**Exploring the role of ERDF in regions with specific geographical features: islands, mountainous and sparsely populated areas**

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**Abstract**

In recent years, there has been a policy shift in ERDF to encourage regions with specific geographical features (islands, mountainous and sparsely populated regions) to exploit their respective territorial ‘assets’ rather than view them as ‘handicaps’. This paper compares the role of ERDF in three case study regions to explore the ways in which respective territorial differences are tackled (or not) at the local level. Whilst the shift to exploiting territorial ‘assets’ is not straightforward in these regions, ERDF continues to play a crucial role and the need for continued support should not be forgotten.

**Key words**

*ERDF; geographical specificities; islands; mountains; sparsely populated regions*

**Introduction**

EU Cohesion Policy, predominantly the European Regional Development Fund (ERDF), has been the focus of considerable academic and practitioner attention for some years now (ADE, 2012; BACHTLER et al, 2013; BACHTLER and WREN, 2006; EUROPEAN COMMISSION, 2008, 2010; FAROLE et al, 2011; HALL, 2005; McCANN, 2015; McCANN and VARGA, 2015). Hitherto, an important component of the research on EU Cohesion Policy has focused on trying to assess the quantitative impacts of ERDF in promoting territorial convergence within and between the regions of the EU (BACHTLER and FERRY 2015; DALL'ERBA and GALLO, 2008; KYRIACOU and ROCA-SAGALÉS, 2012; RODRÍGUEZ-POSE and GARCILAZO, 2015). Conversely, relatively less research has focused on the role of ERDF in promoting economic development at the local level. Such qualitative insights from the NUTS 3 level (and below) are of considerable relevance to academics and policy makers alike from across Europe (ADE, 2012; ARMSTRONG et al, 2015; VANCLAY, 2015).

The aim of this paper is to explore, more qualitatively, the role and contribution of ERDF[[1]](#endnote-1) in promoting economic development, at the local level, in regions with specific geographical features (islands, mountainous and sparsely populated areas) (ARMSTRONG et al, 2015; GLØERSEN, 2012; SPILANIS, et al 2016). These regions are interesting because they represent a ‘privileged category’ in that for some years now, European legislation has recognised the existence of permanent structural handicaps in the development of some regions due to their specific geographical features (GLØERSEN, 2012). Notably, in 1999 the Amsterdam Treaty recognised that island regions suffer from structural handicaps due to their island status which permanently hamper their socio-economic development. In 2008, Article 174 of the Treaty on the Functioning of the European Union (TFEU) stated that:

“...particular attention should be paid to rural areas, areas affected by industrial transition, and 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” (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2008).

Concurrently, the increased focus on the territorial and ‘place-based’ (BARCA, 2009) dimension in EU Cohesion Policy heralded a shift in the focus of ERDF to encourage peripheral regions to exploit their particular ‘assets’ rather than consider them as ‘handicaps’ (EUROPEAN COMMISSION, 2008). The implications of this shift are significant for regions with specific geographic features, as this paper, which is organised into the following sections, demonstrates. First, the shifting ERDF policy context on how to tackle territorial issues is explored. Second, a comparison of the role of ERDF is discussed through the findings gathered in three case study regions carried out at the local (NUTS 3) level. These are Bornholm, a small Danish island; the province of Cuenca, which is a sparsely populated and mountainous region of central Spain; and Norrbotten, a northern Swedish sparsely populated region. Lastly, by way of conclusion, the paper provides some policy reflections that emerge about the role of ERDF in regions with specific geographical features and on the new ‘tools’ that may (or not) provide some assistance to these territories in the 2014-2020 EU Cohesion Policy programming period.

**Contextualising the role of ERDF in relation to regions with specific geographic features**

The regions with specific geographical features, some of which are the most peripheral in the EU, often encounter a number of territorial specificities, which combine in distinct ways, in different places (ADE, 2012; DANSON and De SOUZA, 2012; DEBARBIEUX et al, 2015; GLØERSEN, 2009; SPILANIS et al, 2016). These shape, in contrasting ways, the associated socio-economic, demographic and environmental challenges that they face (ADE, 2012; MONFORT, 2009). Consequently, promoting economic development in these regions is not straightforward and the support of both domestic and European funds, particularly ERDF, is crucial (SPILANIS et al, 2016).

Established in the 1970s, the role of ERDF was consolidated in the Single European Act in 1987 (OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES, 1987; McCANN, 2015). The main policy aim was to promote economic and social cohesion to counterbalance the effects of the completion of the Internal Market on less developed Member States and regions (OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES, 1987; LENNERT and ROBERT, 2010). The focus on reducing disparities both *within* and *between* Member States was further accentuated in the 1990s with the advent of the concept of territorial cohesion, which emerged from political and bureaucratic discussions between national governments and the European Commission (FALUDI, 2006).

