, energy, ICT and environmental engineering.\(^81\) The broad strategy for cluster development for North Rhine Westphalia has provided a broad guideline, though in the past decade this has been subject to frequent modifications.\(^82\)

The Ruhr Area saw a boom in incubators and business centres in the 1990s. These initiatives had a positive impact, though their effect on actual jobs had been rather small compared to the levels of employment in former industries. The new trend is the specialisation of such centres, closely interlinked with RDTI facilities such as universities. This has been an important strategic focus of the previous and current RCE programme. A good example in Essen is the ComIN (competence centre for information and communication technology). A focal point for high-tech development is the Medion AG\(^83\), a firm that develops components for a broad range of high-tech products, in the vicinity of which a technology park has been established.

3.2.5. **Focus on culture and creative industries as signal for change**

An important signal for the transformation of the image of the Ruhr Area is the emphasis placed on culture. The Ruhrtriennale\(^84\), launched in 2002, has been established as a major cultural event attracting international attention. Though the main venue is situated in Bochum, Essen provides one of the other six major sites, the Zeche Zollverein. In addition in 2010 Essen was the Cultural Capital of Europe.

The site Zollverein is the subject of an ongoing development process. Two business zones focusing on SMEs involved with design and arts are being developed.\(^85\) The first phase known as designstadt No1 (design city No 1) with 35,000 m\(^2\) is fully occupied and the second phase is under development. Parts of the industrial heritage on site have been revitalised with support from ERDF.\(^86\)

The development of creative industries has been continuously supported by transformation of industrial heritage to sites for creative industries. Further examples in Essen are:\(^87\)

- **Scheidt’sche Hallen** (halls in a former textile manufacture) – 37,000 m\(^2\) are being transformed into a mixed use area for creative industries, exhibitions and housing.

\(^79\) City of Essen, 2007b, pp. 30-37.
\(^80\) City of Essen, 2007b, p. 30.
\(^81\) Regionalverband Ruhr: Regionalkunde Ruhrgebiet (www – see references).
\(^82\) http://www.essenskreative.de, initiative of the Essener Wirtschaftsförderungsgesellschaft mb (Business Agency Essen).
\(^83\) http://de.wikipedia.org/wiki/Ruhrtriennale.
\(^84\) Website of the Essener Wirtschaftsförderungsgesellschaft mb (Business Agency Essen).
\(^85\) City of Essen, 2007b, pp. 30-37.
\(^86\) See Annex.
\(^87\) http://www.essenskreative.de, initiative of the Essener Wirtschaftsförderungsgesellschaft mb (Business Agency Essen).
3.2.6. **Cooperation at regional level**

An important and specific aspect of the Ruhr Area – as former major industrial centre - is the inherent challenge for spatial planning and infrastructure development. A conurbation of such magnitude requires coordination instruments which are set above the local level. **Regionalverband Ruhr** (Ruhr Regional Association), one of the oldest planning associations, is the regional hub of the 11 independent municipalities and four districts of the Ruhr Metropolis with its approx. 5.2 million inhabitants. The main office is in Essen. The core task is spatial and regional planning for the Ruhr region. It is the promoter of significant infrastructure project such as the Industrial Heritage Trail and the Emscher Landscape Park. The decision making body is the Ruhr Parliament, which consists of approximately 70 members with voting rights, who are delegated by the cities and districts. It is a regional parliament with far reaching competencies in spatial planning and shared decisions on infrastructure development.

Cooperation with neighbouring cities is particularly important in developing green zones of regional significance but also in order to meet demands which cannot be satisfied within the boundaries of the city (e.g. zones for larger-scale industrial sites which require separation from housing estates ...) or for the development of regional green zones. The Landscape Park **Hoheward** is a regional project of major importance for all urban communities which have developed cycle and pedestrian links to the regional green zone.

3.2.7. **Focus of the RCE programmes**

The previous and current Structural Funds programmes under the RCE objective have focused on job creation, innovation and the development of a knowledge-based economy. The major success indicator of the 2000 - 2006 ERDF programme was the creation of about 53,000 new jobs (and the safeguarding of 70,000 jobs)\(^88\). In quantitative and strategic terms the key target group of the ERDF programme is the SMEs, due to their crucial role for job generation. The ERDF programme is also expected to provide a significant lever for accessing private funding. In quantitative and strategic terms, SMEs are the key target group of the previous and current ERDF programme, due to their crucial role for job generation. Estimates for the current programmes\(^89\) speak of

- 80,000 to 110,000 jobs generated or partially supported or facilitated through infrastructure endowments
- Jobs safeguarded 90,000 to 120,000

The ERDF programme in 2007-2013 are also expected to provide a significant lever for stimulating private funding for development.

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\(^{88}\) MWME (2010), NRW_EU ziel 2 2000-2006 Abschlussbericht (NRW-EU Objective 2 2000-2006 Final Report), by the Ministerium für Wirtschaft, Energie, Bau, Wohnen und Verkehr des Landes Nordrhein-Westfalen Düsseldorf 2010., p. 17: these figures represent gross values, i.e. effects such as substitution, replacement and deadweight have not been taken into account.

Table 2: Overview of the NRW-OP

<table>
<thead>
<tr>
<th>Priority</th>
<th>ERDF (mio €)</th>
<th>National (mio. €)</th>
<th>Total (mio €)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Strengthening entrepreneurship</td>
<td>254</td>
<td>154</td>
<td>100</td>
</tr>
<tr>
<td>Innovation and Knowledge-Based Society</td>
<td>635</td>
<td>485</td>
<td>150</td>
</tr>
<tr>
<td>Sustainable urban and regional development</td>
<td>381</td>
<td>361</td>
<td>20</td>
</tr>
<tr>
<td>TA</td>
<td>13</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,283</strong></td>
<td><strong>1,013</strong></td>
<td><strong>270</strong></td>
</tr>
</tbody>
</table>


A specific feature of the ESF and ESF programmes in 2007-2013 is the focus on cluster development, mainly in the framework of Priority 2 of the programme, i.e. Innovation and Knowledge-Based Society. Some of the key markets such as health or knowledge-based products and services can be labelled as rather ubiquitous strategy elements in contrast to some of the key markets that point at the specific history of the area. Areas concentrating at former and eventual future strengths of the Ruhr Area are in particular: transport and logistics, new materials and production technologies and energy.

