



Universidade do Minho

Documentos de Trabalho  
Working Paper Series

**“Collective efficiency strategies: a policy instrument for  
the competitiveness of low-density territories”**

Rui Nuno Baleiras

NIPE WP 04/ 2011

NÚCLEO DE INVESTIGAÇÃO EM POLÍTICAS ECONÓMICAS  
UNIVERSIDADE DO MINHO

# **“Collective efficiency strategies: a policy instrument for the competitiveness of low-density territories”**

Rui Nuno Baleiras

**NIPE\* WP 04/ 2011**

**URL:**

<http://www.eeg.uminho.pt/economia/nipe>

---

\* NIPE – *Núcleo de Investigação em Políticas Económicas* – is supported by the Portuguese Foundation for Science and Technology through the *Programa Operacional Ciência, Tecnologia e Inovação* (POCI 2010) of the *Quadro Comunitário de Apoio III*, which is financed by FEDER and Portuguese funds.

# Collective efficiency strategies: a policy instrument for the competitiveness of low-density territories<sup>\*</sup>

Rui Nuno Baleiras<sup>♦</sup>

20 January 2011

## ABSTRACT

This paper motivates the focus of EU cohesion policy at large and the territorial cooperation tools on the economic development of territories featuring impoverishing growth associated to low population density. An innovative policy approach to help solving this problem in many Member States is put forward here. It is based on the economic concept of “collective efficiency”. It should be understood as a proposal to improve EU cohesion policy in the next programming period. As such, the paper suggests actual ideas to be included in the forthcoming *Common Strategic Framework* and *Development and Investment Partnership Contracts*.

## 1 Introduction

The European Commission is running a public consultation on the future shape of cohesion policy. This paper responds to the challenge in two ways. First, it puts forward a specific regional development policy initiative to address the competitiveness deficit of extensive areas of the European Union (EU). Second, the paper makes clear what changes on the strategic guidelines and operational framework of cohesion policy are necessary to implement that initiative.

Our contribution here makes use of Baleiras (2010) whose Subsection 8.1 sketches a cross-border operational programmes architecture suitable to handle two different economic geographies in EU border regions: urbanised areas and low population density territories.<sup>1</sup> In this paper, we expand the basic insight from the latter geography to build up an integrated

---

<sup>\*</sup> Work in progress. Comments are welcome.

<sup>♦</sup> Professor of Economics, *Escola de Economia e Gestão* and *Economic Policies Research Centre* (NIPE), *Universidade do Minho*, Campus de Gualtar, P-4710-057 Braga, Portugal. E-mail: [rbaleiras@eeg.uminho.pt](mailto:rbaleiras@eeg.uminho.pt). Former *Secretary of State for Regional Development* of Portugal (14 March 2005 to 26 October 2009).

<sup>1</sup> Baleiras (2010) provides a barebone list of improvements in eight cohesion policy domains: time profile of regional transitions across objectives, co-ordination of significant territorial impact policies, strategic dialogue between national and community institutions, output-driven programming instruments and monitoring systems, territorial eligibility rules, efficiency incentives in structural funds management, administrative simplification, and cross-border, transnational and interregional European territorial co-operation.

cohesion policy perspective able to deal with the economic development prospects of border and non-border territories featuring population to land ratios significantly below the EU average and a number of cumulative development losses when compared to highly urbanised territories. The losses include population ageing and outmigration, entrepreneurship deficit, thin institutional thickness, scarce private investment and job creation, high unemployment, which, in turn, self-feed successive similar loss waves in a circular vicious path. Although macroeconomic variables may show a positive evolution in absolute terms, the long-term contrast with core territories suggests this vicious circle is trapping such places in a relative impoverishing development pattern. A particular attention is also paid here to low density territories close to European domestic borders, with specific amendment recommendations regarding the territorial cooperation toolbox.

Yet, many low density territories also house extremely valuable assets upon which it makes sense to work out a cooperative action strategy. Based on the economic concept of “collective efficiency”, we argue how it is possible to penetrate the vicious circle with sustainable virtuous development elements, thus breaking the chain of relative impoverishment. This is where cohesion policy comes in. Its method is highly relevant to trigger the appropriate collective actions leading to territorial competitiveness in these spaces. In particular, we will also discuss how the territorial cooperation objective should be mobilised to optimise the policy response effectiveness.

Low density territories trapped with vicious development circles are not exclusive of border regions. To be fair, cohesion policy rules currently in force do not preclude Member States from conceiving and implementing actual policy instruments in line with the vision we have just outlined. An example of this possibility is provided by Portugal, where such tool is now implemented—the PROVERE initiative, the acronym standing for *Programmes for the Economic Enhancement of Endogenous Resources*.<sup>2</sup> However, this is not an easy task given the relatively weak knowledge among policy-makers about the merits of collective efficiency, the mono-fund rule of operational programmes, the insufficient coordination with rural development and fisheries structural action policies and the excessive sectoralisation of *National Strategic Reference Frameworks*. So, the policy solution we envisage in this paper makes sense for both border and non-border rural territories. As we will see, appropriate European-level political guidelines at the forefront of the forthcoming programming period are necessary in both cases for adequate implementation of the suggested policy solution.

---

<sup>2</sup> Operational information at the NSRF web page, [http://www.gren.pt/item3.php?lang=1&id\\_channel=44&id\\_page=390](http://www.gren.pt/item3.php?lang=1&id_channel=44&id_page=390). Detailed analytical and operational explanation at Baleiras (2011b). Information on a few actual implementations at Baleiras (2011c). DPP (2008) is a handbook to help prospective candidates to apply to the PROVERE policy initiative.

Our proposal is very much aligned with structural political orientations in Europe. The initiative is one way to deliver the *territorial cohesion* just added by the *Lisbon Treaty*<sup>3</sup> and finds comfort in the objectives of the new European economic development strategy—*Europe 2020*. Indeed, competitiveness inducement in deprived rural territories is expected to make a difference in the achievement of the *poverty relief headline target*—European Commission (2010a, p. 9)—and to contribute to the *sustainable growth priority* (p. 12) as rural territories matter a lot for biodiversity and green policy objectives and the methodology of the suggested instrument (collective efficiency strategies) relies in a more efficient resource allocation. The proposal is intrinsically a *place-based approach to economic development*, which goes along with the *Barca (2009) report*, the conclusions of the *fifth report on economic, social and territorial cohesion*—European Commission (2010c)—relating to the post-2013 cohesion policy and also the *EU Budget Review* proposals for more effective cross-policy coordination—European Commission (2010b). At the concluding section, we will spell out the specific guidelines in these community framing documents that our proposal helps to implement.

The following sections discuss in some detail the topics we have just sketched. Section 2 outlines the relevant economic rationale behind the policy instrument proposal. Its target territories and the political problem to face are described in Section 3, which includes a bird's eye of the instrument. The policy approach we envisage to help solving the problem at hands is detailed in Section 4. Finally, Section 5 concludes.

## 2 Conceptual background

In order to fully justify the new policy instrument, it seems instructive to begin with the presentation of the relevant theoretical backstage. Regional development policies are undergoing a major architectural shift and our proposal fits in the so-called new paradigm of such policies. The first subsection thus introduces this model. The ensuing heading shows how our approach contributes to affirm cohesion as the economic development policy of Europe. The final subsection explains the collective efficiency concept and why it is a competitiveness driver.

