REGIONS JOIN ARMY OF EU LOBBYISTS
The number of lobbyists in Brussels working for regions, cities and municipalities has grown to about 1,500 people.

CATALAN SEPARATIST LOOKS TO CRISIS WITH HOPE
Independentism has become a cross-cutting movement.

REGIONS AND AUSTERITY
Regional funding at stake as EU states battle over budget. Talks on the next budget are tougher than usual.

Danuta Huebner: POLAND IS A “DIFFERENT COUNTRY” THANKS TO EU FUNDING

RANKING THE REGIONS: PEOPLE LIVE LONGEST IN NAVARRE
Culture increasingly seen as path to economic growth - Subsidies are down, as is the number of municipalities - Energy Island Samso - Continental Croatia and Adriatic Croatia.
EUOBSERVER MAGAZINE
REGIONS & CITIES
OCTOBER 2012

For one week every year European regions are in the spotlight. It’s called Open Days, lasts a week, and is dedicated to all issues regional and local.

From every corner of the continent, thousands of local leaders and administrators come to Brussels to talk directly to EU officials and lawmakers. It is a time of networking, exchanging ideas and passing on information.

Lest we forget, it is also about celebrating the best of what Europe can produce! A vast array of local products – foods, wines, regional specialities – will fill the Belgian capital from 8 -11 October.

But this year’s regional get-together will be more political than usual. The same economic crisis that has led to austerity in local governance is also directly affecting the EU’s negotiations on its next long-term budget. Meanwhile, regional calls for more influence or even outright independence are getting stronger.

It is against this complex backdrop that EUobserver Magazine takes Europe’s regional temperature. Other news and analysis on regions and cities can be found on EUobserver.com.

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BERLIN / KEY FACTS
Population 3,501,872, about 6 million in the Capital region Berlin-Brandenburg

Joint Innovation Strategy of the Capital Region of Berlin and Brandenburg (innoBB)

The “Joint Innovation Strategy of the States of Berlin and Brandenburg (innoBB)” was adopted by the Berlin Senate and the Brandenburg Cabinet on 21 June 2011.

The following cross-border clusters are an important employment factor for the region:

- Life Sciences & Healthcare
  350,000 employees

- Energy, Transport and Logistics
  47,000 employees

- ICT, Media, Creative Industries
  158,000 employees

- Photonics (including Microsystems Technology)
  16,000 employees

Scientific Landscape of the Capital Region:

- 7 Universities
- 21 Universities of Applied Science
- 70 Research Institutes
- 42 Technology Centres

Read more at www.innobb.de
Looking to save a buck in every corner of the budget, EU countries are now pointing their arrows at subnational governments, a new study has found.

The study, carried out by Dexia Credit Local and presented in September this year, shows that after two years of pumping money into regions, central governments are now tightening their belts.

In 2011, the amount of grants and subsidies to federated states, regions, provinces, and municipalities fell by 4.9 percent, according to the study, following a 0.6 percent drop in 2010.

Grants and subsidies account for almost half the total income of subnational governments. Other sources of income include local taxes and user charges - the fees people pay to make use of services like parking and public transport.

As a result, subnational governments, too, are cutting down on spending.

In 2011, the study says, local direct investment fell by 6.6 percent, following a 7 percent drop in 2010. Today’s level is back at where it was in 2006.

Public direct investment is money that goes into things like schools, hospitals or waste management, two thirds of which comes from subnational governments, according to the study, commissioned by the Council of European Municipalities and Regions.

“The subnational public sector is an engine for public investment,” it says. In bigger countries like France, Germany or Italy, it accounts for almost three quarters of public direct investment.

The two-year drop is a first after a decade of “robust” growth, the study says.

Subnational governments have only been able to balance the books by cutting down on staff costs - the first time in a decade - and because in some countries, the economy has begun to pick up. Local tax revenues rose by 5.5 percent, after a slump in recent years.

