

# Evidence-Based Regional Policy: Lessons and Challenges

**Duarte Rodrigues**

Chair of the Working Party for Territorial Indicators OECD

Deputy Coordinator of Portuguese NSRF Observatory

Seminário internacional

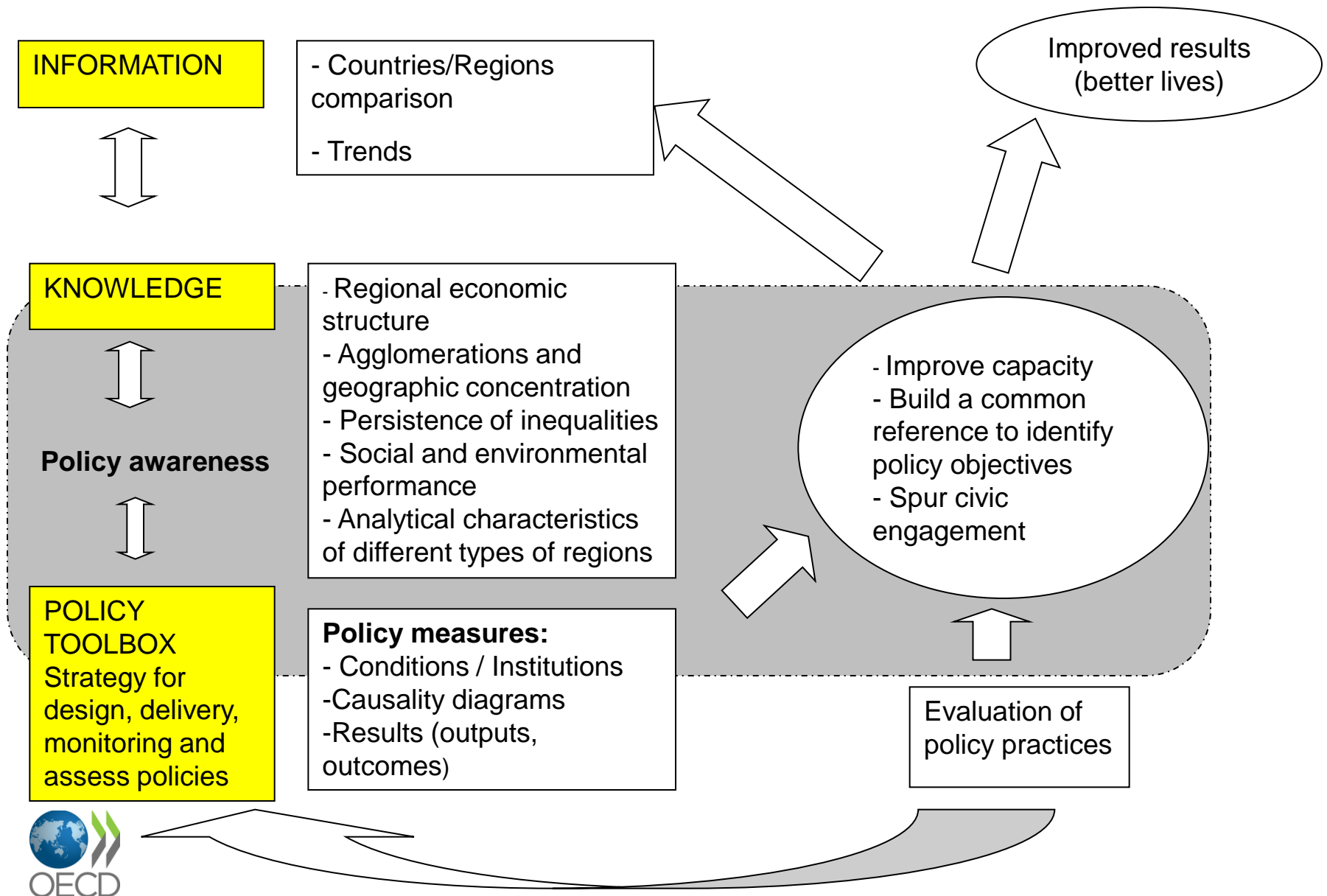
Política regional no contexto global: situação atual e perspectivas

Brasília, 19<sup>th</sup> March 2013

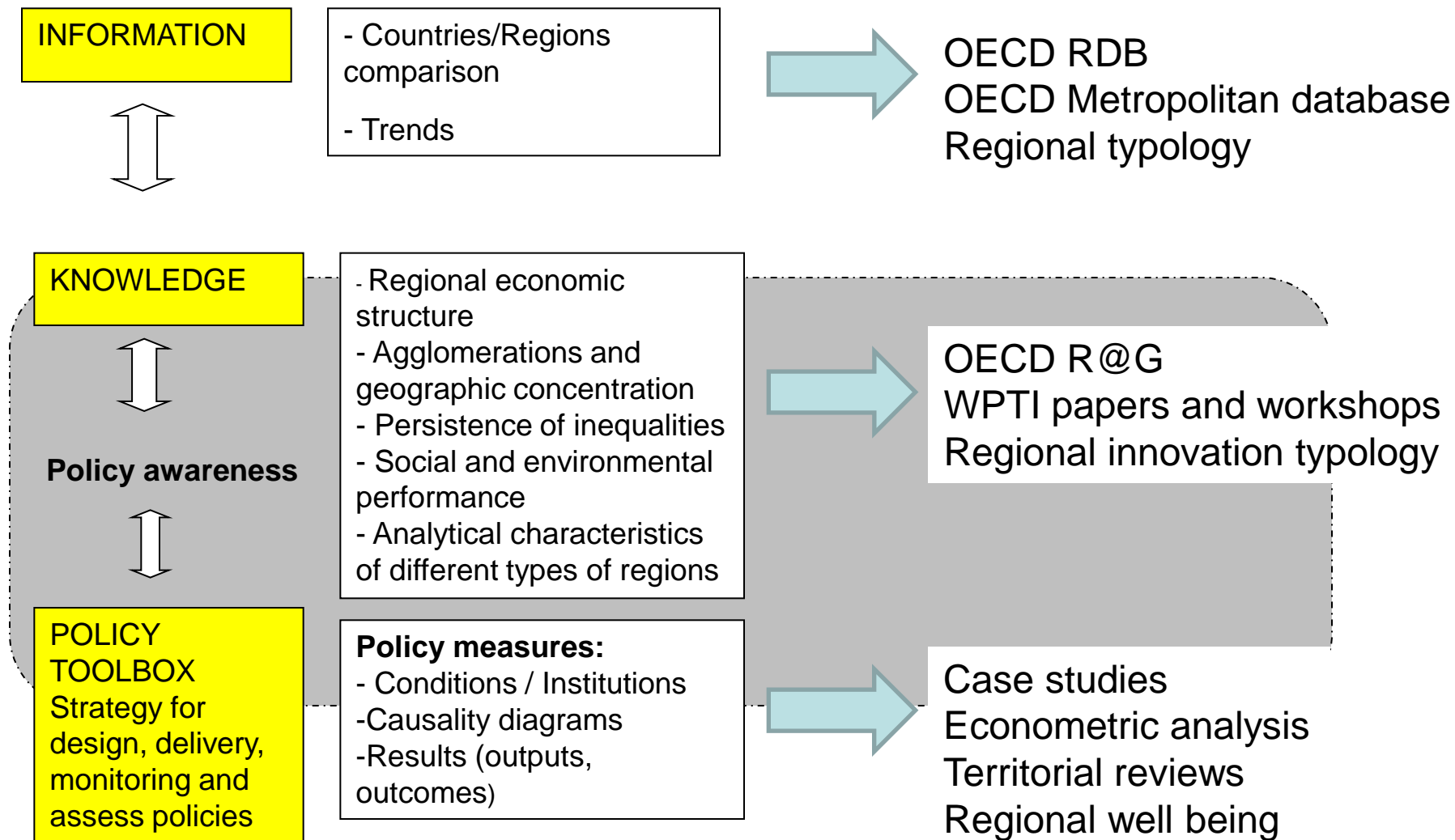
# Outline

1. Informed Regional Policy Cycle
2. Findings from TDPC work on OECD regions
  - Information: Data and typologies
  - Knowledge: Trends in regional performance
  - Policy toolbox: Factors for regional growth
3. Policy lessons and challenges