### 2.1 The new paradigm of regional development policies

For decades, regional development policies round the world have pursued redistributive goals more or less explicitly. Either through transfers to lower government levels or direct subsidies to social and private institutions, taxpayers' money has been channelled to regions lagging behind in prosperity levels without much concern as to the outcome of the financial transfers on the ultimate capacity of recipient territories to engender sustainable jobs and business

---

<sup>3</sup> Article 3, No. 3 of the consolidated version of the *European Union Treaty* and Title XVIII of the consolidated version of the *Treaty on the Functioning of the European Union*.

dynamics. EU cohesion policy and its national applications have long insisted on subsidising the provision of infrastructure and collective facilities in lagging behind regions. This approach has certainly had positive transitory real impacts, *via* aggregate demand shocks, reinforced considerably and durably the equitable access of citizens to collective services regardless of their residence but the long term impact on output and employment remained clearly below the expectations. At the same time, economic theory on growth and development evolved and credited increasingly the endogenous forces for the effectiveness of long term economic performances—see Stimson *et al.* (2009) for a comprehensive analysis of this evolution (in Ch. 1) and a new analytical framework to understand regional endogenous development (summarised in the so-called “regional competitiveness performance cube” in Ch. 2 and developed in the following chapters). The social environment in which business relations evolve is now seen as a major explanation for the responses of local economies to both domestic and external shocks. Social features such as trust, entrepreneurship, leadership, cooperation, institutional capacity are key drivers to deliver life quality, i.e., regional development, to citizens—Baleiras (2011b).

A number of developed countries has initiated in recent years a different policy approach to regional development issues. The economic potential of this shift, where the EU at large and a few Member States in particular are worth mentioning, led the *Organisation for Economic Co-operation and Development* (OECD) to acknowledge it as a move towards a *new paradigm for regional development policies*. The shift consists basically on moving away from:

- performance-independent subsidies based on actual interregional asymmetries towards performance-oriented investment grants, grants that induce behaviours headed to territorial competitiveness enhancements;
- separate, independent sectoral approaches towards integrated, multisectoral solutions (which calls for horizontal governance solutions);
- top-down policy design and implementation towards shared vertical governance solutions.

OECD (2009, p. 29) describes the new paradigm in the following way. “In response to poor outcomes, regional policy has evolved and is evolving from a top-down, subsidy based group of interventions designed to reduce regional disparities, into a much broader ‘family’ of policies designed to improve regional competitiveness and characterised by: 1) a strategic concept or development strategy that covers a wide range of direct and indirect factors that affect the performance of local firms; 2) a focus on endogenous assets, and less on exogenous investments and transfers; 3) an emphasis on opportunity rather than on disadvantage; 4) a collective/negotiated governance approach involving national, regional and local government plus other stakeholders, with the central government taking a less dominant role. The rationale of the new regional approach is based on the principle that opportunities for growth exist in the entire territory, across all types of regions (...). The aim is to maximise national output by assisting and encouraging each individual region to reach their growth potential

endogenously, and thus it departs from the old view which regards regional policies as a zero sum game (...). Evidence of this so-called ‘paradigm shift’ in regional policy can be seen in recent reforms of regional policy in a number of OECD countries”.

## 2.2 Cohesion policy: the economic development policy of the EU

To be fair, until the current programming period, there were few elements of the new paradigm in mainstream EU cohesion policy. The most innovative calls to endogenous forces prior to the current programming period lied on the territorial cooperation goal, although too far away from the growth and jobs spirit. The emphasis on redistributive approaches that dominated the policy goals with stronger financial muscle until 2007 relied on the neoclassical proposition that regional productivity (or *per capita* output) disparities tend to disappear in the long run provided that regions converge in terms of capital intensity. Yet, territories matter for development progress, even if we reduce this notion to real *per capita* GDP convergence. Initial conditions differ not only in terms of capital to labour ratios but also in terms of many other resources—physical as well as intangible assets—that neoclassical economics neglects—culture, traditions, self-esteem, sense of belonging, trust, creativity, institutional capacity, cooperation practices among economic agents, urbanisation patterns, and so on. This territorial diversity interacts with goods and services production and business transactions activity, and the direction of impacts is unclear in abstract terms. Such diversity would have to disappear for the neoclassical proposition to hold. One should also remark two points: firstly, income distribution is inherently an interpersonal income allocation matter, not an interregional income allocation issue; secondly, as a corollary, if the political aim is to *redistribute income*, then governments should *redistribute income*—public actions other than regional policy (e.g., social security budget operations and social policy at large) should then be improved because they are more effective to achieve that purpose.

The new paradigm to which pioneering countries are moving over the last ten years is about unleashing the development potential that is present in every place and about expanding that capacity. It requires an integrated economic development policy perspective, multisectoral approaches, horizontal policy co-ordination and adequate subsidiarity to bring all relevant territorial stakeholders onboard during policy design and policy implementation.

By embracing, for the first time in its history, a comprehensive economic development strategy for Europe (the *Lisbon strategy*), cohesion policy at the community level has encouraged Member States to enter the new paradigm in 2007—see the *Community Strategic Guidelines for the 2007/2013 programming period*. It is worth mentioning that the EU has *no other toolbox headed for long term economic performance*. In other words, there is no substitute for cohesion policy as the economic development policy of EU at large and Member States in particular. The ongoing strategic discussion on the future of cohesion policy seems to head clearly towards reinforcing the alignment with the so-called new paradigm of regional

development policies. This possibility, pointed out since the first ministerial meeting that discussed the subject (Azores, November 2007), is now much more mature, as one can appraise in the *Barca report*—Barca (2009)—and, especially, in the conclusions of the *fifth cohesion report*—European Commission (2010c).

If this vision prevails, all three current objectives of cohesion policy will need to be restyled. In this context, and given this paper's object, one word about European territorial cooperation seems worthwhile. As referred to earlier, this, often mentioned, third pillar of the policy was quick to realise the usefulness of social environments as catalysts for economic change. The current fast track Commission's initiative under interregional cooperation is a good example of this political perception. In her speech at the territorial cohesion green paper presentation ceremony (Brussels, 2008), Mrs Hübner, by then the Regional Policy Commissioner, stated that the new objective set by the Lisbon Treaty requires three "C"s: Concentration, Connection and Cooperation. We strongly believe the latter "C" calls for a refinement of actual territorial cooperation mechanisms in line with the emerging regional policy paradigm. The European Commission is being very active in the area of macro-region foundations, which is a good thing, but clearly a new focus on cross-border and interregional cooperation dimensions is very much necessary. We hope to show the usefulness and feasibility of a reform in that direction to tackle the development problem of low density territories close to domestic borders.

### 2.3 Collective efficiency and competitive advantage

We now move back to economic theory to complete the rationale for a policy approach to the vicious circle of low density territories in the EU. Endogenous development theory looks very promising to refine cohesion policy and its national declinations. In particular, we find the *collective efficiency* concept introduced by Hubert Schmitz very inspiring for our subject matter. The concept links the neoclassical notion of external economies of agglomeration and networking with the industrial districts literature.<sup>4</sup> Although less mediatic than the classical structural explanations for growth and development improvement (education, competition, justice,...) collective efficiency is, in many circumstances, a serious and relatively fast competitiveness deliver. It deserves more public awareness, chiefly among policy-makers.

Collective efficiency derives from two key ideas. First, physical proximity of agents facilitates the occurrence of positive externalities (the so-called *external economies of agglomeration*), a concept that goes back to Alfred Marshall, one of the neoclassical economics parents. In his much acclaimed 1890 *The Principles of Economics* textbook, Marshall coins the concept of *external economies* to express the benefits an individual firm reaps from "the general development of the industry".<sup>5</sup>

---

<sup>4</sup> In what follows, we will use the expressions "cluster" and "industrial district" indistinctly because their difference is inconsequential for our purposes. See Baleiras (2011b, footnote 6) for their own meanings.

<sup>5</sup> Quotation from the eighth edition, Marshall (1920): Book IV, Ch. IX, par. 25.



