



# BusDEV - Business Development Opportunities at External EU Borders

Targeted Analysis

## **Annex V** **Framework for territorial strategies** **at EU external borders**

15/02/2021

This targeted analysis is conducted within the framework of the ESPON 2020 Cooperation Programme.

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States, the United Kingdom and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

This report does not necessarily reflect the opinion of the members of the ESPON 2020 Monitoring Committee.

### **Authors**

Frank Holstein, Christian Lüer (Spatial Foresight)

### **Acknowledgements**

The authors would like to thank the following persons for their valuable feedback:

Marjo Wallenius, Regional Council of South Karelia, Finland

Martin Guillermo Ramírez, Association of European Border Regions (AEBR)

**ESPON EGTC:** Zintis Hermansons (Project expert) and Johannes Kiersch (Financial expert)

Information on ESPON and its projects can be found on [www.espon.eu](http://www.espon.eu).

The web site provides the possibility to download and examine the most recent documents produced by finalised and ongoing ESPON projects.

© ESPON, 2021

Printing, reproduction or quotation is authorised provided the source is acknowledged and a copy is forwarded to the ESPON EGTC in Luxembourg.

Contact: [info@espon.eu](mailto:info@espon.eu)

ISBN: 978-2-919795-81-9

# BusDEV - Business Development Opportunities at External EU Borders

## Table of contents

1	Introduction .....	1
2	Understanding the border region .....	3
	2.1 Assess border realities.....	3
	2.2 Assess business needs and existing support measures .....	5
	2.3 Visualise challenges and opportunities.....	6
3	Adapting to change and new realities .....	9
	3.1 Identify and assess trends and future developments .....	9
	3.2 Develop scenarios and visions .....	11
	3.3 Adopt territorial foresight approaches.....	12
	3.4 Derive actions and assess their robustness.....	13
4	Defining a strategy for business development.....	14
	4.1 Define policy objectives.....	14
	4.2 Introduce policy instruments that fit the context .....	15
	4.3 Inspire stakeholders for successful implementation .....	18
	4.4 Monitor and evaluate progress in strategy implementation.....	20
5	Build trust and stimulate ownership and engagement.....	20
	5.1 Involve different players in policy development and implementation.....	21
	5.2 Be clear on responsibilities and roles .....	24
	5.3 Enhance capacities.....	25
6	From territorial strategies to territorial governance .....	27
7	General challenges and possible solutions .....	28

# 1 Introduction

European border regions provide specific opportunities for business development through cross-border exchange and mobility of customers, employees, services and goods. This includes the exchange of capabilities, knowledge and ideas which form preconditions for innovation. These opportunities are, however, less pronounced in EU external border regions. In many cases border interactions are limited due to political, physical, economic or socio-cultural differences. Moreover, most regions at EU external borders can be described as peripheral, both from a European and national perspective. More than others, these regions lack the critical mass for business development, have to cope with negative population developments and are perceived as lagging behind. Still, business development can be stimulated and thrive in EU external border regions. Targeted approaches and strategies that are place-based and address the specificities of EU external border regions can make a contribution.

This document as a framework for territorial business development strategies presents ways to ensure that policies and instruments for business development acknowledge and utilise the realities and assets of EU external border regions. It provides inspiration for public authorities and other stakeholders in EU external border regions that aim at enhancing their business development potential. In doing so, this framework promotes a place-based approach for business development along EU external borders.

The ways to promote business development presented in this territorial framework built on lessons learnt from the ESPON project on “Business Development Opportunities at External EU Borders” (BusDEV). The project analysed the business environment and assessed territorial effects of existing business policies in three EU external border regions, namely the Latgale region in Latvia bordering Belarus and Russia, the Utena+2 region in Lithuania bordering Belarus, and the Romanian counties Botoşani, Iaşi, Vaslui and Galaţi, all of which bordering Moldova. Experience from these three regions located at EU external borders allowed to draw a variety of lessons that may also serve as source of inspiration for other EU external border regions.

The following presents different ways for business development in four main chapters (Figure 1.1). Each chapter presents first a rationale why this step is relevant when developing a territorial strategy for business development in EU external border regions. Subsequently, different steps and examples are provided for each of these four main chapters.

- **Understanding the border region (chapter 2)** – assessing border realities, assessing business needs and support measures, and visualising challenges and opportunities.
- **Adapting to change and new realities (chapter 3)** – identifying trends and future developments, developing scenarios and visions, adopting territorial foresight approaches, and deriving actions and assessing their robustness.
- **Defining a strategy for business development (chapter 4)** – defining policy objectives, selecting policy instruments, inspiring stakeholders, and monitoring and evaluating progress.
- **Stimulating ownership and engagement (chapter 5)** – involving different players, being clear on roles and responsibilities, and enhancing capacities.

The main four chapters and the various sections within these chapters can be read and applied in any order depending on individual interests and region-specific needs. Still, different sections and steps relate to each other. Cross-references are provided in the text for quick access to other relevant parts of the strategic framework. Chapter 6 brings together the points from the four main chapters from the perspective of territorial governance. The final chapter 7 presents an overview of challenges and possible solutions. It functions as an index and shall support the reader in quickly finding the respective section of interest.

Each step is illustrated by means of practical examples. They derive from the analyses and lessons learnt in the ESPON BusDEV project. More information on this ESPON project as well as individual reports for the three abovementioned EU external border regions in Latvia, Lithuania and Romania can be found online at <http://www.espon.eu/bus>.

Figure 1.1. Structure of the report



Source: Project consortium

## 2 Understanding the border region

### WHY IS THIS OF PARTICULAR INTEREST FOR EU EXTERNAL BORDER REGIONS?

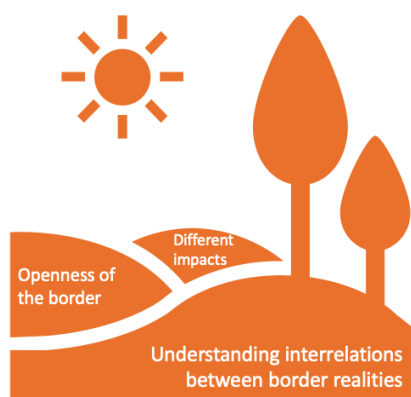
Regions at EU external borders are diverse but also share some commonalities. Knowing and understanding the importance of border realities and specific characteristics is pivotal for developing place-based business development strategies in regions at EU external borders.

EU external borders define more pronounced differences between neighbouring regions than EU internal borders, e.g. political, economic and socio-cultural differences. Each difference influences possibilities for business development. Local and regional players are implicitly aware of this specific context. Still, it is important to make their implicit and tacit knowledge of border realities explicit so to fully exploit it as a shared basis for developing and implementing adequate place-based business development strategies and policies.

Within their countries, regions at EU external borders are often (perceived as) peripheral areas. Many regions at EU external borders have comparatively low socio-economic perspectives. They are dealing with population decline, low economic growth and have low levels of accessibility to the EU internal market. In European and national perspectives these regions are hence regarded as peripheral. Negative images on some of the EU external border regions, e.g. regions considered as being “far away”, strengthen this peripheral aspect. Regions at EU external borders need hence additional efforts to identify, assess and exploit specific strengths so to stimulate and promote business development.

Place-based business development approaches with a particular focus on border realities are needed to address regional specificities of EU external border regions. Business development strategies shall thus be based on a good understanding of border realities and the specific territorial strengths and weaknesses. Making these elements explicit by identifying and visualising them facilitates the process. Due to their distinct focus on the border location and border realities, the following steps can enrich and complement socio-economic analyses.

### 2.1 Assess border realities



**To start with, relevant aspects that characterise border realities need to be identified.** Borders entail political, physical, economic and socio-cultural differences between neighbouring areas (see Table 2.1). These influence the everyday life of people and businesses in border regions and beyond in different ways. To make knowledge about the border region explicit and develop a shared understanding of the region, its strengths and weaknesses, four border dimensions can be distinguished and need to be assessed in further detail.

Such an assessment starts with identifying and structuring relevant aspects. Table 2.1 provides examples of aspects to be considered for each of the four dimensions. All aspects together provide the framework for border interaction and opportunities for business development.