In 1999, the European Spatial Development Perspective (ESDP)[[2]](#endnote-2) was adopted during the German Presidency of the European Council (EUROPEAN COMMISSION, 1999). The ESDP aimed to provide a kind of strategic framework for both Member States and European policies, advocating the need for polycentric territorial development policies, in order to promote balanced and sustainable development of the EU (DAVOUDI, 2009; FALUDI, 2006; WATERHOUT, 2002). According to FALUDI (2006:669), the establishment of the ESDP was significant as it would “foreshadow territorial cohesion thinking”, however, the concept was not directly based on the ESDP. More accurately, it emerged from extensive ‘lobbying’ between the then (French) European Commissioner for EU Cohesion Policy Michel Barnier (and his staff), with EU Member States (FALUDI, 2006). The aim being to try to ensure a greater role for the European Commission, particularly DG Regional Policy, in the preparation of the ESDP, which was dominated by discussions at the national level, particularly between Germany and France (FALUDI, 2006).

The Treaty of Lisbon, signed in 2007, represented a potentially important milestone because Article 2 stated that the EU “shall promote economic, social and territorial cohesion and solidarity among Member States” (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2007). Moreover, the Green Paper on Territorial Cohesion in 2008 stated that the concept:

“is about ensuring the harmonious development of all [EU territories] and about making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU (EUROPEAN COMMISSION, 2008:3).

The fact is, however, that *territorial cohesion* has never been transposed into an EU Directive or Regulation. The concept remains rather ‘slippery’ to define and its role in EU Cohesion Policy has diminished considerably since the 2000-06 programming period (Faludi, 2013). Notably, the word ‘territory’ is mentioned only five times in the ERDF Regulations for the 2007-13 programme and there is actually no mention of *territorial cohesion* (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2006). For the 2014-2020 programme, other concepts such as ‘smart specialisation’ and ‘conditionalities’ ensure that territorial cohesion has been essentially superseded (BACHTLER et al, 2013; BACHTLER and FERRY, 2015; McCANN, 2015).

Having said that, the Green Paper on Territorial Cohesion (2008), and the associated policy debates that followed (BARCA, 2009), raised several significant issues for the regions of specific geographical features, which are worthy of note here. Firstly, more prominence was put on the need for places to adopt tailored strategies for using ERDF, which take into account territorial dynamics, in order to promote economic development at the local or regional level (BARCA, 2009). In particular, the Green Paper stressed that there is a:

“growing awareness of the need to frame development strategies around the particular assets of territories in a context where eligibility for support is principally determined at the regional level” (EUROPEAN COMMISSION, 2008:4).

This is relevant because territorial specificities are often not contiguous with local or regional administrative boundaries. Often formal administrative boundaries or definitions do not actually bear much resemblance to the social or economic reality of a particular place (GLØERSEN, 2012; MONFORT, 2009). Moreover, ERDF Regional Operational Programmes (ROPs) are often drafted at the NUTS 2 level in a number of Member States whilst geographical specificities are frequently prevalent at the NUTS 3 level (or below) or indeed they may span two (or more) respective ERDF ROPs. Indeed, as GLØERSEN (2012:445) argues:

“...the main development challenges in regions with geographic specificities stem from their internal territorial disparities. Regional figures may therefore hide relevant territorial issues rather than revealing them.”

Secondly, there was a subtle but really crucial shift of terminology in ERDF strategy away from ‘structural handicaps’ to ‘specific geographical or territorial features’ referring to islands, mountains and sparsely populated regions (EUROPEAN COMMISSION, 2008; MONFORT, 2009). The aim being to emphasise that these territories have important ‘assets’ including cultural, natural and environmental (such as wind or tidal energy), which can encourage economic development, if harnessed effectively (EUROPEAN COMMISSION, 2008; MONFORT, 2009). The key point, however, is that the characteristics of the ‘handicaps’ or ‘obstacles’ as well as ‘assets’ and ‘opportunities’ is very much territorially contingent. What policy makers in a particular region consider as a ‘strength’ (e.g. a small close-knit community leading to higher levels of social capital), can be viewed as a weakness in another (e.g. a community in which there is a tendency for clientelism and corruption) (ADE, 2012; MONFORT, 2009). In fact, often what creates a territorial ‘handicap’ such as remoteness or harsh climate can also be the source of an ‘opportunity’, e.g. to develop Winter sports tourism in mountainous regions (ADE, 2012; DEBARBIEUX et al, 2015).

Thirdly, this raises questions about multi-level governance and the ways in which ERDF (and domestic funding) can be effectively managed at the local and regional level to transform territorial ‘handicaps’ into ‘opportunities’ (ADE, 2012; ARMSTRONG et al, 2015; SPILANIS et al 2016). Interestingly, the regions with specific geographical features contain some of the best and worst performing regional economies within the EU (MONFORT, 2009; DIJKSTRA and POELMAN, 2011). MONFORT (2009:10) argues that:

“although regions in a given category may share the difficulties tied to their specific geographical feature, they do not present the same socio-economic profile and do not face the same development constraints. This reflects the wide variety of regional fundamentals and contexts found within each category.”