“It is a stability in disguise,” said Isabelle Chatrie, author of the study.

Meanwhile, central governments are hoping to cut costs even further by reducing the number of municipalities and telling them to cooperate more. It is a trend of the past few decades but gained in speed over the last couple of years.

“Municipal mergers have picked up with the crisis and austerity plans,” she says.

In Greece and Portugal, who both agreed to reforms in return of a bail-out, reducing the number of subnational governments is even part of the deal with the so-called troika of international lenders - the International Monetary Fund, the European Central Bank, and the European Commission.

Greece, who in 1997 had already gone from 5,825 to 1,034 municipalities, went to 325 in 2010. Portugal boasted 278 municipalities in 2011. In May of the same year it agreed to reduce “the number of municipal offices by at least 20% per year in 2012 and 2013.”

Overall, the number of municipalities in the EU, according to Dexia, dropped from 92,735 in 2004 to 89,149 in 2011.

For their part, subnational governments themselves are not celebrating the relative decline of their own species.

“The troika thinks that budget control is better on the central level, but they are wrong,” Frédéric Vallier, secretary general of the Council of European Municipalities and Regions, told EUobserver.

“For us, it is about responsibility. Everything that gives us more responsibility is good,” he added.
CATALAN SEPARATIST LOOKS TO CRISIS WITH HOPE

It is often said that on the long and winding road to European union, it takes a crisis to move ahead. Now the same may be true for regional independence.

By: Philip Ebels

Europe has always had its share of movements calling for the breakaway of an often distinct part of a larger country. Most well-known are Scotland in the UK, Flanders in Belgium, and Catalonia and the Basque Country in Spain.

But the dire state of much of the continent’s public finances, they say, is giving them a larger audience willing to listen.

Jordi Sole, secretary general of the European Free Alliance, a group in the European Parliament of parties for more regional autonomy, told EUobserver that people have come to see two things.

“One: You cannot lose because the situation is already quite desperate. And two: They see independence as a tool to have hopes for the future,” he said.

He noted that previously, people may have been afraid of the consequences of a unilateral break-up. Until recently, full independence was a radical thought.

“But now, independentism has become a cross-cutting movement, from the left to the right, young and old,” he added.

Sole, who is also the mayor of a small town called Caldes de Montbui, 30km north of Barcelona, was mainly talking about Spain.

On 11 September, Catalonia’s national holiday, hundreds of thousands of people took to the streets of the region’s capital in what became the biggest independence rally in recent history.

Spain has been hit particularly hard and is telling its regions to cut down on spending. Catalonia, the country’s richest region, feels it is paying too much already and getting too little in return - even though it, too, has overspent and received an €11 billion loan from the central government in Madrid.

But also elsewhere in Europe, Sole said, people are looking to regional independence as a way out of the crisis. Most notable is Scotland, which in 2014 is planning to hold a referendum on the issue - even though, being outside the common currency, it has suffered less.

“I am convinced that the eurocrisis is having an impact on the self-determination of several stateless nations in Europe,” he said.

He said the crisis is making people poor, and when people are poor “they are seeking solutions.”

Those most vocal about independence however - Catalonia, Flanders, Scotland - are not poor when compared to other parts of the country to which they belong.

It is an uncomfortable reality that opponents thankfully make use of to denounce the movement as selfish.

Sole does not agree. Instead, he says, being relatively rich merely allows a region to stand up for itself.

“The more rich, the more a society can express more easily the desire to belong to [its own] political nation,” he said.

In Catalonia, meanwhile, things are moving fast. Days after the protest in Barcelona, the region’s president Artur Mas and Spain’s prime minister Mariano Rajoy failed to reach an agreement on fiscal reform asked for by the Catalan parliament, sparking the region’s president to call for early elections in November.

Polls show a slim majority of voters in favour of independence, twice as high as when the crisis began in 2008. Sole’s party Esquerra, or the Republican Left of Catalonia, the loudest voice for full independence, is expected to jump from fifth to third biggest in the region.