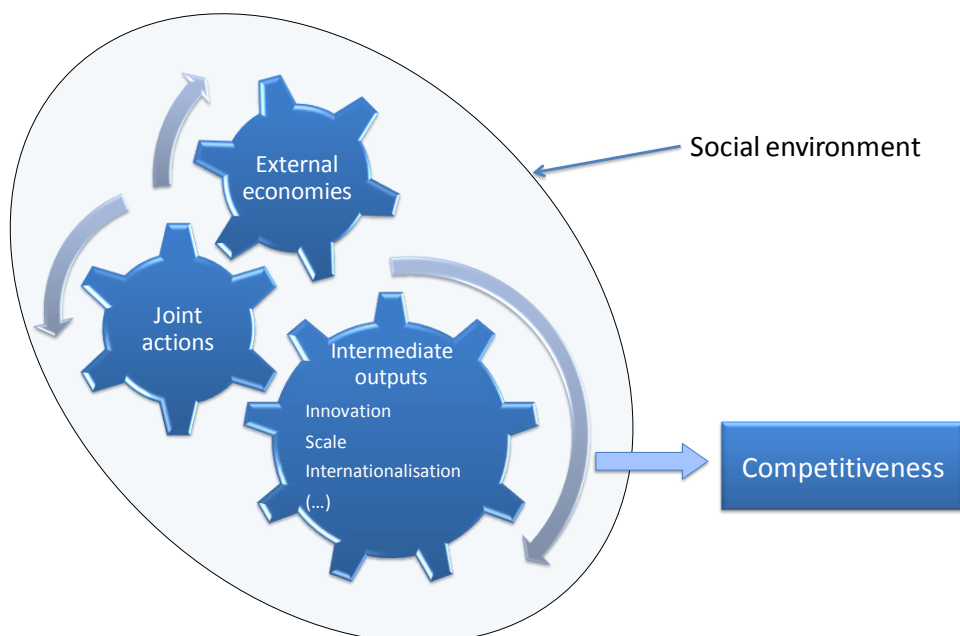
The second background idea is *joint actions*. As explained with more detail in Baleiras (2011b), those benefits are incidental, they happen by chance because they are not the result of conscious and deliberate actions on the part of other firms. Agglomeration economies are a persuasive factor to explain firm clustering, yet they are not sufficient to explain why some clusters grow and eventually go international while others stagnate or even shrink after a while. There is abundant empirical evidence on successful and faded industrial districts—see, for instance, Chs 25 to 49 in Becattini *et al.* (2009) and the references therein. Schmitz (1999) discusses this issue extensively and offers an insightful rationale. He claims that *joint actions* undertaken by members of the district, on top of agglomeration economies, are what makes the difference in terms of competitiveness success. These are *deliberate actions consciously and explicitly agreed* among cluster members to achieve efficiency gains for them. Such joint actions can be an agreement between four small shirt makers to divide a single large order, a research centre set up by a pool of shirt and fabric makers to develop new textile products or the co-ordinated presence of the industrial district in an international business exhibition. The keyword here is *cooperation*. Joint actions are the outcome of cooperation between cluster members. Co-operation may involve competitors only (horizontal cooperation) or the junction of deliberate and coordinated actions by input producers and users or output producers and buyers (vertical cooperation). We should bear in mind that cooperation does not preclude competition between members. Based on facts accounted for in the empirical literature, we may conclude that competitive clusters are those that succeed to combine cooperation with rivalry.

So, properly combined, external economies and joint actions produce collective efficiency, which is a source of individual and group competitiveness as we have just discussed. Figure 1 illustrates the argument. The social environment, defined as the set of social relations between economic agents, is the playing field where collective efficiency emerges to trigger positive effects on variables such as innovation, scale, and internationalisation. Improvements on these variables ultimately lead to competitiveness enhancements. We are therefore reasoning in the context of endogenous development factors.

We now give a step further to enter more explicitly the regional development arena. Schmitz has developed his concept of collective efficiency considering one category only of economic agents: firms. However, other types of players behave in real-world clusters and coordinated actions across agent types can trigger benefits for all as well. For example, local governments can be useful partners to help firms to grow and compete if public money follows private action. This can be the case of a partnership between the enterprises association and a municipality to build and run an exhibitions facility. The municipality may pay for the land use and the firms for the building and operation costs. This facility may help to diffuse internationally the competences of the territory, to incubate new firms and to house a technological development centre. Another interesting kind of players is a research centre or a

higher education unit. Appropriate, tailor made contracts with some or all clustered firms can be an effective way to transfer knowledge into mercantile goods and leverage a sustained inflow of innovation to clustered firms. We think it is appropriate to speak of collective efficiency as well when multi-institutional cooperation is in place.

**Figure 1—The transmission mechanism of collective efficiency**



A second generalisation of this concept comes to mind when we think of the increasing number of transactions carried out before computer screens. For many activities, information and communication technologies provide efficient proxies for face-to-face contacts. Going back to our earlier textile example, frequent electronic interactions, combined with just a few physical contacts from time to time, are a cheap and yet higher quality device to discuss ideas and experiment new product solutions between shirt, button and fabric makers—to keep using our previous example. Orders can be placed by e-mail, training can be offered remotely, labour search can be performed through databases. This means that basically the same kind of benefits allowed by agglomeration can be offered by effective *network cooperation*. Network cooperation does not need physical proximity of players but requires explicit, deliberate joint actions among partners. Contrary to agglomerations, in this case external effects (which we may label as *network externalities*) do not exist without joint actions, they result from the latter. Appropriate competitiveness-oriented joint actions can indeed generate a price advantage for networkers, thus qualifying them as another form of collective efficiency.

To conclude this section on the theoretical background, we come back to Figure 1. Occurrence of joint actions requires social interaction. The effectiveness of joint actions as a business efficiency device depends a lot on the quality of the *social environment*. Trust, sharing traditions, entrepreneurship spirit, firm density, strength of community institutions are important ingredients to *manufacture* collective efficiency. These elements are not uniformly

distributed and clusters are very unlike in terms of their composition. Although the Ave Valley (Northern Portugal) is an industrial district example, cooperation among residents—including firms, municipalities, universities, public and private professional training centres, etc.—is not as strong as in other cases, which may explain the difficulties the textile industry has undergone there over the last 15 years and the relative success in other European districts where social capital has been better equipped for joint actions for a longer time.<sup>6</sup>

### 3 Low density territories

Local areas with population densities between 10 and 80 inhabitants per km<sup>2</sup> are quite common worldwide. We can find them in regions such as the Midwest in the USA, Southern portion of the Plateau of Mexico, North-eastern Brazil, Central Chile, tropical Western Africa, remote regions in Nordic countries, Northern Scotland, Portuguese-Spanish cross-border territories and parts of the Balkan Peninsula, Eastern European countries, Russia, the Deccan Plateau of India and Central China— see data at Travel University (2011).

Section 1 introduced the development problem we address in this paper. The time has come now to elaborate more on its nature. We hope that the understanding of the underlying structural weaknesses, as well as the unexploited endogenous resources in these territories, will persuade the reader about the desirability to stimulate collective efficiency solutions. For reasons we unearth in the following subsection, the development problem we are talking about has an undisputable political dimension in democratic societies.

#### 3.1 The political problem

The territories in mind feature population and economic activity losses which tend to self-feed in a *circular and cumulative causation* process. Figure 2 illustrates this *vicious circle*. Low density tends to be associated with few jobs which are not enough to accommodate active population, young individuals tend to out-migrate, the population stock gets older, there is an entrepreneurship scarcity, institutional thickness is thin, private investment lacks, which contributes to few jobs and the circle closes and traps the territory into a relative impoverishing growth path. We may say that low population density regions fitting into this pattern are also low economic density territories.

