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***“The regional policy debate: a territorial, place-based and  
proximity approach”***

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# Main issues and content of this presentation

- A. The new challenges for EU regional policies
- B. The economic rationale for (renewed) regional policies
- C. The economic cost of non-intervention
- D. The need for territorial, “place-based” policies
- E. The new principle and goal: “territorial cohesion”
- F. The new concept and asset: “territorial capital”
- G. New policy goals, tools and styles



# The new challenges for EU regional policies

At present the EU is reforming its regional policy (RP), in terms of goals and rules, in view of the next policy period 2014-20. A large debate is being launched on its rationale, economic justification, conditionality, process design and delivery structure.

Main documents:

- OECD, *Territorial Outlook*, Paris, 2001
- European Commission, “*A New Partnership for Cohesion*”, Third Report on Social, Economic and Territorial Cohesion, feb. 2004
- “*An Agenda for a Reformed Cohesion Policy*”, Barca Report to Commissioner for Regional Policy, april 2009
- European Commission, “*Europe 2020*”, Report to the EU Parliament, march 2010
- European Commission, “*Investing in Europe’s Future*”, Fifth Report on Social, Economic and Territorial Cohesion, nov. 2010



# The new challenges for EU regional policies

- Persistence and even increase of **regional disequilibria** *inside countries* during international integration and market liberalization (“*market failure*”)
- Serious unexpected **side effects of RP**: creating dependency culture, favouring rent-seekers, misallocating resources (“*government failure*”)
- **Low evidence** of policy effects; “**space-blind**” policies advocated (WB)
- **The present crisis**: need to speed efficiency/effectiveness in spending public resources
- **Failure of previous “Lisbon strategy”** (“making EU the most competitive and innovative economy in ten years”): lack of a bottom-up strategy
- EU2020: “smart, sustainable and inclusive growth”: **how to implement it?**



## The economic rationale for regional policies (renewed)

- ***An efficiency/equity trade-off?*** This can be contested: **positive development effects** from sound spatial policies and **evidence of huge economic costs** from unbalanced development and no-intervention
- ***Better a national, institutional approach?*** **OK**, general institutions are crucial - labour flexibility, market transparency, risk control, market openness - but **also spatial features and institutions** play a major role.
- ***No place for the “local” in the “global”?*** **NO**: Territories supply in fact:
  - the infrastructure **preconditions** for successful locational decisions,
  - the skills and **competencies** needed for growth,
  - a crucial stock of non-mobile **social and “relational” capital**.
- ***Globalized information?*** **NO**: knowledge factors, immaterial elements linked to culture, taste and creativity are deeply embedded into slow, **inherently localized and cumulative learning processes**.



# The economic cost of non-intervention

- The **absence of some powerful macroeconomic adjustment mechanisms** that work at the level of countries (devaluations, flexibility of prices and wages) impose to **care about local competitiveness**: the effect could be outmigration and “desertification” (“inefficiency trap”)
- **Risk of a super-concentration** of population and jobs in advanced regions and cities, with high risks of **inflationary pressures** (washing out competitiveness): Italy (1960’s), New Member Countries, Ireland (now)
- Risk of channelling a huge share of **national savings** towards the building and construction industry and real estate speculation in advanced regions and cities, as a consequence of internal migrations
- Risk of **lower exploitation of the creativity potential** of all regional communities, constrained by the presence of some basic locational disadvantages (accessibility, services, infrastructure).



# What is a territory?

What is “Territory” ( $\neq$  from abstract “space”)?

- a system of localised externalities,
- a system of localised activities, skills, know-how, traditions,
- a system of localised proximity relationships which constitute a ‘capital’ in that they enhance the static and dynamic productivity of local factors,
- a system of cultural elements and values which attribute sense and meaning to local practices and define local identities,
- a system of rules and practices defining a local governance model.



## The need for territorial, “place-based” policies

- If long-term development is largely a supply-side phenomenon, then the **bottom-up and territorial dimension** of any development strategy should be necessarily emphasized
- if the pathways towards innovation and modernization are differentiated, then **a single, top-down strategy is likely to be unfit** to provide the right stimuli and incentives in the different contexts
- a single, centralized, top-down development strategy, overlooking regional specificities, explicitly renounces to exploit the **strategic capabilities of intermediate, regional institutional bodies**
- the preconditions for development widely lie in a hugely differentiated and scattered **endowment of “territorial capital”**
- particularly those **local assets** that are **not yet fully or creatively exploited** represent the assets and potentials on which any development strategy should rely.





