Evolving conceptions of regional policy in Europe and their influence across different territorial scales

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Introduction

This chapter explores evolving approaches to territorial policy and governance within the context of the European Union's (EU) Cohesion Policy. The chapter traces evolving conceptions and models of regional policy in Europe, paying attention to the emergence of place-based and territorial approaches to promoting development and exploring the ways in which they have been manifested in reforms of the EU's Cohesion Policy and the restructuring of sub-national policy and governance in England. The chapter addresses, in turn, the emergence of a 'place-based' approach to regional policy within the context of debates around whether to tailor public investments to specific places or to use similar investments across the national space; how such a place-based approach has been adopted in recent reforms to the EU Cohesion Policy; and the representation of place-based and territorial approaches to development in the context of state rescaling in England, with reference to the case of the Liverpool City Region. Contemporary reform of territorial governance and regional policy arrangements relates to a wave of economic restructuring that has taken place in Europe and the USA from the 1980s onwards, as nation states have been forced to adapt an industrial model rendered increasingly ineffective under conditions of rapidly integrating international trade. The closed space of the nation state was intrinsic to Keynesian approaches to economic regulation, where common currency, laws and institutions, together with trade tariffs across international borders, permitted containment of fiscal interventions and the possibility of common dialogue between state, capital and labour (Radice, 1984; Martin and Sunley, 1997). With increasing economic globalisation, the model of achieving a spatially even pattern of development and distribution of the proceeds of national growth, dubbed 'spatial Keynesianism' (Martin and Sunley, 1997), was called into question. This took effect particularly in respect to wages in manufacturing regions, which were rendered uncompetitive by international standards, and to the precept of demand management, which became less effective as demand for goods produced at home was increasingly fulfilled abroad and vice versa. The (re-)emergence of the region as an economic, social and political unit has been in large part a response to this challenge to the effectiveness of the nation state as the institutional scale of choice for the territorial organisation of social and economic processes. The breakdown of the spatially redistributive model of government that characterised post-war Keynesianism and the dislocation of cities and regions from national systems of state-controlled planning and development has, according to the new regionalist literature, allowed regions to acquire agency beyond their national borders as actors within the global economy, becoming economic, social, political and institutional spaces in their own right (Keating, 1998). The role played by the state in this process has been characterised as a transition from the promotion of spatial convergence within a strongly conceptualised national space to the endorsement of particular places as growth nodes within a global network of capital and labour. The primary task of the state is now the provision of the spatially fixed prerequisites for growth, such as infrastructure and basic scientific research (Brenner, 1999, 2004). The following sections relate the history and practice of regional policy to the wider trends in economic geography just outlined.

Towards a paradigm shift in regional policy? The emergence of the 'place-based' approach

The period since the early 2000s has seen significant reform to territorial policy and governance arrangements across the EU and its member states (see, for example, Bachtler, 2001). Agenda-setting reports by the The Organisation for Economic Co-operation and Development (OECD) (OECD, 2009a, 2009b), the European Commission (Barca, 2009), the Corporación Andina de Fomento (CAF, 2010) and the World Bank (2009) saw debates about regional development policy increasingly revolve around 'space-neutral' or 'place-based' approaches (Barca *et al.*, 2012). The former was advocated by the World Bank (2009), which highlighted the importance of cities and regions in development, following the logic of the New Economic Geography in understanding growth as intrinsically uneven and the result of agglomeration, often underpinned by an active local or regional state (Gill, 2010). As a result, the report advocated improvements in the basic institutions of law and order, regulation of land, labour and property markets, macro-economic stability and the provision of basic services such as education and health. Such improvements were described as being 'spatially-blind' in order to make the point that they were not tailored to particular places and thus were intended to facilitate the movement of capital and labour according to market conditions rather than policy choices (World Bank, 2009). Once these improvements have been achieved, the issue of spreading the efficiency gains made can be addressed using an openly spatial approach, by investing in connective infrastructure in order to encourage market integration by reducing travel times to more prosperous places, while using spatially targeted interventions as an ancillary tool, reserved for where economic and social problems exist within cities and regions. In this way, it is suggested, aggregate growth is promoted in the most efficient way possible, while labour mobility between lagging and leading regions ensures that the proceeds are shared more equitably (World Bank, 2009).