Table 2.1: Multidimensional approach to border realities

Political dimension	Physical dimension	Economic dimension	Socio-cultural dimension
<ul style="list-style-type: none"> <li>▪ Type of border</li> <li>▪ National &amp; regional conventions &amp; agreements</li> <li>▪ Border crossings</li> <li>▪ Administrative systems</li> <li>▪ Public authorities' work relations</li> <li>▪ Use of EU instruments (e.g. EGTC)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Key topography characteristics (mountain ranges, rivers, protected areas) with implications e.g. for infrastructure</li> <li>▪ Accessibility</li> <li>▪ Population distribution</li> </ul>	<ul style="list-style-type: none"> <li>▪ GDP, income &amp; price disparities</li> <li>▪ Work force &amp; unemployment rates</li> <li>▪ Role of centres (dominance)</li> <li>▪ Dominance of sectors</li> <li>▪ Currencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Languages &amp; their roots</li> <li>▪ Knowledge of languages</li> <li>▪ Minorities (rights)</li> <li>▪ Perception of the state, technologies, participation etc.</li> <li>▪ How to approach change</li> <li>▪ Historical legacy</li> </ul>

Source: Consortium, based on (ESPON, 2019)

**In a next step, it is important to assess the present situation of all aspects under each of the four dimensions.** For some elements like the geographical characteristics of the border and availability of border crossings (e.g. border river with few bridges) the level of openness is rather obvious. A higher number of border crossing make the border more open. Similarly, a higher number of bilateral agreements facilitate interaction. On the other side, different languages in the cross-border area can have closing effects. For other aspects, the level of openness may be rather defined by the level of similarity or in how far they have mutual effects, i.e. hinder or complement each other, for example, administrative systems, cultural traditions and habits or employment levels. Assessing border realities along the four dimensions helps to better understand the border region's specificities and make the implicit and tacit knowledge more explicit.

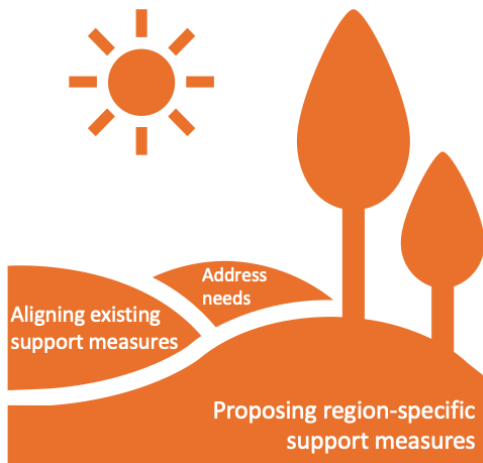
**Finally, the interrelation between the four dimensions is assessed.** For example, the existence of a border crossing point (physical dimension) influences the likelihood of economic interaction in the form of transport of goods. A shared history may facilitate communication in a shared language and similarities in political systems may result in similar administrative competences of local authorities. Altogether, assessing the interlinkages between the four dimensions allows for conclusions about the overall level of openness. Based on the level of openness, specific assets or obstacles to be further developed and utilised for business development in border regions can be identified.

#### **Practical example: Border realities along the Romanian-Moldovan border**

The assessment of four dimensions of border realities for the Romanian-Moldovan border shows a mix of closing and opening effects: 1) The political dimension is characterized by political instability and slow progress of reforms in Moldova as well as volatile relations between Moldova and Romania. It, hence, has rather closing effects. 2) The Prut border river and the underdeveloped transport infrastructure contribute to creating a closing effect for the physical dimension. 3) The economic relations, the opportunities generated on both sides of the border, enhanced by social and cultural factors are substantial opening effects with a high potential for further development. 4) Citizens in the border region share a common cultural heritage. They have a common language and increasing personal, organisational or institutional relations. The social and cultural dimension, therefore, has a strong opening effect, spilling over to other areas of cooperation, including business.



## 2.2 Assess business needs and existing support measures



**For business development strategies, an in-depth understanding of the needs of businesses and entrepreneurs is crucial.** To assess the needs, a simple survey can be conducted and sent out to all businesses registered and operating in the region. Such an assessment should also include a critical analysis of existing support measures, their relevance and effectiveness. This allows to understand in how far the available support measures are in line with business needs and what is needed to better address their needs.

**An assessment of existing support measures starts with identifying all instruments and measures available for business support in the region.** Information about their application can help to assess the relevance for the region, e.g. information on the number of entities that received support from a certain measure, type of support, budget size (in case of financial support), territorial focus, business needs addressed by this measure. In addition to the relevance, also the effectiveness of existing measures should be assessed. This can be done by asking various key questions, e.g. which objectives were achieved with a specific measure; what was the actual impact of this measure; are other measures available that have had similar objectives and effects; did the measure develop synergies with other measures; did the measure create spill-over effects or side effects that are of particular relevance for regional development.

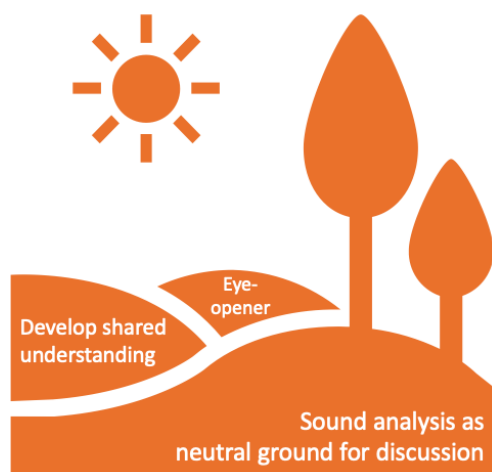
**In a next step, the outcome of the assessment needs to be reflected against the background of the assessment of border realities and their various dimensions and aspects.** This helps get a more nuanced understanding of the support measures and their embeddedness in the specific context of the border location. Important questions in this context are: How do border realities hamper or facilitate the impact of support measures in the border region? How can the measures better reflect border realities? How can they contribute to change of border realities? Especially when discussing why certain support measures work well or do not work at all, it is important to identify the actual root causes. Root causes do not necessarily refer to the immediate business context but can also hint at various implicit and explicit issues, e.g. a lack of mutual trust, neglect of the specificities of border regions in the design of a support measure or differences in operating methods and working cultures.

### Practical example – insights from the analysis across the stakeholder territories

Existing support systems provide different types of support: Financial support; business-related infrastructure; consultation; events; marketing. In all stakeholder territories, the uptake of support measures is lower than in other parts of the respective country. This can mainly be traced back to a lack of flexibility and relevance of the measures. Many of them do not sufficiently address the needs of local and regional businesses.

Given the location at the EU external border, an additional type of particular relevance is business support for cross-border activities. For such support, the Cross-Border Cooperation priority within the European Neighbourhood Instrument (ENI CBC) can be used, in which Belarus, Moldova and Russia participate. The type of support provided through ENI reflects the border realities with their closing and opening effects. In the Lithuanian Utena+2 region, cross-border support primarily tackles the public sector as well as social and cultural development. The cooperation programme for Latvia-Russia, despite the dominance of closing effects, includes a business-oriented priority, and the Romanian-Moldovan programme even supports activities in the field of research and innovation.

## 2.3 Visualise challenges and opportunities



**Visualisations are important elements that can contribute to strategy development.** They function as eye-openers and help discussants to better understand each other. They can furthermore contribute to developing a shared understanding and making tacit and implicit knowledge more explicit. Basic illustrations such as diagrams and overview tables can be used to present evidence as the common and neutral ground for a sound analysis. They support and enrich texts but also stimulate discussions as they can be interpreted in different ways. More complex visualisations can be used to illustrate and summarise key principles of a wide-ranging discussion. They contribute to reducing complexity, keeping the overview and increasing comprehensibility. Maps or cartographic sketches are particular means in this regard as they illustrate the territorial dimension of a specific topic.

**A specific tool that was developed within the ESPON BusDEV project to identify and visualise challenges and opportunities, is the Territorial Capital Matrix.** It allows users to develop a comprehensive overview of a vast amount of relevant yet highly complex and interrelated data and to get a comparatively quick overview of the overall situation in a territory.

The main steps towards a Territorial Capital Matrix for a specific territory are as follows.

