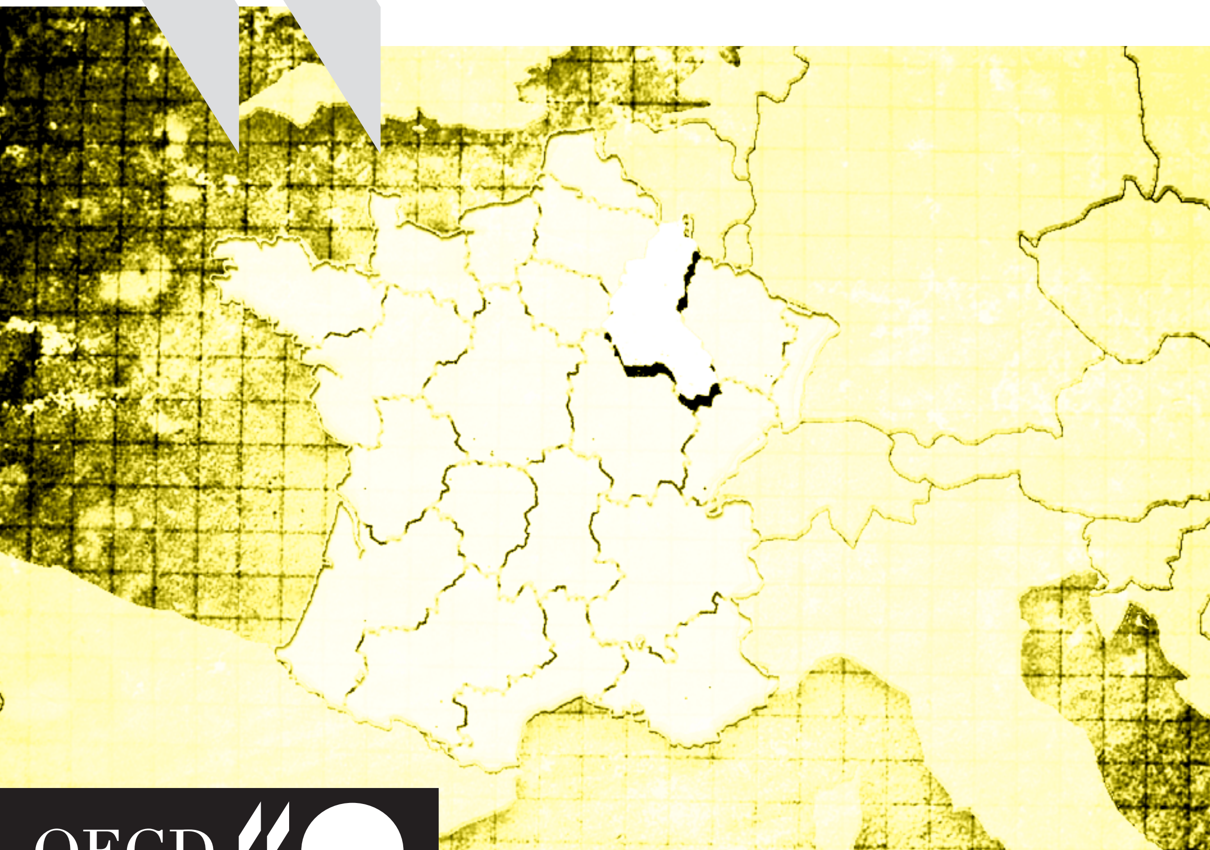
OECD Territorial Reviews

Champagne-Ardenne, France



OECD

© OECD, 2002.

© Software: 1987-1996, Acrobat is a trademark of ADOBE.

All rights reserved. OECD grants you the right to use one copy of this Program for your personal use only. Unauthorised reproduction, lending, hiring, transmission or distribution of any data or software is prohibited. You must treat the Program and associated materials and any elements thereof like any other copyrighted material.

All requests should be made to:

Head of Publications Service,
OECD Publications Service,
2, rue André-Pascal,
75775 Paris Cedex 16, France.

OECD Territorial Reviews

Champagne-Ardenne, France

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

– to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;

– to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and

– to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original Member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971), New Zealand (29th May 1973), Mexico (18th May 1994), the Czech Republic (21st December 1995), Hungary (7th May 1996), Poland (22nd November 1996), Korea (12th December 1996) and the Slovak Republic (14th December 2000). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

Publié en français sous le titre :

Examens territoriaux de l'OCDE

CHAMPAGNE-ARDENNE, FRANCE

© OECD 2002

Permission to reproduce a portion of this work for non-commercial purposes or classroom use should be obtained through the Centre français d'exploitation du droit de copie (CFC), 20, rue des Grands-Augustins, 75006 Paris, France, tel. (33-1) 44 07 47 70, fax (33-1) 46 34 67 19, for every country except the United States. In the United States permission should be obtained through the Copyright Clearance Center, Customer Service, (508)750-8400, 222 Rosewood Drive, Danvers, MA 01923 USA, or CCC Online: *www.copyright.com*. All other applications for permission to reproduce or translate all or part of this book should be made to OECD Publications, 2, rue André-Pascal, 75775 Paris Cedex 16, France

Foreword

The globalisation of trade and economic activity is increasingly testing the ability of regional economies to adapt and exploit or maintain their competitive edge. There is a tendency for performance gaps to widen between regions, and the cost of maintaining cohesion is increasing. On the other hand rapid technological change, extended markets and greater use of knowledge are offering new opportunities for local and regional development but demand further investment from enterprises, reorganisation of labour and production, skills upgrading and improvements in the local environment.

Amid this change and turbulence, regions continue to follow very different paths. Some regions are doing well in the current phase of the growth cycle and are driving growth. Others are less successful at capturing trade and additional economic activities. Many territories with poor links to the sources of prosperity, afflicted by migration, notably of young people, and lagging behind with respect to infrastructure and private investment are finding it difficult to keep up with the general trend. At the same time central governments are no longer the sole provider of territorial policy. The vertical distribution of power between the different tiers of government needs to be reassessed as well as the decentralisation of fiscal resources in order to better respond to the expectations of the public and improve policy efficiency. All these trends are leading public authorities to rethink their policies and strategies.

The Territorial Development Policy Committee (TDPC) was created at the beginning of 1999 to assist governments with a forum for discussing the above issues. Within this framework, the TDPC has adopted a programme of work that puts its main focus on reviewing Member countries' territorial policies and on evaluating their impact at regional level. The objectives of Territorial reviews are: *a*) identify the nature and scale of territorial challenges using a common analytical framework; *b*) assist governments in the assessment and improvement of their territorial policy, using comparative policy analysis; *c*) assess the distribution of competencies and resources among the different levels of governments; and *d*) identify and disseminate information on best practices regarding territorial policy.

© OECD 2002

The Committee produces two types of reviews:

Territorial reviews at the national level. Requested by national authorities, they analyse trends in regional performances and institutional settings, focus on policies to reduce territorial disparities and to assist regions in developing competitive advantages. They also concentrate on the governance framework, on the impact of national non-territorial policies on subnational entities and on specific aspects of fiscal federalism. The final report proposes territorial policy recommendations.

Territorial Reviews at the regional level. Requested by subnational authorities (local or regional) with the agreement of national ones, they concentrate on strategies for development of the respective entity. They in particular identify the role of key demographic, socio-economic, environmental, technological and institutional factors in explaining the performance of regions. Comparative analysis with regions of the same type is undertaken using the typologyelaborated by the Secretariat. The final report proposes development policy recommendations.

© OECD 2002

Acknowledgments

The project was co-sponsored and co-financed by the Regional Council of Champagne-Ardenne and the Territorial Reviews and Governance Division of the OECD. Special thanks are given to Mr. Jacques Jeanteur, Deputy President of the Regional Council of Champagne-Ardenne.

Socio-economic information, analysis and statistics were provided through a background report prepared by Mr. Alain Rallet, Professor of in the University of Dauphine (France). The team of international experts who contributed their reports to the preparation of this review was comprised of Pr. Amy Glasmeier of Pennsylvania University (USA), Pr. Peter Lloyd of the University of Liverpool (United-Kongdom) and Pr. Henri Capron from the University Libre de Bruxelles (Belgium). National consultants also contribute the report including Mr. Claude Sicard, Mrs. Claire Offredo, Mr. Gregory Hamez, Mr. Gilles Lelong, Mr. Nicolas Sizaret et Mr. Truong-Giant Pham.

Statistical data process was ensured by Mrs. Cécile Hochet, statistician in the Division of the Territorial Statistics and Indicators.

This Review was produced and co-ordinated by Mr. Patrick Dubarle, Principal Administrator, and Ms. Lamia Kamal-Chaoui, Administrator, with the participation of Ms. Soo-Jin Kim, internal consultant under the direction of Mr. Mario Pezzini, Head of the Territorial Reviews and Governance Division of the OECD Territorial Development Service.

© OECD 2002

Table of Contents

© OECD 2002

List of Tables

© OECD 2002

List of Figures

© OECD 2002

List of Boxes

© OECD 2002

Assessment and recommendations

The Champagne-Ardenne economy has lost ground since the 1990 recession.

Even though the Champagne-Ardenne region appears to be fairly prosperous (ranking fifth among French regions in terms of per capita GDP), the socio-economic changes it has undergone over at least the past ten years call this into question. To start with, there is little population growth, a declining natural increase no longer outweighs rising net emigration. GDP has not grown fast enough during this period to enable Champagne-Ardenne to maintain its ranking, and between 1990 and 2000, it dropped two places in the GDP ranking of French regions (falling from the 16th to the 18th position). This slow but steady downward slide is also apparent when considering productivity trends (as measured by GDP per job).

This downward slide is rooted in an earlier period and is caused by structural factors.

Such mitigated results are partially explained by the scale of the recession which hit the region in the early 1990s, causing a sharp fall in GDP in 1991 and an even larger drop in 1993. Moreover, factors of a more structural nature still play a part in impeding the economy. Agriculture and industry are over-represented in Champagne-Ardenne and the sectors in which they specialise are insufficiently concerned with activities that generate added value and/or are likely to create jobs. The potential for innovation is low, thus hampering the region's ability to benefit from renewed economic activity or to sustain a prolonged period of growth. The upturn in 2000 cannot hide the decline in the number of new businesses starting up over the past seven years, especially in comparison with the national average. Besides, marked disparities within the region, such as those that exist between central *départements* (Marne and Aube) and outlying *départements* (Haute-Marne and Ardennes), militate against overall cohesion and lessen the ability to attract foreign or national investment.

© OECD 2002

Signs of recovery have, however, been evident since 1993.

The region faces a real risk of being left behind. And yet, there are some signs that it is beginning to take action. Indeed, in the past few years, the gap between its unemployment rate and that of the country as a whole has narrowed. Moreover, from 1993 onwards, the average GDP growth rate has remained above the national average. Lastly, employment has also greatly improved since 1998 and all four *départements* have benefited from the upturn.

Champagne-Ardenne enjoys clear comparative advantages…

In the final analysis, Champagne-Ardenne disposes of clear assets with which it can meet the challenge of restructuring and internationalising its economy. It is ideally placed geographically, being close to the heart of Europe and the European growth crescent (*banane bleue*). It is very competitive in a number of areas such as mechanics, metalworking, packaging and of course, agriculture and the production of champagne. Moreover, Champagne-Ardenne boasts a rich heritage as regards nature, architecture and gastronomy. The region ought also to be able to turn its drawbacks into assets. Development of a towns network could make up for the lack of a major metropolitan area. Much could be made of the potential for inter-regional and cross-border co-operation. And it is true that considerable progress has already been made in those different fields. Champagne-Ardenne is endowed with many rural and urban amenities that could be developed further by tourism.

… that it could put to use more easily by further developing and strengthening regional strategy.

These development opportunities could be seized more easily if the central government and the Regional Council were to put strategies in place for the purpose. Partnership between the two authorities is generally expressed in France through the medium of a planning contract. First and foremost, it is thus at this very level that the strategy's quality should be assessed. In Champagne-Ardenne, the current 2000/2006 contract is worth FRF 7 billion, the State's share of the contribution being larger than in the past both in relative and in absolute terms. However, State investment per capita is still below the national average. This contract gives evidence of some reordering of priorities in favour of environmental and lifestyle issues (areas that had remained largely ignored during the 1994-1999 period). Nonetheless, in order to make

© OECD 2002

up for the lag in central government investment in that field, infrastructure and road improvement still receive large amounts of money, almost 45% of the total allocation of resources under the Planning contract. Relatively speaking, the current contract is less favourable than the contract for the Centre region with regard to the funding of higher education and research. It is also less generous than the contract for Lorraine in respect of the urban policy or the *pays* concept policy (*pays* being supra-municipal entities).

The regional authorities have room for manoeuvre.

The Regional Council, whose budget is almost double the annual sum allocated under the Planning contract, can, to some extent, supplement or even balance the situation. Even though the budget is in part used to meet current expenses, it also supports a wide range of mechanisms intended to assist economic development (businesses have access to a large number – over a hundred – of assistance schemes and programmes) such as business creation, exports, SMEs, cultural as well as industrial schemes, and reference areas. The Regional Council has also earmarked an additional FRF 318 million to fund structural facilities not included in the Planning contract. However, the regions in general and Champagne-Ardenne in particular have limited room for manoeuvre. Indeed, on the one hand, they have little fiscal independence and 25% of their tax income has been replaced by a transfer of funds from the central government, which increases their level of dependence on the central government. On the other hand, recent parliamentary debates on assigning new responsibilities to the regions have not resulted in any major change. There may even be some risk of a fragmentation of responsibilities as has been the case with vocational training and apprenticeship. Authority transfer to the regions in the area of regional transport by rail appears to be the only area where there has been any significant change in recent years.

They could in particular improve their methods of governance.

In the present context, however, the region should be able to improve its method of governance. Co-operation between communes is fairly well developed in Champagne-Ardenne, though it may vary according to each *département*. The Regional Council needs to strengthen the links with these structures. In order to promote bottom-up projects, it

© OECD 2002

also needs to give greater impulse to the development of the *pays* concept scheme, which seems to be slightly lagging behind (except in the Ardennes). The region could do more to inform and consult the general public, concerning the main thrusts of strategy for instance. Another need is to improve communication among institutions, since members of the Regional Council have little public visibility, especially as far as mayors and locally elected representatives are concerned. Information technology is a powerful tool in attaining this goal. Progress has been made in providing administrations with such facilities but there is still work to be done to reach a satisfactory level of e-governance.

However, focusing on two prime movers of growth – entrepreneurial drive and foreign direct investment – would be the best way of improving results.

Although it is important for objectives to be clearly defined (catching up, structural adjustment, modernisation) and a proper division of labour among the various levels of government to be ensured, accurate targeting of the growth factors that will give the best results from the strategy, is even more vital. As shown in the comparative examples of the OECD intermediate regions, *i.e.* Pennsylvania, East Midlands and Wallonia, the successful restructuring of traditional industries and emergence of new economic activities have been the key to success. In this context, there are two prime movers: *i*) entrepreneurial drive and *ii*) attracting outside capital.

i) Champagne-Ardenne has not performed well in terms of business creation. Indeed in 2000, it ranked 19th among all 22 French regions. The policy support to new companies is now becoming more extensive. An incubator has been in operation for the past year. The Ardenne Champagne Regional Participation Institute has been reorganised, as well as access to venture capital. In addition, new initiatives have been taken so as to improve communication on entrepreneurial matters through the medium of national business creation contests. Such an approach needs to be consolidated and an overall strategy set up in order to strengthen the very recent upward turn in business creation. The integration of entrepreneurship within initial and continuous training should also be taken into account. There should also be greater efforts to target sectors of the

© OECD 2002

population with high creation potential such as young people, research workers and women.

ii) Foreign direct investment (FDI) gains indirectly from such efforts meant to renew the industrial fabric. Indeed, large firms are more likely to come to Champagne-Ardenne if they know they are to find energetic sub-contractors to boost their own profitability. The region has however found a more specific attraction policy in that it has so far been receiving a portion of FDI to France that is below its contribution to national GDP. A number of regional agencies and institutions are involved in investment in the region to varying extents. It would be more effective to combine these different thrusts into a single structure that might well be interregional, in the same way as CAP *développement* (an offshoot of the DATAR (the *Délégation à l'Aménagement du Territoire et à l'Action Régionale*), in charge of Picardie and Champagne-Ardenne).

Ultimately, the regional economy also needs to be given the means to move towards more knowledge-based economic activities and hence knit universities and higher educational institutions more closely into its fabric.

This increase in investment in and internationalisation of the region should ultimately steer the Champagne-Ardenne economy towards areas of economic activity requiring greater skills and generating greater added value, in line with the laws of international trade and comparative advantage. If Champagne-Ardenne wishes to avoid future bottlenecks with their costly impact on growth and employment, it will have to pay increasing attention to the training facilities, educational infrastructure and research potential available in the region. In the university sphere, much progress has been made and access to higher education has significantly increased thanks to the establishment of Troyes Technological University (UTT) in 1994. From its inception, UTT has entered into partnerships with firms in a restricted number of fields of local interest. The university does not, however, have a very strong foundation and it receives few grants. Few (8%) of its young graduates are pursuing a career in Champagne-Ardenne. The other major institution in the region is the long-established Reims University (URCA), which offers a wide range of courses. It has also expanded within the region, for example by establishing the University Institute of Technology (IUT) in Châlons and

© OECD 2002

the Institute for Higher Technical Education (IFTS) in Charleville-Mézières. URCA has a large number of laboratories and is now seeking to focus on specific areas such as agronomy (Europol'Agro) or packaging (through incorporation of a specialised school). New investment will be needed to strengthen such ventures, fund the four platforms planned for the employment catchment areas without a university and improve courses to make graduates more attractive to employers. However, the central government, which is solely responsible for higher education, is not likely to make a substantial increase in its contribution. The allocation for Champagne-Ardenne under the University 3000 plan (1.5% of the total) is less than the region's contribution to the national GDP, which increases the region's lag in terms of investment. Although the question of giving the regions a greater say in the funding and supervision of higher education has already been raised, central authorities still need to take specific steps to ensure a better match between supply and demand in the case of higher education in Champagne-Ardenne, as well as in other regions. First, greater attention should be given to the teaching of entrepreneurial skills, and in this respect, the *Canada Atlantique* experience could serve as a model. Indeed, this Canadian agency for regional development aims at taking specific measures as regards the educational system in order to stimulate the spirit of enterprise at an early age. Next, universities should be granted greater independence in staff recruitment and management. Lastly, evaluation procedures should be streamlined. If they are to serve their purpose, they should take into consideration all dimensions of educational institutions and particularly the role of institutions in the region's economy. At present, such university evaluation is all too often restricted to accounting or corporatist aspects.

Research should be given more attention.

Research is a sector of particular concern in the region. Businesses invest little in R&D (less than 0.5% of the regional GDP). Public sector research is not acting as a compensatory mechanism but instead tends to make matters worse. Champagne-Ardenne ranks second to last of the French regions with regard to the number of public sector research workers per head of population. Furthermore, incentives such as research tax credits are but of minor benefit to the

© OECD 2002

region in view of the few businesses engaged in innovative work. As for basic research, one has to admit that no centre of excellence currently exists that would justify the establishment of a CNRS (national scientific research centre) branch. A vicious circle thus seems to be at work in which a low level of research fails to attract R&D investment, which in turn helps to keep research down. Raising public awareness therefore appears necessary; in order to do so, a technological programme could be set up, whose main goal would be to draw up an overall appraisal of the situation, while providing mid-term objectives and defining the means to achieve them. The European Commission's "Regional Innovation Strategy" RIS/RITTS programme could provide a framework and resources for such a task as well as encouraging exchanges with other European regions. Cross-border or cross-regional co-operation that helps to achieve critical financial and human mass should also be vigorously promoted. A serious effort should be made to overcome the obstacles that prevent the inclusion of foreign research workers.

Increasing the competitiveness of the region nevertheless calls for efforts directed to R&D to be supplemented by action on innovation, new technologies, SME networks and co-operation, as well as local players.

Fighting training and research deficiencies in Champagne-Ardenne is, although necessary, not sufficient on its own. Greater prosperity and improved business competitiveness will not be achieved merely by producing more skilled workers and increasing the number of patents. Firms also need to put these new skills to work and research findings have to be turned into marketable new products and procedures. Regional policy can facilitate the process of absorbing new ideas and making them profitable, thanks to the Charleville-Mézières CRITT for instance. To begin, it can encourage the transfer of codified knowledge by providing improved access to information technologies. The Internet is still not in widespread use in Champagne-Ardenne, although the region has taken steps to make businesses more aware of the Internet (Objectif net) and promote teleworking. It has signed an agreement with the Consignments and Loan Fund (*Caisse des Dépôts et Consignations*) for the installation of public digital access areas (cyberbases) for local communities. The money earmarked for the purpose should allow a dozen such public digital access areas to be co-financed. Since 140 such access areas are estimated to be needed by 2004, this policy should be vigorously pursued and new partners sought. In

© OECD 2002

general, greater use should be made of European funds to finance connection infrastructure and reduce the digital divide between town and country. Secondly, national and regional authorities should do more to encourage entrepreneurs to co-operate, interact and ultimately learn from each other. Since behaviour is often conditioned by regional customs and habits, an effort should be made to recast social capital. Within the region, local antagonisms and the defensive stance of small businesses has often reduced the potential for co-operation and hampered the emergence of firm clusters. Yet, some associative efforts have been successful. For example, the Club Intégrale Textile and the Packaging Valley association have embarked on international business agreements that are working well. The assistance provided by the region in such cases has often been acknowledged as helpful. Meanwhile, its role as intermediary should be strengthened. It is vital that such networks should not end at the region's borders. Champagne-Ardenne's economy is still too largely self-centred and fails to take full advantage of its location in the heart of Europe to embark on a strategy of innovation. Its trade displays a particularly narrow base (10 products make up 60% of all export sales). Numerous efforts of limited scope have been made to support international trade, but no co-ordinating framework of the sort found in many other regions is yet in place. Such a structure or facility would also enable networks to be extended beyond the regional area.

Greater emphasis must be placed on regional development and in particular on cross-border development.

The inadequacy of social capital and the lack of willingness to co-operate has for long hampered cross-border collaboration. Nevertheless, the region has many assets that could be developed. Projects involving its co-operation with neighbouring Walloon provinces are eligible for the European Commission's INTERREG programme. The region can also apply for European funding under the heading of transnational co-operation within the North-West Metropolitan Area (NWMA). However, work done during the 1994-1999 period under INTERREG II (such as a programme to promote innovation, develop local production and launch tourism projects) never reached the same scale as the co-operation undertaken between Wallonia and Nord-Pas-de-Calais or between Wallonia and the Sar-Lor-Lux European area. There is not a shortage of obstacles: French red tape, administrative

© OECD 2002

discrepancies, the difference in the legal status of institutions expected to cooperate and stereotypical views of the other party. Nonetheless, things are changing. An agreement was signed between the two regional governments of Wallonia and Champagne-Ardenne in the spring of 2001. Joint projects with Belgium could give the boost to the Ardennes economy that it needs. In order to develop the capacity to generate local proposals and secure the success of the INTERREG III programme, it is important to ensure that programme management structures operate in a flexible manner, that civil society is fully informed and plans of action are prepared in areas of mutual interest such as tourism, environment or information technology.

Urban expansion could be more sustained if an active towns network policy were instituted to consolidate co-operation between urban centres and to facilitate synergy.

Urban expansion is another future growth factor for the region. Even though the rate of metropolitanisation (63%) is low in comparison to the French average (75%), growth rates for the urban population, and more particularly the adjacent peri-urban population, are some of the highest in the country. The urban centres of Troyes and Charleville-Mézières are dominant in their *départements*, accounting for half or more of the departmental population. Nonetheless, though Troyes may give an impetus to Aube's overall development, the Ardennes has not yet succeeded in structuring an urban area exceeding 100 000 inhabitants around Charleville-Mézières/Sedan. In Marne, things are somewhat different with a number of towns (Reims, Épernay, Châlons, Saint-Dizier) lying in a string along two axes. Haute-Marne alone is deeply rural. Overall, the various urban areas account for most of the economic activity, the services sector in particular. In Champagne-Ardenne, as in intermediate regions in general, a string of medium-sized towns represents a comparative advantage that deserves further development. The persistence of local antagonisms, however, hampers the emergence of an effective towns network. The Regional Council could act as a catalyst in promoting agreements between towns or in the implementation of joint projects and could provide incentives for the purpose. Insofar as the central government authorities follow a contract policy with the larger of the towns, this could be a complementary area in which the region could play a more active part.

© OECD 2002

The region could also play a larger part in tackling distressed urban areas and in fighting urban decay.

Under the urban policy, special attention is given to less developed urban zones. This is particularly important in Champagne-Ardenne, which is one of the leading regions in France in terms of the proportion of total population living in sensitive urban zones (ZUS). The central government authorities have taken these problems on board and are funding a large portion of the nine urban contracts that come under the 2000/2006 Planning contract. However, there seems to be a need for the region to be given a significant role to play within the framework of the institutional partnerships established by these contracts. To start with, many such contracts involve European regional funds, and the subsidiarity principle therefore is to be applied. Next, the region may demonstrate the need for economic as well as social support for these districts. The region could seek to ensure that urban policy does not focus on isolated sectors as is often the case, and give proper priority to integrating distressed districts either into the urban framework as a whole, or into the employment catchment area or the metropolitan zone. Participation by the local population is vital if these policies are to succeed. Local authorities and the region are generally in a better position to assess the needs of those living in such districts than the central authorities, even when the latter have been decentralised. Last, if one considers the scale of the issue in Champagne-Ardenne, the region could devote more energy in seeking to obtain funding from the EU within the framework of URBAN and ESF programmes (European Social Fund).

Rural areas offer much growth potential. To put this to good use, a better balance needs to be found between agricultural policy and rural policy, in particular through strengthening initiatives aimed at improving amenities.

As in most intermediate regions, the future strategy must include a large rural component. Champagne-Ardenne has always taken positive advantage of its agricultural production, at least in its two central *départements* where yields are high and farm acreage is well-above the national average. Even though agriculture-derived activities may not generate much added value, the region is an outstanding producer of basic crops (cereals, oil-producing crops, potatoes) and is an exceptional wine producing area (champagne). It is, however, facing considerable challenges such as the flight of population from some rural areas in Haute-Marne and in the Ardennes, the need to maintain control of agricultural development, the need to protect landscapes and biological diversity, and the need to

© OECD 2002

ensure the quality and traceability of agricultural produce. New rural lines of development may emerge, provided that they are not hampered by agricultural policy and that maximum advantage is taken of an agricultural multi-functionality. The regional nature parks are a move in this direction, although such an action has so far been rather hesitant in Champagne-Ardenne. The region has as yet no more than two regional nature parks (a third is under preparation in the Meuse area) and their economic impact (added-value products, labelled products) has not yet been fully explored. New impetus is required from the region, which could for example frame a proper amenities policy by encouraging local parties to work together, by supporting the installation of new infrastructure (to serve tourism for example) and by helping businesses that make local products or use traditional techniques.

In short, even though Champagne-Ardenne has improved its position over the past ten years, policies aimed at strengthening developments in the region are needed to meet the challenge of population change and weak entrepreneurial drive.

Champagne-Ardenne's performance has been much better in the second half of the 1990s than in the first. Much progress has been made. Even though the central government has not yet made up for the lag, it has significantly increased its investment in the Planning contract, while the region has increased its degree of co-financing. After some delay in implementing the infrastructure intended to support economic development, notably for European programmes, cruising speed now seems to have been attained. The number of LEADER programmes has increased significantly. Many *pays* are on the stocks and will join the nine existing ones. The programme of Regional Council support for local areas is providing effective support for inter-communal structures. In addition, an incubator has been established and the provision of venture capital has been reorganised. However, the economy of Champagne-Ardenne remains fragile. The prime movers of growth, namely SMEs and new businesses, need to be strengthened and the education and research context improved. Regional policy should be more in keeping with local and cross-border developments. As for the cross-border process, a co-operation agreement was signed with Wallonia this year, but greater benefit could be derived from the European connection. With regard to developments on the urban front, co-operation among and within urban areas is still far too jeopardised by

© OECD 2002

local disputes; thus, the region could play a more active part. Eventually, developments on the rural front could be brought to the fore, especially if the region were in a position to implement effective policies aimed at diversifying agriculture while enhancing its multi-functionality.

© OECD 2002

Chapter 1

Socio-economic Analysis of an Intermediate Region: The Champagne-Ardenne Region

The Champagne-Ardenne region is currently at a turning point in its development. Economically, it has reached the end of a cycle that had provided the region with a certain degree of wealth since the 19th century, combining a flourishing industrial base with traditional agricultural prosperity. Today, in a very different economic environment, the driving forces behind that cycle seem to have run out of steam. Historically, growth in the region has been fuelled by sectors such as farming, wine-growing, crafts, forestry, leather, metalworking, textiles, etc. which, although they may remain a source of value added locally, no longer create jobs. The region also suffers from a paucity of the service activities which now fuel growth, especially services with a high level of intellectual value added. Consequently, regional employers are no longer resilient enough to cope with both job losses in traditional industries and the arrival of young people into the labour market. The result is a high level of unemployment due to the mismatch between skills and opportunities, whose imbalance is adjusted by net out-migration from most employment zones in the region. This has the effect of slowing demographic renewal, which in turn undermines the potential for growth. But despite its structural weaknesses, Champagne-Ardenne boasts a number of strengths that it should exploit in order to meet the challenges it faces. This implies better information concerning its capacities and paths for development in order to identify its comparative advantages. Comparison with "similar" regions will provide an informed basis for drawing conclusions about successful or valid initiatives in those regions, which may thus help to limit the risk of decline in Champagne-Ardenne and even to reverse the trend.

Portrait of the region and comparative analysis with similar regions

The main socio-economic indicators for the region reveal the existence of a real risk of decline, calling for far-reaching changes. A comparison with other French regions that display many similarities would help to situate Champagne-Ardenne more precisely in relation to aspects such as employment, reducing

© OECD 2002

unemployment, bridging the technology gap,[1] entrepreneurship and innovation, and the best use of human resources. Three French regions – Picardie, Centre and Lorraine – have been chosen for comparison because they share certain common features with Champagne-Ardenne, notably their geographical situation, their economic base and the economic challenges they face.

- The three regions are adjacent to Champagne-Ardenne and/or form part of the Paris basin. Lorraine, like Champagne-Ardenne, is a border region, a position that should be exploited so as to take advantage of greater European trade flows.
- Having a large network of small and medium-sized towns, the four regions are intermediate regions, meaning that they cannot be regarded as predominantly rural or urban.[2]
- Except for the Centre, the regions have low population growth. They are facing long-term net out-migration, insufficiently compensated by natural surpluses. The chief cause of this situation is the failure to complete the process of industrial redeployment. As a result, job opportunities have dried up in the manufacturing, textile, mechanical engineering and metalworking sectors.
- In terms of economic redeployment, the four regions display uneven success. All of them have an economic base that is still dominated by the primary and secondary sectors and low or medium-technology activities like logistics, food processing, textiles and mechanical engineering, to the detriment of tertiary activities, especially those like financial services which generate substantial intellectual value added. They fit the pattern of an old industrial region that has not yet completed the transition from a predominantly manufacturing economy to a service economy.
- Considerable territorial disparities exist within each of the four regions. In Lorraine, there are considerable differences between the Moselle valley, the conurbations around Metz and Nancy, the mining regions and the rural department of Meuse; in Champagne-Ardenne, departments like the Ardennes and Haute Marne persistently lag behind in the economic redeployment process; in Picardie and the Centre, the difference is between north and south.
- All four regions, Lorraine to a lesser extent, benefit in various ways from the proximity of the Paris region, even though it also generates additional costs and adverse side effects. The regional economies are generally dominated by large groups whose decision-making centres are located in the Paris region. As a result, in general, design, marketing and administrative functions are under-represented, as are services with a high level of intellectual value added. This is compounded by a brain drain as executives and postgraduate students are drawn to the capital.

© OECD 2002

- These are regions which could considerably improve their position within Europe, and within the North West Metropolitan Area (NWMA) in particular; indeed, they wish to take advantage of their geographical situation to enhance their logistic potential.[3]

The four regions have reacted differently to the prospect of large-scale economic change, in areas such as their capacity to benefit from the proximity of the Paris region while minimising the cost, to integrate farming and agribusiness, to enhance amenities, to attract foreign investment, to stimulate cross-border activities, to develop networks of innovative small businesses and to improve systems of governance. In meeting these challenges, they have implemented policies, sometimes with instructive results, which could serve as models for Champagne-Ardenne.

Physical and human geography

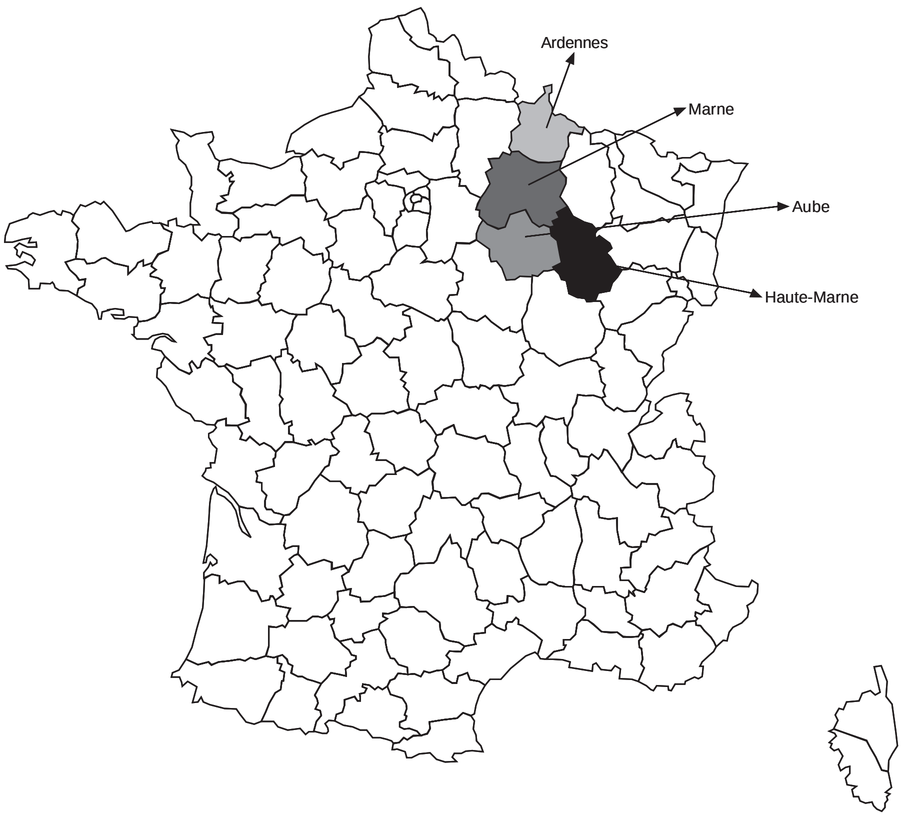
The Champagne-Ardenne region includes four departments (*département*): Ardennes, Haute-Marne, Aube and Marne (Figure 1). Covering 25 606 sq. km., it is the twelfth largest French region by surface area. It is surrounded by regions that are much more dynamic in northeast France, bordering Benelux and Germany. Almost a quarter of the region is forested and there is a substantial proportion of farmland. The urbanisation rate is still relatively low for an area that belongs to northern Europe: 64% of the population lives in towns and cities, compared with an average of 77 % for France as a whole. With its network of small and medium-sized towns, Champagne-Ardenne is an intermediate region according to the OECD definition, even though three of its four departments are predominantly rural (Aube, Ardennes and Haute Marne).

The Champagne-Ardenne region is typified by an overall demographic decline; indeed, according to the 1999 census, its total population reaches 1 342 202 inhabitants that is 5 960 less than in 1990. This represents a decline of 0.4 % over the period as a whole, or an annual average variation of approximately –0.05 % (Figure 2). With 2.3 % of the population of metropolitan France, Champagne-Ardenne is the eighteenth largest French region by number of inhabitants.

Such demographic decline has occurred against the background of an already low population density of 53 inhabitants per sq. km., half the national average. The population density in the Centre, Lorraine and Picardie is also lower than the national average, but still, Champagne-Ardenne is the region with the weakest population density (Table 1). Sluggish population growth is also a feature of Lorraine and Picardie, but Champagne-Ardenne is the only region of the four whose population contracted over the period 1990-99. Only two other French regions, Auvergne and Limousin, are in the same situation. Strong population growth in the Centre has been accompanied by an aging of the population (young people are leaving while older people aged over 60 are arriving in large numbers).

© OECD 2002

Figure 1. **The Champagne-Ardenne region**



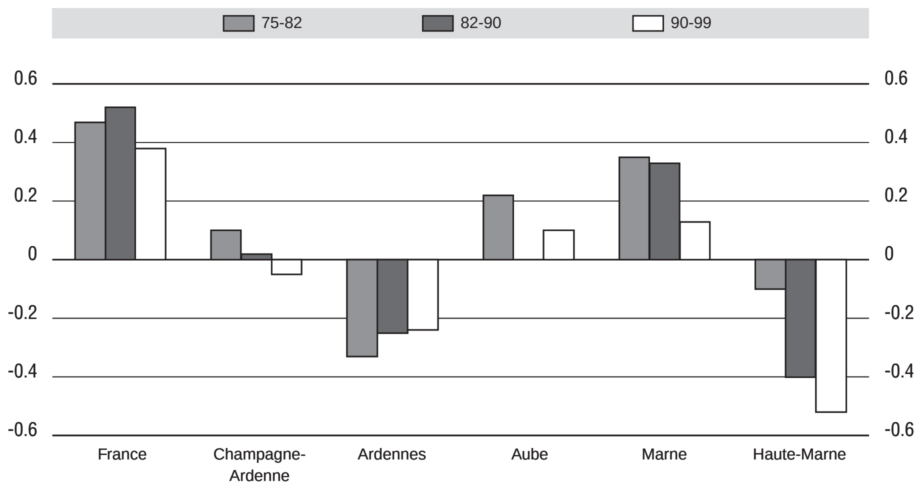
Source: OECD/TDS-TSI.

The demographic change in Champagne-Ardenne is the result of two adverse trends: first, the natural surplus is falling because of a declining birth rate since the 1970s; second, net out-migration is rising. In Lorraine and Picardie, high levels of out-migration are offset by traditionally high birth rates, while the population in the Centre is steadily increasing (Box 1).

The population of Champagne-Ardenne remained stable over the 1982-1995 period because the natural surplus was sufficient to offset net out-migration. Between 1990 and 1995, net out-migration amounted to –0.28% while the natural balance over the same period amounted to only 0.36%, slightly lower than the rate for metropolitan France as a whole (0.37%). Population growth was particularly low

© OECD 2002

Figure 2. **Population change in Champagne-Ardenne, 1975-1999**
Average annual change in population in %



Note: Census in 1975, 1982 and 1990, population estimates in 1996.
Source: INSEE.

Table 1. **Population change in Champagne-Ardenne, 1975-1999**

	Surface area km²	Population (1999 census)	Density (France = 107)	Average annual rate of change 1990-99 (%)	
				Total	Due to net migration
Champagne-Ardenne	25 606	1 342 363	52	–0.05	–0.39
Centre	39 536	2 440 329	62	+0.32	+0.12
Lorraine	23 547	2 310 376	98	+0.02	-0.32
Picardie	19 453	1 857 834	96	+0.29	–0.16

Source: INSEE (1999).

over the period 1975-97 (+1% compared with +11% for the country as a whole). It only rose above the national average in the Reims employment zone, which benefits from a younger population. One of the main consequences of such change lies in the ageing of the population. The average age in the region rose from 36.4 in 1990 to 38.5 in 1999 (40 in Haute-Marne). This reflects a steady, long-term trend, since the proportion of young people aged under 25 in the population fell from 43.5% in 1976

© OECD 2002

Box 1. Demographic trends in Lorraine, Picardie and Centre

Lorraine, like Champagne-Ardenne, has net out-migration, although according to the results of the 1999 census the negative balance has been reduced by half. Lorraine is not particularly attractive to new migrants, and its in-migration rate is one of the lowest in France. It also has an ageing population and a rising number of retired people, the trends being much more pronounced than the average for the country as a whole.

Picardie has the smallest population of the three other regions. Thanks to a traditionally high birth rate, the natural balance remains higher than the national average. However, the region is becoming still less attractive to new migrants: the migration deficit is widening, even in the Oise department, which has traditionally attracted migrants in the past. Picardie remains but little urbanised, even more significantly than the other three regions: less than a quarter of the population lives in a centre with more than 50 000 inhabitants. This is half the national average. Demographic growth in urban centres has slowed down, unlike in predominantly rural areas, where natural and migration balances are positive.

The **Centre** is the only region that has managed to reverse the trend of population decline, this being one of its main advantages. It has a steadily growing population due to a natural surplus and net in-migration. The countryside attracts people: a third of the Centre's population lives in rural communities where, contrary to the trend in urban communities, net in-migration offsets a slightly negative natural balance. With the exception of the Loire Valley, however, the region tends to become less attractive than it used to be. In 1990, in-migration accounted for 60% of population growth, more than births, but by 1999 this Figure had fallen to 33%.

to 31.7% in 1999 (the equivalent figures for metropolitan France are 40.2% and 33.2%) while the proportion of people aged 65 or more rose from 12.6% in 1976 to 15.27% in 1999.

As a result, the region displays a declining share of the national population: a little under 2.3% now, compared with 2.6% in 1962. INSEE projections for the forthcoming decade confirm this decline. According to these forecasts, the regional population will represent 2% of the national population in 2010 and even natural balances will have become negative.

As we have seen, low population growth in the region is due largely to migration balances: more people move out of Champagne-Ardenne than move in. In a league table of French regions measured by their demographic attractivity (ratio between the migratory balance and the population), Champagne-Ardenne is 20 out of 22 (followed by Limousin and Auvergne). Although the deficit affects the

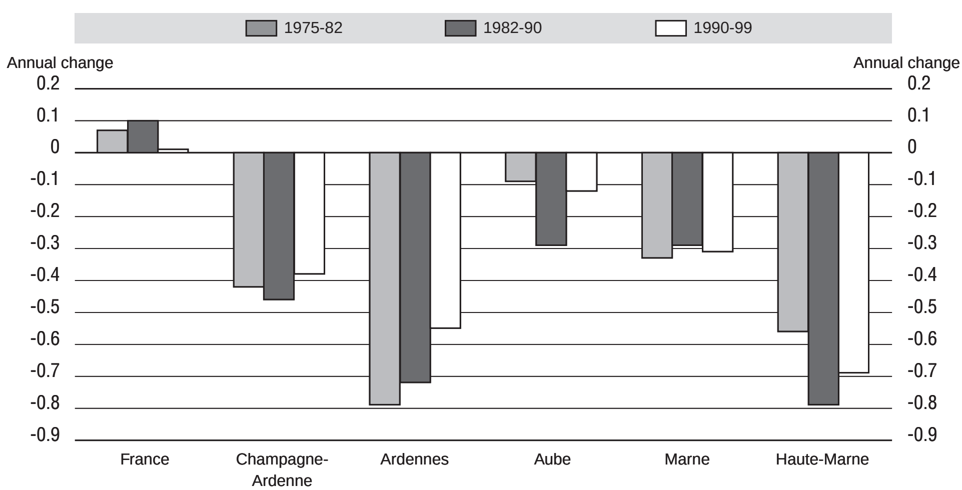
© OECD 2002

entire region, it is particularly acute in the Ardennes and Haute-Marne (Figure 3). Only the employment zone in the south-west of the region escapes the overall trend, due to the proximity of the Paris region.

The migration deficit affects young people in particular: between 1982 and 1990, 40 000 young people aged 20-29 left the region while only 24 000 came in. Out-migrants' favoured destinations are Ile-de-France (the Paris region) followed by Provence-Alpes-Côte d'Azur and Rhône-Alpes. And yet, brain drain has remained fairly limited since according to 1990 census data, the number of out-migrants among executives and professional people was but slightly greater than the number of in-migrants. The migration deficit is thus mostly attributable to out-migration, the level of which is proportionately higher than in any other French region except Ile-de-France. In-migration levels are closer to the average for northern France. However, the migration deficit has narrowed from 0.42% in the second half of the 1970s to 0.39% for the period 1990-99.

Migratory behaviour differs considerably from one region to another. In Champagne-Ardenne, the scale of net out-migration is largely attributable to job shortages as well as to the lack of any strong regional identity. The trend seems to be inescapable in the medium-term (Table 2). According to INSEE projections,

Figure 3. **Migration balances in Champagne-Ardenne, 1975-99**
Annual average



Source: INSEE (1975, 1982 and 1990 census, estimates for 1999).

© OECD 2002

Table 2. **Projected population change in Champagne-Ardenne to 2020**

Age bracket	1996	2000	2010	2020	Change 1996/2020
Under 25	464 248	442 948	404 322	362 070	–22.0%
25 to 64	688 492	688 331	688 354	630 926	–8.4%
Over 65	199 039	210 883	227 536	283 577	+42.5%
Total	1 351 779	1 342 662	1 320 212	1 276 573	–5.6%

Source: Géri, INSEE (1999).

Champagne-Ardenne is likely to lose more than 75 000 inhabitants between 1996 and 2020, the decline being greatest among the youngest sections of the population. Between 1996 and 2020, the number of people aged under 25 is likely to fall by over 100 000, while the number of people aged over 65 is expected to increase by over 84 000.

Output and income

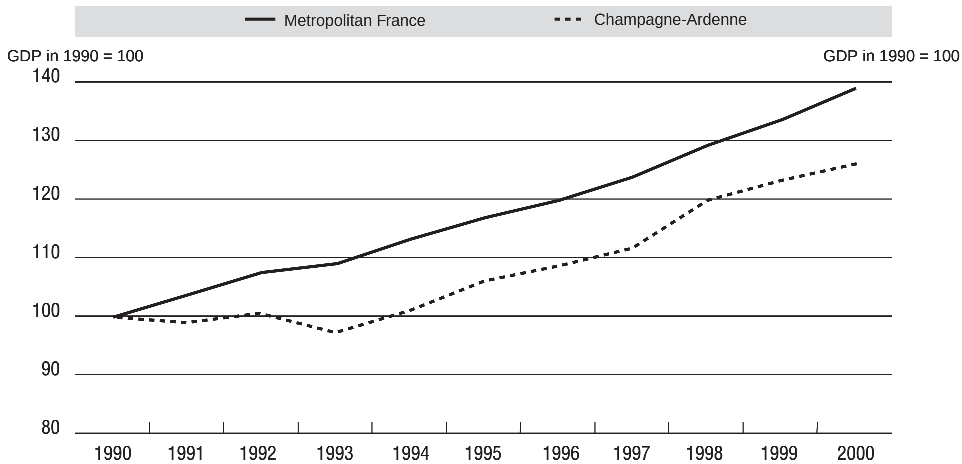
The region's GDP is growing, though at a slower pace than the national average over the last ten years or so (Figure 4). The gap between Champagne-Ardenne and the other regions widened between 1982 and 1996. Together with Limousin, it recorded the lowest GDP growth rate of all the French regions between 1982 and 1997. In 2000, GDP amounted to FRF 92 million in 1990 terms, putting Champagne-Ardenne 18th in rank in the league table of French regions, though it was 6th in rank in terms of GDP per job (Figure 5). The region was hard hit by the recession in 1990-93, seeing a 10% drop in GDP compared with a national average of 1%. In 1993, it was one of the four French regions to record a negative growth rate. Since then, the region has slightly gathered speed though, displaying a growth rate of nearly 30% between 1993 and 2000 (compared with a national average of 27.6%).

However, in the same way as specialised agricultural regions like Aquitaine, the wealth of its agricultural resources raises Champagne-Ardenne to 5th place in terms of GDP per inhabitant (though it is in 89th place out of 196 European regions, with 96% of average regional per capita GDP for EU-15). By this indicator, Champagne-Ardenne is better off than the three other regions used for comparative purposes. In per capita terms, the GDP of Champagne-Ardenne is relatively high, since the region occupies 5th place in the national league table (Table 3).

Unlike the three other regions in the comparison, the wine-growing wealth of Champagne-Ardenne ensures that available income per inhabitant is but slightly lower than the national average (Table 4).[4] In 1996, available income per inhabitant

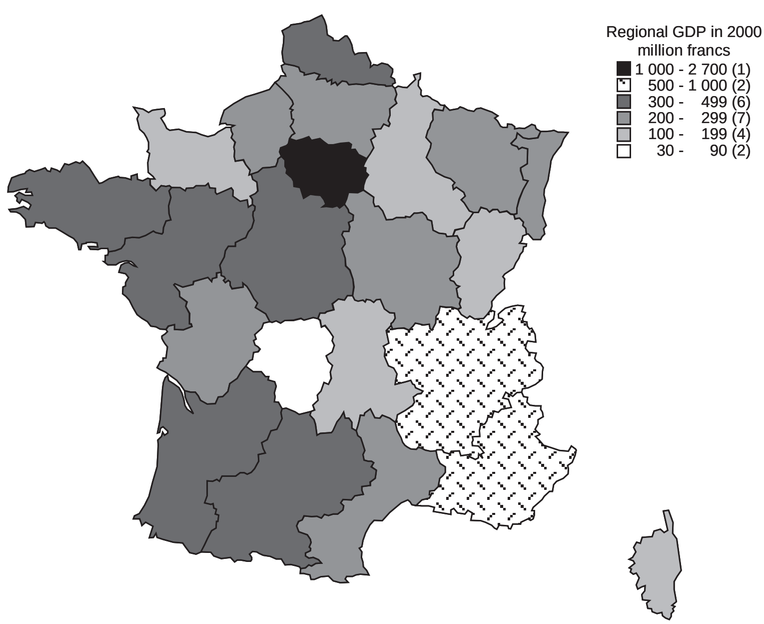
© OECD 2002

Figure 4. **GDP from 1990 to 2000**



Source: INSEE (regional and national accounts).

Figure 5. **GDP regional disparities in France, 2000**



Source: OECD/TDS-TSI.

© OECD 2002

Table 3. **Gross domestic product**

	GDP as % of national GDP (metropolitan France)			Position in league table of regions measured by (2000)		
	1982	1996	2000	GDP (MF)	GDP per inhabitant	GDP per job
Champagne-Ardenne	2.4	2.1	2.1	18	5	6
Centre	3.9	3.7	3.6	9	10	13
Lorraine	3.7	3.4	3.2	10	16	8
Picardie	2.8	2.6	2.5	14	17	10

Source: INSEE.

Table 4. **Available income per inhabitant in 1996**

	Average annual income (in FRF)	Position in the league table of French regions	Net wages as a share of FRF 100 of income in 1996
Champagne-Ardenne	92 400	6	40.5
Centre	91 600	10	41
Lorraine	87 400	19	42.3
Picardie	83 600	21	42
France	94 000		43.9

Source: Ministry of Economy, Finance and Industry.

amounted to FRF 92 400 compared with a national average of FRF 94 000, putting the region in 6th place nationwide ahead of Lorraine (19th), the Centre (10th) and Picardie (21st). Average household income amounted to FRF 83 058 compared with a national average of FRF 87 158. The average annual wage per inhabitant amounted to FRF 108 300 compared with a national average of FRF 121 000. The indicator measured by wages as a proportion of gross available household income, is lower than the national average in all four regions and is lowest in Champagne-Ardenne, followed by the Centre. Offsetting this, individual entrepreneurs in Champagne-Ardenne have the highest gross operating surplus in France.

Employment, unemployment and poverty

Up until 1996, employment tended to deteriorate everywhere in Champagne-Ardenne except in the Marne. Overall employment fell between 1975 and 1990, compared with a nationwide rise over the same period. The reversal of the national trend between 1990 and 1995 was particularly felt in the region. Relying heavily on farming and manufacturing, the region found itself in a structurally

© OECD 2002

unfavourable situation, with the exception of the zones around Reims and Châlons. This was compounded by a relatively limp tertiary sector, especially in the Ardennes and Haute-Marne, where there is no major urban centre capable of injecting some vigour. All in all, Champagne-Ardenne recorded the second largest drop in employment of all the French regions between 1990 and 1995, after Limousin. A similar decline occurred in the Centre and Picardie. If Lorraine was able to buck the trend, it was largely due to a remarkable increase in cross-border working, a high level of out-migration and a policy of promoting early retirement for redundant workers (Table 5).

Employment has recovered somewhat in Champagne-Ardenne since 1996, due in particular to a significant rise in temporary work. However, the recovery has been weaker than in France as a whole because its productive apparatus is more sensitive to variations in the manufacturing environment (its employment growth rate reached 2.4% over the period 1997-1999, compared with a national average of 3.8%). The level of salaried employment increased steadily in the tertiary sector and stabilised in the manufacturing and construction sectors. This explains the recent improvement in employment, although structural weaknesses continue to undermine the trend even during periods of economic recovery. Moreover, considerable differences are made apparent in employment trends within the region. There is a clear distinction between the Marne, where employment has increased at a moderate rate in line with the national average, and the Aube, Ardennes and Haute-Marne, where it has fallen dramatically (Figure 6). In the Ardennes in particular, 15 000 jobs have been lost in 22 years. Since 1996, the employment rate has slightly improved in the Ardennes where it narrows that of Champagne-Ardenne as a whole, yet, it remains below the national average. Let us add that during the same period (1996-1999), Haute-Marne displayed the poorest employment growth of all four regions.

The labour force participation rate in the region is relatively similar to the national average (54.9% in 1999 compared with a national average of 55.2%). It increased until 1982 due to a substantial rise in the female participation rate, then

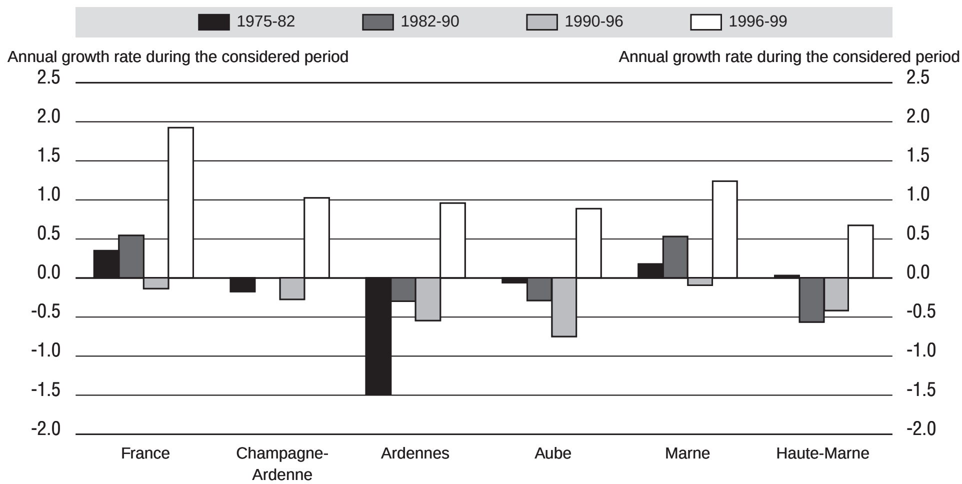
Table 5. **Annual change in employment**

	Annual change in employment (%)	
	1990-98	1995-98
Champagne-Ardenne	–0.95	+0.24
Centre	–0.38	–0.12
Lorraine	+0.59	+0.80
Picardie	–1.15	–0.56
France	+0.11	+0.62

Source: INSEE.

© OECD 2002

Figure 6. **Employment in Champagne-Ardenne, 1975-1999**



Source: INSEE.

levelled off between 1982 and 1990 due to the greater increase in the number of students and retired people. After which, it slightly decreased during the last decade when it fell from 55.6% in 1990 to 54.9% in 1999. The trend is apparent across all four departments, though the levels are lower in the Ardennes and Haute-Marne because of lower female participation rates and the out-migration of people of working age. Consequently, the labour force increased significantly until 1982 throughout the region, then followed the trend for the population as a whole between 1982 and 1990 (*i.e.* a moderate increase in the Marne and a fall in Haute-Marne and the Ardennes).

Of the four regions under comparison, unemployment rates are highest in Picardie (Table 6). In Champagne-Ardenne, unemployment levels were also higher than the national average for many years. The overall rise in unemployment in France after 1993 was emphasized in Champagne-Ardenne, where the regional unemployment rate was one point higher than the national rate in 1996. Conversely, the fall that followed began sooner and was steeper, as unemployment fell from 13.1% in 1996 to 11% in 1999, lower than the national average (11.3%). The regional unemployment rate in December 2001 was 9.5%, compared with a national average of 9.1%. The crisis that hit the metalworking and textile industries was keenly felt at a local level, but those firms that have survived are now more competitive, with the result that job losses in both industries have been stemmed. However, the improvement proves to be fragile.

© OECD 2002

Table 6. **Changes in unemployment in Champagne-Ardenne compared with other French regions**

In %

	Unemployment rate (%)							Annual variation 1990 to1999 1990 = 100	Female unemployment rate in 1999
	1990	1995	1996	1997	1998	1999	2000		
Champagne-Ardenne	9.1	12.0	12.9	12.8	11.5	11.0	9.5	121	14.3
Centre	7.9	10.7	11.6	11.7	10.9	10.1	8.3	128	12.3
Lorraine	8.3	10.3	11.0	11.6	11.0	10.3	8.6	124	12.2
Picardie	9.5	12.2	13.1	13.7	13.2	12.8	11.1	135	16.4
France	8.9	11.6	12.3	12.5	11.9	11.3	8.6	127	13.3

Source: INSEE.

The fact that the regional unemployment rate has fallen below the national rate in 1998 and 1999 does not seem to follow from any increase in the number of jobs, since regional employment has not increased more strongly than the national average. It could be due to migration, (the region ranks 2nd in terms of migration deficit), but these patterns show little short-term variation. The other explanation is that the labour market is working more efficiently, thanks to training, ANPE (National Employment Agency) initiatives and the effects of employment policy in general. The good employment rates obtained through the regional vocational training programme seem to confirm this hypothesis.

The recovery has benefited men and young people mostly, since the number of job-seekers under the age of 25 has fallen more sharply than the national average over the last year, although in 1999 the unemployment rate among those under 25 years old was still four points higher than the national average (24.1% compared with 19.96%). Unemployed young people seem to be in a more difficult position in Champagne-Ardenne than in many other regions. The proportion of long-term unemployed has also fallen more sharply than the national average. However, in a trend that is apparent across the country as a whole, economic recovery and falling unemployment have been mirrored by a sharp increase in temporary work (+30% between 1996 and 1997), fixed-term contracts (78% of new employees in firms with over 50 employees are hired on fixed-term contracts) as well as training schemes (rising from 9.3% of regional salaried employment in 1990 to 14.2% in 1999). It should be noted that a slight deterioration of unemployment was registered during 2001 in the four departments.

One of the consequences of rising unemployment in Champagne-Ardenne has been an increase in the number of people receiving income support. In 1999, 22 000 people were receiving the guaranteed minimum income (*revenu minimum d'insertion*, RMI[5]) (21 000 in 1997), fewer than in the other three regions used for

© OECD 2002

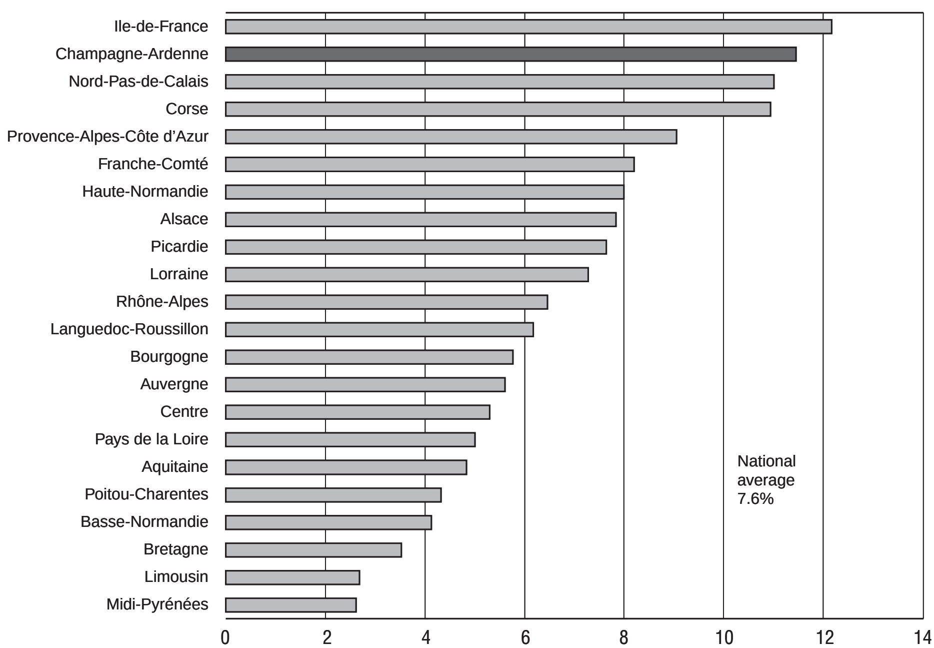
Table 7. **Numbers receiving income support in 1999**

	Numbers at 31/12/1999	As percentage of the labour force
Champagne-Ardenne	21 080	3.5
Centre	32 348	2.9
Lorraine	32 301	3.2
Picardie	28 204	3.3

Source: Caisse nationale d'allocations familiales.

comparison (Table 7). As a percentage of the labour force, however, Champagne-Ardenne with 3.5% comes out ahead of Lorraine (3.2%), Centre (2.9%) as well as of Picardie (3.3%), these three regions still remaining below the national average. The increase in precarity is reflected in a sharp rise in poverty in certain areas of the region's towns. In 1999, Champagne-Ardenne had more inhabitants as a proportion of the population living in "sensitive urban areas" (*zones urbaines sensibles*, ZUS[6]) than any other French region (Figure 7).

