

Concept note “Regional development for territorial cohesion”

First Latin American Social Cohesion Conference.
A strategic priority in the European Union-Latin American partnership

Dario Conato

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Dario Conato, CeSPI (Centro Studi di Politica Internazionale)



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Latin America

Introduction

According to ECLAC, “Territorial and social inequalities are dialectically interwoven. In other words, differences among subnational territories in terms of income, poverty, productivity, access to well-being and natural-resources endowment contribute to the aggregate contrasts in these indicators at the national level. For this reason, narrowing the gaps among territories is vital if equality is to be improved. Hence the importance of policies that consider not only productive convergence but also spatial convergence”.

Latin America displays strong gaps between levels of economic and social development within individual countries. There is a growing awareness of the need for national policies that foster territorial convergence and balanced, sustainable and inclusive territorial development, which is also part of a process of strengthening democracy.

This document presents the theoretical and policy frameworks that in recent decades have been used in Latin America to promote regional development.¹ Based on the lessons learned from these national experiences, some of the main challenges for Latin American territorial cohesion are presented. The text concludes with some questions that may guide the discussion.

Theoretical framework and conceptual references

The generalized reduction of poverty in Latin America in the past decade **has not translated into a redistribution of wealth**, which continues to be extremely polarized: according to ECLAC, “there is a structural condition of Latin American economic development that causes growth and wealth generation to not have redistributive effects”. Also, in Latin America, as in Europe, public intervention is needed to overcome geographical differences in the economic and social development of the country, given that market dynamics alone do not have the capacity re-balance the distribution of wealth: moreover, “economic growth generally does not cancel out the differences between ‘rich’ and ‘poor’ territories, and even tends to exacerbate them in countries that start with less advanced conditions”²

Inequality between regions and social groups represents a central problem in all countries, however there are **differences in the interpretation of the** causes and, therefore, **different strategic objectives for public policies**: in some countries they are aimed at overcoming the effects of inequities as barriers to competitiveness; others reveal the need to eliminate obstacles to decentralization and consolidation of democracy; some policies aim to modify territorial conditions to achieve social justice.

Conditions of inequality in the countries of Latin America (the subcontinent with the largest social divisions in the world, with inequalities articulated between social strata and between central and peripheral territories) are increasingly pushing governments to **adopt the criteria of territorial cohesion**. Although the

1. In this text, the term “region” is used to define a subnational territorial domain specifically targeted by public policies, in which there is a system of historically determined and evolving social interactions.

2. Dario Conato, Estudio para la coordinación de agendas y proyectos en el ámbito territorial. PAIRCA-ACE-SICA. San Salvador, July 2014. p. 7.

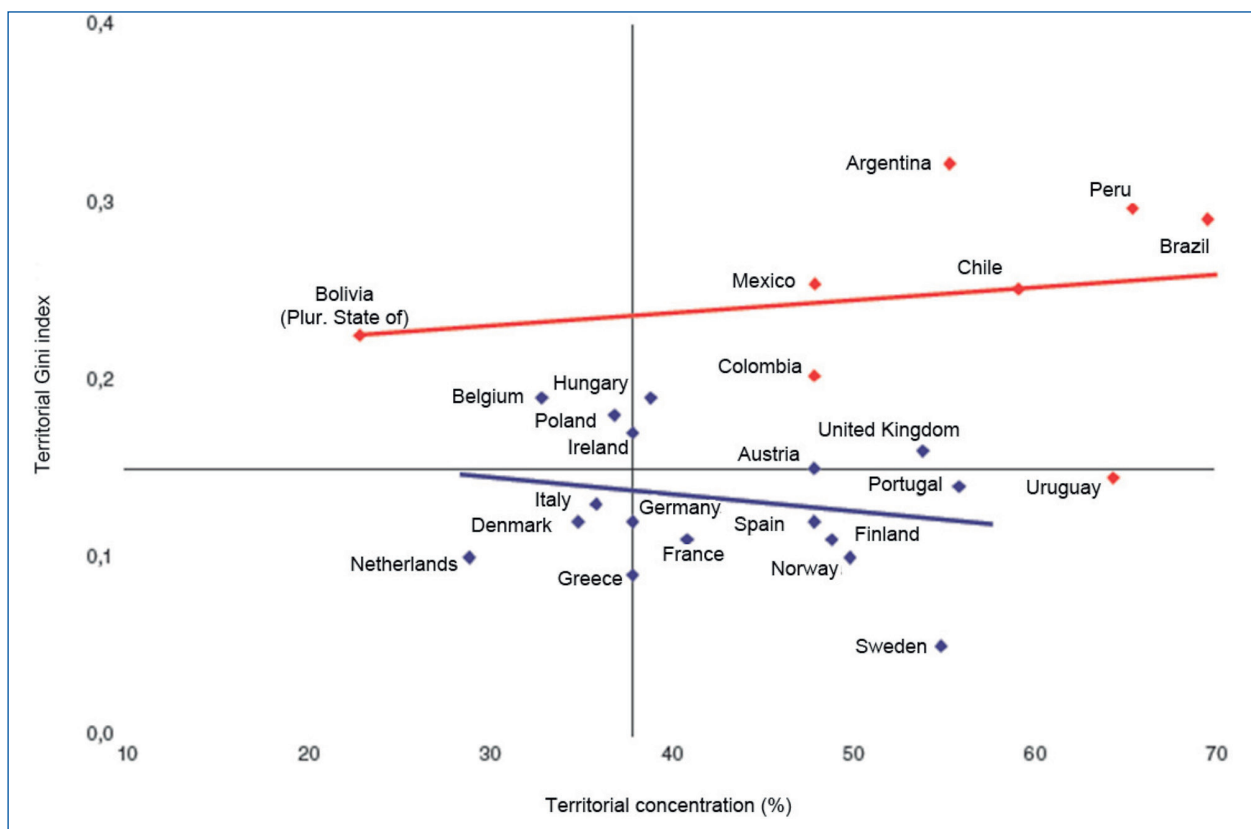
concept of territorial cohesion is not defined explicitly in the strategies of Latin American governments, **it can be considered implicit in all equality policies**. As an initial approximation, it can be said that the expression “territorial cohesion” summarizes the need for a convergence between the social, economic, environmental indicators for all regions of the same country. In a more complete and integrated manner, territorial cohesion considers regions as part of a broad context of tangible and intangible relations, and therefore convergence between different territorial areas depends also on how each region contributes to national competitiveness.

