



European Regions: A Trump in Tackling the Economic Crisis

The results from a survey carried out among our member regions indicate that the actions undertaken by the second layer of governance in European countries are of great importance for European countries in fighting the economic crisis.

The impact, however, could be much greater if national governments and the European Union had better tried to link their strategies to those actions which are of greater relevance to citizens and better adjusted to their needs.

The survey reveals a severe downturn in industrial production in the regions, especially of goods related to the service sector. Depending on regional profiles, construction, wood processing and agriculture are today concerned. Companies, especially small and medium sized enterprises (SMEs) face a fall in incoming orders as well as liquidity problems. As a consequence, all participating regions report a rise in unemployment, while some even mention social impacts as a consequence of unemployment.

All regions that participated in the survey already have taken, or are in the process of taking, action to promote growth and employment, mainly by the following means:

- **Public investment:** Investment in regional infrastructure not only gives regions the opportunity to boost the economy but also to emerge from the crisis stronger than they were before. In this context regions are heavily engaged in “green investments” in renewable energy and the construction of energy efficient buildings. This policy, if it is based on innovation, can facilitate the creation of jobs and the improvement of regional competitiveness.
- **Access to Finance and development of SMEs:** SMEs are particularly concerned with this problem due to their heavy dependence on bank credits and limited recourse to financial markets. Half of European SMEs anticipate negative developments in the short run, but contrary to larger enterprises are reluctant to lay off employees.
- **Development of employment and skilled labour:** Life-long learning brings forward regional competitiveness. Many regions support and further develop the skills of employees and currently invest in the employment of young people by opening up opportunities to start their careers, even in difficult times.
- **Support to private individuals and consumers:** Short-term work and unemployment are a cause of considerable stress for many households. As a consequence, some regions have added information and prevention measures to their recovery packages.
- **Communication:** Regions are close to entrepreneurs and citizens and have thus set up communication strategies related to the crisis as well as roundtables with the most important stakeholders and entrepreneurs.

More detailed information on the results of the survey and profiles of regional strategies can be found at <http://www.aer.eu/en/main-issues/economic-development/economic-crisis.html>

With their tailored strategies, regions answer to specific needs within their territories that are otherwise not sufficiently addressed at the European or national levels. Public investment, an important measure in this context, is a strategic response to the economic crisis. It highlights the key role of regions in ensuring the implementation of recovery policy on the ground and in monitoring the long-term impact of these strategies.

While national recovery plans mainly target large companies and the financial system, regions focus on the real economy. In fact, by supporting entrepreneurship and SMEs and by boosting their innovation capacity, regional actions can contribute to turning this crisis into an opportunity to strengthen regional economies and safeguard jobs.

Furthermore, the findings of AER's survey are supported by the outcome of an empirical analysis commissioned by AER that shows that there is in many areas a strong positive correlation between the degree of decentralisation of competences in a country and the economic performance of regions.

More information can be found at <http://www.aer.eu/events/standing-committee-on-institutional-affairs/2009/aer-study-presentation-from-subsidiarity-to-economic-growth.html>

Recognising the importance of the subsidiarity principle as a key to regional economic success, the Bureau of the Assembly of European Regions (AER) therefore calls upon:

- **National governments** to endow regions with the competences and budgets necessary to secure economic development, infrastructure, education and research; to give them the necessary influence and leeway, and to hand over to regions the management of EU funds.
- **The European Commission, European Parliament and European Council** to involve regions in all matters that affect them. This includes not only the implementation of policies and management of funds, but also the development of strategies such as the Agenda for Growth and Jobs or the future cohesion policy.

This AER position of regions fighting against the economic crisis will be supported by upcoming political debates, both within AER and beyond. It will thus constitute a basis for AER's discussion with the relevant institutions in future debates on regional answers to the economic crisis as well as a place for regions engaged in the fight against the crisis.

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