Figure 7. **Regional population living in sensitive urban areas, 1999**



Source: INSEE.

© OECD 2002

Structure of economic activities

Champagne-Ardenne has few high-growth activities. As in the other regions used for comparison, farming and manufacturing still dominate the regional economy. The extent of this domination can be seen in Table 8, a set of snapshot statistics that show the contribution of these sectors to total value added. Agriculture accounts for almost 12% and the secondary sector for over 30%. The tertiary sector is smaller than the national average. Trend statistics are equally enlightening: the increase in value added in manufacturing industry in the region is significantly lower than the national average, and even less in farming (Figure 8).

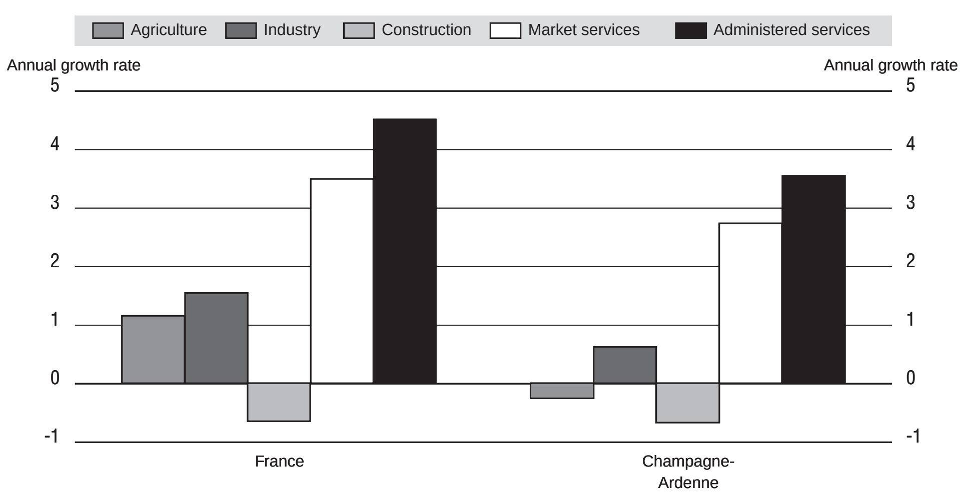
Table 8. **Sectoral breakdown of value added in 1996**

In %

	Champagne-Ardenne	France
Agriculture	7.9	2.4
Manufacturing	26.1	22.9
Construction	4.3	4.5
Tertiary	61.7	70.1
Total	100	100

Source: INSEE.

Figure 8. **Evolution of GDP by sector of activity, 1990-1998**



Source: INSEE.

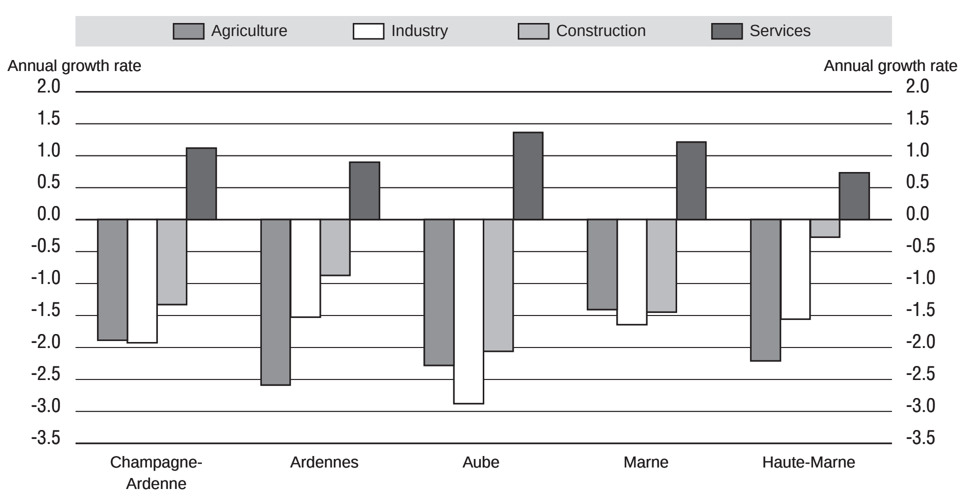
© OECD 2002

The over-representation of manufacturing and farming in the breakdown of value added is also apparent in the breakdown of employment. In static terms, farming as a proportion of regional employment in 1999 was almost twice the national average, while manufacturing was 25 % higher. The tertiary sector is also under-represented, since it accounts for 64.5 % of total employment (compared with a national average of 71.8%).

In dynamic terms, the trend is similar to the trend for value added. The decline in agricultural employment is smaller than the national average, due to a lag in economic redeployment. The decline in manufacturing employment is greater than the national average because the region is particularly exposed to restructuring. Tertiary employment has risen as a result of the catch-up effect, though at a slower pace than the national average (Figure 9). The threat is that manufacturing activities, in which new technologies still play only a small part, are not likely to provide new jobs. Per capita, value added is much lower in the industries typical of the region, than in the leading-edge activities of the new economy.

Broadly similar trends may be seen in the other regions used for comparison. With the exception of Lorraine, farming continues to play a major role in their economies (Table 9).[7] Over the period 1989-1997, nevertheless, the erosion of agricultural employment was slower in Champagne-Ardenne than in any other

Figure 9. **Evolution of employment by sector of activity, 1990-99**



Source: INSEE.

© OECD 2002

Table 9. **Employment by sector, 1997**

In %

	Farming	Manufacturing	Construction	Tertiary	Average annual rate in the tertiary sector 1989-1997
Champagne-Ardenne	2.8	24.9	5.0	67.2	0.9
Centre	1.9	24.8	5.9	67.3	1.2
Lorraine	0.7	24.8	5.8	68.6	1.1
Picardie	2.3	27.5	5.2	64.9	1.5
France	1.5	20.1	5.5	72.9	1.2

Source: INSEE.

French region (–2% a year compared with –3.6% in the Centre, which remains France's biggest producer of cereals). The manufacturing sector is also larger than the national average in the four regions under review, while the tertiary sector is under-represented. The value added of the tertiary sector is also fairly low, especially in Champagne-Ardenne. This deficit surely stems from a lack of high-quality, private-sector tertiary employment, affirming that the regions lack major urban centres. Tertiary activities with a high level of intellectual value added are under-represented. These broad features are also apparent in each of the regions when analysed separately.

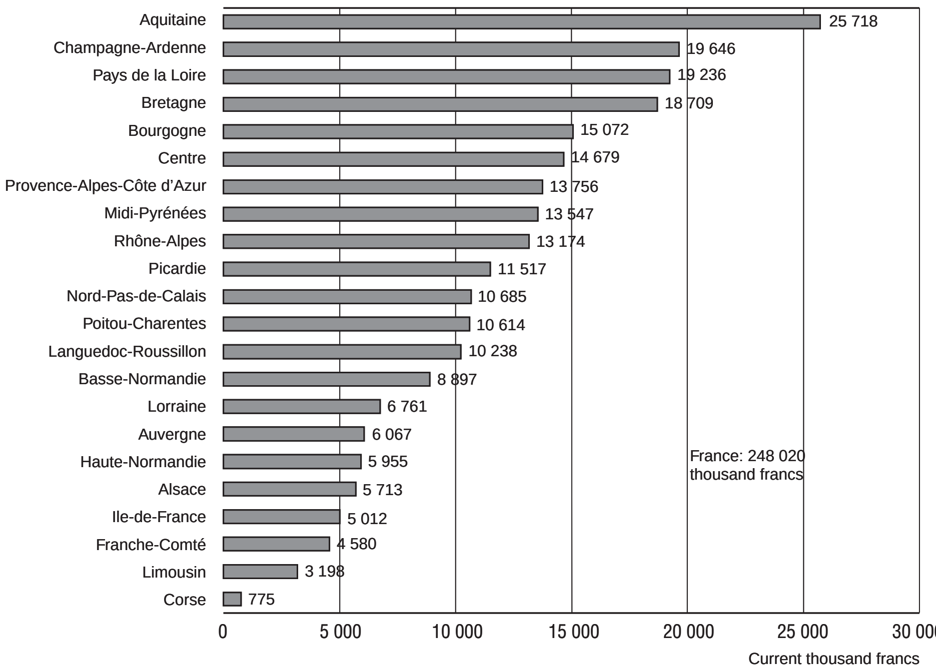
Over the period 1989-97, Champagne-Ardenne was the region where tertiary employment increased the least. In certain tertiary activities, however, such as administration, business services and personal services, Champagne-Ardenne scored better than the national average. The region is actually in fifth place in terms of the number of jobs created in the business services segment over the period 1990-96. Tertiary employment increased considerably in Picardie, especially in the Oise, but measured in relation to the proportion of total employment, the region still displays one of the lowest levels in France. Nevertheless, Picardie is the only one of the four regions where the annual growth in tertiary employment is higher than the national average.

Farming

Champagne-Ardenne is the French region where farming generates the most value added. In 1996, it was in 5th place in terms of its contribution to national output ahead of Picardie (10th), the Centre (11th) and Lorraine (15th) (Figure 10). Its 1.6 million hectares of farmland represent 62% of the surface area of the region, more than the national average (56%). Champagne-Ardenne also tops the league

© OECD 2002

Figure 10. **Value added in agriculture in French regions, 1998**



Source: SIRENE INSEE 1996.

table in terms of the proportion of agricultural jobs. Forty per cent of these jobs are related to champagne. Thirty eight per cent of farms are devoted to wine-growing and champagne production, compared with 12% for metropolitan France as a whole. The proportion is highest in the wine-growing regions of the Marne and Aube, accounting for one job in four in the area around Épernay. In 1999, champagne production represented 45% of agricultural shipments. Champagne alone contributes about 60% of value added in the agribusiness sector.

Cereals are the region's second agricultural mainstay, accounting for 8% of total French output; Champagne-Ardenne is France's second largest agricultural producer by volume. The Marne and Aube departments, where large-scale cereal farming is prevalent, account for 44% and 28% of cereal production respectively. Farming is practised on a much smaller scale in the Ardennes and Haute-Marne, based mainly on cattle for both milk and meat. Champagne-Ardenne is also France's second largest producer of sugar beet. The farming sector as a whole

© OECD 2002

supports a food and drink industry which accounts for almost 15% of salaried employment in the manufacturing sector and drives regional exports. The fall in agricultural employment in Champagne-Ardenne has hitherto been proportionately one of the smallest of all the French regions.

The Centre, like Champagne-Ardenne, is heavily agricultural: it is Europe's leading producer of cereals. Activity remains centred on production because large landowners in the region are reluctant to embark on the processing of their produce. As in Champagne-Ardenne, value added in the agribusiness sector is not very high. This is also the case in Lorraine, hindered by the fact that its farm sector is positioned as a supplier of raw materials rather than a creator of high value-added products that would encourage the establishment of processing industries.[8] In comparison, Picardie has managed to expand its agriculture while developing very close links between farming and processing, the region's second largest manufacturing industry.[9] The agribusiness sector is tending to focus on more highly specialised activities that generate greater value added, notably a flourishing plant biotechnology industry.

In all four regions, structural reforms combined with the Common Agricultural Policy (CAP) have led to a decline in the number of farmers and an increase in the size of areas under cultivation. The average gross income per farm in Picardie is one of the highest in France. In a way, the situation of large cereal farmers in the Centre and Picardie is similar to that of wine-growers in Champagne-Ardenne. The regions are directly affected by the reform of the CAP, and the new calculation methods are not especially favourable to farmers. The Centre is currently the largest beneficiary of CAP transfers, receiving FRF 5 billion a year, and 99% of the structural funds paid under the EAGGF, intended to favour rural development as a whole, are earmarked for agriculture.

Manufacturing

Manufacturing industry continues to provide significant employment in the region even though the decline has been sharper than the national average. Manufacturing accounts for 22.1 % of regional employment, four points more than the average for France as a whole. In 1999, the 1 148 firms that make up the region's industrial base employed 110 402 people. In relation to the number of inhabitants, this represents 849 manufacturing establishments per one million inhabitants, compared with an average of 681 in metropolitan France. Industrial activity in the region is concentrated in three main sectors that represent a higher proportion of salaried employment in manufacturing than the national average. They are metal and metalworking, with 22.4% of manufacturing employment, agribusiness (15%) mechanical engineering (10.2%) and textiles (10%). The nuclear power station at Nogent-sur-Seine[10] makes Champagne-Ardenne the ninth largest producer

© OECD 2002

of primary energy with 3.7% of the national total in 1995, while the region consumes only 2.5%. The Meuse valley and the areas around Saint-Dizier/Vitry-le-François and Troyes/Romilly-sur-Seine are still highly industrialised, accounting for over 30% of manufacturing employment. Based heavily on traditional industries, they have been hard hit by job losses resulting from restructuring. A high degree of specialisation is apparent at Reims and Épernay, the centres of the champagne industry. Charleville-Mézières is a metalworking centre, and Troyes, a textiles centre. However, manufacturing employment is in decline, even in the food and drink industry where it has also dropped.

Lorraine is dominated by the manufacturing industry to a much greater extent than Champagne-Ardenne and the other regions in the comparison: 12.5% of companies in Lorraine are manufacturing firms, compared with a national average of 11.3%. By endeavouring to create manufacturing jobs, the public authorities that sought to improve the region's economic base did not look much beyond the industrial model. Intermediate goods continue to predominate, made at large plants that require substantial capital but generate little value added.[11]

The industrial fabric of the Centre is also dominated by large firms such as Matra, Giat, Aerospatiale, Renault and Philips, operating in the automobile, pharmaceutical and cosmetics, defence and electronics sectors.[12] Unlike Champagne-Ardenne and Lorraine, however, it also has a large and growing small business sector. The same is true in Picardie, where SMEs act as skilled sub-contractors in the mechanical engineering, metalworking and plastics industries, boasting one of the highest levels of investment and productivity per employee in France as well as a high degree of innovation.

As in Champagne-Ardenne, both the textile-clothing industry and, to a lesser extent, the defence industry in the Centre has been very hard hit. In contrast, Picardie has managed to disengage from sunset industries faster than the national average while strengthening its particular specialisations (in metalworking, mechanical engineering, chemicals, rubber and plastics, pulp-paper-cardboard) and developing new specialisations (like warehousing and packaging).[13] Electronics and high-technology industries have flourished, even though the region continues to specialise in medium-technology sectors. Logistics account for 8.6% of manufacturing employment, making Picardie the leading region in that segment in France.

Services

The low level of tertiary employment in Champagne-Ardenne, which generates 64.5% of jobs compared with 71.8% nationwide, appears to be the logical counterpart of such omnipresent farming and manufacturing. Within the tertiary sector, the hard core of professional and financial services is under-represented in

© OECD 2002

relation to business services. The traded services segment in Champagne-Ardenne is very small. According to INSEE estimates, there were only 97 915 employees in the service sector at end 1999, excluding public administration, healthcare and social work, education and the non-profit sector. Only Reims, the largest city in the region, and Châlons, the administrative capital, come close to the national average. Although the region as a whole is catching up, employment growth in the services sector is too slow to have any significant effect at a regional level or to prevent out-migration.

As a result of the weak service activities, one of the effects is a considerable lag in equipment rates with information and telecommunication technologies: 17.1% of the population have a mobile phone, 14.1% have a PC and only 2.1% are connected to the Internet. Champagne-Ardenne scores worse in this respect than similar regions like Lorraine and the Centre (Table 10). There is a risk that the skills gap in the labour force could become irreversible, resulting in a rise in equilibrium unemployment.

The Centre also lags behind in the development of activities based on new technologies, partly because of the technology gap and the resulting lack of appropriately skilled labour. At present, 70 % of new technology firms are located in the two employment zones of Tours and Orléans.

Lorraine is relatively-well endowed with NICT skills, but most of the benefits that they bring are reaped elsewhere, either in the Paris region or by multinational companies. Although the services sector in Lorraine has expanded more rapidly than in the other three regions, it is still too small. The region lags behind, especially in business services, which represent 10 % of salaried employment in Lorraine, compared with a national average of 14 %. Generally speaking, services with a high level of intellectual value added and professional services are underrepresented. This situation is due to the structure of manufacturing industry, with relatively few small businesses (they account for only 9% of manufacturing employment in Lorraine compared with a national average of 14%) and the domination of large groups, which account for 70 % of salaried employment and almost 80 % of sales.

Table 10. **Household NICT equipment rates in June 1999**

	Mobile phones (%)	PCs (%)	Internet connections (%)
Champagne-Ardenne	17.1	14.1	2.1
Centre	20.2	17.0	2.6
Lorraine	22.8	20.8	3.0
Picardie	17.1	14.1	2.1

Source: 24 000 Multimédia Médiamétrie.

© OECD 2002

In Picardie also, growth in the services sector as a whole has bypassed intellectual services. Business services and retailing are the two main sources of employment in the region; and yet, computing services, insurance, real estate, finance and telecommunications are particularly weak. In addition, the outsourcing of strategic functions has benefited neighbouring urban centres since Amiens, unlike Reims (Champagne-Ardenne), Lille (Nord-Pas-de-Calais) or Orléans (Centre), has not managed to become a major regional urban centre.

Entrepreneurship and competitiveness

To be competitive, a region has to be able to renew its economic fabric and Champagne-Ardenne is not dynamic enough in this respect. The economic fabric can be renewed in various ways, such as creating new businesses, attracting outside investment and innovating. The region's performance in the three following areas is weak:

- the new business creation rate is lower than the national average, including in the regional metropolis;
- the region is less attractive to outside investors than similar regions;
- innovation is not one of its strong points.

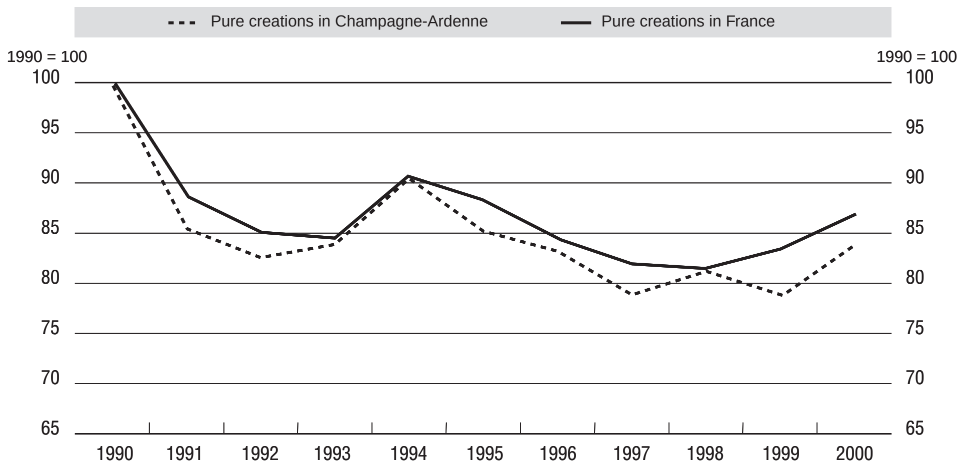
New business creation

Encouraging entrepreneurship in the region is an essential growth priority. In 1999, Champagne-Ardenne reached its lowest business creation rate in ten years, after which it recorded a 3.2 % rise (2000); yet, only the Marne region and, to a lesser extent, the Ardennes can account for such increase as the Aube and the Haute-Marne still record a 3 % fall in their creation rate. In fact, during the past decade, the new business creation rate in Champagne-Ardenne has remained one of the lowest of all French regions, whether measured by the number of new businesses in relation to the number of existing businesses or in relation to the labour force (Figure 11). In 2000, Champagne-Ardenne thus ranked 19th and 16th respectively according to these two indicators (Box 2). However, business failures have decreased faster than the national average for a few years (–50% in 2000 compared with 1993, whereas France as a whole registered –40%).

A similarly low business creation rate is apparent in the other three comparison regions, although Champagne-Ardenne still brings up the rear (Table 11). In terms of pure creation rate (creation of an entirely new business), the four regions fall between the most disadvantaged regions (Limousin, Auvergne, Bourgogne, Poitou-Charentes, Basse-Normandie) and the most vigorous regions (Ile-de-France, Provence-Alpes-Côte-d'Azur, Languedoc-Roussillon, Alsace). In contrast, the proportion of business takeovers, indicative of a frail economic activity, is significantly

© OECD 2002

Figure 11. **New business creation since 1990**



Source: INSEE.

Box 2. **Measuring new business creation**

The creation rate per firm measures the level of renewal of the local economic fabric. It tends to overestimate creation rates in areas dominated by large firms.

The creation rate per worker measures an area's aptitude to produce new entrepreneurs. It tends to overestimate creation rates in areas where there are fewer salaried employees.

Statistics using INSEE's SIRENE database draw a distinction between pure and impure creations, the latter consisting in the takeover or reactivation of existing businesses. Thus, the total creation rate minus the pure creation rate gives the impure creation rate. Average creation rates over the period 1993-96 will be used to smooth out business cycle effects.

As the information in the database concerning real closures is highly imprecise, only "gross" creation rates are used here. But as business creation and closure rates are generally closely correlated (an area with a high creation rate usually also has a high closure rate), the gross creation rate may be taken to indicate the capacity for renewal of the local economic fabric.

© OECD 2002

Table 11. **Business creation rates, 2000**

	Creation rates	Pure creation rates	Takeover share	Reactivation share
Champagne-Ardenne	9.67	6.02	21.59	16.19
Centre	9.69	5.65	22.15	19.58
Lorraine	10.73	6.68	20.27	17.46
Picardie	9.98	6.25	18.70	18.66
France	11.39	7.39	16.42	20.39

Source: INSEE.

higher than the national average. Although Lorraine comes out ahead of the other three regions in terms of business creation, this level has fallen for three years in succession until 1999, just before slightly rising again in 2000. The drop in the number of business creations is even sharper in the Centre (although it recorded a 3.9% rise in 1999), where the business creation rate is 7.3 % compared with a national average of 9.3 % (it is 7.5% in Champagne-Ardenne). Low business creation levels are apparent in all sectors in Picardie, especially business services. Nonetheless, the creation rate for small and medium-sized enterprises has held up reasonably well in the Centre and, to a lesser extent, in Picardie, which, in the latter case, is due to a substantial increase in sub-contracting in the mechanical engineering, metalworking and plastics industries.

The position of Champagne-Ardenne should be viewed first in the light of an uneven distribution of business creation across the country as a whole. The areas in France with the highest business creation rates are Ile-de-France, the coastal regions, the Rhône valley and the south (Provence-Alpes-Côte-d'Azur, Languedoc-Roussillon). The lowest rates are to be found in rural areas in the northern half of the country. The trend does not change, whatever the fluctuations of the national economy.

Several structural factors explain these disparities:

- business creation rates are closely linked to urbanisation because of the presence of dynamic markets and workers;
- they decline with distance from urban centres, since intermediate rates are recorded in the zones closest to them. Yet again, Champagne-Ardenne has a low urbanisation rate and a patchy urban fabric;
- business creation rates also depend on economic structures.

Business creation rates are lower where the local economy is dominated by large firms rather than small businesses, by manufacturing rather than services and, within the tertiary sector, by business rather than personal services (Duchesne,

© OECD 2002

1999). This again highlights the region's structural problems, especially a relatively small tertiary sector, a stunted business services segment and the dominance of large firms. Champagne-Ardenne also displays other features that are shared by other disadvantaged regions. For example, the percentage of takeovers (impure creations) in relation to pure business creations is higher in such regions than the national average. It is a recurring feature of regions dominated by sunset industries because opportunities for taking over declining businesses are more frequent and entrepreneurial attitudes are less well-established. This also typifies areas where, for lack of a sufficiently extensive services base, the tertiary sector relies heavily on retailing, a segment in which takeovers of existing businesses are more frequent than creations of new ones.

Exogenous and institutional factors, such as the tax environment, the labour market and national regulations governing business creation, are other structural reasons that help to explain the region's low business creation rate. Plainly, a tax system which discourages small businesses and entrepreneurship in general, combined with excessive red tape and a national minimum wage which prevents regional labour markets from operating efficiently, are all factors that are bound to undermine new business creation in a region undergoing economic transition. Yet, the structural features described above are not sufficient in themselves to explain the low business creation rates in the region. There are also a number of specific factors that can be identified using the shift share method, for example (Box 3). Applying this method shows that the structural effect is negative in all the employment

Box 3. **The shift share method**

Using the shift share method, it is possible to break down the overall deviation of a zone's performance from the national average (OD) into a structural component (SE for structural effect) and a specifically local component (GE for geographical effect) such that OD = SE + GE.

The structural component measures the under- or over-representation in the zone of sectors with high business creation levels (hotel and catering, business services, retailing, IT hardware, textile/clothing). If SE is positive, it means that sectors with the highest business creation rates nationwide are over-represented in the zone.

The geographical component is calculated as a residue (GE = OD – SE). Interpreting the indicator is not straightforward, but it may be inferred that a positive GE indicates the degree to which a given geographical area favours business creation.

© OECD 2002

zones in the Champagne-Ardenne region except one, the Reims area, and that the geographical effect is negative in all of them (Table 12).

Several conclusions may be drawn from such figures. First, the structural handicaps are not offset by local conditions that favour business creation. The structural and geographical components are both negative. This comes as no surprise: 272 out of 348 employment zones in France are in the same situation. Nonetheless, there are 34 employment zones in France where the structural effect is negative but the geographical effect is positive. Surprisingly, the structural effect in the Reims employment zone is positive while the geographical effect is negative. In other words, dynamic sectors are structurally over-represented in Reims, as in all regional urban centres, but local conditions are not especially favourable to business creation. As the positive structural effect is weaker than the negative geographical effect, the overall deviation from the national average (OD) is negative. The business creation rate is therefore lower than the national average in all zones in the region, including the one where the structure of economic activity is nevertheless favourable.[14] In other words, the low business creation rate in Champagne-Ardenne is due not only to the presence in the region of rural areas which, like all those in northern France, have a low business creation rate, but also to the weakness of the regional capital, where a negative geographical effect outweighs a positive structural effect.

As we have already seen, one of the reasons for the lack of entrepreneurial vigour in the region is the preponderance of large firms and the corresponding under-representation of small businesses. Firms controlled by groups (defined as groups of companies linked to each other by equity interests, within which one company exerts decision-making power over the others) account for 47.7 % of jobs in Champagne-Ardenne compared with an average of 44.6 % in the French regions excluding Ile-de-France. (The corresponding figures for the number of firms are

Table 12. **Breakdown of the relative performance of employment zones in the region (average new business creation rate 1993-1996)**

Employment zones	Structural effect (SE)	Geographical effect (GE)	Overall deviation (OD)
Meuse valley	–0.408	–0.963	–1.371
Reims	+0.0397	–0.131	–0.09
Châlons en Champagne	–0.21096	–0.67572	–0.886
Épernay	–0.28513	–2.19827	–2.483
Mid-Marne	–0.32954	–1.93329	–2.262
South West	–0.3653	–2.01216	–2.377
Troyes	–0.21035	–1.16653	–1.376
Upper Marne valley	–0.45402	–2.65702	–3.111

Source: INSEE.

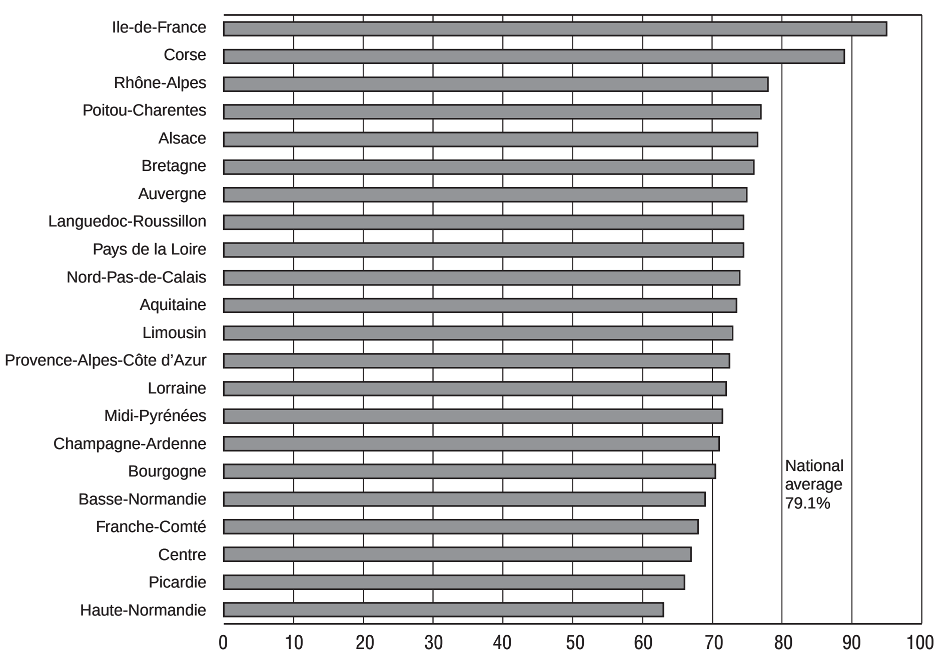
© OECD 2002

19.6% and 15.9% respectively). The proportion is even higher in the manufacturing industry. In contrast, Champagne-Ardenne is one of the regions with the lowest proportion of enterprises with fewer than 10 employees (90.5% compared with a national average of 92.3%).

These figures are borne out by an INSEE study (Hecquet and Lainé, 1998). Regional, national or foreign groups account for the majority of jobs in five of the region's eight employment zones. In the other three (Meuse valley, Troyes, Upper Marne valley), jobs are distributed more evenly between groups, SMEs and very small independent enterprises. The domination of groups hinders entrepreneurship all the more in that they do not operate in high-technology sectors, where spin-off effects are common, but in traditional industries.

The immediate consequence of this situation is that firms dominated by large groups have little freedom to make their own decisions (Figure 12). This feature,

Figure 12. **Business autonomy rate from number of employees**



Source: SIRENE INSEE au 01/01/98.

© OECD 2002

common to the four regions, is typical of regions where industrial growth was spurred by firms seeking to take advantage of plentiful and cheap rural labour. Another noteworthy feature is that the regions which are the most dependent on outside investors – the two most western regions – are also those with the closest links to the economy of the Paris region. This situation is often regarded as a major obstacle to the endogenous growth of the local economy. Moreover, although it allows for greater international openness, it also means that design, marketing and administration functions are under-represented.

Outside investment

Another factor hampering the competitiveness of Champagne-Ardenne, is that it is less attractive to outside investors in comparison to similar regions, as a number of indicators show:

- Champagne-Ardenne is barely in balance in terms of transfers of establishments with other French regions and attracts fewer establishments from Ile-de-France than comparable regions, but the trend has recently levelled off.
- Large industrial groups close more establishments than they create.
- There is a reasonable volume of foreign investment in the region,[15] but there are fewer new establishments resulting from such inward investment than in the other regions adjacent to Ile-de-France.

Establishments' mobility, as well as that of people, is a good indicator of a region's attractiveness. In recent years (1993-1997), a balance was struck between the number of transfers outward from Champagne-Ardenne to other French regions and inward from other French regions to Champagne-Ardenne (INSEE, 1999). And yet, it is mainly with Ile-de-France that the balance of transfers proves disappointing.

As with individuals, business mobility towards or away from a region depends on distance. Exchanges tend to be made with the nearest regions. One adjacent region, Ile-de-France, has the largest stock of mobile establishments in France, since one move in three in metropolitan France involves the relocation of an establishment from Ile-de-France to another region. Thirty seven per cent of establishments transferred from Ile-de-France relocate to adjacent regions, seeking lower real estate and wage costs and a better quality of life while remaining relatively close to Paris and enjoying high-quality infrastructure. They tend to be factories (28.5% of cases, compared with 15.8% transferring to the rest of France).

A number of conclusions may be drawn from the data. First, only 66 establishments were transferred from Ile-de-France to Champagne-Ardenne over the five years from 1993 to 1997, representing 0.14% of its initial stock, compared with

© OECD 2002

381 to Picardie and 462 to the Centre (0.65% and 0.51% of the initial stock respectively). Bourgogne, Basse-Normandie and Haute Normandie also outperform Champagne-Ardenne. Measuring the region's attractiveness in terms of the establishments it attracts from Ile-de-France (2.9%) and in relation to its share of establishments outside Ile-de-France (2.4%), Champagne-Ardenne is only in sixth place, not an impressive performance in view of its proximity to Ile-de-France. Moreover, the south-west employment zone is the main beneficiary of those transfers, though it attracts fewer transfers than the south Picardie zone. The impact of transfers (the ratio of transferred establishments to the initial stock) is greatest at a distance of 100-150 km from Paris, dropping off sharply thereafter. The impact rate for the south-west zone is 1.7%. In comparison with the south Picardie zone, however, the impact is one-tenth as great in absolute terms (44 establishments compared with 464) and one quarter as great in relative terms (1.7% of the initial stock compared with 4.1%). The Reims employment zone has a particular problem because net transfers are balanced (71 outward and 71 inward), whereas the balance is positive in the region's other employment zones. In fact, at equal distances, the zones with the best communication networks benefit more from transfers with Ile-de-France: in the Meuse valley, the least attractive zone of the Champagne-Ardenne region, the impact rate (0.3%) is lower than in the Upper Marne valley, which is at the same distance from Paris. The TGV (*train à grande vitesse*) could change such a situation.

Another factor retarding the development of Champagne-Ardenne is that industrial groups have closed more sites than they have opened. From the 1950s to the mid-1970s, the region benefited from "industrial decentralisation", a policy designed to encourage the transfer of industrial activities from the Paris region to adjacent regions, supported by government incentives and, in some cases, actual pressure. In a context of strong growth, decentralisation was fuelled by firms with their headquarters in Paris transferring businesses or, more usually, creating new factories outside the Paris region. The current situation is very different. The decline in regional employment at major industrial sites between 1975 and 1994 is due in no small measure to the fact that more establishments have closed than have been created (INSEE, 1998). This cause of lower employment is more important by volume than workforce reductions in the large industrial plants that remain in the region. Other regions, like Bretagne, Midi-Pyrénées and Alsace, have managed to limit the damage. There, job losses in the manufacturing industry are due more to workforce reductions in durable establishments. The creation of large new plants has offset job losses resulting from the closure of other large sites.

The situation of Champagne-Ardenne is similar to that of the other regions adjacent to Ile-de-France. The trend among large firms is to close sites and reduce the workforce in the remaining factories without opening new ones. As the number of jobs at stake is large, the effect on employment is felt at the regional level. There has clearly been no geographical redeployment of investment in the region

© OECD 2002

for twenty years. The trend in regional employment, although partly due to general factors like job cuts by large industrial firms and the end of a deliberate policy to decentralise the economy, is also due to local factors. First, Champagne-Ardenne was particularly hard hit by job cuts at large industrial sites because manufacturing is an important component of regional GDP. Second, the growth of new towns in the last twenty years has denied cities in the regions adjacent to Ile-de-France some of the benefits of relocations from the Paris region. In this respect, Marne-la-Vallée has acted as a barrier for the Reims employment zone. Last, the region is paying the price for not promoting itself aggressively enough following a decentralisation policy that *de facto* placed local and regional authorities in competition with each other.

Champagne-Ardenne has proved better at attracting foreign investment than French firms. Thirty per cent of industrial sites employing 30% of salaried workers and accounting for 36% of industrial investment belong to foreign groups. These figures are higher than the national average (18.8%, 25.3% and 31% respectively). Foreign investors are particularly prevalent in iron and steel and primary metals processing, accounting for 92% of regional employment in those industries, cosmetics and pharmaceuticals (80%), household goods (70%), and automobile parts and components (53%). Overall, foreign groups employ 10% of salaried workers in the region. Champagne-Ardenne is not unique in this respect, since a similar situation is to be found in all the northern and north-eastern regions in France. In fact, foreign groups account for a larger share of total employment in Picardie and Alsace. Their geography explains this situation, since they are close to major European markets and major communication arteries. They also have productive, skilled workers who are available for employment as a result of job cuts at existing sites.

Although the region may display a number of features that are attractive to foreign investors, it hardly takes advantage of them. Although foreign groups are significant employers, they do not create many new jobs (fewer than 500 a year in the first half of the 1990s). The data provided by DATAR's I*nvest in* F*rance* network, confirm this trend: the region attracts relatively fewer foreign direct investment projects than the other regions of the Paris basin.[16] In 1988, there were fewer inward investment projects and fewer jobs created as a result in Champagne-Ardenne than in Picardie, Centre or Lorraine (Table 13).

The extent to which Champagne-Ardenne is less attractive than the other regions adjacent to Ile-de-France, is made apparent when the number of jobs created by foreign direct investment is weighted according to population (Table 14).

Over the period 1994-98, Champagne-Ardenne has attracted fewer foreign investment projects than Picardie (Table 15). Its performance is significantly better in terms of jobs preserved than jobs created or investment by value. Foreign

© OECD 2002

Table 13. **Foreign direct investment projects by region in 2000**

	Percentage of the number of projects	Percentage of the number of jobs created
Alsace	8.8	6.7
Aquitaine	1.4	1.2
Auvergne	0.3	0.2
Basse-Normandie	1.1	1.2
Bourgogne	2.3	1.5
Bretagne	2.1	2.9
Centre	3.2	2.7
Champagne-Ardenne	**2.9**	**2.3**
Franche-Comté	1.4	1.6
Haute-Normandie	1.6	1.5
Ile-de-France	17.7	11.1
Languedoc-Roussillon	2.3	2.3
Limousin	0.4	1.8
Lorraine	8.4	11.4
Midi-Pyrénées	9.5	10.7
Nord-Pas-de-Calais	10.0	8.1
Pays-de-la-Loire	2.1	3.3
Picardie	4.1	3.7
Poitou-Charentes	0.5	0.3
Provence-Alpes-Côte-d'Azur	12.5	16.0
Rhône-Alpes	7.5	9.6
Corse	0.0	0.0
France	100 (560 projects)	100 (35 573 jobs)

Source: Invest in France (*www.investinfrance.org*).

Table 14. **Jobs created by foreign direct investment as a percentage of the regional population (regions adjacent to Ile-de-France), 1998**

	Jobs created by foreign direct investment as a percentage of the regional population
Champagne-Ardenne	0.7
Centre	1.3
Basse-Normandie	1.3
Bourgogne	1.4
Picardie	2.1

Source: Invest in France.

investment has quite a negligible influence on preserving the existing economic fabric by taking over existing businesses. It is also concentrated in sectors that are already present in the region, such as agribusiness, metalworking, wood/paper/glass/ceramics and plastics, rather than the sectors which attract the most foreign

© OECD 2002

Table 15. **Foreign projects in Champagne-Ardenne and Picardie, 1994-1998**

	Annual average 1994-1998		
	FRF million	Jobs created	Jobs preserved
Champagne-Ardenne	630	471	260
Picardie	1 077	740	330
Total	1 707	1 211	590

Source: CAP Développement, 1999.

investment projects in France (electronics, telecommunications, IT, consulting, services) but are under-represented in the region. Picardie, for example, has benefited to a greater extent from the emerging call-centre industry.

In order to make itself more attractive, the region needs to opt for a particular specialisation which will identify it to outside investors and prove its determination to develop in a given direction by attracting investors. Logistics clearly has priority. If foreign groups were more firmly established, the region could extend its range of activities to faster-growing sectors and absorb the labour released by the worrying reduction in employment in traditional industries throughout the region, from Reims to Saint-Dizier.

Innovation and R&D

Innovation has become a key factor of competitiveness. Consequently many firms, both large and small, in traditional and high-tech industries alike, have no alternative but to innovate. Facing highly competitive markets where cost pressures are intense, regional manufacturers have to differentiate their products and adapt their processes if they are to survive. The same applies to the agriculture and the agri-food industries, who have to find new markets. Services also have to be developed in new activities. The region has done much over the last ten years to expand its research potential and support innovation, but its initial handicap was considerable and the lag remains significant.

The region suffers from three main disadvantages. First, the research potential is limited. The available indicators are unfavourable. In terms of research posts for which regional data are available, corresponding to approximately two-thirds of the total and mainly excluding universities, Champagne-Ardenne comes in second to last (before Limousin). It has only nine full-time research posts per 10 000 inhabitants compared with an average of 24 for France excluding Ile-de-France. A single figure illustrates such deficit: there are only 16 CNRS[17] staff in the region, less than in a single major CNRS laboratory (there are 12 124 CNRS staff in France). The same applies to research expenditure: 2.3% of the national

© OECD 2002

population but only 0.5% of national research spending. The same statistics show that 95% of researchers are employed in the private sector. Thus, the region appears to be almost entirely ignored by the government and the major public sector research organisations, such as CNRS, CEA, CNET, INSERM, INRA,[18] etc., where much of the nation's research is carried out.

Second, Champagne-Ardenne lacks higher education facilities (universities and *grandes écoles*). It is reasonably well-served in terms of technical and vocational training but much less so for higher education. The pass rate for the technological and vocational baccalaureate is higher than the national average, and short-cycle training courses (IUT and BTS)[19] are in good supply (Table 16). Nor is there any particular problem as regards vocational training, for which the regional authority is directly responsible. The problem concerns higher education: *grandes écoles* are under-represented in the region and moreover, the recently established university is no different from any other university in the regions adjacent to Ile-de-France in suffering from the gravitational pull of Paris, which drains students for third- and sometimes even second-cycle courses (Table 17).

Last, companies do not devote sufficient resources to R&D. The region fares badly in terms of both numbers of researchers and corporate R&D expenditure (Figure 13). In 1997, it was in 20th position (behind Limousin) out of 21 regions

Table 16. **Population aged over 15 by highest diploma**

Educational level	Champagne-Ardenne %	France %
Trade qualification	23	22
Baccalaureate, vocational qualification	9.4	10.8
Bac+2	6.2	7.6
Higher education diploma	4.9	4

Source: INSEE, based on data from the 1999 census.

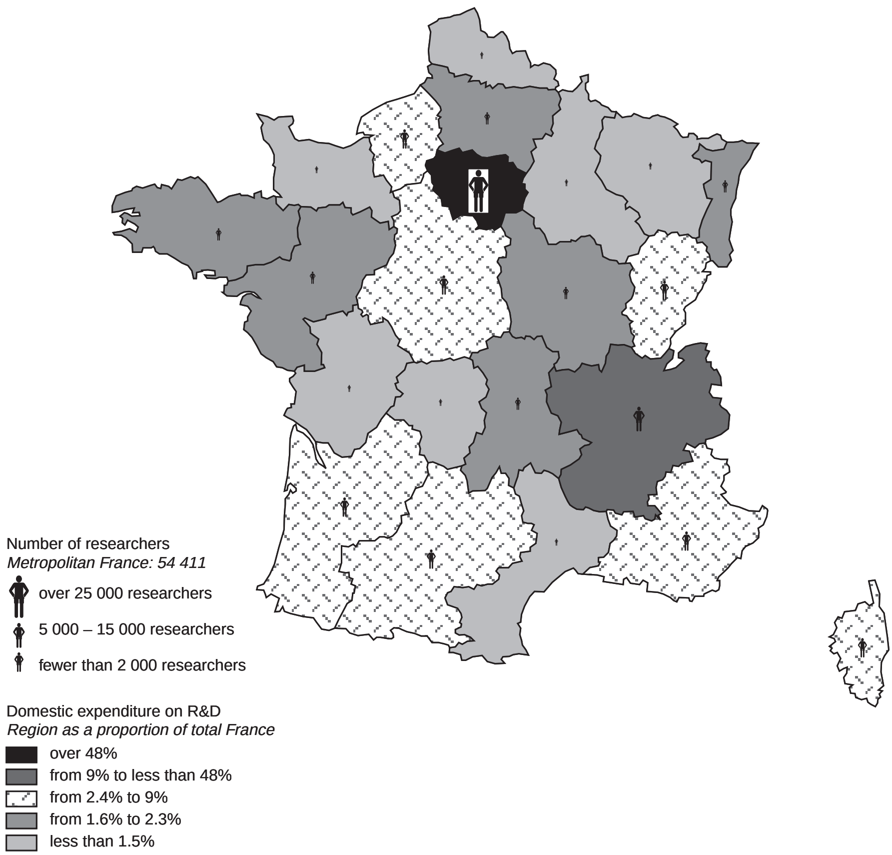
Table 17. **Breakdown of students by university cycle, 2000**

	Champagne-Ardenne %	France %
1st cycle	60	50.5
2nd cycle	28.1	34.1
3rd cycle	11.5	15.4

Source: Ministère de l'Éducation nationale.

© OECD 2002

Figure 13. **Researchers and R&D expenditure in France, 1997**



Source: Sessi, Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

(Ile-de-France not included) in terms of numbers of researchers (full-time equivalent), behind the Centre (5th), Picardie (11th) and Lorraine (15th). R&D spending amounted to FRF 460 million, 5.6 times less than the Centre (FRF 2 553 million), 2.7 times less than Picardie (FRF 1 919 million) and 3.4 times less than Lorraine (FRF 1 426 million). It is not surprising therefore that the region scores badly in terms of the number of patents registered, an indicator of corporate R&D: only 105 patents were registered in 1995, representing 1 per 13 000 inhabitants, compared with an average of 1 per 7 000 for the French regions excluding Ile-de-France.

© OECD 2002

The region therefore has a particularly large industrial research deficit that compounds an equally significant public research deficit. One explanation lies in the structure of its industrial base, which is dominated by: the presence of large firms whose headquarters and R&D centres are located elsewhere, and many firms that are too small to devote significant resources to R&D and unwilling to expose themselves to the risk of innovation (for the most part these act as sub-contractors). But a comparison with similar regions suggests that specific local factors may also play a part, especially the lack of entrepreneurial vitality noted earlier on.

Training and skills

The shortcomings of the training system in Champagne-Ardenne bear witness to a historical decline typical of France's industrial regions. Indeed, Champagne-Ardenne is highly representative of the industrial regions of northern and eastern France, which share three features in particular: lower enrolment ratios, lower educational levels and a relatively high level of technical education in relation to general education. The reasons are familiar: young people used to leave school relatively early in order to work in factories, which offered unskilled or semi-skilled production-line jobs or jobs which required technical skills. These features have not disappeared because of a high level of inertia. The region has proportionately fewer students, fewer graduates and a lower passing rate for the general baccalaureate than the national average. In contrast, it performs better in technical education and short-cycle higher education courses (IUT, BTS) than in general education and long-cycle courses.

However, the region has caught up to a certain extent over the last twenty years or so, with the general rise in enrolment rates and the development of technological training courses in France. With the very rapid increase in the number of those passing the baccalaureate, especially since the 1980s, Champagne-Ardenne has compensated for most of its lag in terms of the baccalaureate passing rate per generation. This trend is made apparent in the region's three main educational districts (Table 18). As a result, it is better placed in the league table of *académies* (educational districts), although still slightly below the national average.

Table 18. **Baccalaureate passing rate in a generation, 1975-1997**

Educational districts	1975 %	Ranking/ 26 districts	1997 %	Ranking/ 26 districts
Reims	19.8	21	60.1	16
Orléans-Tours	20.5	19	61.3	13
Amiens	17.8	24	58.4	19
Metropolitan France	24.2		61.5	

Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

© OECD 2002

As a result of this trend, Champagne-Ardenne has greatly improved its position in the ranking of French regions by educational level. Table 19 – the proportion of those over 25 years old with the baccalaureate – shows that Champagne-Ardenne, unlike the Centre or Picardie, has caught up much of the lag.

However, some shortcomings remain. Although the region has caught up in educational terms in recent years, this does not eliminate a number of cultural handicaps that make the region less attractive in an information economy based increasingly on the manipulation and logical processing of abstract signs. These handicaps may be found at the two extremes of the educational system: initial and higher education. Only in secondary-level, technical education does the region score better than the national average, though it seems to be overcoming its initial lag in vocational training. The handicaps are apparent first in the relatively high number of grade repeaters, an indicator of the difficulty experienced by pupils in mastering basic skills. Table 20 shows the repeat rate in 1990-91 in comparison with the Centre and Picardie (two grade repeats or more are regarded as a sign of severe learning difficulties). In sixth grade, the region scores close to the national average, although the comparison regions perform better. However, the Reims

Table 19. **Proportion of those over 25 years old with the baccalaureate, 1975-1999**

	1975 %	Ranking/ 21 regions	1997 %	Ranking
Champagne-Ardenne	9.7	17	22.9	11
Centre	9.9	12	19.0	21
Picardie	9.6	14	20.4	19
Metropolitan France	12.8		26.9	

Source: Ministère de l'Education nationale, de la Recherche et de la Technologie.

Table 20. **Two or more grade repeats in sixth and third grade**

Educational districts	6th grade				3rd grade			
	School year 1990-91 %	Score*	School year 1997-98 %	Score*	School year 1990-91 %	Score*	School year 1997-98 %	Score*
Reims	11.8	118	5.2	96	26.2	132	14.7	117
Orléans-Tours	9.2	92	4.4	75	18.8	95	11.2	89
Picardie	9.4	94	4.2	72	21.8	110	11.9	95
Metropolitan France	10.0	100	5.8	100	19.8	100	12.5	100

* The score is the ratio between the regional and the national percentage of grade repeaters. The higher the score, the worse the region's performance.

Source: Ministère de l'Education nationale, de la Recherche et de la Technologie.

© OECD 2002

educational district scores badly in terms of the repeat rate in third grade, ranking 22nd out of 26 in 1997-98 and bottom in 1990-91.

The region does not score very well in terms of educational levels on entry into sixth grade. A national assessment of levels of knowledge in French and maths was conducted in 1996, providing a basis for comparison between regions. Champagne-Ardenne ranks at the lower end of the league table, above the educational districts of Corsica, Amiens, Créteil, Rouen and Lille. More than anything else, such results reflect the region's social structures. If the national, educational success rate for pupils according to social origin is applied to the region's schoolchildren, the result is very similar (Table 21). The same applies to enrolment rates at baccalaureate level. The regional educational system is therefore not responsible for the situation. However, it does not perform especially well: other educational districts score better than might be expected (Besançon, Clermont, Dijon, Grenoble, Limoges, Nancy, Nantes, both at sixth grade and baccalaureate levels), although other districts worse. These grade repeats are reflected at the end of the initial educational cycle in one of the highest rates of school drop-outs without qualifications. Only Corsica, Picardie and Languedoc-Roussillon score worse (Table 22).

Table 21. **Results of French and maths assessments for pupils starting sixth grade in 1996**

Educational districts	French + Maths actual (score out of 200)	French + Maths expected* (score out of 200)
Reims	121.2	121.9
Orléans-Tours	122.5	123.9
Amiens	115.2	123.5
Metropolitan France	126	126

* French + Maths expected: score obtained by applying the average results of pupils by social origin in France to the social structure of the *académie*.

Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

Table 22. **School drop-out rate without qualifications (after third grade or before the last year of CAP or BEP), 1995**

	School leaving rate without qualifications
Champagne-Ardenne	11%
Centre	8%
Picardie	12%
Metropolitan France	8.4%

NB: This rate is very difficult to estimate. The figures given here are an approximation that may vary according to the factors taken into account.

Source: INSEE, ministère de l'Éducation nationale, de la Recherche et de la Technologie.

© OECD 2002

The lag in the baccalaureate passing rate has been compensated for above all by the expansion of technological and vocational baccalaureates. 28.2% of a generation in the region took a technological or vocational baccalaureate in 1997, compared with 27.4% in France as a whole. But in terms of the proportion of young people of the same generation passing the general baccalaureate (31.9% in 1997), the region is almost in the same position as in 1975 (21st out of 26 in 1975 and 20th in 1997). Although the development of technological and vocational baccalaureates is a real step forward, well-suited to the regional employment structure, the region still suffers from a dearth of university graduates, especially as some baccalaureate holders leave the region to continue their studies elsewhere.

Moreover, as we have already seen, catching up is due more to a structural trend than to any particular achievement of the educational system. It reflects the transformation of the region's social structure, since the proportion of managers and white-collar workers has increased. The proportion of children of managers and white-collar workers among young people aged 0-16 has drawn closer to the national average, having risen from 77% in 1975 to 88% in 1997. Enrolment and pass rates are closely linked to schoolchildren's social origin.

The new universities of the regions adjoining Ile-de-France traditionally provide a smaller proportion of higher education than the old universities in major urban centres (Table 23). The new universities are the ones to suffer from the gravitational pull of Paris and, to a lesser degree, that of major provincial universities in neighbouring regions. Higher education in Champagne-Ardenne is no exception to this rule. But the higher education sector is also catching up, both in universities (+30% from 1990-91 to 1996-97 compared with +20.6% for metropolitan France as a whole) and in short-cycle courses (IUT and STS, +35.6% compared with +27% over the same period).

Although the gap has been filled to a certain extent, some handicaps remain. The proportion of third cycle students is low, though rising (Table 24). Numbers in third cycle higher education increased by 82% between 1983-84 and 1997-98, almost as much as for those in first and second cycles. However, students also

Table 23. **Students as a proportion of the total population in education, 1997**

Educational districts	Higher education	*of which* University
Reims	11.8%	7%
Orléans-Tours	11.3%	6.9%
Amiens	8.6%	4.7%
Metropolitan France	14.8%	9.3%

Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

© OECD 2002

Table 24. **Third cycle students as a proportion of all students**

Educational districts	1983-84	1997-98
Reims	10.0%	9.4 %
Orléans-Tours	14.1%	8.9.%
Amiens	14.4%	12.1%
Metropolitan France	14.8%	14.4%

Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

leave the region as they start a higher education cycle. The rate of new baccalaureate holders from lycées in the region that enrol at the University of Champagne-Ardenne is one of the lowest in France. Only Amiens and Corsica have lower rates.

In contrast, a fairly high proportion of baccalaureate holders continue their studies outside the region: 10.3% compared with 6.3% on average for metropolitan France. More students leave the region than enter it, but the negative balance is smaller than in other *académies* in the regions adjoining Ile-de-France (Table 25). This is probably due to the position of Reims which, adjoining the Aisne department, attracts students from Picardie, more so as the gravitational pull of the University of Amiens is weak.

The proportion of baccalaureate holders in Champagne-Ardenne who go on to study at university is also relatively small: 47% compared with a national average of 53%, 50.8% in the Centre and 46.4% in Picardie.[20] The fall in the entry rate into higher education (new enrolments in relation to the number of baccalaureate holders) has been steeper in Champagne-Ardenne (77.9% in 1996 compared with 83.3% in 1992, a fall of 5.4 points) than in France as a whole (86.5% compared with 90.3%, a fall of 3.8 points). This is due to the sharper increase in the region in the number of baccalaureate holders, especially of vocational baccalaureates, who are less likely to continue their studies. Education spending per student is also relatively

Table 25. **University entrance in 1997**

Educational disctrict	Baccalaureate holders remaining in the district	Baccalaureate holders leaving the district	Baccalaureate holders from other districts
Reims	36.7%	10.3%	9.8%
Orléans-Tours	42.7%	8.1%	4.0%
Amiens	29.7%	16.7%	2.9%
Metropolitan France	47.7%	5.3%	6.0%

Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie

© OECD 2002

low. In 1995, the region ranked 4th in terms of average spending per apprentice (central government and local authorities), but last in terms of education spending per student (FRF 27 100 compared with FRF 31 600 on average for metropolitan France). This reflects the preponderance in the region of low-cost institutions and courses (university rather than *grandes écoles*, humanities rather than applied sciences, etc.).

The region is much better placed for all forms of technical education and training, from apprenticeships to short-cycle higher education courses (Table 26). The number of apprentices increased at a faster rate in the 1990s than the national average and 2.3% of national apprenticeship contracts were concluded in Champagne-Ardenne in 2000 (the same proportion as in 1995). The proportion of technological and vocational baccalaureate holders is also greater. The region has one of the highest enrolment levels for BEP and 2-year CAP courses and the rate of apprenticeships under employment contracts (at BEP and CAP levels) is higher than the national average. As a result of the increase in technological and vocational baccalaureate holders, the region is also well-provided with short-cycle higher education courses (IUT, STS).

The efforts made by the region in vocational training in recent years have enabled it to make up for some of its lag. The business contribution rate to the funding of vocational training in Champagne-Ardenne has come closer to the national average excluding Ile-de-France (2.6% in 1995), even though this rate dropped in 1997, reaching 2.49 % in 1998 (against 3.23% for France as a whole). Rates of access to vocational training are also getting closer to the national average: 29.1% of salaried employees received vocational training in 1995 (compared with 34% for France as a whole, though the gap was 10 points in 1993) and in 1998, the rate was 32%. By department, estimates for 1995 indicate that the business contribution rate and employee access rate were highest in the Marne and lowest

Table 26. **Technical and vocational education in the region**

Educational district	Increase in the number of apprentices (91-98)	Technological and vocational baccalaureate holders[1] 1997	Entry rates to secondary vocational education 1996[2]	Apprenticeship rates at CAP and BEP level 1996[2]	IUT and STS as a proportion of enrolments into higher education (1997)
Reims	+ 47.6%	47%	35.2%	15.2%	39.2%
Orléans-Tours	+ 34.8%	45%	34.7%	19.0%	37.4%
Amiens	+ 35.9%	49%	36.9%	11.8%	41.8%
Met. Fr.	+ 42.2%	44.5%	33.6%	13.8%	32.9%

1. As a proportion of all baccalaureate holders.
2. Entry rates are defined in relation to age group.
Source: Ministère de l'Éducation nationale, de la Recherche et de la Technologie.

© OECD 2002

in Haute-Marne. These differences correlate with the greater economic vitality of the Marne apparent elsewhere, but can also be explained by the structure of employment since access to training varies considerably from one sector of activity to another.

Strengths and weaknesses

As we have seen, the economy of Champagne-Ardenne corresponds to the traditional agricultural and industrial model. The macroeconomic performance of the region, which has not yet completed its economic redeployment, is fairly close to the national average. It has fairly good infrastructure, but obsolete productive structures combined with a lack of entrepreneurial vitality, insufficient innovation and a wide technology gap, have had an adverse effect on employment. Moreover, its population is shrinking – all four departments have negative migration balances – with the result that there are fewer human resources available. Various factors combine to create a genuine risk of being left behind, which the region must recognise and accept. Since 1998, the region's economic performances have improved, yet such process remains too precarious for us to consider it as a real catching-up phenomenon. Successful economic transition depends on Champagne-Ardenne's ability to make the best of its comparative advantages and overcome the challenges it faces. Table 27 summarises the region's main strengths and weaknesses, which are then analysed in greater detail.

Weaknesses

Sectoral specialisations not directed towards activities that add value or create jobs

Paradoxically, the region's strengths are its greatest weakness. Farming and manufacturing are over-represented compared with the national average in terms of both numbers of employees and value added. The problem lies not in these two activities as such – they continue to thrive or, like metalworking in the Ardennes, have got their technological second wind – but in the dearth of activities which now drive economic growth. The region's strengths do not coincide with those of the contemporary economy.

First, the services sector is significantly under-developed, except perhaps in the Reims employment zone. The high level of tertiary employment at Châlons is attributable to public sector jobs, which account for half of the total; in the Ardennes and Haute-Marne, the proportion of tertiary jobs is much lower than the national average. The deficit is apparent in both personal and business services, although the latter category may have expanded recently.

Second, the region's core industries do not correspond to the most buoyant segments of manufacturing. Energies in manufacturing are concentrated mainly on

© OECD 2002

Table 27. **Strengths and weaknesses of Champagne-Ardenne**

	Weaknesses	Strengths
Geographical position	Intermediate transit zone	Proximity of European markets
Population density	Low density, little urban concentration	Plenty of room for activities that need a lot of space (logistics) or show concern for the environment. Tourism in some areas
Extent of integration/ polarisation	Little integration, weak links between main population centres, no continuous urban fabric	Emergence of networks of towns, emergence of regional specialisations (packaging, logistics, etc.)
Economic structures	Paradoxically, the strength of manufacturing and farming is a weakness because it means the service economy is under-developed	Dynamic local industrial centres and traditional activities (farming, champagne) that create value added
Economic fabric	Little renewal of the industrial fabric because there are relatively few SMEs	Presence of groups; foreign investors interested in the region
Human resources	Shortage of graduates, under-skilled labour force	Technical education and training, development of university potential, training policy
Research/innovation	Few major public research bodies, low level of R&D spending, under-skilled labour force	Technology transfer points (CRITT,[1] UTT, etc.), downstream research that may exert a pull effect upstream (Europôle-Agro), possibility of networking regional technological resources and skills
Transport arteries	Rail links are poor (Paris-Troyes line) or non-existent (no passenger link between the region's two largest cities). No opening towards the North. No cross-border rail link.	Motorways Prospect of a high-speed train line (TGV Est)
Image	Lack of image Lack of regional identity	Arguments for building an image around traditional or new activities or availability of space

1. Regional Centres of Innovation and Technology Transfers (Centres régionaux d'innovation et de transferts de technologies, CRITT) are non-profit-making associations in the service of SMEs; they muster representatives of the industry world, as well as of university and research sectors.

Source: TDS/TRG.

revitalising traditional industries like metalworking in the Ardennes, mechanical engineering (both production and sub-contracting) and textiles. The region has scored points in these sectors, not least because it has managed to stabilise industrial employment in the last few years, but it does not have a strong presence in rapidly growing markets, such as ICT. The region's existing industries, like

© OECD 2002

mechanical engineering, linked to car-making, are cyclical industries that are highly sensitive to economic circumstances.

