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# **PLACE-BASED APPROACH IN NEW COHESION POLICY**

## **Introduction**

Last two decades are the period of the ongoing debate on the shift in regional policy paradigm in terms of its objectives, priorities, instruments, entities and geographical area of intervention. Changing challenges and development conditions, including the ongoing process of deepening and widening of the European integration, make it necessary to change the model of cohesion policy.

Cohesion policy pursued by the European Union evolves recently towards redistributive policy model focused on allocating resources to disadvantaged regions for policies designed to exploit the endogenous potential and specific characteristics of individual territories. Such a policy orientation is supposed to more comprehensively utilise the overall EU development potential for the creation of growth, employment and cohesion. Premises for the new cohesion policy proposed by the European Commission are based on conclusions of many studies and analyses (OECD legacy – new paradigm of regional policy, F. Barca Report – place-based development).

This paper aims at highlighting the changes in the EU cohesion policy model, which have transformed it into a more and more place-based approach.

## **1. Place-based development – new approach in cohesion policy**

The idea of place-based development, a new direction in the EU cohesion policy, is based on the achievements of the scientific thought in regional policy, which recently focused on the spatial dimension of economic growth. Theoretically,

cal concepts of regional development, such as e.g. network theory<sup>1</sup>, the concept of a learning region<sup>2</sup>, or a new theory of endogenous growth<sup>3</sup> laid theoretical foundations for programming and implementing the EU cohesion policy.

However, it is worth stressing that the notion of a territory has been redefined. Studies on territorial models of economic operations contributed to the reformulation of the term “territory” no longer meaning geographic space confined with administrative borders but perceived as a social and institutional system with its own characteristics and specificities. A. Jewtuchowicz describes territory as an entity with its internal organisational logic. At present a territory is, on the one hand, a specific resource for development, while, on the other hand, it is an outcome of the development<sup>4</sup>.

Considerations over the nature of a territory understood in the above way allow us to conclude that local communities, their organisation, formal and informal institutions, rules shaped in the course of the development of the territory, and a community bound with common experience are one of key elements of local development.

The impact of social and institutional conditions upon the development of territorial units is more and more often noticed in documents by EU institutions. *Green Paper on territorial cohesion* of 2008 clearly lists competitiveness and welfare as development components more and more dependent upon citizens and economic operators based in a given area<sup>5</sup>. Development strategies in cohesion policy increasingly take account of direct and indirect productivity factors and focus on endogenous territorial characteristics (instead of exogenous investments and transfers)<sup>6</sup>. Tools applied in the new policy concentrated on integrated “soft”

<sup>1</sup> M. Castells: *The Network Society*. Wydawnictwo Naukowe PWN, Warsaw 2008.

<sup>2</sup> R. Florida: *The Learning Region*. In: *Regional Innovation, Knowledge and Global Change*. Ed. Z.J. Acs, New York 2000.

<sup>3</sup> P. Romer: *The Origins of Endogenous Growth*. “The Journal of Economic Perspectives” 1994, 8(1), pp. 3-22, based on: J. Szlachta, J. Zaleski: *Spójność terytorialna w kontekście reformy europejskiej polityki strukturalnej – operacjonalizacja wymiaru terytorialnego [Territorial Cohesion Against the Reform of EU Structural Policy \* Making Territorial Dimension Operational]*. In: *Spójność terytorialna wyzwaniem polityki rozwoju Unii Europejskiej. Polski wkład w debatę [Regional Cohesion as a Challenge for EU Development Policy]*. Ministry of Regional Development, Warsaw, August 2009.

<sup>4</sup> B. Jean: *Le développement territorial. Une discipline scientifique émergente*. In: *Sciences du territoire. Perspectives québécoises*. Ed. G. Massicotte, Presses de L’Université du Québec, Québec 2008, s. 297, based on: A. Nowakowska: *Regionalny wymiar procesów innowacji [Regional Dimension of Innovation]*. Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2011.

<sup>5</sup> Communication of the Commission to the Council, the Parliament, the Committee of the Regions and the Economic and Social Committee: *Green Paper on Territorial Cohesion. Turning Territorial Diversity into Strength*. Commission of European Communities, Brussels 6.10.2008, COM(2008) 616 final.