The approach of many politicians and analysts to the concept of cohesion as it has been created progressively in Europe lead us to consider cohesion as **a strategy that can accelerate development processes** by uniting economic and social stakeholders towards shared objectives. In turn, territorial cohesion transfers the accelerating capacity of cooperation among societal stakeholders to subnational institutional units, counting on processes of convergence between territories to strengthen the competitiveness of the country as a whole.

As regards public policies that incorporate the concept of territorial cohesion, **some countries adopt strongly centralist models** in which policies are designed and implemented by the ministries or government bodies responsible for planning, while **others adopt a multi-level approach** in which the national ministries responsible for territorial issues are articulated with intermediate or local government institutions.

Traditional policies, essentially compensatory in nature, have not been able to reverse this trend. Unlike the case of OECD countries, in almost all Latin American countries, the higher the territorial concentration, the higher the Gini index (which measures wealth concentration), demonstrating that **the response to inequality in Latin America is not a question of concentration around a few development poles**. The effective discrimination to which native peoples and African-descended populations are subject comes on top of equalities due to geographic or historic characteristics in territories in many countries.

Fig. 1. Latin America and OECD countries: concentration and territorial disparities



Circa 2003

Source: Alicia Bárcena, Antonio Prado (coord.), Time for equality: closing gaps, opening trails. United Nations – ECLAC, Santiago, Chile, May 2010.

Analyses based on sigma convergence (σ) and beta convergence (β) (indicators that measure disparities and the trend towards reduction of same, respectively) show that “high spatial concentration of population and economic activity in Latin America is accompanied by considerable territorial disparities—gaps in territorial per capita GDP—while in OECD countries, concentration indices are not as high and are not associated with disparities”. In other words, as these countries show, “spatial concentration of economic activity and population does not necessarily have to mean significant wealth gaps among territories”. But “**in Latin America, however, concentration and disparities have gone hand in hand**, thus generating a situation of territorial inequality that calls for commensurate public policy responses”³.

Territorial development requires policies that put **public action for the region with its interconnections at the centre**: this requires overcoming sectoral and partial approaches, which are still very present in national policies. Moreover, for a territorial cohesion approach to be translated into effective policies for convergence and competitiveness, there must be an institutional dimension that corresponds to the territory. On the other hand, the need for interventions aimed at regional development do not always respect spatial, institutional and subnational administrative delimitations: at times the needs and challenges of regional development can create new “effective” spaces that arise out of the aggregation of territories with formal institutional structures (municipalities, provinces, departments, etc.) or as a product of the separation and recomposition of existing administrative domains. For this reason, in some cases the possibility of creating new institutional forms should be considered—for example, inter-municipal consortiums—which, without contradicting the existing institutional system or attempting to replace this, facilitate multi-level organization and the same policy implementation: in this way, territories become normative categories capable of playing a leading role in development policies instead of being solely their beneficiaries.

Experiences in Europe and Latin America itself show that regional policies aimed at promoting stable territorial cohesion must contemplate certain inescapable components: (a) promoting the physical articulation of the territory; (b) granting subnational institutions a capacity for governance of regional processes, dialogue with economic and societal forces, mediation between the different—and sometimes opposing—active forces to orient them towards common objectives; (c) encouraging the constitution and fortification of productive chains, innovation networks, qualification of labour forces.

