



Implementing Regional Development Policies: What are the key factors for success?

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Workgroup 1: What kind of multi-level governance arrangements should be put in place to ensure effective planning and programming for regional development?

BACKGROUND PAPER (Executive Summary)

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1. Introduction

Guiding questions:

- *How can Regional Development Strategies be aligned with sector strategies?*
- *What are the optimal bottom-up and top-down institutional arrangements for regional planning and implementation, as well as the relations between them?*
- *Does an integrated and territorial place-based approach offer an effective response to the challenges of regional development?*
- *How can greater accountability and transparency be ensured within multi-level governance relations in regional development?*

Regional disparities – referring to the topic of the conference – can be the impetus for creating and introducing regional development policies in specific countries, but they are never the only motivation for RD: it is in the first instance about supporting regions to compete in the “world of regions”. In order to achieve efficiency and effectiveness, the latest RD approaches move from a highly centralised governance structure to a multi-level governance framework. At the same time, the need for an integrated and territorial place-based approach has been identified and a move from a single project funding approach to programme-based funding is now recognised. The main objective of regional development policy, i.e. in Romania, is to roll-out the

government's sector policies at regional level. In order to develop integrated partnership projects, cross-sectoral cooperation and coordination is required – but this is hard to achieve in practice!

In this context, **institutions and structures** are crucial for regional (economic and social) development. Specific institutional arrangements enable localities and regions to embark on a sustainable road to economic development. It is assumed that these institutional arrangements work better at the local and the regional level. But it is clear that there cannot be a “one size fits all” policy framework. One aspect that has to be taken into consideration is the vertical state organisation. In addition, the government's administrative system has to be taken into account. We have to look at regional government as well as other regional institutions, which in most countries comprise Regional Development Agencies (RDAs) in various models and types, as they can be both a formal and informal part of the institutional setting.

Regional development **strategies** (RDSs) can be appropriate tools for achieving efficient and effective planning and programming. They can have a high political significance as they are also increasingly seen as an appropriate basis for the implementation of EU-funded projects in EU-MS and “IPA-countries”. The European Commission funds more and more projects under the condition that they are based on an integrated concept. But what are the requirements of an RDS to be a useful tool – and which **processes** are needed in order to come to such a RDS?

What is needed is a predictable, measurable and transparent regional planning process, nationally coordinated, though regionally harmonised and integrated. Thus, we need to design and establish processes that lead to integrated and strategic projects. Such processes need to include participation of the relevant actors along the vertical planning hierarchy as well as development of coordination and cooperation mechanisms to integrate/align projects from sector-approaches into RDS implementation. This requires, inter alia, strong political will, especially at national level and a cross-sectoral understanding of the RD-approach.

2. How can Regional Development Strategies be aligned with sector strategies?

Institutions matter!

The key is to understand which structures in the country are the most appropriate for preparing and implementing integrated strategies, and later integrated projects. With respect to efficient multi-level governance and sector coordination, the key issue is the institutions and their capability to deliver in terms of planning and programming.

Key challenges

Institutions & Structures

All the countries examined in the course of preparing this paper have a more or less similar institutional set-up for RD, although they differ very much in terms of size and vertical state organisation. **Structures can be established at NUTS 2- and/ or NUTS 3-levels**; they need to enable the application of an approach based on integrated and strategic programming, multi-level-governance, multi-stakeholder involvement, partnership and cooperation to mobilise and exploit better the endogenous development potentials of a region and to improve public service delivery.

BUT: the capacities of RD-institutions are not sufficient to perform the tasks assigned! This is an overarching question in the context of institutions and structures for RD! Structures established at regional level need to be equipped and trained in a way that they can fulfil their roles and act as cooperation partners for both municipalities and national authorities.

The cooperation mechanisms between sectors at national and regional levels are often unclear. But, in particular, Regional (Development) Councils consisting of representatives from local government, national entities and other local stakeholders require strong cooperation and coordination mechanisms, which are missing in the countries under review!