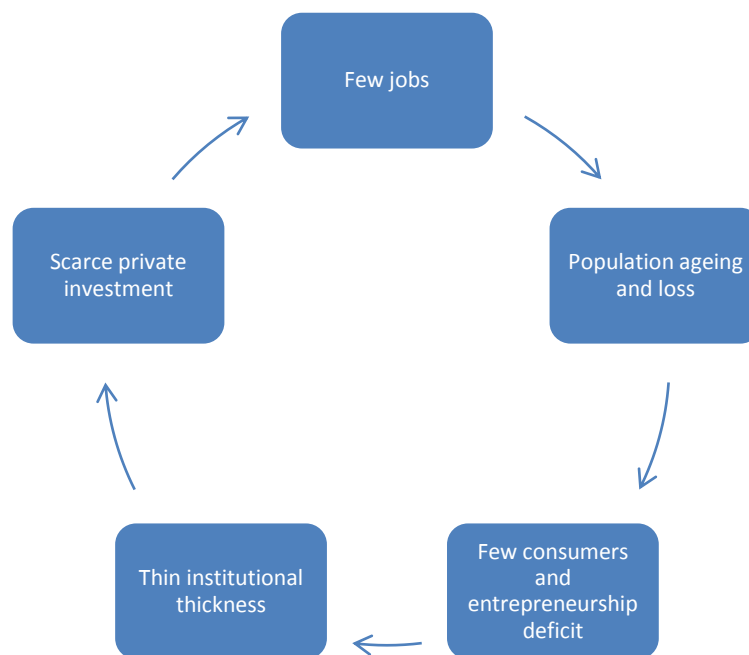
At this moment, a parenthesis is worth to alert the reader to the fact that not all territories in the world with low population densities face a vicious circle. We must be aware that there are

---

<sup>6</sup> See Baleiras (2011a) for a metaphoric yet realistic comparison between the Ave Valley and Treviso (north of Italy) textile districts. Forty years ago both territories comprised very similar firm structures (family-run small clustered businesses). Individualistic tradition in the former case and strong cooperation links in the latter account significantly for the different collective performances until nowadays. Cooperation in the Portuguese case has improved substantially in recent years but History still makes the difference.

sparsely-populated places with interesting economic dynamics. Of course, reasons other than people to land ratios interfere with economic performance: air rarefaction, fresh water availability, arable land, relief, etc. are just some natural constraints to the pursuit of economic activity. To them, we could add some human decisions that also constrain differently different spaces. However, this paper does not aim at explaining the differences. Its goal is to elaborate a possible policy response for low population density territories that also display relatively low economic indicators.

**Figure 2—The vicious development circle in low density territories**



After this parenthesis, let us return to low density territories featuring a vicious development circle. Is this economic pattern a political problem? The answer depends on the durability and the social outcomes of the vicious circle. It helps to begin addressing this issue by noticing that the circle in Figure 2 carries its own solution. The dynamics outlined above has different starting conditions in different places. But, once in place, the impoverishing drift sets in motion. For example, the Portuguese territories in this situation entered the circle a long time ago and accelerated the relative decaying path in the 20<sup>th</sup> century, particularly in the fifties when industrialisation and services upsurge drifted millions of people to coastal areas and other European countries. So a first answer to the question above would be: forget about low density territories and just let them follow their fate. Biology would eventually expel the last human being from these peripheral locations and the circle would then come naturally to an end.

This standpoint would just be impossible to support, and for several compelling reasons. First, mobility takes generations. The more youth leaves, the higher are the costs for leftovers, costs in terms of their life quality degradation and costs for taxpayers elsewhere to provide for

public goods in peripheral territories. Second, this ultra-liberal perspective could be possible in the old days of the soviet mass population displacements but are definitely unacceptable in any democratic society. Third, even if that radical solution was implemented, one should always ask about what would happen to the public goods rural population provides for urban citizens. Please bear in mind that people living in rural areas and small towns, despite their scarcity, provide a number of precious services to fellow human beings living in large cities and metropolitan areas. They keep land arable, sustain biodiversity, prevent massive fire hazards, assure human and animal habitat diversity and offer the tranquillity and peace of mind of their villages and towns that has long been lost in large urban agglomerations. Thus, biology, the natural solution, is unfeasible on political grounds, which leaves policy-makers with a problem in hands and the onus of its solution.

So, the vicious circle in Figure 2 is, indeed, a *political problem* in democratic societies, at least. This means policy-makers have the responsibility of addressing the issue. Economic desertification is not an option! Fortunately, endogenous development theories, in particular the collective efficiency argument, provide inspiration to believe that economic desertification is not a fatality. Through the wised mobilisation of endogenous forces, adequately coupled with alien energy, it is possible to break in the circle and inbreathe business creation dynamics and integrated development elements to those spaces. Economic desertification is fightable by fostering cohesion therein but the sustainability of this fight commands their competitiveness improvement. Competitiveness is not a need or aim of the most developed territories; it is a need and aim of *all places*. This idea is very much the political orientation for cohesion policy since 2007 and is stressed by both the *Barca report* and the conclusions of the *fifth cohesion report*.

### 3.2 Endogenous resources and a sketch of public action

Happily, disadvantages are not the only endowment of low density territories. They may own a number of assets highly appraised by native and alien consumers. Take the case, for example, of an outstanding natural park, a breathtaking humanised landscape, a constellation of remarkable castles and palaces, a collection of traditional expertise so often linked to gourmet agro-industrial, handicraft and other *terroir* products. These tangible or intangible assets portray unique features that prevent their replication elsewhere in the foreseeable future. Many people in rural and urban areas derive utility out of these resources and are willing to pay for them, either by making visitations and promenades through such places or buying remotely goods and services produced out of those special resources. If that is so, it makes sense to work out a collective strategy to extract economic value from these endogenous resources mainly to the benefit of residents in their vicinities. In this vision, such resource is the anchor to structure a whole chain of complementary goods and services to be provided by many players in the territory. It makes sense to congregate the interests of tens of firms and non-profitable organisations (social and public sectors) around an action programme anchored

on one or two endogenous resources and headed for business delivery and the attraction of visitors and additional enterprises. The call to collective efficiency makes sense here. Both the private and the social productivity of an euro of investment is higher when such money is invested in a coordinated manner with many other players' actions than when that euro is just a one-agent's isolated decision.

Moreover, the economic performance of low density territories cannot be limited to the action of resident agents. Attraction of alien initiatives, from either more urbanised areas in the country or abroad, is highly desirable. Their self interest to join the collective action programme should be actively sought by the partnership leaders.

This is what a judicious public action in favour of virtuous inflows to the vicious circle is about. Such policy tool should be designed to challenge development players (resident as well as non-resident private, social and public organisations) to build partnerships capable of running action programmes; action programmes whose strategic focus should be the economic valuation of singular territorial assets; action programmes whose underlying economic rationale should be collective efficiency as defined earlier; action programmes whose public investment contents should complement private investment's and not the other way round because sustained job and wealth creation is their ultimate goal. The success of a collective efficiency strategy like this would be measured by its capacity to cut off the vicious circle of impoverishing development, i.e. by the effectiveness of its impact on the social and economic regeneration of a low density territory. In the end, such places are likely to still display lower population to land ratios but the bottom line purpose is to reverse their absolute economic decline and even their relative economic position *vis-à-vis* urbanised areas.

### 3.3 Cross-border territories

There are low density territories trapped with the vicious development circle far away from EU domestic borders as well as close to them. In both cases, as it will become clear in the next section, cohesion policy can make a tremendous difference. However, the way territorial cooperation instruments work so far jeopardises the policy effectiveness in the case of border regions. This is why cross-border rural areas present the most interesting case from a trans-European viewpoint. The policy formulation for border areas combines the recommendations we will put forward in the next section for all zones with several others that gear territorial cooperation tools. In this subsection, we restrict ourselves to justify the peculiarities of collective efficiency partnerships aiming to the competitiveness of cross-border low density territories and the difficulties the current territorial cooperation framework imposes.

Only by chance does an inter-Member State border line mark the end of an anchor endogenous resource market influence. In most actual cases, economic geography on one side of the border continues to the other side and the same may also apply to the physical

presence of the resource. Indeed, a number of classified natural parks cross the line, the same happens with underground water with spa properties and a collection of outstanding castles or palaces, just to name a few examples. Why should an eligible private-social-public partnership be prevented to include agents from the neighbouring territory? Such inclusion makes sense because it contributes to scale up and give critical mass to the integrated development approach. Please remember that agents scarcity is precisely one of the most binding constraints in these territories. Such inclusion contributes also to reinforce the citizens' sense of belonging to a common European space. Remember that, despite the huge progresses fostered by *INTERREG A* successive editions, borders are still an obstacle to the full accomplishment of the single market. Cross-border collective efficiency strategies could also pave the way to expand the benefits of the common market to these areas.

