



## LOCAL DEVELOPMENT CAPACITY ASSESSMENT IN EU CANDIDATE COUNTRIES AND POTENTIAL CANDIDATES IN THE WESTERN BALKANS

*Joint initiative by the EC Enlargement Directorate-General and  
the OECD Local Economic and Employment Development Programme*

### **| The OECD Programme on Local Economic and Employment Development (LEED)**

The OECD Programme on Local Economic and Employment Development (LEED) has advised government and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. LEED's mission is to contribute to the creation of more and better jobs through effective policy implementation, innovative practices, stronger capacities and integrated strategies at a local level. It draws on a comparative analysis of experience from some 50 countries in the Americas, Asia, Australasia and Europe in fostering economic growth, employment and inclusion. LEED also draws on additional expertise provided by some 100 organisations (sub-national governments, development agencies, business and non-profit organisations) grouped in its Partners' Club and its four forums (the Forum on Partnerships and Local Governance, the Forum on Entrepreneurship, the Forum on Social Innovation and the Forum on Investment Strategies and Development Agencies). LEED develops also an articulated capacity development programme at its Trento Centre in Italy, including specialised seminars, workshops and policy reviews. LEED's work and recommendations are endorsed by 35 governments sitting on the OECD LEED Directing Committee.

[www.oecd.org/cfe/LEED](http://www.oecd.org/cfe/LEED) & [www.Trento.oecd.org](http://www.Trento.oecd.org)

## Introduction

The reform progress has been remarkable in the Western Balkans in recent years, however, much remains to be done, especially when it comes to local capacities to implement national policies or deliver place-specific strategies. A stronger local capacity to manage change is needed to improve competitiveness and address the challenges faced by the region. The rapid restructuring and integration in the global economy have exacerbated traditional regional gaps and created new disparities when many heavily industrialised regions, prosperous in the past, have found themselves in decline, whilst other areas rapidly advance towards “new” prosperity. Unemployment remains high in most regions and the mismatch between skills and jobs hampers labour absorption and slows down business development. Large groups of population are trapped in poverty and exclusion as a consequence of recent conflicts. Whilst central governments pull the macroeconomic levers, a stronger capacity at regional and local levels is needed to enhance the beneficial impacts of the macro changes and the higher tier policies.

The joint initiative by the European Commission Enlargement Directorate-General and the OECD Local Economic and Employment Development (LEED) Programme is focused on providing an assessment of the current local development capacity in view of EU accession in the EU Candidate countries and potential candidates in the Western Balkans, notably: Albania, Bosnia Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Kosovo (under UNSCR 1244), Montenegro and Serbia. This initiative is implemented by the OECD LEED Trento Centre for Local Development whose mission is to support local development capacity building in OECD members and non-members.

## Project Purpose

To be conducted in 2011-2012, the aim of the project is to:

### **Provide an assessment of local development capacities**

in view of EU accession in the Western Balkan economies using OECD criteria.

### **Develop recommendations and Action Plans**

for policy and institutional framework improvement in each partner economy.

### **Identify capacity building priorities**

that could be addressed in 2012-2013.

## Implementing the Project

### *Country Teams: The Commitment and Contribution of Partner Countries*

The success of this initiative depends on the participation and engagement of key ministries and other stakeholders. Country teams will be formed in each partner country composed of a limited number of high-level policy makers, OECD and EC representatives who will agree the specific country review priorities. The country teams will work towards the co-ordination and integration of different project components, involvement of regional and local stakeholders, and dissemination of results. Links will be established with the Regional Co-operation Council to promote wider regional co-operation on local development issues.

## Methodology

**Stocktaking and mapping** of the current policy framework alongside an analysis of available data so as to understand the key challenges facing each country, in particular their sub-national dimension.

**Development and validation of an Action Plan** which will set out concrete policy options to overcome barriers and realise potentials.

**Application of OECD criteria** and a dashboard technique to measure the capacity which exists at the local level.

## Key Areas for Assessing Local Development Capacity

### Employment and Skills

# 1

Capacity of employment services and training providers to promote labour market efficiency and contribute to more and better employment for all groups of the population at the local level.