This suggests that a number of regions have actually managed to exploit their respective territorial ‘assets’ in order to encourage economic development (ADE, 2012). Subsequent sections explore the ways in which ERDF is used to try to tackle (or not) ‘local’ territorial specificities, in three chosen case studies.

**Exploring the role of ERDF in three case study regions with specific geographical features**

The focus of the ERDF analysis was a sample of over 90 NUTS 2 regions, which contained over 320 NUTS 3 regions covering a defined list of islands, mountains and sparsely populated regions compiled by MONFORT (2009).[[3]](#endnote-3) The methodology involved two separate but interrelated elements (ADE, 2012). The first involved carrying out a detailed analysis of ERDF interventions in a representative sample of 15 NUTS 2 regions[[4]](#endnote-4) with geographical specificities. Desk based analysis of a combination of secondary sources for the 2000-06 and 2007-13 periods was carried out including *ex-ante/interim/ex-post* evaluations[[5]](#endnote-5) as well as two ERDF programme databases: SWECO (2008) and DG Regional Policy’s SFC2007.[[6]](#endnote-6) A range of socio-economic data was also collected from EUROSTAT to allow comparisons to be made between the different regions.

Building on this quantitative analysis, the second element of the research was to carry out a qualitative study of the role of ERDF at the local, NUTS 3 level, in six case study regions[[7]](#endnote-7) (ADE, 2012). The aim was to drill down to the lowest geographical scale (NUTS 3), in order to ‘tell the story’ about the role of ERDF in the particular localities, from the year 2000 until 2013. In each of the case studies, at least 15 face-to-face, semi-structured interviews were carried out with key stakeholders in the original language based on a standard interview template. These included ERDF programme managers and beneficiaries; business associations; trade unions; representatives from the third sector and higher education. The stakeholders were carefully chosen for their knowledge of ERDF and local economic development in each of the respective NUTS 3 regions.

The semi-structured interviews focused on three main research questions. These were: 1) the extent to which the geographical specificities are viewed as a ‘handicap’ rather than an ‘opportunity’ by stakeholders at NUTS 3; 2) the extent to which ERDF is targeted to specific geographical contexts at NUTS 3; and 3) the added value and contribution of ERDF to promoting economic development in regions with specific geographical features. The empirical data gathered was triangulated with a range of secondary sources, both academic and policy documents to ensure a thorough cross-checking and to increase the validity of the findings. Subsequent sections of the paper discuss the findings from three of the six case study regions that were carried out.[[8]](#endnote-8) Whilst these are not completely representative of *all* such regions they do provide useful insights about the ways in which ERDF is used at the local level to promote economic development.

**The territorial contexts of the selected local case studies**

The province of Cuenca is located in the region of Castilla-la-Mancha in central Spain, about 150 kilometres east of the capital city of Madrid. The province is classified as mountainous and is also one of the few *non-Nordic* sparsely populated regions, with just over 12 inhabitants per square kilometre, which was the lowest in all of Spain in 2011 (ESCALONA-ORCAO and DÍEZ-CORNAGO, 2007).[[9]](#endnote-9) The city of Cuenca, the administrative capital, accounts for a quarter of the 200,000 or so population but the majority of towns in the province have less than 1,000 inhabitants spread over a territory of 17,000 square kilometres.[[10]](#endnote-10)

In terms of ERDF, the region of Castilla-la-Mancha was classified in the poorest group of regions with a GDP below 75 per cent of the EU average in the 2000-06 and 2007-13 programming periods.[[11]](#endnote-11) The region received just over €1.5bn of ERDF in 2000-06, which dropped to €1.4bn in 2007-13. As in the rest of Spain, ERDF has played an important role in Castilla-la-Mancha, including the province of Cuenca, in order to try to address some of the main economic development challenges (ADE, 2012; GRIPAIOS et al, 2008).

The second case is the Swedish County of Norrbotten, which is one of two counties in the region of Övre Norrland. Located in the far north of Europe, Norrbotten has a harsh Artic climate and a very low and dispersed population density of only 2.6 persons per square kilometre.[[12]](#endnote-12) In 2013, Norrbotten had a population of just under 250,000 in an area of 98,000 square kilometres, which is equivalent to a quarter of Sweden’s territory. The majority of the inhabitants live in the coastal fringe as inland, the territory is covered by mountains and forests. Air traffic is crucial since going from Luleå (the County’s capital) to Stockholm, the Swedish capital, takes 10 hours by car and even longer by rail (ADE, 2012).

