

TERCO

European Territorial Co-operation as a Factor of Growth, Jobs and Quality of Life

Applied Research 2013/1/9

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A EXECUTIVE SUMMARY

1 Introduction

The challenge of TERCO is to bring valuable insights into the overall policy relevance of Territorial Co-operation (TC) as a contributing element to European Cohesion. There is no doubt that TC is a highly competitive and attractive aspect of regional policy, with participants demonstrating a high degree of motivation to network their locales and regions across borders and internationally. In order to develop policy-relevant suggestions for the future design of TC support programmes, it is, however, necessary to address some shortcomings of present mechanisms – particularly with a view to improving the overall working of EU policies.

TERCO results indicate that the main contribution of EU-supported TC to cohesion and development lies by and large in institutional capacity-building, the professionalisation of staff, the circulation of innovative management ideas and strategies, and education. This is particularly the case for disadvantaged regions (such as those at the EU's external borders). Internationalisation and externally generated growth are realistic options for more peripheral regions, but only if 'preparation' takes place through local initiatives that set basic conditions for the successful absorption of external impulses. Within this context, Böhme, Doucet *et al.* (2011) emphasise the strategic role of five 'Territorial Keys': (i) accessibility, (ii) services of general economic interest, (iii) territorial capacities/endowments/assets, (iv) urban networking, and (v) functional regions. Hence TERCO investigate also how TC policy can contribute to them.

Five types of TC (twinning cities, cross-border, interregional, transnational, and transcontinental) were investigated in terms of their impact on *socio-economic development* (indicated by economic growth, creation of jobs, improvements in quality of life, etc.) and various types of *international flows* (such as FDI, migrations, international trade, etc.). Territorial co-operation was also examined from the perspective of its current adequacy and future needs in terms of: (i) geographical coverage, (ii) thematic domains, (iii) specific types and structures, and (iv) good governance. It is anticipated that the findings, presented in brief below and extended in the Main Report, will help to provide territorial co-operation with 'clearer and more realistic policy goals that are in line with the resources available' in line with the aspirations of the 5th Cohesion Report (CEC, 2010, p. 222).

1.1 Impact of territorial co-operation

Impact of TC on socio-economic development is positive but small

Territorial co-operation makes a favourable contribution to socio-economic development, as its impact on growth, jobs, and quality of life is statistically significant and positive. However, this does not mean that the impact is large. On the contrary, it is evaluated to be between minimal and moderate, depending on the type of TC programme and aspect of development. Among the five main types of TC investigated, INTERREG A had the highest impact on socio-economic development, followed by INTERREG C and Transcontinental cooperation, and then INTERREG B and Twinning City agreements.

Impact of TC is mainly manifested by its influence on quality of life rather than economy

From all the aspects of socio-economic development, TC had the greatest influence on **quality of life**, then on quality of natural environment, and service provision, rather than economic growth and job creation. Hence, despite more than two decades of INTERREG programmes and the current regulatory emphasis on growth and jobs, it seems that the ETC instruments are too weak to meet the aforementioned goals. The economic development issue is addressed to higher extent and with higher funding under national and regional cohesion policy programmes.

Whether TC contributes to cohesion depends primarily on the scope of TC, domains, stakeholders and resources involved

The probability of success of territorial co-operation measured by socio-economic development is the highest when the **scope** of co-operation (as defined by Colomb, 2007) is based on simpler forms of collaboration. That relates to cases of *exchanging experience, sharing tools to tackle a common problem or advising each other on how to solve similar problems*, rather than more advanced forms of co-operation such as jointly implementing common actions or investments to solve local problems. This is surprising, but it can be explained so that more ambitious forms may simply require more learning to bring desired effects. The probability of success is higher when the **domains** of co-operation are *cultural events, tourism, economy, natural environment or physical infrastructure*, rather than educational exchange, social infrastructure, or risk prevention. It is explained by the fact that those domains are easier to implement, which increases the probability of positive outcomes, especially in terms of quality of life. With regard to **resources involved**, the most successful TC projects were funded from *own or EU sources* rather than public-private partnerships, foreign partners or national funds other than own. It also matters who the **stakeholders initiating TC** are, with the probability of TC success being higher if they are *NGOs and local and regional government*, rather than Euroregions and other cross-border institutions, national government, EU bodies, development agencies or chambers of commerce.