<sup>6</sup> *National Strategy of Regional Development 2010-2020: Regions, Cities, Rural Areas*. Ministry of Regional Development, Warsaw 2010.

and “hard” instruments, considering in particular business environment, relational capital, multilevel management and better coordination of development processes. Stress is also put on “good governance”, which engages as much as possible regional and local authorities. Paradigm change in regional policy, broadly described in OECD studies, consists mainly in: (1) strong orientation of public interventions on strengthening the competitiveness of all regions and the enhancement of competitive advantages and development potential, (2) shifting away from short-term centrally allocated subsidies for the most disadvantaged regions towards multiannual, decentralised development policies designed to support the competitiveness of all the regions, (3) giving up investments intended as dispersed intervention in favour of more selected and focused investments (Table 1).

Table 1

## Old and new paradigms of regional policy

	OLD PARADIGM	NEW PARADIGM
1	2	3
STRATEGIES	Sector-based approach	Integrated development projects-undertakings
GOALS	COMPETITIVENESS	
	Many elements of social and economic structure identified as competitiveness factors resulting in the overlap of variety of uncoordinated activities	Strategic direction of regional policy (growth dissemination) implemented in all regions, also in the most competitive centres. Precisely specified competitiveness factors and strategically selected directions of their improvement. Multisectoral place-based approach
	EQUALISATION	
	Big emphasis on equalisation measures bringing, however, counterproductive effects of deepened disparities and dissipation of resources	Increasing cohesion as a result of increased absorption capacity (greater flow of capital, people, knowledge and innovation). Special “equalising” measures adapted to the potential of individual regions, important for all the country, focused in selected areas to unleash and exploit their potentials, which allow to achieve “critical mass” necessary for further development
TOOLS	Subsidies and State aid	Integrated “soft” and “hard” tools, business environment, social capital, networking, better coordination

Table 1 contd.

1	2	3
TERRITORIAL DIMENSION	Regions treated homogenously, irrespective of their internal and external diversity. Territorial dimension little taken into account, primacy of sector-based approach, the so called “poverty algorithm”	Territorial approach in all development activities (acknowledging diversity, strong coordination, multilevel management). Integrated programmes dedicated to areas of strategic intervention, while maintaining spatial integration within the framework of regional policy
TERRITORIAL UNITS	Administrative units. Failure to take account of rural – urban relations in policy instruments, rural areas perceived equally across the country	Functional units. Different approaches to different types of territories. Policy adjusted to places; place-based policy approach taking account of dependencies of growth generating areas, functionally linked areas and peripheral areas
ACTORS	Regional government and regional local authorities	All levels of public administration, social actors and business representatives

Source: Synthetic review of the transition from traditional perception of regional policy to modern trends adopted by the OECD countries, based on OECD surveys, *National Strategy of Regional Development 2010-2020: regions, cities, rural areas*, Ministry of Regional Development, Warsaw 2010.

This concept elaborated by OECD experts was reflected in the report by F. Barca, which justified the rationale for the application of place-based approach in the cohesion policy. The approach should promote better use of hidden or improperly used resources and territorial specialisations of all territories. It calls for deeper and better coordination of all sector-based policies with territorial impact and continuous evaluation of such impact (e.g. agricultural policy, transport policy<sup>7</sup>). Place-based approach in cohesion policy forces out bigger engagement of regional and local authorities in policy programming and implementation. New cohesion policy – according to F. Barca – must respond to specific needs of the territories linked to their endogenous growth potential. Integrated place – based approach shifts cohesion policy towards the use of endogenous growth potential, territorial resources, including knowledge stock, and changes it into a policy that enables interventions in response to development challenges but tailored to local conditions. Thus, the cohesion policy evolves from the former redistributive

<sup>7</sup> Sector-based policies should exploit the potential and experience of regional policy in building place-based and integrated approaches and to apply the principle of partnership.

model where resources were allocated to disadvantaged regions and focuses on the support for internal mechanisms and factors of social and economic development. The need of close cooperation with local authorities can ensure best and the most appropriate identification of opportunities and needs of individual territories to further decide on details of public intervention.

## 2. Main changes in cohesion policy after 2013

In October 2011 European Commission adopted a draft legislative package which outlined the Commission's vision of the cohesion policy for 2014-2020. The cohesion policy as proposed by the European Commission makes reference to the goals of *Europe 2020*<sup>8</sup> Strategy and, on the other hand, to the idea of place-based development put forward in the so called Barca report<sup>9</sup>. The shape of cohesion policy for 2014-2020 as proposed by the European Commission introduced many changes compared to the then-current model, including changes that highlight the role of a territory in effective implementation of cohesion policy. The changes concern the objectives, instruments, geographical coverage of support, new allocation ceilings for Member States, as well as the introduction of conditionality and efficiency mechanisms (increasing the efficiency of European investment). The review of changes as proposed by the European Commission compared to the current programming period is presented in Table 2.

