



OECD PERSPECTIVES ON MULTILEVEL GOVERNANCE AND REGIONAL DEVELOPMENT

Enhanced Strategic Planning at Regional and Local Levels in Croatia

Maria Varinia Michalun, Head of Unit, Governance and Strategic Planning for Regional Development

14 June, 2022

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Structure

1. About the **OECD and CFE**
2. **Trends** in regional inequalities
3. Different **regional development models**
4. **10 takeaways** from the OECD work on regional development





About the OECD and CFE



38 Countries 27 Topics



- Agriculture and fisheries
- Chemical safety and biosafety
- Competition
- Corporate governance
- Corruption and integrity
- Development
- Digital
- Economy
- Education
- Employment
- Environment
- Finance
- Green growth and sustainable development
- Health
- Industry and entrepreneurship
- Innovation
- Insurance and pensions
- Investment
- Migration
- Public governance
- Regional, rural and urban development**
- Regulatory reform
- Science and technology
- Skills
- Social and welfare issues
- Tax
- Trade

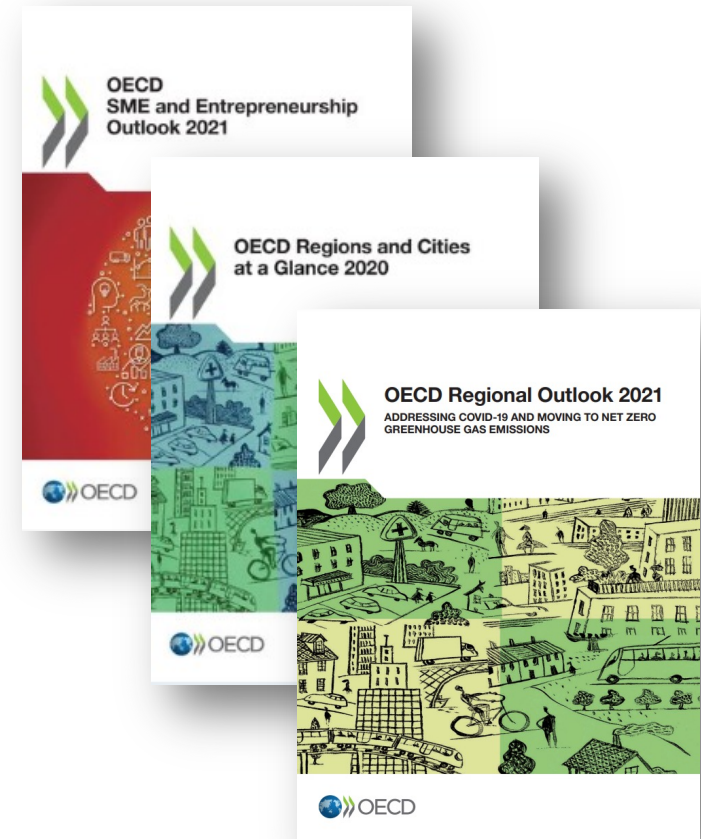
Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)

CFE provides **comparative statistics, analysis and capacity building for local and national actors** to work together to unleash the potential of **entrepreneurs and SMEs**, promote inclusive and sustainable **regions and cities**, boost local **job creation**, and support sound **tourism** policies.

#Multi-level governance

Regional development policy

Strategic planning for regional development





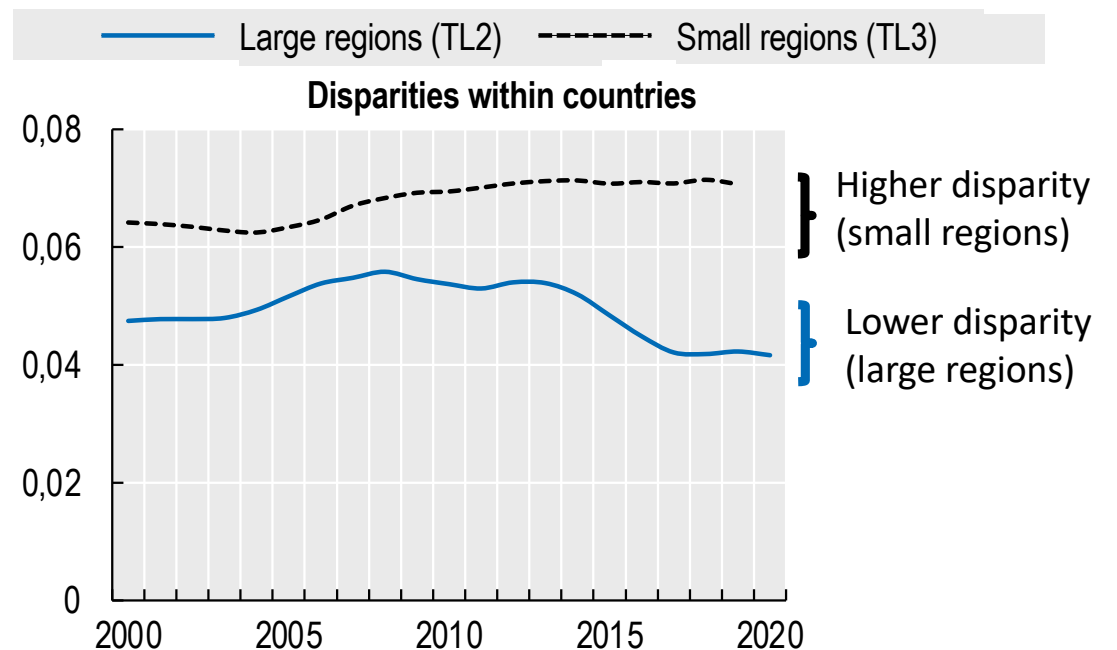
Trends in regional inequalities

Trends in regional economic disparities in OECD countries (TL2 and TL3)

Since 2012:

- The **large region** measure of regional disparities (Theil Index) **fell substantially**
- The **small region** measure, which better captures the city-rural divide, has **remained flat** over the same period (2012-2020)