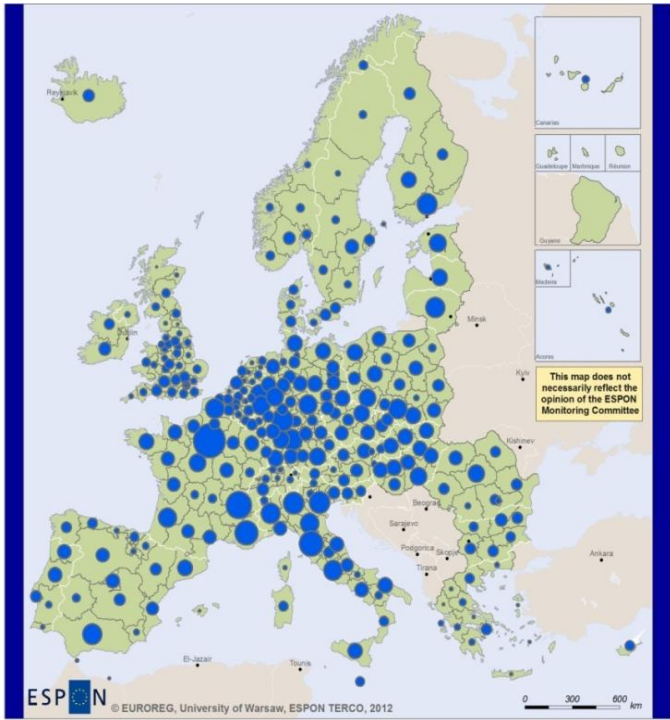
All in all, TC instruments are too weak to impact substantially on socio-economic development. The best working forms of cooperation are the 'soft' ones, but at best they affect some aspects of quality of life rather than economic fundamentals.

1.2 Adequacy of TC geographical areas

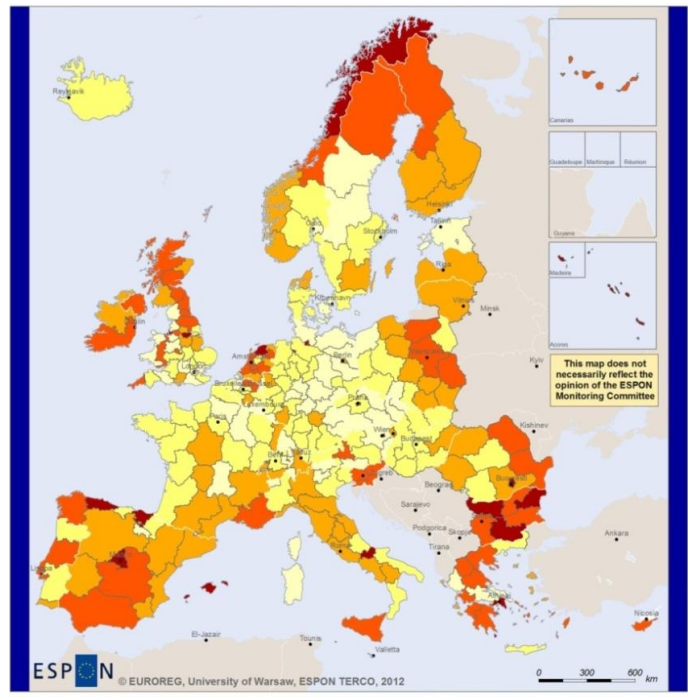
Current TCs are well delineated, though some new TC areas are possible

There is no immediate need for geographical expansion of TC programmes, because the current geographical configuration gives TC activities a distinct spatial focus. Various types of TC complement each other quite well. The complementarities result from different eligibility criteria and capabilities of the partners involved within each type of TC. Hence, for building Twinning City networks, spatial proximity of the partners and historical and cultural links are important. By contrast, in the case of INTERREG C, co-operation is significantly broader because partners from different parts of the continent are preferred. INTERREG A and B are the most restrictive in terms of areas that can co-operate, hence the choice is pre-determined. Transcontinental co-operation (e.g. with North Africa or South America) is based on historical links and political will of the partners. See Map1, which shows coverage by Twinning Cities, INTERREGs and links with non-ESPON areas.