Priority 3 (Sustainable Urban and Regional Development) of the current RCE programme is probably the most relevant element targeted at the specific legacy of the Ruhr Area. The Priority focuses on:

- The rehabilitation of brownfield sites to business zones or green zones;
- the valorisation of industrial heritage for new purposes;
- strengthening of the upcoming role of the Ruhr Area in culture.

3.3. Lille

3.3.1. Main features of the conurbation

Lille is the economic centre of the region Nord-Pas-de-Calais. The Lille Urban Area consists of 85 local communities, has about 1.1 million inhabitants (with 475,000 in employments) and accounts for about one third of the region’s companies. It is located at the fringes of a major former coal mining area which stretches across the French border into Belgium. In addition to coal mining in Lille and surrounding areas, textile and food industries contributed to the massive and rapid expansion of the conurbation (from 1800 to 1900 the population had increased from 52,000 to 216,000). The canal system to Flanders - Ghent and Antwerp strengthened Lille’s role as commercial centre. The textile industry, comprising comparatively smaller plants, developed in many parts of the conurbation and a densely interwoven pattern of rather deprived housing estates for workers, next to plants,

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91 Which accounts for about 50% of the total ERDF-contribution (total € 1.28 billion, thereof 635 million for Priority 2).
92 Which accounts for € 380 million of the ERDF allocation.
93 LMCU (2004), Rapport de Présentation – Diagnostic sur le contexte socio-démographique, sur l'économie, sur le niveau d'équipements et besoins induits, by Lille Métropole Communauté Urbaine ; p. 56.
railways and sidings, as well as extended residential areas for the higher socio-economic strata emerged. The 1960s and 1970s saw massive social housing programmes while the industries attracted an influx of immigrant workers. Towards the end of the 1960s a massive decline led by the textile industries followed.

Today the most important sectors in terms of employment reveal a clear development path towards an urban economy with a strong role for the service sector. Commercial and retail trade and finance (in particular insurance industries), as well as business services, have a dominant share of employment. But the role of industry remains significant accounting for 90,000 employees, mainly in construction, textiles and food. The conurbation of Lille is still the leading producer of French textiles and food.

A major milestone in raising the attractiveness of Lille had been the connection of the conurbation to the high-speed rail network, Train à Grande Vitesse (TGV), in the early 1990s which allowed the major French transport corridor to Northern Europe to cross the urban region.

### 3.3.2. Lille as a major case of urban renewal

A marked suburbanisation took place in the period between 1975 and 1982. Population growth in the greater urban area is insignificant mainly due to marked migration losses and low birth rate which resulted in the conurbation being confronted with an ageing population.

In parallel to the economic transformation distinctive societal changes took place: the former strata of workers have been replaced by a population representing more diversified occupations (employees, self-employed, highly educated in consultancy and management, retired). Youth and long-term unemployment are of particular concern for labour market policies in this region.

Massive investment in urban renewal has been made in past decades, since this had been a focus of national policies since the 1960s, starting off with renovation and slum clearance and shifting from renewal to regeneration in the 1990s. Major supporting factors have been:

- An enforced administrative cooperation and coordination introduced with the law on the establishment of metropolitan areas (communautés urbaines) in 1966.
- National programmes for the support of major urban projects (grands projets urbains) i.e. large-scale development, with Croix-Roubaix-Tourcoing-Wattrelos being the first one and the latest currently covering the southern parts of Lille (Lille Sud) and including the construction of 3,400 new housing units of which one third for social housing, as well as refurbishment.
- From 2000 onwards, legislation triggered new initiatives towards more locally governed participatory approaches in the framework of Master Plans for Territorial Cohesion (Schéma de Cohérence Territorial or SCoT) and urban development plans.

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96 LSE 2011, p. 27: in total a drop of about 50% of industrial jobs in Nord-Pas-de-Calais region between 1967 and 1992.
100 LSE, 2011, p. 34.
In Lille about 4,000 ha have been declared as areas in decline according to the national frameworks for urban renewal. They encompass areas such as mixed estates with industrial buildings from the end of the 19th century and the beginning of the 20th (mainly smaller textile plants built during the rapid expansion of these industries) but also deteriorating housing estates built in the 1960s and 1970s. The key objective is to stop out-migration of population and companies.\textsuperscript{102}

The position of Lille Urban Area is rather special. According to the 1996 law on urban policies Sensitive Urban Zones (\textit{Zones urbaines sensibles - ZUS}) are defined as high-priority targets for urban policies. From a total of 751 zones in France Lille accounts for 73\textsuperscript{103}. The major player is now the National Agency for Urban Rehabilitation (\textit{Agence Nationale pour la Rénovation Urbaine - ANRU}) which leads the process through massive investment. The Agency is in charge of implementing the National Programme for Urban Rehabilitation (\textit{Programme National de Rénovation Urbaine - PNRU})\textsuperscript{104}. The development of green zones also plays a major role in the valorisation of the areas in decline – the current endowment per inhabitant is significantly below the average of other urban regions\textsuperscript{105}.

3.3.3. National and international policy frameworks supporting transformation

A major issue of the political agenda in the mid 1960s was the effort to counteract the dominance and rapid growth of Paris. Lille became one of the “counterbalancing” metropolitan areas (\textit{Métropoles d’équilibre}) where tertiary and technological fields were developed, endowed with public amenities and additional public investment to encourage regional growth\textsuperscript{106}.

An important point is the awareness of the cross-border nature of the conurbation. In its development perspectives the Lille Urban Area explicitly labels the French-Belgian border as rather artificial. Since the mid-1980s institutionalised cooperation has been developed further and in 1991 a transnational group, the COPIT (\textit{Conférence permanente intercommunale transfrontalière}), was created linking five existing intercommunal organisations and involving representatives of the regional and national governments. It brought together 145 communes on both sides of the border. The process towards a cross-border conurbation has received good backing from national level.

In June 2004, the French government launched a “call for metropolitan cooperation”, which aimed at promoting cooperation projects in France’s metropolitan areas, supporting existing projects and encouraging original strategies for cooperation between intercommunal structures (\textit{communautés urbaines, communautés d’agglomération}) including all public and private stakeholders concerned. As a response, 23 public partners representing 3.7 million inhabitants, signed in May 2005 a memorandum of understanding for what they decided to call \textit{Aire métropolitaine de Lille} (the Lille Metropolitan Area).\textsuperscript{107}

\begin{enumerate}
\item LMCU (2004\textit{a}), p. 55.
\item INSEE Nord-Pas-de-Calais, 2011, p. 3.
\item LSE 2011, p. 36: the total investment of ANRU into the PNRU is estimated with € 12 billion, parts of funding coming from private sector and local funds; average support rate of ANRU is 34\%, average ANRU allocation per project is € 36 million.
\item LSE, 2001, p. 31.
\end{enumerate}
In the mid-term strategy for development six specific objectives have been defined: sustainable development (urban development, water resources, blue and green frameworks), creativity and design, innovation and R&D, accessibility, culture, tourism and marketing. The Managing Authority of the current RCE programme – the National Government Office in the Region (SGAR Nord-Pas-de-Calais) – is part of the Steering Committee of the cooperation.

