

for the development of regions

COHESION POLICY AND CATCHING-UP REGIONS
POST-CONFERENCE VOLUME



Cohesion Policy and Catching-up Regions

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CONTENTS

Introduction	5
Summary of the key conclusions on the effective policies for lagging regions	7
I. Change of underdevelopment model and its implications as a context for deliberations about development perspectives of problem regions	9
Typology of problem regions	10
II. Dimensions of underdevelopment and their implications for regional policy	12
III. Stimulating development processes in problem regions – the main premises	18
Institutional system and participative model of development management	18
Competitiveness and regional development – restructuring and innovation	23
Regional restructuring	23
Regional innovativeness	27
Demographic trends and their impact on the perspectives of regional development	34
Peripheral location and regional development opportunities	42
IV. Development opportunities of problem regions and reflections for the future	48
The existing EU support policy for problem regions – experiences and conclusions	48
Support for problem regions under the European cohesion policy after 2013 – key determinants	56
Problem regions – future perspectives and desired trends	62
References	66

INTRODUCTION

The first Polish presidency in the EU Council coincided with an exceptional moment in the European debate on the shape of the European cohesion policy after 2013. In June 2011, the European Commission published its communication *A budget for Europe 2020*, which marked an official opening of the negotiations on the EU policies and budget for the years 2014–2020. The next step in October 2011 involved the publication of a draft legislative package pertaining to cohesion policy for the years 2014–2020, which specified its thematic scope and implementation mechanisms.

Cohesion policy played an important role on the agenda of the Polish presidency, as one of the key tools for the implementation of the European strategic objectives referred to *The EU strategy for smart, sustainable and inclusive growth: Europe 2020*. The objectives of the Polish presidency in the area of regional policy focused on reinforcing the development capacities of the EU cohesion policy instruments and increasing its effectiveness. These issues came to the fore in the light of the new development challenges and budgetary constraints in Europe, which were the result of the economic crisis. The motto of the Polish presidency – *Cohesion policy as an efficient, effective and territorially diversified response to EU's development challenges* – prioritised measures aimed at increasing the capacity of this policy to stimulate growth across all European regions with the use of an integrated approach and to focus on the results, as the most characteristic features of cohesion policy.

The presidency objectives pertaining to cohesion policy were implemented by the Ministry of Regional Development (MRD) through the forum of the *Structural Actions Working Party* (SAWP) and by hosting a whole range of international conferences, seminars and meetings, which above all served the purpose of working out recommendations for an optimum shape of cohesion policy after 2013, as well as exchanging and disseminating good practices in the implementation of development instruments co-financed from EU funds.

One of the projects involved an international conference on *Cohesion policy and catching-up regions*¹ organized by MRD in the city of Lublin on 17th and 18th November 2011. Its objective was to **formulate recommendations for the effective promotion of development processes of problem areas in the EU cohesion policy for 2014-2020** and to **disseminate good practices in the implementation of instruments** which form an adequate response to the identified challenges. The conference was construed as a forum for expert discussion on the specificity of problems in the lagging EU regions and on the most efficient ways of stimulating development with

¹ Agenda of the conference and biographic notes of all participating speakers are available on the official website of the conference under www.mrr.gov.pl/Lublin

the use of cohesion policy instruments. The conference was therefore broken down into **plenary sessions** devoted to discussing reasons and characteristics of lagging development, its implications for regional policy, as well as opportunities and challenges of the European regions, and into **panel sessions** devoted to regional case studies. The aim of the sessions was to outline possible directions of development based on the experiences of regions facing different development challenges, such as peripheral location, the necessity to restructure anachronic and uncompetitive economies, accumulation of socio-economic problems in urban areas, unfavourable demography, limited institutional capacities, environmental pressure. The most effective support instruments were analysed to identify the ones which help regions effectively overcome their development barriers and stimulate growth.

Top experts in the area of regional development representing the European Commission, the World Bank, the Organization for Economic Cooperation and Development, as well as some major European academic centres and a numerous group of representatives of the European regions were invited to participate in the conference. Its target audience were above all decision-makers and practitioners from EU Member States and regions, who are responsible for designing and implementing policies pertaining to problem regions.

This publication constitutes a sum-up of the most interesting and the most important topics in the light of the current debate on the shape of cohesion policy after 2013, which were discussed during the conference, and the conclusions for the development of effective policies and support instruments for problem regions. It contains presentations of speakers who participated in the conference², as well as an expertise drawn up by prof. Grzegorz Gorzelak, expert coordinator of the conference, from the University of Warsaw.

² All presentations are available on the official website of the conference under www.mrr.gov.pl/Lublin, bookmark "Papers and Presentations".

SUMMARY OF THE KEY CONCLUSIONS ON THE EFFECTIVE POLICIES FOR LAGGING REGIONS

Development processes are not spatially sustainable, but **regions with lower-than-the-average development dynamics also make an important contribution to the aggregate national growth**. Measures aimed at supporting those regions should not be of a social nature and should not merely copy convergence-oriented coherence in the traditional sense, but should rather constitute an important element of the national and EU development policies aimed at developing strong and competitive regions in the conditions of knowledge-based economies.

Each type of region has its own endogenous development capacity. The right identification and persistent reinforcement and use of these capacities in the longer run is a precondition for increasing development dynamics of troubled regions, and thus for raising their contribution to the aggregated growth.

Regional experiences, which were the topic of an in-depth discussion during the conference, clearly show that one of the key success factors for the regions is **their determination and persistence in the implementation of integrated, sustainable and long-term development strategies** which are both ambitious, but also realistic and pragmatic, consistently focused on reinforcing endogenous development potentials.

In the light of effective planning of development policies for problem regions it is crucial to bear in mind that their development and improvement of their situation requires a long-term perspective, and their own measures and efforts cannot be replaced by or financed only from external funds. One of the most important tasks of the local elites is to **anticipate macrotrends** which could benefit the development of their regions. International experiences show that when such trends arrive, they are predominantly used in those areas which started preparing in advance.

For best results regional development strategies and their implementation should be a process that constitutes **a common responsibility of key regional actors** (public administration on the regional and local level, academic centres, entrepreneurs, NGO's), **which cooperate closely with one another and are determined to effectively meet common targets**; the feeling of shared responsibility, as well as stability of development objectives is conducive to meeting expected strategic outcomes.

Effective development interventions are characterised by three basic features: **they are focused, coordinated and complementary**. An approach like this significantly limits or even eliminates risks related to the implementation of isolated, fragmented, sectoral interventions which may sometimes generate unforeseen outcomes differing from the assumed ones. As manifested by regional experiences, **the most effec-**

tive support mechanisms were precisely customized to the specific socio-economic context in which the intervention was carried out.

Cooperation between regional actors is a key element of the institutional system for development policy management, in place in the regions which effectively cope with their socio-economic challenges. With the right balance between the local (*bottom-up*) and horizontal (*top-down*) perspective, when the relationship is properly managed by the regional authorities, this model of cooperation offers the best possibilities to form and verify the integrated development strategy and to coordinate measures aimed at meeting its objectives.

Factors that are the most conducive to development are of endogenous nature. There are two key elements that form the foundation of sustainable development: **human capital and innovativeness**. Their impact on development is the most long-term, and their added value the highest. Focusing exclusively on infrastructural interventions does not contribute to effective achievement of developmental objectives in the long run, and may even deteriorate competitiveness of problem regions, and thus increase interregional disparities.

I. CHANGE OF THE DEVELOPMENT MODEL AND ITS IMPLICATIONS AS A CONTEXT FOR DELIBERATIONS ABOUT DEVELOPMENT PERSPECTIVES OF PROBLEM REGIONS

The socio-economic context of the development processes at a local and regional level has been undergoing significant changes since 1970's, along with the changes in the development model. The reduced role of the state as the main driving force behind the development processes, and **a change of key criteria for location of investments, with quality factors being promoted over quantitative ones, has generated totally new development challenges for the regions.** Industrial production in highly developed countries saw a massive shift towards less developed, i.e. cheaper countries, in the search for better conditions and more profitable means of production. It needs pointing out, that in the case of the latter ones foreign investments were focused in the already most developed areas – the main urban centres and their surroundings. As a result, services, also financial ones generating the biggest share of the profits, flourished in highly developed countries, while countries accepting foreign investments saw a fast aggravation of interregional differences. The new global division of work became possible thanks to the emergence of the knowledge-based economy which became a leading element of the “new economy”, also referred to as “information economy”. **It is the ever faster produced knowledge that is the core of competitive advantage in the current world.** It results from the fact that in the present paradigm of development innovation generates demand for itself, becoming the basic or even decisive competitiveness factor in the market economy. There are now new, multi-tier ways to manage those global economic relations and there are new important players (transnational corporations) which form part of global production networks. As a result of those deep changes, global economy became more “internationalized” and intertwined, more competitive, innovative and much more knowledge-based.

These processes **reinforced the segmentation of the global economy, which also manifested itself in the territorial dimension.** Innovations are generated in the top segment. They provide high salaries and profits, at the same time enabling the maintenance of permanent competitive edge. Relatively “outdated goods” which require less capital expenses, as well as less well paid and less qualified labour force are generated in the lower segment. These processes are inextricably related with globalization and actually form an immanent part of this phenomenon, while **the triad innovation-globalization-competition shapes the modern global economy.** Globalization process has currently reached an unprecedented scale, scope, frequency, speed, intensity and impact. Globalization has been spreading in a non-uniform fashion and its impacts are also unequally spread. The polarizing impact of these phenomena on the dynamics of development processes has also been experienced

by the European regions. The changed development model referred to above, has reinforced the differences in the socio-economic development of individual regions. Some of them have seen their development perspectives dwindling, while catching up with the better developed regions – the so called engines of growth – has become immensely difficult. The situation gets even more complicated owing to the fact that the observed backwardness has many dimensions and the reasons behind it are very versatile.

The EU Member States are facing a true challenge of increasing development dynamics in the lagging regions with the use of adequately selected support mechanisms. Accelerated growth in those areas should prevent negative social effects which could threaten the EU development objectives set forth among others in the strategic document *Europe 2020*.

Typology of problem regions

In the conditions of global economy attractiveness of regions is determined by a specific combination of the available „hard” resources (location, natural conditions, transport infrastructure), as well as „soft” ones (economy’s sectoral and branch structure, level of technological development, quality of social and human capital, institutional capacities). Good understanding of features that are characteristic for a given territory is necessary to design and implement effective policies aimed at stimulating development, as this determines the choice of objectives and adequate instruments of intervention.

As has already been mentioned, multidimensional character of lagging regional development has versatile causes. To simplify one can identify two basic most characteristic types of problem areas:

- 1) **lagging and stagnated (*peripheral*) areas**, which are characterized by their distance to resources and markets, dominance of ineffective sectors, poor access to infrastructure, underdeveloped institutions and
- 2) **areas losing their economic base (*post-industrial areas*)**, where low development dynamics results from difficulties in adjusting to new conditions caused by the changed development model.

In spite of the fundamental differences in the causes of the experienced development problems, both types of regions share some common features:

- they have to catch up with the better developed regions which have better growth rates and are more advanced in terms of socio-economic development, because in comparison to those regions they are lagging behind. That is why achieving

and maintaining intensive growth becomes one of the fundamental objectives of regional policy for such areas;

- their socio-economic structures are outdated and anachronic, which for peripheral regions usually means a high share of unproductive agriculture, while for post-industrial regions – mainly traditional industry and simple industrial processing;
- average labour productivity in those regions is much lower than in the remaining areas, which is due to a significant share of low-productivity sectors – mostly agriculture. Moreover, the persisting high unemployment rate contributes to further deepening of the discrepancy between potential production size and the actual economic results achieved in those regions;
- finally, and probably most importantly, as it shows the core of the problem, there is no outside demand (or it is very low) for resources owned by those regions, and the only external source of demand is directed at the most precious, mobile resource, i.e. ambitious, educated, mostly young people, who often migrate to more affluent regions, thus even more deteriorating development perspectives of problem regions.

II. DIMENSIONS OF UNDERDEVELOPMENT AND THEIR IMPLICATIONS FOR REGIONAL POLICY

A significant part of discussions carried out in the course of the conference focused on issues related to the impact of changed development models on the perspectives of less favoured regions. The speakers tried to define the key dimensions and syndromes of low level of development and answer the question whether the existence of problem areas is merely a manifestation of unused or misused development capacities or rather a result of negative impact of external determinants. Is it possible to formulate “recipes for sustainable development” for different territories, in the light of research conclusions which prove that a strong, sustainable growth can be reached in different ways and is it possible to identify specific development capacities in each type of the region³?

As **Jan Aart Scholte from Warwick University** pointed out, globalization processes are a source of numerous perils, but also development opportunities for different territories. The main perils are above all a result of volatility which characterizes the global economy model and manifests itself with the constantly changing “map” of competitive advantages, mass relocation of jobs or finally with cyclical crises of different intensities. Some regions do not participate in the global network of relationships, which can lead to significant impoverishment of their inhabitants or to an economic stagnation or even recession, which deteriorates development perspectives. However, globalization also offers new opportunities to regions, which include mainly the benefits of regional economic specialization, progressing decentralization which empowers territorial units and stimulates civic activity of their citizens, or finally the possibilities of cooperation with a whole range of potential partners, which offers new possibilities of development. Globalization should not be identified with a choice between cohesion and competitiveness, which is proven by the fact that leading countries in terms of their competitiveness are often the ones with redistributive approach to development policy (e.g. the Scandinavian countries). As Jan Aart Scholte stressed, **the consequences of globalization are not predetermined and decided**, that is why **the right decisions of regional authorities as regards the strategic choice of the development path** are so important in offering the chance to meet the challenges of global competition and draw benefits resulting from it⁴.

³ *Promoting Growth in All Types of Regions*, OECD research project. Detailed information available under (23.05.2012): www.oecd.org/regional/PromotingGrowth

⁴ Scholte J. A., *Globalization and the chances of the problem regions*. Conference paper, Lublin, 17-18 November 2011.

When referring to conclusions formulated in the *World Development Report 2009*⁵, **Indermit Gill from the World Bank**⁶ pointed out that prosperity and development are not spread smoothly across space, and some areas do not record any growth at all. And it is not a consequence of a mismatched intervention, which is often difficult for decision-makers to accept. There is a widespread conviction that if only a critical mass of support is in place in the form of measures that reinforce governance at regional level, big investments in infrastructure or major reinforcement of the business sector, the lagging regions will catch up with the better developed ones. This conviction served among others as a basis for support programmes addressed at Eastern Germany after reunification. However, the goals of sustainable development dynamics in this area were not met. Indermit Gill argued that in the times of rising budgetary constraints decision-makers have to decide upon their policies taking into account a clear and possibly objective assessment as to where and how growth is generated. We do know that growth is spatially diversified and that it concentrates in agglomerations. Therefore, in the light of outcomes of research carried out by the World Bank, **lagging regions should take advantage of the improved institutional environment and public services (thanks to the “spatially blind” instruments), as well as their economic integration with better developed regions through different ties (thanks to the development of connective infrastructure) that facilitate market access.** Under exceptional conditions it is possible to consider the implementation of **additional customized place-based interventions**, e.g. to encourage investments in lagging areas.

Diagram No. 1: A rule of thumb for calibrating regional development policies

		Policy priorities for economic integration		
Complexity of challenge	Place type	Institutions	Infrastructure	Interventions
		Spatially blind	Spatially connective	Spatially targeted
Low	Nations with sparse lagging regions	•		
Medium	Nations with densely populated lagging regions	•	•	
High	Nations with densely populated lagging regions and domestic divisions	•	•	•

Source: *World Development Report 2009*, www.worldbank.org/wdr2009

⁵ Full text of the report available under (20.03.2012): <http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:23062295~pagePK:478093~piPK:477627~theSitePK:477624,00.html> .

