



EUROPEAN UNION

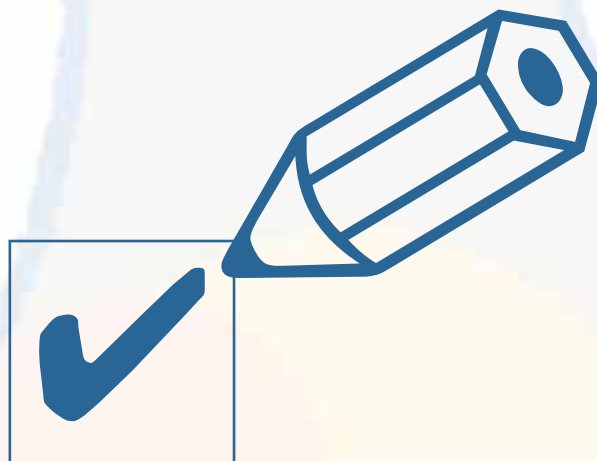


Committee of the Regions

# Survey

European Economic Recovery Plan  
in Regions & Cities:  
One Year On

January 2010  
Final Report





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## *PREFACE*

With the adoption of the European Economic Recovery Plan (EERP) in December 2008, the European Union and its Member States aimed to provide coordinated action to counteract the effects of the crisis.

The key objective of the survey is to assess how and with what effect the European Economic Recovery Plan is being implemented at grass roots level, as perceived by the EU local and regional authorities.

The Survey was launched in mid October 2009 with a final deadline on 30 November. In total, 74 questionnaires were submitted by local and regional authorities from 19 EU Member States (including *all* large Member States). The list can be found in Chapter 3. The sample of respondents is not representative of the situation in the EU as a whole, but it provides a snapshot of trends and case studies across the wide spectrum of authorities from large (e.g. Brussels, Eindhoven, Lodz, Munich) and smaller cities (Košice in Slovakia, Gijón in Spain, Solna in Sweden) as well as regions from Western (e.g. Flanders, Upper Normandy), Central-Eastern (e.g. Masovia, North Rhine-Westphalia), Northern (Uusimaa, Smaland) and Southern (e.g. Catalonia, Lombardy) Europe. Information provided by contributors was updated as of the end of November 2009.

By presenting the survey results at the 5<sup>th</sup> Territorial Dialogue for Growth and Jobs, co-organised with the Spanish Presidency and with the participation of the European Commission, the CoR is contributing to the EU debate and policymaking in advance of the 2010 Spring European Council that will take stock of ongoing anti-crisis measures and will make a decision regarding the future Strategy for Sustainable Growth and Jobs.

In April 2009, the Committee of the Regions adopted an Opinion on the European Economic Recovery Plan and the Role of Local and Regional Authorities (CdR 12/2009, rapporteur - Dietmar Brockes, DE/ALDE, available at <https://toad.cor.europa.eu/>), calling for the important role of local and regional authorities in overcoming the economic and financial crisis to be taken into account. The CoR also urges that "the regions assess the implementation of measures within the framework of the best practice approach" (CdR 12/2009) and calls "for the evaluation of the impact of the various recovery plans in the European regions" (The CoR Bureau Document "The Economic Crisis and its Local and regional Impact -Thematic Debate", CdR 196/2009 item 6). This survey is a direct response to these two calls.

The content of the report does not necessarily represent the viewpoint of the Committee of the Regions.

## 1. KEY FINDINGS

### *The economic and financial crisis has hit hard and is far from being over*

- 1) Regions and cities have been hit hard by the economic and financial crisis:
  - Unemployment is on the rise,
  - Companies are experiencing reduced turnover, insufficient credit and liquidity constraints.
- 2) Public finances at the regional and local levels are under pressure because of lower revenues, increased social and welfare expenditure and lower commitments for future budgets.
  - As a consequence, local and regional authorities are experiencing increased difficulties in managing current expenses.
- 3) The impact of the crisis is unevenly distributed across sectors and regions, which reflect different economic strengths and a territorially differentiated mix of economic sectors.
- 4) The perception of the economic and employment outlook for 2010 is very pessimistic.

### *Policy response is ongoing in most regions and cities with significant recourse to EU policy instruments*

- 5) 85% of respondents have introduced anti-crisis measures.
  - In total, 60% of respondents have adopted *comprehensive* anti-crisis (regional or local) strategies or action plans, while others have made extensive use of existing policy instruments.
- 6) In most cases, respondents' concern for rising unemployment has translated into emergency measures to maintain existing jobs and/or provide financial support for SMEs.
  - However, some local and regional authorities have looked beyond the emergency, adopting structural measures such as longer term projects related to innovation or energy efficiency measures. The aim of contributing to the Lisbon Strategy goals is often explicit here, with the EERP quoted as being crucial to setting the course for new types of investment.
- 7) The European Social Fund and the European Regional Development Fund have been widely used as financial support for local and regional measures.
- 8) In thematic terms, broadband infrastructure projects and extraordinary investments in rural areas is where additional EERP measures have been used most.

### *Lack of coordination between government levels and slow implementation weaken the perception of the EERP at the regional and local level*

- 9) Knowledge about the EERP and perception of its contribution to countering the crisis are still limited. The Plan seems to be making only slow progress across the EU, due to:
  - The perception of a "time-lag between economic recovery and a recovery with decent work opportunities" (as the ILO recently put it);

- The perceived lack of coordination between the local/regional, national and EU government levels, in spite of the fact that many ongoing local or regional anti-crisis action plans are in line with the EERP;
- The slow pace at which actions implementing the Plan and their impact become visible at the regional level.

***Key policy responses for 2010 to be a year of recovery in regions and cities***

- 10) 2010 will prove to be pivotal for regions and cities.
  - Concern expressed by respondents about 2009 and the outlook for 2010 is confirmed by several other sources introduced in the "Background Information" chapter.
- 11) The findings of this survey support the CoR view that multilevel governance is needed to implement the EERP in the most effective way possible, promoting economic recovery in the EU.
  - In fact, cooperation between the local and regional authorities as well as partnership between these authorities and the private sector have proved successful in many instances in shaping urgent anti-crisis policy plans.
  - However, as pointed out by respondents, there is still much to be improved in terms of cooperation between the grass roots level and the national level on the one hand, and the national level and the EU level on the other.
- 12) The effects of the crisis might result in weakened territorial cohesion if it is not countered by policies targeting specific problems in a differentiated manner.
  - The uneven manner in which the impact of the crisis is perceived across regions reflects different competitive starting points and means different long-term outlooks as well as varying degrees of recourse to anti-crisis measures offered by the EU.

## 2. SURVEY RESULTS

### 2.1 THE ECONOMIC AND FINANCIAL CRISIS HAS HIT HARD AND IS FAR FROM BEING OVER

*Reduction of companies' activities, diminishing access to credits for SMEs and households, liquidity problems and a rise in unemployment have been the most common effects of the crisis in respondents' areas...*

**How the crisis has hit regions and cities: socio-economic situation  
(January 2009 – November 2009)**

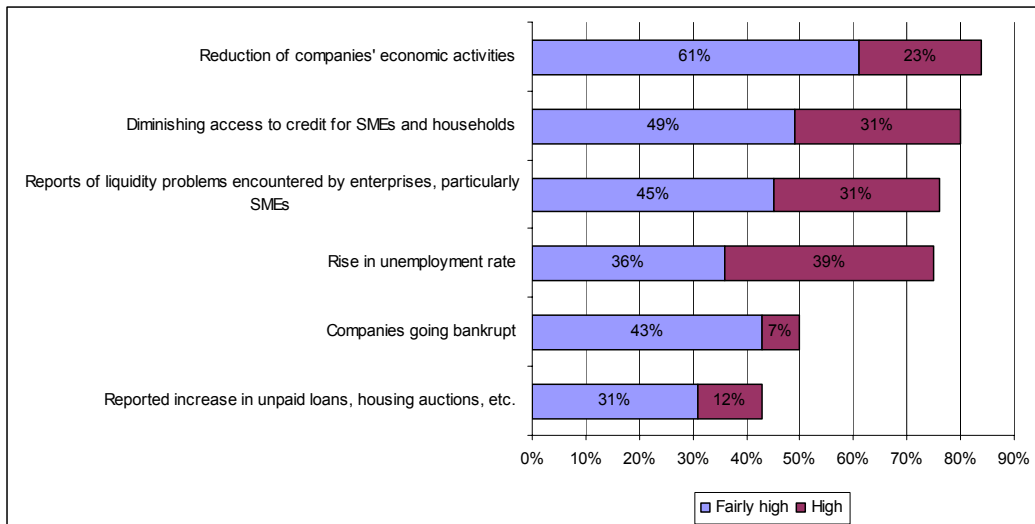


Chart 1: Which of the following trends occurred in your respective area in the January 2009 – November 2009 period as a result of the ongoing economic and financial crisis and indicate the extent of these trends (possible ratings 1 = none 2 = fairly low 3 = fairly high 4 = high; more than one answer possible)

Over three-quarters of respondents indicated reduced economic activities within companies, limited access to credits, liquidity problems and a rise in the unemployment rate as trends that have occurred to a "fairly high" or "high" extent in the period January 2009 – November 2009 in their respective areas. In particular, nearly 4 out of 10 contributors were reporting that the rising unemployment had been at a "high" level. On the other hand, there were fewer cases of companies going bankrupt and reported increases in unpaid loans or housing auctions with around 10% of respondents declaring these two trends were absent in their regions.

The European Labour Force Survey (ELFS) by Eurostat provides detailed data on employment and unemployment rates on the NUTS 2 level. In total, comparing the unemployment rate in the second quarter of 2008 and the second quarter of 2009, the labour market situation worsened in 78% of NUTS 2 units (see the "Background Information" section for more comprehensive overview).

*... and, when it comes to the impact of the crisis on the management of the resources of respondents' administrations, reduction in tax revenues, lower commitments for 2010 budgets and increased expenditure of social and welfare services top of the list of the respondents' most burning concerns.*



### How the crisis hit regions and cities: administrations' budgetary situation (January 2009 – November 2009)

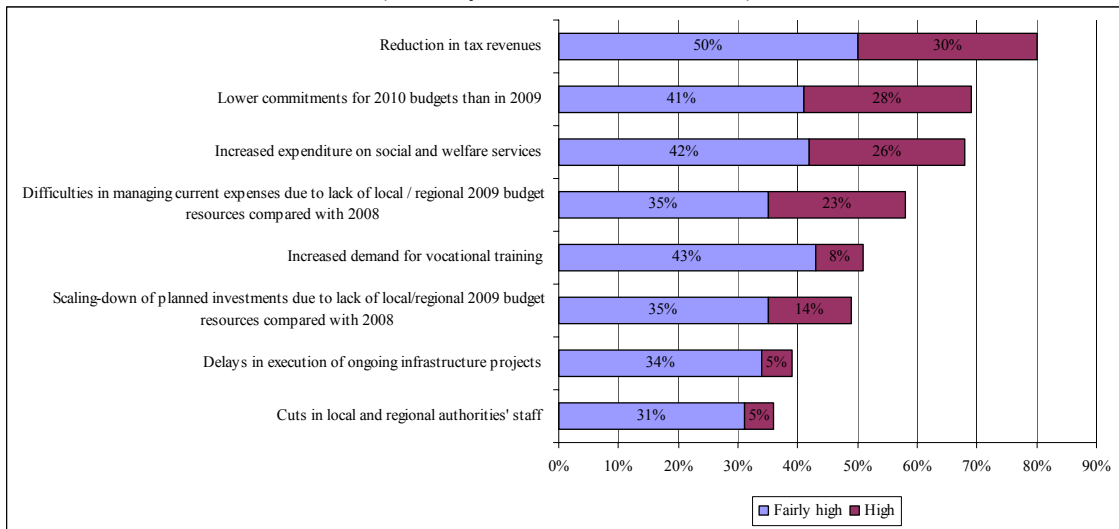


Chart 2: Which of the following trends occurred in your respective area in the January 2009 – November 2009 period as a result of the ongoing economic and financial crisis and indicate the extent of these trends (possible ratings 1 = none 2 = fairly low 3 = fairly high 4 = high; more than one answer possible).