Experiences in Latin American countries

The national strategies of Latin American States operating in favour of territorial cohesion are the product of **very different historical developments**. There is no homogeneous frame of reference such as in the EU for European countries. For this reason, national cases present different situations, in which varying weights are assigned to a range of shared concepts. The different types of national public policies aimed at territorial cohesion are derived from the degree of evolution attained by each country and from the greater or lesser degree of persistence of concepts and approaches left over from the historic process. For this reason, it is interesting to present a brief summary of the evolution of territorial development policies.

In the 1950s, the main objective of public policies aimed at reducing disparities through development of the most backward regions is **regional growth that prioritizes the industrial sector**, improving infrastructure funding and strengthening international links capable of attracting investment. Spill-over effects from the most advanced areas are counted on, with a particular emphasis on promoting exports.

In the nineteen sixties and seventies, neo-classic theories prevailed, and therefore the **emphasis is on interregional mobility of factors**—mobility of labour, compensatory incentives for investment in poor regions—associated with the play of free market mechanisms. Some countries, in contrast, try **neo-Keynesian recipes, favouring public investment in the most backward areas** and by expanding infrastructures. In this same era, there is an assertion of growth pole theories that lead to locating industrial complexes so that they can trigger expansive growth in bordering regions.

3. Alicia Bárcena, Antonio Prado (coord.), *Time for equality: closing gaps, opening trails*. United Nations – ECLAC, Santiago, Chile, May 2010. p. 138.

Throughout the eighties and up to the mid-nineties, **sectorally-oriented objectives** that aim for growth through technological modernization according to an endogenous development logic that accompanies **accelerated decentralization processes** (downsizing of the central government) prevail.

In the second half of the nineties, a new phase begins which endures to this day. In the context of globalization of markets, in which regional disparities can aggravate the marginalization of weak regions, regional competitiveness is sought through an **endogenous development approach** (knowledge, localized learning, intangible capital, support for SMEs and entrepreneurs, public-private articulation) with **modernization and technological innovation**.

Today Latin American policies that seek development and regional cohesion are comprised of a variable mix of a series of ingredients: competitiveness, connectivity infrastructures, decentralization, multi-level coordination and financing modes. **Competitive advantages** are achieved through the creation of integration axes, territorial development areas, development corridors, in addition to support for sectoral domains. **Connectivity is a target for investment** in all countries as an axis for spatial and communication integration. All countries recognize the high degree of inefficiency associated with centralism, and therefore they are implementing administrative **decentralization plans**, but these are not always accompanied by a sufficient transfer of resources. Decentralization processes are complemented in some cases by efforts to achieve **greater inter-agency coordination** between different levels of government. For financing of regional development, **various types of financing instruments**, in addition to the country's general budget, are activated: national regional development funds, special international cooperation funds, territorial development banks.

For a long time, great importance was placed in Latin America on the **potential articulating and multiplier role of the most dynamic territories**—metropolitan cities, industrial areas, productive corridors—seen as generators of economic growth in bordering territories through “natural” dynamics determined by connections of a physical or technological nature. In reality this phenomenon does not occur automatically; in many cases the presence of “leader-territories” has actually been responsible—through polarization of investment, migration—for increasing the gap instead of contributing to greater cohesion. At the same time, it is necessary to avoid the opposite error, that of becoming attached to an excessively narrow conception of “local development” that does not consider the current and potential links between the local space and the region to which it belongs through functional relationships that require regional connective infrastructures, regional and local markets, promotion of the territory to attract investment, technological innovation. Besides applying a systematic, integrated and integrative vision, it must be recognized that to achieve balanced growth in the territories that comprise a country, there is a need for a **combination of endogenous and exogenous processes**: the former are the product of localized potentials and specialties in the territory, while the exogenous processes are determined by the relationships established by the territory with the regional context and the country as a whole. In turn, exogenous development can also be stimulated through integrative public policies. Endogenous development without “outside-in” guiding actions can **accelerate the cleavage** between “strong” and “weak” territories, a phenomenon that would negatively offset the positive aspects of a significant endogenous component of territorial development, for example attention to environmental conditions, valuing and respecting local cultures, and reducing dependence on uncontrollable external factors.

The credibility of the State is undergoing a renewal that goes beyond the extreme figures of past decades (a totalizing conception in the 1970s, minimization in the 1990s) and reinventing a suitable profile for the challenges of globalization in terms of equality policies both at a national level—firstly through a radical change in the current regressive tax structure—and in territories. In this perspective, **decentralization processes and the emphasis on a new idea of territorial organization** are very important, even when the transfer of powers does not seem to be accompanied by a proportional transfer of resources.

The **inclusion in decision-making processes of new stakeholders** like private companies, on the one hand, and civil society on the other, can favour the modernization of the State and greater attention to themes of territorial cohesion: “the expansion of the scope of action of non-governmental organizations and of the business sector has changed power relations between the State and society”.⁴

4. Silva Lira Iván, Rafael Echevarría Perico (2014), *Estrategias y políticas nacionales para la cohesión territorial. Estudio de casos en América Latina*. CEPAL-EUROSOCIAL, Colección Estudios n.5. Madrid. p. 39.