1. **Define a topic**, e.g. business development at regional level. The two dimensions and different features identified for the ESPON BusDEV project are suitable starting points in this regard:
  - (a) Territorial dimension ('location'): Functional area cooperation, services of general interest, territorial capital, networking, accessibility;
  - (b) Business dimension ('beyond location'): Clusters and networks, professional support, legal and financial framework, education and innovation, business support system.
2. **Define a set of subtopics** that operationalise the feature and shall be analysed in further detail in the next steps, e.g. business associations, industrial clusters and cooperatives for the subtopic 'clusters and networks', or education, state/municipal services and health care for the subtopic 'services of general interest'.
3. **Answer multiple choice questions** for the territory at hand. They refer to
  - (a) territorial benchmarking;
  - (b) links and cooperation with other territories; and
  - (c) the impact from developments in other territories.
4. **Assess the territory's performance to other territories.** All questions can be answered for different territorial levels of interest, e.g. national, cross-border and European. For answering the questions, one can distinguish between a colour coding that compares (much better (dark green), somewhat better (light green), somewhat worse (yellow), much worse (red)) and allows to add some key words to complement the user's choice.
5. **Read and interpret the Territorial Capital Matrix.** This can best be done in cooperation with local and regional players and not by a single person. Different access points can be taken, all of which aim at getting a quick overall picture of the situation and identifying issues from a more integrated perspective:
  - (a) Overall pattern: The dominating colour (red, yellow, green) allows for first conclusions whether the overall situation is rather positive or negative. It also allows for identifying and assessing strengths and weaknesses.
  - (b) Geographical levels: The Territorial Capital Matrix can be read for a specific territorial level. First insights can be derived from the dominant colour coding but comparisons between the different territorial levels enable the user to identify a potential territorial level that needs specific attention for future activities.
  - (c) Thematic focus: The Matrix can also be read by themes or subtopics. By focusing on the dominant colour codes for a specific subtopic, insights can be gathered on topics that hold the most opportunities or challenges for future activities.
  - (d) Interdependencies: Going one level beyond the thematic impression, for each subtopic three questions have been answered (benchmarking, cooperation/links, impact from other territories). Looking into the colour codes for a specific question and comparing the result between the questions allows to identify spatial interdependencies for a specific subtopic.
  - (e) Cross-readings: If a Territorial Capital Matrix is filled in for different territories, it is possible to compare different territories, i.e. assess similarities and differences, but also identify access points for development opportunities and challenges.

Figure 2.1 Sample of the Territorial Capital Matrix

Category of the dimension	Questions	Key words	Territorial levels			
			Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)
<b>Territorial dimension ("location")</b>						
<b>Functional area cooperation</b>	<b>growth poles</b>	3 key words	3 key words	3 key words	3 key words	
Sub-topic	How is the situation compared to ... How are the links to / cooperation with ... How is the situation affected by ...	Good cooperation ... various locations in the region several strong points in the region ... various locations in the region well ... various locations in the region support	Drain effects ... national average somewhat worse ... national centre bad ... national centre drain	Low cooperation: CBC only ... other side of the border somewhat better ... other side of the border bad ... other side of the border irrelevant	Economies of scale effects ... European average much worse ... European centres very bad ... European centres drain	
<b>Functional area cooperation</b>	<b>labour market</b>	3 key words	3 key words	3 key words	3 key words	
Sub-topic	How is the situation compared to ... How are the links to / cooperation with ... How is the situation affected by ...	Deficit of skilled motivated labour ... various locations in the region strong urban-rural imbalance ... various locations in the region well ... various locations in the region spillover	Brain drain, high mobility ... national average much worse ... national centre bad ... national centre drain	Limited mobility ... other side of the border somewhat worse ... other side of the border well ... other side of the border spillover	Brain drain, high mobility ... European average somewhat worse ... European centres very bad ... European centres drain	
<b>Functional area cooperation</b>	<b>public transport</b>	3 key words	3 key words	3 key words	3 key words	
Sub-topic	How is the situation compared to ... How are the links to / cooperation with ... How is the situation affected by ...	Poor connections, no work commuting ... various locations in the region dominated by one location in the region ... various locations in the region very bad ... various locations in the region drain	Poor connection ... national average somewhat worse ... national centre bad ... national centre drain	Limited public transport connections ... other side of the border somewhat worse ... other side of the border bad ... other side of the border irrelevant	Poor connection to the rest of the EU ... European average much worse ... European centres bad ... European centres irrelevant	

Colour-coded multiple-choice responses

Source: Consortium (ESPON BusDEV, 2020; Interim Report)

### Practical example – insights on Latgale region from the Territorial Capital Matrix

Some first preliminary insights offered by the Territorial Capital Matrix for Latgale region were:

- 1) The most striking challenge deriving from the matrix, is the issue of “access to finance markets” at regional level. This is the only topic-geographical level combination where all fields are red. This suggests that it is worthwhile to look more detailed in this topic.
- 2) Territorial disparities seem to be rather strong between the region and the rest of Latvia whereas territorial disparities within the region do not seem to be a particular concern.
- 3) It appears that regional development in Latgale is highly depending on developments in other territories. Business development, on the other hand, seems to be more in the domain of players in the region (i.e. less dependency on other areas).
- 4) Topics around cooperation and cooperation as development potential seem to be underexploited, especially in the fields of business development and cross-border cooperation.

### 3 Adapting to change and new realities

#### WHY IS THIS OF PARTICULAR INTEREST FOR EU EXTERNAL BORDER REGIONS?

Regions located at EU external borders have to deal with specific challenges that have direct impact on businesses and their future development perspectives. They face more uncertainties than other regions and are more sensitive to these uncertainties. Changes in geopolitical relations are an example for an external factor that entails uncertainty and significantly affects border realities and development perspectives.

As a consequence of the comparatively high level of uncertainty, the general degree of business-related interaction between regions at EU external borders and regions on the other side of the external border is limited. Instead, businesses focus on the EU internal market and promote relationships across EU internal borders. Here, they assume more long-term stability of political and legal framework conditions. Support measures in regions at EU external borders must reflect the uncertainty and, hence, be designed in a way that can be adapted to changing frameworks and new realities.

Border realities are not static but subject to change. Strategies and approaches for place-based business development need to address this through a high capacity of adaptability and responsiveness to future developments and changing framework conditions. The different elements described in the following sections can contribute to preparing for change and creating flexible policy frameworks and support measures.

#### 3.1 Identify and assess trends and future developments



**Identifying trends helps to understand different possible futures.** Trends describe change with a specific focus on future development. They are relevant in all parts of society. Trends can be categorised and structured in different ways. One can distinguish between a thematic focus (e.g. the STEEP approach with Societal, Technological, Environmental, Economic and Political trends), the spatial scale on which they mainly appear (e.g. global, European, national, regional, local), or whether they can be

directly influenced by, or are outside the reach of, a certain group of players (exogenous vs. endogenous).

**An in-depth assessment of a trend helps to draw conclusions about its actual impact on the region.** Such an assessment can start with a more detailed description of its *likelihood* and actual *relevance*. The *likelihood* describes whether a specific trend is likely to become more important in the future – and under which conditions. The *relevance* refers to the impact a certain trend might have on the development perspectives of a certain territory.

**Wild cards can raise awareness for unexpected yet extreme events.** Throughout history events with low likelihood but enormous impact led to significant disruptions and changed the playing field. ESPON 2020

Such events are characterised by high unpredictability. Even though some expert groups or even the wider public might be aware that such events might generally happen at some point in the future, nobody knows when this will actually be and only few people have thought about how to respond to them. The COVID-19 pandemic is the latest and most obvious example in this regard. Wild cards illustrate the high level of uncertainty when discussing possible future developments. They furthermore show that trends should not be ignored just because their likelihood is assessed being low. Whether a certain trend or future development is understood being a wild card or not, eventually depends, inter alia, on individual backgrounds and perceptions.

#### **Practical example – a trend collection to inform and inspire players**

To inspire the participatory processes conducted in the three stakeholder territories, a general trend collection was drafted, which was adapted to the situation in the stakeholder territories. It distinguished societal, technological, economic, environmental and political trends (STEER).

Societal trends referred to (1) ageing as a challenge with impact on pension and healthcare systems, values, lifestyles, learning and labour markets, (2) migration of educated and talented young people, and (3) persistent economic inactivity as not all employees can hold the pace of progress in ever more specialised and diversified economies.

Technological trends illustrated developments like (1) the fourth industrial revolution with implies opportunities for new business models and locations, (2) changes in educational landscapes as a consequence of digitalisation, and (3) the importance of state-of-the-art network grids.

Economic trends included (1) the increasing concentration of capital, knowledge, population and power in few hotspots, mainly in metropolitan areas, (2) circular economies that imply relocation of manufacturing and new value and supply chains, and (3) lack of financial resources for public bodies and a downward spiral of public service provision.

Ecological trends referred to (1) climate change and loss of biodiversity, (2) the increase in renewable energy and a decline in dependency on imports, and (3) divergence of environmental legislation between EU and non-EU countries.

## 3.2 Develop scenarios and visions



### **Developing scenarios and visions facilitates the identification of ways to dealing with uncertainty.**

Local and regional players need to have a clear understanding of where they want the region to go in the future and how they expect present realities and future opportunities to evolve. Such a future-oriented framework of visions or scenarios can be used for adapting business support policies and measures to changing environments. Whether scenarios or a vision are more suitable, depends on the specific purpose

and objective. In general, both enrich the process of making instruments more fit to the specific needs of businesses and other regional players.