Agriculture, including champagne, is a powerful activity that generates wealth but exerts little pull on the regional economy. There are few processing industries, and the size of the agri-food sector is not commensurate with the region's farming. Only sugar beet and alfalfa are processed on an industrial scale. More generally, farming and wine-growing have not generated any diversification activities. The luxury goods industry, which is often mentioned as a possibility for the future and of which champagne is said to be the symbol, is non-existent in the region.

A qualitative deficit: few corporate headquarters and low-skilled jobs

Many firms in Champagne-Ardenne are dependent on decisions made elsewhere, a situation that is compounded by the number of foreign investors. Few companies have their headquarters in the region. This is due to the decline of traditional activities which have either disappeared entirely, like the multiple-branch stores which originated in Reims, or declined, like textiles, to the point of being taken over or moving their headquarters (Devanley, one of the last big groups, recently relocated in Paris). Another reason is that the wealthiest activities, like farming and champagne, have failed to generate diversification by creating a fabric of regional spin-off businesses. Moreover, most of the major champagne houses are now controlled by groups based elsewhere, which are in the process of achieving what the champagne houses themselves never did, namely integrating champagne into a range of luxury businesses.

Correspondingly, low-skill levels are a characteristic of the region's employment structure. There is a dearth of the sort of skilled jobs that come with corporate headquarters, in design and R&D, legal services, export, marketing, etc. This is compounded by the fact that most industries in the region consists of low value-added manufacturing activities. Situated very much at the upstream end of the value chain, they specialise in sub-contracting and are therefore removed from the final market where it is made possible to exploit the consumer's willingness to pay. Consequently, most managerial positions in the region tend to be in production or administration. Low-skill positions are to be found at all levels: in-house engineers are proportionately more numerous than elsewhere, and there are more unskilled than skilled workers. The employment structure is a serious handicap for the development of innovation, another of the region's weaknesses.

Limited potential for innovation

Weaknesses inherited from the past can be more easily overcome when there is a capacity to rebound in other directions. The capacity to innovate is therefore decisive. Some crucibles of innovation exist in the region, of course, and they

© OECD 2002

need to be developed, but the environment is not particularly favourable. Yet, innovation is systemic by nature, and there are numerous reasons for Champagne-Ardenne's underperformance.

The research potential is weak: the region scores very poorly in terms of the number and density of researchers and in public and private R&D spending. The deficit is particularly striking among the major organisations that have historically supported France's research effort. The region clearly does not have the research potential it ought to, given the size of its population and its wealth. Under these circumstances, "deficit" is too mild a word: Champagne-Ardenne is a full-scale anomaly.

The same problem arises with regard to innovation. Private R&D spending is low, and the proportion of patents registered in the region is three times lower in relation to the population than the national average. As we have seen, this is partly due to the small number of firms that have their headquarters in the region.

Lack of a strong image

Champagne-Ardenne does not have a particularly positive image to show to the outside world, especially due to the two World Wars. But regional marketing – the construction of a collective symbolic representation capable of influencing private economic behaviour – has become a key to economic development. As decentralisation has brought regions into competition with each other, they have to adopt aggressive strategies in order to attract businesses and people and mobilise their dynamic aspects.

Champagne-Ardenne does not seem to have done enough to construct an image. It is widely regarded as a transit zone, well-situated but, like its plains, rather featureless and lacking a strong identity. Yet the region has resources that could be used to build an attractive image: champagne is well-known throughout the world. A lack of historical identity is often put forward to explain the absence of a positive image, but the argument is not entirely convincing. First, Champagne-Ardenne is not the only region in this case. Second, local and regional images that are believed to have their roots in history are often no more than mental constructs dating back thirty or forty years – a single generation, in fact – but cleverly constructed. For example, Champagne-Ardenne is generally thought by outsiders to be a traditionally wealthy agricultural region whereas in reality, its wealth dates back only to the second half of the 20th century for both farming and champagne.

However, an aggressive image cannot be built unless it is supported by distinctive projects, dynamic individuals and more broadly, a spirit of enterprise. In addition, seclusion leads to local lobbying while strengthening procedural opacity. In this respect, opening the way to greater competition in local markets would

© OECD 2002

enhance business creation. This is a cultural factor which is perhaps the most difficult to create or recreate.

Considerable disparities within the region

Disparities can be measured between cities and employment catchment areas. The region appears to be split: the two major cities, Reims and Troyes, are expanding but the medium-sized towns are losing population. This dichotomy in the urban fabric is apparent in productive structures. Some urban centres have managed to diversify: the process of economic transition is moving forward in Reims and Châlons, due to the presence of research institutes (INRA, INSERM and a university at Reims, *École Nationale des Arts et Métiers* at Châlons), the champagne industry in Reims and Épernay and a relatively strong tertiary sector. Other towns and cities lag behind because they have a high concentration of specialist activities (packaging, mechanical engineering and metalwork at Charleville-Mézières, textiles at Troyes) which have little growth potential and are under threat from international competition.

Unemployment rates within the region reflect these uneven growth patterns (Table 28). It is a feature that is common to all four regions used for comparison, though the reduction in internal unemployment disparities during the 1990s was greater in Champagne-Ardenne than in the other regions (Box 4).

Nevertheless, very considerable unemployment disparities remain within the Champagne-Ardenne region (Figure 14). Ardennes is the department hardest hit by unemployment, (14% in 1999 compared with 11% for Champagne-Ardenne as a whole). Rates are also relatively high in the industrial zones of Troyes (12.2%), mid-Marne, Saint-Dizier and Vitry-le-François (12.3%) and Reims (12.4%). The Meuse valley, an industrial zone redeploying from traditional metalworking industries, had the highest unemployment rate in the fourth quarter of 1997 (16%). Unemployment rates are lower around Châlons (9.6%) and Épernay (9.8%) and in

Table 28. **Disparities in unemployment**

	Gap between the highest and lowest unemployment rate	
	1990	1998
Champagne-Ardenne	4.4	3.4
Centre	2.2	1.6
Lorraine	1.6	1.2
Picardie	3.3	2.9

Source: INSEE.

© OECD 2002

Box 4. **Growth patterns in Lorraine, the Centre and Picardie**

As in Champagne-Ardenne, considerable disparities exist within the three regions. In Lorraine, the split is between the Moselle valley, Metz and Nancy and their surroundings and certain areas close to the border on the one hand, and the mining, textiles and rural areas on the other. The same split can be seen between Moselle and, to a lesser extent, Meurthe-et-Moselle on the one hand and Meuse and the Vosges on the other. Moselle has the fastest growing population and the population has started to increase again in Meurthe-et-Moselle, while the population in Meuse and the Vosges is still declining. The mining, textiles and rural areas continue to show a demographic decline.

Picardie reflects the traditional north/south divide. More specifically, a split can be observed between the northern Aisne and the eastern Somme and Oise (there is a measure of population growth around Amiens and in the Abbeville basin). Like in Champagne-Ardenne, the employment situation differs considerably from one part of the region to another.

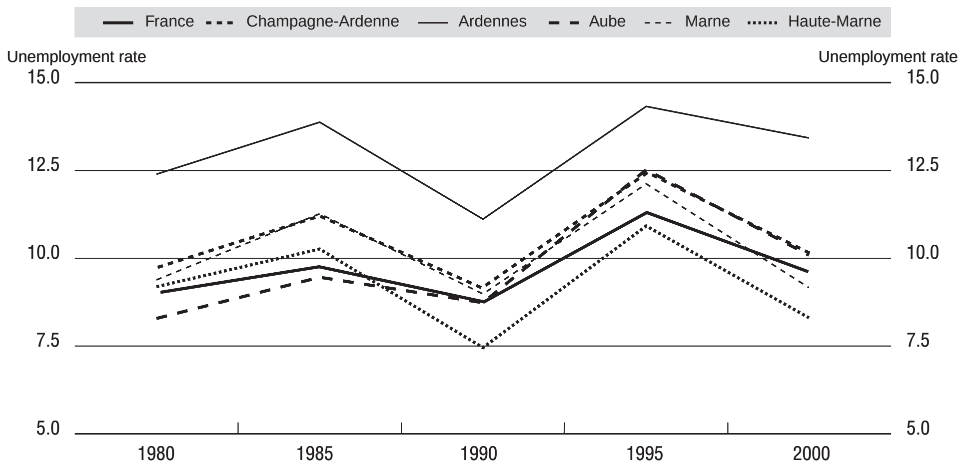
The same north/south divide is apparent in the Centre. The southern departments – Berry, Indre and Cher – have been hard hit by the downturn in the defence, automobile and textile industries, and they suffered the heaviest job losses in the region between 1986 and 1996. For example, the unemployment rate ranges from 8.3% in the Châteaudun employment zone to 16.5% around Vierzon. The dynamic north, benefiting from the Loire valley and its proximity to the extended Paris region, contrasts with an aging south, hit by the downturn in the defence and textile industries. The Loire valley is thriving, both economically and demographically, since it benefits from a virtuous circle linked to the relocation of French and foreign firms to Orléans, Tours and Blois. In the north, in contrast, the gravitational pull of the Paris region has resulted in moribund inner cities, dormitory suburbs and a lack of small and medium-sized enterprises. The south remains heavily rural and its main urban centres, Bourges and Châteauroux, have been hard hit by industrial restructuring.

the southern part of Haute-Marne, where unemployment has fallen particularly sharply over the last two years. The relatively high figure in Reims is probably due to the in-migration of workers attracted by better employment prospects in the region's largest city. Another reason is that Reims is a university town and a large number of recent graduates sign on at the local job centre.

Migration explains much of this internal disparity. Out-migration from the Ardennes has not been sufficient to offset job losses, but the unemployment rate in Haute-Marne has stayed relatively low despite falling employment. Indicators

© OECD 2002

Figure 14. **Unemployment rates in Champagne-Ardenne by department, 1980-2000**



Source: OECD TDS-TSI.

of precarious employment, such as the number of people on income support or the number of long-term unemployed, are lower for the region. If the recent fall in unemployment is taken into consideration, the region outperforms the national average. Indeed, the Ardennes department, where numbers receiving income support are much higher, needs to be considered separately. The recession appears to have bitten deeper there, so that trends in the department are more similar to those in the industrial basins of Nord-Pas-de-Calais and Lorraine.

The demographic situation also differs within the region: the Ardennes and Haute-Marne have lost approximately 6% of their inhabitants in twenty years, while the Marne and Aube have seen their population increase slightly over the same period. The trend differs considerably from one department to another. The Marne, with a younger population, has the largest natural surplus, enabling it to offset a migration deficit, though it is a cause for concern that the natural surplus fell sharply and net out-migration increased in the 1990s. Reims is the only city whose population is increasing, showing an annual average rise of 0.4% over the period 1975-99. Châlons, Épernay and Vitry are shrinking, Châlons at a constant rate of 0.3% since 1982, Épernay at an increasing rate (–0.3% from 1990 to 1999 compared with –0.1% from 1982 to 1990) and Vitry at a decreasing rate (–0.8% from 1990 to 1999, –0.2% from 1982 to 1990).

© OECD 2002

The population in the Aube seems to be rising again after remaining flat between 1982 and 1990. Its growth is not due to the natural surplus (because of an ageing population it makes the smallest contribution to annual demographic change in the region) but to a lower and sharply falling level of net out-migration. Meanwhile, the population of the Troyes conurbation has started to grow again, rising by an annual average of 0.2% between 1990 and 1999 compared with a 0.2% decline between 1982 and 1990. In contrast, the population of Romilly is contracting, falling at an annual average rate of 0.7% between 1990 and 1999 compared with 0.2% between 1982 and 1990.

The Ardennes and Haute-Marne both show high levels of net out-migration – although they have been a little lower in recent years, especially in the Ardennes – and sharply falling natural surpluses. It is as though migrations were undermining the natural surplus by causing young workers to leave, thus slowing the birth rate. The situation is especially critical in Haute-Marne, which has high net out-migration and a very small natural surplus. The population in the Ardennes is also contracting, albeit with a lower, though still high, net out-migration rate.

Overall, population growth (positive migration balances) is concentrated in the western part of the region (centre-west and south-west) adjacent to Ile-de-France, while the north, the centre and the east have negative migration balances. This confirms that the proximity of Ile-de-France helps to vitalise the region.

Taken as a whole, these disparities highlight the links between low population growth, high unemployment and precarity, and the continuing presence of activities ill-suited to the economic changes taking place. At the two extremes are the Reims area, where unemployment is lower than the national average, the population is growing and productive structures are relatively competitive, and the Ardennes and Meuse valley, which have the region's highest unemployment, high levels of out-migration and a lag in the economic transition process that will be difficult to catch up. Troyes is the only exception, combining relatively vigorous population growth with an undeniable lag in the diversification of its economic fabric. The low level of economic and geographical integration is partly due to a lack of urban vitality.

A *low level of integration*

Champagne-Ardenne has few major urban centres and a low population density. It is a vast swathe of land dominated by a few medium-sized towns surrounded by sparsely populated rural areas. As such, it is an intermediate region which has not yet struck the right balance between town and country. The countryside consists of vast agricultural plains, wine-growing areas and forests that seem to neutralise the urban potential rather than interpenetrate with it. The rural nature of dynamic intermediate regions is an illusion, since the "country-

© OECD 2002

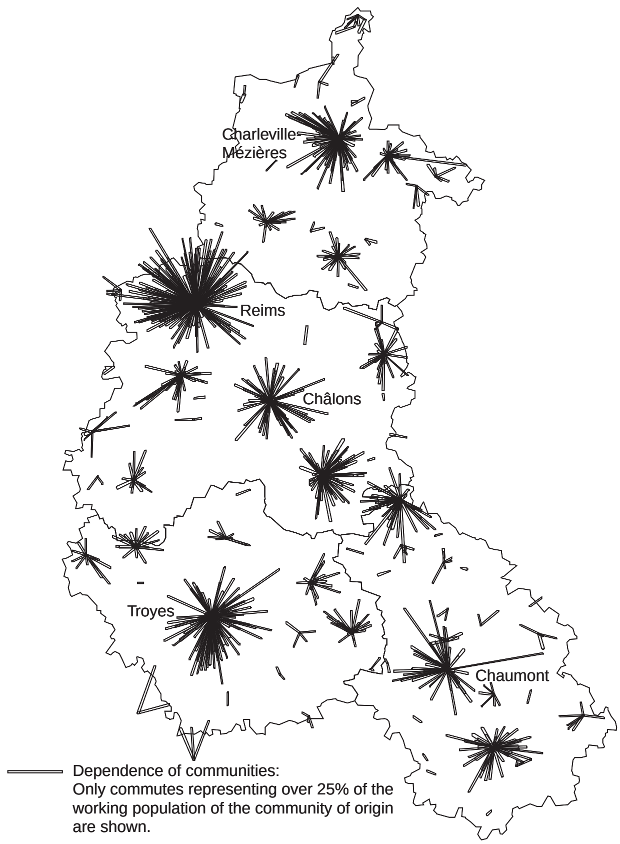
side" generally consists of a network of small towns or recreational areas that benefit from activities that have been displaced from urban centres. This is not the case in Champagne-Ardenne except in a few specific areas like the Der and Orient lakes. It is also highly significant that Reims, the biggest urban centre, is a city without suburbs. Troyes, the second largest urban centre, is also situated in the middle of farmland. Rural industrialisation has left the Ardennes and Haute-Marne with a more closely woven fabric, but it has been ravaged by the crisis in their industry, which in Haute-Marne goes back even further. Achieving greater interpenetration between town and country is a key issue for the future of Champagne-Ardenne.

It is well-known that the French regions have been defined for administrative convenience rather than economic or cultural identity. Champagne-Ardenne is no exception to this rule. This region has little in common with the tip of the Ardennes, which shares a border with Belgium, and the southern Aube, which is close to Bourgogne, or with the south-west Marne, which experiences the gravitational pull of Paris, and the southern Haute-Marne, which experiences the pull of Dijon. The pattern of areas of urban influence, measured by home-to-work commuting, underlines such phenomenon. It is a real handicap for a sparsely populated region, since the lack of size and population density could be offset by a system of active links between the region's population centres. A network of smaller units would then make up for the absence of a major focus for integration. That is not yet the case in Champagne-Ardenne. The disparate nature of the region takes five main forms:

- a large number of regional centres have more links with the world outside the region than within the region: Reims looks to Paris, the industrial Ardennes to northern France and Lorraine, the southern Haute-Marne to Dijon and Bourgogne, Troyes falls within the gravitational pull of Paris;
- the main cities and towns have relatively few links with each other and share few common resources and little common infrastructure. There is not even a passenger rail link between the two largest cities, Reims and Troyes; when Champagne-Ardenne becomes responsible for TERs (regional express trains) in 2002, the region will have more resources at its disposal so as to remedy such a shortcoming.
- the handicap is compounded by the lack of any semi-urban fabric between urban centres;
- Reims, the economic capital, is not the administrative capital and is off-centre in relation to much of the region. It does not therefore have the unchallenged legitimacy of a regional capital like Toulouse in the Midi-Pyrénées;
- there is no major central conurbation which could drive growth throughout the region. Châlons and Vitry-le-François, which are at its geographical core, are not capable of playing such a role.

© OECD 2002

Figure 15. **Employment zones in Champagne-Ardenne**
a) areas of urban influence in 1990

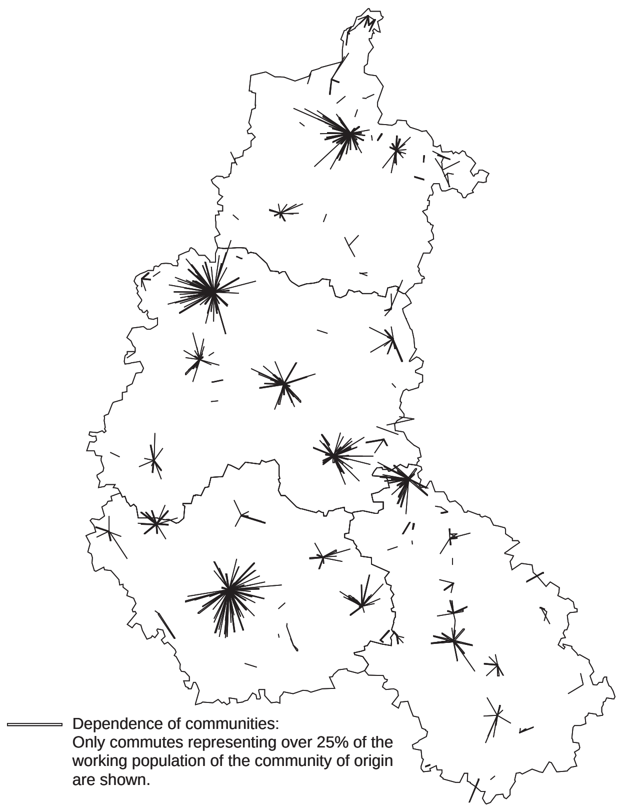


Source: INSEE, Mirabelle, 1990.

The lack of economic integration is compounded by the fact that the regions are still finding their way in the French power structure after decentralisation. That is why the interests of the town, city or department still seem to predominate, since they are more coherent entities both economically and institutionally. Seen in this light, Champagne-Ardenne is a patchwork of four departments which have not yet found a genuine regional development strategy, another reason why that should be a major item on the agenda.

© OECD 2002

Figure 15. **Employment zones in Champagne-Ardenne** (*cont.*)
b) areas of urban influence in 1975



Source: INSEE, Mirabelle, 1990.

An analysis of employment zones confirms the impression of a lack of integration. Areas of urban influence are clearly defined and distinct from each other (Figure 15). There is no nesting, no overlapping. There is nothing in Champagne-Ardenne that resembles the formless, structureless urban nebulae of other regions. All the towns and cities follow the same pattern, a starburst model with a centre and a periphery. The pattern of their geographical position in the region is rather more complex. The "single centre" model does not give an adequate description of the region's urban texture. Although Troyes in the Aube and

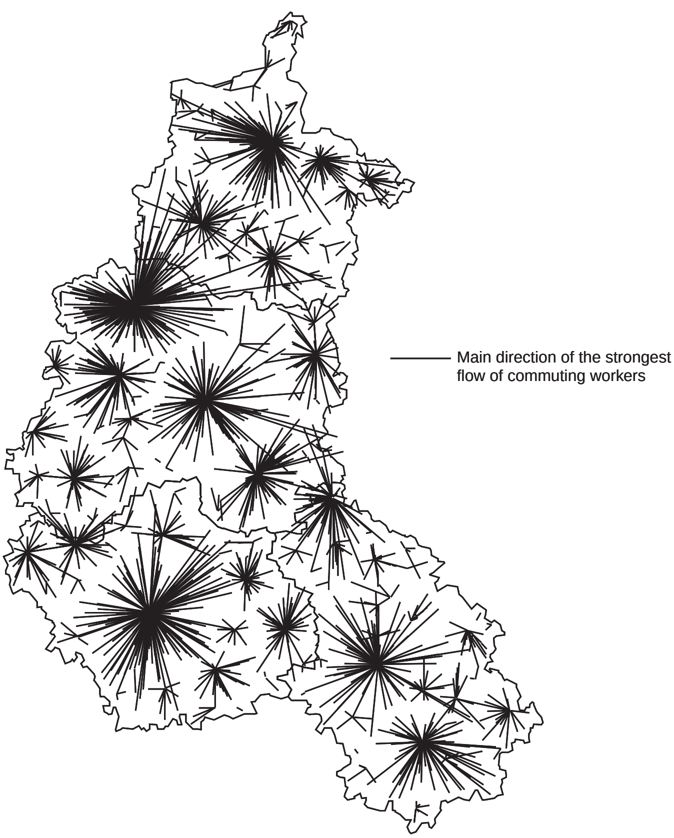
© OECD 2002

Charleville in the Ardennes indisputably act as departmental centres, three cities share that role in Haute-Marne; although Reims dominates in the Marne, two or even three other cities are major employment centres. It is interesting to note that this configuration has remained virtually unchanged since 1975. The only slight difference is in Haute-Marne: in 1975, Saint-Dizier was the only centre, but in 1990 Chaumont and Langres were similarly attractive.

The main areas of urban influence in terms of employment confirm the preceding comments, though with some variations (Figure 16). The areas are distinct,

Figure 16. **Employment centres in Champagne-Ardenne**

Main areas of urban influence for employment in 1990



Source: INSEE, Mirabelle 1990.

© OECD 2002

but some overlaps are apparent here and there. The nature of the urban texture influences the extent of employment zones. A comparison between Troyes and Reims shows that whereas Troyes reigns unchallenged over the entire department, Reims shares its area of influence to the south and south-east with Épernay and Châlons. In the first case, the model is similar to the Paris model, with a centre and a periphery. The second, keeping a sense of proportion, is more similar to a Rhineland model in which the territory is organised by and divided between a string of close-lying towns and cities. With the exception of the Aube, Champagne-Ardenne is similar to an intermediate type region, *i.e.* a region in which the area of influence of urban employment centres is relatively small, due to the presence of a fairly dense fabric of medium and small towns.

One final comment concerns the lack of major links between towns and cities. The principal flow of workers out of an urban centre is in the direction of a suburb and not in that of another urban centre. This emphasises the picture of clearly identified employment zones, although it may also be symptomatic of a lack of inter-urban co-operation. This finding may be tempered by arguing that such analysis, if it had been applied to conurbations rather than communes, would have produced different results. However, this does not diminish the usefulness of active strategies so as to promote co-operation between cities as well as their being set into networks. Indeed, an urban fabric with many centres may be an advantage if towns and cities are linked in a network; in the case of Champagne-Ardenne, it remains an untapped source of potential.

Strengths

Good geographical position

The region is very well-situated in the heart of northern Europe, at the intersection of two major arteries: an east-west route linking Paris and Germany, and a north-south route linking the UK, Belgium and northern France with Lyon, the Rhône valley and Italy. These arteries take the form of high-speed transport links: the A26, A4 and A34 motorways[21] (Charleville-Reims connection) and the forthcoming TGV Est high-speed rail line.[22] Partly due to its geographical position, its wines and its food and drink industry, Champagne-Ardenne is fifth in the league table of French regions by exports, with a trade surplus of 14 billion ECU. Nonetheless, it takes insufficient advantage of its links with the outside world.

A favourable geographical situation and high-quality infrastructure are not enough to drive regional development. Other factors are also required. One positive factor is the profound change that is taking place in business logistics. Such change is partly a consequence of the introduction of just-in-time production models that are highly reactive to market conditions, and partly of the geographi-

© OECD 2002

cal extension of markets. It is facilitated by the spread of information and communication technologies, which mean that information systems can be used to steer physical flows efficiently.

There are three key features of this reorganisation of business logistics:

- Firms are looking to optimise the location of their headquarters, production units and shipping platforms. Consequently, shipping platforms are no longer located close to headquarters or production sites but at points of intersection that are well-served with means of transport and located fairly close to markets.
- Firms are looking to outsource all or some of their logistics because of the specific skills required, the economies of scale achieved by intermediaries specialising in logistics, and the costs (such as inventory management costs) that can be passed on to other players.
- Using data flows to steer physical flows encourages the emergence of specialist intermediation functions that did not previously exist.

Logistic nodes used to be dependent on production sites or markets or if they were not, merely acted as transit zones with no pull effects on the local economy. The trends described above combine to transform them into readily identifiable, stand-alone economic units. Thus, there exists a market to be exploited.

Champagne-Ardenne is in a relatively favourable position in this respect because logistic nodes take up a lot of room. They need plenty of space and cause considerable nuisance. Consequently, it is difficult for them to develop in urban areas. The region can hope to capture part of the market by demonstrating a strategic determination to occupy the niche. That is both the point and the risk of the Europort project at Vatry. There is an element of uncertainty, as with any gamble, but the project has the merit of giving practical expression to a strategic choice.

The real problem is competition from other places, and hence the conditions that need to be met if the region is to gain a comparative advantage over other nodes closer to major centres or existing infrastructure. Complementary activities and skills will have to be developed, not only in the immediate vicinity of Vatry but throughout the region as a whole.

A favourable environment

Low population density is a drawback for regional development that may, to some extent, be turned into an advantage. Urban concentration and its negative side effects make wide-open spaces more attractive for a number of firms and businesses. But the economy, unlike nature, does not abhor a vacuum: a reserve

© OECD 2002

of space is inactive by definition. What is required is a long-term strategy aimed at gradually building up activity. Such a strategy has several implications.

- Stronger links are needed between the region's urban centres so as to develop complementarity and synergy. One way of overcoming low population density is to ensure that structural connections are strong so that low density does not impede mobility.
- The region has to choose areas of specialisation that will enable outside players to identify the desired type of activity, initiating a self-sustaining cycle. Logistics are one example. Green tourism is another, in certain areas like the Ardennes, Haute-Marne, the lakes and Argonne. There is a definite lack of activities that are in phase with the predominant trends in a service economy based on information technology.
- The region has to attract foreign investment. Foreign investors are by nature less influenced by the past and more sensitive to purely functional criteria, such as available space, a clean environment, strategic proximity to markets, etc. They can help to densify the region and attract other activities.

The existence of dynamic centres of activity and wealth factors

The region has a number of dynamic centres of activity and sources of wealth. Dynamic industries include metalworking in the Ardennes, mechanical engineering for the automobile industry and the emergence of a regional specialisation in packaging. Farming and champagne are important sources of wealth.

The region has undoubted advantages, but these centres of activity are isolated from one another in both economic and geographical terms. The local or sectoral rationale for developing them is understandable, but a regional development strategy should either go beyond such concerns or not address them at all. This would allow the emergence of a regional – meaning co-ordinated – strategy to develop the packaging industry. Another issue is the diversification of the regional economy from its sources of wealth in farming and champagne. Current developments in the common agricultural policy make the question all the more urgent for farmers.

Unexploited potential for internal and external co-operation

Strengthening internal and external co-operation is an essential condition for a regional development strategy. The region faces constraints, especially a lack of major urban centres and interurban integration, which can be transformed into advantages but which are currently holding back development. Only two cities have more than 100 000 inhabitants. Moreover, there are few links between them

© OECD 2002

and neither of them are geographically central. The other towns and cities, like the two largest, are separated by vast tracts of countryside.

The development of a network of towns and cities may be the best way to remedy the lack of major urban centres, in the same way a network of small and medium businesses may generate the advantages of a large firm. But networks of towns and cities often encounter the problem of how to promote co-operation when competitive rivalry tends to be the most prevalent attitude. In many cases such networks wither or die. A regional strategy can help them to flourish by demonstrating that networks of towns and cities are a necessary platform for economic development in an area with low population density. Otherwise, the region could remain a transit zone in which the few centres of growth are subject to centripetal forces.

Inter-regional co-operation is just as important in increasing the density within a region. Three types of co-operation can be explored.

- The first type involves co-operation with Ile-de-France. The question here is how to capture some of the dynamism of this flagship region. Two models are possible: unorganised or organised diffusion. In the unorganised model, dynamism spreads gradually into the region as the activities and population of Ile-de-France extend geographically or as they attract the population of Champagne-Ardenne. Reims and the south-west Marne are already in this situation. But it is clearly a shift that favours the centripetal tendencies rather than the region as a whole. The other model involves engaging in inter-regional co-operation with Ile-de-France so as to modulate its growth effects. In the past, the non-cooperative choices made because there was no regional power centre or because such a power centre was in its infancy, weighed heavily on the region's development. Examples include the choice of sites for new towns in the Paris region in 1965 by the SDAU (Schéma directeur de l'aménagement urbain, Directing Scheme for Urban Planning) and the government's more recent creation of four new universities in the Paris region, forming a barrier to the development of universities in the adjacent regions.
- The second type involves co-operation with adjacent regions (mainly Picardie, Nord-Pas-de-Calais and Lorraine). Developing this form of co-operation would strengthen not only the existing relations maintained by local centres but also, and above all, the region's integration into the whole north European complex, which is the northern end of the European growth crescent. It is of paramount importance for the region to link itself to this area, especially as the single currency will stimulate further growth. Faster and more frequent rail links with major urban centres like Lille and Nancy would be particularly welcome.

© OECD 2002

- The third type involves cross-border or transnational co-operation with other European regions. Frontiers are historical barriers that remain as traces of the past but should be reduced. This goes beyond INTERREG programmes, the possibilities of which are already under-exploited (Annex 1). Wallonia should be regarded as a potential support for regional development. A chart was signed, clearly demonstrating the will to co-operate. The A34 motorway will make it possible to create the shortest corridor between Rotterdam and Marseille and will be the backbone of the Bruxelles-Charleville-Châlons-Troyes-Chaumont area. The Meuse can also promote such co-operation through a sustainable European scheme.[23]

Insufficiently exploited natural and cultural amenities

Champagne-Ardenne undoubtedly has considerable tourist potential, offering numerous rural and urban amenities. The wealth of its history should make Champagne-Ardenne a much more attractive region for cultural tourism than it is at present. The Gaullist legend is symbolised by the town of Colombey-les-deux-Églises. The region boasts numerous historical monuments such as Reims Cathedral, the Cistercian abbey of Clairvaux, the Romanesque churches of the Ardre valley, the baroque town houses of Épernay, the churches and 17th century dwellings of Riceys, numerous wine-barns, etc. It is also endowed with natural amenities such as the lakes of the Aube department, the Lac de Der and Meuse valley[24] that could support and enhance green tourism.

The region's food and wine tradition and the brand image it derives from champagne could also provide a strong platform for tourism. The wine-growing region of the Marne has four clearly indicated itineraries which constitute the classic "champagne tour" (RTC). It is possible to visit cellars and taste the wines, or fly over the vineyards in a balloon. Wine-growing underpins a rich popular culture and social history which could enliven a distinctly lacklustre tertiary sector. In the early years of the 20th century, for example, the wine-growers of the Aube rose up against a government which refused to grant them the champagne appellation on the grounds that the mix of grape varieties in their vineyards was unsuitable. History gives the lie to the current lack of initiative in the Champagne-Ardenne community.

As we have seen, Champagne-Ardenne has natural and cultural advantages but fails to make the best use of them. The tourist industry, for example, is generally under-resourced. With three hundred hotels and approximately 8 000 rooms, Champagne-Ardenne is one of the regions least well-endowed with approved hotels. Only Franche-Comté, Picardie and Limousin have less total capacity. It also has the lowest ratio of hotel rooms to surface area in metropolitan France. The lack of amenities is most apparent in the Ardennes, Aube and, to a lesser extent,

© OECD 2002

Haute-Marne. The Marne department has a relatively large guest capacity in relation to the region as a whole, since almost half the hotel rooms in the region are located there. There was slightly over a hundred campsites in the region in 2000, with approximately 7 000 places, the lowest capacity in metropolitan France, just before Picardie and Haute-Normandie. In 1998, the ratio of places to surface area, 310 places per 1 000 sq. km, was significantly lower than in Picardie, Lorraine or even Franche-Comté.

Most tourism in Champagne-Ardenne is short-term: average stays, though not unusually short, are less than 1.5 days in both campsites and hotels. These passing visitors tend to prefer two-star establishments, which account for more than half the campsite and hotel accommodation in the region. Three- and four-star hotels account for almost one-third of hotel rooms in metropolitan France but only one-quarter of hotel accommodation in Champagne-Ardenne. Likewise, three- and four-star campsites account for only 29% of places, compared with 50% nationwide.

Champagne-Ardenne's position as a transit zone is reflected in the number of foreigners crossing the region to reach the south of France. Foreign visitors, especially from the Netherlands, account for 43% of nights in hotels and 48% of nights in campsites. The equivalent rates in metropolitan France excluding Ile-de-France are 29% and 33% respectively. It is the policy of the regional authorities to strengthen this aspect of the region as a transit zone in which visitors are attracted, mostly for short stays, by the Champagne vineyards and the lakes of the Aube and Der.

The Ile-de-France effect

The proximity of Ile-de-France may clearly be an advantage for Champagne-Ardenne. In addition to its comparative advantages in terms of price-competitiveness, real estate prices and labour costs, the quality of the region's infrastructure may help to make it a more attractive destination for direct investment from the Paris region. The related business relocations and technology transfers are important for the region's exogenous growth. The south-west of the region and, to a lesser extent, the area around Épernay are increasingly benefiting from the dynamism of Ile-de-France and the deconcentration of activity from the Paris region.

However, the perverse effects of the region's geographical situation should not be underestimated. They can be seen in the extent to which businesses in the region depend on decisions made elsewhere. This creates a geographical division of work which leaves the Champagne-Ardenne economy on the sidelines and hence excludes it from high value added managerial activities. In this scenario, many towns act as little more than dormitories: jobs in Ile-de-France contribute little or nothing to local development. There are many similarities between this

© OECD 2002

sort of peripheral situation and that of Germany's eastern Länder. Business relocations from western Germany have made only a limited contribution to the development of the eastern Länder because an asymmetrical division of work has reduced technology transfers, which are the main factors of exogenous growth. In any case, businesses in Ile-de-France exert only a limited attraction.

Conclusions: the main challenges

In the current context of increasing globalisation and ever fiercer competition between firms, regions and nations, the Champagne-Ardenne region has to confront specific problems of cultural and structural adaptation, especially in its industry. Much of the adjustment process remains to be completed, and the regional economy still relies to a considerable extent on inherited achievements. Unless the region spells out clearly defined specialisations, redeploys into new activities and does more to strengthen its small businesses, it is unlikely to reap much benefit from renewed growth. At the same time, the problems of an unbalanced labour market will persist or may even worsen. Under such circumstances, there is an increasingly obvious need to make the development policies promoted by local and regional authorities more effective. The lack of major urban centres and the average distance between employment centres may underline the region's low level of integration, but they also point to the considerable potential for urban co-operation.

The region risks losing this opportunity. The risk should not be underestimated, especially as its true extent is not always properly perceived. As we have seen, the region is not without wealth, and at a regional level, it has not suffered the sort of major shocks, like the collapse of steelmaking in Lorraine and the mine closures in the Nord-Pas-de-Calais in the 1970s and 1980s, suddenly revealing the full extent of the problem. Champagne-Ardenne has indeed been hard hit but the shocks, whether in traditional industries in the Ardennes or the textile industry in Troyes, for example, have been perceived mainly at a local level. A regional awareness needs to be developed so as to dismiss the risk of getting left behind.

This is why Champagne-Ardenne needs to frame a long-term strategy capable of reversing unfavourable trends and bringing the regional economy back into the mainstream activities that drive the contemporary economy, such as NICT, professional services and biotechnologies. The region would be storing up further trouble for itself if it were to try and avert the threat hanging over it by merely pursuing existing avenues of development. In the past, the region has amply demonstrated its capacity to meet economic challenges. It has turned unhelpful terrain into prosperous farmland and transformed its invasion-prone plains into hives of industrial activity. The challenge now facing Champagne-Ardenne is of a similar order. Decline is not ineluctable, as other regions have proved. The Nord-Pas-de-Calais,

© OECD 2002

starting out with an even greater structural handicap than Champagne-Ardenne, is a case in point. Successful transition depends mainly on the political resolve to make the most of the region's advantages. In doing so, Champagne-Ardenne can draw on a range of best practices, both in adjacent regions (Picardie, Centre, Lorraine) and in the intermediate regions of other OECD member countries, such as Pittsburgh (US) and the East Midlands (UK).

© OECD 2002

Notes

1. The digital divide refers to the unequal access to new communication and information technologies.
2. According to the OECD, intermediate regions are regions that are neither urban nor rural, *i.e.* regions in which 15 to 50% of the population lives in rural communities.
3. The NWMA has 140 million inhabitants.
4. Gross available income per inhabitant is higher than the national average in three regions only: Ile-de-France, Alsace and Aquitaine. If the effect of the Paris region is stripped out, Champagne-Ardenne is well-placed in terms of this particular indicator.
5. The social minimum income (RMI), introduced in December 1988, expresses the general principle of entitlement to a minimum income. It is a differential allowance that supplements other forms of income to bring the whole up to a given minimum. Those eligible are the unemployed over 25 years of age who undertake to follow a vocational training course and actively seek work. The RMI is intented as a temporary measure and not as permanent assistance and is expected to facilitate entry to the labour market of those previously excluded from it.
6. Sensitive urban areas (*zones urbaines sensibles*, ZUS) were established by the Urban Renewal Covenant (Pacte de relance de la ville) which is a programme of positive discrimination in favour of certain urban areas with economic and social handicaps. This programme uses a three-tier zoning system, among which ZUS are characterised by large residential complexes or areas of poor housing with an acute imbalance between housing and employment.
7. The farming sector has shrunk more and faster in Lorraine than elsewhere in France because of the corresponding pace and extent of industrialisation. Fifthy per cent of the region is made up of farmland (86% including forests) while the sector generates 37 500 jobs.
8. The most prevalent food and drink industries in Lorraine are meat, dairy products, industrial bakery products and drinks. Mineral waters from Vittel and Contrexéville account for more than a third of the domestic market.
9. Productive and intensive farming still plays a major role in the Picardie economy. The vitality of the agricultural sector is such that the region is France's leading producer of sugar beet (36% of national output) and peas and its second largest producer of wheat (12%), endives and potatoes. It is also France's leading producer of oilseed crops, accounting for almost 20% of the national surface area under cultivation.
10. The Chooz 1 nuclear power station was put in service in 1996 and Chooz 2 in 1997
11. Lorraine still accounts for 70% of French coal production and 25% of iron and steel production. However, the four basic industries – coal, iron-ore, iron and steel and textiles –

© OECD 2002

now represent only 20% of manufacturing employment and have been replaced by metalworking industries – steel and carmaking – which now account for 44% of manufacturing jobs.

12. The Centre, fifth in the French league Table of regions by manufacturing output, is second in terms of power generation, rubber and plastics, publishing and graphic arts as well as drugs. 31% of the labour force is employed in the manufacturing industry. It is also the third largest producer of electronic equipment.
13. Manufacturing industry is consolidating its position in Picardie, which is now third in the league Table of regions by the share of salaried manufacturing employment and eleventh in terms of the number of manufacturing jobs.
14. There are only five other regional capitals in France whose employment zones have a business creation rate significantly lower than the national average. These are Besançon, Clermont-Ferrand, Dijon, Limoges and Poitiers.
15. For example, firms such as Amada, General Motors, McKain.
16. The data are only partial and should therefore be interpreted with care. They include inward investment projects that preserve threatened jobs or create new jobs in the three years following announcement of the project. The data are compiled from advertisements and not actual results and do not include certain investments, like a foreign investor taking over a firm without preserving jobs. There may also be substantial variations at regional levels from one year to another.
17. The National Centre of Scientific Research (*Centre national de la recherche scientifique*, CNRS) is a public body specialised in basic research; it is placed under the aegis of the *Ministry of Research*. Relying on 1 235 research units, it is present all over France while dealing with all fields of knowledge. Its overall budget for the year 2001, amounts to FRF 16.12 billion and it employs 25 000 people, among which are 11 400 researchers and 13 600 engineers, technicians and administrative staff.
18. The Board of Nuclear Energy (*Commissariat à l'énergie atomique*,CEA), the Research and Development Centre of France Telecom (*Centre de recherche et développement de France Telecom*, CET), the National Institute of Health and Medical Research (*Institut National de la Santé et de la Recherche médicale*, INSERM) and the National Institue of Agronomic Research (*Institut National de la Recherche Agronomique*, INRA) are all public bodies specialised in basic as well as technological research.
19. Diplomas delivered by University Institutes of Technology (*Institut Universitaire de Technologie*, IUT) and Vocational Training Certificates (*Brevet de Technicien Supérieur*, BTS) are intermediate diplomas usually delivered two years after the baccalaureate.
20. Obtained by adding together the figures in the first two columns of the previous table.
21. The West branch (Charleville-Charleroi) of the "Y" in the Ardennes is considered as a European priority.
22. Once the Givet port is adapted to the Belgian norm, it will be possible to link it fluvially to the big ports of the North Sea, Rotterdam, Antwerp and Dunkerque.
23. A public entity for the development of the Meuse and its tributaries (*Établissement public d'Aménagement de la Meuse et de ses affluents*, EPAMA) was created on July 2, 1996; it is a joint association whose prior mission is the protection against flood. The EPAMA has undertaken a comprehensive modelling study of the Meuse flows, which amounts to FRF 5 million, out of which FRF 2 million have been financed by the European Union under the IRMA-INTERREG IIc programme. Moreover, the EPAMA is seeking the

© OECD 2002

INTERREG IIIb contribution to its development strategy of the Meuse, and this according to four main objectives: *i*) intervening within basin public entities so as to see the new French law on water (being drawn up at the moment) fully apply European directives, especially concerning the consistent development of international side basins; *ii*) a real intervention in the Meuse international group work – an informal offshoot of the international Commission for the protection of the Meuse – in order to organise the set-up of a comprehensive international telemetric network whose data and processing would be compatible, as well as that of a comprehensive radar cover; *iii*) the setting up of a sustainable global development study of the Meuse river all over Europe; *iv*) the development of an interactive warning network which would take into account the river as a whole. Besides, the fourth CPER has planned the mobilization of FRF 230 million, out of which FRF 60 million come from European funding, in order to carry out the first flood control works.

24. A national regional plan is under preparation.

© OECD 2002

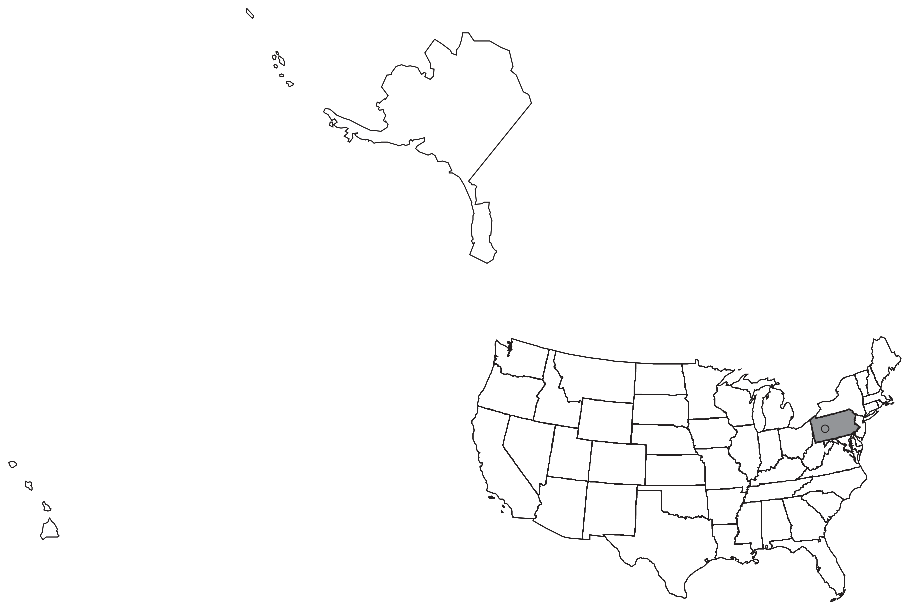
Chapter 2

Comparison Between Champagne-Ardenne, Wallonia, Pittsburgh and East Midlands

Champagne-Ardenne, Wallonia (Belgium), East Midlands (UK) and Pittsburgh (USA) are regions that have much in common. According to the OECD typology they are all intermediate regions except for the Pittsburgh Consolidated Metropolitan Suburban Area (CMSA), which is an urban region (Annex 1). Pittsburgh, the capital of Pennsylvania, is a major regional urban centre that exerts a gravitational pull on the entire state. All the regions have a rich manufacturing tradition. The Pittsburgh region drove New England's prosperity in the second half of the 19th century, while Wallonia was the cradle of the industrial revolution in Europe. The sectoral division of employment in the three European regions reflects this manufacturing tradition, with a small tertiary sector and a large secondary sector. Geographically, all four regions stand at the crossroads of international trade flows. Pittsburgh's position close to Canada (Figure 17) has enabled the region to benefit from the entry into force of NAFTA, while the East Midlands (Figure 18) have been a preferred destination for firms relocating from the London region. In the same way, Wallonia (Figure 19) and Champagne-Ardenne, border regions at the heart of Europe since the days of Charlemagne, are well-placed to take advantage of increasing trade flows within Europe. Good transport and infrastructure networks could help the four regions to benefit even more from their geographical advantages. The four regions also face similar challenges. They have all been hit by the transformation of the industrial landscape, with severe economic and social consequences. They have all suffered substantial job losses and a rise in equilibrium unemployment linked to the loss of skills in the labour force. In Champagne-Ardenne, the East Midlands and Wallonia, average labour force skill levels are lower than the national average. Pittsburgh is the only region where the unemployment rate has fallen, thanks to reskilling initiatives led largely by the private sector. Such economic decline has gone hand in hand with demographic decline: the four regions have suffered from depopulation, reflected in long-term negative migratory balances. The East Midlands is the only region where the trend seems to have been reversed: migratory balances have been positive in this region since the second half of the 1990s.

© OECD 2002

Figure 17. **The Region of Pittsburgh**



Source: OECD TDS/TSI.

This set of common experiences seems to amply justify a comparison between the four regions, even though the far-reaching differences in their institutional, cultural, economic and political environment should not be underestimated. The comparison is all the more justified because the regions in question have not been equally fortunate in their attempts to come to terms with economic change. Whereas Pittsburgh and the East Midlands have been successful, Wallonia and Champagne-Ardenne have plainly failed to transform their productive economies. Pittsburgh and, to a lesser extent, East Midlands have become competitive service economies with a strong new technology slant. In contrast, Champagne-Ardenne and Wallonia have not generally managed to swim with the tide. Their failure has engendered demographic and economic decline, whence the need to introduce new strategies and learn from successful experiences in local and regional governance that have contributed to the economic regeneration of other regions. This chapter therefore aims to highlight the policies and comparative advantages that have enabled Pittsburgh and the East Midlands to complete their transformation successfully so as to measure the extent to which Champagne-Ardenne can

© OECD 2002

Figure 18. **The Region of the East Midlands**

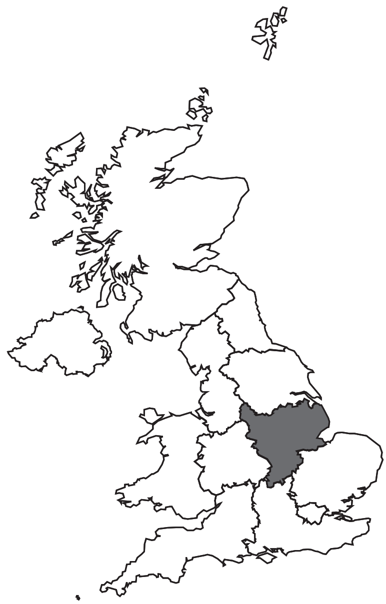


Figure 19. **The Region of Wallonia**

Source: OECD TDS/TSI.

© OECD 2002

draw inspiration from their example. As the relative success of the US and UK regions is due not only to local and regional measures but also to federal or national initiatives, the comparison cannot overlook the role played by central government.

Structural analysis of the four regions

Despite profound differences in the geographical situation and political, economic, cultural and institutional environment of the four regions, a common economic history has left them exposed to similar difficulties of adaptation.

The institutional framework

The four regions differ in terms of their surface area, population and population density (Table 29). Champagne-Ardenne, being rather sparsely populated, contrasts with the other two more densely populated intermediate regions, and even more so with the urban region. The four regions also have differing political and institutional frameworks – federal for Pittsburgh, recently federal for Wallonia, centralised for East Midlands, deconcentrated for Champagne-Ardenne – making the comparison between them more difficult. The institutional framework determines the amount of political discretion constitutionally allowed to regional authorities.

The federal system in the United States leaves a considerable degree of political autonomy in the hands of individual states, in this case Pennsylvania. Programmes and incentives to support and restructure existing businesses and industries and create new ones are almost all state-run. Thus, most initiatives to support industrial redeployment originate with the state of Pennsylvania. Wallonia, another federal structure, also differs greatly from Champagne-Ardenne. The powers recently devolved to the Belgian regions include the capacity to establish regional development plans independently, without the need for prior negotiation with central government.

Table 29. **Demographic characteristics of the regions under review**

	Surface area (sq. km)	Population 1999	Density (inh./sq. km)
Champagne-Ardenne	25 606	1 342 363	52
Wallonia	16 913	3 315 000	196
East Midlands	15 244	4 160 000	270
Pittsburgh CMSA	5 100	2 354 000	461

Source: US Census Bureau, INSEE, ORM, OECD.

© OECD 2002

In France, a long-standing tradition of strong central control has considerably reduced the degree of political discretion elsewhere. Regional development policies, established on a contractual basis within a central planning framework,[1] must take central government priorities into account. Moreover, the legal force of French planning contracts is very limited in comparison with the Belgian concept of "regional development contracts". The lack of prescriptive content in French planning contracts diminishes the legal certainty that is an inherent feature of regional development policies in a federal structure.

The two salient features of the institutional environment in the UK are the striking contrast between the devolution processes in Wales, Scotland and Northern Ireland, and the abiding degree of centralisation. Regional development agencies, including the East Midlands body, are merely deconcentrated units of a central ministry, the Department of the Environment, Transport and the Regions. Their job is basically to implement an objective decided by central government and defined by regulation. Regional development agencies are even more tightly bound by centrally decided development objectives than French regions. Although centralisation, as in France, reduces the regions' capacity to define an autonomous development project, it can facilitate greater flexibility within and between regional labour markets. As part of the decentralisation and deconcentration process currently in progress in the UK, the regions and their respective development agencies are gaining greater discretion and more flexibility in the implementation of programmes.

In the United States, regional minimum wages are defined at state level. The labour market reforms engaged by the Labour government in the UK since 1997 have led to the introduction of regional minimum wages.[2] These differences in labour market structures are compounded by the differing role played by trade unions.

Even in countries where trade unions are still undeniably important, their attitudes towards economic adaptation differ profoundly. In Pittsburgh, the metal- and steelworkers unions, long opposed to economic transformation, were increasingly drawn into the changes taking place through a special consultative body set up by the state government. Such initiatives, taken at state level, mean that job losses and labour force retraining can be negotiated according to the changing requirements of the productive apparatus, especially the links between the old and new economy, and the specific needs of a given employment area.

Lastly, regions differ in the role played by civil society. In Pittsburgh, for example, associations of unemployed people have played a part in the reform of Pennsylvania's unemployment benefit system, helping to promote the retraining of workers hit by industrial restructuring, while environmental groups have been active in reclaiming former industrial sites. In contrast, in Champagne-Ardenne and

© OECD 2002

the East Midlands, community groups have been comparatively less involved in areas where they could have supported industrial regeneration (Hathaway, 1999).

Shared features

All the regions under review are manufacturing regions that were at the heart of the industrial revolution in the 19th century. Pittsburgh, for example, specialised in the metalworking and steel industries that were the key to New England's prosperity in the second half of the 19th century. It was not until the late 1980s that Pittsburgh moved into new economy activities (Maierhofer, Metts and Boyle, 2000). Champagne-Ardenne specialised in textiles and, to a lesser extent, metalworking, conserving a substantial primary sector that provided the basis for an extensive food and drink industry. The East Midlands also has a large although more highly diversified manufacturing base that includes textiles alongside more modern industries such as engineering, agri-business, aerospace and carmaking. Wallonia, the cradle of Belgium's industrial revolution, also has a sizeable steelmaking industry.

Three of the four regions share another feature in additon to an extensive industrial base, namely an insufficiently developed service sector, especially financial and business services. The exception is Pittsburgh, where employment in manufacturing fell as a proportion of total employment from 36% in 1977 to 18% in 1997 (Table 30). In the other three regions, services account for a smaller share of total employment than the national average.

Like Champagne-Ardenne, the three other regions have relatively good infrastructure networks. Wallonia benefits from its proximity to the Brussels airport. Pittsburgh's position, halfway between New York and Chicago and close to Ontario (Canada) and Illinois, helps to explain the increase in cross-border trade after NAFTA came into effect in 1994. It has excellent road and rail infrastructure,

Table 30. **Employment by major sectors of activity in 1997**

In %

	Agriculture	Industry	Tertiary
Champagne-Ardenne	2.8	29.9	67.2
France	1.5	26.6	72.9
Pittsburgh	2	18	80
USA	1	16	83
East Midlands	2	30	68
UK	1	20	79
Wallonia	2	28	70
Belgium	1	25	74

Source: INSEE, US Census Bureau, Business Strategies.

© OECD 2002

with a dense motorway and railway network. Pittsburgh is also the biggest river port in the United States, at the heart of a major inland waterway network comprising the Manon, Allegheny and Ohio rivers, and has an international airport. The East Midlands has the same comparative advantages, being served by the M42 motorway and East Midlands airport, which specialises in air freight.

The four regions have considerable cultural and historical assets that they can exploit. Pittsburgh is situated in a region already endowed with natural resources such as rivers, forests, natural gas and coal. Its wealth in the 19th century, built on heavy industry, gave rise to a rich cultural heritage that includes mansions, libraries, museums, charitable foundations and universities. The East Midlands also has a rich industrial history: Rolls Royce, for example, has been based in Derby for a hundred years. Champagne-Ardenne could take greater advantage of its historical and cultural heritage that includes the Champagne vineyards, Reims Cathedral and Colombey, as well as the capital of puppet shows (Charleville) and the poet Arthur Rimbaud.

The challenges and difficulties of adaptation

Like Champagne-Ardenne, Pittsburgh and Wallonia have been hard hit by industrial restructuring, with considerable social and economic consequences. Both trend and equilibrium unemployment have risen. Falling skill levels and declining regional productivity have caused income per inhabitant to fall below the national average. The population, except in the East Midlands, is continuing to decline. Regional inequalities have been exacerbated, even in the two regions (Pittsburgh and the East Midlands) that have benefited from a strong revival.

Like Champagne-Ardenne, Pittsburgh and Wallonia felt the full force of the 1980 recession. Local steelmakers faced fierce competition from Japan: plant closures stripped the industry of 40% of its skilled jobs. Steelmaking as a proportion of the total payroll fell from 16% to 9%. Five hundred plants were closed between 1975 and 1985 and 11.5 million workers were made redundant. In 1980, the number of jobs in the Pittsburgh-Beaver CMSA fell by 3.7% (Bangs and Singh).

As a result of these job losses, unemployment rates during the 1990s were consistently higher than the national average except in Pittsburgh and the East Midlands, where a rather remarkable reduction in trend unemployment reflected broader national success in this area (Table 31).

The unemployment rate in Wallonia, like Champagne-Ardenne, has remained 15% higher than the European average and 40% higher than the Belgian average. The rise in trend unemployment has been compounded by a rise in mismatch unemployment which indicates how difficult the regions find it to adapt to industrial transformation. The rise in structural unemployment is apparent in the regions that are both the least and the furthest advanced in the restructuring

© OECD 2002

Table 31. **Unemployment trends**

In %

	1980	1990	1995	1996	1997	1998	AV 90-98
Champagne-Ardenne		9.1	12	12.9	12.8	11.5	+2.4
France		8.9	11.6	12.3	12.5	11.9	+3
East Midlands		5.1	7.5	6.1	5.5	5	–0.1
UK		6.3	8.9	8	7	6.3	+0
Pittsburgh	7.5	5. 5.61				5	–0.1
USA	7.1					4.9	–0.7
Wallonia				13	12.7		
Belgium				9.5	8.5		

Source: INSEE, US Census Bureau, European Commission, OECD.

process. Wallonia, like Champagne-Ardenne has a particularly high level of long-term unemployment that affects young and unskilled workers the most. Likewise, the fact that employers in the East Midlands are finding it increasingly difficult to fill job vacancies underlines the scale of mismatch unemployment (Table 32).

Higher structural unemployment is also a consequence of the loss of skills in the labour force which has accompanied industrial restructuring. Regional skill levels are lower than the national average in Champagne-Ardenne, East Midlands and Pittsburgh. Although the percentage of qualified school leavers in Pittsburgh (75.2%) is the same as the national average, the percentage of university graduates is significantly lower (14.7% compared with 20.3%).[3] This type of trend is generally reflected in lower than average income per inhabitant (Table 33). Such a gap, which is 2% in Champagne-Ardenne, amounts to 10% in Wallonia.

One consequence of the economic downturn, especially in Pittsburgh, was a drop in tax revenue, throwing the city into a succession of financial crises (Maierhofer, Metts and Boyle, 2000). In addition, most of the regions have suffered a population decline which has further undermined their competitiveness. Only the East Midlands appear to have escaped from this demographic trap: the fact that production costs there are 30% lower than in the southeast of England have helped to

Table 32. **East Midlands employers finding it difficult to fill job vacancies**

	1991	1992	1993	1994	1995	1996	1997	1998
UK	7	5	6	11	21	17	18	23
EM	12	14	4	17	22	15	19	27

Source: State of the Region indicator.

© OECD 2002

Table 33. **Disposable income per inhabitant in 1997**

Champagne-Ardenne	16 800
France	17 100
East Midlands	16 900
UK	18 000
Pittsburgh	23 375
USA	25 500
Wallonia	16 200
Belgium	18 000

NB: expressed in 1997 US dollars.
Source: INSEE, US Department of Commerce, DTI Regional Competitiveness indicators.

make the region more attractive.[4] The trend in Pittsburgh in 1980 appears to be closely linked to the recession, the effects of which were compounded by competition from Asian steelmakers, since the annual rate for Pennsylvania as a whole remained positive during the same year.

Another common feature of the four regions is the persistence of significant inequalities within the region: pockets of poverty and high unemployment coexist with areas where economic regeneration has progressed. Strong economic growth in Pittsburgh and the East Midlands in the 1990s does not seem to have been sufficient to balance these inequalities. In Champagne-Ardenne, the Ardennes department continues to lag behind, and the same applies to the districts situated in the former industrial heartland of Wallonia. Two major industrial centres, Charleroi and Liège, have found it enormously difficult to reinvigorate their economies. In the Pittsburgh region, Allegheny County seems to have suffered more severely from demographic decline and industrial decay than Butler County. These inequalities within the regions themselves, are compounded by a high level of geographical fragmentation and intense tax competition between Pennsylvania's communities.

While Nottingham and Leicester, two cities with a solid industrial base, continue to record high unemployment, Rutland and Northamptonshire seem to have made a successful switch to information and communication technologies (ICT). Because of industrial restructuring, however, the unemployment rate in Northampton (4.5%) is almost twice as high as in Derby (2.4%). Interestingly, although Nottingham is finding it difficult to emerge from the decline of manufacturing industry, it has been one of the preferred sites for business relocations in the East Midlands, along with Derby and Northampton.[5] This trend is typical of the city's capacity to turn its weaknesses – uncertain economic redeployment, low productivity – into strengths by playing on the competitive advantage conferred by low-cost labour.

© OECD 2002

Modernising the productive economy

There are two main explanations for the successful economic regeneration of the Pittsburgh and East Midlands regions: 1) the successful coupling of old and new economy activities, is macroeconomic, and 2) the smooth operation of regional labour markets, is microeconomic.

Results of economic regeneration in Pittsburgh and the East Midlands

Economic growth rates in the East Midlands and Pittsburgh regions in the 1990s were in line with the very high rates recorded at national levels. However, this, alone, does not explain their economic performance or the reduction in their unemployment rates, which fell by 35.2% between 1980 and 1990 in the East Midlands. The factors underlying their successful economic regeneration are to be found in the changes that took place in traditional industries and in the rapid transition from a manufacturing to a service-based economy.

In contrast to Champagne-Ardenne, the restructuring of traditional industries in Pittsburgh and the East Midlands was accompanied by a wave of mergers and acquisitions. The distribution sector, a mainstay of the East Midlands economy, is currently engaged in large-scale concentration. The same applies to Pittsburgh's steelmaking industry, whose increased competitiveness owes much to M&A activity, especially LTV Corporation's takeover of Copperweld Corporation in 1993.

