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Innovative place-based policies for European integration: a stocktaking of last trends

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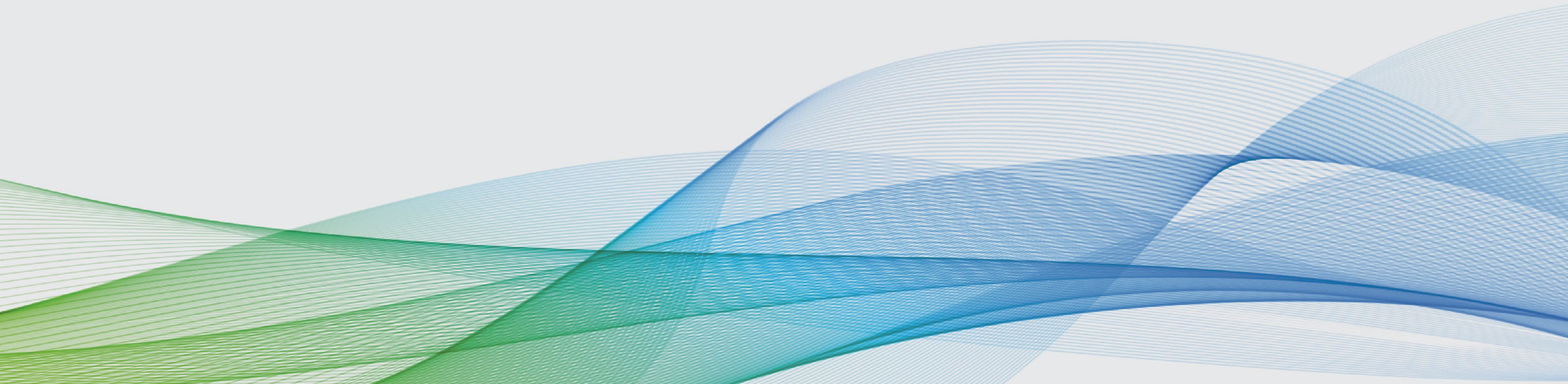


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Regional cohesion in Europe

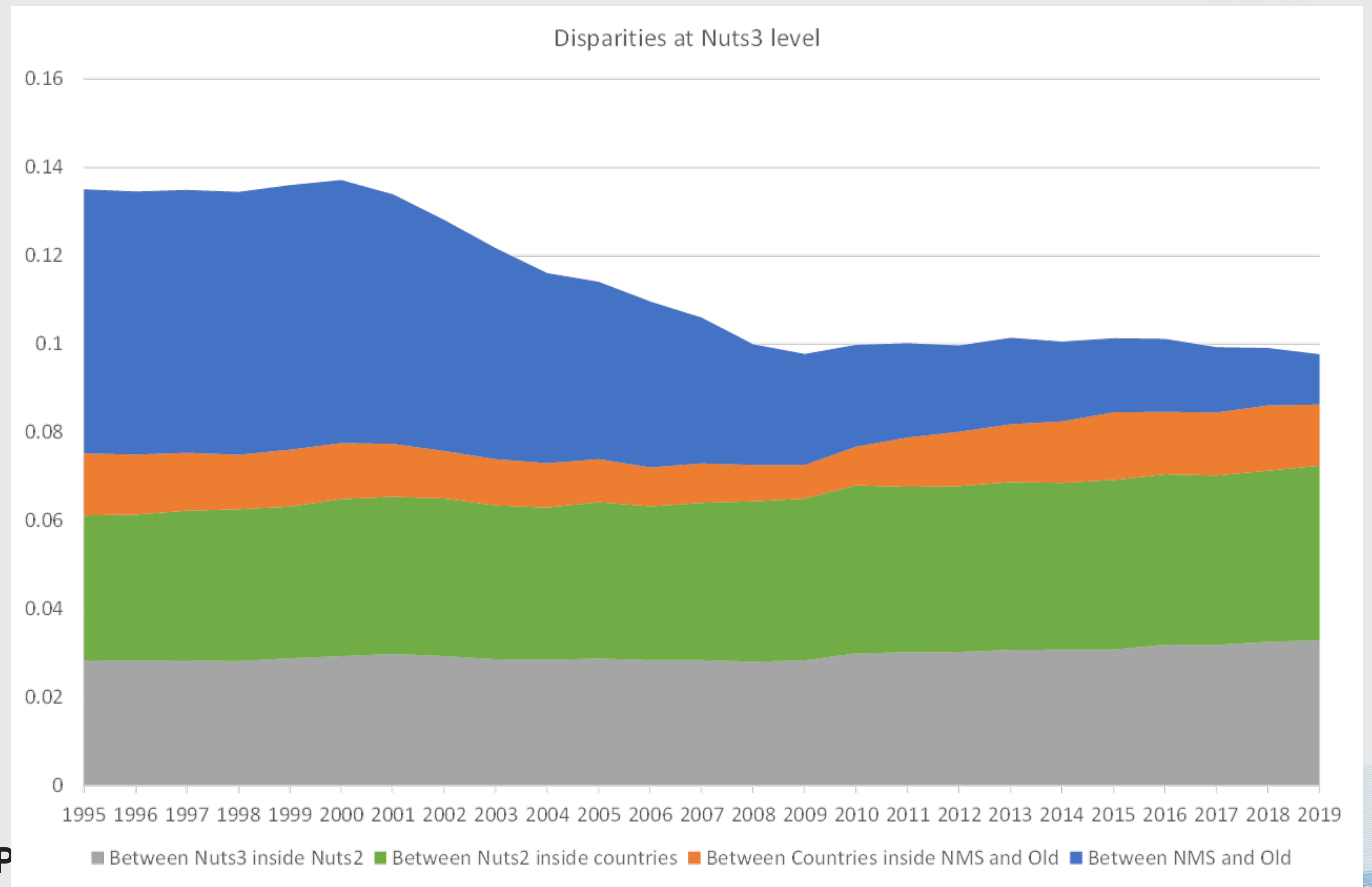




Regional cohesion in Europe: where are we?