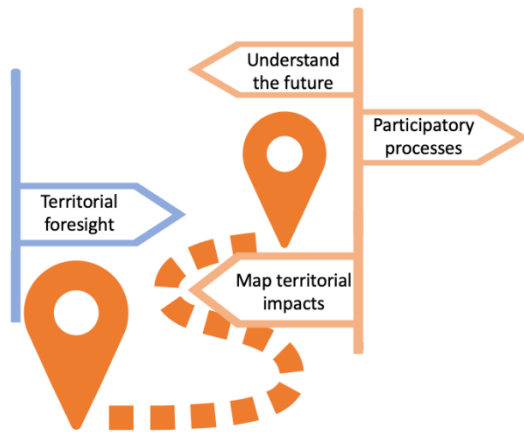
**Visions define a desirable picture of the future which is based on a core set of ideas, values and principles** (Zillmer et al., 2015). A visioning process allows participants to think freely about a desirable future and long-term objectives, e.g. which business sectors would they actually prefer to be characteristic in the region. As such a vision can thus be used as a framework for assessing whether a certain policy measure or instrument is actually suitable to contribute to the desired future situation. In addition, a visioning process can contribute to exchanging perceptions about preferences, challenges and interests and raise awareness for the need to transform an abstract idea into an actual opportunity.

**Scenarios are a plausible description of how the future might develop, based on a coherent and internally consistent set of assumptions about relationships and driving forces** (Zillmer et al., 2015). They are closely related to the different trends and future developments. By bringing different trends together to a plausible picture of the future, they provide insights into complex topics and help to reduce complexity. As usually not only one but different scenarios are developed in a scenario process, different alternative development pathways can be compared and analysed so as to understand potential advantages and shortcomings of each scenario. More specifically, the influence and impact of support policies and measures can be assessed against the assumptions and storyline of a variety of possible developments and changes in border realities, for example.

### **Practical example – a vision for Latgale region**

The economic development vision of Latgale describes itself as regional niche of excellence instead of a region with low labour perspectives today. Defining such a vision entailed a thorough understanding of the needs and impediments to further growth that businesses experience presently. Industries that presently excel in Latgale include a number of medium and high-technology companies as well as ICT related enterprises. Greater and more direct co-operation between the businesses, the universities and their research centres might stimulate furthering the current niche excellence. Creating knowledge transfer centres and developing clusters is one possible way forward. The technologic know-how potential in Belarus could also come into this visionary picture. The ways need to be sought for its transfer to the region.

### 3.3 Adopt territorial foresight approaches



**Territorial foresight approaches facilitate identification of policies fit for future development.**

Starting a territorial foresight approach is another way to dealing with uncertainty. Territorial foresight is a future-oriented approach characterised by (a) critical, lateral thinking about long-term developments, (b) broad discussions creating wider engagement (ranging from expert panels to crowd intelligence), and (c) shaping the future, especially by influencing policy. The final outcomes of such approaches include:

- a better understanding of the future,
- the main factors relevant for future changes,
- a general understanding of cause-effect relations between these factors, and
- a first sketch of the territorial impact of the future territorial balances and imbalances on, for example, a map supported by an easy-to-understand and easy-to-communicate narrative.

The approach combines thus features of the abovementioned identification of trends and scenario development processes. The final result of a territorial foresight is a mapping of territorial impact by different types of territories that may be present in the border region (e.g. urban, rural, coastal, ageing, rich, poor, industrial or agricultural). This mapping in the form of sketches is supported by a storyline detailing the main factors and their relations impacting these territories.

The following four working steps can be used to structure and organise a territorial foresight approach (Böhme et al., 2020; Holstein et al., 2019):

- 1) Defining the foresight topic in a participatory process
- 2) Identifying key factors and mapping their territorial dimension
- 3) Processing the outcome through additional research
- 4) Documentation and development of recommendations

More details are provided in the ESPON Territorial Futures Handbook, available through: <https://www.espon.eu/territorial-futures>



### 3.4 Derive actions and assess their robustness



**Future thinking is not an end in itself.** Every approach to think about the future can be translated into concrete actions. Conclusions about what can be done now to benefit from, or mitigate the impact of, future developments are a key output of any process looking into the future. Actions bridge the gap between the discussed future situation and the present situation. They increase the actual relevance of such an exercise for policy making.

**Actions need to address both opportunities and threats.** After identifying trends and assessing their potential impact, it is important to discuss what can be done to mitigate threats or opportunities that derive from trends and future developments. Four questions can structure this discussion:

- How can we make use of our current strengths so to benefit most from future opportunities?
- How can we make use of our current strengths so to mitigate future threats?
- How can we avoid that current weaknesses hamper us from benefiting from future opportunities?
- How can we avoid that future threats intensify our current weaknesses?

**An assessment of the suitability of proposed actions in light of other developments increases their robustness.** Some actions are direct conclusions from a certain trend, vision or scenario. However, not every action that derives from the process needs to be taken into consideration for a final set of ideas and recommendations. Changing framework conditions or other trends might reduce the effectiveness of a proposed action in the mid to long-term. Only actions that are suitable under the conditions of various trends or scenarios are sufficiently robust.

## 4 Defining a strategy for business development

### WHY IS THIS OF PARTICULAR INTEREST FOR EU EXTERNAL BORDER REGIONS?

A strategy for business development provides stakeholders in external border regions with a framework for initiatives. A single framework allows to bring together different initiatives, propose a variety of policy instruments in support of these initiatives and provides a long-term perspective. Moreover, a single framework allows to propose integrated approaches for business development. Although this is common for most territories, business development strategies at EU external border have different accents.

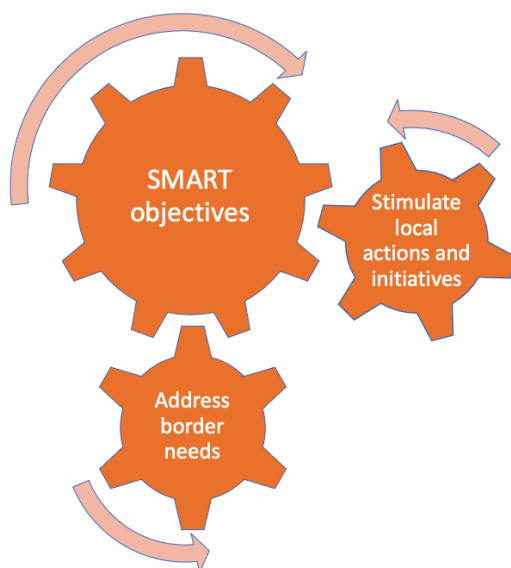
Strategy development in EU external border regions requires additional efforts for finding sets of interrelated policy instrument as result of limited competences by local authorities. Also, more efforts are needed to illustrate stakeholders the benefits of policy measures, i.e. through examples from elsewhere or pilot actions.

Completing the following steps to define a strategy for business development at EU external border regions facilitates to focus policy options for business development and brings clarity among relevant stakeholders. The definition of priorities, objectives and policy instruments focuses policy support on the most relevant areas in the framework of border realities (see [Understanding the border region](#)). Moreover, the process of strategy development helps key stakeholders to understand the support offered and thus prepared for better implementation.

Once the territorial characteristics and border realities are made explicit, a place-based strategy for business development can be developed. Such a strategy introduces the key objectives for business development, proposes policy instruments to achieve these objectives and specifies ways to monitor and evaluate activities implemented in the framework of the strategy. The inclusion of examples and results from pilot actions aim to inspire more stakeholders to contribute to the strategy's objectives.

### 4.1 Define policy objectives

To start with it is important to define policy objectives based on the outcomes of the territorial analysis (see [Understanding the border region](#)) and forward-looking approaches (see [Adapting to change and new realities](#)).



The border reality, needs, and opportunities of the region shall be translated into a selected number of clear policy objectives. Following the rationale of SMART objectives, an objective should be (a) Specific as it focuses on one target or ambition, (b) Measurable as it allows for quantification and target setting; (c) Achievable as it can be implemented in the given context, (d) Relevant as it fits the overarching vision, and (e) Time-bound as it has a defined timeline.

**The same analytical tools used to assess the territory and its border reality help to prioritise the**

**most relevant objectives.** Questionnaires and focus groups help identifying the highest needs of ESPON 2020

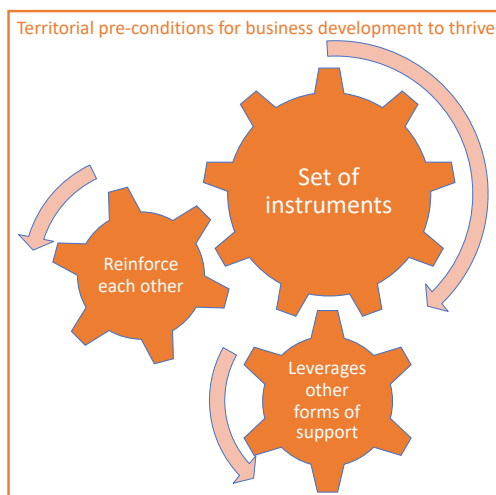
entrepreneurs. Assessing the border reality and existing support allows to identify distinctive policy objectives for the region. A territorial capital matrix depicts key opportunities and needs considering multiple dimensions. Well-defined policy objectives address thus the needs and opportunities of the border area. Moreover, they help to stimulate local actions and initiatives.

