Place-based Regional Development as a Strategic Guideline
Place-based regional development as a strategic guideline
### Abstract
Place-based regional development is a strategic policy where local problems and resources are identified and the aim is cross-sectoral development of the regions in broadly-based partnerships among the local actors. This report is based on the book (in Finnish) *Näkökulmana paikkaperustainen yhteiskunta* (Place-based society as a perspective) that is comprised of 13 articles. The report analyses the content of the place-based approach presented in the book by means of an actor perspective based on the Quadruple Helix Model.

### Keywords
place-based approach, regional development, regional policy

### Sale/Distribution of publications
Electronic version: julkaisut.valtioneuvosto.fi
Publication sales: julkaisutilaukset.valtioneuvosto.fi
CONTENT

Strengthening the development preconditions of regions ................................................................. 5
Regional variation and network structures ....................................................................................... 5
From spatial blindness to a place-based policy ................................................................................... 6

The four cornerstones of the place-based approach ....................................................................... 7
Reform of regional government challenging administration ............................................................. 8
Civil society and participation ........................................................................................................... 9
Smart specialisation as the engine of regional economies ................................................................. 10
Regional impact and local knowledge ............................................................................................. 11

The model for place-based regional development .......................................................................... 12
Pitfalls ................................................................................................................................................ 12
Conclusion ....................................................................................................................................... 12

Further reading ................................................................................................................................ 13
Further information .......................................................................................................................... 14
Strengthening the development preconditions of regions

Place-based regional development policy is a strategic policy in which local problems and resources are identified and in which the region is developed across administrative boundaries in broad partnership with regional actors. The starting point is an understanding that the institutions, actors, businesses and inhabitants in the region know their local conditions best. Based on this understanding, the capability of local economies to act more independently as part of wider development and expertise networks is improved.

The premises of this paper are based on Näkökulmana paikkaperustainen yhteiskunta ('Place-based society as a perspective'), a book consisting of 13 articles and published by the Ministry of Economic Affairs and Employment in summer 2016. We thus analyse the content of the place-based approach presented in the book with the help of an actor perspective based on the Quadruple Helix Model. Here the actors are public administration, businesses, citizens and higher education institutions. The use and meanings of places and localities are ultimately determined in people’s everyday life, in points where technical (techno), administrative (will) and emotional (emotion) motives cross. Places bring and collect together activities at different levels and scales, such as local, regional, national and international.

Place-based regional development:

- Examines society in a space as relationships, scales and network structures brought together by localities.
- Responds to the challenges of the global economy through smart specialisation.
- Is based on the dialogue between citizens, administration, businesses and higher education institutions when a vision and a programme for shared local development are drawn up and realised.
- Is based on the shared will of local actors and their ability to put together, choose and coordinate activities as thematic wholes.
- Is increasingly ‘creation’ of places happening outside physical localities based on statements and attitudes of different interest or stakeholder groups.

Regional variation and network structures

Regional differences in well-being and economic development are increasing. The factors that explain regional differences are complex and cannot be defined as straightforward cause and effect relationships in the global economy. Development often accumulates in core areas, such as the Helsinki metropolitan area and large cities with a university, whereas a spiral of decline or a vicious circle develops in peripheral areas or areas of structural change. We are in a situation in which the globally networked economy creates a new type of unpredictability. Large companies close down plants causing difficult problems locally as in Kaskinen, Salo and Kemijärvi, or alternatively, new actors arrive in the area and provide employment, such as the Google server centre in Hamina, or the biorefinery project of the Chinese company Kaidi in Kemi.

The current criteria for the allocation of business and project subsidies do not necessarily prevent the development of regional differences (Lehtonen & Muilu 2016), neither can they respond in situations requiring rapid reactions, brought about by the global economy. We need a new way of thinking that recognises the
importance of networks in the development of regions and places. The aim is to use
the place-based model of regional development for perceiving such tools for flexible
thinking, agile development and crowd-sourcing.