**Promote sustainable and inclusive employment and skills development.** This project area will examine the capacity of employment services and training providers to promote labour market efficiency and contribute to more and better employment for all groups of the population, in line with EU requirements and practices. Work will focus on ways to support integration into the labour market, job retention, employment progression, matching skills supply and demand and improving skills utilisation by businesses. In particular, the project will examine the capacity at the local level to contribute to local sustainable job creation along four key themes:

- Degree of policy alignment and integration including capacity to work in partnership with non-state actors;
- Capacity to both upskill local people and influence the development of better quality jobs and better avenues for employment progression;
- Policy readiness to target policy to new employment areas; and,
- Labour market Inclusiveness including opportunities for youth, minorities and other target groups.

### Entrepreneurship and SMEs

# 2

*With a focus on the capacity to promote and sustain entrepreneurship and SMEs, and the national and local framework conditions, this theme will also incorporate an assessment of the local dimension of the Small Business Act criteria.*

**Promote entrepreneurship and enterprise creation and growth.** The evaluation of local capacity to promote and sustain entrepreneurship and the development of small- and medium-sized enterprises (SMEs) will include an assessment of framework conditions that are set by national government, as well as those conditions that are the result of the policies of local governance actors (including state and non-state actors). The Small Business Act (SBA), incorporating both national and local elements, and the assessment grid currently being developed by the OECD will serve as a framework. With regard to business financing, local approaches to the development of guarantee funding and venture capital schemes based on remittances will also be considered. The capacity assessment will focus on the following broad issues:

- A favourable environment for new enterprises;
- Innovative capacity of firms;
- Internationalisation;
- Financing; and,
- Policy delivery.

### Social Inclusion

# 3

*Examined in this theme will be the local dimension to strategy design, development and implementation and the involvement of non-governmental actors, such as the social economy and its role.*

**Foster social inclusion for all groups of the population.** Social inclusion is a pressing issue across most of the region with spatial and group disadvantage particularly in evidence. Whilst social inclusion is, to varying degrees, 'on' the agenda of all of the countries in the Western Balkan region (such as through national social inclusion or poverty reduction strategies) it remains necessary to assess the local dimension to addressing disadvantage. This includes local involvement in the design of national strategies, the presence of locally designed strategies, local flexibility in the implementation of social inclusion strategies, as well as a consideration of the role of, and support available for, the social economy. The capacity assessment will focus on the following broad issues:

- The development of strategy and the co-construction of policy within and across governments (both vertically and horizontally) and the role and contribution of non-government actors;
- How social inclusion and/or anti-poverty strategies are implemented at the local level and the involvement of local actors in this implementation process;
- The role of the social economy in addressing social exclusion.

## Local Capacity for Strategy Making and Delivery

## 4

*Whilst this issue is features in the three areas above, it will also be considered within the national framework for local development and alongside issues such as wider local participation, leadership.*

### Implementing national policies, adapt them to local needs and, where relevant, design and deliver place specific strategies.

The capacity assessment will focus on the following broad issues:

- Whether the national policy framework is conducive to effective local development: is there enough flexibility and co-ordination to adapt national policies to local needs and to integrate different sectoral policies to yield results at local level?;
- Whether the strategy making process is participatory, bringing together the resources and knowledge of local stakeholders allowing for informed choices and commitment;
- If there is leadership able to drive the process, make strategic choices and keep the engagement of key partners; and
- If there is the capacity to implement policies at the local level, including appropriate skills, competences and resources; as well as what strategy delivery mechanisms and institutions exist.

## OUTPUTS

### Country reports

For each country a report will be produced providing an assessment of local development capacities; outlining recommendations and Action Plans for policy and institutional framework improvement; and identifying capacity building needs and priorities that could be addressed in 2012-2013.

### Synthesis report

A synthesis report on the Western Balkans region will be produced outlining key challenges related to local development capacity in the region and providing recommendations and action plans for a cross country co-operation to support local development.

## Contacts

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