# The new policy paradigm

- ***“Local knowledge, national (and EU) vision”***: the authority promoting regional policies sets priorities, rules and general objectives, leaving policy implementation to lower level governments (OECD, 2001)
- ***Regional policies targeted to all regions***, not just to lagging ones (with differentiated support), as all regions have to improve competitiveness and sustainability through a wise use of *territorial capital*;
- ***“Place-based approach”***: each region making the most of its assets and developing new ones (relevant also for attracting new activities);
- ***Supporting intangibles***: knowledge, entrepreneurship, education, human, social and relational capital;
- ***Decentralization and fiscal federalism*** (boosting local government responsibility on public spending and linking it to local tax resources)
- ***Stakeholders partnership, empowerment, citizens participation***, as a means of rightly assessing priorities, enhance private responsibility, mobilize private project design capabilities, improve project selection, control élites.



# The new principle and goal: Territorial Cohesion

**Territorial cohesion, a goal added to social and economic cohesion (2004), recently included in the Treaties.**

In matters of TC the Union has a “*shared competence*” with Member States (art. 4c of the Treaty, 2007)

Relevant innovation: no EU competence on territorial elements beforehand

But: definition of Territorial Cohesion is still somehow vague.

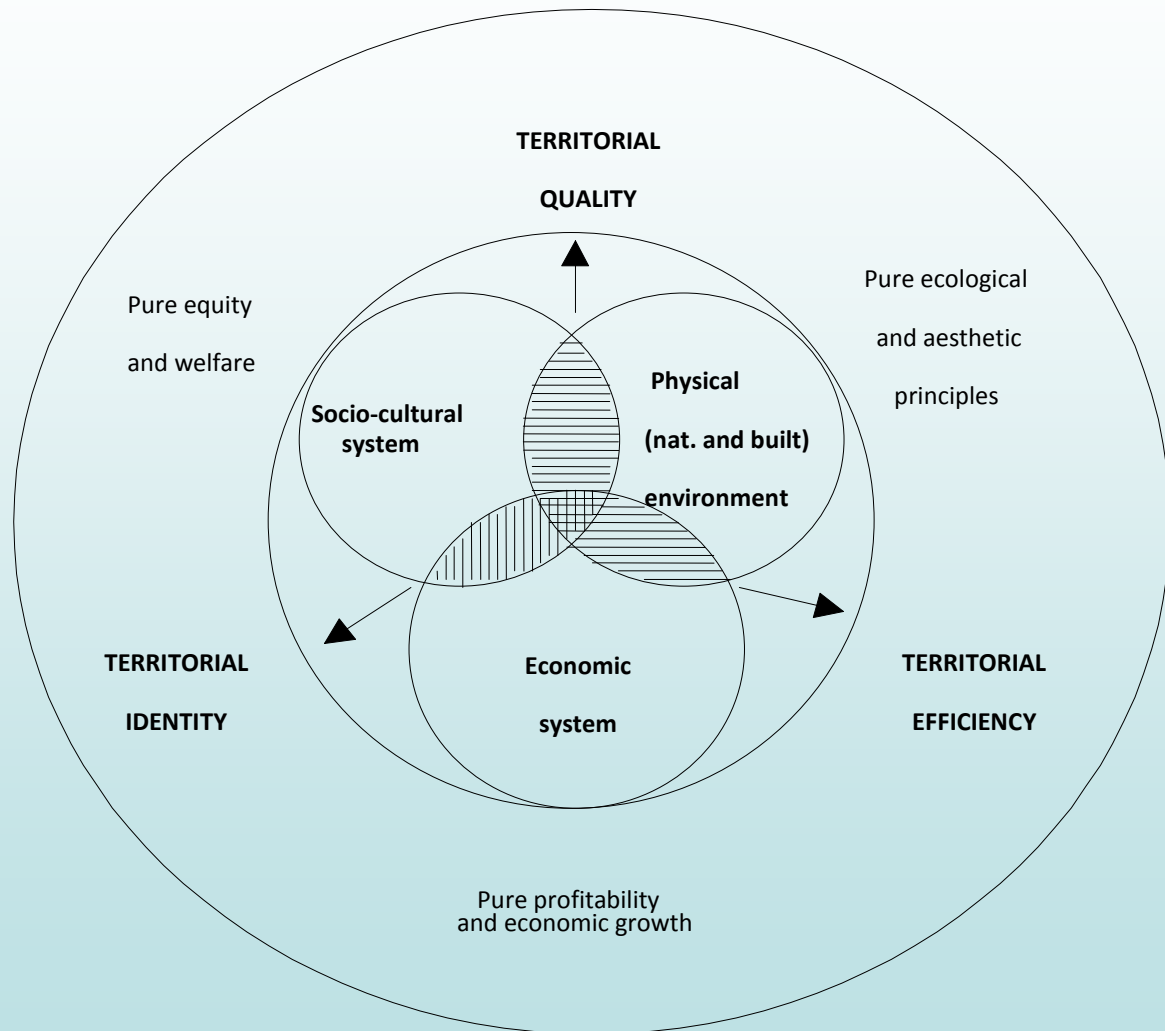
2009: *Sixth Progress Report on economic and social cohesion*, to the Parliament and Council:

