

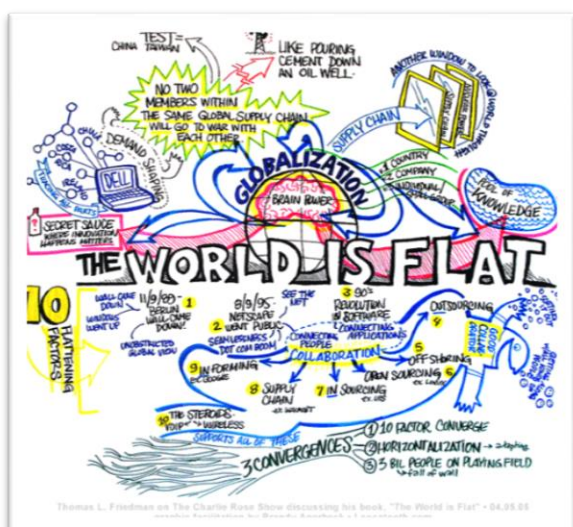
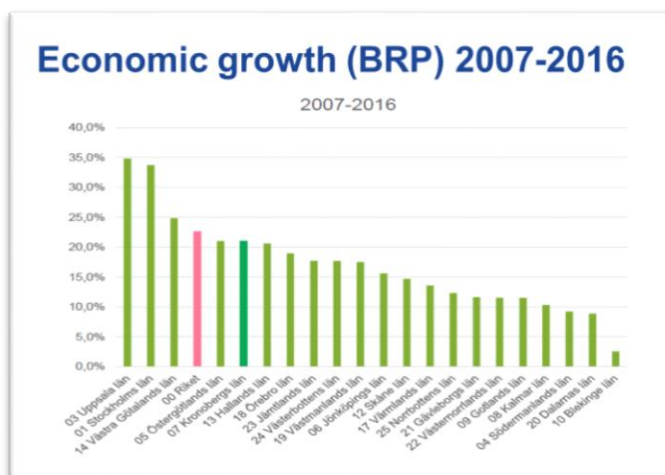
Economic development in rural regions – new thinking and policies in finding and exploiting endogenous capacities

ESPON Transnational Outreach Seminar, Växjö, Sweden

Tuesday 2nd October 2018

This ESPON Transnational Outreach Seminar examined economic development in rural areas and featured presentations on changing geographies of growth, rural initiatives to stimulate entrepreneurship, a wider view of rural development across the Baltic region and an overview of three ESPON projects and research on SME development, Foreign Direct Investment and rural shrinkage.

Following an introduction to ESPON by the ESPON National Contact Point, Wolfgang Pichler, Christel Gustafsson, Director of Regional Development for Kronoberg County outlined the challenges for the County. Kronoberg County has a population of 200,000 and contrary to many rural regions is witnessing in-migration. This in-migration and in-commuting from neighbouring regions is driven by economic growth in the region and is needed to combat an ageing population. The key challenges are matching skills and job opportunities in an area with traditionally low skills, building the attractiveness of the region and shifting the economy into a higher added value product away from just wood and forestry products towards innovation in wood and glass construction.



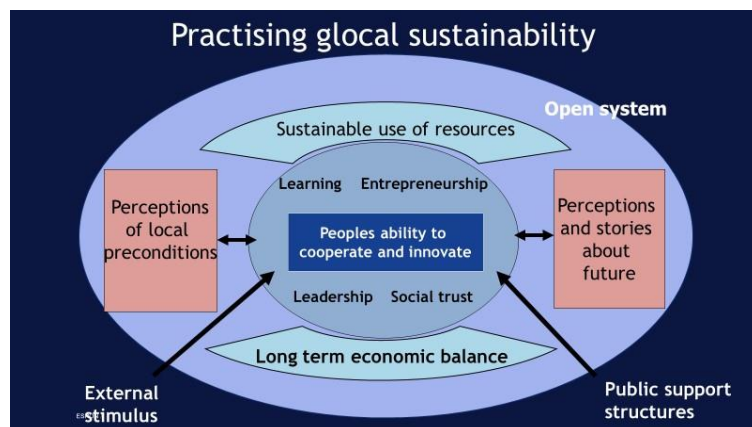
Dr Lina Bjerke, from Jönköping University provided an overview of globalisation trends and the changing role of rural regions which are now ‘not expected to live but to deliver’. New strategies of rural development are needed but we lack knowledge about target areas, target groups, tools and data on heterogeneity vs homogeneity.