Experience in the pre-accession countries indicates that good planning and programming is a very labour-intensive process, taking a lot of time and requiring efficient inter-ministerial coordination. **There is little or no evidence that suitable instruments or procedures for such inter-ministerial coordination have been identified and are applied** - apart from relevance checks in (spatial) planning processes.

Plans & strategies

We do not see coherently integrated regional plans, strategies and/ or programmes under implementation. In some countries there are regional sector strategies, mainly in the field of public services like water, sewerage, and solid waste. But most of the countries with regional plans/ strategies leave entrepreneurship, agriculture, tourism, innovation, information technology to other sector institutions to deal with.

There is a **lack, or even absence, of coordination and alignment of sector strategies** to the (so-called) integrated regional development strategies, which is a clear weakness in a lot of countries when it comes to the planning of concrete projects. In the countries studied, the **quality of the strategic planning process is low**. Due to the limited experience with integrated planning, difficulties are to be expected when it comes to the spatial and thematic concentration of funding.

Identification of best practice responses with »lessons learned«

Institutions & Structures

The role of institutions, actors and the position of the RDS in the planning hierarchy need to be defined and well communicated. Smart decisions need a constructive environment, as well as time: the processes need to be well-structured, avoiding lengthy procedures, but at the same time making use of participation and evaluation processes as a corrective measure.

As a consequence, in Moldova, the national planning framework is planned to be adjusted accordingly in order to overcome the identified shortcomings. The “Decentralised Sector Strategies” of sector ministries, as well as the use of existing funds (Roads Fund, Ecological Fund, Energy Efficiency Fund), could be significantly harmonised. Moreover, the work with the RDAs has to be put on a much more strategic basis. The task is to create structures that allow them to adapt to the role as facilitators for RD. In Romania we see that, since 2007, the European funds were used as tools to adjust and structure the RD-system. The rule “first come first served” was observed. This rule may have stimulated absorption but at the expense of a strategic approach to a concentrated and efficient use of the funds.

Plans & strategies

Regional Development does not necessarily need a fully-fledged plan or strategy to design and establish processes which lead to integrated and strategic projects. The idea to set up **Regional Sector Programmes** (RSPs) in Moldova to support the process of developing higher quality, appropriately scaled, policy and more regionally relevant projects was well understood and appreciated. But there seems to be a quite challenging task ahead when it comes to achieving consistency of the RSP with all relevant national and sectorial strategies.

If a RDS is to be developed, sound analysis needs to be carried out, focusing on the region’s priorities. But such an **analysis needs to be followed by conclusions and the formulation of a strategy** based on the analysis and conclusions for strategic planning! The leading question in assessing RDSs is therefore: “Does the RDS lead to the identification of integrated (strategic and partnership) projects?” if not, prepare a new one!

In Serbia an integrated approach for the National Plan for Regional Development and the Spatial Plan for 2014-2020, as well as sector strategies and policies, is foreseen. The Law on RD has provided the basis for a new RD-Policy framework. Several innovations related to enhancing multi-level governance and inter-sectoral coordination have been introduced in this new framework, i.e. investment planning and programming that is more strategically oriented than earlier approaches, as well as an integrative approach of the NPRD and RDSs at NUTS2 level, based on a medium-term planning horizon.

Questions to debate at the Workshop:

- *Why do we see the same institutional set-up in all countries?*

- *What are the precise roles of regional development institutions in harmonising sector policies and approaches?*
- *How do we overcome the well-known problems of weak coordination and cooperation?*
- *Are “integrated plans” too much to ask for?*

More questions for debate can be sent to the moderator stefan@strategiekontor.de

3. What are the optimal bottom-up and top-down institutional arrangements for regional planning and implementation, as well as the relations between them?

Size matters!

Questions of territorial organisation and the legal framework for RD depend to a large extent on the size of the state and its regions. This is not only a question of the NUTS-classification. In a smaller state one could do without regions: a strong ministry or body/authority is necessary as are effective local structures. Informal regional cooperation, for example in micro-regions, in specific programme contexts etc. can, and should, be used if there are no formal regions.

