



Regional Policy in OECD Countries

The [External Affairs Committee](#) of the National Assembly of Wales is currently undertaking an [inquiry](#) into the future of regional policy in Wales. This small note takes stock of the work undertaken at the OECD through numerous territorial reviews and thematic studies over the past years, and provides a short summary around the following topics

1. Examples of international best practice in the field of regional/economic development policy;
2. Key lessons for any future regional policy in Wales including the broad principles that should underpin effective regional policy;
3. How Wales should measure success, what indicators could be used to measure impact?
4. Any views on the key trends in the area of regional policy – where is current thinking moving to?
5. Any challenges to regional policy or potential pitfalls that should be avoided.

1. Examples of international best practice in the field of regional/economic development policy.

Best practices in the field of regional and economic development policy differ significantly depending on regional conditions. What works well in one region may not work well in another because the framework conditions differ. However, despite that caveat, there are a few important trends to note in the delivery of regional and economic development policy which can be considered a best practice.

- **Investments instead of subsidies.** In recent years, there has been a transition to greater use of policy tools that involve investments instead of basic subsidies in the goal of boosting competitiveness. Many of the infrastructure investments and business development tools are designed to improve firm productivity. Finland's rural and regional policy embraces such an approach; they have reorganised their regions, they are investing in education, skill development and technology.
- **Supporting competitiveness and innovation.** Business development is the most frequently reported policy tool to achieve regional development policy objectives. Several OECD countries have recently reported shifting away from a focus on infrastructure in favour of competitiveness and innovation (e.g. Estonia, Hungary and Spain). Many of the national networks of regional development agencies have a primary purpose of business development, generally focusing on SMEs. Related to business development are a range of instruments for promoting innovation that are seeking to boost productivity of firms or even improve the productivity of the public sector. As often science and technology policies are de facto directed towards the leading firms and institutions, often in frontier regions, many of these instruments oriented towards non-leading regions are used by regional development policy as opposed to national innovation policy. In Scotland, Scottish Enterprise is a good example of an organisation that has been able to work successfully with businesses to boost competitiveness.
- **Building sub-national capacity.** The governance of regional development policy at the national level, and the interaction between national and regional/local policies are both considerations for promoting policy effectiveness. Some key issues concern the national level organisation of the regional, urban and rural development policy portfolio and the manner in which it is monitored and evaluated. The way national governments organise their interventions in different parts of a country can involve different strategies, one being that of regional development agencies. As countries develop economically they tend to rely more on subnational governments. Building subnational capacity (technical and financial) is therefore an important element in regional development efforts that tend to rely more on subnational governments at higher levels of development. Canada's Community Future's programme is a good example of an approach that builds community capacity and engages a wide range of local actors in the process.
- **Coordination across functional areas.** The boundaries corresponding to an area should be relevant for a social, economic or environmental function (such as commuting patterns, water basins, or economic ties). Best practices include the European Union's Integrated Territorial Investments which allow Member States to implement operational programmes in a cross-cutting way and to draw on funding from several priority axes in order to ensure the implementation of an integrated strategy for a specific territory. Another example are France's new experimental tool to promote inter-municipal collaboration: "contracts of reciprocity for the city-countryside" (Contrats de réciprocité ville-campagne). These agreements are adaptable to different territorial realities; their jurisdictions are not pre-defined which allows them to cover different areas depending on the issue at hand. The process is primarily led at the inter-municipal level, with the state, regions, and departments being asked to support local initiatives.


- **Policy complementarity.** The concept of policy complementarity refers to the mutually reinforcing impact of different actions on a given policy outcome. Policies can be complementary because they support the achievement of a given target from different angles. For example, increased broadband in rural areas should proceed along with policies that focus on the accessibility and diffusion of these services to the population. Policies – territorial and sectoral – are more effective where they are co-ordinated and aligned along similar goals and objectives. In effect, governments should frame interventions in infrastructure, human capital and innovation capacity within common policy packages that are complementary to sectoral approaches as well. This requires that policies are integrated horizontally, through management arrangements and development plans amongst different sectors, services and agencies within a given level of government. It also requires that policies are vertically integrated, from the national to the local level of government, and that interventions are territorially integrated and consider the interrelationships and interdependencies between different territories.