However, the European territorial cooperation instruments are not ready to help to stimulate such strategies. Firms are probably the only indispensable category of players in those partnerships because they aim to gear businesses and jobs. Current cross-border *operational programmes* (OP) exclude state aids from their support portfolios, which is a major deterrent to the integration of cross-border private agents. Moreover, many of these programmes either replicate the eligibilities of national OP or, by contrast, virtually exclude material projects because of financial endowment shortage or strategic orientation. An adequate complementarity with national OP seems to be failing, particularly with those having a regional constituency. It is possible to design a new framework more friendly to this end. We will come back to this issue in the next section.

The partnerships we have in mind may also benefit from developing immaterial projects with agents in more distant Member States or even third countries. Take the case of a Polish-German partnership based in the economic enhancement of Romanic heritage and comprising a number of small rural and nature lodging units. There are cultural tourism funs all over the world but it is quite difficult to know where these lodging units are. A common marketing and booking unit participated by members of that partnership and associations of rural, manor houses or nature lodging facilities in other countries can be a mutually advantageous immaterial project. The unit could combine complementary offers for all. Yet, without a *community strategic guideline* right from the outset of the programming period, stating some preference to involvement with collective efficiency partnerships in Member States (or across neighbouring Member States), it is too hard to convince managing authorities about the goodness of such intentions. Furthermore, the concept of collective efficiency strategies is unknown, not to say unrecognised by managing authorities. So some form of European recommendation, as it has been done recently with the *European Territorial Cooperation Grouping*, is probably necessary.

## **4 A new policy approach to address the vicious development problem**

The fifth cohesion report is very encouraging about the Commission's resolution to welcome policy tools as sketched in Subsection 3.2. For instance, when putting forward reform guidelines for the next programming period, European Commission (2010b, pp. xx and xxi) states: "The trend towards a more balanced mix, including financial engineering (loans and venture capital) as well as more indirect measures, such as advice and guidance and support for networking and clustering, is a welcome one". The policy approach we have in mind combines, precisely, advice and guidance and support for networking and clustering with access to cohesion funds. This section aims at presenting the broad lines of this approach.

### **4.1 Anchorage to EU cohesion policy**

Collective efficiency strategies in low density territories matter for EU cohesion policy. Two reasons justify their anchorage to this policy: money and guidance. Let us see both of them in turn.

The financial instruments of EU cohesion policy are the most important funding mechanism of national regional development policies in most Member States, particularly those applicable to Convergence regions. The policy approach proposed in this paper has necessarily to be articulated with *National Strategic Reference Frameworks* (NSRF). This is so because, as was made clear before, bottom-up partnerships aim to invest and run other structural actions to induce virtuous development patterns in low density territories. Very likely, many of such actions will be eligible to individual OP. Thus, it is highly recommendable, both from an European and a national authority perspective, that the access of those actions to NSRF funding will be judiciously stimulated and organised.

Moreover, the link to such collective efficiency initiatives matters to cohesion policy irrespectively of funding. As is clear in the quotation above, the future cohesion policy should be prepared to provide coaching to promising networking and clustering practices. So national and regional authorities have here an excellent opportunity to implement that principle. Some roles are suggested in the following subsections.

### **4.2 Opportunity to improve coordination with other European policies**

Until the end of the 2000/2006 programming period, the community funds for rural development and structural actions in the fisheries sector were a formal part of the so-called *Community Support Frameworks* and shared sectoral and regional operational programmes with cohesion policy funds. In December 2005, the European Council decided the secession of



agricultural and fisheries policies funds from combined structural interventions and this is why the current *European Agricultural Fund for Rural Development* (EAFRD) and the *European Fisheries Fund* (EFF) are absent from NSRF in all Member States. From the point of view of a modern regional development policy, this has been a harmful decision but this is not the place to pursue the matter. We are raising the issue here simply because the target territories for this new policy approach are typically eligible for EAFRD or EFF incentives. So the political stimulation at the community level of collective efficiency partnerships in rural areas, as advocated here, provides an excellent opportunity to re-establish the coordination across structural policies from below. By the way, the experience of *local actions groups* with *Leader* operations can be extremely valuable to help structuring collective efficiency partnerships. At the same time, it is worth mentioning that the economic problem tackled in this paper (Figure 2) says a lot to the ends of the European Social Fund. So it is highly advisable to bring the respective community and national authorities onboard.

All it needs is a Commission's initiative to propose the encouragement of collective efficiency partnerships in an appropriate policy paper and, hopefully, its acceptance by the (European) Council. The policy document we are talking about is the *Common Strategic Framework*. Specific national declarations to the *Development and Investment Partnership Contracts* to be signed afterwards with individual Member States would reinforce the political orientation. These documents were proposed by the European Commission in their conclusions to the fifth cohesion report—European Commission (2010b, p. xxiv).

### 4.3 Basic eligibility requirements

In our view, the top-down guidelines for this public policy instrument should include two kinds of eligibility rules to be met by prospective partnerships: one related to agents and the other to territories.

Given the clear orientation of the policy instrument towards competitiveness, private firms are the only economic agent class that cannot be prevented to enter a collective efficiency partnership. Other agent categories (non-profit organisations, including municipalities and public agencies) should be allowed to participate inasmuch as their mission contributes to the goals of the policy instrument and taking into consideration the OP beneficiary eligibility rules.

Now, as far as the territory is concerned, the rules should help to concentrate the positive economic effects of the partnership actions within the low density territories featuring the vicious development problem depicted in Figure 2. We should rely on subsidiarity for an effective national translation of this principle. Support on spatial planning instruments and some rules on population density and other economic indicators could help to define eligible territories. Of course, some spillover effects to neighbouring or even distant urban territories

may be acceptable, especially if one wants to attract exogenous investment, provided the outside benefits do not dominate.

#### 4.4 Action programmes

Each candidate partnership must introduce itself to the relevant authorities in charge of this policy instrument with a well-founded action programme. Such document should include, at least, the following elements:

- Diagnosis of the target vicious circle;
- Strategy to overcome the problem, including alignment with relevant public policies;
- Scope and ends of the partnership (including target indicators);
- Self-governance model and leadership (how do partners get organised, how are collective decisions made, who coordinates what);
- Action and project files (synopses of major structural actions the partnerships aims to run; include initiatives eligible as well as non-eligible to public co-funding);
- Indicative demand for public grant (a tentative budget, including amounts and names of possible EU co-financing sources including a sound justification for public money involvement).

This document is important because it represents the *raison d'être* of the actual partnership. It sends relevant messages to inside and outside players. On the one hand, as the programme is undersigned by all members, it binds them to meet their purposes and respect the governance model. On the other, it is the presentation card of the partnership to the local community and authorities. The action programme is the cement that links joint actions and provides the strategic guidelines necessary to ensure the complementarities across individual projects and actions.

It seems recommendable that, at some stage in the preparation of this document, the partners approach a relevant public authority to seek advice on its contents. Preferably, this authority should be independent from structural funds management to avoid interests conflict; experience with regional development tools implementation would be a plus. This authority may be given a wider role as well with respect to the implementation of the collective efficiency policy tool—see more in Subsection 4.8 below.

#### 4.5 Access to cohesion and other European structure-purposed financing

Probably, many projects in an action programme will be candidates to incentives by structurally-oriented European (and Member State) policies. In this subsection, let us say a few

words about how the access to cohesion, rural development and fisheries policy funding should be organised.

Firstly, some sort of official recognition of the action programme could be thought of at the end of its preparation. If one wants to stimulate collective efficiency approaches, one must be prepared to grant some positive discrimination access to financing tools and other public policy encouragement measures. This is so because it is much easier for each partner to draft alone its investment project or structural action, neglect the internalisation of external effects and apply isolated to that public policy tool. Naturally, if public policies grant the same benefits to isolated and coordinated joint actions, we can bet for sure that almost nobody would bother to travel through the harder road of cooperating with other agents. Public interest would suffer a loss from such an attitude.