Norrbotten’s economy is characterised by a well-developed traditional primary sector linked to the exploitation of natural resources and related industries including steel production and wood processing. Its economic performance has been relatively robust compared to the rest of Sweden and the EU (ADE, 2012). The economic model of natural resource exploitation is relatively fragile and does not meet the needs or aspirations of all of the population, especially young women.[[13]](#endnote-13) Norrbotten faces both an *ageing* and *shrinking* population due to its remote location and harsh climate. As a result, the County is quite reliant on transfers from the Swedish central government to provide decent public services, especially in health and education, to help overcome the large distances and population sparsity. In terms of ERDF, for the 2000-2006 period, the region of Övre Norrland was classified as an Objective 1 region but this was due to its status as an Objective 6 region in the previous period.[[14]](#endnote-14) Then, for the 2007-2013 period, the whole of Övre Norrland had progressed into the Regional Competitiveness and Employment Objective.

The third case study is the small Danish island of Bornholm. Based in the southern part of the Baltic Sea, it has a surface area of 587 square kilometres and a population of just under 40,000 in 2014.[[15]](#endnote-15) Given its rather remote location, the island faces a number of challenges including depopulation with young people actually accounting for less than those aged over 80. According to local population estimations, a continuing decrease in the population is expected on Bornholm reducing it to considerably less than 40,000 in 2021, which corresponds to a decline of over 6 per cent.[[16]](#endnote-16)

Bornholm is dependent on functioning ferry and air traffic which means that it is difficult to commute, especially during winter, either to Sweden or Denmark, due to infrequent transport opportunities. Clearly, this places a series of constraints on the island’s economy including increased transport costs and a relative lack of opportunities for the island inhabitants. Bornholm is somewhat of an anomaly because its GDP is actually higher than the EU average. In 2007, at the start of the ERDF programming period, the island’s GDP per capita was €31,000 which was higher than the EU average of €24,900. Moreover, this makes Bornholm relatively wealthy in comparison to other islands across the EU, certainly some of those located in southern Europe.[[17]](#endnote-17)

The interesting point is that in the Danish context, Bornholm is considered to be relatively poor and ‘underdeveloped’. Again in 2007, at the start of the programming period, the GDP per capita for the Copenhagen Capital[[18]](#endnote-18) region, which is the NUTS 2 administrative unit to which Bornholm is a part, was €51,500, and the Danish national figure was €41,600. This made the Copenhagen Capital region (including Bornholm) the wealthiest area of Denmark. Importantly, however, Bornholm *does* have responsibility for regional economic development independently from the Capital region. Thus, even though Bornholm receives relatively small amounts of ERDF funding, it has developed some very interesting projects that are focused on turning ‘handicaps’ into ‘opportunities’, for example, in areas such as cluster development and tourism.

Having outlined the territorial contexts for each of the case studies, the following sections provide a comparative analysis of the key findings from the three main research questions.

**To what extent do geographical specificities matter in shaping economic development trajectories?**

In each of the three case studies, ‘geographical specificities’ *do matter* in shaping both the challenges as well as the opportunities for improved economic development. In fact, this point was the same for all six of the cases analysed as part of the research (ADE, 2012). The role of the respective geographical characteristics, however, is more complex and subtler than might be expected. Whilst the three main territorial characteristics (i.e. islandness, mountainous and sparsity of population) are important, two other characteristics emerge as posing the most difficulties for economic development. These are remoteness (or peripherality) and the configuration of the settlement pattern (sometimes called ‘scattered communities’ or ‘small, isolated scattered communities’) (ADE, 2012).

In the Norrbotten case, whilst it is an extremely peripheral region relative to the main EU markets, the export-oriented mining and forestry industries mean that there are relatively good international transport links. Thus, it is the *intra-regional* peripherality issues, including the cost of providing adequate public services for the scattered communities in the County because of the vast internal distances. By contrast, for Bornholm it is the remoteness of the island, which poses the major constraint on its economy and development. Notably, as a respondent from the municipality of Bornholm explained:

“the unit cost of transporting merchandise in container ships from Bornholm to Copenhagen is the same as the shipping cost from Bornholm to India. Clearly, this places an added burden on the island economy and undermines competitiveness.”

While Cuenca is located relatively close to Madrid and there is a high-speed train link to the Spanish capital, there are a number of scattered villages *within* the province itself. These often have less than 100 inhabitants and are quite remote from the city of Cuenca itself. This is cited by stakeholders as the main challenge to promoting economic development across the province (ADE, 2012).

