At the Committee's 19th Session on 11-12 June 2008, delegates DISCUSSED and APPROVED the Draft Programme of Work and Budget of the Territorial Development Policy Committee [GOV/TDPC(2008)1/REV2].

This final version takes into account the comments made at the 19th Session.

For further information, please contact Suzanne Leprince, Committee Secretary:
Tel.: +33 (0) 1 45 24 81 72; Email: suzanne-nicola.leprince@oecd.org
PROGRAMME OF WORK AND BUDGET
OF THE TERRITORIAL DEVELOPMENT POLICY COMMITTEE FOR 2009-10

1. This document presents a Programme of Work and Budget for 2009-10. It incorporates comments received from countries at the Enlarged Bureau meeting on 18 February 2008 as well as written comments received. It also draws on the discussion on the strategic assessment of regional policy held at TDPC in Rome, June 2007. This final version takes into account the comments made at the 19th Session of the TDPC on 11-12 June 2008, when the Committee approved its draft work programme and budget for 2009-10 [GOV/TDPC(2008)REV2].

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Context and criteria of the proposed Programme of Work

2. The TDPC High Level Meeting in June 2003 marked a consensus that regional development constitutes a key factor for the economic and social well being of member countries. The discussion in Martigny made clear that if regional policy were to gain efficiency, its reorientation toward a new paradigm needed to take place, characterised by an evolution:

- From subsidies targeting reduction of regional disparities to investment supporting regional opportunities in order to enhance territorial competitiveness;
- From different sectoral approaches to multi-sectoral place-based approaches;
- From a central role of single levels of government to a multi-level governance approach involving co-ordination of national, regional and local governments together with other stakeholders.

3. Since that time, TDPC has been monitoring these evolutions in a great variety of regions and countries. By doing so, the Committee has been successful in reinforcing its role as a reference at the international level in urban and metropolitan policy, rural development and regional policy, by contributing to identifying:

- 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, and 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 generation of negative externalities;
- New perspectives for the development of rural areas; and
- A unique set of comparable statistics and indicators on about 2000 regions in 30 countries.

4. Five years after the High-Level meeting, the Committee is prepared to organise a meeting at Ministerial level to endorse the core findings from the last four years of work and orient the future TDPC work. Results suggest new prospects for future TDPC work and a more in-depth focus on: a) the role of regional innovation; in particular by addressing the role of networks among stakeholders, the use of institutional mechanisms and the participation of financial institutions; and b) the role of public investment and services for both regional competitiveness requirements and basic needs. With this recommendation from Delegates, the Chairman of TDPC addressed the OECD Council on 19 February 2008 to propose that a Ministerial meeting be considered, in early 2009.

5. The current emphasis on innovation and investment fits directly with the highest interests of the OECD. Innovation is indeed one of the main cross-cutting activities on the Organisation’s agenda. At the OECD Ministerial meeting in May 2007, ministers underlined that innovation is a crucial determinant of competitiveness, productivity and national progress, and that it is an important key to addressing global challenges such as climate change and sustainable development. Emphasising the cross-cutting nature of innovation, ministers endorsed a mandate for the OECD to develop a comprehensive Innovation Strategy. The roadmap for developing this Strategy will be elaborated for mid-2008 and will be implemented
through a series of actions led by different OECD directorates, including GOV, in the second half of 2008 and over the 2009-10 biennium.

6. When pursuing strategies for growth through innovation, governments are increasingly realising that the regional dimension of innovation is crucial. This realisation is now shared among ministries of economy and finance, science, technology and industry, and regional development. TDPC work on regional innovation is designed to help policy makers from different policy backgrounds, at both national and regional levels. The work will improve the evidence base for defining policy, make better use of resources in different regional contexts, and identify good practices in different regional contexts for innovation strategies and governance. In addition, it will analyse the coherence between innovation and other policy objectives.

7. The work of TDPC will also contribute to the other OECD cross-cutting activities, in particular: a) climate change and b) political economy of reform. a) The issue of climate change has particular relevance in the area of regional competitiveness facing changing global conditions. While environment can be considered as a global public good, the impacts of climate change and strategies for mitigation and adaptation have an important territorial dimension. Competitiveness strategies must take into account the attractiveness of regions for citizens and firms. Introducing environmental challenges into the definition of territorial policy would also require improved consistency between urban and rural strategies and developing better urban and rural linkages. b) As regards reforming processes, the OECD Council noted that while reforms are rarely painless, the costs of inaction are high. Under these circumstances, governments are searching for tools and methods, particularly incentives, which both help groups directly affected and limit capture strategies by well organised opponents to reforms. The TDPC is directly concerned with this mission since it is considering reforms in public policy that are needed for regional development.

8. Finally, global relations are considered crucial by the OECD community. The TDPC follows closely this process with accession countries (which include Chile, Estonia, Israel, Russia, Slovenia). In particular, Chile is already Observer to TDPC and a territorial review of the country is underway. Similarly, discussions are ongoing on potential collaboration with Slovenia. Enhanced Engagement (EE), while less formal, is also underway. The proposed Programme of Work for 2009-2010 would permit to continue and even strengthen the existing programme with China (where significant work is underway on rural development and relevant case studies have been conducted on urban areas), collaboration underway with Brazil and South Africa and develop relationships with India and Indonesia.

