

## **ESPON Targeted Analysis project on Territorial Diversity (TeDi) Final Report**

This is a Priority 2 project that focuses on geographically disadvantaged regions. The stakeholders behind the project are North Calotte (the Nordland, Troms and Finnmark counties of Norway), Norrbottens län (Sweden) and Lapin lääni (Finland), the cantons of Valais and Jura in Switzerland, Alba and Suceava counties in Romania and Malta (including Gozo), North Iceland, and the Marathasa valley and Tylliria coastal area of Cyprus. Though there are no UK partners the report will be of interest to those involved in rural regional development.

The research identifies development opportunities in case study areas with geographic specificities such as mountainous areas, islands, sparsely populated regions and/or the combination of a peripheral location and high population densities. The case study territories are at widely different scales, with institutional statuses ranging from nation states to groups of communities. The level of development and economic capacity is in some cases well above, or in others well below, European averages. The study proposes ways for areas that are traditionally seen as having geographical handicaps to tackle their problems through strategies based on exploiting their territorial potential. The analysis suggests a framework for local development based on the combination of three main dimensions: human capital, natural resources & territorial positioning, and institutional context & governance structures.

### **Territorial cohesion and geographical specificities.**

The Lisbon Treaty made territorial cohesion an EU area of competence (though spatial planning, in contrast, remains purely a matter for member states and their regions). Article 174 of the Treaty spelt out what territorial cohesion would be about: *“particular attention shall be paid to [...] regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions”*. While the traditional regional policy approach has been to target public resources on ‘handicapped regions’, the Green Paper on Territorial Cohesion stressed instead the idea of ‘turning territorial diversity into strength’. This pro-active, developmental approach means exploiting latent assets. The difficulties of these territories are not due to a lack of assets, but to weaknesses in development strategies that fail to integrate the economic, social and environmental dimensions.

The TeDi project finds that there is great diversity within the broad regional groupings identified in Article 174. Mountainous Swiss regions, for example, are within the European ‘Pentagon’ and enjoy levels of GDP per capita that are well above EU average. Malta is peripheral in EU terms but the population density is high. A key finding is that the scale of analysis has a major impact on the assessment that can be made of the social and economic significance of geographic specificities. In general, for example, population is thinning out in the more rural and peripheral parts of regions, but concentrating in urban centres within them. Notions such as ‘small scale economies’ and

‘transitional labour markets’ can help policy-makers to better understand the specific dynamics of areas characterised by relatively small and isolated local communities.

The EC’s Third Cohesion Report defined Territorial Cohesion as a policy seeking to ensure that *‘people should not be disadvantaged by wherever they happen to live or work in the Union’*. The TeDi report argues that this is unrealistic and may also lead to unsustainable environmental pressures.

### **Development strategy options**

One option may be further economic specialization, playing to existing and distinctive strengths such as local products that sell in global markets (a UK example would be Scotch whisky). However, heavy reliance on a specialized product carries risks if the market changes. Therefore, to reduce such vulnerability, it is possible to identify ‘niche’ activities, which ideally face limited competition from other regions and for which the given locality has a competitive advantage.

A major challenge in such ‘niche’-based development is to bridge the labour market gap between the skills demanded by the niche product and the skills of the local active population. ‘Incremental types of innovation strategies, involving both educational institutions and companies, seek to minimise this mismatch by increasing the added-value produced in traditional sectors. Such strategies can be found in all TeDi regions, and especially within agriculture (new production techniques, food processing, joint labelling of local products, bio-technological innovations based on natural specificities...) and tourism (better exploitation of the physical capital, more recreational infrastructure...).’

The research also highlights the important role that knowledge industries can play in these supposedly ‘geographically handicapped’ areas. ‘One should also not underestimate the importance of knowledge intensive and innovative activities in changing the perception of territories with geographic specificities as being, at best, one step behind other regions. The presence of leading research facilities can change the perception of local communities and stimulate more positive social and economic trends.’