The latest step of institutional development was marked by the establishment of the European Grouping for Territorial Cooperation (EGTC) called Eurométropole Lille-Kortrijk-Tournai. This was established in 2008 and seeks to further deepen the work along a common development vision, corresponding action plans and pilot projects.108

3.3.4. Urban economy and major development efforts

The high accessibility, availability of land and attractive university network (with 10,000 students in the region) provide a solid basis for new development: Health and life science logistics, automotive industries, textiles, ICT and media (particularly support to film productions) have received since the mid-1990s coordinated development support as sectors with major growth potential.109 This is also backed by a cluster development policy supported by the Government Committee for French Development and Planning (CIADT). The support is given through open calls and currently the following six clusters are supported110:

- I-trans (transport and logistics);
- NSL (nutrition, health, longevity);
- Uptex (advanced textiles and materials);
- PICOM (distance selling companies);
- MAUD (new materials for low carbon production);
- TEAM (waste management).

The following projects can be labelled as flagships of transformation (centres of excellence - pôle d’excellence):

- Eurasanté (technology park for health, life science, genetic engineering);
- Euratechnologies (incubator, business zone embedded in a newly developed urban centre of 100 ha);
- Euralille (major commercial and office centre).

Eurasanté111 park represents the result of a targeted development effort. The technology park for health, life science, pharmaceuticals and genetic engineering covers 303 ha and is situated within the Lille University Hospital complex. It is a major centre hosting seven hospitals, three university schools, an engineering and business school for biopharmaceuticals and over 100 companies in the fields of bio-technology, medical equipment, hospital engineering and an incubator centre. Smaller projects have been co-funded from ERDF.

110 LSE 2011, p. 44.
**Euratechnologies**

Euratechnologies was developed at the end of the 1990s as part of the major development zone *Rives de la Haute Deûle* which is a new urban centre of about 100 ha offering residential as well as commercial zones and a technology park. It is a major development zone targeting the renovation of an area along the Deûle canal, near Lille’s central area and major transport intersection. The core of the technology park is the EuraTechnologies Development Centre, a major business incubator in a centrally located building (*Le Blan-Lafont*, a revitalised, major industrial building). The centre targets in particular ICT companies. The project was part-funded from state and regional funds, the Metropolitan Area, the City of Lille and ERDF.

**Euralille**

Euralille ranks third in size of commercial centres in France (behind *La Défense* in Paris and *La_part-Dieu* in Lyon). It is a major commercial zone with shops, offices and residential areas in proximity of two TGV stations (Lille-Flandre and Lille-Europe) offering 740,000 m² for offices, retail trade etc. on a total area of 110 ha. Innovative housing of a high environmental quality is another asset at the second stage of the project. The first ideas for the development zone have been launched in the mid 1980s. The major impetus was the decision to extend the TGV network via the channel link to London in 1987.

Further important sites are:

- Haute-Borne Technology Park, near Villeneuve-d’Ascq, home mainly to hi-tech enterprises and research laboratories. Its proximity to Lille 1 University makes it a research centre of excellence in Europe. It accommodates several units connected to the French national organisation for scientific research.

- Zone de l’Union. Located in the heart of the Lille metropole, seeks to become a model of sustainable development combining housing, economic activity and services. This old industrial site of 80 ha is currently one of the largest urban regeneration projects in France. On completion, the Union site will provide work opportunities for some 4,000 employees and housing for 3,000 residents.

Other large development zones which are current and future focus of attention in urban development are:

- Railway station Saint-Sauveur (20 ha) in the city centre – the process of revitalisation has started with the renovation of several halls;

- former site of Fives Cail Babcock at Fives (20 ha);

- former site of Mossley at Hellemmes (3.2 ha), which has been declared as a zone for coordinated development (*Zone d'aménagement concerté – ZAC*) and is destined for a residential development.

### 3.3.5. Regional Cooperation for industrial heritage

The Mission for the Mining Basin (*Mission Bassin Minier*) as a cross-border regional cooperation supports partnerships and cooperation in the former coal mining basin, focused on the valorisation of the industrial heritage. One of the major efforts is to make the area part of the UNESCO heritage sites – a submission was to UNESCO in 2010.

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3.3.6. **Corresponding ERDF programme**

The Region Nord-Pas-de-Calais benefits from the Operational Programme “Nord-Pas-de-Calais 2007-2013” under the RCE objective. The funding provided by the EU through ERDF amounts to some EUR 701 million, representing some 4.9% of EU aid to France as part of the Cohesion policy for 2007-2013. In particular two priorities address the challenges of the old industrialised area:

- **Priority 1**: Research and development, innovation, enterprise policy (ERDF, EUR267 million or 47% of total investment) - it aims to strengthen and open up centres of excellence in four growth sectors (biology and health, transport, sustainable development, sciences and ICT)

- **Priority 4**: Territorial aspect (ERDF EUR117 million or 12.5% of total investment). This priority supports a policy of dealing with derelict sites by giving them priority where there are opportunities to redevelop them for business and other urban purposes.

3.4. **Bilbao**

Bilbao is the capital of Bizkaia\(^{118}\), one of the provinces in the Basque Country, an Autonomous Community of Spain. In 2005 the city counted 350,000 inhabitants and its metropolitan area about 900,000. It is situated in a valley along the river Nervión. The Atlantic sea port and good access to raw materials formed the basis for its wealth as commercial centre throughout the 16\(^{th}\) and 17\(^{th}\) centuries. “In the second half of the 19\(^{th}\) century, Bilbao rapidly developed into an industrial city, based upon the exploitation of nearby iron ore deposits. Coal was transported by sea along the coast from the region of Asturias to fuel the industrial revolution. Iron, steel and shipbuilding industries developed quickly. By the turn of the century, industrial growth was accompanied by the development of major service sector companies, especially in commerce and finance”\(^{119}\). In the 1950s and 1960s a massive industrialisation process focused on heavy industries. Large immigration and the construction of housing complexes in the limited space of the valley area have led to high population densities.\(^{120}\)

The industrial structure had been dominated by steel and shipbuilding industries. Industrial decline started in the mid 1970s and reached its peak in the 1980s. Between 1975 and 1995 a total of 60,000 manufacturing jobs – almost half of the existing industrial jobs – were lost in the metropolitan area\(^{121}\).