“Harmonious and sustainable development of all territories by building on their characteristics and resources”



# The new principle and goal: Territorial Cohesion

***Territorial cohesion may be seen as the territorial dimension of sustainability***  
(Camagni, 2005)





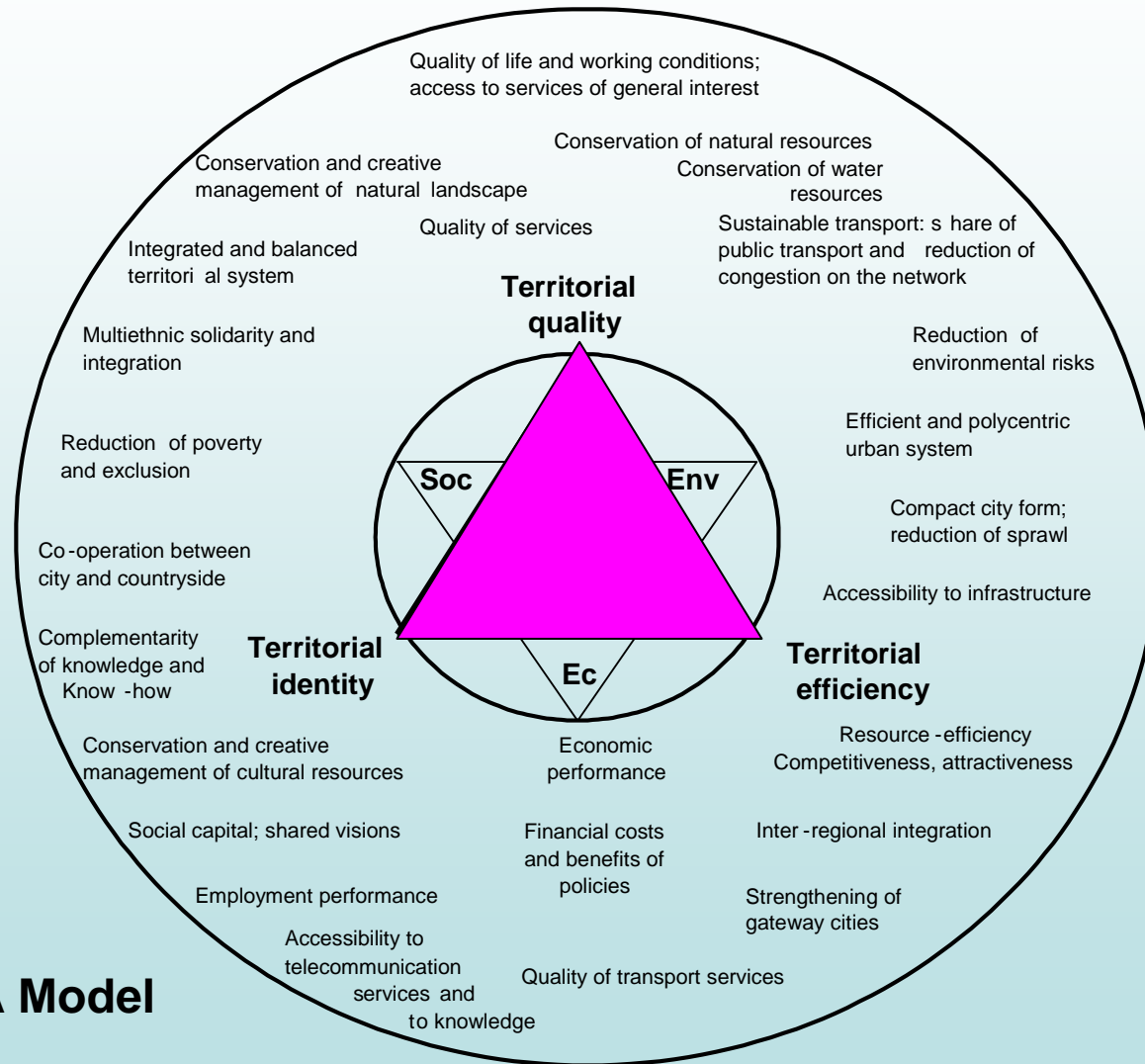
# The new principle and goal: Territorial Cohesion

