Evolving conceptions of regional policy in Europe and their influence across different territorial scales

(In *Alternative Paths to Territorial Policy and Governance*. Editors: Deas I, Hincks S . Routledge, London 2014)

Introduction

This chapter traces evolving conceptions and models of regional policy in Europe paying attention to the emergence of place-based and territorial approaches to promoting development, their manifestation in reforms of the EU's Cohesion Policy, and recent processes of reform of sub-state structures for development policy and governance in one European context, England.

Changing Economic Geographies

Regional policy, in the form of assistance granted to particular regions, has existed in Europe since the Great Depression of the 1930s, and in most OECD countries since the 1950s and 1960s (OECD, 2009), with a shift in approach evident from the 1970s onwards (Bachtler and Yuill, 2001; Bachtler and Raines, 2002). Since then the theoretical and structural bases upon which regional policy rests have been subject to significant revision, as assumptions in both economic geography and policy making that remained constant throughout the post-war years had begun, by the 1980s, to be tested by empirical observations of economic change and a shifting political ideology. Relating broad structural change to growth trends and policy, the assumption of interregional convergence as part of a process of national economic growth has been severely tested as, while local and regional economies become ever more integrated into global networks of capital, products and labour, regional economic performance appears to have become increasingly differentiated. Just as globalisation has fostered the integration of national economies and the convergence of incomes across the world, within-country spatial disparities have increased as a result of the same processes (Farole, 2012). As a result, the ability of governments to influence the spatial distribution of growth within their jurisdictions has been questioned. Theories of development have begun to unpick the determinants of growth, with a consensus emerging that these are, to a much greater extent than was previously thought to be the case, embedded in cities and regions and that, in certain cities and regions, these determinants are much more effectively embedded than in others (McCann, 2008).

This is exemplified by a variety of theoretical approaches. These include:

- theories exploring the role of agglomeration economies in growth, such as the New Economic Geography (Krugman, 1991; Fujita et al, 1999) and urban economics approaches (Glaeser, 2011);
- cluster theories (Porter, 2003);
- endogenous growth theories (Romer, 1994; Lucas, 1988);
- transaction costs theories (Scott, 1988);
- metropolitanisation theories (Florida, 2002);
- theories that emphasise the role played by local and regional institutions in development (Putnam, 1993; Saxenian, 1994; Storper, 1997), and those that focus upon industrial organisation (Piore and Sabel, 1984).

This theoretical reflection on development includes contributions from across geographical economics and economic geography, encompassing quantitative modelling, in addition to qualitative case study analyses. More recently, evolutionary economic geography approaches have incorporated elements of both of these approaches, analysing by means of modelling, the micro-histories of firms that operate within a regional context (Boschma and Frenken, 2006).

The tendency for economic development to be unevenly distributed over space that the theories outlined above seek to explain, runs counter to the expectations of neoclassical models, whose predictions of dispersed capital and labour in response to inflationary pressures had, by the 1980s, ceased to effectively explain the pattern of growth in Europe and the USA. This agglomeration of economic activity in particular places is held to be largely associated with the:

- integration of markets at the global scale, as a result of falling transportation costs through containerisation, reduced trade tariffs and communications costs, productivity gains in the traded goods sector and increasing disposable income (Dean and Sebastia-Barriel, 2004); and,
- organisational and geographical fragmentation of production; the uneven geography of innovation within a technology-driven model of economic development; and the uneven quality of place-based institutions (Farole et al, 2011).

The effects of these trends on territorial governance and regional policy are associated with a wave of economic restructuring that has taken place in Europe and the USA from the 1980s onwards, as nation states have been forced to adapt an industrial model rendered increasingly ineffective under conditions of rapidly integrating international trade. The (re-)emergence of the region as an economic, social and political unit has been in large part a response to this challenge to the effectiveness of the nation state as the institutional scale of choice for the territorial organisation of social and economic processes. The breakdown of the spatially-redistributive model of government that characterised post-war Keynesianism and the dislocation of cities and regions from national systems of state-controlled planning and development has, according to the new regionalist literature, allowed regions to acquire agency beyond their national borders as actors within the global economy, becoming economic, social, political and institutional spaces in their own right (Keating, 1998). The role played by the state in this process has been characterised as a transition from the promotion of spatial convergence within a strongly conceptualised national space to the endorsement of particular places as growth nodes within a global network of capital and labour. The primary task of the state is now the provision of the spatially fixed prerequisites for growth, such as infrastructure and basic scientific research (Brenner, 1999; Brenner, 2004). The following sections relate the history and practice of regional policy to the wider trends in economic geography outlined above.

Regional Policy under Keynesianism

The closed space of the nation state was intrinsic to Keynesian approaches to economic regulation, where common currency, laws and institutions, together with trade tariffs across international borders, permitted containment of fiscal interventions and the possibility of common dialogue between state, capital and labour (Radice, 1984; Martin and Sunley, 1997). Intertwined with regulation of development was regulation of welfare, with the aim of achieving similar standards of living throughout the national space. Both of these aims were to be pursued by the actions of a highly centralised state with redistributive powers, adhering to the aim of economic convergence across the national space (Martin and Sunley, 1997). Thus, in addition to being redistributive across income levels of individuals, the Keynesian state seeks redistribution across space, stimulating demand to support production centres based in the regions, in some cases taking ownership of industries, thereby maintaining local economies heavily reliant on them.