# An informed regional policy cycle

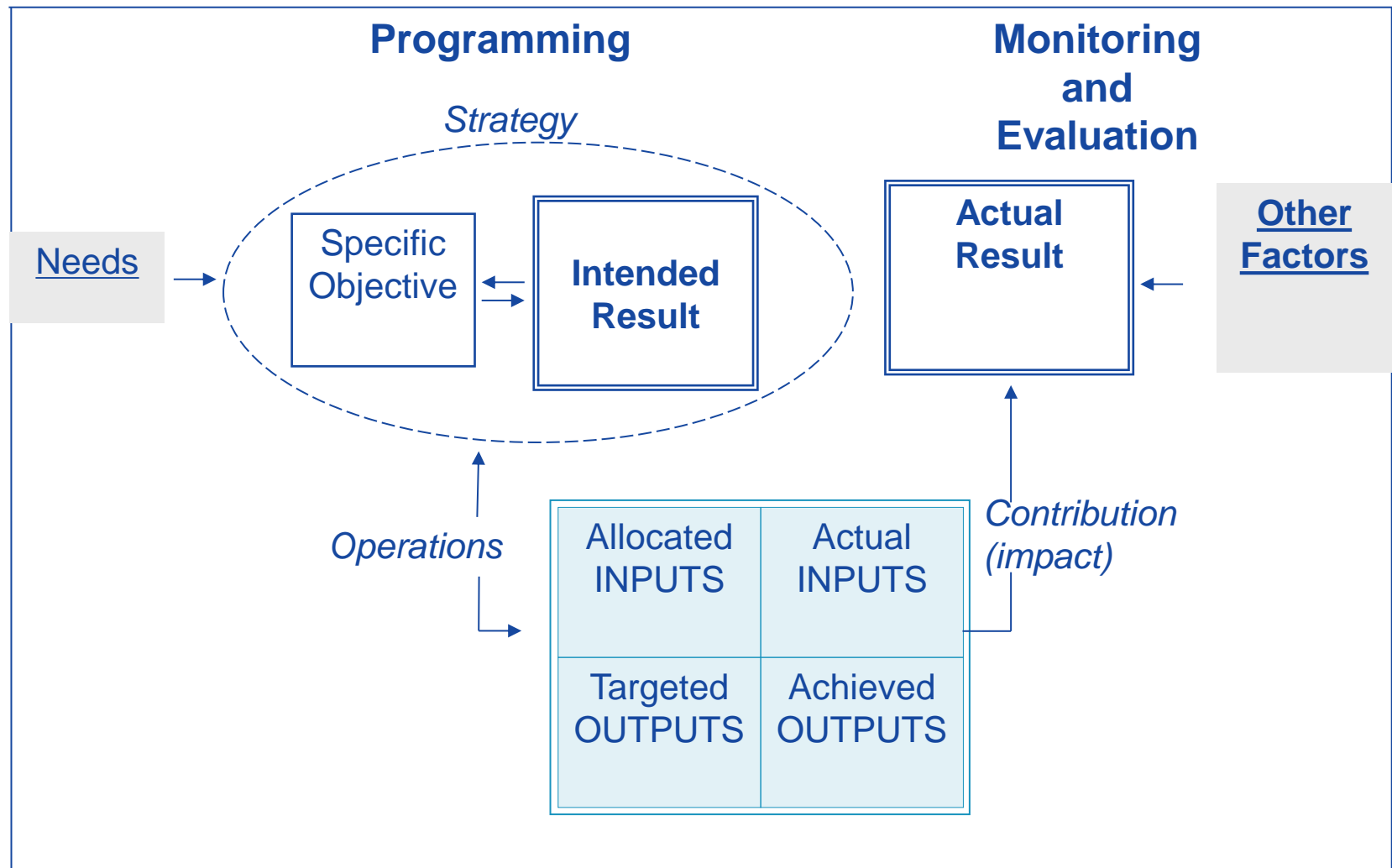


# An informed regional policy cycle

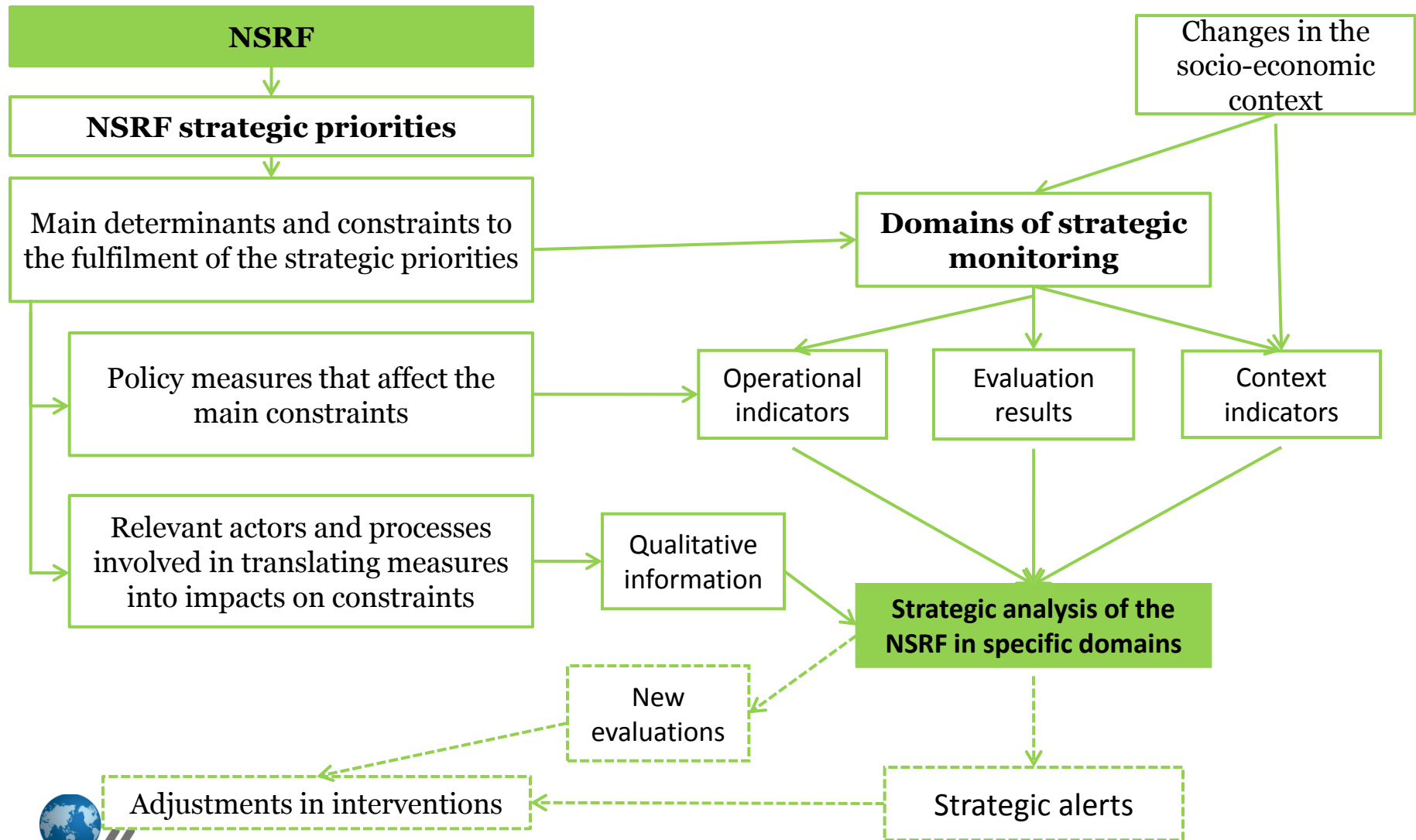




# The example of policy cycle in EU Cohesion Policy 2014-2020



# The example of strategic monitoring process in Portuguese NSRF



# Outline

1. Informed Regional Policy Cycle
2. Findings from TDPC work on OECD regions
  - Information: Data and typologies
  - Knowledge: Trends in regional performance
  - Policy toolbox: Factors for regional growth
3. Policy lessons and challenges