#### Practical example – Defining realistic policy options

Participatory approaches applied in the framework of the BUSDEV ESPON study in Lithuania illustrate ways to define realistic policy options that well reflect possibilities of the Utena+2 border region. Stakeholder feedback collected from a survey and via a focus groups led to different insights.

Survey results pointed at two possible actions for the external border region, namely “digitalisation of the region’s economy” and “promoting young population to stay and work in the region”. These are valid objectives inspired by development trends, yet too ambitious to achieve by the regional stakeholders. Other elements that characterise the region and ensure that policy activities fit the border realities were not fully considered. Hence, the territory’s strengths, weaknesses and capacities of local stakeholders formed the starting point during the focus group. Adding these elements to the discussed resulted in the definition of concrete ideas for actions that fit stakeholders’ capacities and the territory’s border reality, amongst other to focus on vocational training and seek cooperation among local authorities at regional level. The example shows thus the importance of viewing possibilities for business development from multiple perspectives.

## 4.2 Introduce policy instruments that fit the context



**Policy instruments for business development are adequate if they relate strongly to the needs and realities of the border region.** For some border areas, this implies the introduction of policy instruments for business development. For other border regions this requires first focusing on various preconditions that need to be fulfilled for business development to thrive. Such preconditions for concern territorial assets that indirectly support business development, for example awareness on shared values across the border, entrepreneurial skills, available infrastructures, border crossing points

and smooth checks at these border crossings. Such elements can function as enabling factors in a strategy for business development. They create the framework and need to be promoted and made available before further discussing specific instruments for business development. The set of instruments must fit with these key framework conditions. Conducting a territorial analysis facilitates the identification of the most relevant enabling factors, for example through the use of a territorial capital matrix (see [Assess business needs and existing support measures](#)).

#### Practical example – Focus on strengthening vocational training in Utena+2, Lithuania

Lack of qualified labour is one of the main reasons behind the laggard socio-economic performance of Utena+2. Persistent unemployment not only further encourages migration but also puts a fiscal burden on municipalities.

Improving vocational education is one way to increased supply of skilled labour and as such in directly support business development. Strengthening vocational training in Utena+2 and subsequently increased availability of skilled labour would signal international companies about the availability of high skilled labour in the region and significantly contribute to the success of attracting large companies into the region.

Strengthening vocation training can inter alia focus on enhancing the role of regional vocational education institutions in the region's economy. A first to achieve this could be to increase cooperation amongst vocation education institutions. This would allow each vocational education institution to specialise in the provision of vocational education in which it has most experience and which corresponds best to the local market needs rather than aim to provide the broadest spectrum of vocational education programmes. Secondly vocational education institutions can increase cooperation with businesses. Increased cooperation with local businesses increases availability of apprenticeship programmes which help to provide relevant and market-demanded vocational education.

**A variety of different policy instruments are available to achieve the defined policy objectives.**

These include, among others:

- Financing – grants, loans, equity, tax exemptions, awards and prizes
- Provision of infrastructure – incubator centres, transport and ICT connections, business parks
- Legislation and regulatory provisions – special economic zones, statutes and legal forms, strategies, public procurement
- Capacity building activities – networking events, advisory services, marketing and labels, training, information, community building

**A business development strategy shall consider a selection of policy instruments.** Selected policy instruments shall be adequate in relation to the objectives defined for the region; shall reinforce each other or at least not hamper their intended effect; and shall ideally lever support to business from other players (e.g. national and EU). This maximises the effect and success of policy instruments.

**Business development can best be supported from multiple angles.** As such, a set of different and interrelated instruments shall be considered at the same time. This concerns, for example, the provision of loans and training activities for successful application of the loan, or organising networking events where participating enterprises can also win prizes as good example for cross-border business relations. The combination of support reinforces the use and thus the intended effect of the instrument.

**Practical example – Enabling foreign direct investments through special economic zones**

Many forms of business support require careful assessment of state aid rules or the provision of support that falls within the limits of de-minimis rules or comply with general block exemptions. Lagging regions in Europe can make use of special economic zones. Only lagging regions are exempted from state rules for applying this instrument. As such, special economic zones (SEZ) are relevant for most of the EU external border regions.

The EU external border region of Latgale, bordering Russia and Belarus has two SEZ, namely Rēzekne SEZ and Latgale SEZ. The Rēzekne SEZ consists of a few specially designated industrial territories in the town and the neighbouring rural municipality, while the Latgale SEZ conditions apply anywhere within the EU external border region. It is the only regional SEZ in the country aimed at enabling the development of an entire region.

Specific provisions ensure businesses to support the region. Only businesses that are mature enough can benefit from the SEZ in Latgale favouring businesses that scale up and expand. Also, businesses are committed to make capital investment in the region.

A total of EUR 122.7 million private capital investments have been made in Latgale within the SEZ legal framework in the last ten years, of which around EUR 100 million in Rēzekne SEZ and EUR 22.7 million in Latgale SEZ. The calculations show that investments exceed the total sum of the tax rebate at least two times, not speaking of the jobs and other spill-over effects. In 2018, the SEZs provided for almost 2,000 jobs, of these at least 1/3 were newly created jobs as a result of the SEZ-induced investments. The number of jobs at both the SEZs' companies in 2018 splits almost equally between Rēzekne (975) and Latgale (971; 1.8% of total regional employment).

Specific instruments for the border region may also enhance business development support provided by stakeholders from outside the border region. This is particularly relevant for local and regional authorities in EU external border regions that do not have the capacities or competences to introduce a set of different and interrelated instruments by themselves. Instead, players in border regions may focus on instruments to leverage instruments from others or provide the enabling conditions for successful implementation. Examples include training or networking events for the use of European Structural and Investment Funds, the appointment of a business consultant translating and applying EU and national regulatory provisions to the regional context, or the introduction of a specific trademark or label to better market successful cases and attract more attention for the region's specific assets and needs. Other pragmatic instruments may be introduced depending on the needs and objectives of the border region.

### Practical example – Small scale business support by local authorities

All municipalities in the Utena+2 EU external border region in Lithuania have established their own local business support funds and programmes. These funds and programmes are funded directly from municipal budgets and are aimed at creating favourable entry conditions for new businesses, promotion of self-employment, as well as providing small scale support for the development of small and medium size companies. All municipalities offer the following financial support:

- partial or full coverage of interest payments;
- partial or full coverage of establishment fees, expansion costs and costs of new equipment;
- partial or full coverage of costs associated with the creation of new vacancies.

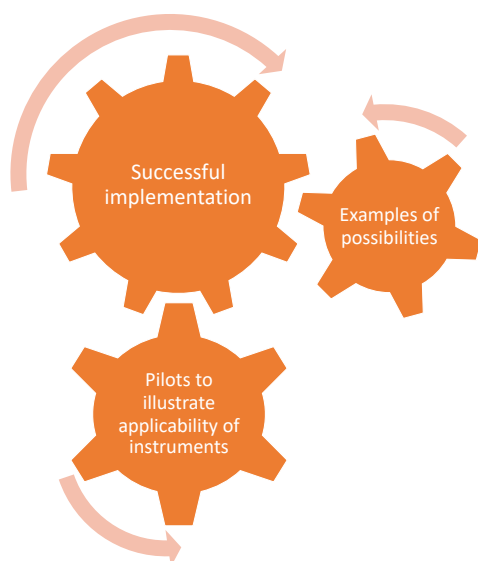
The size of the support services provided, and their requirements vary across municipalities depending on the size, business development priorities and financial capabilities of the municipality. Data from 2018 illustrates a variation of support funds and programmes from EUR 60,000 in Švenčionys district municipality to EUR 9,800 in Kupiškis district municipality.

### Looking for funding opportunities?

Different databases and inventories of funding opportunities that could be relevant for EU external border regions exist. One example concerns the Euro-access search tool for funding opportunities. This tool lists funding sources relevant for EU Macro-regional strategies. As such, it includes also tools that are relevant for EU neighbouring countries, including Russia, Ukraine, Moldova and countries of the Western Balkans.

<https://www.euro-access.eu/>

## 4.3 Inspire stakeholders for successful implementation



**A comprehensive strategic framework for business development with different objectives and various interrelated instruments needs to speak to a variety of different players.** Policymakers at different geographic levels and from different policy fields shall understand the interrelations between policy instruments. At the same time, enterprises shall understand which instruments are available and whether they are relevant for their border activities. Successful implementation of the business development strategy relies thus also on its ability to clearly communicate its messages and opportunities. Good practices and pilot actions are relevant means to achieve this.