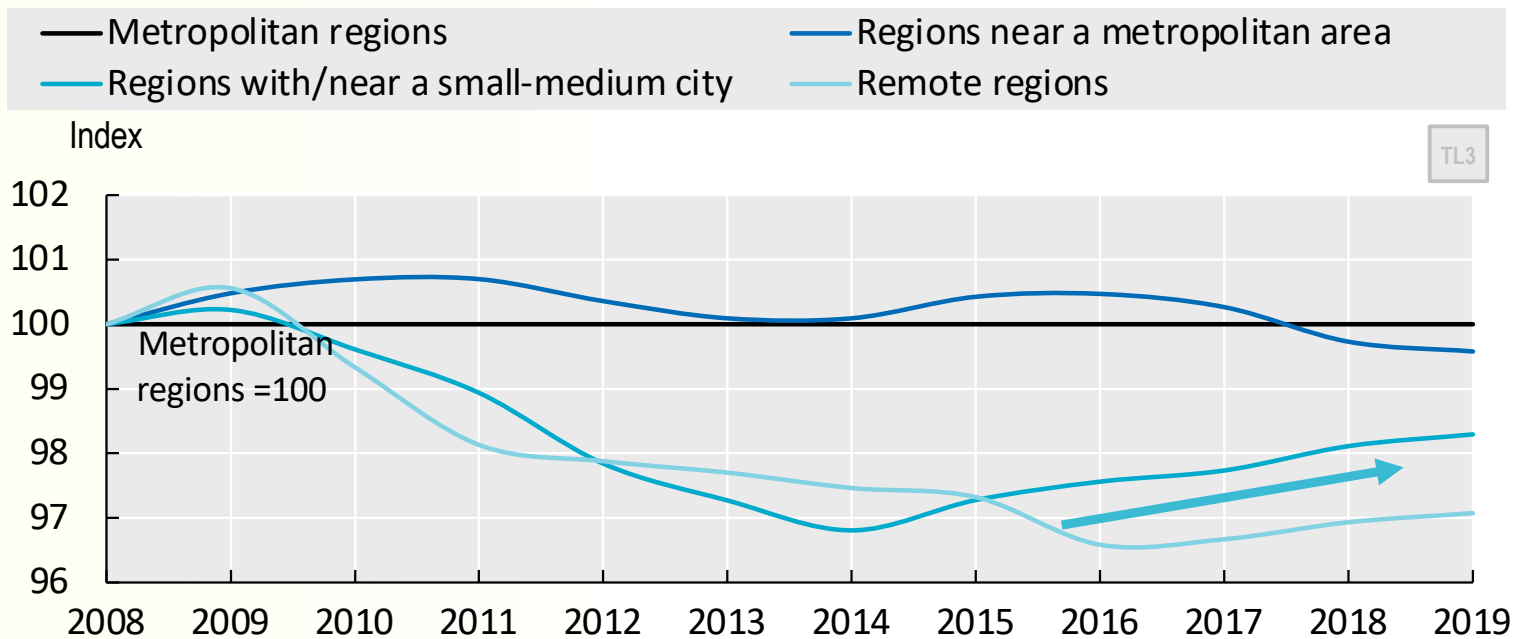
Theil Index of PPP-adjusted GDP per capita, 2000-2020



Source: OECD (2022) OECD Regions and cities at a glance 2022, forthcoming.

The gap between metropolitan regions and remote regions slightly narrowed between 2016 and 2019

Index of PPP-adjusted GDP per capita by regional typology, 2008-2019

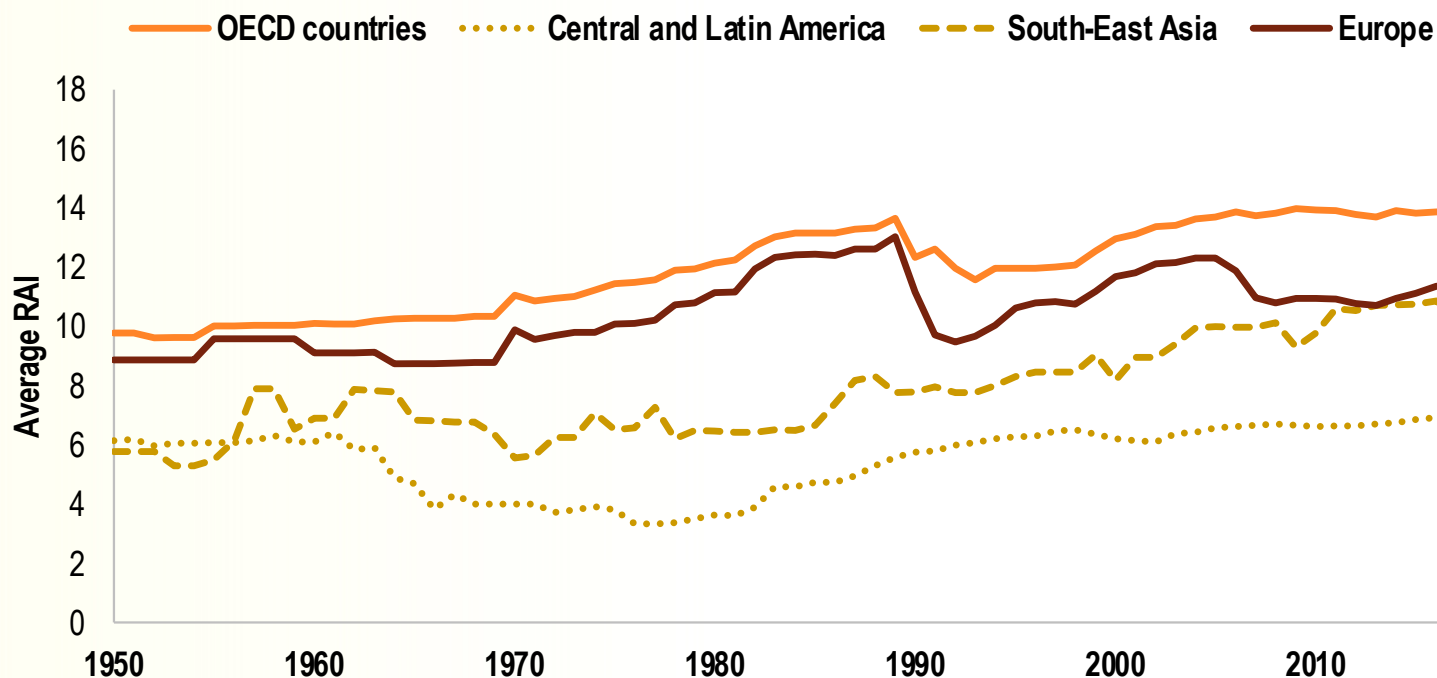


As of 2019, GDP per capita in remote regions remains **7% below** that of metropolitan regions

Source: OECD (2022) OECD Regions and cities at a glance 2022, forthcoming.

Critical role of regions in tackling territorial disparities (urban-rural) within regions

Evolution of the Regional Authority Index, 1950-2018



97 countries (78%) experienced a net increase in the degree of regional authority in 1970

Source: Schakel, A. (2022). Regional Authority Index (RAI).