Due to generous lay-off schemes the social impact of de-industrialisation was mitigated for parts of the resident population. However, one major consequence was a steep increase of youth unemployment, which rose up to 50% in the 1980s. In addition the city was hit by a major flood in 1983. By the mid-1980s Bilbao was confronted with the key problems common to industrial cities: decaying housing stock in many quarters, derelict land with massive pollution problems and social tensions.

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\(^{118}\) Vizcaya in Spanish.


\(^{120}\) Plöger J., 2007, p. 7: between 1950 (216,000 inhabitants) and 1970 (410,000 inhabitants) the population almost doubled; population density in 2005 is 8,733 inhabitants per km\(^{2}\).

\(^{121}\) Plöger J., 2007, p. 10.
3.4.1. Major institutional drivers in the pathway to recovery

Regional autonomy \(^{122}\) is considered as an important enabling factor. However it is clear that all tiers of government had to cooperate in order to mitigate the effects of the crisis. Serious debates on possible pathways to recovery started in the mid-1980s and led to the Strategic Plan for the Revitalisation of the Bilbao Area in 1991 \(^{123}\). A major driver in implementation was the regeneration agency *Bilbao Metrópoli 30* - also founded in 1991 as a PPP with about 140 partners currently.

In its founding documents *Bilbao Metrópoli-30* identified four fields of action \(^{124}\):

- Formation of a knowledge-based high-tech sector;
- inner-city urban renewal; especially revitalisation of the Old Quarter;
- environmental intervention: river cleaning, industrial land recycling, implementation of Agenda 21;
- strengthening of identity through culture-led regeneration.

A second major step was the foundation of the *Bilbao Ria 2000* in 1992 as a major multi-level urban development corporation, taking a private sector approach in partnership with mainly public institutions. Between 1997 and 2006 about EUR 560 million have been invested, where a substantial part came from ERDF. \(^{125}\) The approach was inspired by the successful efforts of Barcelona starting in the 1980s.

3.4.2. Master plan with a project-based regeneration approach

The modernisation of the railway network and urban transport were one of the most important measures taken, since then major achievements have been made. The British architect Norman Foster designed the subway system running along the two river banks, completed in 1995. In subsequent years the regional and local government in partnership with *Bilbao Ria 2000* developed a tramway, while a new airport, supported by the national government and designed by the architect Santiago Calatrava, was inaugurated in 2000 \(^{126}\).

Another major investment refers to the waste water treatment which was in need of complete renewal. The construction work took place between 1984 and 2006 at a cost of EUR 1 billion \(^{127}\).

Redevelopment concentrated on the port area as well as the extensive rail freight network crossing the city. Examples of major projects for the rehabilitation of sites have been: \(^{128}\)

- **Bilbao port**: The revitalised and transformed port of Bilbao is a major economic factor (ranking fourth in Spain after Algeciras, Barcelona and Valencia). Currently the port is being expanded.

- **Abandoibarra area**: A former port facilities development site of 35 ha. The master plan for development was drafted by the architect Cesare Pelli requiring a massive public investment in order to overcome the reluctant contribution of the private sector. The site hosts inter alia the Guggenheim Museum, a conference centre and a shopping mall.

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\(^{122}\) Plöger J., 2007, p. 15: The Basque Country and its provinces have far reaching regional autonomy in terms of collecting tax revenues and taking decisions on the use of budgets.

\(^{123}\) Plöger J., 2007, p. 16.

\(^{124}\) Ibidem.

\(^{125}\) Moura (2008), p. 19: Ministry of Housing, Bilbao Port Authority, RENFE (Rail company), Barakaldo City Council (city part), Bilbao City Council, Regional Council of Vizcaya, Basque Government.

\(^{126}\) Ibidem.


Regional Strategies for Industrial Areas

- **Zorrozaure**: A peninsula occupied by mixed – mostly lower-value – harbour and industrial, as well as some residential buildings. The project involved restructuring and a future extension of Abandoibarra.

- In **Ametzola** new residential areas have been created at the premises of a former railway freight station.

- **Operation Galindo**, situated on 40 ha site of former steel works by the river, is a new urban quarter with mixed uses - a combination of residential and commercial zones.

- **Miribilla and Morro** disused mining areas on the hilly slopes south east of central Bilbao have been reclaimed and construction of new housing has taken place.

### 3.4.3. Economic restructuring

Bilbao has still a significant industrial core consisting of steel, energy production, machinery, aeronautics and IT. The naval industries that were the leaders have now disappeared. However, the service sector is the economic stronghold of the city now accounting for 75% of the economic added value

In the 1980s the Basque government founded an Agency focusing on industrial conversion **Sociedad para la Promoción y Reconversión Industrial** (SPRI). One of the flagship projects realised by the Agency in Bilbao is the Technology Park close to the airport accounting for about 8,000 jobs

### 3.4.4. Renewal of deprived neighbourhoods

Two agencies (**Surbisa and Lan Ekintza**) were founded to tackle social problems resulting from the urban crisis and structural change. **Surbisa** was set up as a neighbourhood renewal agency to work in the flood-damaged parts of the old city in 1985. **Lan Ekintza** was set up in 1998 to link persons threatened by social exclusion with job opportunities

The lack of social housing constitutes a major problem which was aggravated by the economic crisis and its impact on the Spanish real estate market (with its high share of owner-occupied dwellings)

### 3.4.5. Culture as major signal

Probably the most famous landmark is the the Guggenheim museum designed by architect Frank Gehry: when referring to key features of Bilbao’s pathway to recovery, the term **Guggenheim or Bilbao Effect** is frequently mentioned. With currently about 800,000 visitors per annum the museum undoubtedly has its place in the success of tourism and it is also an emblematic project with a visible economic knock-on effect.

The construction of the Bilbao Exhibition Centre is also important, as it allows the city to hold major international festivals (e.g **Semana Grande** a major cultural festival and the **Bilbao Live** festival introduced in 2006)

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132 Ponzini 2010, p. 1: the Museum inspired a play by Safdie – the Bilbao Effect – which is focused on a discourse on new urban design.
133 Moura (2008), p. 31.
3.4.6. The Role of Cohesion policy

In the period from 1994 to 2006 the Basque Country received about EUR 1.1 billion from ERDF and EUR 166 million from ESF. In addition three Community Initiatives had a considerable role in the transformation of Bilbao:

- RESIDER focused on the conversion of steel industries (1988-1997)
- RENAVAL for the conversion of shipbuilding industries (1988-1992)
- URBAN supporting neighbourhood programmes for deprived areas in Bilbao.

