

BusDEV - Business Development Opportunities at External EU Borders

Targeted Analysis

Final Report

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Abbreviations

CDFI	Community Development Financial Institution
CF	Cohesion Fund
CLLD	Community Lead Local Development
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EEN	Enterprise European Network
EGTC	European Grouping of Territorial Cooperation
ENI	EU Neighbourhood Instrument
ENP	European Neighbourhood Policy
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESPON	European Territorial Observatory Network
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
EU	European Union
EUSBSR	EU Strategy for the Baltic Sea Region
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GVA	Gross Value Added
ITI	Integrated Territorial Investment
LAG	Local Action Groupe
LAU	Local Administrative Unit
NUTS	Nomenclature of Territorial Units for Statistics
MS	Member state
OP	Operational Programme
RDA	Regional Development Agency
RDC	Regional Development Council
RES	Renewable energy sources
RIS3	Smart Specialisation Strategies
ROP	Regional Operational Programme
SEZ	Special Economic Zone
SGEI	Services of General Interest
SME	Small and medium enterprise
TA 2030	Territorial Agenda 2030
ToR	Terms of Reference

Introduction

The ESPON Targeted Analysis 'Business Development Opportunities at External EU Borders' is implemented under Specific Objective 2 of the ESPON 2020 Cooperation Programme. Its key objective is to analyse the business environment in regions next to the EU external land border and provide insights into existing business policies and their possible territorial effects. It seeks to satisfy a special interest of the project stakeholders on the below issues:




- *What are the main challenges faced by the local businesses in the cross-border areas at the EU external border?*
- *Why the existing policies and business support mechanisms have not been efficient in delivering the expected socio-economic development results? What has worked and what has failed?*
- *What are the development perspectives and added value that closeness to the EU external border can provide in terms of attracting investments and conquering new markets thus stimulating socio-economic development?*
- *What policies need to support these processes taking into account the socio-economic and geopolitical circumstances?*
- *What concrete support mechanisms need to be developed that could stimulate entrepreneurs to develop their businesses in the cross-border areas by using this specific location and other conditions as an asset? What concrete actions this would imply?*
- *What kind of cross-border cooperation among the EU countries and the neighbouring countries across the EU border could stimulate development of entrepreneurship on the external borders of the European Union?*
- *What kind and what level of business knowledge local entrepreneurs have? How to increase the knowledge of local entrepreneurs about business related topics, especially trade near the border area?*

A key challenge for the study is to discover business opportunities in areas where private capital does not immediately see them. The study partly covers five out of 16 NUTS2 regions located at the most eastern EU external land border and cannot fully represent the situation along the whole borderline. Moreover, for the three stakeholders their peripheral territorial context in their own countries defines the business environment to a much greater extent than their proximity to the EU border. Hence, the search for added value of the EU external border and possible development perspectives due to its closeness is an additional challenge.

The study tries to disclose the regional potential as well as their territorial capital. This capital is believed to define their business environments. Though at first sight the three regions seem to have a lot of commonalities, in terms of their peripherality, backwardness and depopulation on closer inspection many local factors and historical legacy, together with the border realities result in a very contrasting picture. This indicates how businesses development is closely interlinked with many determinants outside the scope of this study such as trust between people, quality of governance and solidarity among many others.

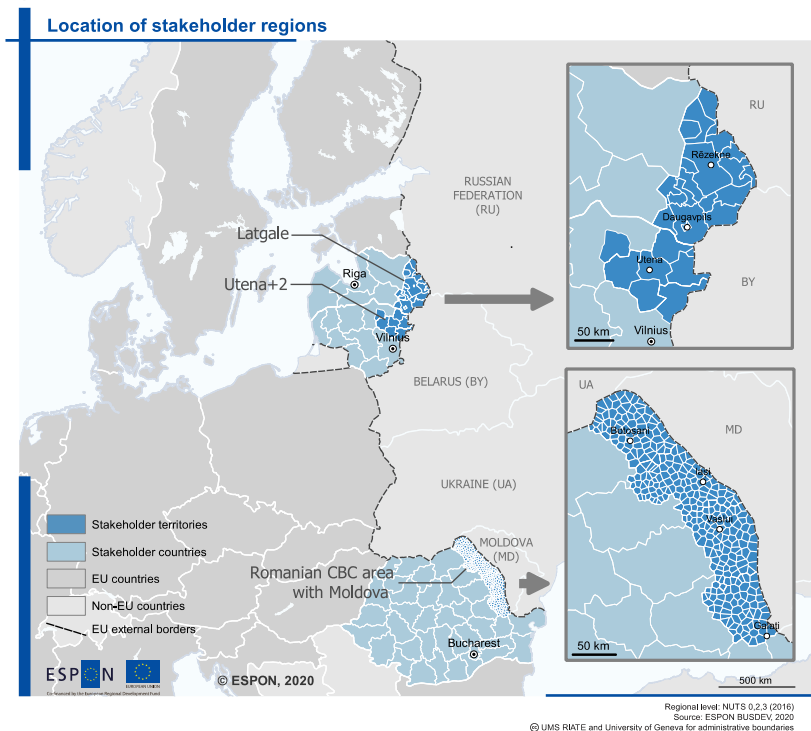
The three pilot regions of this targeted analysis lie at the EU external terrestrial border in the Member States of Latvia, Lithuania and Romania. They either fully or partly cover a total of eight NUTS3 regions. Table 0.1 below summarises territorial denominations covered by this analysis and provides an overview of characteristics of the three stakeholder territories. Map 0.1 shows their geographic location.

Table 0.1 Administrative delineation and general characteristics of the three stakeholder territories

Country	Stakeholder territory	NUTS2	NUTS3	LAU level local authorities	Area km ²	Inhabitants 2019	Average GDP per capita 2017 €
 LATVIA	Latgale	Latvia	Latgale (LV005)	21 local authorities	14 550	260 226	€ 7 164
 LITHUANIA	Utena+2*	Capital Region (LT01)	Vilnius (LT011) Panevėžys (LT025)	A total of 8 local authorities: • 1 local authority from Vilnius • 1 local authority from Panevėžys • 6 local authorities from Utena	9 962	167 177	€ 9 300
		Central-Western Region of Lithuania (LT02)	Utena (LT029)				
 ROMANIA	Romanian CBC area with Moldova	Nord-Est (RO21)	Botoșani (RO212) Iași (RO213) Vaslui (RO216)	326 local administrative units (of which 306 are communes, 12 are towns and 9 municipalities)	20 246	2 051 102	€ 6 277
		Sud-Est (RO22)	Galați (RO224)				

Source: Consortium; * the name of Utena+2 comes from the composition of the territory, i.e., Utena county plus two other adjacent local authorities

Map 0.1 Location of the stakeholder territories



Source: Consortium

At inception of the project the following hypotheses were put forward to guide the research:

1. The external border location negatively affects the overall regional development potential and business opportunities in the stakeholder territories.

2. *Place-based integrated interventions strengthening local endowments are more relevant and effective for the development of the stakeholder territories than overall national sectoral policies.*

Methodology wise the study applied a wide range of tools in order to arrive at findings and conclusions that could either support or rebut the above two hypotheses. Besides the review of various previous studies and calculating business support programme data, efforts have been made to collect also qualitative data from the primary sources, i.e., involved municipalities and businesses. Main part of the Scientific report that is another delivery of this assignment gives an overview of all the methodologic elements used within this study.

The Final report presents findings of the research based on separate analysis of the three stakeholder territories. It tries satisfying specific stakeholder interests on the situation in the regions. Its three main chapters correspond the three tasks as per Terms of Reference (ToR). The most relevant methodologic tools as per the three tasks are highlighted in the chapter relevant paragraphs below. The territory reports annexed to the Scientific report contain a more elaborate overview of the respective regions, namely: Annex I 'Stakeholder territory report for Latgale, Latvia'; Annex II 'Stakeholder territory report for Utena+2, Lithuania' and Annex III 'Stakeholder territory report for Romanian CBC area with Moldova'.

Chapter 1 of this report summarises findings on the business environments in the stakeholder territories. The study highlights regional potential and territorial capital defining their business eco-systems. A comparative analysis of the three stakeholder territories describes their commonalities as well as disparities. Chapter 1 provides conclusions in relation to the 1st hypothesis based on desk research analysis of approximately 50 socio-economic indicators in five to ten year time-series. Of them 21 indicators are collected following a unified approach and serve as a main quantitative reference for the comparative analysis of the regions. Task 1 also involved literature review, multidimensional border reality assessment, interviews of municipal representatives and elaboration of the Territorial capital matrix allowing to translate the data findings into a territorial context.

Chapter 2 provides an overview of the effectiveness of current business policies and support mechanisms that derives from analysing actual monitoring data of the support measures as well as interacting with the businesses via interviews and surveys. A factsheet including a case study has been elaborated for each of the business support measures in focus of this analysis. The cross-analysis of stakeholder reports provides insights on impacts, potentials and limits of the analysed business support mechanisms and tests the overarching hypotheses, but the 2nd hypothesis, in particular. Chapter 2 also elaborates on examples from other EU Member States that may inspire effective business policy development in the stakeholder territories. Annex IV 'Business support policies in other EU Member States - Good practice examples for inspiration' to this final delivery presents them in detail.

Chapter 0 outlines potential future policies and actions needed to stimulate business development along the EU external border. Although there are commonalities between the

pilot regions, in-depth analysis shows significant differences in border realities and socio-cultural backgrounds. Hence, concrete recommendations for business support policies and mechanisms have been proposed for each stakeholder territory and are found in the final chapter of each respective report. The commonalities in region-specific recommendations allowed concluding on a general strategic outline enclosed in this chapter of the final report.

The task has been carried out as a collaborative process with active participation of representatives of the stakeholder territories. It entailed an exchange of opinions between the project experts and people “on the ground”. The participants were surveyed on their views regarding the present trends of regional development and global issues such as climate change and digitalisation. Focus groups were organised to discuss the most relevant policy approaches to better address the anticipated development scenarios. The participatory process resulted in stakeholder territory specific recommendations and a set of ideas and tools for the framework of territorial strategies at EU external borders. It presents ways to ensure that policies and instruments acknowledge and utilise regional potentials and border realities. Chapter 0 contains its outline while a full version of the ‘Framework for territorial business development strategies’ is Annex V to this study.

Elaboration of this targeted analysis coincided with the worldwide COVID-19 pandemic outbreak and the subsequent lockdowns in the involved Member States from mid-March to end 2020. Overall, the COVID-19 pandemic did not have any considerable impact on the planned analytical work apart from the fact that most of interviews were held online instead of in person. This, however, did not negatively affect the scope and quality of the data. On the contrary, it enabled reaching out to far more people than planned and acquisition of more data.

The COVID-19 pandemic though could have a far-reaching impact on development of the stakeholder territories that is impossible to assess at the moment. It has illustrated how regional value chains are relevant for resilience and sustainable development across the EU. In its last economic forecast for 2020, the European Commission projected GDP declines for Latvia of at least 5.6%, Lithuania – 2.2% and Romania – 5.2%¹. Such declines will definitely leave a yet unpredictable impact on the regions in focus. Moreover, the pandemic is far from over.

Two other events in 2020 that will have an impact on the stakeholder territories were the contested presidential elections in the Republic of Belarus of August 2020 and the election of a pro-European president in Moldova in November 2020. The latter will almost certainly help facilitate mutual economic cooperation across the border of Romania and Moldova. For Belarus it is yet not known which direction the political events will take. Nevertheless, they will also most likely have an impact on business development along the EU border.

¹ https://ec.europa.eu/info/sites/info/files/economy-finance/ip136_en_2.pdf

Executive summary

Business environments in the three stakeholder territories of this targeted analysis face particular development challenges due to their outlying location. All three pilot regions are peripheral within their countries and significantly lag behind their national averages for economic development. In a way their backwardness is a historic legacy, however it is currently very much exacerbated by depopulation and a long distance to the main national and global markets.

Business investments – whether domestic or foreign – often do not choose their location according to proximity to their headquarters or a national border but to other conditions such as tax incentives or availability of labour. In other words, proximity to the external border as such does not come with a particular potential for investment from the neighbouring countries.

Cross-border areas at the EU eastern external land border have similarities, but they can also be quite distinct as this targeted analysis of the three pilot regions shows. Entrepreneurship is lower in the stakeholder territories than in other parts of the same country. This is mostly due to unfavourable locational factors resulting in depopulation and additional costs to access main markets. Maintaining competitiveness is a permanent challenge and doing business at the EU external land border is too often seen as more of a disadvantage than opportunity in the eyes of private capital. Proximity to the border mostly exacerbates rather than mitigates business impediments in these peripheral regions. This study has not found many distinct advantages of proximity to the EU external border for attracting investment and conquering new markets.

The multidimensional border reality assessment concludes that political and socio-cultural dimensions are crucial for defining impacts of the EU external border on the business environment in the nearby regions. The border realities stem from strong to moderate closing effects of the political dimension that also impact the economic and socio-cultural dimensions. The socio-cultural dimension is constant, while the political dimension is variable. Development perspectives of these cross-border areas are largely defined by the political situation on the other side of the border. Prodemocratic and pro-European neighbours can be a game changer and determinant of business development. Shared identity is also crucial for economic dimension openings.

In the territories where political dimension has a strong closing effect, such as Latgale on the border with Russia and Utena+2 on the border with Belarus, the economic dimension is also closing having an immediate impact on businesses. The border disrupts the economic space and shuts down markets on the other side of it. In combination with the peripheral location and sparse population, this negatively affects the regional economy. As a result, businesses face challenges in accessing all types of markets, in particular labour and finance.

Territories where the political dimension has a less strong closing effect can enjoy some economic advantages. These are reinforced by the socio-cultural dimension as seen in the Romanian CBC area with Moldova. The shared identity allows for moderate opening effects

within the economic dimension, giving more potential for cross-border business co-operation. This area already has a considerably greater cross-border flow of capital, people and goods than the other stakeholder territories. The recent election of a pro-European president in Moldova will most certainly help facilitate mutual economic cooperation and foster cross-border business ties.

Compared to the respective country, entrepreneurship is not sufficiently developed in large parts of the stakeholder territories, at least beyond the primary sector. At the same time, absorption of business support funding is often also well below the national average. This suggests that the relationship between entrepreneurship capacities and absorption of business support can be confirmed. There are, however, some distinctions:

- For EAFRD, business support absorption varies considerably. If the support is closely connected to agriculture, the uptake is usually higher, often well beyond national averages. This is linked to sector structures dominating in these territories and risks a lock-in to support.
- For some EAFRD non-agricultural business development support, absorption is also above average. Relatively low entrance barriers to accessing EAFRD compared to ERDF support seem to explain this. These barriers refer to the size of support as well as procedures and the management of schemes.
- The Romanian analysis furthermore shows that these territories also absorbed ERDF support when offered regionally managed schemes targeted to specific local needs.
- Finally, absorption within the stakeholder territories varies considerably. Local disparities in absorption can be explained at least partially by differences in entrepreneurial capacity.

The findings on targeting ESIF measures in Romania including non-agriculture measures under EAFRD support the hypothesis that business support has to consider the needs of the stakeholder territories. They may require more flexibility in instrument design to increase absorption. However, this may not always be sufficient to arrive at expected results:

- Even if absorption capacity is increased through more flexible implementation with lower entry barriers, effectiveness in terms of business performance, viability and productivity is not automatic.
- Addressing the needs of potential applicants may also require developing their ability to apply. This should increase applications and absorption, leading to more successful business projects.

Business support in the three stakeholder territories yielded different degrees of effectiveness probably for different reasons. Apart from scale that matters for a realistic assessment of socio-economic development impacts, some examples show that business policies in these territories tend to be more successful if they a) tackle the origins of challenges rather than the symptoms, b) have a long-term perspective rather than aiming at short-term benefits and c) are linked to territorial needs and structures.

Sustainable and resilient regional development may not depend on external investments. Geopolitical circumstances and the closing and opening effects along these borders suggest that the focus should be on endogenous potential development. This may require a change of perspective as it is not only about existing potential but also about enablers to activate regional potential.

Combining these findings with analysis of policy measures in other Member States indicates that business potential in the stakeholder territories could benefit from more integrated

approaches acknowledging the parallel occurrence and interdependence of challenges. Regional potential is central to develop targeted business support. This does not necessarily refer only to direct business support but is often more about creating pre-conditions and enablers. The enablers to be prioritised and considered jointly and how they should be combined with other direct business support is subject to local and regional needs analyses and conditions within existing business eco-systems or beyond. They are not necessarily subject to location at a border, which is one of many relevant conditions.

These considerations lead to the conclusion that support mechanisms to stimulate entrepreneurship in the stakeholder territories need to be defined individually by the territories. A general strategic approach should consider specifics of the territory independently of the border as well as particularities due to the border. This confirms the starting hypothesis that place-based integrated interventions strengthening local endowments are more relevant and effective than national sectoral policies for development in the stakeholder territories.

To overcome the limitations observed so far, a strategic vision process is required to initiate new policy perspectives and contribute to developing place-based integrated business policies in the stakeholder territories. This process would favour long-term socio-economic and business development building on regional resources and potential over short-term investments from other regions that are subject to external factors not influenced by regional and local stakeholders. While attracting investments from other regions is also necessary and may be enhanced through different measures, including Special Economic Zones (SEZ), they are not sufficient for a resilient, long-term economic structure in these regions.

At the same time, as shown by experience at EU internal borders, sustainable territorial cooperation that can also develop long-term business relations for the benefit of regions on both sides of the border above all requires mutual trust. In consequence, cross-border cooperation with neighbouring non-EU countries may stimulate entrepreneurship in the long-term primarily through trust-building measures that could also address business enabling conditions in education, environment, research, etc. The most appropriate types of cooperation measures depend again on the specifics of the territories and the border realities.