Importantly, in all of the case studies the demographic challenge, which is actually *‘non-geographical’*, was at least as significant as the territorial dimension. The common problem, irrespective of local or regional prosperity, is that of out-migration, particularly of younger, economically active persons leading to an ageing population in all three localities. In the Norrbotten case, there is a stronger net out-migration of women, leading to serious gender imbalances. Due its relatively small population with just under 40,000 inhabitants, Bornholm is particularly at risk from continued out-migration and this problem is compounded by the lack of any substantial reverse migration flows of professionals, families or ‘lifestyle migrants’. As a senior politician on the island explained:

“the demographics of the island present a major challenge. On the one hand, schools and nurseries are under threat whilst services for the elderly need to be improved. Plus, the young people leaving the island are often the most educated but they are not being replaced. The key problem, however, is that the island does not yet offer the kinds of jobs and career opportunities that can encourage young people to stay on the island.”

In Cuenca, likewise, there are a number of communes that have really suffered from depopulation. For example, a small municipality called Olmeda de la Cuesta, which is located just over 50 kilometres from the provincial capital and only 160 kilometres from Madrid, is actually the oldest in Spain because 80 per cent of its 32 inhabitants are over 65 years of age.[[19]](#endnote-19) A representative of a Local Action Group in Cuenca, which is a main rural stakeholder in the management of European funds in the province, explained:

“the main challenge facing the province of Cuenca is its depopulation, which is mainly due to the lack of jobs in the rural areas. If it wasn’t for the EU funding many rural villages would have simply disappeared a long time ago.”

All of the case study regions researched have relatively fragile economic contexts even though statistically there are differences between them, with Bornholm being relatively wealthy compared to the EU average whilst Cuenca is poorer (ADE, 2012). This is consistent with the earlier point about the variation in socio-economic performance of the regions with specific geographical features (MONFORT, 2009). The majority of the stakeholders interviewed for the research emphasised the crucial role that ERDF plays in providing support for strategic investments in the local economy, which might not otherwise have been made (ADE, 2012). The crucial point, however, which is explored in the next section, is that there is no *‘one size fits all’* approach to how EDRF (and domestic funding) is used to tackle the different geographical challenges.

**To what extent is ERDF targeted to specific geographical contexts at the NUTS 3 level?**

In each of the cases, ERDF policy responses are really conditioned by the fact that the geographical characteristics continue to be perceived almost exclusively as *problems* and *challenges* rather than *assets* or *opportunities* (ADE, 2012). Furthermore, the evidence about the ways in which ERDF is tailored to the geographical context at the local level (NUTS 3 or below) is rather mixed. The main issue is that the ERDF ROPs tend to be developed at NUTS 2 (or above) so the ways in which the geographical specificities are tackled depends on the extent to which they are ‘viewed’ by regional policy makers as impeding economic development at the local level (ADE, 2012).

In the Cuenca case, there is no specific ERDF strategy designed and targeted at the provincial (NUTS 3) level. Thus, ERDF policy approaches follow the main ROP guidelines designed by the Regional Government of Castilla-la-Mancha. Whilst the ERDF ROP was drafted in partnership with provincial and other stakeholders, it was not developed at the NUTS 3 level in Cuenca, *by* stakeholders *for* the province. In fact, the lack of a comprehensive, integrated strategy for the province, aligning ERDF and domestic support, is widely acknowledged amongst the majority of stakeholders interviewed as being a weakness (ADE, 2012). For example, a representative of the business community explained:

“far too often each village has built its own industrial estate when instead the funds would have been better optimised on larger projects to the benefit of a wider number of villages and citizens.”

Furthermore, in Cuenca, the approach to using ERDF at the regional level focused heavily on investing in developing basic infrastructure, in both programming periods. This is very much in line with ERDF spending in other Objective 1 or Convergence regions across Europe (ESCALONA-ORCAO and DÍEZ-CORNAGO, 2007; GRIPAIOS et al, 2008). According to a senior official in charge of European funds for the regional government of Castilla-La Mancha, ERDF projects paid particular attention to benefitting scattered rural communities through specific transport investments. For example, ERDF was used to improve a number of local roads including the A40 highway connecting Cuenca with the capital of the region, Toledo. Another example is the construction of the flagship high-speed Madrid-Cuenca-Valencia rail link, which opened in December 2011 and involved a total investment of €5,118m, financed by ERDF, Cohesion Fund and domestic funding, spanning two ERDF programming periods (ADE, 2012).

The two Nordic cases of Bornholm and Norrbotten provide a contrasting scenario. The two respective ERDF ROPs are much more focused on dealing with local geographical specificities to try to tackle the range of challenges in both places, albeit in different ways (ADE, 2012). Given that Bornholm actually had its own Growth Forum, which is unique in the Danish context, meant that it was responsible for designing its *own* ERDF ROP, in the context of Denmark’s national ERDF OP for the 2007-2013 period. Similarly, Norrbotten’s Regional Development strategy operates at the NUTS 3 level and takes regional specificities more fully into consideration. As a consequence of these multi-level governance configurations, ERDF is used as a key component of a broader strategy in which the respective geographical characteristics are essentially perceived as ‘assets’ and ‘opportunities’ for economic development at the local level (ADE, 2012).

