

PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
TERRITORIAL DEVELOPMENT POLICY COMMITTEEDRAFT PROGRAMME OF WORK AND BUDGET OF THE TERRITORIAL DEVELOPMENT
POLICY COMMITTEE FOR 2007-08

This document presents a draft programme of work and budget for the Territorial Development Policy Committee for the next biennium. It is based on document GOV/TDPC(2006)1, and reflects comments made at the Enlarged Bureau meeting on 20th March and country priorities received in writing thereafter by the Secretariat.

Table 1 provides an indicative budget proposal on the Part 1 Budget.

Annex I provides a list of outputs ranked by the level of interest indicated by member countries, on the basis of document GOV/TDPC(2006)1.

Annex II lists the expected outputs before and after countries' priority ranking.

This draft proposal is circulated to the Committee for COMMENTS and APPROVAL by Monday 22 May via the written procedure. The Secretariat will then submit a final draft proposal to the Budget Committee in June 2006, based on the comments received.

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Table 1. Draft Programme of Work and Budget 2007-08

Proposed Outputs

Outputs	Outputs Title	Part I Budget 2007 EURO	Part I Budget 2008 EURO	Voluntary Contributions Required (over 2 years) EURO
	I. ANALYSING REGIONAL PERFORMANCE AND DIAGNOSING COMPETITIVE ADVANTAGE	246,384	246,384	379,762
1.1	<i>The Sources of Economic Growth in OECD Regions</i>	158,801	38,264	140,000
1.2	<i>Regions at a Glance 2009 - Regional Database</i>	87,583	208,119	39,762
1.3	<i>International Trade and Industrial Specialisation: Mapping New Opportunities and Challenges for Regions</i>			200,000
	II. ASSESSING THE IMPACT OF REGIONAL POLICY STRATEGIES	876,509	876,509	4,840,476
2.1	<i>Assessing the Impact of Regional Competitiveness Policies</i>	460,321	460,321	256,645
2.2	<i>Building the Conditions for Rural Development</i>	184,713	184,713	1,124,176
2.3	<i>Competitive and Sustainable Cities</i>	171,059	171,059	2,877,941
2.4	<i>Territorial Reviews at the National Level</i>	60,416	60,416	581,715
	III. PERFORMANCE-BASED POLICIES IN MULTI-LEVEL GOVERNANCE ARRANGEMENTS	173,702	173,702	39,762
3.1	<i>Strengthening Performance at the Sub-national Level</i>	173,702	173,702	39,762
	IV. GLOBAL RELATIONS	119,372	119,372	800,000
4.1	<i>China</i>	119,372	119,372	500,000
4.2	<i>Latin America</i>			300,000
	TOTAL	1,415,967	1,415,967	6,060,000

TERRITORIAL DEVELOPMENT POLICY COMMITTEE

DRAFT PROGRAMME OF WORK AND BUDGET 2007-08

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

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

The Draft Programme of Work and Budget 2007-08

6. This document presents a draft Programme of Work and Budget of the Territorial Development Policy Committee for the biennium 2007-08. The outputs presented below reflect the priorities indicated by Member Countries in March-April 2006 (see Annex 1) and the results of the Enlarged Bureau meeting on 20 March 2006. Outputs that received lower priorities from countries have been deleted or downsized, or they will be produced subject to voluntary contributions (see Annex 2).

7. Outputs have been organised around four main themes (see Table 1):

- I. Analysing Regional Performance and Diagnosing Competitive Advantage**
- II. Assessing The Impact of Regional Policy Strategies**
- III. Performance-Based Policies in Multi-Level Governance Arrangements**
- IV. Global Relations**

I. ANALYSING REGIONAL PERFORMANCE AND DIAGNOSING COMPETITIVE ADVANTAGE

8. Three final outputs are proposed:

- 1.1 The Sources of Economic Growth in OECD Regions**
- 1.2 Regions at a Glance 2009 - Regional Database**
- 1.3 International Trade and Industrial Specialisation: Mapping new Opportunities and Challenges for Regions**

1.1 The Sources of Economic Growth in OECD Regions

9. Globalisation is opening up new opportunities and raising new challenges. In this changing market environment, regions need to discover new sources of economic growth. In order to do so, they need to build up a complex body of “knowledge”: an understanding of their economic assets, leadership capacity, and a governance process for engaging public and private leaders. While “bits and pieces” of this knowledge are already available in academic research, regional and national governments are still missing a coherent diagnostic tool to support their policy.