2. Key lessons for any future regional policy in Wales including the broad principles that should underpin effective regional policy

Place-based disparities in income, jobs and productivity are an increasing challenge for many OECD countries and regions (OECD 2016). Across the OECD, these differences persist over time suggesting that regional level factors yield significant differences in productivity and consequently income levels among regions (Garcilazo and Martins 2013). Although a small number of large cities contribute disproportionately to growth there are many smaller and lagging regions that also make important contributions to national growth. A decomposition of the latter in OECD shows that between 1995 and 2007, less developed regions had a vital contribution to aggregate growth, since they accounted for 43% of aggregate OECD growth. Previous OECD work on regional growth has shown that there is potential for growth in all regions, and that the determinants of growth can be addressed by public policies (OECD, 2009 and 2011).

This growing body of evidence has been accompanied by a shift in how OECD countries approach regional policies. In the past, these policies tended to focus on addressing disparities between regions through the provision of subsidies to compensate them for lower incomes. Policies were designed by central governments through departments of state that delivered narrowly defined economic development programs. This approach was seen as increasingly ineffective and not sustainable from a fiscal point of view. The new approach to regional policies emphasise a focus on competitiveness and working with regions to unlock growth potential. This approach has significant implications for how government works. Governments need to work in a more integrated way at a regional and local level. This ‘place-based’ approach is outlined in Table 4.

Table 4: The paradigm shift in regional policy

	Traditional regional policies	New paradigm
Objectives	Balancing economic performance by temporary compensation for regional disparities	Tapping underutilised regional potential for competitiveness
Strategies	Sectoral approach	Integrated development projects
Tools	Subsidies and state aid	Soft and hard infrastructure
Actors	Central government	Different levels of government
Unit of analysis	Administrative regions	Functional regions
	Redistributing from leading to lagging regions	Building competitive regions to bring together actors and targeting key local assets

Source: OECD (2009), *Regions Matter: Economic Recovery, Innovation and Sustainable Growth*, OECD

This paradigm shift in regional policies has important implications for how government works. Policies should be adapted to the needs and circumstances (social, economic, cultural, geographic, environmental, etc.) of different regions. Policies should also be integrated to help realise complementarities between them. Tailoring policies in this way requires new ways of working and organising which are challenging for traditional forms of public administration and fiscal management. To help countries address these challenges, the OECD has developed the *Principles on Effective Public Investment Across Levels of Government*. The purpose of the OECD Principles is to help governments at all levels assess the strengths and weaknesses of their public investment capacity, using a whole-of-government approach, and set priorities for improvement. The Principles are grouped into three pillars, which represent systemic multi-level governance challenges for public investment:

- **Co-ordination challenges:** Cross-sector, cross-jurisdictional, and intergovernmental co-ordination are necessary - but difficult in practice. Moreover, the constellation of actors involved in public investment is large and their interests may need to be aligned.
- **Capacity challenges:** Where the capacities to design and implement investment strategies are weak, policies may fail to achieve their objectives. Evidence suggests public investment and growth outcomes are correlated to the quality of government, including at the subnational level.
- **Challenges in framework conditions:** Good practices in budgeting, procurement, and regulatory quality are integral to successful investment, but not always robust or consistent across levels of government.

Box 1. OECD Principles on Effective Public Investment Across Levels of Government

The OECD Instrument groups 12 principles under three pillars: co-ordination, capacities and framework conditions.

- **Pillar 1:** Co-ordinate across governments and policy areas
 1. Invest using an integrated strategy tailored to different places
 2. Adopt effective co-ordination instruments across levels of government
 3. Co-ordinate across subnational governments to invest at the relevant scale
- **Pillar 2:** Strengthen capacities and promote policy learning across levels of government
 4. Assess upfront long term impacts and risks
 5. Encourage stakeholder involvement throughout investment cycle
 6. Mobilise private actors and financing institutions
 7. Reinforce the expertise of public officials & institutions
 8. Focus on results and promote learning
- **Pillar 3:** Ensure sound framework conditions at all levels of government
 9. Develop a fiscal framework adapted to the objectives pursued
 10. Require sound, transparent financial management
 11. Promote transparency and strategic use of procurement
 12. Strive for quality and consistency in regulatory systems across levels of government

Source: OECD (2014).

3. How Wales should measure success? What indicators could be used to measure impact.

Measuring regional performance

Measuring territorial performances is becoming increasingly important for evidence-based policy making. In order to implement a place-based approach to development policy, territorial information is a crucial ingredient. The lack of reliable data is often one of the main constraints for effective policies particularly at the sub-national level. More information at the local and regional levels can help identify the bottlenecks that are hampering development and identify areas of priority.