The proposed approach to business development in regions next to the EU external border considers the recently adopted Territorial Agenda 2030 as an overarching framework. The Territorial Agenda 2030 encompasses objectives of both Just and Green Europe and emphasises the territorial dimension behind the diversity of EU regions. This includes inequalities and unsustainable developments in the analysed regions. The general strategic approaches proposed by this study build on the principles of multi-level governance, place-based approaches, coordinated sector policies and territorial cohesion at EU external borders. The framework for territorial strategies provides inspiration for public authorities and other stakeholders in EU external border regions to enhance business development potential.

1 Existing business environments in the stakeholder territories

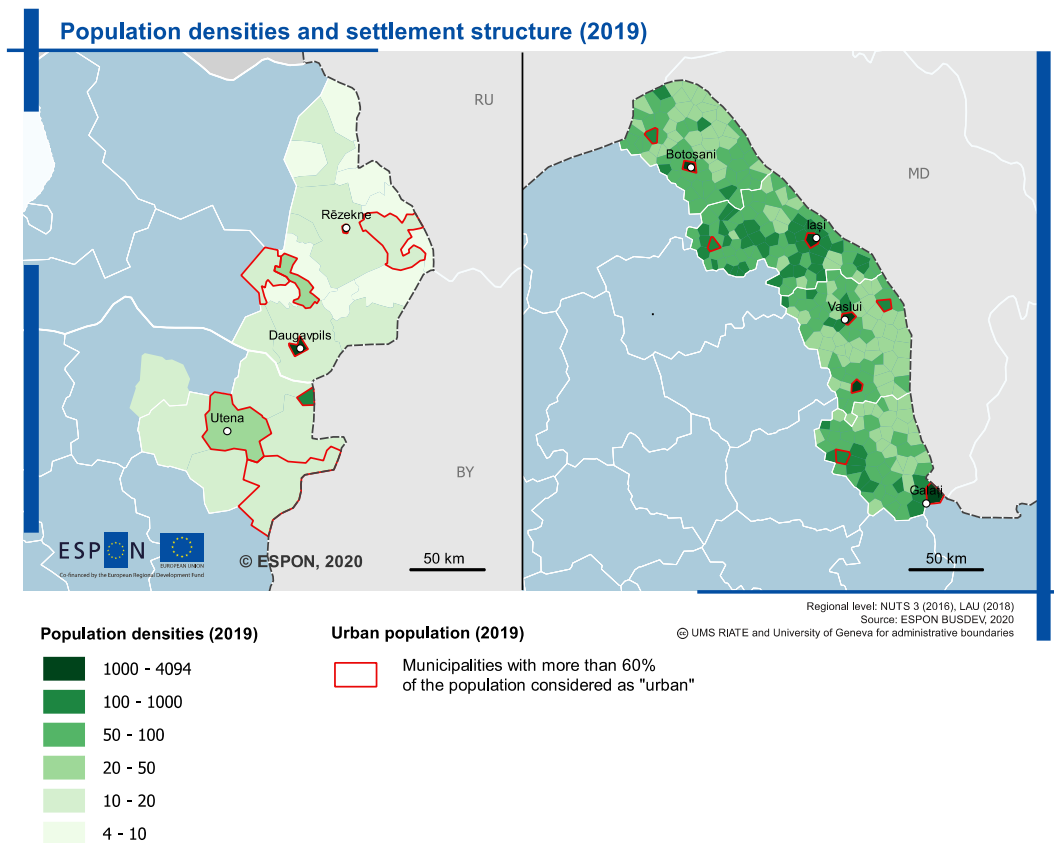
The chapter summarises findings on the entrepreneurial eco-system in the project stakeholder territories and their main challenges. Efforts have been made to disclose regional potential via the ‘location’ and ‘beyond location’ aspects. The main endowments are disclosed in a comparative overview of the three regions. They are also summarised in the Territorial capital matrix that not only reflects strengths and weaknesses of each region, but also puts them in a larger territorial context. The relevant matrixes are annexed to this report.

1.1 The ‘location’ aspect

The ‘location’ analysis provides an overview of regional economic potential by studying four sets of regional endowments: (1) human capital, (2) locational endowments, (3) physical and sectoral endowments and (4) border reality. The analysis covered the past five years for which data are available and where possible and meaningful a time span beyond five years.

Of the three territories, Latgale in Latvia and Utena+2 in Lithuania are more homogenous than the Romanian CBC area with Moldova. This is reflected in almost every indicator and also shows up in the territorial development patterns. The homogeneity of Latgale and Utena+2 and their distinction from the stakeholder territory of Moldova is mainly rooted in the size of population, its density and the respective settlement structure (see, Map 1.1).

Map 1.1 Settlement structure of the stakeholder territories



Source: Consortium, 2020

1.1.1 Human capital

As the regions are depopulating, human capital is volatile and from a business perspective is considered as an additional risk. General population characteristics of the regions are:

- considerable outward migration – between 2009 and 2019 - Utena+2 had a population decline of 24%, Latgale 19%, while Romanian CBC territory with Moldova fell by 9%;
- high unemployment in Latgale (14%) and Utena+2 (12%) in 2019, while comparatively lower in the Romanian stakeholder territory (4.7%);
- In 2019 there were 107 800 employed persons in Latgale, 60 000 in Utena county and 720 800 in the Romanian CBC area.

As seen from Map 1.1 the Romanian CBC area with Moldova is much more densely populated. Five times more people reside in the area than in the two stakeholder territories in Latvia and Lithuania combined, see Table 0.1. Latgale and Utena+2 together are approximately the same size as the Romanian CBC area with Moldova. Population and its density is an asset of the Romanian territory compared to Latgale and Utena+2 which have already become sparsely populated areas² characterised with a lack of critical mass and low accessibility potential (Gløersen et al., 2019). At the same time, the Romanian stakeholder territory is very fragmented with almost 11 times more LAU level municipalities than Latgale and Utena+2 combined. This has determined that analysis in the Romanian territory remained at NUTS3, i.e., county level.

Due to significantly higher population density, the Romanian CBC area is the most urbanised territory even though statistically it has a lower share of urban population compared to Latgale and Utena+2. A larger and more dense population means greater local and regional market potential as an inductive business determinant.

There are, however, significant internal disparities inside the Romanian stakeholder territory, i.e., the four counties of Romania are not homogenous. Vaslui and Botoşani are less developed rural areas, while both Iaşi and Galaţi are significant economic development growth poles with Iaşi also being an academic and cultural centre of Romania.

The share of people with tertiary education has increased in the stakeholder territories of Latvia and Lithuania, though it still remains low compared to the national average and the capital cities. Tertiary education attainment in the Romanian stakeholder territory is similar to the national level. The latest data though are from the 2011 census and cannot be compared with the other two regions. The Romanian stakeholder territory is the only region reporting low participation in education, with dropouts and early leavers. This diminishes the value of its population as an asset.

Vocational education establishments in all three stakeholder territories have undergone turbulent times in the last decade. While in Latvia and Lithuania they are being reformed, in

² 'sparsely (i.e. less than 50 inhabitants per square kilometre) and very sparsely (less than 8 inhabitants per square kilometre) populated areas'

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006R1083&from=en>




Romania they were almost abolished in 2009 with a sharp drop followed by a slow recovery. The vocational education establishments are becoming better tailored to regional needs in all three territories but their role in the regional economy needs to increase substantially to fully utilise their potential for business development.

In Utena+2 there are no higher education establishments. In Latgale there are two universities, and their regional engagement has been formally assessed as satisfactory. As in Iași, which is one of the foremost university centres in Romania, higher education establishments in Latgale also have a modest contribution to the regional labour market. In the whole Romanian stakeholder territory, there are five state-owned and two private establishments of higher education in Iași, while Galați has a state university (Dunărea de Jos) and a private one (Danubius). Despite their limited regional commitment, all higher education establishments are considered important business development assets.

An important distinction between the stakeholder territories is their labour market structure. In 2019 employment in the Romanian CBC area was predominantly in agriculture – 30%. The main employment in Latgale was in manufacturing, i.e., NACE Rev.2 sectors (B-E) – 15%, while 13% people were employed in agriculture. At the same time Utena county alone had 25% of employed in manufacturing and only 7% in agriculture.

Human capital features, but the employment structure in particular, lead to relatively patchy economic outcomes in the regions as seen in Table 1.1 below. Diversity prevents any meaningful comparative conclusions on the human capital potential. Some patterns and commonalities could be potentially sought between urban and rural population, dominating economic activities as well as the main business determinants such as proximity to markets.

Table 1.1 General economic data of the three stakeholder territories

Stakeholder territory	Share in the national total GDP 2017	Average GDP per capita 2017 €	GDP per capita as % of the national average 2017	Number of enterprises per 1,000 inhabitants 2018**	Number of enterprises per 1,000 inhabitants as % of the national average 2018**	Value added at factor cost per employed 2017 €	Value added at factor cost per employed as % of the national average 2017
Latgale 	7%	7 164	52%	25	50%	10 800	59%
Utena+2* 	3%	9 300	72%	31	70%	13 956	68%
Romanian CBC area with MD 	7%	6 277	66%	20	70%	16 538	95%




Source: National statistics, * 2018; ** legal forms of enterprises might not always be directly comparable

Utena+2 is the smallest area by size, population and share of national GDP. At the same time, it is the 'richest' of the three areas which might be explained by its relative proximity to the capital city of Vilnius (approximately 100 km) as well as a significantly higher share of inhabitants employed in manufacturing than agriculture.

Both Latgale and Romanian CBC contribute on average 7% to their respective national GDP. The high value added in the Romanian stakeholder territory suggests of a broader range of industries beyond agriculture that can compensate for the large share of population employed in the primary sector with traditionally low value added.

The gross value added share of main industries in the stakeholder territories is shown in Table 1.2.

Table 1.2 GVA by NACE REV.2 activities in the stakeholder territories, 2017

Stakeholder territory	(A) Agriculture, forestry and fishing	(B_TO_E) Industry	(C) Manufacturing	(F) Construction	(G_H_I) Wholesale and retail trade, transport, accommodation and food service activities
Latgale 	7%	20%	15%	4%	21%
Utena+2 	6%	35%	21%	6%	19%
Romanian CBC area with MD 	7%	20%	n/a	23%	23%

Source: National statistics

Low productivity and added value is an issue in the stakeholder territories. It reflects in incomes, which lag behind the national averages, making people leave the regions and possibly also the countries in pursuit of higher earnings. This depletes precious human capital in the regions. An ESPON study 'Geography of New Employment Dynamics in Europe' (ESPON, 2018)³ highlights that Latvia, Lithuania and Romania are overall 'sending regions' (e.g., registering negative net migration rates). The recent ESPON Policy Brief on 'Labour migration challenges'⁴ gets down to the regional level and confirms that with an exception of the Iași county in Romania, which is among the few counties in Romania with a positive migration rate, all the local authorities in focus of this study have negative net migration rates between 2012 and 2017. The 'brain-drain' further limits development potential of regions.

1.1.2 Locational endowments

The locational endowments of all three stakeholder territories are determined by their peripheral location within their own countries and the EU, which affects their accessibility.

³ <https://www.espon.eu/employment>

⁴ ESPON Policy Brief 'Labour migration challenges'

Even though Utena+2 is comparatively closer to the capital city of Vilnius, it still considers itself peripheral due to constraints imposed by the EU external and internal borders.

Economically only the Romanian CBC area with Moldova seems to profit from a considerably larger, more open and active regional market on both sides of the EU external border, i.e., with Moldova. The situation is quite the opposite in Latvia and Lithuania. Border closing effects literally cut off ½ the potential economic space in the neighbourhood leaving the markets on the other side of the border unattainable for local businesses. See a brief analysis on the border reality assessment in a subchapter 1.1.4.

The comparatively low levels of income for local inhabitants make businesses in the stakeholder territories search for markets outside their regions. Latgale and Utena+2 see the national capital cities as one of their potential markets. Inhabitants in and around cities of Rīga and Vilnius have considerably higher purchasing power to buy, for example, organic farming produce from the region.

A lot of businesses also focus on export markets in the EU as well as third countries. The main market of Utena county is the EU, where 72% of goods are exported. Main destinations are Germany, Sweden and Denmark. In 2017, approximately 1/3 of Latgale's GDP was exports by the 100 top exporting companies.

Limited accessibility of the regions was mentioned by many interviewees, especially in Latgale and the Romanian stakeholder territory. While Utena+2 is relatively close to the capital Vilnius and comparatively well-serviced by road and railway connections, Latgale deems accessibility as a crucial impediment to its development. Its remoteness adds to costs making businesses less competitive compared to those from regions closer to major transportation networks. There is no decent airport in the region and major transport junctions are more than 200 km away.

For the Romanian stakeholder territory, although secondary connectivity to TEN-T roads and railways is high, low capacity and quality of roads and rail infrastructure negatively impact accessibility, safety and the economy. There have been considerable investments in road infrastructure since Romania joined the EU. However, there is still a significant share of unmodernised roads, mainly at county and local authority level that do not meet the mobility needs of the region and across the Moldavian border.

The stakeholder territories have rich natural and cultural heritage. Latgale and Utena+2 together with the Belarus region of Vitebsk share a common historic heritage, while the Romanian CBC area and Moldova even share a common language and traditions. Its proximity to Vilnius makes Utena+2 a popular rural tourism destination in Lithuania. The stakeholder territory has the widest network of rural tourism farmsteads in the country. In the past ten years Latgale has almost tripled the number of visitors and stays. In Romania, Iași is the second county after Bucharest for the number of historical monuments and has the most visitors. Nevertheless, the number of visitors in the stakeholder territory is below the national average

in all four counties. It has been concluded that regional economic development at the EU external border cannot rely on tourism alone.

1.1.3 Physical and sectoral endowments

The Romanian stakeholder territory benefits from highly fertile land, creating natural preconditions for agriculture. The vineyards in Vaslui and Iași are an important common asset of the Romanian cross-border area with Moldova.

The soil in Latgale on the contrary is the least productive in Latvia. Agriculture covers 45% of the territory in Latgale, while another 39% are forests. The region has a significant share of organic crop area. In Utena county, arable land makes up to 38%, while 35 % are forests.

The agriculture potential, especially in the Romanian stakeholder territory, but also in Latgale has been diminished by high fragmentation of land ownership and significant subsistence farming that prevents efficiency.

Latgale and Utena+2 are called the region of lakes and Latgale hosts half of all lakes in Latvia. In Utena+2 there are 1 327 lakes covering more than 6% of the territory as well as many state-protected natural heritage sites.

Broadband access partially compensates for the limitations of physical accessibility in the stakeholder territories. Most of the interviewees are satisfied with the internet access as well as the opportunities of online public services.

Though presently all three stakeholder territories largely depend on traditional energy resources, i.e., natural gas and wood, all of them could increase use of renewables. In Utena+2, two of the three largest hydroelectric power plants in Lithuania are located, all of them still being small plants. Utena+2 has also increased the use of biofuels for heating, as well as electricity production from wind and solar power plants. A number of small hydroelectric power stations are also in Latgale, but there is hardly any use of wind and solar energy in the region. In the Romanian CBC area with Moldova several wind and solar energy projects as well as cogeneration and biogas energy projects are being implemented.

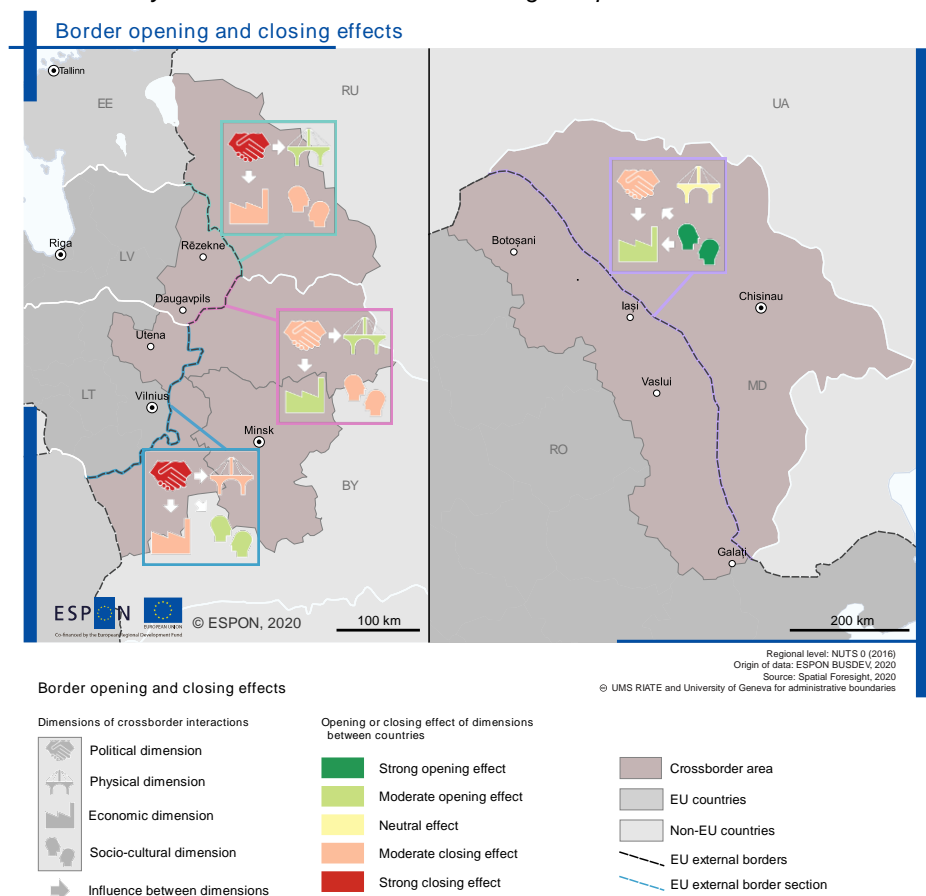
1.1.4 Border reality - border effects with relevance for the regional potential

Identifying potential effects of proximity to the EU external border for regional business development used a multidimensional border reality approach. The following four border areas have been assessed: (1) Latvia-Russia, (2) Latvia-Belarus, (3) Lithuania-Belarus and (4) Romania-Moldova. Map 1.2 provides a synthetic overview of the findings, while more detailed descriptions are in the stakeholder territory reports.