⁶ Gill I., *Problem areas – specificity, reasons, syndromes*. Conference paper, Lublin, 17-18 November 2011.

Tassilo Herrschel from Westminster University also pointed out to the importance of reinforcing links to improve development perspectives of problem areas⁷. Although geography shapes or largely determines regional development opportunities, links and availability are of key importance. Territoriality in the sense of belonging to regions bound by administrative borders is becoming less and less important in the world where **cooperation between regions and local actors is often independent of the formal structure and breakdown of competences, as it is motivated by the existence of common objectives and the will to meet them**. Such “virtual”, multi-jurisdictional, functional regions – defined as a sum of local areas connected by common needs and objectives – cannot exist without dense cooperation networks, and being their member has a positive impact on the development perspectives of the involved. Peripherality can be defined as remaining outside those cooperation networks, functioning as an “in-between” area which is not able to benefit from partnership with other territories. It is in the best interest of the regions to participate in those networks, intensify formal and informal cooperation and respond flexibly to the changing conditions, resulting in respective verification of the adopted development model.

Jose Enrique Garcilazo from OECD⁸ pointed out to the **importance of accurate identification and effective mobilization of endogenous capacities of lagging regions** in increasing their development opportunities⁹, and to the need of more active support for such regions, justifying this among others with a considerable contribution of less developed regions to the aggregated growth. It is hard to unequivocally assess the impact of individual types of regions on the general growth rate in a given country or groups of countries. Such attempt was made in the OECD study¹⁰ which determined that convergence processes dominate in the group of rural and transitional regions, while urban regions experience both convergence, as well as divergence. A generalized picture of the results is presented on the diagram below.

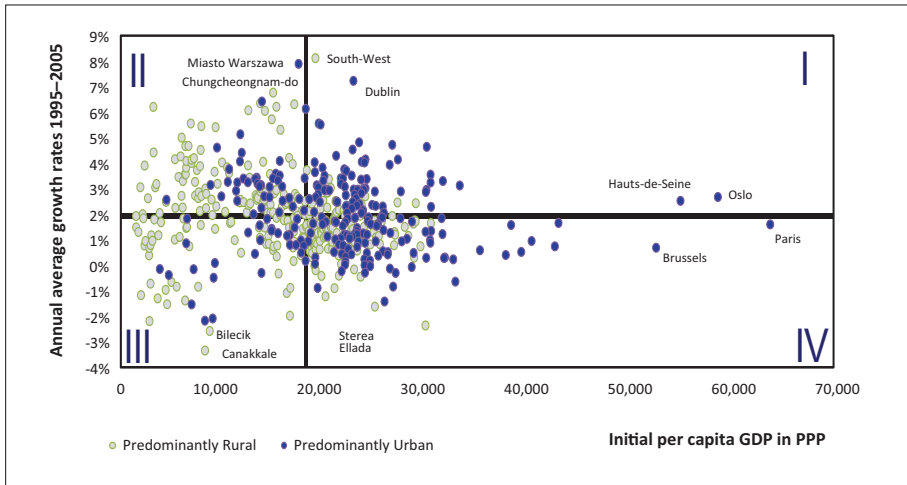
⁷ Herrschel T., *Institutional framework for regional restructuring*. Conference paper, Lublin, 17-18 November 2011.

⁸ Garcilazo J. E., *Core or peripheries – which regions contribute to growth?* Conference paper, Lublin, 17-18 November 2011.

⁹ Identification of growth factors in less developed regions is the basic objective of research project *Promoting Growth in All Types of Regions*, implemented by OECD in cooperation with a group of OECD member states, including Poland (represented by the Department of Supra-Regional Programmes of the MRD) and the European Commission.

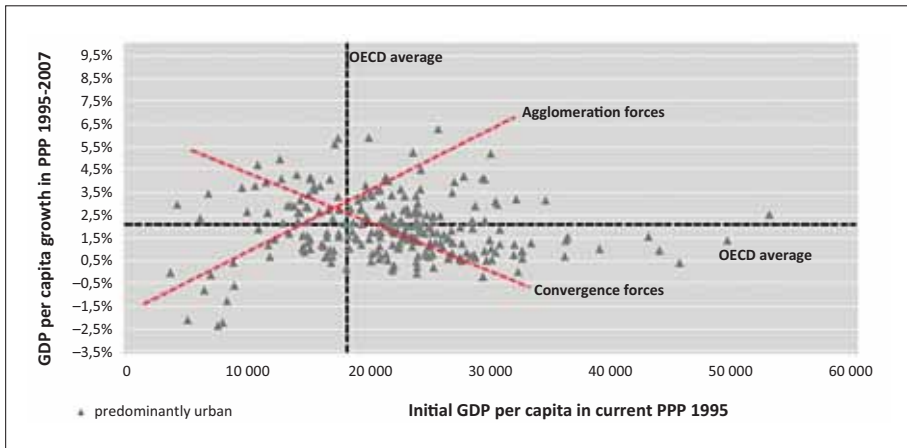
¹⁰ OECD Regional Outlook 2011.

Diagram No. 2: GDP per capita level and dynamics in regions in OECD countries by types of regions (predominantly urban and predominantly rural regions)



Source: OECD *Regional Outlook 2011*.

Diagram No. 3: Convergence and divergence processes in urban regions



Source: *Promoting Growth in All Types of Regions*, OECD 2012.

The said study indicates – based on the analysis of productivity level and dynamics per employee – that only 45% of metropolitan regions have a faster growth rate than their corresponding national average. However, it is worth pointing out that high development dynamics can be observed only up to a certain level of development, after


which it becomes weaker¹¹. Further part of the analysis leads to a conclusion that less developed regions are altogether responsible for ca. 45% of the national growth in OECD countries, and in eight of them the share exceeds 50% (the highest being recorded in France and Slovakia, i.e. 68% and 67% respectively). One can conclude that areas of dynamic growth should not be exclusively identified with urban areas. Although big hub regions (e.g. London, Paris, Rome, Madrid, Stockholm, Warsaw or Dublin) generate some 1/3 of the aggregate growth in OECD countries, the remaining 2/3 are contributed by other regions which require a profiled approach in policies that take account of their specific capacities and development challenges they are facing¹².

The regional intervention model promoted by OECD provides for a significant involvement of means and resources in the implementation of place-based instruments, or rather – as Jose Enrique Garcilazo elaborated – people-centred ones that impact precisely the identified development barriers and “unblock” the existing capacities. A policy like this, however, requires the involvement of regional authorities and understanding that their task is not about administering the flows of funds from the national level, but about running an active development policy with the use of instruments which are well adjusted to the specificity of the identified problems. **The measures undertaken should consistently stimulate development processes, rather than compensate the existing inequalities.** Regional policy should be an element of a carefully selected package of structural policies, covering both investments in infrastructure, as well as as measures to raise the quality of human capital or reinforce business sector and innovation capacities of regional economies.

¹¹ To a large extent it is related to challenges which are a negative consequence of the dynamic development of urban areas (among others uncontrolled suburbanization, growing environmental pressures, overpopulation, accumulation of social problems). These issues were discussed during the Lublin conference on the panel devoted to urban regeneration processes (case studies of Newcastle, Toronto and Bilbao).

¹² Garcilazo E., Oliveira Martins J., *The Contributions of Regions to Aggregate Growth*, OECD Regional Development Policy Working Papers, 2011.

Diagram No. 4: Comparison of key elements of the traditional and new paradigm of regional development

	Traditional Regional Policies	New Paradigm
Objectives	Balancing economic performances by temporary compensating for disparities	Tapping under-utilised regional potential for competitiveness
Strategies	Sectoral approach	Integrated development projects
Tools	Subsidies and state aid	Soft and hard infrastructures
Actors	Central government	Different levels of government
Unit of analysis	Administrative regions	Functional regions
	Redistributing from leading to lagging regions	Building competitive regions to bring together actors and targeting key local assets

Source: Garcilazo J.E., *Core or peripheries – which regions contribute to growth?* Conference paper, Lublin, 17-18 November 2011.

Designing effective policies to stimulate development processes in regions facing different challenges takes a good understanding of key factors that can enable the lagging areas to embark on the path of sustainable development. In this context institutional capacities, in the sense of planning and implementing long-term development strategies with active involvement of a broad group of stakeholders, become particularly important. Another vital issue is to properly establish a competitive edge by skilfully managed restructuring processes and consistent reinforcement of innovation capacities and regional specializations.

III. STIMULATING DEVELOPMENT PROCESSES IN PROBLEM REGIONS – THE MAIN PREMISES

Institutional system and participative model of development management

The issue raised by a vast majority of speakers was the key **importance of the quality of institutions and density of ties between actors involved in the process of development policy planning and implementation**. The process of working out and implementing regional development strategies should be a common responsibility of key regional actors (public administration at regional and local level, academic centres, businesses, NGO's) who cooperate closely and are determined to effectively meet common objectives. The sense of shared responsibility and stability of development objectives is conducive to reaching the expected results on a strategic level.

In his presentation, **Andy Pike from the Centre for Urban and Regional Development Studies, Newcastle**¹³ pointed out that institutions can both have a positive, as well as a negative impact of the region's development process. Institutions can have a positive impact on this process through efficient delivery of public services on a specific level, limiting the impact of market failures, promoting efficiency or tailoring public policies to regional context and implementing these policies effectively (the so called development governance). On the other hand, institutions can be ineffective when burdened with tasks without access to adequate resources, for which they cannot bear full liability (*unfunded mandates*); the negative impact can also manifest itself in excessive bureaucracy that results in lock-in of officials to external stimuli, lack of coordination (duplication and fragmentation), elite capture, rent-seeking or even corruption. As a remedy for these negatives Andy Pike offered **systematic measures to reinforce cross-sectoral cooperation, improved transparency and accountability**, adequate and predictable resources and capacity, institutional and policy learning and adaptability, as well as administrative flexibility. It is also important to consistently promote outcomes- (not structure-) oriented approach and to carry out systematic evaluation, in order to assess the effectiveness of development initiatives undertaken by institutions.

As also stressed by **Henrik Halkier from Aalborg University**¹⁴, the broad meaning of culture of cooperation between key actors, based on trust and with the awareness of mutual dependencies, is immensely important in the process of generating innovations in the region. These values should be supported by political and administrative measures, thus creating the right climate for development projects.

¹³ Pike A., *Institutions and regional development*. Conference paper, Lublin, 17-18 November 2011.

¹⁴ Halkier H., *Restructuring through innovation policy*. Conference paper, Lublin, 17-18 November 2011.

Practically all speakers who were presenting regional case studies pointed out to the fact, that **joining regional actors in cooperation networks under the so called *triple helix*¹⁵ is the key element of effective institutional development policy governance system**. With the right balance between the local (*bottom-up*) and horizontal (*top-down*) perspective and the right governance by regional authorities, this model of cooperation provides the best opportunities to formulate and systematically verify an integrated development strategy and coordinate the activities of key stakeholders to meet the objectives, adjusting to the constantly changing social and economic conditions.

Participative approach to formulating regional development strategies – North Karelia (Finland)¹⁶

This region based its model on a cluster approach which integrates the public sector, commercial businesses and academic centres, and focuses their cooperation on selected areas identified as endogenous regional potentials (in the case of North Karelia these involve forestry, creative industries and tourism). This approach is conformant with the EU's *Smart Specialization Strategy (S3) Initiative*, promoted by the European Commission, aimed at supporting European Regions in concentrating their development efforts on “niches” which offer a chance for sustainable development and are based on regional, endogenous capacities and resources.

Participative model of development strategy provides for an active involvement of a broad group of stakeholders (*inter alia* local authorities, development agencies, universities, NGO's, businesses) in this process, coordinated and facilitated by regional governments. The strategy is implemented in an integrated fashion, strongly involving key actors and increasing their feeling of shared accountability for the process and its outcomes.

¹⁵ Participation of three basic partner groups: businesses, R&D institutions and public administration.

¹⁶ Varis E., *From lagging peripheries to development – North Karelia*. Conference paper, Lublin, 17-18 November 2011.

EPANET project – South Ostrobothnia (Finland)¹⁷

The region of South Ostrobothnia in Finland is a great example of a very positive role that can be played by institutions which rightly use their capacities to stimulate development processes under new conditions. Back in the 1990's, when the Finnish central government decided to support high technologies and innovations in the broad sense as development motors, perspectives of this region, characterized by a large share of agriculture and high unemployment, low rate of inhabitants with higher education, no large urban hubs with academic and research capacities, became exceptionally dire. However, as noted by **Antti Saartenoja from the Regional Council of South Ostrobothnia**, the regional authorities launched a broad debate about the assets and possible directions of development of this region, and were able to effectively involve a broad group of stakeholders. As a result of an extensive consultation process it was possible to coin a consensus: it was decided that the reinforcement of academic capacities in the region would become the key to dynamic development. This is how **EPANET project** was born. It was aimed at reinforcing regional research capacities

and include the region in the cooperation network with top national and foreign centres. The first step involved funding 12 research scholarships which were construed as a magnet attracting young, ambitious scientists from across Finland, and next building research teams around them, which would tackle key issues from point of view of innovative regional development policy (mainly in the area of applied sciences). The amount of research institutions involved in the project also grew systematically (in the years 1999-2008 six universities were cooperating under the project). Financing firstly research activities, and secondly infrastructural projects necessary for further development of the initiative was possible thanks to a large share of EU funds, as well as public money (made available *inter alia* by the Ministry of Education, local and regional authorities, universities) and private funds. As a result research work in the region was developed and intensified, research communities became larger and their capacities were reinforced. In years 2002-2012 EPANET resulted in 240 research projects, co-financed by more than 100 commercial enterprises, in which a community of

Map No. 1: South Ostrobothnia



Source: http://en.wikipedia.org/wiki/Southern_Ostrobothnia

¹⁷ Saartenoja A., *Building regional capacity for development – the role of institutions. EPANET project in South Ostrobothnia*. Conference paper, Lublin, 17-18 November 2011.

around 100 researches took part, two thousands publications in leading scientific journals and a community of cooperating researchers from more than 50 countries. The project also had an important image dimension – attractiveness of the region as cooperation-oriented, investing in knowledge grew significantly, which could be indirectly seen among others in the numbers of start-ups or increased migration to the city of Seinajoki, where research activities under EPANET project are concentrated.

Networking as a response to environmental challenges – Murcia (Spain)¹⁸

Murcia remains one of the poorest developed Spanish regions (GDP per capita in 2008 was less than 36% of EU-27 average), with poorly developed interior, mainly mountainous (only 35% of space is relatively flat) and economy strongly dependent on natural conditions and balance between nature and economy. Its location on the Mediterranean Sea and a mild climate offer perfect conditions for the development of food production and tourism. However, the development of those sectors in recent years has become a big threat to further sustainable development of the region.

Map No. 2: Murcia



Source: <http://en.wikipedia.org/wiki/Murcia>

The most popular plants in agriculture (predominantly production of fruit, vegetables and flowers) are more and more often ones requiring irrigation, as they do not stem from the dry climate of the region. On the other hand, development of tourism caused a construction boom of holiday resorts with swimming pools, golf courses and gardens, which also require artificial irrigation and orientation on serving bigger amounts of tourists. As a result, water consumption was 2,5 times higher than the system's capacities.

Under these conditions Murcia had to undertake measures to increase its water consumption efficiency. It got involved in common international initiatives of regions where water management plays a key role in the development of their economies and stimulation of competitiveness. E.g. **SWAM** project (7. Framework Programme "Regions of Knowledge and Research Potential") with East Galilea and Western Greece or **Robinwood** project (Interreg IIIC) with Liguria, Brandenburg, Wales, Koszyce and Presow. One of the seven priorities in Murcia's **Operational Programme** for the years 2007-2013 involves the support for distribution infrastructure of drinking water, as well as infrastructure serving the purpose of maintaining biodiversity in NATURA 2000 areas.