In Norrbotten, a prominent example is the automotive industry testing cluster, which has developed in the last 20 years or so. A number of leading global car manufacturers and suppliers come to the County, specifically in two remote municipalities of Arjeplog and Arvidsjaur, during the Winter season to test new models and prototypes in the extreme and harsh cold weather conditions. The remote location ensures that testing can be carried out away from the ‘gaze’ of other competitors or the media. There is, however, considerable competition from other similar locations in Finland. Norrbotten, in order to innovate, has implemented various ERDF projects to improve the infrastructure and applications for the automotive testing industry in the County (ADE, 2012). In particular, various departments at the Luleå University of Technology (the local University) including the Centre for Automotive System Technology and Testing have carried out projects bringing local stakeholders and the automotive companies together to improve the quality of testing using the latest communication technologies.[[20]](#endnote-20)

In Bornholm, the main focus of ERDF investment, especially during the 2007-2013 period, was on ‘softer’ instruments to develop SMEs and clusters rather than improving basic infrastructure. This is, in part, due to the relatively small ERDF allocation but also because of a commitment to focus on endogenous development by the main stakeholders on the island. In particular, cluster development in niche sectors was highly prioritised by Bornholm’s Growth Forum, which used ERDF to develop projects that involved the key stakeholders on the island in three so-called *‘cluster universes’*: *‘experience’* (tourism), *‘food’* (local agriculture and foods) and *‘green technology’* (renewable energy).[[21]](#endnote-21)

**The added value and contribution of ERDF to promoting economic development in regions with specific geographical features**

This section focuses upon the ways in which ERDF contributed to economic development in the case study regions. There are several elements to this. First, the analysis of secondary ERDF returns and evaluations shows that in the case study regions, successive programmes have been mostly successful in meeting spending and output targets (ADE, 2012). Moreover, the interview feedback indicates that in some of the regions, ERDF support has been absolutely vital. In Cuenca, for example, various stakeholders argued that many small villages would no longer exist had ERDF funding not been available (ADE, 2012). This raises the sensitive political issue about the extent to which some form of ‘organised depopulation’ would actually be more appropriate for certain villages, which lack sufficient socio-economic critical mass to survive. The rationale for using ERDF to counteract depopulation in such villages needs to be assessed in terms of the economic as well as the environmental, social and political dimensions (ESCALONA-ORCAO and DÍEZ-CORNAGO, 2007).

Second, the focus on using ERDF to improve basic infrastructure has had a positive impact on accessibility. The enhanced road network in Cuenca has been crucial in helping to develop tourism in the province and the high-speed rail link is expected to be a catalyst for further economic development. The infrastructure focus, however, was not matched by improvements in innovation and supporting business dynamism in Cuenca (ADE, 2012). This was in contrast to Bornholm and Norrbotten which focused their ERDF investments on supporting their particular geographical ‘assets’ and ‘softer’ investments to improve their respective competitiveness (ADE, 2012).

Third, although ERDF has contributed to ameliorating some of the challenges facing the regions, they still have fragile economic circumstances. Consequently, they are still largely dependent on domestic and European public transfers to sustain their respective local economies (ADE, 2012). In particular, access to basic public services is much more problematic in regions with specific geographical features (MONFORT, 2009). The high cost of public service provision is endemic and this is not just because they are islands, mountainous or sparsely populated, but also because their populations are located in small, scattered communities (ADE, 2012). This highlights the need for innovative developments in e-Health and e-Government to be implemented in order to improve public service provision in such regions.

Fourth, it is important to note that the implementation of ERDF has contributed to improvements in multi-level governance and partnership working in the case study regions. There are, however, contrasting examples. Bornholm was probably the best example of a flexible set of multi-level governance arrangements given that it has its own Growth Forum, which meant that the island could develop and implement its own distinctive ERDF strategy, whilst being formally a part of the Copenhagen Capital region (ADE, 2012). In Cuenca, the governance structures were rather more rigid with the national and regional tiers of governance taking the lead on ERDF programme management and implementation (ADE, 2012).

**Conclusion**

As highlighted by this research, using ERDF (and domestic funding) to enhance economic development in regions with specific geographical features is not straightforward (ADE, 2012). Several issues emerge that are relevant for improving policies targeted at these (and other peripheral) regions. Firstly, whilst the regions themselves are geographically diverse and each is individually distinctive, they have several fundamental characteristics in common. Notably, other geographical characteristics, especially *remoteness* from main markets and the *configuration of settlement patterns* play an important role in influencing socio-economic performance as well as specific policy responses (ADE, 2012). Furthermore, the regions possess an important *non-geographic* commonality which relates to the demographic challenges that they each face. Whilst these are not unique as many other regions across Europe, whether urban or rural, face such problems, it is arguably much more critical in regions with geographical specificities because of the combination of the demographic processes at work. Policy responses in these regions need to align ERDF with other European and domestic support in order to tackle more effectively the combination of challenges including the outflow of young people, ageing as well as the low birth rates (ADE, 2012).