“Things have advanced more in the last 10 days than they have in the last 10 years,” Sole said.

“We could be on the eve of a new state forming. And this could have a domino effect in the EU,” he added.
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MIFFED CROATIAN REGION FEARS UNEQUAL ACCESS TO EU MONEY

The EU has a large pot of money especially for regions. How to get hold of this money is a source of much negotiation in member states - as a poor region in upcoming EU member Croatia has found out.

By: Honor Mahony

FOR ENGLISH SPEAKERS

It is a somewhat unfortunate acronym covering a dull-sounding issue. But for member states, Nuts - the EU system for statistically dividing up regions - is the key to access deep pots of money.

Regions qualify for EU aid money if their per capita GDP is under 75 percent of the EU average. There are currently 270 “basic regions” in the EU. When Croatia joins next year there will be two more - Continental Croatia and Adriatic Croatia.

But the country’s poorest region is up in arms over the artificial partition.

Slavonia, previously a well-off agricultural region but now with GDP at 34 percent of the EU average, has been lumped together with Zagreb. In wealth terms there is little to distinguish the Croatian capital from other major European cities. The result is that the average wealth of Continental Croatia is now 64.1 percent.

“Slavonia, previously a well-off agricultural region but now with GDP at 34 percent of the EU average, has been lumped together with Zagreb. In wealth terms there is little to distinguish the Croatian capital from other major European cities. The result is that the average wealth of Continental Croatia is now 64.1 percent."

“Good ideas are not enough. The EU does not pay for ideas. It pays for good, safe-looking projects,” he said. Both Slavonia and Zagreb will battle to host, amongst other things, a new university campus and a waste treatment plant.

Agreeing broad priorities for EU money - often a problem for regions - becomes an even greater issue when the region itself is so disparate.

“The government, which had previously mooted plans to divide Croatia into five separate regions including one for the capital - has been saying the EU commission would not allow Zagreb region status. The commission says it was never asked.”

Ribic, who hails from the regional centre-right HDSSB party, fears Slavonia will not be able to compete with Zagreb. It does not have the money to hire consultancies to make glossy presentations to EU officials.

“I would say the clearance of landmines is our priority number one,” said Ribic, with 500 people having died because of them since the end of the 1991-1995 war with Serbia. Often lying just off the road, the mines’ presence is not only a danger to locals but hinders investment and tourism. “But that’s hardly going to be the priority of Zagreb,” Ridic added.

“You cannot believe how important Nuts 2 is for regions. It is everything. “

He advised regions of potential future member states to “keep their eyes open.”

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NUTS

Nuts stands for ‘Nomenclature of territorial units for statistics’. Drawn up over 30 years ago, it is the system used for dividing up European Union territory for statistical purposes. It is on this basis that economic and social analyses are carried out and EU aid money is allocated. There are three categories.

Nuts 1 are major-socio economic regions. There are 97 in the EU

Nuts 2 are basic regions. It is on the basis of these that EU regional funds are allocated. There are 270 of them

Nuts 3 are small regions. There are 1,294 of them

Belgium, for example, has three regions at Nuts 1 level; 11 provinces at Nuts 2 level and 44 arrondissements at Nuts 3 level.
Donetsk has always had close ties with European investors ever since the city of Donetsk was first founded by the Welsh entrepreneur John Hughes in 1869.

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Donetsk Governor
Andrey Shishatskiy

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- The leading industrial production centre of Ukraine and Eastern Europe’s exhibition market leader.
- Well-developed infrastructure.
- Rich in natural resources and raw materials for agriculture and industry.
- Strong financial and banking services.
- Reasonable real estate prices and energy prices.
- Extensive international links.
- Diverse investment opportunities and investment experience.
- Beneficial conditions for the development of tourism and leisure opportunities.