1.1.1 Identifying the Sources of Economic Growth in OECD Regions

Policy Context

10. Observable differences in growth performances among regions suggest that OECD countries can learn from the experience of successful regions. What are the economic and social factors that make some regions grow faster than others? Under what conditions can the factors of growth of a region be reproduced in other regions? To what extent can these conditions be enhanced by regional policies?

Project Description

11. 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, innovation, education, 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

- *An analytical report on “Identifying the Sources of Economic Growth in OECD Regions” (2007).*

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).

1.1.2 Diagnosing Regional Comparative Advantages: Towards an Analytical Tool for Policy-makers

Policy Context

12. Globalisation is opening up new opportunities and raising new challenges. In this changing market environment, regions need to discover where their comparative advantages lie. The aim of this activity is to help each region to answer the following question: *Given the shifting currents of world markets, what is our NEW competitive advantage?*

13. Regions need several things to answer this question. They need leadership capacity - an ability to understand where they are and where they might go. They need a governance process for engaging public and private leaders from throughout the region - a process that elicits many of the inputs needed in crafting a competitiveness strategy. They need to understand their economic assets - physical, financial, and social.

14. The answer to the region's question lies in combining all of these in an analytical tool that recognizes the region's assets and the markets it can tap. While “bits and pieces” of such tool are already available in academic research, regional and national governments are still missing a coherent diagnostic tool to support their policy.

Project Description

15. This project would bring together a group of authoritative researchers in the field of regional development and drive their work towards the definition of a diagnostic tool for policy-makers. The purpose of this group would be to define a short "menu" of economic niches representing an array of choices for the region - each competitive advantage requiring a different strategy of investment (public and private) and policy decisions to be successful. The region's selection of one or a few niches then serves as their road map to public investment, public policy, and private action.

16. The project would be mainly financed by voluntary contributions, except for the coordination that would be provided by the Secretariat (Part I budget).

Expected outputs

- *4 “in-progress” reports based on the result of the expert’s meetings (one each semester) towards the definition of an analytical tool to help practitioners to diagnose the competitive advantages of their regions (2007-2008).*

These reports would feed in the policy framework of the TDPC to enhance regional competitiveness.

1.2 Regions at a Glance 2009 - OECD Regional Database

Policy Context

17. Policy-makers need sound statistical information on the factors of competitiveness but such information is not always available. Sub-national data are limited and regional indicators difficult to compare among countries. 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?

Project Description

18. “OECD Regions at a Glance” is a key tool to answer these questions. It analyses and compares major territorial patterns and regional trends across OECD countries and identifies unused resources that can be mobilised to improve regional competitiveness. “Regions at the Glance” is based on the “OECD Regional Database”, a unique source of comparable demographic, economic and social statistics and indicators at the regional level. Developing the Regional Database and increasing its accessibility would provide member countries with sound statistical information for the design and evaluation of regional policies. Development of the database would include statistical work towards the definition of functional urban regions.

Expected Outputs

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

OECD Regions at a Glance and the OECD Regional Database would help national and regional policy-makers to identify new regional trends, to better understand the factors of regional competitiveness and to assess the impact of regional policies.

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

Policy Context

19. 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.

20. 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.

Project Description

21. 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. The report will be based on the work carried out in the research facility in Siena.

Expected output:

- *An analytical report on “International Trade and Industrial Specialisation: Mapping new Opportunities and Challenges for regions”*

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.

II. ASSESSING THE IMPACT OF REGIONAL POLICY STRATEGIES

22. Over the last biennium, the work of the TDPC has focused on reviewing regional competitiveness policies in OECD countries. In particular, three synthesis reports on “Building Competitive Regions”, “City Competitiveness in a Global Economy” and “The New Rural Paradigm” have analysed the implementation of competitiveness policies in different types of regions. In the next biennium 2007-08, it is proposed that TDPC will assess the impact of some components of these policies. The assessment will look at the changes in the expectations and behaviours of public and private actors and at the learning processes in social systems - enterprises, administrations, governance structures – that have been set off by these policies.

