

SUccess for convergence Regions' Economies (SURE) Inception Report

SURE is a Priority 2 project, that is to say a piece of targeted analysis to meet the demands of a group of stakeholders. The SURE Stakeholder Regions are Campania (Italy), Podlaskie (Poland), East Macedonia and Thrace (Greece) and Valencia (Spain). Through the project they are seeking to understand why convergence regions are unable to improve economic performance and competitiveness. The project has a practical intent. The objective is to empower politicians and other regional stakeholders to make better regional policy in order to increase economic growth and build in sustainability.

The project seeks to provide new ways of conceptualising and measuring imbalances within lagging European regions. One aspiration is to identify the kind of factors that can make a region successful. The report highlights the finding of the ESPON 2006 Scenarios project (Project 3.2) that most territorial goals cannot be realised without substantial investments in non-territorial policies. For example to improve a region's economic performance there needs to be improvements in general education, and the research and innovation systems.

The first results of the literature review are outlined. These point to the importance of general political conditions and historical influences as a factor in regional development. Many of the problems and difficulties facing the three lagging regions of Podlaskie, Campania and East Macedonia & Thrace are deeply embedded and have been resistant to policy intervention. Structural Funds have not necessarily promoted the role of regional authorities.

The research team intend to conduct extensive interviews with policy stakeholders (politicians, practitioners, academics etc) from the stakeholder regions. These interviews will attempt to discover what they believe are the factors that shape the performance of regions. What the mechanisms leading to well-performing or badly-performing regions? There will also be structured questionnaires to a wider range of relevant stakeholders and a case study for each region.

Econometric analysis will also be a key part of the project. This will identify a group of successful European regions, that were below the average level around 1994, but which have achieved consistently above average growth rates since then. As well as this successful group, the analysis will identify a group of unsuccessful European regions, that were below the average level around 1994 and have experienced consistently below average growth rates since then. These will cover both the old and the new member states. The economic performance data are available from existing data bases (Eurostat, ESPON or an international database the research team has access to). Information on location factors may be partly obtained from the same sources; however, much data will

not be readily available and must therefore be collected from central sources or the regions on an ad-hoc basis. Data will be collected on the NUTS-2 level (whenever possible) and on an annual basis for the period 1994 to 2006/07 (or as long as possible).

Data that will be included in the regional data base will include:

- nominal and real GDP;
- employment (jobs);
- population;
- national regulation of labour and product markets;
- tax burden for manpower and companies;
- accessibility (weighted average travel time to European business centres);
- innovation capacity (tertiary education, research & development, scientific publications, patents granted, quality of universities);
- degree of regional autonomy (decentralisation index);
- EU funds; and
- further data (if necessary and available) according to the results of the literature review, the interviews and the questionnaires.

Thus the research will cover the two periods of EU Cohesion Policy (1994-1999 and 2000-2006). The econometric analysis will explain the differences in economic performance of regions within and across countries. Factor analysis and principle component analysis will be used to reduce the array of potential explanatory variables. The results of this analysis will serve as inputs to the econometric regression model. Then the econometric analysis will show which factors help explain variances in economic performance between different convergence regions. The econometric model will combine the influence of economic and political variables affecting economic performance which cannot be influenced by the regional authorities (such as geographical accessibility or national regulation), together with aspects of variables that can be influenced by regional authorities (such as infrastructure or education).

The results are expected to improve understanding of key regional policy questions:

- Which aspects of regional policy help and which are most important for explaining economic performance?
- Which policy areas “count” for regional development and should be put into the hands of the regional level?
- Which aspects of regional policy help and which are most important for explaining economic performance in which type of regions?
- Are there significant differences in the relevance of the factors for the different types of regions?