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The Territorial Dimension
of the European Social
Fund: A Local Approach for
Local Jobs?

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This report is part of a series of working papers from the OECD Local Economic and Employment Development (LEED) Programme. The LEED Programme identifies, analyses and disseminates innovative ideas for local development, governance and the social economy. Governments from OECD member and non-member economies look to LEED and work through it to generate innovative guidance on policies to support employment creation and economic development through locally based initiatives.

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Foreword

The challenges today for local economic development and employment creation are putting pressure into traditional models of economic growth and the way policy makers and practitioners have seen development pathways for our countries and regions. New models are emerging and new ways of thinking are now directed to the meaning of ‘territoriality’ as an approach that takes into account the different geographical levels of modern development: national, regional and local. This territorial ‘trilogy’ calls for the integration of strategies to foster development in a sustained way and taking into account the social, economic and environmental factors integrated into local development. Today more than ever we have to focus on the interaction of these factors and the key issues they translate into: job creation, employability, entrepreneurship, inclusive growth, fostering education policy for qualifications and skill rich ecosystems.

The combination of/or coordination across different territorial levels provides a more sophisticated approach for developing *territoriality-proof policies* that can reach the final delivery and implementation of strategies and initiatives. Improved coordination and policy coherence between supranational, national, regional and local governments will yield economic and social dividends in the form of better designed and more effective strategies that combat the immediate effects of high unemployment, mitigation of future economic shocks and building accountable, competent institutions that can meet the growing set of challenges.

The OECD LEED Programme in cooperation with the Polish Ministry of Regional Development has prepared this paper to analyse in deep how the territorial approach (local, regional and national) is an effective and needed mechanism for development, employment, education and poverty reduction which are core issues of European and OECD countries. In particular the paper argues for stronger territorialisation of the European Social Fund as a vital tool in pursuing these goals through a more integrated territorial approach to create ownership at the local level and to foster a coordinated policy approach top-down and bottom-up.

Through the examples and arguments presented in this working paper, the local level emerges as a key spatial dimension where economic development instruments apply. This does not mean that other levels from the national and the regional level are not involved or that they are minimised. On the contrary it means that the local level is gaining prominence as the place where people and firms operate, where economic and social activity happens, and therefore where policy makers and other key actors must pay particular attention.

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About The OECD

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the Governments of 30 market democracies work together to address the economic, social and governance challenges of globalisation as well as to exploit its opportunities. The OECD's way of working consists of a highly effective process that begins with data collection and analysis and moves on to collective discussion of policy, then decision-making and implementation. Mutual examination by governments, multilateral surveillance and peer pressure to conform or reform are at the heart of OECD effectiveness.

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About 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. 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. For more information on the LEED Programme, please visit www.oecd.org/cfe/leed.

About The Polish Ministry of Regional Development

The Ministry of Regional Development is the core government centre responsible for shaping and coordinating numerous policies, including above all: development policy – aiming to ensure a durable and sustainable development of the country and socio-economic cohesion; regional policy – with the objective to enhance competitiveness of Polish regions as well as ensure territorial and spatial cohesion; spatial policy – with the aim of maintaining spatial order and a harmonious development of Poland; Cohesion Policy in Poland – focusing on reducing the developmental disparities between European Union regions. The Ministry of Regional Development has been vested with numerous tasks, most important of which include: ensuring that the system for the strategic management of development is well ordered; preparing and implementing a socio-economic development strategy which takes the spatial development of the country into account; coordinating activities of respective ministers, self-government units and socio-economic partners within the area of the development policy; managing European Funds.

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Abstract

The Treaty of Lisbon (European Commission 2007b) brought a new dimension to cohesion – the territorial dimension, which has become one of the most frequently discussed aspects for achieving cohesion and, at the same time, one of the challenges for EU policies. The ‘territorial dimension’ determines many socio-economic problems and presents challenges for the European Social Fund (ESF), which has to enhance its flexibility and highlight the capacity and needs of specific territories at national, regional and local levels at the programming and implementation stages. While our understanding of the national and regional levels has advanced, the dynamics with the local level need further consideration, chiefly in the context of Europe 2020 strategy, and regarding the territorial dimension of the European Social Fund and mechanisms of territorialisation.¹

This issues paper is prepared for the high level conference on ‘Territorial dimension of the European Social Fund’, 29-30 September 2011, to be held in Warsaw, Poland within the framework of the Polish Presidency of the EU Council. The paper discusses the conference themes and clarifies the conceptualisation of territoriality and the different levels of applicability in regional development approaches. The paper draws on OECD and other organisations research and analysis; particularly the work of the OECD Local Economic and Employment Development Programme (LEED). *The paper argues that the local level is emerging as the key spatial dimension where EU development instruments apply and therefore a systemic local approach may be needed when designing national and regional cohesion policies and instruments.* The aim of this discussion paper is to present some good practices of territorial approach at the regional and local level and show how these mechanisms could possibly improve the implementation of the European Social Fund.

The paper is divided into 5 sections discussing: 1) The importance of an integrated spatial approach to development; 2) The success of the local approach to development: complexity, integration and the policy mix; 3) Integrating territorial mechanisms for job creation, employability and inclusive growth; 4) Fostering education policies for qualification and skills rich ecosystems; and 5) The way forward.

¹ Territorialisation in this paper is understood as the act of organising a territory/geographical area. The territorial dimension influences the priorities of policy-design according to the particular territorial and multi-dimensional context.

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1. Introduction: the importance of an integrated spatial approach to development

The challenges confronting the development of places and communities are impacted by globalization processes, a rapid expansion of the knowledge economy and technology, profound demographic changes and rising demands to counteract and mitigate the impact of climate change.

While these challenges are in many ways global their effects are felt differently at the local level. Government efforts from different levels need to be aligned so as to be more effective, more targeted, and more customized to the manifestation of these challenges at the local level. This section discusses the meaning of ‘territoriality’ in spatial development, the different levels that it implies and the need to pursue integrated approaches² for modern development at policy and strategic level. The evolution of the European Social Fund will be discussed as one of the key instruments of cohesion policy and employment and mobility of workers of the European Union.

The fields of regional economics, spatial planning and economic development have produced many reviews of instruments and what works and what does not work. International reviews by the OECD and the use of the ‘peer-review’ methodology has also accumulated a wealth of best practices and tools for economic development. This section also highlights key tools and practices for territorial development by OECD countries at the different spatial levels of action, chiefly providing examples from EU countries.

1.1. The meaning of Territoriality

Globalization processes have stressed the importance of different levels of development and action as trade and economic activities impact nations and continents but it is in local³ areas and local industries where global impacts might be felt the most as communities try to adapt and maintain their competitive advantages. The recent shocks from the financial crisis have had very different impacts on economic zones of the world for the Americas, Asia and the Pacific and European countries, pointing out once more to the complexity of spatial dimensions of development. ‘Territoriality’ implies multi-dimensionality of a systemic approach to development where supra-national, national, regional and local levels are all part of the same ‘system’ (Gawron 2011):

“The territorial approach assumes a multi-dimensionality of development processes, which implies considering their social, economic and environmental characteristics as well as diversity of the areas, on which the processes happen. It requires an integrated approach taking into account the inter-sectoral linkages thereby enabling sustainable operation of public

² For the purpose of this paper ‘integrated approach’ should be understood as coordinated and comprehensive policies designed and implemented at national, regional and local levels.

