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Place-based innovation in Cohesion Policy: meeting and measuring the challenges

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This paper, prepared in conjunction with the European Union’s Open Days 2015, examines current Cohesion Policy in terms of its place-based logic, a key aspect of the new Smart Specialisation strategy platform. After discussing changing notions of urbanization and governance, which seem to be shifting Cohesion Policy towards a more performance-oriented analysis of its outcomes, the paper focuses on the question of identifying an appropriate set of indicators and measuring framework. It suggests that measurements of Cohesion Policy performance should analyse the outcomes and indicators, as well as the European and national data sources and statistics, through the lens of effectiveness and well-being.

Keywords: Cohesion Policy; place-based; Smart Specialization; well-being; outcomes; indicators

Introduction

This paper stems from the author’s participation in the Open Days 2015 Master Class on European Union (EU) Cohesion Policy and starts from the premise that Cohesion Policy has a place-based logic, since the interactions between innovation and development in the EU are often specific to the local contexts. It will first discuss some of the changes currently taking place in urbanization, including the notion of smart cities and changing conceptions of governance, before briefly appraising the current Cohesion Policy 2014–20 and in particular the European Union strategy platform.

The concept of smart specialization (Foray, David, & Hall, 2009) implies that regions are able to identify, through an entrepreneurial discovery process, the areas where they can better innovate and build up international comparative advantages. Smart specialization promotes integrated, place-based transformation strategies in order to focus policy support and resources on national/regional development priorities, challenges and needs, fully involving public and private stakeholders and encouraging governance innovation and experimentation. These strategies are evidence-based and should include sound monitoring and evaluation systems (OECD, 2013, p. 19).

The paper will then focus on some of the key issues related to measuring the performance of Cohesion Policy in terms of effectiveness and well-being, discussing the importance of outcomes and indicators and drawing attention to the need to identify useful indicators and thus to improve the measurement framework of outcomes.

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Changing conceptions and new challenges

In today’s globalized world, change is increasingly rapid and the urbanization process has been accelerating. These days, cities are often seen as complex toolboxes of innovation and digital creativity, drivers of both the local and the global economy: in short, as smart cities. Yet this concentration of people and economic activities in built-up environments has also given rise to and amplified a large number of social and environmental problems, which need to be improved and coordinated, as pointed out at the Informal Meeting of Ministers Responsible for Cohesion Policy held in Athens, Greece, on 24 April 2014. At the same time, the static idea of permanent security guaranteed by the state has been replaced by the infinite mobility of knowledge, capital, goods and people (Perulli, 2014). Conceptions of governance and of those who are stakeholders have been changing, and many non-governmental and informal institutions now voice their interests in new systems of cross-scale governance. Notions of regions and cultures are in a state of flux, under the impact of changing planning strategies and objectives (Steinhauer, 2011) and of knowledge exchange beyond national borders. Some city-regions spanning the borders of countries face problems of fragmented multilevel governance and political limitations because of their different cultures and social systems.

At a European level, working together to face common challenges – whether environmental, economic or security-related – makes sense for European regions, as EU Commissioner for Regional Policy Johannes Hahn has pointed out (Hester, 2014, p. 35). Indeed, the recognition of inter-regional connectedness and of cross-border regional branding is important to foster the local–global economy of a region. Copenhagen and Malmö, for example, have developed a specific cross-regional governance structure and an inter-regional innovation strategy in order to join forces between regional administrations and to enhance policy instruments required at the different levels. The expression ‘two countries–one region’ was established when Øresund Bridge was inaugurated in 2000 and, since then, the region has developed rapidly. Today it is the most densely populated region in the Nordic countries and the third largest investment region in Europe. Even though remaining parts of different nations, the metropolitan areas in the global city-region have created political structures to coordinate many activities in the region and therefore are ‘well ahead of most global city-regions in creating an encompassing political body’ (Abrahamson, 2014, p. 16).

**Smart Specialisation and European Union Cohesion Policy, 2014–20**

An innovative and integral part of current Cohesion Policy is the Smart Specialisation strategy platform, formally endorsed by the European Council in December 2013, which aims to help European regions to focus on their specific strengths in order to increase local economic and cultural potential. Smart specialization, as an innovation support, shows how public policies and innovation investment policies can enhance regional competitiveness, stimulating and fostering a functional economic growth pathway to enable and facilitate city-regions to reposition themselves within a global context, taking into account regional specificities. One major challenge is that innovation has to go beyond traditional technology and manufacturing, enhancing creative and cultural industries, to promote sustainable growth. Indeed, it has recently been contested that the current model of economic development and the importance placed on research and development (R&D) indicators tends to favour a particular group of industries that draw on new scientific knowledge without taking activities related to ‘hidden innovation’ into account (Charles, Gross, & Bachtler, 2012). Smart specialization should focus not only on its technological dimension...
but also on its practical application: only sustainable development is considered smart and concepts of eco-innovation and energy efficiency are highlighted.