Bachtler and Yuill (2001) identify a model of regional policy that was in place across Western Europe between the interwar years and the late 1970s. This encompassed the era of 'organised capitalism'

(Wagner, 1993) during which spatial Keynesianism held sway. The overriding objective of regional policy during this period was interregional equity, and its defining characteristics were policy interventions along two axes: infrastructure investment, and industrialisation (Pike et al, 2006). Industrialisation policies can be divided into three types: financial incentives, such as grants, loans and concessionary tax rates; the setting of investment targets for, and attachment of social obligations to, state owned and state controlled industries; and the strategic relocation of industry and services from rapidly growing to lagging areas, by the use of development controls and public sector expansion (Bachtler and Yuill, 2001). Areas were administratively or statistically defined, designated for assistance on the basis of measures such as economic growth rate, unemployment and income levels, and policy was designed and administered from a top-down perspective, with the involvement of sub-national tiers limited outside of federal countries (ibid).

As well as challenges to its premises caused by structural changes in wider economic conditions, some regard traditional regional policy as having proved ineffective due to failures in policy design. It also fell out of favour in part because of a shift in the dominant ideological basis of government from the 1970s onwards. Criticism of policy design tends to focus on the tendency for interventions to be limited to specific aspects of development to the exclusion of others, reflecting an incomplete conception of the range of factors that make up a local economy. Examples of policy failures included attempts to encourage foreign direct investment (FDI) into specific regions that resulted in branch plants that were only weakly integrated into the local economy and exhibited low levels of innovative activity (Potter, Moore and Spires, 2002), or investment in infrastructure without accompanying investments in other developmental factors, such as skills and business support with the consequence that local places were insufficiently integrated into the national and international economies (Pike et al, 2006).

Changing structural conditions were such that, by the mid-1970s, the Fordist regulatory model that the Keynesian state is taken to have embodied (see, for instance, Jessop, 1993) is held to have been in crisis. This it is argued was due to a mixture of factors associated with its technical and social limits as a production system, and the extent to which it was dependent upon the nation state which, as a largely enclosed system of production and consumption, was being undermined by the beginnings of the late 20th. century era of globalisation. Globalisation has ushered in a transition from comparative to competitive advantage, opening up competition for the manufacture of (mainly) consumer goods and, more recently, tradable services, so that nations and regions of widely varying background and economic conditions compete against each other, with the result that the established manufacturing regions whose wage costs, in particular, are uncompetitive, suffer. Globalisation has also harmed the precept of demand management, central to the Fordist state, as demand for goods produced at home is increasingly fulfilled abroad, and vice versa. The consequences of these developments were to limit the effectiveness of regional policy interventions while at the same time reversing the process of economic convergence that had been a feature of western industrial economies in the post-WW2 period. Persistent slow growth in output and productivity, as well as rising unemployment at the aggregate level, were the backdrop to this, meaning that possibilities for growth in lagging regions as a result of trickle-down effects from stronger regions were diminished, as was the potential for a degree of relief from rising unemployment through labour mobility (Bachtler and Yuill, 2001). At the same time a more (neo)liberal model of political economy was beginning to push against the prevailing post-war social democratic orthodoxy. This model emphasised and privileged individual liberty, free markets, and property rights as a route to the maximisation of entrepreneurial activity. The role of the state would henceforth be limited to ensuring these freedoms through the maintenance of a stable institutional framework (Harvey, 2006). The neoliberal view of the economic and societal role of the state was fundamentally at odds with some of the rationales that underpinned regional policy. In particular, the notion that market mechanisms may not lead to socially acceptable outcomes – which provides the social justice justification for regional policy, conflicts with the priorities of neoliberal governments, as does the argument that there is a need to offset problems of localised high unemployment in the name of maintaining national stability (Bachtler, 2001). The adaptation of the theory and practice of regional policy to this new context is considered next.

Towards a Paradigm Change in Regional Policy? - the Emergence of the 'Place Based' approach

At the beginning of the 2000s, in surveying the political economic context described above, Bachtler (2001), Bachtler and Yuill (2001) and Bachtler and Raines (2002) were already discussing the notion of a paradigm change in regional policy. However, it is only since the publication over the course of 2009 and 2010 of a number of reports explicitly advocating either a 'place-based' or a 'space-neutral' approach to regional development policy that the empirical observations of change in the geography of development and advances in theoretical understandings of this process have been accompanied by a high profile correspondent transformation of policy design and implementation (Barca et al, 2012). This series of reports published by the OECD (2009a, b), the European Commission (Barca, 2009), the Corporación Andina de Fomento (CAF, 2010), and the World Bank (2009), all examine the issue of uneven development from the perspective of policy making.

The approach advocated by the World Bank (2009) highlights the importance of cities and regions in development, following the logic of the New Economic Geography in understanding growth as uneven and the result of agglomeration, while encouraging policy that allows for the most efficient means of achieving this inevitable outcome. The development process is examined along variables of density, distance and division, which are held to be the result of spatial processes of agglomeration economies, factor mobility and accessibility. The main message of the spatially-blind approach to development is that growth is, by its nature, unevenly distributed at any given time, and may not reach certain places at all (Gill, 2010). This being the case, the main policy recommendation of the report is for spatially-blind improvements in the basic institutions of law and order, regulation of land, labour and property markets, macroeconomic stability and the provision of basic services such as education and health. Once these improvements have been achieved, the issue of spreading the efficiency gains made can be addressed by investing in connective infrastructure in order to encourage market integration by reducing travel times to more prosperous places, while spatially-targeted interventions are reserved to where economic and social problems exist within cities and regions, such as slums. In this way, it is suggested, aggregate growth is addressed in the most efficient way possible while the benefits from this can be shared across the population, if not the geography, by encouraging labour mobility between lagging and leading regions (World Bank, 2009). As such, the most effective way to increase income and enhance living standards is to encourage interregional migration and enable people to choose to live in places where economic activity is greater (Gill, 2011).

