

## BOOK REVIEW

*Szávics, Petra*

**Philip McCann (2015). *The Regional and Urban Policy of the European Union: Cohesion, Results-Oriented and Smart Specialisation*. Cheltenham, UK & Northampton, MA, USA: Edward Elgar Publishing.**

McCann's book aims to explain the logic underlying the Cohesion Policy reform of the European Union introduced starting with the 2014-2020 programming period, with an accent on smart specialisation. Smart specialisation is regarded as a key aspect of the new approach, closely interlinked with other changes introduced, following the recommendations of the Barca report, and a concept in line with the latest approaches to regional development. Addressing policy-makers and academia, the well-researched book reflects the author's opinion on the subject as both a researcher and an advisor on regional policy to the European Commission. The volume is split into 7 chapters, briefly presented in the following paragraphs.

The first chapter presents the starting point of the debates that led to the reform, putting an accent on the EU2020 Strategy and the impact of the 2008 global financial crisis. This document marks a shift from the mainly sectoral approach of the previous 'Lisbon Strategy', reflecting a multi-dimensional understanding of development and economic growth. As regards the second aspect, the author argues that despite economic integration, European regions present great heterogeneity, resulting in an uneven distribution of the effects of crises, threatening unity and calling for new measures.

Chapter 2 goes further into depth regarding aspects of heterogeneity along six socio-economic characteristics. The author stresses that due to the unique attributes of local and regional economic systems, growth and development problems can only be solved by taking "explicitly (...) these specific features and differences into consideration" (p.45). This section provides grounding for further discussions linked to Cohesion Policy reforms, which are presented in Chapter 4, preceded by one that gives an overview on the origins and evolution of the policy. Making reference to four programming periods – between 1988 and 2013 – in Chapter 3 the author points out that while the European Union "has changed dramatically during this period" (p. 49), apart from some adjustments, the policy objectives, its logic, and its architecture remained generally the same. One other argument made is that even though policy implementation has had generally positive economic effects, conclusive evidence is missing in this sense. Outcomes present differences on regional and policy level, depending on the quality of governance. For assuring a more consistent impact, one of the bottlenecks that needs to be overcome is the "economic, geographic, institutional and governance diversity of the regions" (p. 70). In parallel clearer policy objectives should be defined.

The fourth chapter presents in detail the rationale of the reform, making reference to the Barca report and its nature from an economic geography and institutional perspective. Changes introduced represent a shift from the previous sectoral and mainly top-down approaches and refer to: i) its role as a development policy allowing for differentiation based on regional characteristics and application of a bottom-up approach, ii) coordination between different actions of the EU, iii) the use of conditionalities to avoid 'principal-agent' problems, iv) orientation towards results through monitoring and evaluation, v) multi-level governance and partnerships to foster the involvement of all levels, but also to facilitate learning between regions, vi) changes in geographical coverage, by introducing the category of 'transition' regions

and accent on urban issues, and vii) the role of innovation in growth and development, through smart specialisation.

Innovation and smart specialisation are the focus in chapters 5 and 6. Chapter 5 contains a theoretical introduction, describing changes in our understanding about the role of innovation in economic growth and regional development, as well as regarding innovation policies. According to recent theories such policies should be designed at the regional level, taking into consideration regional factors, as well as geographical, technological, cultural and cognitive proximity relations. Chapter 6 on smart specialisation presents the concept as it originated from the discussions addressing the transatlantic productivity gap. Originally it was a non-spatial concept, offering a new framework for policy prioritisation, maximising the outcomes of entrepreneurial activity. Since key components of the non-spatial concept – *i.e.* ‘domain’, ‘relevant size’, ‘level of connectedness’ – can be adopted to a geographic context, using the terminology of economic geography (‘relatedness’, ‘embeddedness’, ‘connectivity’), this was applied to the regional context. Incorporating aspects linked to governance, result orientation, conditionalities and a bottom-up approach, smart specialisation, as introduced in the reformed Cohesion Policy became a “novel way to provide a policy-prioritisation logic appropriate for the context” (p. 195) of any type of region, including non-core ones, helping them to diversify based on existing assets and activities, “fostering entrepreneurship and innovation in ways which are beneficial to the wider economy” (p. 198).

Chapter 7, offering conclusions, underlines again that smart specialisation is for all types of regions and this characteristic is also a novelty of the reform: “The movement towards an innovation-oriented policy as the core of the development agenda in weaker regions is a major shift of emphasis for EU Cohesion Policy” (p. 204). Through this approach, such regions are able to direct available funding towards areas where the biggest impact can be expected. However, the author underlines that for reaching objectives linked to development, both quality and reform of institutions and “good multi-level governance arrangements” (p. 205) are absolutely necessary. Institutional aspects recur in this final chapter, representing a potential bottleneck in successfully implementing reforms, besides the weaknesses that are identified linked to certain provisions from the regulations (e.g. the mechanism of the performance reserve, the N+3 rule and the broad definition of investment priorities). Some examples of institutional resistance to the reform logic mentioned refer to the adoption of ‘tick-the-box’ approaches linked to the actual involvement of partners in defining clear objectives, to place-based and bottom-up logic, as well as to rental-capture problems linked to policy design and potential failure of the European Commission in assuring compliance with all aspects of the reform. McCann’s final, perhaps key recommendation is that the European Commission should act to ensure that major aspects of the reform, especially those regarding partnership and multi-level governance arrangements, are enforced and non-compliance with the “good governance and accountability principles” (p. 215) should be sanctioned rather than other aspects of weak performance.

While the book was written and published at the beginning of the 2014-2020 programming period, it has not lose relevance, since – as the policy recommendations for the next programming period reflect – the same reforms are reinforced for 2021-2017. Greater emphasis on the definition of policy objectives, the growing importance of smart specialisation, underlining the significance of place-based and bottom-up approaches and creating synergies between different actions are such examples. Interestingly, there are some changes introduced in the policy framework that are linked to aspects criticised by McCann related to the provisions of the previous Common Provision Regulation, for example giving up on the N+3 decommitment rule and returning back to N+2, or on the application of the performance reserve. Additionally, instead of ex-ante conditionalities, the European Commission is proposing to make declarations of expenditure depending on the fulfilment of enabling conditions throughout the whole programme cycle. As far as smart specialisation is concerned, the former ex-ante conditionality linked to the existence of a strategy on the national and/or regional level is replaced by an

enabling condition that explicitly refers to the good governance of such strategies, including the effective functioning of the entrepreneurial discovery process, the key element of the bottom-up approach and stakeholder involvement. Thus, from the perspective of the preparations for the next financial exercise, this book is very much recommended to be read not only by those doing research on smart specialisation but also by experts involved in policy design.