But the impact of this restructuring on the comparative advantages of Pittsburgh and the East Midlands should not be exaggerated. The continuing presence of an old economy industrial base (the distribution triangle in the East Midlands, steelmaking in Pittsburgh) cannot guarantee a region's long-term competitiveness, even if concentration and productivity gains from the interaction of the new economy with the old, generate economies of scale. In both Pittsburgh and the East Midlands, the survival of traditional industries is threatened by the dual menace of business relocations and competition from emerging economies with cheap labour, even if productivity gains have enabled US steelmakers to trim their prices to levels closer to those of their emerging country rivals.

In both the East Midlands and Pittsburgh, jobs have shifted towards business services, financial services and tourism. New business creation rates in Pittsburgh have been highest in the service sector, especially in Butler County, where the number of establishments has risen fastest. More businesses have arrived in the East Midlands than have left, not only in so-called old economy activities like distribution but also in business services.

Catching up is one factor, of course, but business creations also reflect a region's capacity to make the most of its competitive advantages. In the East Midlands these include cheap labour and geographical proximity to the thriving

© OECD 2002

but highly congested south east. The process of catching up with the national average, especially in the business services sector, is reminiscent of Champagne-Ardenne. However, it differs in the growing importance of "high-level" services, especially financial services, which are still insufficiently developed in Champagne-Ardenne. The balance in the East Midlands is clearly positive, as can be seen from Table 34.

The East Midlands recorded a net gain of 645 companies between 1988 and 1999, unlike Champagne-Ardenne, which recorded a net loss. Businesses were created not only in the distribution sector but also in the service sector, which recorded a net gain of 114 firms. This positive outcome is due mainly to the links between the old and the new economy and to the smooth operation of regional labour markets.

Table 34. **Business arrivals and departures in the East Midlands 1988-1999**

	Business arrivals	Business departures	Net balance
Distribution	651	442	+209
Hotel and catering	27	22	+5
Transport and communications	78	53	+25
Financial services	56	33	+23
Business services	356	242	+114
Other services	62	53	+9
Total	2114	1469	+645

Source: Credo 2000.

A successful link between old and new economy activities

The difficulties encountered by Champagne-Ardenne in making the transition to the new economy and the scale of its lag in new technologies make the link between old and new economy activities all the more relevant to the region's economic future. Possible links between traditional manufacturing and ICT may be found in three developments:

i) the positive effects of the new economy on traditional activities;

ii) the redevelopment of former industrial sites;

iii) the reorganisation of the industrial fabric.

A recent study has examined the benefits of ICT for aggregated multifactor productivity (I. Visco, 2000). At a regional level, new technologies have helped to improve productivity in Pittsburgh's steel industry and to reduce the adverse side-effects linked to it. During the 1980s, the introduction of ICT into steelmaking caused labour productivity in the sector to rise by 5.5% while reducing energy con-

© OECD 2002

sumption by 45% and increasing the steel recycling rate to 68.5% (Office of Industrial Technologies, 1999). The resulting productivity gains allowed the steel industry to cut production capacity by 20% and reduce its workforce by two-thirds, making American steel more competitive in relation to the price per ton of its main Asian and Russian rivals. Reduced capacity and job cuts freed up productive resources for activities with a higher level of intellectual value added such as business and financial services (to give an example, managers who used to be recruited by large steelmaking firms increasingly opt for careers in financial services).

Pittsburgh University has played an important part in this reallocation of skilled labour. The education system has systematically sought to match supply and demand in the labour market, helping to retain students who otherwise would have applied for universities outside the Pittsburgh CMSA. As a result, Pittsburgh has not experienced the same fate as Champagne-Ardenne, where demographic decline has been accompanied by a brain drain. The growing interest of steelmakers in an ever more highly skilled workforce, their increasingly active involvement in university circles and the resulting technology transfers bear witness to the successful interaction between the old and the new economy.

The redevelopment of industrial sites has been an essential feature of the Pittsburgh region's economic revival (Box 5), much more so than in Champagne-Ardenne, even though the French region also needs to rehabilitate former industrial areas and encourage business creation. Pittsburgh has achieved some fairly spectacular successes in converting former industrial sites. The old factories that used to dominate Pennsylvania's industrial landscape have practically disappeared, replaced by service and new economy businesses, leading-edge start-ups, e-commerce incubators, vast shopping malls, theme parks, parking lots, restaurants and housing developments.

The Pennsylvania Land Recycling Program, a state-financed project, was set up under the auspices of the governor to reclaim former industrial sites for new productive use. The programme aims to reconcile the environmental necessity of cleaning up former industrial sites with achieving substantial economic benefits for the people concerned. The programme has three main objectives:

- to clean up contaminated sites;
- to restore them to productive use;
- to preserve farmland and rural amenities.

Another factor that helps to improve the interface between the old and the new economy is the reorganisation of the industrial fabric. Business concentrations in Pittsburgh and the East Midlands did not prevent a rise in the number of SMEs between 1977 and 1992. The increase in the number of small, efficient units has favoured innovation and the development of niche markets in leading-edge industrial sectors.[6]

© OECD 2002

Box 5. **Examples of the recycling of industrial sites in Pittsburgh**

Hazelwood, the former site of Pittsburgh's LTV steelworks, has been converted into a technology park. The 40-hectare site is now occupied by the University of Pittsburgh's biotechnology research centre, start-up incubators, regional venture capital funds and non-governmental organisations supporting the development of new technologies. The project cost 83 6 million dollars.

Another former LTV site, the 130-hectare South Side Works, has been redeveloped for residential and recreational use, including parks and gardens, alongside research facilities and a biotechnology start-up incubator. The project cost 423 8 million dollars.

Washington's Landing is an example of the redevelopment of waterfront areas, the latest to feature in the land recycling process. The project was funded by a partnership between the private and public sectors. The site is now a flourishing centre for commerce, leisure, leading-edge pharmaceutical industries, luxury goods and housing. It also houses a number of biotechnology start-ups, and former railway infrastructure has been converted into pedestrian precincts and a shopping mall. The project cost 32 million dollars.*

* See *www.city.pittsburgh.pa.us/ed/industrial_site_resuse.html*

The spectacular rise in the number of ITC capital-intensive start-ups would not have been possible without the parallel development of venture capital markets. The proliferation of investment funds specialising in the financing of new economy activities has been one of the keys to Pittsburgh's successful transition. Total investments financed by venture capital funds rose from USD 659 million in 1996 to USD 739 million in 1997 and USD 884 million in 1999. Most venture capital funds operating in Pittsburgh extend their scope to the rest of the state of Pennsylvania, or even to the entire United States. The vast majority of funds finance firms specialising in software and pharmaceutical products. All in all, venture capital funds based in Pittsburgh have invested USD 7.4 million in firms located in Pennsylvania, of which USD 3.2 million have been allocated to start-ups.

From an analysis of leading firms and their location in the Pittsburgh region, the emerging key features are the level of geographical concentration and the number of R&D centres and financial institutions, mainly venture capital funds. This suggests that new technology companies linked to manufacturing firms may be found in great number in the area. Such a link is the spatial result of the external effects of new technologies on traditional manufacturing activities. It can also

© OECD 2002

be found in the East Midlands, which has seen strong growth in high-tech activities in former centres of traditional industry like Derby and Nottingham. Some west German Länders, like Rheinland-Palatinate and Rheinland-Westphalia, have made similar choices and achieved a successful transition from traditional industries to leading-edge technologies. These structural factors, especially a smoothly operating regional labour market, have undoubtedly facilitated the transition by encouraging the labour force to shift from flagging sectors to more technologically advanced, leading-edge sectors.

Flexible regional labour markets in the **East Midlands** *and* **Pittsburgh**

The regional minimum wage structures introduced by the Labour government in the UK since 1997 have helped to reduce the geographical element of structural unemployment.[7] In the absence of perfectly flexible labour markets, giving regional authorities a measure of political discretion in determining minimum wages – as is currently the case in the United States – may help to reduce rigidities and make it easier to adjust to supply shocks by enabling real wages to match variations in regional productivity more closely.

Pennsylvania offers an interesting example of regional labour market flexibility. American states are free to decide how to handle a minimum wage determined by the federal government. During the 1990s, Pennsylvania, unlike New Jersey, kept the minimum wage constant. According to a study carried out by Congress in 1996, the effect of this measure was to increase employment in Pennsylvania. In New Jersey, a state with a similar economic structure to Pennsylvania that had decided to increase its minimum wage, employment fell. Based on this example, the supply shock in Champagne-Ardenne caused by industrial restructuring in the 1980s and the recession in the early 1990s could have been absorbed more easily if pay had been more closely matched to regional productivity. Cheap labour is a comparative advantage at the regional level. If the East Midlands benefit from spin-off effects from southeast England, the most prosperous region of the United Kingdom, it is not so much because the region is geographically close than because property and labour costs are significantly lower (property prices are 30% lower and labour costs 25% lower than the national average).

In Pennsylvania, the fact that the state government regulates unemployment benefits has also helped to reduce mismatch unemployment resulting from unemployability by enabling workers who had lost their jobs as a result of restructuring, to acquire new skills. Retraining schemes have been funded by a partnership among educational institutions, the state government and the corporate sector.

In the United Kingdom, placement policies have been deconcentrated to Learning and Skills Councils under the aegis of the East Midlands Development Agency. As a result, it has been possible to adapt the labour supply to the specific

© OECD 2002

features of the employment zone while keeping labour costs at an attractive level, which remains the region's chief comparative advantage. Such deconcentration of placement policies has helped to reduce equilibrium unemployment resulting from mismatched supply and demand on the labour market.

In order to be comprehensive, a review of labour market policies should also take account of a number of indirect effects and social costs, such as greater precarity and inequality, which it is not possible to estimate in the context of this study.

Key success factors

There seem to have been four decisive factors behind successful economic regeneration in the regions under review. These are the following: the establishment of an environment that is favourable to new economy activities, the framing of an overall development plan in the context of public/private partnership, electronic governance, and regional solidarity through co-operation between communities. Three of these four factors appear to have made a major contribution to Pittsburgh's transformation from an old manufacturing economy into a region at the cutting edge of technological progress.

Introduction of incentives to encourage industrial transformation and new economy activities

The fiscal incentives policy for economic development are characterised by two main features:

i) regional and local authorities are allowed considerable latitude in their aid policies;

ii) great importance is attached to targeting assistance and matching it to objectives (Geahigan, 1994).

The extent of tax decentralisation in the United States means that local authorities (mainly states) can use many more tax instruments much more effectively than is the case in a centralised system. The main tax instruments are corporate income tax and consumption taxes.

Pennsylvania's highly active aid policy has made a substantial contribution to the economic turnaround of the Pittsburgh region. Aid may take the form of subsidies, low-interest loans, tax relief and tax exemption. Measures include state grants to local authorities designed to finance infrastructure projects that support the establishment of businesses in the least developed areas.

The many regeneration programmes, tax exemptions and tax relief measures are designed to favour the reintegration of a labour force in which skill levels have fallen in the wake of industrial restructuring. Companies that set up in the least developed areas benefit from tax relief. They may also be granted tax credits

© OECD 2002

amounting to 20% of the value of investments that improve the habitat and 10% for projects that create jobs for the most socially fragile groups.

Thanks to decentralisation, aid programmes are extremely focused and relatively well-adapted to the needs of a region in the throes of economic readjustment. They favour lower unemployment, the spread of technological progress and the development of electronic commerce. Enterprise zones are a primary instrument for targeting regional policy. The state of Pennsylvania has used this type of programme since the late 1970s to attract private investment to areas where economic regeneration is most in need. The programme provides specific financial assistance to industrial and service firms that set up in those areas, mainly in the form of grants and partial or total exemption from corporate tax. These enterprise zones have been the main tax instrument for converting disused industrial sites into centres at the cutting edge of technological progress, accommodating start-up incubators and venture capital funds. These economic policy objectives may be coupled with social objectives. Aid programmes thus tend to favour firms offering higher than minimum wages and full-time employment opportunities. Tax exemptions are also granted to firms that provide social benefits such as health insurance, supplementary pension schemes, etc. to less-favoured social groups (those eligible for the Earned Income Tax Credit). Forty or so enterprise zones have been established in Pennsylvania since 1943.

In a highly centralised tax system, Champagne-Ardenne has little scope to launch any such programme. However, while complying with EU competition rules, the region could do more to target aid programmes more precisely in geographical terms, and in particular to adapt them to areas where economic redeployment is in progress. From the standpoint of economic efficiency, tax-free zones as practised at a central level are less suited to the specific needs of an employment zone than aid programmes decided at local and regional levels.

Aid may also be provided by public or semi-public bodies working in partnership with the private sector. In this respect, the Pennsylvania Industrial Development Authority, an independent administrative agency bringing together private business and the governor's staff, grants loans to businesses to stimulate activity during times of high unemployment. The state of Pennsylvania has also set up a technology assistance programme to promote technology transfers. Taxing spending is also highly favourable to new economy activities (Box 6).

An overall regional development strategy in the context of public/private partnerships

An all-inclusive approach to development is at the heart of the strategies adopted by Pittsburgh and the East Midlands. The framing of an overall project is supported by extensive public/private partnerships and a contractual approach designed to make it easier to implement decisions. Wallonia has adopted a

© OECD 2002

Box 6. **Tax decentralisation and the taxation of electronic commerce in the United States**

This mainly concerns a tax on spending in the form of VAT. As VAT is a state resource, the taxation of electronic commerce is largely left to the political discretion of the states. Although a 1996 Act allows for electronic commerce to be exempt from VAT, it is merely an option that the states may choose to implement or not.

States may therefore decide to tax the buyer or the seller. It is true that in most cases, unlike European countries, they decide to tax the seller. In all events, states are free to grant total VAT exemption to e-commerce firms. This exemption, used by a large number of states including Pennsylvania, clearly favours the creation of start-ups and the growth of electronic commerce. Such tax incentives may contribute to the development of activities related to new technologies in a region undergoing major industrial change and hence facilitate the transition from the old to the new economy.

"contract for the future", one of the aims of which is to increase entrepreneurial involvement in regional development (Annex 2).

In the United Kingdom, regional development agencies are responsible for framing overall strategy. Although the East Midlands Development Agency's mandate is limited to implementing a programme decided unilaterally by central government, and despite its lack of resources and of democratic accountability, it has demonstrated its capacity to create a broad framework for regional development by bringing together deconcentrated government agencies and the private sector (Box 7).

The initiative is interesting for its interministerial, all-inclusive approach to regional development, linking social cohesion to economic regeneration. Despite their lack of financial resources, development agencies are responsible for implementing regional policies. In France, despite planning contracts, the plethora of deconcentrated agencies makes it difficult to achieve a genuinely integrated approach.

In Pennsylvania, co-ordinating the work of the various players in regional development – business, the governor's staff, educational institutions including the university, business and political leaders – is central to the state's industrial regeneration strategy. This is Team Pennsylvania's main task – to set up a programme under the aegis of the governor (Box 8). The emphasis placed on partnership

© OECD 2002

Box 7. A good example of interministerial co-operation: the East Midlands Development Agency

Regional development agencies, central to the deconcentration process in the United Kingdom, are neither legislative nor executive bodies but deconcentrated units of the Ministry of Regional Development, Transport and the Environment. With the central government's approval, the agencies define a multi-year framework for overall development. The broad objectives of the framework adopted in 1999 include social cohesion, sustainable development, citizenship and promotion of the region's comparative advantages.

As part of their mandate to promote a region's comparative advantages, development agencies co-ordinate Learning and Skills Councils (local units of the UK employment agency). Unlike their French counterparts, however, they operate in close partnership with representatives of the private sector and educational institutions. The councils function mainly as placement agencies whose purpose is to meet private sector labour needs in close co-operation with research bodies, private businesses and educational institutions.

Box 8. An example of public/private partnership: Team Pennsylvania

Team Pennsylvania is a partnership between the various players in regional development, including the governor's staff, research centres, secondary and higher educational institutions, and the business community. Set up by the governor, its primary objective is to ensure the successful regeneration of Pennsylvania's economy by networking clusters of old and new economy companies, educational institutions, businesses and government agencies in the context of an all-inclusive approach to development designed to promote technology transfers.

The partnership seeks to serve as a catalyst to retain and create jobs by reducing mismatch unemployment. All of Pennsylvania's state agencies are involved in the programme, underlining the success of the all-inclusive approach. Partnerships between educational institutions and business are promoted among other things by visits from Pennsylvania's major steelmakers to the state's universities. Such partnership encourages students to stay in the state.

Another priority for Team Pennsylvania is encouraging firms to grow. This means gaining a better understanding of their needs and hence, involves drawing up a catalogue of those needs which is easily accessible to educational institutions.*

* See *www.teampa.com*

© OECD 2002

is a reflection of the highly active role played by civil society. The participation of NGOs is a vital element of what is generally referred to as the social economy, which has flourished in Pennsylvania. The social economy comprises all non-profit activities seeking to improve the way in which the economy works. Developing such activities can help to counter the credit market's deficiencies that stand as real obstacles in the creation of firms in Champagne-Ardenne. An active partnership between trade unions and a semi-public body, the Steel Valley Authority, led to the creation of non-profit funds designed to enable reinvestment in local industry. The funds include objectives of economic efficiency and social cohesion in their loan strategies. SMEs are thus granted low-interest loans to encourage them either to set up in a specific area or to create jobs for targeted categories of the population, such as displaced workers who have lost their jobs as a result of industrial restructuring.

Filling the technology gap must be one aspect of the comprehensive framework for regional development, since it is a key factor behind structural unemployment. This therefore involves identifying all the possibilities for using and promoting new technologies. Closing the technology gap requires the existence of electronic governance, a major contributor to successful economic regeneration in Pittsburgh and the East Midlands.

Electronic governance

Electronic governance refer to the ability of public authorities to use ITC as well as to promote their use in the different sectors of civil society. This in turn requires an all-inclusive regional strategy. Champagne-Ardenne, unlike the other three regions in this comparison, has not yet embarked on its transition to new economy activities. Regional initiatives have not produced any conclusive results to date. The region can therefore usefully draw inspiration from strategies adopted in both urban and rural regions, such as Quebec and the rural regions of Ireland.

Wallonia has performed better, not least by launching a programme of technology parks and carving out a niche in the biotechnology sector. Wallonia's "contract for the future" calls for the creation of high technology centres of excellence. Pittsburgh and the East Midlands have fully integrated electronic governance into their development strategy. The East Midlands Development Agency has thus created a new technology observatory that can identify and disseminate best practices. Collating and circulating best practices could lead to the creation of regional centres of excellence.

Pittsburgh is the region that has been the most aggressive in its promotion of new technologies, above all through Technology 21, a comprehensive electronic governance initiative set up under the aegis of the governor (Box 9). One of the pillars of the initiative is the Link-to-Learn programme, designed to close the digital divide by bringing new technologies into all high schools. Closing the technol-

© OECD 2002

Box 9. **Electronic governance in Pennsylvania: Technology 21**

Technology 21 is a comprehensive programme, founded by a private/public partnership, created on the initiative of the governor of Pennsylvania with the aim of making Pennsylvania a premier high technology state through close co-operation with businesses and research centres. Among other things, it seeks input from business leaders, reviews the results of research and identifies best practices. These best practices are then integrated into a broader strategy to make Pennsylvania a model for the transition from the old to the new economy. There are several guidelines to the strategy for making Pennsylvania the spearhead for high technology in New England:

- marketing Pennsylvania aggressively as a state committed to high technology;
- attracting leading-edge firms that can serve as new technology magnets to support start-ups;
- attracting venture capital through a tax and regulatory climate that is favourable both to investors and to electronic commerce firms;
- improving the technological training of the workforce and filling the technology gap;
- encouraging partnerships between businesses and universities (Pennsylvania Department of Community and Economic Development, 1998).

ogy gap also involves promoting links between old and new economy activities. As a result, partnerships have been established among federal agencies, the industrial innovation bureau, regional agencies, the governor's staff, research centres and businesses, to promote technological innovation and the possible applications of new technologies in buoyant sectors, especially packaging.

The rural areas of Champagne-Ardenne could also draw inspiration from experiences in rural Ireland and Quebec. Many Irish regions have set up centres to support the e-commerce strategies of SMEs in rural areas and develop tools and innovative reference models that will be of use to all the country's rural areas. The purpose of these semi-public bodies is to:

- raise awareness of the economic and technological issues so as to help Irish SMEs familiarise themselves with electronic commerce;
- help SMEs to devise and implement e-commerce strategies in line with their business plans;
- provide training in the business use of Internet tools;

© OECD 2002

- support the creation and development of e-commerce projects;
- help to identify business opportunities on the Internet;
- provide technology, strategy and competition watch services.

A vertical strategy of this type can be supplemented by a horizontal strategy as found in the Laurentides region of Quebec. Entrepreneurs in the Laurentides and Lanaudière regions have created informal discussion groups with the aim of exchanging best practices. They have access to commercial portals providing free or to be paid for e-business services such as the creation of commercial websites or database hosting. Such services, still in their infancy in Quebec, are almost non-existent in Champagne-Ardenne. Sites like Montentreprise.com or Clicknet, for example, could offer such services at an affordable price in the relatively near future.

Conclusion

Because of the many institutional differences, great caution is needed when drawing conclusions applicable to Champagne-Ardenne from comparisons with regions in other countries. However, a certain number of strategic choices seem to have contributed to the success of economic transition in Pittsburgh and the East Midlands. Both regions have given top priority to new information and communication technologies. They have both succeeded in turning an industrial, manufacturing economy into a service economy. They have both recovered their competitiveness by establishing ever-closer links between old and new economy activities. Both regions have highly flexible regional labour markets that have made them remarkably successful in reducing non-employment and unemployment. These achievements would not have been possible without certain forms of governance. Both regions rely on private/public partnership, deconcentration and decentralised decision-making, a tax environment that favours new economy activities, and the active role played by civil society and, through civil society, non-governmental organisations.

Another decisive factor is the institutional environment, especially decentralised structural policies. The national context in which regional development strategies are framed and implemented cannot be ignored. What is important for Champagne-Ardenne is its capacity to devise an overall framework for development that is relatively independent of the regional development concerns of central government. The example of the East Midlands shows that such an outcome is possible even within a centralised state. However, the capacity of a region engaged in the process of economic redeployment to bring its transition to a successful conclusion depends to a considerable extent, on its degree of financial autonomy, and hence on the level of political discretion it is allowed under the constitution.

© OECD 2002

Notes

1. See chapter on "Regional strategies and governance".
2. The existence of regional minimum wages is the consequence of the Balassa-Samuelson effect: regional differences in marginal productivity and hence in the cost of nontraded goods generate regional differences in labour costs. Thus, although the existence of a regional minimum wage is not a first-order optimum (absence of a minimum wage), it may be a second-order optimum in relation to the existence of a centrally-determined minimum wage.
3. US Census Bureau 1999.
4. State of the Region's Indicators. East Midlands. UK.
5. State of the Region Indicators.
6. According to Coase (*The Nature of the Firm*) and the latest business theory, small businesses may incur higher transaction costs but they also reduce congestion costs and administrative costs, maximise market advantages and increase opportunities for innovation.
7. The neoclassical concept of structural unemployment has a geographical component. Institutional rigidities at national level may cause the labour market in an employment zone to operate in a less than optimal fashion, and render it unable to respond to exogenous supply shocks, especially if INTERREGional labour mobility remains imperfect. The inability of centralised institutions to cater for INTERREGional variations in labour productivity, may prolong the time it takes to find work at the regional level and hence increase the equilibrium unemployment rate.

© OECD 2002

Chapter 3

Regional Strategies and Governance

One way of assessing the policies applied in a region is to judge them by the yardstick of measurement taken from similar regions. This chapter aims to give a perspective on public action in Champagne-Ardenne in relation to similar action in the reference group of intermediate regions used in the first chapter (the Centre, Lorraine and Picardie). State/region planning contracts are the first benchmark because they account for a substantial proportion of regional public expenditure budgets. One of the chief aims of these contracts in Champagne-Ardenne is to break with the mindset, conditioned by inaccessibility, which has long influenced public policy there. Another is to mobilise the development potential that exists within the region itself. As the comparison in the preceding chapter has shown, the right strategy must seek to facilitate a shift towards knowledge-based activities, maximise comparative advantages and bring about change in modes of governance. In this context, it is also important to consider and assess management at the grassroots and the policies implemented by the regional authority. However, the effectiveness of those policies does not depend upon the authority's decisions alone. The balance of responsibilities and resources must also be such as to enable the authority to exercise its power under favourable conditions. Lastly, care should be taken to guard against any fragmentation of political and administrative structures. As elsewhere in France, communities are too small, and inter-community co-operation assumes considerable importance.

State/region planning contracts

State/region planning contracts (CPER), first introduced on a limited scale in the mid-1980s in the wake of decentralisation, are now an essential instrument of French regional policy (Box 10). In all regions, the negotiations to which they give rise are an important moment in local economic and administrative life. From one round to another, the scope of the contracts has expanded and their financial resources have increased. Another reason for their growing importance is the disappearance of national planning, with the result that regional planning contracts

© OECD 2002

Box 10. **State/region planning contracts' mechanism**

In pursuance of article 11 in the July 29, 1982 Act, "the Planning contract concluded between the State and the region determines the actions that both entities are committed to lead jointly on a contractual basis for the duration of the plan", *i.e.* seven years for the last generation contracts which cover the period 2000-2006.

Such contracts record the actions and financial commitments led by the central government and local, regional as well as departmental authorities. They are led by a steering committee involving the regional prefect, the chairmen of the departmental authority and the head of the social and economic regional council; all of whom are in charge of following and controlling the way in which the agreed upon programming settled develops. They are also responsible for preparing the possible codicil for 2003, once the evaluation of planning contracts (at a midway point) has been achieved.

The 2000-2006 planning contracts also include a territorial dimension. Indeed, they record the policies in-line with a prioritised, territorial project on which the central government, together with regional and local authorities, concentrate their actions.

now provide the only framework for forward-looking and consultative policy-making at this level.

The 2000-2006 Champagne-Ardenne state/region planning contract perfectly illustrates these trends. First and foremost, it provides for a total of more than FRF 7 billion to be injected into the regional economy over a seven-year period. Central government will contribute FRF 2 049 million, the region FRF 2 477 million and other local authorities FRF 2 200 million, while EU contributions will further increase the amount. The contract clearly sets out the broad strategic guidelines for the years to come, grouping them into three main themes:

- encouraging exchanges, development and cohesion within the region,
- making the region more attractive,
- encouraging economic development and employment.

These objectives, although generic, pick up from where the 1994-1999 contract left off. The earlier contract had five aims: *i*) to change the status of Champagne-Ardenne from a transit region to a region that hosts economic activities, organised in an inter-regional and cross-border framework; *ii*) to reduce disparities between

© OECD 2002

the west of the region, influenced by the proximity of Ile-de-France, and the east; *iii*) to assert a regional identity by drawing together central government and regional initiatives with a view to enhancing the region's advantages; *iv*) to compensate for lags and amplify initial successes; *v*) to open up the region to the outside world by promoting exports and investment in other countries, including the countries of Central and Eastern Europe.

Although these objectives have not been cast into doubt, the region's new territorial development strategy seeks to provide a longer-term response to a number of major concerns set out in the contract:

- preventing the region from splitting into an urban and a rural sphere;
- preventing urban areas from developing in isolation without achieving reasonable critical mass;
- preventing the emergence of local authority groupings by spontaneous generation rather than as the result of a co-ordinated spatial planning strategy.

Champagne-Ardenne seems to have been well-treated in purely financial terms, since the central government's contribution is 15% higher than in the previous contract. This should be set in context, however, since the region's own contribution has increased by more than FRF 1 100 million, or over 59%.

Comparison with the 1994-1999 contract also shows that the thrust of certain aspects of regional development policy has been redirected (Table 35). Much greater attention has been paid to initiatives relating to the human environment, and measures to increase tourism have been significantly stepped up, although they probably still fall far short of what is needed. In contrast, budgets for measures directly related to economic development have been scaled back, as have training credits. For the first time, a substantial budget devoted to the fight against floods, is being included in the planning contract; it aims to protect the

Table 35. **Structure of planning contracts 1994-1999 and 2000-2006**

Allocation of resources	1994-98 contract	2000-06 contract
Human environment	5.7%	18.9%
Tourism	0.6%	1.3%
Culture	0.8%	1.6%
Healthcare	0.8%	2.1%
Transport	52.7%	44.8%
Training	17.6%	11.8%
Disaster prevention	0.3%	3.5%
Economic development	21.5%	16.0%

Source: DATAR.

© OECD 2002

population and firms concerned whilst counteracting the negative image spread by the media in times of severe floods.

Structure of the 2000-2006 *contract*

As can be seen from Table 36, the plan continues to rely on improving and expanding infrastructure in order to encourage regional development. For the first time, both central government and the region have shown their intention to adopt an intermodal approach which takes better account of the specific nature of freight and passenger transport flows. The policy has a dual aim: to open up the region to the outside world so that it becomes a host area rather than a transit area; and to fluidify north-south and east-west exchanges within the region itself. A further consideration is helping France to meet its obligations under the Kyoto Protocol, designed to reduce greenhouse gas emissions by 10% by 2010. These aims explain the very considerable investment in high-speed rail links and inland waterways as well as roads (approximately one-third of the total budget will be spent on improving the road network).

Table 36. **Allocation of funds under the 2000-2006 Champagne-Ardenne planning contract by major strands**
FRF million

A. Encouraging exchanges, development and cohesion within the region	*i)* Spatial development (Total: 1 641)	Contracts with urban centres, *pays*, city networks	650
		Tourism	30
		City contracts	700
		Culture	111
		Healthcare	150
	ii) Better integrating the region into trade flows (Total: 3 192)	Rail	649
		Road	2 396
		Inland waterways	147
B. Making the region more attractive (Total: 935)	*i)* Developing university life		593
	ii) Encouraging networks of educational institutions		31
	iii) Preserving natural habitats		311
C. Encouraging regional development and employment	*i)* R&D		261
	ii) Industrial zones		700
	iii) Skill centres		63
	iv) Technological development		126
	v) New businesses		312
	vi) Anticipating industrial change		62
	vii) Rural development		353
	viii) Human resources		265
D. Development of international relations			18

Source: DATAR.

© OECD 2002

Although the ambition is clear, it assumes that resources will be duly committed to the stated objectives and that this contract, unlike the previous one, will not suffer from delayed decision-making. But a more critical look shows it in a less favourable light. Through these investments, the region is helping to bankroll central government since it is obliged to make a very substantial contribution to the construction of national infrastructure like high-speed rail links. The general stance of planning contracts nationwide reveals a similar pattern in the other regions. Nonetheless, it is important for Champagne-Ardenne to be vigilant in the allocation and actual utilisation of central government credits. That is why evaluation of planning contracts at the half-way stage is so important, since it will enable the regional authority to see what steps have already been taken and, if necessary, redirect them towards the initial objectives.

FRF 2 142 million have been earmarked for economic development, making it the second largest expenditure item. The purpose of this money is to promote the development and diversification of existing activities and the creation of new ones, focusing in particular on at-risk areas dominated by traditional industries, new technologies, the tertiary sector and the agri-food sector. Setting up enterprise zones to attract businesses is regarded as a major task of regional policy, as are the rehabilitation of former industrial sites and the creation of centres of excellence through innovation and technology transfers.

This concern to develop new activities can also be found in the planned research and technology initiatives, which seek to continue action begun under the previous contract to catch up accumulated lags. However, the resources allocated to these initiatives remain rather modest. Plans include supporting research teams and centres of excellence, whether well-established (*i.e.* Europol'Agro, biomolecular and biomaterials research and mechanical engineering) or emerging (*i.e.* packaging), and to encourage all forms of technology transfer to the productive economy. In this respect, Champagne-Ardenne seems to be moving towards a research-transfer-enterprise dynamic inspired by the example of Picardie, which very early on managed to identify the growth potential in traditional industries with the help of a well-focussed research policy. Farming and forestry, with a budget of FRF 353 million, remain a top priority.

The region also wishes to make up for its shortfall in higher education and R&D, in particular by strengthening Reims University (URCA), Troyes Technological University (UTT) and a packaging institute. The aim of actions in this policy, which has a budget of FRF 863 million, is to increase provision and enhance the quality of higher education by improving working conditions and student life while renovating university buildings. Particular attention will be paid to sports facilities, including a centre of sporting excellence in Reims and sports centres in Charleville-Mézières and Troyes.

© OECD 2002

As with transport infrastructure, however, the 2000-2006 state/region planning contract gives priority to areas where responsibility is shared with central government, or even where central government has sole responsibility. Although regional participation in higher education is supposed to be of decisive importance in terms of spatial planning and regional development, the main options kept owe more to the lack of leeway in interpreting the objectives of the government's long-term plan for universities than to any specifically regional approach.

In order to promote the region's image, the contract sets out priorities for tourism. FRF 30 million have been earmarked to support the development of tourist areas, enhance natural and historical assets and encourage a better distribution of cultural amenities throughout the region. Ambitious plans for a regional park, intended as a "showcase for Europe", further contribute to the region's aim of making itself more attractive and better known.

The final broad aim is to reduce imbalances within the region by strengthening the urban fabric and developing exchanges between urban and rural areas. In order to do so, FRF 838.6 million have been earmarked for urban investment under the contract, the third largest item. The aim is not to turn Reims into a regional metropolis, but rather to encourage "multipolar metropolisation" based on networks of towns and cities. This implies improving the existing communications infrastructure between them and confirming a north-south backbone which, though it already exists, needs to be better structured.

Planning contracts in the test regions (*Lorraine, Picardie, Centre*)

Within the contractual framework, Lorraine, Picardie and the Centre are pursuing strategies often similar to those of Champagne-Ardenne, even though differences may occur for local and historical reasons (Table 37). The budget for the

Table 37. **2000-2006 planning contracts in the test regions (excluding infra-regional authority spending and European programmes)**

	Amount (FRF billion)		Total amount/ inhabitant (all authorities)	Priorities
	Region	Central government		
Champagne-Ardenne	2.48	2.4	FRF 4 918	Communication, higher education and research
Centre	3.5	4	FRF 4 207	Transport and communications, regional solidarity (south)
Lorraine	5.15	5.35	FRF 6 417	Infrastructure, training, enterprise
Picardie	3.14	3.01	FRF 3 846	Transport infrastructure

Source: DATAR.

© OECD 2002

Centre's 2000-2006 planning contract is twice as high as in the previous contract, the central government having increased its contribution by 15%. FRF 1 5 billion of structural funds (Objective 2) and FRF 5 billion from the CAP further increase the FRF 9 billion package. As with Champagne-Ardenne, the lion's share goes to rail infrastructure, NICT (high-speed network), economic development[1] and solidarity within the region. The proportion of expenditure earmarked for training, research and higher education is greater than in Champagne-Ardenne.

The Lorraine contract is relatively more generous towards solidarity within the region (*pays*, city networks) and inter-regional co-operation. There are now only 3 *pays* and 8 city contracts. The objective for 2003 is 12 *pays* and 13 city contracts. The overall aims are: *i*) to make the region more attractive and increase the multiplier effects on employment; *ii*) to make better use of the region's strategic position; *iii*) to encourage equal access for all to jobs, services and culture. Moreover as well as increasing its contribution by 26%, the government will pay an additional FRF 833 million to ease the transition to a "post-mining" economy. Regional action will concentrate on three areas (buildings, plant and equipment and access to outside markets) in eight sectors (tourism, forestry, agri-business, mechanical engineering, electronics, communication, logistics, plastics and textiles).

The 1994-1998 contract for Picardie was worth FRF 2 5 billion. The new contract reflects an increase in central government funding (up 22% to FRF 3 billion), plus funds from the new Objective 2. Apart from infrastructure, urban policy will benefit from substantial resources (8 urban area contracts are due to be concluded, and 7 other cities will receive regional assistance). Another aim is to train 15 000 apprentices by 2006. Encouragement will be given to groupings of businesses and areas with particular industrial specialisations.[2] The Aisne department, the poorest in the region, is likely to benefit from a substantial share of government and regional hand-outs.

The amount of central government funding in Picardie is slightly lower than the amount of regional authority funding, as is the case in Champagne-Ardenne. Broadly speaking, the two contracting parties put comparable amounts into a common pool (except perhaps in the case of the Centre). Even though it has not made up for previous lags, central government is now investing more per capita in Champagne-Ardenne than anywhere else except Lorraine.[3] The same is true, and probably even more so, of European funding.[4] Although Champagne-Ardenne is doing rather better, it has still not entirely filled up the gap in relation to the French average, or even in relation to the other test regions except the Centre (Table 38).

As with all French regions, the question arises whether decentralised authorities make the best possible use of these funds. First, managing them centrally does not allow local elected officials and managers to have any. real say in how

© OECD 2002

Table 38. **Contribution of European funds**
FRF million

	Champagne-Ardenne	Centre	Lorraine	Picardie
Contract 94-99	796	815	2007	885
Contract 00-06	1 489	1 442	2 700	1 698

they should be used, unlike the situation that prevails in other European regions. Second, because central bureaucracies are slow-moving, it takes a long time for funds to be released. As the end of a budget period approaches, missed deadlines mean that funds may be lost or allocated to projects of inferior quality approved in haste. In view of the amounts at stake – FRF1 4 billion for Champagne-Ardenne over the period 2000-2006 – the problem is worthy of consideration.[5]

Leaving aside issues relating to the amount of available funds, and although the contracts reflect an agreement between the central government and the regions concerned, numerous points of contention remain both in Champagne-Ardenne and in the other test regions. In particular, regional authorities complain of government interference in purely regional matters. For example, the government is criticised for interfering in the management of *pays* contracts initiated and funded by certain regions (31 *pays* in the Centre) without making any significant financial contribution. Moreover, because of cumbersome bureaucracy and the time limits imposed by central government, regions with Leader and INTERREG programmes (which they are now authorised to manage themselves) have to make cash advances. The growing tendency for funding to be specialised further reduces the autonomy of local authorities. The procedure for concluding planning contracts – complex and unstable because the rules are constantly being rewritten – has been deemed by the Cour des Comptes (audit office) to be "contorted in its principle and obsolete in many of its practical provisions". The mid-point review provided for in the 2000-2006 planning contracts should ensure a better evaluation of public action and help to dispel the impression of "unfulfilled collective ambition" that elected officials were left with at the end of the previous round.

The Champagne-Ardenne region's own capacity for action

The decentralisation laws passed in 1982 gave the regions and local authorities new powers (Table 39), including important responsibilities for investment. Although central government continues to carry out certain local management tasks, whether under statutory prerogatives or in areas supposed to have been transferred to local authorities, whole swathes of public policy, including social action, education, culture and security, are now co-managed. In all these areas,

© OECD 2002

Table 39. **Powers of infra-national levels of government**

Domain	Commune	Department	Region
Social work	Community social action centres Filling in claims Targeted benefits	Child care Maternity services Handicapped Elderly Social service (income support) Preventive healthcare	Optional funding
Education	Primary schools	First-cycle secondary schools	Second-cycle secondary schools Special schools
Economy and local development	Indirect aid Additional direct aid Inter-community development charters	Indirect aid Additional direct aid Rural amenities	Research and Development centres Direct and indirect aid Spatial planning Planning contract Nature parks
Transport	Urban	Non-urban Departmental transport plan School transport	Regional links Navigable waterways Regional express trains
Culture	Public records Museums Libraries Music schools	Public records Museums Central lending libraries	Public records Museums Regional cultural action fund
Urban planning	Long-term plans Local planning Zoning plans (construction permits)		Seaways
Environment	Water distribution Sewage Waste collection and processing		Environmental protection Heritage sites and sites of historical interest
Road systems	Local roads Marinas	Departmental roads Ports	
Training		Opinions from departmental vocational training committees	Youth vocational training Training for young people under 26 Regional apprenticeship fund
Housing	Local housing programmes (initiatives for people in sub-standard housing)	Departmental council Housing plans Housing information	Additional aid

Source: *Le Monde* (2001).

© OECD 2002

Champagne-Ardenne has taken advantage of the available room for manœuvre to pursue a proactive regional policy, especially in the second half of the 1990s.

Powers relating to the operation of inter-community structures should be added to these general powers (Table 40).

Table 40. **Powers of inter-community structures**

Urban communities	Urban area communities	Intercommunal bodies
Urban planning (residential/business)	Economic development	Spatial planning
Educational facilities	Transport	Economic development
Urban transport	Spatial planning	Environmental protection
Sewage and household waste	Housing	Housing
Roads	Urban policy	Roads

Source: *Le Monde* (2001).

Regional policy

The regional authority has launched a number of major initiatives in addition to conventional measures over the years. The 2001 budget (almost FRF 2 billion) reflects the scale of these initiatives,[6] many of them outside the contractual framework.

The principal measures include initiatives to support traditional and emerging activities (FRF 174 million in the 2001 initial budget), including business, investment and export support schemes, property grants and aids to promote clean technologies. A development and guarantee fund has been set up, and aid is granted to SMEs for the creation of joint ventures in the framework of the European JEV programme. The same applies to spatial planning (FRF 392 6 million in the 2001 initial budget), within which policies include support, based on local initiatives and intercommunity co-operation, for the implementation of overall development projects for "functional areas", in particular through charters.

Other measures concern co-operation, culture, enterprise, higher education and research. Targeting young people and businesses in particular, they are designed to encourage a spirit of openness and co-operation with the countries of the European Union, Central and Eastern Europe, Latin America and Asia. The budget for these extra-regional initiatives, including Community action, co-operation and external relations programmes, is FRF 13 8 million.

In addition to the guidelines included in the regional spatial planning and development plan, measures specific to Champagne-Ardenne provide a further FRF 318 5 million in supplementary funding. The purpose of this money is to enable the regional authority to finance structural amenities, identified by the

© OECD 2002

departments, that have not been included in the state/region planning contract. It is a specific action that is complementary to the planning contract.

Lastly, the region has devoted considerable resources for more than three years to the development and spread of new information and communication technologies. Having helped to equip schools, the regional authority has recently concluded an agreement with the *Caisse des Dépôts et Consignations* (CDC) to encourage the creation of public Internet access points (EPN) which it has dubbed "cyberbases". With a budget of FRF 4 million for the period 2001-2003, projects promoted by local authorities, which meet specifications currently being drawn up, can receive a maximum of FRF 400 000, jointly funded by the region and the CDC.

The region's room for manœuvre

Vertical co-operation

As the review of planning contracts showed, relations between central and local governments are ambiguous and Champagne-Ardenne is no different from any other region in this respect. First, local authorities point out that partnerships with central government often entail a set of constraints under which they are required to fund central government actions. In the framework of its public service guidelines, central government determines regional priorities that enable it to set the methodological playing field for negotiations (this is the case, for example, with territorial initiatives involving *pays* and/or urban area contracts). Second, central government "annexes" local management powers through agencies which, for lack of effective deconcentration, coexist with local authority services. Portrayed as an illustration of central government's concern to preserve national coherence by eliminating regional disparities, this attitude often meets with opposition from local authorities who see in it the proof of a state interventionism which calls the principle of local democracy into question. Overall, elected officials may sometimes see the contractual approach as a means for central government to impose its own objectives.

These deficiencies are well-known, and the way decentralisation works in practice is the subject of a wide-ranging debate, fuelled in particular by the work of a senate commission, the Mauroy Commission set up by the government, and local initiatives like those of the Brittany and Alsace regional authorities. The broad thrust of their conclusions is the need to rethink relations between central and local governments and to further develop the 1982 legislation.[7]

Taxation

Financial and fiscal relations between central government and local authorities have deteriorated recently, compounding the problems created by the con-

© OECD 2002

tractual approach. The capacity of local authorities to influence the amount of their tax revenue has been reduced by the combined effect of two factors. First, the partial or total abolition of certain taxes has reduced the regions' fiscal independence (*e.g.* abolition of the regions' and departments' share of the tax on unbuilt land in 1993, abolition of the regions' additional share of transfer tax in 1999, abolition of the regions' share of residence tax and road tax in 2000). Twenty five per cent of the regions' own tax revenue has disappeared in the span of two years; as a proportion of local budgets, it has fallen from 54 to 44%. Insofar as the difference has been offset by transfers from the centre, regional authorities have become more dependent on central government.[8] Regional autonomy has been further reduced because the possibilities for voting tax rates have been curtailed. The right to vote on departmental rates for duty on transfers of business premises was abolished in 1999, and the reform continued in 2000 with the unification of departmental rates for duty on transfers of residential premises. Furthermore, voted rates apply to a reduced tax base because of the abolition in 1999 of the fraction of the business tax based on wages.

Some commentators maintain that, having failed to reform local taxation, central government seems bent on undermining it. According to this view, the first step is to reduce the burden on taxpayers, offset in favour of local authorities through tax relief; the second step is to start phasing out the tax altogether through exemptions (Guengant and Josselin, 2000). Others denounce a return of financial power to the centre, depriving local authorities of both choice and resources. This occurs because central government does not significantly increase its contributions to local authorities, counting on the rationalisation of local budget expenditure and leaving it up to grassroots vigour to supplement self-financing resources.

However, analysis of Champagne-Ardenne's initial budget for 2001 suggests that the situation may be less clear-cut (Table 41). The total budget of FRF 1 988 040 000, up 7.4% from the previous year, is in-line with the options set out in the planning contract and reflects a changed financial situation, which takes account of lost local revenue (FRF 160 million less per year following the abolition of road tax, coupled with a FRF 194 million loss of revenue from indirect taxes), and the transfer to the region of new areas of responsibility, like regional passenger transport, which entail substantial investment. Faced with this dilemma, the region has opted for an increase in borrowing, increasing to FRF 442 million this year, almost a quarter of its entire budget. The decision, taken after spending two years reducing the debt level, will probably mean that the region will have to raise tax rates in the future, having not done so in 2001.

The Mauroy Commission, aware of this financial drift, has proposed that local authorities should have a greater say in taxation and coherent sets of powers be

© OECD 2002

Table 41. **2001 budget forecast for Champagne-Ardenne**

Sector	Budget expenditure forecast 2001	
	Amount (in FRF)	Share of the budget (%)
Training and research	1 048 200 000	53
Spatial planning and development	392 600 000	19.7
Economy	174 330 000	8.7
Quality of life	66 000 000	3.3
External actions	13 860 000	0.7
Sector	**Budget revenue forecast 2001**	
	Amount (in FRF)	Share of the budget (%)
Central government	781 009 500	39.2
Participations	31 520 000	1.6
Repayable advances	60 129 500	3
Miscellaneous	1 871 000	1
Direct taxation	477 510 000	24
Indirect taxation	194 000 000	9.7
Borrowing	442 000 000	22.2

Source: Conseil régional de Champagne-Ardenne.

defined but fails to give any suggestions as to how this may be achieved. A noteworthy example is the *taxe professionnelle unique* (single business tax) applied in inter-community structures, which provides a framework for genuine tax co-ordination at community and inter-community level in the form of linkage. The fact that it is a single tax and the tax revenue is shared avoids overlapping taxation and tax inflation.

The development of horizontal co-operation

Another way of improving grassroots management is to correctly size territorial units so as to favour economic action and employment and meet citizens' needs more effectively. In Champagne-Ardenne, as in the whole of France, communes are too small to act as basic entities for spatial planning and regional development.[9] In this context, inter-community co-operation generates economies of scale and cuts the unit cost of public services. The system of tax sharing,[10] a peculiar feature of inter-community co-operation in France, puts an end to fierce tax competition between local authorities.

Inter-community structures (commune groupings and urban area groupings) with their own tax-raising powers cover 61% of the population of Champagne-Ardenne (Box 11) compared with 51% in metropolitan France. Thus, Champagne-

© OECD 2002

Box 11. **Troyes urban community**

One of the most significant examples of inter-community co-operation in Champagne-Ardenne is the *Communauté d'agglomération troyenne* (Troyes urban community, CAT), a public entity which includes 11 communes with 125 051 inhabitants (figures in January 1, 2000). Rather than adding another layer of taxation to the four local taxes, the CAT levies a single business tax and then pays the excess to the communes. The CAT currently has a budget of FRF 480 million. It is preparing to draw up an inter-community action plan for 2002-2007, which will set out the main priorities for spatial planning, development and relations with communes, and the main financial items.

Unlike a constellation of municipalities, the CAT is the right size to deal with the three major problems in the urban area: economic redeployment, labour force retraining and urban redevelopment.

- **Economic redeployment:** services are under-represented, while no more jobs are being created in industry.
- **Labour force retraining:** institutions like Troyes Technological University (UTT) are a plus, but they are reserved for young students; yet, workers throughout the entire area need upskilling.
- **Urban redevelopment:** former industrial sites need rehabilitation following the closure of numerous textile factories near the historic centre of Troyes. Several such sites have been redeveloped as platforms for service activities.

Two of the main axes of the joint action carried out through the CAT are the urban transport plan, approved in late 2000 and designed to increase public transportation while reducing congestion on the roads, and the spread of information and communication technologies, for example by encouraging new telecom operators to move into the area.

The cities of Reims, Châlons, Épernay and Troyes create a network that has arisen partly as a result of co-operation between the various urban planning agencies and the opening of the A26 motorway. It is not so much an institution as a pragmatic forum for exchanging information and knowledge. However, although geographically the Champagne-Ardenne region runs from north to south, communications and trade networks have always run from west to east, making co-operation particularly laborious between cities like Reims and Troyes. More broadly, the aim is to make the area a pleasant place in which to live and give it a new legitimacy.

Good transportation links support the connection between Reims and Charleville; nonetheless, implementing co-operation between the two is hampered by the fact that the different municipalities of the big Charleville area have been unable so far to set up an agglomeration structure or any collaboration with Sedan.

The Champagne-Ardenne region itself implements an urban policy within the framework of the state/region planning contract. As well as carrying out a number of urban renewal projects, it has set up a fund for aid to cities and is occasionally involved in major operations such as the renovation of the Aube stadium.*

* See the chapter on "Urban policy".

© OECD 2002

Ardenne proves to be well ahead in this field. However, the extent of inter-community co-operation masks considerable disparities within the region (Table 42). Most inter-community co-operation takes place in the Marne department, the most densely populated, where 89% of the population belong to an inter-community structure. Yet the rate is much lower in the Ardennes and Aube departments. The Regional Council has established contracts with 22% of such co-operation structures so far.

Table 42. **Inter-community co-operation in Champagne-Ardenne**

	Number of groupings	Number of communes in groupings	Total number of communes	Percentage of the population
Ardennes	8	282	463	31
Aube	5	67	431	50
Marne	46	421	619	89
Haute-Marne	16	158	432	44
Region	75	928	1 945	61
Metropolitan France	1446	16214	36 566	51

Source: INSEE

There are also fewer inter-community consortia in Champagne-Ardenne than in the test regions (Table 43), the effect of which is to deprive local authorities of substantial tax resources. The overall revenue per inhabitant from the four local taxes is FRF 500 lower than the national average. As well as being a serious obstacle to financial autonomy for local authorities, this lack of resources makes it harder to reduce disparities within the region.

Table 43. **Inter-community associations in Champagne-Ardenne and in the test regions**

	Single-purpose consortia	Multi-purpose consortia	Joint associations
Centre	1130	120	73
Champagne-Ardenne	668	84	31
Lorraine	727	135	42
Picardie	867	93	22

1. Single-purpose inter-community consortia (SIVU) are public entities that bring together several communes; they are set up by a prefectoral by-law when at least two-thirds of the township councils (when the latter represent over half of the population) or at least half of the township councils (when they represent two-thirds of the population), require it. The consortium committee is appointed by elected delegates from each commune. It exerts its powers, granted and defined by the prefectoral by-law, instead of the communes that are part of the consortium
2. Multi-purpose inter-community consortia (SIVOM) are public entities bringing together several communes; they are set up under the same conditions as SIVU, the only difference being that the consortium committee exerts numerous powers.

Source: Ministry of Home Affairs – Departmental Directorate for Local Authorities.

© OECD 2002

Horizontal co-operation is also expanding at *pays* level, although here again Champagne-Ardenne lags behind. Unlike other regions, it does not have a network of entities covering its entire territory that has been endorsed by the Regional Conference on Spatial Planning and Development. Picardie is a good example of a more effective approach: the whole region is covered by local co-operative structures, making the regional authority their natural interlocutor and their partner in project management. Champagne-Ardenne has eight *pays* (Pays de la Pointe, Pays Sedanais, Pays des Trois Cantons, Pays des Crêtes, Pays Rethelois, Pays de l'Argonne marnaise, Pays d'Othe et Pays de Langres), the first five being in the Ardennes department[11] (Figure 20).

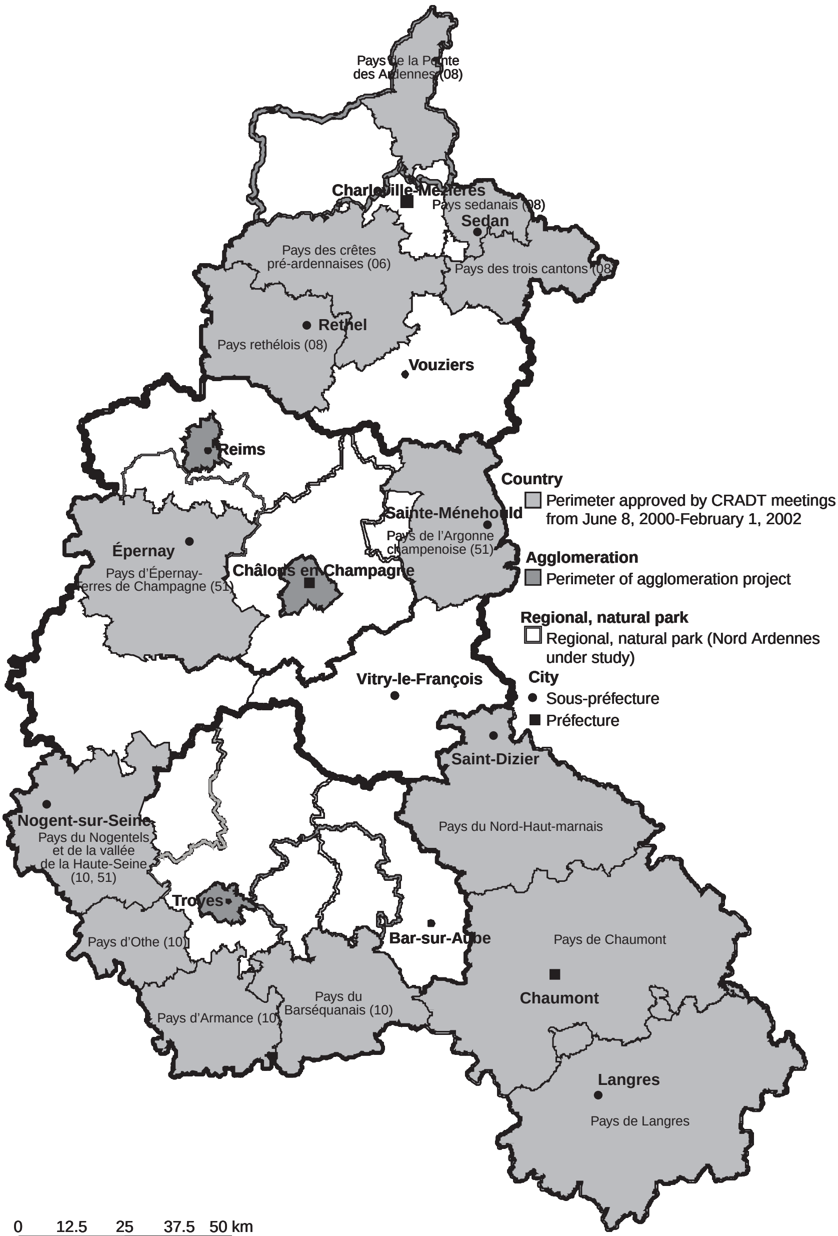
A "territorial support programme" is the main means available to the regional authority for countering the fragmentation produced by large numbers of small communities. Through this scheme, the regional authority provides support to areas wishing to implement an overall development project. In particular, it provides financial support in the following sectors: the definition of a development charter and the structural and co-ordination initiatives, especially for the training local players and increasing human resources. The region funds up to 20% of these initiatives, and up to 80% for increasing human resources. However, it does not take the political initiative of encouraging the creation of relevant territorial units at regional level; its role merely consists in distributing subsidies.

In functional terms, Champagne-Ardenne could learn from the "territorial growth pacts" introduced in Languedoc-Roussillon. The purpose of these 19 pacts is to ensure the coherence of grassroots initiatives around a single project; at *pays* level, they reflect a partnership-based approach bringing together the region and local elected officials around collectively defined development priorities. With this in mind, the Languedoc-Roussillon regional authority has based its development strategy on three objectives: maintaining a balance between the urban and the rural sphere, energising the vital forces of the region around an overall development project, and encouraging openness and exchanges both within and outside the region.

EU Leader programmes provide a final example of regional structuring and co-ordination actions. Through specific initiatives, they aim to encourage and help rural players to view the potential of their area in a longer-term perspective. Leader+ seeks to encourage the implementation of original strategies for high-quality, integrated sustainable development which experiment with new ways of enhancing natural and cultural assets, strengthening the economic environment in order to contribute to job creation, and improving the organisational capacity of their community. Co-operation in the broad sense of the term is a fundamental element of Leader+, since it has both a territorial dimension and a political

© OECD 2002

Figure 20. **Agglomerations, regional natural parks and "pays"**



Source: Région Champagne-Ardenne. Direction de l'Informatique-SIG. IGN.

© OECD 2002

dimension when bringing together the public and private sectors in a collective approach to local development.[12]

There are eight Leader sectors in Champagne-Ardenne, six of them in Haute-Marne (Pays d'Eaux et d'Osiers, Pays de la Haute Meuse en Haute Marne, Pays des Trois Vallées, Région Langroise, Sud du Plateau de Langres and Trois Forêts), one in the Marne (Argonne Champenoise) and one in the Aube (Chaource and Evry le Châtel). Given the specific features and objectives of the Leader programme, it is surprising not to see the Ardennes department in this list, especially as Leader II is supplemented for the period 2000-2006 by Leader+ (with EAGGF funding[13]), the purpose of which is to encourage integrated approaches conceived and implemented by partners acting at a local level (Table 44).

Table 44. **Leader programmes in Champagne-Ardenne**

Total cost	8 481 315 euros
European Union	2 748 080 euros
Other public funding	4 779 733 euros
Private funding	953 502 euros
Number of Local Action Groups	8

Source: Champagne-Ardenne Leader programmes in Atlas Leader.

Although the Local Action Groups or associations responsible for co-ordinating and implementing Leader programmes have reported encouraging results, they have not been as effective in encouraging other sectors in the region (Box 12). The region does not seem to have played a role in promoting projects to deconcentrated government agencies with a view to raising funds under EU programmes. The situation is the same as with inter-community structures and rural development: the region makes a financial contribution but fails to provide any leverage. Local players mistrust the Local Action Groups and the region's attitude is somewhat distant. Although the administrative and financial procedures for implementing these programmes are cumbersome, or even complex, this does not explain the lack of innovative initiatives bringing together elected officials, business leaders, non-profit associations and local people, especially as the amounts of money available under Leader II in Champagne-Ardenne are far from negligible.

Local authorities still find EU initiatives and structural programmes hard to manage. The Commission's attempts at simplification and decentralisation have been only partially echoed in France, since central government has held on to its role as the interlocutor of the Community authorities and the distributor of grants.

© OECD 2002

Box 12. **The experience of ADECAPLAN (*Association pour le* Développement *des* Cantons *du* Plateau *de* Langres)**

ADECAPLAN, a local action group, is a co-ordinating structure for the cantons of Auberive (the most sparsely populated in Haute-Marne with 5 inhabitants/sq. km), Longeau and Prauthoy on the Plateau de Langres. The LAG has defined two main priorities for its action: improve the human environment so as to retain its population, and attract new populations (both residents and tourists). The LAG has a three-year contract with the regional authority and also receives additional funding from the department, central government and the EU under the Leader II programme.

The entire development programme represents an investment of approximately FRF 100 million from both public and private sources, of which FRF 90 million is earmarked for physical investment over a four- to five-year period. The amounts are large because they cover all commitments relating to the habitat, waste treatment and development of the villages concerned. But the main investment devoted specifically to attracting new populations is intangible, since it concerns co-ordination and communication, including in the overall operation of ADECAPLAN. These new populations are not only potential future consumers but also future partners in common development. Although still in its early days, notably in quantitative terms, the project of increasing the area's attractiveness to outsiders is more than just a visionary idea. On the contrary, it is the key to the continuation of the programme being developed by the local action group.

However, three changes decided at an interministerial meeting in September 1999 have been made.

- The regional prefect and the chairman of the regional authority co-chair the committees which monitor and schedule credits, although the prefect continues to be responsible for their management.
- A block grant procedure has been introduced, enabling the regional authority and other local authorities to implement programmes according to their areas of responsibility (limited to 25% of the programme concerned by a ministerial instruction).
- A computerised system has been introduced to monitor implementation, with the aim of making the management of programmes more transparent and reducing lead times for processing applications and paying credits.

Conclusions and recommendations

Champagne-Ardenne, made up of four departments with different characteristics, displays considerable disparities and is clearly fragile, not least because it

© OECD 2002

is relatively sparsely populated and in demographic decline. Although it also has indisputable advantages, the region is having difficulty improving its image and securing its place in economic networks. This explains why the objectives set out in the planning contract and the overall development plan insist on the need to open up and develop the region.