**Examples on the use of instruments make it easier to apply them.** Particularly, stakeholders with little capacities may find it easier to discover new instruments on the basis of existing practices and examples. It saves these players time and resources to learn about different policy instruments for

business support when lessons from elsewhere can be considered. A strategy for business development shall thus include examples from the past or from elsewhere. Existing examples may also focus on interrelations between policy instruments, e.g. providing inspiration for integrated approaches. When communicating examples, it is important to make a link to the own territory and border realities and focus on aspects that can be learnt. Techniques, methods and tools are most suitable for transfer, processes and ideas more difficult to translate in other territorial contexts.

#### **Practical example – Success stories from across Europe**

The Enterprise Europe Network (EEN) is an initiative co-financed via the EU programme for the competitiveness of SMEs (COSME), a programme that continues its services under the Single Market Programmes in the period 2021-27. The network consists of economic partners such as chambers of commerce or agencies for internationalisation from EU and non-EU countries.

The network helps businesses innovate and grow on an international scale. As such they provide information and advice, organise events and facilitate building partnerships. In addition, the EEN webpage includes an inventory of success stories of EEN activities.

Success stories highlight how EEN support helped businesses to expand their activities across borders. These examples may inspire stakeholders in regions along EU external borders to explore different possibilities. The application of any lessons learnt from these examples still requires adaptation to the local territory and border reality (see also [Assess border realities](#)).

Other databases with good practice examples exist as well. One example concerns the Interreg Europe good practice database which includes a filter for SME competitiveness cases. Another example concerns the database for good practices related to the EU Small Business Act. For each good practice database, it is important to consider whether lessons learnt could be drawn on internationalisation of border relations.

<https://een.ec.europa.eu/>

<https://www.interregeurope.eu/policylearning/good-practices/>

<https://ec.europa.eu/growth/tools-databases/sme-best-practices/SBA/index.cfm?fuseaction=welcome.detail>

**Pilot actions facilitate successful implementation of the business developments strategy in different ways.** Pilot actions help to test the adequateness of policy instruments and illustrate how instruments can be best implemented in the border region. They particularly help to test the effects of an instrument under specific border realities and in relation to other instruments. They help thus to refine policy instruments and make them better fit to the region's needs and potentials. At the same time, successful implementation of a pilot action as well as lessons learnt from trial-and-error approaches may inspire more players to use the instruments. The use of pilot actions is thus another means to stimulate stakeholders in the region to develop and exploit business development opportunities.

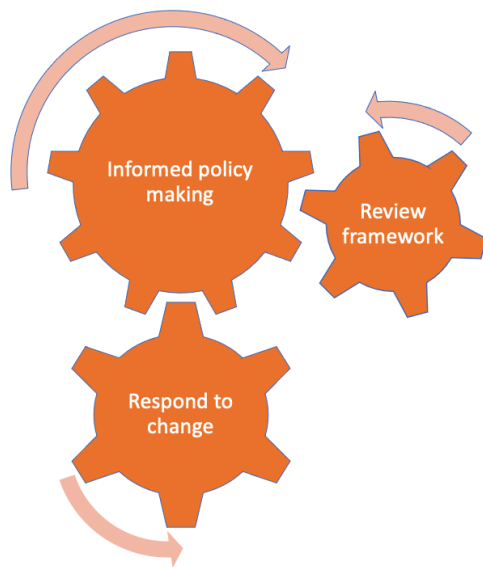


### **Practical example – Pilot actions are means to introduce good practices in a wider territory**

Cluster development is one way of encouraging business development. Businesses can use the clusters to interact with other businesses in or outside their value chains. Moreover, a cluster of companies can be interesting environments for innovations, for example based on the interaction between different businesses or due to research institutes who see the collection of business as interesting case to test new methods, products and processes.

Clusters are well development in the Romanian border region with Moldova. 16 clusters are operational in this EU external border. This widespread use of clusters for business development originates from a pilot project. The regional development agency for North East developed a business support system in the form of a cluster within the “lagging behind” pilot project. The project allowed different stakeholders to see added values of the cluster concept and hence the concept was extended to the whole macro-region consisting of the North East and North West Romania. Currently the clusters are a strong point for the stakeholder territory, with a high potential to assist new business creation and increase innovation in companies.

## **4.4 Monitor and evaluate progress in strategy implementation**



**Border realities as well as needs of entrepreneurs change over time** (see [Adapting to change and new realities](#)). It is therefore important to remain open and regularly review the strategic approach and adapt the approach when needed. Means to monitor the progress to achieving policy objectives shall be included from the very beginning of developing the strategy framework. This entails among others the definition of an indicator system and the definition of targets. Ideally, the indicators reflect activities by entrepreneurs that influence the border reality. Examples could include the number of enterprises that use financial support of the social economic zone for cross-border trade or the number of participants to cross-border

business fora, training or network events.

**Introducing an indicator system relies on adequate statistical systems.** These systems need to be set up and maintained. If fully operating, they provide the quantitative evidence base needed for sound monitoring and evaluation activities. The tools and information from the territorial analysis can be a starting point for this (see [Understanding the border region](#)).

**Monitoring and evaluation provisions facilitate informed policy making and help to timely adjust business development support.** It is important to ensure that they do not significantly increase the administrative work in public authorities neither at the level of businesses. Successful inclusion of monitoring and evaluation provisions into business development support contributes to well fit policy support over a long period of time, regardless changing external factors.

## **5 Build trust and stimulate ownership and engagement**



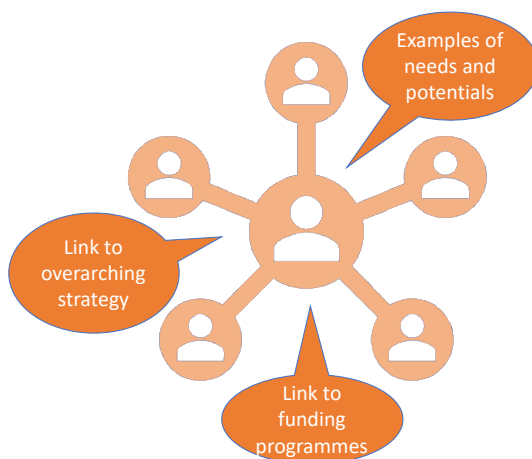
## WHY IS THIS OF PARTICULAR INTEREST FOR EU EXTERNAL BORDER REGIONS?

Providing business development support relies on close interaction with a variety of players. Politicians, policymakers at different geographic levels, entrepreneurs, economic partners and civil society organisations need all have specific knowledge and competences to create the framework conditions for businesses to thrive. In other words, business development, human capital and government quality are closely connected.

Bringing together human capital and achieving a critical mass is challenging in many EU external border regions. Border interactions are limited at EU external borders due to political, physical, economic or socio-cultural circumstances (see also [Understanding the border region](#)). In addition, many EU external border regions are peripheries, not only in a European context but also nationally. This implies a reduced (quantitative and qualitative) capacity for providing business development support with fewer players and players that are located on a greater distance from one another. “Periphery” translates in some cases to reduced capacities: fewer own financial resources as a result of low population densities; higher costs for infrastructures; limited available work force to complete all tasks. Negative images of the border region, e.g. from the capital region, may intensify perceptions of reduced capacities. Strategic frameworks for business development in EU external border regions therefore demand additional efforts to ensure good governance arrangements with players that feel engaged and responsible to take action.

Local and regional players need to cooperate in all stages of the policy cycle to ensure that policies and instruments for business development fit the realities of EU external border regions. This implies the identification of different public and private partners for policy development and implementation and providing a framework for cooperation in which each player’s contributions can excel. To make most use of human capital available in EU external border regions, the latter may focus on providing clarity on roles, responsibilities and capacity building. Together these aspects contribute to overcoming and compensating for a lack of human capital for business development support in EU external border regions and instead build trust and stimulate ownership and engagement.

### 5.1 Involve different players in policy development and implementation



**A starting point for the development of a strategic framework for business development in EU external border regions concerns the identification of relevant players.** Whom to include

in the development of business support policies depends firstly on the overall objectives and the proposed instruments (see [Defining a strategy for business development](#)). Secondly, it depends on the own competences: Do we have the right and power to introduce and implement this instrument? A mapping of existing instruments in the border regions and their

responsible players for introducing the instrument and implementing it provides a starting point. Such

an overview may also highlight missing competences and knowledge. Together the different aspects highlight a variety of players that are relevant to enhance business development.