Eight out of ten respondents mentioned the "reduction in tax revenues" in their respective areas as being to a "fairly high" or "high" extent. Around one quarter of respondents marked "high" next to the "reduction in tax revenues" box along with "lower budgetary commitments for 2010" and "difficulties in managing current expenses". 65% of respondents reported "increased expenditure on social and welfare services" due to the impact of the crisis. 40% and 51% of respondents respectively indicated that "delays in execution of ongoing infrastructure projects" and "scaling down of planned investments" had occurred to a "fairly high" and "high" extent. On the other hand, in one in five of the cases, these two trends did not occur at all. In spite of the reported limited flow of financial resources, there had been no significant cuts in staff employed in local and regional administrations.

Sectors	affected by the crisis (% of respondents)	among those who selected it, how relevant is the sector in terms of employment ("high" & "fairly high" rating merged)
Construction	70	87
Metal products and machinery	35	84
Motor vehicles and other transport equipment	30	77
Tourism	30	69
Textiles, clothing, leather	26	70
Transportation and storage	25	89

Table 1: i) Top six sectors most affected by the crisis in respondents' area. Respondents were given a list of 14 sectors and were able to mark a maximum of five of them ii) The question was "What is the relevance for your area of each sector you have chosen in terms of employment"

Respondents were requested to indicate which sectors in their respective areas had been most affected by the crisis. The vast majority of them (seven out of ten) indicated the "construction" sector, while five other sectors were selected by between 25% - 35% of contributors. In order to evaluate the relevance of the sectors hit by the crisis, respondents that marked them were

subsequently asked to estimate how important these sectors were in terms of employment in their region. Over 80% of them estimated that there was a "fairly high" or "high" job market-related relevance for the following three sectors: "transportation and storage", "construction" and "metal products and machinery". Other sectors affected were also essential as job providers in respective regions and cities showing that the crisis provided an opportunity for industrial restructuring (see box below).

#### **Crisis and restructuring hit EU regions in an uneven manner**

The European Restructuring Monitor (ERM) of the European Foundation for the Improvement of Living and Working Conditions monitors the extent of restructuring in Europe and its consequences in terms of job loss and job creation across the EU. According to its latest findings, the traditional industrial/mining Slaskie (Upper Silesia) has been a top region on both lists showing regions with the most reported job losses as well as job gains in 2008-2009. Similarly, the Irish Southern and Eastern region figures in both charts.

Region name	Cases	Job losses
Slaskie (PL)	27	11,911
Southern and Eastern (IE)	45	11,172
Podkarpackie (PL)	21	8,672
Piemonte (IT)	22	6,520
Moravskoslezsko (CZ)	16	6,274
Vastsverige (SE)	22	5,386
Mazowieckie (PL)	15	4,999
Stredni Cechi (CZ)	6	4,995
Prov. Antwerpen (BE)	16	4,941
Cataluña (ES)	23	4,910

Table 2: Top Regions with most reported job losses, 2008-2009, (European Foundation for the Improvement of Living and Working Conditions 2009: p. 47)

Region name	Cases	Job gains
Slaskie (PL)	30	21,906
Lodzkie (PL)	15	12,960
Dolnoslaskie (PL)	36	8,564
Pays de la Loire (FR)	6	7,900
Zachodniopomorskie (PL)	15	6,480
Sud Muntenia (RO)	9	6,360
Southern and Eastern (IE)	26	5,451
Bucuresti (RO)	15	4,870
Lubuskie (PL)	14	4,695
Jihovychod (CZ)	7	4,480

Table 3: Top Regions with most reported job gains, 2008-2009 (European Foundation for the Improvement of Living and Working Conditions 2009: p.66)

***Expectations for 2010 are gloomy as very few anticipate an economic recovery or a decrease in unemployment rates in the short term.***

### Outlook for 2010

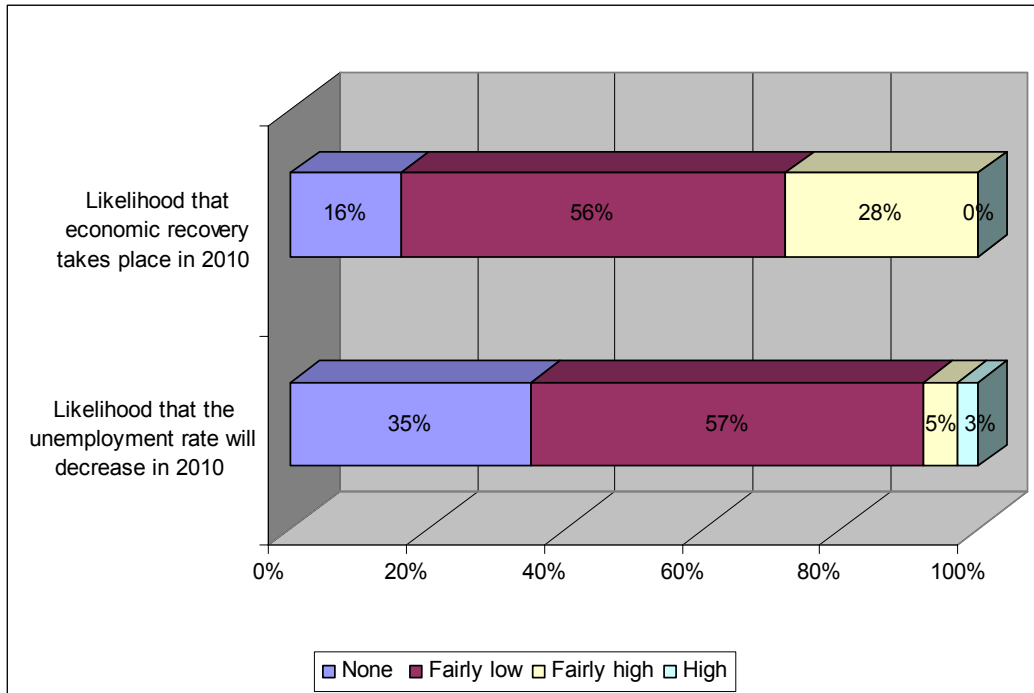


Chart 3: State your expectations of economic activity and employment trends for 2010 in your area.

Expectations among respondents for the recovery taking place in 2010 are quite low; around 73% of them are rather pessimistic (the likelihood being "none" or "fairly low"). The outlook in terms of the unemployment rate is even more pessimistic, with over 90% of contributors considering the likelihood that the unemployment rate will decrease in 2010 as being "none" or "fairly low". Some contributors noted that the effects of the crisis would also be seen in local and regional finances throughout the 2011-2013 period. Respondents mainly made their assessments on the basis of numbers provided by national ministries of finance (Lithuania), regional departments of economic and financial affairs (e.g. the Basque region), associations of local and regional authorities (e.g. the Swedish Association of Local Authorities & Regions, The Local Government Association in the UK), chambers of commerce (the Emilia Romagna Region), or national central banks (e.g. City of Košice in Slovakia) or own estimations.

**Employment situation still worsening in 2010 says the European Commission**

As estimated in the European Commission 2009 Autumn Forecast, GDP is expected to increase by the end of 2010 (compared to the end of 2009) in all Member States, yet the rate of unemployment is forecast to rise in 2010 in all Member States with the exception of Portugal and Romania (see the "Background Information" section for details).

## 2.2 POLICY RESPONSE IS ONGOING IN MOST REGIONS AND CITIES

### Overview of regional and local anti-crisis actions

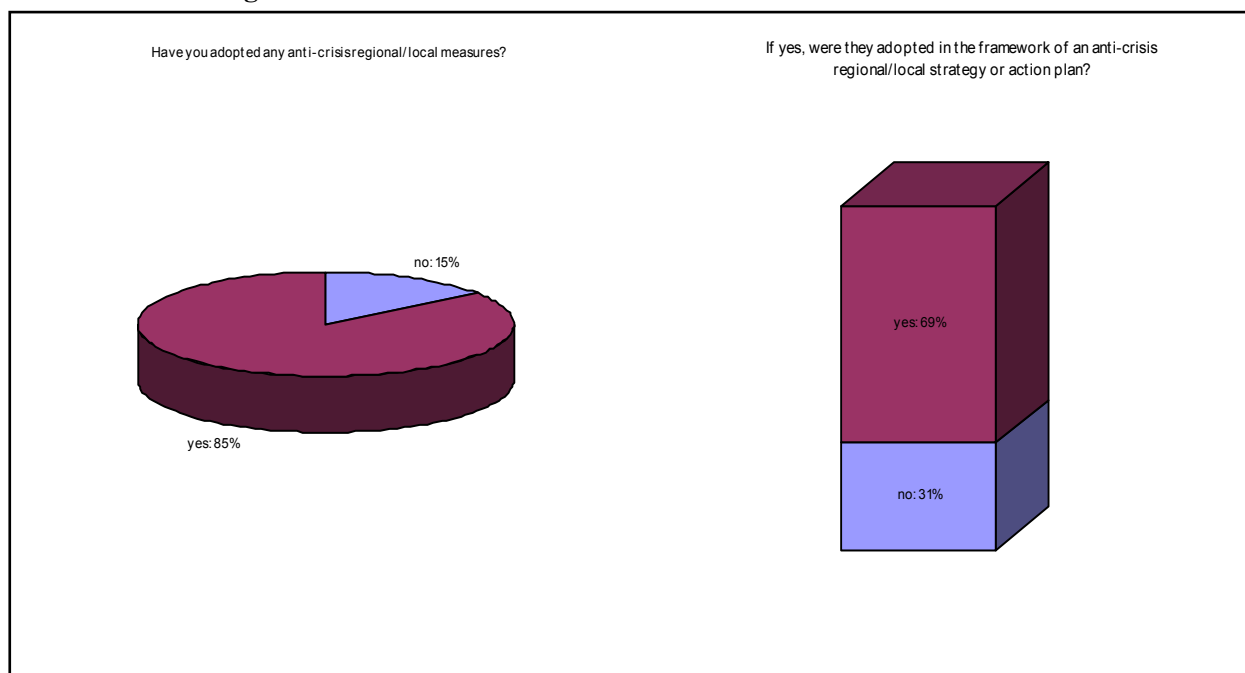


Chart 4 and 5: Have you adopted any regional/local anti-crisis measures? If yes, were they adopted in the framework of a regional/local anti-crisis strategy or action plan?

