

PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
TERRITORIAL DEVELOPMENT POLICY COMMITTEE

Cancels & replaces the same document of 14 March 2006

DIRECTIONS FOR THE TERRITORIAL DEVELOPMENT POLICY COMMITTEE
PROGRAMME OF WORK 2007/8

This document is presented to the Committee for reaction. It aims to provide directions for the Committee's programme of work 2007/8 and will be discussed at the meeting of the Enlarged Bureau on 20 March 2006. Countries may also provide written comments on the document to the Secretariat by 3 April 2006.

Based on the discussion at the Enlarged Bureau and written comments received, the Secretariat will prepare a draft work programme for review and comments via the written procedure, following which a final proposal will be prepared for mid-May according to the indicative timetable in Annex I.

Annex II provides a list of the proposed activities for the TDPC work programme and delegates are requested to indicate their countries' level of interest on each. Annex III provides proposals for TDPC work with non-member countries (Global Relations).

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JT03205873

DIRECTIONS FOR THE TERRITORIAL DEVELOPMENT POLICY COMMITTEE PROGRAMME OF WORK 2007/8

Introduction

1. This document is a first look at the Territorial Development Policy Committee's Programme of Work for 2007/8, and suggests the main directions for the next biennium. Outputs have been organised around three main themes:

I. Analysing Regional Performance and Diagnosing Competitive Advantage

II. Regional Policy Strategies

III. Multi-Level Governance and Performance of Public Service Delivery

2. The Committee is invited to provide guidance on the choice of outputs proposed by the Secretariat. Based on the Committee's comments, a draft programme of work and budget will be provided to the Committee, including costing.

3. Countries' written comments are requested by **3 April 2006**. Based on the discussion at the Enlarged Bureau on 20 March as well as on written comments received, the Secretariat will prepare a draft programme of work and budget for discussion and prioritisation via the written procedure. The current timing for the Committee's programme of work for 2007-8 indicates that the draft OECD Programme of Work and Budget will be submitted to the Budget Committee in June 2006 (see Annex I). Therefore, based on this calendar, the TDPC is requested to prepare a final draft proposal, which should be endorsed via the written procedure by around mid-May.

4. The Committee is asked to:

DISCUSS the issues and potential activities;

PROVIDE COMMENTS, at the meeting of the Enlarged Bureau or in writing, on choice of issues; and

INDICATE the level of interest for each proposed activity on the sheet provided in Annex II.

Background: where will we be at the end of 2006?

5. The programme of work aims to build on the results of the 2005-6 programme of work and consolidate recent achievements. The 2005-6 programme of work reflects the issues that were identified during the High Level Meeting of the TDPC in 2003 and that were set out in the "Mission Statement" and the Committee's current Mandate in 2004. In this respect, the programme of work focused on reviewing policy strategies and highlighting innovative instruments in the priority policy fields that were identified at that time.

6. The next phase of the Committee's work emphasises two dimensions – (1) exploring policy issues that have emerged from the analysis conducted during the current biennium and (2) measuring the impact of policy in these fields and linking policy outcomes with improved regional performance. This evolution can be seen with regard to both regional competitiveness policies and multi-level governance, where the current emphasis on analysing policy instruments is complemented in 2007-8 with an effort to address the impact of these policies. Similarly, significant new areas of work are proposed for both rural and urban policy. This reflects the fact that horizontal synthesis reports will have been finalised in both fields in 2006, setting the scene for analysis of specific themes that have emerged over the course of that

work, such as the role of the central level in urban and rural policy. In the context of a stronger emphasis on measurement, the work on indicators will be closely co-ordinated with the policy analysis to explore, where possible, statistical links between policy outcomes and improved regional competitiveness.

7. Over the current programme of work period, the Committee has become more aware of the relevance of its work for non-member countries and has noted the interest expressed by policymakers from outside the OECD, including international organisations, in working with TDPC. At its last meeting, the Committee endorsed a strategy for its work with non-members (December 2005) and is engaged on work with Latin America and China. In addition, the Committee recently welcomed Morocco as Observer to the Committee in December 2004, which has also just been renewed as Observer by the OECD Council for a further two years, until end of 2007.

