

# BusDEV - Business Development Opportunities at External EU Borders

Targeted Analysis

**Scientific Report**

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## Abbreviations

AEBR	Association of European Border Regions
BRCT	Regional Office for Cross Border Cooperation between Romania and Moldova
CDFI	Community Development Financial Institution
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
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
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GVA	Gross Value Added
JRC	Joint Research Center
ITI	Integrated Territorial Investment
LAG	Local Action Groupe
LAU	Local Administrative Unit
LPR	Latgale Planning Region
NUTS	Nomenclature of Territorial Units for Statistics
MEPRD	Ministry of Environmental Protection and Regional Development of Latvia
ODIMM	Organisation for Small and Medium Enterprises Sector Development
OP	Operational Programme
RDA	Regional Development Agency
RDC	Regional Development Council
RES	Renewable energy sources
ROP	Regional Operational Programme
SEZ	Special Economic Zone
SGEI	Services of General Interest
SME	Small and medium enterprise
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 business environment in the regions next to EU external land border and provide insights into the existing business policies and their possible territorial effects. The three pilot regions of this analyses – Latgale in Latvia, Utena+2 in Lithuania and the Romanian CBC area with Moldova lie at the EU eastern terrestrial external borders. They partly cover six NUTS3 regions.

This report presents the main methodological frameworks applied in this targeted analysis. It introduces conceptual framework and respective methodologic pathways to make the study repeatable and verifiable for a possible future research at other EU external border regions. The report complements other outputs produced in this targeted analysis. The main report presents key findings of the study. In addition to this Scientific report there is also a Synthesis report. The other final deliveries are stand-alone documents named ANNEXES. Three reports on the stakeholder territories cover full descriptions of existing business environments, effectiveness of business policies and support systems and recommendations for business development. Good practice examples of business support policies in other EU Member States are composed in a separate document following the needs and requests of the stakeholders to serve as food for thought and an inspiration. The framework for territorial strategies presents ways to ensure that policies and instruments for business development acknowledge and build upon realities of EU external border regions.

The structure of this Scientific report largely follows the main steps and tasks performed. Efforts have been made to keep the overall methodologic approach standardised across the study, however, at certain points, the research diverges due to the regional specificities as well as meeting up with certain expectations by the respective stakeholders. Nevertheless, the guiding hypotheses have been elaborated for all three stakeholder territories.

Chapter 1 presents conceptual framework behind the analytical work for each of the tasks as per Terms of Reference (ToR). It introduces main approaches and definitions used to carry out a unified regional potential analysis in each of the three stakeholder territories including various aspects of business environment and assessment of the business support implemented there. The overall conceptual framework of the study builds upon document studies and literature review performed at the tendering phase and further developed and presented in the inception report.

Chapter 2 presents main methods applied for establishing and presenting regional potentials as determinants of the business environment and assessing to what extent the present business support policies and mechanisms are relevant and effective in the stakeholder territories. It describes collection of quantitative and qualitative data, participatory process and the analytical work.



The Chapter 3 elaborates on the possible directions for further research in the specific subject area of development at EU external borders.

The report has six annexes attached directly. There are also source files in vector format for the maps and figures as well as geodatabase files for all the maps complementing the report.

The five stand-alone complementary documents included in this final delivery are:

- Annex I “Stakeholder territory report for Latgale, Latvia”
- Annex II “Stakeholder territory report for Utena+2, Lithuania”
- Annex III “Stakeholder territory report for Romanian CBC area with Moldova”
- Annex IV “Business support policies in other EU Member States - Good practice examples for inspiration”
- Annex V the “Framework for territorial business development strategies”

# 1 Conceptual framework

The stakeholders of this targeted analysis are EU NUTS3 regions that are lagging behind in their development not only in the EU context, but also at the national level. (ESPON, 2019) study discloses 13 out of 16 EU NUTS2 regions on the eastern EU external land border are “left behind” and only three show signs of “catching up”. In many instances, the backwardness has long-term roots related to their peripheral border location.

Interest of the project stakeholders lies in exploring perspectives and added value that closeness to the EU external border could possibly imply for their future development and what relevant support policies could stimulate business growth in their territories.

## 1.1 Regional potential and territorial capital

The conceptual framework of this analysis builds upon a thesis that every region has a potential. The World Bank report “Rethinking Lagging Regions: Using Cohesion Policy to Deliver on the Potential of Europe’s Regions” argues that “all lagging regions have some potential for growth, and that some regions may be exploiting less of this potential than others” (Farole et al., 2018). The report defines and operationalizes concept of “economic potential” with a model based on three sets of regional “endowments”: (1) human capital, (2) locational endowments and (3) physical and sectoral endowments. An additional set of a potential regional “endowments” has been introduced for the needs of this targeted analysis due to its focus on EU external border – (4) border effects. Altogether they are the “location” aspects of the regional potential.

The locational endowments have been complemented by “beyond the location”. These are elements disclosing the regional business ecosystem at large and putting it into a wider context of a national and even EU ecosystem. They assess presence of “soft” infrastructure vital for business growth and consequently also for the regional development.

A “territorial capital” concept has been introduced as a horizontal axis of the regional potential to ensure this targeted analysis has the required spatial dimension including the cross-border aspect. A “territorial capital” is what makes the territory distinct from the other areas and might generate a higher return on specific kinds of investments than for others (Camagni, 2017). The concept of territorial capital is operationalized through application of selected territorial keys which all constitute spatial indicators of growth. These categories of territorial keys relate territorial capital to socio-economic growth and enable identification of spatial development trends as well as barriers and enablers of regional spatial development by highlighting the role of the territorial structures for growth (Zaucha et al., 2014).

To a large extent, economic potential and territorial capital are two sides of the same coin – two development perspectives in which the region’s strengths and weaknesses can be pronounced. A need to maintain the cross-border territorial aspect throughout the otherwise socio-economic and business development analysis defined this two-folded analytical approach. Hence to the extent possible and meaningful the two perspectives – (1) **business** and (2) **territorial/spatial** – were assessed throughout the study.

A **Territorial capital matrix** is proposed to provide a synthesised overview on both the above-mentioned perspectives – business and territorial - at four different spatial scales: (1) regional, (2) national, (3) cross-border and (4) EU. The matrix is a useful tool to be applied in the territorial strategy development process. It serves as a visual providing a quick overview on the strengths and weaknesses of the region in focus and puts them in a larger territorial context. Three territorial matrixes (one per each stakeholder territory) as an outcome of this approach are included in each respective stakeholder territory report. A “three in one” graphic layout of the outcome is attached to this report as Annex 1 complemented with a brief instruction on how to read the matrix. The methodology behind developing the matrix is further described in sub-chapter 2.1.4.

The **territorial dimension** of the matrix elaborates on five main territorial development keys (1) accessibility, (2) services of general interest, (3) territorial capacities/assets, (4) city networks and (5) functional areas. Territorial keys serve as a vehicle to identify the key elements of territorial convergence related to its territorial capital dimension. They allow positioning the region on various levels, such as the country and the EU level by grouping together the linking issues into policy-oriented aggregates. The territorial keys open up the territorial dimension and highlight the specific strengths and weaknesses of territories that should influence the selection of measures taken under certain policies. They simplify the territorial approach to make it more user-friendly for decision-makers (Böhme et al., 2011).

The **business dimension** of the matrix concludes on the overall state of business environment in the stakeholder territories and how its various components play out on a spatial dimension. The regional potential analysis has a strong focus on the factors critical for businesses as concluded in the ESPON studies on SMEs (ESPON, 2018a) and FDI (ESPON, 2018b). These business determinants and drivers include but are not limited to the following elements relevant for a healthy business ecosystem: labour abundance and a share of the workforce with a tertiary education, settlement structure, unemployment and self-employment, accessibility, governance quality, access to finance, taxation, market size, cluster development, FDI concentration and level of innovation.

An objective of within task 1 has been, first of all, to contribute to the stakeholders' knowledge on the main questions raised in the Terms of Reference, as well testing one of the two hypotheses put forward during the inception phase: *“The external border location negatively affects the overall regional development potential and business opportunities in the stakeholder territories”*. For testing this hypothesis empirically, it has been 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.

## **1.2 Business support policies and mechanisms**

Interventions aimed at mitigating market failures are an essential part of national and EU regional policies. Often business development support is an integral part of the regional ESPON 2020

development and cohesion policies.<sup>1</sup> Such interventions shall capitalise on the existing regional development potentials and territorial capital by stimulating main business determinants. Effectiveness of these interventions is subject to intervention logics appropriate to address regional challenges and potentials. Thus, intervention logics need to take into account regional specificities.

Many business development interventions have been implemented in the Member States of the stakeholder territories. Joining EU considerably upscaled regional policy interventions including direct business support to the enterprises and various integrated investments. The most substantial funding support to the stakeholders' territories has been provided so far by European Structural and Investment Funds (ESIF) including EAFRD, since these represent the main funding tools in the three Member States for regional and rural development. Assistance has reached the areas in different forms, including business incubators, business advice, training, productive investments and a few others.

Despite progress made by most new EU Member States on national level in terms of EU wide economic, social and territorial cohesion, regional imbalances remain within many Member States. According to the data by OECD, for example, Latvia ranks 2<sup>nd</sup> among the EU Member States as to the regional disparities within the country calculated by GDP per capita in 2018<sup>2</sup>.

Thus, it may be concluded that regional and rural policies so far did not sufficiently address development challenges in lagging regions of these territories to mitigate territorial imbalances.

Against this background, the following hypothesis guided analysis within task 2 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”*. For testing this hypothesis empirically, it has been further broken down:

1. 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.
2. 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.
3. 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.
4. 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.

### **1.3 Framework for territorial strategies at EU external borders and concrete recommendations**

The process of developing the framework for territorial strategies at EU external borders in task 3 is two-fold. First, the outcomes of regional potential and business ecosystem analysis are

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<sup>1</sup> This is visible, for instance, in ERDF Operational Programmes having a strong focus on business and SME support (i.e., thematic objective 3 under ESIF programmes 2014-2020). See, e.g., OP “Growth and Employment” for Latvia or OP “EU Structural Funds Investments for 2014-2020” for Lithuania.

<sup>2</sup> Regions and Cities at a Glance, OECD 2020, p.57

used as a point of exit to formulate region specific recommendations for business development in the stakeholder territories. They are presented in the stakeholder reports. Secondly, the lessons learnt are used to develop a framework for territorial strategies at EU external border regions. This framework uses the lessons from the stakeholder regions to describe different ways EU external border regions can support business development.

The formulation of recommendations and development of the framework take place-based and place-sensitive approaches as a starting point.

