

## Place-Based Policy and Regional Development in Europe

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*The past two decades have seen a shift in the paradigm of regional policy in Europe. This article reviews the trends in regional policy design and delivery at national and European Union scales, and considers the degree to which the principles of place-based policy operate in practice, highlighting the issues and challenges that have arisen.*

### A Place-Based Policy Approach

The concept of place-based policy is not new. As far back as the 1960s, Louis Winnick (1966) posed the dichotomy of "place prosperity" vs. "people prosperity" in considering the redistribution of economic activity. The question of whether government intervention in areas, such as poverty and social inclusion, should focus on people or places has been a perennial source of debate in regional, urban, and other policies (Armstrong and Taylor, 2001). Over the past two decades, the concept acquired a new resonance in several policy fields, particularly in North America and Australia. Facilitated by the OECD, it has also become more familiar to European policy makers, where the preferred spatial term has tended to be "region" rather than "place." The concept has been used to describe not just a spatial focus within policy making but a strategic and integrated approach to governance with different institutional relationships. In a recent formulation for the European Union, a place-based policy approach was defined as a long-term strategy aimed at tackling persistent under-utilization of potential and reducing persistent social exclusion in specific places through external interventions and multi-level governance; promoting the supply of integrated goods and services

tailored to contexts; and triggering institutional changes (Barca, 2009).{Add to the references.}

The impetus for this policy approach has come from a greater recognition of the importance of place in modern growth theories and, especially, the spatially contingent economic and institutional factors that contribute to economic agglomeration. Policy thinking about economic and social development has been reshaped by three advances in theory and empirical research (Farole et al., 2009): the "new economic geography," notably the relationship between transport/trade costs and spatial agglomeration; endogenous growth theories, especially on the sources and territorial distribution of innovation; and institutional theories seeking to explain the capacities of economies to adapt and innovate. Michael Storper (1997: 3) encapsulated the shift.

Something funny happened in the early 1980s. The region, long considered an interesting topic to historians and geographers, but not considered to have any interest for mainstream sector social science, was rediscovered by a group of political economists, sociologists, political scientists, and geographers...it was asserted that the region might be a fundamental basis of economic and social life "after mass production."

The influence of such thinking on European regional development policies has been significant. It sparked a radical transformation of regional policy design and implementation, to the extent of constituting a new paradigm of regional development (Bachtler, 2001; Halkier, 2006; OECD, 2005). This paradigm shift is evident both in the regional policies of national governments in Europe as well as in the cohesion policy of the European Union. However, without detracting from the extent of change, the degree to which contemporary regional policies constitute a place-based policy approach varies, and several important questions remain unresolved.

## **Regional Development Policies in Europe**

In assessing whether and how the place-based policy approach is incorporated within European regional policies, several important features of the approach need to be considered: the existence of a strategic, integrated framework; the objectives of policy; the spatial focus of interventions; the state of multi-level governance; and the approach to accountability and

learning (Bachtler and Yuill, 2001, 2007; Yuill et al., 2008).

A first requirement is a strategic framework to ensure that individual policies with territorial impacts are incorporated into a national strategy that covers actions taken at different levels and by different territories and actors, to ensure the consistency and coherence of policy. A feature of European regional policies over the past 10 to 15 years is a move away from individual regional aid and infrastructure instruments to a broader set of interventions, which inevitably has involved trying to influence the territorial dimensions of sectoral policies. This is exemplified in the Nordic area, where both Finland and Sweden require sectoral policy makers to take account of the regional dimensions of their policies, as well as in France (via co-ordination by the national development agency known as DIACT - the inter-ministry delegation to the installation and competitiveness of the territories) and Italy (under the new unitary regional policy).

However, a national framework was entirely absent until recently in most European countries. Among the exceptions are Germany, which has published an annual framework plan since 1969, and the Netherlands, which produces a white paper every four years setting out spatial development priorities. Since the early 2000s, Denmark and Finland have also produced national strategic statements of regional development priorities. A more strategic approach has been stimulated by the need for EU member states to produce a national strategic reference framework as part of the funding allocation system for the EU's cohesion policy. Introduced in 2006, this has led to individual countries developing their own national regional development strategies - often for the first time - and it has strengthened strategic co-ordination (e.g., in Austria, France, and Sweden). This approach to regional policy making has had mixed results. While undoubtedly stimulating more strategic planning and deliberation on core priorities, the implementation of strategic frameworks has often been problematic. In particular, it has proved difficult to break down the barriers between sectoral departments and policies, certainly at a national level.