The OECD has developed a system of territorial indicators at sub-national level (TL2 and TL3) to support policy makers in the formulation, implementation and monitoring of territorial policies. This territorial indicator system is increasingly recognized and adopted also by non-OECD countries (e.g. Morocco and Tunisia have recently requested a study on how to adapt their regional statistics to the OECD database).

The [OECD Regional Database](#) provides a unique set of comparable statistics and indicators on about 2 000 regions in 34 countries. It currently encompasses yearly time series for around **40 indicators** in the OECD member countries and other economies (Table 1). The themes covered are: i)

demographic statistics, ii) social and health statistics, iii) regional income distribution, iv) regional accounts, v) labour statistics, vi) environmental statistics, vii) innovation statistics.

Table 1 – Territorial indicators composing the OECD regional database

Theme	Number of OECD countries with data			Main period covered
	at TL2	at TL3	Non OECD	
Demographic statistics				
- Population by age (5 years range) and gender	34	34	7	1990-2014
- Population density	34	34	7	1990-2014
- Regional surface	34	34	7	1990-2014
- Number of deaths by age (5 years range) and gender	34	34	1	1990-2013
- Inter-Regional migration	25	28	1	1995-2013
- Private households	28	11		2000-2013
Social and health statistics				
- Life expectancy by gender	33	7		2000-2013
- Age adjusted mortality rate by gender	34			2000-2013
- Infant mortality rate by gender	33	-		2000-2012
- Number of physicians per 1 000 population	32	20	1	1995-2011
- Number of hospital beds	30	14		1995-2011
- Homicides per 100 000 population	34	18	1	1995-2012
- Number of rooms per people	32			2012
- Crimes against property	32	11	1	2000-2010
- Motor vehicles theft	23	13		2005-2011
- Mortality rate due to transport accident	8	-		1995-2011
- Voters turnout	34	8	1	2000-2012
- Young people not in employment and not in any education and training (NEET)	25	3		2005-2013
Regional income distribution				
- Gini (at disposable income, after taxes and transfers)	28	-		2011 ; 2013
- Gini before taxes and transfers	28	-		2011 ; 2013
- S80/S20 disposable income quintile ratio	28	-		2011 ; 2013
- S80/S20 income before taxes and transfers quintile ratio	28	-		2011 ; 2013
- Poverty rate after taxes and transfers, Poverty line 60%	28	-		2011 ; 2013
- Poverty rate before taxes and transfers, Poverty line 60%	28	-		2011 ; 2013

- Poverty rate after taxes and transfers, Poverty line 50%	28	-		2011 ; 2013
- Poverty rate before taxes and transfers, Poverty line 50%	28	-		2011 ; 2013
Regional accounts				
- Regional Gross Domestic Product (GDP) total and per capita	32	28	4	1995-2013
- Regional Gross Value Added (GVA), by ISIC rev.4 industry and per worker	30	26		2000-2013
- Regional Gross Value Added (GVA) in ISIC rev.3	25	3		1995-2007
- Regional Disposable Household income	31	7	1	1995-2013
- Regional Primary Income of Households	28	6		2005-2011
Labour statistics				
- Regional Labour Force Statistics by gender	34	30	4	1990-2014
- Regional employment and unemployment by gender	34	29	3	1990-2014
- Regional youth unemployment	34	29	3	2000-2014
- Regional long-term unemployment	30	3		2000-2014
- Regional part-time employment	32	5		2000-2014
- Regional employment at place of work, total	34	27	2	1995-2013
- Regional employment at place of work by ISIC rev.4 (10 industries)	33	27		2000-2010
- Regional employment at place of work by ISIC rev.3 (6 industries)				1995-2007
Environmental statistics				
- Volume of municipal waste (Ktonnes) per 10 000 population	29	15	1	2000-2012
- CO2 emissions	34	32	5	2005-2008
- Air pollution PM2.5	34	34	6	2000-2012
- Number of private vehicles per 1 000 inhabitants	33	27	1	1995-2012
Innovation statistics				
- R&D Expenditures by performing sector	28	4		2000-2013
- R&D Personnel by sector	25	4		2000-2013
- Educational attainments of the labour force	34	8		2000-2013.
- Student Enrolment by level of education	32	8	1	2000-2013
- Employment in high-technology sectors	29	7		2000-2013
- Percentage of households with access to broadband	32	6	1	2006-2014
- PCT Patent applications (fractional count; by inventor and priority year)	34	33	4	1990-2012
- PCT Patents international collaboration	34	33	4	1990-2012
- PCT Patent applications by sector	34	33	4	1990-2012

Source: OECD Regional Database, 2016.