- **Place-based approaches** consider long-term strategies and aim addressing the underutilisation of local and regional potential and reducing social exclusion. External policy interventions and multilevel governance between local, regional and national institutions and groups are important means in this regard. The place-based approach assumes a strong role of the specific geographical context (incl. social, cultural, institutional characteristics) for successful policy interventions. Underdevelopment traps are often caused by local elites and their lack of knowledge about the right actors doing the right things at the right time. This issue can only be tackled by new ideas to be conjointly developed by local groups and external policy makers and (Barca et al., 2012).
- **Place-sensitive approaches** are based on both theory and empirical evidence. They acknowledge and consider structural opportunities, potentials and constraints of a specific place – or in other words, its individual characteristics, features and conditions. They aim at maximising the development potential of a place as well as generating and spreading development. For this purpose, they focus on creativity and overall satisfaction, for which in many declining areas investments in basic capabilities are needed (Iammarino et al., 2017) and (Rodríguez-Pose, 2018).

Application of these two approaches in this ESPON targeted analysis resulted in combining different methods that are interrelated. Formulation of recommendations and development of the framework build on the outcomes of the Territorial capital matrix, conclusions on business support policies and mechanisms and participatory approaches.

The Territorial capital matrix allows to put findings in a territorial perspective and to differentiate stakeholder regions specific recommendations from general strategic proposals. It allows separating the more region specific recommendations relevant in the stakeholder regions from the ones that have to be considered and developed at different spatial scales from the local level until national and European levels. The participatory approach functions as a horizontal method providing the territory specific (tacit) knowledge to ensure proposals and recommendations fit in the territorial context of the border regions.

## **2 Methodologic pathway**

### **2.1 Existing business environments in the stakeholder territories**

Defining regional potential including overview on the existing business environments entailed analysis of quantitative data, studies of the previous researches and numerous interviews with key players in the stakeholder territories. The retrospective timeline for analysis was the past five years for which the data are available and where possible and meaningful also up to ten years. Initial analysis of the business environment was twofold:

1. firstly, looking at the “location” aspect of being at the EU external border and
2. secondly, analysing the prospects of the region which are not necessarily place bound, i.e., the “beyond the location” assessed entrepreneurial ecosystem and its “competitive advantages”.

For these two aspects the stakeholder territories were benchmarked against the other regions in the same country. This allowed disclosing recent trends and identifying the main challenges and opportunities for business development and attracting investments. Hence, the territories have been considered through a simplified framework of regional competitiveness.

During the inception phase a territorial development aspect was added to this analytical process. It was concluded that for the needs of task 2 of ToR analysis of the territorial effects has to be strongly built on the findings of “location” and “beyond location” analysis. Thus, it follows the same methodologic path. The territorial effects analysis looks into how the developments have been within the region, i.e., it is an intra-regional benchmarking of the LAU territories for Latgale, Utena+2 and counties for the Romanian stakeholder territory.

Overall analysis followed a guidance document produced and supervised by the task leader. The methods used are described below. Findings of the quantitative data has been enhanced by relevant tables, figures and maps, source files of which are annexed to the report.

#### **“Location” aspect**

For “location” aspect the following sets of locational endowments have been analysed in depth:

1. Human capital: population, education, labour market, economy and business activity
2. Locational endowments: accessibility, market size, services of general interest, culture, tourism and renewable energy
3. Physical and sectoral endowments: natural resources, infrastructure, logistics, functional areas
4. Border reality: geo-political situation, physical border and its crossing, potential for economic co-operation and socio-cultural dimensions

#### **“Beyond the location” aspect**

It is an assessment of the overall entrepreneurial ecosystem of the stakeholder territory analysing existing partnerships, networking, clusters, innovation, governance, access to finance and any other relevant aspects and regional potentials. It describes the regional ecosystem trying, inter alia, to outline possible reasons behind the trends obtained as seen from the quantitative data analysis in the “location” analysis.

This mostly qualitative analysis builds upon a number of secondary quantitative and qualitative data sources such as websites and previous studies. It draws up a bigger picture of the entrepreneurial ecosystem disclosing which elements are functioning in the stakeholder regions and which are not.

### **Territorial developments**

Analysis of territorial effects assesses developments within the region. It mainly builds upon the data collected based on the indicators as for the "location" aspect, but gets one level down to the local authorities (Latvia and Lithuania) and counties (Romania) and makes a comparison between them. The following subjects have been analysed: the settlement structure of and within the territory, its internal labor market, accessibility, investments, added value and income levels. Special attention has been paid to the differentiation of entrepreneurial capacities. They have been assessed by combining proxy indicators for business and entrepreneurial activity. The analysis focused on three dimensions, namely business vitality, attractiveness and local resources. The business proxy indicators had to be available at sufficient territorial detail for possibly all three stakeholder territories and covering the time period between 2014-2018, which limited the overall number of indicators to six (i.e., two per dimension) as indicated in Table 2.1.

*Table 2.1 Indicators for assessing entrepreneurial capacity in the three stakeholder territories*

<b>Dimension</b>	<b>Indicator</b>	<b>Interpretation</b>
Business vitality	Evolution of the number of commercial companies	Strong and stable economic base
	Average annual business creation per 1000 inhabitants	New businesses / entrepreneurship
Attractivity	Average annual investments in fixed assets per capita	Continuous investment effort in local assets
	Average annual FDI	Attractivity to foreign investors
Local resources	Active population	Availability of human capital
	Average municipal tax revenue	Availability of public funding for business development

*Source: Consortium, 2020*

The data to feed into the entrepreneurial potential assessment were picked out of the core data set collected for this study, see sub-chapter 2.1.1. The potential is not static but shows the dynamic of each indicator from 2014 to 2018. There were a few cases when the data covered another timeline, e.g., 2012-2017 for FDI in Latgale, but the duration of five years has been maintained.

For assessing the entrepreneurial capacity, the following methodological steps were first tested for Latgale before implementing them for all stakeholder territories (with slight adjustments where necessary):

1. Combined analysis of three dimensions / six indicators at local level (LAU) that are key for business development and entrepreneurship (proxies for entrepreneurship). Different formats for normalisation were tested and z-values were selected as basis for further steps.
2. For each LAU within one of the three stakeholder territories<sup>3</sup> and each indicator the relative position has been identified differentiating between above average (>0.5), average (-0.5 to 0.5) and below average (<-0.5), positioning. Table 2.2. gives an example for the traffic light indication on the positioning for each indicator for one territorial unit. In consequence, each traffic light table mirrors the relative position of LAU units in context of the corresponding stakeholder territory. These tables have been included in the stakeholder territory reports for Latgale and Utena+2 to present a visual analysis that shows different degrees of divergence between indicators and highlights the main strengths and weaknesses of a LAU unit in terms of entrepreneurial capacity.
3. Categorisation and mapping of the LAU units according to their entrepreneurship profiles identified in step 2. The categorisation differentiated five groups based on the unweighted sums of the six indicators. This yielded the following categories of relative entrepreneurial capacity (in comparison of the other local units in the same stakeholder territory):
  - Very low – <1,5
  - Low – -1.5 to -0.5
  - Medium – -0.5 to 0.5
  - High – 0.5 to 1.5
  - Very high – >1.5

Table 2.2 Principal indication of the relative positioning of LAUs within the stakeholder territories

LAU unit / NUTS 3 unit (RO)	Business vitality		Attractivity		Local assets	
	Economic base	New businesses	Inv. In fixed assets	FDI	Active population	Municipal revenue
1.	●	●	●	●	●	●
2.						
...						

Source: Consortium, 2020

Entrepreneurial capacity has been showcased in the stakeholder territory report in the sub-chapter 1.3 on Territorial developments within the region as well as included in comparative maps of entrepreneurship potential and ESIF business support investments in the 2014-2020 programming period in the sub-chapter 2.3.

### 2.1.1 Quantitative data collection

To analyse the first three sets of endowments – (1) human capital, (2) locational endowments and (3) physical and sectoral endowments a list of basic socio-economic indicators defined at the inception phase. Altogether approximately 50 indicators have been identified as relevant for disclosing the regional potential. For a more unified approach allowing a comparative analysis of the three stakeholder territories a set of 21 indicators was concluded as the main reference. Please, see the list in Annex 2 to this report.

The quantitative data for the main set of 21 indicators has been collected and analysed in times series of a minimum five years. The same minimum timeline requirement was applied also for the data beyond the main set. The data mostly come from the national statistics offices of

<sup>3</sup> LAU level could only be applied for the Latvian and Lithuanian stakeholder territories. Due to limited data and the larger delimitation of the Romanian stakeholder territory, the latter analysis was left at NUTS 3 level as for other analyses.



respective countries. Where meaningful the analytical work with the quantitative data has been enhanced by creating relevant tables, graphs and maps.

A few deviations were necessary from the originally envisaged indicators mostly due to data not being available or other data being more appropriate:

- In Romania data for two indicators – ED1 and INN1 were available only at the NUTS2 level.
- In Latvia for ED1 the local national statistics categorisation of education levels was deemed to be more appropriate and provided the needed data for NUTS3.
- After having a closer look at the available ESPON data for NA2, it was decided that territory wise the concept would be better presented based on the own collection of data for PO2 and PO3.
- Similarly, for LO2 the population potential was recognised as more suitable for presenting the locational endowment.

A number of data were obtained upon a special request from the national statistics or other institutions such as, for example, INN1 data for NUTS3 in Latvia or FD1 and INC2 in Romania from the National Bank and Ministry of Public Finance respectively. In Romania for the quantitative data which were not obtainable at NUTS3 a qualitative assessment was made based on the interviews.

Recognising that the data set of 21 indicators is limited due to the predefined criteria of data comparability between the countries, the methodologic guidance encouraged the consortium partners responsible for their respective stakeholder territory to proceed with the more in-depth endowment analysis beyond the list to better reveal the regional potential. Hence, approximately another 30 indicators per each stakeholder territory were identified, collected and analysed. In most instances these indicators are not comparable between the stakeholder territories but disclose the locational endowments vital for the territorial strategy to be developed under task 3. These data include, but are not limited to:

- number of educational institutions and the students to present the SGI as well as the tertiary education opportunities;
- total number of hospital beds to present the SGI;
- number of accommodations to characterise the tourism activity;
- total length of roads to describe the infrastructure;
- total investments into fixed assets of the companies;
- etc.

A great number of various statistical materials and previous studies have also been consulted in each of the stakeholder areas. Relevant references can be found in the respective stakeholder territory reports. Hence, the analysis reveals all major implying trends and identifies main challenges that the three stakeholder territories at EU external border have. The evident tendencies are further analysed to possibly detect their cause and to disclose any interactions between various business determinants and territorial keys. Respective conclusions have been drawn and included in the stakeholder territory reports.





