

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
TERRITORIAL DEVELOPMENT POLICY COMMITTEE**

Cancels & replaces the same document of 28 May 2010

DRAFT TDPC PROGRAMME OF WORK 2011-12

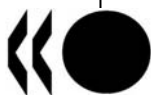
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This document is submitted to delegates of the Territorial Development Policy Committee for DISCUSSION and APPROVAL. The Draft TDPC Programme of Work, 2010-2011, incorporates comments made by TDPC at its Enlarged Bureau on 18 March 2010 on the background document for the discussion on the main Orientations of the TDPC Programme of Work 2011-2012 [GOV/TDPC(2010)2].

This draft work programme includes a prioritisation table of activities. Member countries are invited to rate the level of interest for the list of proposed activities and to send the completed table back to the Secretariat by 8 June.

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DRAFT TDPC PROGRAMME OF WORK 2011-2012

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1. During the ongoing biennium, TDPC has reinforced its role as a reference at the international level in urban and metropolitan policy, rural development and regional policy. It has contributed to the identification of major issues such as the role of clusters and innovation in regional competitive strategies; the relevance of contractual arrangements; specific design of grants from central to sub-national levels; performance indicator systems for dealing with multi-level governance issues; the role of cities as generators of wealth, employment and productivity for national economies, as well as of negative externalities; new perspectives for the development of rural areas; and a unique set of comparable statistics and indicators on about 2 000 regions in 30 countries. The meeting at the Ministerial level organised in 2009 was a successful test of the regional development framework developed by TDPC and provided a critical platform for moving forward.

2. The vision for the Programme of Work (PoW) 2011-12 is being forged in a particularly challenging environment. On the one hand, a global social crisis is unfolding in the wake of the economic crisis and will worsen as unemployment rises in virtually all OECD countries. The unemployment rate in the OECD area is projected to rise close to 10% by the end of 2010, compared with 5.6% in 2007. That means 25 million additional workers will have lost their jobs as a result of the crisis, the largest and fastest rise in modern times. Large fiscal stimuli have been implemented, but such exceptional measures cannot be continued for long, and exit strategies should be taken soon. To address this dramatic juncture, OECD countries need a quick return to robust growth. On the other hand, public opinion, driven by the climate change debate, is increasingly questioning the sustainability of our growth model and its replication in the developing world. Persistent and growing development gaps, both across and within nations, also question the balance between efficiency and equity objectives. Against the backdrop of the crisis, the PoW could be motivated by two main elements: the growing importance of environmental and fairness considerations, and the austere fiscal climate that all governments will face over the next few years.

1. The TDPC framework at the core of a new development model

3. Traditionally, economic policy was basically assigned the role of reaching the efficiency frontier or maximising growth rates. Governmental action addressing equity and environmental goals was often designed in order to interfere as little as possible with the search for efficiency. There has been, however, growing unease with this vision, and the traditional efficiency paradigm is giving way to a richer definition of societal progress, where efficiency, equity and environmental sustainability are closely interrelated.¹

¹ Cf. also the G20 Framework for “Strong, Sustainable, and Balanced Growth”.

This represents a great opportunity for TDPC, as a “stronger, cleaner, fairer world economy” will have to put the regional dimension at the core of a new development model.

4. Indeed, as **the world economy needs a swift return to robust growth**, TDPC has developed over the last decade a robust policy framework focusing on regional competitiveness. As evidenced from the Ministerial, national growth is strongest when each region realises its full potential—and has a robust innovation system that constantly seeks to build new and stronger competitive edge in global markets. Had this framework been applied more widely, it is likely that our economies would have been more resilient and the fiscal and economic situation better.