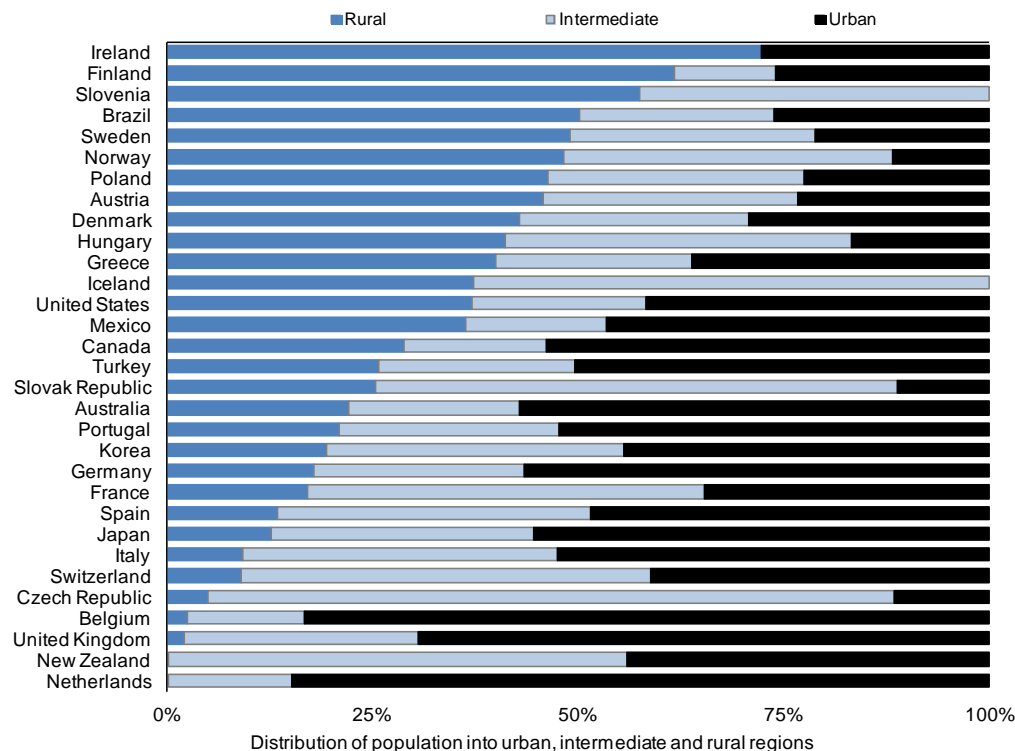
# OECD Regional Data-Base (RDB)

- ❖ The RDB includes regional statistics on major topics:
  - Demographic, Regional accounts, Innovation, Labour, Social and environmental indicators
- ❖ To facilitate comparability, regions are
  - Classified in 2 Territorial Levels (TLs):
    - TL2 Territorial Level 2 (337 regions)
    - TL3 Territorial Level 3 (1708 regions)
    - New regions: China, **Brazil**, South-Africa, Chile etc..
  - Classified by regional type OECD definition: (PU, I, PR)
  - Functional definition
- ❖ Database can be directly accessed from the OECD
  - Statistical portal: <http://stats.oecd.org>
  - OECD eXplorer: <http://stats.oecd.org/OECDregionalstatistics>
  - OECD MDB: [www.oecd.org/gov/regional/statisticsindicators](http://www.oecd.org/gov/regional/statisticsindicators)



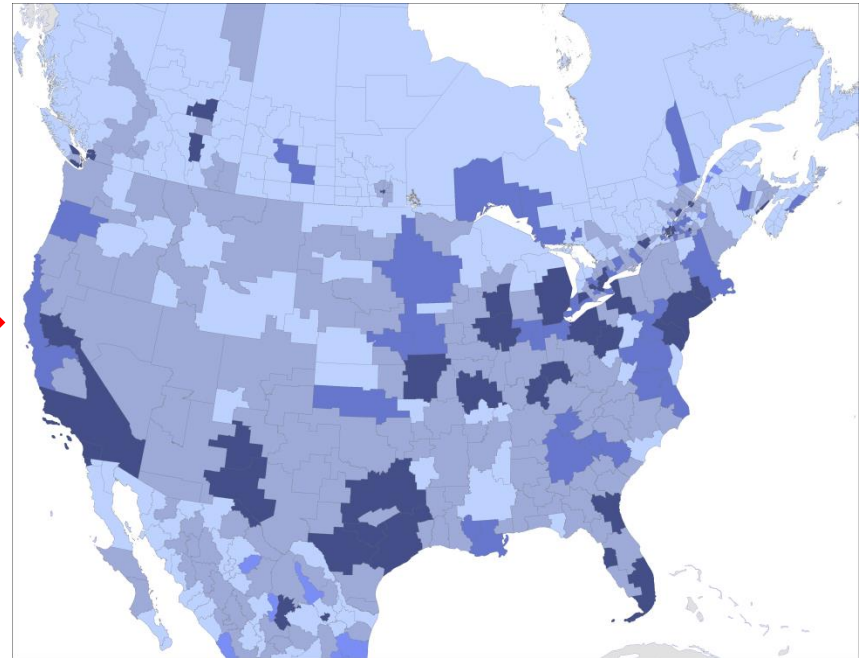
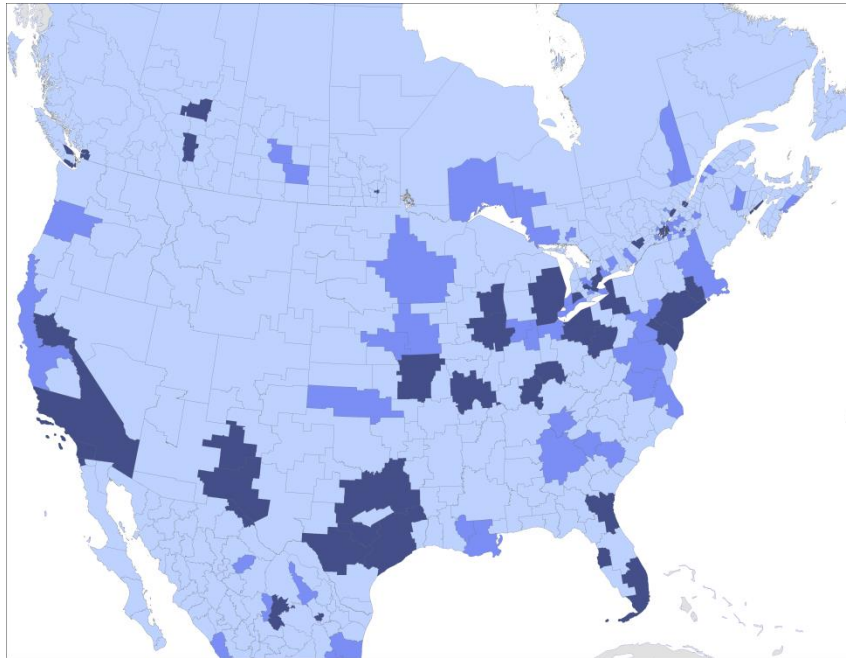
# OECD Regional Typology

## ❖ Regional Typology (PU, IN, PR) based on municipalities in Brazil:



*PR, IN, PU regions  
in Brazil host 50%,  
24% and 26% of  
the national  
population*