Theil index of disparities decomposed in 4 categories:

- Between NMS and Old members
- Between countries inside NMS and Old members
- Between Nuts2 inside countries
- Between Nuts3 inside regions



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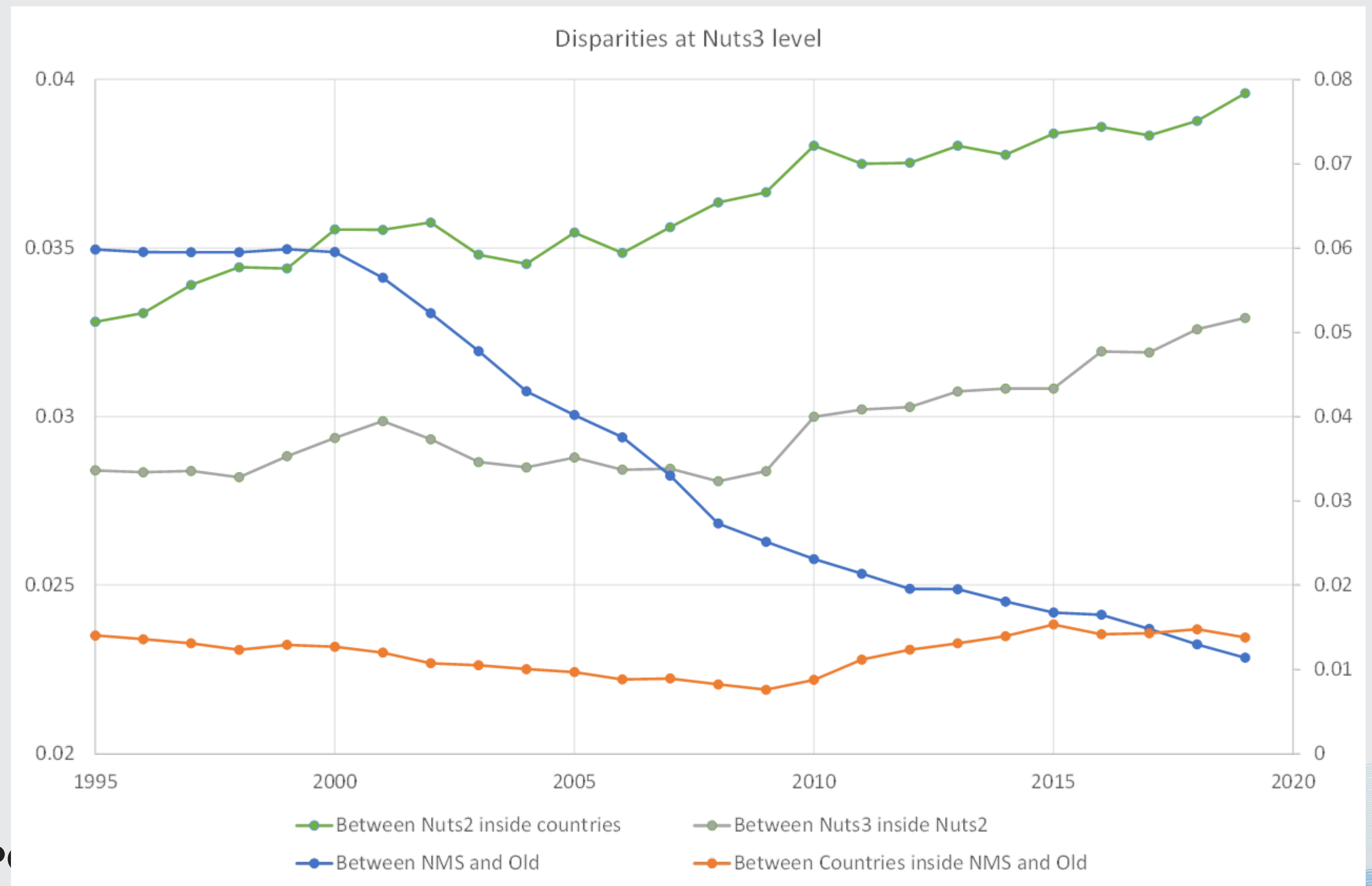
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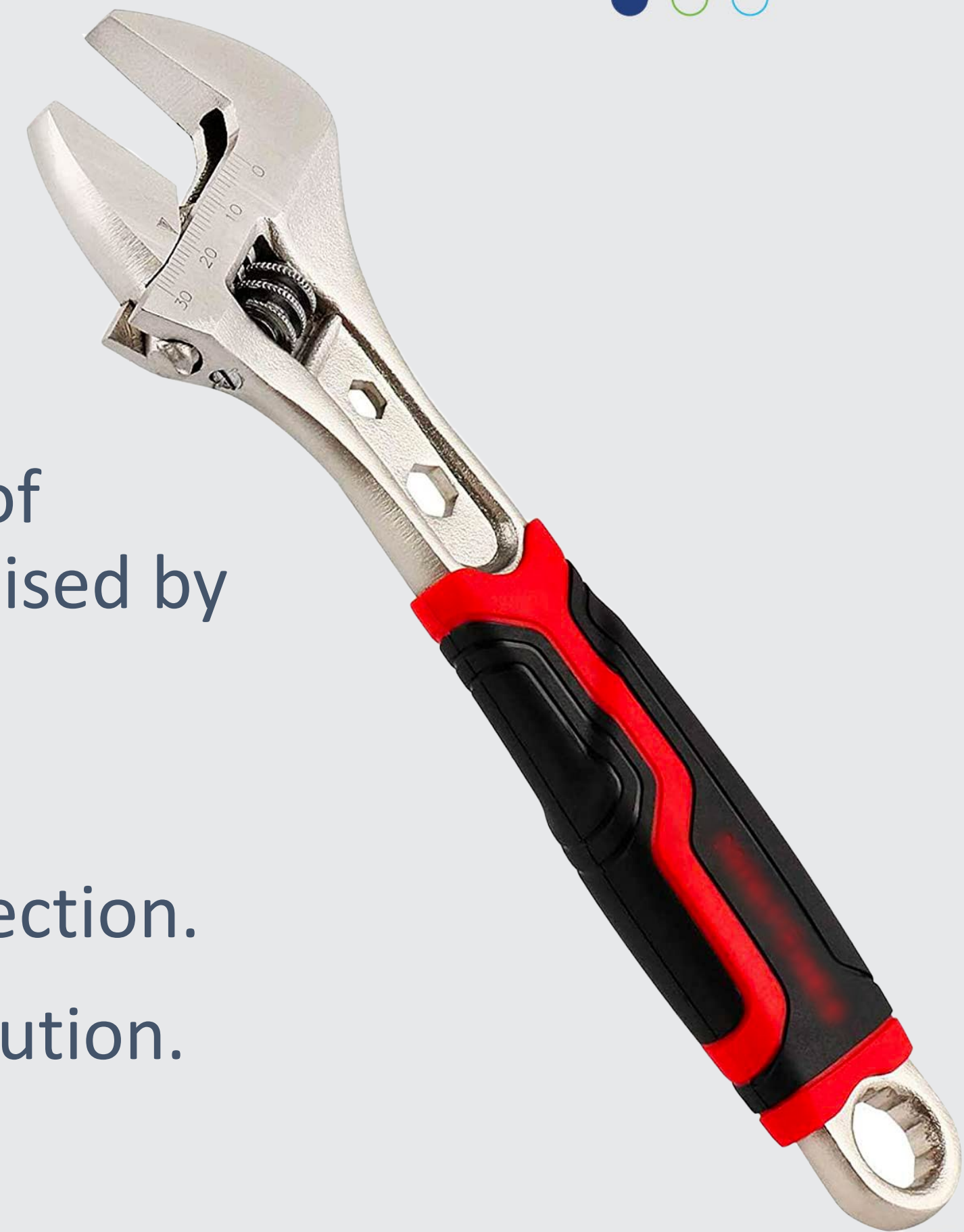
Why we need regional policy

And... for what?