9. Information about potential non-member participation in Committee activities where they are involved in accordance with Council-recognised procedures during 2009 and 2010 will be provided to the Committee in the course of the preparation of the PWB. During the course of the biennium, information about non-member participation that has not been provided prior to the start of the biennium will be made available in good time to Members, so that Committee members may have the opportunity to comment if they wish.

Proposed components of the Programme of Work for 2009-2010

10. This Programme of Work draws on the opinions expressed by countries at recent sessions of the TDPC as well as in the 2008 Enlarged Bureau meeting. It endorses a streamlined approach to focus on main outputs, in particular considering governance, global relations and rural and urban linkages, as horizontal themes. The additional objective of increasing the visibility of the work will be supported by the organisation of the Ministerial meeting in 2009, and further supported by a series of events following the Ministerial to showcase the results. As for cross-cutting activities of the OECD, work on climate change is
included as well as the continuing involvement of non-member countries in case studies. Above all, innovation constitutes a key focus of the 2009-10 work.

11. The work proposed to TDPC is organised around two pillars, *regions and globalisation* and *policies and regional development*. These will contribute to the Committee’s overarching goal which is to help to improve policy performance in enhancing development across OECD regions by focusing on regional competitiveness in the global world and at the same time addressing governance issues (together with dealing with “what to do” the work will consider at the same time “how to do it” and “who does it”). Each pillar will culminate in two final outputs, each of which will, in turn, be based on a series of intermediate outputs.

12. The first pillar focuses directly on regions and addresses this question: *How can regions build strategies for development in the most effective manner?* This work aims to understand the impact of evolving global conditions and agreements on regions. Because of the variety of their competitive advantages and challenges, regions are not facing the same range of possibilities and must develop specific regional strategies. The first output will identify factors that affect the range of possible regional strategies by mobilising quantitative analysis of data as well as good practices inspired by case studies. The second output will be devoted to strategies for enhancing regional innovation, which is one of the major factors of regional competitiveness. In order to be effective, innovation strategies must build on mechanisms that bring public, private, non-profit and other regional leaders together to think and act as a region. It will also address the role of financial institutions and mechanisms.

13. The second pillar focuses on policies and their regional development impact. It addresses this question: *Which policy reforms are required for helping regions and countries’ development?* Since regional conditions range so widely within and across member countries, policies will, by necessity, have to promote and accommodate many different paths to regional prosperity. In many cases policies cannot be automatic and decided just by one actor. They require flexibility and diversity while coherence among actions and instruments is crucial for the effectiveness of policy making. This work will build on two methodological tools: quantitative analysis of data and an assessment of public policies to support the identification of good practices. The first output focuses on the tools that will encourage implementation of effective changes in policies for development by considering the regional dimension. The second part aims to shed light on the regional prioritisation of investment in public goods and public services, and strengthen theoretical frameworks and analytical tools that underpin decision-making processes. The following chart highlights the organisation of the Programme of Work.
LONG TERM CHALLENGES IN REGIONAL DEVELOPMENT

PILLAR 1: REGIONS AND GLOBALISATION

Key question: How can regions build strategies for development in the most effective manner?

PILLAR 2: POLICIES AND REGIONAL DEVELOPMENT

Key question: Which policy reforms are required for helping regions and countries’ development?

FINAL OUTPUT 1.1: STRATEGIES FOR REGIONAL COMPETITIVENESS

Rationale: Because of the variety of comparative assets and challenges, regions are not facing the same range of possibilities. This work aims to support the mobilisation of regional competitive advantage and the design of strategies through quantitative analysis of data as well as good practices inspired by case studies.

Intermediate outputs:
1.2 Regions at a Glance
1.3 Climate Change and Regional Competitiveness
1.4 Leadership and Co-ordination for Regional Strategies

FINAL OUTPUT 2.1: FOSTERING REGIONAL INNOVATION

Rationale: Effective innovation strategies need the participation of a variety of stakeholders. This work will be devoted to strategies for enhancing regional innovation by building and leading effective networks among firms, workers, higher education institutions and other public and private stakeholders.

Intermediate outputs:
2.2 Reviews of Regional Innovation Systems
2.3 Regional Indicators on Innovation Activities

FINAL OUTPUT 3.1: REFORMING POLICIES FOR REGIONAL DEVELOPMENT

Rationale: The implementation of effective regional policies is facing various obstacles and resistance. This work will focus on developing a coherent framework and tools to support reform.

Intermediate outputs:
3.2 New Trends in National Urban Policy
3.3 New Trends in National Rural Policy
3.4 Ministerial output: Regional Outlook V.0
3.5 Territorial Reviews and Monitoring Reviews

FINAL OUTPUT 4.1: PRIORITISING PUBLIC INVESTMENT AND SERVICES FOR REGIONAL DEVELOPMENT

Rationale: The variety of regional conditions calls for custom-made paths to regional prosperity. This work will address the question of regional prioritisation of investment in public goods and services, based on quantitative analysis of data and identification of good practices.

