Evidence-Based Regional Policy: Lessons and Challenges

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Seminário internacional
Política regional no contexto global: situação atual e perspectivas
Brasilia, 19th March 2013
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

**INFORMATION**
- Countries/Regions comparison
- Trends

**KNOWLEDGE**
- Regional economic structure
- Agglomerations and geographic concentration
- Persistence of inequalities
- Social and environmental performance
- Analytical characteristics of different types of regions

**Policy awareness**

**POLICY TOOLBOX**
Strategy for design, delivery, monitoring and assess policies

**Policy measures:**
- Conditions / Institutions
- Causality diagrams
- Results (outputs, outcomes)

**Evaluation of policy practices**

**Improved results (better lives)**
- Improve capacity
- Build a common reference to identify policy objectives
- Spur civic engagement
An informed regional policy cycle

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**KNOWLEDGE**
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- Conditions / Institutions
- Causality diagrams
- Results (outputs, outcomes)

**OECD RDB**
OECD Metropolitan database
Regional typology

**OECD R@G**
WPTI papers and workshops
Regional innovation typology

**Case studies**
Econometric analysis
Territorial reviews
Regional well being

**POLICY TOOLBOX**
Strategy for design, delivery, monitoring and assess policies
The example of policy cycle in EU Cohesion Policy 2014-2020

Source: EC- DGREGIO Draft version of the Guidance document on monitoring and evaluation
The example of strategic monitoring process in Portuguese NSRF

**NSRF**

**NSRF strategic priorities**

Main determinants and constraints to the fulfilment of the strategic priorities

Policy measures that affect the main constraints

Relevant actors and processes involved in translating measures into impacts on constraints

**Domains of strategic monitoring**

Operational indicators

Evaluation results

Context indicators

Qualitative information

Strategic analysis of the NSRF in specific domains

Changes in the socio-economic context

New evaluations

Strategic alerts

Adjustments in interventions
Outline

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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:
  - 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
  - OECD MDB: [www.oecd.org/gov/regional/statisticsindicators](http://www.oecd.org/gov/regional/statisticsindicators)
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)

4. Predominantly Urban Close to a city (INC)
5. Intermediate Remote (INR)

4. Predominantly Rural Close to a city (PRC)
5. Predominantly Rural Remote (PRR)
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
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
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

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

Annual average growth rates 1995-2007

Initial per capita GDP in PPP

Predominantly Rural  Predominantly Urban
Convergence forces in rural regions

Convergence patterns across rural regions
Remote and proximate rural TL3 regions, 1995-2007

\[ y = -6 \times 10^{-7} x + 0.0312 \]
Convergence forces in intermediate regions

Convergence patterns across intermediate regions
Intermediate TL3 regions, 1995-2007

\[ y = -5 \times 10^{-7} x + 0.0266 \]

OECD average

- \( \Delta \) intermediate remote
- \( \Delta \) intermediate close to a city

Initial GDP per capita in current PPP 1995
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

OECD average

urban

Initial GDP per capita in current PPP 1995
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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban (PU)</td>
<td>233</td>
<td>1.93%</td>
<td>22,568</td>
<td>124%</td>
</tr>
<tr>
<td>Rural close to city (PRC)</td>
<td>199</td>
<td>2.33%</td>
<td>14,324</td>
<td>79%</td>
</tr>
<tr>
<td>Rural remote (PRR)</td>
<td>123</td>
<td>2.24%</td>
<td>16,234</td>
<td>89%</td>
</tr>
<tr>
<td>Intermediate close to city (INC)</td>
<td>280</td>
<td>1.81%</td>
<td>17,950</td>
<td>99%</td>
</tr>
<tr>
<td>Intermediate remote (INR)</td>
<td>15</td>
<td>2.15%</td>
<td>16,096</td>
<td>89%</td>
</tr>
<tr>
<td>Total</td>
<td>850</td>
<td>2.06%</td>
<td>18,172</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OECD Regional Database.
Contributions to aggregate growth depend on few hub 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?
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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

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

“Underperforming Regions” based on 23 Case Study Regions

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<tr>
<td>Availability of financing</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Complementarities and Synergies

- 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.
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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
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

Capacities at all levels of government

Co-ordination across governments

Source: Currently under development to be proposed as an OECD instrument.
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
Measuring local and regional well-being for policymaking

• How to measure well-being at regional level. Help policymakers to identify the ultimate target for their policies.
• How measures of well-being can enhance the implementation of regional policies. Help policymakers 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

Regional indicators, comparative analysis

Countries and regional reviews of territorial policies; Committee meetings, policy dialogue

Country’s policy design, institutions, capacity

Country’s policy delivery, implementation
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