Following the quadruple helix approach, four types of players can be distinguished, each of which can contribute with own resources and capital (knowledge/expertise, financing, political influence/regulatory power, staff etc.) to the process:

- Business, e.g. representatives of enterprises (micro, small, medium-size, large), business associations, business initiatives, business development agencies, chambers of commerce;
- Government, e.g. administrative staff and politicians from different administrative levels, (e.g. local and regional authorities, employment agencies) and policy fields (e.g. planning, business development, environment, transport);
- Academia, e.g. (applied) researchers working on regional and/or business development, initiatives on the interplay between universities and businesses, students;
- Civil society, e.g. environmental associations, labour unions, innovation centres, schools.

### **Practical example – inclusion of various players**

The selection of stakeholders is important to create inclusive partnerships for business development strategies. In the participatory process conducted along the Romanian-Moldovan border, various representatives from different backgrounds were involved:

- Research Centre for Socio-Economic Dynamics in Sustainable Development
- Local business incubator
- Cluster association
- Expert of EU funding
- Centre for SME development
- Regional development agency
- Association of urban planners
- Employers association
- Managing authority for the operational programme for cross-border cooperation
- National scientific research institute for labour and social protection
- Independent expert in migration, employment, mobility
- Regional office for cross-border cooperation

The partnership included thus a variety of players. Each could contribute to the process from his/her specific perspective and contribute with various resources and tacit knowledge. Such broad partnerships make strategic frameworks stronger and enhance ownership. Even if it takes more resources to guide processes with a broad partnership in the short term, it may eventually pay off in the long term.

**To avoid too strong a focus on single topics, it is important to achieve a balance between different sectors and administrative levels.** To reflect the territorial context and functional relations with other regions, participants should not only come from the region itself but also from neighbouring regions. Another key aspect for the selection of participants is the border dimension. Ideally participants from the respective neighbouring non-EU country should be involved in the process from the very beginning, due to the particular focus on EU external borders. A multiplier and main contact person can help in coordinating activities in the neighbouring country and contribute with own expertise and contacts. If it is not possible to involve experts from the neighbouring country, at least some

experts should be invited who know the legal and administrative framework for business development in the neighbouring country.

**To facilitate innovative and out-of-the-box thinking, it can be useful to involve groups of players that have not been involved in similar approaches in the past.** When discussing future perspectives, those that are most affected by the future are too often not involved in strategy development processes. Students from secondary schools and universities could be a relevant target group, for example. They can contribute with the young generation's understanding and perception of the border region as well as their expectations about possible and desirable future developments. In this context, it is important to underline that their concerns are taken seriously and that their decisions are actually taken into account. Their involvement must be more than just a sign of good will. It must make a difference and feed into actual implementation processes. Besides business development as an overarching topic, their ideas and contributions are valuable for topics that are most relevant for young people, e.g. education, digitalisation, language capacities and the overall attractiveness of the region.

**When starting the process, the objectives and added value of the participatory process should be clearly communicated to all participants.** Transparency and openness contribute to building trust among the relevant players. In this regard, it can be helpful to establish links between the participatory process and other ongoing policy processes. The outcome of the participatory process could feed into, e.g. the development of a new business development strategy or the preparation of a regional development programme financed by the European Structural and Investment Funds (ESIF).

**Whether players become involved in the development and implementation of business development strategies depends to a large degree on their feeling of being connected to the objectives.** The communication of examples, urgency and added value for the region enhances these feelings. Many stakeholders from the border region may not be aware of the specific potentials and opportunities for business development due to the region's specific location.

**Embedding and linking border needs and potentials to other strategies or funding programmes helps to frame border region's specific objectives and policy instruments and increases attention from different players.** This concerns national or EU strategies for border regions or business development, for example the [Territorial Agenda 2030](#), the [EU boosting borders initiative](#), or [EU Small Business Act](#). Funding programmes form another relevant trigger for involvement. Examples of relevant EU programmes are COSME, InvestEU, the Instrument for Pre-Accession (IPA), the European Neighbourhood Instrument (ENI) or the European Structural and Investment Funds (ESIF), notably the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD).

### Practical example – Integrated Territorial Investments in Latgale, Latvia

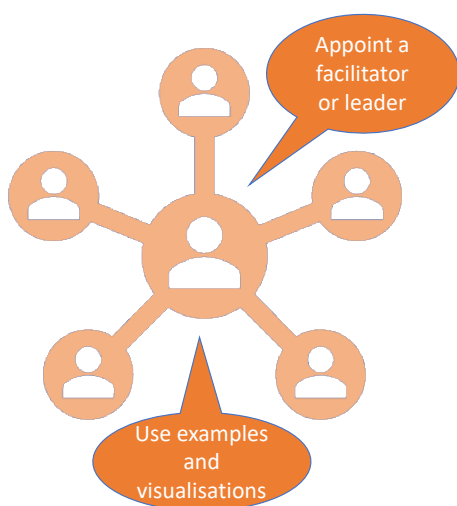
European Structural and Investment Fund regulations for 2014-2020, as well as the 2021-2027, offer different instruments to make most use of territory specific endowments with support of European funds. Integrated territorial investment (ITI) and community-led local development (CLLD) are two of these instruments. The first has been applied in the Latvian region of Latgale, bordering Russia and Belarus.

An ITI allows to combine funds from different resources, either different priority axis in one programme or different priorities axis from multiple programmes, including from multiple funds. Combined funds aim to better address territorial specific challenges. In doing so these instruments need to be linked to a specific strategy, either an existing one or a new one. As such the instrument allows thus to link a local strategy with European and national wide objectives as laid down in the operational programme and its priority axis.

The ITI in Latgale combines resources from two priority axis of the OP Growth and Employment. Priority axis 3 aims at SME competitiveness and priority axis 5 focuses on measures targeting environment investments including an indirect support to business development in degraded territories through municipal integrated development programmes.

Following the territorial strategy projects can be financed with the ITI. Altogether, 31 ITI projects have been approved in Latgale with a comparatively high success rate. Until October 2020, the projects in Latgale have succeeded in creating 123 new jobs, rehabilitated 25 ha and leveraged almost EUR 7 million of private funding.

## 5.2 Be clear on responsibilities and roles



**Different experts with different roles are important for successful management and implementation of a business development strategy.** Possible roles and responsibilities to consider include policy officers managing the strategy, analysts determining the territorial assets and needs for business development, legal experts assessing the fitness of proposed instruments, experts with profound knowledge of the business framework in the neighbouring country, and experts for capacity building who ensure cooperation and interaction between public authorities and enterprises.

**Ownership of the business development strategy and engagement in its development and implementation benefit from clarity among the different partners.** In general, it facilitates understanding among players with different backgrounds (public, private, economic sector, administrative level etc.). Clarity becomes particularly relevant in a border context due to different cultural backgrounds that determine languages, interpretations, habits etc. Borders mainly characterized by 'closing effects' make these differences more pronounced (see Understanding the border region). Hence, these differences are observed more frequently at EU

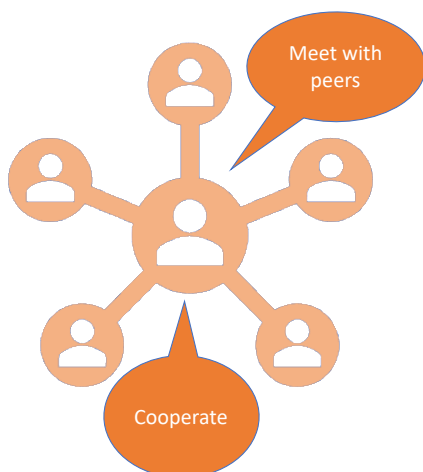
external borders than along EU internal borders. Consequently, it is also important to address them more proactively and more intensively. They need to be identified and assessed (see Understanding the border region). Whether and how they are addressed through specific actions, depends on their specific impact: Do they hamper cooperation? Could they be exploited? (see Derive actions and assess their robustness)

**The use of (external) facilitators helps to guide and steer development or implementation processes of business development strategies.** In particular persons with a large network in the territory may be relevant for such a role. Alternatively, a person that has the capacity to motivate players to contribute to business development can be appointed. Persons external to business development or the territory may act as neutral facilitators in case of tensions in the partnership. A facilitator may also have the competences to appoint and make clear the roles of other players.

#### **Practical example – Regional Development Agency as external facilitator in Romania**

A regional development agency functions partly as an external facilitator for business development in the border region between Romania and Moldova. Even though the region consists of different municipalities and different counties, the regional development agency acts as an overarching body. The regional development agency's main responsibility is to promote the development of the region, including managing the multiannual planning. In addition, the regional development agencies have played the role of Implementing Agencies for pre-accession instruments (Phare) and later as Intermediate bodies for Regional Operational Programmes for European Structural and Investment Funds. As of 2021, they will be managing authorities for Regional Operational Programmes. Their responsibilities are nested in Romanian legislation. Each region has a regional development agency which is the executive body of the regional development council, the decision-making body. Based on their roles to promote the region and manage multiannual planning, including the implementation of European Funds, regional development agencies have the capacity to bring together a wide variety of players in the border region. As central players with good networks relevant for business development and experienced in managing development processes, they can mobilise local players, address the challenge of high fragmentation among local authorities and formulate joint objectives for business development.