So, one needs a sound accreditation mechanism to give credit and respect to the structural interventions the partnership intends to run. Hence, we suggest that action programmes should go through a credibility screening in order to gain access to the benefits of public policies. Also the partners' commitment with implementation time lengths is advisable—maximum terms could be set in the top-down policy guidelines. Again, given the significant cultural and institutional differences within Europe, one should rely on subsidiarity to implement this concern in an appropriate manner.

Secondly, the collective efficiency rationale of these partnerships facilitates the implementation and monitoring of impact indicators, something Europe needs to improve in the next programming period. Incidentally, the nature of these action programmes paves the way to implement *performance strengthening via conditionality and incentives* as the Commission puts forward in European Commission (2010b, p. xxv).

Thirdly, the positive discrimination access we are thinking of comprises at least one of the following forms: higher subsidy rates, reserved calling periods or reserved auction funding endowments. Other means are, of course, foreseeable. Some benefits could be granted to one type of projects, others to different actions, according to policy preferences (for example, more discrimination to private than to public projects if one wants public investment to follow private investment and not the other way round).

Fourthly, access to funding from these policies should be open to collective efficiency partnerships on a competitive basis. The eventual positive discriminations in favour of collective actions cannot be seen as a green channel to taxpayers' money. On the contrary, only the best action programmes should be selected and a close scrutiny of individual actions, at the OP application time, is indispensable. This means that only a fraction of eligible territories will be covered by funded action programmes.

Fifthly, the selection process should send learning signs to prospective candidates. We are talking about complex mobilisation of economic agents. Errors are very likely to occur. So, from a social perspective, it looks important to embody learning opportunities for all relevant players. As far as beneficiaries are concerned, a funding rejection one day may be instructive as to upgrade the action programme or any individual project to win in a future (call) opportunity.

Finally, individual action applications to relevant OP auctions should comply with the existing framework. In particular, applications should respect eligibilities and selection criteria in force on existing OP. Of course, OP regulations should be prepared to welcome collective action applications consistent with Community and Member State policy goals. This important issue of institutional design deserves a subsection of its own to which we now turn.

#### 4.6 Flexible Operational Programmes use

The policy instrument we envisage here is open to any economic sector, any eligible low density territory and any eligible investment or structural action typology. A collective efficiency strategy, by its nature, comprehends an integrated development approach from below, though taking relevant public policy guidelines into consideration. As such, it is not up to the central or a regional government to decide which sector, location or typologies to include in an action programme. By the way, the time for governments to nominate national champions at the forefront was gone from modern industrial policy some years ago.

*Ex ante*, this means many diverse bottom-up structural intervention proposals may come up. In terms of economic activity sectors, there may be action programmes focused on fisheries, tourism, creative industries, textiles or even on multiple sectors. Operational programmes have a pre-determined geographical jurisdiction very much based on administrative criteria; only by chance will the administrative borders coincide with the frontiers of integrated development programmes. Moreover, typically NSRF structural intervention typologies are allocated to different OP and a relevant action programme may combine typologies belonging to different OP.

We thus mean that all this heterogeneity across action programmes is not a bad thing and that a good action programme may contain valid projects whose eligibility lies in different OP<sup>7</sup>, either because of sectoral, regional or typological reasons. So, the potential overlapping of OP jurisdictions is something public authorities should expect and should be prepared to deal with. Adequate response requires flexibility in funds management, both during the institutional and operational design stage and the implementation period.

---

<sup>7</sup> For the purpose of this subsection, we are referring to NSRF plus *Rural Development* and *Fisheries* operational programmes. If other relevant European policies get associated with cohesion policy in the forthcoming Common Strategic Framework, coordination with their financial instruments should also be addressed in actual designs at the national level of the policy tool proposed in this paper.

As far as the preparation stage is concerned, we may recommend an operational architecture thematically focused to avoid excessive fragmentation, particularly in terms of economic activity sectors and public policies. The current mono-fund rule does not help but, if one needs to keep it for other reasons, perhaps it would be a good idea to increase the inter-fund use flexibility degree. During the implementation period, the potential OP jurisdiction overlapping inherent to integrated development planning must be taken seriously into consideration by national authorities. The analysis of individual projects belonging to a collective efficiency strategy by different managing authorities must preserve the completeness of the collective strategy. If too many complementary projects get different decisions in different OP, the coherence of the collective strategy may become at stake. A careful articulation among managing authorities, the regional public agency in charge of the policy instrument and the partnership leader is necessary to assure adequate coordination. The accreditation mechanism proposed in Subsection 4.4 should be explored with this purpose in mind.

#### **4.7 Adaptation of European territorial cooperation operational programmes**

As mentioned before, the European territorial cooperation OP need some adjustments in order to add effectiveness to a policy action headed to the economic and political problem of cross-border low density territories.

First, consider cross-border OP. *European Regional Development Fund* (ERDF) endowments defined and managed on a national basis do not facilitate cross-border collective efficiency strategies. There are other arguments to defend the endowment management on the basis of the eligible cooperation space but there is no room here to open its discussion. The bottom line message that matters for the purpose of this paper is that a joint cross-border management of the fund endowment on the basis of application merits increases the number of interesting applications to these OP. However, the policy instrument we propose here can also survive with the current arrangement, although, in this case, a strict and formal coordination mechanism with regional OP managing authorities is highly recommended when the cross-border OP involves disproportionate endowments on the two (or more) sides of the border. The regional OP need to intervene and compensate for those disproportions.

As was made clear in Subsection 4.3 above, private firms must take part in collective efficiency partnerships. Currently, their involvement with cross-border OP is virtually null, to the best of our knowledge. The absence of a clear European-wide guideline with respect to the participation of these OP in the allocation of state aids and the complexity of their running left managing authorities uncomfortable with the possibility of granting subsidies to private investment. This situation would need to be reviewed for the next programming period if the policy initiative put forward here is to be implemented in cross-border territories as well. Either cross-border OP will include state aids (for example, with the help of the specialised

technical bodies that already analyse firm applications for mainstream OP) or the national OP equipped with state aids would need to be brought onboard through an effective institutional coordination mechanism.

At last, one word for interregional OP. The example at the end of Subsection 3.3 highlighted the desirability of allowing partners in a collective efficiency strategy (involving or not cross-border territories) to find synergies for immaterial projects with economic agents in distant foreign regions, even outside the EU. The following interregional OP generation should lay down some guidelines on how those complementarities could benefit from their financial stimulus provided, of course, there is a social benefit to justify that taxpayers' money allocation.

#### **4.8 Boosting and assessment**

At the end of Subsection 4.4 we have suggested a coaching role with respect to the maturation of action programmes should be played by a public agency engaged with regional development fostering. In our view, this body could also provide more services to the benefit of the collective efficiency strategy policy tool. The mobilisation of these partnerships is a complex task both during the preparation period and the implementation period. Mobilisation requires the full attention, in the first hand, from the partners' own coordination committee. Yet, inasmuch as the success of these strategies becomes a public policy concern, the government should empower an appropriate public agency with the mission of assisting and encouraging the effective agents' mobilisation. Depending on the size of the country and the ideal number of partnerships the policy tool may accommodate, these tasks can be assigned to several regionally-based public agencies with a thorough knowledge of development challenges and players within their geographic jurisdictions. It is important to let these agencies to network, to perform their job in a coordinated manner among themselves and with the active interest of the government member in charge of regional development. Agents, particularly in low density, often remote territories with respect to access to central government members, need to feel the government's interest in their initiative.

During the preparation period, the agency(ies) should listen to the prospective territories' voice with respect to policy guidelines draft versions and offer its knowledge and experience to help seducing partners and writing action programmes. The agency becomes useful again in the run-up to the accreditation proposal to help securing realistic and strategically focused action programmes.