Latin American States are going through **top-down power transfers**. The spaces for regional integration—like the SICA or MERCOSUR—represent domains where national governments seek forms of agreement based on shared macro-regional interests in relation to themes like justice, the environment, international trade. In addition, through top-down decentralization of powers (those which—unlike “bottom-up” power shifts—are genuine transfers), the conditions for a more active role for intermediate and local institutions in the governance of regional development are being created.

Lastly, it is interesting to point out a limitation that some authors detect in the public policies of many Latin American governments in the area of social cohesion, a limitation that due to its characteristics impacts the cohesion of territories: “the **displacement of politics by public policy, conceived of as a technical activity exclusively the province of experts**[...], has led to public policies and even social programmes being designed solely based on their effectiveness in serving disadvantaged or vulnerable groups, leaving aside the fact that they are also a ‘social cement’ and that they can be ‘sticky’ in terms of developing cohesion among the members of a community with visions, symbols and the more general institutions that sustain it”⁵. Hence the need to leave behind sectoral approaches, both in both social and economic terms, by designing policies that combine social inclusion with the internal cohesion of each territory and the cohesion between territories and regions.

Remaining challenges and future perspectives

Analysis of the policies implemented across the continent—which include laws and regulations aimed at regional development, territorial planning from an environmentally sustainable perspective, regional local development strategies, deepening of administrative deconcentration and decentralization—demonstrates recognition of the subnational region, whose definition and dimension varies between a country and a strong commitment by Latin American governments to territorial cohesion that nonetheless lacks integrated and explicitly defined strategies with clear and measurable interregional and national convergence indicators.

In public policies, a dual vision, which aims at the **competitiveness of the regions with the greatest potential and compensatory instruments in the poorest regions**, still prevails: “emphasis is placed on the need to deal in a differentiated way [through sectoral policies, *NdR*] with the potentials for economic specialization of regions and no longer with models of integration of broad economic spaces”⁶; it is necessary to assume integrated approaches that also consider the tangible and intangible connections of subnational administrative domains with their economic and institutional environment.

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The need to complement, in a more systematic and sustainable manner, transfers of powers towards territories with **transfers of resources** also stands out.

In territorial development policies promoted by national governments, **the concept of transborder or transnational regions is lacking**. Nonetheless, some experiences in Latin America (the Central American Trifinio, twin cities in the Southern Cone, among others) indicate that this is a feasible path which also makes it possible to face regional problems that have economic and social dynamics which operate across borders, generating conditions favourable for macro-regional integration processes.

5. Bernardo Sorj, Eugenio Tironi, “Cohesión Social en América Latina: un marco de investigación”, en *Pensamiento Iberoamericano* n. 1- 2da Época. Madrid, 2007. p. 118.

6. Silva Lira Iván, Rafael Echevarría Perico (2014), *Estrategias y políticas nacionales para la cohesión territorial. Estudio de casos en América Latina*. CEPAL-EUROSOCIAL, Colección Estudios n.5. Madrid. p. 97.

Topics for discussion

By way of conclusion to this note, we propose some topics which, based on Latin American policies, could become axes of a discussion between political decision-makers and development operators.

- a) All the national and regional policies carried out in Latin America to build greater equality inherently contain the elements that characterize the **concept of regional cohesion**, however this is not explicitly assumed, and therefore clear territorial convergence objectives and indicators are not defined.
 1. *What would be the advantages of defining explicit territorial convergence approaches and objectives?*
 2. *What are the territorial divergence indicators that can be used to define priority territories for cohesion policies and to measure progress towards harmonious integration between the regions that comprise a country?*
- b) In most Latin American countries, **regional and territorial development policies are applied according to administrative divisions**—be these departments, provinces, states or municipalities—which do not always correspond to real territorial links—social, environmental, economic. On the other hand, many experiences indicate how successful implementation of regional development policies in areas that do not coincide with administrative boundaries requires forms of representation which, without opposing the institutional system, provide representation to the regional space.
 3. *What conclusions can be drawn from concrete experiences of “innovative territorial institutional structures” in Latin American countries?*
 4. *What possibility is there in each country of creating forms of territorial institutional representation that go beyond the current administrative entities?*
- c) The spread of the endogenous development approach (product of the objective convergence of two radically distinct visions such as the reduction of the regulatory role of the State and the strengthening of local stakeholders) have not been accompanied by a **clear definition of the role of the different levels of the State** in regional development processes.
 5. *What should be the respective roles of the national State and the intermediate and local governments in territorial cohesion?*
- d) **Communication and collaboration between national, intermediate and local institutions** is essential for the success of regional development policies.
 6. *What are the most appropriate multi-level coordination mechanisms?*
- e) In addition to the territories and regions belonging to a country, there are also **transborder regions**.
 7. *Is it possible to define transnational institutional structures to attend to territorial cohesion problems in transborder areas?*

