



1

Territories matter for development (small initial letters in matter and development)

People who work in territorial development are strongly inclined to assume that regions are relevant entities for intervention and change. This assumption, however, is questioned by the New Economic Geography, which advocates place-neutral or “space blind” approaches. The World Development Report 2009, entitled *Reshaping Economic Geography*, is following this alternative school of thought. The authors argue that in the light of globalisation, the growth of cities increases population density, better connectivity reduces distance, and trade integration lowers divisions between countries. They recommend policies which “... encourage people to migrate to places with economic opportunities.”



Following this line of thought, policies designed without explicit consideration of localities or regions "... are the most effective way of generating efficiency, guaranteeing equal opportunities, and improving the lives of individuals wherever they live and work" (The World Bank, 2009). Spatially neutral policies and the building of connective infrastructure are recommended to accelerate the "natural" market forces. Consequently, geographically targeted interventions are seen as useless to help places that are not doing well.

This interpretation of economic dynamics has received strong criticism from economic geographers. They argue that "... space matters and shapes the potential for development not only of territories, but, through externalities, of the individuals who live in them. Consequently, development strategies should be placed-based and highly contingent on context" (Barca, McCann, et al., 2012). The authors highlight that the placed-based approach is particularly relevant when territories face a changing economic environment and structural change.



This critical perspective is shared by the institutional school of economic development (Rodríguez-Pose, 2013), which emphasises the specific social and institutional arrangements characterising any place and shaping the potential and conditions for economic success. Territorial assets are interpreted as a public good.

Table 1: Comparison of place-neutral and place-based approaches

Categories	Place-neutral approach	Place-based approach
Vision	Mega-urban agglomerations as natural growth path	All places have their specific development potential (diversity; heterogeneity in spatial arrangements)
Argument	<p>Advantages accumulated with agglomeration effects of large cities (universality of economic principles)</p> <p>Emerging countries (and regions) will follow the trajectories of developed economies</p>	<p>Space matters and shapes the potential for development and the people living in them</p> <p>Interactions between institutions and geography are critical for development</p>
Adjustment mechanism	Migration of people	Building on local assets and knowledge
Policy recommendations	Spatially blind interventions to strengthen institutions and make markets work ("one-size-fits-all approach")	Promote differentiated growth strategies in all regions
Academic schools	New Economic Geography	Regional Geography
Advocates	The World Bank	European Union (Smart Specialization Strategies, S3) OECD (Territorial differentiated approach)

Based on Barca, McCann, et al., 2012

The place-based approach confirms that all territories, including smaller cities and rural areas have a potential to grow and contribute to overall development. The New European Regional Policy and the OECD with its integrated territorial policy are following this approach. This is quite similar to territorial targeted interventions in developing countries where Mesopartner is frequently involved.

Within the framework of development cooperation, Mesopartner supports local communities in identifying their own economic opportunities. Our experience shows that even in the most remote places local stakeholders are able to identify something unique which serves to create a distinctive advantage. To convert these endogenous potentials into territorial competitiveness, local stakeholders can benefit from a supportive policy framework. Successful strategies strike a balance between exogenous and endogenous forces, by which local actors set targets and design projects, while the external support institutions provide additional resources and methodologies.

The proposal to empower places seems more realistic – at least for the vast majority of the population in the developing world – than to encourage people to move to far-away opportunities. In fact, migration is only a possibility for a relatively small number of people globally. The overwhelming majority prefer to live relatively close to the place where they were born (De Blij, 2008). Therefore it is critical to leave people with little more choice than to chase opportunities in large urban agglomerations.

Place-sensitive policies go beyond the “one-size-fits-all” development approach – they mobilise regional assets and exploit synergies (OECD, 2009). This is not only relevant for individual places. If most territories are able to develop their unique value propositions, the whole economic landscape will be more diverse and flourishing.

References

- Barca, F., et al. (2012). The case for regional development intervention: place-based versus place-neutral approaches*. *Journal of Regional Science* 52(1): 134-152.
- De Blij, H. (2008). *The power of place: geography, destiny, and globalization's rough landscape*. Oxford University Press.
- OECD (2009). *Regions matter: Economic recovery, innovation and sustainable growth*. OECD Publishing.
- Rodríguez-Pose, A. (2013). Do institutions matter for regional development? *Regional Studies* 47(7): 1034-1047.
- The World Bank (2009). *Reshaping Economic Geography*. Washington D.C.

Dr Ulrich Harmes-Liedtke (uhl@mesopartner.com)

Christian Schoen (cs@mesopartner.com)