## The 3 main components of territorial cohesion:

- \* ***Territorial Efficiency***: resource-efficiency with respect to energy, land and natural resources; competitiveness and attractiveness of the local territory; internal and external accessibility
- \* ***Territorial Quality***: the quality of the living and working environment; comparable living standards across territories; similar access to services of general interest and to knowledge
- \* ***Territorial Identity***: presence of “social capital”; landscape and cultural heritage; capability of developing shared visions of the future; creativity; productive “vocations” and competitive advantage of each territory



# The three sub-dimensions can be associated to indicators (of performance and policy impact)



the **TEQUILA Model**



## The new concept and asset: “territorial capital”

“Each Region has a specific ‘territorial capital’ that is distinct and generates a higher return for specific kinds of investments than for others. Territorial development policies should first and foremost help areas to develop their territorial capital” (European Commission, 2005)

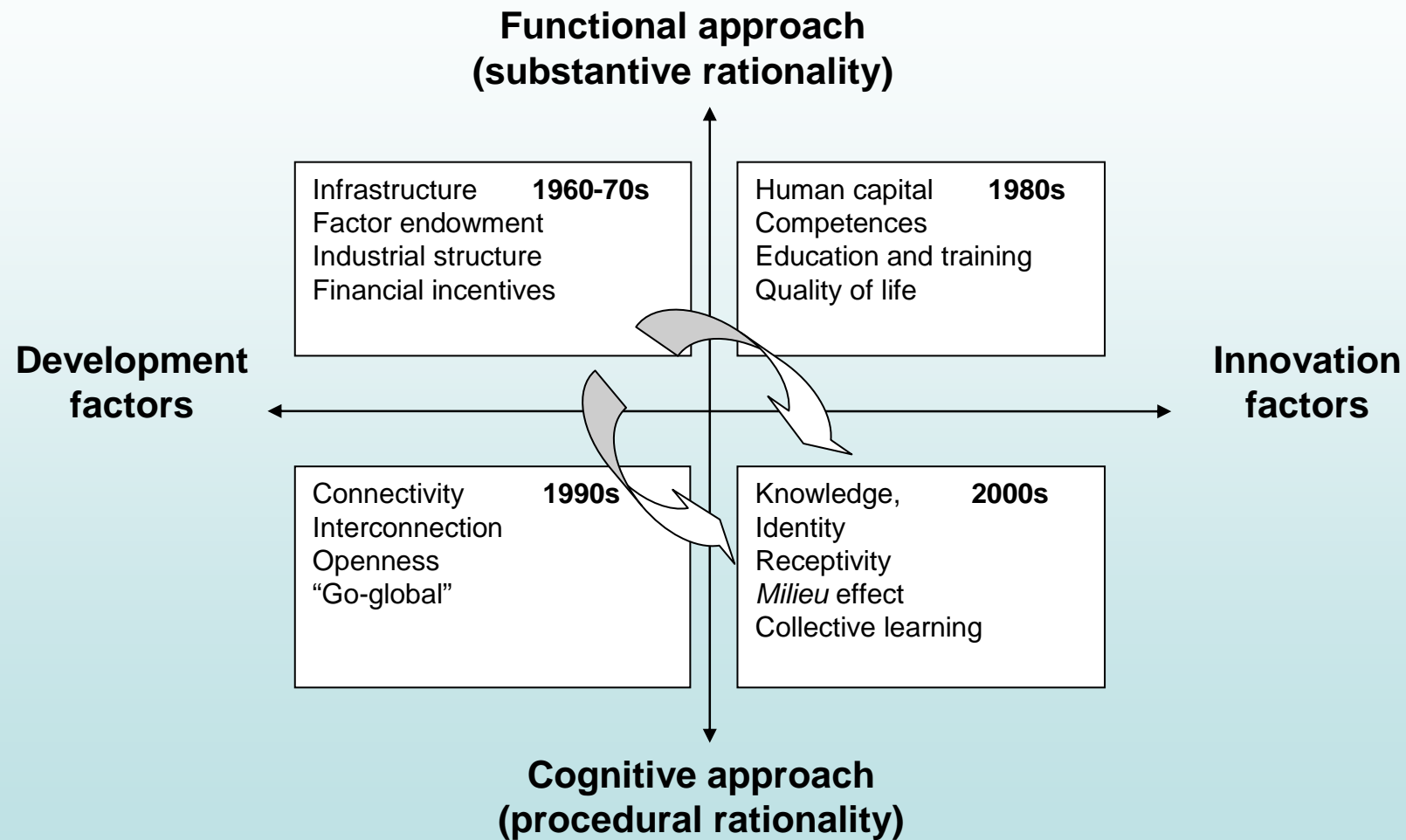
OECD (2001): territorial capital is:

