

Seminar on territorial dimension of development policies

Paradigms of regional policies – virtues, limitations, implications

18-19 July 2011, Ostróda, Poland

The objective of this paper is to present the main concepts, current state and potential future directions of the debate on the role of territorial dimension of development policies in achieving the broadly defined objectives of economic, social and territorial development in the EU, its Members States and its regions within the context of globalization challenges. The paper starts with presentation of different approaches to development policies focusing, among others, on the question of interplay between concentration and deconcentration of territorial development. Subsequently, it attempts to introduce both the theoretical foundations of the territorial dimension and the attempts at their practical application (by referring, inter alia to the current system of the EU policies and its proposed modifications). It concludes with comments on the instruments (e.g. horizontal cross-sectoral and cross-jurisdictional as well as vertical coordination arrangements) conducive to the effective application of the territorial perspective into the development policies.

Introductory remarks

We are in the challenging time for the European Union. The future position of the EU on the global scene and the Union's ability to achieve its strategic objectives will be determined by the number of defining factors. The success of the EU will depend on: the effectiveness of the post-crisis economic reconstruction, implementation of the Europe 2020 Strategy, the institutional context created by the adoption of the Treaty of Lisbon and on the establishment of the new economic governance system. It is imperative to invoke here, the forthcoming negotiations on the future EU budget and regulations which will lay down the principles for the application of the EU policies.

Therefore, it is essential for all of us to assess the effectiveness of the whole spectrum of the EU policies in order to design them in a way conducive to assuring both their optimal potential for the development of the EU regions and the well-being of their inhabitants (understood wider than the GDP growth alone). Taking into account diversity, variety and social, economic, cultural and environmental wealth of the European Union territories, special attention should be devoted to the methods of exploiting both the potential of places (regions) and the potential of their mutual interactions.

We have a lot of sources of inspiration for shaping development policies: experience of Cohesion Policy, other territorially oriented EU policies, examples from different Member States and from international organizations, such as the OECD, the World Bank, the United Nations, the Forum of Global Associations of Regions. The world of academia also provides valuable advice in this field, for example in the form of: the New Economic Geography (P. Krugman), the space of flows theory (M. Castells), the theory of clusters (M. Porter) and the Agenda for a Reformed Cohesion Policy (F. Barca). It is worthwhile to commend in this place the Hungarian

Presidency accomplishments in advancing the notion¹ of “territoriality” in the debate on the future Cohesion Policy.

Within such a context the Polish Presidency organizes the Seminar on the territorial dimension of development policies (*Paradigms of regional policies - virtues, limitations, implications*). The seminar will offer an opportunity for an informal and open discussion on the role of territorial dimension in public policies in the contemporary world. Referring to the most important new economic theories, the seminar’s participants will provide a comparison of theoretical and practical suggestions brought forward within the OECD (e.g. *Regions at a Glance 2011*), the World Bank (e.g. *World Development Report 2009: Reshaping Economic Geography*), the European Union, and the individual countries. The seminar will be attended by high level experts in the field of policy-making, practitioners from EU Member States, representatives of international organizations engaged in the design and execution of development policies, as well as by eminent theoreticians.

From such a perspective, the Polish Presidency is looking forward to applying the guidance obtained from the discussion at the seminar towards enhancing the design and coordination of the EU development policies, taking into account the conditions of the said policies’ implementation. We expect that this seminar will contribute to drafting conclusions which will be presented at the informal meeting of ministers during the Polish Presidency (November 2011). Therefore, the seminar should result in an increased recognition, among high level participants involved in the debate on the future Cohesion Policy, of the possible options for territorial orientation of policies in the context of their practical design.

Theoretical foundations

The paradigms of development policy have become the subject of heated debate both in the world of academia and in the circles of policy-makers, and consequently have been exposed to several challenges, of intellectual and practical nature.

There are basically two intellectually coherent, but at the same competing paradigms of development policy, espoused and continually elaborated within the World Bank, the OECD and the European Commission.

Both paradigms, by resting on an extensive body of knowledge, agree that geography matters for development, that agglomeration is a fundamental driver of regional growth, and that policies promoting development should aim at reforming institutions. But, the first of these paradigms suggests that these policies should be aimed at “persons rather than places”, and that institutional reforms should be, as it is sometimes depicted, “spatially blind”. However, the second view argues that development policies and institutional reforms should be aimed at “persons within places” and consequently be “spatially targeted” or place-based.

The first paradigm emphasizes the rise of metropolises as the main nodes of the global networks in which not only decisions are being taken, but also innovations and cultural streams are being produced. It also stresses the increased role of geographical concentration, as well as of flows and interconnections (a change from “space of places” to “space of flows”). This further stresses the role of these nodes of the global metropolitan network which are better connected and between which the flows of decisions, money, innovations and creative people are the greatest – at the expense of the more peripheral areas. According to this paradigm any attempt at smoothing out differences – by resorting to territorially-oriented intervention - can prove counterproductive because it may slow down economic growth. Territorial disparities should be tackled by “territorially blind” approach, in which both institutional changes and the provision of basic services, such as education, health and public safety, are aimed at persons

¹ Documents presented by the Hungarian Presidency at the meeting of Ministers responsible for Cohesion Policy, in Godollo on May 20, 2011, e.g.. *Territorial Agenda 2020*.

independently of where they live. Such a perspective entails that the best way to bring economic growth and social inclusion to lagging areas is through economic integration based on the construction of so-called “connecting infrastructure”, which would facilitate reduction in an economic and social distance between places. In a nutshell: “concentrated growth, and inclusive development”.