Recent work by the OECD and the EU has defined all OECD metropolitan areas in a harmonised definition of urban areas as functional urban areas (FUA) and has developed data and indicators across a wide number of indicators at this scale. For the UK the list of FUAs can be found [here](#) and the list of available data and indicators are available at [OECD.STAT](#).

The OECD has also developed a visualisation web-tool, the [OECD eXplorer](#), that enables the visualization of socio-economic information at detailed territorial level providing clear insight on regional differences and performance within a country and comparison of different areas across countries. eXplorer enables users to explore spatial, temporal and multivariate data from multiple perspectives simultaneously, to discover interesting relationships, and communicate their incremental discoveries.

Finally the [OECD Regions at a Glance](#) series compares major regional patterns and trends across OECD countries and diffuses the statistical tools elaborated by the Working Party on Territorial Indicators for the analysis of regional economies.

Well-being at sub-national level: the OECD regional well-being indicators

The concept of well-being links quality of life and material conditions to the goal of sustainable well-being over time. It is a multidimensional concept that is grounded in an understanding that economic conditions should be viewed as part of broader social and environmental systems and conditions. Although there are many debates on the measurement and operationalising of the concept of well-being (Adler and Seligman, 2016), the OECD has supported this work by developing a *Framework for Measuring Well-Being and Progress*. It encourages governments to think of natural, economic, human and social capital as interconnected and as such, supports the idea of policy complementarity (OECD Regional Outlook, 2016).

The framework for measuring well-being at the regional level considers a **combination of individual characteristics and local conditions, to get closer to what people experience in their life**. It has been conceived to improve policy coherence and effectiveness by looking at eleven dimensions, those that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction). These dimensions are gauged through indicators of "outcomes", which capture improvements in people's lives. For example, health is measured by the regional average life expectancy at birth, rather than public expenditure for health (input indicator) or number of doctors per population (output indicator).

The well-being indicators chosen for 9 of the 11 dimensions are objective indicators that together provide a snapshot of the development of a region and, when possible, how the results are distributed among different population groups (elderly, young, women, foreign-born, etc.). For the first time in the OECD Regions at a Glance (2016) publication two additional well-being dimensions are included, community and life satisfaction, and measured by self-reported indicators (or subjective indicators), where respondents are asked to evaluate their life or certain domains of their life (OECD Regions at a Glance, 2016).

In synthesis, at present, regional measures are available for OECD countries in eleven well-being topics: income, jobs, housing, education, health, environment, safety, civic engagement and governance, access to services, community, and life satisfaction (Table 2).

Table 2. Well-being topics and indicators

	Topics	Indicators
Material conditions	Income	♦ Household disposable income per capita (in real USD PPP)
	Jobs	♦ Employment rate (%) ♦ Unemployment rate (%)
	Housing	♦ Number of rooms per person (ratio)
Quality of life	Health	♦ Life expectancy at birth (years) ♦ Age adjusted mortality rate (per 1 000 people)
	Education	♦ Share of labour force with at least secondary education (%)
	Environment	♦ Estimated average exposure to air pollution in PM2.5 ($\mu\text{g}/\text{m}^3$), based on satellite imagery data
	Safety	♦ Homicide rate (per 100 000 people)
	Civic engagement	♦ Voter turnout (%)
	Accessibility of services	♦ Share of households with broadband access (%)
Subjective well-being	Community	♦ Percentage of people who have friends or relatives to rely on in case of need
	Life satisfaction	♦ Average self-evaluation of life satisfaction on a scale from 0 to 10




Source: OECD Regional Well-Being Database.












Monitoring indicators for public investment across levels of government

The governance of public investment is complex because it is a shared responsibility across an increasing number of actors and levels of government. More than two-thirds of public investment is conducted at the sub-national government level in OECD countries, i.e. by states, regions, provinces, and municipalities.

The Principles on Effective Public Investment help governments assess the strengths and weaknesses of their public investment capacity and set priorities for improvement. The Principles group 12 recommendations into 3 pillars representing systemic multi-level governance challenges for public investment. The OECD has also developed a system of indicators to measure the implementation of those principles in countries (Table 3).