Regional strategy has to be strengthened in order to stem the decline. Working with the central government, the regional authority has done much to speed up the modernisation and expansion of transport infrastructure both within the region and linking it to the outside world. The most recent planning contract continues in the same vein, while also seeking to make the region more attractive, by developing its accommodation capacities for instance. Although development hopes rest on external help, the possibility of exploiting development potential within the region has not been ignored, as may be seen from recent decisions by the regional standing committee in areas such as entrepreneurship, small business, tourism, regional farming, etc.

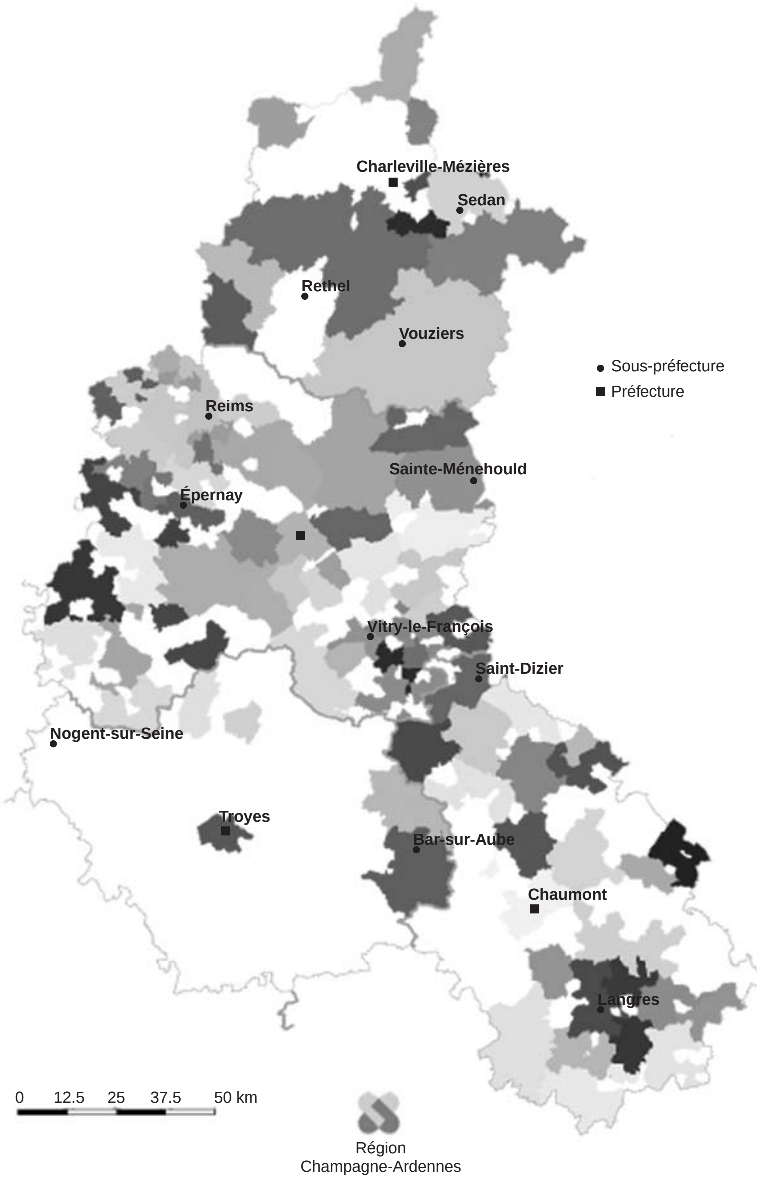
Nevertheless, these options could acquire greater legitimacy if they were based on a comprehensive regional project co-ordinating all the local initiatives of departmental, community or inter-community authorities and players like chambers of commerce and industry associations. In such a context the mechanism for funding department-level projects not included in the planning contract, could become an initiator of local projects with regional resonance rather than merely serving to distribute additional funds, as is the case at present. The system needs to be justified by an all-inclusive approach and a genuine partnership with the departments.

Several regions have already explored this avenue. For example, the Picardie region spent ten years framing a regional project before negotiating and concluding its most recent planning contract. Despite a rather difficult political context (the chairman of the regional authority was elected by a relative majority in the second round of voting), the regional project takes into account the wishes of not only of the majority coalition but also of the business community, local people and associations. Consultation procedures have been introduced, as is the case in other French regions, especially the other test regions.[14]

In order to develop inter-community co-operation, the regional authority could introduce more incentives that would enable it to appear as the prime mover for a dynamic spatial planning policy, combining inter-community projects with rural development initiatives at a departmental level (EPCI) (Figure 21). Specifically, the regional executive could play a more active part in the formation of new *pays*. In territorial terms, the regional authority should grasp the opportunity presented by the structure of *pays* to define the content of contracts with all the local players, taking into account both the diversity and specific features of the

© OECD 2002

Figure 21. **Public intercommunal co-operation establishments (EPCI)**



Source: Regional Council of Champagne-Ardenne. Direction de l'Informatique-SIG. IGN.

© OECD 2002

areas concerned and above all an approach to regional action guided by the need for overall redistribution within the region as a whole. Objective-based contracts or territorial pacts like those developed by the Languedoc-Roussillon regional authority, concluded with decision-making authorities at *pays* level where the regional authority is represented, would give it the means to integrate its own priorities into the projects envisaged by local elected officials. That would then enable it to defend, with them, an endogenous development approach that would serve as a basis for negotiations and underpin proposals put to the deconcentrated agencies of central government. Applied in each *pays*, this method of action would contribute effectively to:

- the preparation of studies and projects;
- the affirmation of a regional identity and a sense of belonging to an area motivated by a common ambition;
- the emergence of local projects underpinned by a coherent regional approach;
- the development of a network of relations between the regional authority and local players and decision-makers;
- recognition of the regional authority as the body which pulls together and co-ordinates local initiatives.

The same sort of contractual arrangements with socio-economic players could offer other avenues to make up for the region's relational deficit.[15] By taking such steps, the region would come across as the prime contractor for a coherent, common regional development project. More specifically, the region could commit itself more clearly in the following areas.

- T*he strengthening of contractual policies*. Champagne-Ardenne could initiate regional economic conferences on particular subjects bringing together regional elected officials, other local government representatives, representatives of business and industry, the regional economic and social council and the social partners. Through such conferences, devoted to different sectors (manufacturing and services, farming and wine-growing, etc.), the regional authority could better advertise the means for action at its disposal and its policies for these sectors, establish solid relations with economic operators based on partnership, and define growth priorities and the necessary investment with the people concerned. The options taken up could then provide the basis for multi-year progress contracts with the different industries and occupations, setting out the funding and the objectives to be achieved.
- T*he development of institutional communication and the promotion of regional bodies*. Because of the current electoral system, regional elected officials do not

© OECD 2002

have the same territorial legitimacy and local power base as departmental elected officials who, being elected at canton level, are easily identified by voters. This ignorance of the role and duties of the regional authorities and its elected members is all the more paradoxical in that the regional authority's powers make it an increasingly influential tier of local government. Until the planned decentralisation reforms are made public (the regional list system applicable from 2004, replacing departmental lists, is hardly likely to strengthen the grassroots credentials of regional councillors), the regional authority needs to make itself better known on the ground, especially among mayors and local elected officials.

- T*he encouragement of infraregional bodies like the "pays"*. The pays often correspond to employment areas. Their emergence favours the application of regional training and employment initiatives. Territorial units, whose action has a wider resonance, act as staging posts for regional spatial planning policy and the utilisation of EU funds. The creation of development programmes that are relevant to pays and offer sufficiently attractive funding could speed up the birth of such entities in Champagne-Ardenne.
- T*he generalisation of e-governance in the administrative sector*. The regional authority has set an example by enhancing its website. Some agencies are still underequipped and their on-line marketing is insufficient. The provision of services to citizens on the Internet will be more effective if it is the result of a comprehensive strategy rather than a whole series of individual initiatives. Co-operation is also needed with deconcentrated government agencies and socio-economic partners in order to favour the emergence of specific networks intended for the different sectors of activity, establishing links with the university, with research and technology transfer centres, with players in the tourism sector, etc. Opening up these services is the best way of ensuring familiarity with new communication and information technologies. The Relais Régions Info now installed in the main towns and cities of the region are entirely suitable to act as connection bases.
- T*he development of evaluation and forward planning*. The evaluation of public policies, in terms of both results and feasibility, presupposes the ability both to take a long-term view (forward planning) and to review the players from a critical standpoint (strategy). Such an approach, combining critical analysis and economic intelligence, is especially necessary in order to encourage innovation and local experimentation and to ensure that public money is used to good purpose. Champagne-Ardenne can draw inspiration from IL2E in Lorraine, a public policy research and evaluation institute created by the regional authority in 1994. Its board of governors includes representatives of the regional authority, the economic and social council, departments and major cities, the prefecture, government agencies, the regional tourism

© OECD 2002

committee and INSEE. The institute acts as a think tank and observatory for the regional authority, providing it with advice, information and decision support.[16] The regional economic and social council (CESR) of Champagne-Ardenne could initiate such procedures.

© OECD 2002

Notes

1. In 1999, the regional authority set up a system under which craft enterprises, retailers and SMEs could claim a FRF 20 000 grant for each job created for a three-year period. It was thus an employment subsidy.
2. For example, metal fittings at Vimeu, hydraulic engineering at Albert, horses at Chantilly, industrial maintenance at Péronne and metalworking in Thiérache.
3. See the Géri study.
4. The new Objectives 2 and 3 of European structural policy are being implemented in Champagne-Ardenne. Objective 2 aims to support economic redeployment in areas with structural problems, especially areas experiencing economic change in the manufacturing and service sectors, rural areas in decline and urban areas in difficulty. 694 of the 1 945 communities in the region and 48.5% of the total population fall within the scope of Objective 2. The purpose of Objective 3 is to support the adaptation and modernisation of education, training and employment policies and systems. A phasing-out scheme is designed to consolidate or complete the redeployment process in areas (670 communities) which cease to be eligible for the former Objectives 2 and 5b.
5. The amount of European funding for France, FRF143 billion, is more than total government funding for the 22 planning contracts. According to the Senate Report on decentralisation No. 447 1999-2000, the budget of the ministry for regional development was seven times smaller than the amount of EU structural funds allocated to France in that year.
6. A handbook designed for all inhabitants of Champagne-Ardenne interested in financial support from the regional authority for their business activities lists the various types of aid, either specific or provided in the framework of policies implemented jointly with central government and the EU. The factsheets in the guide, organised by a sphere of action (spatial planning, economy, education, training, European affairs, etc.) provide practical information about terms and conditions while giving contact details. The guide is also available on the regional authority's website.
7. The 2 March 1982 Act, relating to the rights and liberties of the communes, departments and regions, establishes the decentralisation reform. According to this measure, such entities are granted full responsibility in terms of budget but also in terms of powers, transferred to them by the government which from then on, only exerts its control once decisions have been taken (legal and financial control). Its main effect lies in the fact that it is no longer the prefect that manages the areas mentioned above, but elected officials. Thus, decisions are now taken more locally. The Mauroy commission was created on the Prime Minister's initiative in October 1999. It is made up of 22 local, elected officials and two high-ranking civil servants. Its goal was to discuss new perspec-

© OECD 2002

tives for the decentralisation process as well as making suggestions for the future. The report was handed in to the Prime Minister on 17 October 2000.

8. Between 1998 and 2000, government spending to replace tax revenue with budget resources increased by over FRF 30 billion.
9. In 1999, 50% of the 1 936 communes in Champagne-Ardenne had fewer than 200 inhabitants (this proportion was higher than the national average).
10. "Tax sharing" refers to the system instituted by the Joxe-Marchand Act in 1992 which created an urban business tax. It is furthered by the inter-community co-operation established by the Chevènement Act in 1999, which is a financial incentive to adopt this fiscal scheme. Such a scheme displays numerous assets: firstly, it mutualises the business tax (single business tax: TPU) on a vast geographical area, thus eliminating the main concurrential discrepancies between firms and communes; secondly, the allocation of its receipts to groupings rather than to communes makes it possible for the latter to finance great structural projects (such as public transportation); thirdly, the mutualised business tax enables the attribution of a solidarity allocation to the communes that have the least resources and the highest expenditures, which in turn, levels down the council, poll and land taxes of the poorest communes.
11. An overview on February 1, 2002. These applications were submitted to the Regional Conference on Spatial Planning and Development (CRADT) of June 8, 2001, while around ten other applications (Pays d'Armance, Pays du Barsequanais, Pays de Seine, Melda et Côteaux champenois, Pays du Nord Haut Marnais, Pays du Nogentais et de la Vallée de la Haute Seine, Pays d'Épernay – Terres de Champagne, Pays de Chaumont) were submitted to the CRADT on February 1, 2002.
12. See also the chapter on "Rural development".
13. The European Agricultural Guidance and Guarantee Fund (EAGGF) is the financial instrument of the rural development policy which is the second pillar of the Common Agricultural Policy. It funds development initiatives in rural areas throughout the European Union. EAGGF is in two sections: the Guidance Section, which supports rural development measures in Objective 1 regions; and the Guarantee Section, which finances measures in the other regions. EAGGF is managed by the Commission's Agriculture Directorate General.
14. In the Centre, in response to considerable pressure for public debate, a questionnaire was published in the regional press and distributed in schools, universities and railway stations, through associations and chambers of commerce and on the Internet. Six forums were organised, bringing together the vital forces of the nation, including local officials, representatives of non-profit associations, business leaders and, to a lesser extent, ordinary people, who were able to express their views by e-mail or post.
15. Such as professional progress contracts, development agreements with Chambers of Commerce and Industry, for example to co-ordinate business assistance and support actions, the University and institutes of higher education (objective-based contracts based on the four-year cycle setting out measures with regional resonance). A professional progress contract (*e.g.* in Franche-Comté), is a joint action programme established between a professional body and public authorities (combining regional authorities and the central government); it aims at achieving a strategic turning point in its development of an emblematic sector. With a three-year duration, the sector's development programme includes collective measures set up to help the sector's firms on the whole. These measures mainly affect the firms' close environment (financial

© OECD 2002

assistance to research, continuous training, skills). From a regional standpoint, this contract makes it possible to bring together within a single project, powers that have to do with the economy, spatial planning, or professional training. Objective-based contracts are similar contracts as those mentioned above, the only difference being that they address institutions rather than firms (universities, chambers of business and industry, laboratories etc.) so as to jointly develop specific actions made to enhance the region's development as well as that of the other contracting party.

16. IL2E's assignment includes *i*) providing technical assistance to the regional authority, mainly in the context of evaluation of the planning contract and structural funds (drawing up planning contract evaluations with the SGAR); *ii*) evaluating the policies (programmes and actions) implemented by the regional authority, issuing opinions on regional actions and how they are implemented in order to assess whether the desired objectives are clearly defined and relevant, whether the actions are effective and the resources suitable, and rectify them if necessary; *iii*) promoting an evaluation culture both internally and externally; *iv*) acting as a lookout, watching for signs of future developments that are liable to influence the regional context.

© OECD 2002

Chapter 4

Cross-border and Transnational Co-operation in Champagne-Ardenne

Cross-border and transnational co-operation holds out new development prospects for Champagne-Ardenne. Promoted in the framework of the EU's INTERREG initiative, such co-operation brings an international dimension to regional strategy and offers considerable potential for development, backed by substantial financial resources. The purpose of co-operation, whether cross-border with Wallonia or transnational with other European regions, is to establish multiple partnerships with players in other countries. It is designed to bring regional players together in a network on a European scale that encourages the dissemination of information, common projects and exchanges of best practice. A budget of 4.9 billion euros has been allocated to INTERREG for the period 2000-2006, of which 397 million euros are earmarked for France. In contrast, the INTERREG budget for 1994-1999 amounted to only 2.4 billion euros, reflecting INTERREG's growing importance in relation to other EU programmes.

Champagne-Ardenne is well-placed to benefit from the programme, for a variety of reasons:

- as a border region, its northern part is eligible for local co-operation projects with adjoining provinces of Wallonia (part A);
- the region as a whole can benefit from funding for transnational co-operation projects within Europe's North West Metropolitan Area, which extends from the southern Netherlands to northern France and from the UK to Bavaria (part B).

Cross-border and transnational co-operation represents a significant opportunity for Champagne-Ardenne, and considerable benefits may be expected in the region. Any obstacles that might prevent the region from taking advantage of the policy should be removed. It is important not to miss out on the opportunities offered by INTERREG, not only because of the amounts involved but also because this type of territorial initiative is likely to extend beyond 2006.

© OECD 2002

Cross-border co-operation in the Ardennes: issues and impact

Part A of the INTERREG programme concerns local co-operation projects between adjacent frontier zones. Some projects were carried out in this area in the two previous phases of the programme (1991-1993 and 1994-1999), and contacts have been established between decision-makers on both sides of the border. However, the INTERREG eligibility criteria for 2000-2006 are stricter than before. After summarising these criteria, we shall review the main INTERREG projects achieved in the Ardennes and then consider the outlook for the future in the light of the results.

Priority objectives and areas

Objectives

The European Community introduced the INTERREG initiative in response to a primary concern to open up frontier regions. The same objective has been constantly reaffirmed since INTERREG was created in 1989. The aim is to encourage cross-border economic and social links based on common strategies for lasting territorial development. The purpose is to reduce the isolation from which frontier regions often suffer both in relation to the rest of the country, since they are on the fringe, and in relation to the neighbouring country.

In order to reduce the barriers instituted by national borders, INTERREG's guiding principle is to provide financial assistance to encourage co-operation between players on either side of a frontier. The ultimate aim is to create real co-operation networks that will last after the INTERREG programme comes to an end.

Resources

The INTERREG budget has doubled between each phase of the programme (Figure 22), at the expense of other EU programmes. The 13 EU programmes in the period 1994-1999 have been reduced to 4 for the period 2000-2006 (Urban, Leader, Equal and INTERREG). It is therefore vital for regions to take maximum advantage of this EU aid, which is likely to last.

The budget of 4.9 billion euros for the period 2000-2006 covers parts A, B and C (part A: local cross-border co-operation; part B: transnational co-operation; part C: co-operation between less developed regions). Part A has by far the biggest budget (Figure 23). European funding covers half the total cost of programmes in this strand. For a Franco-Belgian programme, for example, French players would cover a quarter of the cost, Belgian players another quarter, and European funding the

© OECD 2002

Figure 22. **Increase in INTERREG budget**
Million euros

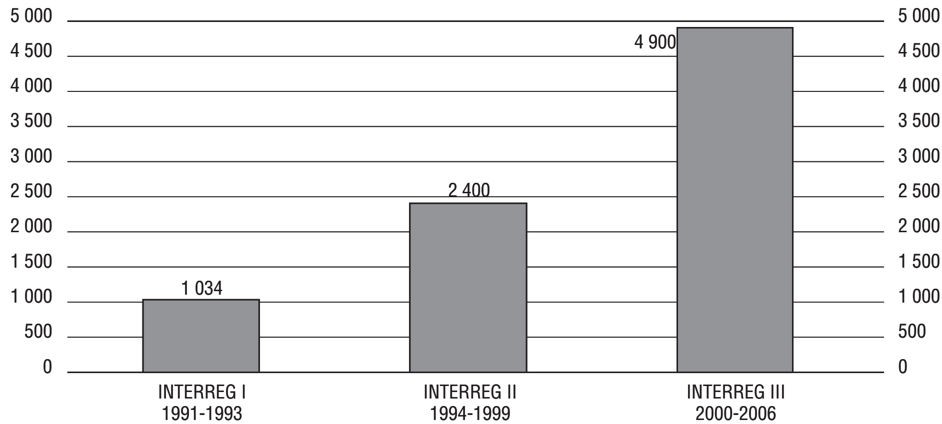
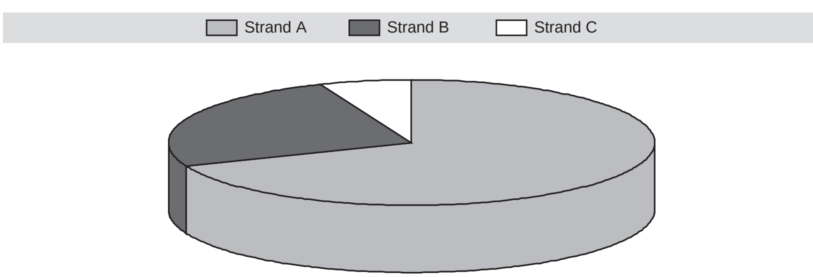


Figure 23. **Allocation of the INTERREG budget to parts A, B and C**



remaining half. In practice, however, European funding does not always cover half the total cost; it is significantly less when the cross-border added value of the projects is not proven.

Areas eligible for INTERREG *funding*

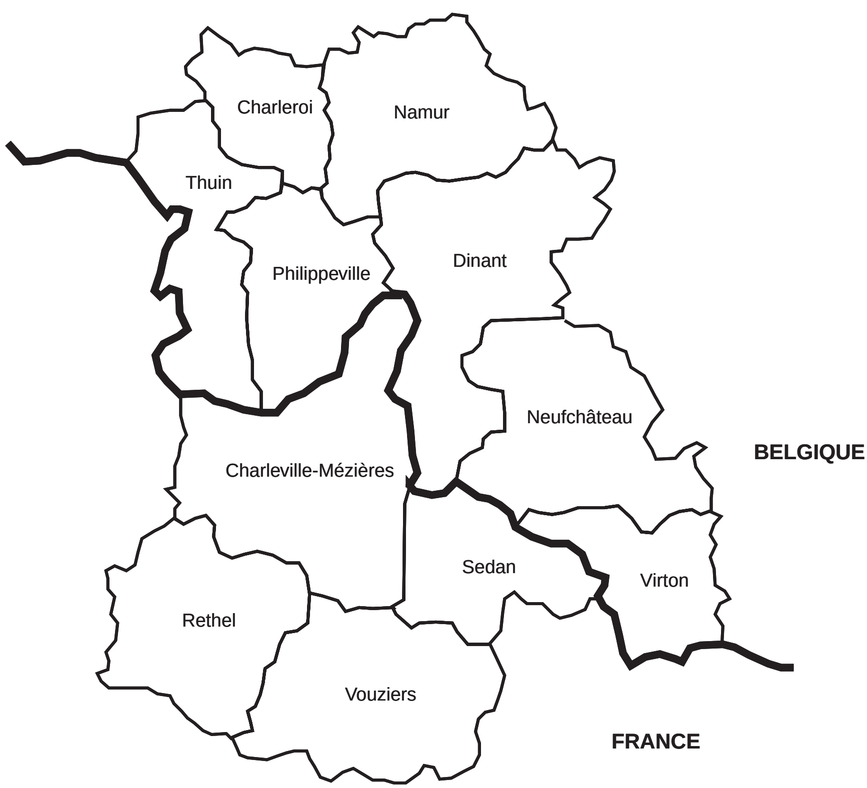
Areas eligible for INTERREG funding are all areas along the internal and external land borders of the Community delineated at administrative level III of

© OECD 2002

the Nomenclature of Territorial Statistical Units (NUTS), *i.e.* departments (*departments*) in France and districts (*arrondissements*) in Belgium (Figure 24). In the Ardennes, INTERREG covers the Ardennes department in France and the province of Namur, the districts of Thuin and Charleroi (Hainaut province) and Neufchâteau (Belgian province of Luxembourg).

The EU makes a distinction between the five Belgian districts that are adjacent to the border and the two that are not. The latter two, Charleroi and Namur, are less involved in the INTERREG programme. In order to benefit from INTERREG funding, projects must display a high level of cross-border co-operation and the sums involved must not exceed 20% of the total spending on operational programmes. There is no such distinction on the French side, since the entire Ardennes department is eligible for INTERREG.

Figure 24. **Areas eligible for part A of INTERREG**



© OECD 2002

Criteria of eligibility for INTERREG

Projects must meet several requirements in order to be eligible for INTERREG. Following a review of the results of the previous INTERREG programmes (1991-1993 and 1994-1999), the Regional Policy Directorate General of the Commission of the European Communities (DG Regio) has tightened the criteria for eligibility. Projects must involve close co-operation between the players involved and must generate proven cross-border value added. DG Regio intends to forestall parallel projects on either side of the frontier which do not entail genuine co-operation, a situation which frequently arose under INTERREG I and II.

Projects must have a clearly cross-border character in the common development strategy and programme. In order to be selected, projects must be jointly decided and implemented in two member countries or in only one, provided that it is proven that they have a significant impact in other member countries. Cross-border programmes must be consistent with the broad thrust of structural funds and Community policies. Consequently, priority is given to projects that help to:

- create jobs,
- improve the competitiveness of the areas concerned,
- favour and implement sustainable development policies,
- promote equality of opportunity between men and women.

Preference is also given to projects that involve a wide range of partners, including local and regional authorities, social and economic partners, and other bodies such as non-governmental organisations, universities, etc. The partnership must be operational during all phases from the framing of the common strategy to implementation of the actions. In order to ensure a degree of co-operation that corresponds to these principles, common structures must be created to manage programmes from start to finish, spanning design, selection, leadership, co-ordination and monitoring of implementation.

The operational costs of these structures may be funded from programme budgets. Since 2000, the structures have been based at regional rather than departmental level.

Priority areas

Candidate projects for INTERREG funding may come from a wide variety of spheres provided that they have proven cross-border value added. The European Commission has given the following non-exhaustive list:

- promoting urban and rural development;
- encouraging entrepreneurship and the development of small firms (including those in the tourism sector) and local employment initiatives;

© OECD 2002

- promoting the integration of the labour market and social inclusion, and promoting equality of opportunity between men and women;
- sharing human resources and facilities for research, technological development, education, culture, communications and health to increase productivity and help create sustainable jobs;
- encouraging the protection of the environment (local, global), increasing energy efficiency and promoting renewable sources of energy;
- improving transport (especially more environment-friendly forms of transportation), information and communication networks and services and water and energy systems;
- developing co-operation in the legal and administrative spheres to promote economic development and social cohesion;
- increasing human and institutional potential for cross-border co-operation.

There are therefore very many development opportunities that can take advantage of this type of funding. In order to assess the feasibility of cross-border co-operation in the Ardennes, we shall now look at the main features of the French and Belgian regions concerned.

Cross-border co-operation in the Ardennes

The social and economic situation of the French and Belgian Ardennes

There are several continuity factors between the French and Belgian Ardennes. The first is language: in contrast to most other French frontiers, French is spoken on both sides of the border. It is an important factor in facilitating contacts between players. The second common feature is low population density: 57 inhabitants per square kilometre in the Ardennes department of France, and 71 inhabitants per square kilometre in the corresponding Belgian districts (Figure 25).

Low population density is an interesting feature for cross-border co-operation initiatives in spheres such as the construction of roads to open up isolated areas, the provision of public services and the sharing of infrastructure and amenities. The most densely populated district is Charleroi, a major industrial city in Wallonia's coal-mining area. The socio-economic profile of Charleroi is radically different to that of the other less densely populated districts of France and Belgium, which are less urban and less heavily industrialised. However, its profile is interesting from the standpoint of cross-border co-operation. Heavy industry is also prevalent in the north of the Ardennes department, like Charleroi (Figure 26), and common interests in this sphere provide a favourable environment for co-operation initiatives.

© OECD 2002

Figure 25. **Population density**

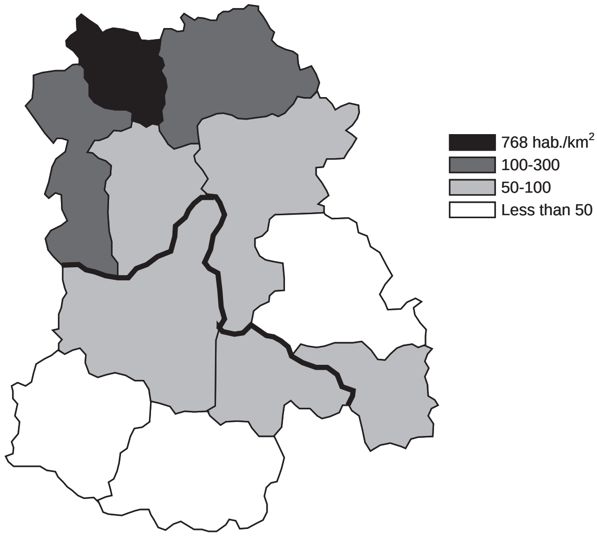
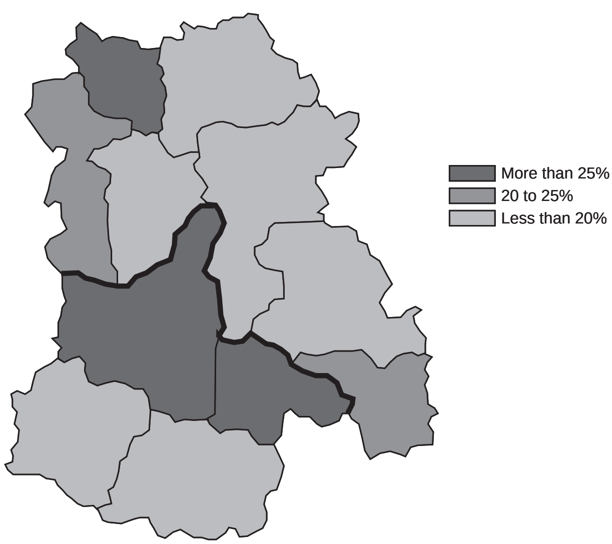


Figure 26. **Share of the labour force employed in industry**



© OECD 2002

The Belgian district of Virton, in the south-east, has an intermediate industrialisation rate (24.5%), due not to heavy industry but to the paper industry, especially the Rouvroy pulp factory. The area is densely wooded, and wood-processing industries may provide a basis for co-operation initiatives both upstream and downstream.

The landscape is another continuity factor, since the region is one of low mountains covered by a forest that stretches from the north of the Ardennes department to Luxembourg and Germany. Forest cover is very dense in some places, reaching 86.2% in the French canton of Fumay and 84.4% in Monthermé, and 78.6% in the Belgian commune of Bouillon. The Meuse, which flows through both the French and the Belgian sides of the Ardennes, is another feature which could provide the basis for numerous co-operation projects in areas such as water quality control or development for tourism.

These common features between the French and Belgian Ardennes open up various avenues for cross-border co-operation:

- management of the environment, especially forested areas and the Meuse, with a view to sustainable development (maintenance, exploitation, fight against floods, promotion of environment-friendly forestry, awareness raising among the local population);
- promotion of tourism to take economic advantage of the landscape and the proximity of much more densely populated regions;
- promotion of information and communication technologies in areas such as local democracy, entrepreneurship and distance learning, to alleviate the drawbacks of low population density.

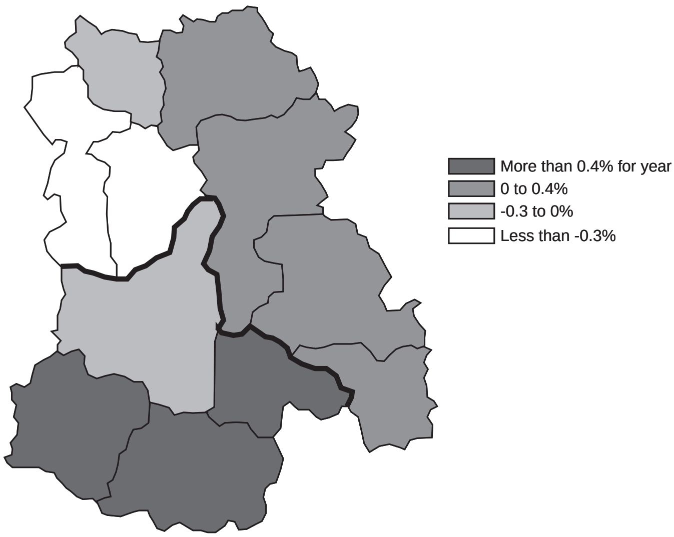
Effective cross-border co-operation must also take into account the dissimilarities between French and Belgian districts. What are the dominant sectors of activity on either side of the border? Which side is more dynamic economically? Analysing the discontinuities will highlight the ways in which the French and Belgian Ardennes differ from and complement each other. Such discontinuities may either make co-operation more difficult or stimulate it.

Despite the continuity factors mentioned above, the French and Belgian Ardennes display a number of structural, demographic and economic dissimilarities. The population trend is very different, since the Ardennes department of France is suffering from a pronounced demographic decline whereas the population on the Belgian side is growing (Figure 27).

The difference is particularly marked between Sedan (–0.47% per year) and its neighbouring districts in Belgium (Neufchâteau: +0.46%, Virton: +0.51%, Dinant: +0.62%). The latest census in 1999 confirmed the extent of demographic decline in the French Ardennes. In contrast, Charleroi is the only Belgian district where the

© OECD 2002

Figure 27. **Annual population change from 1981 to 1995**



Source: EU.

population is also declining. What is the explanation for this difference in the demographic trend? It is highly instructive to identify the reasons why the population is growing in Belgium in order to see how the French Ardennes could become similarly attractive. The difference in population growth may be compared to the unemployment rate (Figure 28).

The four Belgian districts of Namur, Dinant, Neufchâteau and Virton have the lowest unemployment rates in the zone. They also have the fastest growing populations. In contrast, Charleville-Mézières, Sedan and Charleroi have similar unemployment rates and similar problems of industrial redeployment. Nonetheless, the border marks a deep divide between relatively attractive, low unemployment Belgian districts and a French side where the opposite occurs. What makes Belgium's border districts so dynamic?

One of the main explanations is the size of the tourist sector: there were 538 000 overnight stays in the Ardennes department of France in 1997 and four times as many (2 230 000) in the four Belgian districts of Namur, Dinant, Neufchâteau and Virton (Table 45).

The Belgian Ardennes offers extensive accommodation (camp sites, hotels, holiday villages, bed and breakfast). The majority of customers are Belgian (66% of all overnight stays), especially from Flanders and Brussels, followed by the Dutch, German, British and French. In other words, the visitors come from highly urbanised,

© OECD 2002

Figure 28. **Unemployment rates in the French and Belgian Ardennes**

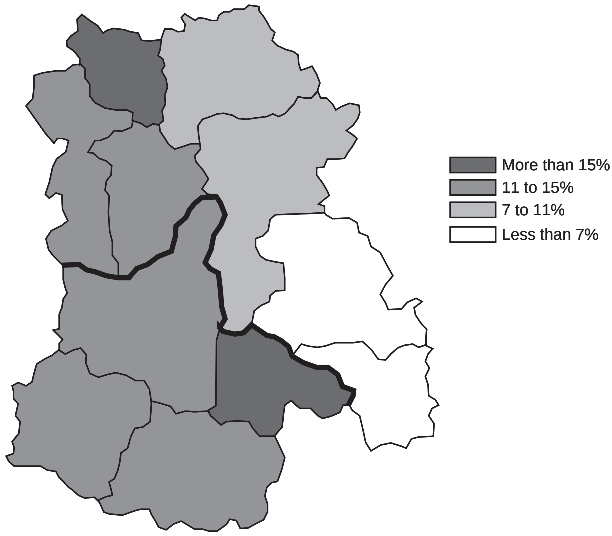


Table 45. **The tourism sector in Belgium**

	Population	Overnight stays in 1997
Dinant	96 907	1 118 836
Neufchâteau	54 935	581 982
Virton	47 472	306 009
Namur	277 255	222 816
Sub-total	476 569	**2 229 643**
Philippeville	60 824	137 592
Charleroi	427 751	105 843
Thuin	145 425	40 472
Total	1 110 569	**2 513 550**

neighbouring regions. The tourist activities shown in brochures and on websites are sports (cross-country skiing, climbing, water sports) and leisure (walking, fishing, landscape). The size of the customer base for this type of activity makes tourism highly profitable. The Belgian website which promotes tourism in the Ardennes (*www.Belgique-tourisme.net*) is remarkable. A search engine covering the entire Belgian Ardennes can identify different communes by sporting activity and then provide a list of hotels with an online booking facility. The site is accessible in six languages: English, French, Dutch, German, Spanish and Italian.

© OECD 2002

In comparison, French websites for tourism in the Ardennes are less comprehensive and less efficient. The site run by A.R.T.H.U.R (*www.Ardennes.com/Tourisme/index*) shows a number of beauty spots and a list of accommodation facilities. It is available in three languages (French, English and German). The site run by the regional tourist board, (*www.tourisme-champagne-ard.com*), is much more succinct. Several communes or groups of communes, like Rocroi, Sedan, Givet and Haybes-Hargnies-Fépin, have their own websites, but they are the result of isolated initiatives and do not match the scale of the Belgian site.

The key difference between the economy on the French and Belgian side of the Ardennes lies in the competitiveness of the Belgian tourist sector. As the French Ardennes has comparable natural resources, it would be instructive to build a cross-border strategy to develop tourism based on complementarity. French assets that could be promoted are rural gîtes, gastronomy and cultural tourism (puppet festival at Charleville-Mézières, events linked to Arthur Rimbaud).

Considerable demographic and economic differences therefore exist between the Belgian and French Ardennes. The districts of Namur, Neufchâteau, Dinant and Virton drive the Ardennes economy on the Belgian side. Relatively sparsely populated, they have a strongly growing population and economy, driven mainly by tourism, a sector which is comparatively under-developed in the French Ardennes.

Manufacturing is the dominant sector in the Charleville-Mézières and Sedan areas, in contrast with the adjacent districts in Belgium. This may make co-operation difficult: the human potential and knowledge on either side of the border are qualitatively different. Joint projects will have a better chance of success if they follow one of two contrasting paths:

- there is scope for co-operation in technology and industry with Charleroi, but as Charleroi is defined under the INTERREG programme as an "adjacent area", projects may not exceed 20% of total spending under the INTERREG programme;
- in environment and tourism, joint Franco-Belgian projects presuppose a political will on the French side to catch up and offer tourist products that take advantage of complementarity with Belgium. In this respect, the regional nature park (PNR) may represent a potential asset while acting as a unifying organisation.

Achievements to date

A number of projects were carried out under the first two INTERREG programmes. On a relatively small scale during the first period (1991-1993), they increased in size during the second (1994-1999).

© OECD 2002

The cross-border co-operation instituted by INTERREG in the early 1990s was a radically new departure and the players on either side of the border were unfamiliar with each other. It took some time to:

- find appropriate legal structures in which co-operation projects could be carried out in compliance with the administrative framework in both France and Belgium;
- make adjustments between the Belgian and French local government systems (for example, a Belgian commune is on average five times bigger than a French one; French mayors and Belgian bourgmestres do not have the same powers);
- inform institutional players and civil society of the opportunities offered by INTERREG.

The latter point is one of the most sensitive and yet also one of the most essential factors in achieving viable co-operation projects. The idea of cross-border co-operation was new and strange and required a change of attitudes. In order for a co-operation project to succeed, the players need to find the right partner in the other country and must have sufficient interests in common. Common interest has proved to be the best guarantee of solidity, ensuring that projects can overcome administrative obstacles.

Seven million euros were channelled into the Ardennes under INTERREG I (1991-1993), and additional French and Belgian funding increased the total amount to 14.7 million euros. Forty or so projects were carried out, in areas such as:

- training: vocational training in industrial and traditional trades (roofing, forestry);
- tourism: redevelopment of the former railway line between Givet and Dinan, co-operation between Sedan and Bouillon, development of riverside amenities;
- business: assistance to business partnerships, information;
- territorial marketing: publication and distribution of a tourist map of the French and Belgian Ardennes.

This embryonic co-operation was expanded under INTERREG II (1994-1999). The Community contributed 12 million euros to the Ardennes under the programme, giving a total budget of 27.8 million euros. Numerous projects are in progress and it is too early to take stock of them all. However, a number of underlying trends are apparent, especially the emphasis on economic development. Remarkable initiatives have been taken in the promotion of technological innovation, the quality of local food products and tourism (Box 13).

© OECD 2002

Box 13. **Some initiatives carried out under INTERREG II**

Promotion of innovation

"Cross-border business partnerships generating innovation, research and technology transfers"

Purpose: to promote technological innovation in French and Walloon small firms.

Operators: Charleville-Mézières centre for regional research and technology transfers (CRITT), Chamber of Commerce and Industry of the province of Namur, Louvain Catholic University.

The initiative seeks to encourage exchanges between firms and universities on either side of the border with the aim of helping firms to adopt new technologies. Comprehensive technical assistance, expertise and certification are provided to help firms at all stages from product design to manufacture.

"Franco-Walloon technology fair"

Purpose: to bring small industrial firms into contact with technology by organising an event in three cities in turn: Valenciennes, Charleroi and Charleville-Mézières.

Operators: ANVAR Champagne-Ardenne, FABRIMETAL Hainaut-Namur.

The initiative seeks to create a network of French and Belgian partners from the worlds of business and research. The event took place in Valenciennes in 1997, Charleroi in 1998 and Charleville-Mézières in 1999.

Enhancement of local products

"Quality network"

Purpose: to set up a quality strategy in the food industry, covering the ingredients, preparation and conservation of food products.

Operators: food producers and agronomic research institutions.

The initiative seeks to establish a technical basis and framework for encouraging continuous improvements to product quality, and in particular to constitute a best practice guide for small-scale producers. The project is particularly interesting because it addresses food safety concerns.

"French and Belgian Ardennes craft fair"

Purpose: to organise a fair to promote craft products from the Ardennes.

Operators: Ardennes chamber of trade (France), chambers of trade of the Belgian provinces of Hainaut, Namur and Luxembourg.

The initiative aims to bring together small-scale food and drink producers and craftspeople at a fair, intended for the general public, held alternately in France and Belgium.

© OECD 2002

Box 13. **Some initiatives carried out under INTERREG II** (*cont.*)

Promotion of tourism

"Promotion of tourism in Sedan and Bouillon"

Purpose: to promote and market a common tourist destination around Sedan and Bouillon through a French non-profit association. The initiative fully complies with EU recommendations for the pooling of resources and the framing of joint strategies.

Operators: Sedan and Bouillon tourist offices.

The objectives are ambitious: to increase the number of visitors by 20% in five years and to increase accommodation occupancy rates by five points.

Obstacles and recommendations

Cross-border projects tend to be isolated, independent initiatives. Now that a number of partnerships have been set up, it is essential to frame a comprehensive cross-border development strategy which meets both Belgian and French expectations. Such a strategy is a precondition for increasing the benefits of cross-border co-operation in the French and Belgian Ardennes. As regional and no longer departmental authorities (SGAR) are responsible for cross-border co-operation, regional decision-makers have an opportunity to include a cross-border angle in their regional strategy. But in order to do so, certain obstacles inherent in cross-border co-operation have to be overcome.

The idea of local cross-border co-operation is radically new and has not yet become an ingrained working habit. Players embarking on this type of partnership face a number of different obstacles, whether cultural, administrative, social or psychological.

- Cultural: they have to adapt to another country's culture and working methods. French players have found Belgian working habits less formal, more flexible and more pragmatic, while Belgian players are often disconcerted by the cumbersome, rigid nature of the French system. For example, if the Belgian secretary of INTERREG wants to contact the governor of a province, s/he can simply call. But if the French secretary of INTERREG wants to contact

© OECD 2002

a prefect, s/he has to submit a written request and go through three levels of hierarchy.

- Administrative: this covers both cumbersome administrative formalities that go beyond the national framework per se, and the difference between the French and Belgian administrative systems. For example, there is no equivalent in Belgium to France's regional nature parks (PNR), which have a dual objective of environmental protection and economic development (Belgian structures are designed either for environmental protection or for economic development). This raises a problem when French regional nature parks run alongside the frontier.
- Social: civil society is organised differently. In Belgium, non-profit associations (ABSL) play a major role in all spheres of life (healthcare, education, training, economic development, environmental protection, culture, religion, leisure, sport). Their French counterparts are often institutions organised at departmental level (DDASS, DRASS, DRIRE, etc.) and it is very difficult for structures with a different legal status to co-operate.
- Psychological: there is a need to stop thinking in purely national terms and abandon stereotypical views of their neighbours. These are often the hardest obstacles to overcome.

Particular care must be taken when defining the structure that will manage INTERREG (previously called *international technical team* or INTERREG *secretariat*). The ideal solution is to set up a single structure with a single budget incorporating both French and Belgian staff, as is the case in regions with a high degree of cross-border integration, like Euregio Meuse-Rhin between Belgium, the Netherlands and Germany, or Ems-Dollart between Germany and the Netherlands.

However, it is difficult to imagine such a structure in France since it presupposes that French public money can be used for investments outside France without any control by the Paymaster-General. The French position is likely to be softened in the future, but the only option at present is to have two teams, one Belgian and one French, managing two different budgets. In order to compensate for this transgression of the INTERREG spirit, it is desirable for the French team to include a Belgian person and the Belgian team a French person.

The structure which manages INTERREG must be as flexible as possible. The INTERREG secretariat must be able to operate despite the many administrative, cultural and other obstacles encountered by the promoters of cross-border projects, and it is fortunate that responsibility for this aspect now lies with the region and not the department. The structure must be deconcentrated and operate close to the ground in order to be as effective as possible. It could take the form of a permanent office in the Ardennes department, liaising with the regional authority's European unit. Eventually, one of the structure's most important tasks

© OECD 2002

is to provide information and raise awareness of the opportunities offered by INTERREG. Programmes are still much too often dominated by institutional players, failing to provide real spin-offs for civil society. Local authorities, the local press and regional TV stations can help to publicise INTERREG.

A measure of ingenuity is needed in order to find the most suitable structures for housing joint Franco-Belgian initiatives. Several possibilities have been tested in the Nord-Pas-de-Calais:

- a European economic interest grouping has been used for large-scale consortia like the Euro-region;
- a joint public/private corporation is sometimes used to create bodies with a cross-border purpose, but the solution is not entirely satisfactory because the French government must have a majority stake;
- for one-off arrangements like links between French and Belgian networks, operators conclude agreements to get around the problems that arise because the Treasury prohibits the use of public money for investment in another country.

Tourism is one of the main areas where Champagne-Ardenne has fallen behind and may benefit from cross-border co-operation initiatives. The situation on the Belgian side shows that the Ardennes are attractive to a large number of visitors, especially from northern Europe. The Ardennes department needs to expand its accommodation facilities and get the message across to civil society so as to encourage the creation of new businesses in the tourism sector.

Co-operation initiatives generally produce few spin-off benefits for civil society. Most projects involve institutional players, even though the greatest potential for innovation is to be found among businesses and non-profit organisations. In order to increase the benefits to civil society and favour the dissemination of information about cross-border co-operation, priority should be given to new information and communication technologies (NICT), an area which has not hitherto featured in INTERREG programmes. NICT can make a vital contribution to cross-border co-operation by:

- establishing links between Belgian and French websites so as to provide information and enhance the perception of the Ardennes as a Franco-Belgian area. It is particularly regrettable that the different tourism sites ignore what happens on the other side of the border;
- providing French and Belgian rural communities with Internet access to bring them out of isolation. Through a distribution list, a common Franco-Belgian server could keep people informed of events that take place on both sides of the border;

© OECD 2002

- helping firms working in the same sector to integrate NICT in order to facilitate the search for suppliers, partners and customers.

Many other spheres, such as economic development and environmental protection, should also be taken into account for cross-border co-operation on the basis of the achievements of INTERREG I and II. A regional cross-border strategy can be set up in complementarity with transnational co-operation.

Transnational co-operation

Part B of INTERREG, relating to transnational co-operation, concerns the Champagne-Ardenne region as a whole. Champagne-Ardenne is part of a much larger area called the North West European Metropolitan Area (NWMA), within which financial incentives are provided for co-operation projects between regions. A large number of projects were initiated within the larger area between 1997 and 1999 at a total cost of 56 million euros, of which European funds contributed 31 million euros. The funding allocated to part B of INTERREG for the period 2000-2006 will be much greater and the total European budget earmarked for all transnational areas ranges between 1 and 1.5 billion euros. The scale of this sum gives an idea of INTERREG's importance.

Objectives and priority areas

The division of Europe into large groups of regions

The European Union has been divided into 11 transnational areas. The North West Metropolitan Area (NWMA) covers some of the most densely populated and economically vigorous parts of the European Union, since it includes London, Paris, Brussels, Rotterdam and Frankfurt (Figure 29). The NWMA includes four entire countries (Ireland, UK, Belgium and Luxembourg) and parts of three others (southern Netherlands, northern France and West Germany).

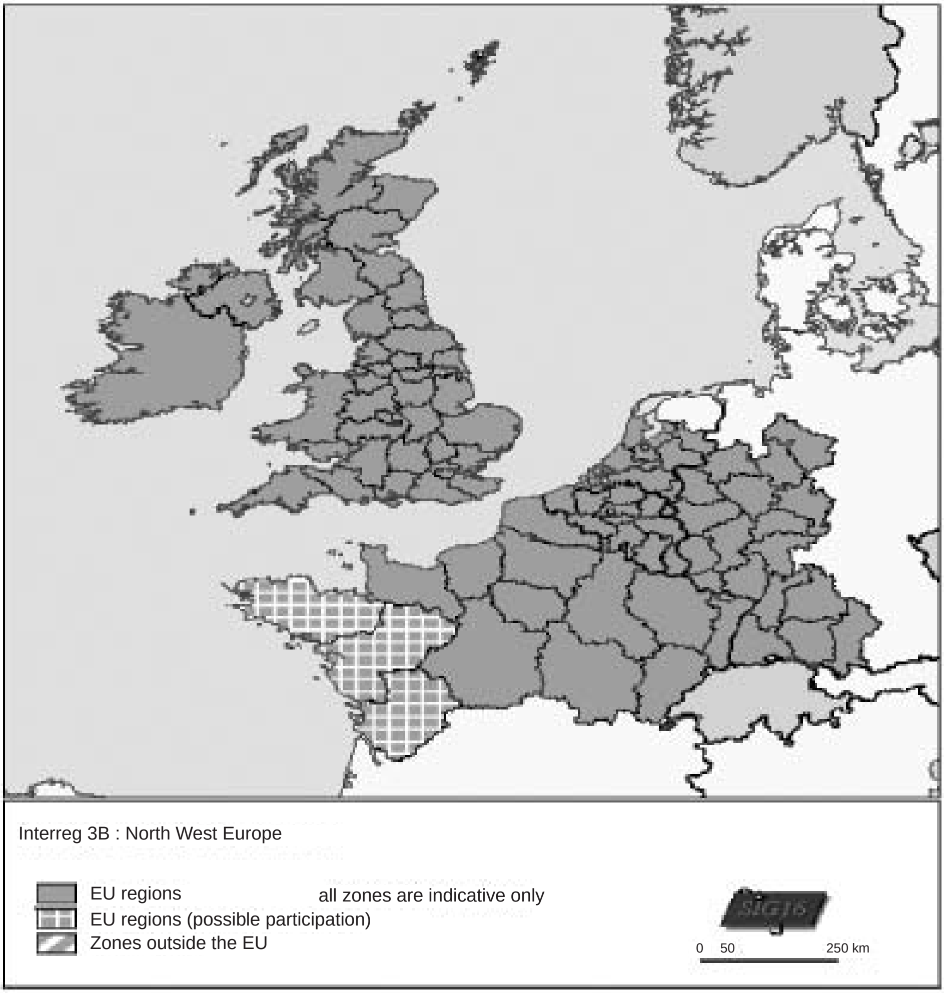
Three French regions – Brittany, Pays de la Loire and Poitou-Charentes – are partially eligible for projects within the NWMA. The limits of the transnational areas are not rigid and some regions overlap with other zones. The three French regions mentioned above are entirely eligible in the Atlantic Area, which stretches from Galicia to Ireland, and partially eligible in South West Europe, which covers Spain, Portugal and south west France. Champagne-Ardenne, on the other hand, is not part of any area other than NWMA, so its various partners must necessarily be drawn from it.

The NWMA occupies a dominant position in the European Union in terms of:

- population: its 137 million inhabitants represent 44% of the total EU population. Population density in the NWMA (225 inhabitants per sq. km) is twice as high as the EU average (117 inhabitants per sq. km);

© OECD 2002

Figure 29. **The North West Metropolitan Area**



- the concentration of economic activity;
- urbanisation: the NWMA includes a very large number of towns and cities of varying sizes, ranging from international metropolises to small and medium-sized towns;
- transport, communication and telecommunications infrastructure.

© OECD 2002

Objectives

The chief objective of part B of INTERREG is to promote better integration within the European Union through the emergence of large groups of European regions seeking to achieve sustainable, harmonious and balanced development. It succeeds INTERREG II C, which operated from 1997 to 1999. Selected measures must further an integrated approach to spatial planning capable of addressing common concerns, taking advantage of common opportunities and bringing real benefits to the transnational area. Projects must also be consistent with the broad thrust of the European Spatial Development Perspective.

The NWMA's specific objectives take account of its dominant position within the European Union. They were set out in the operational programme established for the period 1997-1999, which serves as the basis for the period 2000-2006. The programme is the result of discussions between national, regional and local players from the NWMA countries. It emphasises four fundamental objectives:

- to promote sustainable development throughout the NWMA, striking a balance between environmental protection, economic development and social progress. Indeed, the urban and economic growth that is a distinctive feature of the area has a major impact on the environment through effects such as increased traffic and the related problems of congestion and pollution, waste disposal, non-renewable resources, etc.;
- to increase spatial, economic and social cohesion and regional identity through co-operation. Great inequalities exist between regions within the NWMA; co-operation and efforts to find complementarities between regions and cities need to be stepped up in order to stimulate growth in the least dynamic regions;
- to promote co-operation and complementarity. Working together generates added value, which implies setting up regional and urban networks;
- to develop a forward-looking spatial vision so as to take advantage of all development opportunities and address current concerns.

To be eligible, NWMA co-operation projects must:

- be transnational, involve at least two partners, and have an impact in at least three NWMA countries. Each partner must help to fund the project;
- promote co-operation on spatial planning. Consistency with the European Spatial Development Perspective is particularly important;
- contribute to the achievement of economic, social and environmentally sustainable development;
- add value to the NWMA;
- contribute to the development of a broad, long-term spatial vision for the NWMA. The vision should serve as a framework for encouraging multi-

© OECD 2002

sectoral co-operation taking physical, economic, social and environmental aspects into consideration;
- promote the transfer of information and knowledge in areas such as urban functions, infrastructure, environmental protection and NICT;
- provide for a better territorial balance in the NWMA;
- complement other Community programmes, because projects eligible for INTERREG will not be eligible for support under any other programme receiving Community support;
- demonstrate a clear need for funding;
- give an estimate of the expected outcome both for the project itself and for the NWMA as a whole.

Programmes may cover a wide variety of different spheres. Aid may be sought:

- To frame operational strategies for territorial development at transnational level, including co-operation between cities or between urban areas and rural areas, with the aim of promoting polycentric sustainable development:
  – identification of territorial development prospects for the transnational area,
  – study of the spatial planning impact of policies and projects affecting the transnational area,
  – encouraging co-operation between metropolitan areas and cities that act as "one-stop access points" with a view to developing larger areas of overall economic integration,
  – encouraging strategic alliances and networks of small and medium-sized towns, including measures designed to strengthen the role played by small towns in the development of rural areas,
  – raising awareness of the long-term prospects for spatial planning, including the promotion of networks of planning and research bodies with the aim of encouraging joint observation and tracking.
- To promote effective, lasting transport systems and better access to the information society:
  – improving local and regional access to national and transnational transport networks, in particular by connecting secondary networks (the building connecting of motorways and trunk roads and other similar infrastructure projects being excluded),
  – promoting intermodal transport and modal transfers in favour of more environment-friendly transport modes, especially maritime transport, inland waterways, rail transport and non-motorised transport,
  – encouraging the use of information and communication technologies to develop networks and "virtual groupings" with the specific aim of supporting joint sales and marketing strategies,

© OECD 2002

- encouraging the use of information and communication technologies to improve public services, including knowledge and technology transfers among local authorities and the development of their use in public interest sectors such as education, training, healthcare, etc.,
- developing telematic services and applications based on the possibilities offered by the information society for overcoming distance and encouraging access to knowledge and innovation, especially in areas such as electronic commerce, training, research and working from home.

• Promoting environmental protection and the sound management of natural resources:

- contributing to the establishment of a European ecological network (Natura 2000), linking protected sites of regional, national, transnational and Community interest,
- creatively rehabilitating landscapes damaged by human activities, including areas threatened by the abandonment of farming,
- introducing innovative initiatives to promote the natural and cultural assets of rural areas with a view to the sustainable development of tourism, especially in sparsely populated areas,
- framing and implementing strategies and integrated initiatives to prevent flooding in the transnational areas of river basins.

Champagne-Ardenne in the North West Metropolitan Area

A sparsely populated region surrounded by urban areas

Within the NWMA, Champagne-Ardenne is a sparsely populated region surrounded by urban areas: the Paris region to the south west, the Nord-Pas-de-Calais to the west, the major cities of Belgium and the Netherlands to the north, Luxembourg, Alsace and the urban areas of Germany to the east. Predominantly rural and industrial, it is peripheral to the main growth areas and suffers from the gravitational pull of major urban centres, especially the Paris region, without reaping any benefit in return. This is reflected in its lack of universities and research centres and the absence of both public and private decision-making centres.

Example of a project carried out by Champagne-Ardenne in the NWMA framework

In 1997-1999, Champagne-Ardenne took part in only one transnational co-operation project, the Freight and Spatial Planning project involving:

• French players: the regions of Bourgogne, Champagne-Ardenne, Haute-Normandie, Lorraine, Nord-Pas-de-Calais and Picardie,

© OECD 2002

- Belgian players: the provinces of east and west Flanders and the region of Wallonia,
- Dutch players: the provinces of Zuid-Holland, Noord-Holland, Noord-Brabant and Zeeland.

The purpose of the project is to improve knowledge of the main freight corridors in the NWMA and propose measures to make them more competitive and reduce their negative effects. The total cost of the project is 1.3 million euros. It may be very useful in identifying relevant issues for the Vatry platform in relation to other freight platforms in the NWMA.

However, it is regrettable that Champagne-Ardenne only participated in one such project. In comparison, the Nord-Pas-de-Calais region was involved in six different projects during the same period, and the Wallonia region in eight. Both regions are pursuing a resolutely outward-looking strategy. Apart from the Nord-Pas-de-Calais and Île-de-France, the other French regions have not been greatly involved in the co-operation programme. Bourgogne, Haute-Normandie, Lorraine and Picardie, like Champagne-Ardenne, are involved in only one project, and the Centre is not involved in any projects.

Outlook for the future for Champagne-Ardenne

Champagne-Ardenne's particular situation in the NWMA is favourable to joint initiatives with other European regions in several areas:

- Co-operation with other "peripheral" regions dominated by a major urban centre, in areas such as:
  - territorial marketing to make entrepreneurs aware of the opportunities afforded by these regions,
  - urban regeneration to make towns and cities more attractive,
  - partnership between universities and research centres in order to mutually strengthen the quality of training, and at the same time ensure that businesses benefit from spin-offs,
  - the development of activities likely to attract city dwellers, such as tourism, where there is considerable potential for job creation,
  - protection of the environment and landscape in order to make the regions attractive.
- Co-operation with regions facing the same problems of low density: one promising option is the development of NICT in order to make businesses more competitive and encourage wider access to information. Another argu-

© OECD 2002

ment in favour of NICT in the light of the INTERREG eligibility criteria is their role in favouring equality of opportunity between men and women.

- Co-operation in specific areas such as industrial regeneration, the promotion of local production, the promotion of environment-friendly transport modes, etc.

Several project proposals were submitted to the INTERREG Secretariat in September 1999. None of them involved Champagne-Ardenne, whereas Wallonia was involved in five projects, Nord-Pas-de-Calais in three, Haute-Normandie in three (management of the industrial environment of port cities, interactions between ferries and public transportation, and coastline conservation) and Picardie in one (the same coastline conservation project as Haute-Normandie). Yet several project proposals could be of direct interest to the Champagne-Ardenne region (Box 14).

Conclusion

Champagne-Ardenne remains somewhat closed to cross-border and transnational co-operation. The Champagne-Ardenne/Wallonia cross-border co-operation project under INTERREG II is the least far advanced of the four INTERREG programmes in which Wallonia is involved, the other three being Wallonia/Nord-Pas-de-Calais, Sar-Lor-Lux and Euregio Meuse-Rhin.

Progress is being made in bilateral co-operation with Wallonia, however, and a number of meetings held in 2000 have begun to open up avenues in several areas, especially:

- spatial planning, notably the development of cross-border infrastructure, management of a common heritage and the development of tourism, and environmental protection;
- vocational training: provision of courses in sectors where labour is short, common information about careers and the labour market, validation of vocational skills and setting-up of a European economic interest grouping (GEIE) that would enable the joint management of both Wallonia and Champagne-Ardenne training projects.*
- culture: development of a cross-border cultural life and creation of a cross-border identity.
- a sustainable global development study of the Meuse river, from its source in Haute-Marne to its estuary in Holland.

* For the first time, the regional authority's vocational training programme should call for tenders from Walloon training organisations.

© OECD 2002

Box 14. **Project proposals liable to be of interest to Champagne-Ardenne**

These few examples illustrate the variety of spheres and the interest of transnational co-operation for the development of the Champagne-Ardenne region, and in some cases the scope for complementarity between parts A and B of INTERREG.

"Exploitation of cultural, architectural and natural assets along the Meuse" (reference 273). The aim of the project is to identify all the potential sites for tourist development along the banks of the Meuse and to help preserve the cultural environment. It involves the Belgian provinces of Liège and Hainaut, three Belgian university institutes and just one French player, the spatial planning institute at Reims University (IATEUR). It would be helpful for Champagne-Ardenne to get involved in the project in order to raise its profile. In addition, as it is a cross-border project, the regional authority can take two types of initiative. It can carry out an in-depth study of a strategy for the Meuse with the Belgian partners mentioned above, and it can carry out more specific cross-border actions within the framework of part A of INTERREG. This would generate genuine complementarity between parts A and B.