# Refinement of the OECD typology



1. Predominantly Urban (PU)
2. Intermediate (IN)
3. Predominantly Rural (PR)

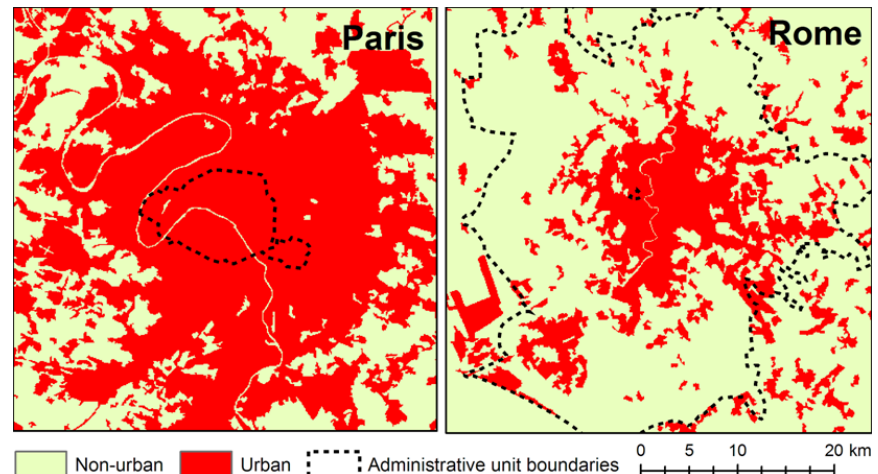


1. Predominantly Urban (PU)
2. Intermediate Close to a city (INC)
3. Intermediate Remote (INR)
4. Predominantly Rural Close to a city (PRC)
5. Predominantly Rural Remote (PRR)

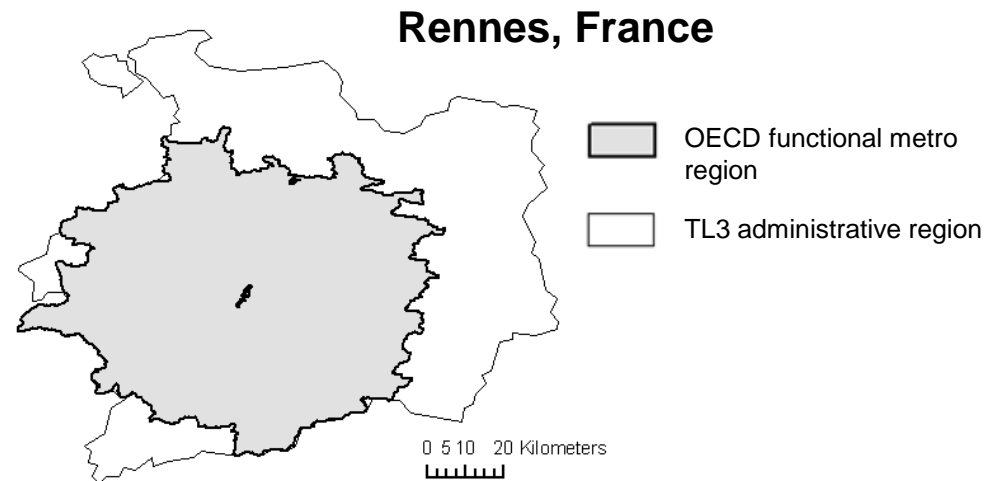
# Functional vs. administrative regions

A functional approach makes it possible to highlight two main discrepancies between the administrative structure and the actual organization of the territory

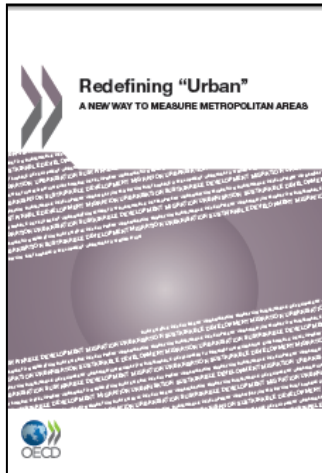
## 1) Core cities (cities de facto) vs. administrative cities



## 2) Functional regions (e.g. metropolitan areas) vs. administrative regions

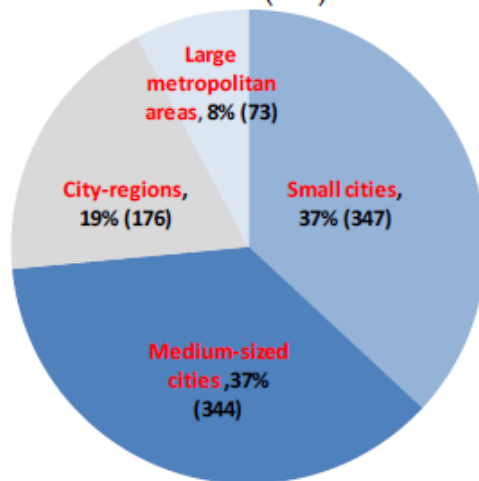


# Redefining “Urban”: A New Way to Measure Metropolitan Areas

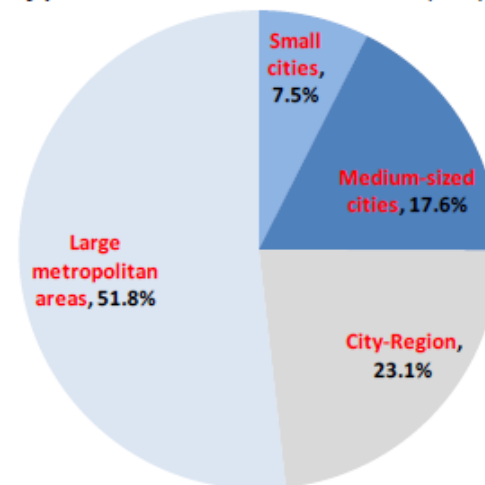


- A crucial innovation of this methodology is the possibility of comparing cities of similar size across countries. A classification of cities in four ‘types’ according to population size is proposed:
  - Small cities, with population below 200 thousand people
  - Medium-sized cities, with population between 200 and 500 thousand people
  - City-regions, with population between 500 thousand and 1,5 million people
  - Large metropolitan areas, with population of 1,5 millions or higher

Number of cities by type in OECD countries (25)

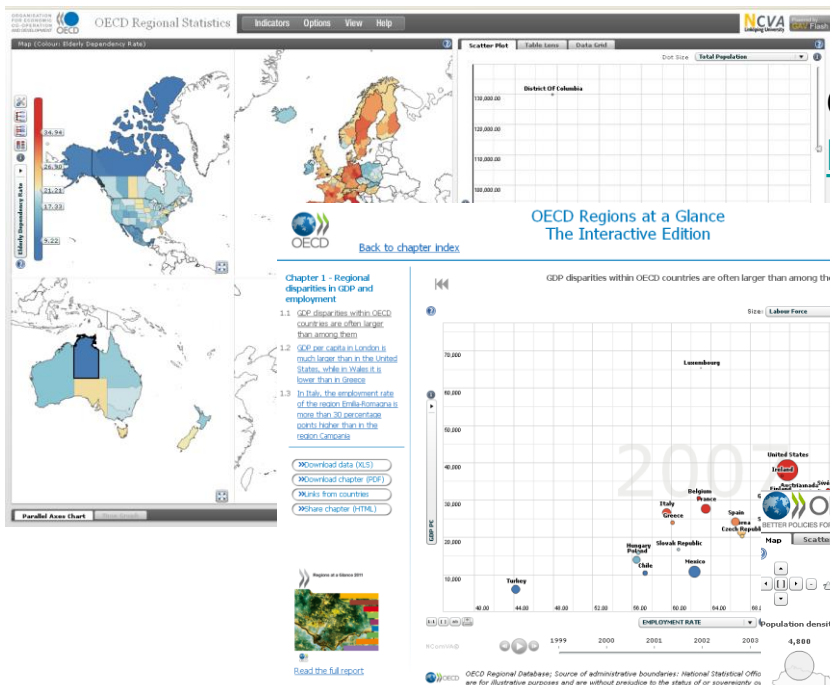


Population distribution by city type in OECD countries (25)