Table 3 Indicators to monitor the implementation of the OECD Principles on Effective Public Investment

 System is in place and works in a satisfactory way
  System is in place but improvements are needed
  System is not in place or not functioning well

OBJECTIVES	INDICATORS			
PRINCIPLE 1				
To engage in planning for regional development that is tailored, results-oriented, realistic, forward-looking and coherent with national objectives	Coherent planning across levels of government Mechanisms exist to ensure that sub-national investment plans reflect national and sub-national development goals			
	Tailored, place-based development plan There is correspondence between assessment of territorial needs and strengths and planned projects			
	Clear public investment priorities There is a clear and authoritative statement of public investment priorities at national and regional levels			
To co-ordinate across sectors to achieve an integrated place-based approach	Complementary of hard and soft investments Consideration is given to complementarities between investments in hard and soft infrastructure			
	Complementarities across sectors Attention is given to potential complementarities and conflicts among investments by different ministries/ departments			
	Cross sectoral coordination Formal or informal mechanisms exist to co-ordinate across sectors (and relevant departments/agencies) at the sub-national level			
To support decisions by adequate data	Forward-looking investment plans Authorities assess the potential contribution of investments to current competitiveness, sustainable development and regional & national well-being			
	Data availability & use for investment planning Data are available and used to support the territorial assessment and planning process			
PRINCIPLE 2				
To coordinate across levels of government to reduce asymmetries of information	Coordination bodies across levels of government There are formal mechanisms/bodies for co-ordination of public investment (formal platforms and <i>ad hoc</i> arrangements) across levels of government			
	Cross-sectoral approach These coordination bodies/mechanisms have a multi-sector approach			
	Mobilisation of coordination arrangements There co-ordination mechanisms are mobilised regularly and produce clear outputs/outcomes			
	Efficacy of coordination platforms Stakeholders' perception (or empirical data) regarding the efficacy of these different platforms			
	Contractual agreements/partnerships Contractual agreements/partnerships across levels of government have been developed to manage joint responsibilities for sub-national public investment			
	Effectiveness of contractual agreements The share of sub-national public investment covered by these agreements is measured			
To align priorities across the national and sub-national levels	Co-financing arrangements There are co-financing arrangements for public investment			
PRINCIPLE 3				
To co-ordinate with other jurisdictions to achieve economies of scale across boundaries	Horizontal coordination Cross-jurisdictional partnerships involving investment are possible			
	Cross-sectoral approach Cross-jurisdictional partnerships cover more than one sector			
	Incentives from higher levels of government Higher levels of government provide incentives for cross-jurisdictional co-ordination			
	Effectiveness of horizontal coordination The share of investments involving use of cross-jurisdictional co-ordination arrangements at the sub-national level can be measured by mechanism and/or by sector			
To plan investment at the right functional level, in particular in metropolitan areas	Use of functional regions Functional regions are defined, identified, and used in investment policy			