Regional development models: trade-offs in aggregate productivity



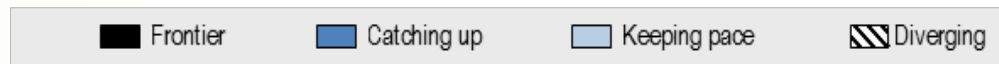
Different models for regional development

- ***Concentrated*** models generate higher productivity, but less regional catching-up (e.g. France)
- ***Distributed*** models generate more catching-up, but lower productivity (e.g. Spain)

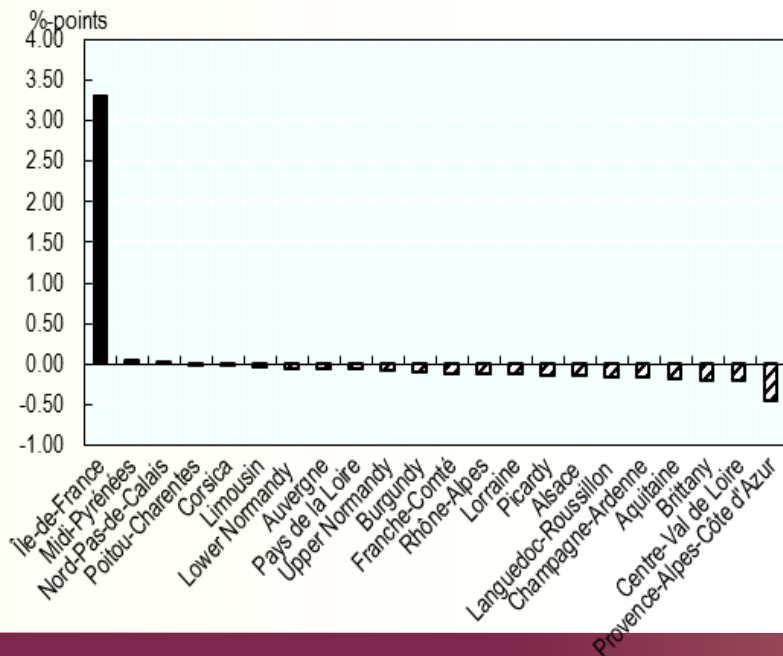


Trade-offs between regional disparities and aggregate productivity

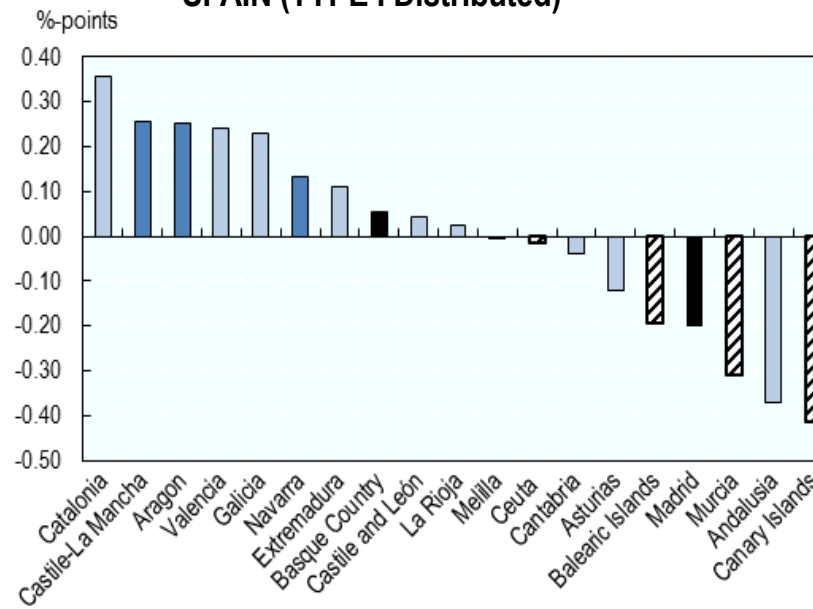
(Pseudo) contributions of regions to national productivity growth, 2000-2014



FRANCE (TYPE II Concentrated)



SPAIN (TYPE I Distributed)



* The contribution of a region is defined as the difference between the national annual average labour productivity growth rate and the same rate excluding the indicated region, cf. OECD Regional Outlook (2016).
Source: OECD (2019) Regional Outlook 2019



Why tackle regional inequalities?

- With inaction, the current trends show that when **inequalities between regions are very large and sustained over certain periods of time, some places feel left behind**
- Inaction creates risks for social cohesion, balanced territorial development, long term sustainability, democracies (**geography of discontent**) and can lead to higher future costs
- Entrenched or increasing regional disparities can contribute to **limited trust** in regional and national governments.
- **Megatrends** (e.g. digitalisation and climate change) and will amplify regional inequalities in the coming decades.



10 takeaways from the OECD work on regional development



10 takeaways from the OECD work

Message 1: Traditional approaches to fighting territorial inequalities – through redistribution, transfers and people’s mobility – do not work

- ✓ Fiscal equalisation policies are important to ensure **equal access to public services...** but **they should be complemented by pro-active regional development** policies

Message 2: Regional development policies aim at changing structural conditions of places

- ✓ A region’s development is driven **mainly by endogenous factors**, including the level and quality of human capital, infrastructure, innovation, the functioning of labour markets, agglomeration forces, and the quality of institutions