### **2.1.2 Border reality - border effects with relevance for the regional potential**

To identify potential effects for the regional business development deriving from the closeness to the EU external border a multidimensional border reality approach has been applied. It has been first developed in the ESPON GEOSPECS project (Gløersen et al., 2012) and further

elaborated in ESPON CPS (Zillmer et al., 2018). The ESPON GEOSPECS project identified four dimensions that simultaneously characterise any border. These are effects associated with political border, physical obstacles, economic discontinuities and socio-cultural dividing lines. Identification of the opening & closing effects of the border allows understanding the border realities and assess their impact on the developments of the border region, inter alia, the business environment. The main analytical aspects of the multidimensional border analysis adapted for this study are listed in below Table 2.3

Four border areas were assessed: (1) Latvia-Russia, (2) Latvia-Belarus, (3) Lithuania-Belarus and (4) Romania-Moldova. As a first step the main elements of each of the four dimensions have been analysed for each of the border area based on the available data. The data sources can be found in the respective stakeholder territory reports

Table 2.3 Multidimensional border reality approach

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

The second step entailed the experts' judgment on the degree of the opening or closing effect for each parameter as per each dimension. The effects were scored on the following scale: -2 strong closing effect; -1 moderate closing effect; 0: neutral effect; 1: moderate opening effect; 2: strong opening effect. As a result, a graded assessment was obtained that allowed to calculate the average sentiment in the cross-border area. An example of the border reality assessment at the Romanian - Moldavian border can be found in Annex 3 to this report.

Finally, a thematic map using the graphical illustrations was produced and is presented in the Final report. A colour coding was used to present the results as per the graded assessment of the opening or closing effect of each border area. The colour coding differentiates five categories from strongly closing effects per border dimension to strongly opening effects. This visualisation allows to judge the effects that the border has on the business environments in the cross-border area based on an easy to perceive format.

### 2.1.3 Interviews

The quantitative data were verified and complemented with the qualitative information that was sought via a great number of semi-structured interviews with the main regional and national players of the stakeholder territories. Interviews allowed validating preliminary findings as well as to obtain more in-depth insights behind development trends as disclosed by the quantitative data collected in tasks 1 and 2.

The COVID-19 pandemic situation made it impossible to organise the planned focus groups. Instead, considerably more interviews were performed to ensure that information is not only collected, but also exchanged and discussed as broadly as possible. Most of the interviews took place via various virtual means of communication – Skype, Zoom, teleconferences, etc..

Lists of the people interviewed for each stakeholder territory is annexed to the respective stakeholder territory report. Altogether 87 interviews have been carried out:

- 40 for Latgale with 60 representatives
- 13 for Utena+2 with 13 representatives
- 34 for Romanian CBC area with 39 representatives

Among the interviewees for tasks 1 and 2, there were representatives of:

- local and regional authorities;
- business support and representative organisations;
- ESIF Management Authorities;
- representatives of financial institutions;
- businesses.

The interviews with representatives of the local and regional authorities and business organisations covered questions necessary to collect information for task 1 and task 2. The semi-structured interviews were prepared along the main aspects of the analysis. They covered “location”, beyond “location” and cross-border co-operation aspects. The interview structure was adapted to the type of organization that the interviewee represented. Issues to be asked at each specific interview as deriving from the quantitative findings were also included.

For task 1 the local and regional authority as well as the local business organisations' representatives were asked about the most important development resources in their respective territories as well as obstacles that prevent from fully deploying them. The questions were asked among the below lines:

- human resources and the existing labour force
- unemployment and unemployed as a labour force
- young people as a future labour force
- new potential entrepreneurs
- accessibility by roads, public transportation, internet networks
- availability and quality of public services
- proximity to the border, cross-border cooperation: opportunity or obstacle
- weaknesses of the regulatory framework

The local and regional authority representatives were also asked about the overall development priorities and directions of their respective territories including, but not limiting to the following topics:

- existing strong industries in the area
- priority sectors for the future
- cooperation with entrepreneurs: cooperation, clusters
- priorities for climate change
- social entrepreneurship
- also, impact of the COVID situation

Finally, representatives of the local and regional authority and business organizations were asked to provide their assessment on the business support as well as additional support needs in their respective territories. The topics that were asked included, but are not limited to the following topics:

- ESIF direct and indirect support
- EAFRD
- European Territorial Cooperation programmes
- Financing climate change, e.g., Just Transition Fund
- National business support instruments
- Municipal support

For the needs of task 2 the questions relevant to preliminary quantitative data findings on the selected business support measures were specified. They referred to the actual business support that has been invested in the relevant territories the local and regional authority. Also the interviews with the ESIF Management Authorities sought to verify the preliminary findings and acquire additional data necessary for the research.

The outcomes of the interviews have been mainly integrated into the stakeholder territory reports as appropriate. They either validate the quantitative data, explain them and/or provide another perspective how to look at a certain phenomenon. Qualitative data obtained via interviews have been a valuable contribution to the overall research.

#### **2.1.4 Territorial capital matrix**

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

Three Territorial capital matrixes have been prepared by the consortium partners based on the findings on the existing business environments for each of the stakeholder territories. The following is an overview of the process that can be repeatable. There is a graphic overview of the outcome of this exercise attached to this report as Annex 1 in a comparative “three territories on one page” layout together with a brief instruction on how to read the matrix.

The main steps towards a Territorial capital matrix for a specific territory are as follows.

1. **Define a topic**, e.g., business development at regional level. The two dimensions and different features identified for the ESPON BusDEV project are suitable starting points in this regard:
  - 1.1. Territorial dimension ('location'): Functional area cooperation, services of general interest, territorial capital, networking, accessibility.
  - 1.2. Business dimension ('beyond location'): Clusters and networks, professional support, legal and financial framework, education and innovation, business support system.
2. **Define a set of subtopics** that operationalise the feature and shall be analysed in further detail in the next steps, e.g. business associations, industrial clusters and cooperatives for the subtopic 'clusters and networks', or education, state/municipal services and health care for the subtopic 'services of general interest'.
3. **Answer multiple choice questions** for the territory at hand. They refer to

- 3.1. territorial benchmarking;
  - 3.2. links and cooperation with other territories; and
  - 3.3. the impact from developments in other territories.
4. **Assess the territory's performance to other territories.** All questions can be answered for different territorial levels of interest, e.g. national, cross-border and European. For answering the questions, one can distinguish between a colour coding that compares (much better (dark green), somewhat better (light green), somewhat worse (yellow), much worse (red)) and allows to add some key words to complement the user's choice.

Table 2.4 A set of reference questions and multiple-choice responses by the territorial levels

Reference questions	Multiple-choice responses at the regional level	Multiple-choice responses at the national, cross-border and European level
<b>1. How is the situation compared to ...</b>		
1.1. various locations in the region for the regional level?	dominated by one location in the region	much better
1.2. the national average for the national level?	several strong points in the region	somewhat better
1.3. other side or a cross-border area for the cross-border level?	strong urban-rural imbalance	somewhat worse
1.4. the European average for the European level?	no strong points in the region	much worse
<b>2. How are the links to / cooperation with ...</b>		
2.1. various locations in the region for the regional level?	dominated by one location in the region	much better
2.2. the national average for the national level?	several strong points in the region	somewhat better
2.3. other side or a cross-border area for the cross-border level?	strong urban-rural imbalance	somewhat worse
2.4. the European average for the European level?	no strong points in the region	much worse
<b>3. How is the situation affected by ...</b>		
3.1. various locations in the region for the regional level?	dominated by one location in the region	much better
3.2. the national average for the national level?	several strong points in the region	somewhat better
3.3. other side or a cross-border area for the cross-border level?	strong urban-rural imbalance	somewhat worse
3.4. the European average for the European level?	no strong points in the region	much worse

Source: Consortium

Figure 2.1 Sample of the extended Territorial Capital Matrix including the reference questions and colour-coded multiple-choice responses

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

Source: Consortium, 2020

Most of conclusions in the Territorial capital matrix derive directly from the analysis of regional endowments and business support mechanisms. Following the structure of the five territorial and five business dimensions the most relevant subtopics characterising each dimension were selected by national experts. An assessment of each subtopic was done by answering the multiple-choice questions and applying the colour-coding method as described above. This is how findings of the analysis fed into relevant parts of the matrix.

For example, sub-topic "entrepreneurial activity" was largely built on the findings disclosed in the relevant sub-chapters of "Business activity" and "Entrepreneurial capacity" of the stakeholder territory reports. On the regional level it is characterised as "high activity, mostly small firms" in Latgale and "small-medium size companies" in Utena+2, while in cross-border context as "economy dominated by large firms" or "public dominates over private" referring to the comprehensive findings for situation in Russia and Belarus.

Information based on quantitative data was complemented with the qualitative data arriving from the number of interviews as well as qualitative judgement by the national experts. This allowed to verify and calibrate the factual information as well as position the stakeholder territory in the regional and national contexts. For the cross-border and European level analysis, a quick estimate was made to compare the stakeholder's performance with border country in focus and EU-28 performance where possible based on quantitative information, but often also on qualitative judgement.

## 2.2 Effectiveness of existing policies and business support mechanisms in the project stakeholder territories - outcome of the analysis

To assess territorial effects of existing policies and business support mechanisms task 2 differentiated between the three principal perspectives towards business support policies:

1. **Types of support policies.** Business support can be provided through different means. The analysis differentiated five principal types of support: (1) financial, (2) infrastructure, (3) consultation, (4) event and (5) marketing support. Within each type further sub-types have been differentiated. This approach aimed to (a) highlight the nature of pre-dominating types of support policies and (b) illustrate the system of support per stakeholder territory, in which different types of business support measures have complementing roles. This analysis furthermore shows for each stakeholder territory in how far the business support policies are subject to national policies or implemented with a territorial focus on the territories subject to this study.
2. **Main business support policies.** The different business support policies available to enhance business development in the stakeholder territories are implemented in the context of a policy cascade defining the overarching policy objectives (for businesses and beyond). This cascade considered the EU and national levels as well as the regional level and highlighted the main national and regional policies relevant for business support in the stakeholder territories. It differentiated between policy documents setting out principles and objectives (e.g., strategies, policy papers) and the implementation programmes facilitating the funding of the different support mechanisms (see (1) above) (e.g., ESIF programmes). The mainly relevant documents and policies were identified by national experts in cooperation with the respective stakeholders.

For the in-depth analysis stakeholder and experts selected a limited number of business support mechanisms ensuring that different relevant objectives were included. These covered:

- legal measures for special economic zones (SEZ);
- infrastructure for facilitating business set-up;
- direct business support for
  - business creation;
  - business development;
  - improving productivity;
  - improving skills and knowledge; and
 measures combining several of the above objectives.

The table below gives an overview of the number of support mechanisms analysed in-depth per stakeholder territory.