³ By ‘local’ we mean areas that are smaller than regions and that usually imply commuting areas to work – an area that includes where people work and where people live. Local areas are the object of local development agencies and local institutions (e.g. councils). For a revision of local economic development concept and theories see Blakely, E. and N. G. Leigh, Eds. (2010). *Planning Local Economic Development: Theory and Practice*. Thousand Oaks, California, Sage Publications, Inc.

interventions and maximizing the synergy between implementation instruments.” (Gawron 2011 p.1)

The OECD also justifies the need to change policy delivery in view of the territorial dimension:

“...central governments are no longer the sole provider of territorial policy. The vertical distribution of power between the different tiers of government needs to be reassessed, as well as the decentralisation of fiscal resources, in order to better respond to the expectations of citizens and improve policy efficiency. Public authorities need to weigh up current challenges, evaluate the strategies pursued in recent years, and define new options.” (OECD 2011d p.3)

Perhaps the most important factor of developing ‘territorial-proof’ policies is to recognize the priority of involving actors belonging to different territorial levels, including reaching the local authorities where programmes and initiatives are implemented. Conversely local actors have to understand that “transversal interactions are necessary to play an active role” (Borrelli and Santangelo 2004 p.6). As Böhme (2011) states:

“Both the coordination and integration of policies thus seem essential, but coordination without integration would not make sense, as it would amount to an inefficient ex-post mutual adjustment of policies initially designed in isolation. Without the prior integration of various policy measures into a consistent territorial strategy, policy coordination will remain effectively irrelevant. Furthermore, it is important that the cross-sector dialogue puts the relevant partners on an equal footing.” (p.17) “... territorial integration ... is the process of reshaping functional areas to make them evolve into a consistent geographical entity; this entails overcoming the various negative effects stemming from the presence of one or more administrative borders, which hamper harmonious territorial development.” (p.20)

The EU Territorial Agenda 2020 points out the need for integrated approaches to development, if territorial cohesion is to be achieved and that the place-based approach to policy making contributes to territorial cohesion; then providing an integrated multilevel governance approach is essential. Today, it is recognised that local knowledge of needs and available assets is required to develop integrated strategies that can contribute to the competitiveness of places. According to the Polish Presidency Seminar on ‘Territorial dimension of development policies’ (Ministry of Regional Development 2011b) “Integration provides a strong foundation for development policies and thus the integrated approach forms a crucial part of the regional policy not only at the programming phase but also at the stage of policy implementation where monitoring and evaluation play a significant role”.

1.1.1. Place-based versus people-based approach

Gill (2010) in a recent Vox column argued for a shift from place-based approach to people-centred policies that would help harness the benefits of agglomeration, mobility and specialisation. However, as stated by Garcilazo, et al. (2010) all good economic policies should be “people-centred”, in that they should maximise welfare, however, in order to maximise aggregate growth and welfare, economic policies, in some instances, have to take the spatial or territorial dimensions into account, thus "place-based policies" need to be developed.

According to Barca (2009) and the OECD (2009a) to enhance the well-being and living standards in specific regions and to generate and sustain regional competitive advantages with a better use of regions' assets calls upon a strategy that "is place-based, multilevel, innovative and geared to different types of regions" (See also OECD 2009a),⁴ and aimed at institutional building/strengthening, improving accessibility to goods, services and information, promoting innovation and entrepreneurship. Essential features of the place-based approach are: tailoring interventions to specific territorial contexts and to their spatial linkages; and eliciting and aggregating the knowledge and preferences of local actors (Barca 2009).

The responsibility for place-based policy design and implementation is allocated among different levels of government supported by both contractual relations and trust, with a role being played by special-purpose institutions (agencies, public private partnerships, etc). More specifically, the authority governing the intervention sets the priorities, rules and general objectives for using the funding provided, leaving it to lower levels of government to implement these principles according to the context as they see fit (Barca 2009).

The Polish Presidency Seminar on 'Territorial dimension of development policies' (Ministry of Regional Development 2011b) noted that "place-based (ie territorial and integrated) dimension of Cohesion Policy serves several purposes, such as: searching for the appropriate balance between concentration and diffusion; unlocking inefficient development equilibrium by boosting innovation and modernisation and enhancing political responsibility." However, according the Polish Presidency Seminar (Ministry of Regional Development 2011b p.3) "the concept of 'cohesion' is still associated with redistribution, compensation and convergence. ... the concept means that is it not about a top-down redistribution but above all about place-based policy and institutional interactions through the multi-governance system, about a commonly shared methodology and internally rooted knowledge, about efficient institutions and tailor-made, thus integrated, investments."

According to Barca (2009) place-based policy approach, a "cohesion policy", is particularly suitable for the European Union to fulfil its development task. This approach can be particularly effective since it responds to the need for tailoring interventions and economic institutions to local conditions. Further, a place-based approach – under which the Union sets the framework for intervention in support of regional development and jurisdictional Regions and Nation-States have responsibility for designing it and for selecting the regions and projects supported - is the only policy model that is compatible with the EU's hybrid form of government and limited democratic legitimacy (Barca 2009 p.xii).

The 'place-based' approach was further highlighted in the Polish Presidency Seminar on 'Territorial dimension of development policies' (Ministry of Regional Development 2011b p.2) which stated: "An integrated, territorially (place) based, comprehensive policy at European level should draw on the mix of local knowledge, networking and top-down solutions, based on practical implication of the theoretical concepts."

⁴ OECD (2009a). TDPC Meeting at Ministerial Level (31 March 2009), Background Report, GOV?TDPC/MIN(2009)2.

1.2.Key Tools and Practices for Developing Territoriality-proof Policies

The integration of social, economic and environmental factors for development creates complex, diverse conditions to manage. This diversity requires different territorial levels of policy alignment to adequately and comprehensively govern, at the international (EU), national, regional and more importantly at the local level. The mechanisms used at different levels of the policy system, from supranational to local, require an integration of actions at the local level for the system to perform at its best (see Figure 1). However, sometimes, as highlighted by Barca (2009), local elites or interest groups can distort or hamper the development path pursued. This adds importance to a territorial approach that focuses on ‘integration’ and ‘interconnectedness’ through multi-levels of governance.