Why regional policy is needed (Slide 1 of 3)

Many different situations exist in which regional policy is needed.

- It is not enough to rely on market and spontaneous adjustment mechanisms to solve socioeconomic drawbacks existing in space.
 - Especially when there are market or institutional failures.
- The regional level is of paramount importance in a large majority of socioeconomic development processes. This is increasingly recognised by scholars of different disciplines.
- Many differentials and local specificities exist.
- These usually change slowly, and not necessarily in a desirable direction.
- For many issues spatialised interventions are the only effective solution.



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Why regional policy is needed (Slide 2 of 3)



- There are many situations in which the targets are direct at people which are better addressed with policies for places
- How to make a better life for people living in a certain place, without forcing them to leave in search for better opportunities? (still allowing relocation to those who want it)
- In this way, regional policy is also a way to preserve the specificities and diversity of places
- Regional policy still matters, because places are important.
 - Spatial sorting
 - Underutilization of resources
 - Sociopolitical turmoil.



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Why regional policy is needed (Slide 3 of 3)



Regional policies can be a way to:

- Reduce disparities between people when there are localised issues
- Provide everyone similar opportunities, so that individual outcomes are the same for the same levels of effort and ability.
- Avoid the additional costs and inefficiencies coming from having to relocate public services following people's migration.
- Avoid the disintegration of consolidated social fabrics, making it a better quality of life.
- Preserve natural, semi-natural and urban-built environments.
- Defend the diversity of human contexts, as well as biodiversity and geodiversity, to avoid the homologation of the world into one flat land characterised by the same shopping malls everywhere.
- Exploit the various potentials of people and places.



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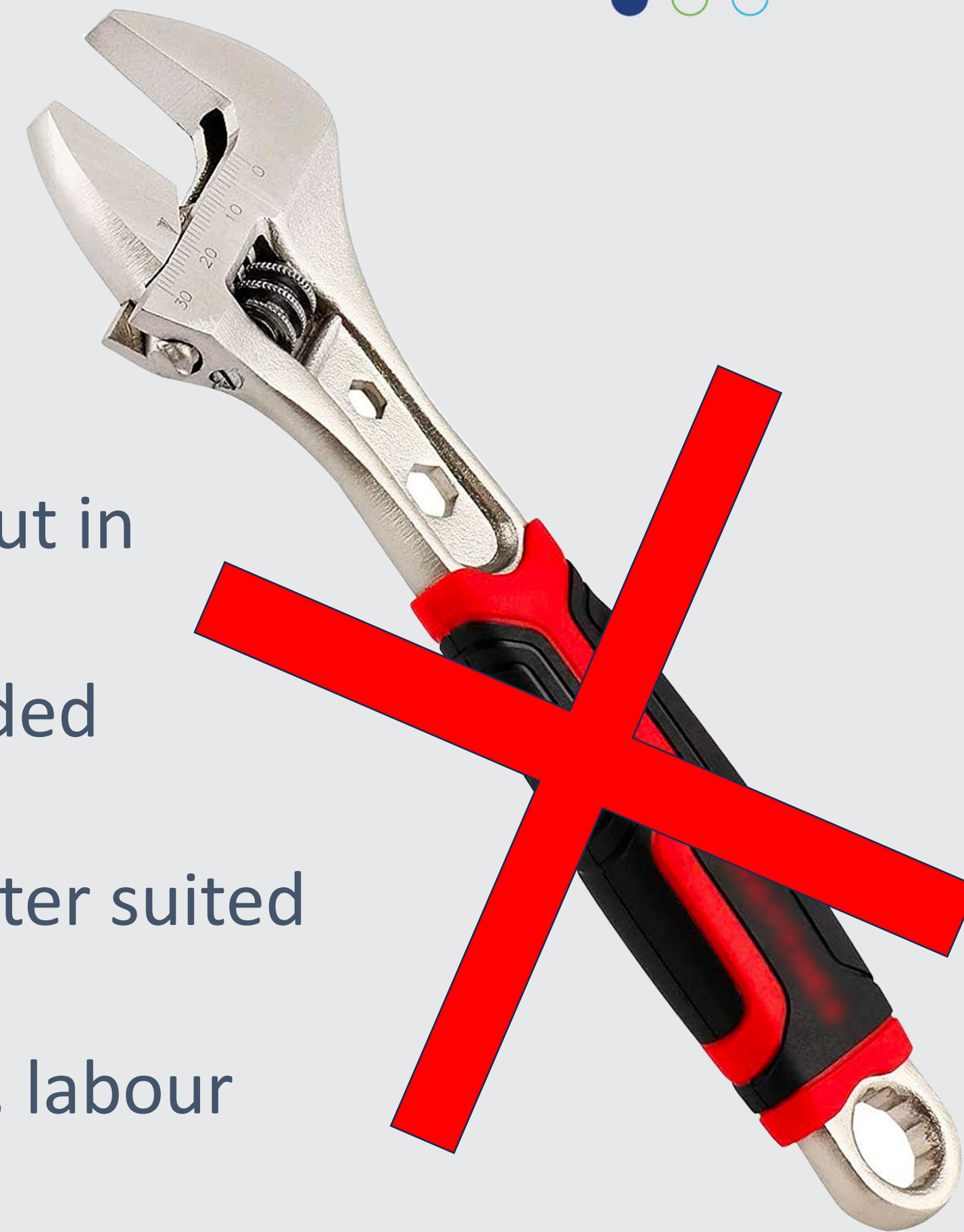
When regional policy is not needed

Intervention is not always needed:

- There are cases in which it is better to rely on spontaneous mechanisms which may be less costly and more effective.
- Cases in which it is not the market which fails but in which it is policy to interfere with equilibrating forces,
- Cases in which interventions are too complex or too costly to be put in place.
- Situations in which policy interventions are at high risk of unintended detrimental consequences.

There are situations in which other types of interventions may be better suited to solve societal issues

- E.g. physical planning, macroeconomic policies, monetary policies, labour market policies, innovation policies, etc.