The multidimensional border reality analysis concludes that the two crucial factors defining impact of the EU external border on the business environment in the three stakeholder territories are the political and the socio-cultural dimensions. The socio-cultural dimension is constant, while the political dimension is variable.

In the territories where the political dimension has a strong closing effect, such as Latgale on the border with Russia and Utena+2 on the border with Belarus, the economic dimension is moderately closing, which has an immediate impact on regional businesses. The border disrupts the economic space, closing markets on the other side of the border. In combination with the peripheral location and sparse population, this negatively affects the regional economy. As a result, businesses face challenges in accessing all types of markets, in particular labour and finance.

Map 1.2 Border reality - border effects relevant for the regional potential



Source: Consortium, 2020

Territories where the political dimension has a less strong closing effect can enjoy economic advantages. These are reinforced by the socio-cultural dimension as seen in the Romanian CBC area with Moldova. The shared identity allows for moderate opening effects within the economic dimension. Hence, the most potential for cross-border business co-operation is in the Romanian CBC area with Moldova. It already has a considerably greater cross-border flow of capital, people and goods than the other stakeholder territories. The recent election of a pro-European president in Moldova will most certainly help facilitate mutual economic cooperation and foster cross-border business ties.

There is little economic co-operation between Latgale and Belarus as a result of Belarus businesses seeking safer and more lucrative conditions in the EU Single market.

Opportunities to operate in a familiar environment and being able to work in Russian are appreciated by several Belarus businesses mainly in Daugavpils. Hence, the socio-cultural border dimension should not be overlooked when building development strategies. For Latgale this is especially true after the contested presidential elections in Belarus that will most likely impact business development along this EU border.

The physical border was not mentioned by interviewees as an obstacle for cross-border business development per se, though for Utena+2 the physical dimension has a moderate closing effect as there are no international checkpoints for cargo transportation in the region. This makes cross-border business co-operation very difficult.

1.2 The ‘beyond location’ aspect

The ‘beyond location’ analysis assessed the entrepreneurial eco-system of the stakeholder territory including existing partnerships, networking, clusters, innovation, governance and access to finance.

Partnerships and networks in the regions include branches of top-down national associations such as Chambers of Commerce and other business sector associations as well as bottom-up organisations. However, the latter are more local than regional and are highly fragmented. There are no visible bottom-up regional partnerships in any of the territories explicitly advocating regional business interests. As a result of mutual distrust and prudence, SME co-operation in the regions is low and civil society is comparatively weak and immature.

Local partnerships with a significant role in the rural areas are local action groups (LAG) established to implement Community Lead Local Development (CLLD) known also as the EAFRD LEADER programme. There are 37 LAGs in the Romanian stakeholder territory, 16 in Latgale and 8 in Lithuania.

No distinct industrial clusters⁵ have been identified in Latgale and Utena+2, though in Utena+2 there are a few tourism clusters. There are 16 clusters in the Romanian stakeholder territory. The comparatively high value added in the Romanian stakeholder territory is most likely attributable to considerable industrialisation in its urban areas. Clusters in the Romanian stakeholder territory range from low-tech industries, such as textile-knitwear, agriculture, agri-food and tourism, to high-tech industries such as medicine imaging, biotechnology, IT, health and medical science. The clusters bring together companies, universities and local authorities creating a facilitative environment for business development.

While the stakeholder territories of Latvia and Lithuania have relatively few innovative enterprises compared to the national average – 5% in Latgale and 2.3% in Utena, the Romanian stakeholder territory hosts 10% of all innovative enterprises in the country.

⁵ Industrial clusters are groups of specialised enterprises, often SMEs, and other related supporting actors in a location that cooperate closely. https://ec.europa.eu/growth/industry/policy/cluster_en

As for the governance structure of the stakeholder territories, even though the main territorial denominators of this study are NUTS3 regions, none of them has an elected regional government, only at local levels. At the regional level in Latvia and Romania there are some regional governance structures with limited executive capacities, for example, to implement regional projects.

Latgale is one of the five planning regions of Latvia. The Development Council of the Latgale Planning Region is the decision-making body in the region with representatives of the 21 elected local authorities in the region. Its executive body, Latgale Planning Region Administration, acts under the supervision of the Ministry of Environmental Protection and Regional Development and ensures planning and coordination of regional development as well as co-operation between local governments and other state administrative institutions.

In the national architecture of the regional development policy, there are eight Regional Development Councils (RDCs) as decision-making entities in the Romanian stakeholder territory, while respective eight Regional Development Agencies (RDAs) represent their executive bodies. The latter were designated “intermediary bodies” for the ROP (Regional Operational Programme) in the programming period 2007-2013 and 2014-2020. For the upcoming 2021-2027 programming period the RDAs will act as Managing Authorities of the ROP at regional level.

Access to finance was mentioned as a weak point in the entrepreneurial eco-system of all three stakeholder territories. High interest rates, costs of loans and collateral requirements, a lack of guarantees or certainty of the financial situation of potential borrowers are mentioned as obstacles to access funding. In Romania the relative instability of the national currency was also mentioned. Thus, the territories are at the bottom of national lists for bank loans. Inability to access finance was mentioned as a major impediment to business development also during the interviews and a business survey in Latgale and Romanian CBC area with Moldova. Banks are not always ready to provide loans or sometimes even co-finance grants and point to high business risks in the territories along the EU external borders.

One way to compensate for the financial market gap in Lithuania are community development financial institutions⁶ (CDFI). There are several credit unions in Utena+2, some of them are also ESIF intermediaries. For example, the Entrepreneurship Promotion Fund 2014-2020 offering guarantees, partial interest compensation and compensation of labour costs is channelled via credit unions as well as the Agricultural Credit Guarantee Fund providing guarantees. In Latgale, there is only one small savings and loan association. Over the last five years there has been a comparative increase in entrepreneurship potential in the small local authority of Viļaka whose territory it covers. There is no data on CDFI in Romania.

⁶ CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers. CDFIs are helping families finance their first homes, supporting community residents starting businesses, and investing in local health centres, schools, or community centres. CDFIs strive to foster economic opportunity and revitalise neighbourhoods.

1.3 Territorial developments

The three stakeholder territories have very distinct settlement structures and thus also territorial developments within the regions as well as compared to each other. See Map 1.1.

The most populated of the three territories is the Romanian CBC area with Moldova with approximately 2 million inhabitants. They are evenly distributed over the four counties, but the settlement structure is complex. There is a distinct polarity of the cities of Iași and Galați and a few other high-density urban areas along with a large, low population density rural area. The Iași metropolitan area has almost half a million inhabitants and is one of the most dynamic functional urban areas in Romania. Galați county with 500 000 inhabitants is part of a bi-polar urban system together with Brăila county, which is outside the geographic scope of this analysis, but only 20 km from Galați. The system could potentially become a key urban agglomeration in Romania. Botoșani and Vaslui are the capital cities of the other two counties. They are seen as local development poles with limited inwards migration but high emigration towards growth poles and abroad due to less attractive living conditions and work opportunities.

In 2019, in Utena+2 there are only two towns with more than 10 000 inhabitants - Utena with a population of 25 494 inhabitants and Visaginas - 18 205 inhabitants.

In Latgale there are two major functional urban areas - its two biggest towns - Daugavpils and Rēzekne. In 2019, Daugavpils had a population of 82 604 inhabitants and Rēzekne - 27 820 inhabitants. Together with the surrounding LAU territories, these are the major urban areas in the region hosting more than half the region's population. The comparatively smaller urban areas of Līvāni, Preiļi and Balvi are important development centres in the region mainly due to the specific strengths of their economic activities.

Thanks to the entrepreneurial spirit and persistence of its inhabitants, business develops in the stakeholder territories, nevertheless the pace lags national averages. The stakeholder territories are also comparatively diverse in terms of local development. Most economic activity happens in urban areas. Predominantly rural areas normally have more self-employment indicating that people wish to be economically active. When there are no employers in their neighbourhood, they opt for self-employment. Some businesses in less populated rural areas can have a strong social dimension. As mentioned in a few interviews a lot of micro and small businesses operate with a sense of social responsibility, i.e., that without them the place will be completely left behind with no activity at all.

The businesses are also relatively smaller. Microenterprises (0-9 employees) are the main employer in the stakeholder territories. The share of large enterprises is relatively small. Hence, in 2018, there were only four market sector companies with more than 250 employees in Latgale, 9 in Utena county, but 108 in the Romanian stakeholder territory.

Limited access to finance in the regions expresses itself in various ways. Most explicitly it reflects in fixed assets of companies and all three stakeholder territories rank low in their

respective countries for tangible fixed assets per capita. Table 1.3 shows high regional disparities within the countries, with the highest in Romania and lowest in Lithuania. Investments are not spread evenly within the territories and they also lag in foreign direct investment (FDI).

Table 1.3 Investments in tangible fixed assets and FDI per capita, 2017

Stakeholder territory	Investments into tangible fixed assets per capita			Foreign direct investments per capita		
	Stakeholder territory	National average	Capital city	Stakeholder territory	National average	Capital city
Latgale	€ 495	€ 1 947	€ 3 528	€ 84	€ 924	€ 2 267
Utena+2	€ 1 147	€ 2 587	€ 3 648	€ 4 146*	€ 6 079	€ 20 215
Romanian CBC area with MD	€ 376	€ 1 344	€ 4 904	€ 573	€ 3 623	€ 21 187

Source: National statistics, * Utena county alone

There is a distinct urban-rural divide in terms of business activity regarding the sectors as well as the size of enterprises. In most rural municipalities, agriculture and forestry with some basic wood processing activities dominate. In some rural areas there is also transportation and Horeca, which have considerably lower added value, at least in the countryside. As a result, the average gross income of rural residents is lower than in urban areas.

Last, but not least the slower pace of economic development in stakeholder territories reflects in the wallets of their inhabitants. Since 2009 regional incomes have increased slower than the national average in all the territories.

Based on the business environments and their territorial dimension a Territorial capital matrix has been developed for each stakeholder territory. A unified methodology behind the matrix allows a synthesised visual overview of its main perspectives or dimensions – (1) territorial and (2) business. Territorial capital matrixes are included in the stakeholder territory reports. All three matrixes are annexed to this report. There is (1) a comparative visual overview of all three territories in a “three territories on one page” layout as well as (2) matrixes per stakeholder territory. They serve as visuals reflecting strengths and weaknesses of the regions putting them in a larger territorial context.

1.4 Conclusions in relation to the hypothesis

The regional potential and ‘entrepreneurship eco-system’ analysis in all three stakeholder territories tends to support the 1st hypothesis of this study: ‘*The external border location negatively affects the overall regional development potential and business opportunities in the stakeholder territories*’. To test this hypothesis empirically, it was further broken down into:

- The stakeholder territories face particular development obstacles due to their external border situation, in which they face specific border realities that have mostly closing rather than opening effects.

- Entrepreneurship is lower in the stakeholder territories than in other parts of the same country. This is due to, inter alia, unfavourable locational factors that may stem from the proximity to the EU external border and/or other peripherality in general.

The stakeholder territories face particular development obstacles related to their peripheral location and proximity to the EU external border. The border realities stem from strong to moderate closing effects of the political dimension that also impact the economic and socio-cultural dimensions.

The Romanian-Moldavian border area has a strong opening effect of socio-cultural dimension due to a strong shared identity on both sides of the border. To a certain extent this balances the political dimension's closing effects and allows for moderate opening effects within the economic dimension.

Latgale and Utena+2 face depopulation resulting in low population density, lack of labour supply and lower overall economic activity than in the rest of the respective countries. In Latgale the closing effects of the border with Belarus are less strong than with Russia, allowing for some moderate economic opening effects. Due to political tensions over the Astrava nuclear power plant built in Belarus close to the border, which Lithuania considers unsafe, the economic dimension maintains a moderately closing effect.

The statistical evidence is that entrepreneurship is lower in the stakeholder territories than in other parts of the same country. The density of businesses in the pilot regions can be even half of the national average. However, also within the stakeholder territories entrepreneurship is anything but homogeneously distributed.

Taking into account the different degrees of border closing effects and the variation in cross-border business relations it can be concluded that the proximity to the external EU border is not the single decisive factor limiting regional development potential and business opportunities. Instead, it is one of the factors that adds to other territorial characteristics such as the degree of peripherality within the national context and the border realities.

1.5 Complementing stakeholders' knowledge

What are the main challenges faced by the local businesses in the cross-border areas at the EU external border?

Cross-border areas at the EU eastern external land border have certain similarities, but they can also be quite distinct as this targeted analysis shows.

All three stakeholder territories are peripheral in the national territorial context and significantly lag behind the national average in terms of economic development. In a way their backwardness is a historic legacy, however it is very much defined and exacerbated by depopulation and a long distance to the main national and global markets. Although similar tendencies are observed in all three territories, Latgale in Latvia and Utena+2 in Lithuania can already be regarded as sparsely populated areas with a lack of critical mass and low

accessibility potential. This adds to their already laggard situation. These regions are already in need for appropriate EU attention as geographically specific areas.

The multidimensional border reality assessment concludes that political and socio-cultural dimensions are crucial determinants defining the impact of the EU external border on the business environment in the three stakeholder territories. The socio-cultural dimension can be regarded as constant, while the political dimension is more variable.

In spite of certain potential border opening effects described above the peripheral location of the regions brings significant additional transportation costs for primary and secondary industries in particular. Hence, maintaining competitiveness is a permanent challenge and doing business at the EU external terrestrial border is too often seen as more of a disadvantage than opportunity.

What are the development perspectives and added value that closeness to the EU external border can provide in terms of attracting investments and conquering new markets thus stimulating socio-economic development?

The study has not disclosed many distinct advantages that proximity to the EU external terrestrial border can provide in terms of attracting investment and conquering new markets. On the contrary there are many closing effects resulting in business disadvantages that are difficult to balance even with various regional development and business support policies. Thus, it is not possible to speak of distinct added value or competitive advantage for the three territories. Not least with the present political closing effects.

At the same time, there is potential for added value presuming that the political climate changes. Due to the opening effect of the socio-cultural dimension, the most potential is in the Romanian CBC area with Moldova. It already has a far greater cross-border flow of capital, people and goods than in the regions of Latvia and Lithuania. The election of a pro-European president in Moldova will certainly foster mutual economic cooperation.

Slightly less definite, but still a potential business development could be expected also in Latgale. This is again partly due to the presidential elections in Belarus which are being contested. Any developments here would be less due to the socio-cultural dimension, but more to the pragmatic sentiment of Byelorussians reallocating their businesses to Latgale, but Daugavpils, in particular. They might like the security and benefits of the EU single market close to their homeland. There are already at least 150 companies with Belarus capital in Latgale. Here the socio-cultural dimension plays a lesser role, but it should not be underestimated. Even though there are less commonalities in terms of language and traditions, some common history persists as well as aspirations in Belarus for democracy and European values.

In brief, development perspectives of the cross-border area at the EU external border are largely defined by the dominant political dimension on the other side of the border.

Prodemocratic and pro-European neighbours can be a game changer and thus a prerequisite also for business development.

What kind and what level of business knowledge local entrepreneurs have? How to increase the knowledge of local entrepreneurs about business related topics, especially trade near by the border area?

Average business knowledge of local entrepreneurs in the stakeholder territories is generally somewhat backward as indicated by the overall laggardness of the regions. However, as seen from a more detailed analysis of the regional business environments the entrepreneurs are very different and many of them have an outstanding knowledge of their business niche and their target markets, the EU Single market in particular. This especially regards the secondary and few quaternary sector industries.

No active and direct cross-border business or immediate potential was found in the Latvian and Lithuanian stakeholder territories with their neighbours on the other side of the EU border. This means there is also no immediate need for cross-border business knowledge, but it does not necessarily mean that businesses would not require such knowledge if the political or economic dimensions change.

All three regions have acknowledged that there is a need for general business skills development among young people. A second priority is innovation and integration in value chains at regional, national and transnational levels, including cross border ones. Last, but not least there is a need for international trade specifics in the cross-border areas to have the necessary conditions for potential cross border trade.

2 Effectiveness of existing policies and business support mechanisms in the project stakeholder territories – outcome of the analysis

2.1 Policy analysis findings

The chapter starts with an overview of the strategic business policy environment, which is compared for the three territories and illustrates links from EU to local levels in policy making. The analysis then provides an overview of business support in the three stakeholder territories. An assessment of the effects of selected business support measures is based on an understanding of the main business policies, their instruments and types of support. This is complemented by insights from business support policies of other Member States, namely Poland and Germany. The chapter concludes with general findings on impacts, potential and limits of business support mechanisms in the stakeholder territories.

2.1.1 Main business support policies

Business support policies in the stakeholder territories are embedded in a policy cascade under the EU policy framework. Despite a common framework at EU level, there are several differences in business support policies at national and regional levels and different emphasis on EU level frameworks. See Table 2.1.