Donetsk Region Key Facts:

- Population: 4.7 million
- Area: 26 900 km² (4.4% of Ukraine)
- Capital: Donetsk
- Main Sea Port: Mariupol
- Main Airport: Donetsk, Sergey Prokofiev International Airport
- Key industries: Coal, steel, Iron (50% of all Ukrainian production), Agriculture
- GDP per capita: 30% higher than the Ukrainian average
- Productivity: Accounts for 20% of all Ukrainian exports
The eurozone crisis is testing the EU’s capacity for solidarity. This is spilling over into the budget talks where different ideological camps are battling. At stake is the future size and shape of regional funding.

By: Honor Mahony

E budget negotiations are famous for bringing out the worst of what’s-in-it-for-me politics.

Every seven years, the EU’s coffers need to be refilled. All governments contribute. The cash is then redistributed among member states who fight tooth and nail to get their due.

So far, so very EU long-term budget. But the current economic crisis means talks on the next budget (2014-2020) are tougher than usual.

There is less money to go around and richer states are feeling the pinch.

“This is going to be an extremely important budget because Europe desperately needs growth and jobs,” says Danuta Huebner, head of the parliament’s regional affairs committee.

“In the current reality, when the national budgets will continue to suffer cuts, it is the EU budget that can really be the catalyzer for investment and growth,” she adds.

But it is just in the policy that is meant to boost growth – Cohesion Policy – where the hardest battle is being fought.

The European Commission last year suggested a total seven-year EU budget of €1.025 trillion, €336bn was to be for Cohesion Policy.

The policy, which includes the European Development Fund, the European Social Fund and the Cohesion Fund, took a hit of €18 billion compared to the current 2007-2013 budget. A further €5.5 billion was chopped this year. And bickering among member states means a third cut is likely.

“This is short-sighted, believes Huebner.

“One of the values of regional policy is that it takes into the specificities of European territory. We have places in Europe where to become competitive and to grow you still need the basic investment in infrastructure. “No investor would go to a city or a region that has no connection with the rest of Europe. There is still a huge part of Europe that require investment infrastructure.”

At the budget negotiation level, member states are divided into two broad camps.

The first camp – including Germany, Finland and the Netherlands – say their own citizens are feeling the effects of budget cuts and a large EU budget is not justifiable.

The second – broadly poorer eastern European states – say that argument does not take into account the leverage effect of EU aid money and that the cuts already made are enough. The two sides are about €100 billion apart.

“It is the first group for sure that have the better argument,” said Marco Lopriore, a regional policy expert at the European Institute of Public Administration.

“We are in a time of economic recession. We need to bring results to the European parliament and European citizens.”

The backdrop to the rich states’ argument is not only the austerity cuts sweeping Europe but also poor past records of spending EU money. Millions of euros flowed to Greece, Italy and Spain over past decades with little of use to show for them.
The Assembly of European Regions (AER) has launched a large reflection on the potential of the regional level in times of crisis. Around 100 politicians from the regions of Europe, national and European representatives, stakeholders from the private sector and associations heard this appeal and gathered last September in Pescara, in the Abruzzo Region (I), for an in-depth exchange of views.

The so-called Abruzzo appeal marked the kickoff of a process that will continue until 2013 through two other summits, focused respectively on the exchange of regional successful experiences, and the implementation and outcome of the decisions made. Michèle SABBAN, AER President, invites each person willing to contribute to cure Europe to join the movement: next steps foreseen in February 2013 in Warsaw (PL) for the second act, and in May 2013 in Paris (F) for the 3rd Summit.

The current negotiations on the next Multi-annual Financial Framework and EU structural funds are crucial for the future of Europe: only strong and targeted EU-wide policies, based on a genuine partnership that fully includes the regional level, can have the necessary leverage effect that will allow Europe to exit from the economic downturn. In this respect, AER warns of a macro-economic conditionality that would hamper this leverage effect and impact negatively on sustainable growth and jobs.