¹⁸ Sandoval F., *Pressure on natural environment – price for development? A case study of Murcia region*. Conference paper, Lublin, 17-18 November 2011.

Natural limitations also became an impulse to establish cluster initiatives in Murcia. **The Regional Water-Tech Cluster** comprises more than 120 companies (99% of them being SME's), universities, public administration institutions and NGO's, which in total employ some 2.5 thousand people, with more than 5% of them being researchers. In 2006 income generated by the cluster was ca. EUR 250 m, and more than a half of companies from the cluster carried out innovative activities, the outcomes of which were among others exported to South Africa, Mexico and Morocco. The University of Murcia and Polytechnics in Cartagena offer faculties related to water technologies in agriculture, environment and water management in industry. Each year some 750 students take advantage of these curricula which also involve internships in private companies and research projects. Also the first spin-off companies are being established.

There is also a bottom-up initiative associating owners of private forests in Murcia – **PROFMUR** (219 members, 62 thousand hectares). As pointed out by **Francisco Sandoval (University of Murcia)**, sustainable forest management in this region is the basis for water retention in soil, counteracting erosion and desertification, counteracting floods in lower parts of the region and forest fires. Establishment of this association helped overcome the problem of fragmentation of forest land ownership, manufacture forest biomass maintaining natural balance in the region and create ca. 250 new jobs.

Cooperation between key partners in the regional biotech cluster – Mecklenburg (Germany)¹⁹

In Mecklenburg issues related to the development of the **regional biotech cluster** integrate local actors (local and regional authorities, management of scientific and academic centres, business representatives – altogether some 160 entities). The aim of this joint endeavour is the strengthening of the research potential of Mecklenburg in life and medical sciences and the promotion of this regions as an attractive spot for business-oriented activities in these spheres. The objective of the cluster is stimulating and facilitating the dialogue between key stakeholders, initiating research projects through linking business community with researchers and providing support to start-ups in the technology sector ("bioincubator"). The cluster's office also acts as the central information point regarding the ongoing activities and planned initiatives in the area of the region's smart specialization (biotechnology).

The cooperation between key stakeholders is systemic: it is carried out according to a **Master Plan** that covers the period until 2020 and identifies the most important activities and responsibilities of the stakeholders who support the cluster. Moreover, ca. 50 key decision-makers, including the prime minister of the federal state, meet twice a year to discuss the perspectives of the initiative's development and agree on detailed **road maps**, often planned a few years ahead. It is therefore possible to ensure integrated planning of complementary

¹⁹ Blank W., *Mobilizing support for regional development initiatives – BioRegio initiative*. Conference paper, Lublin, 17-18 November 2011.

measures aimed at increasing the cluster's potential, implemented by various public and private entities (e.g. construction or modernization of the necessary infrastructure by regional or local authorities, adjustment of the curriculum in academic centres to the personnel needs of companies in the cluster, development of hotel base to serve traffic generated as a result of cluster's functioning) and it also reinforces the feeling of joint responsibility for success – or failure – of the common project.

Competitiveness and regional development – restructuring and innovation

As a consequence of the changed development model regions faced a **key challenge of redefining their approach to effective development of their competitiveness and increase of their attractiveness to potential investors**, thus creating the right conditions for stimulating growth, in particular smart growth, based on innovative products and services which generate high value added. **Competitiveness became a key pillar of regional development strategies.** Establishing competitive regions is rendered difficult due to the fact that the development model keeps evolving and location criteria keep changing. As a result it is necessary to undertake continuous restructuring measures at regional level. This means replacing those parts of the region's structure (economy or infrastructure), which do not fit the current and future location factors and weigh negatively on the attractiveness of a given region in the eyes of investors. It is therefore necessary to anticipate or at least catch up with the new requirements and trends of the constantly evolving economy. Regions that successfully follow this principle experience internal feedback that combines their features with location criteria, which enables them to embark on the path of endogenous growth and economic specialization. The remaining areas, characteristics of which is not coherent with location criteria, i.e. offering little competitiveness, experience stagnation or even plunge into recession: enterprises located on their territory experience a whole range of problems and go bankrupt, capital is withdrawn, which is followed by migration of the best qualified, most mobile and more affluent human resources.

Regional restructuring

As was manifested by regional case studies discussed during the conference, successful restructuring of regional economy is a very difficult and costly task.

Regional restructuring processes – the Ruhr Region (Germany)²⁰

The Ruhr is a perfect example that illustrates the scale of restructuring challenges in traditional, regional economies. Its area covers 4.5 thousand km² and is inhabited by more than 5 million people, thus constituting the largest urban agglomeration in Germany. The Ruhr played a function of the largest industrial area in Europe based on coal and steel for two ages. In mid-19th century it had some 300 coalmines. Industrial development was the cause of migration waves – masses of workers were coming here from 1860's from Silesia, Pomerania, East Prussia and Western Poland. The period of economic prosperity in Germany in 1950's generated huge demand for coal and steel, which meant a 9% growth rate in the Ruhr and reinforced even further the position of this region as the main industrial hub of the country. However, starting

from 1958 the demand for coal shrunk systematically, and the region entered new phases of structural crisis, deepened by the global economic crisis of the mid-1970's. Due to the development of coalmines in other countries with easier access to resources, i.e. cheaper to operate, global demand shifted its direction; at the same time new technologies became more energy efficient, which dwindled demand for coal even more.

Economic restructuring process in the region started in 1968 with the launch of the so called **Ruhr Development Programme**, which led to diversification of the industrial structure, starting from modernization of traditional heavy industry, to then move to the sector of services and advanced technologies – also including technology for cleaning the environment contaminated with the existing industrial activity. As **Robert Knippschild from Dresden University of Technology** duly noted, restructuring of the Ruhr Region combined industrial interventions with an integrated and coordinated regeneration of 17 municipalities. Environmental and urban planning objectives became the most important issues in the restructuring strategy, and their implementation was largely possible thanks to tighter cooperation between 11 cities located in the Ruhr, related to the establishment in 2003 of a common metropolitan area called **Ruhr Metropolis**, and a year later – Regional Ruhr Association (RVR) that facilitated closer cooperation between the local municipalities. Some of the main objectives of public interven-

Map No. 3: Ruhr Region



Source: <http://en.wikipedia.org/wiki/Ruhr>

²⁰ Knippschild R., *Post-industrial regions and their restructuring. The Ruhr Region*. Conference paper, Lublin, 17-18 November 2011.

tion involved measures to increase the quality of life, form new identity of the local citizens, as well as to create and promote a new image of the region (*inter alia* Essen was elected the European Capital of Culture in 2010, contributing under the motto “Change through culture – culture through change” to the promotion of the whole conurbation, which attracted more than 10 million tourists in that period). A lot of attention was paid to maintaining the specific industrial and cultural heritage, which was the main subject of “soft” restructuring measures (e.g. Industrial Heritage Trail, very popular among tourists, presenting industrial traditions of the region). The restructuring process was open to bottom-up social initiatives, and a whole range of measures were taken to increase employment and requalify the local labour force. In recent years, due to budgetary constraints, it was necessary to work out new concepts to support the still ongoing restructuring process. More focus was put on better utilization of available funds and more thorough and pragmatic intervention planning (the so called “planning through projects” and “perspective incrementalism”). There is also a widespread conviction, that the process of meeting the objectives should be controlled by way of consensus and increased self-commitment of the parties involved.

Assessment of restructuring in the Ruhr Region remains ambivalent. On the one hand, the traditional industrial district based on coal and steel production radically changed its socio-economic profile, damaged natural environment was rehabilitated, behaviours were changed avoiding any significant social conflicts, and the efficiently functioning, dynamic conurbation became an important cultural and scientific hub in Germany. On the other hand, the process consumed huge funds, both national, community and private ones. In spite of all this, it was not possible to change the status of the Ruhr Region as one of the poorest regions in Western Germany, with high unemployment rate and still unsolved economic and social problems.

Regional restructuring processes – Norte (Portugal)²¹

Also in the case of Portuguese Norte the effects of the existing restructuring measures are not obvious. The region belongs to one of the least developed areas in the EU – its GDP per capita in 2010 was just above 60% of the EU average, while the unemployment rate is one of the highest in Spain (12.5% in 2010). As explained by **Elvira Vieira from the European Grouping of Territorial Cooperation Galicia – North of Portugal**, the main reasons behind this state of affairs involve predominantly low labour effectiveness (below 50% of the EU-average and practically constant since 2000) and dominance of outdated and not very innovative economic sectors (mainly textiles and metallurgy), which generate little value added and are subject to big pressures from more price competitive international markets where the production is being shifted. That is why the mid-term regional development strategy (**Norte 2015**) wisely recognises that it is impossible to effectively compete with low prices and adopts as its development objectives the establishment and reinforcement of competitive edge in the form of high-quality products and services, their innovativeness and proper marketing strategies. Development measures focused on four priorities: development of clusters in several selected thematic areas (*inter alia* creative industries, tourism, maritime economy and research in this area, wine cluster), which constitute economic specialty of the region, connection between universities and businesses as a result of the development of stable foundations for R&D activities and commercialization of research outcomes, entrepreneurial support and stimulation of cross-border cooperation, in particular with the Spanish Galicia. One of the important strategic instruments is the regional operational programme for 2007-2013, co-financed from the funds of the European cohesion policy.

Map No. 4: Norte



Source: http://en.wikipedia.org/wiki/Norte_Region_Portugal

²¹ Vieira E., *Post-industrial regions and their restructuring. Norte*. Conference paper, Lublin, 17-18 November 2011.

Regional innovativeness

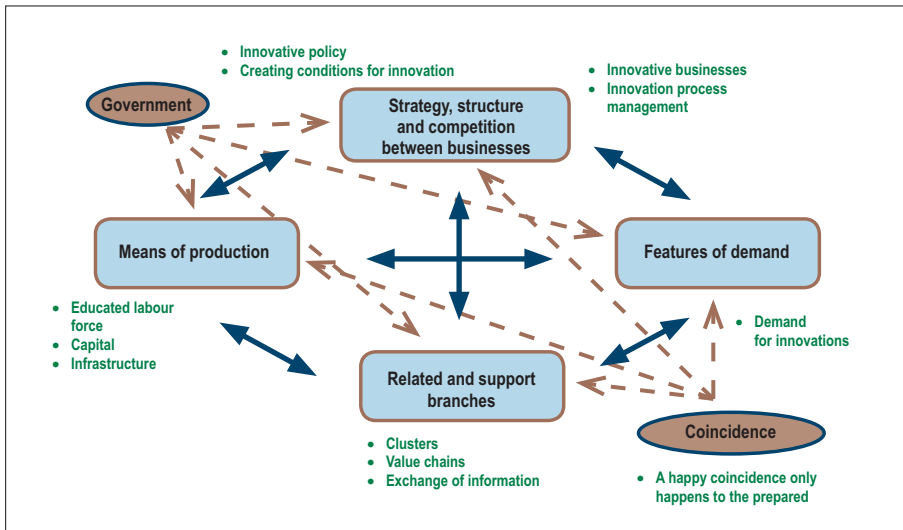
In the spatial perspective globalization processes are conducive to concentration of services and industrial production (see Fujita, Krugman, Venables 1999 and the theory of the New Economic Geography). The willingness of businesses to concentrate their activity in terms of space could seem surprising, considering the fact that as a consequence of globalization and the related market liberalization and deregulation, greater mobility and better communication one can almost freely select the location of business activity in any place in the world. However, according to research outcomes, **some kinds of business activity – in particular the ones generating the biggest value added, the most innovative ones – are more and more spatially concentrated**, which is not only conducive to raising their performance, but also to increasing their innovation potential²². There is a whole range of important premises which encourage companies to move to locations which offer the best conditions, even in spite of the fact that they are often located far from markets. The most important of them involves of course reduced transaction costs, where the biggest part is formed by costs of transport and costs of obtaining qualified labour force, which is of particular significance in the context of innovative activity. Areas with features particularly attractive to investors can benefit a lot from this spatial concentration of services and production.

Public authorities can have a significant impact on the development of innovative economy by setting up a broad framework for innovative activity: from adopting proper legal solutions and tax regulations, through to developing specific conditions for the functioning of businesses and demand for innovative products, as well as creating technical and social infrastructure. The right innovative policy should take account of all elements of Michael Porter's competitive advantage quadrangle (marked blue on the diagram below²³).

²² *Globalisation and Regional Economies. Can OECD Regions Compete in Global Industries?* OECD Reviews of Regional Innovation, 2007, pp.39-40.

²³ Gaczek W., Matusiak M., *The innovativeness of the regional economies of Eastern Poland – assessment, significance, perspectives*. Expert study ordered by MRD for the needs of updating the *Strategy of socio-economic development in Eastern Poland by 2020*. UE Poznań 2011, pp. 9-10.

Diagram No. 5: Porter's diamond in the context of innovative policy – adaptation of the classical competitive advantage quadrangle



Source: Gaczek W., Matusiak M., *The innovativeness of the regional economies of Eastern Poland – assessment, significance, perspectives*. Expert study ordered by MRD for the needs of updating the *Strategy of socio-economic development in Eastern Poland by 2020*. UE Poznań 2011, p. 9.

Studies show that **innovations most often occur in areas with significant innovation capacities**, i.e. in highly developed regions, characterized by culture of innovativeness in the broad sense and providing good development conditions to academic centres, innovative businesses and highly qualified staff. This phenomenon was noticed by decision-makers on both national, as well as regional level, which resulted in numerous **measures aimed at networking companies, people and knowledge resources as an effective way of increasing competitiveness and innovativeness of regions** and growing popularity of **cluster based policies**. There are numerous definitions of this concept in textbooks, but a common element that combines these different approaches involves concentration of companies from one sector in the region, working in the network of contacts and collaborating with other companies and institutions. Clusters are characterized by co-occurrence of competition and co-operation. Competition necessitates constant progress and innovations, as well as improved efficiency. Cooperation on the other hand makes it possible to combine capacities and competences of many companies and other entities (universities, research centres, local and regional administration, business support institutions etc.), and as a consequence to implement projects which would not have been possible, if they were to be implemented by a single, especially small, enterprise²⁴.

²⁴ Koszarek M. (ed.), *Cluster initiatives – effective functioning and strategic development*. Polish Agency for Enterprise Development, Warsaw 2011, p. 9.

Regional biotechnological clusters: BioRegio initiative (Germany)²⁵

German BioRegio initiative is a model example of innovative policy that supports intelligent development on regional level by creation of **regional cooperation networks around common initiatives in biotech sector**. The key to success of this initiative involved an innovative systemic support mechanism launched in 1996 from the central level by the federal Ministry of Education and Research, and realized until 2001 with the view to stimulate cooperation between biotech research centres and businesses interested in commercial utilization of research. The mechanism motivated regional actors to get involved in the implementation of common initiatives and released their potential.

The most promising regional cluster initiatives were selected by way of a competition. They were then granted a capital injection necessary for their further development (altogether EUR 90 million for four top cluster initiatives) and received preferential access to public financing dedicated to biotech R&D. This “**smart money**” acted as a catalyst, a driving force behind the development of biotech clusters and activation of broad support for these initiatives by businesses, local government and regional academic and research centres. It also provided a leverage effect, as in the following years of BioRegio initiative one can observe a growing share of local-government funds and private financing of these projects, which amounted to more than EUR 750 million in the years 1996-2001. BioRegio’s success encouraged the federal authorities to continue their systemic approach to the development of competitive advantages in biotech industry in a slightly modified version: BioRegio was followed by BioProfile in 2001-2006, which focused on the support for regional biotech specializations²⁶.