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Regional policy coordination with other policies



Local and global phenomena are active at the same time

→ Regional policy ought in most cases be applied and coordinated with other types of intervention.

The policy interventions of non-regional policies will often have unintended spatial effects

These may concur with and offset those of regional policy.

The concurring effects of different policies are very common and require a holistic view of policymaking to avoid being disappointed by policy outcomes.

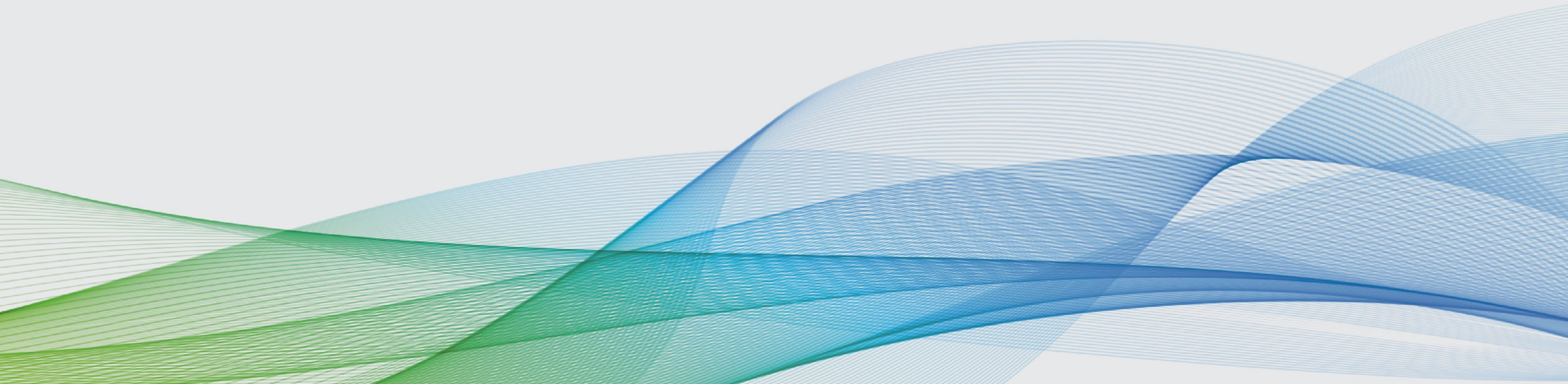


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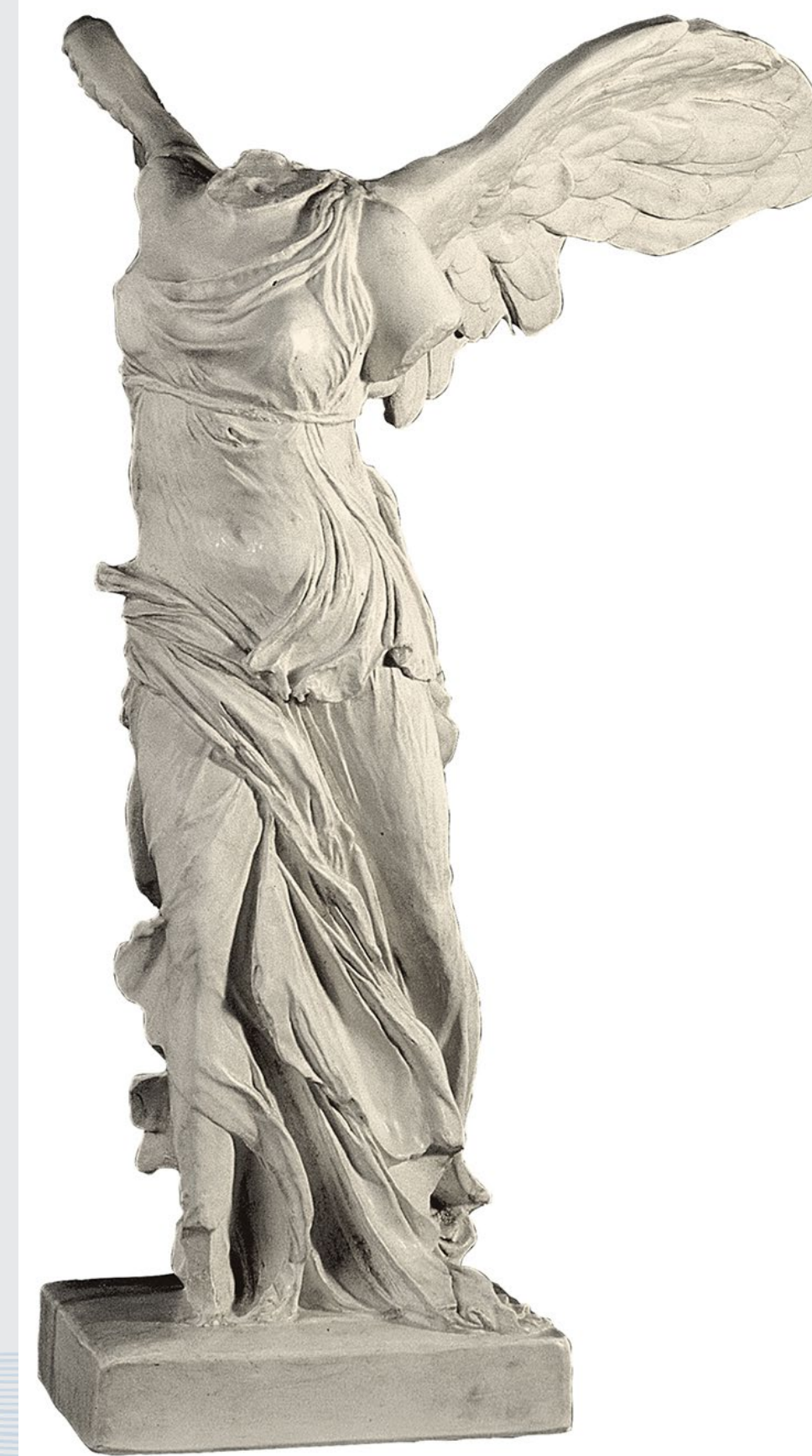


What we know: False myths and place specificities



Myths to be debunked

- Regional policies need NOT be win-win. Valuable regional policy interventions exist even when some people, constituencies or places don't benefit from them. The benefits to disadvantaged communities, or to the aggregate society, may overcome the socioeconomic costs to some. But this is not always the case, so policy choices need to be transparent and compensations need to be set when needed.
- Regional policies should NOT be able to pursue all objectives at the same time. This is impossible, and priorities need to be set.
- Regional policies need NOT to be effective fast . The spatial situations in the society and the economy are usually significantly entrenched, → intervening needs to consider an adequate timeframe for achieving results. Need of a consistent policy approach in time.