The most common types of local and regional anti-crisis actions were related to measures aimed at maintaining existing jobs and providing financial support for SMEs. On a smaller but still significant scale, respondents were providing information about measures to ensure rapid (re-)integration into the labour market and to support the most vulnerable, as well as projects related to energy efficiency and use of renewable energy. Several local/regional authorities responding to the survey introduced extraordinary physical infrastructure projects (i.e. approved to address the effects of the crisis) and R&D investments.

When it comes to funding of local and regional actions, the most common channels of financial resources have mostly been regional and local sources with national financial assistance coming second. Among the EU funding channels, the European Social Fund proved to be used most often by the respondents while the use of the European Regional Development Fund has been reported in fewer, but still a significant number of cases.

#### **EU Shared Commitment for Employment**

The Commission Communication from June 2009 proposes an EU Shared Commitment for Employment, aiming to strengthen cooperation between the Union and its Member States as well as between EU social partners, on the three key priorities (i.e. maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; increasing access to employment) focussing on concrete actions and supported by all available Community instruments, particularly the European Social Fund (ESF) and the Globalisation Adjustment Fund (European Commission 2009c). Following the EERP, most Member States have established national recovery plans including employment and social provision and, based on data collected by the European Commission, almost 300 measures have been identified as being introduced across the EU (European Commission 2009e: p. 41).

### **Regions follow the guidelines of the EERP**

Many regions and cities stated that their anti-crisis actions had been directly inspired by the guidelines of the EERP. The economic measures adopted by the Basque Government in response to the economic crisis follow the lines of the EERP. The guidelines (i.e. measures to encourage consumption and increase trust, and plans to strengthen business competitiveness in the long term, gearing spending towards smart investments) are incorporated into the +Euskadi 09 plan recently adopted by the Basque Government. The plan +Euskadi 09 is divided into 8 major areas of action (EUR 367 million). Four of these areas absorb the largest share of investment: infrastructure (EUR 75 million), employment and training (EUR 67 million), support for enterprises (EUR 63 million) and public works (EUR 48 million euros).

### **Even with limited resources, regions and cities do not limit their interventions to only one type of action**

Despite having only limited financial means to adopt comprehensive anti-crisis measures, Flevoland Province (NL) introduced projects in three fields: education, employment and infrastructure. Firstly, it made available funds (EUR 1.3 million) for developing educational projects (*Scholingsoffensief Flevoland*), in conjunction with other concerned parties in Flevoland, targeting people who have lost their jobs or who face unemployment. Secondly, it provided a contribution (EUR 150 000) for developing and/or extending the capacities of the Mobility Centre set up by Flevoland (an initiative of the Ministry of Social Affairs and Employment), in order to enhance its performance and scope. And thirdly, it accelerated two infrastructure projects: work on the Markermeer dike and on the Vollenhove bridge.

### **Working on long-term goals during the crisis – regions' contributions to the Lisbon Strategy and EU 2020 Strategy**

In the middle of 2009, the government of the Balearic Islands (ES) presented the Plan for Science, Technology and Innovation of the Balearic Islands (PCTI) 2009-2012, which aims to improve competitiveness through knowledge, technology and innovation. The main economic activity of the islands - tourism - needs to benefit from technological knowledge and is therefore the main focus of the plan. The plan - with a budget of over EUR 326 million - also pursues the goal of promoting scientific research of excellence particularly in the health and environment areas. In the context of the current economic slowdown, implementing the plan will enable the Islands move towards a different economic model, with a solid knowledge base.

## **Perception of the European Economic Recovery Plan and its specific measures**

The respondents were asked to evaluate key components of the European Economic Recovery Plan by estimating how its various elements contributed to counteracting the effects of the crisis in their regions and cities. It should be duly noted that answers should be treated with caution as the EERP was approved by the European Council in December 2008 and the extraordinary measures have been adopted gradually since then and will continue to be introduced in 2010. Moreover the effects of those already in place might not so far have been seen.

**Contribution of the Structural Funds to countering the crisis**

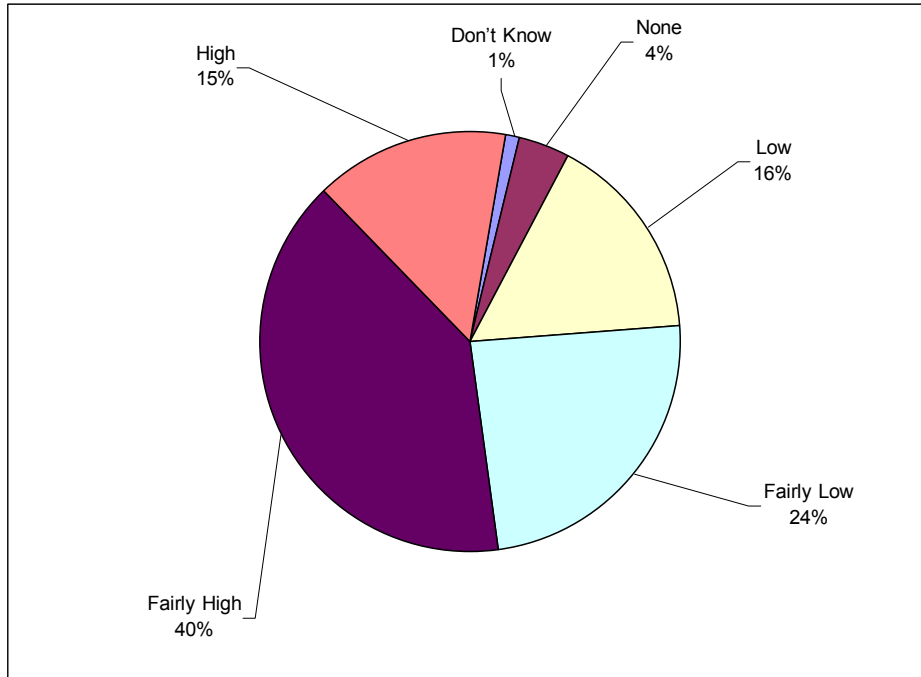


Chart 6: How do you rate the contribution made by the EU Structural Funds to counteracting the effects of the crisis in your region/city (% of respondents)?

Around 55% of the respondents rated the contribution of the Structural Funds to counteracting the effects of the crisis as "high" or "fairly high".

**Accelerated funding to introduce anti-crisis measures**

The Brussels Capital Region brought forward the implementation of financing from the structural funds in order to start projects faster. The Convention of Scottish Local Authorities (COSLA) has been working with the Scottish Government and partners to maximize EU funding both in terms of grants (ERDF) and loans (EIB). They are at the exploratory stages of working towards establishing a JESSICA fund in Scotland. The Scottish Economic Recovery Programme (subsequently updated in June 2009) contains a number of key schemes that target local economic activity. This year should see accelerated funding in a number of areas (e.g. home building and town centre regeneration) to cushion the blow of the recession. However, as this includes money from the next financial year and this money can only be spent once, next year threatens to be particularly difficult for Scotland.

### Contribution of various targeted elements of the EERP

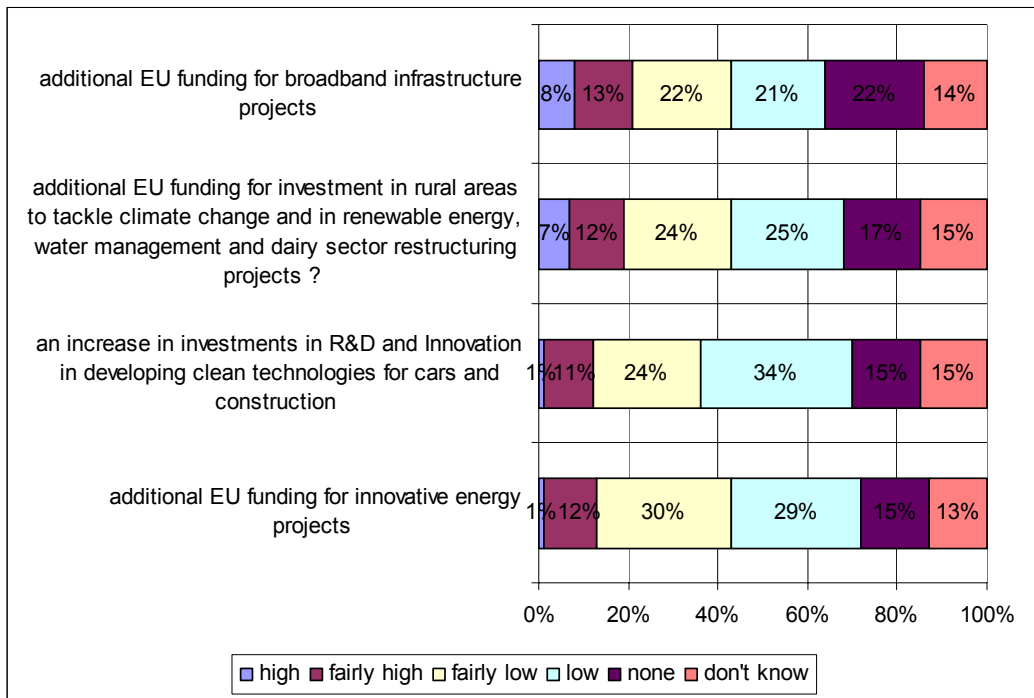


Chart 7: How do you rate the contribution made by (...) to counteracting the effects of the crisis in your region/city?

The EERP contribution to broadband infrastructure projects and to investments in rural areas has been rated "high" or "fairly high" by around 20% of respondents. Nevertheless, the real effects of additional funding on climate change and broadband projects in rural areas will not be seen until later in 2010 (see the box below). In the area of energy efficiency, additional EU funding for innovative energy projects and an increase in investments in R&D and Innovation for developing clean technologies for cars and construction were perceived as a making a "high" or "fairly high" contribution to counteracting the effects of the crisis by one in ten respondents. On average around 15% of representatives of local and regional administrations filling in a questionnaire could not answer the above four questions due to a lack of knowledge regarding the contribution of these elements of the EERP.

### **Gradual flow of additional recovery funds to rural areas**

In November 2009, the European Union approved a second wave of proposals from Member States/regions for using the EU Recovery Plan and CAP Health Check funding for addressing crucial issues such as fast EU recovery from the economic crisis and climate change through rural development policy. The decisions taken so far will put about EUR 1.6 billion of fresh EU money into the rural development budget of more than EUR 90 billion for the period 2007 - 2013. Bio-diversity, water management, dairy restructuring and climate change account for almost 83% of the funds injected in October and November, with bio-diversity receiving more than a quarter of the total budget. Some 3.5% is devoted to renewable energies, while 1.2% will go to specific innovative cooperation projects. Developing broadband infrastructure remains a priority and 13 more rural development programmes open the door to ensuring full EU broadband coverage. The additional budget approved for broadband has now reached EUR 149.6 million. In total, the EERP is giving an extra EUR 1.0 billion to be spent in the same period on broadband in rural areas and any of the above priorities<sup>1</sup>.

