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Conference Restructuring and European Policies - AgirE Project

EU regional policy & processes of large-scale restructuring

Impact of the Structural Funds and
obstacles to their mobilisation

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Outline

- The potential contribution of EU regional policy to managing and anticipating restructuring (1)
- The impact of EU Structural Funds in 2000-2006 period (2)
- Some obstacles to their mobilisation (3)



“The primary purpose of Community transfers is not to redistribute money. Instead, they are intended, through investment, to strengthen the economic base in recipient regions, including human capital formation.” (1st RESC, EC 1996, 10)

“The starting point for the Union’s structural policies must be to guarantee long-term support for the poorest regions, in view of the profound disparities which persist between the lagging regions (objective 1) and the rest.” (1st RESC, EC 1996, 128)

“The Structural Funds have been deployed, in particular, to reduce disparities in infrastructure and in human capital endowment between objective 1 regions and other parts of the EU.” (3rd RESC, EC 2004, xviii)

(1/1)

EU regional policy I

- Structural funds are the instruments of a major EU policy: regional and cohesion policy
- General aims
 - to reduce disparities between regions (countries) within the EU;
 - 2 dimensions: redistribution (targeting primarily certain areas) and development (via the measures that are financed)
 - origin dates back to the intensification of market integration and early enlargements
- Gradually associated w/ broader EU objectives: *economic growth, competitiveness, employment, sustainable development, subsidiarity, good governance incl. participation of civil society...*



(1/2)

EU regional policy II

- A development (public) policy integrating the role of regional and local governance
- With two distinctive features:
 - *Closest approximation of a policy for economic and social development at the EU level, supported by sizeable EU budget expenditure*
 - *main orientations defined centrally, but largely decentralised implementation, seeks to empower the regional / intermediary level of governance*
- The impact of structural funds should be analysed w/ ref. to these policy objectives
 - Are all these objectives compatible ? Can they be simultaneously achieved?

(1/3) **The impact of structural funds on regional development**

- Public policy rationale
 - *Substantive side*: provision of tangible public goods (public economics) and collective goods (local/regional development literature) that foster growth and competitiveness
 - *Governance side*: influence on regional economic governance and coordination among actors by redistributing resources and introducing new rules (intangible collective goods, based on local/regional development literature)
- Some collective goods may be best provided at the central level other at the local/ regional level



(1/4)

Restructuring as a process vs restructuring as an event

- Restructuring: solutions adopted by firms in need of adapting
- A relational view of the firm: embedded in institutional environment that provides both opportunities and constraints
- Restructuring as **a process** of constant adaptation (anticipation approach)
- Restructuring as **an event and a crisis** (crisis management approach)
- Policies ideally need to provide tools for both; they may be different kinds

(2/1) The substantive side of regional policy

- 3 objectives 2000-2006:
 - Obj. 1 - Development and structural adjustment of regions lagging behind
 - Obj. 2 - economic and social reconversion of regions facing structural difficulties
 - Obj. 3 - Human capital development
- two main funds: ERDF (primarily developing economic potential), ESF (human capital and inclusion measures)
- But: easier to develop infrastructure than to develop human capital
- Difficult evaluation of impact on growth and competitiveness
- Restructuring in a strict sense (reconversion of regions specialised in declining industries) explicitly in objective 2, but not enterprise restructuring as such.



ERDF 2000-2006 financed:

- Productive investment to create and safeguard jobs;
- Investment in infrastructure
- Obj 1: helps to increase economic potential
- Obj 1 & 2: diversification of economic sites, regeneration
- Development of endogenous potential by measures which encourage local development and SMEs (services for enterprises, transfer of technology, access to finance, infrastr...)

ESF 2000-2006 financed:

- Developing labour market and human resources, active LM policies,
- Promoting: equal opportunities;
- Training, education, counselling, lifelong learning;
- A skilled, trained and adaptable workforce, innovation and adaptability in work organisation, developing entrepreneurship and conditions facilitating job creation;
- Women's access to and participation in LM

(2/2)

Contribution of structural funds to development expenditure

Categories of expenditure share in total SF exp.	1994-1999 obj. 1	2000-2006 obj. 1	2000-2006 non-obj. 1
Productive environment	41	33,8	29,1
out of which: service & industry	19,9		
assistance to large businesses		1,9	1,1
assistance to SMEs and craft		9,5	14,6
RTD		6	4,5
Human resources	24,5	23,1	53,3
out of which:			
labour market policy	15,7	6,8	15,6
education and vocational training	1,6	7	10,5
entrepreneurship		4,9	11,8
Infrastructure	29,8	41,3	14,1
out of which:			
transport	15,7	19,8	3,5
telecommunications/IT	1,6	3,5	1,7
envt		12,8	7,5
other	4,6	1,8	3,4