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European Union

Introduction

Territorial cohesion “is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU”: as stated by the European Union in a communication in 2008. “Increasingly, competitiveness and prosperity depend on the capacity of the people and businesses located there to make the best use of all of territorial assets. In a globalising and interrelated world economy, however, competitiveness also depends on building links with other territories to ensure that common assets are used in a coordinated and sustainable way. Cooperation along with the flow of technology and ideas as well as goods, services and capital is becoming an ever more vital aspect of territorial development and a key factor underpinning the long-term and sustainable growth performance of the EU as a whole. Public policy can help territories to make the best use of their assets. In addition, it can help them to jointly respond to common challenges, reach critical mass and realize increasing returns by combining their activities, exploit the complementarities and synergies between them, and overcome divisions stemming from administrative borders.”¹

The conceptual aspects and approaches on which European regional cohesion policies are based are defined in the first part of this document. The main “currents” of these policies are synthesized successively, with a summary of the themes fuelling the European debate on the future of territorial cohesion policy. Lastly, we propose a series of questions that arise from European experiences which may stimulate a discussion on the perspectives in the Latin American context.

Theoretical framework and conceptual references

Territorial cohesion, i.e. the ability to overcome development discrepancies between European regions, is a **necessary condition for comprehensive development** of the European Union as a whole.²

The sixth report of the European Union on economic, social and territorial cohesion indicates that “Cohesion Policy **has already improved regional competitiveness and people’s lives** across the EU” by supporting business start-ups, increasing labour qualifications and employment, expanding connection infrastructures and computer access, increasing access to clean drinking water and wastewater treatment facilities.³

The territorial cohesion policies of the European Union are contained in the **strategic guidelines for EU Cohesion Policy**, which represents a framework of solidarity at the European level through the Structural Funds and the European Fund for Strategic Investments, or EFSI (which includes the ERDF—European Regional Development Fund, the ESF—European Social Fund, the EAFRD—European Agricultural Fund for Rural Development and the EMFF—European Maritime and Fisheries Fund), and the Cohesion Fund.⁴

1. European Commission (2008), Communication from the Commission to the Council, the European Parliament, the Committee of the Regions and the European Economic and Social Committee, *Turning territorial diversity into strength. Green Paper on Territorial Cohesion*. Brussels.

2. See the *Treaty Establishing the European Community* (2002). Official Journal of the European Communities, C325/33, art. 174.

3. Sixth report on economic, social and territorial cohesion. *Investment for jobs and growth. Promoting development and good governance in EU regions and cities*, p. iii. European Commission, Brussels, July 2014.

4. The ERDF supports infrastructure construction and productive investment by businesses that generate employment. The ESF finances training activities for labour market integration of disadvantaged groups. The Cohesion Fund supports infrastructure and environmentally sustainable transportation projects in coun-

In addition, the aforementioned EC report also states that “**The crisis has had a major impact on regions and cities across the EU.** Regional economic disparities which were narrowing have stopped doing so, while unemployment has risen rapidly in almost all parts of the EU. Poverty and exclusion have also increased, including in many cities in the more developed Member States.”

In addition to the international economic crisis, European efforts to achieve regional development are increasingly influenced by two central factors on the international agenda:

- achieving **economic re-balancing between macro-regions** of the world
- confronting the challenges of **climate change** and the limits of **non-renewable energy sources**.

European Union Cohesion Policy for 2014–2020 is aimed at a general objective of **investment in growth and employment**, which is articulated in three different geographical areas: the least developed regions (those in which the previous programming had the objective of convergence (with a GDP per capita of less than 75% of the EU average), **the most advanced regions** (those which previously had the objective of *competitiveness and employment*, whose GDP exceeds 90% of the EU average) and regions with intermediate development conditions (GDP per capita between 75% and 90% of the EU average). To this objective, that of **territorial co-operation** is added.

Convergence seeks to promote conditions that favour growth and reduce structural differences with the rest of the Union, particularly in regions in which per capita income is less than 75% of the EU average.

By increasing *regional competitiveness and employment*, it seeks to improve the economic and social vitality of the most advanced regions.

European territorial cooperation aims to increase collaboration between EU regions and member countries.

Cohesion Policy is consistent with the **EU 2020 strategy**, which aims to transform the European Union into the most competitive economic space in the world, indicating certain key objectives to be achieved by 2020: employment for at least 75% of the population between 20 and 64 years of age; 3% of GDP invested in research and development; achievement of the 20/20/20 environmental target (20% reduction of greenhouse gases compared to 1990, 20% increase in the share of renewable energies in total energy consumption, 20% reduction of the 1990 EU greenhouse gases emissions, 20% increase in energy-efficiency); 10% reduction in early school leaving; 20 million people lifted out of poverty or exclusion. Each country can apply the EU 2020 strategy independently based on the specific conditions of its economy and society.

In the **2006–2013 period** the Convergence objective received 81.5% of the resources allocated for Cohesion, directed at approximately 70 million people (14% of the population of the EU). For the Competitiveness objective, 3.16% of the funds were utilized, covering 14 million people, in other words, somewhat less than 3% of the population of the EU. Lastly, 2.5% of the available funds were dedicated to Territorial Cooperation. For the **20014–2020 period**, the European Union is dedicating a total of 351.8 billion euros to Cohesion Policy.