Intermediate outputs:
4.2 Trends of Public Investment and Services in Regions
4.3 Territorial Reviews at Sub-national Level
4.4 OECD Annual Roundtable for Urban Strategy
4.5 OECD Annual Forum on Rural Development
Output Area 4.3.4 – Territorial Development Policies

Final output 1.1. Strategies for Regional Competitiveness

Policy environment

14. The integration of economies around the world through trade and investment as well as the flow of people and ideas affects the performance of regions in various ways. Each region is endowed with different socio-economic conditions, production methods, technologies and efficiency levels and therefore each has a different capacity to exploit opportunities for development. Increasingly, long-term competitiveness for regions has to take into account environmental dimensions for analysis, since these directly affect the value of territorial investment and attractiveness.

Links with 2007-8

15. In recent years the TDPC has carried out an assessment of the factors of economic growth in OECD regions and the trends for productive specialisation of regions induced by international trade. Up to now, TDPC work has been devoted to identifying trends on the basis of statistical indicators. It is now proposed to include information on strategies for regional competitiveness in the analysis of trends and shifts.

Expected outcomes

16. The results of this work should contribute to the formulation of better regional development strategies and policies, so to: 1) enhance regional competitiveness, growth and job creation and raise living standards; 2) cope with climate change, sustainability requirements and ongoing demographic trends like ageing and migration; and 3) integrate into the analysis of regional strategies for competitiveness the organisational dimension which allows for effective leadership and co-ordination at the regional level.

Final output result

1.1 A synthesis report on Strategies for Regional Competitiveness

17. This report will combine statistical analysis with evidence gathered from different countries through case studies and reviews (national, urban and rural). The final output will address the following issues:

- How regions, communities and firms are adapting to changing conditions, in particular in the context of globalisation, and which regional strategies, including urban and rural linkages, are facilitating or hindering this transformation?
- How climate change affects regional competitiveness in different types of urban and rural regions?
- How leadership, co-ordination and financing of regional strategies for development can be built?
Intermediate outputs

1.2 Regions at a Glance

18. Conveying quantitative regional data across countries is a complex task that has been addressed by Regions at a Glance. A wide spectrum of comparative assets has been identified, including human and social capital, health and environmental indicators, to describe the multi-dimensionality of development opportunities and challenges. Detecting the specific regional comparative advantages and how they are to be mobilised is a goal for future work.

1.3 Climate Change and Regional Competitiveness

19. Regions and cities that are energy efficient and resilient to the impacts of global warming tend to better attract investment and talent. Policy makers are increasingly focused on environmental aspects, particularly in view of the pressure to find sources of renewable energy, when designing strategies for regional competitiveness. The question remains: How can central and local governments identify and co-ordinate to implement strategies that best mitigate the impact of climate change and help cities to adapt? A key goal is to promote public awareness and engage businesses and citizens in action. These questions will be addressed through a survey on policy and governance measures as well as statistical indicators related to climate change adopted at regional and local level, and through co-operation with the Environment Directorate, the International Energy Agency and the International Transport Forum.

1.4 Leadership and Co-ordination for Regional Strategies

20. Building a shared vision of the regional comparative advantages and a coherent regional strategy to exploit opportunities for development requires reliable and comparable information on both general trends and region-specific assets. But it also requires co-ordination and leadership to ensure involvement from multiple actors and financial viability. This work will rely on existing analysis from reviews and on additional selected case studies to highlight good practices in designing, implementing and monitoring regional strategies.

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<td>1.1 A synthesis report on Strategies for Regional Competitiveness</td>
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<td><strong>Intermediate outputs</strong></td>
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**Final output 2.1 Fostering Regional Innovation**

**Policy environment**

21. Innovation is a distinctive source of competitive advantage for firms delivering better products to the market. Innovation involves complex interactions among different actors: large and small enterprises, private and public researchers, schools and universities, financial institutions and market analysts, regulators and public actors. The interactions are in turn facilitated by proximity and by social networks, through which individuals and organisations interact to match needs with new ideas. A variety of policy instruments have been developed in different regions, but their effectiveness remains to be assessed.

**Links with 2007-8**

22. The TDPC has already taken important initial steps to facilitate the policy dialogue around issues of regional innovation systems. Two horizontal outputs will be delivered under the ongoing programme of work: *Impact of Policies to Support Regional Specialisation and Clusters*, and *Policy Report on Regional Innovation*, including a *Feasibility Report on Indicators of Innovation*.

**Expected outcomes**

23. The results of this work will help governments articulate policies, within an effective governance setting, to foster regional innovation and to consolidate effective regional innovation systems.

**Final output result**

2.1 A synthesis report on Fostering Regional Innovation

24. This report, which will involve close co-operation with different aspects of the work programmes of STI and EDU, will combine statistical analysis with evidence gathered from different countries through case studies and reviews (national, urban and rural). The final output will address to the following issues:

- How can countries develop complementary national and regional policy frameworks and financial institutions to support innovation in regions?
- How can efficient networks among stakeholders and institutions be built to maximise human capital and commercialise and adopt technology?
- What statistics and indicators on different aspects of innovation can be generated for regional policy making?