In our view, the results of regional policy that springs from the traditional thinking
based on spheres of interest and sectors are not as good as the results of future-
oriented place-based regional development policy, which is strategic and sees equal
development of the whole country as an opportunity to respond to the increasing
challenges of the global economy. Enough attention must be paid to the limitations of
administrative and ideological boundaries. These typically include the county and
municipal boundaries dividing functional areas, but they may also be ideological
ossifications, such as the debate on regional policy that relies on the old dichotomy
between rural and urban areas.

The competition between metropolises (world cities) is emphasised in this debate,
and the dependence of cities on energy, clean water and food is often forgotten. The
role that rural areas play in the national economy, in the use of natural resources,
and in well-being is not fully recognised. City and countryside enable each other’s
existence by forming a natural continuum. Countryside is increasingly a place of
temporary living, a space for leisure activities, it is also an operating environment
that preserves traditional knowledge and enables nature-related competences, a
resource base for renewable energy, a reservoir of meanings for tourism and the
Arctic identity, and of course, the mental landscape of Finns.

Administrative and territorial divisions, and the urban-rural confrontation can be
reduced by network and mosaic thinking patterns in regional development
(Vartiainen 2016). What place-based regional development emphasises is precisely
the importance of networks, overlapping, hybrids and flexible scales in perceiving
functional areas, which in turn better explains the complex context of regional
development.

From spatial blindness to a place-based policy

If we review Finland’s history and recent past, we see that Finnish regional policy is
in fact very place-based, as the autonomous status of municipalities has also
enabled a natural and reliable setting for activities and living for citizens. From 1865
until the present day, municipalities have been the administrative backbone of this
place-based society. Even later, the status of municipalities was emphasised by the
founding of Regional Councils after the legislation on regional policy was passed in
1993, which can be regarded as strengthening the place-based policy (Kahila 2016).

Place-based development policy is a central part of the EU’s cohesion policy. In the
place-based view, the EU’s strategies should be tailored to the local context across
sectoral and administrative boundaries. (Barca 2009). The central idea in cohesion
policy is to identify the problems of the regions, react to them and so strive to
improve the well-being of people living in the region through collaboration between
the different policy sectors. The opposite of an active place-based policy that
recognises the speciality of regions is the so-called place-neutral or spatially blind
strategy, which sees the change taking place in the regions, such as increasing
differences between their development, as a natural outcome of economic activities
(Eskelinen 2016).
A place-neutral and spatially blind approach prevails in sectoral administration e.g. in
the policy of the Ministry of Education and Culture or the activities of Tekes, the
Finnish Funding Agency for Innovation. We challenge using this approach as a
strategic choice especially when looked at in relation to the choices made earlier in
higher education policy and the conditions set by Finland’s unique geography.

Kettunen and Kull (2016) also bring up the fact that municipalities are all different
and that the development programmes in the central government are spatially blind,
as they do not take into account these differences. The place-based policy has been
most visible in the national rural development policy, but it should also be the starting
point in other policy areas, such as higher education policy, innovation policy and
administrative reforms. Our message is that place-based regional development
integrates policies, priority axes and strategies at different levels and therefore could
serve as a guideline in policy preparation and decision-making.

The four cornerstones of the place-based approach

Place-based development is about interaction between different actors, but it is also
about the inseparable connection between the human and the environment, in which
choices that modify the local environment also always have an effect on nature’s
ecosystem. We structure place-based regional development according to the so-
called Quadruple Helix Model, which emphasises the interaction between the
different types of actors (Figure 1).

We look at the central change trend, reform or policy in each institutional actor from
the perspective of place-based regional development. The current content of public
administration is the reform of regional government, the civil society in turn focuses
on participation, and businesses and a successful regional economy are recognized
as place-based smart specialisation. Regional impact is emphasised in higher
education institutions.

We also link the presented change trends to the humanistic idea that techno, will and
emotion together motivate all activities in society. Participation is about democracy
and an opportunity to have a share in decision-making, smart specialisation focuses on trust, the search for something new and infrastructure, and higher education institutions create education, expertise and belief in the future. In this respect, local development is perceived as a dialogue between the actors, institutions and both tangible and intangible resources. In this dialogue, the network structures of society have a central role.