*Table 2.5 Overview of number of support mechanisms analysed in-depth per stakeholder territory by type of funding and objective*

	Latgale	Utena+2	Romanian CBC area
<b>Legal measures</b>	1	1	1
<b>Infrastructure</b>	./.	1	2
<b>Business creation / start-up</b>	4 (of which one is under EAFRD & one under CBC)	3 (of which two are under EAFRD)	2

	Latgale	Utena+2	Romanian CBC area
Business development / growth	1 (of which one is under EAFRD)	2 (of which one is under EAFRD)	4
Improving productivity	1 (EAFRD)	4 (of which one is under EAFRD)	
Improving skills and knowledge (training)	./.	1	./.
Measures addressing several objectives	4 (of which two are under EAFRD)	1 (EAFRD)	1 (EAFRD)
<b>TOTAL</b>	<b>11</b>	<b>13</b>	<b>10</b>

Source: Consortium

3. **Effects of selected business support measures.** Measures selected for in-depth analysis were also assessed in terms of their effects, both at programme level and based on examples of concrete business cases. For this analysis the absorption was analysed for each type of measure comparing the stakeholder territory with the corresponding national absorption by assessing investment volumes, total and relative approval rates and investments per capita. This allowed assessing the absorption potential and was complemented by qualitative insights to assess the adequacy of certain measures for businesses in the stakeholder territories. Findings for individual measures were related to the hypotheses (see sub-chapter 1.2) and feeding into an overall assessment of the relation between entrepreneurial capacity as assessed under task 1 (see sub-chapter 2.1) and ESIF and EAFRD funding in the stakeholder territories. Similarly, to the analysis of the entrepreneurial capacity, the funding analysis was conducted at the level of local administrative units for Latvia and Lithuania and NUTS 3 level for Romania. This assessment included a combined mapping exercise of the entrepreneurship mapping with analysed ESIF funding in the corresponding localities. For assessing the ESIF funding in view of nationally different funding levels, per capita values were categorised and the categories differentiated according to the overall level of funding in the corresponding stakeholder territory. Programme level assessments were complemented by case studies for selected enterprises to illustrate effects of measures more concretely. Given the variety of policy measures included in the assessment and the study's overall objectives, this assessment is indicative rather than a full-fledged evaluation.

For each of these perspectives the analysis has been individually undertaken for the stakeholder territories by national experts. The final report summarises these analyses by highlighting commonalities and differences between the three stakeholder territories. The territory specific analysis was guided by hypotheses and conducted via desk research and interviews, for which guidance had been prepared to facilitate a coherent approach across stakeholder territories.



For hypotheses testing, findings from the policy analysis (task 2) and the analysis of regional potentials for business development (task 1) were brought together. The last sub-hypothesis provided the link to task 3 and the territorial strategic framework for regions at EU external borders.

During the desk research the focus was on relevant policy documents as identified in the stakeholder territory reports. This included in particular various ESIF and EAFRD programming documents and an analysis of both, qualitative and quantitative programme data. The data sources are listed in sub-chapter 2.2.1.

The interviews were conducted in the same context as for Task 1. Guiding questions were derived from the hypotheses seeking answers and additional insights not sufficiently covered by desk research. For the in-depth analysis of selected policies additional questions (particularly for programme authorities and businesses) were derived from the factsheet template that guided the development of these policies' analysis. It is Annex 4 to this report. For each of the selected policies or a group of policies with similar objectives the template has been filled-in, consisting of a general description of the policy in view and case study analysis for selected businesses.

### **2.2.1 Stakeholder territory specific data sources**

To acquire data necessary for assessment of the effectiveness of existing policies and business support mechanisms the consortium partners worked with different sources. Where possible an access to the actual monitoring data of the business support measures in the focus of the study was sought. When feasible calculations were made based on the primary data sources. Data collection and verification involved also review of relevant strategic policy documents and operational programmes, also previous studies and evaluations.

The following main data sources were used for the involved stakeholders:

#### **Latvia**

- Management Information System of the Cohesion Policy in Latvia
- Rural Support Service
- Development finance institution ALTUM
- Latgale planning region and local authorities
- Data from the Register of Companies via Lursoft, Ltd

#### **Lithuania**

- Database of the Ministry of Finance for ESIF OP (ERDF and ESF) measures
- Database of National Payments Agency for EAFRD measures
- Database of the State Social Insurance Fund Board under the Ministry of Social Security and Labour to assess the performance of applicant companies

#### **Romania**

- Administrative data from all the Managing Authorities and intermediate bodies for the analysed operational programmes
- Open data portal ([data.gov.ro](http://data.gov.ro)) and the Ministry of the European Funds for grant contracts
- National Agency for Fiscal Administration's database for enterprises' annual financial statements

The analysed data are presented in the corresponding chapters of the stakeholder territory reports and the factsheets annexed to them. Using multiple sources of data and various data collection methods allowed enriching the analysis with triangulation, completing the missing data and also nuancing the findings and conclusions.

The factual material was complemented with information from interviews with the management authorities and beneficiaries. Apart from the factual information the factsheets also contain certain calculations of the business support funding per territorial administrative units as appropriate and feasible as well as the more qualitative information in a form of cases studies describing actual support as received and perceived by the benefitting enterprises. Altogether there are 25 cases studies, i.e, reflections of at least 25 enterprises: 6 case studies for Latgale, 9 for Utena+2 and 10 for Romanian CBC with Moldova area.

### **2.2.2 Business surveys**

In addition to the analytical work the Latvian and Romanian national experts deemed that a business survey to obtain hands-on insights on the present sentiment of the businesses in the stakeholder territory would complement the overall study. A unified approach for a brief survey of 5 to 10 questions, of which part were open-ended was prepared and then adapted to the stakeholder territory needs. The businesses were encouraged to share freely and anonymously their experiences and expectations from the support programmes.

An online **Latgale business survey** aimed at learning about the main obstacles to the business development in Latgale and what additional support is expected by the entrepreneurs. It was launched on 30 April 2020 and with the help of the regional and local authorities and their business support structures altogether 152 entrepreneurs have been reached. The main findings of the survey have been integrated into this report including the identified business support needs that fed mostly into region specific recommendations. The Latgale business survey questions and a summary of results are disclosed in Annex 5.

In Romania a combined interview and questionnaire approach was applied to collect information regarding the main obstacles to business development in the stakeholder territory and the type of support that would best respond to the businesses' needs. **A business survey** was launched early May 2020. The national expert sent it via email to business funding beneficiaries and also collaborated closely with the Young Entrepreneurs Employers' Association who disseminated among their members. 20 responses were collected. In parallel, the consortium partner carried out interviews with consultancy companies to get additional qualitative data on participation of the enterprises in business grant schemes. Findings of the survey have been integrated into the stakeholder territory report. The RO business survey questions and a summary of results are disclosed in Annex 6.

### **2.2.3 Relevant practices from other EU Member States**

Policy analysis in the stakeholder territories has been complemented by an analysis of practices from other EU Member States to inspire effective business policy development in the stakeholder territories. These examples shall facilitate development of policy

recommendations on effective business policy development in the stakeholder territories through learning from successful practices from other EU Member states.

To do so, practices have been selected that fit best to address the needs for business development policies identified for the three stakeholder territories. For facilitating this selection, a first proposed list of potentially interesting topics was elaborated by the project team based on the preliminary analysis of tasks 1 and 2. In agreement with the respective stakeholders the national experts identified the main interests in policies and practices from other countries. This list guided the selection of policy examples. Altogether eight practices or policy measures were selected to cover the selected interests the best. Four of these practices or measures were implemented in Poland and Germany each.

Analysis of selected practices and approaches combined a desk research of policy documents with interviews on the policy implementation and achievements. For each practice a short summary has been developed highlighting the main relevant features, i.e., territorial needs addressed, objectives of the measure, implementation of the measure in terms of type, volume, duration, governance etc., and results achieved. This summary has been developed along a template with the guiding questions and sections, that facilitated consistency and coherence across examples. Following the template, which was tentatively developed for the interim report, facilitated a coherent approach for all examples. The full texts of the eight practices and measures are available in Annex IV “Business support policies in other EU Member States - Good practice examples for inspiration” of this Scientific Report.

As a last step, the analysis illustrated potential uses and inspiration of the measures in other Member States for the stakeholder territories. This has been incorporated in the development of conclusions and recommendations, partly in stakeholder territory reports and mainly in the final report.

### **2.3 Recommendations and framework for territorial strategies at EU external borders**

Place-based and place sensitive approaches guided formulation of recommendations and to developing a framework for territorial strategies. This implies that besides using the outcomes of the previously detailed methods, participatory approaches form a key element. Participatory approaches allow to collect insights and tacit knowledge from players in the border regions. These insights ensure that recommendations fit territory specific realities of EU external border regions. Lessons learnt from these processes help to structure and develop the framework for territorial strategies.

Formulation of recommendations and developing the framework relied thus largely on the activities in the stakeholder regions. To ensure comparable results from the stakeholder regions a guidance document was developed in early phases of the ESPON project. The guidance document presented the main objectives and intended use of results from participatory approaches (tool for territory specific recommendation, information for overall recommendations and lessons for the framework), working steps and an indicative time plan for the organisation of the participatory approaches.

National experts were invited to apply the steps of the guidance document in the stakeholder territories. This included identification and selection of participants, development of an input paper, preparation and running of an online survey, and organisation of a focus group.

National experts reported on the application of participatory approaches in regular team meetings facilitating the exchange of lessons learnt as well as in a participatory process report. One of these internal documents was drafted per stakeholder region. These participatory process reports provided not only valuable information on processes leading to the formulation of recommendations. They have also been key for the development of the framework for territorial strategies.

### **2.3.1 Focus groups**

Participatory processes involved fixed groups of stakeholders for each of the three stakeholder regions, so-called focus groups. Stakeholders have been selected in cooperation with the lead regional stakeholder and involves representatives of local and regional authorities, business representatives and representatives from academia. Please, see the list of participants in Annex 7 to this report.

The focus group was involved in different activities with the aim to develop ideas (projects, plans, programmes) how to support business development in the stakeholder territories at local and regional level. Complementary measures at other levels were also considered if they supported or facilitated the implementation of regional approaches or offered new access points for further measures at lower levels. The overall focus was however on approaches to be developed and implemented by players from and within the stakeholder territories.

Involving a similar group of stakeholders for different aspects allows for iterative processes, where ideas, proposals and recommendations are formulated, tested and re-formulated multiple times. This has the advantage to work step by step on the formulating recommendations that are most suitable for the stakeholders. In addition, regular involvement supports building ownership on the recommendations.

The focus groups were involved in the project via (1) an input paper, (2) an online survey and during (3) a workshop. The input paper provided the background of the study and presented first results from tasks 1 and 2. In addition, the input papers presented general trends relevant for European territorial development. An online survey had two main purposes. Firstly, to collect feedback on the relevance and likelihood of the trends for business development in the border region. Secondly, to collect first ideas on possible policy actions for business development. Next, survey results on possible actions formed input to a workshop to further develop the actions. The input paper, online survey and workshop were adapted to the different stakeholder regions and the focus group but followed the same structures as outlined in the guidance document.

In more detail, the first part of the survey, assessed the relevance of general trends observed in Europe for the border regions and the likelihood that these trends become relevant for the border region's future development. Respondents rated the likelihood and significance of trends

from very low, to low, rather low, rather high, high and very high. In addition, survey respondents could indicate any other relevant trends.

The second part of the survey invited the focus groups to provide details on their imagined policy options where possible. Details consider the policy's objectives, target groups and beneficiaries, expected added value outcome and impact, players to involve, spatial coverage and possible complementary actions. Each of these elements provided ideas for the recommendations and the structure of the framework for territorial strategies.