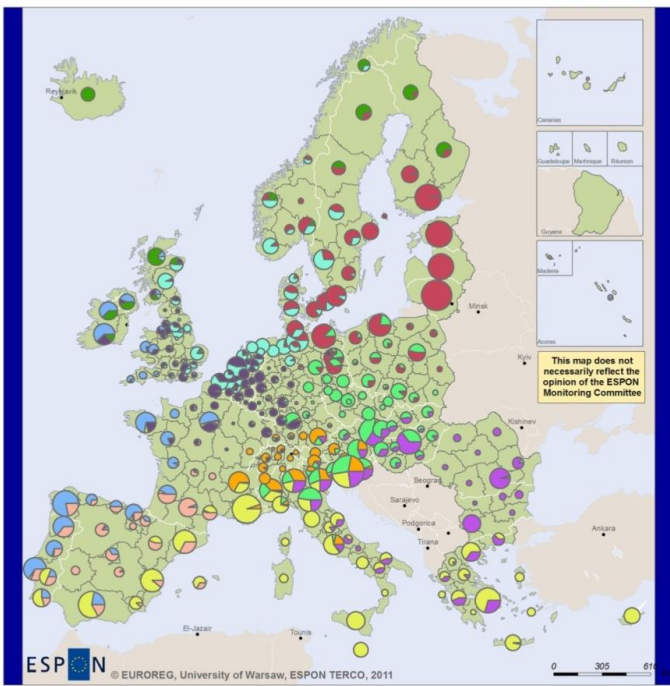
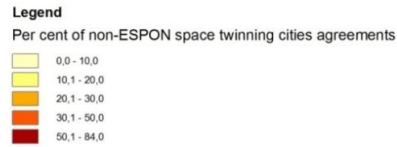
Map 1: Coverage of Europe by Twinning Cities (top left), links of Twinning Cities with non-MS (top right) and INTERREGs (bottom)



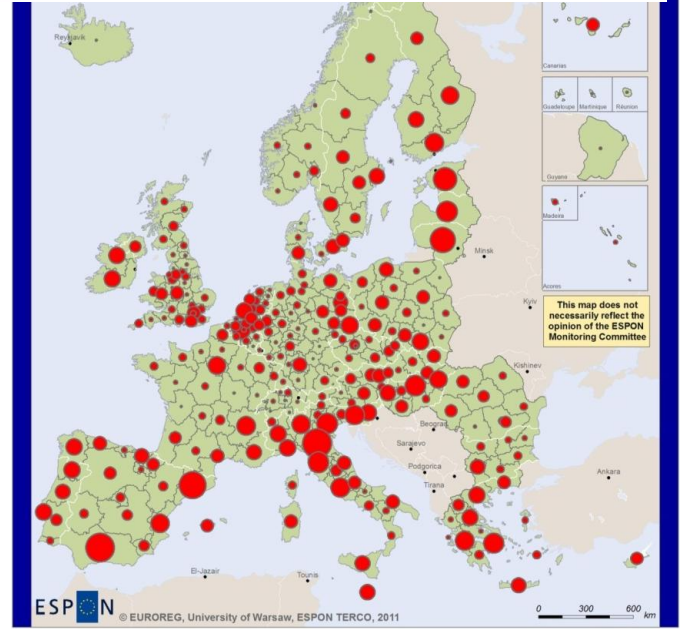
Regional level: NUTS 02
 Source: EUROREG, University of Warsaw, 2011
 Origin of data: EUROREG, University of Warsaw, 2011
 © EuroGeographics Association for administrative boundaries



Regional level: NUTS 02
 Source: EUROREG, University of Warsaw, 2011
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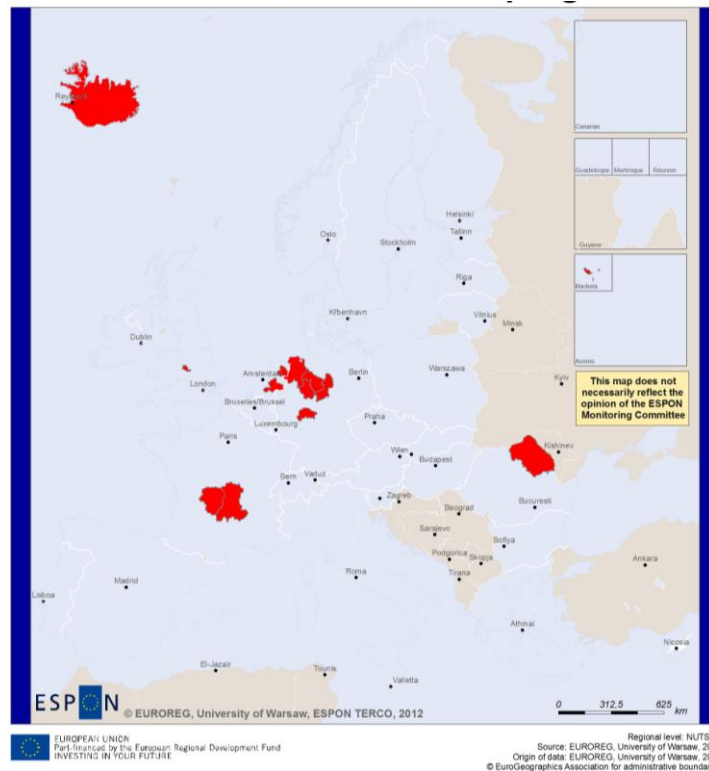