Reform of regional government challenging administration

The health and social services and reform of regional government currently underway in Finland will change the role of local authorities (municipalities) by transferring the responsibility for organising health and social services, rescue services, environmental health services and regional development tasks to the counties (provinces). However, counties are not gaining the right to levy taxes but they will perform their tasks within the framework provided in the budget set by the central government. The steering effect of the central government funding and thus also the steering effect of policies will strengthen, and they will have an essential impact on the self-reliant development of the regions. If the new intermediate government level leads to a stronger top-down approach in policies, the development cannot be considered favourable from the point of view of a strategic place-based policy, let alone from that of an administration that promotes local activity.

However, the reform does include place-based elements in the sense that most of the activities of regional state administration, such as tasks related to the development of industries, the planning of the transport system, the environment and natural resources, should be transferred to the new counties, whose representatives are elected. In practice, any development on the regions’ own terms will be essentially affected by how parallel the roles of the central government, regional administration and local administration will be in the new counties and how much dialogue there will be between the roles.

Increased democracy is also likely to attract politicians interested in the development of counties. A stronger intermediate level will result in increasing discussion about regional policy in general. However, there is a danger that power may concentrate excessively in counties to a small group of politically active people, who serve both in municipal councils, and local associations and organisations. In our view, the interest in representative democracy among regular citizens is unlikely to increase as a result of the reform.

A place-based approach is not necessarily enhanced by transferring the duties in health and social services, or at least the responsibility for organising them, to intermediate administration, i.e. to counties and the areas responsible for organising health and social services. On the other hand, if companies, cooperatives and associations in the region are engaged in the provision of services, the health and social services reform may strengthen place-based regional development. Another opportunity in strengthening the place-based approach is related to developing digital services and forms of mobile services so that clients can, for example, continue to live in the environment or village community that is familiar to them without any significant reduction in the availability or quality of services.
If companies and associations in the region are engaged in the provision of services, the regional government reform will reinforce place-based regional development.

With the health and social services and regional government reform, the responsibilities of municipalities will be lighter, and local authorities will also have room for focusing on the effectiveness of their tasks. Local expertise should be processed further in local authorities and strengthened to correspond to the new operating environment. Local authorities should continue to be responsible for local development and, for example, bring together the expertise of voluntary actors. Competition between municipalities will probably increase, in which case an active industrial policy, flexible land use planning, local communities that support well-being, and the capability to combine different levels of activities as local nodes in networks will form the pillars of the competitiveness of the municipality. Rural municipalities are also familiar with the natural conditions and needs of the countryside. Operators that are committed to the region are experts on the local area.

Civil society and participation

People’s participation also contributes to the building of the idea of place-based regional development. For example, in Sweden, the idea of so-called community-led local development is implemented in the European Union’s Structural and Investment Funds during this programme period. Housing, services, transport, working life, business, environmental protection and physical planning need to be supported with the user’s point of view, which should be a significant part of planning and administration.

Solutions to how welfare services should be organised have been sought from models that are too uniform and do not take into account local needs and resources. Kattilakoski and Rantamäki (2016) offer a place-based approach as an alternative to models based on harmonisation. Linking local and communal decisions more closely to the national welfare policy is seen as a means to build solutions that will withstand the time of scarcity and contribute to the realisation of people’s basic rights. The most important individual factor in the welfare system is the experience of inclusion, whether it is a question of combating loneliness, social exclusion or poverty, or just the opportunity to participate in civic activities.

Alongside and inside local communities, there are societal movements whose activities are based on networks, swarm behaviour, events and informal communities based on willingness to express opinion and have an influence on society. The activities of these communities are founded on a society that springs from the reactive nature of the social media, in which immediately taking a stand replaces the more rigid and slow representative democracy, at least to some extent. Even if the members of these communities today no longer meet regularly to carry out voluntary work, they are still interested in developing places through more loosely tied forms of
agency or different projects. Of course, places are still found to be important creators of people’s emotions and reference points in the collective memory.