Key challenges

The necessity of having RD-institutions at the **regional level is questioned** in smaller countries, i.e. in Moldova. But, at the same time, national ministries are unable to operate at district level; and the capacity of districts (so-called “rayons”) is weak; and the capacity of rayons to work together without the RDAs is non-existent. A key question is to decide on the most advantageous institutional set-up.

We see that **centralisation remains strong**, mostly in smaller to medium-sized countries, but also in Romania – even though plans for decentralisation exist in all countries. Big differences can be identified with respect to the state of decentralisation. Romania and its regions lack many institutions, mostly at regional level. There are no regional offices of national institutions with competence in the development area.

In all the countries examined we find rather **top-down approaches with just some participatory elements** in the programming processes. Very often, like in Serbia, the legal requirements related to the coordination of strategic documents and national authorities do not prescribe coordination among national and regional levels and do not outline necessary partnership and (informal) coordination processes. Rather, they give the national authorities a veto-option via the right of approval of the regional development plans.

Identification of best practice responses with »lessons learned«

The institutional set-up for regional development (the hierarchy of planning levels and documents at these levels) **does not need to be too complex**. The aim should be a more targeted and better concentration of interventions based on the region-specific priorities, needs and development potential (this constitutes a link to place-based approaches ... see next guiding question).

One should go for a **combination of “top-down” and “bottom-up” approaches**, where public interventions from the national level will need to be linked with formal and informal institutions in the regions. But often, as in Romania, each region seems to be pursuing its own plans and strategies – without any strategic planning between the region and local communities and between the region and the national government.

RDAs, or other regional institutions, can take over important functions in the interplay of top-down and bottom-up planning and programming processes. In Moldova, the establishment of **Regional Sector Working Groups (RSWG)** as key institutions in the development of the Regional Sector Programmes (RSPs) can be considered as a successful attempt to overcome the gaps in the top-down / bottom-up processes in regional planning and programming. A RSWG is not only an effective mechanism for developing the RSPs. Given their strong links to the regions' respective rayons, the RSWGs are able to provide the necessary data and give regional feedback throughout the process of drafting the **RSPs**.

Avoid creating and establishing parallel systems for EU Cohesion Policy and national regional development (policy)! Reports from international organisations indicate that in Serbia there is a risk of creating parallel systems for regional development planning: national and IPA funds are being implemented differently/in parallel and the programming of the EU in the field of Cohesion / Regional Policy does not yet match Serbian regional development policy.

Inter-Municipal Cooperation (IMC) as a bottom-up/ top-down approach is used both in Moldova and Serbia. IMC needs a framework that can only be provided at the national level and it depends on actors at both regional and local levels.

Questions to debate at the workshop:

- *How can we identify the most appropriate institutional arrangements (in relation to a country's size and history)?*
- *What can a region be in a country like Romania, Serbia, and Moldova?*
- *What would be different (in these countries) if, instead of setting up, equipping, staffing and supporting capacity development of regional structures, a two-layer political and administrative system had been maintained and supported with the same amount of money and commitment?*

You are invited to send your questions to the moderator: stefan@strategiekontor.de

4. Does an integrated and territorial place-based approach offer an effective response to the challenges of regional development?

Location matters!

An integrated and territorial place-based approach offers an effective response to the challenges of regional development – but there is **no evidence that something like that has ever been implemented in Europe**. Or is there?

Key challenges

The synergies of sector policies should be supported by their **coordination at each territorial level** through different institutional solutions involving regional and local authorities and other relevant bodies. This coordination should be supported by territorial analysis, planning mechanisms and territorially-sensitive monitoring systems.

An integrated and territorial place-based approach is multi-dimensional, tailored to place-specific features and outcomes. This will **require greater willingness from different levels of government** to co-operate and co-ordinate actions in order to achieve shared goals. In a lot of countries there are virtually no planning documents available identifying the regions' needs based on priorities of the region and its specialisation.

RDSs are often not coordinated with the territorial or spatial planning of the region. This constitutes a significant weakness which regularly causes problems at later stages of the implementation process. Moreover, RDS documents, i.e. the National Strategy for Regional Development of Moldova, are too general.

