

OECD High-Level Meeting Innovation and Effectiveness in Territorial Development Policy

Summary of conclusions

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Martigny, Switzerland, 25-26 June 2003



Summary of conclusions by Mr. Fabrizio Barca **Chairman of the Territorial Development Policy Committee (TDPC)**

The High-Level Meeting, under the auspices of the OECD's Territorial Development Policy Committee, represents a turning point in the dialogue between Member countries on regional competitiveness policies and territorial governance.

Deputy Ministers and senior government officials responsible for territorial development gathered in Martigny to discuss new approaches to regional development, the role of the private sector and the need for effective co-operation and co-ordination at all levels of government.

The high expectations Member countries and the OECD Secretariat had about the meeting were met. A strong consensus has emerged on policy strategies. As Chairman of the Territorial Development Policy Committee, I will summarise them so as to draw guidelines for the Committee's future work.

Session 1. Enhancing the competitiveness of regions in a global economy

The two key issues are:

- Why are regional competitiveness policies so relevant?
- What should be the content of these policies?

The increased movements of goods, capital, labour and ideas, in the context of rapid shift of tastes and demographic changes, strongly augment both opportunities and risks of regions by allowing them - and their competitors - to reach out to external resources and markets.

The effects are manifold:

1. The drivers of national competitiveness have become more local.
2. Policy for national competitiveness must increasingly consist in a soft network of regional competitiveness policies.
3. The increase of social and economic cohesion within countries can be achieved primarily by enhancing the competitiveness of regions, especially where unused potential is high, rather than concentrating on redistribution.
4. However, increasing the competitiveness of regions does not fully exhaust the need for specific policies aimed at ensuring adequate social conditions or tackling particular permanent regional disadvantages.

What should regional competitiveness policies consist of? A consensus – based on countries' reviews of policy experiences of success and failure - has emerged over the course of discussions on the following trends:

- a progressive shift from redistributive policies, aimed at compensating regional disparities with subsidies, to targeted policies which address the specific causes that prevent each region from realising its full potential. These policies aim at improving

the conditions of the local context in which private agents operate so as to allow them:

- to make full use of local immobile resources;
- to exploit agglomerations;
- to accelerate innovation (which is the requisite for the previous two).
- A shift from traditional sectoral policies to integrated place-based policies.

Countries presented specific examples of these trends:

1. policy actions aimed at overcoming the traditional boundary between rural and urban areas. For example, policies aimed at ensuring that urban areas can provide the necessary material and immaterial support to clusters of firms concentrated in rural areas;
2. policies aimed at strengthening, for a given agglomeration of firms, the whole *filière* with strong emphasis on services to firms in order to allow them a full sharing of local knowledge and an ample access to global knowledge;
3. policy actions aimed at improving the links between universities and local economic actors to support innovation in all sectors;
4. policies that address the social needs of communities with a strong reliance on their own partnerships;
5. policy actions aimed at matching existing knowledge & technology resources and infrastructures to community demand.

Session 2. Strengthening good territorial governance

How to implement these policies? These policies are complex and governance plays a crucial role in ensuring their effectiveness:

A) Regional competitiveness policies require different skills by the public administration, at central and regional level. These skills are:

- to have the capacity to understand needs, to evaluate and select projects;
- to have the relational and negotiating skills necessary to ensure that citizens, firms and institutions express their needs and co-operate among themselves;
- to act at national or federal level as a catalyst; to provide the analytical tools and frameworks for coherent actions;
- to design effective incentive mechanisms.

B) These policies require overcoming sector administrative boundaries at all level of government.

C) These policies require overcoming vertical administrative boundaries to allow co-ordination among levels of government. Effective multi-level governance needs continuous processes of co-operation, that allow for feed-backs, evaluation and experimentation, rather than command/control procedures.

D) These policies require co-operation among local public and private actors according to shared opportunities and risks.

Conclusions of Session 1 and 2 provide us with clear guidelines on the future task of the TDPC. I will summarise them in three areas:

I. Measurement and evaluation

Main issue to address are the following:

- What do we mean by regional competitiveness? How do we measure improvements?
- How do we assess policies for regional competitiveness, ex-ante and ex-post?

These issues can be tackled in two ways:

I.1 Developing indicators for a comparative analysis across regions/countries of regional competitive advantages:

- in performance
- in the quality of the local context, including the well-being of citizens

I.2. Comparing evaluation exercises for similar projects (urban renewal, provision of rural amenities, innovation for clusters, ...) in different regions.

II. Comparative analysis in selected topics

What positive and negative experiences from different areas tell us on the *whos*, *whats* and *hows* of policies for regional competitiveness in selected topics?

Example of main topics are:

- policies for research and innovation, especially for clusters of firms;
- policies for accessibility (communication networks);
- alternative ways in which regions whose economy depends on single productions have coped with globalisation and liberalisation;
- involvement of the private sector in the financing and management of projects, both in urban and rural areas, making use of cultural and natural resources;
- initiatives of co-operation and competition between cities and between rural areas, beyond administrative boundaries.

These topics could be tackled via:

- workshops with high attendance of local public and private leaders
- studies and thematic reviews.

III. A project on multi-level governance

A well funded, high-quality project could be launched on the following issue: weaknesses and strengths of alternative institutional methods to provide conditional grants for regional competitiveness policies from federal/national/regional level to lower level of government. Namely the characteristics and the balance between the four main tools of multi-level governance, the four “C’s” that have emerged from the debate: Command; Competition; Contracts; Co-operation. Capacity-building is the common thread to all these tools and the way to implement it should also be investigated.