23. Four final outputs are proposed:

- 2.1 Assessing the Impact of Regional Competitiveness Policies**
- 2.2 Building the Conditions for Rural Development**
- 2.3 Competitive and Sustainable Cities**
- 2.4 OECD Territorial Reviews at the National Level**

2.1 Assessing the Impact of Regional Competitiveness Policies

Policy context

24. Recent work by TDPC has reviewed a range of public policies for regional competitiveness - 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 would strengthen the work of TDPC on regional competitiveness by assessing the impact of these policies. The work will look at the impact of policy in two broad complementary fields: specialisation and regional clusters; and regional innovation. The activity will be closely co-ordinated with the OECD Directorate for Science, Technology and Industry (STI).

2.1.1 Measuring regional outcomes from innovation policy

Policy context

25. Innovation and regions are linked in a two-way relationship. On the one hand, innovation is central to the competitiveness of regions; on the other, the drivers of innovation at the national level are often rooted in regions. This is why innovation policies in OECD countries have become increasingly organised around regional axes.

Project Description

26. This project would (1) review regional innovation policies in individual countries (plus the EU) in terms of their objectives, key instruments and the mechanisms that are used to measure outcomes and evaluate the impact of the policies at regional level (based on a literature review and input from member countries), and (2) explore the feasibility of developing regional indicators on innovation that can be comparable across countries. The 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. Depending on the availability of CVs, the scope of the project could be extended as to include regional innovation policies in China.

Expected Outputs:

- *Policy report on ‘Regional Innovation Policies in OECD countries’ (2007)*
This report would identify the most effective areas for innovation policy based on observable outcomes. Potential users would include national policy-makers both in the domain of innovation and regional policies.
- *A feasibility report on “Comparable Indicators on Regional Innovation” (2008)*
This report would help to set international standards for the collection of comparable statistics on innovation at the regional level. The main potential users would be the OECD Working Parties on S&T Indicators and Territorial Indicators as well as the National Statistical Offices in Member countries.

2.1.2 Regional specialisation and clusters: effective policies in the context of globalisation

Policy context

27. Industry clusters have been traditionally a key factor of regional competitiveness. Trade liberalisation, however, is opening up new opportunities and raising new challenges. Clusters specialised in high-tech and knowledge-intensive industries will benefit from new trade opportunities but clusters with more traditional specialisations will be challenged by new competitors in low-tech and labour-intensive industries.

Project Description

28. This report would assess how cluster policies can help regional and national governments address policy challenges from globalisation. In particular, the report would focus on the policy response to changes in the spatial organisation of economic activity, the transition from production to 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. The

report would also focus on the effectiveness of alternative policy tools, particularly state aids and other firm-specific subsidies *versus* policies for the provision of collective services, e.g.: higher education; provision of public utilities; accessibility; logistic services, etc. Policy recommendations would be based on analysis of the policies of 20 OECD and non-OECD regions engaged in key globalising industries: automotive, biotech, and ICT. 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.

Expected Output:

- *Policy report on "The Impact of Policies to Support Regional Specialisation and Clusters" (2007)*

This report would provide national and regional policy-makers with recommendations on clusters policies as a tool to address the challenges from globalisation

2.2 Building the Conditions for Rural Development

29. Over the past few years, the OECD Working Party on Rural Development has re-defined the concept of development policies in rural areas and reviewed the advantages and disadvantages of different governance models. This work has also converged towards the acceptance that innovative rural policies are needed to exploit local opportunities in rural areas, not only in relation to agricultural products but for a wider range of products and services. The next step is therefore to assess the impact of some components of these policies and their capability to build the conditions for competitive rural areas.

2.2.1 Providing Public Goods to Rural Areas

Policy context

30. OECD governments are facing significant policy challenges in delivering public goods to rural areas. Remoteness and distance from urban centres, low population density; limited fiscal resources and lack of high-skilled personnel are among the main challenges to the provision of public goods in rural areas. In this context, OECD countries are searching for mechanisms to provide public goods (e.g.: ICT infrastructures, education, business services, etc.) that can set up the conditions for the potential development of rural businesses.