The reports published by the OECD (2009a, b), the European Commission (Barca, 2009), and the Corporación Andina de Fomento (CAF, 2010), in contrast, are of a piece in advocating a place-based approach to development, sometimes referred to as the ‘new paradigm’ of regional policy (Bachtler, 2010). The use of place-based interventions by policy-makers is not new, for instance Regional Selective Assistance, a business grant policy used in the UK since the 1970s, targets areas based on measures of unemployment and per capita GDP, while similar examples exist across Europe and in the form of the European Union Structural Funds. Theoretical treatment of place-based policies has focused on the tendency for intangible capital to be generated by locally-specific factors and combinations of factors (Bolton, 1992), as well as on the case for place-based interventions where market failures exist (Kline and Moretti, 2012). In particular due to phenomena such as, the immobility of capital, labour and land, the monopoly power granted by space, fixed costs as a barrier to market entry and exit, the existence of spatially-bound externalities, and the distance decay effect present in knowledge (Kraybill and Kilkenny, 2003). Critics have charged advocates of place-based interventions with failing to come to terms with the inherently unbalanced nature of growth (Gill, 2010), of protectionism carried out by powerful local interests, of misattributing wage differences to areas rather than individuals (Gibbons et al, 2010), of encouraging poor people to remain in poor areas (Glaeser and Gottlieb, 2008), and of increasing economic activity in less productive regions (Glaeser, 2008).

The underlying premise of the place-based approach endorsed by the European Commission (Barca, 2009) is that economic and social behaviours are fundamentally embedded in place, and as such are subject to local economic, social, cultural and institutional contexts. In the post-Fordist knowledge economy, this is of particular importance because the exchange of untraded interdependencies that is vital for competitive firms is dependent upon contextual factors and therefore varies markedly between places in relation to these (McCann and Rodríguez-Pose, 2011). 'Underdevelopment' – the failure of regions to make productive use of the resources available to them (Farole et al, 2011) – occurs due primarily to a failure to deliver effective investments and institutions, the consequence either of local elites being unable or unwilling to do so, or because of flows of capital and labour out of the region following a process of agglomeration (Barca, 2009).

The debate between advocates of place-based and spatially-blind approaches to regional development that ensued following the publication of this series of reports (Scott, 2009; Gill, 2010; Barca and McCann, 2010; Garcilazo, Oliveira Martins and Tompson, 2010; Rodríguez-Pose, 2010; Murphy, 2011; Van Oort, 2011) appears to rest on two differences in assumptions in relation to the causal factors behind the process of agglomeration (Kim,2011) and the resulting degree of efficiency derived from regional policy measures. Where agglomerations are the result of market forces, public investment outside of agglomerations is inefficient and can be justified solely from an equity perspective, thus in the name of an optimal distribution of mobile factors regional development should take the form of spatially-blind investments that support market-driven agglomerations. However, if the process of agglomeration is strongly affected by non-market forces, the determination that large urban centres are the most productive is problematic. The inference is that spatially-blind investments are rarely spatially-neutral (McCann and Rodríguez-Pose, 2011) and, moreover, that they frequently actively encourage the promotion of particular cities at the expense of others.

Indeed, so-called spatially-blind policies may in fact have strong differential effects over space (Barca, 2009), as incentives are granted to industries whose presence is stronger in some regions than in others, or transport investments are made solely where there is shown to be a demand-oriented case, reinforcing existing agglomerations rather than investing in the growth of lagging regions. Additionally, private investments are frequently made in concert with public investments, due to the need for public goods and services to make possible the efficient functioning of the markets in which private actors exist, whether over the medium and long term in education and training, or potentially more directly in urban and land use planning. The result is a process of cumulative causation, in which state investment follows private investment which, in turn, follows state investment (Barca, ibid).

OECD research (OECD, 2009a, b; OECD, 2012) similarly eschews the notion that there is an inevitable trade-off between equity and efficiency as investment aims, noting that, while the contribution to aggregate growth made by individual non-core regions is small, the sum of the contribution of the 'long tail' of regions makes up a significant share (OECD, 2012). As a result, small improvements in productivity across a range of non-core regions make a significant additional contribution to aggregate growth (Garcilazo, 2011). Given that all regions show potential for growth and that different bottlenecks exist in different regions (OECD, 2009a), an effective approach to regional policy that simultaneously addresses equity and efficiency concerns requires the provision of 'integrated bundles of investments', tailored according to local knowledge that is the product of a deliberative process involving a range of actors (Barca, 2011). This approach is thus dependent upon open and inclusive stakeholder engagement and improvements in local governance and institutions (Barca, 2009).