### **5.3 Enhance capacities**



**Ownership and engagement require continuous efforts to adapt to new border realities or changes in the governance arrangements.** Techniques to enhance capacities facilitate these continuous efforts. In addition, capacity building activities take away some of the challenges that players in EU external border regions may experience more frequently than players elsewhere, namely a lack of critical mass to develop and introduce activities and insufficient knowledge. In particular, networking and cooperation activities address these issues.

**Networking and cooperation at institutional level increase the available capacities and knowledge for business development strategies.** Exchanges between business organisations, chambers of commerce, public authorities and others offer possibilities for policy coordination, coordination of responsibilities and tasks and exchanges of practices and lessons learnt. Regular exchanges contribute to ensuring timely contributions of the governance system to the business development strategy and allow for monitoring and possible adaptations to new situations. Even if the circumstances do not allow for actual business development, it is nevertheless important to preserve such opportunities for exchange and allow for personal exchange. Maintaining good relations is not only a suitable means to the end of business development but also an important value in itself, especially in border regions and across national borders.

**Networking and cooperation at personal level facilitates the sharing of tacit knowledge and provides opportunities to develop and maintain personal relations.** Exchanges may focus more on the specific translation of policies and instruments to border realities or the application of different instruments in the context of a border region. These exchanges contribute to increasing the capacities of both public and private players in EU external border regions and better understanding for the situation on the other side of the border. Networking and cooperation at personal level may be best organised between peers, e.g. between entrepreneurs, researchers, business developers, civil servants or politicians. An important feature is the informal part of such events that focus on social and inter-personal exchange, not necessarily aiming at business development. Nevertheless, such events can always be enriched with a practical and business-oriented dimension, e.g. the opportunity for 'speed dates'.

#### **Practical example – Enhancing regional cooperation in Utena+2, Lithuania**

Territorial analysis of the business development opportunities in the Lithuanian region Utena+2 bordering Belarus depicted an added value of strong regional cooperation among local authorities. Together, local authorities can better position themselves and offer competitive advantages against large cities in Lithuania.

The analysis concludes that a regional representation of local authorities can be presented to potential investors. Presenting the region's functional zones allows to present different local endowments. The same applies for programming of European funds. Also during this process it becomes beneficial for all local authorities to join forces and present themselves as one region.

Through cooperation, local authorities in Utena+2 market themselves as a single entity where each municipality's strength diminishes another municipality's weakness in the eyes of external player. Through cooperation municipalities of Utena+2 are thus capable of untapping the regional potential, attracting companies and maximising investments in the region.

## 6 From territorial strategies to territorial governance

Territorial strategies aiming at business development in EU external border regions as described in this framework, should be based on some key principles, starting with an assessment of border realities, business needs and available support measures. Based on this, development perspectives for the future can be discussed and elaborated. As a third element, the actual strategy development and implementation can take place. This includes the development of a set of suitable measures as well as monitoring and evaluation activities. At the same time, the involvement of a broad range of players, a clear division of responsibilities and enhancing capacities contributes to building trust and ownership for the implementation process.

What was described in the previous sections for a strategy process with a particular focus on business development, can also be transferred to, and embedded in, a more general framework of place-based policies in EU external border regions. The concept of territorial governance offers various access points that can help decision makers and all relevant players in EU external border regions to develop a new understanding and work on a new approach of policy making and implementation. Some key elements for such a place-based policy framework are the following (Böhme et al., 2015):

**Always start from the needs.** Any bottom-up process should start from local and regional development needs. These needs cannot be assessed from a purely external perspective, e.g. by external researchers or consultants looking into facts and figures. Tacit and implicit knowledge about informal dynamics, interpersonal relations, background aspects or habits is important to get the full picture.

**Foster diversity of governance arrangements.** The specific features of a challenge or issue at stake define the appropriate governance arrangement, i.e. who needs to be involved and how. This automatically implies an enormous variety of arrangements. Setting up and maintaining context-related and place-sensitive arrangements is time and resource intensive. Eventually, however, it is worth the effort because the policy outcome is more targeted towards the actual issue (output perspective) and the process leading to the outcome is more inclusive (input perspective).

**Foster a new culture in the public sector.** Territorial governance arrangements are based on the participation of various players. Hence, their successful implementation requires a new culture in the public sector characterised by open and transparent processes and communication. Public players need to make sure that they do not only address other public players. They need to involve all relevant players, treat them equally and create a level playing field. Otherwise, it will not be possible to reach agreement among all players on policy objectives or actions to achieve these objectives.

**Empower driving individuals.** The success of territorial governance arrangements depends on the willingness of individuals to engage and cooperate. Although everybody acts on behalf of his/her institution, organisation, business etc., individual persons drive the process. It can however not be taken for granted that ambitious and motivated individuals step forward and simply take the initiative. Hence, it is important to empower them and provide a suitable environment which allows for flexibility and experimentation.

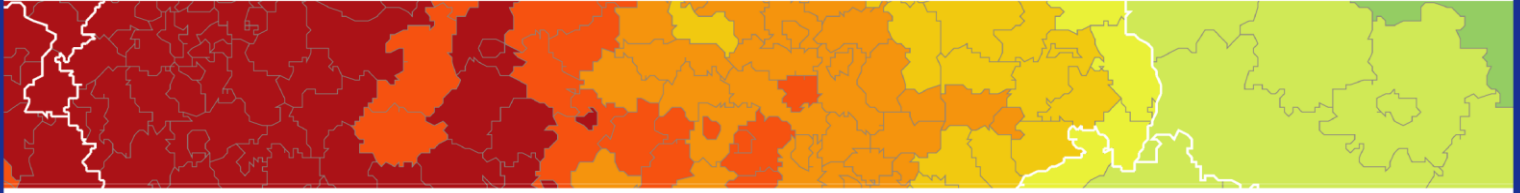


## 7 General challenges and possible solutions

The following table provides a brief overview of common challenges and possible solutions in the context of business development at EU external borders. This overview also functions as an index for the reader to quickly browse to the most relevant section of the strategic framework according to individual needs and interests. Click on the number under 'more information' to directly go to the relevant section and read more about possible solutions.

Challenge	Possible solution	More information
Imbalanced impact of border realities in the region	Specified territorial approaches for, e.g., urban and rural areas or areas far of close to border crossing points.	2.1
Unclear needs of entrepreneurs in the region	Assess existing (national / European) support schemes and their success to complement information from surveys among entrepreneurs.	0
Negative self-perception on business development possibilities	Define specific assets of territorial specific endowments that fit the regions and its border reality, e.g. with support of a territorial capital matrix.	2.3
Different perspectives on needs and opportunities for business development among key stakeholders	Visualise the territorial situation and possible trends for the region and use maps, figures and other illustrations as neutral starting points for discussion.	2.3
Priority setting for business development at the short, mid and long-term	Assess trends and visualise business opportunities and territorial assets in a single framework such as a territorial capital matrix. Use the framework as starting point for discussion on priorities.	2.3
Insufficient focus of policy makers on the impact (opening and closing effects) of border realities	Assess possible impacts of border realities, for example with the support of scenarios.	3.2
Uncertainty about the border situation	Work with different scenarios of likely and unlikely futures of the border region and its border reality.	0
Lack of critical mass for business development support	Use a combination of support instruments and make links to other instruments to enhance or lever them.	4.2
Drain of entrepreneurs and low regional attractiveness	Focus on pre-conditions reflecting territorial assets and encourage business development indirectly rather directly.	4.2
Limited capacity of businesses to attract funding	Link local initiatives to national or EU wide objectives.	4.2 / 5.1
Insufficient commitment of key stakeholders for business development	Communicate the added value and specific needs of business development in the border region, build trust and cooperate.	5.1
Insufficient trust for cross-border cooperation between businesses	Be clear on objectives, roles and responsibility and provide sufficient occasions for exchange of ideas and knowledge.	5.1 / 5.2
Tensions, opposing interests and incoherent approaches among relevant players	Work with visualisations, examples and pilot actions. Possible appoint an external facilitator.	5.2
Limited capacity of local actors to implement support measures	Network, cooperate and learn from others.	5.3





### **ESPON 2020 – More information**

ESPON EGTC

4 rue Erasme, L-1468 Luxembourg - Grand Duchy of Luxembourg

Phone: +352 20 600 280

Email: [info@espon.eu](mailto:info@espon.eu)

[www.espon.eu](http://www.espon.eu), [Twitter](#), [LinkedIn](#), [YouTube](#)

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States, the United Kingdom and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.