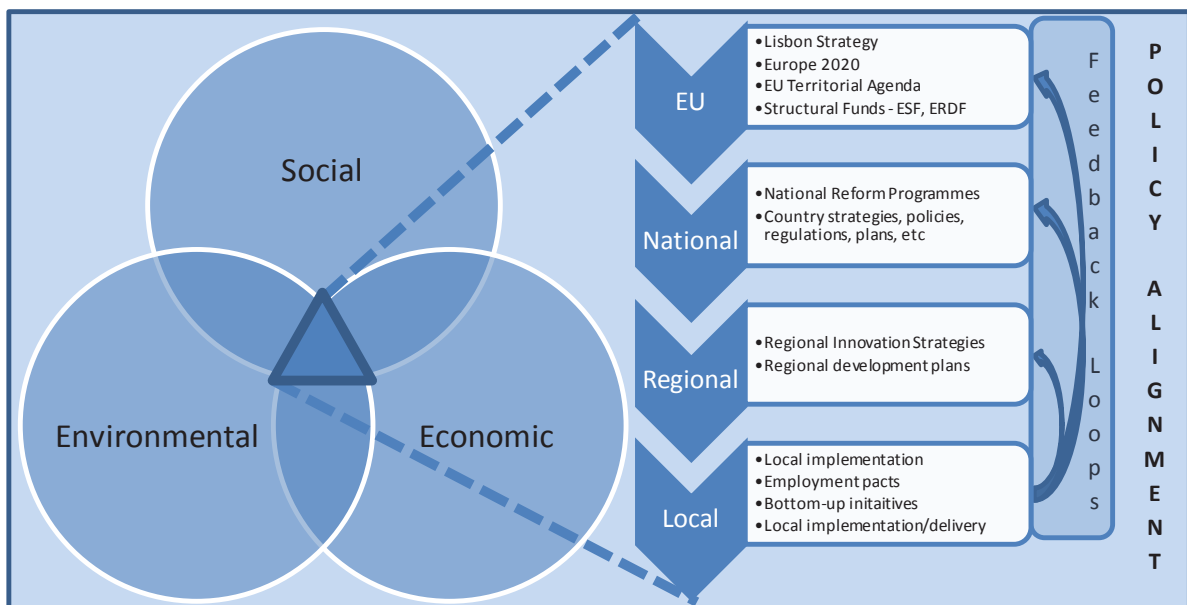


Figure 1 Elements and mechanisms of territoriality alignment

Local agents (*e.g.* government, civil society, private sector) who have a “ground’s eye view” might be better able to assess the economic opportunities and challenges of their community, more cognisant of the community’s priorities, and better positioned to mobilise local resources to ensure the initiative sustains their impact beyond the period of the project. Local governments, civil society organisations (CSO) and the private sector play a critical role in national and local dialogue as they are able to provide real-time feedback for existing initiatives, and information on new opportunities and challenges that might have arisen after the initiative’s planning. National, regional and local levels of government need to align their various strategies to develop a consistent direction in meeting development objectives, leverage economies of scale, and reap the dividends of joint initiatives that share knowledge and reduce operational overhead. This policy alignment and integration of actions requires the improvement of policy coherence between national and local levels of government (vertically) and co-ordination across different ministries (horizontally) (see Figure 2). Policy coherence itself can significantly increase the effectiveness of delivery of programmes and the quality of services provided (OECD and International Labour Office 2011).

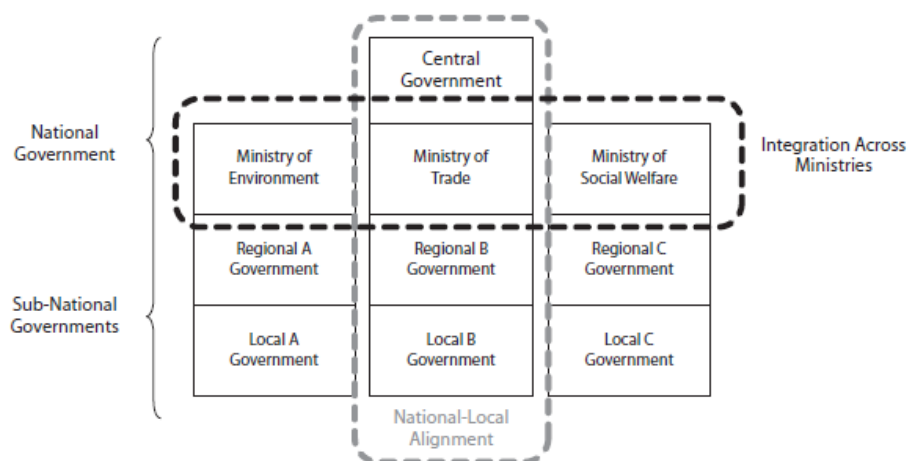


Figure 2 vertical alignment and horizontal integration

(OECD and International Labour Office 2011)

There are two examples of integrated territorial approaches across European countries that can inform the design of territoriality-proof policies that integrate actions at the regional or local level:

- *Employment Pacts* – Initiated in 1997 by the European Commission, with a call for submission of projects under a ‘territorial employment pacts’ initiative to improve the employment situation (OECD 2004). The local pacts for employment constitute an example of a territorial approach to solving problems in the area of local employment. These pacts are formed as a multi-level partnership between entities of key significance for local labour markets. Local governments can have a leadership role in elaborating strategies of active intervention on the local labour market together with local partners. Barcelona Employment Pact, Austria Employment Pacts and Germany Employment Pact exemplify the different dimensions of the governance arrangements for employment and have often been supported by the structural funds.
- *Regional Innovation Strategies* - The analysis of the economies of the European Union countries in the 1990s shows that innovation results from the complex interdependencies between different actors and institutions. Technological changes did not appear in a linear sequence but through feedback effects under a defined and integrated system, which in its centre has enterprises, the way they organise production, and the channels through which they acquire knowledge (Polish Agency for Enterprise Development 2005). The success of the Regional Innovation Systems Approach (RIS) (Asheim and Isaksen 2002) put a greater emphasis on the advantages and differentiation of local approaches to development and innovation and shows that these need to be well tailored to the needs and characteristics of local areas (Martinez-Fernandez and Potts 2008).

Regional Innovation Strategies (RIS) aim at supporting regional authorities and regional development organisations in the implementation of the efficient innovation support system in the region. The Strategy is established on the basis of the analysis of technological needs, possibilities and potential of the research sector and the enterprises within the scope of

management, organisation, finance, trainings as well as the very technology. The Strategy should define the directions of innovation policy and manners of optimization of regional infrastructure supporting innovativeness, especially as regards its compliance with the needs of the small and medium-sized enterprises (Gawron 2011).

The application of territoriality dimensions and the awareness of place-based approaches are increasingly integrated in European countries analysis. Box 1 discusses an example for Sweden.

Box 1 Summary of Sweden’s Territorial Review (2010) Assessment and Recommendations and the Influence of the EU Structural Funds

The territorial dimension has long been at the core of Sweden’s success in combining growth and equity objectives. However, challenges to combine growth and equity objectives in the long term are increasing. Solutions to enhance cost-effectiveness in local public service delivery are necessary, but not sufficient to support a virtuous circle of growth and equity reinforcing each other in the longer term, which requires a paradigm shift in regional policy. Sweden has made progress towards the paradigm shift during the past decade by promoting sources of growth in all types of regions and enhancing the role of regional actors. But current adjustments in policy instruments and institutional arrangements remain an ongoing process to be pursued further. The enlargement of some regional labour markets raises additional questions about the critical mass needed to address regional development challenges, while potential for cross-sectoral co-ordination is not fully exploited at the regional level. Exploiting cross-sectoral synergies at the regional scale could enhance the impact of infrastructure investment on regional development. In order to promote innovation opportunities in all regions, joint policy action at the regional scale is needed to reduce youth unemployment and better integrate immigrants in the labour market as well as build an entrepreneurial culture. Strengthening the rural economy requires an integrated development strategy building on local assets. Improving regional strategies requires greater devolution of regional development competencies to county councils and more effective co-ordination of sectoral policies by county administrative boards as well as more effective co-ordination tools across levels of government with a greater role devolved to regional development programmes. Better co-ordination of regional development issues at both regional and national levels could help address the crisis. Finally, strengthening regional partnerships and capacity building is critical to design adequate regional development strategies.

The influence of the EU Structural Funds

Reforms to the EU Structural Funds have been profoundly influential in shaping the current approach to regional policy in Sweden. The regional category created by the EC in 1995 (the so called “Objective 6” for regions with extremely low population density) applied specifically to regions in Sweden and Finland. Sweden’s old industrial areas were also eligible for Objective 2 funding, and rural areas outside the Objective 6 area were eligible for Objective 5b funding. Following the 1989 reform of the Structural Funds according to five key principles (subsidiarity, transparency, additionality, programming and concentration), Sweden had to establish regionally oriented structures that were suitable for working with the Structural Funds. The 1996 White Paper introduced the idea of developing Regional Growth Agreements – which later became Regional Growth Programmes and Regional Development

Recent Swedish efforts to reform regional policy have been influenced by the European Union’s reform of Cohesion Policy as a tool to serve the renewed Lisbon Agenda. Following the election of a centre-right government in 2006, which replaced the succession of social democrat governments in power since 1994, the renaming of regional policy as “Regional Growth Policy” in the 2008 Budget Bill illustrated a renewed focus on promoting “dynamic development in all areas of the country with greater local and regional competitiveness” (Budget propositionen för 2008). Since its approval by the European Commission in July 2007, the Swedish National Strategic Reference Framework (NSRF) – entitled “A National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-13” – is being implemented via 21 Regional Development Programmes (RUPs), eight European Regional Development Fund (ERDF) Regional Operational Programmes, and one European Social Fund (ESF) programme.

