

Dear Ministers, Dear Ladies and Gentlemen,

I am very pleased to be here at this important ministerial meeting. It comes at a crucial moment, when we not only need to overcome the current crisis but also set the course for remaining competitive.

The financial and economic crisis is showing how fragile economic growth can be, but also how the public sector can play a very important role in re-establishing the confidence which is necessary to re-launch the economy.

Billions of public monies have been mobilised in the past months to re-capitalise ailing financial institutions, to help industries to confront rapidly falling orders, to support consumers spending power.

Yet, this crisis is also demonstrating that it is not enough to mobilise vast amount of resources; it is necessary to have very clear ideas on how to invest those public resources.

Indeed, I am convinced that interventions in the real economy need to be informed by a clear vision about the period after crisis. In other words, we do need an exit strategy.

In many respects, this crisis provides our countries with the opportunity to re-consider their development trajectories and devise new policies and instruments to accompany that change.

There are substantial opportunities to achieve multiple benefits by addressing the current global economic crisis, energy security and climate change in a coordinated manner. There are opportunities to make industries greener and develop green collar jobs. There are

opportunities to improve the energy efficiency of industrial systems, to increase the share of electricity produced by renewable sources, and to make mobility more sustainable.

We need to promote most-needed re-structuring of our economies. We need to maintain the effort in support of innovation, even more so at times such as these when urgency would call for short-term returns. We need to say clearly that leaders at the entrance of the crisis will not necessarily be the same at the exit.

Then, the key question we need to answer is how public resources can be targeted on the most effective investments. How can we devise interventions which maintain jobs while creating new ones? How can we help firms to face the crisis and to prepare to go the distance? What is the policy mix which combines short-term effects with the need to put our economies on a sustainable development path?

Ladies and Gentlemen:

I think that Ministers responsible for regional policy can provide many of the answers to those difficult questions. We need to grasp the opportunity of the current economic crisis to demonstrate that place-based policies are in fact a superior way to address development problems and to help our economies to emerge stronger from the crisis.

Let me point at three issues.

The first relates to the idea that promoting regional development may reduce overall growth.

I am convinced that this is simply not the case. As the OECD has demonstrated in its background report to this conference, many regions outside rich regions have been growing at a faster rate than the OECD average and in some case even higher than the growth rate of the rich regions.

Evidence does not confirm that a concentration of people or economic activity does necessarily lead to higher economic growth. Between 2000 and 2006, European agglomerations did not generate more growth nor did they attract a higher share of the EU population. Moreover and importantly, rural regions generate a lot of growth.

My first conclusion is that all regions are capable of growing but some need to be stimulated to do so. Hence, growth should be supported everywhere.

But, if the above is true, what is it that prevents policies organised in the centre to stimulate growth throughout the territory? I think that this touches one of the most important problems of development economics and leads me to my second point.

Do central governments know enough? Are we able to target investments from policies designed and decided in capitals? How can we adjust policy priorities to reflect local preferences?

Reality is that we operate in a world of incomplete information where it is essential to reveal local preferences and knowledge in order to channel public resources towards the most productive investments. "One size does not fit all" really means that policies and economic institutions need to be designed to reflect local contexts.

Place-based policies can and do offer the governance system which allows doing precisely that: reveal local information, combine it with strategic direction, and coordinate interventions between levels of government.

My second conclusion is that place-based policies, designed by local knowledge, allow to better target resources on growth-enhancing investments.

My last point is about integration. The OECD report has shown that economic performance ultimately rests on the capacities of places to effectively use their assets. This depends very much on the ability to develop integrated approaches which combine simultaneously a wide variety of instruments, from infrastructure provision to skill upgrading to innovation in firms.

Very strong interdependencies exist between different types of public goods and services, whereby the impact of one depends on the provision of the others. This integration can only be achieved through dialogue with and active contribution of sub-national agents.

In conclusions, place-based policies are better suited to direct public resources towards the most productive investments; to overcome information asymmetries and reveal local knowledge and preferences; and to allow for integrating interventions in a coherent and effective way.

Regional policies have been on the defensive for a long time squeezed between powerful sectoral constituencies and demands for immediate and measurable results. We have spent a lot of time and more we should allocate to improve the design of regional policies, to strengthen their evaluation, and to make them more performance-based.

But I think now it is the time to argue that place-based policies have a lot to offer to address this crisis and to ensure that public resources are used in most effective way not only in the short term but, most importantly, in view of the economies we want to see at the end of the crisis.

I am looking forward to the discussion.