### **Greening the economy and labour markets through the European Economic Recovery Plan: differentiated impact across sectors and regions**

The European Economic Recovery Plan has budgeted more than EUR 3.7 billion for new energy infrastructures investment (e.g. gas interconnection, carbon capture and storage projects, refurbishing of existing building stock to higher-efficiency standards). Low-carbon policies are gradually becoming a significant driver for changing EU employment structures by re-allocation of workers. This has different effects depending on economic sectors, skill types, and regions. As the European Commission indicated in its Employment in Europe 2009 Report, the employment effects of the transition will also differ from region to region, reflecting various initial starting points regarding regional weather conditions, the characteristics of local economic activity, as well as specific features of local labour markets (European Commission 2009d: pp. 6-7). The European Social Fund (2007–2013) has assigned EUR 13.5 billion for adaptability measures in support of workers shifting to less polluting activities.

In the State of Nordrhein-Westfalen (DE), the Energy Agency.NRW has been the joint umbrella organisation for the "NRW Energy Agency" and the "NRW State Initiative on Future Energies" since 1 January 2007. Some EUR 2.4 billion of funding has recently been allocated to improve the educational and general infrastructure in municipalities in NRW. Much of the money is also to be used for energy improvements to existing buildings. The Energy Agency.NRW provides information and encouragement for municipalities and administrations on how to make use of their energy efficiency and savings potential. It provides information to consumers on possible building improvements. It supports municipalities in implementing their local targets for climate change mitigation and renewable energy use in a cost-effective way. It also helps business, research and other partners on the ground to come together in joint activities promoting energy efficiency, renewable energy and climate change mitigation and to participate in European cooperation projects within the EU's energy programmes<sup>2</sup>.

In the scope of the European Economic Recovery Plan, the European Commission has proposed some changes to the already existing instruments, i.e. the European Globalisation Adjustment Fund (EGF) and the framework for state aid measures (see boxes below for more details). Respondents were asked if these modifications had been relevant in their respective regions.

<sup>1</sup> Rural development: latest approvals of proposals for using funding from CAP Health Check and European Economic Recovery Plan, IP/09/1813, Brussels, 24 November 2009.

<sup>2</sup> <http://www.energieagentur.nrw.de/>



### Have the revised rules for the EGF helped boost the Fund's expenditure

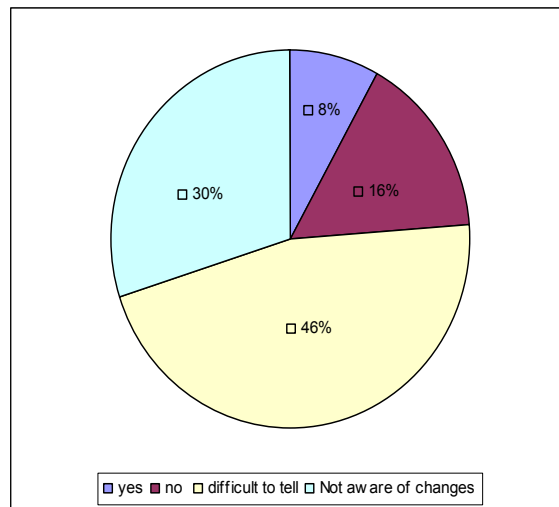


Chart 8: Have the changes to the European Globalisation Adjustment Fund since June 2009 helped to finance projects that would not have been implemented otherwise (i.e. without these new rules)?

### Perceived impact of the revised state aid policy to counter the crisis

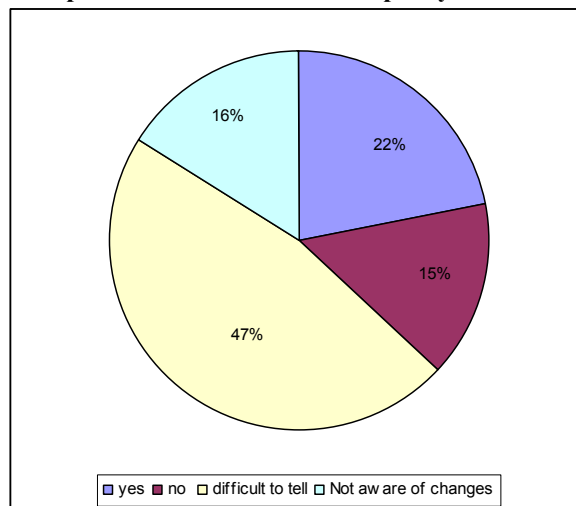


Chart 9: Has the Commission's temporary framework for state aid measures adopted in December 2008 contributed to counteracting effects of the crisis in your region/city?

The revised Regulation for the European Globalisation Adjustment Fund was adopted in June 2009 and a significant number of respondents are still uncertain about the impact of these revisions. One in three contributors has not been aware of changes introduced to the EGF. 22% of respondents appreciated the Commission's temporary framework for state aid measures adopted in December 2008 (which gives Member States additional scope to facilitate access to financing in the present economic and financial crisis) as a contribution to counteracting effects of the crisis in a specific area. It was "difficult to tell" for half of the contributors if new rules for state aid had been relevant for their situation. This perception might be due to the fact that the temporary framework is, by definition, unevenly spread across regions and often concerns only the national administration.

### **The revised rules for EU funding to help tackle the crisis**

Under the framework of the European Globalisation Adjustment Fund (in force since January 2007), the EU allocates a budget of EUR 500 million a year to support the reintegration and retraining of those workers for whom it was possible to establish a direct link between their dismissal and the effects of globalization. In the context of the European Economic Recovery Plan, it was considered necessary to revise the EGF's Regulation to temporarily extend its scope. The new Regulation (564/2009) provides the possibility for Member States to use the EGF if they can prove a direct link between the redundancies and the financial crisis. In its Opinion entitled "Establishing the European Globalisation Adjustment Fund" (22 April 2009, 84/2009, Rapporteur Uno Silberg), the Committee of the Regions underlined that "(...) *the EGF, its new objectives and the involvement of local and regional authorities are more important than ever*". However, the CoR was concerned that "*the outermost regions and the economically weaker regions and countries are not able to meet the conditions for access to the EGF, particularly the requirement for co-financing of 50%*". The revised Regulation now provides for the reimbursement of up to 65% of the cost of an action plan. The European Commission has so far received 34 applications, for a total amount of over EUR 226 million, helping more than 41 000 workers, mainly in the automotive, textiles and mobile phone sectors. 19 applications have been received since 1 May 2009 (thus under the rules of the revised Regulation)<sup>3</sup>.

One of the examples of the applications submitted under the revised rules have been two applications – already positively reviewed by the European Commission – presented on behalf of textile companies from Flanders (BE). The package of EGF assistance for the textile workers of Limburg, East and West Flanders will include competence screening, interview skills training, individual job search support and career assistance, training and outplacement for over 2100 workers. The total estimated cost of this package is over EUR 14 million, of which the European Globalisation adjustment Fund has been asked to fund EUR 9.2 million.

### **Relaxed EU state aid rules contributing to the introduction of national anti-crisis measures**

As of 12 November 2009, the European Commission has approved 60 *real economy cases* in the scope of the "Temporary framework for State aid measures to support access to finance in the current financial and economic crisis", adopted in December 2008 in the context of the EERP and amended in February 2009. In total, most decisions concerned national schemes aimed at relieving firms experiencing financial difficulties as a result of the credit crunch in the current economic crisis, temporary measures to grant loan guarantees and interest rate subsidies to businesses producing green products (cars), national guarantees for car industries and national measures to provide insurance coverage for exporters who are unable to obtain cover from the private market as a result of the current financial crisis

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<sup>3</sup> <http://ec.europa.eu/egf>

**2.3 LACK OF COORDINATION BETWEEN GOVERNMENT LEVELS AND SLOW IMPLEMENTATION WEAKEN THE PERCEPTION OF THE EERP AT THE REGIONAL LEVEL**

*The overall contribution of the European Economic Recovery Plan is yet to be appreciated.*

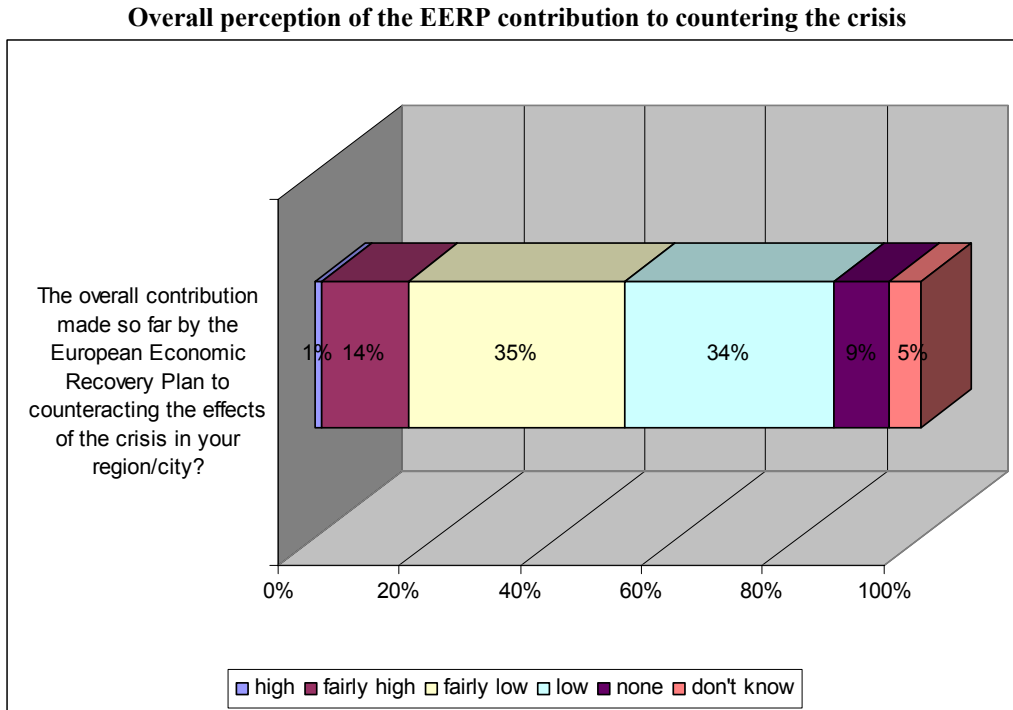


Chart 10: In general, how do you rate the overall contribution made so far by the European Economic Recovery Plan to counteracting the effects of the crisis in your region/city?

In general, the overall contribution made so far by the European Economic Recovery Plan to counteracting the effects of the crisis in respondents' regions or cities have not been highly rated with around 15% of contributors marking it at a "high" or "fairly high" level. Around 70% of contributors marked it as "low" or "fairly low".