Cohesion policy supported major investments for restructuring including some of the flagship projects. Together with a support for regional empowerment, the funds are important to finance the high costs related to restructuring, refurbishment of land and tackling social exclusion problems.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. Industrial policy to support diversification at regional level

One of the important lessons to be drawn from the early years of industrial policy is that government interventions in support of specific sectors and “grands projets” tend to overestimate the risk of market failures and to underestimate the potential for failures in government interventions, as these tend to preserve existing structures and jobs. In practice, public policies are rarely able to act as “trail-blazers” in new technologies. Instead, industrial policy has been most successful when strongly linked to demand and in support of light-house projects that can act as a focus for further public and private investment.

There may, however, be inherent conflicts between national industrial policies and local/regional policies directed at specific industrial areas: The spatial concentration of economic activities leads to economies of scale and thus to welfare gains. Any attempt to counteract the tendency of firms to concentrate will lead to losses in efficiency and growth. Thus there is a trade off between local/regional policies that aim to maintain a production base (even in a declining area) and a growth oriented industrial policy. Structural funds authorities, particularly in RCE regions, usually have limited scope to influence framework conditions for industrial development or macro-economic and industrial policy. However, Cohesion policy may be integrated with national industrial policy in the Convergence countries.

Regions relying on a small number of industries are very vulnerable if these industries face a severe crisis. In contrast, a diversified economy that combines well-performing industrial and service sectors with a favourable business environment is the best basis for sustainable growth. European industrial policy needs to support international competitiveness, whereas national and regional strategies should lay the ground for a diversified industrial structure.

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<th>RECOMMENDATION</th>
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<td><strong>EUROPEAN LEVEL</strong></td>
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<td>1. Industrial policy at European level should support international competitiveness and growth. In parallel, Cohesion policy should assist cities and regions to find pathways to industrial development and regeneration.</td>
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| **MEMBER STATE LEVEL** |
| 2. National industrial policies need to ensure resilience in the face of further potential crises by enabling cities and regions to develop diversified economic structures, notably through horizontal policy measures. This is especially important in Convergence countries, where Cohesion policy co-funds national industrial and economic development policies. |

| **LOCAL AND REGIONAL LEVEL** |
| 3. Strategies for cities and regions, especially those with a historic legacy of old industries, need to promote diversified development, without over-fragmenting policy goals and investment. A narrow focus on individual industries (or one or two clusters) risks nourishing the declining areas of tomorrow. Cohesion policy programme strategies should reflect the need to build resilience against crisis. |

135 In Regional policy the focus also has shifted from compensation to competitiveness. Thus Cohesion policy with an emphasis on Lisbon and Europe 2020 has been gradually converging with goals of industrial policy.
4.2. Specific support for old industrialised regions

Since the beginning of 2000s the reorientation of Cohesion policy towards “regional competitiveness” and RTDI measures in connection with the Lisbon strategy has shifted the policy focus away from OIR and industrial regeneration. However, the lack of capital, technological and human assets and the legacy of deindustrialisation may mean that OIR have difficulties in competing for scarce RTDI-related funds compared to regions with stronger endowments of human and physical capital. The problems of OIR do not necessarily lie in poor productivity levels but instead in their historic over-reliance on a narrow group of industries, physical decline and the lack of appropriate technological, human, productive, and financial capital. One challenge in OIR is that physical regeneration takes decades, rather than years, and is very costly; for example, only around 1% of the housing stock can be renewed each year. In addition to housing renovation, OIR typically need significant investment in land reclamation and infrastructure renewal and, in general, funding needs exceed the capacities of local public bodies.

The current draft of the ERDF Regulation for 2014-20136 includes substantial scope for supporting productive investments (Art 3), and nearly all of these investment priorities may be applied in an urban or industrialized context. Some explicitly target actions for deprived urban areas, especially the following:

- improving the urban environment and the regeneration of brownfield sites (Art 5, par 6e),
- supporting employment friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions...(Art 5, par 8b),
- local development initiatives and aid for structures providing neighbourhood services to create new jobs (Art 5, par 8c)
- investing in health and social infrastructure (Art 5, par 9a)
- supporting the physical economic and social regeneration of deprived urban communities and areas (Art 5, par 9b)

However, restructuring is not only a question of the availability of funding, but also of integrated strategies. Recent research has focused on the question of why some regions and their RIS are better able to promote path renewal or creation. A key concept refers to the “variety” (diversity) of economic structures, institutions and knowledge bases, i.e. the transformational capacity of a region is positively correlated with variety. A further distinction concerns “related” and “unrelated” variety. Related variety (diversity that builds upon competences available in the region) seems to be more beneficial, as it draws on complementarities with existing industries and knowledge. Connections to knowledge sources outside the RIS are considered to be particularly important to ensure variety and on-going innovation. Unrelated variety (e.g. emergence of an entirely new industry) might protect the region against external shocks, but it seems more difficult to achieve and less sustainable in the long term.

The EC currently favours the “smart specialisation approach”. The main difference between this new approach and traditional innovation and industrial policy frameworks is the focus

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on the "entrepreneurial discovery process", where an entrepreneur realises that a product or a service can be produced by combining existing capacities and local knowledge. Clusters are seen as an important building block of smart specialisation. At an operational level smart specialisation mainly refers to vertical policies at regional level that are targeted at the local innovation system. Thus they can be considered as a mix of modern industrial policy with regional innovation policy that fosters a bottom-up approach (entrepreneurial discovery), transparency (monitoring and evaluation) and flexibility (experimentation) 137. Key objectives include the involvement of local actors in the selection of policy priorities and the profiling of a region, multi-level coordination, a focus on key enabling technologies138 for supporting eco-innovation, the integration of eco-system services into smart specialisation strategies, and research and innovation into sustainable energy139.