The geographical complementarity of the TC programmes was assessed by comparing the territorial coverage of INTERREG C and B with that of Twinning Cities. In the case of INTERREG C (III and IV) and Twinning Cities, the Pearson's coefficients showed very low correlations between the coverage of the two programmes. The highest correlation coefficients were about 0.3, relating to Iceland (0.34), Germany and Poland, but for the rest of the countries they were much lower (see Scientific Report). **This can be interpreted as indicating high complementarity between INTERREG C and Twinning Cities**, since they have different patterns of area coverage. In the case of INTERREG B (III and IV), the results were the opposite, and in majority of regions the co-operation with Twinning Cities is limited to INTERREG IVB macro-regions to which they are assigned; in other words, they could go beyond the region, but they do this only to a very limited extent. In some macro-regions, the index of coverage by Twinning Cities within the same region is very high, exceeding 80 percent. **The results confirm a generally good delimitation of INTERREG IVB.**

However, for a few regions the coverage of twinning cities within macro-regions is exceptionally low (below 40 percent or 20 percent), hence there is active co-operation going beyond the macroregion, but it is not supported by ETC. Those are interesting regions, because they can potentially benefit from the extended eligibility of INTERREG B areas, as the institutional links are already there. In other words, potential areas for new ETC cooperation may be found by removing some restrictions on an empirically justified basis. Hence, candidates should be identified within the regions that are restricted to only one INTERREG programme, but which are active in unrestricted cooperation such as twinning cities. Accordingly, **two criteria for the delimitation of new areas of TC** are: (a) belonging to only one INTERREG B programme, and (b) having a Twinning City co-operation network that operates beyond the assigned macro-region. Map 2 shows those new areas of co-operation that would most probably benefit from extended eligibility of INTERREG B to more than one macro-region.

To sum up, the geographical coverage of current ETC is fairly good and corresponds well to other TC programmes, but there is still room for improvement, as suggested above.

Map 2: Areas that potentially could benefit from belonging to two INTERREG B programmes



Source: Authors' elaboration

Legend

- Regions with low percent of twinning cities agreements within eligible INTERREG IVB areas for a given region (less than 28 percent), which belongs to only one INTERREG IVB macroregion.

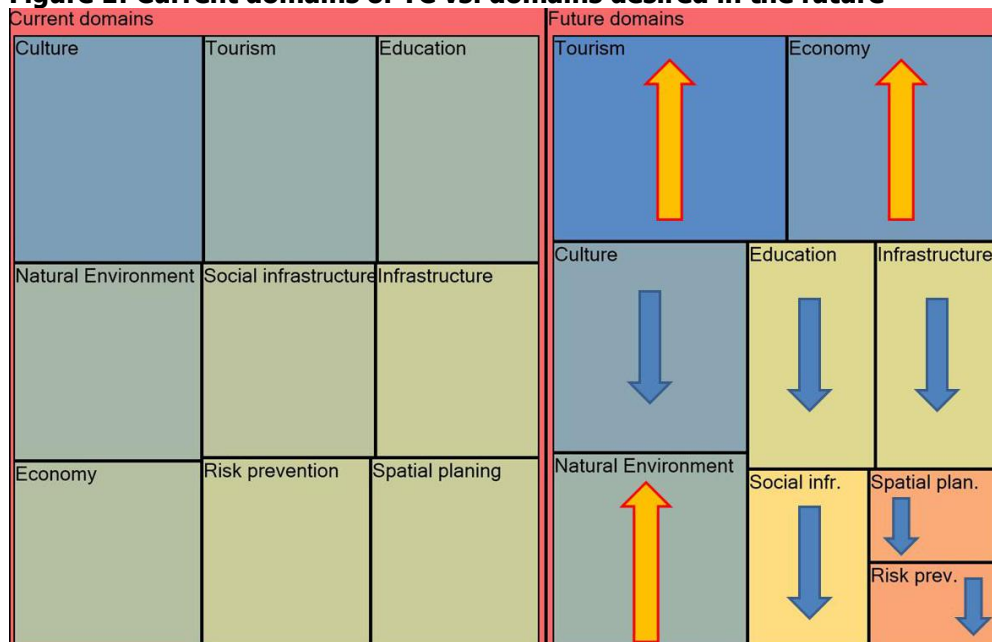
1.3 Adequacy of TC thematic areas/domains

Rethinking co-operation domains and issues could be beneficial

It seems more appropriate to focus on issues/problems that TC should tackle rather than on domains, because one issue can refer to many different domains. Therefore, it would be more appropriate to talk about issues that TC should address rather than themes. According to the research in areas such as **social policy, welfare, health** and **economic development**, there is a great potential for common agendas that transcend geopolitical and inter-state tensions and that could have a considerable multiplier effect in terms of local and regional development.