Workshops with the focus group aimed to identify and further develop proposals for policies from the survey and reach agreement among the participants on what needs and can be done in the stakeholder territory to promote and support regional business development. Similarly, as for the survey the organisation of the workshops differed per stakeholder region but had the same objectives and followed similar structures.

National experts prepared and facilitated the workshops. Guiding questions structured the discussions. The following guiding questions were proposed in the guidance document for participatory approaches. Other guiding questions and means to stimulate discussion differed per focus group.

- What are shortcomings of existing approaches? How are they addressed by the proposed approach?
- How does the proposed approach differ from existing ones? How does it mitigate the shortcomings?
- What outcomes and impact can be expected from the proposed approach?
- What are necessary preconditions that need to be fulfilled for the proposed approach to be effective? Which stakeholders need to be brought on board?
- Which challenges are to be expected when developing and implementing the approach? What can be done to prevent these challenges?
- Which complementarities and synergies can be identified with other proposals? How can these be promoted?

The participatory process provided the following territory specific insights per stakeholder region.

### **Latvia**

An **online survey in Latvia** was sent out to 30 identified key players together with an input paper summarising the preliminary findings of the draft stakeholder report in the local language. Between 15 June and 9 July 2020 altogether 20 responses were received. The Latvian focus group assessed aging and depopulation are the most relevant trends followed by unforeseen external risks and political tensions as the most relevant to the region. The least relevant trends were renewable energy, different environmental requirements in the EU and third countries and climate change. See Table 2.6.

Table 2.6 Trends assessment by the Latvian focus group as to their significance for the region

Trend assessment	Ageing	Migration	Long term unemployment	4 <sup>th</sup> industrial revolution	Digitalization of education and training	ICT as a new transport	Urbanisation and rural development	Circular economy	Limited public resources	Climate change and loss of biodiversity	Energy intensity and renewables	Divergence of environmental	Political tensions	Unforeseen external risks
Very low	0	0	0	0	1	0	0	1	0	1	0	2	0	0
Low	1	0	2	0	1	0	0	0	2	5	0	2	2	1
Rather low	0	1	5	6	3	6	0	4	4	6	7	4	1	3
Rather high	7	8	5	7	9	8	8	10	6	7	9	8	7	8
High	7	6	5	6	6	5	5	4	3	0	2	3	3	4
Very high	4	4	2	0	9	0	6	0	4	0	1	0	6	3

Source: Consortium; A two-colour scale is used to facilitate the reading. Green represents the highest values of a concrete variable, yellow represents middle value, and the rest are the lowest values.

A workshop was held on 7 September 2020. Altogether 27 participants took part in this presence meeting: 20 respondents to the survey plus seven additional regional players. Outcomes of the survey were presented after which a discussion of the future development trends and proposed policy approaches was steered by the national expert. An agreement was reached on the two most relevant policy approaches to be developed in more detail at the final part of the workshop.

During the workshop two approaches were discussed, namely “co-action (coordinated and concentrated) Plan for Economic Development of Latgale” and “The regional governance capable to address regional challenges”. The first approach proposes complementary business support measures to the regional action plan for public investments into business related infrastructure that has already been implemented in the region for three times since the 2007-2013 programming period. It responds to a need to overcome the financial market gap that prevents business to fully benefit from the above plan. The second approach builds upon the recognition that genuine regional development requires regional projects that are generated and implemented by a regional governance institution that has sufficient legitimacy and authority.

In more detail, workshop discussions focused on eliminating the constraints and to make efficient use of untapped potentials of the border regions business development environment. In doing so the discussions were put in the framework of a new regional development programme until 2030 which the Latgale Planning Region elaborated at the time of the focus group. In line with this process the discussion focused on the following:

- **Access to finance** is one of the top-rated needs of the region. It was often argued that access to affordable credit resources is hardly available for the businesses in Latgale especially beyond the primary sector. Among the main reasons are financial illiteracy of

the business, low value of collaterals, lack of start capital and low added value of the existing businesses.

- **Physical accessibility** is another top concern. Latgale considers its remoteness (3 hours by road to Riga and 5 hours to other ports) to be detrimental to business development. Among the solutions are development of roads, railroad and airport in Daugavpils.
- **Long term and structural unemployment** is a long-standing problem of the region which the efforts of the various support programmes mostly funded by the ESF have not managed to change.
- **Competitively priced and environmentally friendly energy** is another vital need. Businesses in the neighbouring regions of Belarus and Russia enjoy considerably lower energy prices and thus can produce goods at more competitive prices. So, for example, an interviewed representative of one local authority complained that often they are forced to purchase wooden chips for their municipal heating system from Belarus simply because their offer is at a lower price even though there might be a producer of the same chips in their municipality. Thus, they end up at being obliged to use the Belarus wood which often is slightly radioactive and there are no means to control this before the wood is being burnt.
- **Quality and access to sufficient labour force** are a perennial concern of businesspeople and associations. The usual solutions of training and re-qualification were mentioned. Silver economy was also proposed as a solution.
- **Cooperation** seems to be a weak point in the region, especially among entrepreneurs. While cross-border cooperation was mentioned, no positive examples of business collaboration were brought up. Role of the civil society was stressed and good examples of cooperation between municipalities, among NGOs and between municipalities and NGOs were mentioned.

## Lithuania

40 potential participants were identified for the participatory process in Utena+2. Between 15 June and 1 August 2020 altogether 15 respondents were received. In the **Lithuanian online survey** important trends in terms of “very high” importance evaluations are ageing, migration and increasing regional divergence. Persistent economic inactivity and the fourth industrial revolution are another two important trends as they have received a significant number of “high” importance evaluations, see Table 2.7.

The **workshop** was attended by 8 representatives from the focus group. National experts did not send a summary of policy proposals to the focus group participants beforehand. It was decided that it will be best to firstly present the socio-economic analysis results of task 1 and task 2 during the first stage of the focus group meeting. The rationale for this was to present the main identified factors behind the laggard socio-economic development of the region over the past ten years to the workshop participants.

This led to a discussion amongst the focus group regarding the most important factors responsible for slow growth in the region. The focus group agreed that the key aspects behind

laggard socio-economic development (1) grim demographic outlook and (2) relatively low level of entrepreneurship in conjunction with low investment.

Table 2.7 Trend assessment by the Lithuanian focus group as to their significance for the region

Trend assessment	Ageing	Migration	Persistent economic inactivity	4th industrial revolution	Digitalization of education and training	ICT as a new transport	Increasing regional divergence	Circular economy	Limited public resources	Climate change and loss of biodiversity	Energy intensity and renewables	Divergence of environmental	Political tensions	Unforeseen external risks
Very low	1	1	1	2	1	2	2	1	1	2	1	1	2	2
Low	0	1	0	1	0	0	0	3	1	3	0	3	2	3
Rather low	2	0	2	2	3	3	0	2	2	3	5	4	3	1
Rather high	0	1	1	1	2	4	3	3	5	3	5	3	3	5
High	3	6	7	7	5	3	2	4	4	2	2	2	3	2
Very high	7	4	2	0	2	1	6	0	0	0	0	0	0	0

Source: Consortium; A three-colour scale is used to facilitate the reading. Darkest red represents the highest value of a concrete variable, yellow represents middle value, and darkest green represents the lowest values.

Next the focus group proceeded to discuss the main policy proposals at the regional level and in the context of the next ESIF programming period 2021-2027 which could tackle the identified factors, promote business development and spur economic growth in the region in the next 10 years. Two specific approach were discussed (1) improving quality of human capital. Discussions regarding the second factor led to specific approach entitled (2) maximising region's potential.

- Improving quality of human capital.** The main objective of the proposed policy approach is to improve vocation education network in Utena+2 in order to increase the supply of skilled labour. The increased supply of skilled labour would not only improve the current labour market situation in the region but would also help to attract international companies to the region. These would lead to job creation and resumption of growth in the region. The main target groups of the region would be vocational education centres within Utena+2. Focus group members put emphasis on increased experience sharing. Given that Visaginas vocational education centre is seen an example of academic excellence, other regional vocational education centres should follow it and increase accessibility and reach of apprenticeship programmes. Other beneficiaries are businesses and workers. Persistent unemployment and especially long-term unemployment can be mostly attributed to the existing skill mismatch. As such, improved vocational education network. The primary outcome of the policy proposal would be a reformed vocational education network in the region. This should translate into increased number of newcomers into the centres and ultimately increased supply of skilled labour in the region.



- **Maximising region's potential.** The main objective of this policy approach is increased cooperation amongst municipalities. This would allow the region to market itself as a single entity and would increase possibility of attracting strategic investors into the region. In addition, increased regional cooperation would ensure that the measures of the next ESIF programming period 2021-2027 tailor the needs of local municipalities better.

The primary target group of the approach would be inhabitants of the region benefitting from a better representation of their interests at the national and international levels and increased investment into the region. Another target group would be businesses of the region which would benefit from better tailored ESIF investment measures, as well as public entities.

The expected outcome of this policy approach is increased investment in the region both from ESIF measures and foreign investors. Increased investments should translate into job creation, stabilisation of population trends and resumption of growth.

The focus group helped thus to formulate recommendations and policy options that are place-based and place-sensitive. In addition, the process provided ideas and lessons relevant for the framework for territorial strategies.

## **Romania**

The **Romanian online survey** ran from 5 July until 23 October 2020 and was sent out to 58 relevant local and regional actors. Telephone discussions took place with half of them to introduce the subject. 30 responses were provided in the survey. The participants assessed societal trends, and consequently, the proposed actions based on them, as the ones that have potential to create the most significant impact in the stakeholder territory. The economic trends follow closely, but they are often mentioned in connection to impacts resulting from societal trends. Some characteristics of the technological trends (e.g., the changing landscape of education) have often been treated by the respondents as features of a global shift in education the effects of which will likely manifest in the region as well, but in an unequal and disproportionate way. The political trends appear to be the least interesting ones and a possible explanation for this is that respondents believe there is little space for intervention or action at local and regional levels to influence external political dynamics.

Two workshops were organised in Romania. The meetings were held online, via ZOOM platform, on 23 and 30 September 2020. The workshops involved a total of 18 representatives of the focus group.

The imagined approaches from the survey formed the basis for the two focus groups. Each focus group discussed one of the two approaches and detailed the approach at focus further. Specific attention was paid to policy actions, implementation, success factors, target groups and beneficiaries, expected outcome and value-added impact, key players, ways to enhance good governance, spatial coverage and complementary actions.

After the workshops the team analysed participants' contributions, restructured and detailed the approaches. The participatory process succeeded collecting ideas about how to do, how to

implement interventions and significant factors that may influence the interventions, their results and impacts.

