

**TADEUSZ MARKOWSKI**

University of Łódź

## **TERRITORIAL CAPITAL AS AN OBJECTIVE OF INTEGRATED DEVELOPMENT PLANNING\***

**Abstract:** The EU development policy efforts to implement a new approach to boost development are becoming increasingly obvious. This change in approach is a result of two processes; firstly, the accumulated experience, both positive and negative, from the already implemented priorities, secondly new economic processes in the globalised economy. Such new definitions related to a new development paradigm include: the territorial dimension of the cohesion policy, territorial capital, and integrated approach to development planning and management. The writer attempts to address the territorial and functional dimension of development and defines territorial capital with reference to club goods theory. Later in the article, the writer argues with scientific and political attempts to introduce the definition of integrated development in place of sustainable development and points to its relations with integrated development planning. The implementation aspect of integrated development plans is addressed in the light of project approach, where the key role is played by integrated system projects. The article concludes with key recommendations for public authorities propagating integrated approach to the development policy.

**Keywords:** Functional areas, integrated planning, territorial capital.

### **1. The territorial and functional dimension of development**

New economic, social and cultural phenomena clearly re-evaluate our approach to global economic competition. In effect of those processes inextricably connected with the accelerating technological progress and digitalization of societies change the sources of competitive advantages, which are used by increasingly internationalized

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manufacturing and service industries. Specific resources created and conditioned by the complexity of territorial social and economic systems are a sustainable source of competitive advantage. On global markets – competitive advantages in innovative companies delivering mass products and services are quickly disappearing due to the increasingly faster diffusion of technological and process innovation to competitors located in countries with lower cost of manufacturing. For leading companies, a vital source of sustainable competitive advantage is high quality human capital closely linked to high quality urban and social space. Therefore, growing importance of high quality spatial management in urbanized areas as the location factor of companies relying on human capital, including knowledge, skills and social trust, can be observed. These non-material factors are developing in effect of beyond market co-operation, intense contacts and growing mutual trust [Markowski 2011, 2013].

Such processes force each country and international economic agreement to change their approach to development-oriented policies. Without going in-depth cause-and-effect analysis of above mentioned power drivers in approach to public intervention, one can say that the theoreticians of regional economy and EU politicians have reached a clear consensus that the competitive economy of the EU and its regions may be reinforced by using additional specific (synergic) resource that emerges in new functional and spatial (territorial) structures. The EU development policy efforts to implement territorial and integrated approach to boost development are becoming increasingly obvious. Formal introduction of the territorial dimension to the development policy by the EU helped focus on solving problems in urban areas. In Poland, the territorialization concept also accelerated work on the national urban policy partially orienting support directions in the cohesion policy in urban functional areas. The orientation resulted in *e.g.* integrated territorial investment.

A new, synergic factor (ensuing from a combination of traditional resources linked to knowledge and innovation) creating competitive advantage of modern economies is called **territorial capital** and is most often understood as availability for material and non-material factors, which may create specific resources or limitations, in the area concerned.

Modern and proper approach to territorial capital however shows its relative and synergic formula. The writer proposes a following definition. *Territorial capital* consists in peculiar external economies created and available as a result of multifunctional interaction of users (actors) of a relatively separated territory [Markowski 2011]. In other words, territorial capital is “complex club good” that is changing in time and territory available for (club) users acting in the functional area”. In this perspective, the foundation of building of sustainable competitive advantage for the commercial activities in the functional area is to build a complex “interactive resource” being an effect of intensive relations (activities) among people associated in various institutions (featuring high entrepreneurship and innovation spirit and trust), who create a specific

value added that helps obtain high productivity of the manufacturing sector. Those specific resources give companies competitive advantage at the increasingly competitive global markets. This is demonstrated by examples of territorial agreements and actions in areas of impact of large global metropolitan areas and cities, which begin to conduct a common development policy. Territorial capital may be generated by skilful linkage and combination of natural resources with the quality of physical (spatial) management and human intellectual capital. This is closely related to the ability of local governments to cooperate in functional areas and with a high level of social trust. As shown in practice, the obstacles to creating competitive territorial capital are administrative divisions associated with the territorial organization of the state and natural orientation of the local government administration to the narrowly interpreted local interests which are seen in *e.g.* inter-municipal competition for taxpayers and voters.