# Data visualisation: improving communication of our findings



OECD eXplorer since 2009

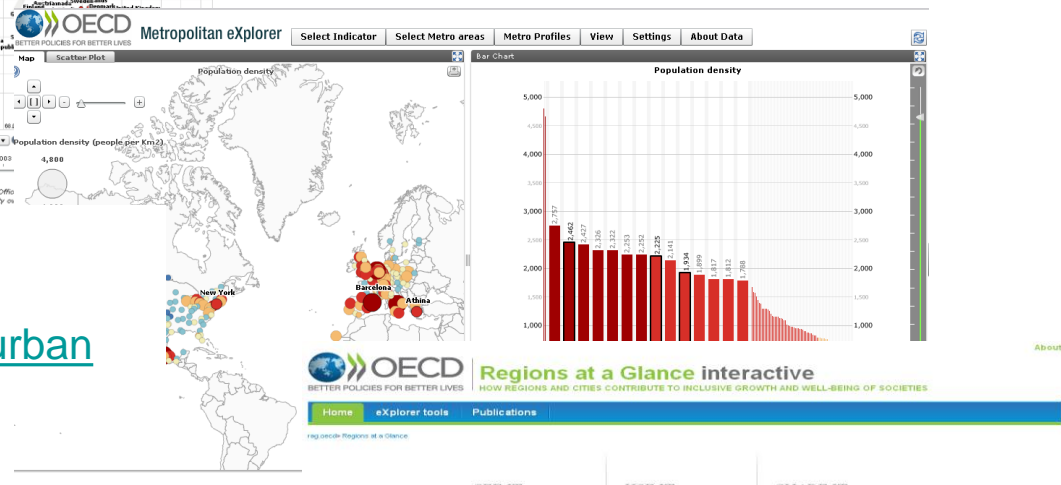
<http://stats.oecd.org/OECDregionalstatistics/>

Digital version of OECD Regions at a Glance, 2011

<http://rag.oecd.org/>

Integrating data and analytical results:  
metroareas 2012

[www.oecd.org/gov/regional/measuringurban](http://www.oecd.org/gov/regional/measuringurban)



On line platform with “regional stories” and country notes, forthcoming 2013





# Regions at a Glance

The series OECD Regions at a Glance compares major regional patterns and trends across OECD countries.

**Regions at a Glance 2011** is not only focused on the key economic factors that drive growth and competitiveness, but it will also take into account key elements that further contribute to well-being of a region:

- Regional migration patterns
- Income inequalities
- Regional access to service and network infrastructure
- Environmental quality



**TOWARDS INCLUSIVE GROWTH  
REGIONS AT A GLANCE 2014**



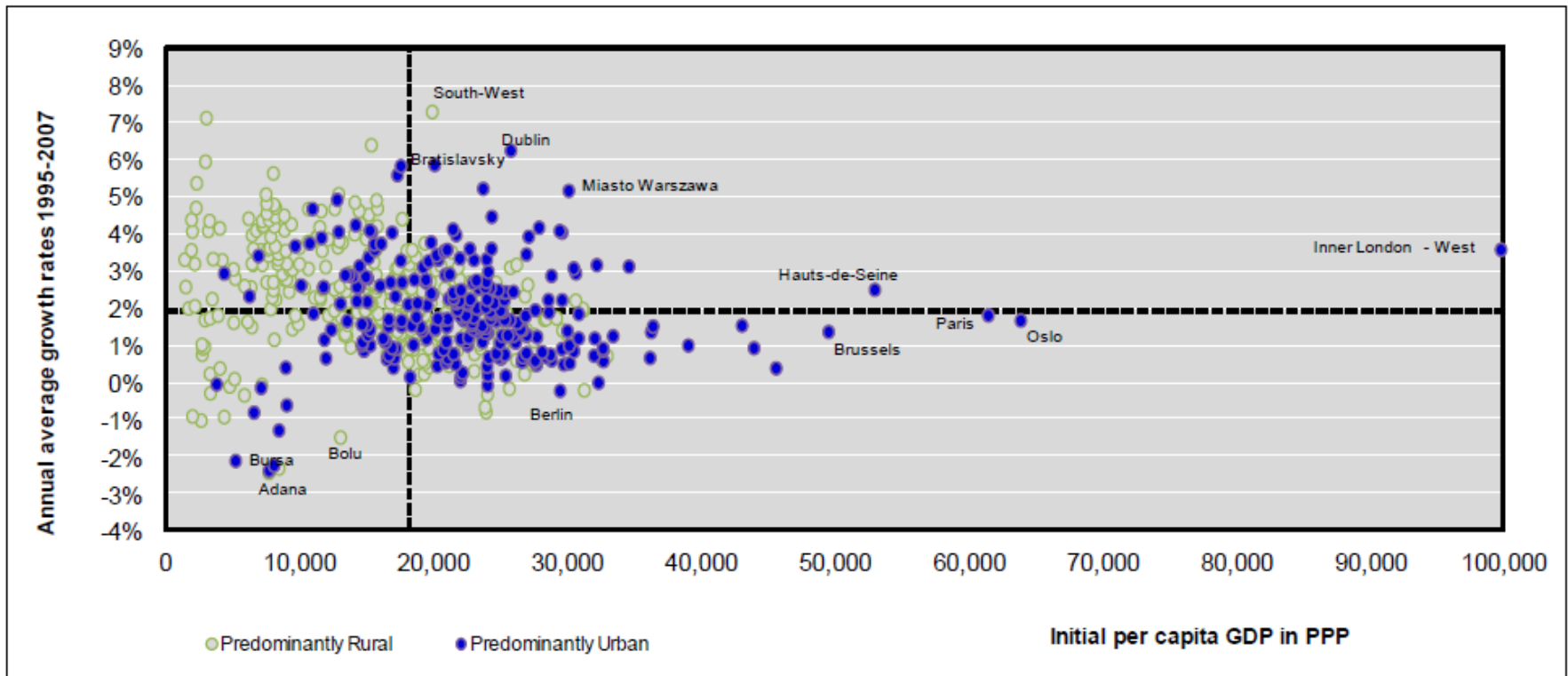
# Outline

1. Informed Regional Policy Cycle
2. Findings from TDPC work on OECD regions
  - Information: Data and typologies
  - Knowledge: Trends in regional performance
  - Policy toolbox: Factors for regional growth
3. Policy lessons and challenges

# There is no single/unique path to growth...

No marked convergence or divergence profiles by type of region

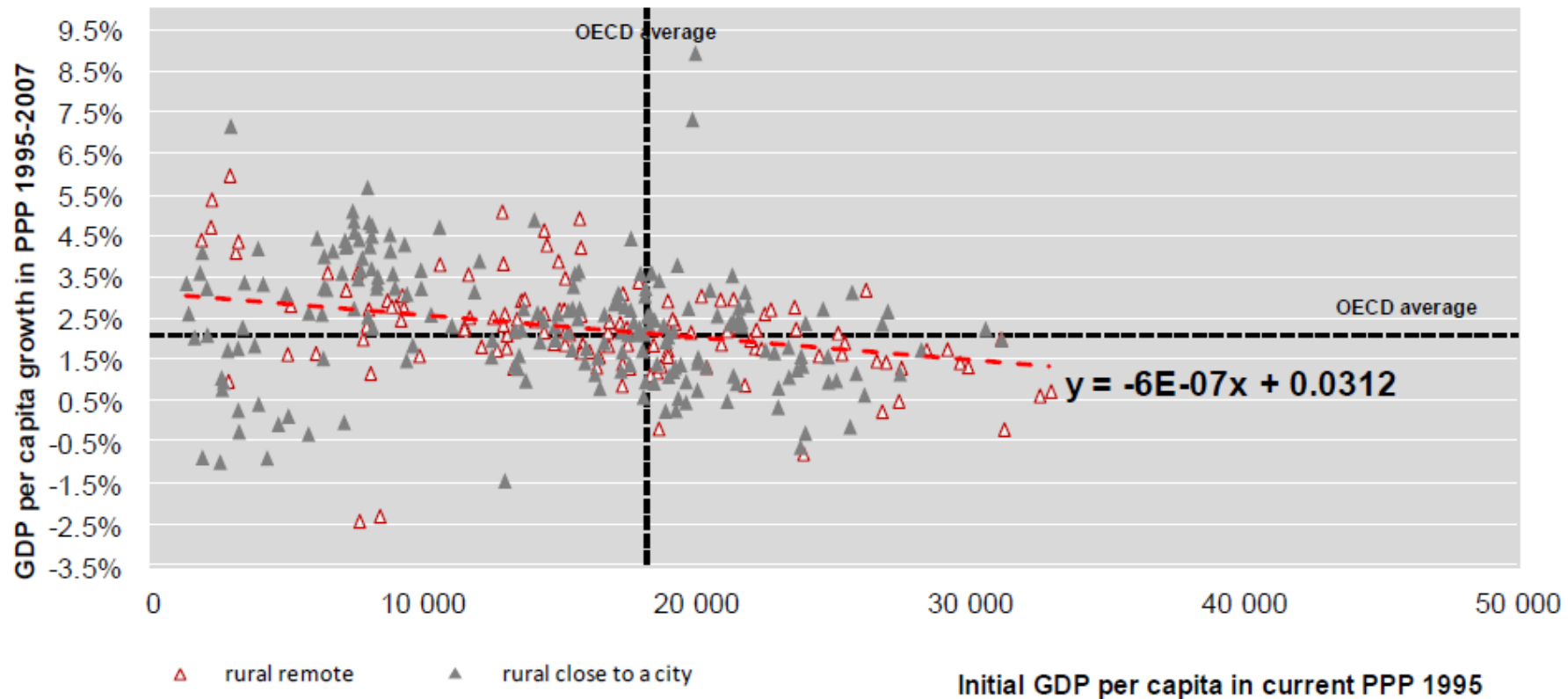
Predominantly urban and rural regions, 1995-2007