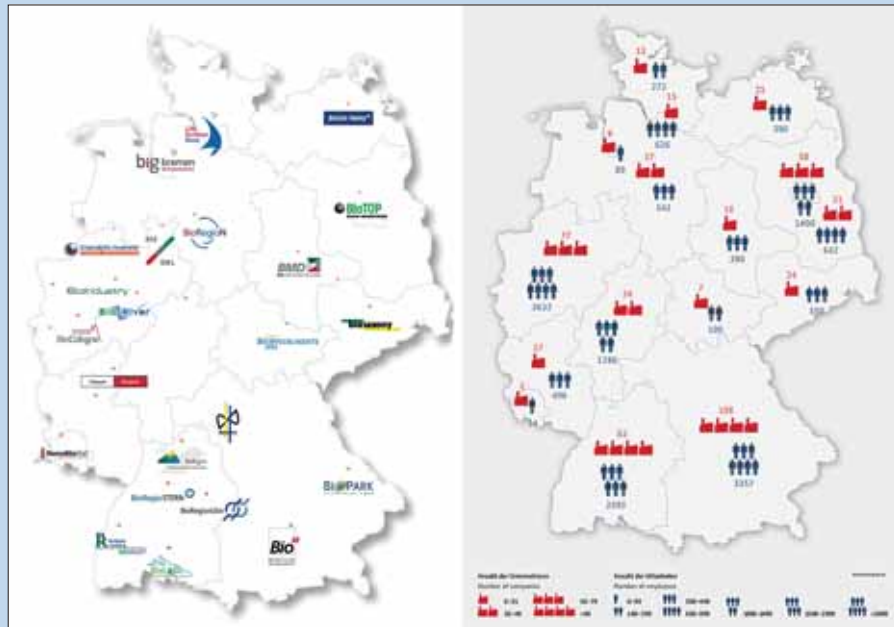
There are currently 26 regional biotech clusters in Germany under the name BioRegio and BioProfile. They focus more than 530 entrepreneurs and generate annual turnover of more than EUR 2.6 billion, with R&D expenses of slightly below EUR 1 billion²⁷. This initiative significantly contributed to increasing the potential of biotech industry in Germany and reinforcing the position of this country as biotech leader, which is proven by the highest share of German businesses in the total number of European companies operating in this industry (44% in 2008). It is worth pointing out, that more than a half of the companies currently operating in biotech industry in Germany were set up under BioRegio initiative, which is a proof of just how strong this impulse has proved to be.

²⁵ Blank W., *Mobilizing support for regional development initiatives – BioRegio initiative*. Conference paper, Lublin, 17-18 November 2011.

²⁶ More about BioRegio and BioProfile in: *Competitive Regional Clusters. National Policy Approaches*, OECD 2007, pp. 199-211.

²⁷ Data as of 31 December 2011 r. as in *German Biotechnology Sector 2012* (www.biotechnologie.de)

Map No. 5: Biotechnological clusters under BioRegio initiative in Germany



Source: Blank W., *Mobilizing support for regional development initiatives – BioRegio initiative*. Conference paper, Lublin, 17-18 November 2011.

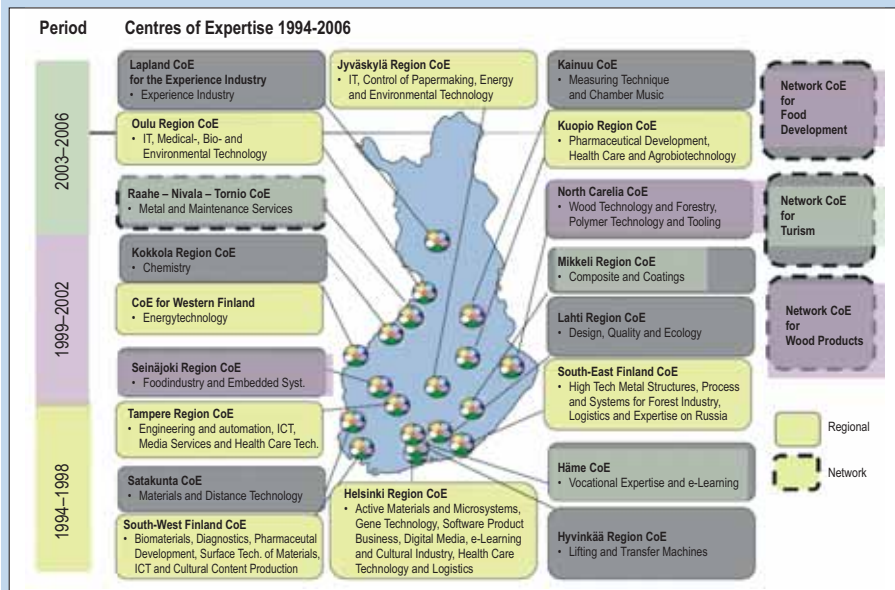
Regional Centres of Expertise (Finland)²⁸

At the beginning of the 1990's Finland experienced deep economic recession, which became a challenge to the then development model under which the state implemented its support policy for lagging regions using generous transfers from the budget. The Finnish authorities noticed that the great success of IT industry, symbolized by NOKIA's dynamic development, benefited mainly big urban centres, where the majority of this business, as well as R&D resources were located. This became an impulse to reorientation of the Finnish regional policy towards raising innovativeness and competitiveness of the regions. The new model of regional policy focused on urban centres as key hubs that generate jobs, development and welfare, and embraced the establishment of national framework facilitating innovative activities in the regions (the so called **regionalization of innovative policy**), support for specializations that develop innovative potential of the regions and their inclusion in the global value chains as the main objectives of public measures. Reinforcing polycentric system of innovative and specialized functional urban hubs was considered a necessary condition to ensure balanced and sustainable development at regional level. Clusters were identified as

²⁸ Antikainen J., *Mobilizing support for regional development initiatives – centres of expertise in Finland*. Conference paper, Lublin, 17-18 November 2011.

an important instrument for stimulating those desired processes, and this became a foundation for the establishment of the **Centre of Expertise Programme** which is flagship in terms of stimulating regional innovativeness, and which has been continuously implemented since 1994. As explained by **Janne Antikainen from the Finnish Ministry of Employment and Economy**, the programme involves supporting regional centres of expertise in selected thematic areas that develop innovation capacities in the regions and increase their international competitiveness. Initiatives in the desired areas of expertise were proposed at regional levels and covered versatile issues from nanotechnology through to e-learning. The final selection was carried out in the form of a competition²⁹ by the Ministry of Interior responsible for Centres of Expertise (CEs) (replaced in this capacity by the newly established Ministry of Employment and Economy in 2008). Ultimately **in 2006 CEs functioned in 18 regions and 4 urban networks, covering 45 competitive fields**. They mainly focused on commercialization of research work carried out in regions, support for SME's operating in the selected area, particularly in the context of effective competition in international markets. The funds from the state budget had a character of seed capital, and they provided a leverage effect, just as was the case with the German biotechnological clusters (in the years 1999–2006 the Finnish government earmarked EUR 56 million as support for CEs, while their total financing over that period exceeded a total of EUR 580 million). A condition for using national funds was to provide regional co-financing in the amount equal to funds from the central budget.

Diagram No. 6: Centres of Expertise in Finland in the years 1994-2006



Source: Steinbock D., *Finland's Innovative Capacity*, Regional Development 13/2006, p.65.

²⁹ Three editions of the competition were organized in the period 1994-2006.

In the case of the Finnish Centres of Expertise, just as in the German BioRegio initiative, the top-down initiative of the authorities was a clear signal that the central government is interested in developing innovative regions based on their endogenous capacities. This activated regional actors (*triple helix*) to jointly create and implement long-term projects that develop competitive advantages of the region in the long run. CEs made it possible to create new smart jobs in the regions (ca. 1700 just in the years 2007-2010), establish new businesses (ca. 270 in the years 2007-2010) and include new companies in the cooperation networks (in 2010 there were more than 4.5 thousand businesses working in CEs). The programme evolves along with the changing conditions: in the years 2007-2013 it was tied more strongly to the objectives of the national innovation policy, among others by narrowing the supported areas of expertise from 45 to 22 and reducing the number of CEs to 13, at the same time focusing stronger on activities to reinforce competitive capacities on the global markets and to include CEs in the global cooperation networks. The next changes are planned for 2014, when the programme becomes a more flexible and more competitive tool for contracting specific activities in the selected fields of expertise.

The presentation of **Ronald Botham from the University of Strathclyde**³⁰ was an interesting contribution to the discussion about the effectiveness of cluster policies in the development of innovative and competitive regions. The presentation concerned two different British experiences from Scotland and North-East England. At the beginning of 1990's both regions were characterized by an anachronistic economic structure, dominated by industry (predominantly steel and coal, shipbuilding and chemical industry).

IT cluster in Scotland (*SiliconGlen*)³¹

Scotland was one of the first regions in Europe to use cluster approach as an element of the regional development strategy. The demise of traditional sectors like shipbuilding and mining led to an attempt to diversify the economic base. A decision was made to establish a cluster in a new and promising IT branch. The name itself – ***SiliconGlen*** – referring to the Californian Silicon Valley reflected the ambitions of the Scottish authorities and high hopes related to this project. Development strategy of the cluster was drawn up with a strong academic support (including the involvement of Michael E. Porter, a leading supporter of enhancing competitive advantages by means of cluster initiatives). It assumed the establishment of a modern IT innovation centre with global reach. The document described the implementation

³⁰ Botham R., *Mobilizing support for regional development initiatives. Cluster-based regional policy in Scotland and North-East England: experiences and lessons learned*. Conference paper, Lublin, 17-18 November 2011.

³¹ Botham R., *Mobilizing support for regional development initiatives. Cluster based regional policy in Scotland and North-East England: experiences and lessons learned*. Conference paper, Lublin, 17-18 November 2011.

of many programmes and projects in several fields (among others software development, semiconductors, telecommunications and multimedia) by a very broad group of stakeholders. The strategy has never been implemented – to a large extent due to the collapse of the Internet Bubble - and the failed attempts at building a cluster were finally abandoned at the beginning of 2000.

In Ronald Botham's assessment there were several reasons behind the failed development of *SiliconGlen* cluster:

- in spite of significant support by the academic community the Scottish authorities decided to open the cluster in a sector where many stakeholders had no experience or knowledge related to its functioning;
- there was no proper information campaign addressed at the stakeholders, explaining the benefits of cooperation in the cluster, which was after all a new instrument, practically unknown at the same time, requiring a significant change in the existing operations;
- representatives of the regional authorities did not have sufficient knowledge about clusters, nor were they motivated to learn about it; as a result there was no political support for the implementation of the cluster development strategy;
- due to lack of proper knowledge among the authorities and businesses, initiative was mainly taken by academics, which caused “paralysis by analysis”, excessive focus on theoretical discussions (*What is cluster all about? What does market ineffectiveness involve?* etc.).

Petrochemical cluster in North England (NEPIC)³²

The idea of using clusters to develop competitive advantages in North-East England was undertaken as late as at the beginning of 2000. It was established on the basis of the existing **petrochemical industry** with its developed supply chains and resources in the form of research centres. Establishment of the North East Process Industries Cluster (**NEPIC**) is a good example of a successful bottom-up initiative undertaken by entrepreneurs interested in networking, who saw the benefits of cooperation. NEPIC has been functioning as a non-profit organization associating 550 companies and their suppliers from petrochemical industry. As a result of intensive lobbying regional authorities understood the meaning of the cluster as an important element that will reinforce the regional economy, and supported it financially via a regional development agency. Education in fields that were necessary in the cluster became

³² Botham R., *Mobilizing support for regional development initiatives. Cluster based regional policy in Scotland and North-East England: experiences and lessons learned*. Conference paper, Lublin, 17-18 November 2011.

one of three priorities for the regional university, which improved the situation of graduates in the regional labour market. NEPIC undertakes numerous initiatives that raise the quality of human capital (among others it brought about the establishment of the National Skills Academy) and infrastructure necessary to develop the cluster (e.g. it effectively encouraged the National Industrial Biotechnology Facility to establish its new branch in the region).

NEPIC is effective largely due to its independence of the regional authorities, strong involvement in the satisfaction of the needs of its members, high credibility based on professionalism and experience, as well as its ability to mobilize support, flexibility and strong focus on education and information. In spite of this NEPIC's activity did not lead to e.g. increased employment in the petrochemical industry, which has been systematically shrinking, largely due to increased labour efficiency and its progressing automation. Liquidation of regional development agencies resulted in the fact that NEPIC was largely rid of public co-financing, which will probably lead to limitation of its scope of activity.

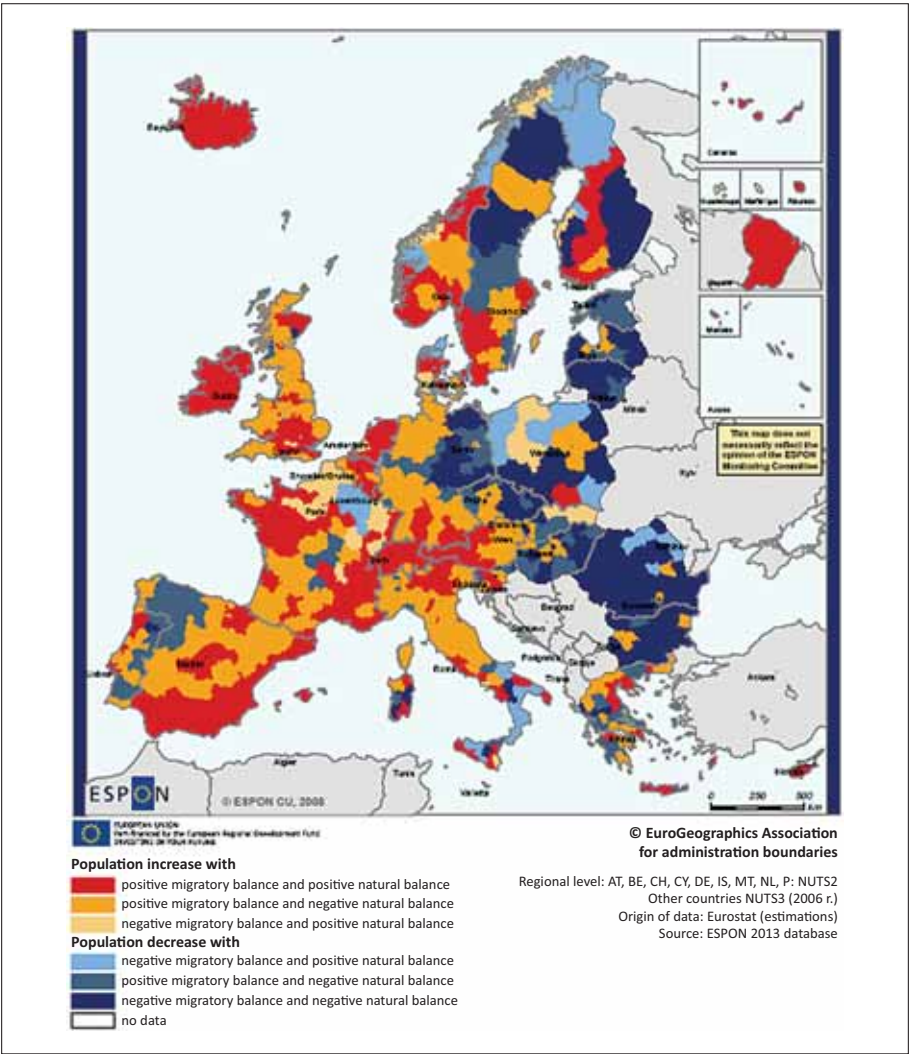
Analysis of both British case studies leads to a conclusion that not every cluster initiative is destined to be successful, and **clusters are not a panacea for all development problems** faced by regions. When taking a decision to use clusters as one of the means for meeting regional development objectives, it is worth bearing in mind that creation of the right conditions for their development takes professional preparations, strategic vision of activities shared by the stakeholders, awareness of mutual benefits, long-term and consistent cooperation, as well as flexibility which is necessary to continuously adjust the profile and methods of cooperation in the cluster to the changing conditions. One should also carefully consider the choice of the branch where cluster-approach is going to be supported. As manifested in the Scottish example, a decision to build a cluster in an area where the region has no traditions or endogenous capacities, can be burdened with a high risk of failure. On the other hand, the German and Finnish experience can be a proof of high effectiveness of innovative regional clusters which operate in branches with development capacities. One should also bear in mind that as a rule clusters are established in bottom-up processes, initiated in cooperation between companies which are well rooted in their economic and institutional local environment, and only sporadically is it possible to establish a truly effective cluster in a top-down approach.