(2/2b)

An example of successful reconversion w/ SF support

- Duisburg - Ruhr area with many jobs destroyed in mining and steel, deep crisis since 80's, successful restructuring into logistics cluster
- Strategy of prioritising one activity and attracting large firms building on locational advantage and provision of newly created collective competition goods (business services, phys. Infrastructure)
- ERDF and ESF support under obj 2 since 1989
- Clear and consistently pursued strategy, consulted with all actors to achieve consensus on direction but strong leadership of Land government essential to implement it

(2/3) Some actions financed by the ESF

- Improving employees capacities by investing in skills
 - Priorities ‘adaptability’ and ‘lifelong learning’ (2000-2006)
- Denmark: one case of company initiative to mobilise ESF funding to train the workforce in new technologies in order to improve competitiveness (transport company, financed ICT training for 150 employees out of 500)
- Ireland: role of National Training and Employment Agency and National Qualifications Authority as project leaders; projects to upgrade skills in specific sectors; national certification of skills them to make them portable from one employer to another
- Finland: consortium to help SMEs in declining sectors (metal industry) to cope with structural change, main beneficiaries were employees with outdated skills - those more at risk.

(2/4) **The Rover case: a tailored use of the funds to manage restructuring**

- When 6000 redundancies were announced in West Midlands, the EC and UK government task force quickly agreed on a readjustment of existing SF programmes to support workers who lost their job.
- Obj 2 - ESF&ERDF: wage subsidy to compensate employer during period of training; loan fund for those over 50 made redundant
- Obj 3 - ESF: emergency job search package and individual training plans. The Learning and Skills Council and Jobcentre Plus worked together to set up a package of concrete support measures.
- Long term perspective: diversify economic activity in the region, increase competitiveness, meet LM shortages in other activities
- 4000 people had found new jobs a year later.

(2/5)

The governance side of EU regional policy

- Planning and programming requirements aim to modify the governance of economic development
- EU regional policy as ‘procedural’ public policy:
 - makes available a range of rules and resources that national and subnational actors can use to regulate their affairs with each other
- Increased regionalisation following 1988 reform
 - but most often, regions come in at best at the developmental planning stage (to decide how to spend the money allocated), if not only at the level of implementation. National sectoral progr vs reg.
- Partnership principle, gradually broadened
 - from regional / local authorities to socio-economic partners, civil society...



(2/6)

In practice...

- Varying degrees of decentralisation across countries. SF programming remained largely done at the central level in some countries
- Some regions are more capable and active than others: often the economically best performing ones
- NMS: regional authorities are new. Competencies without fiscal and organizational resources.
- In some cases, SFs tend to finance existing national public policies rather than come as a complement to finance extra measures
- Risk of widening rather than bridging disparities

(3/1)

Conditions for successful SF mobilisation

- The national development plans and programmes are well-targeted
- Various actors are well informed about the opportunities provided by the funds; potential beneficiaries are aware of the kind of projects that can be financed and how to obtain support
- Actors at all levels are aware of the need to cooperate to define a regional or local development strategy. There are sufficient risks or gains to ensure cooperation and partnerships
- Relevant administrations are able to process the funds on time, in an adequate manner, and mobilise complementary finance
- Failing all this, the multilevel governance and implementation framework of the SF aim to build such capacities in the medium term - how successfully?

(3/2) Obstacles to the mobilisation of SF

- Is SF support available / put to good use where (most) needed? Not always > conditions
- Reluctance to give support to firms as such. Therefore firms are rarely a direct beneficiary of funds, access to funds is not obvious. But: Obj 2 targeting, restructuring line in programmes of certain countries (Poland 04-06)
- When funds are mobilised it is rarely at the initiative of the firm: often leading role of agencies, local or regional government.
- Funds tend to be mobilised around restructuring only when the event is large enough to be considered a serious national / regional / local concern. The reflection on regional and territorial strategies does not always precede the crisis

Conclusion & outlook

- If we take a broad view of restructuring, SF are very relevant.
- They provide more tools for anticipation than for crisis management
- Efficient mobilisation of SF is very much conditioned upon
 - the capacity to design good programmes with right priorities and implement them
 - the existence of strong intermediary actors and capable public administrations
- The governance side of SF in a longer term perspective is as important as substantive goals, but there may be a trade-off in the short term
- Coordination within countries and regions is crucial - but what about coordination across countries?