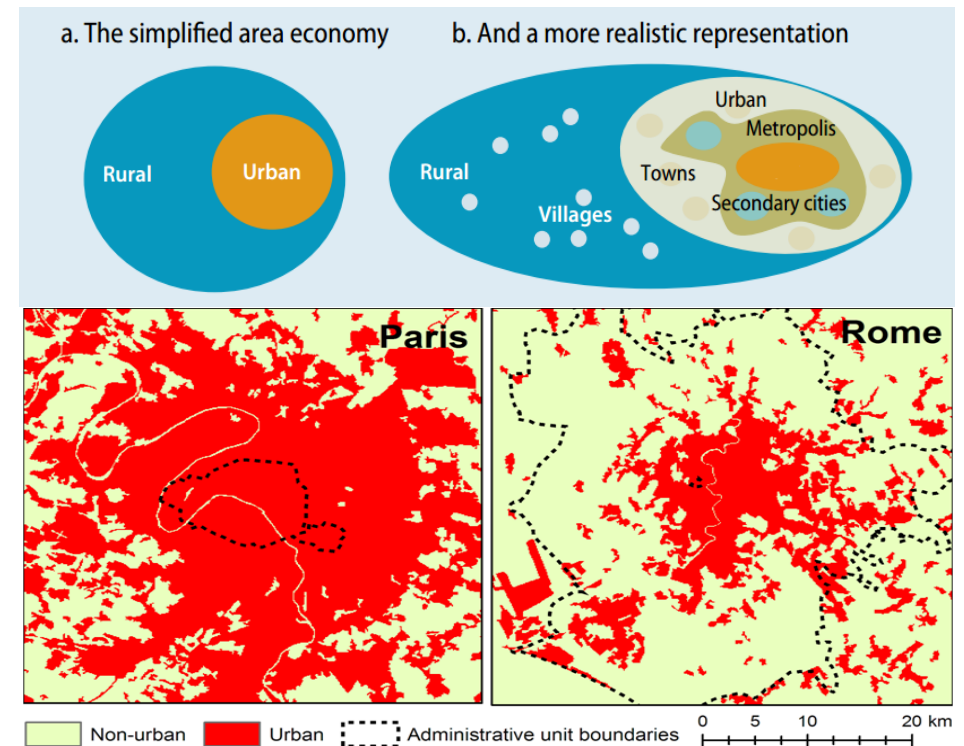
10 takeaways from the OECD work

Message 3: Regional development policy is increasingly shifting from a focus on competitiveness and growth to well-being

- ✓ Measuring the **right indicators** is essential

Message 4: the spatial focus of regional development policy has also shifted with a focus on functional regions

- ✓ This has governance implications





10 takeaways from the OECD work

Message 5: Regional development policy responses should be future proof

- ✓ Essential to be more **forward looking** and **promote resilience** to man-made and natural shocks

Message 6: Regional development policy is in large part an investment policy – *differentiated across regions*

- ✓ Based on recognising the potential of all regions... Use of regional **specific assets and comparative advantages**



10 takeaways from the OECD work

Message 7: The regional investment-mix requires complementarities across sectors – rather than approaches that focus solely on infrastructure

- ✓ A simultaneous focus on infrastructure, skills and human capital, digitalisation, business environment at the regional level is required to stimulate growth and address inequalities

Message 8: Effective regional development policy requires well-developed multi-level governance arrangements

- ✓ To involve all levels of government, as well as non-governmental actors, to align objectives, priorities and funding (co-financing)



10 takeaways from the OECD work

Message 9: Effective regional development policies imply promoting bottom-up initiatives, which tacitly require a degree of decentralisation

- ✓ Effective regional development policies require a degree of decentralisation adapted to the country's context to ensure a bottom up approach to development

Message 10: Proper regional development policy requires a focus on the regional level/scale

- ✓ Regions are the best placed to manage urban-rural linkages



Questions for discussion

1. What should **balanced regional development*** look like in Croatia?
2. In what fields do you think Croatia has made the most **progress** and where does it face **significant challenges in boosting balanced regional development**?

** Priority cluster of the National Development Strategy 2030*

Thank you!

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Recap of takeaways on effective regional development

1. **Traditional approaches** to fighting territorial inequalities do not work
2. Regional policies change **structural conditions of places**
3. Shifting focus from competitiveness and growth to **well-being**
4. New focus on **functional regions**
5. Importance of **future proofing** and resilience building
6. **Regional development policy** is above all investment policy
7. Requires **complementarities** across sectors and levels of government
8. Promotion of **bottom-up initiatives** and a degree of decentralisation
9. Regional-level policy **strikes a balance between meeting local needs and building on economies of scale**



ENHANCED STRATEGIC PLANNING AT REGIONAL AND LOCAL LEVELS IN CROATIA

Project kick-off meeting

14 June 2021

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Structure

1. **Setting the scene**
2. **Project overview**
3. **Questions & comments**



Trends in regional development policy



Evolution of strategic thinking on regional development

- 1 From redistribution to **competitiveness**
- 2 Regional development as a “**policy of policies**”
- 3 **Citizen well-being** at the centre of inclusive and sustainable growth

What is regional development policy?
Goals, decisions and measures to **reduce regional disparities** and **foster balanced and inclusive growth and well-being** in a country, an individual region, or a metropolitan, urban or rural area.



Value of multi-level governance for regional development

To effectively address regional inequalities, climate change and the “geography of discontent”, as well as build resilience to shocks, **governments at all levels must work in a strategic, collaborative and evidence-based fashion.**



What is multi-level governance?

- Characterises the **relationship among different levels of government.**
- It concerns layers of actors who interact with each other among levels of government (**vertically**), among relevant actors at the same level (**horizontally**), or in a network.



Multi-level Governance: Areas of Intervention

Institutional
reorganising
powers,
responsibilities
and resources

Territorial
reorganising
territorial
structures

Public
management:
reorganising
administrative
processes

Key elements:

- Identification of **national, regional and local needs, assets and knowledge**
- Clear **assignment of responsibilities** among levels of government
- Effective **strategic planning** and **programming**
- Adaptable vertical and horizontal **co-ordination mechanisms**
- Sufficient **resources** to implement mandates
- Robust **monitoring and evaluation** frameworks
- Fit-for-purpose **citizen engagement mechanisms**

Challenges to multi-level governance of subnational public investment

Co-ordination challenges:

- How to set up and manage effective cross-sector, cross-jurisdictional and intergovernmental co-ordination mechanisms?

Capacity challenges

- Do the relevant stakeholders have the necessary capacities to design and implement investment strategies?

Challenges in framework conditions

- Are legislative and regulatory arrangements on budgeting, procurement, and oversight clear and adequately enforced?





PROJECT OVERVIEW



Project context and objectives

Context

Growing importance of enhanced strategic planning

- National Development Strategy to be implemented at regional and local levels.
- Covid-19 recovery through implementation of the National Recovery and Resilience Plan.

Impact

Generate regional development that is rooted in effective strategic planning and integrated territorial investment to raise regional competitiveness and resilience.

Outcome

Improved capacity of regional and local governments to design and implement (regional) development plans and regional services in line with Croatia's development goals.