The justifications for, and the fundamental premise of, the place-based, or territorial, approach advocated by the OECD and the European Commission, are reflected in the gradual evolution of regional policy. This has progressed from a top-down approach that was primarily concerned with influencing the location of industry via mechanisms like subsidies and infrastructure investment, with the aim of reducing spatial inequality, to a place-based model that seeks to influence an array of regionally-embedded factors considered to influence growth through an approach designed and operated by local institutions. The aim is not regional convergence but the fulfilment of regional potentials for growth. This paradigm shift is the culmination of two decades or more of evolution in the design of policy (Bachtler, 2010), and is the combined result of:

- the perceived failure of the previous model of regional policy (Bachtler and Yuill, 2002);
- a resurgence of geography in models of economic development and a recognition of the place-contingent nature of economic and institutional factors (Bachtler, 2010; Garcliazo, 2011; Farole et al, 2011; Barca et al, 2012);
- the perceived damage done to the ability of the nation state to influence the spatial distribution of growth in an era of rapidly increasing integration of global trade. The concomitant heightened importance attached to the region as the primary scale in a transition from Fordist to post-Fordist production systems (Piore and Sabel, 1984; Amin, 1994) and as a unit of territorial governance, as argued in the 'new regionalist' literature (Keating, 1997; Lovering, 1999; MacLeod, 2001).

A number of dimensions of the new paradigm of regional policy in practice can be identified:

- the use of strategic frameworks and plans to align sometimes diverse policy fields (Bachtler, 2010) such that a range of direct and indirect factors influencing growth are addressed (OECD, 2009b) (echoing spatial planning's concern with the horizontal integration of a range of sectoral dimensions into a single spatial strategy);
- an emphasis on endogenous assets rather than exogenous investments (OECD, 2009b);
- a shift from goals of convergence achieved through a redistributive regional policy, towards endogenous approaches designed to foster territorial attributes in pursuit of growth and competitiveness (Bachtler, 2010), encouraging opportunity rather than addressing disadvantage (OECD, 2009b);
- the employment of an array of different spatial scales of intervention, and an emphasis on the networking and connection of places (Bachtler, 2010);
- the application of policy in all regions, rather than only in lagging regions (Bachtler, 2001);
- the strengthening of sub-national tiers of government, sometimes through the devolution of political powers, or the adoption of administrative forms of multi-level governance (Bachtler, 2010) and the use of a negotiated approach to governance that includes a range of stakeholders (OECD, 2009b);
- a programmatic approach using multi-annual programming periods (Bachtler, 2001); and

- an enhanced emphasis on accountability and learning (Bachtler, 2010), with evaluation conducted at ex ante and interim stages, in addition to ex post (Bachtler, 2001).

These dimensions are observable to a greater or lesser degree across a number of European countries (Bachtler, 2001) as part of an ongoing paradigm shift (Garcilazo, 2011) and in the reform of the EU Structural Funds which have increasingly promoted a place-based approach (Borrás-Alomar et al, 1994; Hooghe and Marks, 1996; Elias, 2008). Indeed, a considerable influence has come from the EU. For instance, through EU competition policy limiting the extent to which governments are able to use subsidies or bid for Foreign Direct Investment, and more directly through the influence of Cohesion Policy on national and regional strategies (Bachtler, 2010), through the engagement of a wider range of actors and the development and the strengthening of subnational levels of government (Leonardi, 2005). EU Cohesion Policy clearly exhibits a number of facets of the new paradigm in advocating horizontal coordination, through the partnership principle, and vertical coordination, through the Operational Programmes. In the 1988 reforms the latter established shared goals over multi-fund, multi-annual agreements between national and regional levels of government. The focus on factors such as innovation, productivity and skills, over interregional convergence, has also been echoed by the competitiveness agenda of the EU's Lisbon and Europe 2020 strategies (Bachtler, ibid).

The addition of territorial cohesion to the existing objectives of economic and social cohesion in the preamble of the European Union Treaty formalises the focus on place which permeates the reform of Structural Funds (CEC 2010). Intergovernmental agreements which reflect on the spatial and territorial dimensions of the European project like 'The Territorial Agenda of the European Union' (2007) and 'Territorial agenda of the European Union 2020' (2011) are also imbued with thinking which resonates with the new paradigm of regional policy. EU Ministers responsible for Spatial Planning and Territorial Development (2011: 3) have, for example, stated that *'We believe that territorial cohesion.... enables equal opportunities for citizens and enterprises, wherever they are located, to make the most of their territorial potentials'* and that *'Territorial cohesion complements solidarity mechanisms with a qualitative approach and clarifies that development opportunities are best tailored to the specificities of an area'*. Waterhout (2007) has identified a number of key themes, or 'storylines' underpinning the idea of territorial cohesion which capture both its substantive territorial objectives and a procedural/governance orientation concerned with ensuring that sectoral policies are coherent in the way that they impact on given territories. Again, as illustrated by Table 1 below, these are laced through with assumptions that are consistent with the characteristics of the new paradigm of regional policy.

Table 1 – Dimensions of the new regional policy paradigm, EU territorial and development themes, and domestic policy and initiatives in England (2014)

Dimensions of the New Regional Policy Paradigm	**EU Territorial Cohesion 'Storyline' (Waterhout 2007)**	**EU Sustainability / 'Europe 2020' Dimensions**	**England / UK Policy and Initiatives (post-2010)**
Emphasis on regional potential rather than national convergence, and encouraging opportunity rather than addressing disadvantage. Nevertheless, growth occurs in different sorts of regions. The contribution to overall growth made by the long tail of regions is noted, however, as are the potential aggregate gains that	*'Europe in Balance'* – addressing regional disparities, securing universal access to services of general interest, and, promoting a 'polycentric' pattern of development in Europe	Society / Inclusive Growth	There is a stated aspiration to 'rebalance' the national economy, reducing reliance on sectors such as financial services and fostering more spatially balanced growth (HM Treasury and Department for Business Innovation and Skills, 2011: 11). Major infrastructure projects such as the High Speed 2 (HS2) railway line are being justified, at least in part, against the goal of promoting more balanced regional competitiveness and growth (Department for Transport, 2013). The links between sectoral rebalancing and spatial rebalancing are however, not clearly articulated in government documents, even if a reading of strategies and policies with spatial implications might allow implicit spatial priorities to be established (Wong et Al., 2012).