The main challenges for rural regions are attracting and retaining knowledge and talent. She has been conducting interesting research regarding migration to rural areas following graduates through their lives and identifying the people who are likely to move back to rural areas. The likelihood to get someone to move ‘home’ is larger than to

attract from somewhere else. Attracting people to move back ‘home’ to rural areas depends on a mix of individual and regional factors such as gender, age, educational level, civil status, and occupation.

Regional factors include the labour market, average wage, tax levels and university provision and recreational areas. The likelihood of movement back decreases if you have a longer education, are single and have a foreign background. In concluding, Dr Bjerke raised the question of who should be responsible for rural policy and at what level policy (national, regional or local) initiatives could be developed and implemented.

Thomas Norrby from the Swedish University of Agricultural Science, argued for a broader, more holistic view of rural policy taking into account wider societal and environmental concerns including a sustainable use of resources and long-term economic balance.



According to Thomas Norrby, 'developing and running a sustainable rural business requires a supportive context. Today, this requires high-speed connectivity, a supportive regional strategy and with knowledgeable and entrepreneurial bureaucrats as well as a local culture allowing and embracing both failures and successes.'

Rural entrepreneurship is key to rural development and required more support which should be channelled through 'entrepreneurial bureaucrats' – a focus on the individual as a driver for change but linked into a support mechanism such as the LEADER programme and backed up by a more holistic co-funding approach as illustrated in the figure below. In conclusion, there is need for a more holistic approach to societal development and for entrepreneurs – in every sector including knowledgeable and entrepreneurial bureaucrats.



There is also a need for financial instruments that allow co-funding and crowd sourcing.

Dr Karen Refsgaard, Deputy Director, Nordregio examined growth opportunities for the rural economy based on rural assets and successful policies. Opportunities and assets include: the bioeconomy, including bioresources and bioservices such as tourism and recreation and the silver economy. Rural assets include: human and organisational resources such as local trust and cooperation between local authorities and businesses and an entrepreneurial spirit with innovative ideas.

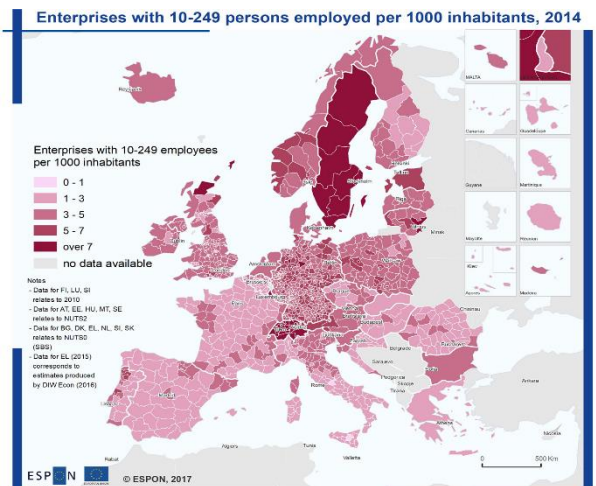
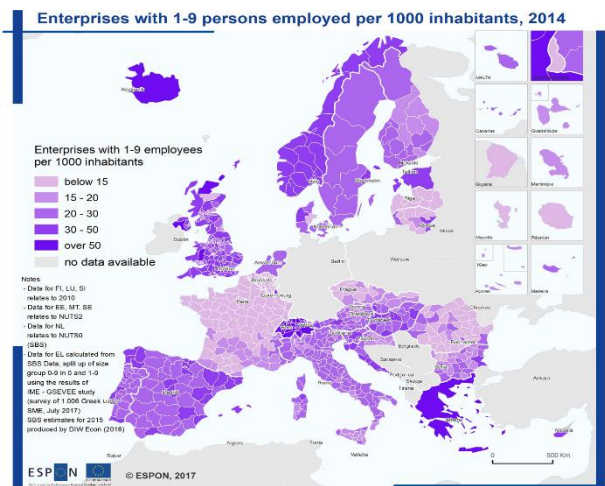
As an example of a successful bioeconomy where she outlined the North Karelia case study of a shift from pulp and paper to bioplastics and biomedicine. The bioeconomy also encompasses the blue

bioeconomy with seaweed being identified as the new ‘ocean rainforest’. Rural economies can also exploit opportunities in the silver economy and the circular economy where symbiosis between companies can increase critical mass.