An analysis of current domains of TC programmes and those desired for the future produced the following results. The most popular **current domains of TC** in the case study areas are **culture, education, tourism, environmental protection** and **infrastructure development**. Other less frequent domains include social and health care, technology transfer, spatial planning, cross-border employment, mobility and transport, sustainable management of the rural areas, and economic exchange. With regard to **future domains**, there will be a shift towards **economy, tourism** and **natural environment**. Conversely, culture, education, infrastructure and spatial planning may decline in popularity (see Figure 1).

Figure 1: Current domains of TC vs. domains desired in the future



Source: Base on TERCO CS - CAWI questionnaires.

In general, **synergies** can occur among any domains if they complement each other to resolve a specific problem. What is observed in practice is that in most old Member States (and also in Norway) synergies between different domains are planned at the very early stages of programming new TC projects. By contrast, in new Member States synergies are investigated ex-post after completion of the projects, and in non-EU European countries synergies are generally rather rare. In old Member States, synergies are considered not necessary at the single project level but are more appropriate for a group of projects or even the whole programme, and in this process the role of higher-level institutions (such as regional

councils, joint technical secretariats) is often very important. In other cases, it is based on informal activities and reflection, evolving towards a stable framework such as EGTC and national and international positioning. The synergy effect in these cases is often one of the factors taken into consideration during programming and planning, e.g. pro-active project clustering in which programme bodies identify projects with similar themes that can address a strategic issue in the programme area and make some additional budget available. In new Member States, synergies are not considered very often, not only before but also after project completion. And because of a lack of comprehensive planning and reflection in this regard, some synergistic effects are obtained accidentally. Nonetheless, even in these countries some synergies do occur: in space (within one country and cross-border), in complementary domains (culture-education-tourism-infrastructure, risk prevention-disaster management-education, social infrastructure-social entre-entrepreneurship), and in time (follow-up projects, exchanging experience, building mutual trust).

Infrastructural projects are still needed but only as a path to mainstream investments

Interest in infrastructural projects within TC differs among the countries investigated. Those most in favour of infrastructure were the new Member States (80 percent) and non-Member States (79 percent); the old Member States were less in favour (66 percent), but the majority of respondents still wanted it to remain a theme of TC. The groups of countries also differ with respect to the type of infrastructure they prefer. Old Member States have most of their investments involved in *cultural facilities* and *schools*, while the smallest percentages are in railways. The new Member States have been more involved in *roads* but also in *cultural facilities*. The smallest percentages are recorded by this group in railways and hospital/medical facilities. The non-Member States favour *cultural facilities* and *schools*, with the smallest percentages accounting for railways and wastewater management. In relation to the non-continental group, infrastructure related to *cultural facilities* (26 percent) and *schools* (14 percent) are the highest.

Hence, infrastructure is generally an important theme of TC, first because it contributes to accessibility, which is one of the 'territorial keys' (Böhme, Doucet *et al.*, 2011). Second, because the programme participants want it, especially in new and non-Member States. Besides, supporting infrastructure is consistent with the ESDP agenda, which indicates that within territorial co-operation, 'support should be given to actions that seek to improve the physical interconnection of territories' (CEC, 2005: 32). Certainly, the most beneficial investments for all would be in new forms of communication.

To sum up, as far as domains of TC are concerned, the 'soft' domains bring the partners more trust, good neighbourhood relationships, and integration of EU with non-Member States. 'Hard' domains such as infrastructural investments are especially beneficial in the co-operation of new and non-Member States. Investments in information technologies and communication would be beneficial for all.