**Intermediate outputs**

2.2 Reviews of Regional Innovation Systems

25. Developing evidence-based quantitative information, supported by new and timely indicators on innovation processes, is crucial but not sufficient. There is the need to complement the analysis with qualitative information on regional innovation systems, regional dynamics, strategies and policies that influence innovation performance, as well as on market and governance mechanisms for networks of excellence and communities of practice. In order to contribute to the thematic final output, the Reviews on Regional Innovation Systems will provide inputs for cross-country and cross-regional analyses on the evolving nature of innovation, its characteristics and drivers, and on policy approaches that promote, report, measure, and assess innovation-fuelled performance. More specifically, they are seeking to improve
the evidence base for targeting policy, make better use of resources in different regional contexts, ensure coherence between innovation and other policy objectives and evaluate the impact of their policies at regional and national level. The review process is based on desk research, data analysis and missions with peer reviewers and experts that include meetings with national, regional and local policy makers, firms, higher education institutions and research-related organisations, among other actors.

2.3 Regional Indicators on Innovation Activities

26. The way we innovate is changing. While in the past the focus was largely on break-through innovations (often concerning finished products and then spreading through a linear progression), today innovators focus increasingly on knowledge and the management of knowledge by interconnected networks. Building on the results of the 2007-08 Programme of Work that explored the feasibility of developing regional indicators, the work will analyse indicators that encompass the well-recognised need to ensure co-ordination among actors, measure commercialisation, and even build systems of innovation. Following the work started in 2007-08, a specific section on innovation-related data will appear in the 2009 Regions at a Glance.

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<td>2.3 Regional Indicators on Innovation Activities</td>
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**Final output 3.1. Reforming Policies for Regional Development**

Policy context

27. Many countries recognise the importance of balancing macroeconomic policies with territorial approaches to address in a coherent way the challenges and opportunities of diverse regions. Improving public policies benefits not only urban, intermediate or rural regions, but fosters competitiveness and sustainable growth in countries as a whole. In order to be a relevant instrument for national growth, policies that affect regional competitiveness have to face different crucial changes. These changes include: an emphasis on competitiveness, the use of strategies that support innovation, the customisation of development strategies to fit with regional characteristics, governance structures with the participation of a variety of levels of government and civil society, and a coherent organisation of the whole. Countries have moved at different paces in the direction of adopting such a “new paradigm” for regional policy put forward by the TDPC.

28. An important reason for the slow or stilted process towards such a shift lies in the obstacles inherent in the reforming process itself. Resistance can come from the way in which the policy-making process is structured as well as from the sectoral nature of the conventional vertical administrative framework and vested interest. Other possible obstacles are linked to resistance to new stakeholders’ engagement in decision making and in defining strategies beyond usual local administrative boundaries. It is therefore crucial to identify the appropriate tools for reforming policies for regional development. These tools can be based on information, communication, and consultation, the use of incentive mechanisms and the enforcement of political commitments.
Links with 2007-8

29. TDPC work has frequently endorsed a shift in policies that affect regional development and toward improved co-ordination among levels of governments through contracts and performance indicators. Implementing further the recommendation of the TDPC requires work on reforming policies for regional development. In particular, this entails work on instruments for information sharing among the variety of stakeholders, the territorial specification of regional development strategies, the adequation between resources in terms of budget and competences, and regional development programming and decision making. Learning from an evaluation of practices and a discussion of different experiences can contribute to the identification of good practices.

Expected outcomes

30. The results of this work will help governments better orient and organise policy making that impacts regional development. The work will not be limited to the identification of needed reforms, but will also: a) identify actors (public and private) that can support or hamper reforms; and b) address the question of policy reform through a variety of tools. It will further address issues pertaining to the political economy of reform through the analysis of sequencing and impacts of information and communication strategies, participation of the users of policy, appropriate incentives to limit resistance to change and institutional mechanisms for reinforcing the credibility of political commitments.

Final output result

3.1 A synthesis report on Reforming Policies for Regional Development

31. This report will combine statistical analysis with evidence gathered from different countries through case studies and reviews (national, urban and rural). The final output will address to the following issues:

- Who is formally responsible for policies that impact regional development?
- What are the reforms that are needed to support coherent and effective policy for regional development? To what extent are these reforms implemented in OECD and non OECD countries?
- What are the means used to address political economy of regional policy reforms? To what extent can experimentation facilitate processes of policy reforms with an impact on regional development?
- How to secure the efficient allocation of capital to foster territorial development without compromising macroeconomic objectives for fiscal balance and financial stability?