5. As the **world also wants a greener and fairer economy**, environmental “assets” have been deeply embedded in the TDPC framework (quality of life in cities, scenic amenities in rural areas). The key is exploiting these assets as consumers, markets, and new policies lift the value of environmental products and services. The TDPC framework also provides a good means of linking urban “demand” with rural “supply.” Similarly, the Committee’s framework emphasises lifting economic well-being by helping every region seize its full potential. This puts the focus on jobs, wealth creation, and broad-based growth instead of the subsidies of the past. The widespread implementation of the TDPC framework has not yet occurred because capacities at the regional level are currently limited. To reap the benefits of a regional development approach, central governments need to structure policies taking into account the regional dimension, and both central and regional governments need to invest in regional government capacity.

6. Regions are the locus where complementarities between the three dimensions of societal progress -- Efficiency, Equity and Environmental Sustainability -- are the most effectively managed. These positive interactions are well illustrated by the Green Growth agenda. When dealing with urban policies, for example, environmental quality and the economic attractiveness of cities are mutually reinforcing. The same case applies to a sound development strategy for rural areas, through the production of renewable energy sources and key environmental goods, such as air and water.

7. Another example of policy complementarity is the support of knowledge production, where social dimensions and pro-market reforms interact strongly. While policies should create incentives for knowledge building via private appropriation tools such as R&D, trademarks and patents, they also have to facilitate trust and social networking to enable multi-actor and open forms of innovation. The latter are often bounded geographically. There are a few regional hotspots (half of R&D expenditure in the OECD area occurs in only 10% of its regions), but national growth requires that the majority of regions (those less active in R&D-intensive innovation) tap into and adapt to global knowledge.

8. Despite these opportunities, the effectiveness of regional development policies is still much debated. Agglomeration is often seen as an inherent feature of economic development and thus the main policy question would be how to manage the urbanisation process in the best possible way. The recent discussions surrounding the budget of the European Union raise concerns about the sustainability of the regional cohesion agenda. Last, but not least, the economic crisis has been mainly addressed through macroeconomic policy packages, which have led to a centralisation of spending priorities and a lack of priorities in public investment.

9. Paradoxically, the case for a regional development approach is less controversial in large emerging markets. The problem of how to align the objectives of different states and bring them together in a coherent development model is fully recognised in a federal country like Brazil, where fiscal problems were largely related to the lack of co-ordination of public service delivery between state-level and federal governments. Chinese authorities see finding the right regional balance and avoiding uncontrollable urbanisation as a major development challenge, to be addressed with the aid of rural development policies.

In South Africa, where spatial planning was used in the past to divide populations, the authorities are realising now that place-based policies are a key tool to unite and integrate people.

10. Such issues cannot be addressed in a pure macroeconomic context and are at the core of TDPC work. Recognising the importance of regional policies, China, Brazil and South Africa have engaged in co-operation programmes with TDPC (in 2010, a Review of Territorial Policies in Brazil, Rural and Urban Reviews of South Africa are starting, and a Review of Rural Skills in China will probably be launched). The challenge for the next biennium will be to enlarge our work to countries such as India and Indonesia. Drawing on the foundation of OECD Economic Surveys and other ongoing projects throughout the Organisation, this goal should be within reach. The TDPC regional development agenda goes well beyond the boundaries of the Committee and should be aligned with the needs of the global governance model being developed by the G20.

2. Sustainable public services and investment priorities during and after the crisis

11. The effects of the global crisis will not be the same across OECD regions. The rise of unemployment will be larger in more vulnerable regions and/or those specialised in exposed sectors (*e.g.*, the automotive sector). While the cyclical component of unemployment may abate during the economic recovery, structural unemployment will continue to concentrate in certain geographic areas. Out-migration of more mobile labour – usually higher skilled – will tend to reduce the quality of the labour pool, making depressed regions or cities progressively less competitive.

12. OECD countries have implemented stimulus packages, with large amounts of public funds invested in infrastructure and public services. Had a regional development framework been implemented more widely, the fiscal stimulus could have been applied with a better sense of development priorities. Too often, speed in spending decisions was given priority over spending for long-term growth. The emphasis on investment priorities will naturally bring regions to the forefront, but policy-makers do not currently have all the tools in place to manage effectively this regional dimension.