PROPOSED ACTIVITIES FOR 2007-08

I ANALYSING REGIONAL PERFORMANCE AND DIAGNOSING COMPETITIVE ADVANTAGE

8. Four specific final outputs are proposed.

- 1.1 The Sources of Economic Growth in OECD Regions**
- 1.2 International Trade and Industrial Specialisation: Mapping new Opportunities and Challenges for Regions**
- 1.3 Regional Database**
- 1.4 Diagnosing Regional Comparative Advantages: A Checklist for Policy Makers**

1.1 The Sources of Economic Growth in OECD Regions

Policy Context

9. The aim of this report is to ascertain how OECD regions' growth performance has evolved over the past decade, whether growth disparities are indeed widening, and which factors are immediately responsible. The report describes which regions have done particularly well, or badly, in terms of output and productivity growth over recent years and which factors support growth from an accounting perspective. Particular attention will be devoted to changes in industry specialization, ageing and labour market performances as main drivers of economic growth. The results will be interpreted by taking into account the country-specific macroeconomic context, the initial level of regional productivity as well as the different regional types (urban, intermediate and rural regions).

Expected Output

- *The report would provide the analytical basis needed for the design, implementation and assessment of regional policies. Potential users would include national and regional policy-makers in Member and Non-member Countries as well as the OECD Secretariat in relation to the future work of the TDPC (e.g.: National Territorial Reviews; thematic reports, etc).*

1.2 International Trade and Industrial Specialisation: Mapping new Opportunities and Challenges for regions

Policy Context

10. Trade liberalisation is opening up new opportunities and raising new challenges. OECD countries will benefit from new trade opportunities in industries where their comparative advantages are strong – particularly high-tech and knowledge-intensive industries - but they will be challenged by new competitors in low-tech and labour-intensive industries.

11. These effects are likely to affect sub-national regions in different ways. Depending on their initial specialisation, some regions will benefit from new trade opportunities whereas others will have to cope with stronger international competition.

12. The aim of this report is to foresee the regional impact of trade liberalisation on specific goods and services based on the economic specialisation of regions. The report will consist of 2 parts. Part 1 will describe the recent dynamics of OECD exports and imports by industry and discuss how this is likely to evolve in the future. Part 2 will map the economic specialisation of regions and try to foresee the regional implications of the trade patterns identified above.

Expected Output

- *The “map of regional specialisation” would provide national policy-makers with a useful tool to assess the regional implications of opening specific markets to international trade.*

1.3 OECD Regional Database

Policy Context

13. What are the new socio-economic trends and patterns in OECD regions? What are the key factors that make a region competitive? How to compare the impact of regional policies among countries? The OECD Regional Database is a key tool to answer these questions. The Database is a unique source of comparable demographic, economic and social statistics and indicators at the regional level. Updating and developing the Regional Database would help the TDPC and the Member countries to identify new regional trends, to better understand the factors of regional competitiveness and to assess the impact of regional policies.

Expected Outputs

- *OECD Regions at a Glance 2009 (statistical information for evidence-based policy-making);*
- *OECD Regional Database.*

1.4 Diagnosing Regional Comparative Advantages: A Checklist for Policymakers

Policy Context

14. Globalisation is opening up new opportunities and raising new challenges. In this changing market environment, regions need to discover where their comparative advantages lie, i.e.: they need to identify available market opportunities and select those that best suit their specific assets.

15. TDPC has begun to examine this issue at its Symposium on “*Diagnosing the Capacity of Regions to be Competitive*” in 2005 but more methodological work seems necessary. Indeed, generalising national experiences to a wider set of countries has revealed to be a difficult exercise without a “consensus” on the key features of regional competitiveness.

16. The aim of this proposal is to assess whether it is feasible to build a standard methodology – a *checklist* - to help regions to diagnose their own comparative advantages. This assessment would be done in a meeting gathering together different actors who have experience in regional diagnosing: national and regional policy-makers, local entrepreneurs, private consultants, and university researchers.