Intermediate outputs

3.2 New Trends in National Urban Policy

32. Cities and metropolitan areas play an important role in national economies and as global nodes in the international market. However, they are confronted with problems, such as urban uncontrolled expansion and degradation of punctual districts, which can undermine their role as competitiveness poles, and, in turn, may effect national growth. There is a wide range of innovative policies being promoted by national governments to address these issues. This intermediate output will provide a comparative assessment of these tools and policies. Based on voluntary contributions, it will draw analysis from a new series of reviews of national urban policies as well as a series of workshop, seminars and conferences.
3.3 New Trends in National Rural Policy

33. Significant changes are taking place in the way governments think about strategies and tools for rural development policies. The publication *The New Rural Paradigm* (2006) highlighted these new approaches. The present output will assess the adoption of these approaches, will identify obstacles to change, and suggest options for removing these barriers. The work will take stock of rural development policy, drawing from country reviews of rural policy carried out since 2006 on OECD and non Member countries as well as the proceedings of the annual rural development conferences. Some areas of focus include: service delivery in rural areas, diversification of rural areas (e.g., rural tourism, renewable energy, light industrialisation), rural-urban linkages, innovation and the role of financial institutions in rural areas. In the areas of governance, horizontal co-ordination at the national level (bodies and instruments), at the local level, and vertical co-ordination mechanisms will be examined. Also, this output will focus on rural proofing tools and the ability of national and sub-national governments to evaluate and influence the impact of sectoral policies (such as health, education and transport) on rural areas. Subject to voluntary contribution, an innovative, OECD-hosted rural development portal will be developed to provide an international platform for the exchange of good practices. This test may be extended to a wider regional scope in the future. Synergies with other OECD Directorates, such as the Environment and the Trade and Agriculture Directorates will be actively sought.

The intermediate outputs on trends in urban and rural policies mentioned above will be co-ordinated and specific thematic work on urban-rural linkages, in particular in small and medium-sized cities, will be undertaken based on voluntary contributions.

3.4 Ministerial output: Regional Outlook v.0

34. Following the first High-Level Meeting in 2003 which established a need for reorienting policies for regional development, the TDPC has built a pool of quantitative and qualitative evidence on economic and social trends in regions and approaches to policy making. In particular, TDPC work has highlighted the pivotal role of innovation, some of the relevant tools for effective multi-level governance, and specific policy approaches in urban and rural areas. The TDPC proposes to capitalise on the core findings of the past five years to explore further innovative paths towards regional competitiveness during a Ministerial meeting to be held in early 2009. The results of the meeting will be the object of a comprehensive, in-depth communication strategy. This work will be widely disseminated and will result in increased collaboration with national and regional actors. Together with policy recommendations, outputs will include a report on the rationale for regional policy and an analysis of tools for building capacity at national and local levels. These activities will be based extensively on national, urban and rural reviews carried out to date by the TDPC and its Working Parties.

3.5 Territorial Reviews and Monitoring Reviews

35. Policies for development at regional level are undergoing a process of in-depth change in OECD countries. They are increasingly challenged to adjust to general economic shocks that affect regions in different ways, but also to build proactively on regions’ assets and needs. Territorial Reviews aim to monitor how this shift in policies and their effects on regional development evolve in individual countries. Given that the Territorial Reviews number fourteen, a series of Monitoring Reviews will undertaken to assess how policy recommendations made previously have been implemented. Territorial Reviews and Monitoring Reviews do not constitute an objective *per se*, they intend to follow a common conceptual framework in order to build a comparative qualitative database, which will feed into Final Output 2.1. Subject to voluntary contributions, multi-country national reviews could be undertaken.
Final Output 3.1

A synthesis report on Reforming Policies for Regional Development

**Intermediate outputs**

- 3.2 New Trends in National Urban Policy
- 3.3 New Trends in National Rural Policy
- 3.4 Ministerial output: Regional Outlook v.0
- 3.5 Territorial Reviews and Monitoring Reviews

**Funding**

- Part I and VCs
- VCs
- Part I
- VCs

Final output 4.1. Prioritising Public Investment and Services for Regional Development

**Policy context**

36. Countries are looking at ways to effectively address the challenges faced by rural, urban and metropolitan regions to create an enabling environment for development. Two types of local assets are targeted. Some are more focused on competitiveness while others answer basic needs for strengthening equity and social cohesion objectives. Even if these two categories clearly overlap, it is possible to examine what types of public goods and services they concern. Public goods and services for competitiveness encompass modern logistics and high-tech telecommunications, market information services for firms and in general services of technical assistance for firms, higher education and training services, financial services of diverse types, e-government services, etc. Basic public goods focus more on access to and quality of water and sanitation, healthcare, primary and secondary education, basic transportation and telecommunications services, energy distribution, police and security, ordinary public administration services, etc.

37. Because of budget constraints, governments cannot simply extend the amount of public expenditure targeting these two types of support for regional development. They must look for effectiveness in public spending by adopting two types of strategies. These include customising public expenditures according to regional challenges and opportunities, and focusing on long-term regional development through hard and soft investment. The prioritisation of public investment in public goods and services is the synthesis of these two types of strategies. It opens up different challenges in policy making; in particular the adoption of multi-sectorial approaches, the integration of producers and users’ perspectives into the identification and implementation of regional strategies, and the human capital and infrastructure types of targets. The issue of equity in access to public services is also raised, and it needs to be explored from a sound, theoretical and analytical perspective using available data. Finally, public investment needs capable counterparts in the regions: capacity-building should be an integral part of the approach to regional investment.