Since the very nature of this capital is inter-municipal cooperation, partnership, trust and spatial cohesion, high mobility in the labor market *etc.*, this resource is not easy to build. But the effort pays off. If the capital is indeed built, it gives a long-term competitive advantage to the already operating and new companies settling in such areas.

## **2. Integrated development planning and integrated development**

Due to the debate focused on the new development policy within the EU – searching for a new paradigm – many definitions and approaches, which are often without any wider theoretical context and co-exist with definitions and concepts alluding to another, more traditional approach, were put into practice. This transitory period of creating a new development paradigm shows that we often use imprecise concepts, sometimes even wrong or overlapping. This is the case with the word (urban) *revitalization*, which is commonly used to define each technical renovation and restoration – rail tracks inclusive. Once seized upon by the media and politicians they last long and it is often hard or impossible to correct them. Sometimes introduction of new concepts to the policy jargon is a targeted action to replace the socially and politically worn out concepts with “seemingly” new ones, again invoking discussion, often futile. This is the case *e.g.* with the new paradigm of development taking a holistic approach to social development. Such holistic development is defined as *integrated development* and there are attempts to replace the generally known and acceptable more precise (durable) *sustainable development*. I have already written upon the wrong approach to so understood development [Markowski 2014]) by demonstrating that these are unnecessary and so far hardly successful attempts to replace the concept of *sustainable development* (emphasizing a need to protect the environment) well-established in practice and Polish Constitution. The much lauded integrated development slogan unnecessarily shifts the emphasis from the activity (process, investment integration

*etc.*) to the development objective (integrated development), and thus weakens the so important implementation aspect. Such new slogan again inspires a discussion. We ask ourselves what is behind this integration? What is the difference between the integrated development and other developments? Can there be non-integrated development?

Starting from contemporary definitions of development emphasizing positive multidimensional qualitative and quantitative changes, the condition for development is integration of interdependent processes; either through market forces or a policy – or without it. In capitalism, the market is the main integrator of processes boosting development. If this integration is missing, there is no development. It is clear that behind each adjective accompanying development; economic, social, spatial, local, regional, there are defined integrated interdependent spheres, as otherwise there would have been no development (as a qualitative and quantitative category). Each type of development is therefore integrated. The fundamental question is whether development as a socially positive qualitative change, and, in fact, its effects – in one or more social spheres – brought about by market mechanisms are satisfactory? Are interventions of public authorities in development stimulation mechanisms and reallocation of its effects are necessary, and, if so, in what measure?

The markets failure existing in each market driven economy (such as real estate markets, technology and consumption waste markets, and also, as it appears, the internet services markets *etc.*) unequivocally demonstrate that interventions of public authorities are necessary in many spheres of social and economic activity. Still, it is about proper interventions. And this can vary, especially in less developed economies. The relevance of such interventions may be increased through integrated planning and economic development compliant with contemporary laws and the laws of nature. It should also be remembered that praxeologically understood integrated development planning is a powerful tool of improving the effectiveness of operation of public authorities. It is an important political instrument of counteracting objectively existing governmental failure.

### **3. Functional areas as the subject matter of planning and management**

Lack of regulatory mechanisms and systems enabling a functional approach to territorial capital makes us try to resolve development blocking problems by introducing new administrative divisions of the country *e.g.* by creating new metropolitan voivodeships and poviats and often even dividing municipalities and poviats into smaller units. Research on territorial reform demonstrates that in contemporary rapid changes in the economy the adaptation of territorial divisions to new functional and spatial relations has limited possibilities [Swianiewicz 2015]. We tend to forget that

the functional areas looked upon from territorial capital point of view are changing in time and space. This means that with the increasingly flexible, dynamic and globalized economy, continuous changes in administrative divisions adequately to new functional and spatial relations are pointless. Temporary coalitions of local governments within the emerging functional linkages and integrated action in time and space is necessary to implement the development projects. Inter-territorial cooperation however calls for fair distribution of benefits and costs within functional areas. The integrated development plan drawing on appropriate analytical instruments supporting decision-making should be an instrument balancing interests. A modest cohesion policy instrument introduced to the new programming period as integrated territorial investment for urban functional areas is a fraction of such approach and too weak an impulse to make real change.