17. The conclusions of the meeting will result into a feasibility report addressing the following issues:

- whether the process of diagnosing can be summarised in a meaningful checklist;
- whether this checklist can be replicated in different types of regions;
- how such a checklist can be defined; and
- what is the level of resources necessary to do so.

18. Based on the conclusions of the feasibility report and conditional on the availability of voluntary contributions, a *checklist* could be developed and tested on a small set (3/4) of selected regions. The results from these case-studies will feed an analytical report on how to diagnose regional comparative advantages.

Expected Outputs

- *A feasibility report on how to build a standard methodology to diagnose regional comparative advantages (2007). The report would provide useful guidelines - on methodology, feasibility and costs - for the future activities of the TDPC on this issue.*
- *Based on the conclusions of the feasibility report and conditional on the availability of voluntary contributions, an analytical report providing a checklist to diagnose regional comparative advantages. The checklist would provide national and regional policy-makers with a useful tool for the design and implementation of regional competitiveness policies (2008).*

II ASSESSING THE IMPACT OF REGIONAL POLICY STRATEGIES

19. Three specific projects are proposed.

- 2.1 Assessing the Impact of Regional Competitiveness Policies**
- 2.2 Designing and Implementing Rural Development Policy**
- 2.3 Sustainable Urban Competitiveness**

2.1 Assessing the Impact of Regional Competitiveness Policies

Policy Context

20. This activity would strengthen the work of TDPC on regional competitiveness by looking at the impact of policies. Recent work by TDPC has reviewed a range of public policies in this field (such as those to enhance the impact of higher education on regional development or the role of clusters) and has demonstrated the important synergies between innovation policy objectives and those of regional policy. This activity will focus more on assessing the impact of these policies on regional performance. The work will also make a stronger link between the objectives and instruments of policy and evolutions in the global economy. To do this, the activity will be closely co-ordinated with the OECD Directorate for Science, Technology and Industry (STI). The work will look at the impact of policy in three complementary fields: specialisation and clusters, innovation and investment attraction. *The results could contribute to the "Check list" (Activity 1.4 Diagnosing regional competitive advantage: a checklist for policy makers).*

2.1.1 Regional Specialisation and Clusters: Effective Policies in the Context of Globalisation

21. This report would assess the impact of policies to support regional specialisation and clustering in key industries on regional performance. The aim of the project would be to understand how cluster policies and similar measures can help governments address policy challenges relating to changes in the spatial

organisation of economic activity (such as the transition from production to upstream, research-intensive activities, the increasing dominance of multinationals in production systems, and the challenge of making public investment in research productive for locally based industries). Policy recommendations would be based on analysis of the policies of 20 OECD and non-OECD regions engaged in key industries (regions specialised in one of four sectors that are representative of the overall evolution of economic activity: automotive, biotech, ICT and financial services). This is a joint project with NUTEK and is designed to complement the research on national policies for clusters which will be completed end 2006.

22. Data and information on trends in the four sectors and their implications for regions would be used as an input for Activity 1.2 (International Trade and Industrial Specialisation: Mapping new Opportunities and Challenges for Regions).

23. Additional inputs for this project would come from two reports funded through VCs in 2006 that will be completed in early 2007:

- The Regional Development Dimension of Innovation Policy in China,
- Strengthening the Competitiveness of Manufacturing Clusters in Mexico: Strategies for public investment and policy programmes in 10 Mexican states

Expected Output

- *Policy report on the impact of policies to support regional specialisation and clusters (2007)*

2.1.2 Measuring Regional Outcomes from Innovation Policy

24. Innovation is central to regional policy. Yet in many countries key indicators needed to measure science and technology policy inputs and innovation outcomes are only found at national level. This means that it is often difficult to assess the impact that policies in this field (e.g., the instruments reviewed in the 2005-6 activity "Innovation-led policies for regional competitiveness") are having on regional performance. This project would (1) review evidence from individual countries (plus the EU) where sub-national level indicators have been developed to evaluate the regional outcomes of innovation policies (based on a literature review and input from Member countries), and (2) explore the feasibility of developing internationally comparable regional-level indicators: this would involve (i) identification of key indicators and rationale for collection at regional level, and (ii) a feasibility report on data collection issues and costs

25. This project would be undertaken in co-operation with STI and could involve the establishment of an informal expert group (STP-WPTI) composed of national experts.