During the implementation period, there are two tasks this agency should play: boosting and interim assessment. The complexity of collective actions requires moral incentive, benchmarking information and effective help in the dialogue between partnerships' leading committees, managing authorities, intermediate and technical bodies involved with structural

funds operations. As mentioned before, the official recognition of an action programme should provide some positive discrimination incentives to collective actions. However, conditionality rules should apply to them. One important condition is an external assessment of the implementation performance of each recognised action programme to be carried out at an intermediate time of the action programme life. The public agency we are referring to should be in charge of organising the assessment exercise and use own and independent expertise in this task. A centrally-coordinated assessment exercise involving all homologous agencies should be considered so as to optimise expertise use and facilitate good practices diffusion in a later moment. It is important to make clear to everybody right from the beginning that this assessment brings consequences to public money support. The assessment outcomes may justify a revision of granted privileges or a review of the action programme itself. The existence of consequences gives credibility to the assessment exercise and, more important, provides strong incentives for partners to play seriously in the implementation of their investment projects and other structural actions.

## 5 Concluding remarks

This paper has brought attention to a political problem facing many low density territories in Europe. They are suffering for many years from a cumulative causation development dynamics that brings relative impoverishment when compared to typical urbanised areas, if not absolute life quality decline.

Yet, very often, such territories house valuable tangible and intangible assets which are pivotal to build effective solutions to break in the vicious circle. Based on the collective efficiency concept, and bottom-up smart partnerships, cohesion policy stands in an privileged position to provide guidance on how to solve the development problem.

An appropriate public initiative with this purpose in mind was proposed in this paper: the *collective efficiency strategy*. This policy tool is solidly aligned with the *Europe 2020* development vision, soundly anchored in EU cohesion policy and mobilises the coordination with other structurally-oriented policies such as employment, professional training, rural development and fisheries, as vindicated in the *EU Budget Review*. However, its implementation requires a few lines in relevant top-European level political documents. The spirit of the proposed policy initiative and some top-down orientations would be very useful in the forthcoming *Common Strategic Framework* and *Development and Investment Partnership Contracts*.

The suggestions provided in this paper are feasible during the current programming period, although in a much suboptimal way (especially close to borders). To prove it, there is a specific

policy instrument already implemented in one Member State along these lines: the PROVERE initiative in Portugal, launched in 2008—see references in footnote 2.

To conclude, let us stress how our proposal fits in the strategic European framework to be in place for the next ten years which is currently adopted or still under discussion. Firstly, consider the *Europe 2020* document, already endorsed by the European Council. The policy proposal at hands helps Europe to deliver smart, sustainable and inclusive growth and development on the ground. *Smart* as the tool induces innovative territorial specialisation which generates economic value from relatively idle endogenous assets; *sustainable* because the marketability of collective efficiency activities is based on the durability of natural, heritage and man-made resources; *inclusive* inasmuch as the business and job creation focus will help to renew population and bring people back to the labour market in socially fragile territories.

Secondly, look at the *fifth report on economic, social and territorial cohesion*. The European Commission have put forward therein very inspiring recommendations concerning the future of cohesion policy—European Commission (2010c). We know the conclusions in this document follow a three-year long strategic debate with Member States and other relevant stakeholders<sup>8</sup> which seem to endorse those advices. We believe the policy tool this paper proposes contributes actively to the delivery of the outlined recommendations for the future cohesion policy. In particular, we find comfort in the following ideas of European Commission (2010c):

- *Increased thematic concentration* (heading 2.2);
- *Strengthening performance through conditionality and incentives* (heading 2.3);
- *Strengthening governance* (heading 3);

Our proposal provides an innovative device to foster *territorial cohesion* (heading 3.1), addresses the need for *greater flexibility in the organisation of programming instruments* (p. xxix), suggests one way to deal with *geographical and demographic features* (p. xxix) and contains tangible suggestions on how to *improve local development approaches* (pp. xxix and xxx).

Finally, have a look at the *EU Budget Review*. Pp. 11 and 13 in European Commission (2010b) recommend a stronger, more effective policy coordination among the major community funds for structural actions and encourage Member States to use the *Common Strategic Framework* to bring more rationality to their use. We could not agree more with this viewpoint as regional development commands integrated policy approaches. Yet, we know by own experience the political difficulties the Council and (national) central governments have had so far to coordinate effectively those funds. We strongly believe that development players on the

---

<sup>8</sup> We feel very honoured for having had the chance of participating personally in the initial stages of that discussion. The debate on the post-2013 cohesion policy was launched during the Portuguese presidency of the EU Council (*Cohesion Forum*, September 2007).



ground are wiser to find out actual opportunities to deliver that coordination. The proposal in this paper—Subsections 4.2 and 4.5—shows one way to allow them to do so.

For these reasons, we hope the European institutions may find here some useful hints to draft the future cohesion policy architecture.

## References

BALEIRAS, Rui Nuno (2010), “Que Mudanças na Política de Coesão para o Horizonte 2020? [What Changes in the Cohesion Policy 2020 Horizon?]”, in José Manuel Viegas and Tomaz Ponce Dentinho (eds), *Desafios Emergentes para o Desenvolvimento Regional [Emerging Challenges for Regional Development]*, Cascais: Princípia, pp. 349–375.

BALEIRAS, Rui Nuno (2011a), “Empresas, Eficiência Colectiva e Ambiente no Desenvolvimento Económico Português [Firms, Collective Efficiency and Environment in the Portuguese Economic Development]”, *Indústria & Ambiente*, forthcoming.

BALEIRAS, Rui Nuno (2011b), “Policy Applications of Collective Efficiency: The case of the PROVERE Initiative for Low Density Territories”, in Rui N. Baleiras (ed.), *Casos de Desenvolvimento Regional [Regional Development Cases]*, Cascais: Princípia, forthcoming.

BALEIRAS, Rui Nuno (ed., 2011c), *Casos de Desenvolvimento Regional [Regional Development Cases]*, Cascais: Princípia, forthcoming.

BARCA, Fabrizio (2009), *An Agenda for a Reformed Cohesion Policy: a Place-based Approach to Meeting European Union Challenges and Expectations*, independent report prepared for the Regional Policy Commissioner, April, no place. Available at [http://ec.europa.eu/regional\\_policy/policy/future/pdf/report\\_barca\\_v0306.pdf](http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v0306.pdf). Accessed: 14 January 2010.

BECATTINI, Giacomo, BELLANDI, Marco, and DE PROPRIIS, Lisa (eds, 2009), *A Handbook of Industrial Districts*, Cheltenham (UK): Edward Elgar.

DPP (2008), *PROVERE—Programmes for the Economic Enhancement of Endogenous Resources—From Ideas to Action: Vision and Partnerships*, 30 April, Department of Foresight and Planning and International Affairs (DPP), Lisbon: Ministry of Environment, Spatial Planning and Regional Development. Available in English and Portuguese at <http://www.dpp.pt/pages/pesquisa/detalhes.php?ct=1&cod=390&ext=1&ano=2008&ra=0>. Accessed: 13 January 2011.

EUROPEAN COMMISSION (2010a), *EUROPE 2020: A European Strategy for Smart, Sustainable and Inclusive Growth*, 3 March, Communication from the Commission, COM(2010) 2020 final, Brussels. Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>. Accessed: 13 January 2011.

EUROPEAN COMMISSION (2010b), *The EU Budget Review*, 19 October, Communication from the Commission, COM(2010) 700 final, Brussels. Available at [http://ec.europa.eu/budget/reform/library/communication/com\\_2010\\_700\\_en.pdf](http://ec.europa.eu/budget/reform/library/communication/com_2010_700_en.pdf). Accessed: 19 January 2011.

EUROPEAN COMMISSION (2010c), *Investing in Europe’s Future*, Fifth Report on Economic, Social and Territorial Cohesion, November, Luxembourg: Publications Office of the European Union. Also available at [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/index\\_en.cfm](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm). Accessed: 12 January 2011.

OECD (2009), *Background Report to the TDPC Meeting at the Ministerial Level (31 March 2009)*, Reference GOV/TDPC/MIN(2009)2/REV1, 13 March, Territorial Development Policy Committee, Paris: Organisation for Economic Co-operation and Development.