**Links with 2007-8**

38. At the symposium organised in collaboration with the Italian Department for Development Policies of the Ministry for Economic Development on “Setting Standards for Local Public Goods Provision: Challenges for Regional Development”, in Rome, in June 2007, an important distinction between two types of public goods for regional development, necessary and sufficient, was made clear. In addition, many countries are concerned that a large part of public investment is made by sub-national authorities, based on own resources or capital grants, but also on loans. Making the most of available
resources without compromising fiscal stability presents a challenge which mobilises sub-national and national (and sometimes supra national) levels of government. Prioritisation, transparency, accountability, cost-benefit analysis, efficient combination of public finance instruments and decision making under best information conditions and innovation in public services delivery are all important aspects of the overall process for public investment in territorial development. Work by the TDPC on these issues began in the current biennium (on provision of public goods in rural areas) and is shared by other committees in OECD, noticeably the Public Governance Committee (PGC), and the Fiscal Network (a joint GOV, ECO and CTPA activity). TDPC work in this area can foster synergies with that of the PGC on a number of common issues, for example: citizen engagement, public management, regulatory aspects, e-government and capacity building among local public servants. The very fact that the Programme of Work of PGC for 2009-10 also includes a pillar on public service delivery provides an important opportunity for close collaboration.

Expected outcomes

39. The results of this work will help governments to improve the customised supply of public investment and basic and more advanced services to different parts of their territory, comprising metropolitan, urban, intermediate and rural areas. The work will assist in defining a framework which articulates development strategies, governance mechanisms, regulation and citizen and firm involvement.

Final output result

4.1 A synthesis report on Prioritising Public Investment and Services for Regional Development

40. This report will combine statistical analysis with evidence gathered from different countries through case studies and reviews (national, urban and rural). The final output will address to the following issues:

- Which public services in urban or rural regions most influence sub-national welfare and regional competitiveness? What is the impact of accessibility to services on competitiveness and equity? Measuring equity and evaluating the cost-effectiveness of policies is a challenge for policy makers across OECD countries. This work should attempt to strengthen analytical tools.

- What conditions facilitate efficient and effective service provision at the regional level (in terms of cost, quality, efficient coverage, easy access, innovative methods, etc.)? How can innovation improve the delivery of certain public services in regions with adverse geographical, demographic or economic conditions? How can policy combine proximity/accessibility and quality in services such as healthcare, higher education and transport? Can better policy tools to support rural-urban linkages play a role?

- What is the state of sub-national public investment in OECD and other countries? Do patterns emerge between public investment and regional economic and social development for example with respect to the scale of different types of infrastructure projects?

- What types of governance schemes can be promoted to support consistent public investment decisions in order to produce capacity building and create synergies for achieving regional economic development goals?
Intermediate outputs

4.2 Trends of Public Investment and Services in Regions

41. Information on trends of public expenditure in regions is essential for prioritising public investment and services. This information is often unavailable to the public, difficult to cross with statistical indicators on the regional economy, and to compare across countries. The intermediate output will take stock of existing data on public expenditure of investment at regional level and will then build a framework to compare this information across countries. Collaboration on measuring trends in public investment and services in regions will be developed when appropriate with the Public Governance Committee, the Statistics Directorate, and the OECD Network on Fiscal Relations across Levels of Government.

4.3 Territorial Reviews at Sub-national Level

Territorial Reviews of Cities and Metropolitan Regions

42. The pursuit of competitiveness in urban regions (metropolitan areas and city-regions) has become a major local and national policy objective. Meanwhile, cities have to face typical negative externalities including inequalities and social cohesion, urban sprawl and congestion, environmental problems, housing shortages and distressed areas. In a context of limited funds for public spending, national and local governments are required to prioritise investments in public goods and services in urban areas that will respond to competitiveness objectives as well as social and environmental concerns. This is in turn strongly related to strategic planning and institutional governance for an effective implementation process. The work will consist of Territorial Reviews of metropolitan regions building on the established framework adopted in the 18 reviews already accomplished. Reviews will provide valuable inputs for other final outputs.

Territorial Reviews on Rural Regions

43. Policies and public investment geared toward developing rural places are beginning to take into account the diversity of rural regions. Rural regions face problems of decline with out-migration, ageing, a lower skill base and lower average labour productivity that then reduce the critical mass needed for effective public services, infrastructure, and business development. To overcome these obstacles, governments are focusing increasingly on the need for tailor-made public investment and involving regional actors in the prioritisation and decision-making processes. These reviews will also highlight experiences in building rural-urban linkages. Based on voluntary contributions, Reviews of rural regions aim to chart the progress made by governments to adjust their policies to better meet the needs of rural areas including better exploiting rural-urban inter-linkages and the role that rural areas can play in national development and growth.