Source: OECD (2010f)

1.2. Summary

This section has discussed ‘Territoriality’ as a multi-dimensional systemic approach to development incorporating supra-national, national, regional and local levels as part of the same ‘system’. Nevertheless policy alignment and integration of actions are needed at the local level for the system to perform at its best; the shift in spatial focus to the local level stresses the importance of local actors in the implementation programmes and policy, and requires flexibility in the delivery of policies and programmes. However, it is important to reiterate that good economic policies should also be “people-centred”, in that they should maximise welfare, but to maximise aggregate growth and welfare, economic policies, in some instances, have to take the spatial or territorial dimensions

into account, thus "place-based policies" or a territorial approach becomes a priority. Therefore the emphasis is on 'complementarity' of development strategies to form a 'policy-mix approach'. Some issues to be considered are:

- Take into account the functional aspects of territories in programmes/policies implementation;
- Strengthen linkages between different financial instruments to assure better coordination and integration of policies – for example integrate ESF into the regional development programmes to increase territorial relevance;
- Pursue territorial integration in the delivery of programmes/policies through the fostering of good governance systems, allowing the coordination and cooperation of actors at the national, regional and, chiefly, at the local territorial level, allowing partnerships and ownership;
- Foster a more systematic use of 'territorial impact assessments' for sectoral policies (or major reforms) as suggested by The Territorial Agenda (adopted under the Hungarian Presidency);
- Draw on the mix of local knowledge, networking and top-down solutions, based on practical implications, for developing an integrated, territorial (place) based, comprehensive policy at European level.

2. The success of the local approach to development: complexity, integration and the policy mix

The local approach to development integrates several complex factors into a consolidated approach that takes into account the local and regional context and the national approaches and policies at the same time. Chiefly, the local approach integrates particular characteristics of communities, especially in relation to human capital, industrial composition and population social distribution. This section will discuss the factors that place local development approaches at the heart of growing communities, business and jobs. In particular the section will look at policies that are designed for the local level and how well they reach local authorities and allow for flexibility and customisation of program management by local authorities and service delivery agencies.

2.1. The factors that place local development approaches at the heart of growing communities, business and jobs

The increased relevance of the local level as the place where integration of approaches and strategies occur is well reflected in recent literature and is the core of OECD LEED mission and many of their publications (Potter 2008; Froy et al. 2009; Clarke et al. 2010; Froy and Giguère 2010; OECD and International Labour Office 2011). According to Zanon (2010 p.2053) development policies “...have become increasingly “territorialized” as analyses and actions have considered the differences among territories, taking into account weaknesses and opportunities closely related to physical features or socio-economic conditions at the local level.” In another work, Jouen (2011 p.2) defines local development as “... territorial, integrated strategies which mobilise many local actors in the form of a partnership. Its short-term aim is to improve local living and working conditions, and its long-term ambition is structural change. Its success can be explained by its capacity to solve local problems by mobilising local resources (human and financial) and available external resources (public or private finance) so as to create a path to prosperity and well-being – one which is potentially reproducible and exportable.”

Local development is about building capacity of a defined territory to improve its economic future and the quality of life for the inhabitants. Significantly, local development makes an important contribution to national economic performance and according to Clarke et al. (2010 p.22-23) “... has become critical with increased global competition, population mobility, technological advances, and consequential spatial differences and imbalances. Effective local development can reduce disparities between poor and rich places, add to the stock of locally generated jobs and firms, increase overall private sector investment, improve the information flows with investors and developers, and increase the coherence and confidence with which local economic strategy is pursued.”

The increasing awareness of the role of local development contrasts sharply with the stress put on globalization and global cities (Sassen 2001) but far from being opposite strands of thought the new “glocalisation” mania indicates a “return of the local” (Potter 2008) where local development is integrated within wider national and supranational development strategies via:

- the recognition of the importance of localised structures and processes in maximising the benefits and minimising the drawbacks of globalisation;

- the dynamism of local production systems;
- the need to pay more attention to social balance and to nurturing social capital; and
- an increasing awareness of the quality of job creation and skill retention resulting from locally integrated development trajectories;
- added value to more large-scale policies, creating a robust grounding for long-term improvements in overall social and economic conditions. In financial and economic development terms, locally based activities and structures are becoming increasingly appreciated for their capacity to release the potential of previously overlooked or undervalued resources. (Potter 2008 p.20-21)

Some important factors, for an integrated approach to local development, can be seen in box 2.

Box 2 Important factors for an integrated approach to local development

- *Complexity*: Many of the issues which local actors deal with are complex. The issues that are rising up the agenda in OECD countries (skills, worklessness, immigration, innovation) are often intrinsically complex, “wicked” and interdependent problems that cannot be solved without a joint approach;
- *Efficiency, duplication and service gaps*: Governments tend to have a large number of different departments and ministries, many of which have arms or offices at the local level. When policy makers work independently from each other this has a tendency to produce duplication and service gaps. ...duplication is both frequent at the local level in OECD countries and wasteful, leading to a drain on public resources. At the same time many issues (such as the need to upgrade the skills of low paid workers) are rarely dealt with by any public agency. While officials work towards increasing the efficiency of individual policy areas, they often neglect to check whether efficiency is gained across government as a whole. Whereas local governments may have an overview of policy interventions at the community level, they do not often have authority over the deconcentrated bodies that they are working with to produce change. Partnership working is therefore perhaps the only way to map services and jointly agree to mechanisms that will fill in gaps;
- *Achieving critical mass*: A further important driver for policy integration at the local level is the need for prioritisation. Local problems are not only complex but also often fore that everybody is pulling together at the same time to invest in tackling a particular problem, as opposed to undertaking many smaller actions simultaneously which never achieve the critical mass to have any real effect. ...tackling the “bigger picture” often requires taking a longer-term, joined-up approach which is not always supported by the performance management framework of individual policy areas.
- *Building social capital*: ...while integration of policies is important to ensure that localities achieve their longer-term strategies, evidence shows that building links between local organisations and agencies is valuable in its own right as a way of building valuable social capital (see Putnam, 1993). ...Local social networks support the spread of innovation and ideas, increasingly important in the context of the knowledge economy.

Source: (Froy and Giguère 2010 p.14)

However, the systemic/integrated approach to local development has a time dimension as well as a territorial dimension. Key drivers of local development need to be contextualised in the shorter term (one or two business cycles) and in the longer term (five to ten business cycles) in order to achieve success (Clarke et al. 2010) (see table 1 in Annex 3).

2.2.Examples of instruments, mechanisms and programmes supporting local development

2.2.1. European Social Fund (ESF)

The ESF was created in 1957 in parallel with the establishment of the European Economic Community at the signing of the Treaty of Rome. The ESF is the European Union's (EU) main financial instrument for investing in people. It supports employment and helps people enhance their education, skills and job prospects. It enables people to develop professionally by learning new skills and helps both employees and companies to adjust to change (SLIM 2009 p.9). The evolution of the ESF has shifted towards a more integrated approach to development (key milestones are noted in Annex 1).

The ESF already includes a degree of territoriality as Member States and regions devise their own ESF Operational Programmes in order to respond to the real needs 'on the ground' and promote economic and social cohesion. The focus so far is to support employment in the EU and help to equip Europe's workforce and companies to face new, global challenges. In short:

- Funding is spread across the Member States and regions, in particular those where economic development is less advanced;
- It is a key element of the EU's (2005) Strategy for Growth and Jobs (originally the 2000 Lisbon Strategy) targeted at improving the lives of EU citizens by giving them better skills and better job prospects;
- Over the period 2007-2013, some €75 billion have been distributed to the EU Member States and regions to achieve its goals. (SLIM, 2009)

The territorial dimension of ESF was confirmed within the following Articles 174 and 175 which clearly indicate the multi-dimensional territorial approach of the ESF as a cohesion instrument; a tool, which is to contribute to the increase in economic, social and territorial cohesion Article 175 of the Treaty (ex Article 159 TEC): *Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174.*

The formulation and implementation of the Union's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement. The Union shall also support the achievement of these objectives by the action it takes through the Structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing Financial Instruments.