Smart specialisation strategies require economic dynamism, entrepreneurship, entry, economic institutions in favour of an open economy. A smart strategy is not about “what to do” but “how to encourage regional partners (entrepreneurs, firms, universities) to discover what to do”. In Romania, one important step in amending the RD legal framework is the preparation of regional mechanisms and institutions that will encourage development based on the specificity of each region by highlighting the human and material endowment.

This leads also to **new and greater requirements in terms of capacities of regional institutions**: all regional level development agencies lack funding and human resources that hinder their ability to actively support the implementation of up-to-date regional development plans/strategies.

Identification of best practice responses with »lessons learned«

There are responses in the sense that attempts to develop, introduce and establish a place-based approach are being discussed. The draft National Plan for Regional Development 2014-2020 is intended to bring regional development in Serbia into a

new and dynamic phase. For the first time the process recognises a “place-based” approach and the importance of both the vertical (EU-Serbia-Regional) strategic partnership and the stakeholder partnerships at each of these levels in the sustainable development of Serbia’s economy.

In Moldova, the 2006 law on RD is currently under revision and relevant related policy fields are “under construction”. This opens the option to go “place-based” in the future. Already today Moldova is introducing inter-municipal cooperation (IMC) as one instrument to be applied to ensure good infrastructure investments. The task is to design and establish formalised and institutionalised procedures for IMC.

A response taken into consideration is developing and **introducing spatial planning or a legally binding master planning with a territorial dimension at both national and regional levels**. The planning systems need to ensure the coordination of all sector planning, including spatial planning, which will help take into account the territorial dimension of interventions. Serbia plans to do so.

Questions to debate at the workshop:

- *How can we make place-based development happen? Are there good examples of integrated and territorial place-based approaches under implementation?*
- *Is it true that only regional and spatial policies are capable of integrating projects on a territorial and policy level? If this is the case, is it possible to link spatial planning and regional development in order to develop synergies?*
- *How can we achieve “greater willingness from different levels of government to co-operate and co-ordinate actions in order to achieve shared goals”?*

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5. How can greater accountability and transparency be ensured within multi-level governance relations in regional development?

This question can be discussed here only theoretically, because, in fact, there are **no concrete experiences** in the countries looked at in the course of preparing this background paper.

Key challenges

Accountability and transparency could be enhanced by **clarifying the functions of institutions and documents, plans, programmes etc. in the field of regional development**, as well as the relations between them. This could be done in the context of a revision to the legal framework. The new set-up needs to be well communicated to stakeholders and the public (communication strategy).

RDSs are not necessarily formal plans and are not necessarily legally binding! They rely on consensus and the commitment of the participating players. These messages are known, but are not reflected in a comprehensive and concise way. Public participation is not seen as capital for building partnerships.

Public participation in the countries under review is done in an administrative and very technical way due to legal requirements or donors managing the processes. Thus, **public participation practices are weak.**

Identification of best practice responses with »lessons learned«

As in many other countries, including Moldova, there is the typical challenge in that participation in RD-processes is weak and seen sometimes more as a requirement imposed from “outside”. The initiatives are mainly donor-driven and it is seen as one of the elementary tasks ahead **to institutionalize tested procedures of participation** in the legal description of planning and programming processes in Moldova. The processes of drafting RSPs should be institutionalised and the role of the RSWG should be strengthened. The latter could be utilised to promote sector governance, including better transparency and accountability – and become a knowledge base for the sector in the region. In Romania, the Regional Development Boards need a broader basis of stakeholder consultations and participation with respect to local and regional priorities to reflect better local development aspirations and priorities in approved projects.

The quality of social partnerships influences very much the success of RD programming and implementation. In Romania, social partners at the local / regional level participate in the regional development programming cycle comprehensively via consultations. This shows that a country with centralised government can be successful in regional development if it has strong social partners at the local level and an effectively decentralised administrative structure.

Questions to debate at the workshop:

- *How can we ensure greater accountability and transparency within multi-level governance relations in regional development?*

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This background paper was produced in the framework of the 4th International Conference on “Overcoming Regional Disparities – Implementing Regional Development Policies: What are the key factors for success?”. The views expressed herein can in no way be taken to reflect the official opinion of the Governments, donors and partners.