Expected Outputs

- *2007 – Policy report reviewing the evidence from OECD countries on links between innovation policies and regional performance; identification of the most effective areas for policy in terms of observable outcomes.*
- *2008 -- Two exploratory reports:*
 - (i) identification of key indicators and rationale for collection at regional level; and*
 - (ii) feasibility report on data collection issues and costs*

2.1.3 Attracting High-Quality Investment to OECD Regions

26. This project would look at the scope for public policy to improve regional business environments in order to attract the most advantageous types of inward investment given the evolving needs and preferences of firms. The project would look at the "package" that successful regions provide to potential investors, identifying both the direct incentives for investors and the locational advantages that the region draws on. The assumption underlying this activity is that inward investment remains an important source of capital, employment and technology for OECD regions, particularly when this investment is linked to other strategic objectives.

27. In order to understand the rapid evolutions in location factors, the work would involve participation in an STI assessment of the factors that firms take into account when they make location decisions or strategic decisions about the organisation of their production, including upstream activities such as R&D.

28. Policy work would be based on input from member countries on the successful strategies that regions have introduced and the factors in the business environment that appear most susceptible to influence by national and/or regional policymakers *This work would be co-ordinated with Activity 1.4 Diagnosing regional competitive advantage: a checklist for policy makers.*

29. There would be scope for involving business associations in the analysis or in a consultative capacity.

Expected Output

– 2008 -- *Exploratory report reviewing policies to enhance the attractiveness of regions.*

2.2 Designing and Implementing Rural Development Policy

Policy Context

30. Building on the Committee's territorial database and on analysis of trends in rural development across OECD countries, past work of TDPC has contributed to highlight the emergence of a 'new rural paradigm'. Quantitative and qualitative evidence across the OECD has shown that traditional top-down approaches and sectoral subsidies to rural areas have not produced the expected results. In this framework, policymakers increasingly recognise the need for a new approach to rural policy, one that is capable of capturing the diversity of rural areas and responds more effectively to the new challenges that these regions face.

31. While there is growing interest among policy makers for place-based rural development policies, there is a paucity of research documenting their impact and the determinants of success. This activity will respond to the need expressed by OECD Governments for a systematic review of the approaches taken by national governments to develop and implement rural development policy. Three OECD countries and one or more non-OECD countries will be reviewed each year through a methodology that will allow for a comparative analysis of the way rural policy is conceived, implemented and funded at national level across the OECD.

Expected Output

- *The final output of this activity will be the horizontal synthesis report: Rural Policy Outlook: Country Approaches to Rural Development Policy. This report will be based on:*
 1. *the findings of the Rural Policy Reviews at the National level; and*
 2. *inputs from the annual OECD Rural Development Conferences.*

2.3 Sustainable Urban Competitiveness

2.3.1 Assessing National Urban Development Policies

Policy Context

32. As globalisation progresses, the pursuit of competitiveness in urban regions has become a major national policy objective. The work of the TDPC and the WPUA has demonstrated the importance of policies to address the specific issues of cities in OECD countries with government interventions, not only using “remedial” actions to tackle with traditional urban problems such as combating urban sprawl, declining neighbourhoods, and concentrations of social and environmental problems, but also using more “proactive” actions to foster city attractiveness and competitiveness. Recent conferences and round tables organised by the WPUA underline the range of innovative policies being promoted by national governments highlighting diversity in urban policy making among member countries. Drawing on the knowledge accumulated in various OECD urban studies, TDPC and WPUA, this activity will aim at providing a comparative synthesis of these urban policies in OECD countries focussing on explicit urban policies, regional development policies with a specific mention to urban development, and the impact of national spatial planning for urban regions.