"Four Ardennes" (reference 298). This project, promoted by the Wallonia region, is two-facetted: the development of small rural towns in the Ardennes and Eifel (a high-lying region of Germany between the Belgian Ardennes and the Rhine) and protection of the Ardennes-Eifel landscape. The project is of interest to Champagne-Ardenne, since it provides an opportunity for setting up networks with institutions in neighbouring regions that face similar problems in rural areas. Again, there is scope for complementarity with cross-border co-operation initiatives.

"Nature stops along railways" (reference 309). This project, promoted by Dutch and British rail operators, aims to encourage access to nature reserves by rail, an environment-friendly form of transport. Stations situated close to nature reserves would attract and channel nature-lovers, proposing various types of discovery activities and perhaps accommodation. The sites identified by the project promoters are the Oostvaardersplassengebied, the Veluwe, the Ardennes, the Eifel, Kent and Luneburg Heath. Champagne-Ardenne could take part in the project with a view to exploiting the region's remarkable natural assets, such as the lakes in the south.

"Revitalisation of town centres and retail shopping" (reference 319). This project, promoted by Wallonia, is designed to assess the role of retail shopping in making town centres more attractive and lively, with the aim of encouraging better-balanced urban development. As the urban fabric of Champagne-Ardenne consists mainly of small and medium-sized towns, the project is of considerable interest for the region.

© OECD 2002

Box 14. **Project proposals liable to be of interest to Champagne-Ardenne** (*cont.*)

"New economic opportunities in rural areas (NEORURA)" (reference 315). This project, promoted by Dutch provinces, seeks to identify the similarities and differences between rural areas of Europe in order to identify possible solutions for sustainable development and stimulate exchanges of experience and best practice. The activities covered by the project are rural tourism, agro-tourism, organic farming, the development of access points to NICT, etc. As a substantial proportion of the population of Champagne-Ardenne lives in rural areas, the project is highly relevant to the region.

Besides, the operational programme for INTERREG III A was put into effect in the second half of 2001 and it opens up a wider sphere of eligibility than before. Although moderate, the available amount is nevertheless significant: FRF 480 million over six years, of which FRF 229 million is earmarked for French partners cooperating with Wallonia. The regional authority submitted a draft operational programme to Brussels.

The region has also said that it will reassert its commitment to INTERREG III B. Champagne-Ardenne has already taken up a position, albeit timidly, in infrastructure and communication networks, and is also a member of several European co-operation networks such as RETI (technology) and AREV (viticulture).

The transition to INTERREG III gives Champagne-Ardenne, a green and sparsely populated region surrounded by urban areas, many opportunities to reverse the existing trend in both cross-border and transnational co-operation. In order to generate the necessary motivation to involve civil society in INTERREG, particular care must be taken to:

- ensure that the regional structure set up to manage INTERREG is highly flexible;
- disseminate information as widely as possible in civil society, through municipalities, the press and regional television;
- give cross-border and transnational initiatives a proper place in regional strategy;
- draw up an action plan around a small number of unifying priorities, especially tourism, the environment, industrial regeneration, information and communication technologies.

© OECD 2002

Efforts must also be made to ensure coherence between parts A and B. Cross-border co-operation (part A) can breathe new life into the Ardennes department, which would help to strike a better balance within the region between the two central departments, Aube and Marne, which are the most dynamic, and the north of the region. Transnational co-operation (part B) can bring the region the benefits of networking on a European scale. Integrating parts A and B in its regional development strategy gives Champagne-Ardenne the opportunity to place its development on a solid footing by taking maximum advantage of INTERREG.

The region can reap considerable economic benefits in all these spheres, but they will not materialise unless the regional authority can develop the considerable capacity needed to take initiatives.

© OECD 2002

Chapter 5

Economic Development, Knowledge and Innovation

After going through a difficult period, the economy in Champagne-Ardenne picked up in 1999 and 2000. However, manufacturing industry continues to face problems of structural adaptation compounded by the small size of the services sector. Much of the necessary adjustment still has to be completed and the region continues to rely on past achievements. Regional authorities have sought to modernise the mechanisms for attracting investment (incentives, industrial zones, promotion) and consolidate the growth trend. Attention is being paid to the quality of the local economic environment, previously rather neglected, and in particular to the creation and encouragement of small businesses. This change is needed not only to help more young people to find jobs but also to facilitate the absorption of surplus labour resulting from the restructuring of traditional sectors. The relative slowdown in productivity gains throughout the 1990s increased the pressure to restructure. The region's position in relation to European and international trade flows therefore remains fragile, based mainly on the performance of a small number of products. In the longer term, the prosperity of Champagne-Ardenne depends on its capacity to diversify its economic base and achieve a satisfactory balance between the old and the new economy – one of the chief success factors in the regions studied in the chapter comparing Champagne-Ardenne with Wallonia, Pittsburgh and the East Midlands. The process of transition will make demands not only on local business but also on educational institutions and research facilities. This chapter starts by considering direct regional policies designed to revitalise and facilitate the renovation of the industrial fabric. It then looks at how the education and R&D system copes with the switch to the knowledge and information economy. It concludes with some recommendations for making Champagne-Ardenne a "learning region".

Regional industrial policy: a classic blueprint

As in most French regions, Champagne-Ardenne's regional policy is based first and foremost on a set of measures designed to support businesses and infrastructure development. Their aim is not, as in the past, to provide direct aid to

© OECD 2002

firms in difficulty in order to preserve jobs and keep the business going. Increasingly, it is to combat market shortcomings as well as to spark off start-ups. Aid is intended above all to make up for the handicaps suffered by new businesses or small firms trying to raise capital or acquire technology. More specific measures have also been taken to attract investment to different parts of the region. These initiatives should be seen against the background of the redeployment and modernisation of regional industries that in many cases face fierce global competition.

Encouragement of entrepreneurship

Small and medium-sized enterprises (SME) make a substantial contribution to growth at a local level by diversifying the industrial base, expanding the offer of specific services and making the economy more flexible and adaptable. The existence of a dense network of small specialised firms also makes it more likely that a particular area will attract inward investment, since investors are constantly on the lookout for efficient and flexible sub-contractors to which they can outsource non-core activities. SMEs are also an appreciable source of jobs because, compared with large firms, they tend (in relative terms) to use labour rather than capital. It comes as no surprise, therefore, that start-ups are reckoned to be responsible for almost half of the 450 000 new jobs created in France in 2000.[1]

Champagne-Ardenne is rather poorly placed in this regard. It has proportionately fewer firms with fewer than 20 employees than other regions. Even more worrying, business creation rates have consistently been lower than the French average and have declined steadily since the recession in the early 1990s. Things picked up a little in 2000, when the business creation rate rose for the first time since 1993: 3 756 businesses were created (from scratch + reactivations + takeovers), 3.2% more than in 1999 and two points better than the average for France as a whole (1.2%). However, the improvement was concentrated exclusively in the Marne department, where it followed a previous very sharp drop. In addition, the current improvement in the Marne (+9 creations per 10 000 inhabitants between 1999 and 2000) is not sufficient to offset the decline between 1993 and 1999 (–11 creations per 10 000 inhabitants). In the region's other departments, the business creation rate per inhabitant was more or less flat (–1 creation per 10 000 inhabitants between 1999 and 2000 in Ardennes, –2 in Aube, and +1 in Haute-Marne).

This evident weakness is not a recent phenomenon, and both national and regional authorities have introduced numerous measures to try and turn the trend around. Although the range of measures is relatively comprehensive, actions are often on a modest scale – especially in comparison with those in the test regions – albeit sometimes innovative (support for unemployed young people, for example). Some measures have arrived late in the day. Until April 2000, Champagne-Ardenne and Corsica were the only two French regions not to have a business

© OECD 2002

incubator. Now operational, the incubator will have a budget of FRF 15 million over five years and will be eligible for funding from the European Regional Development Fund (ERDF).[2] Run from ENSAM[3] at Châlons, it will enable SMEs to choose their preferred location in the region while taking advantage of shared services. Because it has been slow to gear up (the director did not take up his post until early summer), it is still only half as effective as the average for the 31 French business incubators, with 4 projects in incubation in May 2001 (the national average is 8) and 15 in the pipeline (the national average is 28).

Other initiatives could ultimate lead to the establishment of incubators. In May 2000, the Aube departmental authority decided to help with the creation of "activity zones". Through agreements, it stands in for communities that alone do not have the means to finance, promote and manage large-scale business park projects. The authority buys the land, builds the platforms and manages the project. In return, local communities undertake to pay back their share of business tax revenues.

A similar situation applies with regard to venture capital. Here again, the region had lagged behind, but a recent restructuring of existing bodies has enabled it to catch up much of the lag. There was no regional venture capital policy until 2000 and the targets of the various bodies providing venture capital were not clearly identified. However, roles have been clarified since the recent reorganisation of IRPAC, the Champagne-Ardenne regional venture capital fund, and the creation of *Champagne-Ardenne Croissance*. IRPAC specialises in funding the development of existing SMEs with high growth potential, while *Champagne-Ardenne Croissance* helps with small business start-ups. Their managements work together, so the two entities between them can now offer SMEs a full range of capital funding services and have invested in a significant number of projects.[4]

More is being done in terms of communication to promote entrepreneurship, though the results are as yet rather slight. Reactions to a national competition to help create innovative businesses have been rather muted. Seventeen entries were received from Champagne-Ardenne in 1999, and three prizewinners were selected. Twenty four entries were received in 2000, showing that the event has had some impact on young entrepreneurs. However, there have been only 10 prizewinners from the region in all, 1.3% of the total number of 778, putting Champagne-Ardenne in 18th place in the competition rankings. Other initiatives include *Concours Reims Creator*, a regional business creation competition organised regularly by ADER, the Reims economic development agency, and Troyes Technological University. In 2001, Reims organised Innovact, a national showcase for innovative young businesses, focusing on five sectors of regional importance.

As can be seen from the experience of other countries, encouraging entrepreneurship and small businesses is a multi-faceted problem that needs to be tackled within the framework of a comprehensive strategy (Box 15). Central government

© OECD 2002

Box 15. **Atlantic Canada's strategy for promoting entrepreneurship**

En 1988, Canada adopted a national policy for entrepreneurship with the aim of promoting the interests of entrepreneurs, encouraging start-ups and favouring regional economic development through grassroots decision-taking. Whereas an entrepreneurial culture had previously been no more than a by-product of regional development policy, the intention was to turn it into a stated objective. ACOA (Atlantic Canada Opportunities Agency) started pursuing this goal in 1989. Given a brief to create the right conditions for entrepreneurs, it focused on three aspects: *i*) motivation, by studying behavioural models in order to identify favourable factors; *ii*) opportunity, through factors such as access to information, guidance and advice, access to capital, and support for small businesses; *iii*) development of knowledge and skills according to candidates' training or background.

ACOA has sought to portray entrepreneurship as an attractive employment option and to increase the opportunities for learning how to start a business through a more or less formal training and guidance network. In doing so, the Agency has focused on common activities and exchanges and the collection and dissemination of information about the keys to starting a successful business. The strategy owes its success partly to precise identification of target groups (young people, women, the unemployed, employees of large firms, etc.) and their specific needs, and partly to the contribution of a variety of partners including the media, educational institutions, business support organisations and central government. The entrepreneurship unit created within ACOA as part of this programme has played a crucial role in co-ordinating initiatives, consulting partners, planning policy options and setting up networks.

The programme has had a highly beneficial effect in Atlantic Canada. The number of potential entrepreneurs has doubled (14% said they envisaged creating a business compared with 7% before), and new businesses have created 49% of new jobs in the region over the period 1989-93. It also shows that a certain number of necessary (though not sufficient) conditions must be met if a business opportunity development programme is to succeed, such as:

- creating a favourable regulatory and tax environment;
- facilitating access to capital;
- creating an organisation authorised to collect and disseminate information about companies;
- establishing a network of organisations willing to help small businesses;
- framing government policies that encourage entrepreneurship;
- understanding the needs of different target groups of potential entrepreneurs;
- allowing time for the practical benefits of the programme to emerge.

© OECD 2002

in France has numerous procedures for achieving this, involving numerous more or less deconcentrated agencies (APCE,[5] ANVAR,[6] DRIRE,[7] DATAR[8] via CAP[9] *Développement*, etc). In this context, the region is the entity best placed to co-ordinate action, especially new forms of government assistance such as unsecured loans to entrepreneurs, guarantee support and capital investment grants, included in its business support arrangements (corresponding to the new spatial division of the regional planning grant scheme approved by the European Commission in May 2001). The region has achieved some success, notably in providing venture capital and carrying out joint programmes. It is important that its role as an integrator in the implementation of support mechanisms should be fully recognised.

Clustering

Large firms continue to make a substantial contribution to growth in Champagne-Ardenne. The regional authorities are counting on investment by these firms to foster the development of industrial centres and encourage emulation in the hinterland. By their presence, large firms guarantee not only jobs but also training facilities and, in some cases, research and service activities.

The region recently launched an initiative to provide an attractive environment for such firms. Dubbed "reference zones" or "areas of excellence", they aim to attract firms by combining a number of criteria such as non-restrictive land ownership, good roads, a clean environment, critical size and a high-speed data network. The final number of successful candidates will depend on how central government funding is shared between different projects, but a total of FRF 500 million has been earmarked for the period extending to 2006.[10]

This regional planning policy also makes up for the recent spatial planning restrictions resulting from regional planning grants (*Primes à l'Aménagement du Territoire*, PAT). In order to meet the criteria imposed by the European Commission, areas like Troyes are no longer included on the PAT map. To alleviate the negative impact of these changes, DATAR, the regional planning and development agency, has introduced a set of measures, from which the region may benefit, such as assistance to services and businesses, a new regional employment grant and a special grant for agri-food companies (POA).

Broadly speaking, the initiatives taken at local authority level suffer from a lack of co-ordination: local players decide to set up a zone and determine the type of industries they want, without following a broader strategy. Regional business development strategy is steered by agencies at departmental level: ADER, the Reims economic development agency, covers the Marne, while *Aube Développement* and *Haute-Marne Développement* cover their respective departments. At an inter-regional level, CAP *Développement* co-ordinates economic development initiatives in Champagne-Ardenne and Picardie. These agencies should be grouped into a

© OECD 2002

Box 16. **Scottish Enterprise, an effective, versatile agency**

Scottish Enterprise (SE), the chief economic development agency in Scotland, was created in 1991. Based in Glasgow, it has a network of 13 regional agencies. Its main task is to promote and encourage entrepreneurship, industrial infrastructure, vocational training, employment and integration. Although Scottish Enterprise gets most of its money from central government, private sector involvement is regarded as very important and representatives of the business community have a majority of seats on the Board.

The agency takes an active lead in exchanging experiences with other development agencies in Europe, America and Asia. It has pursued a new strategy since 1999, highlighting the need to explore the opportunities afforded by globalisation and the transition to a knowledge-based economy. Besides, the agency acknowledges that it cannot operate in isolation but must increase its partnerships with local communities and business.

Although successful in attracting foreign investment (Scotland often attracts proportionately more inward investment than the rest of the UK), Scottish Enterprise continues to give priority to encouraging entrepreneurship and getting maximum value out of Scotland's science base. It spends four times as much on endogenous growth than on attracting or retaining inward investment.

single co-ordinating body or regional agency in which regional authorities should be strongly represented. In this respect, Scottish Enterprise in Scotland is an interesting case in point (Box 16).

The action taken in Champagne-Ardenne thus combines endogenous measures (support to SMEs, venture capital, business creation) and exogenous measures (seeking to attract firms from outside the region or from other countries). These two types of action mutually strengthen each other. Foreign investors often regard the presence of local externalities as an important factor in their location decision. In contrast, local firms become more competitive through working with bigger firms with better productivity and greater capacity for innovation. This strategy rightly places more emphasis on a flourishing local environment than on tax incentives to make the region more attractive to foreign investors.

The need to emphasise intangible development factors

The objectives pursued by the regional authorities in their strategy are more ambitious than merely stimulating investment by supporting business creation and attracting foreign capital. On a broader canvas, they are seeking to encourage

© OECD 2002

the reindustrialisation of traditional sectors and modernisation in areas where Champagne-Ardenne has a real comparative advantage. In the past, the region has benefited from the pioneering role of the farming sector in general and the champagne industry in particular. It needs to continue to develop them and build on its advantages. The stakes are highest in a number of key sectors, both traditional and emerging (Box 17).

The more local externalities there are, and the more they can be internalised, the more likely these firms are to grow. Such local externalities include suitable skills, the presence of suitable public or private research organisations, and the presence of competitive sub-contractors or suppliers. In order to be effective, policies for promoting competitiveness must therefore not only improve the investment environment but also ensure that training is responsive to corporate needs and facilitate the spread and/or generation of suitable technologies. Evaluating these policies therefore involves reviewing the training and research infrastructure and assessing the services it provides. An inventory of this local or regional asset must also take account of local behavioural attitudes and customs, *i.e.* the social capital.

Higher education and continuous training

Having long lagged behind in education and training, in recent years Champagne-Ardenne has caught up most of the shortfall and its baccalaureate results are now close to the national average. However, enthusiasm for practical training courses remains one of the region's most salient characteristics. There was a sharp rise in the number of apprentices towards the end of the 1990s, and many young people attend agricultural college. In view of the growing demand from companies for higher qualifications, the adaptation of university courses is becoming increasingly complex. More and more, the quality of educational institutions is measured by their capacity to adapt courses to make graduates more employable. Continuous training courses must also help to make trainees more useful or more attractive to employers.

Universities

There are two universities in Champagne-Ardenne, at Troyes (Troyes Technical University) and Reims (University of Reims Champagne-Ardenne). Only the former has truly assumed its role as a bridge, albeit a fragile one, between the academic and the business world; Reims University remains at one remove from the needs of the regional economy. Attempts are being made to establish university sites in employment areas that have none, but they are also running into difficulties. However, in Charleville, training is supported by the industrial fabric, especially in the field of materials and in that of the CAO. As a result, the student

© OECD 2002

Box 17. **Key sectors for economic development in Champagne-Ardenne**

Agri-food. It is essential to invest more in the processing of agricultural produce, especially in view of the likely reform of the CAP, with assistance being redirected to new member countries in the years to come. The region has major advantages on which it can build in food processing, such as alfalfa dehydration (it accounts for 84% of French production and 25% of European production). Europol'Agro, the Reims University agronomic research centre,[1] is a prime candidate to help it do this.

Textiles. The textile industry is finding it hard to diversify into higher-technology products and further job losses may be expected (two-thirds of all jobs in the industry have been lost since the mid-1970s). It is difficult to set up cooperative initiatives, though efforts are being made to target new markets with support from the regional authority and the Aube department. Innovation and investment in R&D are the only solutions for preserving a textiles industry in the region, given its labour costs and the fiercely competitive environment.

Metallurgy. Metallurgical industries with solid historical roots in the Ardennes and Haute-Marne in particular include founding, forging, stamping and metal-working.[2] A total of 29,000 employees, accounting for a quarter of industrial employment in the region, work in 800 firms in the segment, many of them small businesses working as sub-contractors for large customers (cars, high-speed trains, Channel tunnel).

Packaging. A thriving "Packaging Valley",[3] has emerged between Reims and Châlons, with 220 firms (a third of them in the Aube department) and 11 500 employees, putting Champagne-Ardenne in third place in the packaging sector in France. Created by the Aube department in 1993, it has some of the characteristics of an industrial district which federates the region's packaging firms and strengthens the industry through training, information, consulting, research and promotion. However, the potential for co-operation between firms is by no means fully exploited.

Logistics. The research ministry recently gave Vatry, a logistics centre based on the airport there, "national reference zone" status. From 400 employees in 2000, the centre is expected to have more than 1 000 by the end of 2001. However, facing fierce competition from airports in the Paris region, Vatry recorded only 200 air movements in 2000. When the third airport is inaugurated, the freight of the Paris area could be transferred to Vatry.

Biomolecular/biomaterials science. Basic research is virtually the only activity in this segment, carried out at the Reims University laboratory. Although fruitful applications exist, in areas such as medical imaging, a specialist industrial fabric still needs to be created.

Mechanical and materials engineering. Although a partnership exists between research institutes and industry within industrial technology centres (*Centres de Techniques Industrielles*, CTI[4]), there is relatively little innovation. However, the materials CRITT in Ardennes is functioning well.

© OECD 2002

Box 17. **Key sectors for economic development in Champagne-Ardenne** (*cont.*)

Another sector that could hold out attractive prospects for the future is the one around the underground laboratory at Saudron Bure, where research is due to be conducted into the circulation of fluids in clay, underground construction, hydrology and the hydrochemistry of aquifers in karst areas. ANDRA,[5] the national radioactive waste management agency, is part-funding the laboratory. However, the region has not committed to making it a centre of excellence for reasons of image, since the facility could be used to store nuclear waste. But the window of opportunity is rather small: ANDRA's financial support will come to an end in 2008, by which time the laboratory will have to have achieved financial independence by attracting businesses.

1. E*uropol'Agro* is a teaching and research centre specialised in agronomy, wine-production, oenology, as well as in the transformation and optimization of agricultural resources.
2. Forging-stamping: 32 firms (1 850 employees) representing 35% of French production; biggest firm: Ateliers des Janves (195 employees). Founding: 24 firms (4 400 employees) 10 of French production; biggest firms: Citroën (1 500 employees), La Fonte Ardennaise (890 employees). Bolt and screw manufacturing: 27 firms (600 employees) producing 15% of French bolts and screws.
3. The Packaging Valley was created and developed by industrials from the Champagne-Ardenne region with the support of local authorities; it musters 149 firms specialised in packaging.
4. The *Centres of Industrial Techniques* (*Centres de Techniques Industrielles*, CTI) are based on mutualism with regard to equipment costs, powers and information that SMEs would not be able to afford otherwise. Via CTIs, SMEs only directly pay for the appropriation of collective research results and for the use of common tools.
5. The National Radioactive Waste Management Agency (*Agence nationale pour la gestion des déchets radioactifs*, ANDRA) was created in 1979; it is a public establishment in charge of managing French radioactive waste. It is independent from waste producers; moreover, it is in charge of human and environmental safeguard on the long-term at all stages of radioactive waste management. The ANDRA is placed under public authorities'control; its main role is to check waste's quality while designing, setting up, building and managing stocking centres where waste are being stored according to their own characteristics.

population is lower than the national average (1.6% of the total), though a relatively large proportion take short-cycle technology courses such as those offered by university institutes of technology (IUT) (2.9%). Particular attention has been paid to continuous training, with some success in the form of joint initiatives between the region and companies, though it is sometimes difficult to secure their long-term future.

© OECD 2002

Reims University is a relatively recent institution with a solid reputation, but in the light of developments over the last twenty years and the emergence of new types of course, especially in sciences, it has not always managed to preserve its status in relation to other regions. The university has under-invested in certain disciplines, such as literature and law, with the result that the quality of infrastructure, teaching materials and staff-to-student ratios have declined. Offering a wide range of courses, especially third-cycle courses, the university has not managed to promote specific fields of acknowledged excellence that might attract both students and teachers. It has numerous laboratories, though they are not always big enough to justify the investment. The university has begun to remedy the problem of fragmentation, recently combining ESIEC's two laboratories (*École Supérieure d'Ingénieurs en Emballage et Conditionnement*). These problems only serve to make rival institutions more attractive, whether in the Paris region or in neighbouring regions. Consequently, the number of students has remained flat or even fallen slightly (–0.2% between 2000 and 2001), though the trend has been reversed and a surplus of 4 000 students is expected by 2005.

Reims University may appear over-fastidious, preferring to defend its traditional areas of interest without trying to develop credible new disciplines. The ESIEC, a specialist packaging institute, was integrated only after a long and hard fight, perhaps because it was not thought worthy enough to become a university course. But the university is trying to adapt and to improve its focus. It has successfully promoted new disciplines, through Europol'Agro, for example, which seeks innovative ways of enhancing agricultural resources. But the success of other attempts to reposition will become apparent only with time. Despite substantial local authority and EU funding, a mechanical and materials engineering centre of excellence has not yet won acceptance among industrial employers, though there is very heavy demand from them for high-level training in this field.

The situation is quite different for Troyes Technical University (UTT). A relatively new institution with an industrial slant, it is currently growing strongly and expects student rolls to rise from 1 075 in 1999 to 1 805 in 2003. From the outset, UTT has sought business partnerships in a limited number of areas of competence which address local needs. It has extensive contacts with employers, facilitated by compulsory work experience and strengthened by joint research projects (Box 18). In 2001, research work indicated that 99% of graduates found employment within four months of graduating. The courses on offer are adapted to changing circumstances: in 2000, two new second-cycle courses were therefore introduced (systemic integration of materials, and enterprise and logistics engineering).

But UTT is a fragile institution and its lack of funding belies its potential. Funding from local authorities could decline in the coming years as they switch resources to direct technology transfers rather than upstream research and teaching. It is also

© OECD 2002

Box 18. **Troyes Technological University**

The creation of Troyes Technological University (UTT) in 1994 was one of the biggest investments in education and training in the region. Initially intended as an offshoot of Compiègne Technological University, UTT moved into its own campus in 1997 and has since grown strongly. The number of first-cycle students rose from 130 in 1995 to 233 in 2000, and in the same year 138 students graduated with engineering degrees after completing a five-year course.

UTT takes an active part in promoting local entrepreneurship: responding to a call for tenders issued by the ministry of higher education and research, in June 2000 it joined up with URCA, ENSAM at Châlons-en-Champagne and business schools and institutes of technology at Troyes and Reims to create a business incubator providing premises and assistance to start-ups (there are now 28).

In 2000, UTT also concluded 38 partnership agreements with companies in fields such as research, services provision (consulting, expertise, training, studies and tests, analyses using laboratory equipment), patents and licences.

UTT needs to continue its efforts to consolidate its position as a key player in education and training, technology transfers and R&D.

significant that 44% of graduates take up their first job in the Paris region and only 8% remain in Champagne-Ardenne.

There has been little change elsewhere. Châlons IUT received a FRF 5 million government grant when it opened its Information and Communication Technologies department, but generally speaking not a great deal has been done. A higher technical training institute IFTS (Box 19) was created at Charleville-Mézières. It has enabled the creation of a centre of excellence in mechanical and materials engineering adapted to the industrial fabric of the Ardennes department. The problem of critical mass has not been solved, since research facilities are split between Charleville and Reims. A second IUT department will be opened in 2002 at Charleville and a third one could also open its doors in 2003-2004, thus creating a full IUT (independent from Reims).

Central government has exclusive responsibility for higher education, even though local authorities are sometimes called on to top up investment, and it is not likely to significantly increase its funding in the foreseeable future. Funding provision under the U3000 plan[11] is scanty. Champagne-Ardenne will get only 1.5% of the FRF 18 billion earmarked for higher education in France under state/region planning contracts (2000-2006), or FRF 310 million, less than Picardie. In this context,

© OECD 2002

Box 19. **The Champagne-Ardenne Higher Technical Training Institute (IFTS)**

As part of the University of Reims Champagne-Ardenne, the Higher Technical Training Institute (IFTS) carries out training and research duties while being responsible for industrial relations. With regard to initial and continuous training, the IFTS offers an intermediate engineering diploma (DEUG, usually delivered two years after the baccalaureate) in Science and Technologies (bac+2) which can be followed by a materials engineering diploma, IUP G*énie des matériaux* (bac+4) and two DESS (bac+5); as well as a professional degree (bac+3) and university diplomas funded by the Champagne-Ardenne regional authority. As far as scientific and technological research is concerned, there are about fifteen young researchers preparing a PhD in the Ardennes, very often co-operating with firms or benefiting from the departmental authority's help. Last, the dissemination of scientific and technological culture amongst industrials is secured by the signature of collaboration conventions as well as by the participation of firms in the IFTS' board of governors. The number of students in the IFTS has considerably rose since September 2000 (+60% for the DEUG and +50% for initial training on the whole). The subjects in which the IFTS has specialised – such as the modelling of industrial techniques, the concepts and models for the CAP or the rapid production of prototypes – have also been acknowledged by both Casipro and Espoir INTERREG projects. Besides, projects are also being led via partnerships with foreign entities, mostly European (Germany, Italy, Belgium, England…) but Canadian as well.

the joint education services plan calls for the creation of four regional "technology platforms" in employment areas without universities: *i*) Vitry-le-François (industrial engineering/computer-integrated materials handling); *ii*) Charleville-Mézières (use of materials); *iii*) Chaumont (wood); *iv*) Châlons (information and communication technology). These platforms are supposed to lead to the creation of IUT.

Vocational training

The region has given particular priority to vocational training: courses are of good quality and pass rates are high (75.4% in 2000). Furthermore, these courses are designed with employment in mind, as can be seen from the fact that 80% of apprentices find jobs within six months of completing their training. Nevertheless, the contribution from central government remains low: the region was allocated FRF 12 million from regional apprenticeship and vocational training funds in 2000

© OECD 2002

(1.9% of the total for France as a whole), compared with twice that amount for Lorraine and three times for the Centre.

Companies do not play the leading role in vocational training that they ought to. For example, a multi-purpose machining training centre was created in Haute-Marne, partly funded by the regional authority; it ran for a while but has not lasted. Nor have training organisations been able to inject life into the sector. For example, Agefos-PME,[12] a training insurance fund, failed to achieve its objective of expanding distance learning opportunities for employees of the region's small businesses.

One reason for the lack of investment in continuous training is the structure of industry in the region: over 50% of employees have a CAP vocational training diploma, but the greatest demand for continuous training, and the demand that employers are most likely to meet, comes from managerial staff.

Research and innovation

Research is not particularly attractive to firms in Champagne-Ardenne: the region does not have a great track record for research and innovation. Investment is low, from both the public and the private sector. Companies spent FRF 625 million on R&D in 1996, barely 0.39% of the region's GDP compared with a national average of 1.47%, putting Champagne-Ardenne in second-to-last place in the league table of French regions. Altogether, the region has just seven CNRS researchers, and 5.6 public sector researchers[13] per 10 000 inhabitants, again putting it in second-to-last place. The number of patents filed fell by 12 % between 1990 and 1997.

Actions to encourage innovation and research need to be more effective. It is very much in the region's interest to focus on a small number of areas in which critical mass can be achieved. This does not mean that keeping a low profile is the best approach. Currently, there are only two technology parks, located close to the two universities. Similar initiatives may be expected in two or three other sites. However, the prospects for each project must be carefully evaluated since they are high-risk undertakings. It is reckoned that only half the technology parks in France operate under satisfactory conditions.

The most recent planning contract defined four areas of innovation in which the region may claim to lead the way and on which it should concentrate its efforts: *i*) developing and enhancing agricultural resources, *ii*) developing and securing the long-term future of the Champagne vineyard, *iii*) mechanical and materials engineering, and *iv*) biomolecular and biomaterials research. The plan also encourages the development of the packaging industry, and a national packaging research centre became operational in 2000. Other technology platforms have been created, like a biomolecular and biomaterials research institute that

© OECD 2002

houses teams from CNRS, INSERM and the ministry of research. However, excessive competition between departments to attract such activities threatens to slow down investment and compromise the viability of research. In this context, top-down decisions may be an advantage.

Measures to encourage innovation are scantily funded, especially as regards major items of equipment. In its bid to host the new French particle accelerator, for example, Champagne-Ardenne proposed assuming only part of the investment. Other candidates like Basse-Normandie and Grenoble were much more generous, offering to cover the entire cost of installation. Despite these enticing offers, the most likely site if the project comes to fruition will be the south of the Paris region, where there are already a number of research laboratories. Nonetheless, the CEA's Airix[14] accelerator is located near Reims.

In another illustration of the paucity of public assistance, the region reaps little benefit from incentives like the research tax credit. Champagne-Ardenne received a mere FRF 18.7 million of the FRF 3.4 billion allocated in respect of the research tax credit in 1999, barely 0.56% of the total. This is a direct consequence of the small number of innovative firms in the region: only 98 of the 6 600 companies that have applied for the research tax credit are located in Champagne-Ardenne.

University research also leaves much to be desired. The conditions at URCA are not best suited to attracting researchers/teachers or doctoral students. The dilapidated state of some premises can put off doctoral students, since the quality of the environment in which they generally have to spend a relatively long period of time is a significant factor in their decision.

As regards basic research, such as that carried on by the CNRS, there is no centre of excellence at present that could justify setting up a team in the region. As siting decisions for public research institutions are taken by the ministry of research, the regional authority initiated contacts with the ministry's central administration in the late 1990s. However, its lobbying, aiming at reinforcing CNRS teams, has had little effect in relation to the effort put into it.

Cross-border co-operation, on the other hand, may act as a catalyst and enable critical mass to be achieved in terms of both financial and human resources. There is currently a project for a joint environmental science laboratory with Wallonia. Likewise, the region has successfully carried out an unusual experiment, by assuming the resettlement costs of two researchers/teachers from Eastern Europe. Such initiatives should be taken on a much larger scale.

Becoming a learning region

As we have seen, Champagne-Ardenne is increasingly concerned to provide its young and not-so-young population with better training and to increase its

© OECD 2002

knowledge production and research. But knowledge on its own does not contribute to economic growth. The crucial element for growth is the incorporation of knowledge into the production of goods and services. In other words, it is not only necessary to produce suitably skilled individuals or attract talent from elsewhere; their knowledge has to be used, and their work has to be organised so as to reap the benefit of their skills.[15]

Regional policies may act in a variety of ways to increase firms' capacities of absorption and transformation. They may facilitate the introduction of information technologies, both for business-to-business relations and within firms themselves (transmission of codified knowledge). Numerous studies have shown that relations with suppliers and customers are at the origin of the majority of corporate innovations.[16] Regional or national authorities can then endeavour to increase the propensity of entrepreneurs to co-operate, talk to each other and, ultimately, learn. As patterns of behaviour are often governed by conventions and/or regional customs, initiatives must concentrate on refounding the social capital. Besides, regional innovation systems are not limited to local networks. Scatter effects beyond regional and national borders are factors of dynamism. Trade is an excellent vector for the emergence and utilisation of new products and processes. The public authorities may act as a catalyst for initiatives in this sphere.

Penetration of information technologies in the region

The introduction of new communication technologies in Champagne-Ardenne may be measured by two yardsticks: infrastructure, and the extent to which technologies are used. By both criteria, the region lags behind.

Infrastructure

Internet penetration is very low in relation to neighbouring regions of Europe, and considerable disparities exist within the region as well. For example, although the Marne and Ardennes departments are relatively well-provided with high-speed links (ADSL), the Aube and Haute-Marne in particular are a long way behind. The lack of high-speed links is particularly acute in rural areas. Because such links are less profitable in low-density areas, the gap between those areas and better-supplied urban centres is growing wider. Even institutes of higher education, traditionally the best off, do not have the necessary infrastructure to connect to the knowledge society. UTT has a 2Mb/second leased line to link all its workstations to the network, equivalent to four residential ADSL links. Furthermore, the line is rented from France Telecom at considerable expense.

In 1998, the regional authority launched an ambitious scheme for a high-speed regional network. However, local authorities had to operate within the very restrictive legal framework resulting from regional development legislation intro-

© OECD 2002

duced in 1999 (Voynet Act[17]). Before being able to issue a call for tenders for a LAN, they had to prove the lack of public facilities and submit a plan showing a return on investment in eight years. Faced with these restrictions, and in view of the legal action taken against the first local authorities to issue such calls for tender (Nancy and the Paris urban communities under the SIPPEREC[18] umbrella), the region preferred to bide its time. A call for tenders was finally issued in 2000 but was greeted with indifference (only one tender was submitted) and subsequently withdrawn. Meanwhile, local loops have been constructed around Troyes, Reims and Châlons. However, the region still suffers from a considerable lack of high-speed capacity that affects businesses and research and educational institutions alike.

The legislation is being changed to make it easier for local authorities to fulfil their task of reducing geographical inequalities by attracting operators. After the lobbying by Nancy and the Ile-de-France region, with the backing of the telecommunications regulatory authority (ART), future legislation on the information society will relax the conditions for establishing local loops. The eight-year return on investment requirement will disappear, public subsidies will be allowed for regional development purposes, and the infrastructure will be made available to the general public and not merely to the operators. At the most recent meeting of the interministerial committee for regional development at Limoges in July 2001, it was announced that the *Caisse des Dépôts et Consignations*[19] would invest FRF 1.5 billion in high-speed infrastructure projects over the next five years. Most of this money will be devoted to studies and the design of projects developed by local authorities and will be limited as a rule to 10% of the total investment.

At present, Champagne-Ardenne is suffering from the problems that afflict the telecommunications sector as a whole. It is difficult to get operators to invest in vast, sparsely-populated regions when they have based their initial strategy on rolling out networks around centres of economic activity especially as, staggering under a huge debt burden, they are unable to generate a profit even there.[20]

Be that as it may, low-density regions have shown themselves to be highly inventive. Limousin, for example, reacted very quickly in successfully launching an aggressive deployment strategy. A telecommunications desert (not even France Telecom has a regional agency there), Limousin played on these disadvantages to attract ERDF funding, emphasising the need to establish the conditions for free competition. As a result of this proactive stance, the region now has 620 km of non-activated optical fibre (*i.e.*, without electronic equipment) which it can then lease to operators.

Utilisation of NICT

The region also lags behind in its utilisation of NITC. The equipment rate with mobile phones is 45% compared with a national average of 54%. Rather than come

© OECD 2002

up with a comprehensive plan, the regional authorities have preferred to introduce targeted initiatives. Objectif Net was launched in 1999 with the aim of making firms more aware of the potential of the Internet. Despite the involvement of chambers of commerce, Medef[21] (the French employers' organisation) and industry bodies, its results have hardly been spectacular. Other local initiatives have been introduced in spheres such as teleworking (*e.g.*, a training programme for handicapped people run by ADAPT[22] in Troyes). Targeting people with reduced mobility such as handicapped adults without a job or at risk of losing their job, such initiatives aim to prepare them for interactive distance working using telecommunications, telematics and computers. Call centres have met with a certain degree of success in the region: Atos and Client Logic have recently set up call centres with 500 workstations in each case.

Efforts have been made to raise awareness among ordinary citizens as well. A cyberbus travels throughout the region, stopping in small communes and giving inhabitants an opportunity to use its eight workstations under the guidance of three trainers. Indirect means have also been used, such as the campaign to prepare for the euro carried out by the chambers of commerce in the region. A regularly updated website, receiving 40 000 hits a month, provides companies with information about all aspects of the transition to the single currency and helps to forge a link between companies and the Internet. New topics could be added to the site, such as information about new regulations concerning social capital currently being published. But the media show little interest in promoting new technologies, as can be seen from the failure of a partnership between the regional authority and a widely diffused newspaper.

Access to public services is perhaps the area where most progress has been made, even though much still remains to be done. The CNAM[23] and GRETA[24] training organisations in the region have launched a Web-based distance learning programme. Eleven distance learning centres operating in rural areas have attracted 450 attendees. The programme has been particularly successful in the Ardennes. Joint working groups have also been set up with institutions in Wallonia (Technifutur Charleroi, Technofutur Liège) to promote e-learning and exchanges of teaching materials. The urban centres of Champagne-Ardenne have not played a pioneering role in electronic governance (carrying out administrative formalities via the Internet), unlike towns like Parthenay and Issy-les-Moulineaux which were digitised at a very early stage. Nevertheless, the foundations are being laid. Champagne-Ardenne is the first region to have concluded an agreement with the *Caisse des Dépôts et Consignations* for the creation of public Internet access sites, which it has baptised "cyberbases". The FRF 4 million grant will help to co-finance a dozen such projects promoted by local authorities. However, an estimated 140 cyberbases are needed by 2004 (and 7 000 in the whole of France), a serious effort will therefore have to be made to step up the initiative and find new part-

© OECD 2002

ners. The International Research Center on Literature for Young People (*Centre international d'étude de la littérature de jeunesse*, CIELJ) located in Charleville, is one of the most visited cultural sites in Europe (1 200 000 visits); it could serve as a basis for spin-offs while providing higher education courses in keeping with the multimedia center still at a planning stage.

Enhancing the social capital in Champagne-Ardenne

Within the region, the propensity to communicate, share, cooperate or even take initiatives is stunted by fierce local rivalries, competition between population centres, and the defensive attitudes of small firms. The regional mindset does not naturally accommodate such exchanges, partly for historical reasons. Long dominated by a strong farming sector, the region's instincts are corporatist and anti-cooperative. The misadventures of *Intégrale Textile*, an association created in 1987, are a good illustration of this tendency: most textile manufacturers in the Aube turned their back on the initiative because of the fierce competition that rages within the industry. Corporatist reflexes were also apparent in the opposition from the farming sector as a whole to the establishment of a research laboratory at Saudron Bure in Haute-Marne. A more market-oriented culture, though not necessarily a more entrepreneurial one, may be found in the champagne industry in the Marne. Ardennes is perhaps the department that displays the most solidarity and support for young entrepreneurs. However that may be, the department still does not have an economic development agency of its own which could effectively co-ordinate actions to encourage entrepreneurship in conjunction with CAP *Développement*.

Some measures have been taken to foster co-operation and encourage innovation within industries, though for the time being the initiative has come mainly from central government. DATAR, the regional development agency, launched two calls for projects in 1997 and 1998, granting FRF 25 million to 96 projects designed to foster co-operation between firms and support joint marketing, training or export initiatives. Local authorities have also provided funds, though on a limited scale. Champagne-Ardenne has a number of local production systems,[25] such as metalworking in the Haute-Marne triangle (which extends into Lorraine), cutlery at Nogent en Bassigny, sportswear in the Aube and wine industry supplies in the Marne. The success of any initiatives that may be taken will depend on the capacity of small businesses to cooperate, to do more than simply carry out studies or launch occasional campaigns, to take advantage of the social capital and define genuine joint actions in areas such as labelling, the development of shared-cost platforms, common services and technology transfers. It will also depend on the involvement of decentralised agencies, which are certainly the authorities best placed to adapt measures to regional circumstances.

© OECD 2002

Adapting and disseminating technology is a particularly promising area for co-operation between businesses or between businesses and institutions. However, Champagne-Ardenne lacks the necessary cooperative forums. There are no real technology centres in the region apart from the CRITT[26] at Charleville-Mézières, which works well since it has almost achieved financial independence, and a textiles centre. Certain bodies, like CETIM[27] for mechanical engineering and CTI Fonderie for metallurgy, are represented in the region, but only in the form of agencies with no capacity for innovation or local technology sharing. The CTI is a good illustration of this situation: its laboratories are in the Paris region, at Sèvres, despite the fact that most of the foundries in France are located in the Ardennes, in Picardie and around Le Creusot. Other industries have no pooling or co-operation policy. The *Union Régionale de la Métallurgie Ardenne Champagne*, which co-ordinates the regional actions of metal industry bodies in the region, has set up a website, but there does not seem to be any strategic desire to use it to encourage innovation or information sharing.

However, some traditional industries have shown themselves to be capable of moving with the times, and several industry associations have mobilised effectively. The *Club des Entrepreneurs Champenois* has done much to raise awareness of innovation in the wine industry and to encourage diversification of the sources of income. Champagne-related industries (glass, cardboard, corks, printing, vineyard supplies, vats, laboratories, caps and seals, etc.) now employ 4 600 workers, mostly around Epernay. Sales in the segment have risen by over a third in the last five years, reaching FRF 4.4 billion in 1998. The Club actively promotes the wine supplies industry, organising the Viti-Vini trade fair that attracts around 80 exhibitors.

Intégrale Textile, an offshoot of the *Union des Industries Textiles* created in 1987, is another example of a network that is trying to reinvigorate a traditional industry. Having taken stock of the gravity of the threat to an industry in which the number of jobs has halved in ten years, manufacturers set up the organisation with the aim of encouraging innovation and disseminating information, for example about new market opportunities or trade fairs. But several attempts were needed before they finally came up with an arrangement, the *Club Intégrale Textile*, in which firms would agree to pool their information. Its most recent and broadly successful initiative has been an international business convention, Citext, which brings together customers and manufacturers (Box 20). It should encourage the switch to technical textiles and small production runs, more competitive in the global competitive situation. This example shows that it is possible, though by no means easy, to overcome regional anti-cooperative reflexes.

Innovative sectors also face an urgent need to create links between businesses in order to secure a solid platform for growth. The Packaging Valley association, created by and for businesses in the packaging and logistics sector, is an

© OECD 2002

Box 20. **Technical textiles: the Citext international business convention in Troyes**

With the aim of ensuring the survival of the textiles industry through diversification and with the support of the Institut Textile de France (nowadays, the Institut français du textile et de l'habillement, IFTH), the Champagne-Ardenne regional authority, the Aube department and UNIT, the French union of textiles industries, Champagne-Ardenne gave a new impulse to regional textile in 1997 by launching Citext, which is a business convention at which customers looking for technical textiles can meet manufacturers capable of meeting their demands. At that time, few firms in the Aube department made technical textiles, unlike their counterparts in Rhône-Alpes and Nord-Pas-de-Calais.

Citext is very different from a conventional trade fair since it provides a forum for in-depth discussions between manufacturers of technical textiles and customers in the main user sectors (aviation, automobile, construction, electricity, electronics, protection, healthcare, sports, special clothing) with the aim of both developing new products and forging partnerships. Citext has been increasingly successful: the number of participants has increased from 85 manufacturers and the same number of customers in 1997 to 103 manufacturers and 124 customers in 2000.

With the help of several institutional partners (the European Commission, the regional prefecture, the DRIRE, the regional authority, the Aube department, the Troyes urban community and the city of Troyes), the event has helped to reinvigorate the textiles industry throughout the region. There are 230 textiles firms in Champagne-Ardenne (88% in the Aube, 5% in the Marne, 4% in the Ardennes and 3% in Haute-Marne), employing 10 500 people. About 40 firms now make technical textiles compared with only 15 or so five years ago. Although technical textiles account for only 30% of jobs in the region, compared with 42% for clothing, they account for 32% of total sales, compared with 31% for clothing. Technical textiles are not a miracle cure for all the firms in the region but an opportunity for diversification through which textiles can be promoted as materials in their own right. Although further job losses in the industry cannot be ruled out, the pace of decline is likely to slow.

umbrella organisation for the industry in the region whose 200 members account for almost 10% of the French market. The association provides a forum in which firms can meet, get to know each other better and consolidate their success. Giving priority to training, design awareness and the creation of a local production system, the network is recognised and supported by local authorities and public bodies. Following contacts established at Packinove business conventions, the association has recently concluded a partnership agreement with a Chinese business park.

© OECD 2002

Extending networks outside the region

Although situated in the economic heartland of Europe and adjacent to Ile-de-France, which accounts for a quarter of France's economic activity, Champagne-Ardenne is relatively inward-looking and does not yet take enough account of its neighbours in its strategy to promote innovation.

Champagne-Ardenne is in 16th place in the league table of exporting regions and, although multinationals have factories there, the decision-taking and research activities that create value and foster innovation are located elsewhere. Takeovers in recent years have tended to accelerate the trend. Valfond, a castings supplier at Saint-Dizier, recently sold its foundry to a German group with a view to growth. One hundred and fifty jobs were created as a result but the headquarters were transferred to Sarrebruck in Germany. Likewise Plastic Omnium, a major producer of automotive components and plastic products, has transferred its R&D activities back to the Lyon region.

Concentration has had a paralysing effect on firms' international networks: ten products account for almost 60% of the region's foreign sales. Most trade is with other EU countries. In 1999, only the Marne department recorded an increase in exports, driven above all by champagne. In a situation that is evolving slowly if at all, foreign trade policy consists mainly of a plethora of individual actions initiated by a large number of players, including chambers of commerce, the regional foreign trade agency, DRIRE, the regional COFACE[28] agency, foreign trade advisers and local authorities, although a CSA[29] survey in 1998 showed that 46% of SMEs wanting support for international expansion did not know who to contact. Champagne-Ardenne does not have any co-ordinating bodies like those in Bretagne (MIRCEB, joint canvassing and individual support), Pays de Loire (regional funds for exports and assistance on foreign markets, executive recruitment assistance) or Rhône-Alpes (ERAI,[30] an independent body that helps SMEs to develop abroad).

Cross-border co-operation offers another possibility for firms to extend their markets and make new contacts. Hitherto, the region has made little use of these opportunities and clearly lags behind other regions on the country's northern border,[31] though Champagne-Ardenne could play on its advantages as a less dense region, strategically placed in Europe's economic heartland. But the pattern is changing and a framework co-operation agreement with Wallonia was concluded in early 2001, covering economic and technological development through partnerships between businesses and research centres, amongst other things.

One example to follow might be the co-operation between Centre-Hainaut in Belgium and Nord-Pas-de-Calais in France. Promoted by two highly complementary partners – Interface Entreprises Universités (IEU) in France, with its roots in industry, and Management Interdisciplinaire du Transfert et de l'Innovation (MITI)

© OECD 2002

in Belgium, with its roots in the university sphere – the initiative has led to the creation of a regional database of scientific and technical skills. In order for the database to be usable, the project involved adapting purely French data to Belgian requirements and making very highly specialised information accessible to a large number of potential users. The database now lists over 600 research groups and has proved an extremely useful tool for economic operators. Such projects, which may also be eligible for European funding (INTERREG II provide half the funding for the one described above), must be identified and developed, with the region playing a steering role in forging political and economic links.

International co-operation is also a matter of mindset. Exposure to other countries must start at university. It is doubtless a good way to make the Champagne-Ardenne economy more international, even if the effects will only show up in the longer term. The region has adopted a very positive approach in this area, taking purposeful measures in recent years to encourage university exchanges. In April 2001, the regional authority launched Europass Formation, a European training quality label awarded by the original training organisation and based on a partnership with the foreign establishment. The region has also tried to make it easier for foreign researchers to come and work there, despite the amount of red tape.[32] The universities have developed their own co-operation programmes. URCA has established partnerships with similar institutions in nine other European countries through the Erasmus,[33] Lingua[34] and Tempus[35] programmes, three exchange programmes with institutions in eastern Europe, and bilateral agreements with universities in its twin towns (Aachen, Canterbury, Florence and Salzburg). Troyes Technical University also looks beyond the region: 85% of its students are from outside Champagne-Ardenne, only 24% of internships are with firms in the region, and the university is strengthening its links with other countries. It has set itself as an objective that 50% of students should spend a semester in a university in another country.

Recommendations

- E*ntrepreneurship*. The region has substantially increased the range of its actions, especially as regards venture capital, seed money, advice and incubation. It must now focus its efforts on young people by promoting entrepreneurship at university. Researchers must be a priority target, following the example of Picardie. Sustained attention must be given to the continuous training of new entrepreneurs. Entrepreneurship training should go hand in hand with other training courses as well as with worked-based learning.
- I*nternationalisation and image*. The various bodies responsible for economic development and inward investment could set up a network around CAP

© OECD 2002

Développement. This could take the form of a regional agency and act as a sort of one-stop shop for grants and assistance. In addition to promoting the region abroad, the agency should be able to conduct studies of living conditions (property markets, working environment, sporting and cultural facilities) and make recommendations. It should be able to take practical steps to attract qualified personnel (entrepreneurs, researchers, specialist technicians) by helping them to relocate, exploiting twinning arrangements and canvassing for recruits, especially in eastern Europe. It should define a regional promotion strategy by emphasising the region's competitive advantages. Apart from its strategic geographical position and centres of excellence, Champagne-Ardenne must underline the efforts made by local authorities to propose a "customised" approach, generally greatly appreciated by individual entrepreneurs.

- R*esearch and innovation*. A regional technology plan should be introduced with the aim of taking stock of the current state of resources and providing a framework. Medium-term objectives could be set for increasing the number of researchers, increasing R&D expenditure and expanding public research centres. The plan should include a review of existing centres and propose selective assistance for each one. The RIS/RITTS programme[36] could provide a framework for such a review and initiate exchanges with other European regions on these issues. Greater specialisation in university research should be another policy objective. In order to achieve this goal, maximum advantage should be taken of the research topics included in the four-year development contract 2000-2003 between UTT and the research ministry. In addition, Champagne-Ardenne has already set up regional research centres for mechanical and materials engineering and organisational technologies. R&D should be supported by active and rational co-operation between the public sector (central and local government, European funds) and the private sector (local, national and international firms) so as to ensure the best match between objectives and instruments (public contracts, industrial contracts, grants, subsidies).
- K*nowledge-based support for* SMEs. The region could launch a programme similar to the Plato initiative that has been so successful in Ireland. Under the Plato programme, experienced executives from large companies devote some of their time to supporting the managers of small businesses by providing training on specific topics over a certain period of time. The programme has thus engendered a business-to-business network. A similar scheme was launched in the west of the Paris region in late 2001.
- E*ducation and training*. There has to be a clear separation of powers in higher education. At UTT, for example, staff are appointed and managed by the national authorities; the university itself has no say. Greater independence

© OECD 2002

is needed here in order to relax the constraints and give all the players involved the means to do their job properly. A reform leading to power-sharing in universities is one option that could be explored.[37] Effective and operational evaluation is also needed. Universities are currently subject to a range of controls, by the *Conseil National de l'Evaluation*, URSSAF, *Inspection Générale de l'Administration*, *Chambre Régional des Comptes*, etc., which may overlap without necessarily producing relevant outcomes. Evaluation methods need to be rationalised so that a serious, thoroughgoing audit can be conducted, leading to a precise diagnosis of strengths and weaknesses and targeted action to remedy shortcomings. The assessment must be helpful and must take account of all aspects of the work of educational institutions. Lastly, courses must be both specialised and balanced. UTT, for example, has made a praiseworthy effort to round out its engineering courses with general education modules that include the human sciences, techniques of communication and expression, and a range of cultural and sporting activities. In contrast to the dichotomy often found between engineering and the humanities, students have everything to gain from courses that strike the right balance between a solid scientific and technical training and an excellent ability to communicate.

- *Human resources*. Action needs to be taken to improve living conditions around universities, industrial zones and technology parks so as to create an attractive environment that will attract researchers, students and executives from outside the region or abroad. This includes property markets, pleasantly designed working environments, sports facilities, etc. More could be done to attract qualified foreign workers (researchers, entrepreneurs) to the region by helping them to relocate, exploiting twinning arrangements and canvassing for recruits, especially in Eastern Europe.
- *Information technology*. A review of the most urgent needs for Internet infrastructure should be conducted with a view to providing solutions, albeit temporary. The region and central government should work together to encourage more investment in information technologies, Renater[38] connections and ADSL or cable links. Campaigns to raise public awareness of these technologies should be more systematic, and targeted local democracy initiatives could be carried out. The notion of minimum service should be clarified and applied, especially in rural areas.

© OECD 2002

Notes

1. According to ANCE, the national business creation agency.
2. The ERDF is one of the European Union's four structural funds. Its primary purpose is to promote economic and social cohesion in the European Union through actions designed to reduce inequalities between regions or social groups. ERDF funds are allocated to certain less-favoured regions in accordance with the structural funds' priority objectives 1 and 2.
3. The National School of Industrial Arts and Crafts (*Ecole Nationale Supérieure d'Arts et Métiers*, ENSAM) is a public establishment placed under the aegis of the ministry in charge of higher education. It is present in all the French regions thanks to its local teaching and research centres and to its various institutes. The ENSAM is the "grande école" which trains the highest number of engineers in France.
4. IRPAC (Institut Régional de Participation Ardenne Champagne) has invested in 112 projects, helping to preserve or create 9 000 jobs.
5. The APCE (*Agence Pour la Création d'Entreprises*) provides information services to newly created firms and entrepreneurs. It is a partner for networks and associations supporting the firm's formation. It also supplies data, expertise and evaluation in order to assist policy makers in the design of entrepreneurship policies.
6. The Innovation Agency of France (*Agence Nationale de Valorisation de la Recherche*, ANVAR) is a public entity displaying both a public and industrial dimension. It is placed under the aegis of ministries in charge of the industry, SMEs and research. Its action's annual budget amounts to approximately FRF 1.4 billion aiming at financing and counselling SMEs, laboratories and creators.
7. The Regional Directorates for Industry, Research and Environment (*Directions régionales de l'Industrie, de la Recherche et de l'Environnement*, DRIRE) are present in all the French regions so as to direct and support SMEs' development projects; besides, they make sure that industrial establishments do respect security and environmental norms. Moreover, the DRIRE control pressure machines, measuring device, mines, quarries, nuclear plants and dams. They are also in charge of the instruction of ERDF files and of collecting the industrial projects that firms which to apply for within the European programme LIFE.
8. Created by decree on 14 February 1963, the Territorial Planning and Regional Planning Delegation (*Délégation à l'Aménagement du Territoire et à l'Action Régionale*, DATAR) is an administrative entity entrusted with specific missions ordered by the ministry in charge of spatial and environmental planning. It is an entity which makes suggestions, acts as a referee and synthesises sectorial governmental policies so as to maximise the relevance of State policies concerning regions, while securing territorial cohesion and sustainable development.
9. CAP *Développement* is a DATAR branch in charge of Picardie and Champagne-Ardenne.

© OECD 2002

10. In Haute-Marne, for example, three candidates have been identified: Saint-Dizier, where a first-phase development of 60 hectares out of a total 200 was scheduled for completion in mid-2001 at a cost of FF115 million; Chaumont, where a 220-hectare site is due to be developed alongside the future by-pass; and Langres, Longeau and Chalindrey, which have submitted a project for a zone spread over three sites, at a cost of approx. FF100 million.
11. The U3000 plan is a scheme established over a 15-year period and its first application is the 2000-2006 state-region planning contract. It comes in the continuation of the previous plan U2000 that had led to the construction of 8 new universities and 196 IUT departments as well as the construction, restructuration or renovation of 2.5 million m^2.
12. Agefos-PME is a non-profit training insurance fund that was created in 1973 by social partners. Its main mission is to finance the vocational training of salaried workers as well as that of young people undertaking work-based learning. It is also to manage firms' training funds while counselling them with regard to training and employment.
13. Researchers/teachers, researchers that belong to scientific and technical public establishments (EPST) and engineers that belong to industrial and commercial public establishments (EPIC). Figures 1996.
14. Induction accelerator for radiography and X-ray images.
15. Economists draw a distinction between individual knowledge and organisational knowledge. Individual knowledge means an individual's acquisition of know-how, understanding or skills through education and training. Organisational knowledge amplifies individual knowledge through a network within the firm or involving other firms and organisations. It is interactive by nature and more fertile than individual knowledge.
16. See especially the article from E. Von Hippel (1989), "New Product Ideas from "Lead Users' ", *Research Management*, 32, No.3.
17. Voynet Act n°99-253 dated June 25, 1999 relating to the creation of "*pays* contracts".
18. The strategy of the Intercommunal Consortium of the Outskirts of Paris for Electricity and Communication Networks (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*, SIPPEREC) has first aimed at equipping its member communes with cabled networks according to the digital platform concept; it was then in charge of setting up a metropolitan telecommunications network (*réseau métropolitain de télécommunications*, RMT), thus securing overall public access to ICTs.
19. The Consignments and Loan Fund (*Caisse des Dépôts et Consignations*, CDC) is a public decentralised group meant to be the bailee of private funds that the legislator has wished to protect, in view of a management that will guarantee absolute security. It also provides help in matter of economic and social development, urban policy and fighting against exclusion.
20. Nevertheless, Champagne-Ardenne is considering launching another regional call for tenders, based on an inventory of local needs. Co-financing from the Caisse des Dépôts et Consignations is expected for this project.
21. The French Firms Association (*Mouvement des Entreprises de France*, MEDEF) was created in 1998 in order to replace the *Conseil National du Patronat français* (CNPF). It represents the employers of over a million firms. It aims at defining and disseminating employers' viewpoints, promoting the spirit of enterprise, favouring entrepreneurship, expressing

© OECD 2002

employers' will of modernisation and contributing to constructive social dialogue within firms.

22. ADAPT is the main French association for the social and professional reintegration of the physically disabled. Thanks to its national coverage (40 centres in France) and the involvement of its partners, ADAPT is a network of complementary skills bringing together medical, vocational training and firm representatives.
23. The National Conservatory of Industrial Arts and Crafts (*Conservatoire National des Arts et Métiers*, CNAM) is a higher education and research establishment placed under the authority of the ministry of Education and Research. Its main goal is to train adults all along their lives. It is also in charge of technological research and the dissemination of scientific and technical culture thanks to 150 teaching offshoots in France and abroad, 28 institutes, and 5 special research centres.
24. The *Greta* is a group of local public educational establishments that bring together their human and material resources in order to set up actions for the continuous training of adults. Such establishments can be secondary or vocational schools, *junior high schools* or *high schools*.
25. Clusters of small firms operating in a particular sector are to be found in many countries. While remaining in competition with each other, they find themselves having to share certain functions such as labour, plant and external marketing in order to reduce costs. These clusters are known as local production systems (SPL)
26. See "Socio-economic analysis of Champagne-Ardenne".
27. The Technical Centre of Mechanical Industries (*Centre Technique des Industries Mécaniques*, CETIM) was created in 1965 on the initiative of mechanical firms and their professional organisation. It is placed under the aegis of the State.
28. COFACE is a group specialised in export credit-insurance, corporate information and credit management.
29. The National Broadcasting Board (*Conseil Supérieur de l'Audiovisuel*, CSA) is an independent administrative authority that was created in 1989 in order to safeguard the liberty of broadcasting communication. It can be asked for advice by the government, the presidents of parliament, or Senate and the Council of Competition (*Conseil de la Concurrence*); these entities can also ask the CSA to undertake studies.
30. ERAI sets up financial files concerning SMEs' foreign investment by addressing French, European and international bodies. It is involved in the region's economic promotion thanks to the publication of technical sales leaflets, the organisation of technological congresses, the internationalisation of exhibition shows and the elaboration of a comprehensive policy towards foreign investors.
31. See Chapter 4.
32. The procedure for issuing work permits is long and time-consuming, with the result that labour flows into France from other countries are relatively small. Where Germany allows in 288 000 foreign workers a year on average, and the UK 34 000, France allowed in only 21 000 legal immigrant workers a year on average between 1991 and 1997.
33. The European programme ERASMUS was launched in 1987 in order to encourage and promote co-operation between European universities thanks to the establishment of joint degree courses and student exchange programmes.
34. The main objective of the European programme LINGUA is to promote language learning and teaching within the European Union.

