



BALANCING DIVERSIFICATION AND SPECIALISATION

Evidence from the project
Linking Renewable Energy to Rural Development



Some basic clarifications about diversification and specialisation

- **Definition**

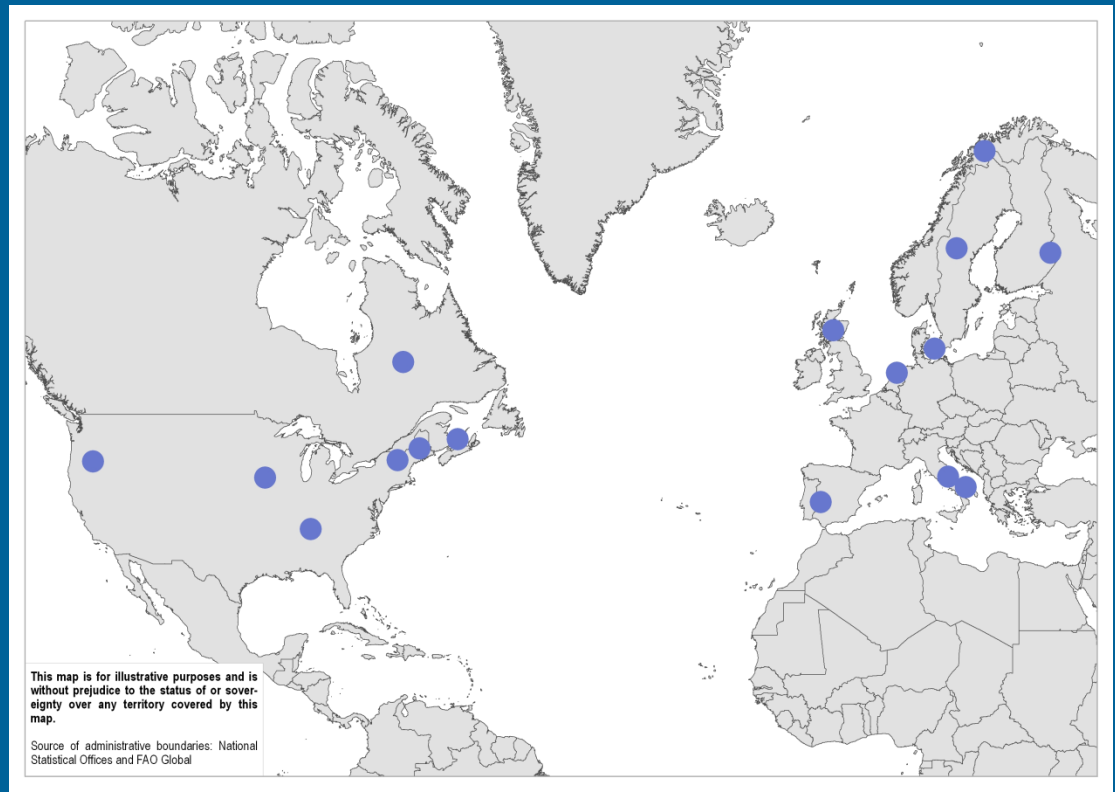
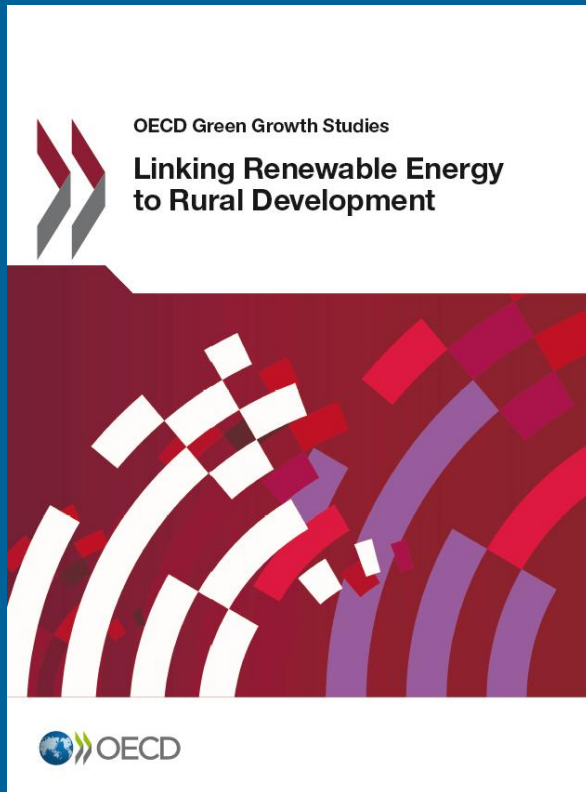
- Statistical definition of economic activities is a simplification of reality: “forestry”, for instance, is such a large sector that can encompass very basic activities and also highly skilled workers

- **Time component**

- Both diversification and specialisation requires new sets of skills, which in turn require time – 3/5 years.



The research project and main findings



Renewable Energy deployment is **not a Panacea** for regional development in rural areas. The research demonstrates that **there are not short-cuts to economic development**: good practices involves a large number of actors and **link** the production of renewable energy to **rural industries that already exists**



Rural economies implement a mix of diversification and specialisation strategies

Diversification within a core specialisation (broader supply-chain)

North Karelia, Finland

Vermont, United States

Iowa, United States

Mid-Sweden, Sweden

1

Diversification to revive a declining specialisation

Region Zealand, Denmark

Friesland, the Netherlands

Puglia, Italy

2

Diversification with no specific linkages with other activities

Scotland, United Kingdom

Québec, Canada

Extremadura, Spain

3

4



Different regional patterns

- **Group 1.** A strong regional specialisation – a core business activity – that keeps expanding its supply chain (forestry, agro-industry)
- **Group 2 and Group 3.** Manufacturing is declining and RE represents a possibility to re-vive a single specialisation (shipbuilding, for instance) or to employ manufacturing workers
- **Group 4.** RE sectors have weak linkages with the regional productive fabric. However, the region develops specialisations that were not foreseen by the policy and so are not valorised enough



Some “institutional” factors that contributed to the success of RE

- Investment capacity: international competition of the core business (difference between North Karelia and Québec’s forestry sector)
- Regional Innovation framework and learning capacity of regional actors
- Intermediate institutions: cooperatives (North Karelia, Mid-Sweden), universities (Maine) are strong enough to influence policy interventions



Issue for discussion

- The dichotomy between diversification and specialisation is less clear in the real world.
- Policy interventions should not pick winners: the risk is to distort regional specialisation patterns and achieve a lower equilibrium, and overlook new opportunities
- Rural regions should be able to preserve a small pool of skilled workers able to take advantage of new business opportunities in a relatively short time