As the new paradigm of the European development policy is being born, it should be first stated that the concept of functional areas relies on the long-term building of a territorial capital strategy. The paradigm has to be a result of a public-private partnership between the local government, economic units, academic, R&D and citizen organizations of a separated area featuring a high degree of urbanization and saturation with the transport infrastructure in a broad sense. The heart of the strategy of development of motor, functional (metropolitan) areas should be non-linear transition to a new quality development trajectory relying on material and non-material products of human activity acceptable on global, competitive markets generating high value added.

Such strategy calls for a multidimensional cooperation of local governments and the state, i.e. a need to apply an integrated and interactive approach from the public policy point of view to create the territorial capital in the separated area. The activities must go hand-in-hand with shaping a cohesive space development, and the accompanying soft actions aimed at building social and economic relations. New economic and social phenomena (which are ignored in Poland) call for completely different skills and knowledge in the planning and public management methodology.

#### **4. Integrated development planning**

One of key instruments of the development policy oriented on territorial capital is integrated development planning, and, in fact, its implementation in the decision-making practices of public administration across all levels<sup>1</sup>. Such planning combines economic, social, and environmental (spatial) links in the analytical and decision-making process.

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<sup>1</sup> It should be strongly underlined that this modern approach involves not only the very process of integrated planning but also formal introduction of the integrated plan system at the national, voivodeship, inter-voivodeship, municipal and inter-municipal level.

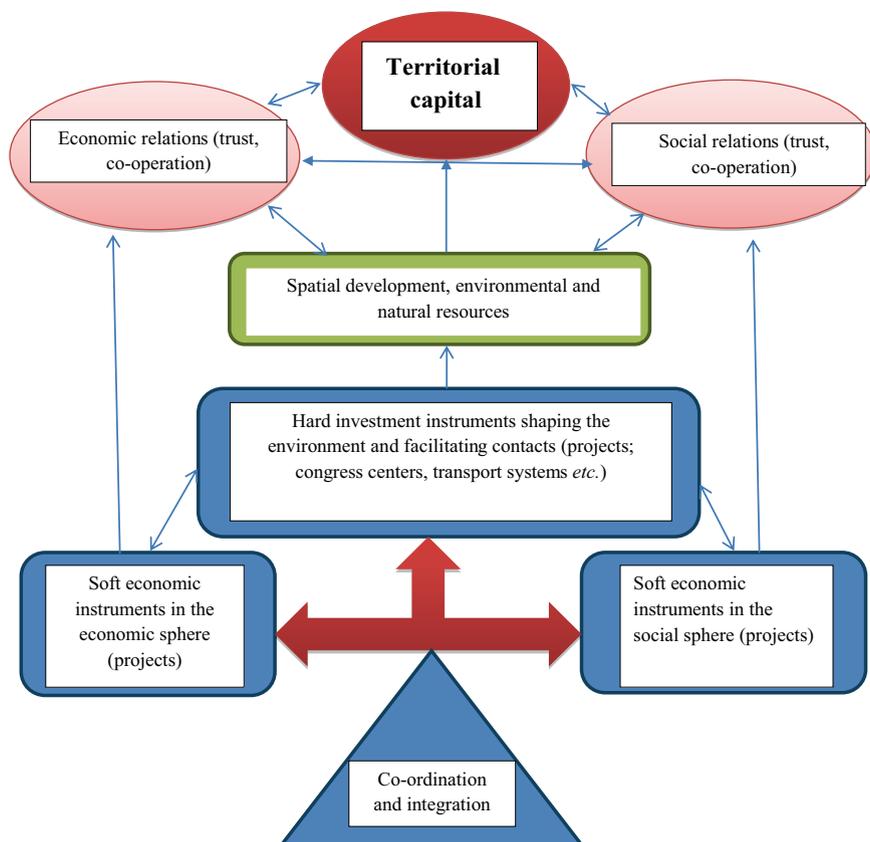


Figure 1. Territorial capital as the integrated planning objective to development

Source: Own work.

Lack of effective regulatory instruments linked with integrated plans in spatial development at the voivodeship and municipal level renders the supra-municipal planning and optimization of territorial capital resources impossible. Therefore, we need a new type of development planning, *i.e.* integrated planning of development of three spheres jointly deciding about qualitative positive changes for social welfare and we need to put the integrated strategy systems (combining balanced relations between the economic and social and spatial spheres) into practice and introduce a more effective regulatory spatial planning as an instrument of co-ordination and control of spatial processes. Without integration of planning and decision-making procedures with economic and social processes, we are not going to achieve improved spatial order.