Secondly, regarding the shift in ERDF policy to exploit territorial ‘assets’ (EUROPEAN COMMISSION, 2008), the overall tendency for these regions is to still consider their respective geographical specificities as ‘handicaps’ rather than ‘opportunities’. This explains, in part, why they tend to invest relatively more ERDF in ‘hard’ infrastructure (roads, environmental, ICT and broadband etc.), to tackle what are perceived as the ‘problems’ and ‘challenges’ that they face (ADE, 2012). The Cuenca case is illustrative of that. Conversely, the examples of Bornholm and Norrbotten illustrate the ways in which ERDF can be used to exploit geographical specificities as ‘assets’ investing in activities such as cultural tourism, renewable energy, automotive testing etc. (ADE, 2012).

Thirdly, in all six of the case studies carried out for the research, ERDF played a crucial role in promoting economic development (ADE, 2012). Whilst (often) the actual level of ERDF represents a fraction of total domestic spending in these territories, a common view expressed by the stakeholders interviewed was that ERDF provides a long-term, stable financial framework. This allows the regions to develop a range of projects, which can be tailored to meet their particular needs and challenges (ADE, 2012). Significantly, however, often due to national rules, ERDF ROPs are developed at the NUTS 2 level (or above), which means that they are not able to focus explicitly on tackling territorially specific challenges at the local level (ADE, 2012). This is clearly illustrated with the contrast between the Cuenca case with its ERDF ROP developed at the regional NUTS 2 level compared to the two Nordic cases, which have multi-level governance arrangements in place that encourage ERDF to be more tailored to tackling respective territorial specificities at the local level.

Fourthly, the research does support the findings made by MONFORT (2009) about the range of socio-economic profiles both *within* and *between* islands, mountains and sparsely populated regions. The raises the policy question about the extent to which the regions with specific geographical features really do warrant their ‘privileged status’ as stipulated in Article 174 of the TFEU (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2008). This is an active, ongoing political and policy debate in the context of EU Cohesion Policy, which involves a plethora of territorial lobbying groups, politicians from multiple levels of government and other stakeholders. For example, a recent study was commissioned by the Committee on Regional Development (REGI) of the European Parliament entitled “Cohesion in Mountainous Regions of the EU” (EUROPEAN PARLIAMENT, 2015). The aim of this study was to explore, amongst other issues, “the need for a real European mountain strategy adequately and properly answering all of the challenges facing EU mountain areas” (EUROPEAN PARLIAMENT, 2015:2).

In this context, it is pertinent to consider the introduction of several new ‘tools’ that have been introduced for the 2014-2020 programming period (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2013). First, a Common Strategic Framework (CSF) has been created which provides the basis for better coordination between the European Structural and Investment Funds (ESIF)[[22]](#endnote-22) (PANORAMA, 2013). In the 2007-13 period, the lack of common rules was often viewed by stakeholders as a hindrance to developing integrated projects, using multi-funds, at the local level to tackle territorial specificities (ADE, 2012).

Second, the integrated approach to Community-Led Local Development (CLLD)[[23]](#endnote-23) is a newly introduced ‘tool’ for the 2014-2020 period. The aim of the CLLD is to facilitate the implementation of local development strategies by small communities including local authorities, NGOs, and economic and social partners, based on the LEADER (and other Community Initiatives) approach used for rural development. Again, this is a potentially interesting development because such ‘bottom-up’ strategic development plans were frequently cited by stakeholders as useful tools to promote development in regions with specific geographical features (ADE, 2012).

Third, the introduction of Integrated Territorial Investments (ITIs)[[24]](#endnote-24) is another potentially useful ‘tool’. The aim of ITIs is to allow Member States to combine investments from several priority axes of one or more Operational Programmes for the purposes of multi-dimensional and cross-sectoral intervention. The ITI’s focus on particular territorial features or zones along with the option to develop associated governance arrangements should, in theory, allow particular projects and structures to be developed to tackle territorially specific issues. Again, this is something that was highlighted by stakeholders as missing in the 2007-13 period (ADE, 2012).

Lastly and importantly, there has been a strengthening of thematic concentration in the 2014-2020 programme with *all* regions having to focus on certain priority areas, especially in the field of energy efficiency, renewables, innovation and SME support (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2013; PANORAMA, 2013). This is potentially crucial because the regions with specific geographical features (and peripheral ones) have found it difficult to move away from their ‘infrastructure fixation’ and make the transition to exploiting territorial ‘assets’ which offer potential ‘opportunities’ for regional economic development (ADE, 2012; HADJIMICHALIS and HUDSON, 2014; HUDSON, 2007). A fundamental challenge for the current period is to ensure that such peripheral regions actually *do* invest in order to exploit their territorial ‘assets’ and create ‘opportunities’ to promote competitiveness in line with the Europe 2020 strategy (EUROPEAN COMMISSION, 2013).