# Convergence forces in rural regions

## Convergence patterns across rural regions

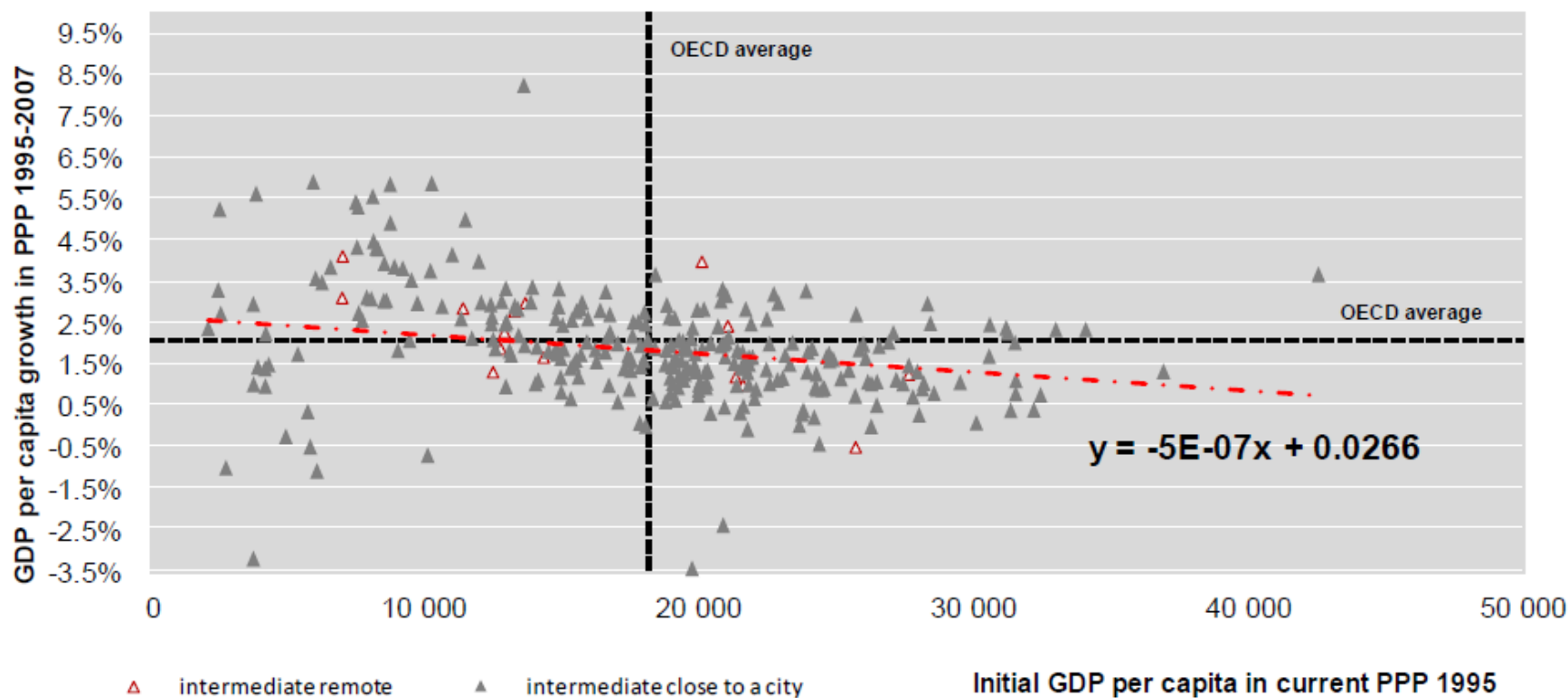
Remote and proximate rural TL3 regions, 1995-2007



# Convergence forces in intermediate regions

## Convergence patterns across intermediate regions

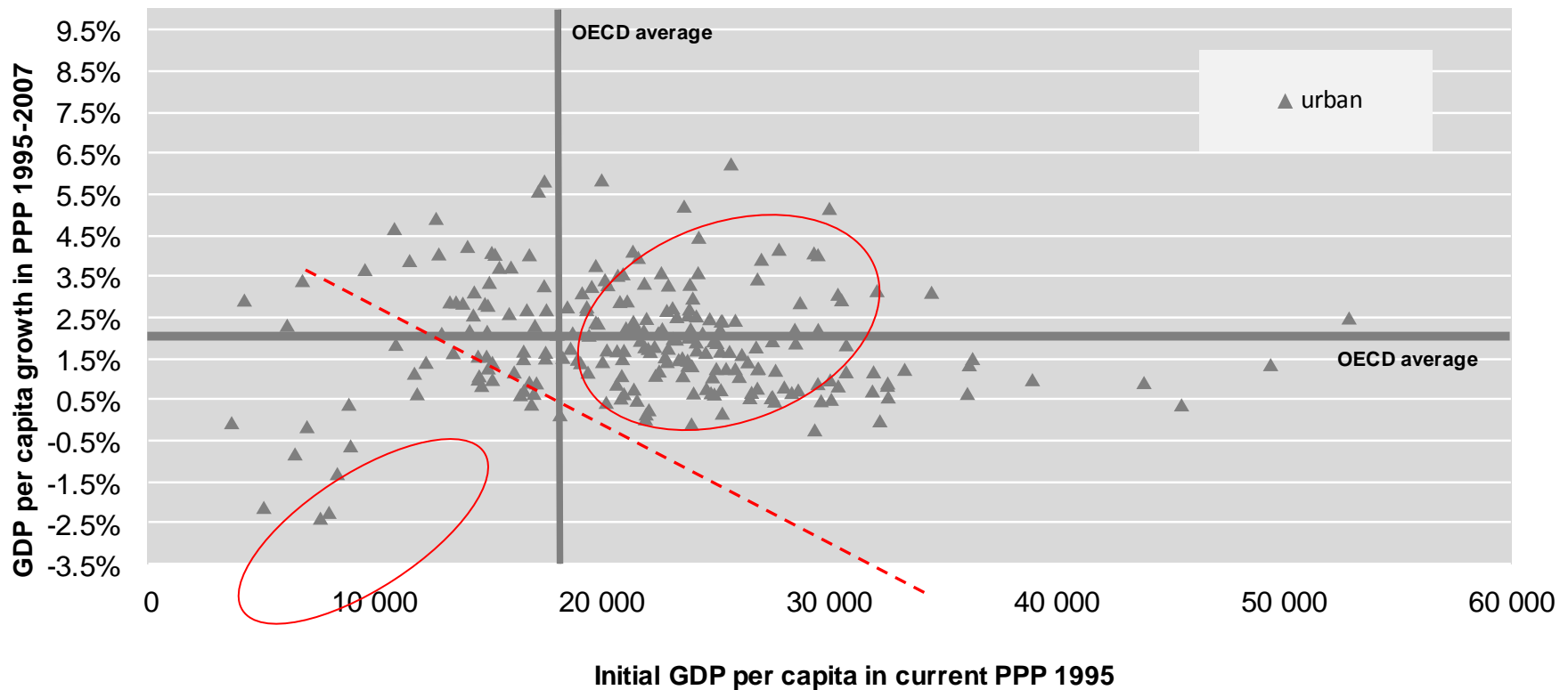
Intermediate TL3 regions, 1995-2007





# Urban regions can experience both convergence and divergence...

Initial GDP *per capita* and annual average growth rates in GDP *per capita* among urban TL3 regions, 1995-2007