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On effects

- Thresholds are a common phenomenon and no effects can be achieved without overcoming them.
 - Multiple equilibria
 - Self-reinforcing mechanisms
 - Critical mass
- → when policies are successful, their effects are often non-linear. Never assume a simple correspondence between effort and result.
- But ongoing evaluation is still needed, otherwise policies risk being implemented for purely political purposes
 - In itinere, assessment can instead help understand if the direction is right and steer the policy if needed
 - Ex post, assessment makes policymakers accountable and make new improved policy cycles start



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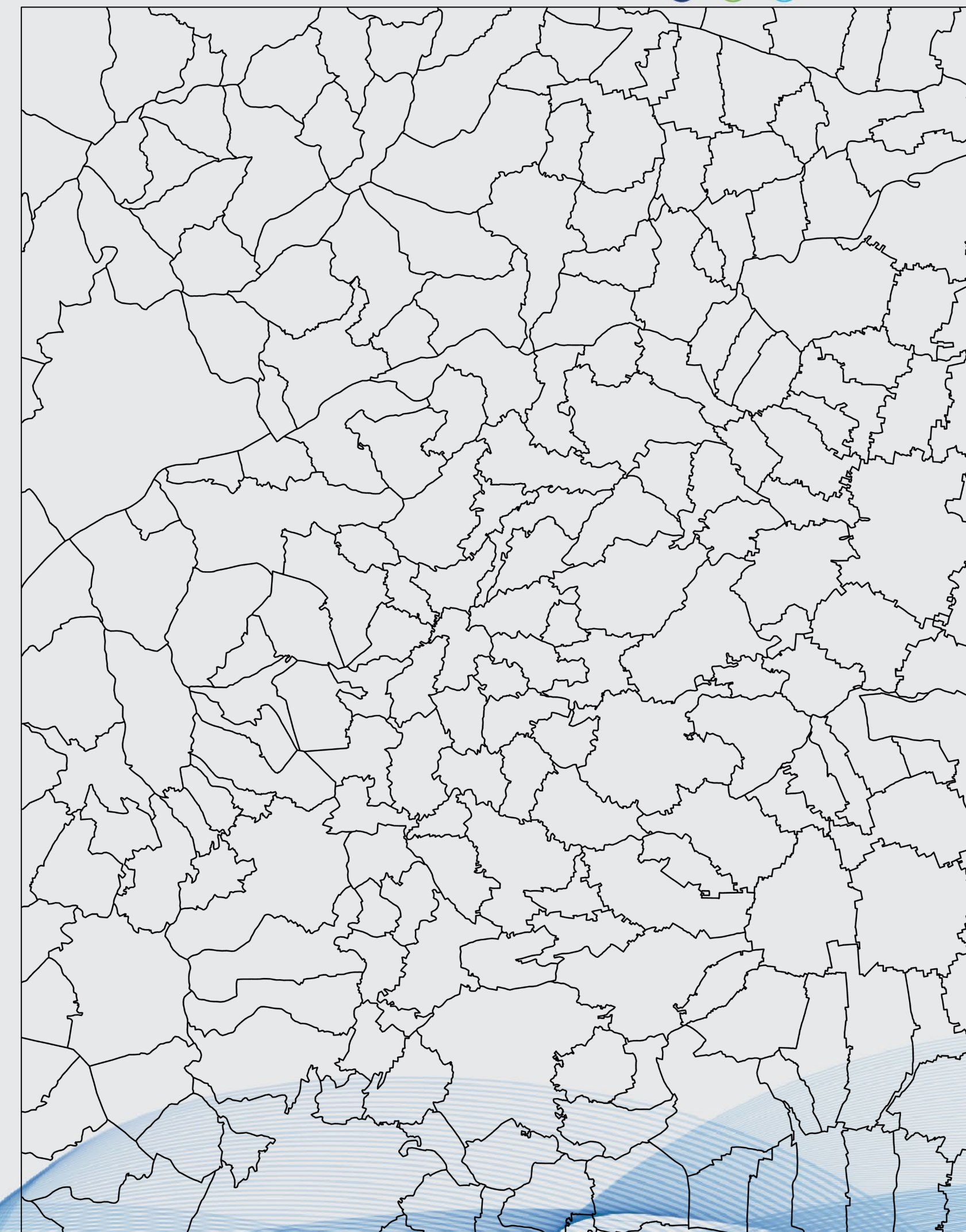



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Place specificities (Slide 1 of 4)

A paramount lesson is that regional policies have to be **place-specific**.

- The strategies have to be tailored to the place.
- For many policies (e.g. those based on knowledge and innovation, such as S3 and ecosystems) being place-specific is within their essence.
- More traditional policy interventions also require being adapted to the local specificities in a place-based framework
- This does not mean just doing what local constituencies ask for. Local interest groups might be rent-seeking or lacking all necessary information.



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Place specificities (Slide 2 of 4)



The same policy interventions don't work for every region.

- The many components of territorial capital, those who contribute to regional development in the long run, have to integrate among themselves to provide their growth effects.
- Complementarity: Policy interventions complementary to the local assets are more effective than those focusing on unrelated aspects trying to establish new paths from scratch.
- Regions can benefit from policies which target their own specificities, by leveraging the local assets, and addressing their weaknesses.



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Place specificities (Slide 3 of 4)



Regional policy strategies need to be time-specific and situation-specific.

- Regions are not monads, are inserted in their nation and in their global economy.
- The macroeconomic context in which regional policies are implemented is able to increase or decrease their effectiveness
- Timing matters: the same policy approach, implemented in a different phase of the cycle, can provide different results.
- The settlement structure of regions matters.
- Cities are fundamental for development.
Take advantage of their assets but also to balance the growth and dynamics of large cities (capital ones in particular) with measures ensuring that growth spreads to the rest of the country and is not absorbed from it.



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Place specificities (Slide 4 of 4)



- Rural and peripheral areas are not unimportant or doomed
- They are not deprived of opportunities, especially considering green and digital transformations.
- In many cases these potentials need to be nurtured with adequate policies to avoid these regions depopulating and the local people feel abandoned by the wider national community.