could be drawn from small increases in growth across regions.			
Integrated spatial approach to be achieved through 'bundles' of interventions drawn from across a range of sectors, tailored to specific places.	*'Coherent European Policy'* – securing effective horizontal coordination of EU policies so that these do not generate contradictory territorial impacts 'on the ground'	Integration of Sustainability elements / Development of Territorial Impact Assessment	Planning's wider integrative role in relation to public policy has been downplayed since the arrival in power of the Coalition government in 2010. The National Planning Policy Framework (NPPF) does however, task the planning system with delivering across the dimensions of sustainability. Some recent EU funded work on the development of Territorial Impact Assessment (TIA) has been led by the Department for Communities and Local Government (DCLG) in cooperation with the equivalent ministries in Portugal and Slovenia (Fischer et Al., 2014). This is yet to be reflected explicitly in national planning policy alongside other assessment requirements.

Acceptance of the existence of trade-offs between equity and efficiency aims of regional policy, thus acceptance of some degree of uneven growth as necessary and beneficial. Nevertheless, growth occurs in different sorts of regions. The contribution to overall growth made by the long tail of regions is noted, however, as are the potential aggregate gains that could be drawn from small increases in growth across regions.	*'Competitive Europe'* –focussing on competitiveness in the global context by fostering the diverse territorial potential/capital of places in Europe so that they can 'make the most' of their intrinsic attributes, creating life chances for their citizens and contributing to overall European competitiveness	Economy / Smart Growth	A concern with competiveness and growth has inspired reforms spanning "a range of policies, including improving the UK's infrastructure, cutting red tape, root and branch reform of the planning system and boosting trade and inward investment" (HM Treasury and Department for Business Innovation and Skills, 2013: 1). The NPPF sees the planning system as having "an economic role – contributing to building a strong, responsive and competitive economy" stating that "*Development* means growth" (*italics* in original) and that "We must accommodate the new ways by which we will earn our living in a competitive world" (DCLG, 2012: i). Initiatives aimed at promoting growth and competitiveness at sub-national level (e.g. Local Enterprise Partnerships) have synergies with the place based approach and EU territorial development thinking, and draw on similar notions of 'tailoring' policy and intervention scales to make the most of the intrinsic attributes of places (Heseltine, 2012: 9).

Addresses sustainability as an objective alongside efficiency and equity, seeking to identify trade-offs and exploit complementarities between these, based on analysis of place-specific conditions.	*'Clean and Green' Europe* – relating to sustainable development and management of the natural environment including climate change, environmental protection and sustainable energy production.	Environment / Sustainable Growth	The NPPF explicitly states that "The purpose of the planning system is to contribute to the achievement of sustainable development" and makes reference to three forms of EU-related impact assessment, Environmental Impact Assessment, Habitats Regulations Assessment and Flood Risk Assessment) (DCLG, 2012: i, 45). There was an initial post-2010 emphasis on 'Green Growth' and there are some examples of initiatives to further this.

The place-based approach and reform of EU Cohesion Policy

The new paradigm and the notion of place-based development advocated in the Barca Report (2009), and already implicitly present in the Cohesion Policy since the 1988 reforms, are aspects of an ongoing concern with space and territory in the European Union, manifested in the cohesion policy and in the concept of territorial cohesion. It was in 2007 that Regional Policy Commissioner Danuta Hübner requested the production of the Barca Report (2009), appraising the cohesion policy and proposing potential reforms. The report has been characterised as an attempt by the Commission to re-legitimise the Cohesion Policy and to provide a more solid basis from which to defend it ahead of the budget negotiations on the 2014 – 2020 Multiannual Financial Framework of the EU (Mendez, 2013)[1]. Fabrizio Barca, Director General of Italy's Finance Ministry, had previously worked for the OECD and been at the heart of its delineation of the place-based approach and used it as the basis for his appraisal of the cohesion policy. Mendez (2013) detects a fluid spreading of the place-based development discourse throughout the cohesion policy community, citing the appearance of the term in speeches, European Commission papers and reports, EU Presidency Initiatives, member state consultation responses, ESPON research outputs and among researchers at a wider scale. Strong regional governance, strategy-making, strategic visions, participation of stakeholders, partnership, actor networks, institutions, a role for subnational governments, and multi-level governance are all present in the model of regional development policy discussed by the OECD and Barca (2009).

The reforms to the Structural Funds for the 2014-20 programming period can be understood within this context, as the place-based approach has made its influence felt alongside other stimuli for change, such as the need to make more efficient use of the funds in the context of the Europe-wide fiscal crisis and the budget debate, as well as the criticisms of the delivery of the Funds as being too fragmented and administratively complex. Increased strategic coherence of the funds is to be sought through integration into a Common Strategic Framework of the Cohesion Fund (CF), the European

[1] As the 2013 budget negotiations approached the European Commission did indeed come under significant pressure from some member states to 'renationalise' aspects of the cohesion policy, in terms of decision-making power (Bachtler and Mendez, 2007) and funding. The focus on innovation as part of the Lisbonisation of the Structural Funds was also subject to question in the context of a policy aiming to foster growth across the European territory, given that research activity in Europe is concentrated in relatively few places (Begg, 2010).

Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). Hence as part of a simplification agenda these funding streams will be delivered in a more integrated manner, and in theory better targeted at the needs of particular places (CEC 2012). Yet this integration of funds, together with the thematic concentration on a relatively small number of priorities that are consistent with the Europe 2020 agenda of 'smart sustainable and inclusive growth' (CEC 2010) (see Table 2), could also be seen to represent the Commission's view of a need to set developmental policy at higher territorial scales. National and regional/local bodies who wish to be in receipt of European funding need to frame their strategies around the Europe 2020 themes, focusing on no more than four of the eleven sub-priorities which have been identified in response to these (Table 2).

These strategic reforms are supplemented by an increased focus on performance, addressed by imposing ex ante and ex post conditions that will govern the initial disbursal of funds and the issuing of additional, performance-based, funds. The reorientation of the funds from convergence to competitiveness is also redolent of aspects of the place-based approach. It is consistent too, with the previous Lisbon and Europe 2020 agendas, so clearly does not originate solely from the late 2000s debates on the future of Cohesion Policy. Mendez (2013) notes, for example, that the Commission has acknowledged that it has used the discourse of competitiveness as a way of tying the Cohesion Policy to Europe 2020.

Table 2 - European Priorities within the Community Support Framework

Smart Growth	(1) strengthening research, technological development and innovation
	(2) enhancing access to, and use and quality of, information and communication technologies;
	(3) enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF);
Sustainable Growth	(4) supporting the shift towards a low-carbon economy in all sectors;
	(5) promoting climate change adaptation, risk prevention and management;
	(6) protecting the environment and promoting resource efficiency;
	(7) promoting sustainable transport and removing bottlenecks in key network infrastructures;
Inclusive Growth	(8) promoting employment and supporting labour mobility;
	(9) promoting social inclusion and combating poverty
	(10) investing in education, skills and lifelong learning;
	(11) enhancing institutional capacity and an efficient public administration

The scope for local and regional autonomy, meanwhile, is addressed through what is referred to in the policy guidance as 'territorial development', an aim to be achieved primarily through the territorial instruments, which allow for cross-sectoral and cross-(administrative) border interventions within and across operational programmes. These are comprised of Community-Led Local Development (CLLD), Integrated Territorial Investments (ITIs), and sustainable urban development. CLLDs adopt the LEADER approach already used in rural development, facilitating the use of multi-dimensional and cross-sectoral interventions within place-based strategies as a way of addressing needs in particular sub-regions, and undertaken by local partnerships of public and private socioeconomic actors. ITIs constitute a recognition that the space over which interventions are effective is not necessarily congruent with the boundaries within which an operational programme is implemented. Their implementation is appropriately flexible, with administration to be delegated to intermediate bodies such as regional development agencies, local authorities, or NGOs. Resources are ringfenced for interventions that address sustainable urban development, with mechanisms for knowledge transfer in the case of innovative actions.

Partnership Agreements between member states and the Commission should outline how the Funds will be used in an integrated way to address the territorial development needs of different regions and sub-regions, as well as, where necessary, describing the particular characteristics of the territories covered (whether urban, rural, cross-border, or with particular needs such as especially low or high population density). The territorial instruments thus introduce territorial and scalar variety into the use of the Funds, allowing interventions to be tailored to specificities of place and scale. Smart Specialisation[2], a major element of the Europe 2020 strategy, provides an additional tool for place-based policy. It is intended to be a strategic visionary and focused approach to prioritising regional investment on activities which will make a transformational change. The focus is intended to be on identifying locally/regionally distinctive assets which can be enhanced to deliver critical mass to enhance regional competitiveness and help to deliver Europe2020 (CEC 2010) goals. Therefore the notion of Smart Specialisation as a framework for innovation intervention, which was initially based on a sectoral logic, has been reoriented towards a place-based logic. Yet while the thematic consistency with Europe 2020 echoes the place-based approach's competitiveness orientation, the alignment of Cohesion Policy with a limited number of sectoral objectives arguably detracts from its territorial aspect. The Commission's position papers, in which a yet further restricted list of priorities for funding is offered to each member state, also assume a degree of national internal coherence that may not exist. A usurping of the territorial by the thematic, or sectoral, (Mendez, 2013) may, then, remove the necessary freedom to tailor interventions to local context that is the hallmark of place-based development.

This European context for Structural Funds is then operationalised within national contexts and most of the monies (94%) are supposed to be allocated based on the characteristics of the regions. 68% of the Structural Funds budget is allocated to the so called 'Less Developed Regions' (previously known as Objective 1 areas) where GDP per head is less than 75% of the EU. The 'Transition regions' are those regions where the GDP per capita is between 75-90% of the EU average. This accounts for 11.6% of the Structural Fund budget and the 'More developed Regions', (which in the UK account for most of the state territory) get an allocation of 15.8% of the budget. The remaining budget is to be spent on the Cohesion Fund allocations targeted on those countries where GDP per head is less than 90% of EU

[2]'Smart' in this context refers to effective investment in education, research and innovation, sustainable focuses on decisive action towards a more low-carbon economy and inclusive places a strong emphasis on employment creation and the poverty reduction.

the average, the promotion of cross border and transnational co-operation between partners in more than one state, and support to Europe's Outermost regions. The following section considers the context for the administration and delivery of development policy and the EU Structural Funds in the United Kingdom with a focus on England.