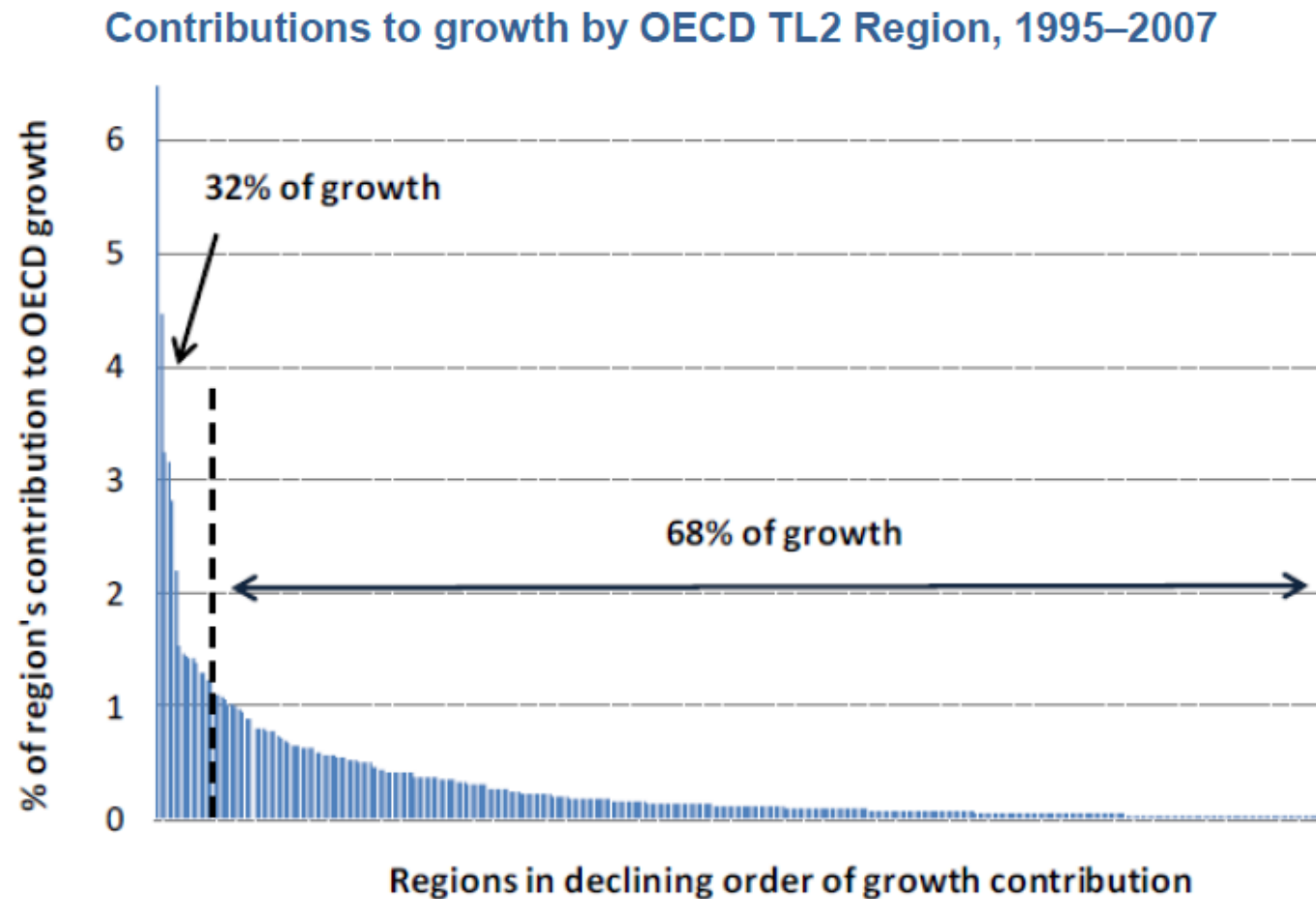
# The most dynamic OECD regions over 1995-2007

**Initial GDP *per capita* and annual average growth rates in GDP *per capita* among the five TL3 region types, 1995-2007**

Type of OECD region	n	GDP <i>per capita</i> in PPP		
		Growth (1995-2007)	Initial levels (1995)	Ratio to OECD average
Urban (PU)	233	1.93%	22 568	124%
Rural close to city (PRC)	199	2.33%	14 324	79%
Rural remote (PRR)	123	2.24%	16 234	89%
Intermediate close to city (INC)	280	1.81%	17 950	99%
Intermediate remote (INR)	15	2.15%	16 096	89%
Total	850	2.06%	18 172	100%

Source: OECD Regional Database.

# Contributions to aggregate growth depend on few hub regions...



Source: OECD Regional Database (Territorial Level 2 regions).

...the fat tail is equally important...  
if not more, to aggregate growth

# Stylized facts – growth

## ❖ Growth Patterns are very Heterogeneous

- Possibilities for growth exist in all types of regions
- Convergence and agglomeration forces at play

## ❖ Concentration and Growth

- Concentration not a sufficient nor necessary condition
- Benefits of concentration not linear nor infinite
- Diseconomies of scale and congestion costs can hinder growth in agglomerations



What are the main factors of growth at the regional level?

# Outline

1. Informed Regional Policy Cycle
2. Findings from TDPC work on OECD regions
  - Information: Data and typologies
  - Knowledge: Trends in regional performance
  - Policy toolbox: Factors for regional growth
3. Policy lessons and challenges



# How regions grow: model results

First key finding: The most important growth drivers are *endogenous* to the region.

- **Human capital** and **innovation** positively influence regional growth.
- **Infrastructure** influences growth only when human capital and innovation are present. *By itself it does not impact growth.*
- **Agglomeration** influences growth but is not necessary or sufficient.
- *Distance to markets* has a *positive* impact to growth. Regions in periphery growing faster. *Possible measurement bias? (i) No travel time and transportation networks and (ii) size of regions.*

Second key finding: Policy actions and institutional factors are also critical drivers of regional growth (based on 23 case study regions)

Third key finding: The effects are not isolated. Complementarities among the factors are critical

These findings, in turn, have implications for *governance*.