Demographic trends and their impact on the perspectives of regional development

Issues related to spatial characteristics and territorial impact of demographic processes in the EU Member States formed an important part of the conference. Discussions revolved not only around the influence of demography on the development perspectives and which regions are the most susceptible to the negative conse-

quences of those changes, but also around effective instruments to be implemented at a regional level in order to adequately respond to demographic challenges. The presented case studies of the Dutch province Gelderland, Austrian Salzburg and Italian Liguria formed a basis for a more practical reflection about the territorialized approach to these issues.

Map No. 6: Territorial dimensions of demographic change in the EU Member States in the years 2001-2005



Source: *Territorial Observation* No. 1, ESPON, 2008, p.7.

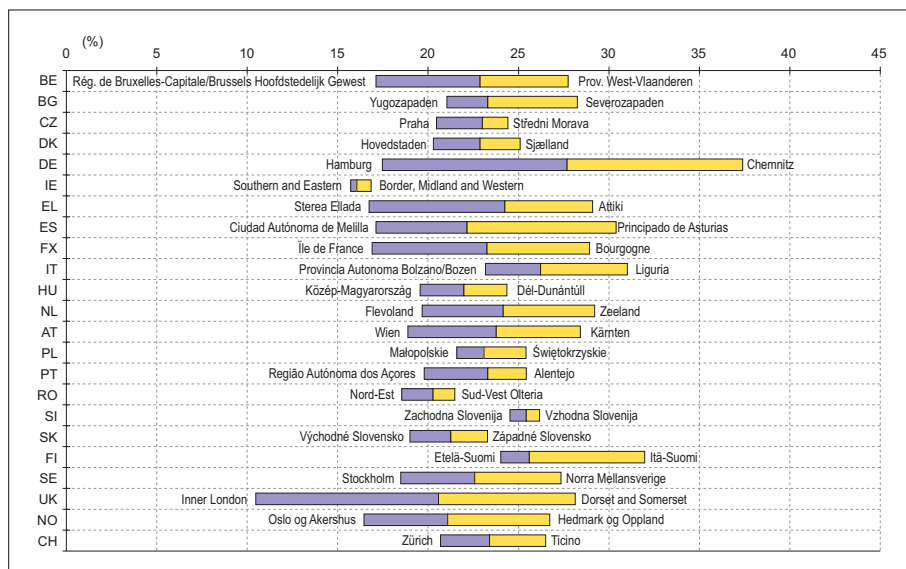
Martin Ferry from the European Policies Research Centre, University of Strathclyde³³, pointed out that decision-makers, economists and demographers are willing to perceive demographic changes, related predominantly to aging populations and migrations, in the category of phenomena which are both an opportunity, as well as a threat. Specific demographic changes and population flows can reinforce the resources of regional labour markets and activity of the business sector, or reorganize and stimulate dynamic development of the services and product markets for various consumer groups. However, these processes are **strongly spatially diversified** between EU Member States and individual regions due to specific influencing factors.

The above map predominantly shows **strong differentiation along the East-West axis**. Population has been growing in many regions of Northern and Western Europe (with some exceptions, e.g. East Germany), which is a result of positive birth rate and migration flows. On the other hand, according to demographic forecasts until 2020, population shrinkages will be most severe in regions of Central and Eastern Europe, East Germany, South Italy and North-East Spain. The second dimension that strongly differentiates space involves **different demographic perspectives of urban areas**, where the majority of trends are positive, **and rural areas**, which are most prone to the effects of negative changes related to ageing and out-migration.

Martin Ferry pointed out to two types of regions where demographic trends pose an exceptional challenge to their development perspectives: **peripheral rural areas and post-industrial areas**. The former ones often face migration of working-age population which is not able to find a place in the regional labour market. Outflow of labour force aggravates economic problems faced by those regions due to shrinking fiscal base, which in turn reduces the quality of public services or even makes some of them disappear. This cannot be compensated by closeness to other centres, due to peripheral nature of the area. As a result there is a negative feedback, a vicious circle, where the population systematically keeps shrinking due to out-migration and falling birth rate, the society ages, quality of public services deteriorates, and the regional labour market becomes smaller, even more intensifying out-migration of working-age population. Many peripheral regions in Europe have to tackle these challenges, which pose a threat to territorial cohesion (e.g. North Scandinavia or the macroregion of Eastern Poland). In the case of post-industrial regions falling population numbers are a result of modernization processes that restructure anachronistic kinds of industrial activity, which used to be a magnet for labour force that migrated in masses to find a job (e.g. Upper Silesia in Poland or Sachsen-Anhalt in Germany).

³³ Ferry M., *Demographic trends: territorial impacts and policy responses*. Conference paper, Lublin, 17-18 November 2011.

Diagram No. 7: Regions with highest/lowest share of population aged 65+ in the total population of European countries in 2030



Source: EUROSTAT, EUROPOP 2008.

The way instruments are designed and implemented on the regional level, and how this can influence the phenomena caused by demographic changes is a subject of a broad discussion and numerous studies³⁴. There is no doubt that due to the fact that demography has impact on different aspects of socio-economic life (*inter alia* on the labour market, spatial planning, public services or social cohesion) **effective response to demographic challenges should be of a multi-sectorial nature**. Designing effective policies is additionally challenging, as demographic issues require comprehensive approaches on different planning and implementation levels: from the national ones, through regional to local or even spotlight activities. Case studies discussed during the conference show that regional decision-makers are more and more aware of the implications of demographic processes for development perspectives in their regions. It needs pointing out that although it is the central administration's responsibility to design and implement policies with the biggest impact on demographic processes (*inter alia* labour market policy, social welfare systems, migration policy, tax system), it is also at the regional level that various initiatives are undertaken, which have a direct or indirect impact on the observed demographic changes and their consequences. As stressed by **Cornelius Verdaas, member of the**

³⁴ It is worth pointing out to a research project *Dealing with Demographic Change: Regional Policy Responses* implemented in 2009 by the European Policies Research Centre, or *Regions for All Ages* programme implemented under the auspices of the Committee of the Regions.

Provincial Executive for the Province of Gelderland, a necessary precondition for the development of measures that respond to the consequences of demographic changes, is seeing and accepting them as an immanent element of the regional development determinants.

Demographic changes and regional policy: Gelderland (the Netherlands)³⁵

One example of spotlight impact involves initiatives undertaken in the Dutch Gelderland. Falling birth rate dynamics, reduced migration flow related to sharper state policy in this regard and progressing process of population ageing are three most important demographic trends in this region, which have among others an important influence on the measures taken with regard to residential construction. Regional administration is responsible for delivering demographic forecasts to municipalities, which forms the basis for planning different local actions. Despite the fact that the forecasts predicted falling population numbers in the majority of municipalities, local authorities often took decisions to buy land and construct new residential buildings.

Map No. 7: Gelderland

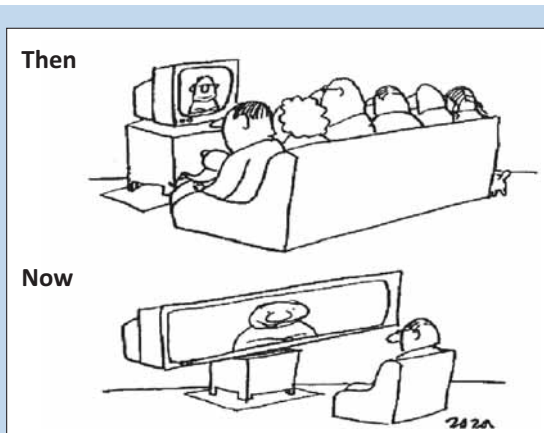


The assumption was that this would encourage migration and solve the problem

Source: <http://en.wikipedia.org/wiki/Gelderland>

of shrinking population, and in the future increase fiscal base of the municipality, which was anticipated in various mid- and long-term municipality development strategies. Many of the newly build homes and apartments remained uninhabited and generated extra costs.

³⁵ Verdaas C., *Regional policy responses to demographic challenges – case study of Gelderland region*. Conference paper, Lublin, 17-18 November 2011.



Source: Verdaas C., *Regional policy responses to demographic challenges – case study of Gelderland region*. Conference paper, Lublin, 17-18 November 2011.

That is why the regional authorities decided to systematically estimate demand for apartments and to motivate individual municipalities to cooperate in order to realistically adjust supply. Adjusting the housing situation to specific needs of continuously growing population of the elderly (*inter alia* close distance to public services, equipping apartments with home automation devices) became a priority that provides comfort of functioning and long-term possible self-sufficiency.

Demographic changes and regional policy: Liguria (Italy)³⁶

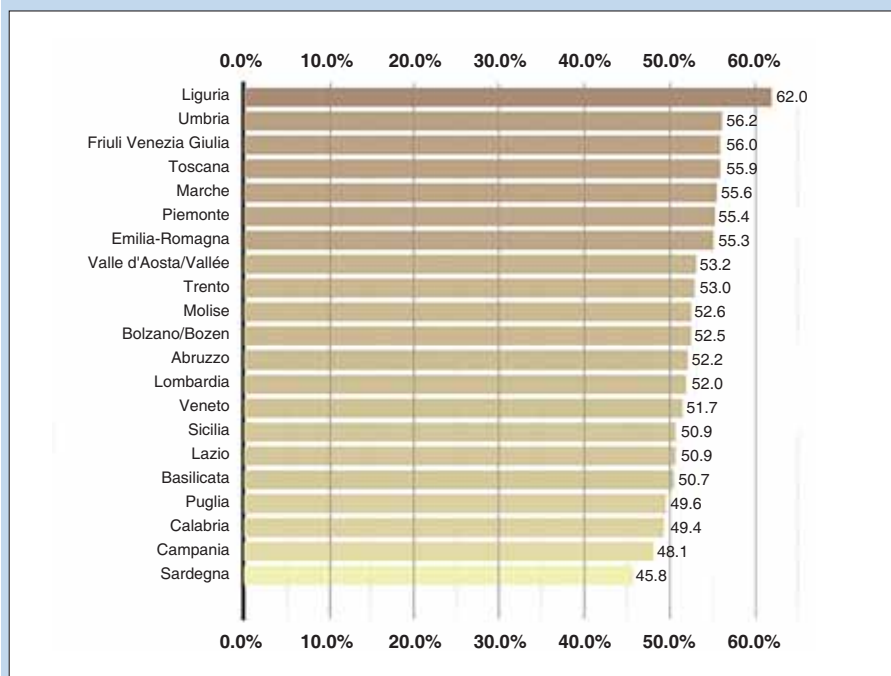
The Italian Liguria of the 1970's until the beginning of 2000's saw a progressing depopulation (more than 15% population decline) and systematic population aging. As explained by **Giovanni Familiari from t33, an Italian research centre**, the demographic dependency ratio in this region is much above the national average (62% versus 51.7%), and Eurostat's demographic forecasts (EUROPOP 2008) predict that in 2030 Liguria will be one of ten European regions with the highest median age and the biggest share of persons aged 65+ in the regional population.

Map No. 8: Liguria



Source: <http://en.wiktionary.org/wiki/Liguria>

³⁶ Familiari G., *Regional policy responses to demographic challenges – case study of Liguria region*. Conference paper, Lublin, 17-18 November 2011.

Diagram No. 8: Demographic dependency ratio in Italian regions (2010)

Source: Eurostat, 2010.

In spite of those big demographic challenges, only recently (in mid-2000's) did the regional authorities start taking actions in this area, using the opportunities offered by co-financing of such measures from the EU cohesion policy funds. Three basic initiatives were taken: to minimize hydrogeological risks (ca. 80% of municipalities in the region are at risk, which significantly reduces their attractiveness and encourages migration); to support social inclusion and raise the quality of healthcare and the scope of social aid (*inter alia* increasing the scope of services and increasing employment, modernization of social infrastructure, diagnostic equipment); and to counteract progressing marginalization of local centres in rural and mountainous regions (increasing availability, establishing community centres and leisure facilities), and in neglected urban districts (regeneration). The purpose was to raise the quality of life of the citizens and increase attractiveness of the region as a place to live and work for potential migrants. It seems that these actions were at least to some extent effective, as there have been more and more migrants settling in Liguria in recent years.

Demographic changes and regional policy: DEMOCHANGE Project (Austria)

DEMOCHANGE³⁷, a research project currently underway, is an interesting example of measures aimed at investigating the consequences and opportunities of demographic changes, co-financed from the EU funds under the transnational cooperation programme for the Alps. This is a concentrated effort of a broad group of stakeholders: spatial planners, local and regional decision-makers, as well as experts in economy and geography. The actions are aimed at raising awareness about the importance of demographic changes for the development perspectives of the Alpine region under a transnational cooperation network, as well as including demographic dimension in the planned development actions.

A project involving South part of the **Austrian Salzburg** is a model example of the approach applied in DEMOCHANGE, as explained by **Heidrun Wankiewicz, representing Salzburg region and Madeleine Koch from the University of Salzburg³⁸**. The region lives predominantly by tourism; population is rather stable, although there is a perceptible process of progressing ageing. There is a strong out-migration to urban centres, which causes marginalization of areas located at a further distance; young people migrate from the region in search of better educational opportunities and more attractive jobs; on the other hand migrants from Germany, Holland or UK move in, in a way replacing the young. DEMOCHANGE research team first carried out an in-depth analysis of the demographic situation in the region in order to better understand the implications for development perspectives, and drew up a regional demographic report containing conclusions of its analyses. Next, the team initiated cooperation with a broad group of regional and local stakeholders (*inter alia* representatives of authorities, NGO's, students and academic staff, local communities), which was aimed at formulating – based on the report's conclusions – constructive ideas on how to face demographic challenges.

Involving the general public and the media in the discussions was supposed to show that the demographic consequences are important for the whole regional community, and the encouragement to work out constructive and often innovative responses allowed to refocus the thinking in this regard – demographic changes are not approached as problems anymore, but as totally new opportunities for development.

³⁷ More information about the project at www.demochange.org

³⁸ Wankiewicz H., Koch M., *Regional policy responses to demographic challenges – case study of Salzburg region*. Conference paper, Lublin, 17-18 November 2011.

Map No. 9: Regions participating in the DEMOCHANGE Project (marked red)



Source: *Demographic change in the Alpine Space. Short regional reports with summary*, DEMOCHANGE, 2011, p. 11 (<http://www.demochange.org/en/results/regional-reports.html>)

Peripheral location and regional development opportunities

Looking at spatial location of less developed regions on the map of Europe one can see that these regions are usually located at the peripheries of a given state, and on top of that – usually in the countries that are themselves located in the peripheral part of the continent. We are therefore facing “**double peripheries**”, which shows the scale of development challenges faced by these regions. Borderland location often constitutes a strong barrier to growth, which is due to two basic reasons: border regions are less developed parts of the country, so they do not generate positive impulses for the closest neighbours on the other side of the border; on the other hand, even if such impulses do appear, their impact is usually limited by the dividing function of the border, which is particularly strong in the case of restrictive principles that regulate its crossing.