In all European countries, it is recognized that the differences across their national territories in terms of social and economic development **are due both to national and global market dynamics and to insufficiencies and errors in government action**, and therefore external intervention is required.

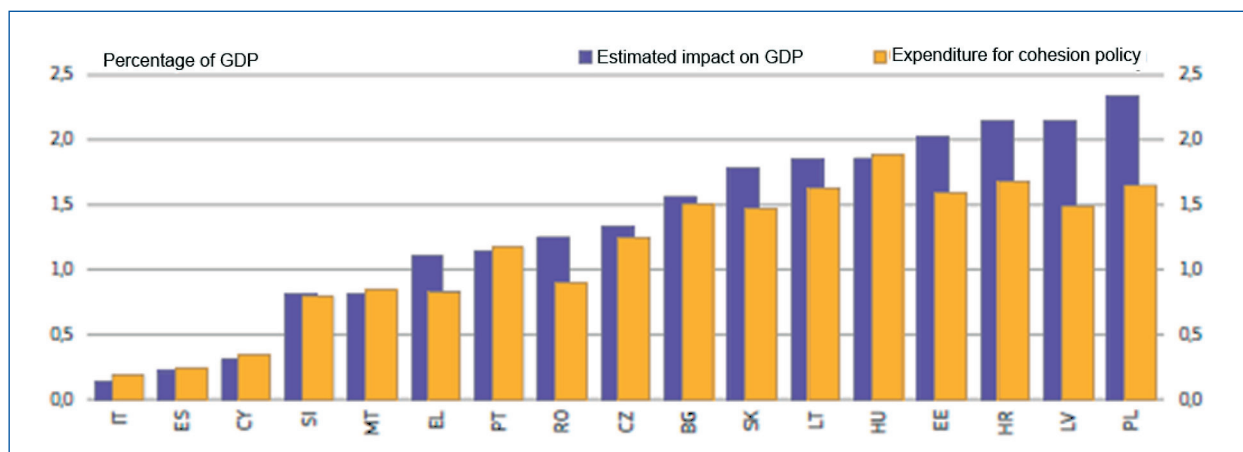
There is a **dichotomy between efficiency objectives and equality objectives** in regional development policies. Efficiency objectives aim to maximize the contribution of regions to national growth, while equality objectives aim to reduce the differences between regions.

tries whose GDP per inhabitant is less than 90% of the EU average. Lastly, EAFRD and EMFF intervene in territories with specific economic and physical characteristics. EU Regulation No. 1303/2013 on the EFSI and Cohesion Fund explains the strategic nature of the new programming for all territories of the EU: “Member States and regions increasingly face challenges that relate to the impact of globalisation, environmental and energy concerns, population ageing and demographic shifts, technological transformation and innovation demands, and social inequality. Due to the complex and interrelated nature of such challenges, the solutions supported by the ESI Funds should be of an integrated nature, multi-sectoral and multi-dimensional. In this context, and in order to increase the effectiveness and efficiency of the policies, it should be possible for the ESI Funds to be combined into integrated packages which are tailor-made to fit the specific territorial needs.” (Regulation (EU) No 1303-2013 of the European Parliament and of the Council of 17 December 2013, Official Journal of the European Union. Brussels, 20.12.2013).

In the definition of European, national and subnational policies for regional development, **new territorial approaches** are emerging that go beyond administrative regions: in various countries, there is starting to be talk of macro-regions, regional corridors, city regions, functional areas.

The European Union maintains high expectations for the capacity of regional cohesion policy to boost GDP growth, as shown in the following graph.

Estimated impact of Cohesion Policy on GDP in 2014–2023 and projected expenditure for Cohesion Policy in 2014–2023 in 17 EU member countries



Source: European Commission (2014)

The experience of European countries

Overall, European Union Cohesion Policy—with its structural and cohesion funds—has had a **strong influence on national policies in the member countries**, especially in terms of strategic planning and definition of priorities.

All the countries of the EU have regional aid models and instruments which must be **compatible with the rules the EU establishes for public aid**: in synthesis, the aid and special measures national governments dedicate to their neediest regions are subject to an evaluation by the European Commission, which verifies that the positive impacts of this aid on the common interests of the countries of the Union exceed the negative effects on intra- and extra-European commerce and international competition.

There are **significant differences from one country to the next in terms of objectives, strategies, priorities, governance modes, instruments**. Within a single country, changes can also arise due to economic conditions and also to the differing policies of the governments alternating in power. In many European countries, the weight of special measures, i.e. those aimed at territories classified as problematic, is decreasing at the same time as general regional policies, aimed at increasing regional and national competitiveness, with particular attention to innovation, are growing in importance.

General regional policies aim to **maximize opportunities for growth and competitiveness in each region** in order to increase the efficiency of the country overall. The approach based on regional selectivity, in contrast, concentrates its efforts on support to regions facing particular development problems and challenges.