Administering the Structural Funds in a rescaling context – the case of England

In England there is little adoption of the EU's language of territorial cohesion/development, however, there are strong echoes of place based development and territorial cohesion themes in domestic thinking on planning and economic development/regeneration. For example, much reasoning in a major report produced for the post-2010 coalition government by Michael Heseltine - *No Stone Unturned in Pursuit of Growth* (Heseltine, 2012), is congruent with the spirit of OECD and EU discussions on place based approaches and territorial development (see Table 1 above). In a number of places it explicitly refers to the place based approach. Heseltine emphasises the importance of what he terms local *'conditioning qualities'* and the *'vital role of government and the public sector in securing essential public services and facilitating the growth of the economy'* (Heseltine, 2012: 5). He argues that '*For the UK to face up to the challenge of increasing international competition, we must reverse the long trend to centralism. Every place is unique. Local leaders are best placed to understand the opportunities and obstacles to growth in their own communities. Policies that are devised holistically and locally, and which are tailored to local circumstances, are much more likely to increase the economy's capacity for growth'* (Heseltine, 2012: 31). It seems clear that similar assumptions about the dynamics of local development underpin such thinking and that of the place based/territorial approach. There are also similarities with the language used in the European debate on how to foster the development capacity of territories – for example, the notion of 'tailoring' government investment in economic development to 'local circumstances' (Heseltine, 2012: 9, 37). The view that development policy is best pursued at the level of economically 'functional' (e.g. city regional) geographies, can also be found justifying domestic initiatives in England such as Local Enterprise Partnerships (LEPs) and City Deals, as well as in EU documents (CEC, 2010). Heseltine thus notes how local business and civic leaders were invited *'to come forward with proposals for establishing LEPs that reflected natural economic geographies'* (Heseltine, 2012).

As regards implementation of the EU Structural Funds, within the UK this task is subdivided between the devolved administrations, England Wales, Scotland and Northern Ireland. A Partnership Agreement between the UK government and the European Commission articulates, in broad strategic terms, how the allocation of European Structural Funds in the UK will be used. In England, the new EU programmes are being launched in a context where the institutions and actions of spatial planning and economic development have become more local and more national in recent years and there has been a 'hollowing out' of the meso (regional) scale of territorial governance. The regional scale is now in eclipse and spatial planners and planning are now focussed on the implications of a government sought flowering of planning at a 'neighbourhood' scale below that of the local planning authority (DCLG, 2014) and on anticipating what central government will do next. Similarly, with the abolition of Regional Development Agencies (RDAs) by the post-2010 coalition government, the prime focus of economic development policy and activity has shifted to the sub-regional scale. Responsibility for designing locally specific growth programmes and priorities has been given to bodies called Local Enterprise Partnerships (LEPs). These are new sub-regional private public partnerships designed primarily to identify local priorities and importantly facilitate the delivery of local economic growth and allied job creation. To date some 39 LEPs have been created across England and they are ostensibly aligned closely to what might be described as functional sub-regions with many LEPs covering more than one local authority/government area. For Haughton et Al. (2013: 228) the LEPs are "a new form of subregional soft space governance that transcends individual local government areas".

Through the LEPs, areas can bid on a competitive basis for nationally available economic regeneration funding. Local Growth Strategies have been developed by each LEP and these provide the broader strategic context within which European funding will be used. EU funds are being co-ordinated through European Structural and Investment Fund Strategies (ESIFs) for each LEP area. In developing these, the LEPs need to go through a process where the critical assets and transformational opportunities for their sub-region are identified. From this, locally specific priorities for investment, which will both develop the physical infrastructure for development (mainly through ERDF funding) and improving the human capital (through ESF) are to be identified. In other words European funding will need to be seen to be much more focused in order to either exploit opportunities for, or overcome bottlenecks or barriers to, growth based on the indigenous strengths and weaknesses of the LEP areas. The strategies that are being developed are therefore intended to build on the specificities of different places (see Box 1 for an illustrative discussion of the case of one LEP area - the Liverpool City Region).

BOX 1 – Identifying place based priorities for the use of EU Structural Funds – the case of the Liverpool City Region

In the Liverpool City Region (LCR), a former Objective 1 area and now a 'Transitional Region', the local growth strategies seek to articulate a narrative of opportunity that emphasises the potential of the place, rather than emphasising uneven national development to justify a case for redistribution. Indeed it is argued in the LCR 'European Structural and Investment Fund Strategy' (ESIF) that "The scale, growth potential and unique mix of assets and market facing opportunities mean Liverpool City Region can be a driver of national economic growth" (Liverpool City Region Local Enterprise Partnership, 2014: 5). The real challenges the area faces are however, also discussed. Currently GVA per capita within the LCR is about £15,600 compared with a UK average of £20,900. This in turn leaves a £8.2 billion gap in the spending power of its residents. To bring the city region to the national average, the number of new businesses needs to increase by about 18,500 and some 90,000 new jobs need to be created (Liverpool City Region Local Enterprise Partnership, 2013: 16). In responding to this context, the goal over the 2014-2020 EU programming period is to concentrate on 'Focused Action Exploiting Key Assets and Opportunities'. An evaluation of the latter in the LCR has led to the development of a strategy that identifies and focuses on five key areas of activity or 'portfolios':

- **The Blue/Green economy** is based around the Liverpool City Region's maritime location and the potential for the Super PORT to help deliver a rebalancing of Britain as promoted by Heseltine and Leahy (2010). Linked to this are logistic functions associated with trade and the potential for the development of new jobs based around the low carbon economy.
- **The Business Economy** priority is designed to create the context within which entrepreneurialism can flourish, whether in terms of creating new businesses in the city region or attracting businesses to locate some of their activity within the city region.
- **The Innovation Economy** focuses harnessing the innovation potential of the key economic sectors outlined above to drive growth
- **The Inclusive Economy** is designed to try and address some of the very deep seated issues of social exclusion amongst particular the young and long term unemployed and ensuring that the skills needs of existing and future businesses can be better met.
- **Place and Connectivity** complements the other four priorities and seeks to improve the infrastructure to support economic growth and limited place marketing (Liverpool City Region Local Enterprise Partnership, 2014: 16-17).