However, barriers remain such as the rural-urban divide in structural policies, access to services and economic structures and incentives. There is also a lack of awareness of circular economy and innovation policies and smart Specialisation often has an urban and tech-science focus. A single industry and SME-focus does not support clusters and platforms. Cultural restrictions and mindsets may also hinder innovative thinking.

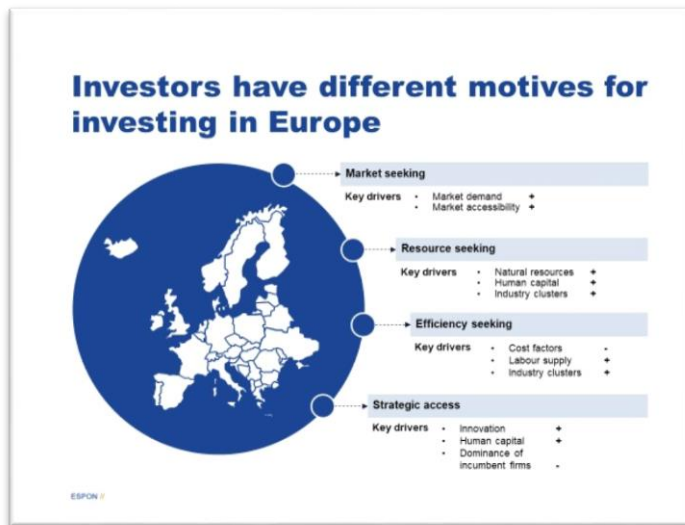
Successful rural economies should adapt to local resources, adaption to local resources and exploit trust and partnerships. Funding is needed to facilitate capacity building and also increased access to knowledge. Regions and municipalities should improve their public procurement policies and provide infrastructure and build strategies of resilience.

Richard Tuffs, ERRIN outlined the ESPON Policy Brief on shrinking rural regions and opened the debate on accepting ‘smart shrinkage’ and rightsizing economies and services. Bernd Shuh, OIR, Austria presented ESPON research on SMEs which involved mapping and analysing territorial patterns and performance of SMEs in Europe and proposing territorial development strategies (targeting different regions) to further strengthen SMEs.



One of the problems for mapping SMEs is the lack of comparable data and definitions across countries and regions. One of the conclusions of the research was that education is the most important driver for the performance of micro enterprises (under 10 employees) and governance quality along with accessibility (often linked to urbanisation) plays a major role in the growth of small and medium-sized enterprises.

Dr Eva Rytter Sunesen, from Copenhagen Economics, outlined the results of the ESPON applied research on Foreign Direct Investment in Europe which between 2003-2015 accounted for 128,000 FDI projects worth 6.4 trillion euros. FDI accounts for 3% of firms and 18% of jobs in the EU. Most FDI goes to capital regions and urban and metropolitan regions.

