

Place-based Regional Development Policy – Opportunities and Limits?



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Introduction

This short paper outlines the emergence of a new paradigm of regional development policy within practices and normative policy ideas that can be loosely defined as a 'place-based approach' to regional development, where "place is the most important correlate of a person's welfare" (The World Bank 2009). The paper begins with an overview of this new approach by examining what constitutes place-based regional development and why a new perspective on regional development is emerging at this point of time. The practices of a place-based approach are then examined within a case study region of Yorkshire & Humber in the UK during the period 2000 to 2010. The concluding section of this paper reflects on possible lessons, and considers the limits of the approach to regional development outcomes.

Place-based Regional Development

The place-based approach was given clear articulation in three significant documents published by the pan-national institutions of the European Union, OECD and The World Bank in 2009: 'The Barca Report - a reformed EU cohesion policy' (EC 2009); 'Regions Matter' (OECD 2009); and 'Reshaping Economic Geography' (The World Bank 2009). These three reports reflected on many core issues facing regional development in a globalised world (see Martin et al 2003, Pike 2007). They advanced arguments and perspectives that addressed the central role of the state and government interventions that set out to address uneven spatial development, long seen as a goal of regional development policy. All three reports also set out normatively shaped policy constructs that explicitly rejected redistributive measures and outcomes. Instead they emphasised a territorial justice constructed around diversity and a plural notion of justice alongside the perceived requirement to promote a region's indigenous capacity or assets.

Thus, Barca claims that: "a place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional change....In a place-based policy, public interventions rely on local knowledge and are verifiable and submitted to scrutiny, while linkages among places are taken into account.....this strategy is superior to alternative strategies that do not make explicit and accountable their territorial focus, or even hide it behind a screen of self-proclaimed space-blindness, fail to integrate services, and either assume that the State knows best or rely on the

choices and guidance of a few private actors” (EC 2009).

Alongside a call for a place based perspective, these reports are also common in their emphasis on the need to reform structures and processes of regional governance, and the World Bank (2009) in particular called for “policy discussions to include all the instruments of integration – institutions that unify, infrastructure that connects, and interventions that target.” In this way “spatially targeted interventions are just a small part of what governments can do to help places that are not doing well. The reality is that, besides place-based incentives, governments have far more potent instruments for integration. They can build institutions that unify all places” (The World Bank 2009).

The main characteristics of this new paradigm compared to previous approaches to regional development policy are summarised as below (OECD 2010):

	Old Paradigm	New Paradigm
Problem recognition	Regional disparities in income, infrastructure stock and employment.	Lack of regional competitiveness, underused regional potential.
Objectives	Equity through balanced regional development.	Competitiveness and equity.
General policy framework	Compensating temporally for location disadvantages of lagging regions, responding to shocks.	Tapping underutilised regional potential through regional programming.
- Theme coverage	Sectoral approach with a limited set of sectors.	Integrated and comprehensive development projects with wider policy area coverage.
- Spatial orientation	Targeted at lagging regions.	All-region focus.
- Unit for policy intervention	Administrative areas.	Functional areas.
- Time dimension	Short term.	Long term.
- Approach	One-size-fits-all approach.	Context-specific approach.
- Focus	Exogenous investments and transfers.	Endogenous local assets and knowledge.
Instruments	Subsidies and state aid, often to individual firms.	Mixed investment for soft and hard capital, largely for business environment, labour market, infrastructure.
Actors	Central government.	Different levels of government, various stakeholders – public, private, NGOs.

The rationales for this new approach are nested within a series of arguments. Firstly, through globalisation and climate change, places or territories are increasingly inter-connected, both in their socio-economic behaviours, but also in their search for solutions and political mobilisation. The World

Bank in particular emphasises 'economic integration' where the "interaction between leading and lagging places is the key to economic development" (2009). Secondly, whilst agglomeration processes appear to underpin successful economic development, the simple concentration of resources or investment in infrastructure does not necessarily translate into new growth. Thus the OECD (2009) claims that: (i) The key appears to be how assets are used, how different stakeholders interact and how synergies are exploited in different types of regions; (ii) Leading urban regions are important for national economies, but over the last decade lagging regions have made a strong contribution to growth, suggesting equity and efficiency are not mutually exclusive objectives. An improvement in the performance of lagging regions can help to achieve equity objectives but policy needs to make stronger link between the two; (iii) Growth is linked to the use of productive factors - labour, capital, technology, but no single factor explains improved performance in a region – but there is a need in practices to support synergies for example between education measures and direct investment; and (iv) There is no single formula to promote innovation in all regions and there is a need to address regions that are not innovation leaders but innovative in other ways.

The place-based approach in essence reflects new patterns and processes of spatial development, as urbanisation becomes a general and highly advanced form of socio-economic change that creates new economic functionalities for regions, and rescales the previous boundaries of urban and rural activities. The post-2008 financial crisis and era of public austerity requires the state to forcibly search for resource efficiency, but within increasingly multi-level and networked governance behaviours. This has led to changes in the contractual relationships in these networks and between state regional funding bodies, and the emergence of voluntary co-ordination and cooperation in order (i) to address the need to integrate state activity between sectors, between spatial targeted and aspatial policies; and (ii) to provide effective and efficient delivery of territorial outcomes as urban functional boundaries are rescaled.