SCHMITZ, Hubert (1999), "Collective Efficiency and Increasing Returns", *Cambridge Journal of Economics*, Vol. 23, No. 4, pp. 465-483.

STIMSON, Robert and STOUGH, Roger R., with SALAZAR, Maria (2009), *Leadership and Institutions in Regional Endogenous Development*, New Horizons in Regional Science collection, Cheltenham (UK): Edward Elgar.

TRAVEL UNIVERSITY (2011), *Low Density Areas*, [www.travel-university.org](http://www.travel-university.org)—A library of original travel and tour articles. Web-based document available at <http://www.travel-university.org/general/geography/population/low-density.html>. Accessed: 5 January 2011.

## *Most Recent Working Paper*

NIPE WP 04/2011	<b>Baleiras, Rui Nuno</b> “Collective efficiency strategies: a policy instrument for the competitiveness of low-density territories”, 2011
NIPE WP 03/2011	<b>Machado, C. Sofia, Miguel Portela</b> “Age and opportunities for promotion”, 2011
NIPE WP 02/2011	<b>Machado, C. Sofia, Miguel Portela</b> “Hours of work and retirement behavior”, 2011
NIPE WP 01/2011	<b>Amado, Cristina, Timo Teräsvirta</b> "Modelling Volatility by Variance Decomposition", 2011
NIPE WP 37/2010	<b>Aguiar-Conraria, Luís, Fernando Alexandre e Manuel Correia de Pinho,</b> "O euro e o crescimento da economia portuguesa: uma análise contrafactual", 2010
NIPE WP 36/2010	<b>Aguiar-Conraria, Luís, e Maria Joana Soares,</b> "Business Cycle Synchronization and the Euro: a Wavelet Analysis", 2010
NIPE WP 35/2010	<b>Lommerud, Kjell Erik, Frode Meland e Odd Rune Straume</b> “North-South technology transfer in unionised multinationals”, 2010
NIPE WP 34/2010	<b>Kizilca, Kemal, João Cerejeira, Miguel Portela e Carla Sá,</b> "Minimum wage, fringe benefits, overtime payments and the gender wage gap", 2010
NIPE WP 33/2010	<b>Martins, Rodrigo, e Francisco José Veiga,</b> “Economic Voting in Portuguese Municipal Elections”, 2010
NIPE WP 32/2010	<b>Gabriel, Vasco J. e Pataaree Sangduan,</b> “An Efficient Test of Fiscal Sustainability”, 2010
NIPE WP 31/2010	<b>Batini, Nicoletta, Vasco J. Gabriel, Paul Levine e Joseph Pearlman,</b> “A Floating versus Managed Exchange Rate Regime in a DSGE Model of India”, 2010
NIPE WP 30/2010	<b>Gabriel, Vasco J. e Luis F. Martins,</b> “The cost channel reconsidered: a comment using an identification-robust approach”, 2010
NIPE WP 29/2010	<b>Gabriel, Vasco J., Paul Levine, Joseph Pearlman e Bo Yang,</b> “An Estimated DSGE Model of the Indian Economy”, 2010
NIPE WP 28/2010	<b>Gabriel, Vasco J. e Luis F. Martins,</b> “Cointegration Tests Under Multiple Regime Shifts: An Application to the Stock Price-Dividend Relationship”, 2010
NIPE WP 27/2010	<b>Nogueira, Carlos Gama e Linda Gonçalves Veiga,</b> “Economic determinants of citizens’ support for the European Union”, 2010
NIPE WP 26/2010	<b>Castro, Vitor e Ricardo M. Sousa,</b> "How Do Central Banks React to Wealth Composition and Asset Prices?", 2010
NIPE WP 25/2010	<b>Agnello, Luca e Ricardo M. Sousa,</b> "Fiscal Policy and Asset Prices", 2010
NIPE WP 24/2010	<b>Castro, V.,</b> “The duration of business cycle expansions and contractions: Are there change-points in duration dependence?”, 2010
NIPE WP 23/2010	<b>Aguiar-Conraria e Maria Joana Soares,</b> “The Continuous Wavelet Transform: A Primer*”, 2010
NIPE WP 22/2010	<b>Alexandre, Fernando, Pedro Bação, João Cerejeira e Miguel Portela,</b> “Manufacturing employment and exchange rates in the Portuguese economy: the role of openness, technology and labour market rigidity”, 2010
NIPE WP 21/2010	<b>Aguiar-Conraria, Luís, Manuel M. F. Martins e Maria Joana Soares,</b> “The yield curve and the macro-economy across time and frequencies”, 2010
NIPE WP 20/2010	<b>Kurt Richard Brekke, Tor Helge Holmås e Odd Rune Straume,</b> “Margins and Market Shares: Pharmacy Incentives for Generic Substitution”, 2010
NIPE WP 19/2010	<b>Afonso, Óscar, Pedro Neves e Maria Thopmson,</b> “Costly Investment, Complementarities, International Technological-Knowledge Diffusion and the Skill Premium”, 2010
NIPE WP 18/2010	<b>Mourão, Paulo e Linda G. Veiga,</b> "Elections, Fiscal Policy and Fiscal Illusion", 2010
NIPE WP 17/2010	<b>Conraria, Luís A., Pedro C. Magalhães, Maria Joana Soares,</b> "Synchronism in Electoral Cycles: How United are the United States? ", 2010
NIPE WP 16/2010	<b>Figueiredo, Adelaide, Fernanda Figueiredo, Natália Monteiro e Odd Rune Straume,</b> "Restructuring in privatised firms: a Statis approach", 2010

NIPE WP 15/2010	<b>Sousa, Ricardo M.</b> , "Collateralizable Wealth, Asset Returns, and Systemic Risk: International Evidence", 2010
NIPE WP 14/2010	<b>Sousa, Ricardo M.</b> , "How do Consumption and Asset Returns React to Wealth Shocks? Evidence from the U.S. and the U.K.", 2010
NIPE WP 13/2010	<b>Monteiro, Natália., Miguel Portela e Odd Rune Straume</b> , "Firm ownership and rent sharing", 2010
NIPE WP 12/2010	<b>Afonso, Oscar, Sara Monteiro e Maria Thompson.</b> , "A Growth Model for the Quadruple Helix Innovation Theory ", 2010
NIPE WP 11/2010	<b>Veiga, Linda G.</b> , "Determinants of the assignment of E.U. funds to Portuguese municipalities", 2010
NIPE WP 10/2010	<b>Sousa, Ricardo M.</b> , "Time-Varying Expected Returns: Evidence from the U.S. and the U.K.", 2010
NIPE WP 9/2010	<b>Sousa, Ricardo M.</b> , "The consumption-wealth ratio and asset returns: The Euro Area, the UK and the US", 2010
NIPE WP 8/2010	<b>Bastos, Paulo, e Odd Rune Straume</b> , "Globalization, product differentiation and wage inequality", 2010
NIPE WP 7/2010	<b>Veiga, Linda, e Francisco José Veiga</b> , "Intergovernmental fiscal transfers as pork barrel", 2010
NIPE WP 6/2010	<b>Rui Nuno Baleiras</b> , "Que mudanças na Política de Coesão para o horizonte 2020?", 2010
NIPE WP 5/2010	<b>Aisen, Ari, e Francisco José Veiga</b> , "How does political instability affect economic growth?", 2010
NIPE WP 4/2010	<b>Sá, Carla, Diana Amado Tavares, Elsa Justino, Alberto Amaral</b> , "Higher education (related) choices in Portugal: joint decisions on institution type and leaving home", 2010
NIPE WP 3/2010	<b>Esteves, Rosa-Branca</b> , "Price Discrimination with Private and Imperfect Information ", 2010
NIPE WP 2/2010	<b>Alexandre, Fernando, Pedro Bação, João Cerejeira e Miguel Portela</b> , "Employment, exchange rates and labour market rigidity", 2010
NIPE WP 1/2010	<b>Aguiar-Contraria, Luís, Pedro C. Magalhães e Maria Joana Soares</b> , "On Waves in War and Elections - Wavelet Analysis of Political Time-Series", 2010