4.4 OECD Annual Roundtable for Urban Strategy

44. The OECD Roundtable for Urban Strategy of Mayors and Ministers is the only worldwide global platform involving both high-level national and local governments addressing issues related to cities and globalisation. Previous meetings addressed specific themes, such as economic development, social cohesion, physical attractiveness, national urban policies and climate change. Written proceedings have been published following the meetings, and have been the basis for an ongoing and animated political forum.
4.5 OECD Annual Forum on Rural Development

The OECD Annual Rural Development Forum has become over time a key event in the international agenda. Every year this conference will bring together the world’s leading rural policy officials and experts to examine new options to encourage innovation in rural policy. Written proceedings of the event are published worldwide.

**Final Output**

<table>
<thead>
<tr>
<th>Final Output</th>
<th>Funding</th>
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<tbody>
<tr>
<td>4.1 A synthesis report on Prioritising Public Investment and Services for Regional Development</td>
<td>Part I and VCs</td>
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**Intermediate outputs**

<table>
<thead>
<tr>
<th>Intermediate output</th>
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<tr>
<td>4.2 Trends of Public Investment and Services in Regions</td>
<td>Part I</td>
</tr>
<tr>
<td>4.3 Territorial Reviews at Sub-national Level</td>
<td>VCs</td>
</tr>
<tr>
<td>4.4 OECD Annual Roundtable for Urban Strategy</td>
<td>VCs</td>
</tr>
<tr>
<td>4.5 OECD Annual Forum on Rural Development</td>
<td>VCs</td>
</tr>
</tbody>
</table>
## ANNEX 1: PROGRAMME OF WORK TEMPLATES

**STRATEGIC OBJECTIVE:** 4 Enhance Public and Private Sector Governance  
**OUTPUT GROUP:** 4.3 Effective and Efficient Government  
**OUTPUT AREA:** 4.3.4 TERRITORIAL DEVELOPMENT POLICIES

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<td><strong>Base Budget</strong></td>
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<td>1 398</td>
<td>1 439</td>
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<td>% change per year</td>
<td>-</td>
<td>+2.2%</td>
<td>+3.0%</td>
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<tr>
<td><strong>Global Relations Budget</strong></td>
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<td>195</td>
<td>199</td>
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<tr>
<td>% change per year</td>
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<td>+2.2%</td>
</tr>
<tr>
<td><strong>Operating Overheads</strong></td>
<td>218</td>
<td>212</td>
<td>218</td>
</tr>
<tr>
<td>% change per year</td>
<td>-</td>
<td>-2.8%</td>
<td>+2.8%</td>
</tr>
<tr>
<td><strong>Total Part I Budgeted Resources</strong></td>
<td>1 860</td>
<td>1 805</td>
<td>1 857</td>
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<tr>
<td>% change per year</td>
<td>-</td>
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<tr>
<td>% of total substantive Part I Output Areas</td>
<td>2.0%</td>
<td>1.9%</td>
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</table>

| **Total Estimate of Voluntary Contributions Planned** | 2 987 | 3 385 | 3 280 |

**Pre-Accession Budget**

**RESPONSIBLE MANAGER:** Deputy Secretary-General Aart de Geus  
**RESPONSIBLE DIRECTOR:** Ms. Odile Sallard
Policy Environment:

Regions are vital to national growth. The core issues that OECD governments are addressing -- such as promoting innovation, increasing the effectiveness of public investment, tackling climate change and making reform happen - have strong territorial dimensions. Some regions adapt to new circumstances while others struggle. Effective policy responses in these crucial policy areas need to take better account of region-specific challenges and better exploit regional assets through a new approach to regional policy. This new approach emphasizes the important role of regional action in ensuring sustainable economic growth. This involves making better use of the ability of local and regional actors to support national strategic objectives through innovative multi-level governance mechanisms.

Expected Outcomes:

The work on territorial development policies will inform and enhance:

- Reforms in regional policies (contributing to OECD work on making reform happen);
- Strategies for the sustainable development of cities and rural areas (contributing to OECD work on climate change);
- Strategies for enhancing innovation and innovation diffusion at regional level (contributing to the OECD Innovation Strategy);
- Mechanisms for policy co-ordination and prioritisation of public investments in regions within coherent competitive strategies; and
- Assessment of regional competitiveness and policy effectiveness (the OECD’s regional database/Regions at a Glance).

These outcomes will contribute to the wealth of policy insight in OECD countries and will be of particular relevance in the process of enlargement and enhanced engagement: regional, rural and metropolitan development is a critical issue for sustainable growth in many developing and emerging economies.
### 2009-10 Expected Output Results in Priority Order