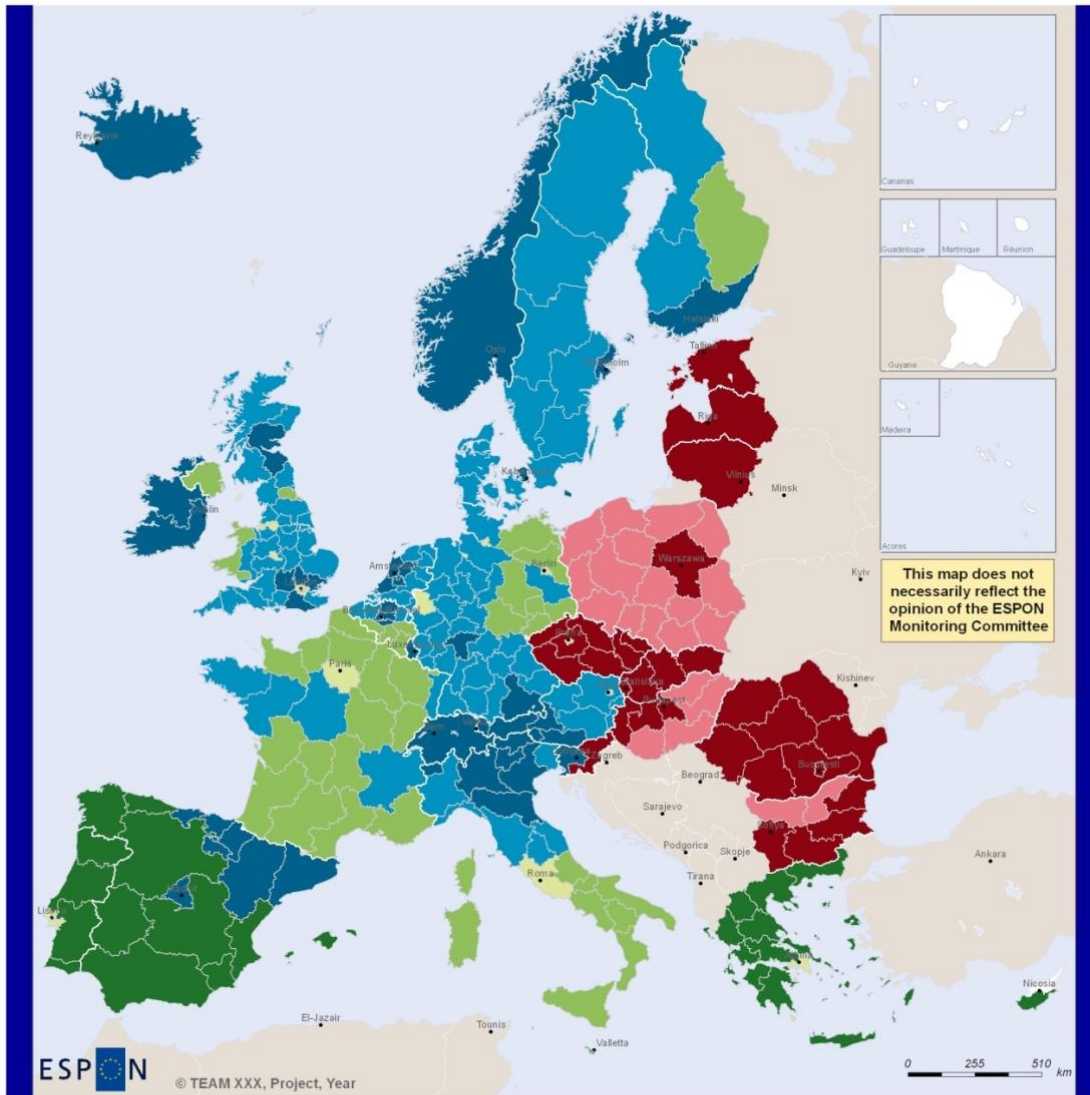
1.4 Key determinants of TC across Europe

Typology linking TC determinants with actual co-operation

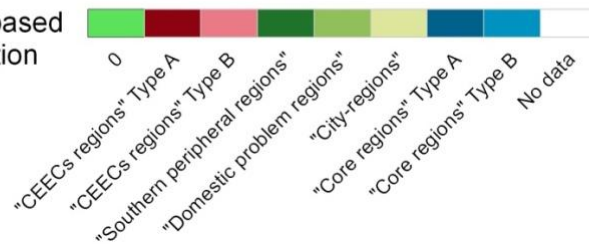
Based on the literature review, five groups of socio-economic characteristics were selected as determining TC of the regions. They are: (i) transport accessibility, (ii) demographics and economics, (iii) role of local governments / financial resources, (iv) language competences of the region's inhabitants, and (v) tourism potential. They were measured by a range of indicators within each group both in

absolute and relative terms. Then these variables were grouped (into principal components) differentiating the European space accordingly, and then the regions were grouped with the same characteristics of TC determinants to obtain three main types of region (seven subtypes). Finally, these types were matched with various indicators of their actual co-operation by cluster analyses (see Map 3). Those TC indicators were built from data on Twinning Cities and INTERREGs (such as absolute and relative number of programmes, agreements, partners in each region, etc.).