Expected Output

- *The aim of this activity would be to produce "Urban Policies Outlook" (the first by the end of 2008)*

2.3.2. Globalisation and City Competitiveness

33. This activity would continue the ongoing series of OECD reviews in urban regions (metropolitan and city-regions) which contribute to other PWB outputs, notably work on innovation and competitiveness and on governance.

34. An additional activity will be undertaken on **Promoting Trans-border Functional linkages Between Cities**. What is the impact of the growing globalisation of supply chains on cities? How cities can develop trans-border linkages to enhance their competitiveness? It is becoming increasingly common for cities – including small and medium-sized ones - to develop strong functional linkages with other cities beyond the national borders. The question for policy is how such relationships can be fostered and strengthened and how *cooperation frameworks* (e.g. inter-governmental committees, non-official forums, PPP type organizations) can be established.

35. The final report will be based on a synthesis of a series of case studies that demonstrate how such co-operative networks among cities can be developed in different contexts: for example, in East Asia, in the Baltic region, etc.

Expected Outputs

- OECD Territorial Reviews on metropolitan regions and on City-regions
- Analytical reports on Promoting Trans-border functional linkages between cities in different Macro-regions:
 - On East Asia, where emerging trans-border linkages are expected to have significant implications for many cities, the analytical report will focus on infrastructures and joint spatial planning. It will consider necessary preconditions for trans-border linkages to

develop; strategies to promote such linkages (cross-border infrastructures, standardisation, harmonisation of regulations, etc.); and institutional arrangements for policy coordination.

- On the Baltic Sea Area the analytical report will focus on trade flows and specialisation complementarities so to assess the rational of increasing integration and the role of cities in this process. It will consider existing and potential cooperation in the field of innovations and labour market integration.
 - Similar reports could be developed in other Macro-regions such as Balkans and the Latin America Area.
 - A position paper stemming from an International conference on “Transnational Co-operation among Cities” scheduled in Madrid on February 2007.
- Drawing on findings from the above outcome, a Synthesis report on Globalisation and City competitiveness

2.3.3 Promoting Sustainable Urban Communities

Policy Context

36. Urban communities play a vital role for the sustainability of urban competitiveness. This activity will include two related aspects: (i) Policies to achieve better integration of urban communities and (ii) Policies to attract foreign skills and making better use of the existing migrants’ skills.

(i) Policies to Promote Better Integration of Urban Communities

37. Disintegration of urban communities, sometimes described as “divided city”, is becoming an urgent issue in many major cities. Existence of community groups disconnected, economically and socially, from the rest of the city, is not only a waste of human resources but also a seedbed for social instability. This study will assess the effectiveness of various policy instruments adopted in the member countries to promote better integration of various urban communities, covering such areas as spatial planning, infrastructure, community development, capacity building, and community involvement in policy planning process. It will also address to such issues as what measurable targets can be set for policy appraisal, what institutional framework is best suited for formulating and implementing coherent strategies on a cross-sectoral approach, and how policy coordination should be done to create synergies between various policy instruments.

(ii) Policies to Valorise the Skills of Immigrants in Urban Areas

38. The contribution of foreign migration to population growth in large cities has increased in recent years. Given the increasing reliance on foreign-born workers, especially in the context of a knowledge economy which characterises metropolitan regions, human capital development for immigrants is crucial. This study would assess policies to make better use of the skills of migrants in large cities. It would also address to what extent the implementation of such policies can promote the better integration of immigrants in the labour market. From a demand side, how is the business sector involved in integration policies? And how do public administrations in cities coordinate their actions with respect to the integration of immigrant with central government and national immigration objectives and policies?

39. This part will be conducted by GOV with the participation of DELSA. The report will also be discussed at the the ELSA Committee and the Working Party on Migration

Expected Outputs

- *Report on policies to promote better integration of urban communities (2008);*
- *Report on policies to promote vibrant communities in urban areas (2008);*
- *Report on policies to valorise the skills of immigrants in cities (2008).*

These projects will last two years (2007-2008) and would be conducted through voluntary contributions only.