Table 2.1 Cascade of business support policies in the stakeholder territories*

Policy level	Latgale	Utena+2	Romanian CBC area
EU	<ul style="list-style-type: none"> Europe 2020 Strategy & Common Strategic Framework 2014-2020 Common Agricultural Policy Small Business Act Territorial Agenda 2020 (TA2020)** 		
	EU Strategy for the Baltic Sea Region (EUSBSR)		<ul style="list-style-type: none"> European territorial cooperation Euro Plus Pact
National	<ul style="list-style-type: none"> National (Sustainable) Development Strategies (LV2030, LT2030) National Development Plans/Reform Programmes 2014-2020 ESIF Partnership Agreements Smart Specialisation Strategies (RIS3) Rural Development Plans 		
	<ul style="list-style-type: none"> Regional policy Guidelines Guidelines on National Industrial Policy Special economic zones (SEZ) Law on Savings and Loan Associations 	<ul style="list-style-type: none"> Lithuania Innovation Development Programme 2014-2020 Lithuanian Regional Policy White Paper 	<ul style="list-style-type: none"> National Competitiveness Strategy National Strategy for Research, Development and Innovation 2014-2020 Strategy for the Development of The Small and Medium Enterprise
Regional	<ul style="list-style-type: none"> Latgale Strategy 2030 Latgale Development Programme 2010-2019 Action Plan for Economic Development of Latgale Region 2018-2021 	<ul style="list-style-type: none"> Regional development plan of Utena region for 2014-2020 Integrated territorial development programme for Utena Region for 2014-2020 	<ul style="list-style-type: none"> Regional Development Plans (RDP) 2014-2020 (South-East and North-East)

Policy level	Latgale	Utena+2	Romanian CBC area
	<ul style="list-style-type: none"> Latgale planning region spatial plan 2006-2026 	<ul style="list-style-type: none"> Strategic action plans for eight municipalities in Utena+2 for 2018-2020 	

* Documents on business support policies are assigned to the territorial level they focus on rather than the political level approving the policy.

** The updated Territorial Agenda 2030 has been adopted recently in December 2020.

Source: Consortium, 2020

At EU level, differences in emphasis derive partly from location (e.g., EUSBSR) and partly from differences in the openness of the border (ETC at the Romanian-Moldavian border). While the principal structure of funding programmes and overall implementation rules are similar, national policies on business support differ regarding their focus. Comparing national documents for business development in the three Member States shows a more explicit and possibly stronger focus on innovation in Lithuania and Romania than in Latvia. For Latvia RIS3 is the main document, whereas in Lithuania and Romania this is complemented by innovation strategies or programmes which go beyond the specifications of RIS3 priority areas, widening the perspectives for innovation support. Latvia, however, seems to put more emphasis on legal frameworks that complement strategic policy documents to enhance entrepreneurship and competitiveness. Most national policies are territorially blind, i.e., not focusing on certain territories. The only exceptions are the SEZ and Lithuanian infrastructure policy support for 'targeted territories', among which are municipalities in Utena+2.

EU and national business policies are further translated at regional level very differently. In Romania, this is mainly restricted to regional development plans for the corresponding programming period. In Latgale and Utena+2, translation of these policies to the regional level encompasses several strategic documents including action plans to guide policy implementation. In the case of Utena+2, each municipality has its own action plan to address the needs of each municipality, see Table 2.1.

The main funding sources for implementation of these policies and business support systems are European Structural and Investment Funds (ESIF). The stakeholder territories of the three Member States are covered by national programmes, see Table 2.2. Even if regions are earmarked for support, these programmes mainly consider national needs. Thus, they do not differentiate measures, etc. according to the needs of individual regions. The main difference between the three Member States is the structure of OPs. Latgale and Utena+2 are covered by national multi-fund programmes whereas the Romanian stakeholder territory is covered by different fund specific programmes, including one focusing on competitiveness. The large infrastructure OP may also be relevant as far as it contributes to improving accessibility and connectivity, which is an important pre-requisite for attracting businesses (see Chapter 1).

Table 2.2 Overview of EU funding programmes for business support in the stakeholder territories

	Latgale	Utena+2	Romanian CBC area
ERDF / ESF / CF	National OP for Growth and Employment in Latvia 2014-2020 (ERDF/ESF/CF)	OP for EU Structural Funds Investments in Lithuania for 2014-2020 (ERDF/ESF/CF)	National Competitiveness OP 2014-2020 (ERDF) National OP Human Capital 2014-2020 (ESF) 2014-2020 Regional Operational Programme (ERDF)
			National Large Infrastructure OP 2014-2020 (CF/ERDF)
EAFRD	2014-2020 Rural Development Programme for Latvia	Lithuanian Rural Development Programme 2014-2020	2014-2020 Rural Development Programme for Romania

Source: Consortium and based on EC Open Data Portal (<https://cohesiondata.ec.europa.eu>), 2020

Apart from the different structural approaches, business support policies in the three stakeholder territories further differ in implementation, including ESIF programme specific objectives⁷, see Table 2.3. The main difference is between specific objectives that focus on sectors identified in strategic documents and objectives formulated more openly. While the former visibly support implementation, they may not always take regional specificities, such as different sector structures, into account. This may in turn be a disadvantage when applying for funding from national programmes if the economic structure differs from the national one. Only in Latvia do business support measures not only include direct support for enterprises but indirect support through measures to improve institutional, administrative and legal framework conditions (investment priority 3.4 in Table 2.3).

Table 2.3 Specific objectives supporting business development of relevant ESIF programmes in the stakeholder territories

Investment priority	Latgale	Utena+2	Romanian CBC area*
3.1 – entrepreneurship	Facilitate the formation and development of SME's in particular in manufacturing and RIS3 priority industries Increase the number of high growth enterprises	Increasing the level of entrepreneurship	Strengthen the market position of SME in the competitive fields identified in the National Competitiveness Strategy and Regional Development Plan
3.2 – internationalisation & innovativeness of SMEs	Increase the export proportion of high value-added goods and services	Increasing the internationalisation of SME	
3.3 – capacities for product and service development	Increase the amount of private investment in the regions ... according to the	Increasing the productivity of SME Increasing investments of SME	Support the creation and the extension of advanced capacities for production and

⁷ Due to the different structure, business support under rural development programmes (EAFRD) is not depicted here.

Investment priority	Latgale	Utena+2	Romanian CBC area*
	economic specialisation of territories...	in eco-innovation and other resource-efficient technologies	development of services
3.4 – institutional capacity & better governance	Improve the competence of the staff of courts and law enforcement authorities promote improvement of business environment Professional development of public administration for ... better legal regulation ...to support small and medium-sized enterprises...		Facilitate SME access to finance by implementing the uncapped guarantee instrument

* The specific objectives refer to the regional development programme.

Source: Consortium and based on descriptions of respective OPs, 2020

These findings from a review of business support policy instruments indicate a lack of flexibility in addressing different territorial and enterprise needs, depending on their location. For some stakeholder territories and programmes other than EAFRD, preliminary evidence supports the hypothesis that the uptake of business support may require better adjusted or more flexible measures. Sufficient leeway for regional adjustments and flexibility was recommended by municipalities from Utena+2.

Business support under EAFRD has been well taken up in the stakeholder territories. This is not least due to the economic structures and dominance of rural areas but also to possibly easier access to this support. This may not only benefit these territories but could also contribute to a lock-in when other business support is not sought if less available or more difficult to obtain. Unless EAFRD support to non-agricultural activities is managed and allocated smartly in the future, these territories may not be able to escape the low added-value, low productivity and subsequent low-income trap for rural areas.

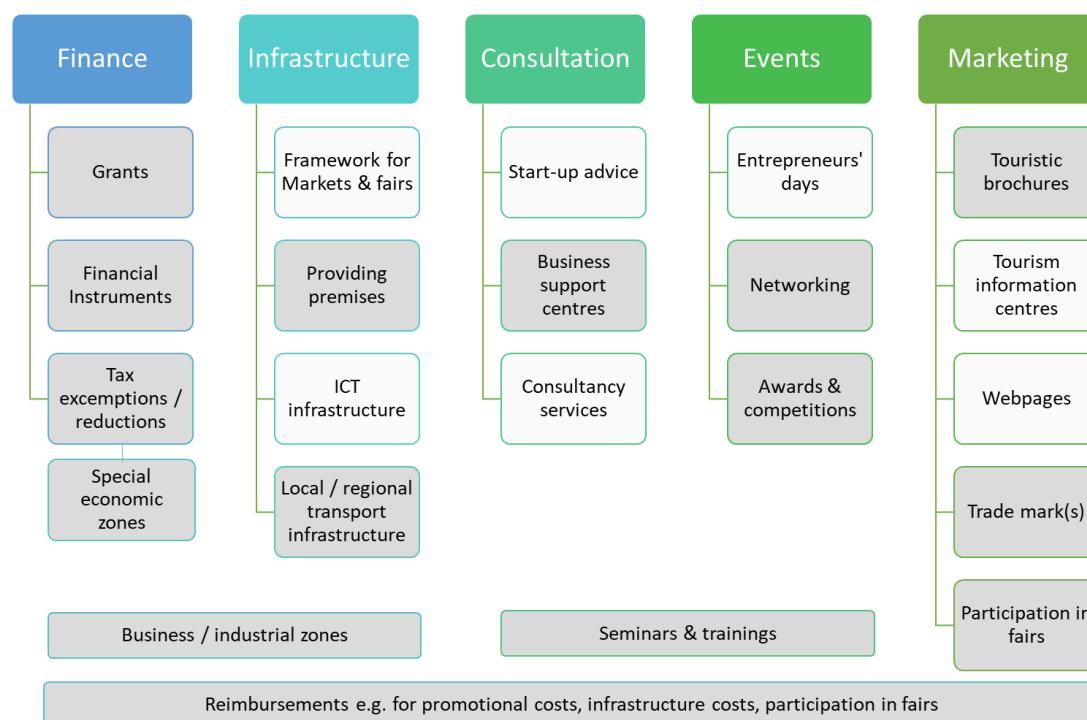
2.1.2 Existing business support systems

Business support systems are embedded in the cascade of business policies. Support may be from different sources and initiated from any policy level. The analysis highlights five types of support or interventions that may be further differentiated. Figure 2.1 indicates support in the stakeholder territories within these five types (shaded fields). All stakeholder territories make use of these types of support though to a different extent and with varying focus. Financial, infrastructure and consultation support seem to dominate. Events and marketing activities seem to be little developed. Apart from support widely available in the three Member States, some stakeholder territories or parts thereof offer tailored support taking into account the specifics of their business environment.

Financial support is a crucial pillar of business support in all stakeholder territories. Apart from grants and financial instruments offered through EU co-funded programmes, municipalities in Latgale and Utena+2 offer additional support tailored to the needs of SMEs and start-ups. In Romania, this is complemented by national programmes offering financial support to specific target groups and for specified purposes, however without a territorial focus. In all stakeholder territories, this financial support is relatively limited compared to EU co-funded programmes.

In Latgale and Utena+2 municipalities individually tailor financial support. Grants are offered via competitive procedures for business investment, establishment fees, interest payments or start-up investments as well as promotion costs such as participating in fairs. Some municipal support also covers training costs or refunds infrastructure investment costs made by businesses such as power lines. Tax reductions are offered including for creating jobs or investments above certain thresholds. In Latgale, this is complemented by financial support offered in the two SEZs based on a specific tax regime.

Figure 2.1 Potential business support systems^{8*}



* the grey text boxes refer to the elements of business support system analysed in the stakeholder territories

Source: Consortium, 2020

⁸ The illustration was inspired by the presentation of business support in Latvia in the Regional Policy Guidelines 2021-2027.

Business related **infrastructure** has been developed in all three stakeholder territories using mainly EU co-funded programmes such as ERDF, EAFRD and the Cohesion Fund. This includes both public and specific business infrastructure.

Lithuanian and Latvian municipalities in the stakeholder territories strongly emphasise providing good quality roads and access to network infrastructure that are important for regional development in general and for businesses.

There is widespread support through business and industrial zones. These take different forms in the three stakeholder territories and also include different types of premises which offer business infrastructure and often financial support including rent and/or tax relief. In Utena+2 this is complemented by national support for targeted territories with below average socio-economic development. Such support is to create an environment favourable for businesses, including infrastructure, business centres and public spaces, etc.

In the Romanian stakeholder territory business support infrastructure also includes business incubators and two science and technology parks which support innovation and technology transfer. The parks are in Iași and Galați that are more economically advanced than the other two counties (NUTS 3 level), Vaslui and Botoșani.

In Latgale and Utena+2 these services are mostly provided at municipal level by business and advisory centres, in business incubators or by rural consultants in the local authority. In Latgale there is also a regional Business Centre. In the Romanian stakeholder territory regional development agencies and Chambers of Commerce are the main providers of advisory services. Organisation of these services ranges from one-stop-shops to tailored advice for certain groups, which vary depending on location. Generally, business advisory services cover legal and financial issues for obtaining funding and premises, project development and start-up support.

In addition to these advisory services, business incubators may also provide such support in addition to infrastructure. In Latgale they also offer advice, training, mentors, etc. In other words, they offer combined financial, infrastructure and consultancy support and address different phases of businesses and projects.

In the Romanian stakeholder territory, an extensive system for business support was created and should be extended by RDA NE which also hosts the most active Enterprise European Network (EEN) centre of the six in the stakeholder territory. The most prominent activity is the '**Entrepreneurship discovery process**' introduced in the pilot project 'RIS3 Support for Lagging Regions' implemented by RDA NE in partnership with DG Regio and the Joint Research Center (JRC).

Events for business support range from enhancing competitiveness to exchanges of experience, offering information and training. The latter is also seen as an advisory service. While often focusing on regional and local businesses in the stakeholder territories, there are also digital and physical events and missions looking beyond the national border targeting

promising enterprises such as high-tech start-ups. The latter are targeted at national level and may thus be less relevant for most enterprises in the stakeholder territories. Events, their target groups and objectives differ greatly between the three territories.

Marketing related business support overlaps with financial support, including promotional activities and participation in fairs. Apart from this marketing support, promotional activities in the stakeholder territories are rare and mostly restricted to webpage information and possibly participation in national events. The only exceptions are certificates and a trademark for environmentally friendly activities in protected areas in Utena+2.

Given the location at the external EU border, business support may also be explicitly linked to **cross-border** activities. This has so far been through the EU neighbourhood instrument (ENI), in which Belarus and Moldova participate together with the EU neighbouring regions. Russia also participates in ENI activities though it is not part of the European Neighbourhood Policy.⁹ The multi-dimensional reality of the border matters for support provided through ENI. For example, in Utena+2, where border relations are dominated by closing effects, cross-border support primarily tackles the public sector as well as social and cultural development, creating pre-conditions for successful business development in future. In contrast, the Romanian-Moldavian ENI programme includes support for research and innovation, which may be more business oriented than measures at the Belarus border of Utena+2. Finally, the Latvian-Russian cross-border cooperation programme includes a business-oriented priority despite the dominant border closing effects.

2.1.3 Effects of business support measures

Selected business support measures in the stakeholder territories have been analysed to identify their effects as well as limiting and supporting factors. The support can be provided through different channels and programmes and may take different forms as outlined above. The following illustrates business support effects by differentiating policy objectives. It builds on analysis of policy instruments in the stakeholder territories, see Table 2.4.

Table 2.4 Business support measures analysed in-depth according to their main objective*

	Latgale	Utena+2	Romanian CBC area
Legal measures	SEZ	Business & tourism information centres	SEZ
Infrastructure		Municipal and national level initiatives towards modernisation of infrastructure	Investments in large research and development infrastructure Support to incubators
Business creation / start-up	Business incubators Micro-credits and start-up loans	Subsidies for starting a business <i>Starting economic activities in rural areas</i>	Start-up Nation Programme (equipment, know-how, capital)

⁹ https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/european-neighbourhood-policy_en

	Latgale	Utena+2	Romanian CBC area
	<i>Investments in developing non-agricultural activities</i> CBC – Support of entrepreneurship	<i>Setting up young farmers</i>	Human Capital OP (business creation)
Business development / growth	<i>Investments in processing/ marketing</i> CBC – New products and services based on local resources	Partial compensation of interest <i>Investments for setting up and developing economic activities</i>	Support for microenterprises Support to SMEs aiming at increasing productivity and competitiveness
Improving productivity	<i>Development of new products, practices, processes and technologies</i>	Regio Invest LT+ Industry Digitalisation LT + HIT industry LT+ <i>Investments into agricultural holdings</i>	Investments in non-aquaculture businesses to diversify economies of traditional fishery areas Investments in research development and innovation in SMEs (spin-offs and start-ups)
Improving skills and knowledge (training)		Competence vouchers	
Measures addressing several objectives	Increasing private investment for business development Revitalisation of territories Financial instruments (loans, mezzanine, finance access, risk capital, seed funding...) CLLD implementation Partial repayment of credit interest	<i>Investments in processing of agricultural products, marketing and (or) development</i>	<i>Investments in non-agriculture business in rural areas, to diversify rural economies</i>

*EAFRD support measures in Italics

Source: Consortium, 2020

The following are observations and tentative conclusions on the effects of support for measures addressing some of these business support objectives.

Business creation support measures aim to reduce entry barriers for new businesses.¹⁰ Measures for rural business creation tend to be more effective in large parts of the stakeholder territories. This is not surprising given the dominance of rural areas and the importance of agriculture related businesses in these territories. A high share of support for business creation does not necessarily lead to more growth in local business units. In other words, effectiveness in terms of number of business units also depends on survival rates and

¹⁰ The following focuses on grants and financial instruments and does not include business incubators.

funding per start-up. Improving survival rates may require additional measures that close the gap between start-up and growth support.