As underlined by **James Scott from the University of Eastern Finland**³⁹, the existence of borders in the EU is an obstacle to development, as the dividing function of borders, that suppresses development stimuli, takes precedence over actions aimed at developing links. A whole range of economic and structural problems appeared as a result of EU-enlargement of 2004, caused by the change of the EU's borders, which reinforced the long history of some regions' isolation even more. Areas on the "verge" of a broader political community are in a particularly disadvantageous situation, which is due to historical reasons and unsolved ethnical, historical or political tensions. Lack of common spatial and regional planning in the long run and primacy of high-ranking formal relations over current cooperation of neighbouring territorial units hinders the stimulation of borderland relations.

Peripherality and using the potential of cross-border cooperation: North Karelia (Finland)⁴⁰

North Karelia is easternmost region in Finland, located at the border with the Russian Federation. It is characterized by a very low population density (7.7 people/km²) and numerous forests covering ca. 70% of its space; the region is rich in natural resources (ores of zinc, copper and gold), and forestry is the most dynamic economic branch. The region is troubled by low dynamics of growth and a whole range of development challenges, largely related to its peripheral location, such as relatively high unemployment (11.2% versus the national average of 6.8% in 2011) and outflow of the most dynamic, the most educated working age population, running in parallel with progressing ageing of the population, which all in all results in a structural imbalance in the labour market.

Map No. 10: North Karelia



Source: Varis E. *From lagging peripheries to development – North Karelia*. Conference paper, Lublin, 17-18 November 2011.

Due to the socio-economic situation, ever since Finland joined the EU in 1995, North Karelia has been the main beneficiary of the support from the EU cohesion policy funds under consecutive editions of the Operational Programme East Finland and cross-border programme (European Neighbourhood and Partnership Instrument). The regional development strategy

³⁹ Scott J. W., *Borderlands: How to explore diversity and cooperation?* Conference paper, Lublin, 17-18 November 2011.

⁴⁰ Varis E., *From lagging peripheries to development – North Karelia*. Conference paper, Lublin, 17-18 November 2011.

focuses a lot on raising the attractiveness of the region as a place of work and live, but also on supporting measures aimed at generating new jobs and setting up new businesses, as well as improving the quality of life. **Renewable energy sources**, in particular biomass obtained from wood, are the region's smart specialization. Currently 63% of energy used in the region stems from renewable sources, of which 82% from wood biomass. There is a dynamic **Forest Bioenergy Cluster** operating in North Karelia, and the region has the ambition to become a model example of an area that uses renewable energy sources in an innovative way. Moreover, it takes advantage of its borderland location: regional University of Eastern Finland is a member of a Finnish-Russian Cross-Border University which offers MA and PhD courses to students. The consortium has 10 member universities: 4 from Finland and 6 from the Russian Federation, which offer the possibility of studying at different faculties (in the case of the University of Eastern Finland three faculties are on offer: forestry, IT technologies and public health). Mission of the consortium is to stimulate Finnish-Russian research cooperation and educate personnel in a way which is adjusted to the requirements of the international labour market.

Peripherality and using the potential of cross-border cooperation: Norrbotten (Sweden)⁴¹

Norrbotten region is characterized by a very low population density – its inhabitants account for merely 3% of the Swedish population, whereas its surface covers almost 1/4 of the country's territory. Specificity of the region is that more than 2/3 of its space is located behind the polar circle. As a result of its distance to development hubs, the region's most important development challenge involves depopulation. Norrbotten is largely supported from the EU cohesion policy funds⁴² in the implementation of its development strategies. A broad consensus was worked out there as regards the use of development funds in the region, whereby **three basic strategic objectives were identified**, including: increased migration to the region, generation of new jobs and increased employment, as well as creating conditions for the establishment of new businesses. According to the concentration principle, support is addressed at **five key areas of growth** that use endogenous capacities of the region and offer the greatest chances for the generation of new jobs:

- 1) development of activity related to **testing of vehicles in winter conditions** (Arjelop municipality set up a dynamically developing testing track with the use of natural conditions, among others frozen lakes, where top car producers test their vehicles, generating jobs for the local community);

⁴¹ Roininen S., *From Lagging Peripheries to Development – The Case of Norrbotten*. Conference paper, Lublin, 17-18 November 2011.

⁴² *Inter alia* under the regional operational programme for Övre Norrland for the years 2007-2013 with a total budget of EUR 485 million, of which ERDF amounts to EUR 243 million, which accounts for almost 13% of the total allocation that Sweden received under the European cohesion policy for the years 2007-2013. The programme contains only three priorities, and the one devoted to reinforcing regional innovativeness consumes as much as 73% of the program allocation.

- 2) development of space research and tourism under *Spaceport Sweden* project in Kiruna, run in the cluster of research companies and business environment institutions;

Map No. 11: Norrbotten



Source: http://en.wikipedia.org/wiki/Norrbotten_County

- 3) support for **creative industries**, particularly in the area of nonconventional tourism, which have been developing and enjoying a growing popularity among tourists from all over the world (e.g. *Treehotel* – hotels that are suspended on the trees, allowing its users enjoy a close-up encounter with the beauty of Swedish nature, or the *Icehotel* – each year build from ice and designed by top Swedish and foreign architects);
- 4) **modernization of the steel mining industry** (more than 90% of European iron is mined in Norrbotten) with simultaneous reduction of negative environmental impacts;
- 5) **development of knowledge-based industries**, predominantly **e-services**, mainly in the area of healthcare, which is quite important considering low population density and distances between population centres. Norrbotten is a model example of a European region that effectively utilizes IT technologies to raise the quality of life of its citizens and improve remote healthcare services. E-health is an important element of the regional sustainable development strategy and an area of intensive cooperation in the triple helix (entrepreneurs, public administration and academic centres). Another important area of support involves the **development of innovative technologies which utilize renewable energy sources** (among others projects involving wind energy and production of synthetic biofuels from biomass).

Authorities of Norrbotten also engage in **cross-border cooperation in the so called Barents Sea area**, which integrates Northern regions in Finland, Norway, Sweden and North-Western part of the Russian Federation. In this spatial context Norrbotten is located in the very centre of the development processes, rather than in the peripheries. Cooperation mainly involves establishing cross-border partnerships in selected thematic areas, in particular those related to economic cooperation, environmental protection and transport infrastructure.

Map No. 12: Regions involved in Barents Sea area cooperation

Source: Roininen S., *From lagging peripheries to development – the case of Norrbotten*. Conference paper, Lublin, 17-18 November 2011.

In the opinion of Norrbotten authorities the existing development measures provide effects, predominantly in the form of stemmed population outflow to other parts of Sweden and reinforcement of development dynamics, measured by growth of regional GDP, which has exceeded the national average in recent years. There are also increasingly more start-ups, in particular in the mining industry and its base.

Reinforcing development capacities of peripheral regions: Eastern Poland⁴³

The macroregion of Eastern Poland, which comprises five poorest Polish regions in terms of regional GDP, located on the external border of the European Union, has also been facing numerous development challenges, related mainly, but not limited to its peripheral location. As pointed out by **Jacek Szlachta from the Warsaw School of Economics**, the macroregion of Eastern Poland, just as North Karelia and Norrbotten regions, has been experiencing some negative demographic changes, predominantly related to the out-migration of best educated working-age population, and to ageing, which aggravates difficulties in the regional labour market and reduces the value of human capital in the macroregion. The potential of cross-

⁴³ Szlachta J., *From lagging peripheries to development – the case of Eastern Poland*. Conference paper, Lublin, 17-18 November 2011.

border cooperation is not being fully taken advantage of for political reasons, impossible to overcome from the level of regional interventions.

In order to improve development perspectives in Eastern Poland it is important to catch up historical backwardness, on the one hand related to ineffective economic structure, dominated by extensive, inefficient agriculture, and limited level of innovation and accessibility on the other, which reduces investment attractiveness of the region, as well as its competitiveness.

Cohesion policy funds are an important tool in the implementation of the macroregion's development policy. The proof of how important it is for the Polish authorities to support Eastern

Poland is that it formulated a unique governmental mid-term development strategy for the macroregion, accompanied by a **special supraregional operational programme Development of Eastern Poland 2007-2013**. Its priorities refer to the main obstacles that block the macroregion's development, and they predominantly assume actions to improve accessibility of the region (including availability of broadband Internet), stimulate the development of knowledge-based competitive economy and develop metropolitan functions of the main cities in the macroregion as important development hubs. Due to its specific development challenges, in the future the central authorities will still treat macroregion of Eastern Poland as an area of strategic intervention with extra support for development to ensure social, economic and spatial cohesion in the national dimension.

Map No. 13: Eastern Poland and the European Union



Source: *Operational Programme Development of Eastern Poland 2007-2013*, Ministry of Regional Development, 2011, p. 8.

IV. DEVELOPMENT OPPORTUNITIES OF PROBLEM REGIONS AND REFLECTIONS FOR THE FUTURE

The existing EU support policy for problem regions – experiences and conclusions

The current regional policy, established after the period of the Great Depression of the 1930's, was envisaged as aid for the less developed US regions, and later those of Great Britain which were particularly hurt by the crisis. According to the then dominating Keynesian doctrine, the main instruments of the regional policy, addressed from then on at the weakest regions, involved investments in infrastructure and other forms of internal demand stimulation via public interventions. The same approach was adopted by the European Economic Community in mid-1950's. As a result, **levelling out interregional development differences via support for lagging regions became a fundamental regional policy objective**, maintained in all treaties that have since been appearing, and currently sealed by acknowledging convergence as the basic assumption of territorial cohesion. In the 1970's, when restructuring processes were in full bloom in the European industrial regions, EU regional policy was completed with the second pillar as restructuring support for regions which were losing their traditional economic base.

This concept of regional policy was also applied in some other countries troubled by deep interregional differences. As explained by **Grzegorz Gorzelak from EUROREG⁴⁴**, the effects of the implemented measures were diversified:

- in some countries less developed regions were not able to improve their situation. Italian Mezzogiorno and Eastern Germany are the most spectacular examples: in spite of the involvement of huge funds from national and international sources, extensive areas located in relatively highly developed countries still face limited development and out-migration, and are not able to attract external investments. Moreover, as revealed by the current crisis, some of the fiscal problems in those countries (particularly Italy, but also Spain, Portugal and Greece) could be at least in part attributed to ineffective and excessive expenses in the lagging regions. The same funds could have been allocated to more productive investments, which wouldn't have led to such dramatic rise in public sector debt (Rodríguez-Pose, Fratesi, 2004);
- in some cases public interventions helped take advantage of the processes on a macro-scale, supporting regions in the process of adequate adaptation to emerging development trends (e.g. Southern part of the American Appalachians em-

⁴⁴ Gorzelak G., *Catching-up regions: lessons from the past, prospects for the future. A post-conference reflection*, Warsaw 2012.

braced by the megatrend that involved shifting the business activity from the “frost belt” to the “sun belt”);

- finally, in some cases it was possible to improve the situation of peripheral, poorly developed regions, thanks to the integrated and comprehensive set of measures driven from outside. A slightly forgotten programme of the Central Industrial District (COP) in mid-war Poland can be considered as such a positive example. More recently, several initiatives in the Nordic countries deserve to be mentioned. However, success like this requires a precise development plan, clear specification of the factors that are to become driving forces of growth (industry in the case of COP, R&D and innovations in Scandinavia) in the long run, preparation of adequate institutional framework, as well as long-term, coordinated, multi-level and comprehensive implementation.

Post-industrial regions offer quite a different picture. The Ruhr region, cities in North England, and to a significantly lesser extent also Upper Silesia in Poland are regions which succeeded in changing their traditional socio-economic structures. At the same time one could quote cities and urban regions that are falling into decline, such as Liverpool and Wales in the UK, or Polish Łódź. Fast restructuring that involves rejecting the outdated economic structures and identifying a new, promising field of specialization which draws on the metropolitan traditions of some industrial cities (culture in the case of Leeds, services in Manchester), using own resources or external aid to stimulate development – these are the indispensable elements of effective post-industrial restructuring. On the other hand, not all regions and localities are able to release themselves from their path dependency, i.e. embark on the path of development based on sectors and industries, that have never played a dominant role in their past (currently uncompetitive) economic structures, and thus become economically successful (the success of such initiatives is not guaranteed as presented on the example of IT cluster in Scotland).

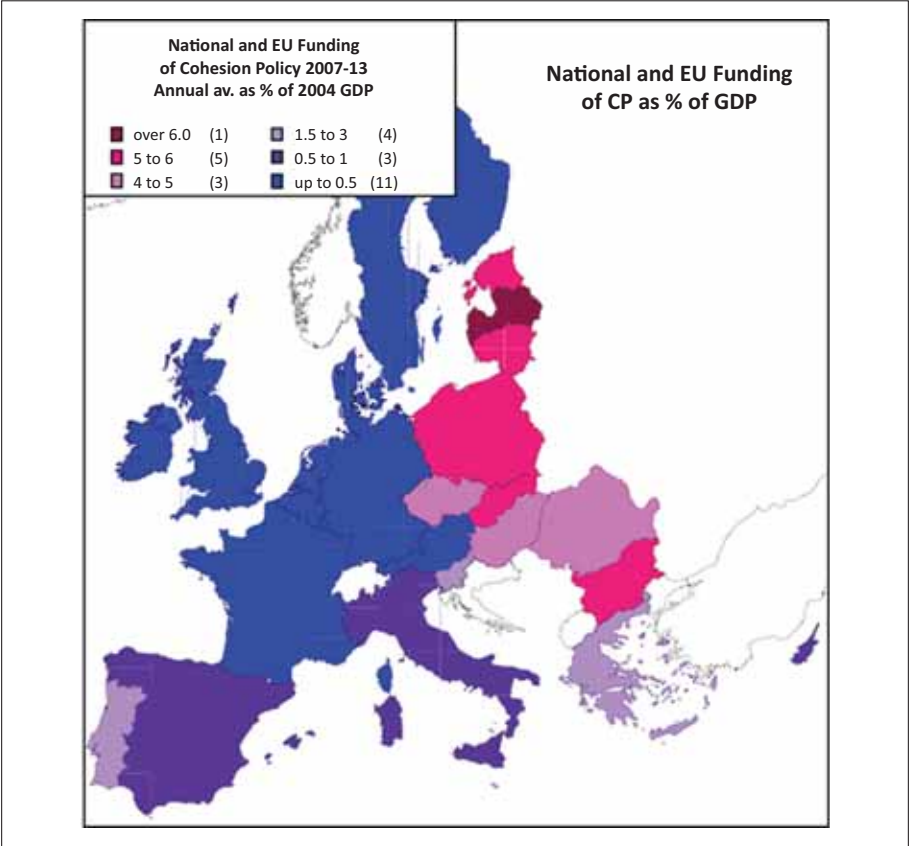
According to closing remarks at the end of the conference, **the objective of levelling out regional differences in development by accelerating growth in lagging regions** – which was supposed to be met among others through external support from the European cohesion policy – **has not been achieved**. Although convergence processes are implemented in the EU countries on a national level, it predominantly results from the fact that poorer Member States enjoy a higher development rate, thus „pulling” their regions, also the weakest ones, towards the EU average. Analysis of the situation of individual Member States also leads to a conclusion that catching up at regional level is greatly insufficient: regions with higher development levels and dynamics are becoming more and more affluent, which systematically aggravates interregional differences.

It is important to try to answer the question, whether and to what extent the European cohesion policy contributes to this state of affairs? Is it indeed a relatively ef-

fective tool for reinforcing development perspectives of less developed regions, and would they now be much worse off without it?

In the opinion of **John Bachtler from EPRC**⁴⁵ it is difficult to say unequivocally what role the European cohesion policy plays in this regard, as it is so versatile: each state benefiting from its support, defines its role, scope and objectives in a different way, and as a consequence implements it differently. It is a result of developmental challenges faced by individual Member States, but also in a broader sense – of the model of development policy, which these states adopted and are implementing, using *inter alia* cohesion policy funds and instruments.