Project Description

31. This activity will consider the different policy approaches that are emerging in key areas - such as ICT infrastructure, education and business services - to deliver public goods to rural areas. The report will be based on the findings from the "Rural Policy Reviews at the National Level", National Territorial Reviews, the work for theme III "Performance-based Policies in Multi-level Governance Arrangements" and the annual OECD Rural Development Conferences.

Expected Outputs

- A policy report on "*Providing Public Goods to Rural Areas: Trends and Challenges*" (2008)

This report will provide national and regional policy-makers with a review of good practices on public services delivery to OECD rural areas

2.2.2. Innovation Policies for Rural Areas

Policy Context

32. The economic development of rural areas is often limited by the existence of an “information gap”. This concerns various difficulties linked to the scarcity of relevant information and knowledge and the failures of networks to connect rural actors among themselves and to the external markets. Identifying development opportunities, sustaining innovation, connecting entrepreneurs to upstream networks of technology and research and to downstream markets represent the key policy challenges to rural territories.

Project Description

33. This activity will review policies to support local innovators, improve local infrastructures for the diffusion of information (see output 2.2.1. for ICT infrastructures), attract human capital and support “mediators” (between local rural firms, between local suppliers and external providers of innovative solutions and between local businesses and global markets). The report will be based on the findings of cases studies but also on the results of Rural Policy Reviews at the National Level and the annual OECD Rural Development Conferences.

Expected Outputs

- *A policy report on “Innovation Policies for Rural Areas” (2008)*

This report will provide national and regional policy-makers with a review of good practices on innovation policy tools in OECD rural regions

2.2.3. Rural Policy Reviews at the National Level

Policy context

34. Rural policy has become a policy arena in its own right, with countries seeking to develop new approaches to better tackle the variety of opportunities and needs of rural areas. To what extent is the changing profile of rural economies reflected in rural development policies? How can equity objectives be balanced with rural competitiveness objectives? What should be the main criteria to evaluate rural development policies? As place-based policy for rural development requires changes in governance arrangements, the design and implementation of these policies need to address issues related to the assignment of responsibilities, the coordination among different stakeholders and the allocation of resources.

Project Description

35. The Rural Policy Reviews at the National Level and the annual OECD Rural Development Conferences will assess the impact of some components of the new approach to rural development policies in OECD member countries.

Expected Outputs

- *“Rural Policy Reviews at the National Level” and “Annual OECD Rural Development conferences”*

The reviews will assess different policy strategies implemented in OECD countries to face common policy issues. They will also feed the thematic assessments on public goods and innovation policies in rural areas. Conferences will provide the opportunity for policy debates on these issues and exchanges on experiences among participating countries.

2.3 Competitive and Sustainable Cities

2.3.1 New Trends in Urban Development Policies at the National Level

Policy Context

36. 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 that urban policies, confined for some time to the initiative of sub national governments, are now back as high priority on the national policy agenda of many OECD countries.

Project Description

37. Recent conferences and round tables organised by the WPUA underlined 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 to provide 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

- *A synthesis report on “New Trends in Urban Development Policies at the National Levels”(2008)*

2.3.2 Globalisation and City Competitiveness

Policy Context

38. Cities – including small and medium-sized ones – are increasingly developing strong functional linkages with other cities beyond the national borders. The questions for policy is why cities should promote international linkages (e.g.: definition of specific objectives, expected results, impact on socio-economic development and regional competitiveness) and how such relationships can be fostered through cooperation frameworks (e.g. inter-governmental committees, non-official forums, PPP type organizations).

Project Description

39. The final report will be based on a series of case studies on co-operative networks among cities in East Asia, the Baltic Sea region, and the Balkans as well as on an international conference on “Trans-national Co-operation among Cities” to be held in Madrid on February 2007.

Expected Outputs

- *Analytical reports on “Promoting Trans-border Functional Linkages between Cities” (2008).*

The report would provide regional and national policy-makers with a review of good practices on how to establish trans-border co-operative networks among cities.

2.3.3 Promoting Sustainable Urban Communities

40. Urban communities play a key role for the sustainability of urban competitiveness. This activity would examine two related aspects: (i) Policies to achieve better integration of urban communities and (ii) Policies to attract foreign skills and valorise the skills of immigrants.