And the objectives set out in Article 174 (ex Article 158 TEC) cover: promotion of the overall harmonious development of the EU through the development and pursuance of its actions leading to the strengthening of its economic, social and territorial cohesion. Further on the Treaty reads as follows:

In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition,

and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

Regional operational programmes are an important tool for the implementation of the ESF in some Member States e.g. in Italy and in Spain. Figure 3 illustrates the shares of ESF implemented in the Spanish region of Galicia via multiregional and regional OPs in the subsequent programming periods.

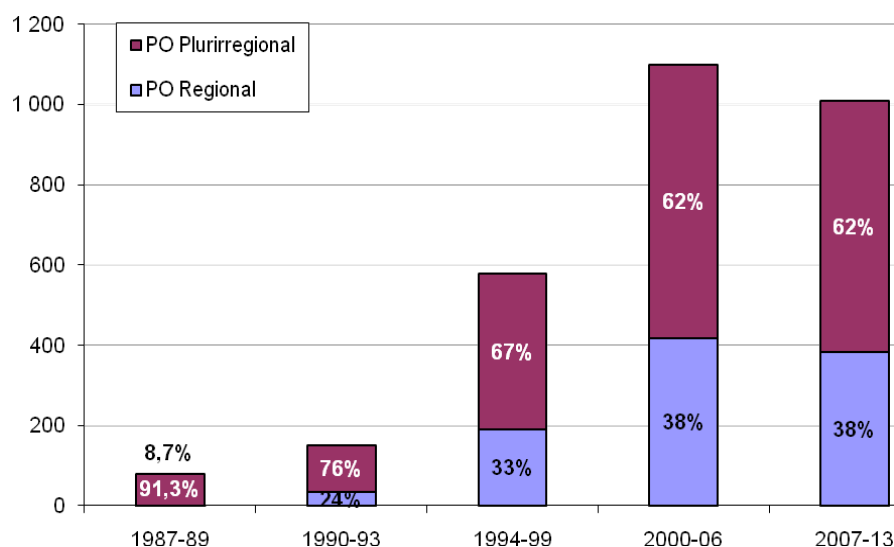


Figure 3 Evolution of the distribution of ESF aid to Galicia between centrally and regionally managed programmes

Source: Viso (2010)

In some countries there is a visible tendency to decentralise the implementation of the ESF. In the case of Poland, in the programming period 2007-2013, almost two thirds of the unique national OP allocation is distributed to regions. Polish regions, in the framework of Human Capital OP regional component, have flexibility in setting objectives and use of the funds. Further regionalisation requests are also expressed with regard to the next generation of the ESF. There must be however underlined that OPs' regionalisation does not automatically mean implementation of coherent and territorially aware policies.

2.2.2. Global Grants

There are some institutional arrangements which could significantly boost a coherent territorial approach; the most significant is the 'global grants'. However, the potential of these grants seems to have decreased under the current structural funds programming period, whereby, global grants have been mainstreamed in the structural funds 2000-2006 legislation. The approach is based on the successful experiences of local employment initiatives, social inclusion projects as well as EC pilot projects such as Local Social Capital (1998). The instrument was invented to enable access of smaller organisations who otherwise would not be able to apply for ESF financing.

A good example of how these grants operate comes from Italy and shows that ESF could also help to leverage funds from public and private sectors actors. The Lombardy region and the Cariplo foundation (a bank foundation) combined funding with the ESF into the CRES global grant to support 107 projects and helped the creation of almost 450 jobs for vulnerable people in social enterprises⁵.

Evaluations of the instrument showed its great value added in accessing the most difficult target groups and improving capacity of locally based implementing organisations (Greater London Enterprise 2006). However this positive picture has been undermined by audit experiences (requirements were high in relation to procedural aspects of spending), which led to the non-use by most Member States of this tool in 2007-2013 round. Perhaps, global grants could be put back on the agenda as a potential territorial mechanism for the ESF.

2.2.3. European Union (EU) programmes

The EU introduced in 1992 the local development concept into the operation of the Structural Funds and certain Community Initiatives. The 1992 reform of the EU Structural Funds increased the emphasis on partnership building in delivery of community aid and encouraged a diversity of local actors in the design and monitoring of Community Programmes. Examples of EU pilot programmes include: ERGO; LEADER; and LEDA, then in the late 1990s initiatives such as LEADER II, URBAN and INTEGRA. These programmes have shown the value of the local development approach, and in 1997 the concept was extended into the Territorial Employment Pacts and also incorporated into measures within the second pillar of the European Union Employment Strategy, for promoting entrepreneurship (OECD 2001 p.8).

An evaluation of the EU LEADER programme in 2004 identified a number of positive impacts from local development including: a better use of local resources, an increase in social capital, interactive learning, skills acquisition, progress in local and regional governance, increased effectiveness in programme implementation and management of funds. At the micro-economic level “... local development allows a local society and economy to overcome market failures, to improve regional capital and local skills, and to take responsibility. It has positive repercussions on quality of life, local amenities, local social cohesion, and democracy. At the macro-economic level, the benefits of local development are apparent over the long term. Thus the capacity of certain economies to withstand the bursting of the IT bubble at the turn of the century was arguably due to choices inspired by 1990s local-development theory” – for example, Dundalk area partnership, in Ireland (Box 3) (Jouen 2011 p.3-4).

The growing attractiveness of some rural areas which had previously seemed lost causes can also be linked to the catalysing effects of local development – for example Portugal’s Algarve area (Box 3 below). This is also the case (even if other factors were involved) of certain former industrial towns once stigmatised as ungovernable, and for which the term “shrinking city”⁶ was invented – examples being Liverpool (UK) (Box 3) (Jouen 2011 p.3-4).

⁵ www.buoneprassilombardia.it

⁶ For a review of the state of the art of “Shrinking Cities” see Martinez-Fernandez, C.; I. Audirac; S. Fol; E. Cunningham-Sabot (forthcoming, 2011) “Shrinking Cities: urban Challenges of Globalization”, *International Journal of Urban and Regional Research*, Wiley Blackwell.

Box 3 Examples of EU programmes for local development

Dundalk area partnership, Ireland

This medium-sized town near to the Northern Irish border suffered from extremely high structural unemployment at the end of the 1980s. The Dundalk area partnership was created in 1991 alongside eleven other pilot partnerships comprising public bodies, socio-economic actors and local civil society, with the support of "objective 1" European structural funds. In time it became an innovative platform for the local implementation of national policy, in a context of otherwise weak decentralisation. The model supported the development of small businesses, services for the unemployed, programmes to improve access to education, as well as infrastructure and environmental projects and a general effort to strengthen the social fabric. The businesses which participated in these partnerships are today stable pillars of their local communities. They are first to benefit from the publicly-financed local development social inclusion programme (LDSIP).

IN LOCO Algarve – Serra do Caldeirão, Portugal

Starting as a regional youth group, mostly of women, working to stimulate local development in the hills of the central Algarve interior, IN LOCO gradually became a network of regional actors with several key functions: information, mediation, support and promotion of entrepreneurship. At first supported by the European rural development programme, LEADER, the organisation is now independent. It is at the origin of innovative projects in the areas of small scale farming, food processing, restaurants, rural tourism, vocational training, handicrafts, personal services, associations, producers' organisations, nature conservation and local fairs.