3 project components

Multi-level Governance Report on Integrated Investment

The report will:

- Provide **analysis and concrete recommendations** for Croatia to enhance its multi-level governance arrangements
- Draw on **international experiences and good practices**

Knowledge-Sharing Fora

3 multi-stakeholder Regional Fora:

- Broad set of **national and regional stakeholders**
- **International experts** and policy practitioners
- **Opportunities for dialogue**
- **Peer networks**

Capacity-building Activities

Preparation and organisation of:

- **5 educational modules** for Croatia's network of regional coordinators
- **2-day Train-the-Trainers courses**
- **2 study tours** to 2 countries featured in the Multi-level Governance Report



Expected outcomes in detail

**Strategic
partnerships
and
functional
networks**

**Improved
capacities to
design and
implement**

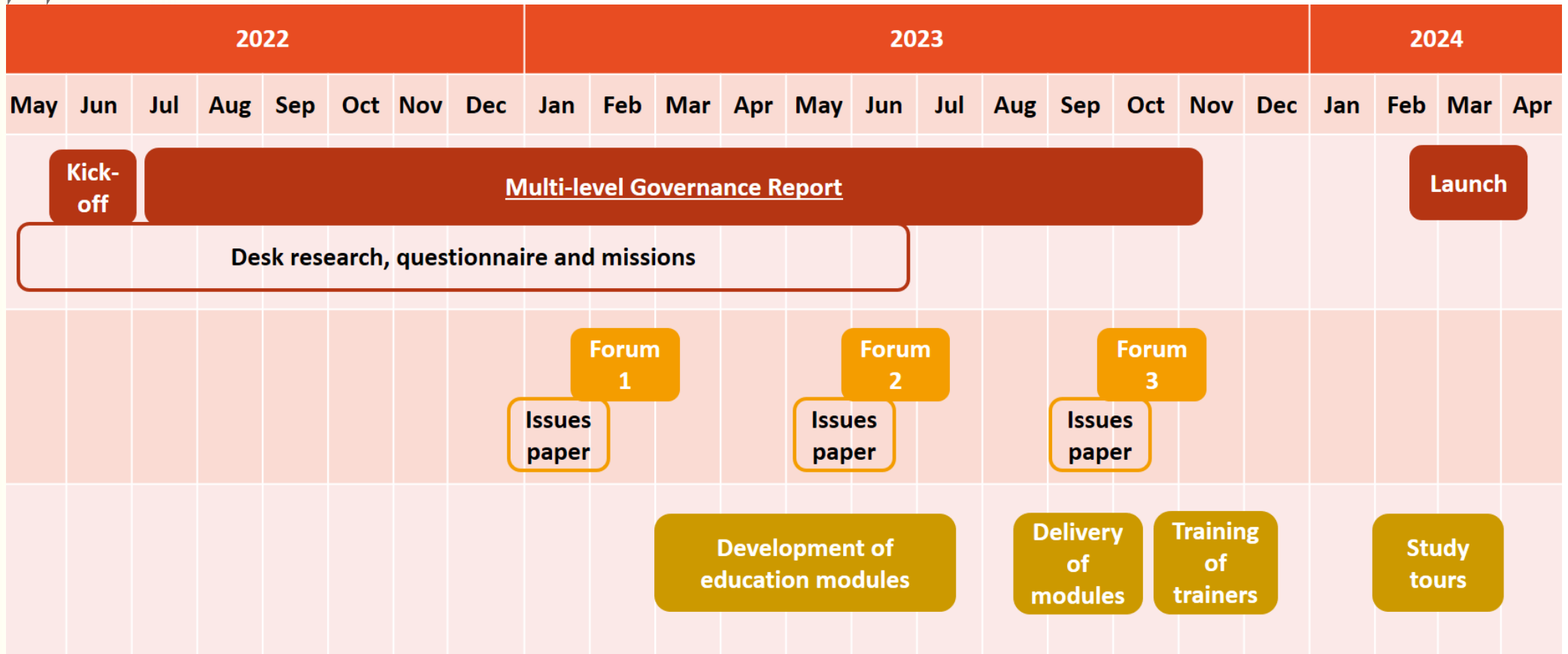
**A culture of
dialogue for
effective
policy-
making**

**Enhanced
horizontal
and vertical
coordination**

**More
sustainable,
feasible and
effective
plans**



Project milestones and timeline





Next step in the project

1

Questionnaire

Obtain quantitative and qualitative information in order to draft the Report and organise the fora

2

Missions

Interviews with national and subnational actors to close information gaps

3

1st knowledge-sharing forum

- Build partnerships and actor networks to share knowledge and enhance capacity.
- Develop a preparatory issues paper



July/August 2022

End 2022/2023

End 2022/2023



QUESTIONS/COMMENTS

Questions for discussion



- How can the **OECD** best support the improvement of regional strategic planning and integrated territorial investment in your view?
- What are the **3 key improvements** that you would like to see after this project?
- Are there any **recent developments in Croatia** that the OECD should consider during the project?

Any other questions or concerns?

Thank you for your attention!



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ROUNDTABLE I: A PLACE-BASED APPROACH TO REGIONAL DEVELOPMENT

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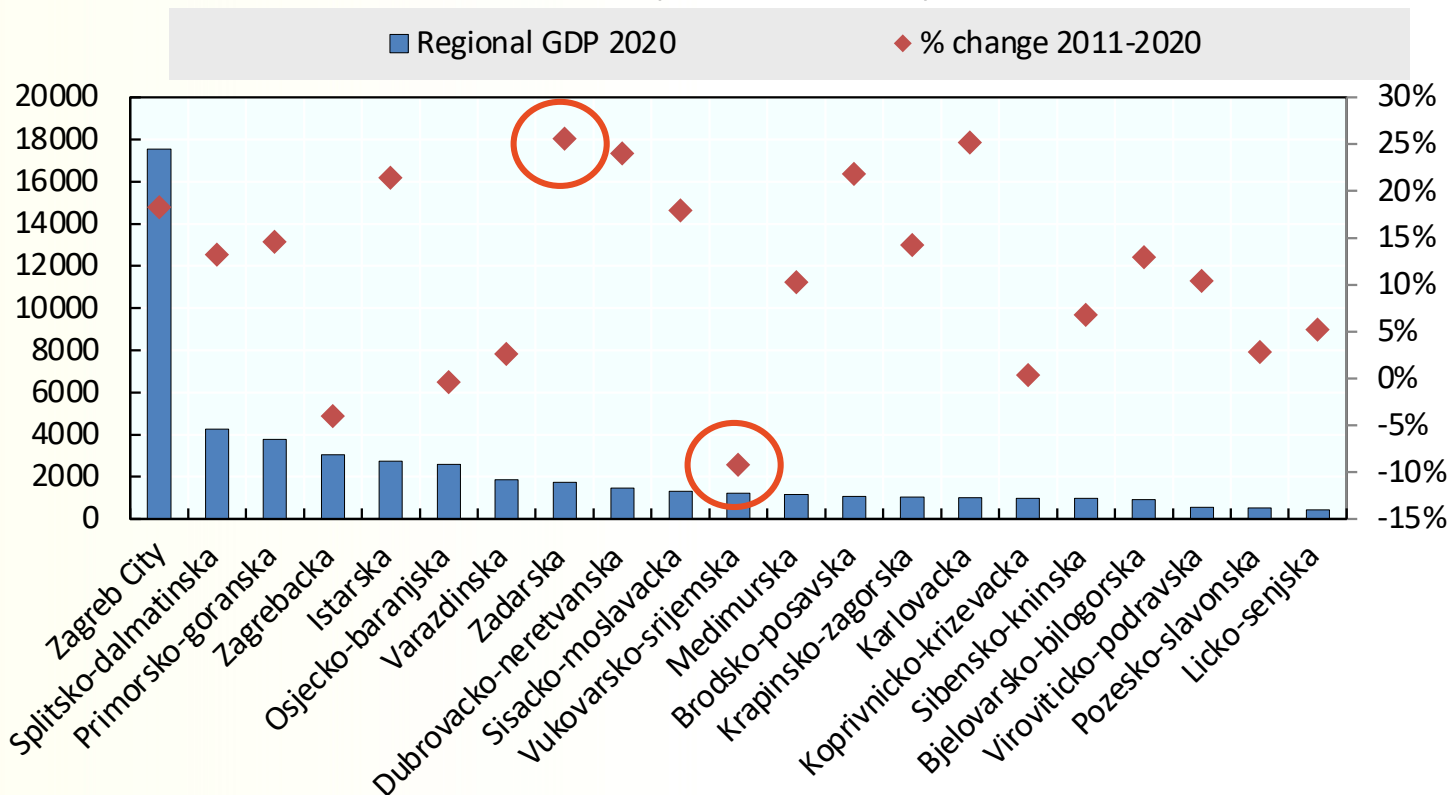
Structure