# Factors for Growth among Regions growing above Average

## “Growing regions” based on 23 Case Study Regions



Factors for growth in regions growing above average	Frequency	%
Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross border, urban spatial)	8	15%
Infrastructure connectivity	8	15%
Institutions (governance, leadership capacity, continuity, mobilisation)	6	12%
Human capital	6	12%
Innovation, includes entrepreneurial	5	10%
Business environment, public sector activity and industry	5	10%
Geography	4	8%
Internationalisation: international competition and brandname attractiveness	3	6%
Presence of natural assets and amenities	2	4%
FDI	2	4%
Economy (diversified, differentiated and market aware)	1	2%
Other	1	2%
Tourism	1	2%
Density (cohesion, internal fragmentation, labour market mismatch)	0	0%
Demographic factors	0	0%
Agriculture	0	0%
Environmental constraints	0	0%
Availability of financing	0	0%
<b>Total</b>	<b>52</b>	<b>100%</b>

# Bottlenecks in Regions Growing Below Average

## “Underperforming Regions” based on 23 Case Study Regions

<b>bottlenecks in regions growing below average</b>	<b>frequency</b>	<b>in %</b>
Institutions (governance, leadership capacity, continuity, mobilisation)	8	15%
Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross border, urban spatial)	7	13%
Density (cohesion, internal fragmentation, labour market mismatch)	7	13%
Human capital	6	12%
Geography	5	10%
Infrastructure connectivity	4	8%
Business environment, public sector activity and industry	3	6%
Demographic factors	3	6%
Innovation, includes entrepreneurial	2	4%
Agriculture	2	4%
Economy (diversified, differentiated and market aware)	1	2%
Other	1	2%
Environmental constraints	1	2%
Internationalisation: international competition and brandname attractiveness	0	0%
Presence of natural assets and amenities	0	0%
FDI	0	0%
Tourism	0	0%
Availability of financing	0	0%
<b>total</b>	<b>50</b>	<b>100%</b>

# Complementarities and Synergies

Common growth factors in regions with above-average growth

	Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross-border, urban spatial)	Human capital	Infrastructure, connectivity	Business environment, public sector activity and industry	Geography	Institutions (governance, leadership, capacity, continuity, mobilisation)	Innovation and entrepreneurship	Other	International competition and brand-name attractiveness	Presence of natural assets and amenities	FDI	Economy (diversified, differentiated, market awareness)	Tourism
Jalisco	x	x	x			x			x				
Asturias	x	x	x			x							
Brandenburg	x	x	x										
Durango	x	x	x							xx			
San Luis Potosi	x	x	x	x	x								
Sachsen-Anhalt	x	x	x	x	x						x		
Wielkopolskie			x	x	x	x		x	x			x	
Central Transdanubia			x	x	x						x		
Zuid Nederland	x					xx	x						
Marche				x		x	xx						
Midi Pyrénées		x					x		x				
Aquitaine	x						x						x

- Simultaneous improvement in **policies**, **infrastructure** and **human capital**, suggesting strong synergies and avoidance of brain-drain effects.
- Simultaneous improvement in **infrastructure**, **the business environment** and **geographic factors** , thus avoiding leaking-by-linking effects.
- Simultaneous improvement in institutions and in innovation related activities.

# Outline

1. Informed Regional Policy Cycle
2. Findings from TDPC work on OECD regions
  - Information: Data and typologies
  - Knowledge: Trends in regional performance
  - Policy toolbox: Factors for regional growth
3. Policy lessons and challenges



# Some challenging realities in new paradigm

## Principles of Public Investment across Levels of Government: 12 good practices

### Framework conditions for effective investment

1. Invest using place-based and growth-oriented strategies
2. Require sound financial management that reinforces the integrity of sub-national governments
3. Produce sub-national data and use to improve policy

### Co-ordination across governments

4. Collaborate across sectors for an integrated approach
5. Co-ordinate across levels of government
6. Seek regulatory quality and coherence within and across governments
7. Promote sub-national cooperation

### Capacities at all levels of government

8. Mobilise public and private investment
9. Engage public, private and civil society stakeholders
10. Assess, monitor and manage risks
11. Reinforce technical and managerial expertise
12. Promote outcome oriented investments through rigorous selection and monitoring systems

**OECD Principles for public investment across levels of government**

# Some challenging realities in new paradigm

## Administrative vs. functional regions

The basic elements of functional regions for policy purposes:

- A pertinent territory ... for specific policy purpose;
- A common development strategy;
- A genuine cooperation between stakeholders;
- A specific governance system

**The Rural-Urban Linkages and Partnerships project**

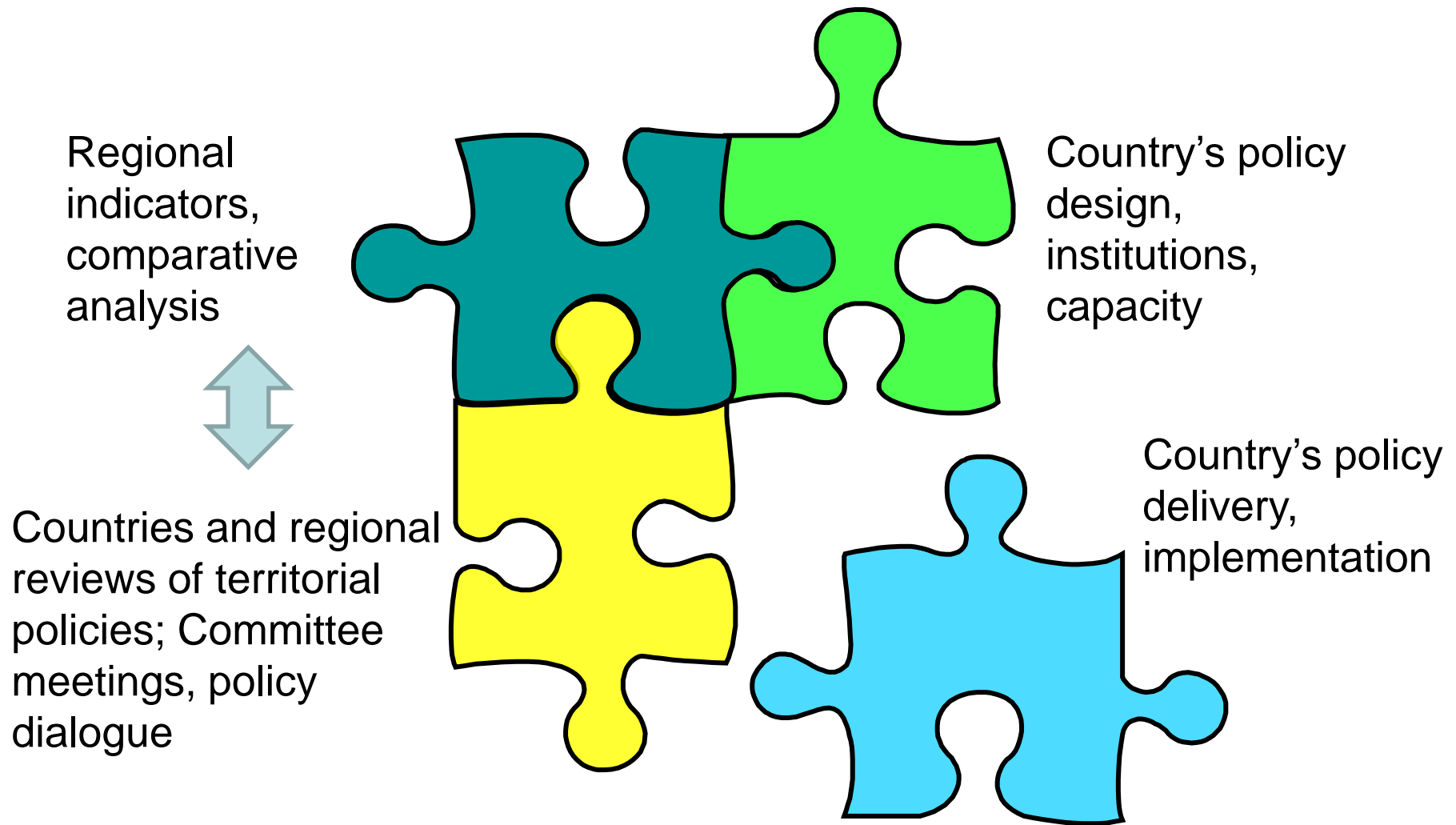
# Some challenging realities in new paradigm

## Measuring local and regional well-being for policymaking

- How to measure well-being at regional level. Help policy-makers to identify the ultimate target for their policies.
- How measures of well-being can enhance the implementation of regional policies. Help policy-makers to assess the results of regional policies and monitor progress.
- The territory matters for measuring well being:
  - as an important layer for reading well being measures
  - As the place where well being matters for policy

## The Regional well-being project (How's life in your region?)

# The need to strengthen links between evidence, analysis and policy needs





# Evidence-Based Regional Policy: Lessons and Challenges

**Duarte Rodrigues**

Chair of the Working Party for Territorial Indicators OECD

Deputy Coordinator of Portuguese NSRF Observatory

Seminário internacional

Política regional no contexto global: situação atual e perspectivas

Brasília, 19<sup>th</sup> March 2013