13. Exit strategies will have a major impact on regional economies, especially for countries with a high level of public debt that have to adopt fiscal austerity measures under pressure from financial markets. Regions in those countries may have reduced fiscal support from the central governments, and will need growth strategies based on their own resources and assets. National economic policies could benefit from targeted policy actions addressing the competitiveness of vulnerable and declining regions. The challenge for sub-national governments is to “do better with less.” This requires innovative regional public governance to mobilise social and human resources outside of conventional government sectors. Public private partnerships, outsourcing of public service delivery to civil society, and other innovative governance methods should be pursued. Synergies and complementarities should be used to enhance the impact of each individual policy.

14. Demographic change is another looming issue. Population ageing in many regions implies not only expanding demands for public services for the elderly, but also a reduction in the regional workforce, market and investment opportunities. The impact of demographic change is also a strain on regional public finances. Income and corporate tax bases are receding. Property tax receipts may decrease as well, because declining demand for real estate and buildings will cause weak housing and building markets. Overall, elderly care will cause a huge fiscal burden on regional public budgets.

15. Against this background, **governments must focus relentlessly on high priority investments in what promises to be the most austere fiscal environment in many decades.** The Committee’s development framework offers the best way for central governments to identify public investment priorities. To restore growth, encourage innovation, and share economic gains as broadly as possible, it

will be essential to invest in what unlocks each region's greatest potential. This can only happen one region at a time. The TDPC POW for 2011-2012 should therefore include a horizontal analysis of the above regional governance challenges and identify innovative practices across member countries. This horizontal analysis will be based on past Territorial Reviews and extend outputs from the PoW 2009-10.

3. Overview of the main proposed axis for the PoW 2011-2012

16. In line with the discussion above and the OECD strategic orientations, the TPDC PoW could be developed around four major axis:

- i) *Building resilient regions and the return to sustained growth*
- ii) *The key role of regions for innovation and green growth*
- iii) *The contribution of regions to addressing global issues*
- iv) *Regions in OECD global relations*

17. Under the theme ***Building resilient regions and the return to sustained growth***, it will be essential to focus on implementing much more broadly and evaluating more rigorously the Committee's regional development framework. A critical need would be identifying ways to build capacity at regional level, and strengthen and improve mechanisms for multi-level governance. TDPC should help public officials best manage austere public budgets, by strengthening tools for identifying the investments regions need to realise their economic potential—and for tracking public investment performance over time. Particular outputs could be the assessment of the impacts of regional policy in capacity building and of institutional arrangements conducive to smooth implementation of investment for development. Lessons from water governance, which is a typical case for a multi-level governance approach to ensure public service delivery, could be applied to other sectors (*e.g.* health, education, transport, ICT). More broadly, the assessment of the impact of infrastructure on regional development should also be continued.

18. Fostering policy dialogue, the successful Conferences on Rural Development and Roundtables of Mayors and Ministers should be continued. The analytical work on the determinants of regional growth and statistical data should provide the support for these activities. In particular, by constructing institutional and outcome indicators on the provision of public goods and services, comparison of socio-economic performance and the prioritisation of policies for better regional performance.

19. A particularly important aspect is to leave room and flexibility in the PoW for fast-track projects and response to unexpected events (such as the policy dialogue provided in the aftermath of the L'Aquila earthquake). Natural disasters often create dramatic systemic incoherencies among different sectoral and institutional dimensions. This is why aid programmes following such shocks often lack of effectiveness. The regional policy framework is particularly well suited to address these situations by focusing on the coordination of policies and maximisation of complementarities.

20. To encourage greener, fairer growth, it is vital to understand better the links between environmental assets and regional growth—and to analyse which factors of growth for regions lead to widely shared gains in jobs, income, and wealth creation. The theme of ***Innovation and green growth*** could focus on how green clusters work and what actions are being taken to promote them. The potential economic transformation associated with a green economy will further disrupt regions with declining manufacturing employment. Confronted with this challenge, are regional systems equipped with the right innovation skills? A particularly relevant topic could be cross-border co-operation and global networks, as many regions do not have the critical mass to undertake innovation activities. Regional Innovation Peer-Reviews and other initiatives, such as a pilot Roundtable on Innovation, should provide a forum for policy dialogue in these areas.