1. **Trends** in regional inequalities: Croatia
2. **OECD regional policy paradigm**
3. **A place-based approach**
4. **Roundtable discussion**



Large regional disparities in GDP level exist among Croatian counties

GDP at NUTS3 level (EUR million), 2011-2019

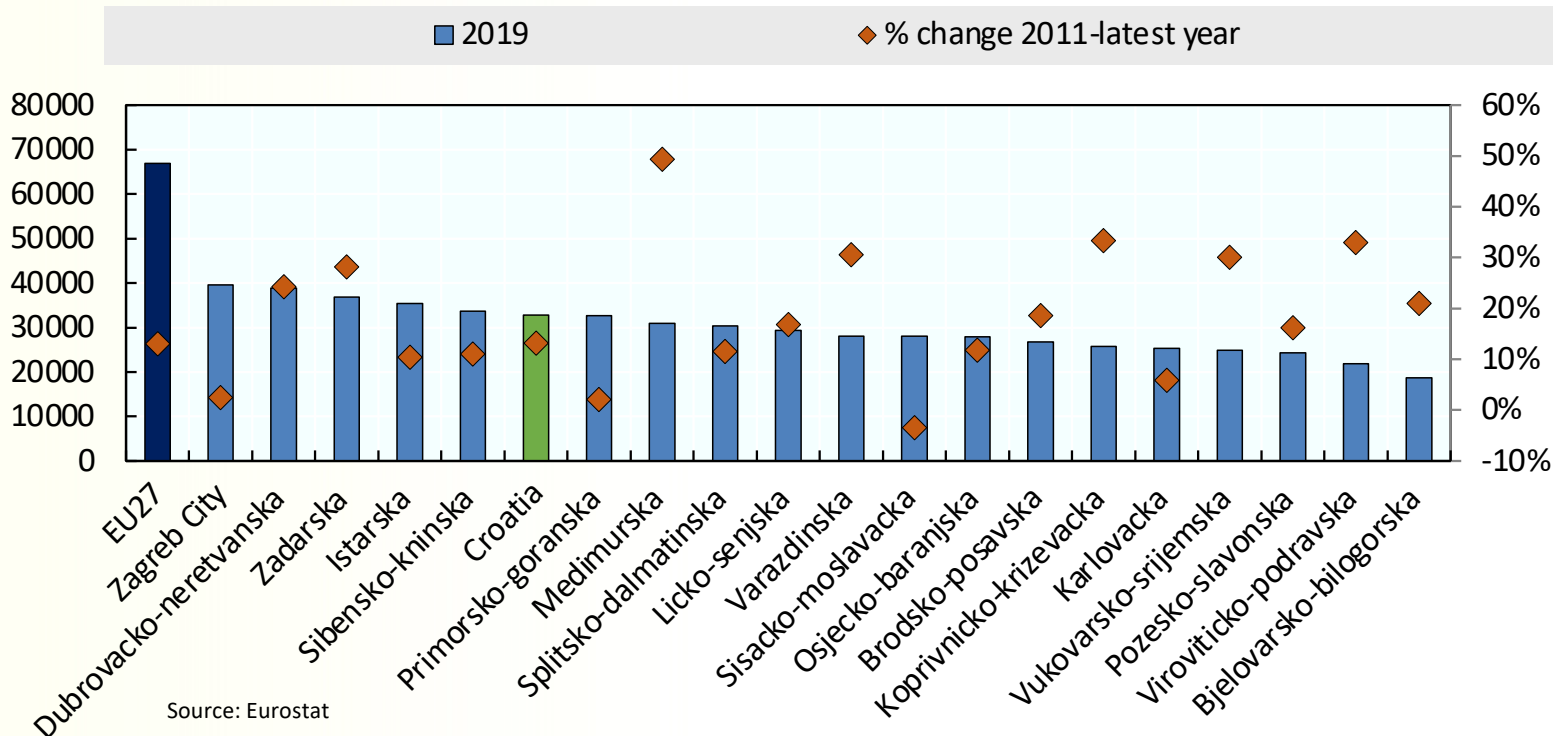


- GDP is **concentrated** in the capital.
- GDP **growth rates vary significantly** from region to region.