Map No.: 14: National and EU funding of cohesion policy 2007-2013 as % of GDP (as of 2004)



Source: Bachtler J., *National interpretations of EU Cohesion Policy for the problem regions*. Conference paper, Lublin, 17-18 November 2011.

⁴⁵ Bachtler J., *National interpretations of EU Cohesion Policy for the problem regions*. Conference paper, Lublin, 17-18 November 2011.

National approaches to cohesion are characterized by significant differences, reflecting territorial challenges, which the countries are facing (nature and scale of regional disparities), specific challenges related to geographical location (e.g. island countries versus predominantly mountainous countries), or the level of political involvement in spatial development, as well as the size of benefits allocated to a given state under cohesion policy. It is worth pointing out that in Member States where cohesion funds account for a big share in the national GDP (e.g. in Poland), it is the principles of this policy that have an important influence on the shape of the national development policy.

Also **the conditions under which EU cohesion policy is implemented differ from country to country**, which is a consequence of versatile governance structures, institutional systems, political and thematic priorities of economic development.

Andrés Rodríguez-Pose from London School of Economics⁴⁶ pointed out to persistent spatial disparities in development, without “blaming” the European cohesion policy. However, he stressed that at times policy contributed to promoting approaches which did not offer less developed regions the possibility to embark on the path of sustainable development and solve their dependency from external support, especially in the South of Europe (predominantly in Greece, Spain and Italy). He pointed out to the following phenomena, as the main reasons behind the failure of the existing policies, including measures of the European cohesion policy:

- **outside support was predominantly used to finance big infrastructural projects** (usually “hard” ones), which according to studies **do not raise the general competitiveness level of lagging regions**, but can in some cases contribute to its reduction (rate of return from investments in education is higher in weaker regions, while investments in infrastructure generate higher return in better developed regions), through reinforcement of progressing spatial concentration of development processes in the broad sense;
- dependence on outside transfers and non-market branches which are sensitive to market volatility (mainly the public sector in the broad sense⁴⁷) has led to the emergence of **sheltered economies**, which consolidates developmental backwardness and precludes effective construction of competitive advantages.

Moreover, aid policy for less favoured regions in the traditional sense is characterized by several other deficiencies:

- in many cases the availability of large amounts of foreign funds contributed to the appearance of **“aid dependency” syndrome**, which reduces the abilities of

⁴⁶ Rodríguez-Pose A., *Less favoured regions – experiences of the EU Cohesion Policy*. Conference paper, Lublin, 17-18 November 2011.

⁴⁷ E.g. in the case of 5 Spanish regions some 25% of all employed are employed by the state.

regional elites to implement courageous projects that modify socio-economic structure and use endogenous capacities, as well as to undertake actions that bring positive outcomes in the long-run;

- even significant external aid is not sufficient to overcome internal weaknesses and problems of lagging regions and will generate social or institutional benefits, rather than economic ones. Although the funds facilitate life in those regions and improve the quality of life, which is by all means positive, they will not accelerate the rate of economic growth and will not let the beneficiaries embark on a path of sustainable growth (see Boldrin, Canova, 2001);
- the majority of unsatisfactory results of traditionally oriented regional policy can be contributed to a **relatively low level of institutional development in the lagging regions** or – in some cases – to its negative impact (e.g. mafia). Even if institutions are indeed transparent, as the World Bank reasons, their construction and reinforcement should not bypass the spatial aspect, i.e. the specificity of needs and developmental challenges that characterize a given territory. The mission of institutions and their functioning practices should be precisely adapted to initial regional determinants, and the shape of their policy should be agreed with the representatives of local and regional elites and communities to ensure flexible and adequate response to challenges and needs pertaining to institutional changes (Ederveen, de Groot, Nahuis 2006);
- institutional weakness in lagging regions often resulted in **dispersed actions and resources**, thus leading to fragmentation of funds between a whole range of small projects, according to the wish of representatives of local and regional elites (who treated financed projects as pork barrel, shared depending on political needs). At the same time dispersion of funds precluded the creation of solid foundations for region's competitiveness, which would allow it for a sustainable and dynamic growth.

Delving into the topic of „sheltered economies” in the context of regional problems in some European regions, Andrés Rodríguez-Pose pointed out that less favoured regions usually fall into recession during crisis, but contrary to more developed regions, they do not witness any rebound in the period of prosperity. The following factors are decisive in the context of “sheltering” regional economies from negative consequences of market fluctuations:

- higher-than-the-average dependency of less favoured regions on transfers and industries that are less sensitive to economic changes (mainly dominated by the public sector),
- poor utilization of internal resources – low level of employment, particularly among women and youth, higher unemployment, which is often long-term and

predominantly affecting young people who are struggling to find a place in the regional labour market.

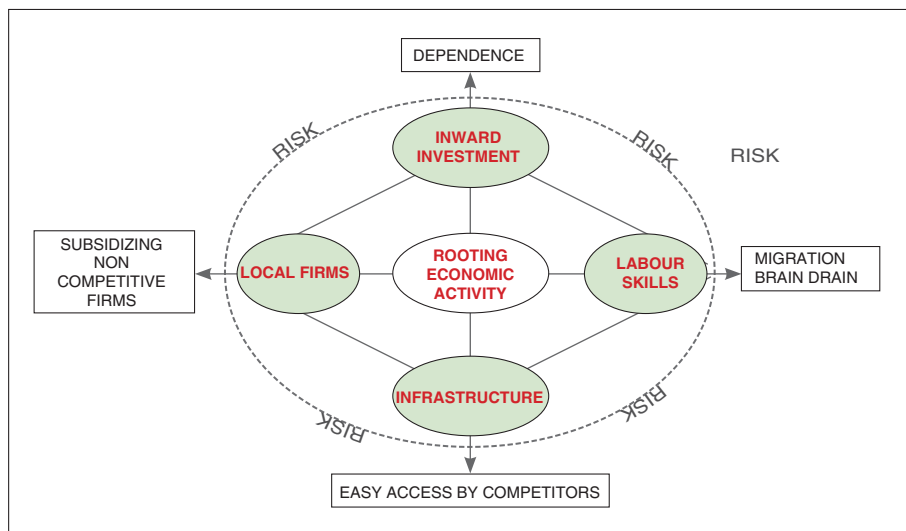
Increasing reliance on non-market branches, in particular the public sector (creation of jobs in the public sector is more often a derivative of political decisions, rather than economic ones) is yet another reason behind persistent low level of development. Financial transfers and public employment are usually utilized as a mechanism of support for people on low income, a factor that provides social and economic stability, as well as a way of keeping unemployment at manageable levels and of satisfying clientelistic networks. The allocated external funds are not used effectively for the needs of sustainable development, in spite of the fact that in theory this is the very purpose they should serve.

Dominance of infrastructural spending in less favoured regions is a common practice, not only in Europe, but also on other continents. The popularity of this phenomenon – and it is worth bearing in mind that a large part of investments in human capital or innovations is in fact tantamount to infrastructural expenses (e.g. measures to support the educational system often involve increased investments in construction of schools, while measures to support innovativeness involve increased investments in the creation of technological parks or business incubators) – is among others determined by the fact that infrastructure is perceived as an indispensable growth factor, which is supposedly confirmed by high rates of return on such investments. However, it is worth pointing out that the return is bigger in highly-developed, densely populated areas, than in peripheral, less-developed ones. What is more, the outcomes of projects related to the development of transport infrastructure are highly visible and generally popular among the general public, so they are seen as politically favourable. Moreover, these projects are usually easy to manage and allow decision-makers to spend large sums relatively quickly, which cannot be claimed about much more complicated investments in human capital, where the effects are delayed in time and not as tangible.

Nevertheless, “roads run both ways” and this brings with itself specific consequences for spatial disparities in the level and dynamics of development: increased accessibility leads to stronger market integration, but not all firms have the same capacity to compete – it is dramatically different in development hubs and in less favourable, peripheral regions. A relative absence of competitive firms or inadequate human capital endowments put economic activity in these regions at risk. What is more, **greater connectivity may lead to the concentration of economic activity in stronger regions**, as well as provide an incentive for businesses and people from lagging regions to move to better developed ones. An adequate example would be the dynamic development of Madrid and its functional base, to a large extent at a cost of less developed and more distant regions (investment capital, human capital). Their development dynamics is still low, although the level and quality of live have been

on the rise as a result of increased redistribution transfers, which consolidates their dependence on external support and inability to develop advantages based on own capacities. As highlighted by Andrés Rodríguez-Pose, the European cohesion policy is not the main factor that determines the problems referred to above, but so far little has been done to prevent them by encouraging the central and local authorities to plan more effective and long-term development measures. The conviction that **sustainable development processes take time and consistent approach based on the implementation of integrated action packages, where human resources development should play a key role**, is perceived as having little political profitability, since tangible effects are delayed in time.

Diagram No. 9: Key elements of integrated and balanced development strategies



Source: Rodríguez-Pose A., *Less favoured regions – experiences of the EU Cohesion Policy*. Conference paper, Lublin, 17-18 November 2011.

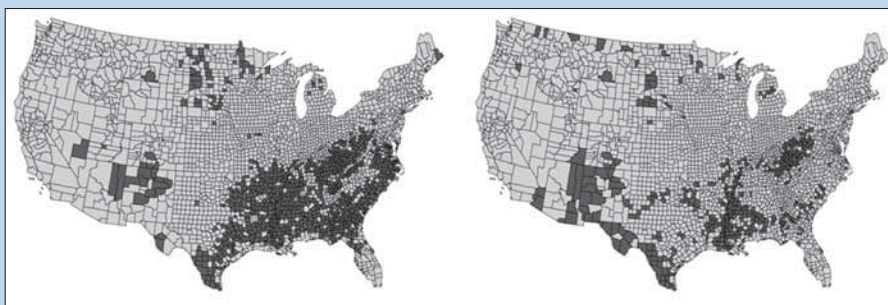
To sum up, there is no doubt that in spite of the observed convergence process in the EU at country level, the problem of development disparities at regional and local level still persists, and the existing approaches aimed at changing this situation, turned out to be largely ineffective. Many regions are still “bypassed” by development: they are functioning on the outskirts of global economy, do not use their endogenous capacities and are dependent on external redistribution transfers, thus increasing the distance that separates them from leaders.

Infrastructure and regional development: Appalachian Programme (USA)⁴⁸

The American Appalachian Programme is a non-European confirmation of the thesis that infrastructure is an indispensable factor of development success, but far from being the only one. The Appalachian Program can be a good example of relationship between internal demand for latent regional capacities and the regional development process. As explained by **Lawrence Wood from Ohio University**, the Programme launched in 1964 injected some USD 100 billion in regions comprising parts of 13 states. The intervention focused on infrastructural projects (“bricks and mortar”), which received more than 2/3 of the appropriation, as well as services for the general public. The Programme was implemented on the basis of Growth Centre Policy. As manifested on the maps below, more than 25 years after its launch the Programme did not improve the relative standing of the Central Appalachia. Its counties, just as the “black Delta” region, remained in the group of most distressed areas across the whole United States. Central Appalachia still constitutes internal periphery of the United States, in spite of having received the biggest appropriation in the Programme.

Map No. 15: Distressed counties in 1960

Map No. 16: Distressed counties in 2000



Source: Wood L., *The United States and its internal periphery – the Appalachia – a mixed experience?*, Conference paper, Lublin, 17-18 November 2011

However, some of the counties in the South-East US managed to improve their position and overcome their peripheral nature. What made it possible? One of the main factors was a spatial macrotrend involving a shift from the “frost belt” to the “sun belt”, which created an external demand for resources of South Appalachia. In-depth studies show, that territories that were able to prepare in advance for the coming changes (such as Research Triangle in North Carolina or the Southern part of South Carolina, Atlanta, or Charlotte - the second financial centre in the US after New York), have seen the greatest progress. However, this did not involve the Central Appalachia which was not able to generate interest among investors and active, creative persons. On the contrary – “opening” of the region in terms of transport increased the speed and scale of out-migration even more.

⁴⁸ Wood L., *The United States and its internal periphery – the Appalachia – a mixed experience?*, Conference paper, Lublin, 17-18 November 2011.

Support for problem regions under the European cohesion policy after 2013 – key determinants

What role can and should the European cohesion policy play in the support for less favoured regions, with lower development dynamics, struggling with diverse problems and challenges which have a negative impact on their development perspectives? The question is justified, considering the fact that **a vast majority of regional policy measures in the EU Member States is implemented within the framework of cohesion policy** (and using its instruments), which remains one of the two most important areas of public intervention in the Community.

Over the last decade this policy has been the object of growing criticism, in particular as regards its success in achieving sustainable convergence at regional level. Moreover, the economic crisis, enhanced by growing fiscal and economic problems in some Member States, is a potential threat to the future stability of the European Union in its current shape, as well as to its key policies. This was a starting point for a broad discussion on the future of cohesion policy and its role in shaping development paths of the European regions, in particular the less favoured ones, in the dynamically changing socio-economic environment. **Member States represent a whole range of views and ideas on the shape of cohesion policy after 2013**, which is largely an outcome of experiences related to its current implementation, as well as a result of crisis in the Community. Differences in approach do not run exclusively along the line net payers to the EU budget versus the biggest beneficiaries of EU policies, but rather constitute a much more complex picture of frequently extremely divergent views on the reasons underlying the crisis, effectiveness of the existing policies, preferred development model and methods of developing competitiveness on the national and regional level.

In October 2011 the European Commission published a draft legislative package which will frame cohesion policy for 2014-2020. This initiated an official debate on the future shape of this policy. As highlighted by **Rudolf Niessler from the European Commission**⁴⁹, the Commission's approach can be summed up in one sentence: ***let's keep the solutions that proved to be effective, and modify those which did not work correctly***. This signalizes an evolutionary, rather than revolutionary approach to the design of cohesion policy for the years 2014-2020. The proposed legislative package is a result of intensive preparatory work carried out for several years now within the Commission with regard to the new financial perspective, and it is based on the conclusions from the key studies on territorial dimension and regional policy (among others Barca report, *The green paper on territorial cohesion* or *5th Cohesion Report*). Although the Commission proposed a whole range of important changes in goals and

⁴⁹ Niessler R., *Problem regions and the equity-efficiency dilemma: the framework for the post-2013 EU Cohesion Policy*. Conference paper, Lublin, 17-18 November 2011.

priorities of cohesion policy, as well as in the way it should be linked to horizontal development objectives for the whole Community, the foundation established by the treaty remains the same – it is still going to be a policy aimed at supporting the poorest EU regions. This is a consequence of persisting strong development disparities in Europe, particularly visible at a regional level, which justifies the continuation of this exceptional support.

The Commission's proposal contains several new elements, including among others **the introduction of a new category of transition regions** (with a GDP per capita between 75% and 95% of the EU-27 average), which are to be covered with extra support of cohesion policy. On the one hand it confirms the fact that those regions have not yet completed their economic transformation, while manifesting the intention to absorb the shock resulting from a radical reduction of financial support upon leaving the group of least developed countries on the other. Another key change involves **the reduction of capping rates for cohesion allocations**, which is considered by some Member States as an unjust penalization of efficient absorption of cohesion funding. However, in the Commission's opinion this change is a response to more and more frequent problems with national co-financing, particularly in smaller Member States, and with the ensuing problems with full utilization of the national allocation, as well as to the necessity of limiting the total EU budget in the times of financial crisis.