The team's own experience was incorporated in the revised approaches. This led to formulation of a third imagined approach that was further articulated: Good governance and territorial attractiveness. This specific approach focuses on:

- Improving transport infrastructure to increase connectivity of the stakeholder area with other parts of Romania, Europe and the Republic of Moldova – key, urgent priority;
- Improving good governance at local level and increase the capacity of the local public administrations to work in partnership and lead strategic change processes regarding the human capital and economic development. The current administrative defragmentation is an obstacle to capacity development, therefore a territorial administrative reorganisation with less and larger LPAs would have a stronger and more positive influence;
- Ensuring from the regional level (RDAs) and the county level the support needed to implement pilot projects that could create trust and mobilise actors for further development;
- Support for pilot projects should be ensured to compensate the insufficient local capacity, mainly in deprived areas;
- Integrated projects addressing human capital, public services with infrastructure should be designed in order to produce impacts in terms of retention, return of migrants, increased quality of life and working environments.

This additional third approach is highly interconnected with the first two and could be easily split into and integrated as support or complementary actions. However, national experts intended to highlight this approach because the actions listed here were emphasised as pre-requisite for the other two approaches by most of the actors involved in the participatory process.

A summary of the conclusions following the two workshops of the focus group, including the newly formulated third approach, was shared with all the participants and posted online in a forum format open for further comments. Considering the risk of collecting only a low contribution to the online forum, participants were further consulted via phone or email. Seven participants swiftly replied providing clarifications and validating proposed recommendations.

### **2.3.2 Formulation of recommendations**

The main outcome of this targeted analysis is a set of region-specific recommendations, one per stakeholder territory, on how to fully utilise the potential of the respective territory and how to benefit from the opportunities of the proximity to the EU external border. Authorities at national levels can accompany and support regional actions with concrete measures and decisions to be taken at national level, e.g., taxation, legislative framework, infrastructure development or governance/government systems. On a more general level, EU institutions and other players at European and transnational level can support regions located along EU external borders, with a particular focus on the EU external border in Eastern Europe.

Particularly, the focus on detailed approaches in the participatory approaches helped to differentiate recommendations by different types of players. Detailing the imagined approaches

in the survey as well as during the focus group by policy actions, target groups and main beneficiaries, expected outcomes and value-added impact, spatial coverage and complementary actions helped the experts and participants to break down complex policy proposals and identify specific policy options for local and regional players as well as for national and EU levels. Breaking down this complexity relied both on the participants' specific knowledge of the border regions as well as on the experts' insights gained from the territorial analysis and analysis of the border regions' business environment.

### **2.3.3 Developing a framework for territorial strategies**

A framework for territorial strategies shares the lessons learnt on business development in EU external border regions collected through this ESPON project. As such the document is different of nature than the recommendations in the main report or in the stakeholder reports. The framework rather reflects on the place-based and place-sensitive approaches and methods applied in this ESPON project and how they can be used to develop territory specific business support policies and mechanisms in other EU external border regions. Different steps facilitated the development of a framework for territorial strategies.

The concept and objective of the framework have been considered from early stages in the project. They have particularly shaped the participatory processes as discussed on previous paragraphs. As such it was important to reflect on the application of these processes throughout the project lifetime. This was done via the regular team meeting as well as through the development of internal document describing and reflecting on the participatory processes.

Besides the internal report on participatory processes, the stakeholder reports as such formed an important input for the development of the framework. The stakeholder reports allowed to identify territory specific characteristics of EU external border regions. These characteristics form the basis of each section in the framework and have been summarised in text boxes. EU external border regions differentiate from other European regions in various ways. The analysis showed among other that the border realities are mostly implicit communicated, that most EU external border regions are (perceived) as peripheries, have to deal with more uncertainties, and that building trust and stimulating engagement requires additional efforts along EU external border regions. Moreover, business development is not at the main focus of many policy makers in these regions. Instead, the focus is rather on pre-conditions for favourable business environments that includes a variety of policy instruments and requires the involvement of a variety of players. Of course, each territory along EU external borders has specific characteristics and not all of these characteristics apply to the same extent to all territories. Still, these commonalities formed a starting point to group and describe different ways to develop business development policies in EU external border regions.

Ways to development business development are described in four main chapters. Understanding the border region, adapting to change and new realities, defining a strategy for business development, and build trust and stimulate ownership and engagement. Per chapter different steps are presented. The steps provided different ways and aim to inspire local and regional policy makers in EU external border to reflect on ways to ensure that policies and

instruments for business development acknowledge and utilise the realities and assets of EU external border regions. The four chapters and the various sections within these chapters can be read and applied in any order depending on individual interests and needs. Still, different sections and steps relate to each other.

The chapters and steps in each chapter result from the assessment of the stakeholder reports and from lessons learnt by the case experts. The lessons learnt were reported in the internal report on participatory processes. In addition, a short group interview and individual interviews have been conducted with the case experts. These interviews aimed at collecting tacit knowledge in the participatory processes, test the initial structure of the framework, and verify whether the most relevant steps are considered. In addition, the allows to collect relevant examples to illustrate practical implementation of the steps in the three stakeholder regions. Different practical examples are added to the framework to making the report easier to understand and provide addition inspiration.

The draft framework has been reviewed by experts of the team and external experts. The review by external experts aimed to ensure the applicability of the framework in different EU external border regions, also regions other than the three stakeholder territories of this ESPON project.

The secretary general from the European Association of Border regions (AEBR), (Martin Guillermo Ramirez) has been asked to revies the document on four key points:

- Does the overall structure make sense?
- Do we cover everything? Is something missing?
- Where are we going too far and should rather shorten/summarise elements?
- Do other examples from your experience and knowledge about EU external border regions pop up when you read the practical examples?

AEBR is one of the stakeholders of this project. An interview with Mr. Ramirez was held at the very end of the analysis. The purpose of the interview was to validate the strategic framework and its usefulness and finetune it so to increase the added value. The strategic framework was generally appreciated. A number of valuable comments were also expressed that have been integrated into the final version of the framework. Among other feedback Mr. Ramirez acknowledged lack of proper territorial agenda and relevant dialogue to cover the issues of the external border regions and importance of sub-national levels to participate in solution.

Particular attention has been paid to the formatting of the framework, making the framework applicable to many local and regional policy makers along EU external borders, despite territorial differences between these regions. The final framework includes different elements to guide readers to the most relevant section to their needs. Most notable could be the section on common obstacles and challenges. These have been collected from the various outputs of the project, particularly the participatory process reports. In addition, the document includes various cross-references in the text for quick access to other relevant parts of the strategic framework. Also, the figures shall help readers assess whether a section or step if of their interest.

### **3 Proposals for further research**

The research in the three stakeholder territories provides valuable insights to the situation faced by the regions in proximity to EU external land border. Although the main focus was on the business development and related support, the study discloses also the overall social economic situation there. The pilot regions of this targeted analysis seem to have a lot in common as described in the final report, however, on closer inspection, many local factors and historical legacy, together with the border realities result in a very contrasting picture.

An overall judgement and conclusions about the situation in the rest of the regions on EU external border and specifically the eastern land border cannot be fully based on the findings in the three pilot regions. However, the fact that most of the regions are “left behind” also according to the ESPON ERTF study (ESPON, 2019) evidence that the businesses there are in a less favorable situation and there are no sufficient preconditions to “break-out” of it. Impediments imposed by their peripheral layout are by no means mitigatable by proximity to the EU border and the seemingly big markets to the east. In some cases, as seen from the analysis the border realities only exacerbate the overall lagging situation. In general, as pointed by a representative of AEBR the regions at EU external border are in a much different situation than the ones at internal borders who largely are in situation of benefiting from advantages of the Single market. The EU external border disrupts markets putting businesses in less favourable situation and thus requires more concrete place-based interventions.

The regions in focus feel abandoned both by their respective governments as well as EU. The policies implemented so far do not provide decisive interventions and there is a need for specific targeted actions. It is, thus, proposed that, first, an overall situation analysis – an inventory of the territories along the EU eastern external land border is made involving the border reality assessment. This would provide an overall picture on how the proximity to EU border plays out. Gaining a better understanding of the territories with such geographic specificities as an outlying location caused by the EU external border and their relevant challenges and opportunities is therefore crucial for the European policy dialogue and further developments of Cohesion Policy and the renewed Territorial Agenda 2030.

Situation analysis along the EU external eastern land border can be based on the approach proposed within this research that makes a comparatively detailed analysis of the regional potentials and efficiency of the business support. Alternatively, it can also be partly built upon the strategic development documents of the concerned regions. An important element of such a study should be the border reality assessment as proposed by this research. It shows well in which way do the four dimensions: political, economic, physical and socio-cultural impact the overall development of the respective region.

The Territorial capital matrix is also proposed for such a research as it puts the regional and business development determinants in a spatial perspective proposing justified evidence for policy making.

Outcomes of the research would help the regions at EU external border to get more attention to their problems or rather get closer to the factors behind their backwardness not only from their national governments, but also EU. Ideally this could lead to policy approaches that

address their specific impediments more efficiently. That would be fully in line with the recently adopted Territorial agenda 2030<sup>4</sup> that encompasses main objectives of both Just and Green Europe and calls for strengthening the territorial dimension of sector policies at all governance levels. The Territorial Agenda 2030 emphasizes significance of the territorial dimension behind diversity of the EU regions such as inequalities and unsustainable developments. It prioritises actions strengthening, inter alia, multi-level governance, place-based approaches and coordinated sector policy territorial impacts and coherence.

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<sup>4</sup> <https://www.territorialagenda.eu/home.html>

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## **Annexes**

Annex 1: Territorial capital matrix (consolidated)

Annex 2: Overview of the data collected

Annex 3: Lists of interviewees

Annex 4: Factsheet template for selected business support measures

Annex 5: Business survey in Latgale

Annex 6: Business survey in Romanian CBC area with Moldova

Annex 7: Participants of the focus group workshops





## How to read the matrix?

The Territorial capital matrix is a tool to visually present a vast amount of highly complex information and allow the reader to get a quick overall picture of the situation, identify issues that are of particular interest and/or compare across regions.

Some quick steps facilitating the reading are as follow:

- **Overall impression.** The dominating colour of a Territorial capital matrix for a region allows a first quick assessment of the situation. If the dominant colour is green (either dark or light green), the overall situation appears to be positive and promising. If the dominant colour is red, the situation appears to be challenging.
- **Geographical levels.** The Territorial capital matrix can be read by geographical level, i.e. the columns of the matrix. The first column provides insights on the situation within the region (i.e., territorial disparities between locations in the region). The second column offers insights on how the region stands as compared to the rest of the country. The third column focuses on the region compared to the neighbouring region on the other side of the border. Finally, the fourth column compares the region to the European level (which might be less relevant for the cases in this study). Again, the reading may focus on the dominant colour in each column to collect first insights on the situation in an intra-regional, national, cross-border or European perspective. In addition to reading each column individually, the comparison between columns may allow for the first conclusions on which geographical perspective is the most challenging one. For example, if there are many disparities within the region (a lot of red in the first column) or rather many disparities between the region and the rest of the country (a lot of red in the second column) and so on.
- **Thematic impression.** The Territorial capital matrix addresses a number of different subjects and topics. Every topic is described over three rows (benchmarking, links/cooperation, impact from developments in other locations). By focusing on the dominant colour codes in the three rows for every topic, first insights can be collected on which topics hold the most potential or challenges.
- **Interdependencies.** Territorial and business development happen in dynamic systems where places or businesses develop in a complex network of mutual interdependencies. The first understanding of these can be offered by looking at the differences between the three rows for each topic. First, benchmarking allows conclusions on how the area is doing in the respective geographical perspective (column); red signalling underperformance and green strength. Second, links/cooperation offer insights on the state of play of cooperation between players concerning the topic and geographical perspective (column) in question. A high cooperation culture will be signalled by green. Third, “impact from developments in other locations” gives a first indication to what degree the topic in the respective

geographical perspective can be addressed (green) or is largely depending on developments elsewhere and thus difficult to address (red).