According to the second paradigm there are, however, strong premises for focusing development policies on persons in places, i.e. to tailor policies to specific territories. According to this view, both private and public agents have limited knowledge about the efficient limits of agglomerations and about the global effects of connecting infrastructures. The design of both adequate public goods and effective institutions needs to rely on the knowledge and preferences of people living in places (and self-proclaimed “spatially-blind” policies often have a hidden territorial agenda). At the same time - as this view holds - several places fail to exploit their development potential due to either limited capacity, unwillingness or limited scope of action of local elites. Therefore, the development policies need to be tailored to places but they also require to be steered from outside, this mix of endogenous and exogenous components being achieved through a multilevel governance. According to this paradigm risks exist, as argued by the other paradigm, that the policy is captured by local rent-seekers and that it is directed against mobility, but these and other risks can be tackled by introducing strong conditionalities, an effective system of outcome indicators, and a room for open public debate. Polycentric development, inclusive growth and place-based policies are the catchwords of this orientation.

The dilemma of territorial (place-based) vs. sectoral approaches has been of a key importance for policy-makers who design public interventions. New regional/territorial policies in many countries have been developing in a way conducive to finding a balance between governing by central institutions through the redistribution of activities/funds on the one hand and regional, local knowledge of the best use of these resources on the other hand. The regional planning process has to tackle existing different approaches to development, namely the sectoral and territorial ones.

The increased role of the territorial dimension of public policies takes on an additional significance in the view of the forthcoming negotiations of the EU future financial perspective, which were initiated by the publication of the EC Communication "A Budget for Europe 2020". The said Communication proposes the framework for the functioning of the EU policies in the next programming period, including the mechanisms and the future directions of distribution of the EU funds. In the said document the references to the territorial aspects of the EU measures were made in the fragments devoted to Cohesion Policy, to Common Agriculture Policy and to the new fund - *Connecting Europe Facility*. Hence, the debate over the choice of the optimal solution for the programming, implementation, monitoring and evaluation of public interventions will be the focal point for all actors involved in the management of public funds. The forthcoming discussion on the future shape of Cohesion Policy as well as of other EU policies will entail new propositions focused on alignment with Europe 2020 Strategy and on result-orientation.

Having in mind the objectives of the EU policies and its Member States we have to be aware of the fact that the heterogeneity, variety and specificity of regions and localities will be instrumental in achieving the sustainable, accelerated growth of the EU territories and that one-size-fits-all approach is not advisable for cohesion policy. Since the combination of “top-down” and “bottom-up” approach might prove demanding for the forthcoming discussion on the shape of Cohesion Policy and other EU policies after 2013, should take these possible new conditions into account in order to elevate the importance of the territorial dimension of development policies. The new above-mentioned documents (Common Strategic Framework and the contract) offer perfect opportunity to apply the integrated approach, which is conducive to the coordination of different EU measures.



The regional/territorial policies in general and the EU Cohesion Policy in particular have to cope with these new challenges. Have they been able to do so? To what extent particular doctrines have acknowledged the changing development paradigm, and in which case the traditional doctrines have lost the most of their power? The seminar should address these questions through a free and ample discussions triggered by the several important key presentations.

We are convinced that the three most important international organisations active in the field of regional/territorial research and policies will construct the axes for discussion: the European Commission, the World Bank and the OECD. It is our intension to decode their standpoints and doctrines of regional/territorial policies – this can be done by the representatives of these organisations. However, the debate on the following issues may lead to a better understanding of these doctrines and to identifying their similarities and differences between them.

The main issues for discussion

- Can we promote diffusion of growth from the most dynamic nodes of development and, if so, how to achieve the said diffusion? What are the ways of counteracting the back-wash effects? In other words – is “concentrated growth and inclusive development” achievable?
- To what extent the “place-based” policies take into account the emergence of the “space of flows” – i.e. how these policies relate to interconnections and interrelations between places?
- How should the practical aspects of programming and managing development processes within the framework of the territorially-oriented approach be tackled? The possible answers to this questions could focus on: the ways in which objectives are determined; how thematic prioritisation and concentration is decided upon, and on the best way of formulating the scope and form of support.
- How can we best use a reformed and place-based Cohesion Policy to ensure that territorial and social cohesion play a central role in the delivery of the Europe2020 Strategy? How to achieve proper balance between the top-down approach on one hand (Europe 2020) and the bottom-up approach on the other (territorial potentials)?
- What are the practical territorial implications for “place-based” policies and how can this approach be used to enhance local capabilities and to ensure the fostering of long-term institutional capacity-building?