However, evidence suggests that the stakeholder territories can absorb funding for business creation and the funds were not sufficient to meet demand, which may call for a stronger focus on business creation in the stakeholder territories. The territorial dimension of this absorption differs significantly between EAFRD and other business support funding. This may induce further policy measures to increase absorption capacity in parts of the territories through improved entrepreneurial capacities (beyond farming). The example of Romania shows that this may have different dimensions including a cultural acceptance of entrepreneurship.

Measures to support **business development and growth** are manifold in the three Member States. Apart from their specific objectives they also vary in terms of conditions. This affects availability and targeting of the measures. In some cases, the uptake has been even particularly low, e.g., for investments in production facilities in Latgale. This mirrors a lack of enterprises suitable for the support (i.e., number of relevant businesses) and a lack of capacity to successfully apply for the support. The reasons for this are as manifold as the measures. They include, inter alia, eligibility requirements, sizes and volumes of support and administrative burden. In consequence, improving the effectiveness of business development and growth measures requires individual adjustments in the Member States, better tailoring to regional needs and refinement in the design of individual measures. Despite these shortcomings, evidence suggests that enterprises that benefitted from business development support managed to translate this into new jobs, products or other forms of business growth.

Measures to **improve productivity** of businesses in the stakeholder territories generally have two access points.

In Romania, businesses may receive support for technology transfer. In the Romanian CBC area however, this has not been successful due to a lack of uptake. This may be explained by a gap between research results and business needs. In addition, increasing exports of high value-added products is subject to international competitiveness and often requires productivity gains. The Latvian measure to introduce new products also addresses internationalisation. Investments in new technological processes and product development value added will increase, improving international marketability. The region can benefit from this support only if there are corresponding enterprises in the territory. This is illustrated by the few enterprises successfully benefitting from the measure in Latgale, all of which are in SEZs. Achieving broader uptake of such measures requires the creation and development of high-tech start-ups in the stakeholder territory.

In addition to these measures training to **enhance skills and know-how** may also increase productivity. There is a considerable variety of instruments to enhance vocational skills in the stakeholder territories, even if not widely analysed in-depth, see Table 2.4. Tentative evidence suggests that the effectiveness of these measures differs greatly. For example, the Lithuanian 'competence voucher' is a flexible instrument through which different education

and training providers enable employees to address their individual needs best. The usefulness of this instrument has been proven by high demand in Lithuania. However, uptake of this measure in Utena+2 is extremely low, which may be explained by regional characteristics outlined above, namely the small sizes of most enterprises and the low number of enterprises for the population. Both factors contribute to low demand. In addition, the voucher covers only education costs rather than costs for participating (e.g., transport, accommodation), which hampers willingness to participate especially in peripheral areas. In contrast to the competence voucher, specifically tailored vocational training in Latgale has been used and appreciated, inter alia, by high-tech companies in the SEZ. Combined with other support received by the same companies shows that it is difficult to attribute effects to one or another policy measure. Also, enterprises with the skills to obtain business support may benefit repeatedly, while other enterprises may find it difficult to develop further.

2.2 Conclusions in relation to the hypothesis

Triangulation of findings under task 1 and analysis of business support measures in the stakeholder territories lead to the following conclusions in relation to the 2nd hypotheses of this study: *'Place-based integrated interventions strengthening local endowments are more relevant and effective for the development of the stakeholder territories than overall national sectoral policies'*. Testing this hypothesis empirically, can be further broken down:

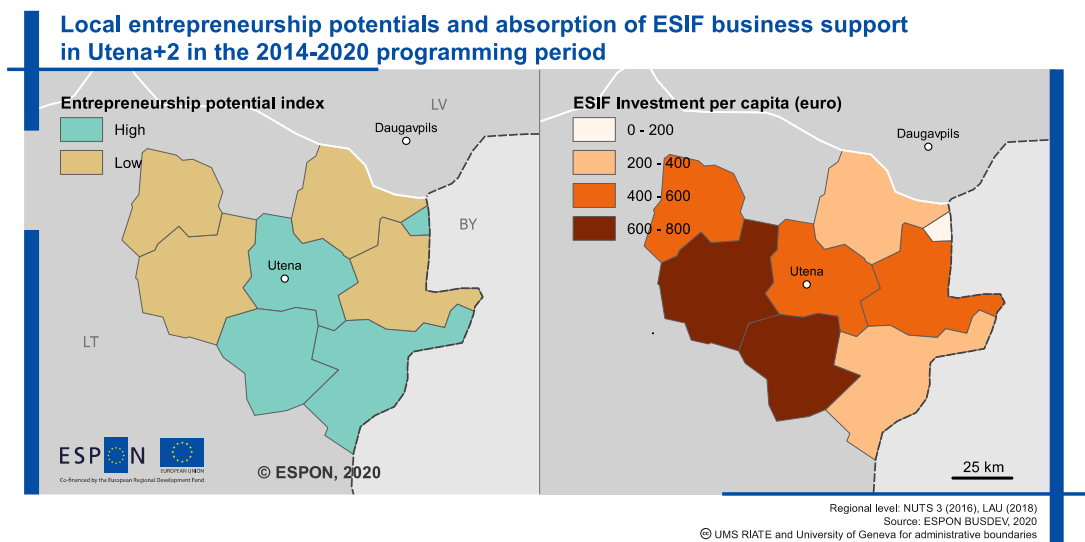
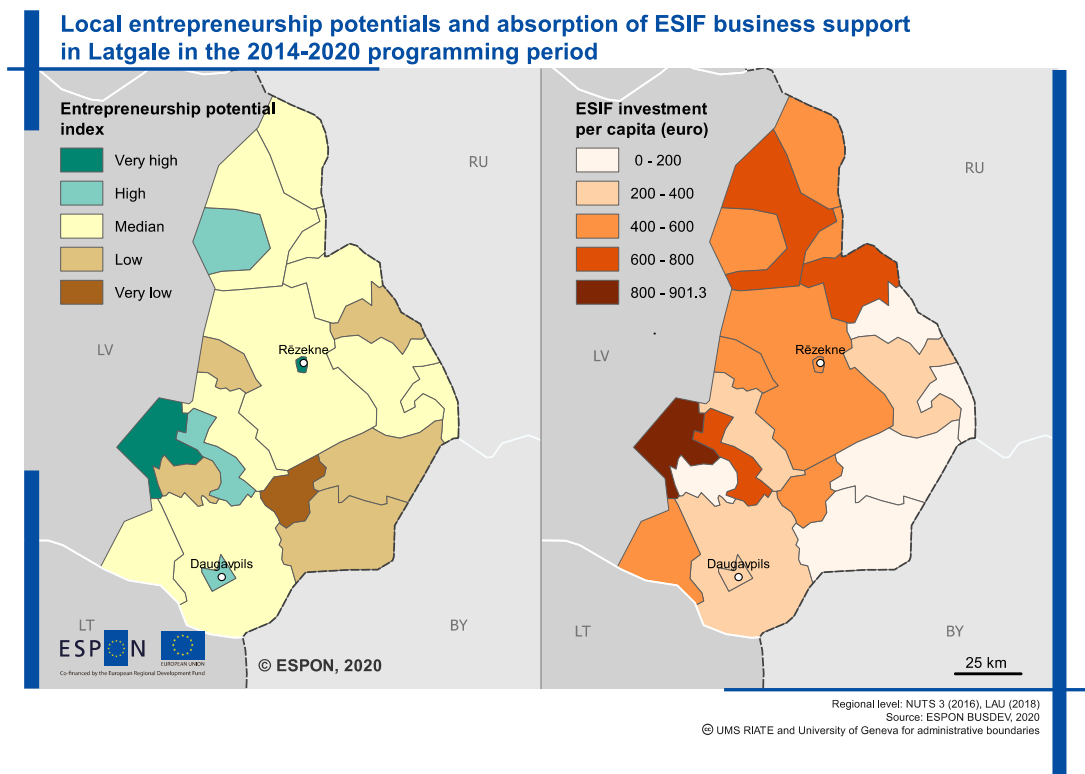
- Due to low level of entrepreneurial capacity in the stakeholder territories business support funding uptake is lower in the stakeholder territories than in other parts of the same country.
- A lack of flexibility required to address the needs of businesses in the stakeholder territories also contributes to a low uptake of business support funding. This limits the relevance of available business support for business units in the stakeholder territories.
- In consequence, business support funding (as a proxy for all business support measures) is less effective in terms of GDP, productivity gains and results achieved in the stakeholder territories than in other parts of the same country.
- To overcome these limitations, a strategic vision process is required to initiate new policy perspectives and contribute to developing place-based integrated business policies in the stakeholder territories.

Compared to the respective country, entrepreneurship is not sufficiently developed in large parts of the stakeholder territories, at least beyond the primary sector. At the same time, the absorption of business support funding is often also well below the national average. This suggests that the relationship between entrepreneurship potential and absorption of business support can be confirmed. There are, however, some differences:

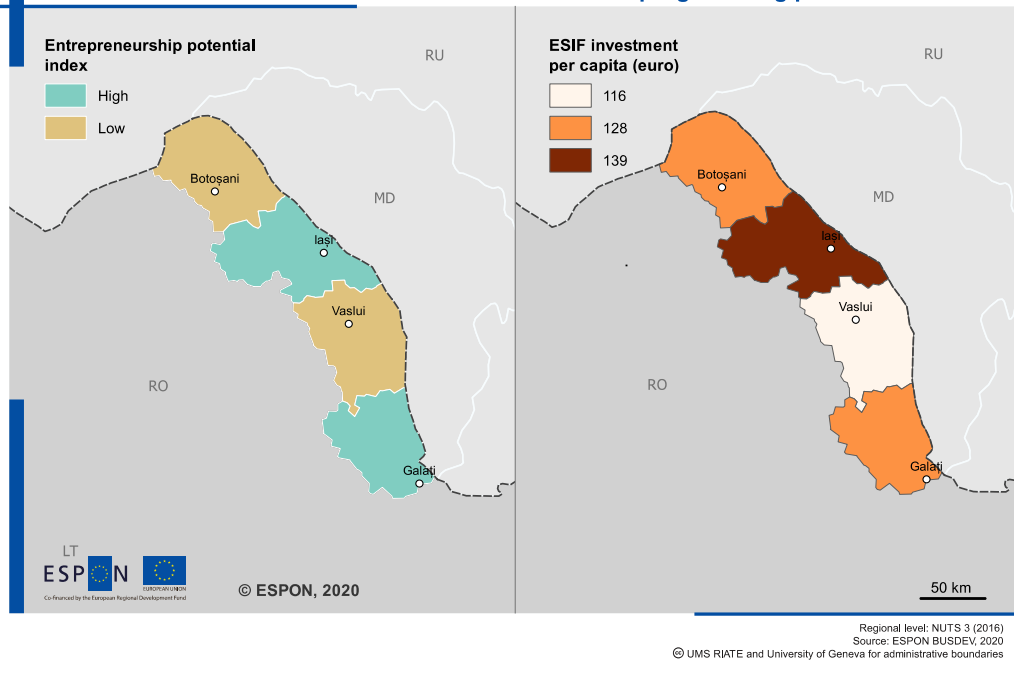
- For EAFRD, business support absorption varies considerably. The more closely the support is connected to agriculture, the higher the uptake usually, often well beyond national averages. This is closely linked with sector structures dominating in these territories and risks a lock-in support.
- For some EAFRD support for non-agricultural business development, absorption is also above average. Relatively low entrance barriers to accessing EAFRD support compared to ERDF support seem to explain this. These barriers refer to the size of support as well as procedures and the management of schemes.

- The Romanian analysis furthermore shows that these territories also absorbed ERDF support when offered regionally managed schemes targeted to specific needs of the territories.
- Finally, absorption within the stakeholder territories varies considerably. Map 2.1 shows that local differences in absorption can be explained at least partially by differences in entrepreneurial capacity. In some cases, there are also specific local features.

Map 2.1 Entrepreneurial potential and ESIF business support uptake in stakeholder territories



Local entrepreneurship potentials and absorption of ESIF business support in Romanian CBC area with Moldova in the 2014-2020 programming period



Source: Consortium, 2020

Example of Švenčionys district municipality in Lithuania

For entrepreneurial capacity, the municipality is above the regional average but has absorbed very little ESIF business support. Entrepreneurial capacity is measured in terms of development rather than absolute numbers of businesses, active population, etc. Thus, a municipality with few growing businesses still has few applicants for support. In addition, companies in this municipality are small, resulting in small-scale support.

The findings on selected ESIF measures in Romania including non-agriculture measures under EAFRD support the hypothesis that business support needs to consider the needs of the stakeholder territories. They may require more flexibility in instrument design to increase absorption. However, this may not always be sufficient to realise the expected results:

- Even if absorption capacity is increased through more flexible implementation with lower entry barriers, effectiveness of the support in terms of business performance, viability and productivity is not automatic.
- Addressing the needs of potential applicants for support may also require the development of potential applicants' ability to apply. This should increase the application and absorption rate, yielding successful business support projects.

Due to the low uptake of business support and since many business support measures are still under implementation, it is not certain that business support provided in the stakeholder territories has been as effective as in other parts of the countries. Tentative results of the support measures across the three stakeholder territories show different effectiveness. The low level of support suggests, however, that the support may not be sufficient or suitable to allow these territories to catch up with other parts of their countries. This may require business

support to consider all steps, from start-up support to internationalisation, more strongly and in a more integrated way. In addition, especially for non-EAFRD measures, complementary territorial characteristics should be taken into account to achieve focused and targeted business support.

2.3 Relevant practices from other EU Member States

The selection of best practices was guided by a) the thematic relevance for one or more stakeholder territories and b) at least some similarities in territorial conditions driving these policies. These examples from other EU Member States may inspire effective business policy development in the stakeholder territories. Practices were selected that fit best the needs for business development policies identified for and by the three stakeholder territories as summarised in Table 2.5. While it was not possible to address all interests with examples from other Member States, those highlighted cover interests mentioned by more than one stakeholder of the ESPON study. Some examples include needs raised by the stakeholders. Full descriptions of the practices are included in the ANNEX IV 'Business support policies in other EU Member States - Good practice examples for inspiration' to this final delivery.

The examples address different aspects of business support, including support for business creation, funding and enhancing competitiveness and business development. In addition, the examples show how business support also considers framework conditions and enabling factors providing the ground for further direct business support to be effective. Many of the examples have some features in common, which in turn can inspire further conclusions and recommendations:

- **The measures build on detailed needs assessment.** This assessment may bring together different needs that are tackled in a more integrated approach rather than individually and may visualise the roots of the challenges rather than the symptoms (e.g., low level of business creation may be a symptom for a lack of entrepreneurship).
- **The measures are embedded in a (strategic) set of policy measures.** Whether implemented as ITI or as projects, the examples are usually a part of other initiatives, projects etc. that simultaneously offer different types of business support.
- **Targeted measures.** To enhance effectiveness, the examples address target groups as specifically as possible. Different SMEs may require different types of support and over time the need may change and may cover different phases.
- **Local perspectives and needs matter.** The active involvement of all local and regional stakeholders and players is central. They are required for needs assessment as well as designing local and regional measures, but they may also critically reflect on new opportunities and improve capacities.