Devolved Place-based Regional Policy in England 2000-2010

The United Kingdom has a unitary government structure that has traditionally been centralised in its operation and top-down and centralist in its approach to regional development policy. This basic framework has prevailed despite the growing influence of EU regional policy, for example in the EU 2007-2013 programming period, the UK was allocated around 10.6 billion euros under the Structural Funds aimed at supporting lagging and restructuring regions. UK regional policy has long been associated with the provision of regional aid through grants in 'designated assisted areas' combined with targeted state funded infrastructure provision, mainly in the form of road and business premises. Although long term trends have indicated periods where the unevenness in economic performance between regions has narrowed, the gap between the best performers (London, the South East and East) and the bottom regions (Northern Ireland, Wales, and North East) remains. Entrepreneurial activity and innovation have especially continued to be focused on the already prosperous and faster growing regions around the capital city of London. There has also been a longstanding and growing awareness that sub-regional disparities have been increasing. Differences in unemployment rates

and deprivation indices within regions are greater than differences between regions, and consecutive national governments since the 1960s have pursued various spatially targeted policies, such as urban policy and area based regeneration initiatives.

UK regional policy was to undergo a major transformative step change in 1999 with the return to power of a Labour Party national government following eighteen years of Conservative Party ruling, which had pursued neo-liberal policies such as the privatisation of many previously public services such as rail transport, water, telecommunications. The Labour government elected in 1999 was committed to devolution and essentially, a place-based approach to regional policy. "Regional policy is at the heart of ensuring that economic prosperity reaches every part of the country and that everyone, no matter where they live, has the chance to make the most of their potential. Modern regional policy must be locally led, which means substantially devolved. Regional policy is not just about the poorest areas [but] must focus on improving the economic performance of every nation and region, by tackling the diverse market and social failures that are hindering their performance, and promoting opportunities for all" (*A modern regional policy for the United Kingdom, HMTreasury/DTI/ODPM, March 2003*). "The Government and its partners in the English regions are committed to working together to improve the economic performance of each region and, in the long term, to reducing the persistent gap in growth rates between the three best-performing regions – London, the South East and East – and the other six" (*Realising the potential of all our regions: the way forward, HMT/DTI/ODPM/ERDA, 2005*). Devolved strategy making and policy delivery began with the devolution of powers to a new Scottish Parliament and a Welsh Assembly. This was followed by the setting up of various regional structures in the English regions, focussed on the setting up of regional development agencies in each of the English regions outside London.

England's first eight regional development agencies (RDAs) were launched in 1999, with the London Development Agency following in 2000. They worked in partnership with central and local government, business and other key stakeholders to enhance prosperity in their region, and sought to bring fresh vitality to the task of economic development and social and physical regeneration in the regions through their business-led approach. Their combined budget was £1.6 billion in 2002-03, reaching £2.0 billion by 2005-06. The Agencies aimed to affect the lives of all citizens in their region. By working with partners to set a Regional Economic Strategy and monitor how it is delivered, each Agency acted to boost skills, promote business excellence and attract new investment. In this way, the Agencies aimed to reduce inequalities among and within regions and between rural and urban areas. They invested in the skills of their citizens and the physical and cultural fabric of their regions.

Yorkshire Forward is the Regional Development Agency responsible for the sustainable economic development and regeneration of the Yorkshire and Humber region. The organisation was created under the Regional Development Agencies Act 1998 with the following purposes: to further economic development and regeneration; to promote business efficiency, investment and competitiveness; to promote employment; to enhance development and application of skills relevant to employment; and

to contribute to the achievement of sustainable development. Almost 5 million people help make Yorkshire and Humber one of the UK's most powerful and diverse economies, growing consistently faster than the European average and with a total GDP of £66bn, Yorkshire and Humber ranks alongside the top third of the world's economies. Yorkshire Forward's Mission was "To be the driving force behind the economic regeneration of the region, delivering a programme of change that will make a positive difference to our people, our business and our environment." The RDA was a 'quango', managed by a Board appointed by central government, accountable to the Department of Trade & Industry, with a 'Single Pot' of expenditure of circa £300m, and influence over other public investments. The RDA sought to create more businesses, more competitive businesses, skilled people, to connect people to good jobs, to enhance transport, infrastructure and the environment, and make stronger cities, towns and rural communities.

In 2010, the new Conservative-Liberal Democratic Coalition government announced the abolition of the RDAs and a dismantling of the regional institutional structures in England. They are to be replaced by business led local enterprise partnerships that cover geographical sub-regions constructed on voluntary collaborations between local authorities.

Commentary and Reflections

The World Bank (2009) argue strongly that "Economic growth will be unbalanced. To try to spread it out is to discourage it – to fight prosperity not poverty...for growth to be rapid and shared, governments must promote economic integration...Growth will still be unbalanced, but their development will be inclusive." It must be recognised that these goals raise complex normative issues and require a full and critical examination of the values that underpin the delivery of this policy approach, and the very 'nature' of place that is actually engendered. It is difficult to ignore that the place-based approach requires a political project, since regional development could remain uneven and unbalanced. Whilst it might be argued that regions remain different and diverse, it is more than a construct of discourse to go further and assert that regions, and sub-regions will remain unequal.

In one of the few critical reviews of the new approach undertaken in the UK, a Parliamentary Committee asked if indeed, in light of continuing and in many cases worsening territorial and spatial inequalities, policy needs to: recognise the differences between regions and prioritise the least prosperous regions; rather than the current approach of developing policies for the benefit of all regions, acknowledge that the measures needed to tackle unemployment need to be different in areas where there are lots of jobs and in places where job opportunities are few and far between; ensure that the fundamentals for growth – transport, research and development, investment and universities – are put in place now in the less prosperous regions; and review the allocation of public resources between the nations and regions of the UK to ensure equitable territorial justice (*House of Commons 2003, ODPM: Housing, Planning, Local Government and the Regions Committee, Ninth Report of Session 2002-03: Reducing regional disparities in prosperity*).

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