Map 3: Typology of regions based on territorial co-operation determinants



Typology of regions based on territorial cooperation determinants



Source: Authors' elaboration.

Type 1 'CEECs regions' refers to regions with the lowest level of socio-economic development (measured by GDP per capita, sectoral structure of economy, employment and unemployment rates, education, and language skills of population). However, those regions reveal very intensive territorial co-operation, especially via twinning cities (without significant differences between investigated subtypes). Practically all Central and Eastern European regions are in this category, except Western Slovenia and the city of Prague.

Type 2 comprises three subtypes. The subtype 'Southern peripheral regions' consists of regions with lower than average socio-economic development, however with high 'attractiveness'. The latter is indicated by increasing population (positive net migration and birth-rate), and touristic interests (high share of tourism sector in regional GDPs). Those regions co-operate very intensively via INTERREG projects, i.e. they have a high number of projects per capita and in relation to regional GDPs. They are, however, less interested in pursuing co-operation within Twinning City agreements. They have the largest average distance between the twinning cities within the ESPON area. At the same time, they have a very high share of linkages reaching beyond this area. This could mean that tourist regions show more interest in territorial cooperation funded from external sources rather than their own, and since they are peripherally located they have fewer twinning cities, which are usually pursued with the closest neighbours. This subtype includes countries such as Greece, Portugal and the majority of the Spanish regions excluding Madrid, Catalonia, Navarra and the Basque Country. The subtype 'Domestic problem regions' comprises regions characterised by a high share of public services in GDP coupled with a low rate of economic development, high rate of unemployment and in many cases low development level in comparison with the national average. In these regions, territorial co-operation was well developed with reference to demographic and economic potential, but was low with reference to the number of municipalities. Likewise, the spatial extent of this co-operation was rather modest both within and beyond the ESPON area. Areas in this category include eastern Germany and southern Italy, on the one hand, and the majority of the French and Walloon regions of Belgium and some regions in the United Kingdom on the other hand. The subtype 'City-regions' is so named because it mainly comprises regions that were encapsulated within the boundaries of large cities – quite distinct from the former two subtypes. Unsurprisingly, co-operation per territorial government in this particular subtype was the most extensively developed. A high percentage of municipalities forming these regions was involved in co-operation, which could be facilitated by their good transport accessibility owing to the presence of a major international airport.

Type 3 is called '**Core regions**' as it comprises the most developed regions in Europe. There are two subtypes – Subtype A includes metropolitan regions of Germany, capital-city regions of the Nordic countries, northern Italy, western Austria, Spanish regions not included in the 'peripheral' subtype, Ireland, south-eastern England and the metropolitan regions of Scotland. Subtype B is made up of the remaining regions of the best-developed countries, except 'problem' regions. However, in terms of territorial co-operation, no fundamental differences were observed between these two subtypes. The intensity and the range of transnational co-operation in these subtypes are close to the European average.

To conclude, firstly, a low level of economic development does not discourage local governments from becoming involved in territorial co-operation. Second, from all analysed characteristics, the intensity of territorial co-operation was mostly dependent on the potential of local governments in a given country (defined by the population of a given municipality) and financial independence of local governments (understood as a high share of income from taxes in their revenue). Third, the range of territorial co-operation depends considerably on the location within the ESPON area. A more peripheral location triggers more co-operation with partners from outside the ESPON area, particularly those located in the direct vicinity.

1.5 Governance and good practices of TC

There is no ideal framework for all TCs, but good partnership is essential

Governance structures, legal instruments and institutional frameworks play a key role in territorial co-operation efforts. However, **there is no ideal, generic framework for TC**. This study shows that one **prerequisite of good governance is good partnership**, at best **involving the state, the private sector, foundations and civil society at large**. This is particularly important in more peripheral regions with limited prospects for short-term 'returns' on social investment and where multiple support mechanisms are needed in order to nurture entrepreneurial activity.

However, there is an apparent tension between a programme's aim of establishing a broad partnership and the increasing desire to achieve strategic impact. In other words, **there is a trade-off between thematic focus and establishing broad partnerships**. One way to address this issue is to develop broad themes that are able to attract a diverse range of partners, but to develop clear priorities within those themes that are able to give the programme a strategic focus.