2.3.4 Policies to Enhance Urban Environment for Competitiveness***Policy Context***

40. Urban environment of high quality is increasingly regarded as a key asset for competitiveness of cities. It provides the basis for the better functioning of cities as well as the attractiveness for people and investment, which are particularly important in the efforts to revitalise city centres. Therefore, environment should be an integral part of policies to enhance urban competitiveness and attractiveness. The enhancement of urban environment can be conceived as the improvement in terms of (1) resource efficiency (energy, water, waste etc.), (2) quality of environmental elements (air, water etc.) and (3) urban amenity (green space, landscape, etc.).

41. Because these objectives can only be achieved by the concerted mobilisation of various policy instruments of urban policies, such as land use, transport, and infrastructure, the enhancement of urban environment should be based on a cross-sectoral approach and framework. In this respect, policy challenge is how to integrate environment dimensions into urban development strategies in a coherent manner so that they contribute to the overall strategic goals. Another challenge is how to effectively involve the private sector because the private sector is the main player in the creation of the physical urban environment and subsequent economic activities in it. For this purpose, the traditional regulatory tools are not sufficient but other methods, such as incentives, market mechanism and information dissemination, are being rigorously tried by the policy planners.

Expected Output

- *Analytical report on policies to enhance urban environment for competitiveness (2008)*

III MULTI-LEVEL GOVERNANCE AND THE PERFORMANCE OF PUBLIC SERVICE DELIVERY**3.1 Improving Public Service Delivery at the Sub-national Level: Performance-based Policies**

Where will we be at the end of 2006?

42. Regarding governance issues, two cooperative practices will have been assessed: vertical contracts between levels of government and inter-municipal arrangements. Therefore, future work could be oriented towards the performance of sub national units in different multi-level governance systems. In order to do so, performance-based policies aiming at improving sub national provision of public services will be assessed. Since the scope is very large, the initial approach will be limited to two sectors: innovation and higher education.

Policy Context

43. In decentralised countries, local and regional governments play an important role in public service delivery. What is their performance and how can it be improved? In order to address this question various OECD countries have launched performance-based policies for benchmarking indicators for performance of sub national governments. Despite limited international comparability of sub-national data, reviewing national policies based on local performance information would allow gaining knowledge on advantages and drawbacks of different practices. In order to identify these issues, the scope of the report will be limited to selected sectors, focused on core activities for regional development: innovation policies and higher education.

44. Do performance-based policies improve the effectiveness of sub national governments delivery of public services? Do they provide a better match with the demand from users (firms and citizens)? What are the effective policies, based on indicators, for stimulating local innovation in public services delivery and for diffusing good practices? The output intends to provide governments with tools that help addressing a complex set of objectives and perspectives in policy-making. This work is deeply linked to previous activities of TDPC, since without an understanding of the variety of possible relationships among levels of government, the building and the use of benchmarking information on performance would be very limited. Moreover, this topic would benefit from the work proposed by the Network on Fiscal Relations across Levels of Government.

Expected Output

- *Report on improving public service delivery at the sub national level: performance-based policies. (Q2, 2008)*

3.2 Exploring the Links between Multi-level Governance and Performance at Regional Level

Policy Context

45. Differences in performance at regional level can be observed among OECD countries. Does multi-level governance arrangements have an impact on such differences? In order to address this issue, two inputs are needed: appreciation of differences at regional level and description of institutional settings. This exploratory work will be conducted for one sector: higher education.

46. Dealing with both economic development and decentralization processes, central governments have to consider the performance of decentralised entities accordingly with different objectives: efficiency (in terms of outputs cost and quality obtained through specific inputs and processes of delivering public services); effectiveness (in terms of outcomes of the policies) and equity (an objective which is sometimes considered as a sub-dimension of effectiveness). In addition, these objectives should be assessed accordingly with a time perspectives (short or long term) and a scale perspective (micro/meso and macro levels).

47. A methodology based on the correlation of the mapping of regional disparities in health services and the institutional setting for their provision, is developed in the current TDPC programme of work. Once achieved this methodological step, such a “sectoral approach” can be applied for other public services, like higher education. This exploration of links between performance and multi-level arrangements could be more fully developed in the next programme of work.