Table 2.5 Good practice policy measures of other Member States as inspiration to address needs of the stakeholder territories

Interests & needs raised by stakeholder territories	Examples for successful policy responses in other MS		
	Regional context	Short description of the measure	Lessons for stakeholder territories
Implementing ITI in a rural context	Koszalin- Kołobrzeg-Białogard ITI in the West Pomeranian voivodship is a sparsely populated and ageing area which is a functional area of 19 mostly rural municipalities	Koszalin- Kołobrzeg-Białogard ITI covers the transport, innovation and education sectors where infrastructure and business development has been enhanced strategically. The needs of the mostly rural municipalities have been jointly tackled across these three sectors, by including the local administrations, taking into account functional relations in the area and utilising mostly ERDF and ESF funding together.	<ul style="list-style-type: none"> ▪ Strategic approach with a detailed needs assessment within the three sectors and considering functional relations ▪ ITI supported local government influence on investments in the area ▪ ITI design and implementation require sufficient administrative capacity that can be built by joining forces of municipalities ▪ Innovativeness does not necessarily require a move away from traditional sectors ▪ Framework conditions matter as much as the business support itself
Extending the potentials of special economic zones (SEZ) and the development of successful measures within them	Suwałki SEZ operates mainly in Podlaskie and Warmińsko-Mazurskie voivodships located at the EU eastern external border, neighbouring Russia and Belarus	Since 1994 SEZ have been widely implemented across Poland to support regional development and the restructuring of the economy. Within Suwałki SEZ 19 sub-zones have been delimited, in which businesses face specific favourable conditions in terms of investment incentives, including tax exemptions. Support for a business is subject to a specific decision for a period of 10 to 15 years and refers to various investment costs or newly employed staff (for 2 years).	<ul style="list-style-type: none"> ▪ SEZ are a useful instrument for regions lagging behind to enhance investments in these areas – both foreign and domestic investments ▪ They are however not sufficient and their development and success is also determined by various framework conditions ▪ SEZ are not an easy instrument as their adequate development and implementation is time consuming and administratively challenging ▪ Possible effects on competitive distortions between territories in the country need to be considered
Enhancing regional innovation knowledge and technology networks for a more efficient innovation system through cooperation	State of Brandenburg in East Germany has a relatively low population density, the few businesses in rural areas lack	Innovation vouchers in Brandenburg reduce the barriers for small enterprises to cooperate with research institutions and better embed these enterprises in the wider quadruple helix context. Five types of vouchers have been developed	<ul style="list-style-type: none"> ▪ It requires pro-active support of business development authorities to create interest and involve SMEs ▪ Minimise barriers for SMEs to enter exchanges with research institutions

	innovation and are mostly micro and small enterprises	and added to measures. These help connect SMEs with research, partly providing finance for research to develop targeted support for SMEs and partly for research and digitisation activities in SMEs.	<ul style="list-style-type: none"> ▪ Access to and availability of applied research connected to local and regional SME activities ▪ The system needs to develop further to address different stages of SME innovativeness and avoid first successes getting lost ▪ The measure is embedded in a wider system of business support measures ensuring that potentially innovative SMEs are integrated in networks and may benefit from other financial or non-financial support.
Measures to improve enterprise survival, e.g., through better access to capital	Małopolskie voivodship is dominated by SMEs that frequently face difficulties in accessing capital	Financial instruments have been implemented in the framework of ERDF regional operational programmes 2007-2013 and 2014-2020 and the regional FI implementation strategy that is financed from repaid resources. The positive effects of in 2007-2013 induced almost a doubling of FI support for entrepreneurs in 2014-2020. Recipients are micro-, small- and medium-sized enterprises that may receive loans or guarantees. In addition to general FI, sectors facing particular difficulties may benefit from special products. For implementation financial intermediaries have been selected in a competitive procedure, focused on their experience and capability for effective and efficient FI delivery.	<ul style="list-style-type: none"> ▪ Differentiation of FI support to be tailored for different types of sectors and enterprises (e.g. including size, stage of development, specific negative conditions) ▪ Reducing the risk of investments also requires good tailoring of products and a good risk assessment by fund managers ▪ The revolving nature of FI is more sustainable for continuous business support which may extend beyond a given EU funding period through further use of repaid funds
Support for cluster development in places with technology enterprises (high / medium / ICT)	Małopolskie voivodship had a relatively low level of innovation and R&D expenditure especially in the private sector	Despite limited R&D activities the region has a relatively strong IT cluster with a dedicated regional technology and industrial park that offers some SEZ conditions. The Małopolskie cluster initiative combines the use and further development of regional scientific and skilled labour potential with creating adequate economic, infrastructure and institutional conditions and targeted	<ul style="list-style-type: none"> ▪ Successful cluster development considers different stages of cluster and regional development ▪ Different tools may be relevant, including technology parks, SEZs, incubators and sector specific innovation hubs ▪ Development or availability of adequate education and research infrastructure meeting cluster demand

		enterprise support enhancing their restructuring and development.	<ul style="list-style-type: none"> ▪ Developing and providing adequate infrastructure for market access, management, joint services etc.
Improving population prospects of rural areas through re-emigration of young people and by enhancing entrepreneurial potential	State of Saxony Anhalt in East Germany with a relatively low population density, strong out-migration, mostly of young well-educated females that further worsens the demographic prospects of many rural areas in the state	JuEX was a small-scale intervention developed bottom-up by a non-government organisation and funded under the regional ESF programme. The project supported women to become entrepreneurs to reduce regional unemployment, tackle out-migration and also enhance more balanced demographics in the region. The project offered targeted coaching and information services as part of a multi-level governance network. The support covered all start-up development phases.	<ul style="list-style-type: none"> ▪ Entrepreneurship development needs targeted coaching and training that may differentiate between target groups ▪ Consider related needs and challenges jointly, in this case demographic and socio-economic challenges ▪ Support for start-ups does not necessarily focus on high value added 'new' sectors but can also build on health, crafts and social sectors to act as an eye-opener to enhance entrepreneurial activities and capacities
Improving living conditions in rural areas through development of new perspectives, services and capacities		The demography coaching pilot action was coordinated by a rural development association and combined strategic, communication and implementation actions that involved all stakeholders, while being tailored to specific local needs. It changed the perspectives of stakeholders to aim for better service provision as a means to counteract the vicious circle of outmigration.	<ul style="list-style-type: none"> ▪ Successful implementation requires the willingness and capacity of local stakeholders to contribute actively to the whole process ▪ Openness to consider population decrease from a new perspective is a process that can be shaped and may inhibit new development potential ▪ A flexible approach that enables individual processes and solutions for different municipalities according to their needs and motivations
Enhancing the transition towards renewable energy sources while creating new business opportunities	Federal initiative in Germany that is implemented locally in rural different sized villages and municipalities across the country	BioEnergy villages is an umbrella national initiative implemented through local investments building on individual solutions of local authorities, inhabitants, farmers and/or businesses. At the centre of the measure are individual local strategies jointly developed by actors wishing to create added value and acknowledging the benefits of renewable energy sources.	<ul style="list-style-type: none"> ▪ Individual approaches illustrate the benefits of place-based approaches ▪ The umbrella initiative encourages multi-level governance to develop and implement individual solutions to enhance support ▪ The approach simultaneously targets different challenges of rural communities ▪ The flexibility of the approach also refers to how much a village wants to develop a stepwise enhancement of renewable energy provision

2.4 Conclusions on impacts, potential and limits of business support mechanisms

Analysis of business support in the three stakeholder territories has yielded different degrees of effectiveness probably caused by various reasons and conditions. Some policies are more successful than others. Apart from the scale that matters for a realistic assessment of socio-economic development impacts, some examples show that business policies in these territories tend to be more successful if they a) tackle the origins of challenges rather than the symptoms, b) have a long-term perspective rather than aiming at short-term benefits and c) are linked to territorial needs and structures.

Combining these findings with analysis of policy measures in other Member States indicates that business potential in the stakeholder territories could benefit from more integrated approaches acknowledging the parallel occurrence and interdependence of challenges. As indicated above, regional potential is central to develop targeted business support. This does not necessarily refer only to direct business support but is often more about creating pre-conditions and enablers. Several examples from other Member States presented in the previous section address these (e.g., JuEX, demography coaching, ITI). Which enablers should be prioritised and considered jointly and how they should be combined with other direct business support is subject to local and regional needs analyses and individual territorial conditions. Such conditions for developing business and enhancing socio-economic perspectives may be found within existing business eco-systems or beyond. They are not necessarily subject to location at a border, which is one of many relevant conditions.

Małopolskie cluster support in Poland and renewable energy villages in Germany

Cluster support in Małopolskie is an example of business support combining direct and enabling measures that build on potential within the existing business eco-system, i.e., an IT cluster that required further development support to grow and enhance competitiveness.

Renewable energy villages in Germany show how seemingly indirect business support can build on environmental conditions and settlement structures to develop new perspectives and value added for small communities.

Nevertheless, location at a border matters, particularly at external EU borders that are often less permeable than internal EU borders. Above all, the border location affects business opportunities as it reduces market size. However, more open borders may not always be sufficient to enhance business opportunities. In some cases, additional or upgraded infrastructure may be needed but peripheral disadvantages may continue, e.g., if an area is peripheral to major transport routes or bypassed due to business opportunities elsewhere. This phenomenon is also visible for so-called inner peripheries where there are significant local and regional disparities in territories not located at (external) borders. Business investments – whether domestic or foreign – often do not choose their location according to proximity to their headquarters or national border but other favourable conditions such as tax incentives. In other

words, proximity to the external border as such does not come with a particular potential for investment from the neighbouring country.

Multi-dimensional border realities are crucial for cross-border business opportunities. The analysis shows that these realities differ strongly along external borders, with considerably more opening effects at the border between Romania and Moldova compared to the Baltic countries. Indeed, the only ENI CBC programme with a business priority in 2014-2020 related to the stakeholder territories is at the Latvian-Russian border dominated by closing effects. Adequateness and effectiveness of this priority may be questioned under these conditions. As shown by experience at EU internal borders, sustainable territorial cooperation that can also develop long-term business relations for the benefit of regions on both sides of the border requires trust above all. In consequence, cross-border cooperation with neighbouring non-EU countries may stimulate entrepreneurship development in the long-term primarily through trust-building measures that could also address business enabling conditions in education, environment, research, etc. The most appropriate types of cooperation measures depend again on the specifics of the territories and the border realities.

These considerations lead to the conclusion that support mechanisms to stimulate entrepreneurship in the stakeholder territories need to be defined individually by the territories. A general strategic approach should consider the specifics of the territory independently of the border and the particularities due to the border. Together with findings on the sub-hypotheses, this confirms the starting hypothesis that place-based integrated interventions strengthening local endowments are more relevant and effective than national sectoral policies for development in the stakeholder territories.

To overcome the limitations observed so far, a strategic vision process is required to initiate new policy perspectives and contribute to developing place-based integrated business policies in the stakeholder territories. This process would favour long-term socio-economic and business development building on regional resources and potential over short-term investments from other regions that are subject to external factors not influenced by regional and local stakeholders. While attracting investments from other regions is also necessary and may be enhanced through different measures, including SEZs, they are not sufficient for a regional resilient long-term economic structure. The COVID-19 pandemic has illustrated across the EU the relevance of regional value-added chains for resilience and sustainable development.

2.5 Complementing stakeholders' knowledge

Why the existing policies and business support mechanisms have not been efficient in delivering the expected socio-economic development results? What has worked and what has failed?

This question assumes that existing policies and business support mechanisms are not efficient in delivering socio-economic impact, however that it is not always the case. Our findings are that policies and measures in the three stakeholder territories have yielded different degrees of

effectiveness for various reasons. What is evident is that the policies have not been sufficient or suitable to provide these territories with the necessary stimuli to catch up with other parts of their countries.

It is also evident that certain policies in predominantly rural regions such as the stakeholder territories could also lead to contradicting outcomes without coordinated decision-making. The research shows that rural policy works well overall, especially where it is targeted at the primary sector. So, investments and productivity increase significantly while the number of jobs does not. In some manufacturing industries the effect of increased productivity on jobs is even adverse and industrial policy inevitably conflicts with regional development policy. Also, few industrial policy measures work due to a lack of enterprises ready to come up with projects at comparatively short notice.

The most successful support policies deliver at the lowest possible level, are well targeted and integrated. As seen from the absorption rates of business support mechanisms aimed at micro- and small enterprises, proximity of programme contact points and low entrance barriers are essential for higher absorption. In the Romanian stakeholder territories, businesses absorbed ERDF support comparatively better in regionally managed schemes targeted to specific needs of the territories. Absorption of EAFRD support addressing non-agricultural business development is also above average mostly due to more decentralised management.

Apart from scale, that matters for significant socio-economic development impacts, business policies tend to be more successful if they a) tackle the origins of challenges rather than the symptoms, b) have a long-term perspective rather than aiming at short-term benefits and c) are linked to the needs and structures of the territories, i.e., place-based.

The World Bank report “Rethinking Lagging Regions: Using Cohesion Policy to Deliver on the Potential of Europe’s Regions” which inspired the research approach of the regional potential study in task 1 concludes that “policies to raise the potential for growth in lagging regions needs to put greater emphasis on strengthening fundamental endowments, while complementing this with smart sectoral policies. Place-based interventions in lagging regions often focus on encouraging new investment - sectoral and spatial “strategic bets.” It also urges to overcome the cross-sectoral coordination problems: “overcoming these coordination problems and increasing the returns to place-based “strategic bets” starts with addressing government and market failures that raise costs and risks for investors” and calls for “a complementary policy approach that recognizes the priority of supporting sectoral development and targeted spatial investments with aggressive efforts to remove market distortions and build fundamental endowments in lagging regions.” (Farole et al., 2018)

3 Recommendations and framework for territorial strategies at EU external borders

This chapter complements stakeholder knowledge by outlining potential future policies and actions to stimulate business development along the EU external border. These actions and policies, however, should always be tailored to the situation in the respective area. Peripheral regions such as our pilot areas are usually among the first to signal that ‘one size fits all’ approaches do not address their needs. In-depth analysis shows there are significant differences in border realities and socio-cultural backgrounds making the recommendations on business support policies and mechanisms very much place based. Nevertheless, there are some commonalities, so a general strategic outline for recommendations is proposed.

The framework for territorial strategies presented in the final part of this chapter has a broader scope. It addresses development perspectives for regions at the EU external borders, with a specific focus on the eastern EU land border. Similar to handbooks and guidance documents from previous ESPON projects, the framework was drafted as a separate self-standing document which is ANNEX V to this final delivery. The sub-chapter 3.3. is its executive summary document. More information on the methodological approach to develop and validate the framework can be found in the Scientific report.

3.1 Complementing stakeholders’ knowledge

What kind of cross-border cooperation among the EU countries and the neighbouring countries across the EU border could stimulate development of entrepreneurship on the external borders of the European Union?

Cross-border cooperation on the EU external border is feasible only if the political dimension allows for it. The strong political closing effect rules out any legal business ties. The relationship between Lithuania and Belarus have been distant due to Belarus’ political proximity to Russia. However, political tensions between the two countries increased substantially in recent years when Belarus started building a nuclear power plant just 60 km from the Lithuanian capital city Vilnius. Built with Russian technology and funding, it does not meet international safety standards and is thus a threat to Lithuania. It opened in autumn 2020.

Another important dimension that defines potential for cross-border cooperation is the physical border. For example, there is no international cross-border checkpoint in the Utena+2 region between Lithuania and Belarus which is an obstacle for cross-border cooperation and trade. The population density is also relevant, as some border areas are particularly sparsely populated and lack a critical mass for business development. For, example on the Latvia-Russia border there are 8 inhabitants per km² on the Latvian side and only 6.5 per km² on the Russian side.

Last but not least, the economic dimension also strongly affects cross-border cooperation between the EU and neighbouring countries. EU restrictive measures in response to the crisis

in Ukraine¹¹ with Russia's countersanctions and import substitution policies have led to a significant drop in trade with Russia for Latvia since 2014 that also affects economic ties with Belarus. This study has concluded that there is a moderate opening of the economic dimensions for (1) Latgale and Belarus and (2) Romanian CBC area with Moldova.

At the same time, sustainable territorial cooperation that can develop long-term business relations for the benefit of regions on both sides of the border requires trust. Consequently, cross-border cooperation in the stakeholder territories with the non-EU countries may stimulate entrepreneurship development in the long-term primarily through trust-building measures. These could address business enabling conditions in education, environment, research, etc. Hence, for cross-border cooperation work should continue on trust-building measures through exchanges facilitating a better understanding of business interests and needs. This could include bringing business organisation representatives together to develop joint ideas and potential based on proximity to the border, exchanges on the institutional systems and framework conditions and joint activities such as targeted marketing of the cross-border region and involving local businesses in a business priority in the ENI CBC programme.

What policies need to support these processes [of attracting investments and conquering new markets] taking into account the socio-economic and geopolitical circumstances?

The above considerations indicate that sustainable and resilient regional development may not depend on external investments. These are subject to external factors that cannot be influenced by a region but create vulnerability in case of unfavourable border relation developments. While they are useful to develop a critical mass of activity in some sectors, they are one of several elements and policies needed to enhance socio-economic development in the stakeholder territories. Geopolitical circumstances and analysis of closing and opening effects along these borders suggest that the focus should be on endogenous potential development. This may require a change of perspective as it is not only about existing potential but also about enablers to activate potential. Developing these enablers should in turn include any territorial characteristic that could be relevant for businesses. This covers a wide range of policies where spatial policy can take a coordinating role, including by reflecting on territorial impacts of sector policies on business and socio-economic development and indicating the relations between sectors and policies. The above analyses have hinted at policies that may be relevant for business development in the stakeholder territories. These may be split into three categories:

- **External framework conditions and policies.** External affairs, immigration, border regimes etc. are examples of conditions and policies the stakeholder territories cannot influence. But they have to consider them in their policy making as they create opening or closing effects. Due to the lack of influence and risks of geopolitically unfavourable developments, these make the stakeholder territories more vulnerable when they depend on business relations with the neighbouring country.

¹¹ <https://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>

- **Enabling policies improving the pre-conditions for business development.** Business development depends on pre-conditions that vary between sectors. Some depend more on transport infrastructure, digital networks and energy than others, but also on innovation, industrial and education policies to name a few. Regional and rural policies can also contribute to these pre-conditions through corresponding priorities. Many of these policies are subject to national responsibility and limit the sphere of influence for the stakeholder territories. However, regional and rural policies can improve the pre-conditions by addressing sector policies in their priority setting.
- **Business policies strictly speaking.** In the stakeholder territories these are mostly implemented through the business priorities of ESIF and EAFRD programmes. These priorities should be strategically developed jointly with the corresponding enabling policy priorities of these programmes.

What concrete support mechanisms need to be developed that could stimulate entrepreneurs to develop their businesses in the cross-border areas by using this specific location and other conditions as an asset? What concrete actions this would imply?

The analysis has shown that border location including peripherality is not an asset for business development in the eyes of private capital. Hence, business support policies and mechanisms in the stakeholder territories should be aimed at mitigating the outlying and restrictive conditions by building and strengthening other assets. When private capital sees more disadvantages than advantages in a border area, regional policy enabling conditions and opportunities have to be created and sustained by EU and national policies.

Concrete support mechanisms and actions that have to be developed based on regional potential and business needs defined individually by the territories. Since these vary greatly from border to border concrete recommendations and actions are summarised in the respective stakeholder territory reports.

Hereby general strategic approach for business development and framework for territorial strategies are proposed for enhanced business environments that could be relevant for all or most of the territories at the EU external land border.

3.2 General strategic approach for business development

The approach to business development in regions next to the EU external border is based on a few commonalities disclosed by the research. The recently adopted Territorial Agenda 2030 (TA 2030)¹² is proposed to serve as an overarching framework. It encompasses objectives of both Just and Green Europe and emphasises the territorial dimension behind the diversity of EU regions such as inequalities and unsustainable developments in the analysed regions.