Meanwhile, academics note that the entire debate is based on fuzzy grounds.

“The problem regarding cohesion policy is that there are very few instruments to measure the impact of the investment,” said Claire Dheret of the European Policy Centre, a Brussels-based thinktank.

The European Commission has conducted “a lot of studies on the achievements of cohesion policy but there are many economists who don’t agree with the model used to assess its impact.”

But, says Huebner, it is all too easy just to criticise.

Referring to her native Poland, an EU member since 2004, she said: “It is a different country now. That’s all thanks to European contributions, the transfer of funds.”

“I often hear criticism - well there was a pizzeria financed in one of the regions - but this pizzeria is a small enterprise which gives jobs, creating the first ever restaurant in the village. This gives a lot of value.”

And the parliament may turn out to be the regions’ ally in the budget negotiations.

Last year MEPs suggested a five percent increase for 2014-2020 budget.

“There is a risk that if the budget is below the expectations of the European Parliament, then we will veto it,” says the Polish deputy.
Samso is a pioneering Danish island - it became energy independent in 2008, but people are not in it “for the environment.”

By: Honor Mahony

The hard task was to win around conservative islanders. It involved going to many local meetings. The message was tailored to the fisherman audience in the southwest, to the farmers in the south and the independent-minded locals of the northern community. That the island is only 114km square with 22 villages was of no matter.

“So we were two guys working on it ... Samso is not one community – it is several communities. We took one area at a time,” Hermansen said.

The worries were practical. People wanted to know: “What’s in it for them. Whether they can save money on their bills.”

Some signed up to the idea immediately. Others were sceptical. But the majority was eventually convinced.

By 2001, the island had cut its fossil fuel use by half, four years later it was producing more renewable energy than it needed. There are now 11 on-shore wind turbines providing the island’s electricity. Ten off-shore turbines offset the island’s transportation needs - the three ferries serving Samso guzzle oil.

Over €60 million has been spent since the project began, 70 percent of which was private investment by islanders. The dividends come in the form of lower fuel bills and cheques for those who took out shares in the turbines.

An foreseen but welcome spin-off are the 6,000 visitors coming each year to admire and learn about the island’s evolution to energy self-sufficiency.

Hermansen credits the islanders for the success of the project. But it was also down to keeping the aim of the project realistic and in touch with what local people wanted.

“You have to look at each area and see ... what are the strengths of the different areas. Why big politics often gets stuck is because people want to do everything - it gets too big and then people cannot absorb it.

“Better to go down to a lower level and focus on local and regional development.”

Soren Hermansen - “Why big politics often gets stuck is because people want to do everything”

A view of the island - Samso became energy independent in 2008

Photo: Jeppe Jensen
For the seventh time in a row Silesia (Śląskie) has been ranked as the most attractive investment location in Poland. The Katowice Special Economic Zone has created tens of thousands of new jobs in 35 cities of the province.

The region inhabited by 4.6 million people, has the highest population density in Poland and is the most urbanized area in Central Europe. Traditional work ethos is a good mark of the people who have worked here in industry for generations. Silesia has a working-age population of over 3 million. The province’s active business networks and dynamic market are the product of true teamwork. The 45 universities and colleges of Śląskie province tutor almost 200,000 students, with 60% of them studying for degrees in engineering and economics. Silesia is one of Poland’s leading centres for R&D. The first artificial heart or design initiatives are the showpieces of our creative potential. An innovative approach to business contributes to success of the firms, which operate in the province.

There are 18 industry and technology parks operating in the energy, automation, electronics and construction sectors. Over 2 million creative people living in 14 cities of the so-called Silesia Metropolis create the region’s positive energy. Silesia’s densest network of expressways and motorways in Poland completes the offer. The cities of the conurbation are interconnected by a multi-lane transit road. Katowice Airport is the largest regional airport for cargo traffic in Poland. The railway terminal in Sławków is the westernmost point of the broad-gauge railway line, which connects Silesia to the Asian and Far Eastern transport system. Śląskie province has always been a strong pillar of Polish economy.