The place-based approach is articulated in reports by the OECD (OECD, 2009a, 2009b), the European Commission (Barca, 2009) and the Corporación Andina de Fomento (CAF, 2010), as part of what Bachtler (2010) terms a 'new paradigm' of regional policy. The use of place-based interventions by policymakers is not new; for instance, Regional Selective Assistance, a business-grant policy used in the United Kingdom since the 1970s, targets areas based on measures of unemployment and per capita Gross Domestic Product (GDP), while similar examples exist across Europe and in the form of the European Union Structural Funds. Theoretical treatment of place-based policies has focused on the tendency for intangible capital to be generated by locally specific factors and combinations of factors (Bolton, 1992), as well as on the case for place-based interventions where market failures exist (Kline and Moretti, 2012). In particular, these may be due to phenomena such as the immobility of capital, labour and land, the monopoly power granted by space, fixed costs as a barrier to market entry and exit, the existence of spatially bound externalities and the distance-decay effect present in knowledge (Kilkenny and Kraybill, 2003). Critics, however, have charged advocates of place-based interventions with failing to come to terms with the inherently unbalanced nature of growth (Gill, 2010), of protectionism carried out by powerful local interests, of misattributing wage differences to areas rather than individuals (Gibbons *et al.*, 2010), of encouraging poor people to remain in poor areas (Glaeser and Gottlieb, 2008) and of increasing economic activity in less productive regions (Glaeser, 2008).

The underlying premise of the place-based approach endorsed by the European Commission (Barca, 2009) is that economic and social behaviours are fundamentally embedded in place and, as such, are subject to local economic, social, cultural and institutional contexts. In the post-Fordist knowledge economy, this is of particular importance because the exchange of untraded interdependencies that is vital for competitive firms is dependent on contextual factors and therefore varies markedly between places (McCann and Rodríguez-Pose, 2011). 'Underdevelopment' – the failure of regions to make productive use of the resources available to them (Farole *et al.*, 2011) – occurs primarily due to a failure to deliver effective investments and institutions, the consequence either of local elites being unable or unwilling to do so or because of flows of capital and labour out of the region following a process of agglomeration (Barca, 2009).

The debate between advocates of place-based and spatially blind approaches to regional development that ensued (Scott, 2009; Gill, 2010; Barca and McCann, 2010; Garcilazo *et al.*, 2010; Rodríguez-Pose, 2010; Murphy, 2011; van Oort, 2011) appears to rest on two differences in assumptions in relation to the causal factors behind the process of agglomeration (Kim, 2011) and the resulting degree of efficiency derived from regional policy measures. Where agglomerations are the result of market forces, public investment in other areas is said to be inefficient and can be justified solely from an equity perspective. Thus, in the name of an optimal distribution of mobile factors, it is argued that regional development should take the form of spatially blind investments that support market-driven agglomerations (World Bank, 2009; Gill, 2010; Glaeser, 2011). However, if the process of agglomeration is strongly affected by non-market forces, the determination that large urban centres are the most productive is problematic. The inference is that spatially blind investments are rarely spatially neutral (McCann and Rodríguez-Pose, 2011) and, moreover, that they frequently encourage the active promotion of particular cities at the expense of others. These debates have been echoed in recent dialogue on spatial policy in the UK context (Haughton *et al.*, 2014; Overman, 2014).

Purportedly spatially blind policies may, in fact, have strong differential effects over space (Barca, 2009), as incentives are granted to industries whose presence is stronger in some regions than in others, or transport investments are made solely where there is shown to be a demand-oriented case, reinforcing existing agglomerations rather than investing in the growth of lagging regions. Additionally, private investments are frequently made in concert with public investments, due to the need for public goods and services to make possible the efficient functioning of the markets in which private actors exist, whether over the medium and long term in education and training or potentially more directly in urban and land-use planning. The result is a process of cumulative causation, in which state and private investment occur iteratively (Barca, 2009).

