

Regional Policy Forum

30 March 2009

Closing remarks by Mr. Mark Drabenstott

Chairman, Territorial Development Policy Committee

Good afternoon. Four hundred people registered for this event—this is surely a sign that regional policy is becoming much more important to our world. Some of us here remember when regional policy was just a frontier outpost in the policy world. Today is testimony that we've come a long way.

The backdrop

The global financial crisis was obviously the highly visible backdrop for the Forum. Nevertheless, there was a very calm and confident tone to the discussion. The Forum concentrated more on the long-term opportunity of the crisis than the short-term consequences. Two strong themes today were to '*think regionally*' to solve global problems, and '*a crisis is a terrible thing to waste!*' The commitment to think regionally is a very deeply shared core value across the countries and speakers. Thus, the collective question that hangs over us now is this: Will we use this crisis to make a difference in solving long-term challenges?

The regional policy response

How will we respond to the crisis? There was a strong consensus that the best way we respond is from the bottom up. Put another way, participants strongly agree that a regional framework is the best way to deal with environmental, economic, sustainability, and innovation issues. In a sense, this represents a turning point in how we build policy.

While I believe this framework will prove robust, it will not be easy to move ahead. Do we have the capacity at the regional level to implement this framework effectively? And do we understand how to calibrate the policy balance among central, regional, and local governments? Another challenge, especially in the shadow of the financial crisis, will be prioritizing investments that best unlock the economic potential of every region.

Speakers today spoke frequently of innovation, yet there was relatively little discussion of regional innovation systems. How do we foster innovation in what are highly unique regional landscapes? We have much more to learn on this subject.

There is also a huge role for regional policy in the fiscal response to the current crisis. Without doubt, in the crisis will produce a more pronounced tilt toward more public funding of regional projects. That only heightens the need to align public spending with private investments?

And while participants agree that regional and fiscal policies will intersect at many turns in the period ahead, there was much less discussion on how the reform of the regulatory financial architecture in the

global markets will affect regions. In time, this reform is sure to come, and the potential impact on regional economies could be very large indeed.

The future

For nearly ten years now, the TDPC has been developing a toolkit to help regions develop better strategies for their economic future. Based on what has been heard today, this toolkit has never been worth more. To realize its full potential, though, this toolkit will have to be distributed much more broadly.

If we truly believe in the bottom –up approach at the center of so much discussion here in Paris today, there is a big job to be done in negotiating a new policy compact. Indeed, this is a watershed moment, I believe, in how we think about regional policy. The old ways of managing our economy have proven to be unsustainable—financially, environmentally, and institutionally. Looking ahead, the question can be framed this way: How do we create a new balance between macro-policy (which currently has the upper-hand in this crisis) and regional policy (which we all believe is the best answer to all of the problems that we have received today).

Regional policy has never had a greater opportunity to address the great economic and social challenges of the day. To seize this opportunity, though, regional policy must deliver on three huge outstanding issues:

1. *Regional governance.* Regions must boost their capacity to create robust, sustainable public-private partnerships that own and drive regional strategies.
2. *Sound competitiveness strategies.* Regions must have great tools to develop sound regional development strategies founded on each regions competitive advantages (this remains a core theme of the TDPC's work).
3. *Prioritized public investments.* Once they have sound strategies, regions must then focus their investments on projects that unlock each region's unique potential. Especially in the light of today's financial crisis, the dividends from doing this well are enormous, but there is also much work to be done on tools to help regions do it well

Above all, delivering effective regional policy will take strong leadership capacity at the regional level. It is all too tempting to think of regional policy in national capitals. Yet we will not succeed in today's lofty ambitions with strong capacity at the regional level. In far too many cases, that capacity simply does not exist. How do we create the investments in this human capacity? How to we put in place incentives for collaboration? These are critical issues going forward.

Notwithstanding these challenges, regional policy has a huge role to play in today's unfolding crisis response. Regional policy helps target public investment to regional needs and opportunities. Therefore, it can be a highly unique and powerful way to make our central governments both more efficient and effective in achieving the outcomes we all want for economic and social wellbeing.

It will take a long time to work through today's crisis. It will also take a great deal of courage for regional officials to commit resources to long-term projects in this financial climate. I believe actors at the regional and local levels are willing to take this risk, but they do not want to act alone. They want partners in central government.

The discussion today confirms the hope that the crisis will lead us to stronger economies, more resilient and more prepared for the future. Regional policy has never had a greater moment to work for good.