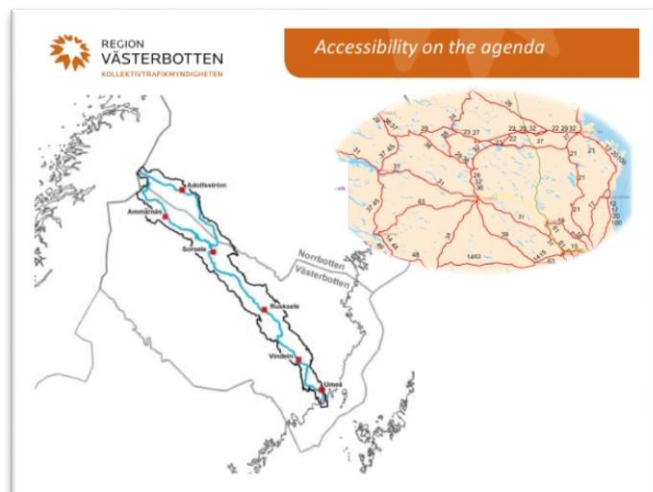


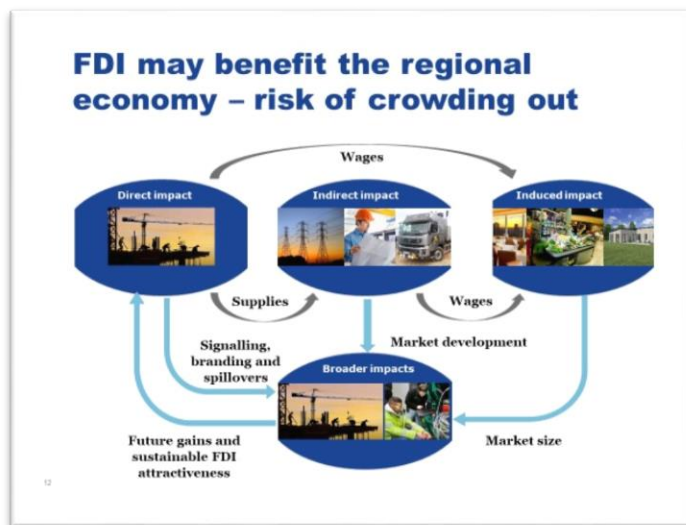
FDI is attracted to strong industrial clusters and previous FDI investment. The dominance of local incumbent firms can be a barrier to FDI along with border regions (except for border region capital cities e.g. Copenhagen). EU Intra-FDI is more evenly distributed across the EU but there is no evidence that FDI is supporting regional convergence. There is a need to analyse economic incentives that attract FDI and the role of accessibility, clusters and internationalisation in attracting FDI.

Bianca Byring, from Västerbotten County examined the role of transport for rural

economic development in a sparsely populated future biosphere reserve. This involved calling upon service design experts from the local university to develop a participative process for designing a new transport service that would in the future both enhance tourism and the delivery of fresh food to local restaurants.

The project illustrates the need to develop wide partnerships in rural areas and will consult a wide range of stakeholders such as visitors (tourists, hikers, other visitors), food producers, inhabitants, tourism entrepreneurs in the corridor, commercial and public services, financiers and procurers of public transport and bus companies and operators.





Dr Eva Rytter Sunesen, from Copenhagen Economics, then provided a more detailed overview of FDI in the Greater Copenhagen region which covers the Copenhagen and Zealand regions in Denmark and the Skåne region in Sweden which have a combined population of 4 million. Greater Copenhagen has the ambition of being the leading metropolitan region in northern Europe. This means building on the drivers of FDI and minimising the barriers such as a perceived peripheral location and a small market. Key to success is

collaboration (triple helix) and strategic alignment with a clear focus on key sectors such as health tech, clean tech, smart city technologies and design and creative industries. In 2017, over 3000 jobs were linked to FDI of which 1,260- were directly related to inward investment. FDI should be supported by place-based innovation and smart specialisation strategies to achieve a targeted approach to FDI. This targeted approach needs to be evaluated and monitored to make sure of the benefits to the regional economy and Copenhagen Economics are building evaluation models such as that in the figure above.

Alice Börjesson, Oxford Research, Sweden outlined the example of Västra Götaland one of the case studies in the ESPON SME project. Västra Götaland has a population of 1.6 million with a strong manufacturing sector. Four out of five new jobs in the region depends on SMEs. The success of the SME sector in Västra Götaland may be linked to explicit regional growth and development strategies, a new action plan for entrepreneurship and start-ups, support for the digital agenda and support for health care. Support instruments include consultation services, science parks, networks and incubators and university support programmes to enhance tech transfer. Drivers for SME development include a digitalisation agenda at the regional level, good infrastructure, innovation and knowledge sharing and a strong educational system at the regional level. Barriers to development include labour market mismatches, a lack of resources at the SME level to develop partnerships, a perceived slow public administration and complex public procurement procedures.

Following the presentations, the participants worked in groups to pull out the key conclusions and learning points from the day. These included the following points:

1. *Learning from others while being aware of local context*

ESPON events and policy briefs which illustrate research at the EU level indicate that shared issues and similar challenges exist across the EU. However, local diversity needs to be understood and acknowledged which implies the need for an analysis of the unique drivers and barriers in every region. A key barrier for growth was the lack of skill matching at the regional level which would require the engagement of education and training establishments in supplying a workforce suited to regional demands. This then assumes more democratic input at the local level is needed for spatial planning.

2. *Developing quadruple helix collaboration at the local and regional level*

There is a need to stimulate quadruple helix thinking at the local and regional level which entails the improvement of local engagement with larger companies (anchor companies, regional engines, etc.) in the region and civic society. These quadruple helix processes benefit from 'entrepreneurial bureaucrats' to link stakeholders and energise policy making and implementation but how are these roles developed and funded and by whom?

3. *SMEs – supporting stronger engagement within quadruple helix processes at the regional level?*

There is evidence that SMEs often lack resources and time to engage in partnerships, policy making, triple or quadruple helix processes or smart specialisation processes (e.g. the Entrepreneurial Discovery Process). More attention is needed in engagement and support mechanisms for SMEs at the local and regional level.