Research by the OECD (OECD, 2009a, 2009b, 2012) similarly eschews the notion that there is an inevitable trade-off between equity and efficiency as investment aims, noting that, while the contribution to aggregate growth made by individual non-core regions is small, the sum of the contribution of the 'long tail' of regions makes up a significant share (OECD, 2012). As a result, small improvements in productivity across a range of non-core regions make a significant additional contribution to aggregate growth (Garcilazo, 2011). Given that all regions show potential for growth and that different bottlenecks exist in different regions (OECD, 2009a), an effective policy approach that simultaneously addresses equity and efficiency concerns requires the provision of 'integrated bundles of investments', tailored according to local knowledge that is the product of a deliberative process involving a range of actors (Barca, 2011). This approach is thus dependent on open and inclusive stakeholder engagement and improvements in the functioning of local institutions (Barca, 2009).

The justifications for, and the fundamental premise of, the place-based or territorial approach advocated by the OECD and the European Commission, are reflected in the gradual evolution of regional policy. This has progressed from a top-down approach that was primarily concerned with influencing the location of industry via mechanisms such as subsidies and infrastructure investment, with the aim of reducing spatial inequality, to a place-based model that seeks to influence an array of regionally embedded factors considered to influence growth through an approach designed and operated by local institutions. The aim here is not regional convergence but the fulfilment of regional potentials for growth. As Bachtler (2010) explains, this paradigm shift is the culmination of two decades or more of evolution in the design of policy, and it is the combined result of a number of factors, including the perceived failure of the previous model of regional policy and its replacement by new approaches which recognise the place-contingent nature of economic and institutional factors (Bachtler and Yuill, 2001; Garcilazo, 2011; Farole *et al.*, 2011; Barca *et al.*, 2012). The paradigm shift has also been driven by the increasingly restricted ability of the nation state to influence the spatial distribution of growth in an era of rapidly increasing integration of global trade. This has meant that regions have increasingly been seen to have supplanted nation states, as a transition from Fordist to post-Fordist production systems has taken root (Piore and Sabel, 1984; Amin, 1994) and as territorial governance has strengthened in line with 'new regionalist' thinking (Keating, 1997; MacLeod, 2001). This view has, however, come to be seen as an oversimplified reading of economic trends and political power, leading to an oversimplified reading of the decline of the nation state when in fact what is occurring may be more akin to a restructuring (Lovering, 1999; Jessop, 2000).

A number of dimensions of the new paradigm of regional policy in practice can be identified, which can be usefully contrasted with equivalent features of antecedent approaches to regional policy, as detailed in Table 3.1.

These dimensions are observable to a greater or lesser degree across a number of European countries as part of the ongoing paradigm shift, and in the reform of the EU Structural Funds, which have increasingly promoted a place-based approach (Bachtler, 2001; Elias, 2008; Garcilazo, 2011). Indeed, a considerable influence has come from the EU. For instance, this has occurred through EU competition policy, which has limited the extent to which governments are able to use subsidies or bid for Foreign Direct Investment. EU influence has also been evident more directly in the shape of its Cohesion Policy on national and regional strategies (Bachtler, 2010), as well as through the engagement of a wider range of actors and the development and strengthening of sub-national levels of government (Leonardi, 2005). EU Cohesion Policy clearly exhibits a number of facets of the new paradigm in advocating horizontal coordination, through the partnership principle, and vertical coordination, through the operational programmes. In the 1988 reforms, the latter established shared goals over multi-fund, multi-annual agreements between national and regional levels of government. The focus on factors such as innovation, productivity and skills, over inter-regional convergence, has also been echoed by the competitiveness agenda of the EU's Lisbon and Europe 2020 strategies (Bachtler, 2010).

The addition of territorial cohesion to the existing objectives of economic and social cohesion in the preamble of the European Union Treaty formalises the focus on place which permeates the reform of the Structural Funds (CEC, 2010). Inter-governmental agreements such as the two Territorial Agenda documents (German Presidency, 2007; Hungarian Presidency, 2011) are also imbued with thinking which resonates with the new paradigm of regional policy. The Territorial Agenda 2020 (Hungarian Presidency, 2011, p. 4), for example, states that 'we believe that territorial cohesion … enables equal opportunities for citizens and enterprises, wherever they are located, to make the most of their territorial potentials' and that 'territorial cohesion complements solidarity mechanisms with a qualitative approach and clarifies that development opportunities are best tailored to the specificities of an area'. Waterhout (2007) has identified a number of key themes underpinning the idea of territorial cohesion which capture both its substantive spatial objectives and a desire to ensure that sectoral and territorial policies are complementary. Again, as illustrated by Table 3.2, these embody assumptions that are consistent with the characteristics of the new paradigm of regional policy.