The research findings are in line with the theoretical literature that partners prefer a bottom-up approach that is locally driven. However, a certain amount of rules and regulations in relation to budgets and guidelines for co-operation are required in order to ensure stability and consistency of TC efforts. Nevertheless, TC should be flexible in terms of size, scale and scope in order to adapt activities to changing economic, social and political circumstances. Having such flexibility is particularly salient in times of economic crisis.

Despite a preference for a bottom-up approach amongst actors involved in TC, they recognise that a top-down element to TC gives programmes a strategic focus. Therefore a 'light touch' top-down approach is recommended. Programme authorities have a key role in adding value to project applications by engaging with applicants and bringing different projects together. Many programme authorities are already doing this, but some take it one stage further.

All in all, flexible, devoted partnerships with clear leadership are key for food governance.

Identified good practices are potentially transferable to other projects

Good governance practices identified in the research are of two types: in new Member States, they are usually local/locally-driven initiatives, whereas in old Member States they are more advanced structures and governance solutions. They seem to be transferable to other projects, and they include, for example:

- Co-operation of authorities from different governance levels within one project
- Inter-communal partnerships: to implement larger infrastructural projects or coordinate long-term co-operation within the same set of partners (communes)
- Availability of seed money for the project (as in Northern Periphery Programme)
- Co-ordinating function of macro-regional strategies
- Project clustering to ensure achievement of strategic goals without heavy-handed top-down approach
- Civil society forum, appreciation of importance of the process of elaborating strategy
- Multi-level governance, ENPI thematic calls developed in co-operation and negotiated with the grassroots level, regional councils as key actors (strong level in co-ordinating bottom-up initiatives and 'channelling down' higher-level regulation)

2 Policy options for future ETC

Contribution to territorial keys

The contribution of TC to cohesion and development can be accomplished by its impact on five 'territorial keys' (accessibility, services of general economic interest, territorial capacities, urban networking, and functional regions) formulated by Böhme, Doucet, *et al.* (2011) during the Polish Presidency. In particular, TC can contribute: to **accessibility** – in terms of improved border-crossing facilities and

access roads, the development of broadband communications and targeted support to new modes of public transport via internet and phone services; to **services of general economic interest** – by supporting activities related to social and public services such as health, education, elderly care, child care, vocational training, and cultural activities; to **territorial capacities/endowments/assets** – by facilitating institutional learning and capacity-building; to **urban networking** – by developing territorial capacities, results-oriented support programmes that create incentives for and routinise inter-local co-operation between different actor groups (including business and non-institutional actors); to **functional regions** – by concentrated efforts at the national and local level to combine more top-down nationally defined priorities with the flexible bottom-up definition of strategic actions, in order to produce ‘tailor-made’ regional policies based on existing and potential functional relationships.

Adequate areas and domains for TC

- There is no immediate need for geographical expansion of TC programmes, because the current geographical configuration gives TC activities a distinct spatial focus.
- If, however, new areas of co-operation are considered within ETC, there is potential for extension within Transnational and Transcontinental co-operation.
- Decisions on eligible areas for TC programmes should depend on boundaries of the issues/problems they aim to resolve, rather than on arbitrary distance or the administrative boundaries of the regions.
- Rethinking co-operation issues and domains could be beneficial – in themes such as social policy, welfare, health and economic development there is great potential for common agendas that transcend geopolitical and inter-state tensions and that could have a considerable multiplier effect in terms of local and regional development.
- ‘Hard’ infrastructure investments funded by TC programmes should not be a goal in themselves, but instead they should ensure that they facilitate also other, ‘softer’ targets of investment. In this respect, TC should focus on innovative, small-scale pilot projects with the aim of supporting the scaling-up of successful pilot projects for financing under other EU funding streams that have larger budgets, as well as through domestic funding.

Governance of TC

- New TC support structures could promote collaborative forms of policy formulation and delivery.
- Co-operation partnerships, rather than mere projects, should be a target of multiannual support.
- Continuity and consistency of co-operation in TC must be supported as key factors of its efficiency.
- A change in focus within TC opportunity structures is needed, in which civil society networks and local-regional co-operation are prioritised and eligible for more generous and specifically targeted support.

3 Directions for further research

The issues that require more analysis in future include:

- Analysing all groups of actors involved in TC.
- Effective ways of working with external partners.
- Developing strategies for creating lasting and sustainable partnerships.
- Working out strategies for private-sector inclusion.
- The contribution of macro-regional strategies to territorial co-operation.
- Systematic assessment of TC’s impact on various socio-economic flows.
- Analyses of experience of the European Groupings for Territorial Co-operation
- Analyses of synergies between domestic regional and national programmes vs. TC programmes

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