TA 2030 calls for strengthening the territorial dimension of sector policies at all governance levels and prioritising actions strengthening:

- multi-level governance;

¹² <https://www.territorialagenda.eu/home.html>

- place-based approaches;
- coordinated sector policy territorial impacts and coherence;
- cooperation between territories;
- territorial cohesion at European level;
- territorial cohesion at cross-border, transnational, inter- and intra-regional level; and
- Member State and neighbouring country contributions to territorial cohesion.

The general strategic approaches proposed by the study encompass most of the above principles, but multi-level governance, place-based approaches, coordinated sector policies and territorial cohesion at EU external borders, in particular. The recommendations below provide three areas for action based on this analysis.

3.2.1 Engagement, commitment and capacities of regional and local actors at EU external borders to be strengthened

Rationale: business environments in close proximity to the EU external border are more volatile and thus need more attention. Regional and local actors need to have sufficient authority and capacity to cope with unfavourable business conditions. The focus should be on endogenous potential development which may require a change of perspective as this is not only about existing potential but also about enablers to activate potential. Changing border realities also require that strong and functional regional actors quickly identify and utilise any opportunities.

The assessment, however, reveals weaknesses in terms of regional capacity. There is insufficient regional public governance and local authorities are fragmented with limited capacity to support economic development. There is also mutual distrust along with limited representation of SMEs and their co-operation within the regions. Civil society is comparatively weak and immature. Partners and actors of cross-border co-operation projects have not changed much during recent decades and their potential for decisive contributions are close to being exhausted.

General strategic approach to recommendations in this action area are:

- Functional multi-level governance requires strong regional and local authorities and their executive bodies such as regional development agencies which are important economic development agents in areas such as our stakeholder territories. Their role and mandate to address regional needs in an integrated manner in the national development planning process should be facilitated.
- Enterprises along the EU external border, but SMEs in particular, should be supported and strengthened proactively. This entails more active dialogue between regional authorities, business and educational establishments. The existing business support mechanisms have to be revisited on a regular basis to ensure they address topical business needs. New support measures and tools should be introduced as soon as possible, especially in the context of the 4th technological revolution.

- Regional tertiary and vocational education establishments should be fully involved and exploited in regional development processes. As ways of accumulating and exchanging knowledge they should commit more to economic development in their regions.
- Civil societies at the EU external border have to be strengthened and developed. Young people need to be more involved in development of the stakeholder territories. Educational activities and training on business and the regional economy at the educational establishments is needed. To ensure socially responsible entrepreneurial incentives, facilitation of social business should be considered.
- To benefit from existing or potential political border opening effects, trust and knowledge of key players in the neighbouring cross-border area, in particular the business community, should be enhanced by fully exploiting ENP instruments. This includes ensuring that business is an ENP priority.

3.2.2 Integrated place-based interventions to provide flexibility, relevance and efficiency of business support at the EU external land border

Rationale: mitigating multiple shortcomings of the business 'eco-system' at the EU external border requires a systemic approach of integrated actions enabling synergies that might lead to wider economic effects. National business support mechanisms as part of sectoral policies are too limited in their capability to capture specific characteristics of the stakeholder territories as too often they lack a territorial dimension. For any decisive effects on regional development, business support policies have to be better targeted to regional needs and capabilities. In that sense, the proposed interventions, in general, are the same as they would be for any lagging region.

The main difference lies in a need for a greater flexibility to allow for a timely response to any border opening effects. The volatility of business environments defined by their proximity to the EU external border requires a larger degree of flexibility in addressing economic openings deriving from a change in the political dimension while continuously developing and maintaining the socio-cultural dimension. Flexibility could also play a crucial role when competing for investments as the border regions are too often seen as less attractive.

General strategic approach to recommendations under this action line:

- To address critical constraints for regional business development, such as access to finance, business infrastructure and advisory support, business support mechanisms need to be designed and implemented at regional and local levels, tailoring them to specific territorial needs and potentials, types of entrepreneurs and businesses. Advantages need to be created through integrated place-based interventions mitigating the present impediments to business development. Access to finance, appropriately skilled labour force and accessibility are priorities.

- Local and regional actors should undertake a strategic and integrated approach to regional business development. Where possible the decision-making process has to be brought to a proper level to mitigate fragmentation and limited capacities of local level authorities.
- Strengthen the territorial dimension of sector policies at all governance levels, cooperation and coordination between places, levels of governments, policy sectors and societal groups is required to address complex issues of regional development and utilise the diverse potential.
- Complementary training and advisory services should be part of integrated actions facilitating business growth. These services could build on existing business support centres, incubators and consultants at the local authorities. The actions could include an extension of the Entrepreneurial Discovery Process approach already piloted in Romania and by EEN.
- Public investments need to be primarily concentrated in regional development growth poles and outside the primary sector. Current interventions under rural development policy measures need to be coordinated and counterbalanced by industrial, innovation and education policies as well as others building on knowledge and technology.
- Existing business support mechanisms have to be revisited on a regular basis to ensure they address actual business needs. Assistance aimed at innovation and the integration of business in value chains at regional, national and transnational levels must be a top priority. Opportunities of the European Digital Innovation Hub¹³ should be brought to regional businesses.

3.2.3 EU external land border regions to gain special attention from national governments and EU

Rationale: regions at the EU external border have a strategic importance at national as well as EU levels. For greater security and cohesion, these regions need people and healthy communities, including business communities. Where private capital sees these regions as disadvantageous due to their proximity to the EU border and peripheral location in the national context, advantages need to be provided by public authorities and significantly greater business risk taking by the community should be encouraged.

The regions in this targeted analysis as well as many others feel left behind by their respective governments as well as the EU. There is a sentiment that they are constantly deprived of their human capital as well as other assets which flee to more advantageous regions and there is no adequate compensation mechanism.

General strategic approach to recommendations in this action area entails:

¹³ <https://ec.europa.eu/digital-single-market/en/digital-innovation-hubs-dihs-europe>

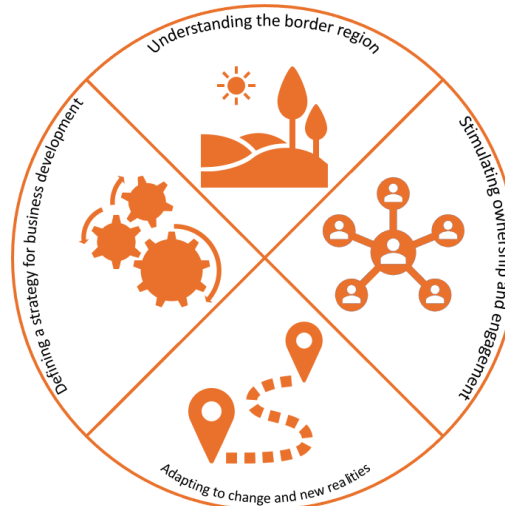
- At the EU level, introduction of a new centrally-managed EU programme for economic development at the EU Eastern external border regions is required. Recognising the strategic importance of the EU border area it should create and strengthen the regional business assets by targeted and place-based interventions. Such an intervention has to have the necessary degree of flexibility to respond to any border openings as well as closings. It would need to also recognise the overall underdeveloped status of the regions and its enterprises which entails adjusting intervention logic accordingly.
- In addition to the above proposed EU Programme, economic development and investment attraction to the EU Eastern border regions should also be complemented by a dedicated national ESIF financial envelope for regions at the EU eastern border. It has to provide the local actors with additional territorial tools for strategic and targeted place-based interventions meticulously utilising any business opportunity within the regions. Entrepreneurship survival and increased added value should be in the spotlight.
- Business support mechanisms in the border areas with slight economic opening effects need to fully exploit business potential on both sides of the border. This should also entail enhancing entrepreneurship skills in local businesses, a better understanding of trade conditions and creating business links. ENI CBC programmes should be developed to address these business needs more meticulously.
- Framework conditions have to enable endogenous business development potential. Indirect business support can build on environmental conditions and settlement structures to develop new perspectives and value added for small communities. In co-operation with the national governments the local and regional actors should fully exploit the opportunities provided by the various relevant EU programmes, but the Resilience and Recovery Facility and Just Transition Fund, in particular.
- Specific attention has to be paid to the quality of life at the EU external border. Equal opportunities for people living in these areas, especially in sparsely populated areas, have to be ensured. A separate legal framework to address complex issues at EU external border regions could serve as a good starting point first at national and then possibly also at EU levels.

A law on EU Border Municipalities is being elaborated in the parliament of Lithuania. The main goal behind the law is to strengthen the political, economic, social and cultural situation of municipalities near the border with the Republic of Belarus and the Russian Federation taking into account national security and balanced regional development. The law would aim to increase opportunities for funding infrastructure and culture projects, pilot investment projects, specialised education programs and municipal cooperation with the Ministry of Foreign Affairs, as well as attract investors, allocate special EU (especially EU Neighbourhood Instrument cross-border cooperation programs') and other national and international funds for those municipalities.

3.3 Framework for territorial strategies

The framework for territorial strategies should ensure that policies and instruments for business development acknowledge and utilise the realities and assets of regions at EU external borders. This provides inspiration for public authorities and other stakeholders in regions located at EU external borders to enhance business development potential. In doing so, the framework promotes a place-based approach for business development. Four building blocks can be distinguished (see Figure 3.1).

Figure 3.1 Main building blocks of the framework for territorial strategies







Source: Project consortium

3.3.1 Understanding the border region

Local and regional players involved in territorial and business development in regions located at EU external borders are implicitly aware of their specific context, including characteristics, assets and challenges. To fully exploit these border realities, it is important to make tacit and implicit knowledge explicit as a shared basis for place-based development approaches.

An important starting point is an assessment of border realities. To make knowledge about the border region explicit and develop a shared understanding of the region with its strengths and weaknesses, four border dimensions need to be assessed in further detail. Such an assessment starts with identifying and structuring relevant aspects. Table 3.1 provides examples of aspects to be considered for each of the four dimensions. It is then important to describe and assess the present situation of all aspects under each of the four dimensions. For elements like geographical characteristics of the border area the level of openness is obvious. For other aspects, openness may be defined by the level of similarity or how far they mutually affect each other. Finally, interrelations between the four dimensions are assessed for conclusions about the level of openness. This helps identify specific assets or obstacles to be further developed and utilised or mitigated for business development in border regions.

Table 3.1: Multidimensional approach to border realities

Political dimension	Physical dimension	Economic dimension	Socio-cultural dimension
Agreements Border crossing Administrative Diplomatic	Topography Natural Infrastructure Settlement	Disparities Employment Centre Sectors Currencies	Language Minorities Citizenship Change Legacy
			

Source: Consortium, 2020

A second important element refers to assessing business needs and support measures. This helps to understand how far support is in line with business needs and what is needed to better address these needs. Information about the application of support measures can help to assess their relevance for the region, e.g., the number of entities that received support from a certain measure, type of support, budget (for financial support), territorial focus and business needs addressed by the measure. In addition to relevance, the effectiveness of existing measures should also be assessed, including the impact of a measure, synergies with other measures and spill-over effects. In a next step, the assessment outcome needs to be reflected against the assessment of border realities with their dimensions and aspects. This helps get a more nuanced understanding of the support measures and their embeddedness in the area.

A third element refers to visual tools that can contribute to strategy development. They help people to better understand each other and function as eye-openers. These can furthermore contribute to developing a shared understanding and make knowledge more explicit. A specific tool that was developed in the context of the project is the Territorial capital matrix. As described in 1.3 it allows the user to develop a comprehensive overview of a vast amount of highly complex information and get a comparatively quick understanding of the territory.

3.3.2 Adapting to change and new realities

Regions located at EU external borders have to deal with challenges that directly impact businesses and their future development. They face more uncertainties than other regions and are more sensitive to these uncertainties. Strategies and approaches for place-based business development need to address this through adaptability and responsiveness to future developments and changing framework conditions.

As a starting point, trends should be identified and described. This contributes to better understanding different possible futures. Trends can be grouped in different ways, including by thematic focus, spatial scale or degree of influence. Describing and assessing the trend's likelihood and relevance can help to draw conclusions about its potential impact on the region. Finally, unexpected events with an enormous impact ('wild cards') should be included. They may lead to significant disruptions and change the playing field or even the rules of the game.

The COVID-19 pandemic is the most recent wild card which came as a surprise but has had severe consequences for all places and people in Europe.

Developing scenarios and visions facilitates identification of ways to deal with uncertainty. Local and regional players need to have a clear understanding of where they want the region to go in future and how they expect present realities and future opportunities to evolve over the coming years. Whether scenarios or a vision are more suitable depends on the purpose and objective. Visions define a desirable picture of the future which is based on a core set of ideas, values and principles (Zillmer et al., 2015). As such a vision can be used to assess whether a policy measure or instrument can contribute to the desired future situation. In contrast to visions, scenarios are a plausible description of how the future might develop, based on a consistent set of assumptions about relationships and driving forces. As different scenarios are usually developed during the process, different alternative developments and support policies can be compared and assessed against the assumptions and storyline of each scenario.

Territorial foresight approaches can complement the vision or scenario process (Böhme et al., 2020), (Holstein et al., 2019) and are another way of dealing with uncertainty. The final result of a territorial foresight is a map of territorial impact by types of territories in the border region (e.g., urban, rural, coastal, ageing, rich, poor, industrial, agricultural, and so on). This mapping in the form of sketches is supported by a storyline detailing the main factors and their relationships impacting these territories.

Visions without actions remain daydreams. Hence, every approach to think about the future should be translated into concrete actions. They bridge the gap between the present and the discussed future situation. They also offer access points to what needs to be done to benefit from opportunities and mitigate threats, and how to avoid weaknesses negatively affecting opportunities and intensifying threats. Finally, their future robustness should be assessed to develop a framework for action that can adapt to changing contexts.

3.3.3 Defining a strategy for business development

Once the territorial characteristics and border realities are made explicit, a place-based strategy for business development can be developed. Such a strategy introduces key objectives, proposes policy instruments to achieve these and specifies ways to monitor and evaluate activities.

The definition of objectives should be based on the outcomes of analyses and assessments of socio-economic and spatial situation, border realities, business needs and policy measures as well as discussion about possible / desirable future developments. The objectives as such should be SMART: Specific; Measurable; Achievable; Relevant; Time-bound.

Policy instruments for implementation are an important element to achieve the objectives. For some border areas, this implies introducing policy instruments for business development. For other border regions this requires first focusing on enabling preconditions for business development to thrive. Such preconditions concern territorial assets that indirectly support

business development, e.g., awareness on shared values across the border, entrepreneurial skills and infrastructure. Such elements can be enabling factors in a strategy for business development. Different types of instruments can be distinguished, e.g., financing/incentives, business/transport infrastructure, legislation/regulations, capacity building/networking/advice. The tools most suitable for a place-based approach depend on the context and should be adjusted to the analyses and assessment results (see above).

Policymakers at different geographic levels and from different policy fields should understand the interrelations between policy instruments. Successful implementation of business development strategy relies also on its ability to clearly communicate messages and opportunities. Examples of instrument use make it easier to apply them. They may also focus on interrelations between different instruments, e.g., providing inspiration for integrated approaches. When communicating examples, it is important to make a link to the territory and border reality and focus on aspects that can be learnt including the most suitable techniques, methods and tools for transfer.

Last but not least, monitoring and evaluation are important for successful implementation. Border realities as well as entrepreneur needs change over time. It is therefore important to remain open and to regularly review the strategic approach and adapt this when needed. Indicators need to be rooted in an adequate yet proportionate statistical system. Eventually, monitoring and evaluation should feed into informed policy making and timely adjustments in strategy implementation.

3.3.4 Build trust and stimulate ownership and engagement

Bringing together human capital and achieving a critical mass is challenging in many EU external border regions. Border interactions are limited due to political, physical, economic or socio-cultural circumstances. In addition, many regions at EU external borders 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 who are further from each other. To make the most use of human capital, it is important to develop clarity on roles, responsibilities and capacity building. Together these aspects contribute to overcoming and compensating for a lack of human capital for business development.

Who to include in the development of business support policies depends firstly on the objectives and proposed instruments. Secondly, it depends on competences. Mapping existing instruments and players provides a starting point. Such an overview may also highlight missing competence and knowledge. Business, government, academia and civil society should be brought together to contribute with their own resources and competences. To avoid too strong a focus on single topics, it is important to balance different sectors and administrative levels. Another key aspect for selecting participants is the border dimension. Ideally participants from the neighbouring non-EU country should be involved in the process from the very beginning. A multiplier and main contact person can help in coordinating activities in the neighbouring country and can contribute with their expertise and contacts.

Ownership of the business development strategy and engagement during development and implementation benefit from clarity of roles and responsibilities among the partners. Clarity becomes particularly relevant in a border context due to different cultural backgrounds, languages, interpretations, habits, etc. Borders with 'closing effects' accentuate these differences. Hence, the promotion of ownership and engagement is particularly relevant. External facilitators may help guide and steer development and implementation, especially people with a large network.

Ownership and engagement require continuous efforts to adapt to new border realities or changes in governance. Techniques to enhance capacities facilitate these continuous efforts. In addition, capacity building activities mitigate some challenges that players in EU external border regions may experience more frequently than those elsewhere, namely a lack of critical mass to develop and introduce activities and insufficient knowledge. In particular networking and cooperation activities address these issues. Exchanges between business organisations, chambers of commerce, public authorities and others offer possibilities for coordinating policy, responsibilities, tasks and exchanges of practices and lessons learnt. Exchanges may focus on translating policies and instruments to border realities or the application of different instruments. These exchanges help to increase the absorption capacity of businesses in EU external border regions.