Table 3.1: Old and new paradigms of regional policy

	Old paradigm	*New paradigm*
Instruments	Sectoral interventions and industry incentives	Strategic frameworks and plans are to align diverse policy fields to address a wide range of factors influencing growth
Resources	Exogenous investments	Endogenous assets
Policy goals	Inter-regional convergence; addressing disadvantage	Growth and competitiveness; addressing opportunity and potential
Spatial scales	Bounded administrative units	A range of different spatial scales and an emphasis on networking and connections between places
Spatial focus	Lagging regions	All regions
Institutional basis	Central government, local and / or regional administration	Strengthened sub-national tiers of government, sometimes with devolved powers; multi-level governance; use of multiple stakeholders
Timescale	Open-ended	Programmatic approach using multi-annual programming periods
Evaluation	*Ex-post*	*Ex ante*, interim, *ex post*; increased focus on accountability and learning

Sources*:* Bachtler and Yuill, 2001; OECD, 2009b; Bachtler, 2010.

The place-based approach and the reform of EU Cohesion Policy

The new paradigm and the notion of place-based development advocated in the Barca Report (2009), and already implicitly present in the Cohesion Policy since the 1988 reforms, are aspects of an ongoing concern with space and territory in the EU, manifested in the Cohesion Policy and in the concept of territorial cohesion. The Barca Report (2009) has been characterised as an attempt by the Commission to re-legitimise the Cohesion Policy and to provide a more solid basis from which to defend it during the budget negotiations for the 2014–20 Multi-annual Financial Framework of the EU. Mendez (2013) detects a fluid spreading of the place-based development discourse throughout the Cohesion Policy community, citing the appearance of the term in speeches, European Commission papers and reports, EU Presidency Initiatives, member-state consultation responses, European Observation Network for Territorial Development and Cohesion (ESPON) research outputs and among researchers more widely. The model of regional development policy discussed by Barca (2009) emphasised the importance of strong regional governance (often on a multi-level basis), with stakeholder participation a part of a network-based approach.

Table 3.2: Dimensions of the new regional policy paradigm, EU territorial and development themes, and domestic policy and initiatives in England (2014)

Dimensions of the new regional policy paradigm	*EU territorial cohesion 'Storyline' (Waterhout, 2007)*	*EU sustainability / 'Europe 2020' dimensions*	*Policies and initiatives in England (post-2010)*
Emphasis on regional potential, rather than national convergence, and encouraging opportunity, rather than addressing disadvantage. Growth occurs in different sorts of regions and the contribution to overall growth made by the long tail of regions is noted.	'Europe in balance' – addressing regional disparities, securing universal access to services of general interest, and promoting a 'polycentric' pattern of development in Europe.	Society / inclusive growth.	There is a stated aspiration to 'rebalance' the national economy, reducing reliance on sectors such as financial services and fostering more spatially balanced growth (HM Treasury and BIS, 2011, p. 11). Major infrastructure projects, such as the High Speed 2 (HS2) railway line, are being justified, at least in part, against the goal of promoting more balanced regional competitiveness and growth (Department for Transport, 2013). The links between sectoral rebalancing and spatial rebalancing are, however, not clearly articulated in government documents (Wong *et al.*, 2012).
Integrated spatial approach to be achieved through 'bundles' of interventions drawn from across a range of sectors, tailored to specific places.	*'Coherent European Policy*' – securing effective horizontal coordination of EU policies so that these do not generate contradictory territorial impacts 'on the ground'.	Integration of sustainability elements / development of territorial impact assessment.	Planning's wider integrative role in relation to public policy has been downplayed since the arrival of the coalition government in 2010. The National Planning Policy Framework (NPPF) does, however, task the planning system with delivering across the dimensions of sustainability.

