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Conselho das Finanças Públicas
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Wellbeing performance and place-based sectoral policies: challenges and solutions

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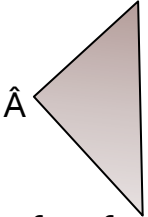


Introduction

Outline

- Introduction
- Paradigm shift in regional development policies
- Typical institutional challenges in unitary countries
- Tips for possible solutions
- Concluding remarks

Introduction

- OECD's Public Governance and Territorial Development Directorate: thank you!
- The research/policy question: how can the institutional set-up of public policies help unitary countries to improve rather than blocking their wellbeing indicators?
- Instrumental background
 - Economic development: *measurable* via wellbeing indicators (composite indices); is a place-based concept by definition ($\Leftrightarrow$ regional development)
 - Econ. devel. matters citizens at large and (should matter) macroeconomists in particular
Standard neoclassical explanation for potential output $Y = F(L, K)A(t)$
Yet $A = A(t; \dots)$ and

Wellbeing drivers $\approx$ total factor productivity drivers
 - State of performance of either regional development or potential GDP depends on a multitude of decisions by firms, households and **governments (all tiers)** $\leftarrow$ my focus
- Background paper: Baleiras (2014), *Territory and economic development: institutional flaws*, CFP's Occasional Paper No. 3/2014, December (available from www.cfp.pt)

Regional development policy paradigms

	Old paradigm	New paradigm
The recognised problem	Regional disparities in income, infrastructure and employment	Regional competitiveness deficit and unused growth capability
Objectives	Equity through balanced regional development	Competitiveness and equity
General perspective of public policies	Reactive (to problems) and project-based: temporary compensations for physical handicaps (exs.: low dens regions, outermost regions) or adverse structural shocks (ex.: industrial decline regions)	Proactive (to opportunities), strategic and programmatic: harnessing of idle regional capability <i>via</i> regionalised programmes
Thematic scope	Narrow and sectoral, with a small number of sectors	Wide and integrated, with global development programmes encompassing several themes
Spatial orientation	Disadvantaged regions	All regions
Territorial unit for policy intervention	Administrative areas	Functional areas
Time dimension	Short term (basically looks for aggregate demand effects on target territories)	Long term (heading for supply effects in all territories)
Approach	One size fits all	Sensitive to the context (place-based)
Focus	Exogenous investments and public transfers	Endogenous local assets and knowledge
Instruments	Grants and State aids (to isolated individual initiatives)	Facilitating collective actions, both tangible and intangible (institutional capacity building, business environment, labour market, infrastructure)
Methodology	Based on specific projects	Strategic and programme-based
Players	Central government	Multiple partners (all government tiers, private agents, NGOs)

Source: Baleiras (2014), adapted from OECD (2010).



Typical institutional challenges in unitary countries

Challenges to the implementation of the new paradigm in regional development policies

- Difficulties in public understanding of across the board issues
- Across the board problems, vertical governance and competition for scarce resources
- Territorial disarray in public policy
- Flaws in strategy
- Regional development policy and the use of structural funds
- Rent-seeking habits
- Proportionality and representation of minorities
- Lack of trust among economic agents



Tips for possible solutions

- Horizontal governance mechanisms
- Policy tools aimed at economies of agglomeration and networking
- Vertical governance mechanisms



Tips for possible solutions

- Horizontal governance mechanisms
 - National territorial vision
 - Political chief with enhanced powers
 - Specialist agency
 - Increasing the weight of the electoral constituencies underrepresented in Parliament
 - Strategic compliance devices
- Policy tools aimed at economies of agglomeration and networking
- Vertical governance mechanisms



Tips for possible solutions

- Horizontal governance mechanisms
- Policy tools aimed at economies of agglomeration and networking
 - Sectoral clustering
 - Urban-rural synergies
 - Urban regeneration
 - *Second generation* of cross-border cooperation
- Vertical governance mechanisms



Tips for possible solutions

- Horizontal governance mechanisms
- Policy tools aimed at economies of agglomeration and networking
- Vertical governance mechanisms
 - Intermunicipal cooperation and administrative reorganisation
 - Regionalisation



Concluding remarks

- GDP growth and employment matter for people's wellbeing; but they are not the only dimensions of regional development that matter (education health, mobility, safety, etc.)
- All these variables meet and interact at the territory; welfare improving encounters are not guaranteed; how to increase this likelihood is a public concern
- The tips do their best to deliver OECD (2014)'s recommendations on the ground, such as
 - “translate wellbeing objectives into policy-relevant indicators”
 - “Regional policy objectives (must be) aligned across and within levels of government”
 - “foster citizen engagement and communicate results; (this) facilitates policy adjustments when necessary and increases accountability and trust”



Thanks a lot for your time!