Merseyside Pathways, UK

Here was a rare attempt to apply an integrated local-development model to poor neighbourhoods across an entire metropolitan region, that of Liverpool, which in the 1980s suffered the worst fall in GDP/person and employment in the EU. In the framework of cohesion policy "objective 2", the programme aimed to create jobs by bolstering the capacities of local partnerships. 38 zones were identified, covering around 500 000 inhabitants. Local Pathways groups including residents as well as other socio-economic actors were given the task of working out local strategies. From 1994 to 1999 this approach encouraged a change in mindsets and new confidence for the future among residents. The spirit lasted into the programme's second phase, which created lasting structures, such as Job Enterprise and Training Centres and the ongoing Merseyside social enterprise network, which outlived the programme.

Source: (Jouen 2011)

2.2.4. Local development strategies

A 2009 OECD strategic evaluation framework for local development strategies in the Czech Republic, revealed a series of reforms of the public administration that were undertaken in three main stages: a) in 1990 the renewal (reestablishment) of local self-governing units and municipalities; b) in 1997 and 2001 the creation of higher self-governing units (Krajs – NUTS3 regions); c) in 2002 the abolition of District Authorities and the transfer of their function to the new Krajs and to the so called —municipalities with extended powers (a total of 205 municipalities). These reforms have gradually reduced the tasks of the central administration through the formal transfer of competencies to lower levels of government. As of 2009, the Czech Republic is divided into 14 self-governing regions (Krajs) and 6,244 municipalities. Krajs are associated into 8 Cohesion Regions (NUTS2 level) for the administration of Regional Operational. Specific state tasks, such as the implementation of police and justice, are still managed Programmes within the territorial framework of the former existing Districts. Finally, municipalities can associate on voluntary basis to form development entities called micro-regions, to provide a better planning and delivery of services (OECD 2009d). The Regional policy and local development programmes are discussed in Box 4 with an example from the Czech Republic. Other examples of territorial development approaches are presented in table 1 (see also table 2 in Annex 2).

Box 4 Czech Republic – Regional policy and Local Development Programme

In accordance with law (Act No. 248/2000 Coll. on Support of Regional Development), both national and regional authorities are responsible for regional development. The central administration gives the general framework for the implementation of regional policy in the Czech Republic. It sets out prerequisites for promoting social and economic cohesion, encouraging development and strengthening competitiveness and partnerships. The basic national document concerning regional policy in the Czech Republic is the Regional Development Strategy (RDS) and is based on the —Czech Republic Strategy for Sustainable Development and it is in line with the general regional policy objectives set by of the European Union. The link between the two strategies is expressed concisely by the objective —*to promote the sustainable development of municipalities and regions*. The Regional Development Strategy is also guided by another document prepared by the Ministry for Regional development, the Territorial Development Policy, a national territorial planning tool (focused mainly on infrastructural and environmental issues) which coordinates the physical territorial planning of the regions and the —concepts and programmes that have an impact on the territory managed by sectoral Ministries. As such, the Regional Development Strategy is an important source document for the preparation of the National Development Plan (NDP), the 2007-2013 National Strategic Reference Framework (NSRF) and its related Operational Programmes (EU development and cohesion policy).

Krajs have a crucial role in setting regional policy in the Czech Republic. Every kraj in the Czech Republic prepares and adopts its own development programme according to the Act on Regions (Regional System) and the Act on Promotion of Regional Development. These documents that define quite broadly each Kraj's development strategy often contain a number of objectives and aspirations that cannot be delivered by Krajs authorities. However with the preparation of these development documents, Krajs are able to point out what they consider as key development elements concerning their territory. These also allow for a better coordination (or integration) of (sectoral / territorial) policies and activities that are implemented by other central or regional level administrations (e.g. by the state in case of construction of main roads, motorways and railway corridors). Similar roles exist for municipalities and micro-regions. In fact each of the 6,243 municipality should have a development strategy and provide development plans.

Source: (OECD 2009d)

Table 1 Examples of territorial development approaches

Scotland - Single Outcome Agreement (SOAs)	SOAs acknowledge that it is crucial to the development process that effort is built around a clear understanding of local conditions (OECD 2009c p.85-86).
Denmark - Bornholm Growth Forum	Regional Forum operates as a platform for policy co-ordination in relation to regional economic development. The primary task for each forum is to develop a regional business development strategy which corresponds with the Globalisation Strategy (Froy and Giguère 2010 p.88).
Netherlands - Kansenzone Rotterdam Initiative	The project Kansenzones (2005 to 2008) aims to promote entrepreneurship in the area and to boost economic development in order to improve the quality of housing, quality of life and quality of work in the area. The initiative intends to stop or prevent the closure of businesses and promote investment by current and new firms.
Italy - Patti Territoriali (Territorial Pacts) and PITs	Patti and PIT in Italy: the Patti – patti territoriali (territorial pacts) and PITs – progetti integrati territoriali (integrated territorial plans) have provided a framework for local partnership working in Italy, based on the model of the territorial employment pacts introduced in Europe in 1997 (Froy and Giguère 2010 p.30).
It Italy - Province of Verona - Spatial Plan	The spatial plan of the Province of Verona is framed by the regional spatial plan of the Veneto region (PTRC Veneto, 2009), and a number of development actions are set within the European funds and initiatives. The Veneto region has approved a Strategic Document (DSR Veneto, 2006) and Operational Programmes (in particular, POR Veneto, 2007) within the European cohesion policy and the Lisbon strategy. Such documents define a territorialized financial support framework which establishes a loose connection with more stringent documents such as the ESDP, while areas within Natura 2000 programme are fully considered, as well as the results of Interreg initiatives and other experiences such as Leader and territorial development actions (Zanon 2010 p.2065-66).
Italy - Province of Verona - Regional Planning	The contents of the plan are mostly strategic, and the spatial representations are of general kind, in terms of diagrams more than maps (but landscape defence binding rules are included). There are specific references to European policies and documents, interpreting cohesion and territorial documents in a precise way, thereby defining the proposed plan as an updated strategic territorial framework for local actions for both economic development and physical organization. The cooperation goal is defined primarily with the neighbouring regions involved in the project of the macro-region of the Po-Adria Valley (Zanon 2010 p.2065-66).
Italy - Province of Verona - Territorial Planning	A distinctive aspect of territorial planning in Trentino is that, since the first experience in the 1960s, the territory, with its weaknesses and potentialities, has been the basis for local development actions taking advantage of environmental, territorial and social capital. The current plan, which is detailed in many of its parts, does not refer to European documents and actions, apart from infrastructure networks. In particular, it includes the project for the new Brenner railroad (mainly in tunnel), but does not emphasize this as an opportunity on which to build a territorial node. By contrast, Sites of Community Interest defined by the Natura 2000 programme are included in the project as key areas in the territory's structure (Zanon 2010 p.2065-66).

One of the most innovative examples of local development is found in the City of Barcelona. According to OECD (2009b p.15) “the City of Barcelona provides an example of a rapid transformation from a classical industrial city in decline to one that has a dynamic economy with a world class reputation. The Barcelona model of local development has been so successful that it is internationally renowned and, even in the face of the current economic crisis, positions the city on a robust and positive footing for the future.” The key to understand Barcelona’s achievement is the local territorial approach undertaken. An analysis performed by the OECD identified five key strengths in Barcelona that have contributed to its success and highlights the local dimension:

- An active and pragmatic consensus – a strong partnership culture operating at many levels between the City Council and the many other players and organisations.
- Strong leadership from the City Council – Has created a collaborative culture and encouraged more collaboration between the universities, the council and business. The Council has managed these relationships with its local development agency - Barcelona Activa (discussed in Box 5)
- Acknowledgment of business-led growth model. The model is focused on the effort to attract companies and the development of a innovative and enterprise culture. The public sector plays an important role in supporting and facilitating this culture.
- Development of a strong universal brand – Universally accepted brand (what can Barcelona offer businesses and the quality of life for employees) is promoted by all key organisations.
- Location for creativity and innovation – transforming from a traditional industrial base to a diversified economy where high value added services and innovative production have gained importance.