<table>
<thead>
<tr>
<th>Accountable Committee/Subsidiary Body/Global Forum</th>
<th>2009 (K EUR)</th>
<th>2010 (K EUR)</th>
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<tbody>
<tr>
<td></td>
<td>Total Estimated Cost (TEC)¹</td>
<td>Part I Budget</td>
</tr>
<tr>
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<td>Part I Budget</td>
<td>CPF</td>
</tr>
<tr>
<td></td>
<td>RUR, TDPC, TI, URB</td>
<td>Time Bound 2010 Q4</td>
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<tr>
<td>1. Analytical Report on Strategies for Regional Competitiveness</td>
<td>RUR, TDPC, TI, URB</td>
<td>Time Bound 2010 Q4</td>
</tr>
<tr>
<td>1.2 Regions at a Glance</td>
<td>RUR, TDPC, TI, URB</td>
<td>Time Bound 2010 Q4</td>
</tr>
<tr>
<td>1.3 Report on Climate change and regional competitiveness</td>
<td>RUR, TDPC, URB</td>
<td>Time Bound 2010 Q2</td>
</tr>
<tr>
<td>1.4 Report on Leadership and co-ordination for regional strategies</td>
<td>RUR, TDPC, URB</td>
<td>Time Bound 2009 Q4</td>
</tr>
<tr>
<td>2.1 Analytical Report on Fostering Regional Innovation</td>
<td>RUR, TDPC, URB</td>
<td>Time Bound 2010 Q2</td>
</tr>
<tr>
<td>2.2 Reviews of Regional Innovation Systems</td>
<td>RUR, TDPC, URB</td>
<td>Ongoing</td>
</tr>
<tr>
<td>2.3 Regional indicators on innovation activities</td>
<td>TDPC, TI</td>
<td>Time Bound 2010 Q1</td>
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<tr>
<td>3. Analytical Report on Reforming Policies for</td>
<td>RUR, TDPC,</td>
<td>Time</td>
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¹ TEC is equal to the sum of the Part I funds (Part I Budget and CPF), Voluntary Contributions in Hand and New Voluntary Contributions.

19
<table>
<thead>
<tr>
<th>2009-10 Expected Output Results in Priority Order</th>
<th>Accountable Committee/Subsidiary Body/Global Forum</th>
<th>2009 (K EUR)</th>
<th>2010 (K EUR)</th>
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<td>3.1 Analytical Report on Reforming Policies for Regional Development</td>
<td>RUR, TDPC, TI, URB</td>
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<td>3.2 Reports on new trends in urban policy</td>
<td>TDPC, URB</td>
<td>320</td>
<td>320</td>
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<tr>
<td>3.3 Report on new trends in rural policy</td>
<td>RUR, TDPC</td>
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<td>400</td>
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<td>3.4 Ministerial output : Regional Outlook v.0</td>
<td>RUR, TDPC, TI, URB</td>
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<td>3.5 Territorial Reviews and Monitoring Reviews</td>
<td>TDPC</td>
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<td><strong>4. Analytical Report Prioritising Public Investment and Services for Regional Development</strong></td>
<td>RUR, TDPC, TI, URB</td>
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<td>4.1 Analytical Report Prioritising Public Investment and Services for Regional Development</td>
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<td>4.2 Report on trends of public investment and services in regions</td>
<td>RUR, TDPC, URB</td>
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<td>181</td>
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<td>4.3 Territorial Reviews at sub-national level</td>
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## 2009-10 Expected Output Results in Priority Order

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<td>Total Estimated Cost (TEC)¹</td>
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<td><strong>Part I Budget CPF</strong></td>
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<td><strong>VCs in Hand</strong></td>
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<tr>
<td><strong>New VCs</strong></td>
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### 4.4 OECD Annual Roundtable for Urban Strategy
- TDPC, URB
- Time Bound 2010 Q3
- 150
- 150
- 155
- 155

### 4.5 OECD Annual Forum on Rural Development
- RUR, TDPC
- Time Bound 2010 Q3
- 95
- 95
- 100
- 100
End-users and Stakeholders:

End Users are policy makers in member governments, Enhanced Engagement countries or, as appropriate, non-member economies at central, regional and local level

Stakeholders are economic development professionals in public, semi-public and private organisations, local, regional and national policy makers and policy advisors, business associations, entrepreneurs, unions and NGOs.

Contributions to/from other OECD Output Areas:

Links to Horizontal Programmes:
Innovation Strategy, Making Reform Happen, Climate Change, Water, Sustainable Development

Expected Contributions from other OECD Output Areas:
2.3.2, 2.3.5H, 4.3.1, 6.2.1, 1.3.4H

Co-ordination with Other International Organisations:

<table>
<thead>
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<th>Name:</th>
<th>Planned Co-ordination:</th>
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<td>United Nations Development Programme</td>
<td>Outputs 1 and 2</td>
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<tr>
<td>Other</td>
<td>Economic Commission for Latin America and the Caribbean (ECLAC) - Outputs 1, 2, 3 and 4</td>
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<tr>
<td>Council of Europe</td>
<td>Outputs 3 and 4</td>
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<tr>
<td>Committee of Regions</td>
<td>Outputs 1, 2, 3 and 4</td>
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<tr>
<td>United cities and Local Governments</td>
<td>Urban Policies</td>
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<tr>
<td>Inter-American Development Bank</td>
<td>Outputs 1, 2, 3 and 4</td>
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<tr>
<td>World Bank</td>
<td>Co-ordination with the World Bank will be related to Outputs 1 and 2</td>
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Gender Mainstreaming:

Data collection on population and activity rate by gender at the regional level.
Voluntary Contributions Accepted in Previous Years and Planned for 2009-10:

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Operating Overheads:

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<tr>
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<td>148</td>
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<tr>
<td>Interpretation</td>
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