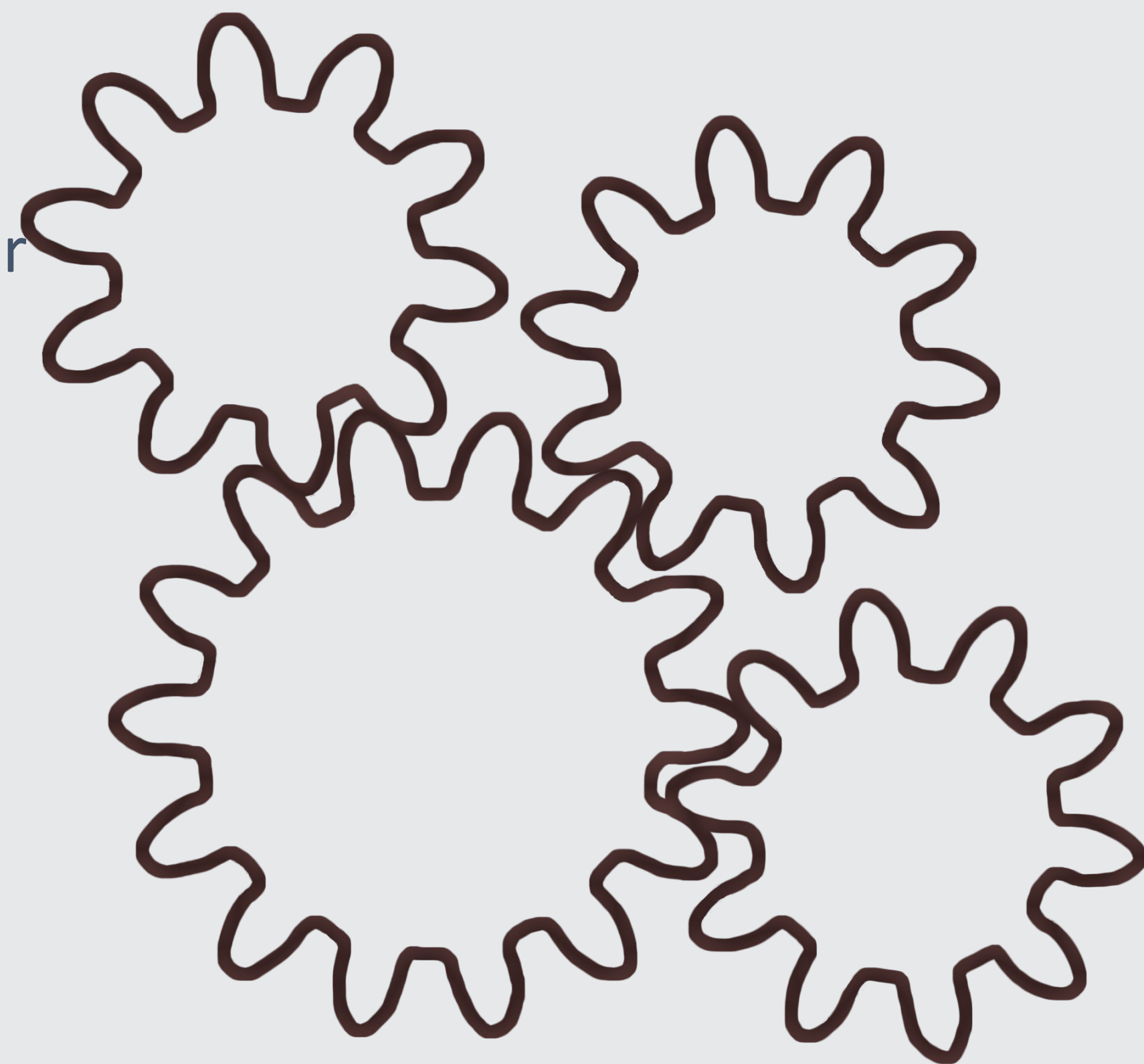


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Systematiticy (Slide 1 of 2)

- Territorial economic development works well when the **system** as a whole is strong and there are sufficient capacities in the various elements that integrate in a balanced.
- Carry out **systemic interventions** because, for example, it is useless to invest in education if there are no companies looking for those skills and qualified young people will leave.
- Important to act through **integrated strategies** so that the various instruments are complementary.
- Larger impact of **policy bundles** – especially is they are internally consistent and adaptive.
- **Strategic approach** to regional policy, with attention to the complementarity of the different elements of regional development and to the various policy instruments, and to the interaction between different types of policies .



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Systematicity (Slide 2 of 2)



It seems to be more effective to integrate:

- Hard measures (e.g. infrastructure, the reuse and development of urban areas, physical capital investment, transport and energy networks, environmental infrastructure , etc.) and
- Soft measures (e.g. human capital, social capital, networks of firms, people and innovation, public and private services, cooperation assistance, etc.).

In particular, human capital is a catalyst to the effectiveness of most regional policy interventions.



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Embeddedness



- The more effective interventions are those embedded in the local socioeconomic fabric.
- E.g. for enterprises when these are rooted in the production system of the territory, not isolated and interact with other companies and local agents. → multiplier effect locally.
- Important to involve local communities: civil society can support and “own” the policy interventions.
- Local people and communities can bring a vision to the local issues which the policymakers may lack.
- People are human beings, so cognitive aspects are crucial in the ways they react to policy stimuli: successful policies will be able to find the right balance between regulating and stimulating.
- The design of incentives should be a careful one, if they are to really induce action.



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Openness

Alongside embeddedness, openness and connectivity are as important.



- No region is able to develop by itself, not even the most advanced ones.
- Too many assets are not present inside a region, and need to be accessed from elsewhere in the world (e.g. technology and information, services, intermediate goods, competences, etc. often come from international networks).
- Successful regional policies hence need to find the **right mix of openness and embeddedness**.

An equilibrium is also needed between alternatives:

- Strategic interventions and flexibility
- Large and small investments
- Concentration and diffusion of measures
- Simplification and control
- Continuity and discontinuity.

The best equilibrium will also depend on values and objectives.



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Infrastructure

Infrastructure is traditionally the most commonly mentioned aspect when it comes to public investment.

- It was at the core of regional policy thought decades ago, but nowadays still represents one of the largest expenditure chapters.
- Evidence has shown that only in certain cases has infrastructure succeeded in producing territorial growth.
- Infrastructure must respond to the needs of territories in a systemic way, otherwise the risk is that it is underutilised (and hence only provide additional public expenditure during the construction period).
- Investments in infrastructure useful in all those cases in which they resolve existing bottlenecks and when there are complementary to the productive vocations of regions



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Governance

- The collaboration of different types of actors at different levels is essential.
- Establishing the right **multilevel governance** scheme is important to allow each level to bring its own advantages and complement them with those by the other levels. E.g.:
 - Central governments bring financial resources and competences which are not available locally.
 - Local governments provide better knowledge of the place and the ability to better embed the interventions.
 - Firms, citizens and civil society organisations, being stakeholders or beneficiaries, will be able to steer the process from below and to make it effective by buying into it (or derail it if opposed).