A further important change in approach has been the shift in policy objectives that have progressively moved away from the traditional goal of reducing inter-regional disparities through redistributive measures. The focus is increasingly on the promotion of economic growth and

making regions more competitive through factors, such as innovation, productivity, entrepreneurship, and skills. This has been strengthened by policy priorities at the EU level, notably the so-called Lisbon agenda, promoting EU-wide action on knowledge and innovation, the business environment, and labour markets, for which EU cohesion policy is a key instrument. Interestingly, many regional policies seek to retain some aspect of traditional policy goals of promoting equity or convergence, notably in Germany or Spain where there are constitutional requirements to reduce disparities, or where there is long-standing underperformance/underdevelopment justifying higher budget allocations or special measures for certain regions (France, the Nordic countries, United Kingdom).

The conceptual thinking underlying the place-based policy approach is also reflected in a different spatial focus of policy. The emphasis on developing regional strengths and potential has brought a greater focus on urban centres or city regions (United Kingdom), as well as spatial economic networks between urban centres and urban-rural links (Sweden). Examples of the application of policy at different spatial scales are sub-regions (Germany), multi-region initiatives (as in the case of the "Northern Way" in the United Kingdom or inter-cantonal agreements in Switzerland), or inter-municipality co-operation (as in the Netherlands, or the rural concept of *pays* in France). In many cases, though, the geography of national regional policies has not (yet) been substantially challenged; new spaces for regional development are often small-scale or experimental, and established regional administrative boundaries continue to provide the spatial parameters for interventions. More significant are the efforts of the EU to promote territorial co-operation, which over a 15-year period has created a Europe-wide geography of transboundary areas for intervention promoting cross-border, inter-regional and transnational co-operation.

An integral part of these developments is a move to multi-level governance. The traditional model of regional policy governance, dominated largely or exclusively by central government, has been partly superseded by a governance system with sub-national bodies, on the one hand, and the European Union, on the other hand, playing an important part in the design and implementation of policy. The changes encompass a more complex set of vertical and horizontal relationships between and across different territorial levels and involving both government and non-government actors. The

"Europeanization" of regional policy is evident in the influence of EU competition policy on policy instruments, modifying the scope for government to provide subsidies for enterprises or engage in grant-bidding wars for foreign investment. It is also apparent in the rising influence of EU cohesion policy since 1988, which has influenced both the content and governance of national regional policies.

The regionalization trend has seen a mix of devolution and deconcentration of decision making and implementation responsibilities to regions and localities - of particular note in Finland, France, Italy, Poland, Sweden, and the United Kingdom. This is a key element of the place-based approach: mobilizing local awareness and preferences with appropriate institutions so the place specificity of economic development challenges can be addressed "bottom up" with tailored, integrated, and strategic responses at the regional or local level. Devolution has led to new regional governments or councils being created. New agencies or other delivery bodies have also emerged, enabling many regions to develop or administer their own regional strategies.

However, the scope for multi-level governance is determined by the very different constitutional arrangements and institutional structures of European countries. At one extreme is Belgium where virtually all economic development responsibilities devolved to the regions. Other federal countries, like Austria, Germany, and Switzerland, also have high levels of regional autonomy for regional development. By contrast, many central and eastern European governments lack any significant sub-national involvement in regional development policy. Elsewhere, regionalization involves central government retaining a strong influence through regional offices or agencies (France, Finland, United Kingdom), and there are even some examples of the decentralization trend being curtailed in recent years (Ireland, the Netherlands).