Source: Eurostat

Aggregate labour productivity has increased, but regional disparities persist

Labour productivity by NUTS3 (EUR per person employed), 2011-2019



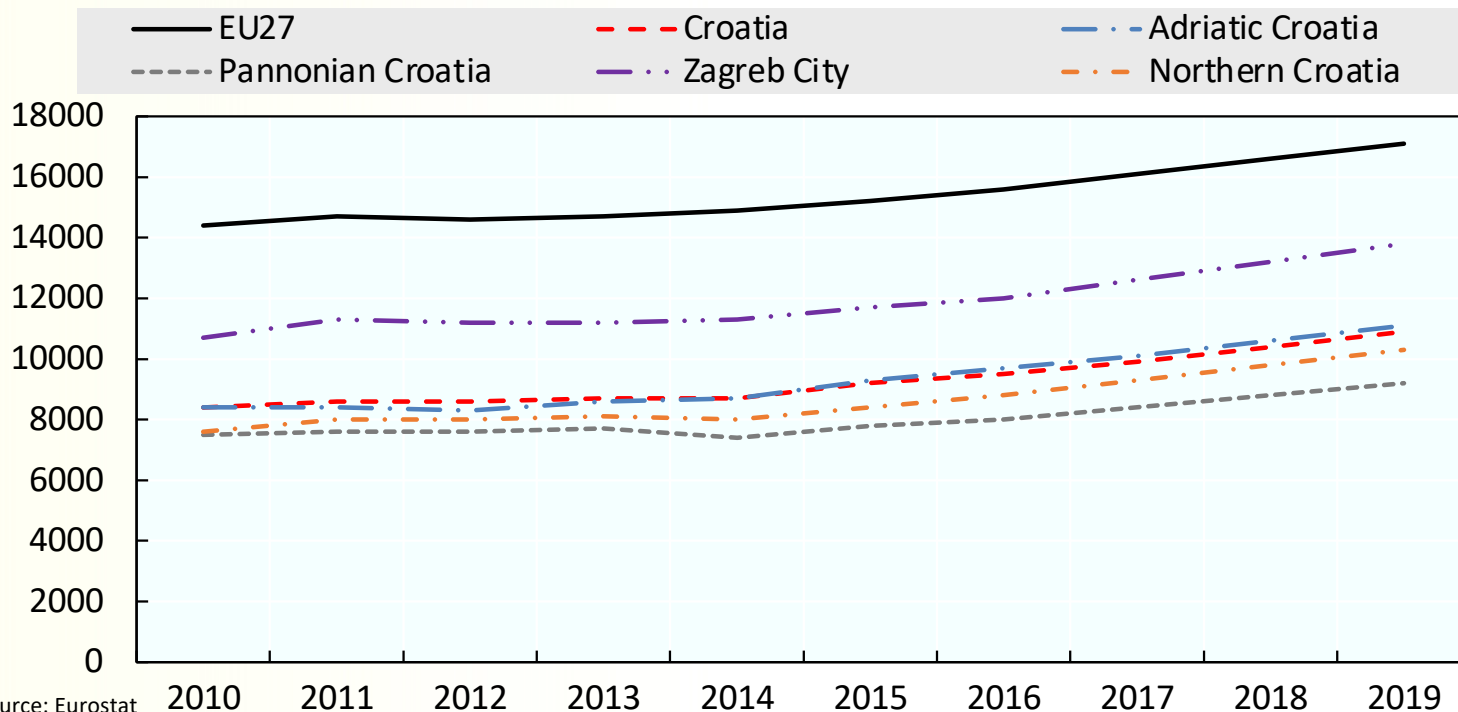
Source: Eurostat

- National labour productivity increased by 6% between 2011 and 2019.
- Regional productivity and growth rates vary.



While aggregate disposable household income has increased, regional disparities appear to deepen

Disposable income of private households (PPS) by NUTS 2, 2020










Source: Eurostat

- In recent years, certain regions are beginning to lag further behind.



The OECD regional policy paradigm

Today's principles of good regional development policy are particularly relevant in a changing world

	TRADITIONAL APPROACH	MODERN REGIONAL DEVELOPMENT POLICY
 OBJECTIVE	Transfers to poorest regions	High levels of well-being in all regions
 KEY INSTRUMENTS	Long-term public subsidies	Strategic public investment
 FOCUS	External interventions not linked to local strategy	Building on local assets and knowledge
 TARGETED REGIONS	Administrative jurisdictions only	Functional areas also considered
 ACTORS	National government only	All levels of government and other public / private stakeholders
 POLICY FIELDS	Place-based policies only	Place-based and place-proofed policies
 IMPLEMENTATION	Collection of individual, one-off programmes	Co-ordinated policy packages



The place-based approach

- A place-based approach assumes that **geographic context matters**.
- It promotes the **involvement of subnational actors**.
- The aim of place-based regional development policy is to:
 - Balance regional growth, inclusiveness and greater well-being,
 - Embrace integrated regional development strategy,
 - Ensure that investment occurs at the proper territorial scale.
- Adopting a place-based approach **requires tailored regional strategies** and **high levels of co-ordination** among all levels of government and sectors of society.



Questions for discussion

- How can a **place-based approach** support the subnational implementation of the National Development Strategy (NDS) 2030?
- How can **regional priorities** best be aligned to the NDS?
- How can your region/Croatia better **reinforce a place-based approach**? What **tools** are needed most to achieve this?

Thank you!

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ROUNDTABLE 2: STRATEGIC PLANNING AND INTEGRATED INVESTMENT FOR REGIONAL DEVELOPMENT

Enhanced Strategic Planning at Regional and Local Levels in Croatia

Stephan Visser, Policy Analyst, Governance and Strategic Planning for Regional Development

14 June 2021

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Structure

1. The **strategic planning cycle** for regional development policy
2. The **public investment cycle** and capacity needs
3. **Public investment** among levels of government
4. **Roundtable discussion**

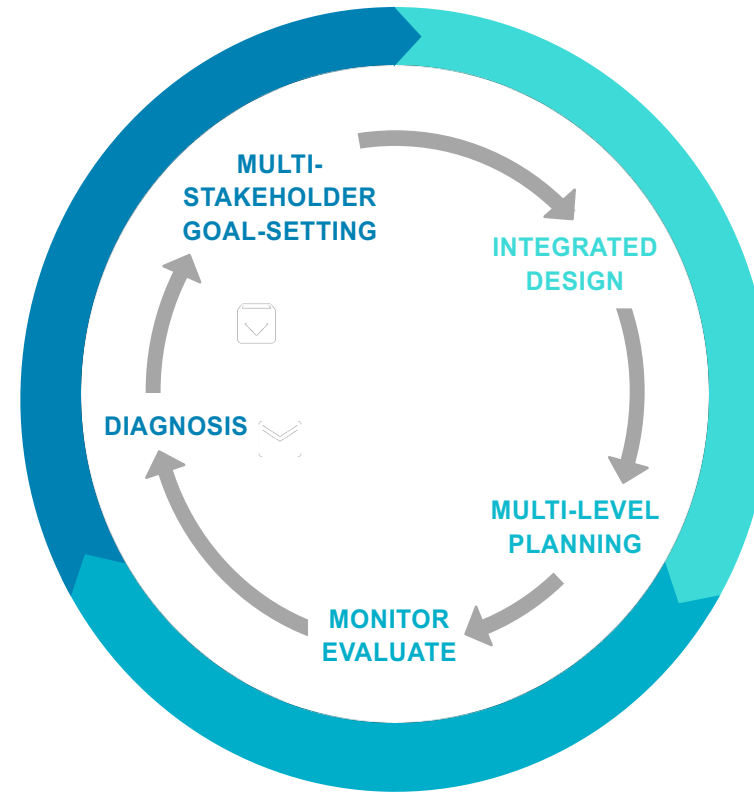


The strategic planning cycle for regional development policy

Key features of regional development:

- Long-term vision
- Cross-sector perspective
- The territorial dimension
- Multi-level and multi-scale perspective

GOAL
What do you want to accomplish?