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**SESSION I: Enhancing COMPETITIVENESS OF REGIONS IN A GLOBAL
ECONOMY**

Conclusions of the Chair

Both global economic growth and social cohesion require increasing the competitiveness of regions, especially where potential is highest. The comparative advantages that drive innovation and investment are as much a regional characteristic as a national one. For regions to succeed, they must harness their own mix of assets, skills and ideas to compete in a global market and develop unused potential.

The most promising areas for policy intervention to upgrade regional assets include:

- Development of clusters that provide a means to increase productivity and achieve critical mass;
- Efforts to link universities with local economic actors in the context of regional strategies for innovation;
- Public-private partnerships and private finance initiatives such as urban renaissance programmes;
- Diversified rural economies and positive rural urban linkages.

Urban and rural areas share some similar issues, while facing specific challenges. Functional economic regions usually include both urban and rural areas. This should be reflected in policy approaches exploiting the most effective, positive complementarities between urban and rural areas.

A consensus has emerged over the course of these discussions that regional development policy should emphasise wealth creation rather than concentrating as it has in the past on redistribution. This will mean a progressive shift:

- from subsidies which thwart business innovation to territorial development policies that enhance competitiveness in global markets; and
- from traditional sectoral to place-based policies, including a greater emphasis on building endogenous assets and potential to attract substantial private sector investment.

In order to be effective, public policy to improve economic performance should:

- provide local public and collective goods (both physical and soft infrastructures) that address problems of market failure and improve quality of life;
- be targeted and multi-sectoral. Policy implementation is frequently hampered by poor co-ordination of policy interventions which reduces their effectiveness and generates waste;
- encourage a regional approach that provides incentives for joint action, joint planning and resource sharing.

Session 2: STRENGTHENING GOOD TERRITORIAL GOVERNANCE

Conclusions of the Chair

In an ever changing environment, institutional flexibility and adaptation are a necessity. In such an environment, effective multi-level governance is crucial to implement successful policies.

1. *Decentralisation*: Delegation of competencies, power and financial resources to local and regional authorities can increase their capacity to deal adequately with local development issues. The role of central government is to simplify financial and regulatory procedures, to ensure transparency, coherence, and guarantee equalisation among territorial units.
2. *Co-ordination at national level*: Central government should integrate sectoral policies that are aimed at or have an impact at the territorial level. Specialised national bodies (agencies etc.) can ensure co-ordinated and single window policy delivery at the local level.
3. *Multi-level governance*: Innovative intergovernmental relations are moving away from command towards (a) co-operation (b) competition and (c) capacity building:
 - a. Co-operation. Different levels of government can co-operate on an equal base in committees, forum, monitoring bodies, etc.... that are in charge for the implementation of joint projects.
 - b. Competition and contracts. Elements of competition among territorial units can, according to well established criteria enhance policy outcome at the territorial level
 - c. Capacity building. It involves strengthening the technical and administrative abilities of personnel and processes in administrations responsible for policy planning and implementation of national and local development programmes. Conditional grants can create incentives for local governments to improve their policy making capacities.
4. *Involvement of civil society and the private sector*: Civil society and the private sector play a crucial role in the discussion, set up and implementation of local policies and local projects. Pacts, public private partnerships etc... can help to increase efficiency of policy implementation and overcome territorial fragmentation. Examples include metropolitan regional associations, micro-regions, functional local authorities (for instance mancomunitats in Spain), cross-border associations, etc.
 - a. *Evaluation*: Effective monitoring and evaluation of programmes and policies at different levels enable central and subnational governments to assess impact on the territory.

Closing Statement by the Presidency of the High-Level Meeting

Thanks to the active participation of ministers and country representatives, the discussions over the past two days have been both rich and fruitful. On behalf of the Swiss Government, I would like to thank you for your commitment and enthusiasm. Through this open debate, I think that we have reached a common understanding of the important role that regional policy, in its different forms, can play in the achievement of our principal economic and social objectives.

Sustainable economic growth in each of our countries depends on dynamic processes of growth and adjustment at regional level. Competitive regional economies create wealth through innovation entrepreneurship and private investment, and thereby generate and sustain employment.

Our goal should be to ensure that all regions have the chance to achieve their potential and seize the opportunities that globalisation, technological change and free trade offer.

Sustainable growth also implies achieving social and environmental objectives. These should not be seen as constraining regional economic growth, but rather as contributing to it. Private investment, as we have seen, increasingly looks at the attractiveness of regions in a broad sense. In this context, the complementarities and interactions between rural and urban areas are particularly important.

Designing and implementing policies that combine these different aspects is a challenge for our administrations. And member countries look to the OECD, and in particular the Territorial Development Policy Committee, to provide a forum where these issues can be discussed and information shared. The new mission statement will set out the common perspectives that have emerged here.

Member countries of the OECD share certain territorial problems, even though each can have its own priorities and specific way of responding to these challenges. As such, there is an important role for the OECD to promote dialogue between policymakers.

The conclusions of the High-Level Meeting outline an agenda for work to be done by TDPC, in particular:

- Assess key policy areas to improve regional performance, notably research and innovation, clusters, accessibility, public-private partnerships, and trans-national and trans-border co-operation;
- Evaluate initiatives and institutional arrangements in multi-level governance, vertical and horizontal co-operation mechanisms and partnerships with the private sector and civil society more generally;
- Develop indicators to measure and evaluate improvements in regional competitiveness and to assess policy effectiveness.

The work on territorial development supported through the OECD has already had a significant impact on the policy process. I am sure that participants in this High-Level Meeting will agree that we expect the TDPC to continue to play a prominent role in the future.