The “smart specialisation” approach is consistent with the concepts of new regionalism, regional innovation systems and transformation as well as “related variety”, and suggests the need for strategies that are tailored to individual regions. However, the trend towards directing Cohesion policy support towards R&D and innovation has some shortcomings, as R&D capacities vary across regions.140 Simply increasing R&D spending in all regions would not guarantee equally efficient knowledge production because actors in some regions will be better able to combine and apply different knowledge inputs to achieve greater outputs. Thus, no single blueprint for Structural Fund programmes is appropriate for all regions. While some regions are able to engage in strongly innovative and creative diversification strategies, others will be better placed to specialise in imitative innovation, and others still may need to focus on less innovative, niche forms of production. Also the concept of specialisation might be of limited use, especially if regions try to exit a pathway of single-industry structure. In such cases diversification may be a more appropriate strategic choice.

The new draft regulation also emphasizes sustainable urban development: “The ERDF shall support, within operational programmes, sustainable urban development through strategies setting out integrated actions to tackle the economic, environmental, climate and social challenges affecting urban areas.”

Already in the current period 2007-13 Cohesion policy provides considerable support for industrial reconversion and urban regeneration, covering a range of themes and approaches. However, there is significant variation between Member States, depending on the focus of domestic policies as well as the effectiveness of local/regional institutions and their capacities. Moreover, some Member States (notably the Convergence countries) face nationwide challenges in terms of the need to upgrade the basic conditions for economic development, including major infrastructure networks, business and innovation support mechanisms and human capital development. But it is not so much the range of measures eligible for Cohesion policy support that matters, but much more the role urban authorities are able to play in operational programmes. This role is defined by domestic decisions and institutional frameworks, and rarely are urban authorities involved at a strategic level.

138 Like nanotechnology, micro- and nanoelectronics including semiconductors, advanced materials, biotechnology and photonics.
Furthermore one might raise the question whether new approaches introduced by Cohesion policy are appropriate for structurally weaker urban areas and regions, which often lack the institutional and bottom-up capacity to build effective local partnerships for “smart specialisation” and to deal with the administrative complexity of instruments such as JESSICA or the requirements of smart specialisation strategies.

**RECOMMENDATION**

| **EUROPEAN LEVEL** | 1. Research, evaluation and reporting related to Cohesion policy needs to include the topic of old industrialized regions. It is important to acknowledge the specific problems of these areas and the long-term action needed by public and private actors.  
2. The Commission should assess the situation in old industrialized areas and take a view on the state of play. Efforts are needed to define such areas and provide information on their long-term development, as well as to assess the success or otherwise of reconversion strategies, the degree of resilience against future crises and the role of Cohesion policy.  
3. The relationship between the scale of investment needs and the availability of European funding should be assessed in OIR relative to other regions.  
4. The European Parliament should emphasize the importance of involving urban authorities in Cohesion policy as decision maker and stakeholder at strategic level. Establishing operational programmes specifically targeted at sustainable urban development – including conversion – are one option that should be advocated by the Parliament. |
| **MEMBER STATE LEVEL** | 5. Member States should ensure that OIR receive sufficient support to invest in physical rehabilitation and future development, not least in the context of scarce public resources. Member States should be requested to indicate how they intend to allocate funds between different types of region. |
| **LOCAL AND REGIONAL LEVEL** | 6. “Blueprint strategies” related to smart and sustainable growth are general guidelines. However, for OIR it is of vital importance to take actions that go beyond the scope of Cohesion policy.  
7. Cohesion policy should support cities and regions to invest in the renewal of capital stock (housing, infrastructure, land) and focus funds in such a way that investment is visible and makes a clear difference (e.g. through flagship projects with high leverage effects).  
8. Cohesion policy should also support long term strategies for integrated development in OIR and set out plans for lead projects, actions and financial sources. Such activities may be supported by governance mechanisms foreseen in the draft Integrated Territorial Investment (according to Art 99 of the Common Provisions Draft Regulation) and sustainable urban development as foreseen in Art 7 of the draft ERDF regulations (see below). |
4.3. **Examples for successful conversion strategies and future integrated territorial investment for the 2014-2020 period**

The four cities analysed show many common challenges and similar strategic perspectives. The case studies focus on a narrow definition of urban development, emphasising the interlinkage between economic, social and ecological strategies. Issues related to governance and leadership have not been touched, as they are rarely covered in reports on reconversion.

Urban areas face common challenges, regardless of whether the economic base is narrowly industrial or more diversified. These challenges relate to urban sprawl, transport systems for inter/national accessibility, sustainable and intelligent local transport, and the rehabilitation of old housing stock. In addition, however, old industrial cities need to ensure the reconversion of substantial derelict sites in order to improve the city's image and growth perspectives. Land reclamation is expensive and is usually left to public authorities. This in turn implies the need for support from national and regional levels, particularly because a long history of decline means that these cities are typically not wealthy. In each of the cases analysed, turnaround has required massive support from national, regional and private sources, which has been combined with support from the city itself.

The following bundle of measures aimed at **upgrading the urban space** has been taken by the four industrial cities:

- The rehabilitation of deprived neighbourhoods and the restructuring of parts of the housing stock are long term tasks and require substantial investment. Adequate organisations to conduct the work and a proper regulatory framework are required to attract private funding.

- Site regeneration is one of the major challenges. Particular agencies often act as intermediaries in this field. In the case of Essen, this work involved cooperation between the Land, an industrial real estate agency and the local authority; in Lille, the key actor was the agency for urban development; in Manchester, the New East Manchester Development Ltd (an urban development corporation); and in Bilbao, regeneration agencies. These agencies need to act across administrative borders, as such development issues usually exceed the capacities and scope of action of a single local authority.

- Accessibility at local, regional, national and international level plays a key role in defining new development opportunities. At local or inter-urban levels, underground transport networks (e.g. Metrolink Manchester) are decisive for site development, while stations with access to high-speed rail networks (TGV in Lille) or airports (in Manchester) provide a major stimulus for large scale developments.

- The upgrading of the city centre (renovation, public space, pedestrian zones, cultural sites etc.) is a key step for the emergence of a new urban image but also for economic restructuring in the sense of tertiarisation. These considerations are particularly marked in the strategy of Manchester which emphasises the need to develop the role of the centre from an economic perspective. However, in all four cases, the upgrading of the city centre is a distinct strategic element.
The cities have chosen different strategies to attract promising growth sectors:

- Business and financial services as well as ICT are seen as the core industries of a diversified service sector. All four cities seek to develop commercial zones of high quality in proximity to their centres or in nearby locations with excellent accessibility in order to attract companies in these sectors (e.g. Euralille in Lille or Central Park in Manchester or Essen’s university quarter).

- Incubator centres and/or technology parks with a distinct specialisation play an important role (e.g. the Eurasanté and Euratechnology in Lille, the planned developments around the South Manchester Hospital or the ComIn in Essen).