(i) Policies to Promote Better Integration of Urban Communities

Policy Context

41. 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.

Project Description

42. This study will assess the effectiveness of various policy instruments adopted in 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 such issues as what measurable targets can be set for policy appraisal, what is the most suitable institutional framework for formulating and implementing coherent strategies on a cross-sectoral approach, and how policy co-ordination should be done to create synergies between various policy instruments.

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

Policy Context

43. The contribution of foreign migration to population growth in large cities has increased in recent years. Ageing trends, labour shortage and the knowledge-economy feature of metropolitan regions make the development of the human capital of immigrants a key policy objective.

Project Description

44. 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. The project will be conducted in co-operation with DELSA. The report will also be discussed at the ELSA Committee and the Working Party on Migration.

Expected Outputs

– *Report on “Policies to Promote Better Integration of Urban Communities” (2008).*

The report would provide national and regional policy-makers with policy recommendations on how to increase integration of urban communities, particularly in relation to the economic integration of immigrants.

2.3.4 Policies to Enhance Urban Environment

Policy Context

45. The quality of the urban environment is increasingly regarded as a key asset for the competitiveness of cities. It provides the basis for a better functioning of cities and it is a factor of attractiveness for people and investment. In this respect, the first policy challenge is how to integrate environment dimensions into urban development strategies. The second challenge is how to effectively involve the private sector, which is the main player in the creation of the physical urban environment and of the economic activities located in this environment.

Project Description

46. The aim of this report is to assess the limits of traditional regulatory tools in meeting these two challenges and to examine new policy tools recently introduced in some OECD countries, such as incentives, market mechanism and information dissemination.

Expected Output

– *Analytical report on “Policies to Enhance Urban Environment” (2008)*

This report will provide policymakers (national, regional and local) with a review of good practices in policies to enhance urban environment in OECD regions.

2.3.5 OECD Territorial Reviews on Metropolitan Regions and on City-regions

Policy Context

47. The OECD Territorial Reviews undertaken so far have shown the importance of policies to address the specific issues of cities in OECD countries, not only using “remedial” measures to tackle traditional urban problems (e.g.: urban sprawl, declining neighbourhoods, social and environmental problems) but also using more “proactive” actions to foster city attractiveness and competitiveness.

Project Description

48. This series will assess the impact of some components of the above policies. The assessment will look at the changes in the expectations and behaviours of public and private actors and at the learning processes in social systems - enterprises, administrations, governance structures – that have been set off by policies.

Expected Output

– *“OECD Territorial Reviews in Metropolitan Regions and City-regions*

This series would provide national and regional policy-makers with policy recommendations on how to foster city attractiveness and competitiveness.

2.4 OECD Territorial Reviews at the National Level

Policy Context

49. The ongoing series of national reviews remain a pillar of the work of TDPC providing an invaluable tool for assessing different policy issues and settings - those explored in other TDPC outputs - within their broad policy contexts. They are a key tool for analysing policy innovations and governance practices in OECD member countries and provide a detailed assessment using a common methodology that has now been employed in a significant number of OECD countries. As such, the recommendations are both useful for the country concerned, but also increasingly contribute to a body of knowledge on the context for territorial policymaking across the OECD.

Project Description

50. Over the period 2007-8, national reviews of Luxembourg (postponed from the last PWB period), Norway and Portugal will be finalised in 2007. A review of Poland will be completed in 2008. In addition, an effort will be made to include one non-member country in the series.

Expected Output

- “*OECD Territorial Reviews at the National Level*”

This series would provide national policy-makers with policy recommendations on how to foster regional competitiveness and improve governance among levels of government.

III. PERFORMANCE-BASED POLICIES IN MULTI-LEVEL GOVERNANCE ARRANGEMENTS

51. As regards governance issues, two cooperative practices will have been assessed at the end of 2006: 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 to improve sub national provision of public services will be assessed.

3.1 Strengthening performance at the sub-national level

Policy Context

52. Assessing and improving the performances of sub-national governments is a major objective for national governments. In order to address this issue, several OECD countries have launched performance-based policies. To what extent do these policies contribute to improve sub-national competences and relations among levels of government? Do they improve the effectiveness of sub national governments delivery of public services? What are the effective performance-based policies to stimulate innovation in public services delivery and to diffuse good practices at the sub-national level?