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Additionality

- Many regional policy interventions, such as those of the European Structural Funds, are intended to be additional to already existing investments.
- The risk is that, when some financial resources are found to target regions, other resources are diverted (sometimes even towards current expenses). It is important to avoid this if results need to be obtained.
 - The impact of regional policy has to be lasting and not limited to the years in which the funds are there, these funds have to be mostly considered as investment opportunities, in order to trigger development dynamics.
 - Many past cases of regional policy interventions had been conceived as too similar to transfers, without lasting effects.
 - Investment in territorial resources (tangible and intangible), if well-tailored on the region, had long-term effects and should be preferred.



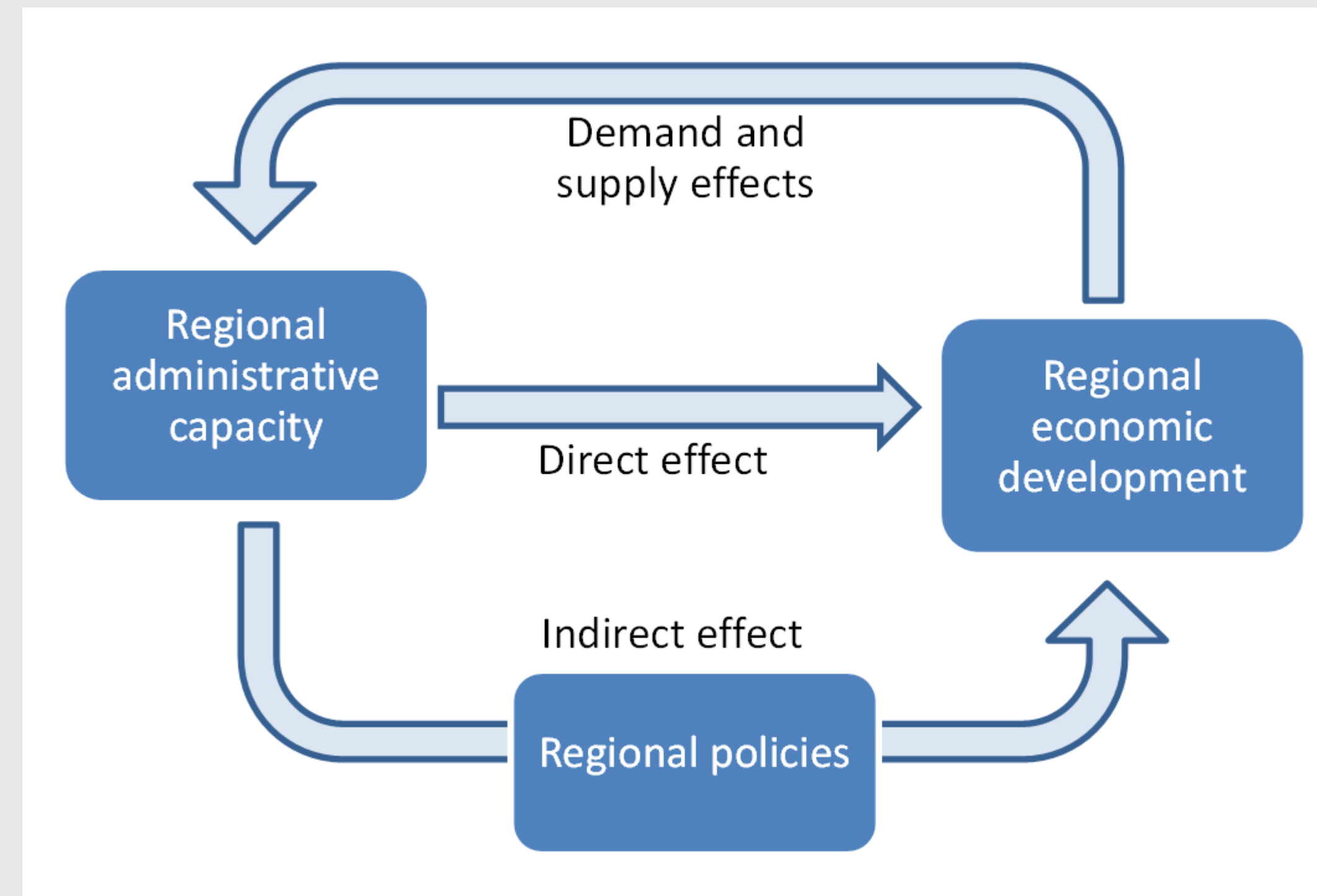
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Administrative capacity (Slide 1 of 2)

Regional administrative capacity is transversal and key:

- It allows regions to select better projects.
- To better implement them.
- To learn from past experiences to that future interventions will be even better.
- Administrative and institutional capacity is usually stimulated by a strong socioeconomic regional context which demands more from its administrations



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Administrative capacity (Slide 2 of 2)



- It can also be stimulated by specific policy interventions, including interventions on the training and qualification of workforces and initiatives of policy learning
- Key is to develop a culture of transparency and evaluation
- Evaluation, in the different phases of policy cycle, can improve policy design and implementation, so that better results are achieved.
- Evaluation should hence be pervasive and impartial
- The purpose of evaluation should be producing better policies, not to be considered a way to punish when, inevitably, something does not go as expected.



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So, where do we stand?

The three waves of regional policy (1)



1. The «disparities» wave

Main issue to be addressed: disparities (Kaldor, 1970), mostly due to cumulative causation (Myrdal, 1957)

Main justification for regional policy: market failures.

«The case for intervention stems from the inadequacy of free market forces» (Stilwell, 1970)

2 The «competitiveness» wave

After the wave of liberalism which started in the 1980s regional policy for the sheer reduction of disparities became difficult to sustain.

It had to improve growth and competitiveness.

The emergence of the knowledge economy added an important centripetal force.

The lack of automated equilibrating mechanisms implies that interventions on competitiveness needed for lagging regions to avoid «exclusion and decline» (Camagni, 2002)

But the study of agglomeration (NUT & NEG) showed that agglomeration could be a stable and efficient outcome.



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The three waves of regional policy (2)



3 The «potential» wave

The place-based revolution was the conceptual and practical reply to the trade-off:

Focusing on the potentials of places, the two objectives of competitiveness and cohesion could be achieved at the same time

«tapping into unused potential in intermediate and lagging areas [...] can actually enhance both growth at a local and a national level” (Barca et al., 2012; Farole et al., 2011)

Policy interventions will need to provide «integrated bundles of public goods and services aimed at triggering institutional change, improving the well-being of people and the productivity of businesses and promoting innovation» (Barca, 2009)

Along these lines, and Smart Specialisation Strategies (S3), have the intent of finding opportunities for every region. (Foray et al, 2009)

In this way, EU cohesion policy 2014-2020 would achieve competitiveness and cohesion at the same time



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The main current challenges for regional policy

Place based certainly helpful but not panacea

- Disparities increasing inside many countries after the financial crisis
- «Race against the clock» for lagging regions (Iammarino et al., 2019)
- S3 more difficult for lagging regions
- Political questions («left behind places», Brexit, ...)
- «Middle-income trap» regions
- Technological transformations (e.g. industry 4.0) to which regions are differently equipped

Global attention to environmental sustainability → green objectives.