21. As shown by the discussions in the 2010 OECD Roundtable of Mayors and Ministers, urban development dimensions of green growth are critical, as cities are major contributors to global warming and environmental problems. Through appropriate urban planning and compact city strategies, urban policies are a prominent policy package towards low-carbon, greener economic development. As well, green growth can be a valuable option for regional development policy in rural areas, using their endowment of renewable sources of energy to produce clean power. Both areas will be the focus of thematic reports during the biennium 2011-12. Another related theme could be a strategy for land use that would support green growth strategies. In the areas of innovation and green growth, it would be important to provide an integrated view on the policy challenges created by the linkages between urban and rural areas. Supporting this work, the construction of new indicators tracking the well-being of citizens through balanced development of economic, social, and environmental standards could be developed.

22. Regions can be key actors at a global scale. This is obviously true for large metropolitan areas, but also applies to a broader regional context. After the work on cities and climate change developed in 2009-2010 and its natural follow-up in the green growth agenda described above, the ***Contribution of regions to addressing global issues*** for the next biennium could focus on the impact of: i) demographic change, and ii) migration flows. Ageing will not only pose a fiscal conundrum at national level and a growing burden on taxpayers, but could create further pressures for the provision of housing and public services and strain in urban infrastructure, while rendering infrastructure and services that are not adjusted to an aged population less competitive. A Report on “Ageing Cities” could focus on the role of central and sub-national governments in adapting to change and coordinating actions. Some specific aspects, such as transportation systems and other technologies suited to enhance the mobility and quality of life of elderly persons, could be developed in this area.

23. A report on “Regional migration and development dynamics in regions” could cover labour mobility across OECD regions, with a particular attention to rural-urban dynamics, outflows of young adults and highly skilled workers. The report will also analyse the location choices of foreign-born immigrants, the attractiveness of metropolitan areas and the networks effects in the concentration of immigrants within a country. Finally, the report will discuss the implications for regional policy – namely retaining labour, upgrading skills as well as innovating public goods and service delivery to improve living conditions and reduce inequalities.

24. Finally, the role of ***Regions in OECD global relations*** is and will continue to be a priority for the TDPC PoW. In addition to the Peer-Reviews conducted in Non-Member countries (such as Brazil, China and South Africa), a number of thematic activities will be undertaken with the strategic objective of strengthening policy dialogue. There is still much work to be done to build capacity for national policy makers to support regional innovation systems, and for regions to develop their own adapted strategies -- including regions that are not the leaders in R&D-intensive forms of innovation. A proposed policy network in Latin America will provide opportunities for experience sharing with OECD countries on innovation policy, including the regional dimension. Access to public services is another area where experimentation to identify and diffuse good practices between OECD and non-OECD members could unfold.

4. Proposed programme of work

25. Turning to specific outputs, TDPC will continue to be engaged in a number of country-and regional-based studies (***Territorial, Urban, Metropolitan, Regional and Rural Reviews***). These Peer-Reviews should reflect national and regional policy objectives, but at the same time provide case studies on how greater efficiency closely depends on equity and environmental quality, as outlined above. A particular model could be developed around a network of regions (cities or rural areas) that could be

interested in sharing policy experiences around a specific thematic issue (e.g. production of renewable energy, green growth, trans-border co-operation or land use).

26. Overall, the thematic work should evolve in the next biennium towards a focus on the linkages rather than on building-blocks. In other words, the priority should be to analyse how environmental objectives contribute to economic growth, and vice-versa, rather than describing the regional dimensions of growth or environmental policies *per se*. Regional innovation, multi-level governance and analysis of determinants of regional growth are basic thematic pillars and will be supported by the **OECD Regional Database**, which should be progressively enriched towards policy indicators.