Expected Output

- *Exploratory paper on links between multi-level governance and performance at regional level (based on a methodology tested in health sector and applied in higher education services) (Q4, 2008)*

ANNEX 1: TIMETABLE FOR PREPARATION OF 2007/8 PROGRAMME OF WORK

DATE	ACTION
20 March	Meeting of the Enlarged Bureau (OECD Headquarters, Paris) to discuss the 2007/8 work programme
March/April	Secretariat revises draft programme in line with country comments
End April/beginning May	Discussion and Approval of the 2007/8 work programme via the written procedure
June	<ul style="list-style-type: none"> • Secretary-General submits draft programme to Budget Committee • Secretary-General issues biennial budget overview paper
End-July	Based on Budget Committee recommendations, Council provides guidance on top-down priorities and confirm parameters for 2007/8 envelope
September-November	Preparation of formal draft programme of work and budget
December 2006	Council approves 2007/8 programme of work and budget

ANNEX II

Please indicate your country's level of interest for the main output areas - I, II and III - and the outputs and sub outputs under each of them. This informal exercise will assist the Secretariat in the next phase of preparation of the TDPC Programme of Work and Budget for 2007/08.

ACTIVITY		Level of interest		
		Low	Med.	High
I.	ANALYSING REGIONAL PERFORMANCE AND DIAGNOSING COMPETITIVE ADVANTAGE			
1.1	The Sources of Economic Growth in OECD Regions			
1.2	International Trade and Industrial Specialisation: Mapping New Opportunities and Challenges for Regions			
1.3	Regional Database			
1.4.	Diagnosing Regional Comparative Advantages: a Checklist for Policy Makers			
II.	REGIONAL POLICY STRATEGIES			
2.1	Assessing the Impact of Regional Competitiveness Policies			
	2.1.1. Regional Specialisation and Clusters: Effective Policies in the Context of Globalization			
	2.1.2 Measuring regional outcomes from innovation policy (in cooperation with STI)			
	2.1.3 Attracting high quality investment to OECD regions (in cooperation with STI)			
2.2	Designing and Implementing Rural Development Policy			
	2.2.1 Assessing National Rural Development Policies			
2.3	Sustainable Urban Competitiveness			
	2.3.1 Assessing National Urban Development Policies			
	2.3.2 Globalisation and City competitiveness			
	2.3.3 Promoting Sustainable Urban Communities			
	2.3.4 Policies to Enhance Urban Environment for Competitiveness			
III.	MULTI-LEVEL GOVERNANCE AND PUBLIC SERVICE DELIVERY			
3.1	Improving Public Service Delivery at the Sub-national Level: Performance-based Policies			
3.2	Exploring the Links between Multi-level Governance and Performance at Regional Level			

ANNEX III

DIRECTIONS FOR THE TDPC PROGRAMME OF WORK 2007/8

GLOBAL RELATIONS

Given that the Committee endorsed a strategy for Global Relations, work with non-member countries should be a higher priority for the 2007-8 programme of work than in the past. The proposals below focus on China and Latin America. Proposals will have to be funded mainly through voluntary contributions and the choice from among the projects listed below will be made on the basis of the availability of funding for that specific project.

CHINA

48. The significance of TDPC themes for China is clear. The dynamism of China's coastal regions and concern about the limited spillover of growth to inland regions is bringing regional policy to the top of the political agenda. Key issues include: how to maintain growth in the most advanced regions while harnessing the development potential of other regions; how to manage migration from rural to urban regions by generating new employment opportunities in rural areas while preparing urban areas to receive new migrants; and how to organise central-regional-local relations to deliver the public services that will support economic and social development. Underlying these issues is the concern that unbalanced development, over a longer term, will have consequences for both social cohesion and economic stability.

49. Work with China over the past biennium has focused mainly on developing a dialogue with appropriate partners within the Chinese government. So far, several productive meetings have been held, in both Beijing and Paris, with the departments mainly responsible for regional policy issues. In particular, a high-level meeting was organised in Beijing in December 2005 to present the work of TDPC to the National Development and Reform Commission and to the Office of the Leading Group on Economic Affairs, in which several TDPC delegates participated.