This allows for a number of cross-readings to extract interesting insights, some of these are:

- **Geographical level & topic.** The most obvious cross-reading is the comparison of geographical level and topic combinations, i.e., sets of three topic-rows in a column. This allows for first insights which topic-level combinations offer a lot of potential (green) or are perceived as rather challenging (red).
- **Cooperation culture.** By simply focusing across topics on the row “links/cooperation” allows to extract insights on the cooperation culture in a region and see whether there are differences in cooperation attitudes across topics or across the geographical level. For example, is there more cooperation (green) when it comes to health care and less cooperation (red) when it comes to entrepreneurship? Focusing on the cooperation rows in every column, one can extract whether cooperation is more established for a particular geographical context than for another. For example, is there more cooperation at the cross-border level (green) and less (red) within the region?
- **Response capacity.** First insights on topics that can be addressed by policy makers can be extracted when comparing the various topics (for example, at regional level) the rows on “benchmarking” with the rows on “impacts from development in other locations”. For example, if both are marked as red, it implies that the region has a lot of challenges but also suggests that the solution lies to a great deal outside the region. While if the benchmarking is red but the impact from other regions is green, the chance for the solution to be found within the region is much higher.
- **Where to act.** Taken together, cross-reading can offer insights on where to act, for example, to further strengthen existing potential (green) and address pressing challenges (red). In short, the geographical perspective (addressing issues the region, in comparison to the rest of the country or across the border) and the topics can be identified. Furthermore, first insights on whether the solution can be found within the region or whether important interdependencies need to be addressed can be gathered as well as whether the cooperation levels are up to addressing complex challenges (for a topic / geographical level) that cannot be addressed single-handedly.
- **Cross-case comparison.** Last but not least, the above reflections can be extracted for several (case study) regions and thus allow for a comparison between them to see differences, possible comparative advantages or similarities.

## Annex 2. Overview of the data collected

INDICATOR CODE	DOMAIN	INDICATOR	LATVIA			LITHUANIA			ROMANIA		
			NUTS2	NUTS3	LAU	NUTS0	NUTS3	LAU	NUTS0	NUTS2	NUTS3
LOCATION				ALL	LV005		ALL	LT009 LT57 LT86			RO212 RO213 RO216 RO224
<b>Human capital</b>											
PO1	Population	Resident population at the beginning of the year	NS	NS	NS	NS	NS	NS	NS		NS
PO2	Population	Population density at the beginning of the year	NS	NS	NS	NS	NS	NS	NS		NS
PO3	Population	Urban-rural population	NS	NS	NS	NS	NS	NS	NS		NS
PO4	Population	Dependency ratio at the beginning of the year	NS	NS	NS	NS	NS	NS	NS		NS
PO5	Population	Net migration per 1000 population	NS	NS	NS	NS	NS	NS	NS		NS
ED1	Education	Educational attainment of the population by ISCED levels	NS	NS		NS	NS		NS	NS	
LM1	Labour market	Unemployment rate	NS	NS	NIS	NS	NS	NS	NS		NS
LM2	Labour market	Employment by NACE sectors	NS	NS		NS	NS	NS	NS		NS
EC1	Economy	GDP per capita	NS	NS		NS	NS		NS		NS
EC2	Economy	Value added at factor cost per employed	NS	NS		NS	NS		NS		NS
BU1	Business	Number of local units at the beginning of the year (by NACE since 2015)	NS	NS	NS	NS	NS	NS	NS		NS
BU2	Business	Share of self-employed persons	NS	NIS	NIS	NS	NS		NS		NS
<b>Locational endowments</b>											
LO1	Land	Total land area	NS	NS	NS	NS	NS	NS	NS		NS
LO2	Accessibility	Population potential (grid - 2011)	Grid data 1km*km								
LO3	Tourism	Number of visitors (per 1000 inhabitants)	NS	NS	NS	NS	NS	NS	NS		NS
NA2	Functional areas	Functional areas access to cities (ESPON data)*	Replaced by a map on "settlement structure" based on PO2 and PO3								
<b>BEYOND LOCATION</b>											
INN1	Innovation	Number of innovative enterprises	NS	NS		NS	NS		NS	NS	
<b>TERRITORIAL DEVELOPMENTS</b>											
BU3	Enterprises	Number of firms by size categories	NS	NS	NS	NS	NS	NS	NS		NS
INV1	Investments	Investment in tangible fixed assets per employed	NS	NS		NS	NS	NS	NS		NS
FD1	FDI	Foreign direct investment (total)	NIS	NIS	NIS	NS	NS	NS	NB		NB
INC1	Income	Average disposable income in cash and kind per month, per capita	NS	NS		NS	NS		NS		NS
INC2	Income	Local authorities' tax revenues per inhabitant	NIS	NIS	NIS	NS	NS	NS			

NS	National statistics office of respective country
NIS	National regional information system, e.g. <a href="https://raim.gov.lv">https://raim.gov.lv</a> ; <a href="https://www.arcgis.com/apps/MapSeries/index.html?appid=f969271b1a5d48e28c7fe520a8ed2453">https://www.arcgis.com/apps/MapSeries/index.html?appid=f969271b1a5d48e28c7fe520a8ed2453</a>
NB	National bank
*ESPON data	<a href="https://bsr.espon.eu/opencms/opencms/Headline_indicators/Multimodal_accessibility_potential/tables.html">https://bsr.espon.eu/opencms/opencms/Headline_indicators/Multimodal_accessibility_potential/tables.html</a>
	Data available in the standard project definition, with consistency between nomenclature level
	Data available either as a proxy for the standard definition or with inconsistencies between nomenclature levels
	Data not available.

### Annex 3. An example of the border reality assessment on the Romanian – Moldavian border

Dimension	Aspect	Opening or closing effects of [...] between the two countries	Please provide an assessment of the opening or closing effects of all these aspects for each border (-2 : strong closing effect; -1 moderate closing effect; 0: neutral effect; 1: moderate opening effect; 2: strong opening effect)	Assessment of the dominance of certain dimensions on others + justification
Political	agreements	international or interregional conventions and agreements	+1	1. The Association agreement between Rep of Moldova and EU (since 2014 and officialised in 2016), 82 bilateral agreements with Romania (between 1991-2018), financial support from EU and Romania and other non-financial support, including business environment
	crossings	border crossings (number, types and structure)	-1	
	administrative	administrative activities and capacities to cooperate	-1	
	diplomatic	diplomatic relations (5 years)	-2	
Physical	topography	topography (mountain ranges, rivers and waterbodies)	+2	1. Similar plain topography on the two sides of the border, with Prut River physical separation border
	natural	shared natural assets	+1	
	infrastructure	the infrastructure network (road, rail, other)	-2	
	settlement	the settlement structure (accessibility of population through the border - presence of small and medium size town on one side of the border)	-2	
Economic	disparities	differences in GDP / income	-2	1. Large GDP disparity (3 times lower than Romania), higher incomes and work opportunities in Romania (not necessarily in the border counties) generate a high interest for migration to Romania and EU. This is favoured by the large number of Moldovans with Romanian and implicitly EU citizenship. 2. Similar unemployment rates at the border on the two sides. 3. Similar situation of few dominant urban centers on both sides. 4. Similar economical sectors in agriculture, forestry and fishing 5. Tremedous difference on the rate of exchange against the Euro
	employment	differences or similarities in (un)employment levels	+2	
	centre	proximity and/or dominance of one or several economic centres	+2	
	sectors	similarities or complementarities between economic sectors	+2	
	currencies	currencies in circulation	-2	
Socio-cultural	language	language(s) used for business	+2	1. Moldovan language is a dialect of Romania, very similar with no communication barrier. 2. Moldova has a mix ethnics including Russians around 15% (Ukrainians - 6.6%, Gagauz - 4.6%, Russians - 4.1%). Still a significant number of other ethnics cannot speak Moldovan and Romanian. 3. Common history and cultural values, Moldovan territory (limited to Transnistrian border was part of the Historical Moldova)
	minorities	representation, right and roles of minorities	+2	
	citizenship	perception of the state, participation, involvement in local life	-1	
	change	perception of change and innovation	-1	
	legacy	historical legacy	+2	

## **Annex 4. Factsheet template for selected business support measure**

### **1. Policy context, rationale and assessment of transferability**

Short description of the policy context and framework in which the selected measure has been implemented

### **2. Name of the policy measure**

#### **2.1. Overview – the policy in numbers**

Indication of size and volume of the measure overall and in the stakeholder territory  
Short assessment of the regional application / uptake of the measure

#### **2.2. Intervention logic**

Short description of the underlying intervention logic of the measure  
Information of beneficiaries and target groups of the measure  
Summary of eligibility criteria

#### **2.3. Results achieved**

Summary of results e.g. regarding leverage, jobs created  
Assessment of the results regarding their effectiveness and adequacy, shortcomings of the measure etc.

### **3. Case study**

#### **3.1. Motivation**

Short text on e.g. Why did the company apply? What were expected results? Why did the company apply for this measure/support rather than another?

#### **3.2. Application**

Short text on insights on the application process e.g. regarding efforts, length, requirements, support obtained, obstacles

#### **3.3. Implementation and results**

Short text describing what has been done, e.g. investments made.  
Table & short explanatory text on (as appropriate): E.g. business health indicators of the benefitting enterprises before and after the project: turnover, profits and number of employees – so, what has changed?

#### **3.4. Assessment**

Elaborate on the overall effectiveness and usefulness of the project: E.g. How does the beneficiary etc. assess the benefit of the support? Would they do it again? Why / why not? What other support do they need? Should requirements / eligibility criteria be different?

## Annex 5. Business survey in Latgale

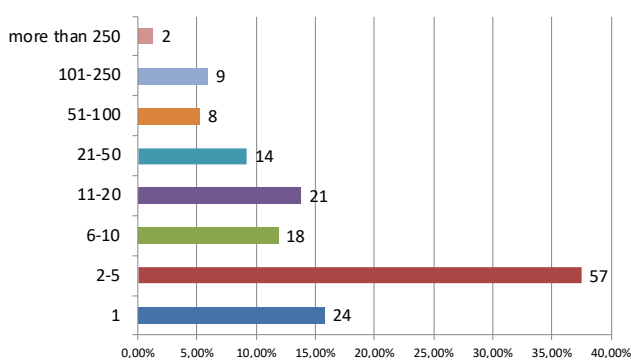
The **Latgale business survey** was launched on 30 April 2020 and with the help of the regional and local authorities and their business support structures. Answers to five main questions were sought. Altogether 152 entrepreneurs have been reached. Most of the respondents were SMEs, see Figure 1.