(*Continued*)

Table 3.2 (continued)

Dimensions of the new regional-policy paradigm	*EU territorial cohesion 'Storyline' (Waterhout 2007)*	*EU sustainability / 'Europe 2020' dimensions*	*Policies and initiatives in England (post-2010)*
Existence of trade-offs between equity and efficiency aims of regional policy, thus acceptance of some degree of uneven growth as necessary and beneficial. Nevertheless, growth occurs in different sorts of regions and the contribution to overall growth made by the long tail of regions is noted.	*'Competitive Europe'* – focusing on competitiveness in the global context by fostering the diverse territorial potential / capital of places in Europe so that they can 'make the most' of their intrinsic attributes.	Economy / smart growth.	A concern with competiveness and growth has inspired reforms spanning 'a range of policies, including improving the United Kingdom's infrastructure, cutting red tape, root and branch reform of the planning system and boosting trade and inward investment' (HM Treasury and BIS, 2013, p. 1). The NPPF sees the planning system as having 'an economic role– contributing to building a strong, responsive and competitive economy' stating that '*development* means growth' (italics in original) and that 'we must accommodate the new ways by which we will earn our living in a competitive world' (DCLG, 2012, p. i). Initiatives aimed at promoting growth and competitiveness at sub-national level (e.g. Local Enterprise Partnerships, or LEPs) have synergies with the place-based approach and EU territorial development thinking, and draw on similar notions of 'tailoring' policy and intervention scales to make the most of the intrinsic attributes of places (Heseltine, 2012, p. 9).
Addresses sustainability as an objective alongside efficiency and equity, seeking to identify trade-offs and exploit complementarities between these, based on analysis of place-specific conditions.	*'Clean and Green' Europe* – relating to sustainable development and management of the natural environment, including climate change, environmental protection and sustainable energy production.	Environment / sustainable growth.	The NPPF explicitly states that 'the purpose of the planning system is to contribute to the achievement of sustainable development' and makes reference to three forms of EU-related impact assessment: Environmental Impact Assessment, Habitats Regulations Assessment and Flood Risk Assessment) (DCLG, 2012, p. i, 45). There was an initial post-2010 emphasis on 'Green Growth' and there are some examples of initiatives to further this.

The reforms to the Structural Funds for the 2014–20 programming period can be understood within this context, as the place-based approach has made its influence felt alongside other stimuli for change, such as the need to make more efficient use of the funds in the context of the Europe-wide fiscal crisis and the budget debate, as well as the criticisms of the delivery of the Funds as being too fragmented and administratively too complex. Increased strategic coherence of the funds is to be sought through integration into a Common Strategic Framework of the Cohesion Fund (CF), the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). Hence, as part of a simplification agenda, these funding streams will be delivered in a more integrated manner and, in theory, will be better targeted at the needs of particular places. Yet, this integration of funds, together with the thematic concentration on a relatively small number of priorities that are consistent with the Europe 2020 agenda of 'smart sustainable and inclusive growth' (CEC, 2010) (see Table 3.3), could also be seen to represent the Commission's desire to formulate developmental policy at higher territorial scales. Trans-national, national and regional bodies who seek European funding need to frame their overarching strategies around the Europe 2020 themes, focusing on no more than four of the 11 sub-priorities shown in Table 3.3.

Table 3.3 European priorities within the community-support framework

Smart growth	1	Strengthening research, technological development and innovation;
	2	Enhancing access to, and use and quality of, information and communication technologies;
	3	Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF);
Sustainable growth	4	Supporting the shift towards a low-carbon economy in all sectors;
	5	Promoting climate change adaptation, risk prevention and management;
	6	Protecting the environment and promoting resource efficiency;
	7	Promoting sustainable transport and removing bottlenecks in key network infrastructures;
Inclusive growth	8	Promoting employment and supporting labour mobility;
	9	Promoting social inclusion and combating poverty;
	10	Investing in education, skills and lifelong learning;
	11	Enhancing institutional capacity and an efficient public administration.

These strategic reforms are supplemented by an increased focus on performance, addressed by imposing *ex ante* and *ex post* conditions that will govern the initial disbursal of funds and the issuing of additional, performance-based, funds. The reorientation of the funds from convergence to competitiveness is also redolent of aspects of the place-based approach. It is consistent, too, with the previous Lisbon and Europe 2020 agendas, so it clearly does not originate solely from debates in the late 2000s about the future of Cohesion Policy. Mendez (2013) notes, for example, that the Commission has acknowledged that it has used the discourse of competitiveness as a way of tying the Cohesion Policy to Europe 2020.