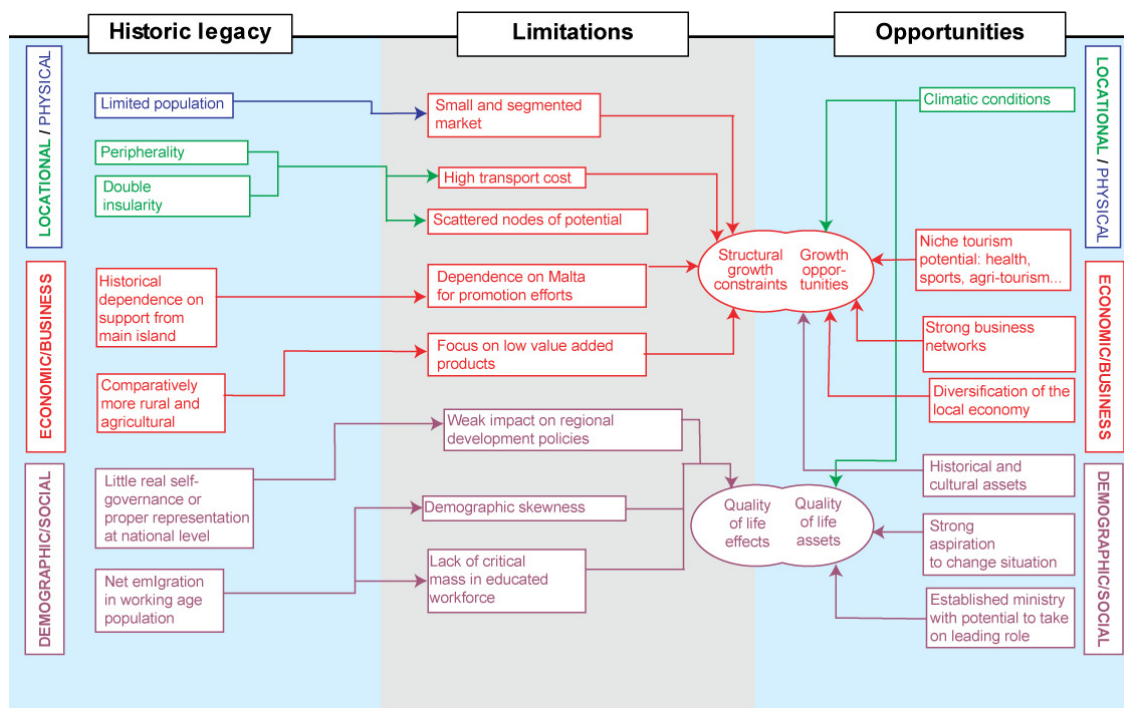
Key obstacles to economic development identified in some of the case study areas include poor intra-regional transport networks and deficiencies of infrastructure in rural parts. Local transport needs vary from case to case. Connecting a region to Trans-European Networks is not necessarily the priority.

Tourism and cultural heritage are recognised as potential bases for development strategies. The evidence however shows that successful tourism developments, creating a stable, long-term source of income for local communities without undermining sustainable development, require well-defined strategies and coordinated actions from a wide range of public and private actors. ‘The development of tourism is a way of diversifying local and regional economies, typically in predominantly agricultural rural areas. It may go hand in hand with strategies to promote the product of high quality food products in a preserved natural environment.’ Branding of the region can help attract visitors from outside while also strengthening a local sense of identity and pride.

Development strategies need to be adapted to the specific social and ecological framework conditions of the region. ‘This implies that one may need to challenge prevailing economic principles. Competition for example does not necessarily guarantee the cost-efficient delivery of services of general interest in areas where the demand is too small to justify the presence of multiple actors. Similarly, the existence of a “labour market” presupposes that workers may choose between different employers. This is not necessarily the case in mono-industrial towns.’ Thus market failure is central to understanding of why not all the economic potential of such areas has been realised. This has to be the starting point for making strategies.

### Symptoms and syndromes

An interesting methodological aspects of this project is the use of the idea of ‘syndromes’ as a means of regional analysis. ‘As in a medical syndrome, the situation of areas with geographic specificities is characterised by a number of associated symptoms of disadvantage, which, although they mutually reinforce the overall disadvantage experienced by these regions, are not necessarily connected in a causal sense.’ However, TeDi also uses the method to explore mutually reinforcing assets that enable a community to develop in a sustainable way.



Example of a syndrome analysis – for Gozo, Malta.

Lead partner: Nordregio (Sweden)

Other partners: University of Geneva, Switzerland; CEFIDEC, Romania; Panteion University, Greece; Islands Consulting Services, Malta; University of Akureyri, Iceland.

Stakeholders who proposed the analysis: The Norwegian Ministry of Local Government and Regional Development (Lead Stakeholder); The Cyprus Ministry of the Interior, Department of Town Planning and Housing; The Finnish Ministry of Employment and Economy; The Malta Environment and Planning Authority; The Romanian Ministry for Development, Public Works and Housing; the Swedish Agency for Growth Policy Analysis; The Swiss Federal Office for Spatial Development; The North Sea Commission; Euromontana; Icelandic Regional Development Institute Byggðastofnun.

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