*Local and regional respondents have a mixed view of their involvement in EERP and recovery measures.*

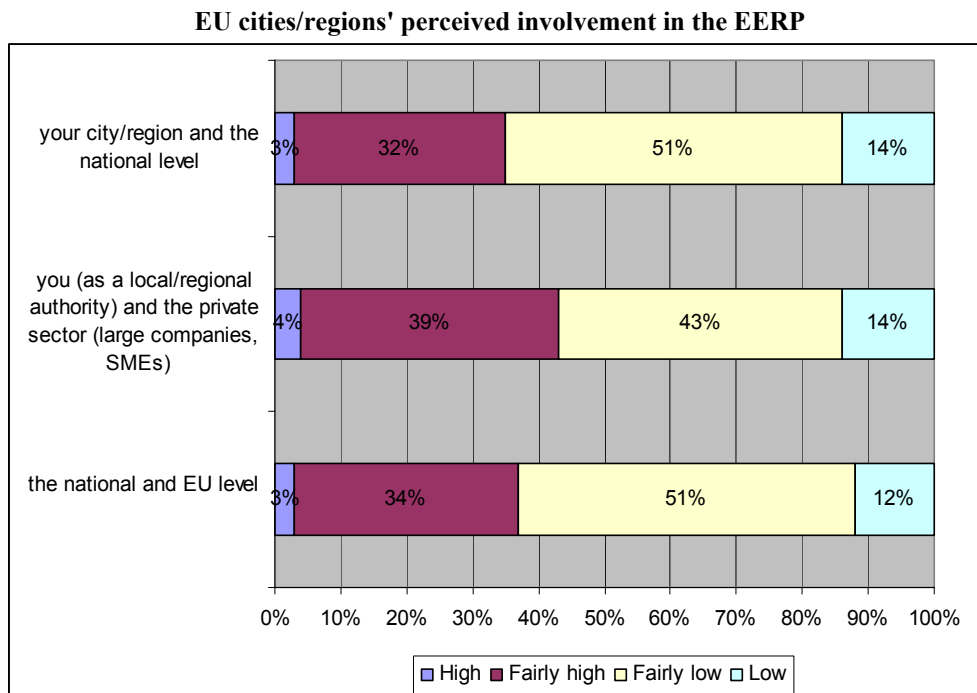


Chart 11: In general, how do you rate the quality of the coordination of actions and exchange of information between (...) in the implementation of recovery measures?

**Partnership between LRAs and private sector flourishing even during the crisis**

Italian local and regional authorities have been particularly active in cooperating with other actors from their regions in the preparation of anti-crisis measures. To cope with the economic crisis, the Lombardy Region launched a package of 13 anti-crisis measures in October 2008 shared with the main representatives of main economic stakeholders. The package provides for guarantees of EUR 3 billion in loans to businesses and direct funding for innovation, internationalisation and business services. In January 2009, the Province of Reggio Emilia established the provincial anti-crisis unit (*Unità Provinciale Anticrisi*) made up of local authorities, chambers of commerce, employers associations and trade unions. The Unit introduced several measures aimed at supporting the most vulnerable (*Protocollo anticipazione sociale della Cassa Integrazione Guadagni Straordinaria*), maintaining existing jobs (*Rimodulazione interventi formativi ESF*) and providing financial support for SMEs (*Finanziamento consorzi di garanzia per facilitare accesso al credito per le imprese, Reggio Emilia per le imprese start up*).

### Anti-crisis exchanges/coordination between cities and regions

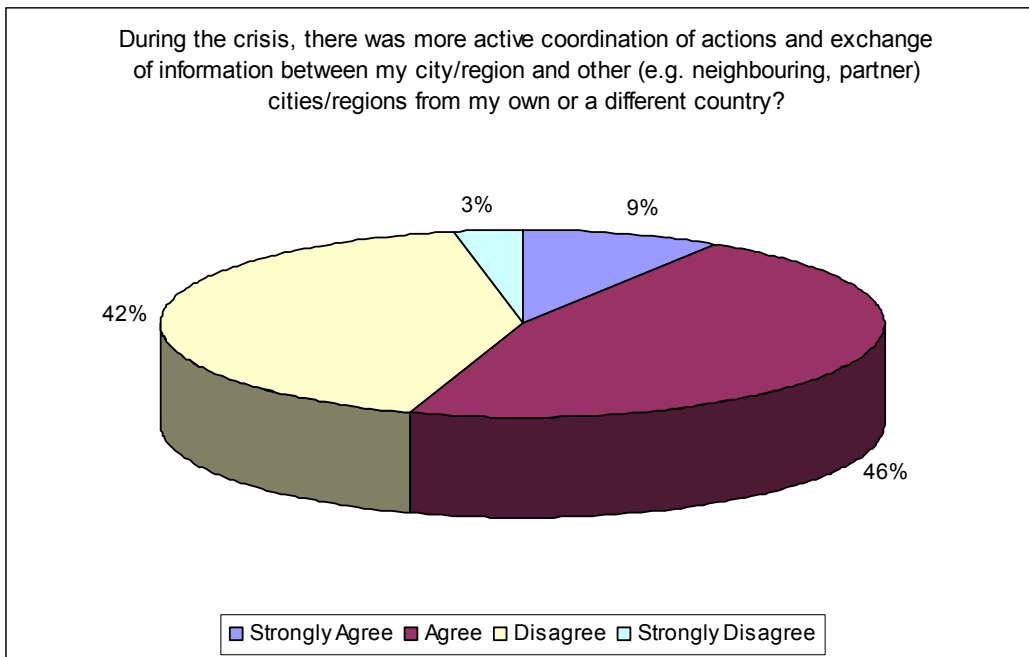


Chart 12: To what extent do you agree with the above statement?

In a time of crisis, many policies and actions must be implemented promptly. Nevertheless, to deliver results, it is essential that the measures are being introduced in the spirit of partnership and cooperation. Representatives of regions and cities were asked to what extent they had been coordinating actions and exchanged information with private actors, the national level and other regions/cities from the same or a different state. They also had an opportunity to evaluate the cooperation between their national governments and the EU level. Firstly, respondents appreciated cooperation with their counterparts in other regions and cities the most; 55% of them indicated that they had achieved more active coordination of actions between themselves. Secondly, around 45% rated their cooperation with the private sector (large companies, SMEs) as being "fairly high" or "high". Thirdly, the coordination of actions and exchange of information between the national level and the EU level was rated in positive terms in less than four out of ten cases. And finally, one in three was satisfied with the partnership between their city/region and the national level.

#### Acting together for a stronger Europe

In the introductory letter to the European Economic Recovery Plan, José Manuel Barroso referred to the need for a partnership approach: "(...) since this Commission took office, it has put the spotlight on the European Union's ability to deliver results for its citizens. It has targeted action on areas which will have an impact on Europeans in every corner of the EU. It has championed a partnership approach to work with the key players at every level. It has made clear that the job is not done until the impact is felt on the ground" (European Commission 2008). Nevertheless, the CoR regretted in its Opinion on the EERP and the role of Local and Regional Authorities adopted in April 2009 (CdR 12/2009) that the Spring 2009 European Council "(...) failed to expressly recognise the importance of local and regional authorities in combating the economic crisis".

### Perceived potential role of cities and regions in implementing the EERP

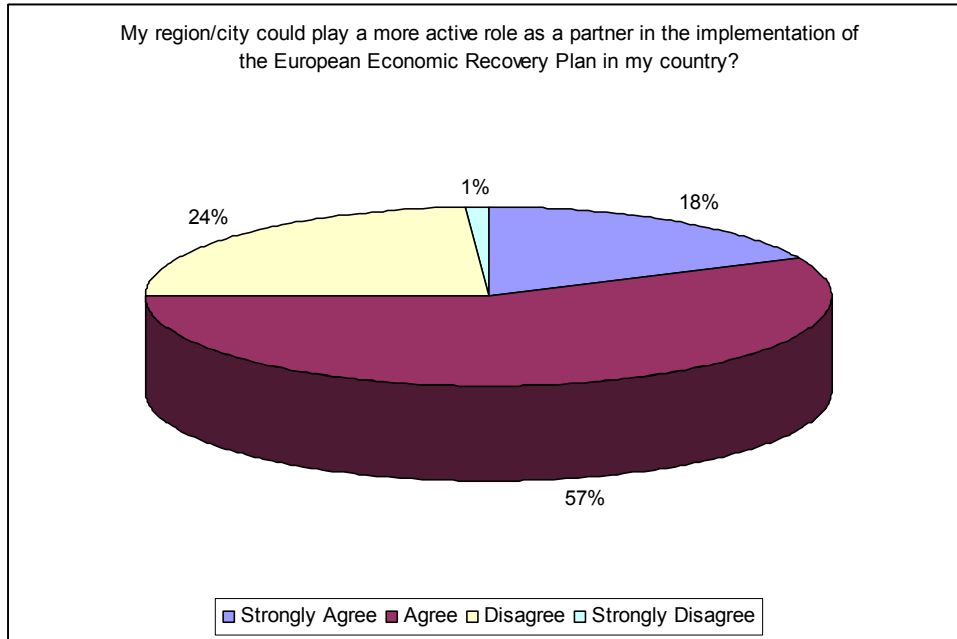
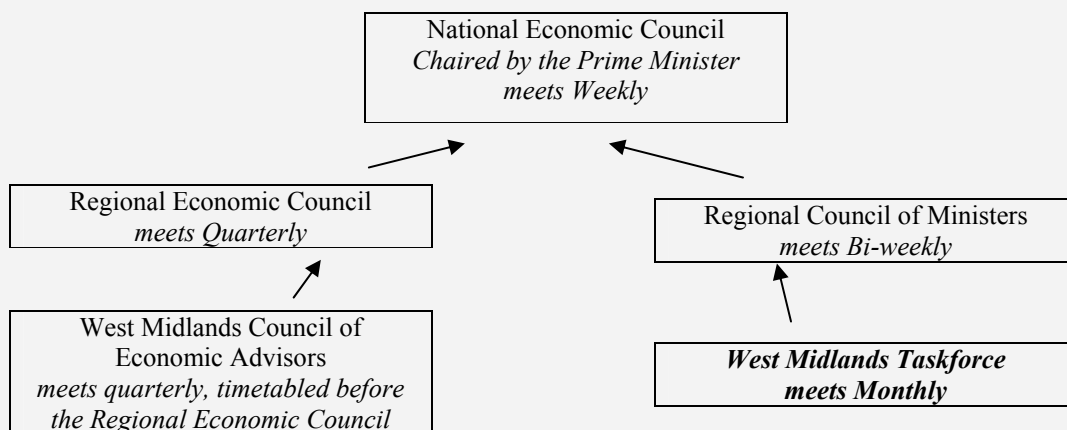


Chart 13: To what extent do you agree with the above statement?

A large majority of respondents stated that they would like to see their regions and cities being more active partners in the implementation of the European Economic Recovery Plan with 75% of them "agreeing" or "strongly agreeing" with this statement.

### Positioning of local and regional anti-crisis units in national structures

The West Midlands Taskforce (UK) was set up in December 2008 to coordinate the region's response to the economic downturn. Specifically, the West Midlands Taskforce works to prevent job cuts where possible and to minimise the impact of redundancies on local communities and of reductions in production on the regional supply chain.