In general, the policies implemented by national governments are a combination of both the efficiency and equality approaches, with a varying emphasis on one or the other.

A first combination is that which assigns **greater importance to efficiency**. In this case, public regional development policies are promoted in all regions, and also on the basis of conventions for economic development

between the central State and all the regional governments; in all regions, programmes and strategies centred on competitiveness are implemented.

In some countries, the emphasis on efficiency accompanies particular attention to **increasing efficiency in the weakest regions**, for which additional national resources—along with those of European Union Cohesion Funds—are made available. National funding policies also place greater emphasis on weaker regions.

In some countries, regional policies in which **efficiency and equality objectives have equal importance** are implemented. Among the instruments utilized, we find subsidies, tax exemptions for investment and innovation, construction of infrastructures and connections.

Finally, there are regional policies explicitly reserved for **increasing intra-regional equality**. This means, in other words, creating employment and improving living conditions in the weakest regions by investing particularly in transportation, creating employment opportunities, special tax regimes (particularly for businesses that create new jobs). All European countries anticipate providing fiscal equalization mechanisms through the transfer of tax resources between regions in order to reduce differences. The instruments used to promote regional development include non-reimbursable funding, interest-free loans, tax exemption or reduction, guarantee funds, reduction of social security contributions, among others.

The **institutional importance of regional policy** is not the same in all countries. In some cases—among these Italy, Germany and Spain—regional development with equality is mentioned in their respective constitutions. In other countries, regional development policy is established in strategic documents that serve as a frame of reference. Lastly, “strongly federalist” countries like Belgium and the United Kingdom do not have national frameworks, as responsibility for the design and implementation of regional development policies corresponds solely and exclusively to subnational governments.

In an attempt to simplify without forgetting the variety of equality/efficiency combinations, we can say that **the objective of equality is made concrete in regional policies aimed especially at the development of the regions that lag farthest behind, while the objective of efficiency aims to increase the country's overall competitiveness**. In addition, regional development policies can be promoted from the national government or from regional governments. Using the aforementioned distinguishing factors (equality/development vs. efficiency/competitiveness, national policy vs. regional policy), the following outline can be constructed.

	EQUALITY Equitable development between regions		EFFICIENCY Contribution of the regions to national competitiveness	MIXED NATIONAL POLICIES	
Pre-eminence of regional policies	Large countries with marked regional differences		Countries with some regions that present problems		
	Germany Italy Spain	Finland Sweden	France Belgium United Kingdom		
Pre-eminence of national policies	Countries marked by external or internal distance or isolation		Small countries with localized problems	Central and Eastern European countries	
	Cyprus Greece Ireland Croatia	Malta Portugal Slovenia	Austria Denmark Luxembourg Netherlands	Bulgaria Czech Republic Estonia Latvia Lithuania	Hungary Poland Romania Slovakia

The regions with development problems are defined based on variable combinations of economic, social, territorial and labour indicators. In many Central and Eastern European countries, **regional policies in effect coincide with European Union Cohesion Policy**: these are countries that before joining the EU had not had differentiated policy experiences for development of their most lagging regions. In other countries, community instruments are inserted into more robust national policy and legislative frameworks.

In this brief summary, we cannot fail to mention regional cross-border development policy experiences, which are directed at territories that belong to one or more countries. This mode of cooperation between territories and countries is used successfully within the European Union and with bordering countries to reduce disparities and increase economic, social and cultural links between peoples. One of the new forms being tried is that of *macro-regions*, large territories that group regions of different countries with homogeneous characteristics: "macro-regional strategies could represent a new multilevel instrument to strengthen territorial cohesion inside the European Union (EU) as well as with bordering countries. The functional principle at the basis of the macro-regional approach overcomes national divisions and supports the need for more cooperative relations and blurred borders with neighbour territories against the Fortress Europe mantra."⁵

Remaining challenges and future perspectives

As stated, cohesion policy has improved regional competitiveness and the lives of citizens throughout the EU: it has supported business start-ups and helped people obtain qualifications and jobs, widened broadband access, invested in railway infrastructure and road connections and services in the least developed zones of the EU. However, the discussion on its real impact, and particularly on the characteristics cohesion policy should adopt in coming years, is broad and very open.

Dynamics that will very likely characterize the years ahead are already being observed:

- a) **an increase in the use of public aid in favour of private economic stakeholders** (due to the economic crisis in particular)
- b) **lesser availability of national funds** for regions due to reductions in public budgets
- c) a deepening of the **debate on the effectiveness** of the instruments for regional aid and a search for innovative methodologies
- d) **revision of the criteria** for regional aid to guarantee high impact
- e) attention to the **multi-sectoral integration** of different instruments.

In particular, the conviction is spreading that there is a growing need to **intervene in the contextual factors that impact supply conditions**, especially by improving infrastructures at the regional level (transportation, communication, information technologies) by sustaining *clusters* of businesses, development poles and other localized forms of territorial business organization; establishing facilities of a fiscal and regulatory nature; labour training; support for relations between the economic world and universities; reduction of the costs of regulation.