- The area’s geographical location, size, endowment, traditions, natural resources,
- Quality of life, agglomeration economies, industrial districts,
- Business networks, customs and informal rules enabling actors working together,
- Solidarity, mutual assistance, “something in the air”

Territorial capital may be seen as *the set of localised assets – natural, human, artificial, organizational, relational and cognitive – that constitute the competitive potential of a given territory* (Camagni, 2009)



# Territorial capital in time





# A taxonomy of territorial capital

R I V A L R Y	High rivalry (private goods)	<u>Private fixed capital stock</u>  <u>Toll goods</u>	<u>Relational private services :</u> - external linkages - technol. transfer  <u>University spin-offs</u>	<u>Human capital:</u> - entrepreneurship - creativity - private know-how
	(club goods)	<u>Proprietary networks</u>	<u>Cooperation networks:</u> - strategic alliances - p/p partnerships	<u>Relational capital (associationism):</u> - cooperation - collective action - collective competencies
	(impure public goods)	<u>Collective goods:</u> - landscape - cultural heritage	<u>Governance on land and local resources</u>	
	(public goods)	<u>Resources:</u> - natural - cultural(punctual)  <u>Social overhead capital</u>	<u>Agglomeration economies</u>  <u>Receptivity</u>  <u>Connectivity</u>	<u>Social capital (civicness):</u> - institutions - values - trust, reputation
	Low rivalry			
		Tangible goods (hard)	Mixed goods (hard + soft)	Intangible goods (soft)
		MATERIALITY		





## New policy goals, tools and styles

- **Priorities:** innovation and enhanced use of new IC technologies, resource efficiency, internationalization, youth, participation and social inclusion;
- **Orientation towards the soft preconditions** of growth: knowledge, education, regional receptivity and reaction capability, internal synergies;
- **Strategy: making the best, most efficient and creative use of existing territorial capital assets in each region**, mobilizing the most promising and still “untapped” ones, strengthening or completing the weaker ones;
- **“Smart” investment and specialization strategy:** matching investments in R&D and human capital with local know-how and “vocations”:

This strategy avoids concentration of advanced functions in core regions and cities but at the same time indifferentiated dispersion of these functions in any lagging area (e.g.: R&D)



## New policy goals, tools and styles

- ***Integrated policy concept, design and implementation:*** tapping all potential synergies among the goals of competitiveness, sustainability, green technology development, inclusive growth
- ***Necessary change in policy styles,*** emphasizing the ***relationality, cooperation and synergy dimensions*** of policy actions:
  - ***develop shared territorial visioning and project partnership;***
  - ***implement flexible inter-institutional relationships,*** vertical and horizontal, based on (conditional) contract, negotiation and cooperation;
  - ***realize a more transparent use of public resources.***



# New policy goals, tools and styles

- ***Change policy delivery and controls***, in order to avoid the risks of local lobbying and to drive local élites towards virtuous, responsible and innovative behaviour. In fact (Barca, 2009):
  1. “The local elites may lack the ***capacity*** to innovate
  2. The local elites may lack the ***willingness*** to innovate
  3. The local elites may ***not be sufficient*** to innovate”
- Promoting “***endogenously designed projects, exogenously supported*** through a system of ***grants made conditional*** on:
  - the selection of *verifiable targets* in terms of people’s well-being,
  - the commitment to *tailor-made institutional changes*, based on some agreed principles.”



# New policy goals, tools and styles

## Key elements of the Reform:

- The Commission should present the *new criteria* for the contractual commitments with MS and Regions, mainly focusing on “incentives” for effective use of resources and on reducing risks of capture of the regulator by local rent-seekers
- Local strategies *concentrating* on a few fields and projects (critical mass), subject to public scrutiny and adequately justified (ex-ante evaluation)
- Financial additionality by MS and co-financing by private partners
- Complete reform of the present system of outcome indicators, both ex-ante and ex-post



# THANKS!

Many thanks for your attention!

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