A sort of paradox in the place-based thinking forms when the identity of a region can no longer be approached as an internally coherent, clearly defined separateness from the rest of the world. Even identity seems to be acquiring networked forms that manifest themselves as events, seasonality or links to very different trans-local interest groups.

Everyday choices made by people may lead to surprising outcomes. Self-sufficient or barter economies, which increase the experience of well-being and flexibility of daily life in the world of scarcity, are likely to be rising trends. To a large number of consumers, uncontaminated high-quality vegetables that have been produced locally in a sustainable way are important. People are also interested in local cultures, traditions and production methods.

Smart specialisation as the engine of regional economies

Smart specialisation is place-based development that aims at transforming and expanding regional economies and in which the starting point is to identify and reinforce local strengths and related value chains. According to the place-based approach to development, the strategy of smart specialisation should be tailored to the local context with the help of the available information and knowledge base.

Regional actors are the best experts on the strengths of their own region and they should be the ones who decide on the priorities of the regional economic development and on the utilisation of new business opportunities. Representatives of the public sector, businesses, universities and non-governmental organisations participate in the discussion. Regional developers and policy makers, and regional communities should therefore think in an entrepreneurial manner. For this purpose, a heuristic – both physical and mental – operating environment is required. The search for new business opportunities in an entrepreneurial way is challenging as it requires a high level of activity: a future-oriented approach is required from entrepreneurs, regional developers in turn are expected to be leaders that promote the process of entrepreneurial discovery, higher education institutions should provide information about business opportunities in the regions, and civil society should participate in choosing the priorities. (Virkkala 2015).

New things are sought by combining different fields of expertise and key technologies creatively or by modernising the existing business operations. Surprising combinations can be found by crossing the boundaries between city and countryside or by moving functioning technologies to an entirely new context. The targets of this entrepreneurial search should be activities, not industries or individual companies. We can start looking for new business in technologies that combine many activities, such as industrial design, digitalisation or sustainable energy solutions. There is a need for products and services that are closely linked to earlier expertise, knowledge base and technologies, and these should be combined in a creative way. For example, instead of the forest industry or individual companies within the forest industry, we would develop the utilisation of nanotechnology in the forest industry or the utilisation of digitisation in tourism, or combine tourism and the food industry while developing the experience economy, among other things. (Foray 2015).
In Finland, Regional Councils as coalitions of municipalities have drawn up smart specialisation strategies as part of the regional development programmes. With the reform of regional government the development policies of industries will strengthen, in which case entrepreneurial discovery processes may become more visible than they are at present. When new business opportunities are sought, it is important to have broad-based local partnerships and search for new knowledge from the region’s higher education institutions and larger networks.

Regional impact and local knowledge

Finland’s national strength has been a regional higher education system that has supported innovation activities and place-based thinking. Now that globalisation is intensifying, this system, which has been built on the basis of regional policy since the late 1950s, should be turned into a strength associated with current trends. The recognition of the regional impact of higher education institutions creates the preconditions for place-based regional development. It is a two-way street: on the one hand, local knowledge is processed and integrated to wider contexts of knowledge and research, on the other hand, globally spreading research information is filtered through higher education institutions to be used in locally applicable contexts.

Universities of applied sciences have knowingly been performing their so-called third (societal) task, and have had a clear role in developing their regions. Universities have also had an important role, but the current funding models do not enhance the third task of universities. We suggest that part of the funding from the Academy of Finland and Tekes, the Finnish Funding Agency for Innovation, should be allocated to the new counties. The allocation criterion is regional impact, as well as high scientific quality. In Norway, part of the resources of the Research Council corresponding to the Academy of Finland are awarded at the level of regions.

The rural areas of the universities and universities of applied sciences located in the counties are in the forefront of sustainable development, when we see their importance in expertise and consumption networks. The increase of the bioeconomy, mitigation of climate change, renewable energy resources and the development of the circular economy are interesting themes. In a post-fossil society based on the bioeconomy, the power balance between urban and rural areas is likely to even out and result in an increasing strategic importance of the countryside (Andersson 2016). Counties should be given sufficient tools to develop the strengths of the regions, expand the knowledge base and utilise the existing structures of research and education.