PRINCIPLE 4		✓	✓	✓
To identify social, environmental and economic impacts, ensure value for money and limit risks	Ex-ante appraisals A large share of public investment is subject to ex-ante appraisal			
	Results of ex-ante appraisals The results of ex-ante appraisals are used to prioritise investments			
To conduct rigorous ex-ante appraisal	Quality of appraisal process Ex-ante appraisals are conducted by staff with project evaluation skills			
	Independent review of ex-ante appraisals Share of ex-ante appraisals subject to independent review			
	Guidance for ex-ante appraisals Technical guidelines for ex-ante appraisal are available and used at all levels of government			
PRINCIPLE 5		✓	✓	✓
To engage public, private and civil society stakeholders throughout the investment cycle	Mechanisms to involve stakeholders Mechanisms exist to identify and involve stakeholders throughout the investment cycle			
	Fair representation of stakeholders Fair representation of stakeholders in the investment cycle consultation process is guaranteed (to avoid capture situations)			
	Early involvement of stakeholders Stakeholders are involved from the early stages of the investment cycle			
	Access to information Stakeholders have easy access to timely and relevant information throughout the investment cycle			
	Feedback integrated in decision-making process Stakeholders are involved at different points of the investment cycle and their feedback is integrated into investment decisions and evaluation			
PRINCIPLE 6		✓	✓	✓
To mobilise private sector financing, without compromising long-term financial sustainability of sub-national public investment projects	SNGs have access to technical assistance for PPP Sub-national governments have access to and use technical assistance for public-private partnerships (e.g. via PPP units, formal training, good practice guidance)			
	Use of quantifiable indicators The amount of private financing per unit (e.g. Euro, USD) of public investment is known			
	Access to information SNGs have access to information concerning (supra) national funds for investment			
To tap traditional and innovative financing mechanisms for sub-national public investment	Use of innovative financing instruments The use of new, innovative financing instruments at sub-national levels is accompanied by assessment of their benefits, risks, and sub-national capacities to employ them			
PRINCIPLE 7		✓	✓	✓
To develop institutional capacity and professional skills	Specific focus on investment required skills Human resource management policies demonstrate attention to the professional skills of staff involved in public investment (e.g. hiring is targeted, needs assessments are made, appropriate training is available and used)			
	Dedicated financial assistance Dedicating financial assistance is made available for technical training of civil servants involved with public investment; training utilisation rates			
	Technical guidance Technical guidance documents are available for actors at all levels of government to clarify approaches to planning, implementation, and evaluation of public investment			
To identify binding capacity constraints and the proper sequence of reforms	Assessment of binding capacity constraints Specific assessments are conducted to assess binding constraints for effective public investment and identify the needs and the proper sequence of reforms			
PRINCIPLE 8 (continued on next page)		✓	✓	✓
To design and use monitoring indicator systems with realistic, performance promoting targets	Performance monitoring in place A performance monitoring system is used to monitor public investment implementation			
	Timely reporting The monitoring systems facilitate credible and timely reporting of expenditure and performance			
	Output and outcomes The indicator system incorporate output and outcome (results) indicators			
	Targets Part of the indicators are associated with measurable targets			

PRINCIPLE 8 (continued from previous page)		✓	✓	✓
To use monitoring and evaluation information to enhance decision making	Performance monitoring information is used in decision-making Performance information contributes to inform decision-making at different stages of the investment cycle			
To conduct regular and rigorous ex-post evaluation	Ex-post evaluations • Ex-post evaluations are regularly conducted. Some ex-post evaluations are conducted by independent bodies (e.g. research organisations, universities, consultancies) • Clear guidance documents exist that detail ex-post evaluation standards			
PRINCIPLE 9		✓	✓	✓
To define appropriate inter governmental fiscal arrangements that help align objectives across levels of government	The intergovernmental fiscal framework is clear, with timely indications of transfers between levels of government. There is minimal variance between estimated and actual transfers. Information is made publicly available on the fiscal situation of sub-national governments and their comparison			
PRINCIPLE 10		✓	✓	✓
To ensure budget transparency at all levels of government	Budget transparency Budget transparency principles apply at all levels of government Timely information Budgetary information regarding public investment is publicly available to stakeholders at all levels of government in a timely and user friendly format Maintenance costs integrated into budgeting Operations and maintenance costs of infrastructure investment are assessed and integrated into budgeting and planning decisions			
To ensure sub-national and national fiscal stability	Budget coordination across levels of government Budgetary coordination across levels of government in terms of contributions to national fiscal targets			
To link strategic plans to multi-annual budgets	Multi-year forecasts Public investment is linked to multi-year budget forecasts, which are reviewed regularly Medium term budgeting framework The medium-term planning and budgeting framework is integrated with the annual budget Multi year forecasts Multi-year forecasts for public investment reviewed and updated regularly			
PRINCIPLE 11		✓	✓	✓
To engage in transparent, competitive, procurement processes	Competitive procurement • The share of public tenders for public investment that are competitively awarded is known and publicly available • The participation rates for tenders is known • Procurement information from the full procurement cycle is publicly available at the national and sub-national levels of government • Procurement review and remedy mechanisms are in place at the national and sub-national levels			
To encourage procurement at the relevant scale	Strategic procurement The share of procurement which involves more than one sub-national government is known			
To promote the strategic use of procurement	• Procurement is used strategically by SNGs to achieve green objectives • Procurement is used strategically by SNGs to achieve innovation objectives			
To foster sub-national capacity building for procurement	Sub-national capacities for procurement • There is recognition of procurement officials as a specific profession • Formal guidance regarding procurement procedures is provided to sub-national governments • There is a procurement unit that can assist SNGs • The percentage of total annual contracts awarded go to SMEs in sub-national procurement is known • The percentage of national/sub-national procurement conducted on-line is known			
PRINCIPLE 12		✓	✓	✓
To engage in "better regulation" at sub-national levels, with coherence across levels of government	Regulatory coordination across levels of government Formal co-ordination mechanisms between levels of government that impose specific obligations in relation to regulatory practice Regulatory impact assessment Regulatory Impact Analysis (RIA) are used Reduction of stock of regulation Efforts to reduce the stock of regulation or simplify administrative procedures in relation to public investment are made Public consultations Public consultations are conducted in connection with the preparation of new regulations of sufficient duration, accessible, and appropriately targeted Use of e-government tools Use of e-government tools used to simplify administrative procedures for public investment projects			