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<sup>8</sup> *Europe 2020. A Strategy for Smart, Sustainable and Inclusive Growth*. Commission Communication, Brussels, 3.3.2010, KOM(2010) 2020 final.

<sup>9</sup> Barca F.: *An Agenda For A Reformed Cohesion Policy. A Place-based Approach to Meeting European Union Challenges and Expectations, Independent Report Prepared at the Request of Dagnuta Hübner, Commissioner for Regional Policy*, April 2009, [http://ec.europa.eu/regional\\_policy/policy/future/pdf/report\\_barca\\_v0306.pdf](http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v0306.pdf), (accessed: November 2011).

Table 2

Main changes in the cohesion policy proposed by the European Commission for 2014-2020 compared against the current programming period

	Programming period 2007-2013	Programming period 2014-2020
Objectives	Convergence Regional competitiveness and employment European Territorial Cooperation	Investment in regional growth and employment European Territorial Cooperation
Financial instruments	European Regional Development Fund European Social Fund Cohesion Fund	European Regional Development Fund European Social Fund Cohesion Fund “Connecting Europe” Facility <i>European Agricultural Fund for Rural Development and European Maritime and Fisheries Fund are included in the common strategic framework</i>
Allocation ceiling for Member States	4% GDP	2.5% GDP

Source: Based on: the draft legislative package of the European Commission.

The idea of a new infrastructure instrument Connecting Europe Facility (CEF), closely linked to the cohesion policy and designed to support projects of vital importance for Europe (enhancement of transport and communication network by the expansion of transport infrastructure, energy connections and ICT solutions). European Commission is to directly manage the CEF.

When it comes to geographical scope of support, European Commission divides regions into less developed regions, transition regions, and more developed regions. The Commission proposed the division into three categories for which there are resource allocation criteria under the objective “Investing in growth and jobs”. The Commission plans to earmark for this objective in total 96.52% of resources from general allocation (Table 3).

Table 3

Categories of regions and criteria for funds allocation among Member States as proposed by the European Commission on 6 October 2011

Region category	Eligibility criteria under the objective “Investing in growth and jobs”	Allocation criteria
LESS DEVELOPED REGIONS	GDP per capita lower than 75% of the EU-27 average	eligible population, affluence of the country and unemployment rate in less developed regions and transition regions
TRANSITION REGIONS	<ul style="list-style-type: none"> <li>– new category of regions*;</li> <li>– replaces the present <i>phasing-out</i> and <i>phasing-in</i> system;</li> <li>– GDP per capita between 75% and 90% of the EU-27 average</li> </ul> <p><i>*all regions where in 2007-2013 GDP per capita was below 75% of the EU-27 average will receive two thirds of their allocation for 2007-2013. For each category a minimum share of ESF will be specified (25% for regions included in the “Convergence” objective, 40% for transition regions, and 52% for regions covered by the competitiveness objective).</i></p>	eligible population, affluence of the region, unemployment rate, education and population density in more developed regions
MORE DEVELOPED REGIONS	GDP per capita exceeds 90% of the EU-27 average	population, affluence of the country and the area for the Cohesion Fund

Source: Ibidem.

Regions will be classified in one of the proposed categories based on the relation between their GDP *per capita* measured with the purchasing power parity to the EU-27 average. The list of regions in individual categories will be announced by the European Commission in its decision.

An important modification proposed by the European Commission in the future programming and delivery period of the EU cohesion policy is the consideration of a long-standing postulate of increased impact of regions on policy implementation, in accordance with the concept of place-based development (F. Barca).

Responding to experts’ postulates (F. Barca), the proposal by the European Commission of the shape of the cohesion policy for 2014-2020 intends to increase the participation of regions in the EU cohesion policy. Regions will be equipped with some competences in both programming and management and monitoring effects of operational programmes.

Partnership Contracts will become the main instrument for regions to influence the implementation of the cohesion policy. They will be drafted by Member States and will set out their strategies, priorities and conditions for effective use of funds in accordance with the Common Strategic Framework. Partnership Contract will cover an entire programming period and all of the allocation for a given Member State. Pursuant to Art. 5 of the Regulation on partnership and multi-level governance, these Contracts will have to be drafted with active involvement of partners, i.e. competent regional, local, urban bodies and other public authorities, economic and social partners, and NGOs. Partners, besides their engagement in drafting Partnership Contracts, will also participate in reporting on the progress in works on Partnership Contracts, drafting, implementation, monitoring and evaluation of operational programmes and they will take part in the work of Monitoring Committees for Operational Programmes.