27. The proposed vision for the PoW 2011-2012 will crystallize in well-established publications, such as **Regions at a Glance**, but also in a new flagship publication the **OECD Regional Outlook**. The latter should be more than another book on regional policy; it is intended to be a real platform through which a dialogue between the OECD, governments and civil society takes place. To this end, new and better forms of diffusion and dissemination of our work need to be found. The issues of regional/local dimensions and multi-level governance are everywhere in OECD strategic priorities, as cross-cutting themes. Accordingly, a number of horizontal projects should benefit from TDPC inputs and vice-versa, in particular the Innovation and Green Growth strategies.

28. A particular effort should be made to explore channels of sharing the TDPC policy framework with the G20 governance agenda. In a moment when policy-makers are looking for new ways of making their economies more resilient and coherent with a broader set of societal objectives, TDPC has a framework to offer. Finally, there are a number of TDPC-related events that could be put under the umbrella of **the OECD 50th Anniversary**. They include the launch of the first edition of the *OECD Regional Outlook*, a streamlined edition of *Regions at a Glance*, a Symposium on Regional Policy for end-2011, and other key events in Member and non-Member countries.

29. Building on the above considerations, the different intermediate outputs could be integrated on several broad output areas (Table below). Delegates are asked to indicate their level of interest in the various core outputs proposed in the draft programme of work and budget. Please send your responses to the Secretariat, if possible before the TDPC meeting on 8-9 June 2010.

Table of priorities for the TDPC Programme of Work 2011-12

Activity	Funding	Level of interest		
		Low	Medium	High
Output Area 4.3.4 – Territorial Development Policies				
THEMATIC WORK				
<i>Final output 1. Building resilient regions and the return to sustained growth: a Regional Outlook, and (depending on VCs) 6 analytical reports and two Conferences</i>				
<i>Intermediate outputs</i>				
1.1 Conference on Rural Development policies and Roundtable of Mayors and Ministers on Urban policies	Part I and VCs			
1.2 Regional Outlook	Part I and VCs			
1.3 Analytical reports on regional policy issues: <ul style="list-style-type: none"> • Regional policy & institutional indicators • Sources of regional growth • Governance of public services & investment: the case of water • Regional Policy Evaluation across a network of regions • Sub-national government capacities: measurement and policies • Rural policy Trends around the world 	Part I and VCs			
1.4 Fast-track projects and response to unexpected events	VCs			
<i>Final output 2. The key role of regions to innovation and green growth: 4 analytical reports, 2 to 4 Regional Reviews and one Conference (depending on VCs)</i>				
<i>Intermediate outputs</i>				
2.1 Roundtable on Regional Innovation	VCs			
2.2 Analytical reports on Innovation and Green Growth: <ul style="list-style-type: none"> • Regional Innovation Networks • Cities and Green Growth • Rural Development and Renewable energy • Cross-border Regional Innovation Policies 	VCs			
2.3 Reviews of Regional Innovation	VCs			

Activity	Funding	Level of interest		
		Low	Medium	High
<i>Final output 3. The contribution of regions to addressing global issues: reports on Regional migration and Ageing in cities (depending on VCs)</i>				
3.1 Analytical report on "The impact of regional migration flows"	Part I and VCs			
3.2 Analytical report on "Ageing cities"	VCs			
CORE METHODS				
<i>Final output 4. Regional Statistics and Indicators: a publication on Regions at a Glance</i>				
4.1 Regional database	Part I			
4.2 Regions at a Glance	Part I and VCs			
<i>Final output 5. Peer-Reviews of Regional Policy of Member and non-Member countries: from 6 to 12 Territorial Reviews (depending on VCs)</i>				
5.1 National Urban & Metropolitan Policy Reviews	VCs			
5.2 National Territorial Policy Reviews	VCs			
5.3 Regional and Rural Policy Reviews	VCs			