Project Description

53. In order to identify these issues a review of national policies based on sub-national indicators of performance will illustrate the advantages and the drawbacks of different practices. The report will focus on a small number of sectors identified by member countries among public services.

The report will be based on case-studies taking into account national approaches on processes and benchmarking tools.

54. The activity would benefit from and feed into the work proposed for the Network on Fiscal Relations across Levels of Government. In addition, the identification of good practices in different territorial contexts - such as rural areas – would contribute to the output 2.2.1 *Providing Public Goods to Rural Areas: Trends and Challenges (2008)*.

55. Conditional on the results of the ongoing work on “*Geographic Equity in Health Care*” (2006) and on the availability of voluntary contributions, an exploratory paper would assess the possibility to apply the methodology developed in the project on regional health services to another public service, e.g.: higher education. The analysis of the links between regional performances in public service delivery and multi-level arrangements could be more fully developed in the next programme of work.

Expected outputs

- *Policy report on “ “Strengthening performance at the sub-national level” (2008)*

This report would provide policy-makers with recommendations on how to use sub-national performance indicators for building effective relations between central and sub national levels of government.

IV. GLOBAL RELATIONS

56. 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

Policy Context

57. 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.

58. 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.

59. 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;
- *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.

LATIN AMERICA

Policy Context

60. 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.

61. 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 discussions on policy issues have taken place.

62. 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.

ANNEX 1: OUTPUTS RANKING BY LEVEL OF INTEREST OF MEMBER COUNTRIES

Output	Output title	Score	Rank
2.1.2	Measuring regional outcomes from innovation policy (in co-operation with STI)	2.55	1
1.1	The Sources of Economic Growth in OECD Regions	2.45	2
1.3	Regional Database - Regions at a Glance	2.41	3
1.4	Diagnosing Regional Comparative Advantages: a Checklist for Policy Makers	2.36	4
2.1.1	Regional Specialisation and Clusters: Effective Policies in the Context of Globalization	2.36	4
2.1.3	Attracting high quality investment to OECD regions (in co-operation with STI)	2.36	4
2.3.2	Globalisation and City competitiveness	2.27	5
2.3.4	Policies to Enhance Urban Environment	2.27	5
1.2	International Trade and Industrial Specialisation: Mapping New Opportunities and Challenges for Regions	2.23	6
2.2.1	Assessing Rural Development Policies	2.18	7
2.3.1	Assessing Urban Development Policies	2.18	7
2.3.3	Promoting Sustainable Urban Communities	2.05	8
3.1	Improving Public Service Delivery at the Sub-national Level: Performance-based Policies	1.91	9
3.2	Exploring the Links between Multi-level Governance and Performance at Regional Level	1.91	9
4.4	The Balkans: Analytical Report on Transnational Co-operation and Regional Competitiveness	1.77	10
4.3	The Baltic Sea: Analytical Report on Transnational Co-operation and Regional Competitiveness	1.68	11
4.1.3	A report on multi-level governance issues in China	1.27	12
4.1.4	A collaboration on the production and collection of regional statistics (with possible inclusion of China in Regions at a Glance 2009)	1.23	13
4.1.5	Report on "The regional dimension of innovation policy in China"	1.23	13
4.2.1	Latin America: National reviews of territorial policy	1.14	14
4.2.4	Brazil: Regional competitiveness – the impact of (i) cluster policies and (ii) policies to attract inward investment	1.14	14
4.2.2	Reviews of metropolitan regions in Latin America	1.09	15
4.1.1	A report on regional disparities in China	1.05	16
4.1.2	A report on rural development policy in China.	1.05	16
4.2.3	Transnational review of the Mercosur region	1.05	16
4.2.5	Brazil: Multi-level governance – ensuring regional access to higher education	0.95	17

ANNEX 2: Priority Ranking and Summary of changes made to the outputs listed in GOV/TDPC(2006)1

The table below shows any changes (renaming, deletion, regrouping) made to the list of outputs in the document GOV/TDPC(2006)1. These changes have been made in line with comments and priorities received from member countries in the exercise carried out in February – March.