### 3. LIST OF CONTRIBUTORS TO THE SURVEY

INSTITUTION	COUNTRY
Land Salzburg, Office for European affairs	AT
Provincial Government of Lower Austria; Department Economy, Tourism & Technology	AT
Flemish Authorities	BE
Ministry of Brussels Capital Region	BE
Montana Municipality	BG
Central Bohemia Region European Office	CZ
Vysočina Region	CZ
Liberec Region	CZ
The Commercial and Economic Chamber; City of Zlin	CZ
City of Munich	DE
Free Hanseatic City of Bremen	DE
North Rhine-Westphalia	DE
Association of Municipality of Lower Guadalquivir	ES
Gijon City Council	ES
Galician Institute for Economic Promotion (IGAPE)	ES
Council of San Sadurnino	ES
Basque Government	ES
Government of Catalonia	ES
General Directorate for External Affairs and relations with the European Union-Government of the Balearic Islands	ES
Kose Municipality Council	ET
Kerava City	FI
Uusimaa Regional Council	FI
Upper Normandie Region	FR
Region Provence-Alpes-Côte d'Azur	FR
Innova Regional Innovation Agency – Northern Great Plain	HU
Békés County Government Office	HU
Kistelek	HU
Border, Midland and Western Regional Assembly	IE
Province of Reggio Emilia	IT
Emilia Romagna Region	IT
Lombardy Region	IT
Association of Local Authorities in Lithuania	LT
Ignalina District	LT
Local government of Pasvalys district	LT
Klaipeda District Municipality	LT
Svencionys District	LT
Kaisiadorys District Municipality	LT
Panevezys District municipality	LT
Zarasai District Municipality	LT
Palanga Town Council	LT
Joniskis District Municipality	LT

Alytus District Municipality	LT
Municipality administration of Visaginas	LT
Rietavas Municipality	LT
Anyksciai District Municipality Administration	LT
Telšiai District Municipality	LT
Elektrenai Municipality	LT
Kupiskis District Municipality Administration	LT
Alytus City Municipality Administration	LT
Kretinga District Municipality Administration	LT
Vilnius City Municipal Government	LT
Utena District Municipality	LT
Kaunas City Municipality	LT
Rokiskis District Municipality	LT
Kaunas District Municipality	LT
Lazdijai District Municipality	LT
The Malta-EU Steering and Action Committee (MEUSAC)	MT
Xaghra Local Council	MT
City of Eindhoven	NL
Economic Development Dept. City of Amsterdam	NL
Zeeland or Province of Sjælland	NL
Province of Flevoland	NL
City of Lodz	PL
Masovian Voivodeship	PL
Östsm Regional Development Council	SE
City of Solna	SE
Municipality of Gävle	SE
Regional Council of southern Småland	SE
Municipality of Gnesta	SE
The Prešov Region	SK
Košice City Municipality	SK
Local Government Association (England and Wales)	UK
Advantage West Midlands and the West Midlands European Strategy Board	UK
Convention of Scottish Local Authorities (COSLA)	UK



## 4. BACKGROUND INFORMATION

### 4.1 Two FAQs on the European Economic Recovery Plan

#### *What is the objective of the Recovery Plan?*

The objective is to drive a coordinated EU response to the economic crisis that builds on the unprecedented level of coordination shown in response to the financial market crisis. The priority is to treat the symptoms of the economic crisis and protect jobs and purchasing power in the short-term while also investing in Europe's long-term economic health and in boosting the fight against climate change.

As President Barroso has said, the package must be "big enough and bold enough to work in the short-term, yet strategic and sustainable enough to turn the crisis into an opportunity in the longer-term. And we need to make sure that help comes to those most in need."

The package is not a "one-size fits all" proposal. It takes account of the differences between Member States in terms of their budgetary situations and outlook, their exposure to the financial and economic crisis and whether or not they are having to correct macro-economic imbalances, etc.

#### *What are the main elements of the Plan?*

The Commission's Recovery Plan combines coordinated national action with EU policy measures in a mutually reinforcing way.

It includes a timely, targeted and temporary fiscal stimulus of around 1.5% of EU GDP or EUR 200 billion, within both national budgets (around EUR 170 billion, 1.2% of GDP) and EU and European Investment Bank budgets (around EUR 30 billion, 0.3% of GDP). The Plan falls inside the Stability and Growth Pact (SGP), but uses all of its flexibility. The fiscal stimulus is complemented by proposals to speed up structural reforms under the Lisbon Growth and Jobs Strategy in all Member States and in particular those which most need to act in order to make their economies more competitive and ensure medium-term budgetary sustainability. Mechanisms for the monitoring by the Commission and the Council of progress on reforms are strengthened.

This fiscal stimulus and accompanying structural reforms are complemented by "smart investment" measures at both European and national level, with the priority being to preserve and create jobs now and in the future while accelerating the transition towards a knowledge-based and low carbon economy. The Recovery Plan sets out a framework for how funds should be used to stimulate investment, "green" Europe's economies and boost energy efficiency. It proposes mobilising existing funds – including social and cohesion funds, where payments of up to EUR 6.3 billion will be brought forward - to help the unemployed and help with training and retraining.

A key part of the Commission Plan is a "smart mix" of regulation, R+D, national investment, Commission funding, European Investment Bank support and public private partnerships for forward-looking investments in key sectors like cars and construction. The Recovery Plan also includes proposals to stimulate labour markets and increase demand for energy efficient goods and services through the innovative use of taxation. It includes further concrete measures to help SMEs, as well as calling for rapid progress on the "Small Business Act" initiative already presented by the Commission.

*The above has been extracted from the European Commission Press Release on the European Economic Recovery Plan:*

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/735>

*For more detailed information about the EERP, please consult the European Commission website:*

[http://ec.europa.eu/economy\\_finance/focuson/focuson13254\\_en.htm](http://ec.europa.eu/economy_finance/focuson/focuson13254_en.htm)

#### **4.2 The Committee of the Regions input to the debate about the impact of the crisis and anti-crisis measures**

Having been "(...)concerned about the serious social consequences of the financial crisis and its impact on the whole economy in particular for territories and citizens", the Committee of the Regions called for decisive action to support the demand side of the economy, as well as measures to assist small and medium enterprises and local and regional authorities in order to maintain cohesion and to safeguard key investment and infrastructural projects" in its "**Resolution on the Financial Crisis**" (4 December 2008, CdR 379/2008).

In the **Opinion** adopted in April 2009 on "**the European Economic Recovery Plan and the role of Local and Regional Authorities**" (21-21 April 2009, CdR 12/2009), the CoR welcomed "the fact that the European Commission has drawn up the European Economic Recovery Plan swiftly and decisively" and underlined "the need for close EU coordination and a decidedly European approach that will provide a common framework for action for national measures that are tailored towards the specific economic situation and capacity of public budgets in individual Member States". Furthermore, it stressed "the importance of the aim of territorial cohesion in the context of the proposed measures to save or create jobs and to stimulate economic activity". The CoR urged that "the regions assess the implementation of measures within the framework of the best practice approach".

The **Document** entitled "**The Economic Crisis and its Local and regional Impact -Thematic Debate**" (11 September 2009, CdR 196/2009 item 6), submitted for discussion to the 117<sup>th</sup> meeting of the Bureau of the Committee of the Regions, took further stock of the consequences of the crisis and the most effective mechanisms for promoting European Recovery through "a new EU multi-level governance". The Document called for the evaluation of the impact of the various recovery plans in the European regions.

The Committee of the Regions is due to adopt the "**Own-initiative Opinion on Coordinated and Sustainable Responses to Meet the Challenges Facing the European Automotive Sector and to Strengthen its Links to the Regions**" (CdR 211/2009) at its Plenary Session on 10-11 February 2010. In this Opinion, the CoR notes that "(...) that the automotive sector is a

strategic one for the European Union as approximately 12 million people depend on it either directly or indirectly for work in manufacturing and auto parts supply throughout the Member States", and against this backdrop and severe consequences of the crisis in this particular sector, it calls for "a New Deal for the European automotive sector in its entirety" in the form, *inter alia*, of "a long-term industrial policy for the automotive sector"<sup>4</sup>.

#### 4.3 Macro-economic, employment and social policy-related data on the crisis in the EU Member States, regions and cities

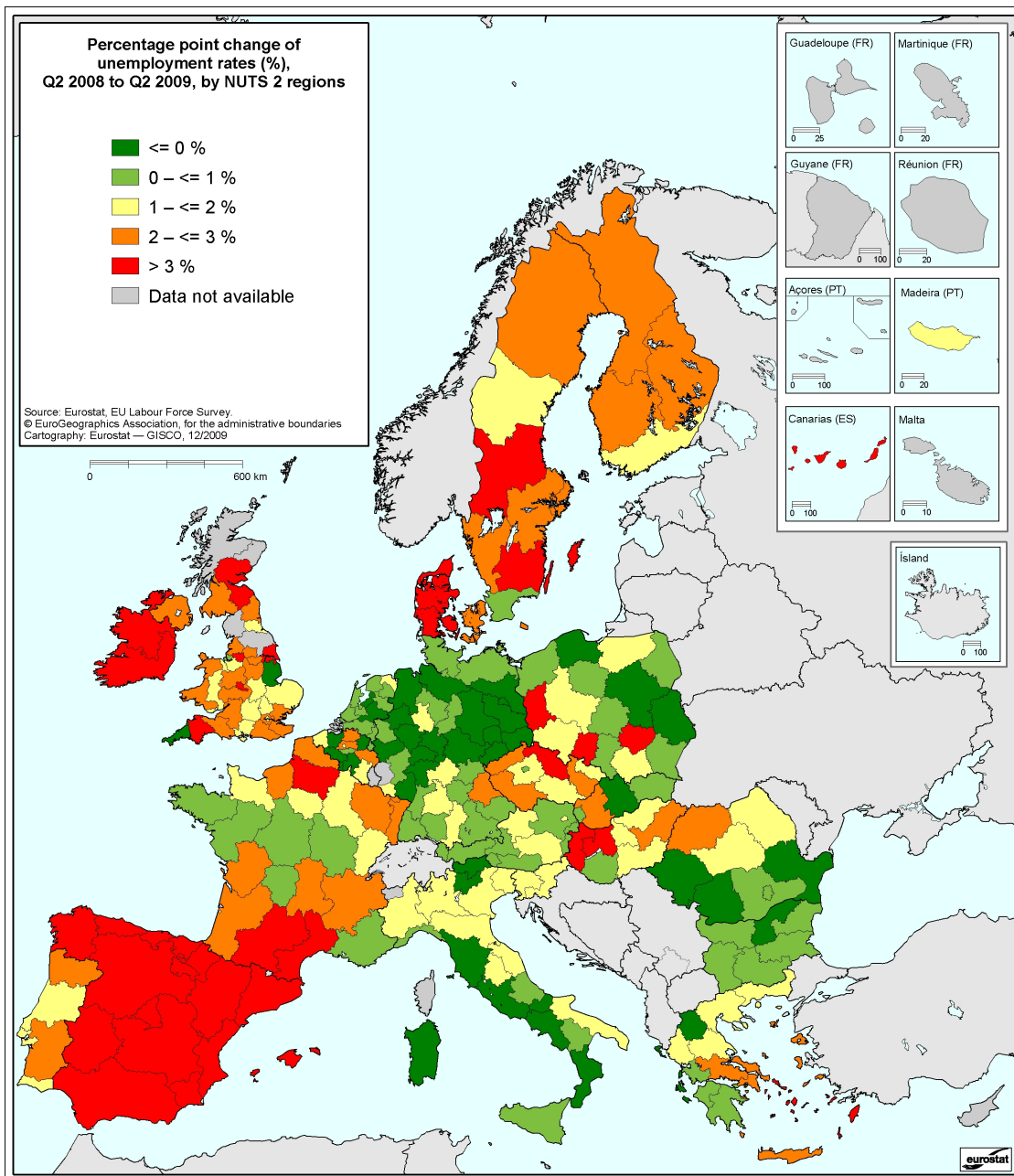
*In 2009, all Member States saw a (sometimes dramatic) decline in GDP and an increase in unemployment rates. Average EU GDP in 2010 will return to its 2008 level, but the number of unemployed will continue to rise.*