## 5. Integrated system projects (ISP) in boosting the development of functional areas

A special role in integrated planning and management of functional areas is played by integrated projects. Therefore, the key criteria and rules in operationalization of plans and strategies in functional areas should be projects integrated sectorally in time, space and relying on co-operation and partnership between municipalities and focused on areas which are the greatest administrative barriers to territorial capital building. Such integrated system projects (ISP) due to their specificity force and shape cooperation skills of various actors in the functional area, and therefore they are key to the building of the territorial capital in the functional area. The implementation of integrated projects in the initial period calls for systematic and continued support of regional and state authorities. This should be a financial support system eliminating inter-municipal conflicts. This means a need to develop proper legal attitudes to apply regulatory and financial instruments enabling to eliminate destructive sources of conflicts and reluctance to co-operate.

Integrated system projects<sup>2</sup> include several smaller projects (a portfolio of projects). The heart of ISPs associated with the development boosting policy in functional areas is the co-ordination and integration of external relations among leaders (entities) implementing “autonomic projects” in the triad combining social, economic and environmental dimensions.

The main way of integrating sub-projects by the development policy key players is to internalize (ISP leaders/coordinators) relations between partners and ISP stakeholders. Internalization of relations among autonomous entities may be achieved by various forms of intervention: beginning with legal actions (orders and prohibitions), financial support subject to specific conditions, through building infrastructure and other forms of shaping the physical environment up to information activities. One of more crucial ways is to facilitate information flow so that all ISP partners and stakeholders could reflect interactions in their decisions – as potential economic, social and environmental benefits and costs. For this reason, the basis for selection of adequate instruments stimulating activities compliant with the project objectives should be a complex analysis of costs and benefits. The condition for the intervening entity (leader implementing the development strategy) to be able to effectively implement system projects is the state’s assurance of real competences for internalizing relations among autonomous entities. Effective implementation of ISP<sup>3</sup> requires *e.g.* changes in

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<sup>2</sup> Each project – understood as non-routine planned set of targeted actions – must be internally integrated and coordinated. It must be implemented in line with the generally known project management principles.

<sup>3</sup> IPS must be designed using a relevant, credible analysis of activities in time *e.g.* the critical path method of scheduling (the PERT method). On this basis, it can be defined which sub-projects may be

the regulatory system governing *e.g.* the tender systems for tasks implemented using public funds. The system does not include the results of a complex profit and benefit account of ISP linked to the implementation time. The bureaucratic formalism disintegrating implementation of projects in time causes waste of resources and excessive growth of social and economic costs of development.

## Summary

Planning development, in fact, should be understood as planning own direct action of public authorities with respect to the anticipated development processes and as planning mechanisms of intervention (incentives) for partner and participatory co-implementation of the development vision by the private sector and local communities. So understood planning is obviously very risky due to the limited impact of public authorities on individual objectives and interests of enterprises and households autonomous in their decisions.

Public (integrated) development planning is a condition of process facilitation of inefficient markets (*i.e.* real estate markets) and implementation of the paradigm of the sustainable development relying on the concept of building territorial capital in functional areas. It is an instrument overcoming administrative barriers and administrative and social traps (in which local governments fall when competing for development, income and voters) so as to discount the potential following from a new – qualitative resource which is the territorial capital, including relational capital (human, intellectual and social *etc.*).

Integrated public planning includes also setting the rules of land use. It has an interactive nature in the creating and binding (constituting) sense. The elements co-deciding about development are considered both as conditions and the subject shaping new principles and regulations (the purpose of the changes). This is reconcilable if we look at planning from the dynamic and process perspective.

Implementation of effective integrated development planning necessary to plan the development in functional areas requires at least:

- Statutory implementation of integrated development system plans; from national to municipal level.
- Adaptation of local government income towards the results of costs and benefits generated within territorial (functional) units.
- Popularization of the system analysis of benefits and costs and creation of a database for estimating costs - benefits in the planning and decision-making process of government and local government agencies.

included in or excluded from the tender or even demonstrated when a decision to suspend tender should be made if the “disputes” among potential contractors cannot be resolved within a specific deadline resulting from PERT analysis.

- Linkage of the development-oriented regulation creation with the integrated planning system.
- Introduction of system co-financing funds for supporting functional areas under territorial contracts and PPP agreements.
- Continuous development of skills of (real) partner action and social trust instead of a rigid (bureaucratic) regulatory system of cooperation principles.

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