Current Cohesion Policy therefore aims to foster a smart, sustainable and inclusive economy, reinforcing and helping the member states to reach high levels of innovation, productivity and social cohesion. To trigger a regional Smart Specialisation process is rather complex since it has to be localized in a specific territory that has a unique identity and path-dependency. However, various attempts to identify and create possible innovation measures have been carried out, as, for example, by the Organisation for Economic Co-operation and Development (OECD) and by the European Commission, giving a special focus to knowledge hubs, industrial production zones and peripheral regions. Moreover, Cohesion Policy aims to build a creative and social capital, within this interactive and regional-driven process, and new organizational forms of aggregation have to be created in order to manage today’s rapid changing social challenges. Some case studies on successful smart specialization have already been carried out, as, for example, in Flanders with nanotech for health and the Andalusian aerospace cluster.

The smart specialization approach combines and integrates industrial, educational and innovation policies. It is expected that countries or regions should identify and select a certain number of priority areas for knowledge-based investments, focusing on their strengths and advantages, in order to improve the conditions for innovation, specialization and development. For the OECD (2013), a major challenge for policy-makers is to synchronize regional and national strategies for a better articulation of priorities, since governance for smart specialization requires strategic capacities to grasp future opportunities. The geographical area of Upper Austria is a clear example of the enhancement of smart governance and smart specialization through the use of mixed top-down and bottom-up planning for regional competence development.

Meeting and measuring new challenges in a place-based approach

Although Cohesion Policy has made an increasingly significant contribution to growth and prosperity in the EU, promoting balanced development across the member states, there is nevertheless a growing demand today for it to be more performance-oriented, with its focus and aim more on the ends than on the means. This has led to a shift of attention from the financial inputs and outputs of Cohesion Policy to the outcomes that actually reflect its objectives. Indeed, in the light of the substantial economic and social changes in the recent years, Cohesion Policy has started to respond to new challenges, including local ones. The Barca Report highlighted the need for European development policy to be centred on the local dimension, as the secondary title ‘a place-based approach to meeting European Union challenges’ suggests (Barca, 2009). Moreover, it strongly emphasized the need for a new territorialized economic and social agenda, with the objective of promoting experimentation by the local actors and enhancing a mutual learning and assessment process. A key step that has led to an increased recognition of the concept of territorial cohesion and of the promotion of a place-based policy-making process has been the adoption of the Territorial Agenda of the EU in 2011 (EC, 2011). The agenda has also triggered efficient orientations for the territorial development of the EU and many creative local experimentations of smart specialization.

Current Cohesion Policy (2014–20) has set a specific focus on research and innovation and puts into practice a place-based approach. Various interventions already demonstrate the positive results of this approach, as, for example, those in Burgenland (Austria) promoting renewable energy as a growth engine, or those in the Porto Region (Portugal) enhancing green areas for territorial integration (EC, 2015). Overall, a
place-based approach seems to be a useful and flexible policy choice in terms of successfully delivering the Europe 2020 strategy, especially because smart growth and development manifest themselves very differently in various types of regions.

**Cohesion Policy performance, effectiveness and well-being**

The current shift of focus from actions and financial means to their outcomes in terms of people’s well-being through suitable indicators may contribute to policy effectiveness and to outline the agenda for budget decisions (Barca & McCann, 2011a). At an international level, several countries have already made significant progress in this direction and the OECD has been playing an important role in stimulating the current debate. In addition, the report by the Commission on the Measurement of Economic Performance and Social Progress has examined the ways in which indicators of well-being can accompany improved national account statistics and can be used in designing and managing policies (Stiglitz, Sen, & Fitoussi, 2009), also exploring a number of methodological issues and increasing awareness in the general public. Thus, various attempts have been made to focus EU Cohesion Policy on performance, in spite of the methodological difficulties concerning the distinction between input/output and results/outcomes. Nonetheless, the emphasis on the implementation of the programmes is still more linked to policy actions rather than on performance and, so far, reporting on projects and programmes has been relatively inadequate. In fact, it has not yet provided the public institutions with sufficient information on progress towards results expressed in terms of the well-being of citizens (Barca & McCann, 2011a).