Box 5 Barcelona Activa

Barcelona Activa, the local development agency, was founded in 1986 by the Municipal Authority of the City of Barcelona. It was conceived as a municipal limited company, which means that it is a municipal company funded by the Barcelona City Council. Firstly, the development agency was created to promote entrepreneurship as a key contributor to the social cohesion and inclusion. Fostering entrepreneurship boosts the local economy which results in the generation of new employment and business opportunities for the community as a whole. Secondly, the development agency would support and promote the business creation as means to jobs creation. The establishment of Barcelona Activa is therefore the key component of a well-thought strategy for the city. In 2009, Barcelona Activa had become a local, regional, national and international reference in terms of policies for the support of entrepreneurs and businesses, in the stimulation of innovation across the city, in the creation and improvement of professional opportunities for the population, and in the generation of new high quality jobs.

20 years after its creation, the outcomes reflect the significant positive impact of Barcelona Activa’s actions in the city’s economic scene. The unemployment rates have dropped, the number of businesses in the various key economic sectors has increase considerably, and there is an important inflow of investors and human capital to the city. Barcelona has managed to move from a slow economic growth to an ever faster growing city. The businesses are creating new and better jobs, and the rate of survival of businesses (particularly those in the business incubator) has improved to 84% in the fourth year since its creation. Barcelona Activa is reaching out to a wide audience. The agency has accompanied over 1,100 new business projects and has provided assistance to more than 40,000 potential entrepreneurs on issues related to business creation and business growth

Source: (OECD 2009b)

2.2.5. Local development policy for new areas of growth: the challenges of green growth

Local development instruments and programmes have to be tuned up to new areas of growth in order to get the territorial ecosystem to perform at its best. A recent OECD (2011e) report examining the impacts of climate change on labour markets and local development in Poland argues

the critical task by governments at both national and local level to support the transition towards a greener economy while creating jobs and supplying the skills required. The key aspect argued by this report is the territorial dimension to strategies and/or policies and the integration at the national, regional and local level. According this report, Poland needs a sound and coherent strategy for the green economy that sends clear signals to the rest of the productive structure of the country, at central, regional and local levels. This is reflected in the limited capacity for cross-cutting work between different ministries and geographical levels of intervention addressing the same issue; and also reflects the lack of awareness from the public sector's and citizen's points of view on the costs and benefits of a greener economy. Importantly the green economy has the potential to provide opportunities at various territorial dimensions, more significantly at the local level for employment, innovation and skills development.

The challenges of defining clear, long-term and stable strategies to promote a greener economy at central, regional and local territorial levels is hampering the development of businesses in sectors that have already shown a certain growth and employment creation potential, such as renewable energies, eco-tourism, green changes in construction, etc. Therefore, there is a need for (1) horizontal and vertical cooperation/coordination/communication among the different ministries and territorial levels involved in the "green agenda", and (2) develop short, medium and long-term joint strategies within the Europe 2020 strategy framework to address the challenges of the green economy and to fully exploit the economic, environmental and jobs potentialities of such a strategy. Several "thematic authorities" have to be horizontally involved: agriculture, economy, infrastructures, environment, industry, energy, etc. At the same time, national, regional and local actors should be "vertically" involved and consulted in the strategy, though with different roles. However even if an overarching integrated strategy is necessary to set the vision and lead the country towards a same goal, it is essential that the regions have the knowledge, tools and institutional autonomy to adjust the actions to their own priorities and local context. The operational actions should therefore be located at regional and local level, depending on their specific competences (OECD 2011e).

The above example in relation to developing programmes for new areas of growth fits well into the new Europe 2020 strategy where objectives are set out for the next decade's economic, social and environmental development and more attention is paid to the rising importance of local development and its demands in terms of integration of territorial dimensions. As Europe 2020 strategy point 5 'Delivering Results' states (European Commission 2010ap 28 & 29):

"Working together towards these objectives is essential. In our interconnected economies, growth and employment will only return if all Member States move in this direction, taking account of their specific circumstances. We need greater ownership. The European Council should provide overall guidance for the strategy, on the basis of Commission proposals built on one core principle: a clear EU value added. In this respect, the role of the European Parliament is particularly important. The contribution of stakeholders at national and regional level and of the social partners needs also to be enhanced" ... "All national, regional and local authorities should implement the partnership, closely associating parliaments, as well as social partners and representatives of civil society, contributing to the elaboration of national reform programmes as well as to its implementation. By establishing a permanent dialogue between various levels of government, the priorities of the Union are brought closer to citizens, strengthening the ownership needed to deliver the Europe 2020 strategy."

2.3. Summary

This section highlighted the increasing relevance of the local level as the place where development actions are implemented, the increasing importance to social-economic environment; the contribution to national economic performance; and the critical role for job creation and skills development and retention. The section emphasised the significance of applying an integrated approach to development to maximise efficiency, minimise duplication and service gaps, achieve critical mass, and build social capital. There are several examples of mechanisms and programmes for local development at European level: ESF – regional operational programmes; Global grants – enabling access of smaller organisations to ESF funding; EU programmes such as community initiatives; Local authorities’ development strategies/plans; agreements, forums and partnerships; and Future opportunities – such as green growth policies as a potential growth area for local communities.

Some issues to be considered are:

- Include territorial flexibility in programme/policy objectives allowing the development of locally focused programmes adjusted to meet their own priorities and local context which valorise the local knowledge and local actors, and recognise the particular characteristics of communities, especially in relation to human capital, economic compositions and population social distribution;
- Recognise the importance of localised structures and processes within policy/programmes deliberation whereby local development makes important contributions to national economic performance and reduce social disparities;
- Involve peripheral regions in economic development, which requires an alteration in the way programme funding are allocated;
- Rediscover and readapt already existing mechanisms which could be used for tailor-made territorial support, for example, global grants;
- Better consideration of different territorial profiles and future opportunities/needs within policy and programme design, such as local impacts of green growth.

3. Integrating territorial mechanisms for job creation, employability and inclusive growth

There is no more important issue today in a post-crisis recovery climate in most OECD countries than tackling unemployment and providing the business environment to foster job-rich development. Focusing on job creation needs an integrated approach of public services delivered by local authorities, employment agencies, health-related community groups, training organisations, business associations and non-for-profit organisations. The territorial level where these services are delivered as well as the target groups can vary across different policy areas. This section will discuss the different mechanisms available, examples of integrated strategies, and their level of implementation.

Economic growth alone is no longer able to respond to the rapid change communities' face. Inclusive growth reaches out to those groups that can be left behind by development or that are negatively impacted by development strategies that while providing economic growth alienate certain groups in society. One example is the impact that development strategies can have on rising house prices displacing unemployed or low-income groups from the place where they live. Today, local approaches for inclusive growth require a combination of policy measures for employment creation, skills development and social protection (OECD-ILO, 2011).

3.1. The Different Mechanisms available: examples of integrated strategies, and their level of implementation

In response to the crisis, supranational and national governments have put in place measures to tackle the crisis with both new developments in the regulation of financial services, bank recapitalisation, and fiscal stimulus packages, support for industries and companies, and assistance to workers displaced by the crisis (Table 1 in Annex 3 provides examples of European Countries' responses to the economic crisis within 5 domains: improved job matching, skills development, job creation, rising productivity and promoting innovation and building local capacities).