Websites:

- <http://www.oecd.org/gov/regional-policy/regionalstatisticsandindicators.htm>
- <https://www.oecdregionalwellbeing.org/>
- <http://www.oecd.org/effective-public-investment-toolkit/Self-assessment.pdf>

4. Any views on the key trends in the area of regional policy: where is current thinking moving to?

A key contemporary focus for regional policy is how to promote growth in lagging regions, particularly those in rural areas. There is no single formula for these strategies; however, the OECD suggests the following policy directions.

Identifying drivers of growth in rural areas	Focusing on creating conditions to support the growth of tradeables, including manufacturing, renewable energy, natural resources, administrative services, fisheries, forestry, agriculture, tourism, natural amenities. This includes collaborative approaches to finding areas of absolute advantage through smart specialization strategies.
Adding value in these domains	Working across levels of government to design and deliver “policy packages” for entrepreneurs, firms, clusters and places which focus on enabling factors: skills, accessibility, market intelligence, and innovation. This is particularly important for start-ups and SMEs in rural areas which often lack the scale and expertise to utilize many policy instruments and access new market opportunities.
Enhancing urban – rural linkages	These linkages include labour flows, consumption of public and private services, and supply chains. These linkages can be enhanced through investment in transport and communications infrastructure, and incentives to support shared governance and policies between urban and rural municipalities.
Addressing demographic trends and forward looking policies	Essentially “future proofing” rural economies through measures to address population ageing, fiscal pressures and climate change. This includes investment in broadband and reducing regulatory burden to promote innovation in the provision of public services, and working with communities to identify strategies to adapt to the impacts of climate change.
Addressing localized poverty and disadvantage	Poverty and disadvantage can often be concentrated in particular neighborhoods and towns, and within particular population groups (youth, older men affected by restructuring in traditional industries, and newly arrived migrants). Engaging these communities in the management and delivery of public services, and facilitating opportunities for entrepreneurship and human capital development are important for building pathways out of poverty.

References

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OECD (2016) *OECD Regional Outlook 2016: Productive Regions for Inclusive Societies*, OECD Publishing, Paris.

5. Any challenges to regional policy or potential pitfalls that should be avoided.

There is no simple policy prescription to resolve regional productivity and inclusion challenges, but several areas for public action may help boost productivity, inclusion, or both:

- *Structural reforms such as for labour and product markets need to be complemented with other place-specific policies to reap the full potential benefits.* Structural reforms can have different repercussions depending on the region. Tighter labour market restrictions, measured by indicators of employment protection, penalise rural regions with smaller labour markets more than cities. Improved transport options increase the effective size of a local labour market that can complement a particular labour market reform to increase its impact.
- *Regional development policies should focus on productivity drivers and growth in all regions through strategic investments, not mere subsidies.* However, as a share of government spending, public investment has declined over the past two decades from 9.5% to 7.7%. Boosting capacity of subnational governments, responsible for 59% of that investment, should be a higher priority. Investments that facilitate the diffusion of innovation and good practices across sectors and firms within and beyond a region are an opportunity to increase productivity. While in many countries policies seek to reduce gaps across regions, they should avoid stifling growth in the highest-productivity regions.
- *Urban development policies should consider how cities are linked together in a “system of cities” within a country.* Several countries report recent or upcoming changes to national urban policies. While these policies typically focus on reducing the social and environmental costs in cities, they can also consider the economic role of cities, their local and interregional links in a national system, and their capacity to generate innovation that should benefit the wider economy.
- *Its important to move rural development approaches beyond farm supports to also recognise the diversity of rural regions and the importance of connectivity to dynamic areas across the OECD.* Rural Policy 3.0 puts the focus on enhancing communities’ comparative and absolute advantages, through integrated investments and appropriate local services, and by encouraging local participation and bottom up development.