It is too early to assess the extent to which the new ‘tools’ for the 2014-2020 period are effective (or not) and are actually being utilised as stipulated in the ERDF Regulations (OFFICIAL JOURNAL OF THE EUROPEAN UNION, 2013). The crucial point however, as this paper has illustrated, is that there is a need for continued ERDF support, which provides the *funding*, *flexibility* and *focus* for regions with specific geographical features. The challenge, however, for these regions is to move away from viewing respective territorial specificities as ‘handicaps’ in order to be able to try to exploit them as ‘assets’ to enhance their economic development. This is not a trivial task.

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**ENDNOTES**

1. Focusing on ERDF, rather than other EU Structural Funds, is warranted because of the size, scope and remit of the interventions funded, which contribute significantly to shaping socio-economic development trajectories across the EU (see McCANN, 2015). [↑](#endnote-ref-1)
2. Final Conclusions issued by the German Presidency, Informal Council of EU Ministers responsible for Spatial Planning, Potsdam, Germany, 10-11 May 1999; see: <http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/pdf/concl_en.pdf> [↑](#endnote-ref-2)
3. Full details of the research methodology are available in the EC report, see:

   <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final1.pdf> [↑](#endnote-ref-3)
4. See the First Intermediate Report of the Study for the choice of the 15 NUTS 2 regions:

   <http://ec.europa.eu/regional_policy/information/evaluations/index_en.cfm#4> [↑](#endnote-ref-4)
5. The majority of documents were reviewed in respective national languages. [↑](#endnote-ref-5)
6. For the 2007-2013 period, this database was managed directly by DG Regional Policy. ERDF managers provide updates on the implementation of their respective programmes. Access was kindly provided by the EC for this research. [↑](#endnote-ref-6)
7. The six case study regions were Cuenca in Castilla-la-Mancha, Spain; Norrbotten in Övre Norrland, Sweden; the Greek island of Lesbos in the Northern Aegean; the Danish island of Bornholm, which is part of the Copenhagen capital city region; the French province of Ardèche in Rhône-Alpes; and the Western Isles of the Highlands and Islands of Scotland. [↑](#endnote-ref-7)
8. For detailed findings from each case study see:

   <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final2.pdf> [↑](#endnote-ref-8)
9. See: Spanish Statistical Institute: <http://en.classora.com/reports/t57578/ranking-of-the-provinces-of-spain-by> population-density. [↑](#endnote-ref-9)
10. *Ibid.* [↑](#endnote-ref-10)
11. In the 2000-06 period, these regions were known as Objective 1. In the 2007-13 period, they were called Convergence regions. [↑](#endnote-ref-11)
12. See: Statistic Sweden: www.scb.se. [↑](#endnote-ref-12)
13. *Ibid.* [↑](#endnote-ref-13)
14. The Act of Accession of Austria, Finland and Sweden to the EU in 1995 set out the eligibility criteria under Objective 6. This included [NUTS](http://ec.europa.eu/regional_policy/archive/funds/prord/guide/gu111_en.htm) 2 regions with a population density of eight inhabitants per square kilometre or less. In Sweden, Jämtlands region was entirely eligible. The regions of Norbotten and Västerbotten were eligible, apart from their coastal fringes. The regions of Västernorrlands, Gävleborgs, Koppabergs and Värmlands were partially eligible. [↑](#endnote-ref-14)
15. See: http://www.independent.co.uk/travel/europe/how-bornholm-was-reinvented-as-denmarks-green-island-10413073.html [↑](#endnote-ref-15)
16. See: Bornholm’s Regionskommune (2010) Befolkningsprognose 2010-2021. [↑](#endnote-ref-16)
17. Eurostat GDP figures. [↑](#endnote-ref-17)
18. Hovedstaden in Danish. [↑](#endnote-ref-18)
19. See: http://rutas.excite.es/olmeda-de-la-cuesta-solares-gratis-para-N17738.html. [↑](#endnote-ref-19)
20. See: http://pure.ltu.se/portal/en/projects/castt--centre-for-automotive-systems-technologiesand-testing(93b31871-142c-4c9c-b686-2f1d79c77faa).html. [↑](#endnote-ref-20)
21. See: Bornholm’s Growth Forum (2007) Business Development Strategy, 2007-2010. [↑](#endnote-ref-21)
22. This includes ERDF, European Social Fund (ESF), Cohesion Fund as well as the Rural Development and Fisheries funds. [↑](#endnote-ref-22)
23. See: http://ec.europa.eu/regional\_policy/what/future/publication/index\_en.cfm. [↑](#endnote-ref-23)
24. *Ibid.* [↑](#endnote-ref-24)