- These cities highlight their endowment with universities as a particular asset in the transformation process – be it as a focal point for a technology park such as Eurasanté in Lille or for the development of a new urban quarter in Essen.

- Health is seen as a growth sector – due to demographic developments (ageing population) but also due to past strengths (i.e. the concentration of workers in the past led to the development and expansion of health services and also to achievements in medical research).

- Creative industries are also seen as important for a change of the image – foremost in conjunction with the focus on culture (see below).

Another set of common features relates to flagship projects: each of the four cities has had several projects with a clear symbolic character that have contributed to a new image and new pathways. These are often special pieces of architecture (such the Guggenheim Museum in Bilbao, the International Construction Exhibition and Thyssen Krupp headquarters in Essen or the Euralille centre in Lille).

**Culture** plays a major role in changing the city’s image. For example, both Lille (2004) and Essen (2010) have been Cultural Capitals of Europe. Both cities also highlight the role of design as an important aspect of an innovative service sector.

Last but not least, cooperation makes the difference when it comes to long-term tasks of reconversion. All examples clearly point out the need – and the actions taken – for various types of inter-institutional cooperation:

First, there is a need for cooperation between different administrative units. In all four cities, such approaches have been taken, e.g. with the Association of the Ruhr Area (Ruhrverband, one of the oldest planning associations in Europe, to which local authorities have delegated administrative planning competences), the Greater Manchester Combined Authority or the Lille Urban Area (LMCU). In these densely populated industrial conurbations, the coordination of major issues (such as transport, the development of green zones or the delimitation of major development areas) affect more than one administrative unit and thus need joint planning, finance and implementation. One interesting example is the creation of a structure for cross-border development along the former coal mining basin in the Lille Metropolitan Area.

Second, public institutions need to collaborate with private investors to provide and manage the huge investments required. Again, the cities have various forms of public-private partnerships for land, housing and infrastructure development (e.g. the Agency focusing on industrial conversion in Bilbao (SPRI));
Third, collaboration between planning, economic development, RTDI and labour market and social inclusion departments are sought, at urban (and functional region) level, as well as between national and regional levels. All major players need to be involved in the development and support of long-term strategies. All four examples have had such a strategic framework.\textsuperscript{141}

The contribution of Cohesion policy seems to be important, although quantitative information is rarely available (as financial allocations are not reported on a territorial basis). Project examples in the four cities show that the ERDF has been used mainly to upgrade urban road infrastructure and to support flagship projects in brown field rehabilitation and the innovative use of industrial heritage (e.g. for incubators). Given the magnitude of the tasks, however, the ERDF plays a marginal role as compared to national and regional investments, in particular in the case of RCE programmes. Under the Convergence Objective (e.g., in the case of industrial cities in the EU-12), the ERDF co-finances larger scale investments and thus plays a larger role. From the four cases studied, it seems that the role of the ERDF has been larger than that of the ESF (e.g. the Basque country received about EUR 1.1 billion in 1994-2006 from the ERDF, and EUR 166 million from the ESF). Comparative figures for the other cities were not available, but there is an indication that Manchester city realised a total of 140 projects with approximately EUR 100 million from 2000 to 2006.

One of the shortcomings of many ERDF programmes, however, is their lack of territorial approach. Programmes usually do not explicitly allocate funds at a territorial level below the programme, and this can create difficulties in integrating regional and local strategies. A key reason is that a more decentralised earmarking of funding would limit the scope of action of the Managing Authority, and open the field for bargaining by local authorities for ex-ante allocations, as has been stated in the case of German Länder.

A further issue is the complexity of EU implementing rules (and their interaction with domestic rules). In particular, the administrative complexity and time needed to make formal changes to Structural Fund programmes (e.g. if major projects face unforeseen difficulties) create an incentive for Managing Authorities to avoid the detailed pre-allocation of funding to specific projects or cities.

In addition, local urban authorities often lack the ability to integrate their industrial development strategy into structural funds programmes, partly due to the multiplicity of applicants from different sectors or possibly also due to their own limited capacities (particularly in structurally weaker regions). Local authorities may even lack information on the global structural funds allocation to their territory, especially if project owners and implementing agencies are outside the urban administration.

These difficulties, however, vary across Member States, depending for example on the extent to which national or regional authorities prioritise the allocation of funding for urban development or city-regions as a key component for broader regional development or renewal. A further major source of variation is the extent to which Member States face major developmental challenges at national or regional levels in terms of core infrastructure, human capital and business/innovation support. In some of the Convergence countries, the challenges at national/regional level are such that a more limited focus on territorial or bottom-up strategies may be appropriate.

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\textsuperscript{141} This briefing note does not have the scope to assess the quality of the collaboration.
It is also worthwhile to mention that rural development has found institutionalised ways of dealing with a territorially bound policy (the LEADER approach), but for urban areas such a focus is missing. LEADER has a unique approach that focuses on how to proceed with rural development (rather than “what needs to be done”). The key features are an area based strategy, that is elaborated and implemented in a bottom up way and requires integrated and multisectoral actions, a local action group that includes private and public partners, and networking and exchange of experience. The new regulation picks up this approach in the method of “Community led local development”. In urban areas this could be a useful approach for integrating urban areas with surrounding communities (if these are separated by administrative boundaries). Still, some requirements, especially the need to establish a local action group with at least 51% participation of the private sector, might be too demanding for some local and urban authorities.

Another important role of the ERDF has been to provide incentives for new themes and approaches. The Community Initiative URBAN had a major role in generating and shaping knowledge on urban policies, while URBACT is important in encouraging the sharing the knowledge across Europe. Renval and Resider in the past focused explicitly on the restructuring issues but such dedicated policy approaches are currently left to the discretion of the Member States.

Finally the legislative framework of the Structural Funds usually has a significant impact on policy delivery systems - although impact is conditioned by the administrative set-up of the individual Member States. Even in countries/regions where the Structural Funds provides only limited funding (e.g. France or the old German Länder), requirements relating to multi-annual programming and the coordination of national, regional and local authorities have shaped systems. Moreover, in Manchester (UK), ERDF support is perceived as particularly suitable for supporting projects tailored to local needs (as it has allowed greater flexibility than some national schemes).

4.4. Integrated territorial investment and sustainable urban development in the new draft regulations

Before moving to the recommendations, it should be noted that the draft Structural Funds regulations offer a wide array of funding options under 11 thematic objectives (see 4.2). The funding possibilities in the new regulation provide a good range of measures for supporting industrial conversion. However, the question is much more how to involve city authorities appropriately as players in structural funds programmes, particularly with a view to allowing them to take on a role that goes beyond project promoters and recipients of funds for individual projects. In many Member States the current programmes do not foresee such specific roles for cities and most probably the new programmes will not change much in this respect.