The scope for local and regional autonomy, meanwhile, is addressed through what is referred to in the policy guidance as 'territorial development', an aim to be achieved primarily through the territorial instruments, which allow for cross-sectoral and cross- (administrative) border interventions within and across operational programmes. These comprise Community-Led Local Development (CLLD), Integrated Territorial Investments (ITIs) and sustainable urban development. CLLDs adopt the Liaison Entre Actions pour le Développement de l'Economie Rurale (LEADER) approach already used in rural development, facilitating the use of multi-dimensional and cross-sectoral interventions within place-based strategies as a way of addressing needs in particular sub-regions, and undertaken by local partnerships of public and private socio-economic actors. ITIs constitute recognition that the space over which interventions are effective is not necessarily congruent with the boundaries within which an operational programme is implemented. Their implementation is appropriately flexible, with administration to be delegated to intermediate bodies such as Regional Development Agencies (RDAs), local authorities or NGOs. Resources are ring-fenced for interventions that address sustainable urban development, with mechanisms for knowledge transfer in the case of innovative actions.

Partnership Agreements between member states and the Commission should outline how the Funds will be used in an integrated way to address the territorial development needs of different regions and sub-regions. They should also be used, where necessary, to describe the particular characteristics of the territories covered (whether urban, rural, cross-border or with particular needs such as especially low or high population density). The territorial instruments thus introduce geographical and scalar variety into the use of the Funds, allowing interventions to be tailored to specificities of place and scale. 'Smart Specialisation' is a major element of the Europe 2020 strategy, providing an additional tool for place-based policy. It is intended to guide investment in education, research and innovation and development in order that they help achieve a low-carbon economy, promote economic competitiveness and encourage a socially more cohesive society in line with Europe 2020 (CEC, 2010) goals.

The notion of 'Smart Specialisation' as a framework for innovation intervention has, therefore, shifted from a sectoral logic towards a place-based one. Yet, while the thematic consistency with Europe 2020 echoes the emphasis on competitiveness in the place-based approach, the alignment of Cohesion Policy with a limited number of sectoral objectives may come to detract from its territorial aspect. The Commission's position papers, in which the list of priorities for funding offered to each member state was further restricted, also assume a degree of national internal coherence that may not exist. The subordination of territorial logic to thematic or sectoral principles may remove the necessary freedom to tailor interventions to local context (Mendez, 2013).

This European context for Structural Funds is then operationalised within national contexts, and most of the monies (94%) are supposed to be allocated based on the characteristics of the regions. Sixty-eight per cent of the Structural Funds budget is allocated to the so-called 'Less Developed Regions' (previously known as 'Objective 1 areas') where GDP per head is less than 75% of the EU figure. The 'Transition Regions' are those regions where the GDP per capita is between 75% and 90% of the EU average, accounting for a further 11.6% of the Structural Fund budget. The 'More Developed Regions' (which in the United Kingdom account for most of the state territory) receive an allocation of 15.8% of the budget. The remaining budget is to be spent on the Cohesion Fund allocations targeted on those countries where GDP per head is less than 90% of the EU average, the promotion of cross-border and trans-national cooperation between partners in more than one state and support to Europe's outermost regions. The following section considers the context for the administration and delivery of development policy and the EU Structural Funds in the United Kingdom, with a particular focus on England.

Administering the Structural Funds in a rescaling context: the case of England

Adoption of the EU's language of territorial cohesion/development in England has tended to be restricted, but there are some echoes of place-based development and territorial cohesion themes in domestic thinking on planning and economic development / regeneration. For example, some of the arguments pursued in a major report by Michael Heseltine produced for the 2010–15 coalition government – *No Stone Unturned in Pursuit of Growth* (Heseltine, 2012) – echoed the thinking of earlier OECD and EU discussions on place-based approaches and territorial development (see Table 3.1). Heseltine's report refers explicitly to the place-based approach, emphasising the importance of what is termed local 'conditioning qualities' and the 'vital role of government and the public sector in securing essential public services and facilitating the growth of the economy' (Heseltine, 2012, p. 5). The view that development policy is best pursued at the level of economically 'functional' (e.g. city-regional) geographies can also be found justifying domestic initiatives in England such as LEPs City Deals and further devolution of powers and resources through the creation of combined city regional authorities.

