

Fostering Endogenous Growth in EU Regional and Rural Policies

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What is endogenous growth?

- What does it mean to foster endogenous growth?
- What is the role of the EU
- From theory to practice
- Weaknesses
- Needs
- Summary of concepts

Endogenous growth

- Endogenous growth was an unknown variable for long – namely A- technological change or innovation.
- One strong factor was soon identified as knowledge, while infrastructures offered mixed “disappointing” results.
- Problem:
 - Trade integration leads to agglomeration -> it lowers the costs of investments **at the core**
 - Innovation requires an array of inputs.
 - Transaction costs -> geographic concentration
 - > High trade integration and high aggregate growth can therefore come along with increased regional income inequality.
- Very few actual policy prescriptions from academic studies and latest studies show complexity

Some major points

- There is a level of trade-off between regional convergence and macroeconomic growth
- There is a need for macroeconomic policy coherence
- Move away from sectoral subsidies to horizontal aid
- Move towards strategic action at “territorial/i.e. local” level
- There is a need to use appropriate level of governance: Multi-level governance. This needs capacity building and can be a long process.

The role of the EU

- The EU budget is limited in size and functions primarily as a leverage mechanism. It is a complement, not a substitute of national actions.
- Should use “subsidiarity”, “proportionality”, “additionality” and “value added” principles
- EU can guide interventions (guidelines, earmarking)
- Regional policy has developed a territorial (spatial planning) approach, in theory in line with endogenous growth – an ongoing over 30 years learning process
- Most of Rural policy is not based on a territorial approach and good territorial eligibility, but is slowly integrating this and endogenous development elements
- Moving from disjointed measures to integrated approach (e.g. territorial (spatial) planning, growth pole approach).
- In all cases, main action at national, regional and rural level.

From theory to Practice

A successful approach requires:

- Ensure administration and planners understand the objectives and understand the mechanisms
- Built the appropriate governance level, step by step, subsidiarity
- identifying endogenous growth (development) potential and weaknesses (Swot analysis)
- focus actions accordingly
- Build capacity locally
- link areas to markets (e.g. growth pole approach)
- ANTICIPATE IMPACTS, think of timeline and order of impacts
- Proactive administration & one stop shop
- Transparency, communication
- Ensure coherence between measures and other policies, other areas, i.e. ensure coherent national strategy (EU - NSRF)

Weaknesses

- For RD, weak integration between national policies and regional - rural support.
- Weak understanding by national and local actors of strategic approaches and efficient use of EU funds. EU RD funds are INVESTMENT tools, not income subsidies.
- Lack of understanding of the fundamental elements in a development or growth oriented programme.
- Lack of integration between regional and rural policies – blurred responsibilities, also within RD policies, i.e. weak integration of LEADER
- Weak value added of a number of measures. Lack of targeting (territorial approach) and solid eligibility criteria
- Evaluation in practice still based on “funds absorption capacity” rather than efficiency and impacts
- Policy focus weak, RD highly influenced by political and powerful lobby motivations.

Needs

- Strategic approach at national/regional/rural level needs to be reinforced. E.g. The RD programme should be a full part of the NSRF (National strategic Framework...of EU funds).
- Rural development is a part of regional-national development and agriculture is a part of the development of rural areas, not the reverse. RD should not be the EU's CAP substitute or considered as constituent part of it.
- Focus territorially and move away from sectoral towards horizontal aid.
- Not all national wishes should be transformed into European objectives. State aid rules exist for national actions.
- The EU policy is a menu of eligible actions, does not exclude other national actions and are not obligatory. It is at national local level that the appropriate mix is chosen.

Summary of concepts

- Territorial approach to endogenous growth (development): Consider all factors influencing the development of an area, focus on endogenous potential
- Endogenous growth (development): Consult, train, build capacity, assist and inform local actors on possible actions
- Make use of local self-control potential.
- Ensure that planning for territory is integrated with surrounding economy,- transport, markets etc.