© OECD 2002

35. TEMPUS is a EU initiative aiming at transeuropean co-operation for higher education.
36. RIS (Regional Innovation Strategies Responsibilities) and RITTS (Regional Technology Transfer Strategies and Infrastructures) programmes aim at orienting regional actors' supply towards the needs of firms in research and development, innovation and technology transfers.
37. This issue has been discussed by the National Assembly as part of a wider debate on local democracy.
38. The National Telecommunication Network for Technology, Education and Research (Renater) links together over 600 sites related to research, technology, education and culture. It consists of a national infrastructure and international high-speed connections.

© OECD 2002

Chapter 6

Urban Policy

The build-up of social, economic and spatial problems in particular areas of towns and cities is one of the more acute issues OECD countries have to address. Far from declining, the problem worsened in the 1980s and 1990s, affecting not only countries with continuing high unemployment rates but also those where employment is booming. Even the Nordic countries, with their extensive social welfare systems, have been unable to prevent inequalities from developing in some urban areas. In France, what are termed "distressed" urban areas are not confined to the major cities. In 1999, Champagne-Ardenne ranked second among all the French regions in a list giving the proportion of population living in sensitive urban zones (*zones urbaines sensibles* – ZUS). It is a region with a low level of urbanisation, where 63% of the regional population lives in urban areas as opposed to 75.5% nationwide. The urbanised area is in general composed of a network of small and medium-sized towns; only Reims is a real urban magnet. Although disadvantaged urban areas in Champagne-Ardenne have features in common with the generality of sensitive urban zones, some specific features relating to the regional and local context are worth studying in more detail. This chapter puts the focus on distressed urban areas at regional and local level, analyses current policies and provides some recommendations aimed at improving public action in this field.

Breakdown of distressed urban areas

Exclusion and urban areas undergoing a crisis have become central concerns of the French authorities and have led to much public action. The French government has launched an urban policy (*politique de la ville*) to target such areas. What have been designated as "priority" urban areas have been identified and classified according to nationwide criteria. The Urban Renewal Covenant (*Pacte de relance de la ville*), 1996-1998, is a programme of positive discrimination in favour of urban areas with economic and social handicaps. It makes use of a three-tier zoning system, namely:

1. *Sensitive urban zones* (termed ZUS and typically composed of large residential complexes or areas of poor housing, with an acute imbalance between housing and employment;

© OECD 2002

2. U*rban revitalisation zones* (*zones de redynamisation urbaine* or ZRU, which include ZUS in special difficulty, the latter being assessed in terms of their location in the greater urban area, their economic and commercial standing and a comprehensive index based on the size of the local population, the unemployment rate, the proportion of young people under 25 years of age, the proportion of people who have left school without a diploma and the tax potential of the communes concerned); and
3. U*rban free zones* (*zones franches urbaines* or ZFU, established in urban areas with a population greater than 10 000 that are particularly disadvantaged in terms of the criteria used to determine ZRUs).

In national terms, the Champagne-Ardenne region has a relatively high proportion of 32 priority urban areas for a regional urban population of 842 537 and a total regional population of 1 342 202, as given by the 1999 census. Eleven and a half per cent of the regional population lives in sensitive urban zones (ZUS) that is slightly less than in 1990 (13.5%). This percentage increases with the size of the greater urban area, reaching 47% of the population living in an urban zone.

Spatial and urban characteristics

I*solated nature of urban areas*

In Champagne-Ardenne, many distressed urban areas are located in the commune that includes the town or city centre and adjoin the latter. This is the case in Charleville-Mézières, Saint-Dizier and Reims. Yet, Some urban areas are at such a distance from the town centre and its amenities that public transportation is sometimes inadequate to serve them. Other urban areas that are closer to the town or city centre are also cut off to some extent as a result of urban or natural barriers (such as busy main roads, railways or waterways), marked demarcation lines between areas of collective housing, areas of individual homes and recreational areas (which often reflect the style of urban construction proper to the time of building and the various strata of urbanisation) and poor or no public transportation between areas. The outward architectural features of the buildings may also give these areas a forbidding and unattractive aspect, while towers, barriers, flagstones and footbridges tend to distinguish them from the rest of the town or city and at the same time add to the inhabitants' sense of insecurity.

Although the sense of distance and isolation has an actual physical basis, it is strongly reinforced by the manner in which it is perceived. A short distance may be taken to be longer than it is because of its surroundings. In general, the people living in these urban areas are less mobile and more dependent on public transport than those living elsewhere in the town or city, which reinforces their impression of poor access.

© OECD 2002

Predominance of social housing

The predominance of social over private housing is a feature of the region. The number of social dwellings per 100 principal homes is 26% in Champagne-Ardenne, and over 30% in the department of Marne, as against 17% in France as a whole. In particular, Champagne-Ardenne is the region of France with the highest density of low-rental housing (*habitations à loyer modéré* – HLM),[1] ahead of Ile-de-France and Haute-Normandie, and has almost 100 HLM for every 1 000 inhabitants (117 in Marne) as against 66.1 in France as a whole. The density of social housing in the region also increases with the size of the town or city (Table 46).

The large amount of social housing in the Champagne-Ardenne region is chiefly the outcome of historical circumstance and has strong industrial roots, since employers used to seek to keep labour by making social housing available at low rent. As a result, the workers' housing complexes remained in place after the Second World War and, unlike the rest of France (especially Ile-de-France) where social housing is often found only in outlying communes, Champagne-Ardenne is noted for such housing being concentrated in particular urban districts, now generally classified as priority areas (at Saint-Dizier, 76% of the social housing in the town is located in the Vert-Bois district). However, such housing is generally of good quality, although to some extent their construction materials and living arrangements no longer suit current lifestyles.[2] Furthermore, deterioration of housing stock as a result of vandalism, graffiti or fires set in letter boxes is still very widespread.

Table 46. **Social housing in towns and cities in Champagne-Ardenne, 1998**

Towns and cities	No. of HLM	Principal homes	No.HLM/principal homes
Reims	40 129	82 023	48.9%
Troyes	19 884	49 685	40.0%
Charleville-Mézières	10 588	25 976	40.8%
Châlons en Champagne	9 476	22 775	41.6%
Saint-Dizier	5 509	13 703	40.2%
Epernay	4 178	13 541	30.9%
Rethel	1 457	4 044	36.0%
Givet	787	3 467	22.7%
Sedan	4 190	10 865	38.6%
Langres	1 870	4 394	42.6%
Chaumont	4 662	11 453	40.7%
Vitry-le-François	4 203	7 462	56.3%
Romilly-sur-Seine	2 081	7 081	29.4%
Total towns and cities	109 014	256 469	42.5%
Champagne-Ardenne	134 136	503 506	26.0%
France			17.2%

Source: Champagne-Ardenne Regional Equipment Directorate.

© OECD 2002

The proportion of social housing remaining unoccupied (percentage of empty dwellings in total housing stock) is 3% in Champagne-Ardenne. Even though this is a fairly low figure, the number of social dwellings left unoccupied has tended to rise in recent years,[3] mainly in urban areas classified as ZUS (from 4.5 to 8% over the period 1990-1999). Such a vacancy, particularly on the ground floors of buildings, reinforces the impression of drift away from the area. Furthermore, empty dwellings attract squatters and other circumstances that tend to generate a feeling of insecurity. Less attractive housing areas have a greater tenant turnover because of the uninviting nature of the district, which fails to appeal to financially secure households in a position to pick and choose. High tenant turnover rates are also a warning signal since they point to an unstable resident population. In fact, the challenge is to meet the demand for housing not only in terms of quantity but also in terms of quality. However, a concern with quality and the ability to pick and choose apply only to households with a reasonable level of income. Urban areas containing large social housing complexes and classified as ZUSs are increasingly a dumping ground for disadvantaged households.

Although the town or city itself offers a wide range of opportunities (economic, administrative, recreational, etc.), these urban areas are purely residential and are often referred to as dormitory districts. Frequently, the economic environment is weak. Local shops and businesses, considered an essential amenity by the local inhabitants and a contributory factor to improving living conditions as well as promoting social contacts and opening the district to the outside, are poorly developed and generate no real economic life. Apart from trading, local businesses give life to an area and offer local residents an opportunity to meet and socialise; they may also attract people from neighbouring areas and help to open up the area to the outside. Considering the fact that financial help is being provided to the agricultural sector and to industries that do not generate much employment, it would be essential to support the tertiary sector where there is considerable potential for job creation.

Economic and social characteristics

Demography

According to demographic indicators, the resident population of distressed areas conforms to a specific pattern. To start with there is a relatively high proportion of young people; in particular, under-25s are heavily over-represented. This is a feature common to all French ZUS since the under-25s represent 30.9% in France compared with 39.5% in ZUS as a whole. In Champagne-Ardenne, rates are even higher as 40.6% of the ZUS population is under 25. This proportion is even greater in certain urban areas classified as ZUS: 48.6% in Croix-Rouge, 51.6% in Wilson (in Reims). Moreover, under-25s make up 45% of the population of the Vert-Bois dis-

© OECD 2002

trict, classified as a ZUS, in Saint-Dizier. Similarly, single parent families are over-represented (32.9% of households, as against 29.7% for the region as a whole).

The situation in Champagne-Ardenne appears comparable to the national picture, since in France urban areas designated as eligible for the social development of urban areas procedure (DSQ) have on average 32% of single parent families. Sensitive urban zones in Champagne-Ardenne typically have a large foreign population. In general, the proportion of foreigners living in distressed areas is higher than it is elsewhere in the towns and cities concerned, as the situation in Reims shows (Table 47). In France as a whole, however, foreigners account for 16.5% of the population living in distressed areas. Champagne-Ardenne thus appears to have a lower concentration of foreigners (12.4%) than is the case in sensitive urban zones elsewhere in France.

Education and training

Champagne-Ardenne is behind the French average in education and training. The gap is greater in the case of towns and cities and in particular urban districts. In many cases, sensitive urban zones have also been classified as priority education zones (ZEP)[4] and have a relatively high school drop-out rate. For example, in Reims educational district the proportion of students falling behind in school is 4.3% in the sixth class and 9.8% in the third class. Furthermore, the proportion of those failing to leave with a diploma is very high in ZUS areas; in 1999, it was 33.3% *i.e.* 1.5 point more than the national average but 4.6 points less than in 1990. Thus, 58% of those living in the Rond-Couture district of Charleville-Mézières have no diploma and only 4% have continued education after the *baccalaureate*. The promotion of pedagogical experiments within these zones is often hampered by the weight of a highly centralised educational system.

Employment

Distressed areas have higher unemployment rates than the national average: in 1999, the unemployment rate was 26.9% overall for ZUS areas in Champagne-Ardenne as against 25.4% for France as a whole. Such unemployment rate has greatly increased since 1990 (19.9%). Some districts have peak areas, such as the

Table 47. **Proportion of foreigners among the population of ZUSs in Reims**

Châtillons	Croix-Rouge	Epinettes	Orgeval	Wilson	REIMS
7.2%	10.3%	10.4%	17.1%	23.4%	6.9%

Source: INSEE.

© OECD 2002

Pays de France sub-district in the Croix-Rouge district of Reims (31.5%), or the districts of Ronde-Couture and La Houillère in Charleville-Mézières (28 and 31% respectively). Unemployment is also rising more rapidly in these districts.

Many people living in such districts are thus forced to rely on the social minimum income (RMI[5] – *revenu minimum d'insertion*). The proportion of residents receiving the RMI is 34% in the Ronde-Couture district. However, this is not a very reliable indicator as it fails to reflect youth unemployment, which is a key problem in such areas. In the Croix-Rouge district, for example, almost one unemployed person in three is under 24 years of age. Furthermore, unemployment often goes hand in hand with a low level of education, since the proportion of persons without a diploma among the unemployed is on average 64.7% overall for ZUS areas in the Champagne-Ardenne region. It rises to over 65% in the ZUS districts of Bernon and Vignes Blanches at Épernay.

Unemployment is a major factor in social exclusion. There is a "local effect" on social behaviour caused by the mix of problems in the district concerned. Young unemployed persons are surrounded by other unemployed unable to find work, which tends to make them lose hope and become resigned to their situation. In addition, the nature of the region also explains the high unemployment rates found in such districts. In Champagne-Ardenne, a very high proportion of households are working class, while sensitive urban zones contain more workers than others. Economic restructuring has led to the loss of many jobs, notably in the manufacturing industry. However, as has not happened at commune level, the number of industrial jobs lost by local residents in sensitive districts has not been counterbalanced by an increase in the number of jobs available to them in the services sector. As a result, although the number of residents working in the services sector has gone up in other districts, it has fallen in distressed districts. This may be explained by the fact that people changing their occupational category are inclined to leave the district they were originally living in.

Income

A low level of household resources is a prominent feature of distressed urban areas in France. It is particularly acute in priority urban areas in Champagne-Ardenne. Regional factors already mean that the region as a whole has an income level somewhat below the French average. Low-income households are over-represented in social housing areas (Table 48). This clustering of distressed households is particularly evident in the priority urban districts of Sedan, where over two-thirds of households live on incomes below FRF 6000 a month.

The rise in the numbers in distressed circumstances also has an impact on households moving into an HLM. In 1997, for instance, 38% of households moving into the three main HLM areas of Charleville-Mézières had a income of less than

© OECD 2002

Table 48. **Resources of those living in the ZUS residential complexes of Torcy Cités et Le Lac in Sedan, 1994**

Average monthly income	% of population	% of households
FRF < 2 500	28.7%	17.9%
FRF 2 500 à 3 999	36.3%	33.5%
FRF 4 000 à 5 999	19.3%	25.8%
FRF 5 000 à 7 999	7.2%	11.3%
FRF > 8 000	4.4%	6.8%
Not given	4.0%	4.8%

Source: INSEE.

FRF 5000 a month as opposed to 26% in districts in the town centre and 7% in outlying areas. A large proportion of those living in distressed urban areas are dependent on income from social welfare. In Épernay for example, 38.6% of those living in rented municipal property receive family allowances. In the Wilson ZUS at Reims, an estimated 14% of households live with the help of social welfare of some kind, such as family allowance or single parent allowance.

Urban violence

Lack of security and delinquency are particularly rife in distressed urban areas. The perpetrators are often groups of young persons between 12 and 16 years of age, who are well known to the local police. Although the incidence of major conflict has levelled off in recent years, vandalism and antisocial acts have greatly increased in these districts, which are also a stage for all kinds of illicit trafficking and trading. A 1999 survey into urban violence in the Bernon district in Épernay found that vandalism (material damage) to be the most common form, with 94 incidents reported, or 48% of total violence. This is a rising trend, since the figure has gone up by 7% since 1998 and by 17% since 1997. Antisocial acts – which is not a legal but a social term, referring to infringement of basic social codes, such as use of insulting language or rowdy behaviour – are also frequent and greatly contribute to the growth of a sense of insecurity. On the other hand, it is of interest to note a relative decline in theft and burglary (down 16% since 1997), attacks (down 10% since 1998) and arson (down 13% since 1997). In general, urban violence tends to attract a great deal of media attention that only serves to reinforce the poor reputation of the whole district.

Overview and main types of distressed urban areas

An OECD study entitled *Integrating distressed urban areas* (OECD, 1998) identifies two main geographical types. The first is where the distressed areas are mainly

© OECD 2002

located in inner city areas. This is the case, for example, in many American cities that have been emptied not only of their inhabitants but also of their economic life, which has moved out to the suburbs. The second type is where the distressed urban areas are located on the periphery. In the main, they consist of vast social housing complexes built in outlying areas of cities or in neigbouring townships as part of a planned expansion (the *cité radieuse* concept) motivated by population growth – itself the outcome of internal or international migration or population pressures. When they were built, these districts were intended to house low-income families cleared from inner city areas under regeneration projects. Many housing complexes built in this way are poorly served by roads and public transportation and also lack various services and facilities – crèches, schools and community, cultural or leisure centres. This type of urban construction is common in France, but may also be seen in many other OECD countries, such as Belgium, Germany, the Netherlands and the Nordic countries, and in several cities in southern Europe. Generally speaking, in most OECD countries, even in the United States, both types of distressed urban area may coexist in the same town or city.

A close look at distressed urban areas in Champagne-Ardenne reveals a number of similarities with many distressed urban areas throughout France and are also shared by most other OECD countries, namely a young population, a high proportion of single parent families, very low incomes and heavy dependence on social welfare, lack of security and delinquency, high unemployment rates, a narrow range of social and occupational categories, few businesses, and a high proportion of foreign residents. However, these symptoms would appear to be less prominent and more dispersed than in the larger French cities. It is a situation typical of small and medium-sized towns, where there may be a heavy concentration of social, economic and spatial problems in a small area but the impact of these problems, which also depends on the size and economic circumstances of the town or city, appears less acute than in the greater metropolitan areas. That does not mean that distressed urban areas do not raise a real problem in a region of small and medium-sized towns such as Champagne-Ardenne. The danger is that the public authorities are less inclined to take swift action to halt the decline.

A review of sensitive urban zones in Champagne-Ardenne does not reveal any predominant type; instead a variety of areas are found depending on the social and economic make-up of the resident population.

- *Large* HLM *complexes and dormitory suburbs*. This category accounts for the largest proportion of the population and thus corresponds most often to the priority areas. They are "typical" sensitive urban zones, an example being the Ronde-Couture district of Charleville-Mézières, which has a population of 11 500, 38% of whom are under 20 years of age and 15.5% foreign nationals. A quarter of the town's unemployed live in this area.

© OECD 2002

- *Impoverished inner city districts or former suburbs*. These often form pockets of poverty in the urban scene but are not counted as priority areas because of their small resident population. An example is the Planche Clément district in the heart of the old city of Troyes. It has few residents and forms an island of destitution riddled with unemployment. A large proportion of the population is made up of settled travelling people, women living alone and the elderly. The district has gradually turned into a ghetto. Clan tensions strengthen the feeling of insecurity and promote the departure of local shops and businesses, while the local school is on the point of closing down.
- *Mixed areas*. These districts show varied combinations of features. The architecture is very mixed and lacks consistency, while the social and economic composition of the local poulation varies depending on the various isolated pockets and sub-districts lying within the area. Located on the edge of the city, the Épinettes district of Reims is a mixed district of four different habitats and a population of almost 3000.[6] HLM account for no more than 40% of the housing stock, most of which is in individual ownership. The district includes areas of small tradesmen and retail outlets that have been given fresh impetus by a new road network. The population size remains stable and families tend to be extended rather than single-parent. The most pressing problem is that of its young people, who are finding it very difficult to complete their education and find work.
- *Former working class districts*. These are areas marked by low income levels, high unemployment rates, notably among the young, and a high proportion of large families. An example is the Chemin Vert garden city at Reims. This is a social housing area of about 600 small individual houses. The district is very inward looking and exhibits a high level of social vulnerability. But major rehabilitation work has improved connections to municipal facilities and has restored building facades in order to make their outer aspects more attractive. Work has also been done on housing to make dwellings smaller and better adapted to household needs. The district has been reorganised around a small local shopping centre. The population has been stabilised, its turnover rate reduced and the average age of residents increased.
- *The special case of the* Vert-Bois *district of* Saint-Dizier. Vert-Bois is not an outlying urban area suffering from urban withdrawal, but half the town is severed from the urban centre and exposed to a number of factors conducive to vulnerability. The district has a population of 14 400, or 45% of the town population. It contains 87% of the social housing in Saint-Dizier. The prolonged depression caused by virtually sole dependence on metalworking has led to a difficult process of change that has taken a long time to digest; the unemployment rate in the district is over 20%. The urban divide has made it very difficult to generate any sense of belonging.

© OECD 2002

To sum up, there is not one problem common to all distressed urban areas in the Champagne-Ardenne region, but a variety of local situations affected by factors that may be spatial, urban, economic and social and need to be addressed by relevant, consistent and integrated policies.

Policies aimed at helping distressed urban areas

Like other OECD countries, France has adopted a number of special measures to help distressed urban areas, including an urban policy, which has its own minister, administrative services and budget, all evidence of a strong political will to halt the downward spiral. Urban policy relies on a variety of institutional and legislative mechanisms built into Urban Contracts, which are partnership agreements between the central government and local authorities.

Legislative and institutional measures

In France, measures to deal with urban issues tended to duplicate and overlap before they were brought together into a single comprehensive policy. In 1976-1977, an Urban Renewal Fund (FAU -*Fonds d'aménagement urbain*) was established to finance *Habitat et Vie Social* projects intended to rehabilitate housing stock, community areas and district facilities in 50 urban areas, generally located in the outskirts of the big cities and giving evidence of deterioration and social and cultural impoverishment. In the wake of the legislation of 1981-1983 that introduced decentralisation, the Urban Renewal Fund was replaced in 1984 by the Urban Social Fund (FSU – *Fonds social urbain*) to enable the government to take selective social development action in towns and cities, give minorities entry to the labour market and improve architectural quality. As part of the contracts agreed upon under the 1984-1988 State-region plan, almost 150 towns joined forces with the central government, through the intermediary of District Social Development (DSQ – *Développement Social des Quartiers*) agreements, to repair physical, economic and social deterioration in 148 urban areas.

Since 1989, urban policy has been institutionalised and made generally applicable by the establishment of a number of specialised entities:

- the National Council for Urban Affairs and Urban Social Development (which provides a forum for exchange of views and debate between elected representatives and experts);
- the Interministerial Council for Urban Affairs (chaired by the Prime Minister);
- the 1988 Interministerial Delegation on Urban Affairs (intended to harmonise the work being done by the different ministries); and
- the Ministry for Urban Affairs created in 1990.

© OECD 2002

In 1991, the Urban Affairs Act (LOV – L*oi d'orientation pour la ville*) was intended to put urban rights into practice by ensuring that all residents enjoyed living conditions and housing that promoted social cohesion and militated against or eliminated segregation. There are four main thrusts to this policy: to achieve a housing balance in towns and cities and their districts, to maintain the housing stock in old established districts, to provide for urban and social development in large housing complexes, and to establish a land ownership policy. Following a debate to determine the direction of urban policy, the Government finally drew up an Urban Renewal Plan in 1993, establishing a general rather than sectoral policy and instituting the Urban Contracts scheme (1994-1998).

The Urban Renewal Covenant (1996-1998)[7] broke with the preceding programme on economic and labour issues. Following the signature of urban contracts (1994), the aim of the Renewal Covenant was to reduce the number of urban districts and focus resources on a limited number or urban areas. It put in place a zoning mechanism that introduced a positive discrimination procedure in three tiers: sensitive urban zones (ZUS), urban revitalisation zones (ZRU) and urban free zones (ZFU).[8]

Under the XIIth Plan, new urban contracts were signed for the period 2000-2006. An urban contract is a contract between the central government and the local authorities that commits both partners for a seven-year period to specific joint projects intended to improve the daily life of those living in distressed urban areas and guard against the danger of urban and social exclusion. They bring other partners, (HLM bodies, transport companies, etc.) on board these projects and must keep local residents informed and consulted. The District Social Development (DSQ) agreements were intended to tackle the problems of distressed urban areas thanks to a multisectoral and partnership-related approach, which enabled various ministries to collaborate, allowed the players on the ground to take on more extensive responsibilities and ensured a relatively long period of funding for projects. However, the agreements focused too exclusively on distressed urban areas, thus precluding any action to restore the economic links between such areas and the rest of the town or city and region. The urban contracts have made it possible to go some way to solving this problem by extending the field of action to the city or town as a whole. The new urban contract is now the sole channel for implementing urban policy, as was not the case in the previous period when a number of contractual procedures existed side by side. In all, over 1 300 urban districts and six million residents should benefit from the work envisaged under the new generation of urban contracts. This may be carried out within the districts themselves (housing refurbishment, upkeep of public areas, etc.), at commune level or within a group of communes covered by the urban contract (job creation and employment, prevention and security).

The Champagne-Ardenne region received 8 urban contracts under the 1994-1998 State-Region Plan namely Charleville-Mézières, Sedan, greater

© OECD 2002

Box 21. **Saint-Dizier: pilot site for preliminary work on urban contracts**

The Saint-Dizier urban contract was signed on 21 October 1999. Proposals were drawn up in line with three priorities for action:

To develop an urban project procedure. Earlier arrangements for applying the urban policy in Saint-Dizier had a number of deficiencies, including their narrow focus on the Vert-Bois district alone and their division into separate sectoral approaches (education, security, building refurbishment, etc.) without generating an overall project spirit or making objectives clear, which would have encouraged participation by players on the ground. Nevertheless, the work done enabled a number of positive goals to be achieved, such as increasing recourse of economic mechanisms for job creation or the establishment of a network of health professionals. The urban contract sets five major strategic goals to serve as a frame of reference for the partners: to make job creation the core of rehabilitation, to increase public sector intervention to bolster social links, to associate all players in the educational field in a common structural approach, to promote access to citizenship and prevent delinquency, and to embark on a major urban renewal project.

To associate residents, associations and public services in a new democratic approach. A commitment has been made to include residents in activities and projects in an ongoing manner as a priority. In addition to already tried and tested means of providing information and promoting collaboration (such as office premises for elected representatives, questionnaires, special issues of the municipal bulletin, etc.), workshops on given topics (meetings to provide information and generate dialogue on a subject or project) have been adopted as a new means of making contact with the local population. In addition, an effort is to be made to make the relationships between institutional players and associations more transparent, inspire greater trust and generate a shared spirit of initiative. Eventually, public services are expected to bring development targets in line with the urban contract with the help of their own human, material and financial resources. The urban contract is thus intended to give impetus to and support appropriate initiatives with regard to training officials, teamwork and trying out new types of local services.

To foster development impetus at relevant local level. This means maintaining or initiating local action at urban district level in appropriate fields (social action, prevention, urban management, etc.) At the same time, attention to the needs of the city or town as a whole is a necessary parameter in order not to limit the urban contract to rehabilitation only but to make it a real engine for joint development. Reference to several communes is vital when problems and actions spill over beyond the borders of the urban district, for example in housing matters, providing for the travelling community, creating jobs and employment by economic action, preventing delinquency or providing sports and cultural facilities.

© OECD 2002

Troyes, Châlons-en-Champagne, Épernay, Reims, Vitry-le-François and Saint-Dizier. These are medium-sized towns (apart from Reims) located in industrial areas in transition with a combined population of 580 911 or 43% of the total for the region. Urban contracts in Champagne-Ardenne are part of the prolongation and consolidation of District Social Development (DSQ) agreements initiated in 1984, since the eight towns concerned were already covered by such agreements.

Under the XIIth Plan (2000-2006) the Champagne-Ardenne region received nine urban contracts, namely for the 8 towns covered by the earlier contracts for 1994-1998 plus Chaumont. The new urban contracts incorporated a number of developments not included in previous ones. For a start, the priority areas extended beyond the district level to encompass the greater urban area without being restricted to the classified districts alone. In addition, the new urban contracts have tended to extend the priority concept in order to be able to include work on districts not yet classified as distressed but likely to become sensitive, those already deteriorating or those forming isolated pockets in the urban fabric. For example, the city of Reims has included the districts of Chemin Vert, Murigny and Europe in its urban contract, despite the fact that they are not ZUS, to enable them to benefit from the work being done. In September 1998 the town of Saint-Dizier was chosen as a pilot site for preliminary work on the urban contracts for the period 2000-2006[9] (Box 21).

Measures to help distressed urban areas

Housing policy

Social cohesion, an essential aspect of urban policy, calls for provision of care to the most disadvantaged and the social rehabilitation of sensitive urban zones. However, at the present time local housing markets have to contend with stresses and inconsistencies that render allocation of social housing an increasingly complicated matter. Social housing is managed by various rental authorities or agencies of varying regulatory status, such as the Public Construction and Redevelopment Offices (OPAC – *Offices Publics d'Aménagement et de Construction*), which are public industrial and commercial establishments, or else business firms. They have little room for manoeuvre in promoting any real social mix of residents. The balancing act between the need to provide shelter for families in crisis and to keep within budget constraints is a precarious one. Furthermore, the uncertainty in ascertaining the areas of competence of each of the players, together with the rigid and prescriptive nature of national regulations on the matter offer very little flexibility for adjustment to local conditions.

A broad social mix of residents is a goal that has given rise to a number of different initiatives. For example, in 1993 a Protocol for Occupation of Social Property

© OECD 2002

(POPS – *Protocole d'Occupation du Patrimoine Social*) was signed by the town of Epernay with a view to improving the mix of residents in the various social housing areas. However, POPS did not achieve its aims because of income uncertainty and lack of turnover to allow proper redistribution. Subsequently, a Local Housing Conference (*Conférence Communale du Logement*) was introduced in late 1997 to draw up a local charter for allocation of social housing. At present, Troyes, like Reims, is launching a housing allocation charter (*Charte d'attribution des logements*), which should help to define a more detailed urban population management policy. Allocation charters operate at commune level. It is often difficult to apply any kind of housing allocation policy across commune borders.

As well as seeking to achieve a good social mix, rental agencies and authorities are endeavouring to bring a more varied range of housing on the market to meet the requirements of propective tenants. Dwellings built according to a uniform plan are sometimes altered to meet changing size requirements. In Champagne-Ardenne, demand is generally for individual houses. A number of rental authorities have adopted a policy of buying or building individual houses to rent to families. The Ardennes OPAC is very active in this area and is building some fifty such houses a year; these are individual houses in the suburbs. According to some rental authorities, the houses are sometimes intended for assignment to families (such as very large families) causing trouble to their neighbours. This can have negative effects in that families may deliberately make a nuisance of themselves in order to ensure their removal from collective housing to an individual house. Experience has shown that residents are much more careful about the upkeep of their homes when they own them. Rental authorities such as Troyes Habitat allow some tenants to buy their homes for the equivalent of their rental payments. The sale of a portion of the collective housing stock also has a stabilising effect on the area and makes it more attractive.

Difficulties with the housing stock in some distressed urban areas (high vacancy rates, few incoming residents, etc.) sometimes means that the demand for rental accommodation does not match the supply. To combat the drift away from some urban areas and the marginalisation of people who are kept from the housing they need, easily accessible information and communication services are required. This would improve housing allocation and would have the added benefit of targeting the most disadvantaged population groups (Box 22).

Public services and facilities

Provision of public facilities has been the spearhead of municipal urban renewal policies for the past decade. However, not all facilities serve the same ends. Some district facilities directly focus on local residents and their lifestyles in providing recreational areas and areas for meeting and communication that

© OECD 2002

Box 22. **Housing Information Office for disadvantaged population groups, Vienna, Austria**

The Housing Information Office (*Wohnungsberatungszentrum*, WBZ), which is run by the Vienna Urban Renewal and Home Ownership Fund (*Wiener Bodenbereitstellungs- und Stadterneuerungsfonds*, WBSF), began providing information and consultation services in 1996. The Office, which is open to the public 60 hours a week and often at weekends, provides a wide range of information on the thousands of subsidised apartments available in Vienna. The aim is to provide an information office where all the information required by those seeking apartments may be obtained. The Information Office works closely with several large-circulation daily newspapers and has been highly successful. In 1997, it received some 56 000 telephone requests for information and 14 000 visits from those seeking accommodation.

The Housing Office (*Wohnungsdrehschreibe*) was set up in 1997 as a complementary institution. Its particular targets are low-income population groups, such as immigrants, provided they are legally resident in Vienna or are likely to acquire legal residence status under the Aliens Act. In addition to targeting disadvantaged population groups, a special feature of the project is its close co-operation with a number of major daily newspapers, which publish a housing supplement once or twice a month with the help of the Housing Information Office and give access to a large audience. This kind of initiative ought to be possible to be introduced in other towns and cities with large social housing stocks, as is the case of some cities in Champagne-Ardenne.

strengthen the fabric of social intercourse. Green spaces and play areas are very important to the life and image of a district. Other facilities serve the greater urban areas and are part of a more comprehensive strategy aimed at bringing the district back into the life of the town or city. The purpose is to change the image of the district and open it up to the rest of the urban area by encouraging people to come through it; such are university centres, multimedia centres, etc. Following the move of local services away from urban districts in the wake of the incidents of the 1980s, there is now a general move to return in order to bring facilities such as post offices, municipal offices, police stations, etc., closer to residents. Multi-services centres thus concentrate public services at the districts' core. However, public services are still perceived as little involved in tackling the range of social problems found in these districts.

The efforts made with regard to public services under urban policy have two main aims. One is to introduce new services, and the other is a commitment to bring government services back to urban districts whose abandonment by public

© OECD 2002

authorities has been strongly criticised. Introducing services goes hand in hand with careful attention paid to the expertise to be provided by public servants, and to the very kind of services needed in difficult districts. The range of instruments, procedures and projects emerging from that process include "public service platforms", which are specialised or general facilities that make a number of different services available from the same premises (public service centre, multi-service information centre) and the introduction of a series of different structures offering a variety of services. The public service platforms are part of the recent shift in social welfare from provision of facilities to provision of services on a more individualised and localised basis.

Champagne-Ardenne has 7 public service platforms in 5 towns and cities.[10] Movement into the locality is sometimes seen as a risk. Bringing new services into a district could well tend to isolate residents and reduce their mobility. One way of fostering the sense of being a part of the town or city while at the same time providing a local service is to have properly structured or specialised facilities that would promote movement between districts. In general, the results given by the public service platforms currently operating have been favourable. Thus overall attendance at the Châlons public service platform (leaving aside the youth centre and the laundrette) has risen from 1 153 in 1993 to 8 322 in 1998. To begin with, there may be an automatic spin-off from the introduction of such facilities, namely the creation or restoration of facilities that improve the quality of an area. Next, such facilities improve contact with the general public by building relationships with residents that are less anonymous and on a more individual basis. Officials providing local services find their work improved as a result of bringing services and partners together because they get to know one another and gain a better understanding of the functions each performs. What is involved is a change in institutional outlook to cope with the increasingly complexity of social problems.

Urban renewal

As part of the urban contracts under the XIIth Plan, a national urban renewal programme was launched with two pillars, one being 50 Major Urban Projects (*Grand projects de ville*, GPV) for locations whose regeneration called for exceptional resources, and the other being 30 Urban Renewal Operations (*Opérations de renouvellement urbain*, ORU) intended to give the towns concerned greater government support. The projects were aimed at using a consistent approach in making a radical alteration to the appearance of these districts in order to improve the quality of urban life and services there. Management of the projects is in the hands of steering committees made up of equal numbers of representatives of the central government (prefect) and local players (townships). A stong partnership component with the local population is also intended.

© OECD 2002

A Major Urban Project (GPV) is a comprehensive social and urban development project aimed at bringing one or more urban districts back into the life of the greater urban area. It is there to enable urban rehabilitation. The purpose is to improve living conditions for residents, to make a radical and durable change in the image of the district and to embark on action to revitalise and improve the social fabric in order to give new economic life to the area. This will include rebuilding programmes (renewal and diversification of the housing supply, provision of more public facilities at local level), improvement of the environment (rehabilitation of outside areas, road improvement), introduction of public and community services, opening up districts and making them an integral part of the greater urban area (improvement of the transport system, better distribution of overall urban functions), and economic renewal (support to the existing system, help to residents in starting up activities).

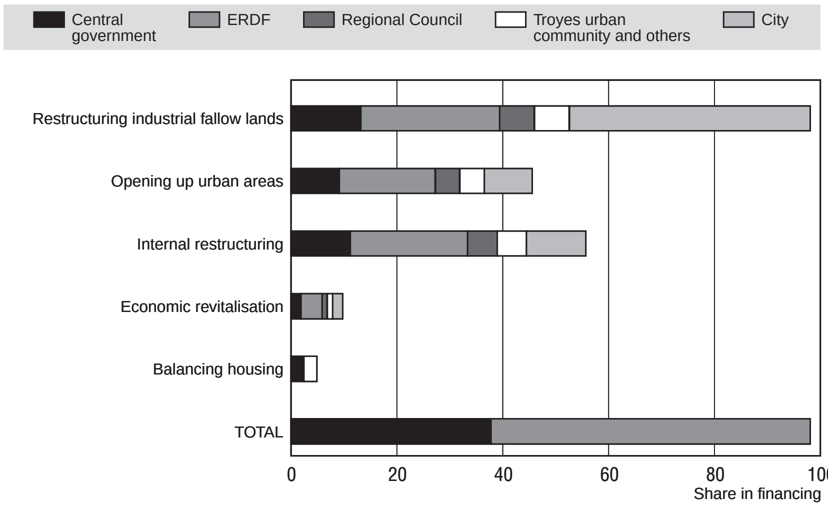
In the Champagne-Ardenne region, Saint-Dizier is one of the 50 sites chosen throughout the nation to host a major urban project (GPV), included in the 2000-2006 urban contract (the Vert-Bois district). Champagne-Ardenne also has an Urban Renewal Operation in the Greater Troyes area, which like many other large urban areas has experienced considerable urban expansion and population growth in outlying suburbs at the expense of inner urban areas. The urban renewal project thus has the dual aim of revitalising the central city area and rehabilitating the outer social housing zones, using this opportunity to regenerate brownfield (cleaning up pollution, providing links between the various districts and redeveloping the sites), reconnect districts (urban redevelopment, restructuring sites and providing space for potential links to the outside), rearrange space within the district (providing space for collective activity within the district), revitalise the economy (providing a shopping area) and remedy the housing situation (building up reserves for the construction of social housing). The total budget comes to FRF 185.3 million, nearly 40% of which is provided by the government (Figure 30).

Education and training

Combating exclusion entails active and co-ordinated action on education and training. School drop-out rates are very high in distressed urban areas. Educational and training establishments are therefore essential and need to be active partners. In Champagne-Ardenne, work is already being carried out in the priority education zones (ZEP)[11] defined by the Ministry of Education. The novelty of this approach lies in two innovative ideas: that of "selectivity" by means of which education is strengthened by specific measures and that of "zone" since the locations which need most urgent attention are defined in geographical terms. Champagne-Ardenne has 206 establishments (of all levels) classified as ZEPs. Such partnership with schools allows all young people to be included in social and cultural projects,

© OECD 2002

Figure 30. **Funding for the urban renewal operation (ORU) in the Greater Troyes area, 2000-2006**



Source: Interministerial Delegation on Urban Affairs.

whereas they might not take part voluntarily in activities at a social centre. However, there is an absence of involvement by parents, which is a crucial aspect of any educational effort.

Innovative initiatives seek to give young people who leave the traditional school system without any qualifications another chance. One such is the Apprentices Training Centre (*Centre de Formation d'Apprentis*, CFA) at Châlons en Champagne which provides training for young drop-outs from the school system. On the basis of this experiment, there has been a move to open a Second Chance School (Box 23). Initiated by the European Commission, Second Chance Schools are intended to increase the work opportunities for young people who have for various reasons dropped out of the conventional school system early before completing their education and find themselves excluded from the labour market. The measure provided comprises two indivisible projects: a learning project (at a training centre) and a labour market entry project (work experience). Partnership is needed between local authorities, businesses and young people. The system is focused entirely on the labour market with an innovative teaching programme based on individual projects. By late 1998, 14 pilot schools were operating in the European Union. These establishments are to be linked up by a system for exchange of experience.

© OECD 2002

Box 23. **The second chance school project at Châlons en Champagne**

The Châlons en Champagne project has been designed to meet specifications drawn up at both European and regional level. Enrollment will be initiated by information sessions organised in association with ANPE, the M*issions* L*ocales* and local associations. Establishment of the school will allow some of the vocational training procedures it uses to be brought under the purview of a single coherent entity. The school will enjoy management independence and will rely on strong local partnerships among social and economic players. What makes it so specific in comparison with the European network it belongs to, lies in the fact that several sites will be developed around the pilot training centre (the CFA in Châlons en Champagne); these sites will be located in Charleroi, Charleville-Mézières and Troyes.

The project provides for a steady input and output of young people, who will follow variable training programmes tailored to the individual and of varying lengths. The school is expected to take in 200 new young people a year. Each young person will be supervised by a tutor. Training programmes will consist of three stages of variable length giving an overall length of training of 10 to 48 months, in which general education is combined with work experience. The initial stage is intended to determine the young person's social parameters and sketch out a vocational project. The second is used to acquire the necessary vocational skills; since the school is not designed to be equipped to provide technical instruction, it seeks out the most appropriate training centres for the young person's project. The third stage gives entry to the working world, with an eye being kept on the young person and the object being to ensure subsequent entry to a sustainable job. Partnership with businesses forms the cornerstone of the training project.

France currently has 4 schools of this type with 11 in the pipeline. Such schools may serve entire disadvantaged urban districts, as in large conurbations like Marseilles, where three-quarters of those enrolled are from the "northern districts" which are very distressed. In Champagne-Ardenne, the Regional Council has made its financial contribution to the project conditional on the opening of three school offshoots in other towns in the region. This commitment to decentralisation is compatible with the fact that Champagne-Ardenne has many distressed urban areas spread among the various towns and cities of the region.

Job preparation work sites (*chantiers d'insertion*) are another interesting approach, which combines training goals with projects to improve housing complexes in the community. In many cases such workshops are launched and run by social housing agencies and authorities. In 1999, in partnership with the "S*auve-*

© OECD 2002

garde de l'Enfance" association, workshops were launched in the Sénardes and Planche-Clément districts of Troyes. These work sites aim at providing an introduction to and experience in building trades and learning to respect the urban environment, which were intended for 16 to 18 year-olds. The young people were paid for their work, which involved refurbishing the bases and entrances of buildings, the materials being provided by *Troyes Habitat*. Job preparation work sites have also been organised on the city centre ramparts and on the banks of the Marne at Saint-Dizier. These initiatives have been very rewarding for their participants in terms of both purpose and location. The work done has served both to provide entry to the job market and social bonding through identification with and constructive work on places of symbolic importance and belonging for all inhabitants of the city.

Entry to the job market and economic development

Many means and measures are on hand to foster employment and job-creation policies. Some are provided by the central government's public services and others by local authorities. They are tied in with businesses to very varying extents, meaning they are less visible, which reduces their strategic effectiveness. There is often no unifying strategic approach. In general, no local players come on the scene – from chambers of commerce and industry for example – to provide job opportunities. This would appear to indicate that the best use is not being made of the money from the European Social Fund (ESF) that has been provided by the European Commission to improve access to work. However, voluntary associations are becoming active in the field. In Reims, for example, the *Coup d'coeur* association came into being in Wilson district in 1989 initially to offer work for support contracts to RMI recipients. In 1995, the association extended the scope of its activities to offer a greater number of people, not just Wilson residents, real work contracts for building maintenance and maintenance of green spaces. Again, in Reims, the ENVIE association, established in 1994, is engaged in the collection and repair of domestic electrical appliances. Through the vocational training they receive and the experience of working in a business they acquire, association members are prepared for entry in the job market.

Recent initiatives, in the United Kingdom and in France, have focused on creating real jobs out of services that used to be provided on an informal basis, such as child minding, various care services and manual work such as various maintenance jobs. All these initiatives have had good results as long as their focus has been on creating jobs in urban areas that meet market demand, by identifying new needs that can be met or finding an outlet for skills the inhabitants can offer. Interesting ideas have been taken up in various European countries under the URBAN[12] programme (Box 24).

© OECD 2002

Box 24. **Examples of good practice in job creation: The URBAN programmes in operation in Austria and the Netherlands**

The European Union has launched a community initiative, termed URBAN, aimed at the economic and social regeneration of urban areas in crisis through innovative strategies and the exchange of knowledge and experience. It has a budget of € 700 million (FRF 4.6 billion) for the period 2000-2006, of which € 96 million (FRF 630 million) is earmarked for France. In order to combat exclusion and spatial segregation in towns and cities, URBAN supports various initiatives that range from building refurbishment, environmental protection and public transportation development to local initiatives to create jobs and get the excluded back to work.

The following are two interesting experiments in job creation:

- *Washing machine repair in Vienna*: In the Vienna district of Gürtel, the unemployment rate is as much as 11%, or 2% above the city average. In addition, a large proportion of the local population have no occupational qualifications and they live in poor housing. The RUSZ (*Reparatur und Servicezentrum*) project attempts to facilitate the return of the long-term unemployed to work by offering subsidised job opportunites. In this way, the RUSZ centre employs between 10 and 12 long-term unemployed over the age of 45 to repair and renovate broken-down washing machines, which are subsequently sold to the most disadvantaged people in the local community at a reduced rate (at some 20% to 25% of the cost of a new machine). At the end of their period of training at the centre, these unemployed workers on average find a regular job within 10 months. This experiment is noteworthy for the benefit it brings to both the unemployed and the disadvantaged.
- *Building refurbishment at The Hague (Netherlands)*: In Schilderswijk, a disadvantaged district of The Hague, the decision has been to offer prospects of future work to local unemployed workers, by involving them in converting empty offices into new premises for existing or emerging businesses. As a result of such refurbishment, the district now has 50 000 m^2 of work space, while individuals who wish to set up their own businesses are also offered training and support services.

Although there has recently been a refocusing of public action in favour of those in extremely distressed circumstances (Act to Combat Exclusion), there is still a divide between thinking relating to economic development and thinking relating to support for job seekers. Economic development in such distressed areas can be achieved by promoting viable activities in a free market economy framework. According to Michael Porter, a sustainable economic fabric can be produced in distressed urban areas by means of private profit-making initiatives based on individual economic interests and on real comparative advantages

© OECD 2002

(Porter, 1995). In this context, a number of OECD countries have felt the need to attract investment to areas in decline by means such as tax incentives.

In France, within the urban revitalisation zones (ZRUs) and urban free zones (ZFUs) demarcated by the central government, employers are exempt from management levies with a view to maintaining or fostering economic activity in the relevant areas. The ZRUs, brought into being by the Urban Renewal Covenant,[13] are intended to attract businesses to distressed urban areas, which have often been dependent on a single industry, by exempting them from taxes and social levies. In Champagne-Ardenne, 3 ZFUs have been established: at Croix Rouge (Reims), Ronde Couture (Charleville-Mézières) and Vert-Bois/Grand Lachat (Saint-Dizier). They are of different natures and this has had a considerable impact on their outcome (Table 49).

On the whole, the ZFUs have been productive (Box 25). Businesses have been set up and some have brought new life to the district. However, the measure has had a limited impact on unemployment, since skilled labour is not always available on the spot. ZFUs have not really engaged the private sector. Public authorities may find negotiation with private businesses difficult, which is why it is important to ensure that municipal services are operative in the areas concerned. There is, however, a limit to public authorities' scope for manoeuvre in introducing and maintaining economic activity in any district. Generally speaking, even though free zones have indeed led to job creation and encouraged businesses to come to formerly unattractive locations, they are not necessarily compatible with other urban projects and d not always help the local community to integrate.

Failure to involve the private sector has been considered the main weakness of urban policy in France, since neither Urban Contracts nor the Urban Renewal Covenant have made any provision to benefit businesses apart from the establishment of urban free zones, the surface of which is anyhow limited. Initiatives in some OECD countries have targeted economic development as part of an integrated strategy involving a number of different parties, notably the private sector. The Urban Development Corporations project in the United Kingdom was one of the first large-scale urban programmes to tackle economic development by

Table 49. **Change in the number of businesses in the ZFUs in Champagne-Ardenne**

Town or city	Number of businesses		
	June 97	June 98	Dec. 99
Reims	43	66	63
Saint-Dizier	25	NA	NA
Charleville-Mézières	15	23	57

Source: General Inspectorate of Social Affairs (IGAS).

© OECD 2002

Box 25. **Outcome of introducing businesses in ZFUs in Champagne-Ardenne (1997-1999)**

The results given by the ZFU in Croix-Rouge (155 ha), Reims, have been good on the whole. The progress report on the agreement to activate the urban free zone in Reims, notes that by 1999 the various organisations involved were co-operating well, while the new businesses introduced had had a social and urban impact. During the period from January 1997, 63 businesses were established with 300 jobs reported created and 229 notified as taken up to the URSSAF. Most of these businesses were new (53%), but that still meant a considerable number of relocations or transfers (33%). Most of them were providers of services to individuals or other businesses.

The Saint-Dizier ZFU comprises the district of Vert-Bois and empty areas in adjoining sectors, giving it access to various urban areas from which it had until then, been cut off by wasteland. The erection of a large supermarket and a discount store has been a driving force for local employment and regenerating the life of the area. The municipal authorities have begun renovating the commercial centre in order to encouraging trading to restart. In a year, the Saint-Dizier ZFU has seen the arrival of 25 businesses, 80% of which are retail traders or service providers, to a site which the local authorities claim to have been occupied formerly by125 businesses.

The ZFU at Ronde-Couture, Charleville-Mézières, is located in an area already urbanised and offering little free land for new commercial construction (actual availability is 6 hectares). There are more premises available at street level in buildings, but there are also not many of these and their surface areas are restricted. According to the Prefecture, ZFU status has attracted 13 businesses (6 small tradesmen, 2 shopkeepers, 3 service providers and 2 professional people) to the location, which had 78 businesses on site before 1 January 1997. Four of the businesses were relocations within the greater urban area. During the same period, there were 9 business closures in the zone. By 31 December 1999, 57 new businesses had been installed. Results have therefore been mitigated, confirming the initial impression of limited potential.

attempting to bring business activity areas into overall town planning. One factor this programme is based on, is partnership between public authorities and the private sector in the town planning sphere and it is endeavouring to establish a more comprehensive system of public assistance measures in order to relaunch business activity in the targeted areas. The Empowerment Zones/Enterprise Communities programme in the United States uses the same type of thinking to tackle the special problems of deserted inner city areas. It views such areas as potential launch sites and their residents as a potential customer base, while ensuring that

© OECD 2002

welfare-oriented or charitable business ventures, form part of the overall local approach to solving the area's specific problems. The essential measures to be taken include: identifying competitive advantages; identifying existing groups of businesses and the links between them; making plans to modernise business sites; and introducing business incentives and new ways to foster the entrepreneurial spirit.

Security and prevention

Even though they are less turbulent than large cities such as Lyon, Marseille or Paris, sensitive urban zones in Champagne-Ardenne have to cope with a rising tide of anti-social activity and vandalism that reflects the discontent of some of the population. Security concerns are playing an increasing part in the measures undertaken under uban policies. The Greater Troyes area, for example, although it does not experience the same level of deliquency as some other cities, has nevertheless maintained facilities for keeping watch on deliquency since 1998, and has designated six districts as priority urban areas. In this context, the new Greater Troyes Urban Contract contains a section on security and prevention that seeks to improve the institutional response to the phenomenon (specialised prevention, police, justice system), target the most vulnerable areas of the city and improve inhabitants' access to their rights (reception facilities, information, complaints procedures and victim support). In this context, the victim support association has increased the number of hours its local offices are open and has hired a psychologist. The information and womens' rights centre takes in battered women. A mobile bus called *Le fil d'Ariane* ("Ariadne's thread") provides information to young people on drug abuse, alcoholism and prevention of AIDS. The commune of Saint-André-les-Vergers is carrying out an experiment in which young people guilty of anti-social behaviour mend any damage they have caused. Various initiatives to help parents have been promoted by specialised prevention teams, such as a new social centre, a family photo project and promotion of solidarity networks. All these measures need to be expanded and extended on the basis of tried and tested good practices developed in other urban areas of other regions (Box 26).

Conclusions and recommendations

The various roles and respective areas of competence of institutional parties need to be clarified to ensure better vertical co-operation.

In view of the magnitude of the external impact and the severity of the problems at stake, involvement of the central government authorities is acknowledged to be jusified. Furthermore, central authorities provide a guarantee that social justice will be even-handed, and they ought to be able to prevent destructive

© OECD 2002

Box 26. Co-ordinating security policy in an urban area: action taken in the commune of Cluses (Haute-Savoie)

In the commune of Cluses in Haute-Savoie, an association named *Mieux vivre dans sa ville* was set up in 1997 following refurbishment of social housing. The association brought together both institutional parties (central government, rental authorities, municipal authorities) and representatives of local residents. The aim was to improve the social climate of the area through the intermediary of district councils, and the recruitment of three or four professional mediators. The budget for the operation comes to an annual total of FRF 500 000, while action is based on the principle of participation by residents by means of district councils, a mediator system and a survey conducted by residents to find out residents' expectations and complaints. The factors that ensured the success of this initiative were participation by the local population as a whole and broad-based partnership with the institutional parties.

competition between communes, such as through excessive use of public subsidies to attract businesses or misuse of town planning regulations. However, the various central ministries operate at different levels on decentralised issues. Establishment of the Interministerial Delegation on Urban Affairs (DIV) for action across the board has improved co-operation between the various ministries. On the ground, however, the central government appears only remotely involved. A number of municipal parties have drawn attention to the lack of openness and clarity concerning the various areas of competence of the administrations involved in different aspects of urban policy. This lack of clarity militates against policy effectiveness.

Generally speaking, if the various institutions are to be prevented from competing against one another, urban policy needs be pursued in a more open manner and there should be greater co-operation between the various services, public bodies and semi-public bodies involved. Although this recommendation is applicable to all urban contracts in France, in Champagne-Ardenne, it is particularly directed to the relationship between municipal authorities and departmental or regional authorities. This institutional partnership in fact reflects the local political context, to the extent that participation or the lack of it on the part of departmental authorities usually depends on the local political stance in that respect.

The region pursues urban policy through contracts under the State-Region plan. The region also acts as an intermediary in the quest for European funding.

© OECD 2002

Under its regional policy, the European Commission provides funds to promote development in various European regions. These funds are allocated to regions according to the criteria set for each programming period by the European Regional Development Fund (ERDF). Each region is responsible for the further allocation and good use of these funds. The proliferation of urban problems in recent years has led to attention being focused on urban development. Indeed, the latter launched the URBAN community initiative in 1994 to provide support for urban renewal projects. The Regional Council should have a more active role to play in that context.

Horizontal co-ordination should be encouraged with a view to ensuring greater involvement of partners

Co-ordination is needed between institutional parties but it cannot replace collaboration between professionals on the ground. Delegation is a feature of Champagne-Ardenne; as was pointed out earlier its municipal authorities, particularly in large urban areas such as Reims or Troyes, have long relied on social welfare bodies – the social housing agencies and authorities – to deal with social issues in distressed urban areas. These bodies, which frequently initiate projects, often provide the trigger for public action, whereas municipal authorities confine themselves to town planning matters. It is only recently, under the impetus given by the nationwide introduction of the urban policy, that municipal authorities have resumed some of their prerogatives. However, the distribution of responsibilities remains vague. Municipal authorities need to live up to their task of initiating and co-ordinating action.

The status, position and duties of the relevant project teams are useful indicators of the importance local authorities attribute to urban policy. In particular, the position and legitimacy of project management teams and the degree of their involvement at the various levels (district, town, greater urban area) will determine the success of the policy. In any social and urban project management team (*Maîtrise d'œuvre Urbaine et Sociale*, MOUS), each project leader will deal with a specific topic. Each MOUS project leader thus has a specific sector of responsibility within urban policy (security and prevention, education, cultural affairs, social welfare, job creation, habitat, etc.). Under the new urban contract (2000-2006), a number of municipal authorities, in Reims for example, have added two new directorates to their administrations: the Urban Contract Directorate, which is specifically responsible for social welfare matters (relations with voluntary associations, district initiatives, etc.), and the Town Planning and Habitat Directorate, which looks after large urban renewal projects. With regard to projects on specific topics, project leaders are responsible to these two directorates for a given territorial area made up of one or more urban districts accordingly. Projects are drawn up jointly. The town planning service and the service in charge of territorial projects also serve as links to the

© OECD 2002

municipality's technical services. The terms of reference and the mode of operation of these services is in essence political, with the result that any change in the municipal authorities may call into question the principles and modes of operation of local authority action.

In addition, partnership implies co-operation among communes, Under the impetus of national directives, the latest urban contracts have been drawn up with a view to promoting such co-operation in the greater urban areas such as Troyes or Reims in the Champagne-Ardenne region. Co-operation between communes is in some cases already a reality, since some priority areas are spread over different communes or their situation outside the central urban area brings them geographically close to outlying communes. However, the local tradition of competition between communes is hard to uproot and stand-offs resulting from political pressures often block the development of any real joint policy.

An overall strategy needs to be determined.

Champagne-Ardenne is found to be continuing a vigorous tradition of sectoral policies and the all-encompassing nature of urban policy is still rarely taken into account. General frameworks are essential for ranking and programming initiatives. Defining real strategies will also help to make urban renewal policies more comprehensible. Strategy implies an overall view shared by all the players involved and ties all the various measures involved in a concrete way. It gives sense to action under way by placing it in a wider context understood by all. By creating opportunities for exchanges between the various parties, the strategy design process will form the core of the partnership approach and determine each party's commitment to the objectives set. The greater urban area will thus serve as strategic interface for other policies under the governance of common law, particularly with respect to land usage, major investment projects, forward planning and town planning. Major policies aimed at generating social cohesion should be carried out in the context of employment catchment areas or residential areas. Urban policy should be about much more than dealing with distressed urban areas. If it is to bear fruit, it must start with an overall view of urban problems in order to ensure that action may be taken to prevent the future spread of distressed urban areas and allow corrective action to be taken to enable currently distressed urban areas to become part of the social, economic and material fabric of the town or city.

Prior action and more experience

The problems encountered by distressed urban areas cannot be solved by measures targeting such areas alone – all the resources of the greater urban area need to be brought into play. Positive discrimination is a concept that needs to

© OECD 2002

be extended, not as a way of granting additional rights, but as a means of allocating extra resources to disadvantaged individuals on the basis of spatial and/or social criteria in order to restore their access to universal rights. It can be thought of both as developing common law policies to allow them to address situations specific to priority urban areas and as arranging for the dissemination, by services other than those covered by the urban policy and in non-priority urban areas, of some of the instruments and methods designed, tried and tested as part of urban policy. Integrated local authority policies should also deal with problems in a dynamic way. When the situation in a district is worsening or threatens to deteriorate further, suitable action needs to be taken as soon as possible in order to prevent exclusion from developing. This, of course, calls for a financial commitment on the part of both central and local authorities as soon as situations start to deteriorate and not after difficulties have already developed. This will allow problems to be addressed more effectively and at less cost. Action must thus be taken sufficiently early to ensure prevention is effective. Prior action also implies the ability to detect potentially deteriorating situations early. To this end it would be extremely useful to have a number of quantitative and qualitative indicators measuring basic conditions in urban areas. The pooling of data by the various partners, each using their own evaluation and monitoring methods, would increase the effectiveness and relevance of such work. This statistical approach should be accompanied by qualitative surveys of the local residents, who can provide essential information on the state of the district.

Greater flexibility and better adaptation to the special needs of each district

There are no standard solutions. On the contrary, specific responses have to be found to the problems of each district through scrutiny of the spatial, economic and social factors that define it. Proximity is not merely a geographical concept, account needs to be taken of the local social dynamic. Special attention needs to be given to very small-scale projects that require parties to take action at the local level, since technical services often have ways of operating that seem out of proportion to local residents' actual requirements. Taking pains to conceive, discuss and formalise urban projects right from the start, may often be costly, but evidence is emerging on all sides to show that it leads to lasting results, in particular generating a sense of ownership in residents of the public areas that have been redeveloped. One of the problems in determining local policy is deciding the size of the area action should cover. This needs to be determined on a case by case basis, through negotiation with the various local partners. Target districts must in any event be defined in the light of the need to bring distressed urban areas back into the urban economy.

© OECD 2002

Encouragement and support to local residents to work together and participate

It is important for local residents to be encouraged to develop a firm commitment to generating and maintaining strong social bonds. Urban renewal in distressed urban areas has to be based on meaningful measures aimed at bringing a new sense of solidarity among the local population. In the long term, this should restore a sense of wellbeing to collective life, by building up a new image of a healthy and energetic district. The 2000-2006 urban contract makes local participation in projects a prime objective. Although in general terms there is increasing acknowledgement of the right of local residents to be heard (despite some recalcitrant views), elected representatives and local players are sometimes unaware of how to promote participation. Efforts have already been made on the communication and information front, and surveys have been carried out (satisfaction ratings, etc.)

Champagne-Ardenne has a long tradition of voluntary associations, which have continued the charitable work carried out during the industrial period. However, such associations (ATD *Quart-monde*, *Secours catholique*, etc.) are designed to provide assistance and charity rather than engage in urban development. There is in fact no tradition of mobilising local support for a project. As a result, many associations have been promoted from the outside by municipal authorities, with a view to create a framework for dialogue with the local population. In practice, commitment by ZUS residents in Champagne-Ardenne is often sporadic and focused on two main topics – housing and children (security, education, etc.). The need is to establish a flexible structure that cannot only serve as a vehicle for expression of views but also as a means of training the local population in participation. Including residents' representatives in formal structures (district councils, etc.) is often only a partial answer. The prime need is to restore social bonds before embarking on any urban planning exercise. This joint effort should seek to communicate and inform, to convey to local residents a sense of ownership of projects and to change attitudes through education and teaching. In Charleville-Mézières, a trial of joint management of existing multi-use premises by management committees has led to preliminary joint work being carried out by district consultative committees on the location, function and rules of use of new premises for the Ronde-Couture district. Efforts such as the establishment of local activity centres or systems for the exchange of views are good initiatives that have given encouraging results and that are likely to be undertaken anew in Champagne-Ardenne.