As regards the implementation of the EU Structural Funds, within the United Kingdom this task is subdivided between the four devolved administrations: England, Wales, Scotland and Northern Ireland. A Partnership Agreement between the UK government and the European Commission articulates, in broad strategic terms, how the allocation of European Structural Funds in the United Kingdom will be used. In England, the new EU programmes are being launched in a context where the governance of spatial planning and economic development has become more local and more national in recent years, in the wake of the demise, after 2010, of most of the regional tier of governance, the RDAs. The result is that spatial planning is now focussed more on the neighbourhood scale, linked to government's programme of localism (DCLG, 2014). Furthermore, with the abolition of the RDAs by the 2010–15 coalition government, the prime focus of economic-development policy and activity has now shifted to the sub-regional scale. The responsibility for designing locally specific growth programmes and priorities was given to a network of 39 LEPs: new sub-regional private-public partnerships designed primarily to identify local priorities and facilitate local economic growth.

The Operational Programme for England was finally signed off by the European Commission in late June 2015, and, hence, it is still too early to be clear on how it will operate in practice. But local growth strategies developed by each LEP provide the broader strategic context within which European funding is to be used. EU funds in England are administered centrally, but guided by locally determined priorities which have been articulated by European Structural and Investment Fund Strategies (ESIFs) developed for each LEP area. In developing their ESIFs, the LEPs have gone through a process where the critical assets and transformational opportunities for their sub-region have been identified. From this, locally specific priorities for investment have been prioritised, to develop the local physical infrastructure (mainly through ERDF funding) and improve the human capital (through ESF) to bring about transformational change in the locality. In other words, European funding is intended to become much more focused, either to exploit opportunities for, or overcome bottlenecks or barriers to, growth based on the indigenous strengths and weaknesses of the LEP areas. The local strategies that have been developed, therefore, build on the specificities of different places (see Box 3.1 for an illustrative discussion of the case of one LEP area: the Liverpool City Region).

Box 3.1 Identifying place-based priorities for the use of EU Structural Funds: the case of the Liverpool City Region

In the Liverpool City Region (LCR), a former Objective 1 area and now a 'Transitional Region', the local growth strategies seek to articulate a narrative of opportunity that emphasises the potential of the place, rather than emphasising uneven national development to justify a case for redistribution. Indeed, it is argued in the LCR 'European Structural and Investment Fund Strategy' that 'the scale, growth potential and unique mix of assets and market facing opportunities mean Liverpool City Region can be a driver of national economic growth' (Liverpool City Region Local Enterprise Partnership, 2016, p. 6). The real challenges the area faces are also discussed. In 2011, Gross Value Added (GVA) per capita within the LCR remained at about 75% of the national average (£15,600 compared with a UK average of £20,900). This in turn leaves a £8.2 billion gap in the spending power of its residents. To bring the city-region to the national average, the number of new businesses needs to increase by about 18,500 and some 90,000 new jobs need to be created (Liverpool City Region Local Enterprise Partnership, 2016, p. 16). In responding to this context, the goal over the 2014–20 EU programming period is to concentrate on 'Focused Action Exploiting Key Assets and Opportunities'. An evaluation of the latter in the LCR has led to the development of a strategy that identifies and focuses on five key areas of activity or 'portfolios':

The Blue/Green Economy is based around the Liverpool City Region's maritime location and the potential for the Super PORT to help deliver a rebalancing of Britain as promoted by Heseltine and Leahy (2011). Linked to this are logistic functions associated with trade and the potential for the development of new jobs based around the low-carbon economy.

The Business Economy priority is designed to create the context within which entrepreneurialism can flourish, whether in terms of creating new businesses in the city-region or attracting businesses to locate some of their activity within the city-region.

The Innovation Economy focuses on harnessing the innovation potential of the key economic sectors outlined to drive growth.

The Inclusive Economy is designed to try and address some of the very deep-seated issues of social exclusion amongst, in particular, the young and long-term unemployed and ensure that the skill needs of existing and future businesses can be better met.