STRATEGY
What actions do you need to get there?

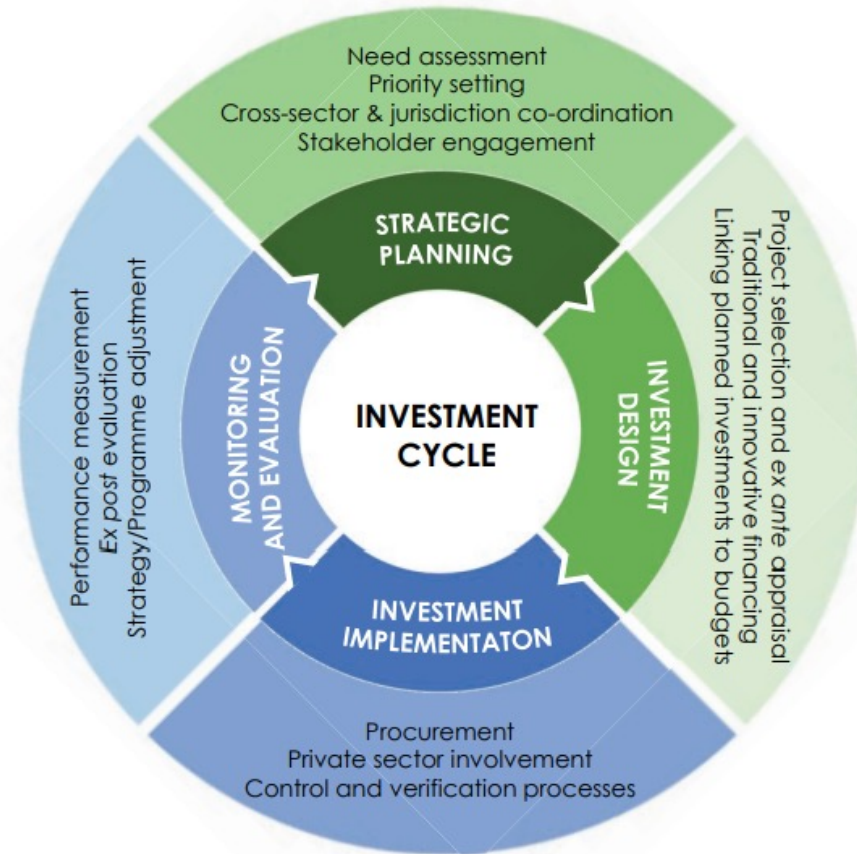
DELIVERY

How to implement, monitor and evaluate?

Source: OECD elaboration based on (OECD, 2018^[1]; Office of the New York State Comptroller, 2003^[2]; PNUD MÉXICO, 2019^[3])



The public investment cycle and capacity needs



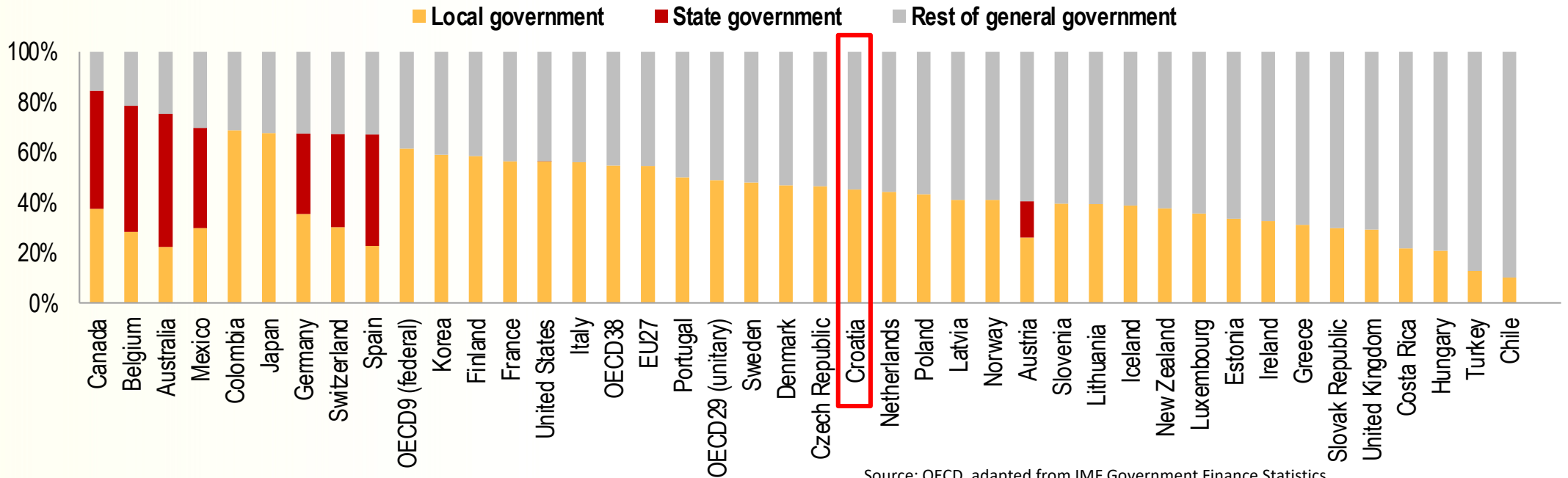
- 4 main stages – each stage requires a specific set of capacities
- Subnational governments often have **capacity building priorities different from national actors**
- Public investment is a shared responsibility among levels of government - **coordination is critical**

Source: OECD (2020), *The Future of Regional Development and Public Investment in Wales, United Kingdom*, OECD Multi-level Governance Studies, OECD Publishing, Paris,



Subnational governments in Croatia are key public investors, but their role can be further strengthened

Share of public investment by level of government, 2020



Source: OECD, adapted from IMF Government Finance Statistics.

The share of subnational public investment **increased** between 2016 and 2020 in Croatia (34.3% vs 45.1%)



Questions for discussion

- What are the key **challenges that your county encountered when designing its** development plan? How do you address these challenges?
- What are key **challenges to integrated public investment for regional development in your county/in Croatia?** What tools are needed to overcome these challenges?



Questions for discussion

- How is **stakeholder engagement** used to support strategic planning? What are specific challenges to effective stakeholder engagement in your county/in Croatia?
- How is **performance measurement** used to support strategic planning for regional development? What performance measurement tools can help policy makers improve their strategic planning?

Thank you!

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