Main fields of activity of the Regional Office of Silesia in Brussels
- Regional policy
- Transport
- Energy and environment
- Agriculture
- Education & Culture
- Social issues (CSR, Active Ageing, etc.)

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SILESIA’S GENES FOR SUCCESS
Every year, the EU spends around €40 billion trying to reduce the differences between rich and poor regions. But large discrepancies remain.

By: Philip Ebels

The Bulgarian region of Severozapaden, meaning “northwest,” is the poorest in the EU. The people there have little over a quarter of the average purchasing power of people elsewhere in the Union.

By contrast, those who live in the inner city of London tend to be able to buy more than three times the average (even though big differences exist within the city).

Every year, the EU spends around €40 billion trying to reduce the differences between rich and poor. But, according to Eurostat, the EU’s statistical office, big differences remain - and not only in terms of income.

Of the 270 so-called “Nuts 2” regions in the EU (one level lower than the Nuts 1 “major socio-economic regions”), inner London is not only the richest, it is also the most densely populated, with close to 10,000 people per square km.

In a similar boat is Brussels, the EU capital. It is the third richest region - after Luxembourg - and has more than twice the average to spend. But it is also the second most crowded, with almost 7,000 people living on one square km.

Unemployment in places where people live the longest (in Navarre, Spain, and Madrid) is higher than where people live the shortest lives (in Yugoiztochen, Bulgaria, followed by Severozapaden). Of the eight regions where people live the longest, five are Spanish.

By contrast, not even three people per square km live in the French overseas region of Guiana. Least populated in Europe is Iceland and the northernmost Swedish region of Upper Norrland, with little over three inhabitants per square km.

Brussels may be rich, but it is also short of work.

Over one in six people do not have a job, putting the city-state at number 27 on the unemployment list. Number one is Andalucia, with almost one in three out of a job, followed by much of the rest of Spain.

Looking at the figures, one might conclude that work is not conducive to longevity.

“I don’t think there is just one reason,” Maria Lozano Uriz of the Navarre representation in Brussels, told EUobserver.

Instead, she said, it is a “variety of food quality, lifestyle and genetics, I presume.”

It must be an attractive lifestyle.

Spain also tops the tourism charts. The first three most popular destinations are the Canary Islands, the Balearic Islands and Catalonia. The Canary Islands in 2011 received almost double the amount of overnight stays than Ile-de-France, or the Paris metropolitan area, the number five on the list.

As for Severozapaden, it finds itself once again at the bottom of the list. In 2011, less people came to stay the night than in any other region on record.

“work is not a good thing if you want to live for a long time.

Navarre - People live longest in this Spanish region

Navarre - People live longest in this Spanish region

Photo: navarra.es
InvestSrpska.net

- Rich Natural Resources
- Excellent Location
- Liberalized Trade
- Encouraging Tax Policy
- Favorable Treatment of Investors
- Regulatory Reform – Improving Business Climate
- Low Energy Price
- Good Suppliers Base
- Quality of Life
The number of lobbyists in Brussels working for regions, cities and municipalities has grown to about 1,500 people.

By: Philip Ebels

The number of lobbyists in Brussels working for regions, cities and municipalities has grown to about 1,500 people. The average budget is some €350,000, meaning - in the same non-scientific manner - that subnational governments could be spending more than €87 million per year on EU representation.

But for many, that might be worth it, as they spend much of their time and money trying to get in on generous EU subsidies. A big chunk of the EU budget every year goes to projects aimed at reducing the difference between rich and poor regions.

“Our office is acting as eyes and ears of our region as we actively search for information available only in Brussels, relevant to creating and running projects co-financed by the EU,” wrote Andrzej Siewierski of the central Polish region of Lodzkie.