We suggest that part of the funding from the Academy of Finland and Tekes be allocated to the new counties. The allocation criterion is the regional impact, as well as high scientific quality.
The model for place-based regional development

Place-based development takes advantage of the physical, social, economic and cultural value of the region. Different regions have different strengths, challenges and problems, and it is essential to identify them. There is a strong emphasis on the concept of agency, as no development can take place without active people who give localities meanings from very different points of view and with very different interests. Actors in counties increasingly network with others outside the region, and actors from outside the region also participate in place-based development. Instead of the traditional geographically defined locality, we can talk about neo-locality, which is multi-voiced and based on a large variety of influences, motives and forms of agency.

An ideal case of the Quadruple Helix Model would be one in which there is close interaction between the new democratic regional administration, businesses and entrepreneurial actors, civil society, and the higher education institutions of the region. They genuinely take into consideration challenges related to economic development, sustainable use of natural resources, and balanced interaction of urban and rural areas in the region. Different actors also actively create new opportunities and identify strategically important extra-local links. At best, a dense network will form that encourages and promotes creative activities, and creates a self-reinforcing positive spiral. The region identifies its local speciality through the links to other regions and places.

Pitfalls

**Public administration:** Regional administration cannot act across the boundaries of sectors, industries or administration, and regional developers cannot coordinate the process of entrepreneurial discovery.

Excessive regulation, measures that weaken operational preconditions and generally a gloomy top-down approach in policies cause resistance to change and a lack of commitment, which does not increase societal cohesion nor will it improve competitiveness.

**Civil society:** Citizens will not take an interest in shared issues. Excessive inequality and social exclusion may lead to a crisis of democracy.

**Businesses and the regional economy:** Businesses have not rooted regionally and are not interested in the development of the surrounding region, but exploit the existing benefits of the location without any interest in developing them.

**Universities and universities of applied sciences:** Universities focus their activities on what is required by the funding indicators of the Ministry of Education and Culture and on research areas that follow international trends, which gradually detaches their operation from local and even national contexts.

**Conclusion**

In an ideal model, regional economies that are based on counties and that specialise and develop their resources are a national strength. Eighteen counties form a positive competitive atmosphere, in which they will all spur each other on. This will
promote the implementation of place-based regional development. All counties may not be equally successful, but at best they will find their individual paths as a part of an operating environment in which the pace is set by global competition. In the place-based model of regional development, the existing higher education network built over the decades is taken advantage of in the coordination of regional expertise in cooperation with the county and a central government that enables agile regional development. The place-based approach is manifested as phenomena that are linked to the network structures of society and serve as a basis for regions and places to develop. The basic structures also include society’s service systems and safety networks, in which digitisation has a growing role.

The county gathers together the place-based expertise of municipalities at the level of the county. The county is an enabler ensuring that not only companies, but also people can participate in place-based development. The seeds of social innovations and societal cohesion are sown in the counties and their local communities. We must not let this resource be wasted. This way we will create opportunities for local participation and encouragement, which at best will create well-being at all levels of society.

Further reading


Further information

University lecturer Ilkka Luoto has studied the interaction of countryside and city as part of the themes of place-based approach and regional development, the digitalisation of the countryside, and cultural and linguistic interpretations of localities. Email: Ilkka.luoto(at)uva.fi.

Further information: The electronic version of the book Närkökulmana paikkaperustainen yhteiskunta. 

Professor Seija Virkkala has studied regional development, regional ties of companies, partnership in regional development, innovation systems in peripheral areas, smart specialisation, the effectiveness of EU’s structural programmes, and transnational learning in local development. Email: seija.virkkala(at)uva.fi.

Further information: Research programme Place-based Society and Regional Development Policies http://www.uva.fi/en/research/groups/deliberation/aluekehitys/
Place-based Regional Development as a Strategic Guideline