### 1. What is your main business activity? Either by NACE code or briefly describe your field(s) of activity.

Among the respondents mostly trade, manufacturing, service, agriculture and tourism sectors have been represented.

### 2. Please indicate the number of employees you had in 2019 (including self-employed head/director). If the number changes seasonally, please indicate the average.

Figure 1 Latgale business survey respondents by company size



### 3. Have you received any public support for your business in the last 10 years?

65 out of 152 surveyed businesses have received any support in the last ten years. 31 times a grant or subsidy was named 13 times loan or its guarantee. 14 entrepreneurs benefited from business consultancy, 7 from assistance in marketing and four respondents acknowledge renting premises at an affordable price. Another 26 respondents had other types of support. Most often ESIF support was mentioned without specifying its format.

28 out of 87 who have not received support said that they tried to apply but were rejected. Of the 20 respondents who confirmed they applied for ESIF support but were rejected, at least five reported that a lack of co-funding was the main reason for rejection.

Of those 42 who said they have not even tried to apply for support, the main reasons include a lack of information and application was perceived as cumbersome. In many cases the support was not deemed relevant.

### 4. What are the major impediments to your business growth currently apart from COVID-19?<sup>5</sup>

Most often lack of access to finance was mentioned. Other obstacles included lack of qualified labor and the distance to Riga, which is the main market and/or transport junction. Exporting manufactured goods is sometimes complicated and affects the competitiveness of companies.

### 5. What kind of public support would be important for the growth of your company in the next 2-3 years?

Financial support, training and road infrastructure improvements were named as the main areas where support is required.

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<sup>5</sup> Questions 4 and 5 were open ended. The summary of results is based on categorising the responses along the main mentions.

## Annex 6. Business survey in Romanian CBC area with Moldova

**Q1. What is the main field of activity of your company? Please include the secondary areas that contribute to turnover (either mention the NACE codes or briefly describe your fields of activity).**

A: 0147, 1051, 1071, 1330, 1392, 1413,1414, 1419, 1812, 4120, 4520, 4642, 4791, 5819, 6311, 6820, 7021, 7022, 7111, 7112, 7311, 7312, 7490,7 830, 8211, 8299, 8559, 8623, 95110, 9604.

**Q2. Please indicate the average number of employees you had in 2019. If the number changes seasonally, please indicate the average.**

A: Most respondents have 2-5 employees (7/20 responses), followed by enterprises with 1 employee (6/20 responses), and by enterprises with 6-9 employees (4/20). Only one respondent has mentioned 10-20 employees.

**Q3. Please mention if you are:**

A: Most respondents are autonomous enterprises (18/20 responses). One responded is a linked enterprise and 1 respondent does not know the type of enterprise they represent.

**Q4. Have you received public support for your business for the past 10 years?If the answer is "yes", please state the kind of support you received.**

A: Most respondents have received grants (13/15 responses), one respondent has received a loan or guarantee and one has received business consulting services. 5 respondents have skipped this question.

**Q5. Have you received public support for your business for the past 10 years? If not, have you requested such support?**

A: 2/4 respondents have answered "yes" and mentioned as main reasons for rejection: not meeting the eligibility criteria, not being informed, lack of guided access to financing instruments, high funding values, restrictive conditions. 2/4 respondents have answered "no" and mentioned as main reasons for not applying the downscale of the company's activity. 16 respondents have skipped this question.

**Q6. What was the impact of the implemented projects on your business (e.g., the evolution of the number of employees and turnover, export, etc.)? Please explain your answer.**

A: Most respondents have received grants (13/15 responses), one respondent has received a loan or guarantee and one has received business consulting services. 5 respondents have skipped this question.

**Q7. What was the impact of the implemented projects on your business (e.g., the evolution of the number of employees and turnover, export, etc.)? Please explain your answer.**

A: Most respondents have mentioned an increase in the number of employees (11/17 responses), followed by an increase of the turnover (9/17 responses). Other effects mentioned: refurbishment and renewed production circuits due to equipment acquisition (5/17), streamlining of resources through low energy consumption, increased reputation, increased brand visibility. 3 respondents have skipped this question.

**Q8. What have been other main obstacles preventing the growth of your business lately, besides the effects of the COVID-19 pandemic?**

A: Most respondents have mentioned scarce skilled labour force as the main obstacle (6/20 responses), followed by burdensome bureaucracy and lack of economic predictability (5/20 responses). Other restrictive aspects: lack of additional funding, fierce competition, corruption, high fees and taxes, decreasing number of clients, lack of adequate transport infrastructure.

**Q9. What kind of support do you need to be able to grow your business?**

A: Most respondents have mentioned diverse financing opportunities as the main type of support needed (15/20 responses), followed by national and sector policies and legislative changes (3/20 responses). Other responses referred to PPP schemes, tax facilities, increased and efficient communication with state institutions.



**Q10. What kind of public support would be important for the development of your company in the next 2-3 years? If there are several types of support, please list them briefly based on your priority starting with the most important. Please indicate the type of support, the objectives, and the framework conditions under which you would receive this support. Please list them hierarchically, as priorities.**

A: Most respondents have mentioned non-reimbursable financial support as either number one or among the top three priorities (16/20), closely linked to tailored access to funding requirements favouring start-ups and newly created enterprises (4/20). Other types of support mentioned: legal, financial and accounting consulting services, training, tax facilities.

## Annex 7. Participants of the focus group workshops

### Latvia

	Organisation	Name
1.	Balvi district partnership	Mārīte Orniņa
2.	Balvi district partnership	Ieva Leišavniece
3.	Daugavpils Business Incubator	Andrejs Zelčs
4.	Latvian Rural Consultation and Education Center	Guntars Melnis
5.	Latgale Tourism Association Ezerzeme	Jelena Kijaško
6.	Daugavpils and Ilūkste county rural partnership	Inga Krekele
7.	Rēzekne Academy of Technology	Iveta Mietule
8.	Rēzekne Business Incubator	Skaidrīte Baltace
9.	Krāslava district partnership	Aina Dzalbe
10.	"RĒZEKNE ENTREPRENEURSHIP ASSOCIATION"	Juris Guntis Vjakse
11.	"RĒZEKNE ENTREPRENEURSHIP ASSOCIATION"	Līga Šmate
12.	"LEARN" - for the development of rural economy in Rēzekne region	Maija Hartmane
13.	LEARN" - for the development of rural economy in Rēzekne region	Sanita Zunda
14.	Preiļi district partnership	Valija Vaivode
15.	LCCI regional Daugavpils branch	Marina Terza
16.	LCCI regional Rēzekne branch	Maruta Juķeviča
17.	Latgale Business Center	Andris Kucins
18.	Latgale Business Center	Boriss Valrlamovs
19.	Latgales Special Economic Zone	Jānis Lāčplēsis
20.	Latgale Special Economic Zone	Vladislav Stankevičs
21.	Balvi district North Latgale Business and Tourism Center	Gunta Božoka
22.	Daugavpils University	Jānis Kudiņš
23.	Latgale Regional Development Agency	Maris Bozovičs
24.	Rēzekne Special Economic Zone	Aleksejs Stecs
25.	Latgale Planning Region	Iveta Maļina-Tabūne
26.	Latgale Planning Region	Kristīne Smagare
27.	Krāslava district partnership	Zane Ločmele

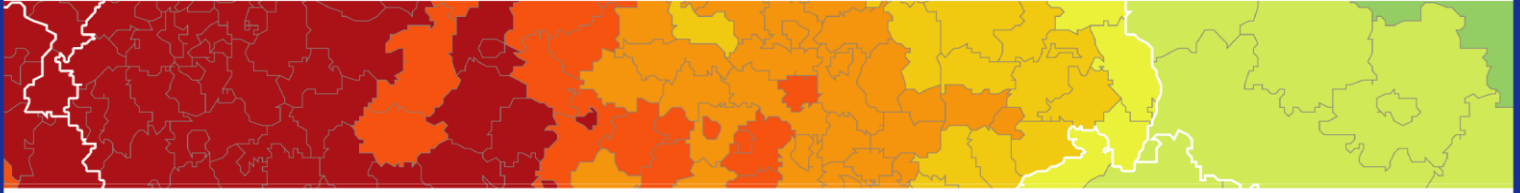
## Lithuania

Name	Affiliation
Inga Šidlauskienė	Director of Lithuanian Office of Euroregion "Country of Lakes"
Irina Šeršiniova	Director of Utena Business Information Centre
Julija Goštautaitė – Adomavičienė	Public relations officer of Zarasai-Visaginas local action group
Jurgis Dumbrava	Director of Utena office of Panevėžys Chamber of Commerce, Industry and Crafts
Ligita Smaguraskienė	Head of Ignalina region local action group administrative group for local development strategy
Vytautas Petkūnas	Director of Visaginas Technology and Business Vocational Education and Training Centre
Ramunė Šileikienė	Chief specialist of Investments and Development Department of Zarasai district municipality
Vaida Babrauskienė	Head of Strategy Planning and Investment Department of Švenčionys district municipality

## Romania

Name	Affiliation
Doinița ARITON	Research Centre for Socio-Economic Dynamics in Sustainable Development, University of Danubius, Galati
Gabriel Berbecaru	Total Prim Expert – manager of Iasi Incubator
Daniel COȘNIȚĂ	Romanian Clusters Association - CLUSTERO
Lucia CRISTEA	European Integrated Projects – EU expert in mobility
Virgil CURCUMELI	Centre for SMEs Development, Brăila
Simona IONEL	Regional Development Agency North-East
Tudor JIJIE	"A.I. Cuza" University, Iași; Eastern Marketing Insights
Sabina LEOPA	URBASOFIA, The Professional Association of Urban Planners
Christina LEUCUȚA	Romanian Clusters Association - CLUSTERO
Mirabela Miron	UGIR Employers Association, and SME Avisso
Aron OCTAVIAN	The Management Authority at The Joint Operational Programme Romania-Republic of Moldova
Radu OPREA	The Young Entrepreneurs Association in the South-Eastern Region

Name	Affiliation
Virgil PAMFIL	Expert for the Joint Committee of The Joint Operational Programme Romania – Republic of Moldova 2014-2020
Speranța PIRCIOG	The National Scientific Research Institute for Labour and Social Protection
Gabriela PLATON	Independent expert, labour market specialist
Victor POEDE	Regional Office for Cross-Border Cooperation Romania – Republic of Moldova, Iasi
Monica ROMAN	Bucharest University of Economic Studies – migration specialist
Luiza ȚIGĂNUȘ	Regional Development Agency South-East



### **ESPON 2020 – More information**

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