It is recognised that European funding alone will not deliver the transformational change which is sought in the area and there will be a need to work with other agencies and funding streams (including the private sector) to deliver the change.

erritorial development in England. It seems clear that there are shared themes between influential documents, policies and initiatives in England, and the OECD and EU promoted models of place-based and territorial development. Table 1 above provides an indicative illustration of some of the commonalities which exist between the assumptions, goals and policy approaches of the latter and policy and initiatives in England adopted since 2010.

Conclusion

This chapter has considered the shifting underpinnings of explicitly spatial public intervention that seeks to promote territorial development. It has traced how the assumptions and end goals of regional policy have gradually come under the influence of new ways of thinking about the reasons for the relative success of different places in developing themselves. The shift from top-down and redistributive forms of regional policy towards more endogenous models has been discussed. Similarly, the chapter has also discussed the EU Cohesion Policy's increasing emphasis on fostering the development of territories by encouraging them to look to, and build on, their intrinsic attributes and strengths. New approaches to regional and (at the urban scale) regeneration policies have it seems been laced through with a strong emphasis on place and space. The territorial, or place-based dimension, is being put forward as a means of delivering the most effective and efficient forms of investment in local and regional growth. This is often associated with arguments about the importance of developing policy for 'functional territories' and spaces, something which may require a rescaling and/or redrawing of existing spatial boundaries. The development of new spatial strategies at the EU cross-border, interregional and macro-scales, or within states at the intermediate 'city regional' scale between localities and larger regions, has thus typically been grounded in arguments about the need to formulate and pursue development policy at scales, and within boundaries, which reflect functional or 'pertinent' geographies. Such reasoning can be found in EU documents such as the Fifth Report on Economic, Social and Territorial Cohesion (CEC, 2010), or in England where it finds a strong echo in the discourse of the 2000s and 2010s on 'city regions' and initiatives such as the LEPs. It is thus possible to talk of converging models of regional policy with similarities in thinking between the territorial development approaches advocated by EU-level documents and a number of domestic policies and initiatives. The chapter went on to consider the situation in the UK (England) where the Government has stated it wants to see more 'balance' in the national economy, and documents such as the 'Heseltine Report' articulate many assumptions on how to foster growth at the local/sub-regional scales which are redolent of the new place based regional policy paradigm and the EU territorial cohesion/development debate. Today, following the abolition of the Regional Development Agencies in England, the LEPs are being tasked with promoting competitiveness and growth including through a place based approach supported in part by the use of EU Structural Funds targeted at achieving the

EU's sustainability and territorial cohesion goals. The 'bottom-up' definition of LEPs in England represents a process of rescaling from the 'regional level' post-2010 ostensibly around more functional economic geographies. Some authors have seen the LEPs as examples of the emergence of 'softer' governance spaces (Haughton et Al., 2013), though when such spaces become the containers across which resources such as EU Structural Funds are distributed there is undoubtedly a tendency for their boundaries to become somewhat harder. The debate and controversy about the equity of the distribution of EU funds between LEPs within England, and between the various territories of the UK reflects this (Local Government Lawyer, 2014). The English case also raises interesting questions about how the 'new paradigm' of regional policy interacts with processes that claim to deliver greater territorial autonomy (e.g. through the notion and practices of 'localism'), yet do this in a context of a loss of resources for sub-state territories. The granting of greater autonomy and by extension transfer of greater responsibility, to lower levels of governance, it seems may not matched by a commensurate transfer of resources. In such a context, a cynic might observe that territorial autonomy might be considered to be the 'compensation' (or good) which is exchanged for the 'bad' of a loss of resources. At the EU level, the consecration of the 'new' place based and territorial paradigm of regional policy in the later 2000s has also coincided roughly with a period in which financial and economic crisis has led to a reduction of the resources available for future disbursement through Cohesion Policy. In England the Coalition government which came to power in 2010 has placed more emphasis on local autonomy, but there is a contrast between the rhetoric about devolving power and resources and the heavy budget cuts which will see local governments' budgets cut by 28% between 2011 and 2015 (BBC News, 2013). This is particularly important in England as local government is funded overwhelmingly by funds originating from central government and was cut significantly - by 26% in revenue terms and 45% in capital terms from 2010-15 (Clarke and Cochrane 2013). Such issues point to the need to further unpack and understand the role of, or the 'work' done by, the new paradigm of regional policy in the context of the current political economic settlement in Europe and other areas with advanced liberal economies. The place based approach was developed in part as a response to arguments that place blind policy and regulation is a more efficient way for the state to ensure higher growth at the aggregate level. It has been championed by those who have sought to 'defend' place based policies such as EU Cohesion Policy from the spatially inchoate models and place-blind policy prescriptions of their critics. It is therefore somewhat ironic, though perhaps not entirely surprising, if the 'new paradigm' of regional policy is being melded with a discourse of localism, to legitimate an austerity-driven approach to territorial development, which almost in the style of the Western Emperor Honorius's rescript to the Romano-British in AD 410, instructs places to *"Look to your own defences".*

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