Legitimacy is also an issue with regard to bodies representing the local population. Some sectors of the local population are often underrepresented, despite being overrepresented in the social make-up of the district; this is the case in particular of young people and women. What is at stake is the visibility and comprehensibility of actions and services within districts. It has been found that there is a real dearth of communication of knowledge about services or associations on the

© OECD 2002

ground, and thus about their significance in the district. It is therefore vital not to consider residents' associations as an end per se (coming together for the sake of coming together), which would simply be a sham. In Toronto as in Dublin, success in policies targeting specific districts is closely linked to the involvement of local residents; besides, it depends on their enthusiastic support. In these two cities, efforts have been made to determine more precisely the part played by these intangible community assets in order to devise policies that will generate public spirit. Toronto thus has realised that the success of the measures targeting such districts depends on their ability to give rise to voluntary groups.

A *time scale for action*

The various parties that are the partners in urban policy do not all work according to the same time frame. Pressures therefore build up as a result of different ways of thinking and operating. Under urban policy and in the preparation of urban contracts, the central government's main motive is rehabilitation. Municipal authorities tend to aim for prevention, in other words to forestall deterioration in vulnerable districts rather than waiting for an emergency to develop and then have to be "treated". Elected representatives would like to be in a position to take preventive action in districts considered as non-priority areas but showing signs of a likely downward slide that needs to be halted. The central government is also involved in long-term planning, notably with regard to possible future projects, whereas municipal authorities want to keep some room for manoeuvre and a degree of flexibility so as to allow projects to be modified in the light of emerging needs. This dichotomy is particularly apparent when urban contracts are being drawn up. It has therefore been suggested that urban policy might be released from application to fixed administrative divisions and allowed to develop more flexible geographical parameters. Any strategy relating to urban policy must be based on the long term. Action on social welfare, education, prevention of delinquency and improvement of the image of a district requires time as well as a timetable of some sort. However, institutions also need to develop the ability to respond appropriately and show flexibility.

Any work being done in the context of short-term projects needs to show clear signs that it is part of a long-term strategy. In the case of local projects, it is sometimes difficult to get an apathetic local population on board that has seen the launch of many projects without tangible result. The various partners need to make clear, specific commitments on a short time scale. Monitoring is also needed on completion of a project, notably with respect to urban rehabilitation. The work done by the public authorities has to reflect this need for continuity.

© OECD 2002

Notes

1. Low-rental housing (HLM) was introduced in 1947 by local authorities (HLM offices) or private bodies (limited companies) to give people on low incomes access to housing in the post-war years. Such agencies have received various forms of State assistance to enable them carry out their task and remain in financial credit.
2. In Reims for example social housing generally consists of three- or four-room dwellings, whereas as a result of the general reduction in the size of households the current need is for smaller one- or two-room dwellings.
3. According to data from the report of the District Housing Conference, April 2000.
4. Priority education zones (*zones d'éducation prioritaire* – ZEP) were designated by the Ministry of Education in 1981 to combat social and educational inequalities. The schools selected receive special assistance in the form of extra teaching posts or educational credits.
5. The social minimum income (RMI), introduced in December 1988, expresses the general principle of entitlement to a minimum income. It is a differential allowance that supplements other forms of income to bring the whole up to a given minimum. Those eligible are the unemployed over 25 years of age who undertake to follow a vocational training course and actively seek work. The RMI is intended as a temporary measure and not as permanent assistance and is expected to facilitate entry to the labour market of those previously excluded from it.
6. It has an area of small individual houses built in the 1920s; an eastern hamlet of residential buildings put up in the early 1970s; the Saint-Thérèse complex built in 1962 to house *harkis* (people repatriated from Algeria); and public housing at Vitry Habitat built in 1971.
7. See the section on breakdown of distressed urban areas above.
8. In sensitive urban zones (ZUS), the cost of exempting businesses from local business taxes is not borne by the State but by the communes that have decided to apply the measure in a ZUS. These areas also benefit from social measures such as holding communal housing conferences, granting ZEP status, etc. The urban revitalisation zones (ZRU) receive tax and social welfare exemptions, with the State footing the bill for exemption of new and existing businesses from the local business tax. In the case of urban free zones (ZFU), the principle of positive discrimination is taken further than with the two preceding zones. A ZFU has the same privileges as an urban revitalisation zone but also others relating to property. It applies to districts with a population of at least 10 000. The State bears the cost of exemption of new and existing businesses from local business tax and their exemption from company tax, property tax and employer's share of social welfare contributions for up to fifty workers.

© OECD 2002

9. The urban contract names four districts in Saint Dizier as priority targets: 1) Vert Bois, which was designed as a "new town" in 1952 and today has a population of 14 500 and 5 000 housing units, 4 629 of which are HLM. Vert Bois is cut off from the rest of the town by an embankment carrying a major national road, a railway line and a canal. It has a very high vulnerability rate and a high poverty rate (86.6% of residents are in receipt of RMI); 2) Le Grand Lachat has a population of 750 and gives the impression of remoteness because of the presence of a very large area of industrial wasteland; 3) and 4), La Noue and Marnaval, are small working class districts in the central area of town.
10. Châlons-en-Champagne (multiservice centre opened in August 1996); Epernay (multisite reception centre opened in November 1996, and a social centre, the hospital farm, opened in summer 200); Reims (municipal branch offices and multiservice centres opened in June 1998; Orgeval and Châtillons districts; Troyes, a district centre, early 2001); and Charleville-Mézières (public multiservice multisite platform in La Houillière district). *Évaluation de la politique de la ville en Champagne-Ardenne volet "services publics de proximité"*, Interférences, January 2000.
11. See the previous note on ZEPs.
12. URBAN works as follows: the European Commission sets the general outlines, determines the allocations to Member States and specifies the number of urban zones to be covered in each country. Each Member State then selects the urban zones to be covered and, through its regional administration, supports the local authorities in drawing up their projects under the Community Initiatives Programme (CIP), which set out the strategy, priorities and measures in view as well as the funding schedule. Member States then submit their CIP projects to the European Commission for negotiation and approval. Project management is provided either by the Member State (through its regional administration), or by the local authorities themselves. URBAN is being applied in some 70 urban zones each with a population of at least 20 000 (10 000 in some exceptional cases) that meet 3 out of 9 criteria such as a high unemployment rate, a high poverty rate or severe environmental problems.
13. See above.

© OECD 2002

Chapter 7

Rural Development

Despite the fact that Champagne-Ardenne is an intermediate region, according to the OECD classification, it has features that make it more properly a mainly rural one. Although agriculture remains a major force in the regional economy, its role has changed and measures to strengthen the rural sector are based on a new diversified approach that focuses on developing mixed systems of farming, promoting high quality production and increasing value added. In view of the importance of the sector and its by-products within the region, the present chapter will address the relationship between agricultural activity and the rural environment. It first analyses the assets and obstacles to rural development in Champagne-Ardenne. It will then assess the potential for the diversification of its rural base and in conclusion will make a number of recommendations for improving public sector action in the field.

Rural development – assets and obstacles

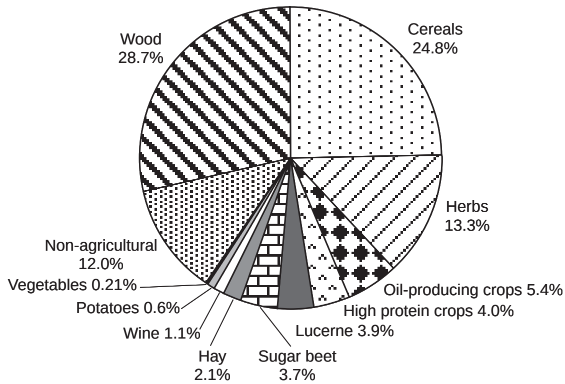
Champagne-Ardenne has always been a farming country, a characteristic that has been consolidated through the centuries. It is now one of the leading farming areas in France, notably with respect to cereals, oil-producing crops and wine production. On the other hand, it has economic, social and environmental problems whose impact needs to be assessed before any more appropriate rural development policy can be outlined.

Key assets

In France, Champagne-Ardenne appears as a formidable agricultural area. In 1999, it accounted for 6.9% of national agricultural production only behind Pays de Loire and Aquitaine. The region has plenty of land for agriculture, some 1 580 000 ha or 61% of its total surface area, with farm size being considerably greater (some 2.5 times) than the national average. Some 700 000 ha, or 28.7% of its surface area is occupied by forests. Non-agricultural land (292 000 ha) is well in the minority (12%) (Figure 31).

© OECD 2002

Figure 31. **Land use in Champagne-Ardenne, 2000**



Source: Champagne-Ardenne regional chamber of agriculture.

Advantaged by a splendid economic situation further boosted by the millennium celebrations, wine production accounted for 44% of total agricultural production in the region in 1999, and produced an exceptional turnover of FRF 24 billion for 327 million bottles. Since a considerable portion of the result was attributable to champagne, gross farm income in the region was twice that of the rest of France. The increase in incomes in Champagne also made a major contribution to the marked growth in mean agricultural yield per agricultural worker in Champagne-Ardenne (+9.8% in 1999, whereas the national average went down by 4.2%), forging ahead of neigbouring regions such as Picardie, Bourgogne, Lorraine and Ile-de-France. In addition to wine production, cereals, oil-producing crops and sugar beets are true assets for the region.

Despite the tendency to merge holdings, farms in Champagne-Ardenne are longer lasting than elsewhere. The number of farms (26 200 in 2000) has gone down 22% since 1988, as against 35% in France as a whole.[1] However, farms used to be more resilient, since between 1979 and 1988 only 5% of farms were lost in Champagne-Ardenne. However, there is a marked difference between wine-growing farms and non-wine-growing farms. The number of the former fell by no more than 2% between 1988 and 2000, whereas the latter showed a drop of 33%. Likewise, the average farm acreage increased by 29% for all farms in the region between 1988 and 2000. This trend is quite marked for non-wine-growing farms, whose average acreage increased by 47% during the same period.

Champagne-Ardenne benefits from a favourable geographical position. Located between Paris and the heart of the European Union, the region is served

© OECD 2002

by major road and rail links that bring it even closer to centres of consumption and huge markets. Much of the produce of Champagne-Ardenne is exported. The region thus benefits from an enormous national and international market; of 4 500 000 tons of total exports, 61% goes to northern France or the Benelux countries, while 18% goes to non-EU areas.

Obstacles to development

A number of factors come into play; some could be categorised as structural in nature, with others appearing as by-products of some government policies.

- A *lack of entrepreneurial initiative*. Farming is a form of entrepreneurial activity and business drive has the same impact in the agricultural sector as it does in industry. As was mentioned earlier,[2] Champagne-Ardenne is not well served in this area. A paltry rate of business creation in recent years had been compounded by the fact that nearly 50% of new businesses fail during their first few years of life. A number of factors aggravate this situation, such as deficiencies with respect to vocational training, which leads to a lack of skilled labour, few viable projects or a low research level in the region.
- A *low level of agriculture-based industry*. Although agriculture generally appears to be doing well in Champagne-Ardenne, the added value produced by the sector remains low. Agri-food businesses have not developed in the region and processing industries are few and far between. Output in Champagne-Ardenne is mainly geared to the export market and yet it has not been organised so as to foster sustainable development. In particular, in the Champagne-Ardenne region, very little room is made for organic farming, which, according to a survey commissioned by the Champagne-Ardenne Regional Chamber of Agriculture, could provide producers in the region with an added value of some FRF 40 million.
- *Lack of diversity in regional production*. Agricultural production in Champagne-Ardenne is strongly focused on three main cash crops – cereals (wheat, barley), oil-producing crops (rapeseed, sunflower seed) and beet – which take up a third of the acreage of the region. The region is therefore exposed to the danger of speculation or to a drop in world prices, which makes it vulnerable to economic trends. The reform of the European Union Common Agricultural Policy (CAP) is a particular cause for concern. The drop in cereal price support has already led many farmers in the region, notably in the cereal-growing area, to increase the size of their farms in order to offset the effects of the cuts and to invest in intensive stock-raising in order to receive Community assistance. The uncertainties concerning possible future cuts in assistance, as a result of the forthcoming enlargement of the European Union, may well affect choice of specialisation.

© OECD 2002

- I*ntra-regional and structural disparities*. There are very wide intra-regional and structural disparities in Champagne-Ardenne. The intra-regional disparities are most noticeable between the *departments* of Marne and Aube, on the one hand, and Ardennes and Haute-Marne, on the other. For example, in terms of agricultural income, Marne and Aube come first and third respectively on the national scale whereas Ardennes and Haute-Marne come 35th and 47th. Similarly, in 1999 the yield per agricultural worker fell by 12.3% in Haute-Marne and by 9.2% in Ardennes, whereas in Aube it went up by 1.6% and in Marne by 9.7%. These disparities between *departments* are enhanced by structural disparities in production outlets. For example, the average net pre-tax profit per farmer was FRF 200 000 as against FRF 2 500 000 for a wine-grower, a ratio of 1 to 10. Similarly, in 1999 pre-tax turnover fell by 9% for cereal-growing farms, whereas it went up by 25.5% for wine-growers. In fact, these intra-regional and structural disparities reinforce each other, the earning capacity of the *departments* being principally based on the size of their wine-growing sector.

In general, the intra-regional disparities reflect the imbalances generated by the Community assistance system in the Champagne-Ardenne region. A look at the subsidies paid to four *departments* shows these different effects (Table 50).

Table 50. **Agricultural and structural subsidies paid by the Community to Champagne-Ardenne, 1996**

	Marne	Haute-Marne	Aube	Ardennes	Champagne-Ardenne
Population (millions)	568	199	293	291	1 351
	(42%)	(15%)	(22%)	(22%)	(100%)
Income (GDP, PPP)					
Total (million euros)	11 974	3 248	5 259	4 771	25 256
Per inhabitant (euros)	21 081	16 322	17 949	16 397	18 694
CAP					
Total (million euros)	285	96	171	117	667
Per inhabitant (euros)	501	482	583	402	493
Structural funds					
Total (million euros)	19.8	17.9	5.1	11.4	54
Per inhabitant (euros)	35	90	17	39	40

Source: J. Robert (2000).

© OECD 2002

Agriculture in the Champagne-Ardenne region is particularly dependent on the European Union as the Community component of all public assistance to agriculture is much greater than the French average (93% in Champagne-Ardenne as against 84% for France as a whole). Total agricultural assistance to Champagne-Ardenne under the CAP comes to € 493 per head. The least prosperous *departments* in the region in income terms, namely Haute Marne and Ardennes, receive a level of assistance below this regional average (€ 482 and € 402 per head respectively), whereas they receive proportionately more structural funds. On the other hand, the most populous and wealthiest department in the region (Marne) receives a level of agricultural assistance slightly above the regional average. As a result, the effect of the CAP in Champagne-Ardenne is to support the better-off *departments* because it favours the more intensive types of farming. The corrective effect of the regional policy (€ 40 per head throughout the region) is not enough to offset the effect of the CAP, which in per capita terms is almost 10 times greater. In practice, the trend in the past ten years has been for farming practices in the most fertile areas of the region to become increasingly intensive, and for agriculture to continue being abandoned in the least favourable areas (the departments of Haute-Marne and Ardennes).

Social difficulties

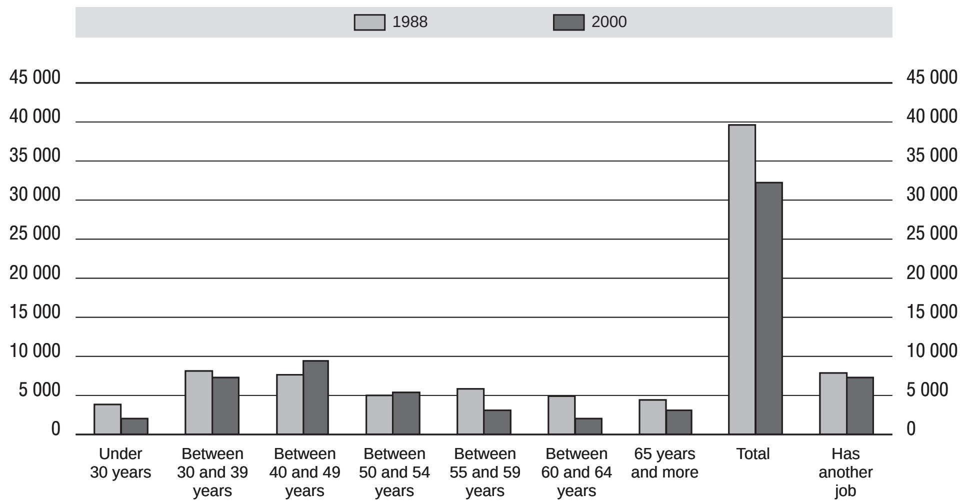
Like France as a whole and like other countries, Champagne-Ardenne has seen the number of its agricultural workers fall considerably.[3] The Figure went down by 32% between 1988 and 2000 (Agreste, 2001). In particular, the number of people living on family farms[4] has declined steeply because family workers apart from farmers or co-farmers have reduced by half the amount of farm work they do. This decline has been partially compensated by a substantial increase in paid labour, which made up almost a third of the farm workforce in 2000, as opposed to only a quarter in 1988. The number of farmers working full time on the land has also dropped from 56 to 52% between 1988 and 2000, while the number of farmers with more than one job has risen from 20 to 22 %. The fall in the work rate has been even more radical in the case of permanent employees, since two-thirds of them were working full time on the land in 1988 as against only 56% in 2000.

In addition, the age pyramid is narrowing substantially (Figure 32). The number of farmers and co-farmers under 30 years of age has almost halved, and their relative proportion has gone down from 10% in 1988 to 6% in 2000. In the same time, the number of farm workers over the age of 60 went down from 9 000 to 5 000 between 1988 and 2000. A major decline has been recorded in the numbers of farm workers aged between 60 and 64, who now make up no more than 6.2% of the total, as against 9.7% for those over 65. Despite their remaining fairly numerous, farmers and co-farmers work only 6% of the usable agricultural area in the

© OECD 2002

Figure 32. **Changes in the age structure of farmers in Champagne-Ardenne, 1988-2000**

Farmers by age category in Champagne-Ardenne



Source: Agreste (2001).

region. At the same time, the 34 to 54 year-old age group has become a very large majority, since it made up 59% of farmers and co-farmers in 2000, as against 43% in 1988, while from the standpoint of acreage in use, it is even more predominant since they work 68% of the usable agricultural area.

Environmental issues

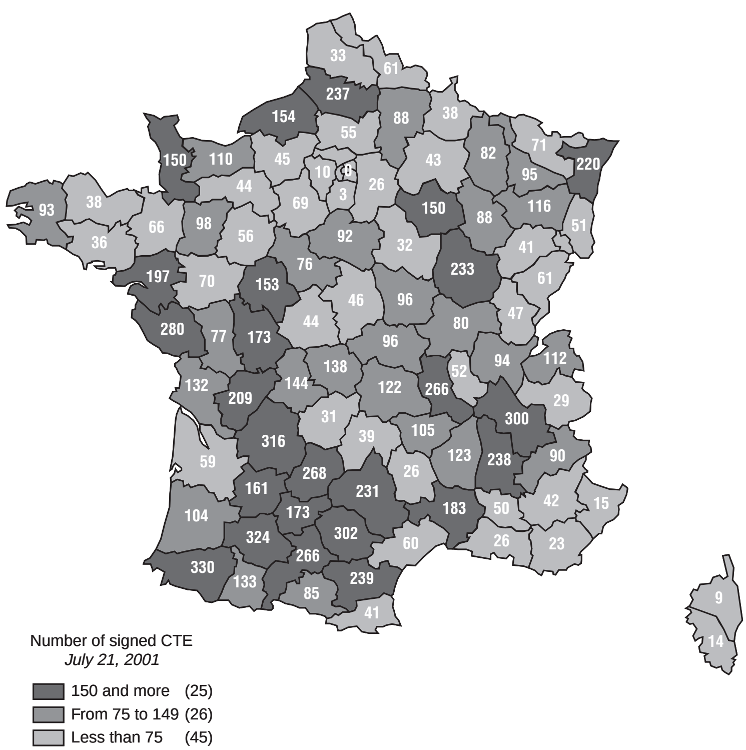
Since the Agricultural Orientation Act was adopted on July 9, 1999, French agricultural policy has had access to a new measure, the land usage contract (*contrat territorial d'exploitation*, CTE), a five-year contract between the central government and the farmer whereby the latter undertakes to change over to multifunctional farming, producing not only agricultural output and creating added value, but also contributing to protection and management of natural resources, the countryside and biological diversity, and to balanced land usage and employmnent. There are two parts to the CTE – one economic and related to employment (concerning for example the need to diversify the type of farming carried out, to support a young farmer just starting out or to improve the quality and traceability of agricultural produce) and the other environmental and territorial (better control of fertiliser and pesticide use, the planting and maintenance of hedgerows or integrating farmbuildings into the landscape). Each type involves one or more standard mea-

© OECD 2002

sures chosen from among a list drawn up by the prefect of the department on the advice of the Departmental Commission on Orientation of Agriculture (C*ommission départementale d'orientation de l'agriculture*, CDOA) (Figure 33).

Comparing regions on the basis of the number of CTEs signed is difficult since the number of farmers varies with the area. Furthermore, CTEs have one major drawback in that they most often apply to farms that have not yet undertaken any environmental protection. Only the extra effort resulting in a loss of income or a loss of earnings is subject to compensation by way of subsidies, loans, interest payments, or tax rebates. For this reason CTE numbers may be interpreted in two different ways. They may on the one hand indicate a greater commitment to environment-friendly agriculture and, on the other, be evidence that a large number of

Figure 33. **Number of land usage contracts signed in France and in Champagne-Ardenne, July 2001**



Source: Ministry of Agriculture.

© OECD 2002

farmers have not yet undertaken any environmental projects. Furthermore, the Departmental Commissions on Orientation of Agriculture (CDOA), which are responsible for authorising CTEs, check on the economic viability of farms but not on the measures themselves. Thus a farm could receive funds under a CTE in order to improve working conditions and productivity without any environmental constraints being placed on the investment made.

Diversifying the rural base

The need to halt outmigration (*e.g.* Haute-Marne or Ardennes), to create jobs, in small towns for example, and to bring down infrastructure costs in areas of low population density, calls for new strategies to mobilise the local population, encourage local development and diversify the primary sector. In this area, a programme outline already exists to speed up such a changeover, namely to promote a niche strategy concentrating on quality and local specialities. A new impetus is being given to areas such as forestry, which is no longer confined to one sector but contributes to major efforts in the area of tourism and the environment, with a view to focusing on the competitive advantages of the region that are better suited to drive overall rural development. Entrepreneurial activity and training also help to infuse new vigour and competitiveness into the region's rural economy.

Local development

Some parts of the region were formerly eligible for assistance under Objectives 2 and 5b (1994-1999) and are now eligible for assistance under Objective 2 (2000-2006) of EU regional structural policy.[5] Here the focus is on increasing the output of produce typical of the region, diversifying farming, keeping farms going and creating agricultural jobs in order to stem the trend towards ever larger farms or the abandonment of agriculture. The land involved takes up 6 200 km^2 of the region, has a population of 108 559 and offers 71 000 jobs. Although the region received no LEADER I initiatives[6] (*Liaisons entre Actions de Développement de l'Économie Rurale*), it has now been receiving LEADER II initiatives, whose purpose is to provide a framework for local development by expanding human resources and boosting local initiatives, for example by supporting projects that offer alternative routes to development. In Champagne-Ardenne, LEADER II initiatives have helped sustain new innovative projects (such as cultural projects for young people in rural areas), introduce new rural occupations (such as maintenance of open areas, landscaping, crafts, new businesses for processing agricultural or food products), improve the skills of local parties and foster international co-operation.

In general, the LEADER programme has given good results in Champagne-Ardenne. It has promoted the launch of various forms of local development and encouraged integrated approaches under the "*Pays*" policy (for example, the most

© OECD 2002

advanced of the eight local action groups (*Groupes d'action locale*, GAL)[7] in the region is laying the foundations of what is expected to be the future *Pays de Langres*).

The agricultural niche strategy

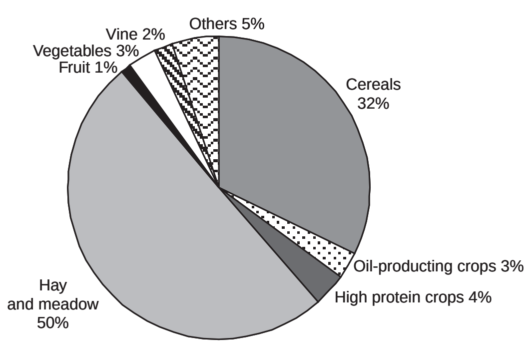
In recent years, farming activity in Champagne-Ardenne has been diversified under a strategy to generate additional added value by giving an official stamp to various aspects of the final product such as quality (labels), packaging (certificates of conformity), environment-friendly status (organic farming) and local speciality (*appellation d'origine contrôlée*, AOC). The last two will be considered below in more detail.

Organic farming

Champagne-Ardenne is no more than 20th out of the 22 French regions as far as organic farming[8] is concerned, with 76 farms occupying 2 700 ha and some twenty other farms in the course of conversion occupying 1 400 ha. Although the advent of organic farming is currently slowing in France as a whole, it is forging ahead in Champagne-Ardenne, especially as the region is catching up on its initial lag on the issue. Indeed, despite a 25% increase in the acreage devoted to organic farming, the latter still occupies no more than 0.8% of the usable agricultural land in Champagne-Ardenne as against 1.3% in France as a whole.

The overall predominance of forages and meadows in organic agriculture (Figure 34) is to continue at the end of the conversion period (Figure 35), insofar as livestock farmings are more and more undergoing conversion to benefit from the grant allocated by authorities in charge of agricultural policy. In the case of the

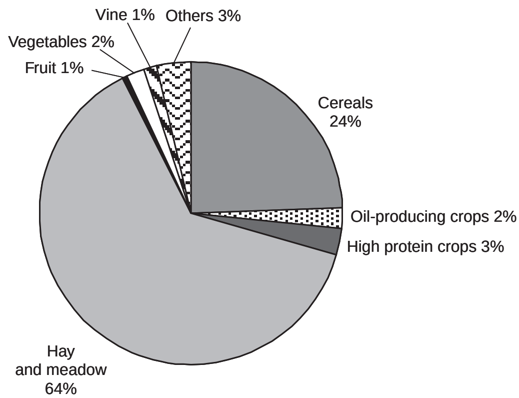
Figure 34. **Organic farming in Champagne-Ardenne, 2000**



Source: Agreste 2000.

© OECD 2002

Figure 35. **Organic farming in Champagne-Ardenne (including farms in conversion), 2000**



Source: Agreste 2000.

Marne for instance, the departmental authority has decided to give an additional premium to organic CTE application files. Such subsidies reduce farms' accountability and such local agricultural policies supported by EU contributions might undermine farms' long run economic sustainability.

Although organic farming remains a "niche" strategy whose expansion is limited by production capacity and high sales price, it still provides a window of opportunity for agriculture in the region that ought to be used to the best advantage. Numerous OECD countries actively encourage organic agriculture via the allocation of subsidies (whether provisional or permanent) and thanks to a system of technical and information assistance. In the region of Siena, Italy, agricultural producers apply an active produce differentiation strategy by exploiting this "niche".

Guarantee of origin

Allocation of labels giving a guarantee of origin (*appellation d'origine contrôlée*, AOC) is intended to give an advantage not transferrable to other locations to distinctive features of local produce, local methods of production or local processing methods. This approach to traditional products has been widely adopted throughout Europe, notably in Southern European countries, in response to growing demand for produce of authentic origin or processed by traditional methods. Many such initiatives have had a favourable impact on local development in Europe. In view of the techniques involved, the relevant systems of production

© OECD 2002

are less intensive. Furthermore, the area of agricultural land required is greater, which increases the number of direct and indirect jobs involved. The agricultural landscapes that result form part of the collective heritage with important spin-offs in areas such as tourism. Other spin-offs result from the positive image conveyed by a high quality product and the land from which it comes.

The first AOCs came into being at the start of the last century and applied to vineyards, but their use towards other products only became widespread more recently on the initiative of the European Union, which intended it as a counter to the danger of levelling down in the wake of the move to deregulation in Europe. Because of the strength of its wine-growing sector, Champagne-Ardenne has an AOC line that is quite exceptional. Such focusing often warps statistical indicators concerning Champagne-Ardenne.

Forestry

Champagne-Ardenne is ranked sixth of all regions of France with regard to timber production, which increased by 4.5% between 1998 and 1999 to reach 1 963 293 m^3. Forest covers 700 000 ha or 26% of the regional territory (more than one fourth in France). Timber, which engages 1 200 businesses and offers 10 000 jobs, appears poised to develop into a genuine industry in the region as timber processing sectors are introduced. For example, paper pulp accounted for over a third of regional investment in 1999, amounting to FRF 935 million. The timber trade thus appears likely to thrive and attracts considerable productive investment in processing plants, forestry conservation and stock replacement; one example being the very substantial investment made by the Unilin group in Bazeille (near Sedan).

Badly hit by the storm of 26 December 1999, which laid waste more than 13 million m^3 in the region (the equivalent of 3 to 4 years of production), the timber trade has received aid to fund recovery from the central government through the Regional Directorate for Agriculture and Forestry (DRAF) in conjunction with the regional authorities, departmental authorities, departmental services and local authorities.

The forestry sector in Champagne-Ardenne has therefore to confront its share of the challenges facing the sector in France as a whole. In addition to its traditional commercial outlets, forestry offers a number of other amenities that can help meet goals such as maintenance of biodiversity, protection of soil and water or provision of recreational areas for the general public. This multifunctional potential thus needs to be tapped to serve the needs of various forms of environmental or green tourism, which is one of the most important components of rural development. Natural forests can be an important provider of rural amenities. The Regional Forest Agreements in Australia provide an interesting example of policy in this field (Box 27).

© OECD 2002

Box 27. **The Regional Forest Agreements in Australia**

In Australia, a Regional Forest Agreement process has been developed to provide a blueprint for the future management of Australian forests, and the basis for an internationally competitiive and ecologically sustainable forest product industry. It is an essential element in the National Forest Policy Statement, which was jointly developed by the Commonwealth, State and Territory Governments to provide a strategic framework for forest management in Australia. The governments agreed that strategic land use decision-making should be based on the comprehensive evaluation of the potential uses and values of a particular area.

The National Forest Agreements process is therefore a mechanism whereby Commonwealth and State governments can come to a mutual agreement on the management and use of forests in a particular region over a 20-year period. The aim is to streamline and co-ordinate the various government decision-making processes. A central aim is to take account of the full range of forest values and consider both benefits and costs in making policy or resource use decisions. The Regional Forest Agreements also recognise the range of economic and environmental obligations of each tier of government in managing and protecting forest values. The main aim is to determine what needs to be protected by establishing forest reserves, to designate the areas in which specific management regulations will be applied and to define a code of forestry practice applicable to everyone everywhere. It is a consultative process for the area planning of the uses to be made of an amenity.

By March 2000, nine regional forest agreements had been signed. These agreements provide an excellent outcome for the community, the environment and the forest-based industries in the regions involved. The long-term forest management arrangement put in place by the Regional Forest Agreement provide certainty both for conservation and for resource access and use, leading to increased investment, industry development and jobs in regional Australia. Evidence from the regions concerned suggest that increased industry confidence resulting from the regional forest agreements is already generating interest in investment in forest related industries.

Source: *Rural amenities and development in Australia's native forests: the Regional Forest Agreement process*, C/RUR (98)9, OECD (1998).

Tourism

Not only is the population in Champagne-Ardenne ageing rapidly and its young people emigrating, but it is also failing to attract much interest from out-

© OECD 2002

side its borders. Currently it is no more than an area of transit with no real identity of its own, while the differences and particularities of its four *departments* compound the absence of any sense of belonging to a distinctive area. From the general standpoint of pulling these disparate territories together, it is vital for Champagne-Ardenne to focus on making the best of its environmental, historical and cultural amenities, which are not merely prime movers for regional development but also major generators of a sense of identity and cohesion with the region.

Champagne-Ardenne has enormous tourist potential. It has not only a heritage of historical monuments and natural beauties but also a tradition of wine-growing and gastronomy. As far as historical monuments are concerned, Champagne-Ardenne can offer impressive Gothic cathedrals (the jewel being Notre-Dame Cathedral in Reims, joined by others such as the Saints Peter and Paul Cathedral at Troyes, the place Ducale in Charleville-Mézières, the Fortified Castle of Sedan or the Saint-Mammès Cathedral at Langres), many timbered churches in the Bocage district of Champagne or picturesque Romanesque edifices (such as the Cistercian Abbey at Clairvaux). As for environmental assets, Champagne-Ardenne has 300 000 hectares of public and communal forests, 10 000 hectares of lakes and other bodies of water (the lakes of Der-Chantecocq, Forêt d'Orient, Vieilles Forges or Liez) as well as a wealth of fauna and flora in its two regional nature parks (Montagne de Reims and Forêt d'Orient, Box 28).[9] Wine-growing and gastronomic traditions are based on the renown of champagne (from the department of Marne, but also increasingly from Aube) with a "champagne tourist route" that winds among wine-growing villages and certificated wine cellars, and includes the tasting of famous local delicacies (such as the *andouillette* of Troyes or the truffles of Haute-Marne). Other events such as the world puppet show festival contribute to the region's liveliness.

After an excellent 1999 summer season, the 2000 season in Champagne-Ardenne appears slightly less positive with hotel overnights down by 4% over the year. Although for metropolitan France as a whole, there was a slight drop just in foreign visitors, in Champagne-Ardenne the decline in the number of visitors applied to both French (–3%) and foreign nationals (–5.5%). The region is still making no more than a modest contribution to French tourism, with 1.2% of all overnights in accredited hotels. Champagne-Ardenne remains a region of transit, where tourists stay on average no longer than a day and a half. Most tourists are from neighbouring areas, either the Ile-de-France or neighbouring countries (Benelux, the United Kingdom, Ireland and Germany). Tourism policy therefore consists in encouraging people to turn a short stay into one of medium length by introducing and improving various tourist attractions (combining meals, accommodation and activities).

© OECD 2002

Box 28. **The regional nature reserve of Forêt d'Orient: a development project to boost tourism and the economy**

Established in 1967 against a background of local conflict fuelled by compulsory purchases, the regional nature park of Forêt d'Orient is centred on three artificial lakes (d'Orient, Temple and Amance) initially intended to absorb floodwater from the Seine and the Marne. Under the Act of 5 July 1972, the purpose of the park is to:

- maintain and improve the heritage of the site, for example by appropriate management of the natural environment and the countryside;
- assist in land development;
- contribute to economic, social and cultural development and improvement of the quality of life;
- receive, educate and inform the public, who come for recreational purposes and to learn about nature;
- conduct tests or trials in the above areas and participate in research programmes

The status of the regional nature park is protected by a decree of the Ministry of the Environment for a ten-year renewable period. A joint committee – an independent governing body classified as a public intercommunal co-operation establishment – which brings together a group of local authorities (the Champagne-Ardenne region, the department of Aube, the Greater Troyes Community (CAT) and the relevant communes) and a multidisciplinary team (which includes, apart from a President and a Director, a Deputy Director with responsibility for the environment, a project leader in charge of economic development, a project leader in charge of tourism development and a project leader in charge of cultural affairs).

Unlike other regional nature parks, the Forêt d'Orient Park does not have a past rich in history, which means that its main interest is in environmental tourism and, more recently, in economic development. The Park has thus begun to manufacture specific products, such as carpentry benches. Although the Park currently operates on a FRF 17 million budget (FRF 5 million for capital investment and FRF 12 million for operating costs), an inevitable shortfall in resources is expected in 2006 when money from the European Union – which provides 40% of the funding – will come to an end. Without any proper tax base or departmental levy for sensitive natural areas*, the Park remains heavily financially dependent on various partnerships with the private sector, which have to be negotiated on a case by case basis. As a result those managing the Park are making every effort to negotiate a park contract with the region and the central government on the basis of the Park Charter (which requires a commitment from all the partners, has been approved by the government and determines the ways to approach protection, improvement and development).

In the long run, lack of funding is likely to reduce the regional nature park to the status of an appendage to the region. In that context, clarification and rationalisation of the relationship between the Park and the region is desirable in order to

© OECD 2002

Box 28. **The regional nature reserve of Forêt d'Orient: a development project to boost tourism and the economy** (*cont.*)

introduce a coherent division of responsibilities, in which the region, after a process of close co-operation, will determine the goals for a multi-year period of reasonable length and make an appropriate budget allocation to meet those goals. The various political, geographical and cultural rivalries attendant on any attempt to build a "pays" out of the region, also make plain what the stakes are in this emerging attitude to the land: instead of seeking genuine territorial coherence, the desperate hunt for funds may end in the formation of counter-productive groupings with inappropriate aims. There is therefore a need for considerable thought to be given to the best way to organise the living space so as to stimulate a creative sense of emulation between adjoining territories and to develop local synergies.

1. Imposition of a departmental tax on sensitive natural areas (*taxe départementale sur les espaces naturels sensibles* – TDENS) is within the remit of *Conseil Général* . Only 65 French *départements* have so far followed this practice. The four *departments* in Champagne-Ardenne have not done so.

Environment

In the case of the environment, introduction of the EU programme Natura 2000 has resulted in concentrating all available funds, especially public funds, on a number of zones in the region. In particular, on the basis of the EU directive on habitats, a list of 74 sites was compiled with a view to preserving and restoring habitats. However, there are a number of other nature zones (primary forest, wetlands) on which joint work by the region and the central government has virtually come to a halt since the launch of Natura 2000.

Business ventures and training

In the agricultural sector, individual farms continue to be in the majority but work only 41% of the area of useable agricultural land in the region. The most striking feature is the explosion in the number of farms that have become limited liability companies (*exploitations agricoles à responsabilité limitée*, EARL). There were some hundred of these in 1988, but now there are over 4 200, occupying 30% of the useable agricultural area in the region. The number of other types of non-trading company has also been rising, affecting 1 100 farms in 2000.

© OECD 2002

On the whole, however, business ventures are few in number in Champagne-Ardenne as far as both farmers and other parties are concerned. Few businesses have been set up, few very small businesses receive support and local authorities give no leadership to the SME-SMI sector and make no efforts to revitalise it.

Similarly, agricultural training under the auspices of the European Social Fund (ESF) has been a resounding failure, with expenditure at only 25% of the forecast amount and no more than 18% of the ESF programme implemented. The dearth of applicants for agricultural training courses gives evidence of the absence of motivation on the part of agricultural workers, which may be explained by the lack of co-ordination between implementation of the programme for former Objective 5b and ordinary agricultural training channels.

Elsewhere, training provided in the context of SMEs and SMIs, crafts and retail trade have enabled skills to be strengthened, ISO standards to be met, deployment of the workforce to be improved and entry to top market-range achieved. However, much of the training provided in the region does not come under the FSE section of Objective 5b, so that the use of FSE credits is also low.

Conclusions and recommandations

Analysis of the good points of the region shows Champagne-Ardenne to be well placed with regard to the agricultural sector and the agri-food industry. It can also call on important natural, historical and cultural amenities that should allow it to strengthen its rural economy through diversification. From this standpoint, a number of recommendations can be made.

- T*o encourage agricultural restructuring*. The relative decline in the agricultural sector is a challenge that Champagne-Ardenne shares with most rural economies in OECD countries. Cuts in agricultural subsidies, reduction of the acreage set aside for agriculture and greater productivity have clearly lowered its capacity to create jobs. Champagne-Ardenne thus needs to make its agriculture more multifunctional and to strengthen approaches where added value is high.
- T*o improve acceptance of environmental concerns.* Two areas may be envisaged, the agricultural and the industrial. In the former sphere, a campaign should be launched to raise awareness among farmers of the need for environmental protection and the measures already taken to improve decision-making on the subject. Public support for farming should be made conditional on compliance with environmental requirements. In this context, the land usage contracts (CTEs) need to step up their demands on environmental issues and give greater rewards for good work in the area. In the industrial sphere, there is a need to encourage certification of environment-friendly industrial processes (such as the new ISO 14 000 certification scheme) as well as channels for sorting and recycling industrial waste.

© OECD 2002

- *Optimise rural tourism capabilities*. Despite its real potential for tourist development, Champagne-Ardenne's assets are clearly under-utilised and the capacity to host tourists is insufficient. This deficiency should be compensated by means of a co-ordinated policy that brings together tourism professionals (hotel-keepers, restaurant-keepers, transport agencies, etc.), promotional bodies (tourist offices, departmental tourism committees, the regional tourism committee, the Ministry of Tourism), the educational sector (appropriate training for jobs in tourism) and the local inhabitants (local associations and residents' associations). It is particularly necessary to change mentalities and inculcate a welcoming and cooperative attitude such as in the Belgian Ardennes.
- *Aim for sustainable tourism*. An OECD survey on sustainable tourism has described the workings of a multi-stage strategy. The first stage consists in listing and scrutinising existing policies in a wider socio-economic context and the status of natural and cultural resources. This phase should be followed by a broader process of consultation with the industries concerned, conservation interests, voluntary associations and representatives of the general public. Such consultation should give local parties a sense of ownership of the strategy and encourage the emergence of new ideas. Next, the first draft of a plan should be debated to ascertain the vision, values and objectives of the region, the best policies for the region and a detailed implementation plan. A second round of consultation would allow ideas and proposals to circulate and improve the fit of the strategy to local realities. Once the strategy has been clearly defined, means of applying it need to be determined and evaluation and analysis mechanisms ascertained.
- *To promote an integrated rural development policy* that combines environmental protection, management of amenities and promotion of tourism. In comparison with other regions such as Western France, Champagne-Ardenne's agricultural pollution is relatively well under control. Moreover, environmental pressures are low enough for the region to contemplate medium- and long-term rural development with equanimity. In this context, the need is to make the best of the comparative advantages of the region by adopting a multi-sectoral and comprehensive approach that brings environmental, natural, cultural and tourist aspects together. Here, the establishment of a regional co-ordination and advisory agency could be envisaged to improve openness in the relations between the various parties and foster institutional and economic partnerships with a view to joint management of the rural territory, as has been done for example in the case of urban contracts for urban areas (J.E. Buret, 2001). In addition to initiatives relating to business creation, training, transport and telecommunications, such an approach could release the synergy required to ensure harmonious and lasting rural development.

© OECD 2002

Notes

1. However, this is lower than during the 1979-1988 period, when only 5% of farms had disappeared in Champagne-Ardenne.
2. See chapter on "Socio-economic analysis of Champagne-Ardenne".
3. The term "agricultural worker" comprises family workers (see following note), permanent employees (persons who work on a regular basis throughout the year whatever the length of their period of employment) and seasonal or occasional employees (persons who work, sometimes on a part-time basis, during one part only of the agricultural year.
4. The family farm population (also called family agricultural workers) comprises farmers, co-farmers and members of their families (spouses and other) who engage in agricultural work irrespective of the length of time involved
5. Objective 2 is concerned with the economic and social rehabilitation of industrial, rural, urban and fisheries zones, four types in all. In total, Objective 2 covers 18% of the European population. Each type of zone has a number of criteria to meet. In rural areas, eligible zones at NUTS level III must meet two of the following four paired criteria; a population density below 100 inhabitants per km^2 or an agricultural employment rate equal to or greater than twice the Community average; an unemployment rate above the Community average or a declining population. A system of transitional support is provided for zones that were eligible under Objectives 2 and 5b between 1994 and 1999 but are no longer eligible under Objective 2 in the period 2000-2006. Such degressive transitional support is designed to consolidate the gains made with the help of strucural support during the previous programme period. Zones no longer eligible under Objective 2 in 2000 will receive transtitonal ERDF support until 2005.
6. The Leader programme is one of the Community Initiatives financed by structural funds under European Union regional policy on rural development. On 14 April 2000, the European Commission adopted the new Community Initiative termed Leader+, emphasising that it was not merely a continuation of Leader II but a more ambitious Initiative designed to encourage and support implementation of high quality innovative strategies for integrated rural development. It also seeks to encourage co-operation and establishment of networks among rural areas. All rural areas within the EU are eligible under Leader+.
7. The Leader programme covers rural development schemes promoted by local action groups.
8. Organic farming endeavours to combine farming with respect for the environment. Organic farming practices have been defined in the European Union by two Community regulations approved in 1991 and 1999 respectively. Organic farmers do not use pesticides or synthetic chemical fertilisers but instead practice crop rotation, use green manure or protect plants by biological means. Stockbreeders feed their stock on food-

© OECD 2002

stuffs that are at least 90% organic and use antibiotics no more than twice a year. In France, organic farming is monitored by certification bodies approved by the Ministry of Agriculture and Fisheries.

9. The regional nature park of Ardennes is currently in a preliminary study phase.

© OECD 2002

Bibliography

ADAM, GERIN (1998),
L'impact du dispositif Zone Franche Urbaine à Charleville-Mézières et à Saint-Dizier en matière de revitalisation des quartiers défavorisés, Master's degree dissertation of Public Law, 1998.

ANDERSON A.,
Politiques de la ville, de la zone au territoire, Syros, 1998.

AMIN, A. (1998),
"An institutionalist perspective on regional economic development", Contribution to the OECD Conference, "New Challenges in Regional Policies", Paris.

AUDART (Agence d'Urbanisme, de Développement et d'Aménagement de la Région Troyenne), CAT (Communauté de l'agglomération troyenne), *Programme local de l'habitat de l'agglomération troyenne, diagnostic habitat/logement*, November 1997.

AZAN, P. (1996),
L'insertion par l'économique : de nouveaux métiers pour les collectivités locales, Paris: CNFPT.

R. L. BANGS,and V. J., SINGH,
The State of Regio-Economic, Demographic, and Social Issues in Southwestern Pennsylvania, University of Pittsburgh.

BEERY (1976),
The geography of economic system, Englewood Cliff.

BERG, L.,(van den), DREWETT, R., KLAASSEN, L. H., ROSSI, A. et VIJVERBERG, C. H. T. (1982),
Urban Europe: A study of growth and decline, Vol. 1, Pergamon, Oxford.

BERNAT, G. A. Jr. (1997),
"Manufacturing and the Midwest rural economy. Recent trends and implications for the future", dans United States Department of Agriculture, Economic Research Service: *Rural Development Perspectives*, Vol. 12, No. 2, Washington, DC., pp. 2-12.

BIELZA de ORY, V. (1997),
"Le rôle des petites villes dans l'aménagement du territoire en Espagne : le cas de l'Aragon", in Laborie, J. P., Renard, J. (eds.), *Bourgs et petites villes*, pp. 185-198.

BOURNE, L. S. and LOGAN, M. I (1976),
"Changing urbanization patterns at the margin: the examples of Australia and Canada", in Berry, B. J. L. (ed.) *Urbanization and Counterurbanization*, Sage, Beverly Hills, CA.

BRADLEY, T. (1984),
"Segmentation in local labour markets" in Bradley, T. and Lowe, P. (eds.), *Locality and rurality: Economy and society in rural regions*, Geo Books, Norwich.

BRUNET, G. (1989),
"Les Villes Européennes", La Documentation Française, Paris.

© OECD 2002

CAMERON, S., DAVOUDI, S. and HEALEY, P. (1997),
"Medium-sized cities in Europe" in *The European Foundation for the Improvement of Living and Working Conditions Medium-Sized Cities in Europe*, Dublin.

CAPRON, H. (1998),
"Dynamique d'évolution de l'économie wallonne et stratégie de développement", in *Tendances économiques*, No. 15, pp. 69-107.

CAPRON, H. and CINCERA, M. (1999),
"The Flemish Innovation System: an external viewpoint", VTO-Studies, No. 28, IWT, Brussels.

CAPRON, H. (2000),
"The Sources of the Belgian Prosperity" in Capron, H. and Meeusen, W. (eds.), *The National Innovation System of Belgium*, Springer-Verlag, Berlin.

CAPRON, H., CINCERA, M. and DUMONT, M. (2000),
"The Institutional Profile" in Capron, H. and Meeusen, W. (eds), *Op. Cit.*, Springer-Verlag, Berlin.

CAPRON, H. and HENNART, F. (1998),
"Analyse sous-régionale des aides à l'investissement et des aides structurelles européennes en région wallonne", Union wallonne des entreprises.

CAT (Communauté de l'agglomération troyenne) (2001),
Charte d'attribution des logements sociaux de l'agglomération troyenne, Intercommunal conference on housing, March 2001.

CATTAN, N., PUMAIN, D., ROZENBLAT, C.and SAINT-JULIEN, T. (1994),
Le système des villes européennes, Anthropos, coll. Villes.

CERVERO, R. (1995),
"Changing live-work spatial relationships: Implications for metropolitan structure and mobility", dans Brotchie, J., Batty, M., Blakely, E., Hall, P. and Newton, P., *Cities in Competition*, Longman Australia, Melbourne, pp. 330-347.

CHAMPION, A. G. (ed.) (1989),
Counterurbanization, Edward Arnold, London.

CHAMPION, A. G., (1992),
"Urban and regional demographic trends in the developed world", *Urban Studies*, Vol. 29, No. 3/4.

CHAMPION, A. G., (1994),
"Population change and migration in Britain since 1981: evidence for continuing counterurbanization", *Environment and Planning* A, Vol. 26, No. 10.

CHAMPION, A. G., (1997),
"Demographic trends of small and medium-sized towns in non-metropolitan regions", Programme of Dialogue and co-operation with China, OECD, Paris.

CHAMPION, T. and TOWNSEND, A. (1990),
Contemporary Britain: a geographical perspective, Edward Arnold, Sevenoaks, Kent.

CHESHIRE, P. (1991),
"Problems of regional transformation and de-industrialisation in the european community", in Rodwin, L. and Sazanami, H. (eds.) *Industrial Change and Regional Economic Transformation: The case of Western Europe*, Harper Collins Academy, London.

© OECD 2002

CLARYSSE, B., HEURMAN, A. and DEGROOF, J. (2001),
Het fenomeen spinoff in België, VTO-Studies, IWT, No. 36, Brussels.

CLOKE, P. and LITTLE, J. (1990),
The Rural State? Limits to Planning in Rural Society, Clarendon Press, Oxford.

COCHRANE, S. G. and VINING, D. R. (1988),
"Recent trends in migration between core and peripheral regions in developed and advanced developing countries", *International Regional Science Review*, Vol. 13.

COOMBES, M. G., DALLA LONGA, R. and RAYBOULD, S., (1989),
"Counterurbanization in Britain and Italy: a comparative critique of the concept, causation and evidence", *Progress in Planning*, Vol. 32, No. 1.

CREVOISIER, O. (1993),
Industrie et région : les milieux innovateurs de l'Arc jurassien, Institute of Regional and Economic Research, EDES, Neufchâtel.

DAVEZIES, L. (1996),
"Un essai de mesure de la dépendence aux fonds publics des territoires français", *Observatoire de l'Économie et des Institutions Locales*, University of Paris XII, Paris.

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT OF PENNSYLVANIA (1998) *The Keystone Spirit: Putting Technology to Work*, Harrisburg.

DIRECTION REGIONALE DE L'EQUIPEMENT DE CHAMPAGNE-ARDENNE (1998),
Le parc locatif social HLM, results on January 1, 1998.

DUCHESNES, G. (1999),
Les déterminants des disparités spatiales en matière de création d'entreprises, Doctorate thesis of Economics, University of Lilles I, Lilles.

EHRENSAFT, P. and BEEMAN, J. (1992),
"Distance and diversity in non-metropolitan economies", in BOLLMAN, R. D., *Rural and Small Town Canada*, Thompson Educational Publishing, Inc., Ontario, pp. 193-224.

EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (1994),
"Visions and Actions for Medium-sized Cities", reports of European Workshops held in Alicante, Volos and Oviedo, Dublin.

EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (1996),
Intermediate Cities in Search of Sustainability: The Research and the Attica Workshop, Dublin.

FIELDING, A. J. (1982),
"Counterurbanization in Western Europe", *Progress in Planning*, Vol. 17, No. 1.

FORSTALL, R.L. (1995),
"Population and migration trends for US counties by metropolitan status and relationship, 1971-1994", paper presented to the International Conference on Population Geography, Dundee.

FOTHERGILL, S. and GUDGIN, G. (1982),
Unequal growth: urban and regional employment change in the UK, Heinemann, London.

FREY, W. (1989),
"United States: counterurbanization and metropolis depopulation", in Champion, A. G. (ed.) *Counterurbanization: The changing Pace and Nature of Population Deconcentration*, Edward Arnold, London.

© OECD 2002

FREY, W. (1993),
"The new urban revival in the United States", *Urban Studies*, Vol. 30, No. 4/5.

FUGUITT, G. V., BROWN, D. L. and BEALE, C. L. (1989),
Rural and Small Town America, Russel Sage Foundation, New York.

FUGUITT, G. V. and BEALE, C. L. (1996),
"Recent trends in non-metropolitan migration: a next turnaround?" *Growth and Change*, Vol. 27, spring.

P. (GEAHIGAN,1994),
American Business Climate and Economic Profiles, Detroit.

GONZALEZ, R. C. L. and GONZALEZ, R. R. (1996),
Les villes moyennes de la Galicie intérieure, Norois, 43, No. 171, pp. 573-585.

GRATTON, C. (1979),
"Industrial diversification in new towns", in *Urban studies*, No. 16(2)., pp. 157-64.

GUENGANT, Alain and JOSSELIN, Jean-Michel (2000),
Pouvoirs Locaux, n°46, September 2000, pp.36-43.

HALL, P. and HAY, D. (1980),
Growth Centres in the European Urban System, Heinemann, London.

HARVEY, D. (1989),
"From managerialism to entrepreneurialism: the transformation of urban governance in late capitalism", *Geografische Annales* 71.

D HATHAWAY,ale (1999),
Can Workers Have a Voice? The Politics of Desindustrialisation

HEALEY, P., CAMERON, S., DAVOUDI, S. and BJARNADOTTIR, H. (1996),
"Medium-Sized Cities and Socio-Economic Environmental Development in the Regions of the EU", Draft Interim Report, Centre for Research on European Urban Environments, Newcastle University, Newcastle upon Tyne.

HECQUET and LAINÉ (1998),
Structures productives locales et formes d'organisation économique : une analyse typologique, Working paper, Directorate of Corporate Statistics, INSEE.

INSEE (1999),
Les transferts d'établissements, Dossier Champagne-Ardenne.

INSEE (1998),
Tableau de l'Économie Champardennaise.

INSEE (1998),
Tendances régionales n° 22.

INSEE (1998),
Atlas de la région Champagne-Ardenne.

INSEE (1997),
La France et ses régions.

INSEE CHAMPAGNE-ARDENNE (1993),
"Les inégalités sociales entre les agglomérations", in *La Ville en Chiffres.*

INSEE (1994),
Survey "Conditions de Vie des Quartiers Torcy et Le Lac à Sedan".

© OECD 2002

JOHNSON, K. M. (1997),
"The continuing growth of non-metropolitan America in the 1990s", paper presented to the Annual meeting of the Population Association of America, Washington, DC.

KEEBLE, D., OWENS, P. and THOMSON, C. (1983),
"The urban-rural manufacturing shift in the European Community", *Urban Studies* 20, pp. 405-418.

LABORIE, J. P. (1997),
"Les petites villes et la métropolisation", in Laborie, J. P., Renard, J. (eds.) *Bourgs et petites villes*, pp. 21-50.

LEBRUN M., BRUWIER M., DHONDT J. and HANSOTTE G. (1979),
Essai sur la révolution industrielle en Belgique 1770-1847, Palais des Académies, Bruxelles.

LEGRAND, M.M. et MERLEN, R. (1994),
"Typologie des quartiers prioritaires", *Profils* 5, INSEE Nord-Pas-de-Calais, October 1994.

LE MONDE (2001),
Le Monde Dossiers et Documents, n° 296, March 2001.

LOWE, P., MURDOCH, J. and COX, G. (1995),
"A civilised retreat? Anti-urbanism, rurality and the making of an Anglo-centric culture", in Healey, P., Cameron, S., Davoudi, S., *et al.* (eds.), *Managing Cities: the New Urban Context*, Wiley, London.

MAIERHOFER, METTS, BOYLE (2000),
"Economic Landscapes in Transition: Demographic and Economic Change in Metropolitan Pittsburgh between 1980 and 1990" in Patrick, K. and Scarpaci, J. L., *A Geographic Perspective of Pittsburgh and the Alleghenies*, Association of American Geographers, Washington, DC.

MÉRENNE, B., VAN DER HAEGEN, H. and VAN HECKE, E. (1997),
La Belgique: Diversité territoriale, SSTC-CCB, Brussels.

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE L'INDUSTRIE, (1999/2000),
L'industrie dans les régions, Paris.

MINISTÈRE DE L'ÉQUIPEMENT, DU LOGEMENT, DES TRANSPORTS ET DU TOURISME, GERU (1996),
Changements d'usage des logements HLM, Reims, le quartier Croix-Rouge et l'opération Burofac.

MOTTIN, ROSINA, ROTT (2000),
Les Zones Franches Urbaines qui réussissent… et les autres, Reims Management School, 2000.

NATIONAL LAND AGENCY (1996),
National Land Report 1996, National Land Agency, Tokyo.

OECD (1993),
What Future for Our Countryside? A Rural Development Policy, OECD Publications, Paris.

OECD (1996),
Territorial Indicators of Employment, OECD Publications, Paris.

OECD (1998),
Rural amenities and development in Australia's native forests: the regional forest agreement process, C/RUR(98)9.

OFFICE OF INDUSTRIAL TECHNOLOGIES (1999),
Steel: Industry of the Future-Meeting ther Material Challenges of the 21st Century, Department of Commerce, Washington, USA.

© OECD 2002

RONEZ, C. (1996),
"Les quartiers sensibles de Reims face à la crise", *Économie et Statistique*, No. 294-295, pp. 75-85.

PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (1998),
The Keystone Spirit: Putting Technology to Work, Harrisburg.

PERNOT, RODRIGUES, SENET (1999),
Évaluation du dispositif Zone Franche Urbaine de Reims, DESS dissertation of Law, Reims, May 1999.

PHILIPPONNEAU, M. (1996),
Le rôle de l'industrie dans les villes moyennes de Bretagne, Norois, 43, No. 171, pp. 563-572.

PICOT, G. and HEATH, J. (1992),
"Small communities in Atlantic Canada: their industrial structure and labour market conditions in the early 1980s", in BOLLMAN, R. D., *Rural and Small Town Canada*, Thompson Educational Publishing, Inc., Ontario.

PREFECTURE DE REGION CHAMPAGNE-ARDENNE, SGAR (2000),
Évaluation Régionale de la Politique de la Ville.

ROBERT, Jacques (2000),
Étude sur l'Impact Territorial des Politiques Communautaires et sur le Coût de la Non-Co-ordination, Étude de Cas Champagne-Ardenne (France), report for the European Commission, 2000.

PUMAIN, D. and FAUR, J. P., (1991),
"Villes et régions au rendez-vous de l'Europe", *Population et Sociétés*, No. 257.

SASSEN, S. (1991),
The Global City: New York, London, Tokyo, Princeton University.

SPENCE, N., GILLEPSIE, A., GODDARD, J., PINCH, S. and WILLIAMS, A. (1982),
British Cities, an analysis of urban change, Pergamon Press, Oxford.

THOMPSON, I. B. (1996),
Villes moyennes dans les Highlands: le cas d'Oban, Norois, 43, No. 171, pp. 17-622.

TIMSS (THIRD INTERNATIONAL MATHEMATICS AND SCIENCE STUDY) (1997a),
"Mathematics Achievement in the Middle School Years", CSTEEP, Boston.

TIMSS (THIRD INTERNATIONAL MATHEMATICS AND SCIENCE STUDY), (1997b),
"Science Achievement in the Middle School Years", CSTEEP, Boston.

TROYES HABITAT (1999),
Rapport d'activités 1999.

TSUYA, N. O. and KURODA (1989),
"Japan: the slowing of urbanization and metropolitan concentration", in CHAMPION, A. G. (ed.) *Counterurbanization: The changing Pace and Nature of Population Deconcentration*, Edward Arnold, London.

UNITED STATES DEPARTMENT OF AGRICULTURE (1997),
"Rural conditions and trends", in *Socio-economic Conditions*, Vol. 8, No. 2.

VELTZ, P. (1996),
Mondialisation, Villes et territoires, PUF, coll. Économie en Liberté, Paris.

VELTZ, P. *et al.* (1998),
La ville éclatée, Éditions de l'Aube.

© OECD 2002

CITY OF REIMS, ALGOE CONSULTANTS (1999),
Évaluation du contrat de ville 1994-1999.

CITY OF REIMS (2000),
Projet de renouvellement urbain, November 2000.

VINING, K. and KONTULY, T. (1978),
"Population Dispersal from Major Metropolitan Regions: an International Comparison", *International Regional Science Review*, Vol. 3, No. 1.

VISCO, Ignazio (2000),
L'impact des nouvelles technologies sur le taux de croissance, OECD, Paris.

© OECD 2002

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(04 2002 05 1 P 1) ISBN 92-64-19800-8 – No. 52581 2002