Country	2008		Estimates 2009		Forecasts 2010	
	GDP	unemployment rate	GDP	unemployment rate	GDP	unemployment rate
BE	1	7	-2,9	8,2	0,6	9,9
DE	1,3	7,3	-5	7,7	1,2	9,2
IE	-3	6	-7,5	11,7	-1,4	14
EL	2	7,7	-1,1	9	-0,3	10,2
ES	0,9	11,3	-3,7	17,9	-0,8	20
FR	0,4	7,8	-2,2	9,5	1,2	10,2
IT	-1	6,8	-4,7	7,8	0,7	8,7
CY	3,7	3,6	-0,7	5,6	0,1	6,6
LU	0	4,9	-3,6	6,2	1,1	7,3
MT	2,1	5,9	-2,2	7,1	0,7	7,4
NL	2	2,8	-4,5	3,4	0,3	5,4
AT	2	3,8	-3,7	5,5	1,1	6
PT	0	7,7	-2,9	9	0,3	9
SI	3,5	4,4	-7,4	6,7	1,3	8,3
SK	6,4	9,5	-5,8	12,3	1,9	12,8
FI	1	6,4	-6,9	8,5	0,9	10,2
<b>€area</b>	<b>0,6</b>	<b>7,5</b>	<b>-4</b>	<b>9,5</b>	<b>0,7</b>	<b>10,7</b>
BG	6	5,6	-5,9	7	-1,1	8
CZ	2,5	4,4	-4,8	6,9	0,8	7,9
DK	-1,2	3,3	-4,5	4,5	1,5	5,8
EE	-3,6	5,5	-13,7	13,6	-0,1	15,2
LV	-4,6	7,5	-18	16,9	-4	19,9
LT	2,8	5,8	-18,1	14,5	-3,9	17,6
HU	0,6	7,8	-6,5	10,5	-0,5	11,3
PL	5	7,1	1,2	8,4	1,8	9,9
RO	6,2	5,8	-8	9	0,5	8,7
SE	0,2	6,2	-4,6	8,5	1,4	10,2
UK	0,6	5,6	-4,6	7,8	0,9	8,7
<b>EU</b>	<b>0,8</b>	<b>7</b>	<b>-4,1</b>	<b>9,1</b>	<b>0,7</b>	<b>10,3</b>

Table 4: GDP at constant prices (annual % change) and Number of unemployed (as a % of the labour force), Source: Autumn Forecast 2009-2011: the EU economy on the road to a gradual recovery.

<sup>4</sup> All CoR documents are available at: <https://toad.cor.europa.eu/>.

*In the period between the second quarter of 2008 and the second quarter of 2009, the labour market situation deteriorated in 78% of NUTS 2 regions, with the Spanish and Irish regions suffering the most severe decline.*



Map 1: Change in unemployment rate between second quarter 2008 and second quarter 2009 by (NUTS2) region, source: Eurostat, EU Labour Force Survey.

*In absolute numbers, Spain, the UK and France saw the biggest number of redundancies between August 2008 and August 2009.*

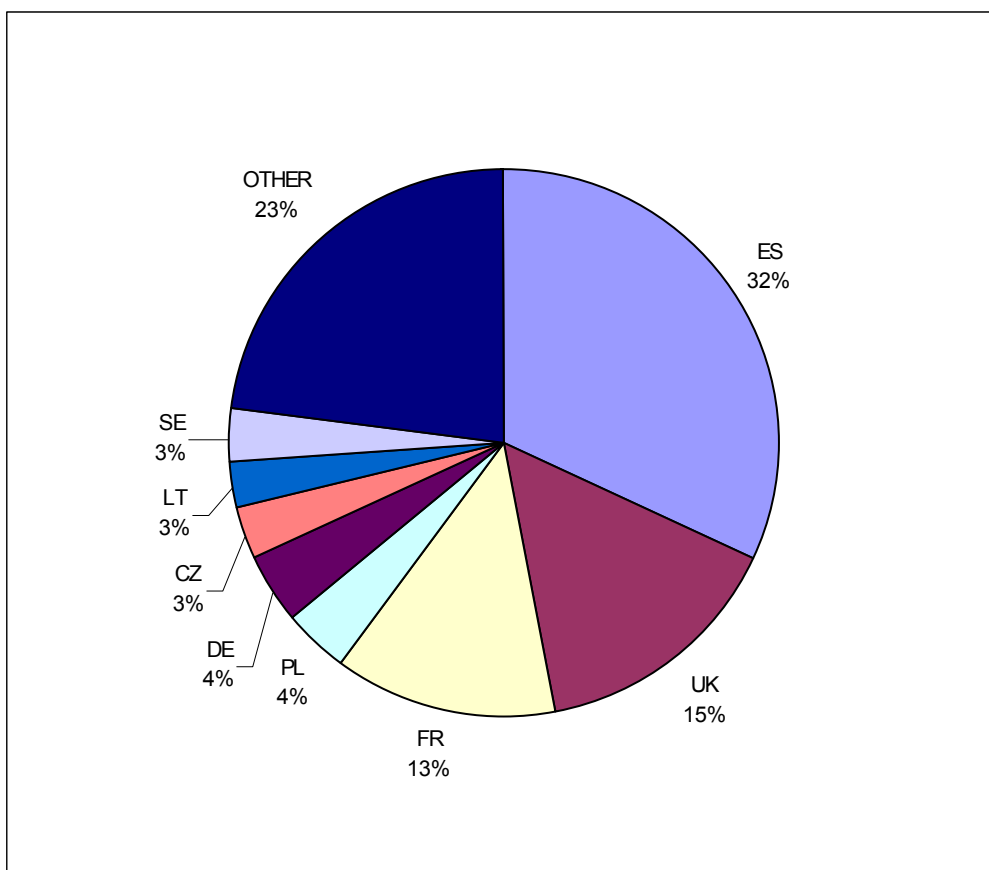


Chart 14: Contribution to unemployment increase in the European Union, August 2008 - August 2009 (European Commission 2009e: p. 33).

***The financial and economic crisis is having a significant impact on welfare state spending. The gloomy employment and social outlook is duly reflected in EU public opinion.***

As reported in the joint assessment by the Social Protection Committee and the European Commission, many households in the EU have seen their income drop, and considerable numbers are more exposed to poverty and over-indebtedness. The direct impact of the recession is still apparent in the increase of unemployment benefit recipients during 2008 and into the third quarter of 2009. Numbers of claimants continued to increase in the countries that were first or hardest hit by the crisis, and pressure on last resort schemes has also started to increase in most other countries. Some countries continue to report rising numbers of families defaulting on their mortgage payments or facing repossession or increased rates of over-indebtedness. In total, the European Commission forecasts that social expenditure may rise from 27.5% to 30.8% of GDP between 2007 and 2010. This predicted increase varies from less than one pp in three countries to six pp or more in four countries<sup>5</sup>.

In the Eurobarometer survey from October 2009 on the social impact of the crisis in the EU<sup>6</sup>, trends in poverty levels were perceived as negative by EU citizens: more than half of respondents considered that poverty had increased at local, national and EU levels during the 12 months prior to the survey. The opinion that poverty in the respondent's local area had

<sup>5</sup> Second joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses; Main Findings, 17 November 2009, 16169/09, pp 3-4.

<sup>6</sup> Eurobarometer, Monitoring the social impact of the crisis: public perceptions in the European Union, October 2009.

increased was expressed by 57% of EU citizens. Individual country results showed large variations in citizens' perceptions regarding changes in poverty levels in their area. While less than four in ten respondents in the Netherlands, Denmark, Sweden and the UK considered that poverty had *strongly or slightly increased* in their area in the 12 months prior to the survey, more than twice as many Latvians had a similar perception. In France, Italy, Hungary, Estonia and Lithuania, roughly seven out of ten citizens felt that poverty levels around them had worsened.

#### **4.4 Contribution of EU and international institutions and associations of local and regional authorities to the monitoring of the impact of the crisis on the ground**

Via the **European Commission** web-section entitled "Driving the European recovery"<sup>7</sup>, it is possible to browse through all EU anti-crisis policies (either on this portal or other DGs' websites, in particular DG Employment and Social Affairs, DG Economic and Financial Affairs and DG Regional Policy). In particular, DG ECFIN has been monitoring national measures related to the financial markets<sup>8</sup> and in November 2009 DG EMPL published the results of its detailed analysis of labour markets and labour market policies during the crisis<sup>9</sup>. At the request of the European Parliament, the Commission will also draw up a report on the implementation of the measures adopted within the framework of the Recovery Plan that relate to cohesion policy.

In October 2009, the **European Parliament** established the special Financial, Economic and Social Crisis Committee with a one-year mandate. The EP CRIS analyses and evaluates the extent of the financial, economic and social crisis, its impact on the EU and its Member States, proposes appropriate measures for the long-term reconstruction of sound, stable financial markets able to support sustainable growth, social cohesion and employment at all levels, and provides an assessment of the effect of those measures and the cost of inaction. It also analyses and evaluates the current implementation of Community legislation in all the areas concerned and the coordination of the measures taken by the Member States to support sustainable qualitative growth and long-term investment, with a view to combating unemployment and responding to demographic and climate challenges, while complying with the subsidiarity principle. The EP CRIS organises public hearings, the first two being devoted to the causes of the financial crisis and the consequences and challenges for the European Union and to the lessons learnt from the Nordic financial crisis in the early 1990's<sup>10</sup>.

In June/July 2009 the **European Central Bank** interviewed more than 6,000 firms in the Euro area about what had been happening in their businesses. The firms reported that they were having difficulties in finding customers, that their turnover and profits were falling and that bank loans were harder to come by. The survey also indicates that the crisis has been at least as severe for small and medium sized firms as for larger ones. The results of the survey seem to be in line with the general assessment of credit conditions in the Euro area. Most notably, around

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<sup>7</sup> [http://ec.europa.eu/financial-crisis/index\\_en.htm](http://ec.europa.eu/financial-crisis/index_en.htm)

<sup>8</sup> See for instance, "Economic Crisis in Europe: Causes, Consequences and Responses", European Economy 7/2009, available at: [http://ec.europa.eu/economy\\_finance/thematic\\_articles/article15893\\_en.htm](http://ec.europa.eu/economy_finance/thematic_articles/article15893_en.htm).

<sup>9</sup> "Employment in Europe 2009" available at: <http://ec.europa.eu/social/main.jsp?catId=119&langId=en>

<sup>10</sup> <http://www.europarl.europa.eu/activities/committees/homeCom.do?language=EN&body=CRIS>

three out of five small and medium-sized firms that had applied for a bank loan in the first half of 2009 had received the requested amount in full. Around one in five had received the requested amount in part. And only about one in ten had seen the loan application rejected<sup>11</sup>.