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Annexes

Annex 1: Territorial capital matrix as a graphic comparison (consolidated)

Annex 1. Territorial capital matrix as a graphic comparison (consolidated)

		TERRITORIAL DIMENSION					BUSINESS DIMENSION				
		Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)		Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)	
LAT GALE	Territorial dimension ("location")										
	Functional area cooperation										
	Infrastructure										
	Public transport										
	Accessibility										
	Services of government										
	Health and well-being										
	Labour force										
	Entrepreneurial activity										
	Dispersed of urban system										
	Cultural / social assets										
	Local authorities										
	Local media										
	Networks between local authorities										
	Business dimension ("beyond the location")										
	Clusters and networks										
	Business associations										
	Industrial clusters										
	Professional support										
	Experts at local level										
	Business incubators										
	Legal and financial framework										
	Education and innovation										
	Training / life-long learning										
	Innovation potential										
	Business support system										
	Grant and subsidies										
	Financial access										
	Local authorities										
	Local media										
	Networks between local authorities										
	Regional level / stakeholder territory										
	National level										
Cross-border level											
European level (if relevant)											
UTENA + 2	Territorial dimension ("location")										
	Functional area cooperation										
	Infrastructure										
	Public transport										
	Accessibility										
	Services of government										
	Health and well-being										
	Labour force										
	Entrepreneurial activity										
	Dispersed of urban system										
	Cultural / social assets										
	Local authorities										
	Local media										
	Networks between local authorities										
	Business dimension ("beyond the location")										
	Clusters and networks										
	Business associations										
	Industrial clusters										
	Professional support										
	Experts at local level										
	Business incubators										
	Legal and financial framework										
	Education and innovation										
	Training / life-long learning										
	Innovation potential										
	Business support system										
	Grant and subsidies										
	Financial access										
	Local authorities										
	Local media										
	Networks between local authorities										
	Regional level / stakeholder territory										
	National level										
Cross-border level											
European level (if relevant)											
RO CB AREA	Territorial dimension ("location")										
	Functional area cooperation										
	Infrastructure										
	Public transport										
	Accessibility										
	Services of government										
	Health and well-being										
	Labour force										
	Entrepreneurial activity										
	Dispersed of urban system										
	Cultural / social assets										
	Local authorities										
	Local media										
	Networks between local authorities										
	Business dimension ("beyond the location")										
	Clusters and networks										
	Business associations										
	Industrial clusters										
	Professional support										
	Experts at local level										
	Business incubators										
	Legal and financial framework										
	Education and innovation										
	Training / life-long learning										
	Innovation potential										
	Business support system										
	Grant and subsidies										
	Financial access										
	Local authorities										
	Local media										
	Networks between local authorities										
	Regional level / stakeholder territory										
	National level										
Cross-border level											
European level (if relevant)											

Annex 2. Territorial capital matrix Latgale

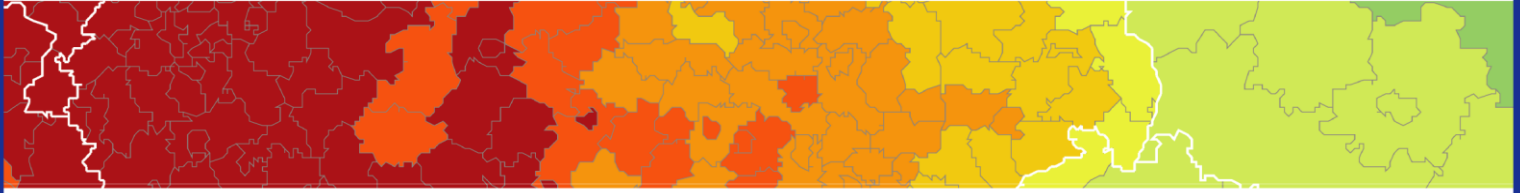
	Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)		Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)
Territorial dimension ("location")					Business dimension ("beyond the location")				
Functional area cooperation					Clusters and networks				
Growth poles	Good cooperation	Drain effects	Low cooperation: CBC only	Economies of scale effects	Business / sector associations	Very low cooperation, some order sharing	Capital ORGs dominate LV & ignore Latgale	No cooperation; politicised	Only policy level cooperation
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Labour market	Deficit of skilled motivated labour	Brain drain, high mobility	Limited mobility	Brain drain, high mobility	Industrial clusters	Very low cooperation levels	The capital dominates	Command econ. of BY promotes internal c	Weak links to international networks
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Public transport	Poor connections, no work commuting	Poor connection	Limited public transport connections	Poor connection to the rest of the EU	Cooperatives	Some cooperation in agriculture	Some very strong points elsewhere in LV	Command economy and large farms	EU cooperatives provide efficiency gains
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Accessibility					Professional support				
Roads	Only main roads are in good condition	Main roads mostly	Road connections to RU & BY	Roads compared to the EU	Local consultants / experts	Region admin + Rural consultations	Very competitive consultancy community	No market	Capacity mis-match
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Internet / broadband	Good ICT infrastructure	LV has one of the best ICT in EU	RU & BY have weaker & censored ICT	LV's strong ICT produces opportunities	Scientists / innovation advisors	Limited science-business cooperation	Developed market	Some scientific cooperation	Brain drain
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Railway, airport, port or all	Airport is a must	Insufficiently connected	Weak connection: airport is opportunity	Weak connections, remote location	Business incubators	Strong beginnings, mostly socially-orientat	Well-developed instrument	Very strong support to IT & STEM sector	n.a.
Benchmarking					Benchmarking				n.a.
Links/cooperation					Links/cooperation				n.a.
Impact from development in other locations					Impact from development in				n.a.
Services of general interest					Legal and financial framework				
Education	Good quality of public education	Most students don't return to the region			Taxation (e.g. SEZ)	SEZ provide some preferences	Unstable taxation system	Start-ups enjoy way lower taxes in RU&BY	Hard to compare, but more stable
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
State and municipal services	Good coverage, ICT-heavy	Heavily rely on ICT solutions			Access to finance market	Poor access to finance	Good access in capital and growth poles		
Benchmarking					Benchmarking				n.a.
Links/cooperation					Links/cooperation				n.a.
Impact from development in other locations					Impact from development in				n.a.
Health care	Good quality of basic services	Complex services in the capital only	RU&BY enjoy medical tourism from LV	Hi-quality but expensive services in EU	Education and innovation				
Benchmarking					Highly-skilled labour force	Low motivation levels	Brain drain	Some expert / founder immigration	Brain drain
Links/cooperation					Benchmarking				
Impact from development in other locations					Links/cooperation				
Territorial capital					Impact from development in				
Labour force	Low motivation, negative demography	Brain drain / hand-drain	Some labour immigration to LV	Brain drain / hand-drain?	Training / life-long learning	Over-abundance of LLL	Over-abundance of LLL	Undeveloped LLL concept: IT only	Up-skilling widely available
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Entrepreneurial activity	High activity, mostly micro-firms	Brain drain	Economy dominated by large firms	Brain drain to EU centres	Innovation potential	Limited capacity and cooperation	Developed Riga market drains LG	Some scientific cooperation	Some scientific cooperation / brain drain
Benchmarking					Benchmarking				
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Dominance of sectors	Dominated by low value added	LV is diversified economy	Agri & forest dominated economy	LV is comparatively low in value chain	Business support system				
Benchmarking					Business support centres	Active system with limited efficiency	Active system, high numbers, greater effi	Limited support system	Well-developed support system
Links/cooperation					Benchmarking				
Impact from development in other locations					Links/cooperation				
Networking between local authorities					Impact from development in				
Local authorities	Good cooperation	LG municipalities have a strong voice in LV	Limited / politicised cooperation	Very limited cooperation	Grant and subsidies	Very good coverage with preference	Good coverage	Underdeveloped business support in RU&B	Very diverse picture across EU
Benchmarking					Benchmarking				n.a.
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Cooperatives / associations	Low cooperation, in agri only	LV has strong cooperatives, not LG	No cooperation across external border	Close business ties, but limited cooperation	Financial instruments	Latgale -ALTUM's best client	Well-developed financial system	Underdeveloped financial instruments	Very diverse picture across EU
Benchmarking					Benchmarking				n.a.
Links/cooperation					Links/cooperation				
Impact from development in other locations					Impact from development in				
Civil society	Active CSO, but small and little cooperation	Strong NGO sector, good examples available	Almost no contacts: politicised	Limited connections to EU-level CSOs	Benchmarking				
Benchmarking					Links/cooperation				
Links/cooperation					Impact from development in				
Impact from development in other locations					Impact from development in				
How is the situation compared to ...									
How are the links to / cooperation with ...									
How is the situation affected by ...									

Annex 3. Territorial capital matrix Utena+2

	Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)		Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)
Territorial dimension ("location")					Business dimension ("beyond the location")				
Functional area cooperation					Clusters and networks				
Regional centre / -s or growth pole/ -s	Strong municipal centres	Capital region dominates	Zero to none cooperation	Not enough information	Business associations	Somewhat similar number across municipalities	Better network	Public sector dominates private	Longer traditions
Benchmarking				select					
Links / cooperation				select					
Impact from development in other locations				select					
Labour market	Similar unemployment rates	High unemployment	Lower unemployment	More inclusive labor market policies	Industrial clusters	One centre in Utena	More developed cooperation	Clustering around strong industry sector	More developed cooperation
Benchmarking				somewhat worse					
Links / cooperation				bad					
Impact from development in other locations				bad					
Public transport	Underdeveloped public transport infrastructure	Higher accessibility	No public transport linkages	Not enough information	Sector associations	Do not exist	Several strong associations	Public dominates private	Longer tradition
Benchmarking				select					
Links / cooperation				select					
Impact from development in other locations				select					
Accessibility					Professional support				
Roads	Similar quality of infrastructure	Better road infrastructure	No road linkages	Better road infrastructure	Experts at the local level	Equal distribution of support centres	Better network of support	Highly centralized network	Better network of support
Benchmarking				somewhat worse					
Links / cooperation				bad					
Impact from development in other locations				irrelevant					
Internet	ICT network	Higher ICT accessibility	Lower ICT accessibility	Higher ICT accessibility	Business incubators	Do not exist but are forming	A few incubators in major cities	Do not exist	Longer tradition
Benchmarking				somewhat worse					
Links / cooperation				well					
Impact from development in other locations				irrelevant					
Other, railway or airport or both	Only one centre	Lower quality and routes	No linkages	Better network	Legal and financial framework				
Benchmarking				somewhat worse	Taxation	Shadow economy	Better taxation compliance	No information	No information
Links / cooperation				bad					
Impact from development in other locations				irrelevant					
Services of general interest					Access to finance market	Few banks and credit unions	Banks, unions and stock market	State-run mostly	More capital available
Education	Equal distribution of schools	More universities	Worse quality of education	Higher quality of education					
Benchmarking				somewhat worse					
Links / cooperation				bad					
Impact from development in other locations				irrelevant					
State and municipal customer service	Main services are accessible	Wider array of services available	Centralized system	Higher de-centralization	Land-use policy	Favorable to businesses	More favorable to businesses	No information	No information
Benchmarking				somewhat worse					
Links / cooperation				irrelevant					
Impact from development in other locations				irrelevant					
Health care	Main services are accessible	More hospitals	Poor infrastructure	Higher de-centralization	Education and innovation				
Benchmarking				somewhat worse	Skilled labour force	Vocational centres	Tertiary education	No information	Better accessibility to retrain services
Links / cooperation				bad					
Impact from development in other locations				irrelevant					
Territorial capital					Training / life-long learning	Vocational centres	Access to education facilities	No information	No information
Labour force	Similar labor market outcomes	More job opportunities and higher employment		Better employment opportunities					
Benchmarking				somewhat worse					
Links / cooperation				bad					
Impact from development in other locations				bad					
Entrepreneurial activity	Small-medium size companies	National centre dominates	Public dominates private	More entrepreneurial	Innovation potential	Small scale companies	Access to financial services	High centralization	Strong R&D sector
Benchmarking				somewhat worse					
Links / cooperation				well					
Impact from development in other locations				bad					
Dominance of certain sectors	No clusters	More clusters and more diversified economy	High industry dominates	somewhat better	Business support system				
Benchmarking				bad	Business support centres	Equal distribution of centres	Good network of support	Public sector dominates private	Longer tradition
Links / cooperation				irrelevant					
Impact from development in other locations				irrelevant					
Cultural / natural assets	Nature tourism	More points of attraction	Underdeveloped tourism sector	Worse infrastructure and accessibility					
Benchmarking				somewhat worse					
Links / cooperation				bad					
Impact from development in other locations				irrelevant					
Networking between local authorities					Grants and subsidies	Equal appropriation	Higher uptake	No information	No information
Local authorities	Multiple centres	More accountability and representation	Public sector dominates private initiative	Higher de-centralization					
Benchmarking				select					
Links / cooperation				select					
Impact from development in other locations				select					
Civil society	Few associations and NGOs	More NGOs	Public sector dominates private initiative	Better cooperation private vs public	Financial instruments	Equal appropriation	Higher uptake	No information	No information
Benchmarking				bad					
Links / cooperation				irrelevant					
Impact from development in other locations				irrelevant					

Annex 4. Territorial capital matrix Romanian CBC area with Moldova

Territorial dimension ("location")					Business dimension ("beyond the location")				
Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)		Regional level / stakeholder territory	National level	Cross-border level	European level (if relevant)	
Regional Centers or growth poles	Polarisation, urban-rural disparities, isolated areas	Capital polarisation, urban-rural disparities, interregional disparities	Capital polarisation, cooperation	Policentricity, models, experience	Clusters and networks				
Benchmarking					Business associations	Active, good coverage, limited effectiveness	Strong links	Cooperation opportunities	Cooperations models, experience
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Labour market	Inactive workforce, skills mismatch, shrinking active labour force , ageing	Workforce drain, mobility	Mobility, opportunities	Workforce mobility, drain, upskill workforce	Impact from development in other location				
Benchmarking					Industrial clusters	Extensive and active	Integration	Cooperation and opportunities	Cooperation, networking
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Public transport	Limited coverage, progress, investment	Limited connectivity	Limited public transport connections	Cooperation, models and experie	Impact from development in other location				
Benchmarking					Professional support				
Links /cooperation					Experts at local level	Available and accessible, experienced	Part of a national market	Cooperation know how transfer	Cooperation
Impact from development in other location					Benchmarking				
Roads and rail	Underdeveloped, low accessibility, inefficient	Limited, inefficient connectivity, delayed investments	Underdeveloped, investments planned	TEN-T networks, cooperation	Links /cooperation				
Benchmarking					Impact from development in other location				
Links /cooperation					Business incubators	Insufficient, investment priority	Challenging, priority for investment	Cooperation	Cooperation, model, support
Impact from development in other location					Benchmarking				
Internet	Good accessibility, rural disparities, economic potential	Good accessibility, rural disparities	Connectivity, opportunities	Connectivity opportunities, cooper	Links /cooperation				
Benchmarking					Impact from development in other location				
Links /cooperation					Legal and financial framework				
Impact from development in other location					Access to finance market	Limited access	Limited access	More difficult	Support
Airport	Strong development, polarisation / monocentrism / single-airport region,	Balanced distribution, competitive assets, economy fare profile	Upcoming hub, accelerated growth, monocentric	Limited connectivity, large mobility needs	Benchmarking				
Benchmarking					Links /cooperation				
Links /cooperation					Impact from development in other location				
Impact from development in other location					Education and innovation				
Education and Vocational training	Low participation, disparities,	Centralised education system	Cooperation, scholarships, support	Cooperation, financial support	Skilled labour force	Shortage, key factor	Shortage of skills, evolving demand	Attractiveness, immigration	Drain
Benchmarking					Benchmarking				
Links /cooperation					Links /cooperation				
Impact from development in other location					Impact from development in other location				
Public utilities	Low accessibility and quality, disparities, progress	Pronounced infrastructure needs, lagging, underfinanced	Cooperation	Cooperation, financial support	Training/life-long learning	Low participation, limited relevance	Unattractive regulatory framework	Cooperation	Opportunity for upskilling, support
Benchmarking					Benchmarking				
Links /cooperation					Links /cooperation				
Impact from development in other location					Impact from development in other location				
Health care, education social services	Low accessibility, rural - urban	Similar challenges, insufficient support	Irrelevant	Support, models and funding	Innovation potential	Low innovation	Targeted support	Cooperation opportunities	Support, cooperation opportunities
Benchmarking					Benchmarking				
Links /cooperation					Links /cooperation				
Impact from development in other location					Impact from development in other location				
Labour force	Insufficient skilled labour force, with a reserve of labour resources	Workforce drain to capital or other centers	Cooperation, workforce inflows	Return of labour force, continued	Business support system				
Benchmarking					Grant and subsidies	Opportunities, high competition	National centralised programmes	Transfer of know how	Cooperation, funding support
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Entrepreneurial activity	Entrepreneurship disparities, high development potential	Cooperation, support	Opportunities	Temporary migrants potential entrepreneurs	Impact from development in other location				
Benchmarking					Financial access	Increasing support, attractive to entrepreneurs	Increasing support, attractive to entrepreneurs	Transfer of know how	Funding support
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Dominance of certain sectors	Decreasing agriculture and industry shares, consumption-oriented	Disparities, opportunities, industrial decline	Still pronounced dominance	Opportunities, models, experience	Impact from development in other location				
Benchmarking					Local authorities	Progressing, excessive fragmentation	Progressing, still low	Very good cooperation	Cooperation models
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Local authorities	Progressing, excessive fragmentation	Progressing, still low	Very good cooperation	Cooperation models	Impact from development in other location				
Benchmarking					Civil society	Active, strengthened, capacity	Progress, self-organisation, increasing	Cooperation	Cooperation
Links /cooperation					Benchmarking				
Impact from development in other location					Links /cooperation				
Civil society	Active, strengthened, capacity	Progress, self-organisation, increasing	Cooperation	Cooperation	Impact from development in other location				
Benchmarking									
Links /cooperation									
Impact from development in other location									



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