The progressive affirmation of the so-called "**place-based approach**" puts the accent on a series of recommendations that, in a different manner from one country to another, are increasingly characterizing regional policies.

In the first place, it must be recognized that no one in either the public sector or the private sector has the "perfect recipe" and that it is necessary for **alternative strategic proposals to compete publicly** in order to choose the most effective actions based on information and expectations in terms of efficiency, effectiveness and impact.

The use of subsidies to make persons or businesses stay in the periphery or in areas with insufficient infrastructures has been shown to be fallacious in many countries. Territorial development policies should, in contrast, **modify the conditions of the local context such that persons or business can decide freely** whether to stay or move someplace else.

The different levels of European, central, regional and local government should **concentrate their policies and actions on certain themes deemed strategic** for territorial development (for example, youth employ-

5. Battistina Cugusi, Andrea Stocchiero, *Macro-regions, 'la nouvelle vague' of transnational cooperation: the geopolitical case of the Mediterranean basin*, Euborderregions WP nr. 4, Euborderregions-CeSPI, 2010. p. 3.

ment, immigration and emigration, climate change) and, at the same time, **avoid excessive dependence on sectoral approaches** (transportation, education, SMEs, etc.) that stand in the way of needed multi-dimensional integration.

The geographic confines of actions **do not necessarily have to correspond to administrative borders**: territorial spaces are defined based on local systems that present certain levels of functional homogeneity, relationships between stakeholders and formal and informal networks built around common values and objectives.

It is appropriate to construct **spaces for discussion, conflict, agreement and collaboration between public and private subjects** (for example, territorial pacts within the framework of negotiated multi-level and multi-stakeholder planning), ensuring that these do not contradict democratic institutional forms.

The trend is towards more restrictive use of regional aid, due in part to the economic crisis and largely to increased control by the European Commission of state aid and its compatibility with conditions of free competition: specifically, this translates into stricter economic, social, infrastructure-related conditions for regional stakeholders to receive aid.

The actions aimed at improving the contexts in which businesses operate are added to **specific programmes directed at territories that present specific problems** of economic restructuring, geographic remoteness or related to natural disasters: among others, we recall preferential treatment of border regions (the Czech Republic), integrated social and economic programmes for isolated territories (Estonia, Malta, Norway), investments in infrastructure for island territories (France), integrated territorial planning in coastal areas (Greece), promotion of competitiveness in areas with low population density (Portugal), economic recovery programmes in zones affected by earthquakes (Slovenia).

European Union Cohesion Policy certainly influences national policies in terms of objectives and governance.

With respect to objectives, the influence varies depending on the application of the limit of 75% of community GDP and the ratio of national to EU funds. This influence is very high in almost all of the 13 new member countries that entered the EU between 2004 and 2013: in some countries like Bulgaria, Romania, Hungary and Poland, the national policies are, in effect, derived from Cohesion Policy. At the opposite extreme, we find countries in which regional development priorities and instruments were already part of national strategies before the Cohesion Policy itself was defined: this is the case of Austria, Finland, Denmark, Ireland, Cyprus. In most countries, the influence of Cohesion Policy can be defined as “moderate” given that this has been progressively added to existing national and regional policies.

Lastly, in almost all countries, Cohesion Policy significantly influences the organization and functioning of institutions, in other words, governance. **Rules and modes** proposed through Cohesion regulations—such as multi-level horizontal and vertical partnerships and assessment systems—**are also adopted for execution of national policies**. This influence is especially strong in the new member countries, where the Cohesion Policy schema and instruments have promoted the development of institutional systems by introducing new concepts such as strategic planning and assessment.

Topics for discussion

To conclude this note, we propose a series of open themes in the European debate which can become axes for a discussion between political decision-makers and Latin American development operators.

- a) In Europe, regional policies focus especially on the structural challenges of development and re-structuring. They also consider structural aspects related not only to economic dimensions but also to social dynamics and environmental sustainability.

1. *To what extent do public policies for economic and inter-regional convergence intersect with problems of social exclusion and environmental threats?*
- b) The repercussions of the international crisis at the regional and local level (weak or nonexistent growth, increased unemployment, reduction in public investment) introduce short-term perspectives that to a certain extent contradict the structural strategic approach.
2. *How can public actions be anchored in a long-term perspective,*
- c) The crisis may aggravate conditions of inequality between central regions and "peripheral" ones, with consequences in terms of internal tensions between dynamic areas and less developed ones within countries.
3. *How can we prevent actions aimed at increasing the competitiveness of the most important economic poles from negatively impacting the areas that lag farthest behind?*
- d) The central dilemma of regional policies resides in the contrast between strategies that prioritize policies and measures oriented from the spatial perspective towards problematic regions and strategies designed to increase national and regional competitiveness and promote innovation aimed at all regions.
4. *Is it possible for territorial development policies aimed at all regions and positive discrimination policies in favour of weak regions to coexist?*

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