The growing breadth (across policy areas) and depth (between policy levels) of regional policy means a much greater range of actors is now involved. This requires enhanced co-ordination across and between different administrative tiers. Horizontal co-ordination at the regional level has become easier over time as regional programs (developed collectively by regional actors) have become more common, in part driven by the partnership principle of the EU cohesion policy. In contrast, national-level co-ordination has been more difficult,

with national sectoral departments often unwilling to "buy in" to regional development priorities. The growth in regionalization has demanded national-regional co-ordination, through informal mechanisms of dialogue (Austria, Germany, Sweden), national co-funding of programs and projects (Denmark, France), the requirement for national priorities to be included in regionally designed interventions (Finland, the Netherlands), or contractual agreements (such as the public service agreements in the United Kingdom). Again, one of the most advanced examples of co-ordination between levels of government is under EU cohesion policy, which involves negotiated program agreements (including conditionalities and incentives) between the European Commission and individual national or regional governments.

Finally, the place-based policy approach demands accountability and learning. In part, this involves subjecting the design and outcomes of policy to greater political and public scrutiny during the phase of policy design (to ensure transparency in the decisions made on priorities and resource allocation) as well as during and after implementation. Given the uncertainties of complex packages of interventions involving different partners, it also requires a commitment from actors to effective policy learning. In this respect, a notable European trend over the past 15 years has been the growth in evaluation. From being largely restricted to a few northwestern European countries (e.g., the Netherlands, Sweden, and the United Kingdom), evaluation has increasingly been viewed as a core policy process, conducted at ex ante, interim, and ex post stages of implementation. This has been driven by the need to demonstrate value for money but also by a need for reliable information to guide the management of development programs. Again, EU cohesion policy has been a driver of change.

### **Issues and Challenges**

There has clearly been substantial reform of regional policies across Europe over the past two decades. However, from a place-based policy perspective, several issues have proved problematic.

First, there is often fuzziness in the formulation of policy objectives. As Barca (2009) noted, the conceptualization of policies and the purpose of interventions often fail to distinguish explicitly between the goals of efficiency (increasing income and growth) and equity (reducing inequalities), which has

implications for their verifiability. Popular terms, such as competitiveness, productivity, innovation, and entrepreneurship, are not always adequately defined or related to specific targets.

Second, although substantial progress has been made in achieving an integrated and strategic approach to development (mainly at the regional level), the progress often involves regional economic strategies. In many cases, the social and (especially) environmental dimensions tended to be managed through separate policy channels, or subordinated to economic goals. A more coherent approach to sustainable development has begun to emerge in recent years (the EU has had a sustainable development strategy since 2001, renewed in 2006), although this is frequently interpreted as environmental sustainability. Examples of integrated, sustainable development strategies remain relatively rare.

Third, multi-level governance is now an established feature of regional development in Europe, but the degree to which regions and localities have development responsibilities and powers varies enormously from country to country. In some cases, the regionalization of economic development is not embedded (e.g., the regional development agencies in England could be abolished with a change in government), and there are examples of central government re-centralizing aspects of development policy (as in the Netherlands). From a place-based policy perspective, a fundamental challenge is how to promote institutional capacity building at the local and regional levels and to develop social capital. There are very different views and experiences of how best to mobilize local awareness and engagement, challenge vested interests, develop networks, and capture local knowledge as a basis for designing interventions.

Fourth, under a place-based policy approach, the geography of intervention would be determined by development needs. In practice, it has proved difficult to move away from established administrative boundaries toward, for example, functional regions. There are interesting initiatives in several countries, with some new spaces being determined from the top down (e.g., city regions), and others emerging bottom up (e.g., through inter-municipality co-operation), but they are often marginal to mainstream development.

Finally, important foundations have been laid in Europe for improving accountability and policy learning, an integral part of the place-based policy concept. Partly

driven by pressure from the EU level, the use of evaluation has grown significantly, as evident in the creation of evaluation units in government departments, the commissioning of evaluation studies as a standard part of policy development and assessment, and the creation of evaluation societies. There is also a much greater use of consultation mechanisms as part of policy design and the formulation of regional and local development strategies. On the other hand, the use of evaluation in Europe is not yet as advanced as in North America. Much of the focus has been on evaluating process rather than understanding impacts (what works); and evaluation results are not being sufficiently exploited. More generally, a culture of policy learning is still limited.

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