Place and Connectivity complements the other four priorities and seeks to improve the infrastructure to support economic growth and limited place marketing (Liverpool City Region Local Enterprise Partnership, 2016, pp. 16–17). It is recognised that European funding alone will not deliver the transformational change which is sought in the area and there will be a need to work with other agencies and funding streams (including the private sector) to deliver the change.

This section has provided an overview of current policy approaches to promoting territorial development in England. It seems clear that there are shared themes between influential documents, policies and initiatives in England, and the OECD- and EU-promoted models of place-based and territorial development. Table 3.2 provides an indicative illustration of some of the commonalities which exist between the assumptions, goals and policy approaches of the latter, and the policies and initiatives adopted since 2010 in England.

Conclusion

This chapter has considered the shifting underpinnings of explicitly spatial public intervention that seeks to promote territorial development. It has traced how the assumptions and end goals of regional policy have gradually come under the influence of new ways of thinking about the reasons for the relative success of different places in developing themselves. The shift from top-down and redistributive forms of regional policy towards more endogenous models has been discussed. Similarly, the chapter has also discussed the EU Cohesion Policy's increasing emphasis on fostering the development of territories by encouraging them to look to, and build on, their intrinsic attributes and strengths. New approaches to regional and (at the urban scale) regeneration policies have been characterised by a strong emphasis on place and space. The territorial, or place-based, dimension is being put forward as a means of delivering the most effective and efficient forms of investment in local and regional growth. This is often associated with arguments about the importance of developing policy for 'functional territories' and spaces, something which may require a rescaling and/or redrawing of existing spatial boundaries. The development of new spatial strategies at the EU cross-border, inter-regional and macro-scales, or within states at the intermediate city-regional scale between localities and larger regions, has thus typically been grounded in arguments about the need to formulate and pursue development policy at scales, and within boundaries, which reflect functional or 'pertinent' geographies. Such reasoning can be found in EU documents such as the *Fifth Report on Economic, Social and Territorial Cohesion* (CEC, 2010), or in England where it finds a strong echo in the discourse of the 2000s and 2010s on city-regions and initiatives such as the LEPs. It is therefore possible to talk of converging models of regional policy with similarities in thinking between the territorial development approaches advocated by EU-level documents and a number of domestic policies and initiatives.

The chapter went on to consider the situation in England, where the government has stated it wants to see more balance in the national economy. Documents such as the Heseltine Report articulate assumptions on local/sub-regional growth which are redolent of the new place-based regional policy paradigm and the EU territorial cohesion/development debate. Following the abolition of the RDAs in England, LEPs efforts to promote growth have included place-based approaches supported in part by EU Structural Funds targeted at achieving the EU's sustainability and territorial cohesion goals.

At the EU level, the consecration of the new place-based and territorial paradigm of regional policy in the later 2000s has also coincided with a period in which the financial and economic crisis has led to a reduction of the resources available for future disbursement through Cohesion Policy. In England, the coalition government which came to power in 2010 has placed more emphasis on local autonomy, but there is a contrast between the rhetoric about devolving power and resources and the heavy budget cuts which will see local government budgets cut by 28% between 2011 and 2015, with local authorities with the highest levels of need being most badly affected (Hastings *et al.*, 2015). This is particularly important in England as local government funding overwhelmingly originates from central government and has been cut significantly – by 26% in revenue terms and 45% in capital terms from 2010 to 2015 (Clarke and Cochrane, 2013). Such issues point to the need to further unpack and understand the role of, or the 'work' done by, the new paradigm of regional policy in the context of the current political economic settlement in Europe and other areas with advanced liberal economies. The place-based approach was developed in part as a response to arguments that place-blind policy and regulation is a more efficient way for the state to ensure higher growth at the aggregate level. It has been championed by those who have sought to defend place-based policies, such as the EU Cohesion Policy, from the spatially inchoate models and place-blind policy prescriptions of their critics. It is, therefore, somewhat ironic, though perhaps not entirely surprising, that the 'new paradigm' of regional policy is being melded with a discourse of localism to legitimate an austerity-driven approach to territorial development. In the style of the Western Emperor Honorius's rescript to the Romano-British in AD 410, the approach here is one of instructing local and regional spaces to *'look to your own defences'.*

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