**Cohesion Policy outcomes, indicators and targets**

According to Marlier et al. (2007, p. 41), focusing on the outcomes shows that the member states are encouraged to relate their interventions to the desired and planned impact outcomes, rather than simply present a catalogue of policy measures. In particular, as Barca and McCann (2011a, p. 1) point out, the starting point for a results/outcome-oriented approach is the ‘ex-ante setting of clear and measurable targets and outcome indicators’, which must be ‘clearly interpretable, statistically validated, truly responsive and directly linked to policy intervention, and promptly collected and publicised’. From this point of view, therefore, Cohesion Policy should be more result/outcome-oriented and be able to focus on the outcomes. The planned outcome is the well-being of people, such as to improve mobility and transport infrastructures and sustainable living spaces. Indeed, outcomes should deliver the widest possible range of benefits to the full range of stakeholders (Carmona & Sieh, 2004).

As already outlined in the Fifth Cohesion Report and reiterated by Barca and McCann (2011a, p. 6), outcome indicators should be ‘reasonable, normative, robust, responsive to policy, feasible and debatable’. Furthermore, they note that indicators can be objective, providing convincing documentary evidence, or subjective, based on the respondents’ own judgement. In particular, subjective indicators might be useful when used to measure outcome in the provision of public goods (e.g., environmental ones), via ‘hypothetical statements of willingness to pay’ (p. 7). However, careful attention should be paid to the selection, measurement and use of subjective indicators (Stiglitz et al., 2009).

**Choosing indicators**

Selecting indicators useful for policy-making is a complex and knowledge-intensive process, and the choice of outcome indicators often depends on the specific policy through which the improvement of innovation and research is pursued, and on the objectives of
such policy. Moreover, since the local context and system of values matter, the selection depends on value judgements on which aspects of well-being are of greater importance at a given moment. Indeed, ‘determining which elements should belong to [the] list of quality of life features […] inevitably depends on value judgements about which aspects are of greater importance at a given place and time’ (Stiglitz et al., 2009, p. 156). For Barca and McCann (2011b), when negotiating with the European Commission, regions could build up a set of target indicators that consistently fit with their overall typology and stage of growth, reflecting a strategy for smart specialization. Alternatively, a new framework of indicators could be created, expanding the available data, in order to quantify and measure regional innovation and its performance across the EU.

Data sources and statistics

European and national statistics are an important source of information and of outcome indicators. On the contrary, according to Barca and McCann (2011a, p. 9), various regional statistics (e.g., gross domestic product (GDP) per capita) might be only used as ‘context indicators’, since they could be influenced by many external factors and would not be satisfactorily responsive to the policy at stake. They also observe that a major contribution to the general availability of outcome indicators for Cohesion Policy would also be provided by various fundamental surveys that already cover all the member states, such as those by the OECD, the EU-SILC (European Union Statistics on Income and Living Conditions) and the CIS (European Union Community Innovation Survey), recommending that, as already accomplished by some of the member states, there should be a growing investment in regionalizing these data, improving data availability, and improving measures of well-being and sustainable development.

Measuring regional innovation

Recent research has demonstrated that it is extremely difficult to measure regional innovation with just a single indicator. Also, the CIS data are not representative regionally in some of the European countries, nor are they uniform, otherwise they could be a more useful source of innovation data (IAREG, 2008, p. 9). Furthermore, as Barca and McCann (2011b, p. 1) point out, there are additional complications because of the public good nature of innovation, which results in the effect of innovation typically expanding beyond the region in which the innovation was made. They also argue that different types of information on various aspects of the process have to be used to portray innovation, such as the scientific and technological developments and the interactions between the actors of the regional innovation system.

Considerations

Recent debate has suggested some examples of outcome indicators to be used for the evaluation of EU Cohesion Policy. Yet there still seems to be a gap as regards the identification of indicators useful for the accurate measurement of policy outcomes in terms of well-being, in the light of changing conceptions of urbanization and governance. This paper suggests that filling this gap, by identifying a pertinent set of indicators and a sound measuring framework (thus one that is both appropriate and applicable), would certainly help Cohesion Policy successfully to meet and implement policy targets, since the indicators could then be used as a source for focusing policy attention and reporting
on progress. Moreover, given the nature of the EU, it seems clear that such indicators should be identified and implemented within a place-based approach.

**Disclosure statement**

No potential conflict of interest was reported by the author.

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