The Commission postulates **linking cohesion objectives with horizontal development objectives of the Community** formulated in *Europe 2020. A strategy for smart, sustainable and inclusive growth*. This policy is one of the key instruments for the implementation of European development agenda, and therefore the duty to carry out measures aimed at common objectives should apply to all types of regions covered by cohesion policy support (less developed, transition and more developed regions). The goal of linking cohesion policy objectives with the Community's development objectives is to be achieved via **thematic concentration on the indicated investment priorities** at the stage of programming the support for the years 2014-2020. In the opinion of the Commission, striving at the implementation of ambitious objectives set forth in Europe 2020 poses a huge challenge on the one hand, but also an exceptional opportunity for the least developed regions to stimulate development on the other.

The approach proposed by the Commission is also in a way a response to anxieties diagnosed by Andrés Rodríguez-Pose and shared by the European Commission pertaining to dependency of less developed regions on external support and the development of "sheltered" regional economies which do not take advantage of their endogenous resources, and thus rid themselves of the chances of embarking on the path of sustainable growth. The Commission sees the need to maintain support of the basic infrastructure in those regions, but in a way which takes account of the need to **construct knowledge-based, low-emission regional economies**. That is why

the Commission proposed that in the case of less developed regions a minimum of 50% of their allocation from the European Regional Development Fund should be obligatorily devoted to projects that support innovativeness, entrepreneurship and climate initiatives, i.e. directly related to *Europe 2020* strategy. Member States will be free to adapt the detailed scope of interventions and instruments to the local specificity of their territories (according to the principle: *one size does not fit all*), however this flexibility would be framed in the specific investment priorities determined in advance.

Increased effectiveness of cohesion policy is conditioned upon **reinforced approach based on concrete, measurable outcomes** of the implemented projects, which can be achieved through **better coordination of measures**, their financial and thematic focus (enabling the achievement of critical mass indispensable for the necessary changes), and including **conditionality mechanisms** in the system to increase effectiveness of intervention. The commission intends to work out an optimal shape of cohesion policy after 2013 based on those key assumptions in partnership with all Member States. This is not going to be an easy task, considering the already mentioned broad range of opinions represented by Member States, as well as the size of the EU budget, which will largely determine the scope of planned support. **John Bachtler** pointed out to several key themes that appeared in the debate:

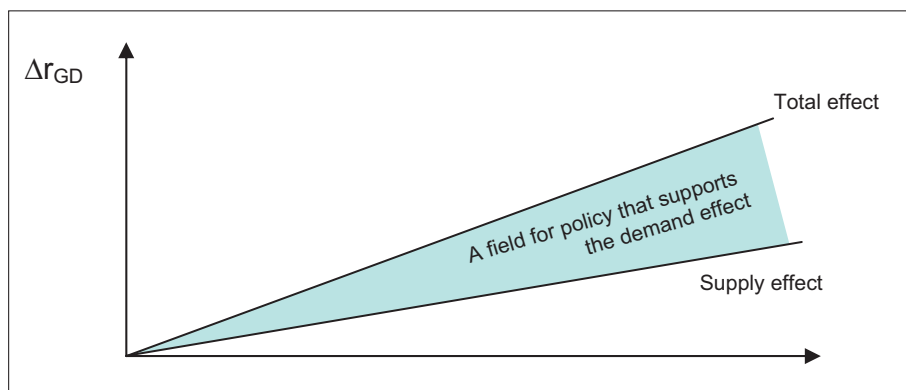
- questions related to effective model of construction of regional competitiveness are as important as the ones concerning optimal ways of reinforcing regional resilience to crises;
- the past decade saw the appearance of numerous documents, at EU- and national levels, pertaining to development strategies. At present, in the face of the troubles tormenting some of the EU's economies, the usefulness of these strategies is being undermined and it is postulated that it is necessary to form new long-term and strategic visions for spatial development, which will take account of the changing environment and new models of development;
- there are numerous comments in favour of reinforced efforts to form evidence-based policies;
- there is more interest in the possibilities offered by broader implementation of financial engineering instruments, i.e. the so called revolving financial instruments (loans, loan funds, guarantee funds), which offer a bigger scale of possible co-financing of development projects, as well as more flexibility, which has become a valid problem, considering the dangerously growing public finance deficits in some Member States.
- territorial dimension of cohesion policy has acquired a new meaning, manifested with stronger reference to its different levels (in the context of programming and

implementing support): from macroregions and regions to local and more and more functional levels;

- the standing of individual Member States is also influenced by some very pragmatic issues related to the optimal size of the EU budget in the light of fiscal and economic crisis, as well as crisis-induced shrinking capacities of cohesion funds absorption in some of the countries (the problem of ensuring national co-financing), while at the same time Member States acknowledge the huge scale of the necessary development projects.

Grzegorz Gorzelak from the University of Warsaw formulated a range of conclusions on the desired approach to less developed regions within the European cohesion policy. In his opinion **it is the expected supply effect that should become priority in the course of restructuring of public interventions**, rather than the demand effect as is the case at present. The relationship between these two phenomena is presented on the diagram below (Gorzelak, 2010).

Diagram No. 10: Demand and supply effect of utilizing external aid



Source: Gorzelak G., *Fakty i mity rozwoju regionalnego*, „Studia Regionalne i Lokalne” 2009, No. 2(36), p. 24.

A positive impact of the demand effect seems justified and to a certain extent „automatic”: the injection of extra funds in the economy of a given region leads directly to new demand and, thanks to a positive multiplier effect, total demand increases, also causing increased supply. Nevertheless, the assumption claiming that investments in infrastructure and human capital – as the main driving forces of the positive supply effect – will inevitably lead to increased economic productivity is doubtful. One can even come up with an extreme example, where the supply effect has a strongly negative impact on the whole economy, if the funds are invested wrongly and irrationally. So there is a broad spectrum of decisions and political choices that determine the force and shape of the supply effect. The said choices and decisions are largely dependent on the quality of public administration on a given territory.

There is a widespread conviction that the sheer fact of accession and preparations to accession had an important influence on the quality of administration in the New Member States (see CEC 2007). New skills, new administration culture, application of evaluation studies in all programmes financed from EU funds, implementation of public procurement standards etc. – all these processes had a positive influence on the institutions and organizations in those countries, reinforcing general productivity of the public administration and thus facilitating better political decisions. This brings us back to the issue of institutional quality as a precondition for a productive, development-oriented use of cohesion policy support.

The second issue concerns the **interpretation of the basic assumptions of cohesion policy**. Over the past 20 years the use of cohesion funds was subjected to the principles of traditional regional policy, formulated after the war in the period dominated by Keynesian doctrine, state interventionism and resource-based economy. This concept was established and implemented in the conditions referred to by M. Castells (1997) as “the space of places”, i.e. economic reality, where specialized economic and urban systems functioned in a much bigger isolation than is the case at present. The shift towards open, knowledge-based economy, and increased meaning of qualitative factors in development resulted in shrinking effectiveness of approaches and methods worked out in the previous period. M. Castells refers to the current model as “the space of flows”, i.e. a system linked with a dense network of co-dependencies, where flows of goods, people, capital and – what is particularly important – information play a key role. Under the new conditions countries and regions which wish to obtain a sustainable competitive advantage need to have a constant flow of innovations. Exercising a desired influence within a model that takes account of these new determinants requires the application of tools that are different than the ones that proved to be effective in the old paradigm. This shift of paradigm was spotted to a limited extent only and taken account of by the European Commission when developing the assumptions of cohesion policy for the years 2007-2013, drawing on the provisions of the Lisbon Strategy. Adoption of new *Europe 2020* strategy cemented the presence of principles that are conformant with the new model included in the plans for the next programming period (2014-2020), but the implementation of this document remains a question of the future. What is more, the current crisis and turbulences in the Eurozone pose an immense challenge to meeting the objectives of this ambitious strategy.

As pointed out by Grzegorz Gorzelak (2005), and as was also adopted in the official standing of the Polish Ministry of Regional Development, in order to make progress in the reforms of cohesion policy possible, it is necessary to **reconsider the concept of cohesion**. Cohesion should be interpreted in functional categories, and not only as a convergence oriented project. Convergence involves bringing statistical figures closer to one another, while cohesion, as a counterpart to entropy, is more dynamic

in its nature. Moreover, convergence is hard to attain, particularly in the face of limited resources at EU-level. Cohesion should be liberated from its “compensatory” role that is ascribed to it, and interpreted in the categories of harmony and cooperation (the said “space of flows”), lack of destructive pressures and unsolved conflicts, possibilities of coexistence and cooperation between individual components. Following this train of thought, the changed interpretation of individual aspect of cohesion would require focusing political priorities around three elements:

- (1) **economic cohesion** which points out to the possibilities of effective cooperation between different economic actors, revealing transaction costs and harmonizing the relations between business entities and their institutional environment;
- (2) **social cohesion** which eliminates obstacles to horizontal and vertical mobility through help in overcoming disproportions in the quality of available education and streamlining paths of professional and material advancement;
- (3) **territorial cohesion** which levels out spatial barriers that preclude social and economic cohesion, among others through the improvement of transport availability, linking of the main hubs of the European and national space, development of scientific and economic cooperation networks.

The proposal to introduce conditionality mechanisms formulated by the Commission seems to be a step in the right direction, although there are some opinions saying that the Commission’s current actions are too much about penalising, and too little about providing positive stimuli. The mechanisms should therefore be constructed in a way, which will make them a real tool for awarding Member States which implement cohesion policy in line with the horizons set forth at EU-level.

Concentration has always been one of the principles of cohesion policy. However, political pressure, exercised predominantly on the lower levels of programme implementation, often lead to violation of this principle, causing dispersion of the already limited resources. These practices should be kept to a minimum, which is also linked with the suggested change in the evaluation of policies, programmes and projects, i.e. a shift towards results-based assessment, rather than focus on the money spent. The Commission’s approach, providing for flexibility in the adjustment of the detailed scope of intervention and in the choice of most effective instruments for its implementation at national level seems by all means suitable. Conformity with the concentration principle should be ensured in specific areas and programmes. Multi-fund programmes will be more conducive to such concentration than is the case at present with artificially fragmented actions.

In the context of the Commission’s postulate to treat evidence-based policies as priority, evaluation studies gain on importance as a useful tool for the assessment of effectiveness of the implemented measures. The issue of complementarity of projects

and programmes becomes particularly important in the context of evaluation activities. Moreover, evaluations should facilitate the assessment of a total impact of several projects implemented on a given territory. There is still too little research dealing with complementarity in “direct actions”, i.e. during the actual implementation of the programmes.

Problem regions – future perspectives and desired trends

In this situation it is worth posing a question whether problem regions are doomed to face negative development perspectives which manifest themselves with a relatively low level of development and poor growth dynamics? As was summed up by **Grzegorz Gorzelak** it is difficult to find an unambiguous answer, although it seems that the general premises are rather pessimistic, which is due to a whole range of issues:

- the current innovation-driven development model puts problem regions in a worse situation than was the case in the times of industry-based development. Firstly, as has already been mentioned, innovation capacities of those regions are poor, and secondly – public authorities, which under the previous paradigm could make direct investments in the development of industry on a given territory, now see their role weakened in favour of the growing power of economic players, in particular transnational corporations which enjoy unlimited freedom in the search for places guaranteeing them the best possibilities of development – public authorities can merely exercise an indirect impact on their location decisions;
- there is however one beacon of hope. In spite of the fact that many territories will still have to wait for their chance at economic acceleration, individual parts can embark on a path of fast and sustainable development. This predominantly concerns areas of concentration of the most active businesses operating in quickly developing branches – usually the biggest cities and areas with attractive endogenous capacities (such as e.g. deeply rooted entrepreneurial spirit, restructured and efficient big employer, close distance to a border crossing, potential for developing tourism etc.).

It seems therefore, that policy aimed at improvement of the situation in the lagging regions should be realized in the following framework:

- **various public policies should strive at achieving mutual complementarity in all dimensions, which will maximize the outcomes of measures undertaken and increase their synergy.** One should limit the fragmentation of systems under which development programmes are implemented, proliferation of institutions involved in the process and excessive dispersion of their financing sources. There is a whole range of examples regarding fragmentation or complementarity

deficit, such as missing links between business training courses and allocation of investment grants, or the construction of short sections of roads which together do not form a functional transport network, or the support of small farms, which in turn ossifies the socio-economic structure, limiting the transfer towards more productive sectors and thus slowing down structural adaptation. There are many examples of this kind and one should strive at their elimination;

Issues related to coordination were highlighted by almost all speakers at the conference, including among others Jose Enrique Garcilazo from OECD, who pointed out to the huge potential of increased complementarity and cohesion of the realized development projects. Measures limited to one branch, isolated or addressed only at single, spotlight investments can lead to unintended outcomes. It is necessary to work out multi-level, comprehensive programmes that correspond to the needs of troubled regions which are trying to release their development capacities;

- it is necessary to **precisely adjust the set of public interventions to the specific needs of a given region** and to implement development measures in a stable, long-term perspective;
- it is worth considering **the use of new instruments** that adequately fit into the current economic and social processes, such as for example the support of regional economic specializations based on endogenous capacities, support for carefully selected cluster initiatives, development of regional centres of expertise, reinforcing ties between science and business sector in numerous dimensions (preparation of personnel for regional economy, commercialization of research, reinforcement of innovativeness etc.);
- as mentioned before, there are **two particularly important areas – institutional development and education – that should gain on importance**, at a cost of investing in “hard” infrastructure which is easiest to implement. Support for infrastructural projects should only be limited to eliminating bottlenecks that reduce the basic accessibility of the main centres to lagging regions. The remaining measures should be earmarked for projects which could – even in the long-term – increase demand for resources of a given region, thus making sure that the established infrastructure will turn out to be really necessary;
- **creating informal networks**, in particular within the triangle businesses – research and development centres – academic institutions, but also between weaker and stronger academic centres, between local and regional authorities and their counterparts from other regions (also foreign ones) etc. Such networks constitute a platform for the exchange of experiences and extension of contacts, which would otherwise be limited to a closed institutionalized environment in a

given region. This aspect is particularly important with reference to R&D activities and higher education;

- broadening of the current definition of profits and benefits related to EU membership and **perceiving EU funds more as an extra support in the process of implementation of the development concept**, rather than as the only driving force behind modernization and development of the region.

* * *

Consistent development of competitive regions that take advantage of their endogenous capacities and contribute to the implementation of Europe 2020 objectives should be the goal of all measures taken under the cohesion policy. Measures that reinforce dependency on subsidies and external support do not contribute to the implementation of these goals.

It is necessary to create a system of incentives for the regions to design and implement interventions that are concentrated thematically, financially and geographically, since this approach enables the achievement of a critical mass necessary to exercise an effective impact on the identified obstacles to development. However, one needs to bear in mind, that flexibility of the proposed cohesion policy instruments is of key importance. Diversified territorial approach which takes account of the socio-economic context, as well as the specificity of the observed development challenges on a given territory is a key *sine qua non* condition for setting up tailor-made instruments which will be most effective in the implementation of the assumed objectives.

Effective development policies are based on two foundations: strategy and institutions. **Continuous improvement of institutional capacities to effectively plan and manage development processes, as well as reinforcement of ties between regional players** is an indispensable condition for the construction of strong, competitive regions. The related initiatives should largely be supported by EU cohesion policy instruments.

Measures aimed at raising the quality of human capital and increasing innovativeness of regional economies are the ones that contribute most to reinforcing endogenous capacities in the region, strengthening its competitive advantage and raising attractiveness through stimulation of external demand for its resources. **Human capital and innovativeness** should therefore receive particular support through EU's cohesion policy mechanisms.

The support for infrastructural development is necessary where there is no infrastructure or where insufficient capacities constitute an important and permanent

obstacle to development, which is a fairly frequent phenomenon in the most peripheral EU regions;

Instruments of EU cohesion policy should involve **effective mechanisms aimed at encouraging regions to implement multisectoral, integrated and complementary measures that engage key actors**, which offer the right answer to frequently multi-dimensional development challenges troubling today's regions.

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