Half of those who responded explicitly mentioned EU funding as an important goal of their work in Brussels. The other half did so less explicitly.

EUobserver sent out the survey on 17 September 2012. Of the 249 offices contacted, 34 partially or completely responded.

In December 2011, according to the latest information from the Committee of the Regions, an EU advisory body, there were in Brussels some 250 offices run by regions, cities, and municipalities from across the Union and beyond.

They are not all as prominent as that of the Bavarians, however, which it says employs 32 people. A survey by EUobserver shows that there are big differences between them.

The Icelandic Association of Local Authorities, for example, employs only one person in Brussels, as does almost one in five of those who responded. Luxembourg, Malta, Portugal and Slovenia have none.

The average number of employees is a little less than six, meaning that in theory, there could be up to 1,500 regional lobbyists working in the EU capital.

There are also big differences in the size of the budgets. Some offices, like the Union of Cyprus Municipalities, have little more than €100,000 per year at their disposal. Others, like the one for South Denmark, have 10 times as much.
CULTURE INCREASINGLY SEEN AS PATH TO ECONOMIC GROWTH

Some regions are using EU money to metamorphose into cultural hotspots. But the next EU budget could put this at risk.

By: Honor Mahony

WITH A LITTLE IMAGINATION

and some creative interpretation of guidelines on how to spend EU aid, some cities and regions are pulling themselves up by the bootstraps and turning themselves into cultural - and money-making - hotspots.

Nantes is one of them. Twenty-odd years ago, the western French city had a huge industrial scar at its centre after the closure of its shipyard. The 15 hectare space on the Île de Nantes was ugly, barren and a reminder of a busier past.

Today, it is an artistic centre. Art projects, festivals and shows have put the city on the cultural map and boosted outside investment. The creative industry employs 5,600 people - a 200 percent increase since 1982. Visitor numbers have shot up, from 140,000 in 2006 to 220,000 last year.

The city’s authorities got around €54 million from the European Regional Development Fund. They spent around €9 million of it just on culture-related investment in the city.

Valentina Montalto of KEA - a consultancy specialised in culture - and co-author of a “report looking into the use of EU regional aid for cultural projects, says this reflects better appreciation by local authorities of the importance of creativity.

“What is happening in European regional policies is that there is better understanding of culture. There is much less culture for culture’s sake but seeing it as a tool to promote activity and innovation,” she said.

There are many examples. Dundee on the east coast of Scotland is another city that has set about transforming itself.

The starting blocks were the same as those of Nantes - a city in decline after a more prosperous industrial past. In the early 1990s, city developers started to focus on culture and creativity. Now the city accounts for 10 percent of the UK’s digital entertainment industry. It is home to 17 games companies employing over 400 people.

Arnhem in the Netherlands has focused on turning itself into a city that designers not only want to come and study in but also to stay afterwards, while Estonia’s Tartu is busy establishing itself as a cultural hub by encouraging cultural entrepreneurship.

But, according to Montalto, even if some urban developers are enlightened about the role of culture as a force for economic growth, this does not mean that a profound change has taken place.

The proposed new rules for cohesion policy (a bag of EU funds for regional development) give a less prominent position to culture. It is not mentioned in the 11 ‘thematic areas’ where the European Commission wants money to be spent - although it is mentioned in less important strategic guidelines for the spending of EU aid.

“Even if the current reference is limited to cultural heritage, compared to the new one, it’s still better,” says Montalto of the proposed changes.

Helga Truepel, a German Green MEP, says that the parliament’s culture committee will try to use the report to influence negotiations on the next budget.

“It is not about abolishing the intrinsic values of culture but seeing that it is a new part of economic development. It’s a cross-over between culture and economic policies,” said Truepel.

“Cities that have invested in culture have had more economic success than those that invested only in cars and airports. In the knowledge society, a lot of innovation - when you put it in economic terms - depends on creativity.”