50. The main areas of interest expressed during these meetings with the Chinese government are the following:

- *Regional competitiveness* -- regional development trends and key imbalances; policies to enhance economic competitiveness; regional innovation and clusters policies; rural development policies and urbanisation in rural areas; economic development strategies for less developed regions; i
- *Multilevel governance* -- governance trends; relations across levels of government; decentralisation and its impact on policy performance; how to encourage and facilitate cross-regional cooperation?; how to establish cooperation mechanisms between different government agencies in regional development policies; statistical indicators for the design and monitoring of regional development policies.

51. On the basis of these priorities, the following four possible projects are proposed:

1. A report on regional disparities in China and identification of key regional policy issues. This report would provide the background for more in-depth reviews of specific regions in China, both urban and rural regions;

2. A report on rural development policy in China. This report would identify the key challenges facing rural policymakers in China and identify key experiences from OECD countries that could be relevant;
3. A report on multi-level governance issues. This would build on work on extensive work by GOV on governance in China, emphasising the experiences of OECD countries in mechanisms to improve relations between central and sub-national governments.
4. A collaboration on the production and collection of statistics for the design and monitoring of regional development policies (with possibly, the inclusion of China in the next publication of *Regions at a Glance*).

52. In addition, the initiative entitled "The regional dimension of innovation policy in China", due to start in mid-2006 and continue into 2007, will be used as the basis for additional work on competitiveness issues in China, most notably with respect to regional specialisation and clusters (*co-ordinated with Activity 2.1.1*).

LATIN AMERICA

53. The Mesoamerica review, which developed out of significant work on regional policy issues in Mexico over several years, was the first major publication by TDPC to cover non-member countries in Latin America. This report highlights a number of issues that are common to other Latin American countries and for which TDPC work has clear relevance. These include, in particular, the challenges of rapid urbanisation, the implications for manufacturing regions of the shift from relatively protected domestic markets to more open trading regimes, the transition from centralised administrative structures to more decentralised decision-making, and the need to promote regional integration and transnational co-operation in different domains in order to maintain the competitiveness of the region as a whole.

54. With respect to Central America, there is likely to be country-specific follow up work with countries that participated in the Mesoamerica review, such as Costa Rica and Honduras. Interest in the Mesoamerica review has also led to discussions with Uruguay on the possibility of a similar review of regional development issues in the Mercosur context. There have been regular contacts between the Secretariat and the Brazilian government on both regional economic development issues (particularly clusters as a regional policy tool) and multi-level governance (specifically with respect to governance of higher education). Similar contacts have also been established with Argentina, with that country specifically interested in a national territorial review. In Central America, Brazil and Argentina, links with the World Bank and IADB have also been established and discussion on policy issues have taken place.

55. On the basis of these different exchanges, the following areas of work appear as priorities in the region:

- *Urban policies, including transnational co-operation;*
- *Rural development* and economic development strategies for less developed regions;
- *Regional innovation and clusters;*
- *Multilevel governance* -- governance trends; relations across levels of government; decentralisation and its impact on policy performance; co-ordination among government bodies.

56. In accordance with these priorities and given the key themes addressed by TDPC, the following activities are proposed:

- *National reviews of territorial policy* (on the basis of requests from countries in the region);
- *Reviews of metropolitan regions in Latin America* (on the basis of requests from countries in the region);
- *Transnational review of the Mercosur region* – a review of economic development issues and their relation to integration and governance issues in the countries of the Mercosur region (similar study to the Mesoamerica review);
- *Brazil: Regional competitiveness* – the significance of regional specialisation in the Brazilian economy and the relevance and impact of (i) cluster policies and (ii) policies to attract inward investment in that context;
- *Brazil: Multi-level governance* – ensuring access to higher education in regions and related multi-level governance issues. This project would draw on work in member countries relating to performance at sub national level in Activity 3. It could be extended to Argentina and Chile.