The **European Economic and Social Committee**, in its Opinion (ECO/246, 24 March 2009) "wholeheartedly supported the European Economic Recovery Plan of the Commission and the Council. It considered it to be "the right economic policy reaction to the coming challenges. Rapid, decisive, ambitious, targeted and coordinated action is required to stabilise the confidence of consumers and investors and boost demand".

The **Council of Europe** submitted a report to the Council of Europe Ministers responsible for Local and Regional Government on "The impact of the economic crisis on local government in Europe: what policy responses by governments" drawing *inter alia* upon the data submitted by observers in 32 countries on the financial performance of local governments up to the first half of 2009. Falling revenues and rules prescribing balanced budgets make contraction almost universal, however its timing and scale are not. The average situation may seem less catastrophic, however the impact in some countries has been deferred by taxation time lags until 2010<sup>12</sup>.

The regular Economic Outlook issued by the **Organisation for Economic and Co-operation Development** provides updated information about the economic situation in OECD countries<sup>13</sup>. As reported in its latest edition (No. 86, November 2009), the economic recovery is still too timid to halt the continuing rise in unemployment. It may not be until 2011 that unemployment begins to fall in the Euro area. The report says the recovery is tepid because economic activity is being held back by households and businesses repairing their finances and reducing their debts. The OECD website "From crisis to recovery" contains information about the impact of the crisis and the ongoing anti-crisis measures under the following headings: state of the economy, employment, green growth, tax system, finance and trade<sup>14</sup>.

The **International Labour Organization** adopted a "Global Jobs Pact" in June 2009. This global policy instrument addresses the social and employment impact of the international financial and economic crisis. It promotes a productive recovery centred on investments, employment and social protection. The fundamental objective of the Pact is to provide an internationally agreed basis for policy-making designed to reduce the time-lag between economic recovery and a recovery with decent work opportunities<sup>15</sup>. In the report "World of Work: Report 2009" issued in December 2009, the ILO stressed that an "early exit" from support measures adopted in response to the global economic crisis could postpone a jobs recovery for years<sup>16</sup>.

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<sup>11</sup> "Lessons from the financial crisis", keynote address by Jean-Claude Trichet, President of the European Central Bank, at the "Wirtschaftstag 2009", available at: <http://www.ecb.int/press/key/date/2009/html/sp091015.en.html>.

<sup>12</sup> Council of Europe, The impact of the economic crisis on local government in Europe: what policy responses by governments? MCL16(2009)6a, 27 November 2009.

<sup>13</sup> [http://www.oecd.org/topic/0,3373,en\\_2649\\_34109\\_1\\_1\\_1\\_1\\_37443,00.html](http://www.oecd.org/topic/0,3373,en_2649_34109_1_1_1_1_37443,00.html)

<sup>14</sup> [http://www.oecd.org/document/24/0,3343,en\\_2649\\_201185\\_41707672\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3343,en_2649_201185_41707672_1_1_1_1,00.html)

<sup>15</sup> [http://www.ilo.org/global/What\\_we\\_do/Officialmeetings/ilc/ILCSessions/98thSession/texts/lang--en/docName--WCMS\\_115076/index.htm](http://www.ilo.org/global/What_we_do/Officialmeetings/ilc/ILCSessions/98thSession/texts/lang--en/docName--WCMS_115076/index.htm)

<sup>16</sup> [http://www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang--en/WCMS\\_118380/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_118380/index.htm)

In the "Regional Economic Outlook - October 2009" report, the **International Monetary Fund** looked at the impact of the crisis on Europe's potential growth and concluded that financial sector difficulties, weak investment, and long spells of unemployment were likely to hold back potential growth over the next few years. The report highlighted that the decline in potential output and the surrounding uncertainty complicated both fiscal and monetary policy decisions in an already difficult environment and could lead to policy mistakes. According to the report, fiscal policy had to absorb the double blow dealt by the crisis to potential growth and debt levels. Even under very benign assumptions about the path of potential output, the required fiscal adjustment would be large, suggesting that policymakers should err on the side of caution and start the necessary consolidation as soon as the state of the cycle allowed<sup>17</sup>.

The **Assembly of European Regions** (AER) conducted a survey in spring 2009 on member regions' strategies (24 replies) to support the regional economy, especially small and medium enterprises. With the evidence that the crisis hits different regions in different ways and responses to the downturn must be tailored to individual circumstances, most regions turn to strengthening their public investment and to fostering entrepreneurship and SMEs while boosting their innovation capacity. Based on the results of the questionnaire, AER's political bureau adopted its declaration, "European Regions: A Trump in Tackling the Economic Crisis", in May 2009. Regional presidents from across wider Europe once again called on national governments to ensure that regions had the competences and budgets they needed to effectively tackle the economic crisis<sup>18</sup>.

The **Council of European Municipalities and Regions** (CEMR) sent its questionnaire to its member associations in autumn 2009 and published the report in November 2009. As signalled by the respondents, 2010 could either be as difficult as 2009 for local and regional authorities or worse, mainly due to cuts in resources for local and regional authorities, often leading to changes in the provision of public services<sup>19</sup>.

The **Conference of Peripheral and Maritime Regions** (CPMR) conducted a survey among its members in spring 2009. On the basis of its results, eighteen Presidents of European regions (including some CoR Members) signed the Manifesto entitled "Emerging Stronger from the Crisis: A European Territorial Pact" in July 2009 calling for the regional plans to be developed in synergy with the whole range of national and European support measures. They have been advocating the establishment and implementation of a "European territorial pact" founded on multi-level governance, the application of solidarity and partnership principles and the rejection of protectionism<sup>20</sup>.

**Eurocity** has created a task force aimed at better understanding the impact of the recession in cities. The task force has worked mostly on: a survey of cities and the recession, a collection of

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<sup>17</sup> Regional Economic Outlook: Europe, Securing Recovery, October 2009, International Monetary Fund, available at: <http://www.imf.org/external/pubs/ft/reo/2009/EUR/eng/ereo1009.htm>

<sup>18</sup> <http://www.aer.eu/main-issues/economic-development/economic-crisis.html>

<sup>19</sup> [http://www.ccre.org/docs/second\\_survey\\_ec\\_crisis\\_en.pdf](http://www.ccre.org/docs/second_survey_ec_crisis_en.pdf)

<sup>20</sup> [http://www.crpm.org/pub/agenda/1125\\_manifesto-emerging-stronger-from-the-crisis.pdf](http://www.crpm.org/pub/agenda/1125_manifesto-emerging-stronger-from-the-crisis.pdf)



examples of city responses to the recession, a new guide to city-relevant funding streams. The main results of the survey on the recession and recovery are that unemployment has increased across the majority of cities surveyed since early 2008, there is a decrease in overall budgets for 2010, the cities have been highly proactive in responding to the crisis and developing new partnerships (including with other local authorities) has been crucial<sup>21</sup>.

**United Cities and Local Governments** published a report in October 2009 on "The impact of global crisis on local governments" presenting the results of a survey that emphasises that the crisis will continue to affect local and regional governments, there is a significant increase in demand for social services such as social and welfare allowances, housing support, support for unemployed and homeless persons, financial or debt advisory services and business support services<sup>22</sup>.

#### 4.5 Relevant EU documents

European Commission (2008) A European Economic Recovery Plan, COM(2008) 800, 26.11.2008 available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0800:EN:NOT>

European Commission (2009a) Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis, consolidated version incorporating the amendments adopted by the Commission on 25 February 2009, available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:083:0001:0015:EN:PDF>

European Commission (2009b) Driving European recovery, COM(2009) 114, 4 March 2009.

European Commission (2009c) A Shared Commitment for Employment (Part 1: Commission Communication and Part 2: Annexes), COM(2009) 257, 3 June 2009.

European Commission (2009d) Key messages from the Employment in Europe 2009 Report, COM(2009) 639, 23 November 2009.

European Commission (2009e) Employment in Europe 2009 report, available at:

<http://ec.europa.eu/social/main.jsp?catId=119&langId=en>

European Council (2008) Presidency Conclusions of the Brussels European Council (11 and 12 December 2008), available at:

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/104692.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/104692.pdf)

European Foundation for the Improvement of Living and Working Conditions (2009) ERM Report 2009, Restructuring in recession, available at:

<http://www.eurofound.europa.eu/publications/htmlfiles/ef0973.htm>.

#### 4.6 The LMP: a tool for the CoR to monitor the involvement of EU cities and regions in the implementation of the EU2020 Strategy, due to replace the Lisbon Strategy after 2010

Since 2006, the CoR's Lisbon Monitoring Platform has been monitoring the involvement of EU cities and regions in the implementation of the Lisbon Strategy. Since that time, the outcome of the LMP activity has fed into CoR political activity and the more general EU debate on several occasions, helping to focus on what the CoR called the "Lisbon paradox", that is, the gap

<sup>21</sup> Eurocities, Recession and recovery in the cities, <http://www.eurocities.eu/main.php>

<sup>22</sup> United Cities and Local Governments, The Impact of the Global Crisis on Local Governments, available at: <http://www.cities-localgovernments.org/uclg/upload/template/templatedocs/UCLGCrisis%28eng%29.pdf>

between the efforts made by the local and regional authorities in most of the Lisbon-related policy fields and the lack of permanent, structured involvement of the LRAs in the planning, implementation, monitoring and evaluation of the policy packages aimed at implementing the Lisbon Strategy at the national level (National Reform Programmes). As the CoR has repeatedly stated, the lack of systematic and coordinated action between different levels of government is one of the main reasons why the Lisbon Strategy did not deliver the expected results.

Through meetings, consultations and surveys, the LMP has also allowed EU cities and regions to exchange experiences and best practices and have their say on relevant issues (such as the future of the Lisbon Strategy, through the CoR Consultation in 2009).

The role and contribution of the LMP with respect to the EU debate has since been widely acknowledged by the EU institutions.

Since 2006, the Territorial Dialogue is the CoR / LMP annual political event where political representatives of the Platform's member administrations can debate with Commissioners and representatives of the Council Presidency on the outcome of the platform's monitoring activity. As of 2010, the TD will include plenary as well as thematic sessions.

In view of the decision to be taken by the European Council in 2010 on a new EU2020 strategy to replace the Lisbon Strategy, the LMP (changing its name accordingly) will keep working and implement new features to more successfully fulfil its mission of:

- monitoring how the LRAs are involved in the new strategy, showing how multilevel governance is the key to successful policymaking,
- feeding into CoR consultative activity and the EU debate, while giving EU local and regional policymakers opportunities for direct discussion with the top levels of the European institutions,
- favouring exchanges of best practices between EU cities and regions.

As of the end of 2009, thematic monitoring exercises will complement the Platform's traditional monitoring activity to collect information on the ground specifically aimed at feeding into the CoR's forthcoming consultative activity and policy positioning. These exercises will be carried out on the basis of an *annual rolling programme* covering the current CoR policy priorities. A *survey on best practices on energy efficiency* is due to be launched in January 2010.

More info on recent LMP activities and ongoing initiatives can be found on the following website (<http://www.cor.europa.eu/lisbon>).



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