Most important for old industrialised regions is the possibility to integrate their strategy into an operational programme and decide on specific projects to be implemented within the scope of the strategy. The draft regulation sets out the new option of funding “Integrated Territorial Investment Strategies”. According to the draft regulations, at least 5% of ERDF funds should be allocated to integrated actions for sustainable urban development, with
management tasks being delegated to cities through Integrated Territorial Investments142. ITI are one of the substantial innovations of the draft regulations.

If this proposal is accepted, it would imply that a substantial amount of funds from the various thematic objectives would be managed (in some form) by cities or local authorities. The fact sheet on ITI143 explains the key elements as (see also 0

- a designated territory and an integrated territorial development strategy,
- a package of actions to be implemented,
- governance arrangements to manage the ITI.

The establishment of such an ITI would enable urban areas to establish a specific strategy that would be integrated into an Operational Programme. An ITI could be established at various levels, from sub-urban to functional urban areas and could help to overcome the problems of fragmentation across administrative boundaries. ITI could also integrate funding from various sources (including the ERDF, ESF and Cohesion Fund) and link the long-term local strategic plan with Cohesion Policy. Such a plan could also outline how an urban area would strive to obtain Structural Funds resources for a package of projects with various themes (e.g. SMEs, innovation, transport and urban rehabilitation).

However, there is also a risk that goals of “integration” and “sustainability” could become window dressing for “what is essentially an unconnected list of investments drawn from existing priorities”144. The factsheet on ITIs reinforces this point by specifying that “ITIs can only be effectively used if the specific geographic area concerned has an integrated cross-sectoral territorial strategy”. Lessons from the URBACT network pinpoint that it is important to link current challenges with integrated local development concepts145.

There are also concerns about how the ITI proposals will be implemented in practice.146 One issue is the need to clarify issues of financial responsibility i.e. if the Managing Authority remains finally responsible for the financial control and audit of the ITI from an EU perspective, it would also need the scope to intervene to ensure, for example, that project eligibility rules were respected. A further issue is whether local authorities have the administrative capacity to deal with Structural Funds implementation rules, particularly in structurally weaker urban areas and regions. There is, for example, evidence that such local authorities have experienced difficulties in administering existing Structural Funds instruments such as JESSICA.147 In some cases, cities may therefore be better advised to apply for project funding rather than to establish their own ITI.

1. The Regulation should clearly set out the need to involve city authorities in the elaboration and implementation of operational programmes, if the programme covers such cities. However, the earmarking of a minimum amount of 5% does not seem appropriate, as there may be programmes without significant urban areas and others where such allocations need to be much higher to make a difference to these areas. It might be more appropriate to have specific operational programmes for urban areas.

2. The European Parliament should stress the importance of involving city authorities in programme elaboration and implementation, but also encourage them in establishing their own programmes (involving the authorities from the urban periphery). Programmes should include strategies for reconverting urban areas, as well as appropriate mechanisms for prioritizing projects and monitoring and evaluating the strategy.

3. The European Parliament should also encourage the more active participation of city authorities in Structural Funds programmes by supporting the development of forums that facilitate the exchange of best practice and lesson-learning, involving not only city authorities but also relevant authorities at Member State and regional levels.

4. ITI may be useful as a governance model to enable cities to work across administrative boundaries and across different programmes.

5. The EC should launch a guidance paper related to the reconversion of old industrialised urban regions explaining and illustrating the added value of the ITI concept. Especially the
### RECOMMENDATION

Aspects of “integration” and “sustainability” need to be emphasised.

6. Integration and sustainability imply the need to consider the cross-cutting dimensions of problems (physical, social, ecological, economic), including linkages and the involvement of all relevant actors. Furthermore, different levels of governments (from neighbouring cities, regional and national levels) need to be involved in an appropriate way.

7. The EC should clarify practical issues relating to the administration of ITI, particularly as concerns the division of formal implementation responsibilities (e.g. for financial management, control and audit) between the ITI and the Managing Authority.

<table>
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<tr>
<th>MEMBER STATE LEVEL</th>
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<tr>
<td>8. The national level is requested to consider the establishment of ITI for urban development and renewal in ERDF and ESF OPs, and to set out viable common solutions in the partnership agreement. Where ITI are seen as too complex in administrative terms (e.g. due to weak capacity in local authorities), programmes should still include an appropriate strategic focus on urban development/regeneration.</td>
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<tr>
<td>9. National authorities should also support ITI or broader urban renewal projects by allocating specific budgets for urban development purposes.</td>
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<tr>
<td>10. Where appropriate, national authorities should also assist local authorities (e.g. in structurally weaker regions) to build the types of administrative capacity needed to develop and implement broad-based urban development and regeneration strategies in future.</td>
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<table>
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<tr>
<th>LOCAL AND REGIONAL LEVEL</th>
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<tr>
<td>11. Where local actors form an ITI, it should:</td>
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<tr>
<td>a. Be specific about the problems it wants to tackle,</td>
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<tr>
<td>b. Cover the relevant territory (including declining and prosperous areas, crossing administrative boundaries),</td>
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<tr>
<td>c. Be based on a local action plan.</td>
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<td>12. Local action plans[^148] should include:</td>
</tr>
<tr>
<td>a. A clear analysis of needs and underlying problems,</td>
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<td>b. Stakeholder analysis to determine who should participate in identifying goals and objectives,</td>
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<tr>
<td>c. A feasible allocation of time, budgets and responsibilities,</td>
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<td>d. Monitoring and evaluation as a constant tool for learning and adapting implementation to reality,</td>
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<td>e. Networking, transnational cooperation and exchange of good practice.</td>
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<tr>
<td>13. Is also important to ensure integrated financial planning, drawing on the resources of local, regional and national authorities, as well as European funds.</td>
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</table>

[^148]: These recommendations are based on the analysis of Local Action Plans of over 300 cities, where URBACT has developed a series of recommendations and tools that can be used to develop such strategies (Soto P., Houk M., 2012a).
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<tr>
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<th>Energy</th>
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</table>
The table below shows the distribution of funds across various policy areas.

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</table>

**Notes**: Access to employment includes Employment reforms. Other includes Social inclusion, Social infrastructure, Culture, Outermost regions and Technical assistance.

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