OUTPUTS – ORIGINAL LIST		OUTPUTS - NEW VERSION
I.	ANALYSING REGIONAL PERFORMANCE AND DIAGNOSING COMPETITIVE ADVANTAGE	
1.1	The Sources of Economic Growth in OECD Regions	Confirmed
1.2	International Trade and Industrial Specialisation: Mapping New Opportunities and Challenges for Regions	Subject to VCs
1.3	Regional Database – OECD Regions at a Glance 2009	Confirmed
1.4	Diagnosing Regional Comparative Advantages: a Checklist for Policy Makers	Part of “The Sources of Economic Growth in OECD Regions”
II.	REGIONAL POLICY STRATEGIES	ASSESSING THE IMPACT OF REGIONAL POLICY STRATEGIES
2.1	Assessing the Impact of Regional Competitiveness Policies	Confirmed
	2.1.1. Regional Specialisation and Clusters: Effective Policies in the Context of Globalization	Confirmed
	2.1.2 Measuring regional outcomes from innovation policy (in co-operation with STI)	Confirmed
	2.1.3 Attracting high quality investment to OECD regions (in co-operation with STI)	Deleted
2.2	Designing and Implementing Rural Development Policy	Building the Conditions for Rural Development
	2.2.1 Assessing National Rural Development Policies	Part of “Building the Conditions for Rural Development”
2.3	Sustainable Urban Competitiveness	Part of “Competitive and Sustainable Cities”
	2.3.1 Assessing National Urban Development Policies	Part of “Competitive and Sustainable Cities”
	2.3.2 Globalisation and City competitiveness	Part of “Competitive and Sustainable Cities”
	2.3.3 Promoting Sustainable Urban Communities	Part of “Competitive and Sustainable Cities”
	2.3.4 Policies to Enhance Urban Environment for Competitiveness	Part of “Competitive and Sustainable Cities”

OUTPUTS		NEW VERSION
III.	MULTI-LEVEL GOVERNANCE AND PUBLIC SERVICE DELIVERY	PERFORMANCE BASED POLICY IN MULTI-LEVEL GOVERNANCE ARRANGEMENTS
3.1	Improving Public Service Delivery at the Sub-national Level: Performance-based Policies	Strengthening Performance at the Sub-national Level
3.2	Exploring the Links between Multi-level Governance and Performance at Regional Level	Part of Strengthening Performance at the Sub-national Level
IV.	GLOBAL RELATIONS	
4.1	CHINA <i>On the basis of discussion on areas of interest with the Chinese authorities, five projects are proposed:</i>	Subject to VCs
	4.1.1 A report on regional disparities in China and identification of key regional policy issues.	Part of “China”
	4.1.2 A report on rural development policy in China.	
	4.1.3 A report on multi-level governance issues.	
	4.1.4 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).	
	4.1.5 Analysis on “ The regional dimension of innovation policy in China ” will be used as the basis for additional work on competitiveness issues in China, most notably with respect to regional specialisation and clusters (<i>co-ordinated with Activity 2.1.1</i>).	
4.2	LATIN AMERICA <i>On the basis of previous work and discussion with non-member governments five projects are proposed:</i>	Subject to VCs
	4.2.1 <i>National reviews of territorial policy</i> (on the basis of requests from countries in the region);	Part of “Latin America”
	4.2.2 <i>Reviews of metropolitan regions in Latin America</i> (on the basis of requests from countries in the region);	
	4.2.3 <i>Transnational review of the Mercosur region</i> – 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);	
	4.2.4 <i>Brazil: Regional competitiveness</i> – 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;	
	4.2.5 <i>Brazil: Multi-level governance</i> – 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.	
4.3	The Baltic Sea: Analytical Report on Transnational Co-operation and Regional Competitiveness (<i>under output 2.3.2: Globalisation and City Competitiveness of document [GOV/TDPC(2006)1]</i>)	Part of “Competitive and Sustainable Cities”
4.4	The Balkans: Analytical Report on Transnational Co-operation and Regional Competitiveness (<i>under output 2.3.2: Globalisation and City Competitiveness of document [GOV/TDPC(2006)1]</i>).	Part of “Competitive and Sustainable Cities”