Partnership Contracts give regions real opportunity to impact priorities and the conditions for the use of funds. They were proposed by the Commission in its attempt to ensure the real participation of regional authorities in the shaping of national programming documents and in the implementation of the cohesion policy.

Undoubtedly, Commission's proposal for the new programming period of the cohesion policy takes account of the territorial nature of the policy postulated by F. Barca as the role of local authorities in its shaping and implementation becomes more prominent. However, which should be considered a major change, regional administrations become more responsible for ensuring proper conditions for getting support (*conditionality*).

## Conclusion

Proposal of the European Commission concerning the shape and implementation rules of the cohesion policy in the programming period 2014-2020 introduces numerous modifications compared to the period 2007-2013. These modifications increasingly take account of the development concept based on territorial potential and characteristics. Surely, reform directions were influenced, on the one hand, by OECD surveys and conclusions (new paradigm of regional policy) and, on the other hand, by Barca's report (place based development, enhanced involvement of regional, local authorities and social partners in programming and implementing the cohesion policy).

Territorial dimension in the cohesion policy shifts emphasis from barriers to potential development opportunities of individual territories. One of the key elements characteristic for the approach is the enhanced role of the regional level in mobilising development processes. Building up and adequate use of the potential of a given territory and its comparative advantages should be done by using local knowledge, experience, skills, specialisations, and relations among local entities. In this context, the EU cohesion policy stresses multi-level development management, building-up and improving local institutions, the development of relational capital and the creation of partnerships that help disseminate knowledge and expertise.

Another characteristics of the new cohesion policy is its strong place-based approach. Promotion of territorial cohesion at the European level has been reflected in EU documents and published by the end of 2008 as *Green Paper on territorial cohesion – turning territorial diversity into strength*<sup>10</sup> and initiated a debate which favoured the promotion of the idea of territorial cohesion and deeper understanding of the essence of a territory.

In the cohesion policy, sector-based approach differs from place-based approach in many significant ways. Place-based approach presumes that development processes are multi-dimensional and allow to take account of territorial social, economic and natural conditions as well as territorial diversity of territories in question. Place-based approach helps maximise the synergy of public intervention instruments. In sector-based approach, territorial aspect is not sufficiently considered and it is often ignored. One of key deficiencies of the approach, from the point of view of place-based management, is the unused potential input that could be made by regional and local entities in the implementation of the cohesion policy. Ignoring their involvement in the shaping and implementation of the cohesion policy largely diminishes its efficiency.

Place-based approach, characterised with multi-sectorial and integrated impact upon the development of a given territory, also calls for a broader consideration of the approach adopted in EU sector-based policies. The so called methodological principles inform about potential solutions that allow to make public policies “territorial”. They were worked out and adopted by the EU Council of Ministers for the cohesion policy under the French presidency<sup>11</sup>. The document in-

<sup>10</sup> COM(2008) 616 final, op. cit.

<sup>11</sup> Contribution of the ministers in charge of spatial planning and the cohesion policy gathered in Marseilles on 26 November 2008: *Methodological Contribution to the Analysis of Sector-based Policies – Recommendations for Taking into Account the Territorial Dimension in the Key Dossiers* (based on:) *National Strategy of regional Development 2010-2020: Regions, Cities, Rural Areas*, Ministry of Regional Development, Warsaw 2010.

cludes a recommendation on the need to consider territorial impact of key development strategies and policies already at the stage of strategic planning. Another postulate is to improve the complementarities and links among key sectorial strategies and policies and the cohesion policy. In this context, the EU Council recommends actions that could improve our knowledge on territorial impact of key development strategies and policies, which would allow for better monitoring and evaluation of decisions of territorial impact. For these actions to be effective it is necessary to ensure European and national coordination and to promote place-based approach and territorial projects in all sectorial policies with strong territorial impact.

Final shape of the future cohesion policy, largely dependent on its financial dimension (awaited decision of the European Parliament which will adopt or reject the proposal of the European Council on the EU budget for 2014-2020<sup>12</sup>), will constitute an important step towards making the cohesion policy a real instrument of support for the competitiveness of territories by supporting and creating their endogenous potential.

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<sup>12</sup> Until the paper was finished, the European Parliament has not discusses the EU budget for 2014-2020 yet.

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### Summary

Cohesion policy pursued by the European Union evolves recently towards redistributive policy model focused on allocating resources to disadvantaged regions for policies designed to exploit the endogenous potential and specific characteristics of individual territories.

This article's aim is to present the changes in the EU cohesion policy model, which have transformed it into a more and more place-based approach.

Keywords: new cohesion policy, place-based development