But also trade-offs (McCann & Soete, 2020)

- Different impacts of climate change
- Different capability to afford local mitigation measures
- Different impacts of global mitigation measures

The external challenges (Covid pandemic, war in Ukraine)

- Disruption of global flows
- Different economic impacts



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The era of trade-offs (Slide 1 of 2)

Trade-offs are unavoidable

- Informed choices are essential to successful regional policy
→ in almost all cases some valid principles and objectives have to be tempered with other valid principles and objectives.
- There is almost always the need to make political choices between alternatives, to sacrifice something in favour of something else
→ and to be transparent about the political values which drive them.
- Trade-offs exist in most cases
→ should not be neglected, but navigated
- Objective of finding a good equilibrium between different and conflicting objectives.
→ This needs to be the most appropriate to a given region.



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The era of trade-offs (Slide 2 of 2)



- Hence, forget the optimistic idea that place-based policies would avoid all trade-offs
- Despite being based on place potentials, the hope that they can conjugate equity and efficiency collided with the evidence of the different reactions of places to the many challenges of the last decades.



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“Good” regional policy? (Slide 1 of 2)

- Many types of regional policy exist, which have to be assessed on their own different objectives.
- Before saying that one is a “good” regional policy, one should ask “good for what?”.
- E.g. good to overcome trade-offs (e.g. between equity and efficiency) but worthwhile policies exist even with the trade-off.
- Effectiveness is a necessary but not sufficient condition for the implementation of regional policies (the achieved effects might not be those most needed in that specific situation)
- Having an efficient implementation is not a sufficient condition for the implementation of regional policies.
 - Efficiency does not guarantee the achievement of policy objectives
 - In some cases, some redundancy might even be better, especially in case there is a threshold to overcome



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“Good” regional policy? (Slide 2 of 2)

- Most current approaches investigate how to “improve” regional policy.
- They are helpful but also limited: they take a partial equilibrium approach, the situation is improved by incremental changes.
- Sometimes, by **looking outside the box** new results might be obtained.
- This requires completely new thinking and approaches. In this way, from the search of local maxima to that of global ones.
- E.g. regional policy research is still too separate from that of national and international policies, and the study of regional systems too often takes place for given external conditions.



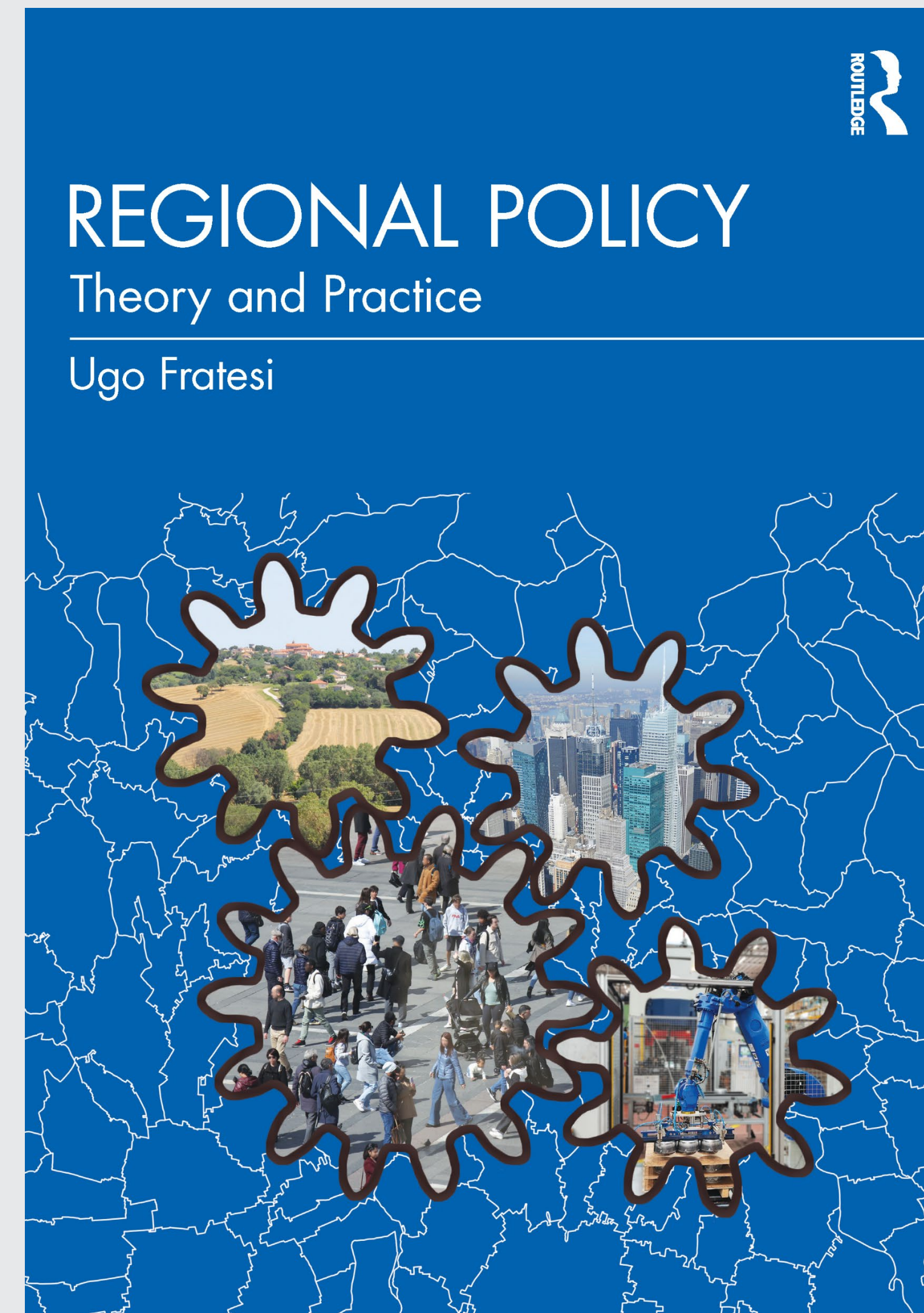
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Thank you for your attention

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