Summary of Key Policy Messages

- Regional policies are increasingly tested on their capacity to fuel growth, rather than simply reduce disparities. This is particularly true in the context of the economic crisis. But in order to play such a role, regional policies need to continue an ongoing process of reform.
- A key rationale for a renewed regional policy is that simple concentration of resources in a place does not necessarily translate into economies of agglomeration and new growth. Urban areas tend to have higher income levels than rural regions, but not necessarily higher growth rates; there is no consistent relationship between urban concentration and economic performance. This suggests an important caveat for investment policies that view concentration as the only path to development.
- Simple accumulation of investment and assets is not enough – and public policies to increase concentration are therefore not always the most appropriate option. The key appears to be how assets are used, how different stakeholders interact and how synergies are exploited in different types of regions. The market does not always appear to maximise this potential alone; public policy has a role to play.
- Leading regions are important for national economies, but over the past decade lagging regions have made a strong contribution to growth. In most OECD countries, they have generated more than 50% of national growth over the past decade. This suggests that policies to support lagging regions are not only targeting disadvantage for reasons of social equity, but can also be tools to generate growth that is important for national prosperity. This also implies that equity and efficiency are not mutually exclusive objectives – improved performance in lagging regions helps achieve equity objectives by ensuring better access to employment and services. Regional policies should make a stronger and more explicit link between the two.
- Growth is linked to the use of productive factors (labour, capital, technology). But econometric analysis shows that no single factor explains improved performance in a region. The positive impact of infrastructure investment on growth, for example, depends on educational levels and innovation performance. Policy makers should make more use of regional policies as a means of supporting synergies across policy families.
- Governments are increasingly realising that investing in the regional dimension of innovation is a crucial part of strategies to promote growth. There is no single formula to promote innovation in all regions, but more systematic policy analysis would help policy makers understand which region-level instruments generate innovation and where. Governance of innovation is another area where more work is needed to clarify the most appropriate division of labour between central and regional actors.

- Research- and technology-driven innovation is highly concentrated, but public policy can generate new dynamics of innovation. Many innovations that shape our daily lives were produced in a small number of leading regions. While Silicon Valley, Boston and these high-tech hubs still dominate, other regions are now becoming active in high technology industries and are investing heavily in R&D-intensive sectors. This suggests that in some circumstances innovation-related public investment can drive economic modernisation and help regions move up global value chains.
- Policy also needs to address regions that are not innovation leaders but that are innovative in other ways. While leading regions produce several hundred patents per year per million inhabitants, more than one-third generate less than ten patents per year. More than 50% of innovative firms in these regions carry out no R&D. These regions need a different kind of innovation policy, one that emphasises absorption capacity and innovation by adoption.
- But there are challenges – innovation resources are moving east. Innovation-related investment is shifting to specific regions outside the OECD area – the municipality of Shanghai is aiming for an R&D intensity of 3.3% by 2020. There is evidence of geographic clustering with firms benefitting from increasing concentrations of skilled labour and denser customer-supplier networks in some Asian cities and regions. OECD regions therefore need to be aware that their knowledge assets must be constantly upgraded in order to remain competitive.
- Despite economic and demographic challenges, rural regions are not synonymous with decline. New rural policy aims at valorising unused resources and opportunities while preserving the environment and adjusting to an ageing demographic structure. Innovative public service delivery and new forms of co-operative governance play a key role.
- Long-term urban growth is high on the policy agenda. Sustainable growth and mitigating climate change are the key urban development challenges. Ensuring a clean and attractive urban environment is increasingly recognised as an integral aspect of creating dynamic cities rather than a mere offsetting of their undesired consequences.
- Regional policy suffers from unclear management at national level. It needs to be co-ordinated by an identifiable single "gatekeeper" at the national level. Unified, co-financed, and multi-year funding for regional policy helps ensure the credibility and effectiveness of public investment.
- An effective use of knowledge in the policy-making process requires appropriate mechanisms for dialogue and co-ordination within and across levels of government, as well as across public and private spheres. Monitoring and evaluation mechanisms need to be strengthened to ensure policy learning.