3.1.1. Focusing on labour markets and job creation

The OECD Employment Outlook 2010 noted that "OECD economies are facing the daunting twin challenge of reducing high unemployment and underemployment while also starting to tackle unprecedented fiscal deficits. In relation to measures to support labour demand these should evolve from preserving jobs to jumpstarting job creation. In addition, a comprehensive strategy to promote job creation and sustained economic growth may also involve reconsidering certain elements of labour regulations" (OECD 2010b p.10-12). Taking these aspects into account and to encourage the development of job-rich communities the OECD and the International Labour Office identify 10 key strategies, illustrated in Figure 4, to encourage local job creation, skills development and social protection (for more detail see Table 2 Annex 4) (OECD and International Labour Office 2011).

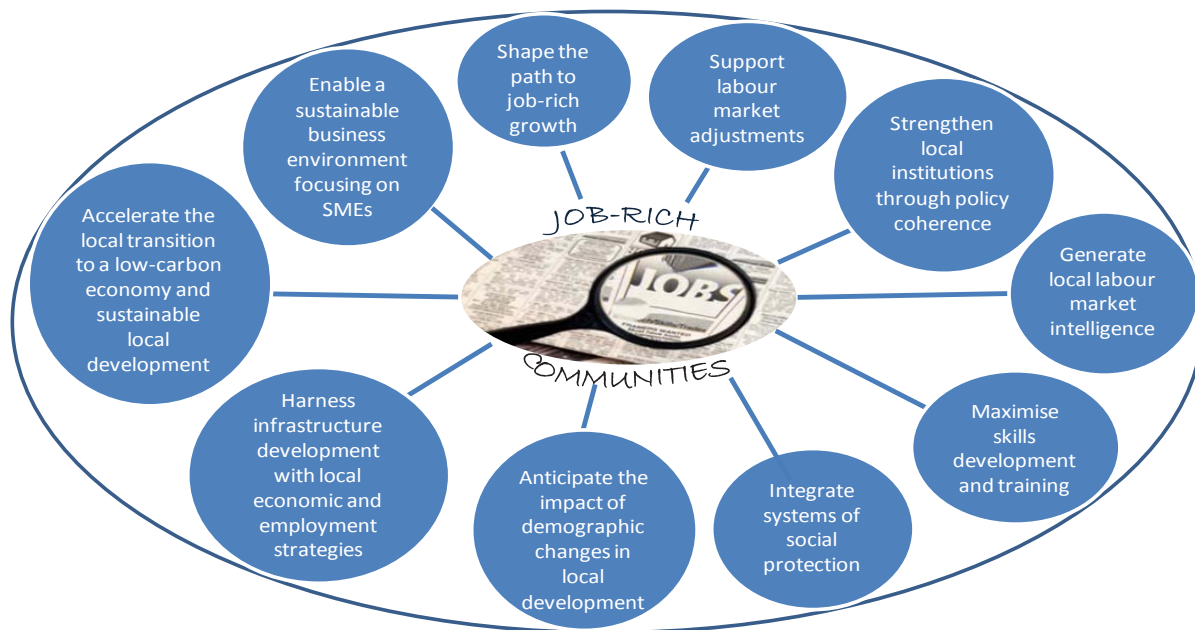


Figure 4 Strategies for Job-rich communities

Source: OECD-ILO, 2011

Although there were numerous national responses to the crisis Clarke (2009) has long advocated the critical role of local leaders’ contributions to “both informing and helping to shape national policies, and in promoting economic development and recovery programmes at the local level. Local economies are differently impacted by the crisis depending upon their starting point and structure, and those which have gone into the recession with challenges of unemployment or weak local economies and fiscal regimes, will find that these challenges are made much harder by it” (Clarke 2009 p.16).

Adding to these, a recent OECD LEED study on “Managing Flexibility and Accountability” highlights the importance of a ‘local’ territorial dimension within labour markets and the significance of greater local flexibility whereby there is: Local diversity - the need for different strategic priorities locally; Adaptability – the need to establish institutional frameworks that permit local economies to adjust quickly; Complexity – requiring holistic and tailor made approaches and multi-faceted solutions; and Supporting a joined up approach – flexibility in the delivery of sectoral policies, local cooperation and governance, national cooperation between ministries, local capacities, labour market condition and ways in which governments can support better coordination (OECD 2011b).

3.1.2. Focusing on local development and SMEs

The proposed diversity of actors, strategies and different partnerships at local levels requires a case for pro-active and collaborative local leadership - the OECD LEED Barcelona Principles highlights a series of criteria to achieve this which at the same time stress the temporal dimension of long term strategies (see table 2).

Table 2 The Barcelona Principles for local development

1. Provide pro-active and collaborative leadership at the local level: "Don't over-react, but respond with purpose".
2. Make the case for continued public investment and public services and the taxes and other sources of investment required: "Make the case for investment".
3. In the long term, build local economic strategies which align with long-term drivers and identify future sources of jobs, enterprise, and innovation: "Robust long-term economic strategy".
4. In the short-term, focus on retaining productive people, business, incomes, jobs, and investment projects: "Purposeful short-term action is needed".
5. Build the tools and approaches to attract and retain investment over the long term: "Investment attraction and readiness".
6. Build genuine long-term relationships with the private sector, trade unions, and other key partners: "Relationships matter and need increased attention".
7. Take steps to ensure the sustainability and productivity of public works, infrastructure, and major developments/events: "Effective public works and major investments".
8. Local leaders should act purposefully to support their citizens in the face of increased hardship: "Stay close to the people".
9. Local economies have benefitted and should continue to benefit from being open and attractive to international populations and capital: "Stay open to the World".
10. Communicate and align with national and other, higher tiers, of government: "Build National-Local Alliances".

Source: (Clarke 2009)

Essential to local sustainable economic development and employment development are small and medium sized enterprises - 'SMEs'. The growth of small firms, accompanied by the creation of new ones, can therefore be a key driver for job creation. Small firms, and their development, guarantees a process of growth that is endogenous rather than driven by external factors subject to greater volatility (for example, FDI attraction), and which is thus also more likely to be sustained over time. Therefore it is important to support entrepreneurship and innovation through a systemic approach that looks at barriers and bottlenecks preventing the development of local innovation systems (Barbieri June 2011, unpublished). According to Cooney (2009 cited in OECD 2010e) the Scottish Entrepreneurship Education Strategy (Box 6), which details the actions that needed to be taken by the Scottish government to embed entrepreneurship into the national schooling system, provides an example of a comprehensive approach in terms of what, how, which stakeholders and what regular measurement systems need to be embedded into the overall process.

Box 6 Scotland's "Determined to Succeed" entrepreneurship education strategy

Scotland's "Determined to Succeed" entrepreneurship education strategy details the actions that needed to be taken by the Scottish government to embed entrepreneurship into the national schooling system. The strategy is part of a long-term drive to build an enterprise culture in Scotland that will give young people a better chance of realising their full potential and will give the economy of Scotland the skills, new ventures and entrepreneurs it needs for growth. As part of its action plan, the strategy contains a section entitled "What success will look like" which highlights how the programme will be measured. Obviously, the more important indicators cannot be measured in the early years of the programme but it demonstrates a political commitment to long-term planning and the future development of the country. Local authorities lead on the delivery of the action plan, working in partnership with key players including the business community, HM Inspectorate of Education, Learning and Teaching Scotland, Careers Scotland and the Scottish Qualifications Authority. Every local authority has an action plan setting out their approach to implementing "Determined to Succeed" in a local context, and all have staff with responsibility for delivering enterprise in education. An annual reporting process ensures examples of good practice can be shared and support can be channelled appropriately. All local authorities have communications strategies which keep parents informed of how they can support their child's learning. Further details of the Scottish strategy on entrepreneurship education can be found at www.ltscotland.org.uk/enterpriseineducation/index.asp.

Source: Cooney (2009 cited in OECD 2010e)

The key role of firms and institutions for local entrepreneurship and local innovation systems is best achieved by fostering connected communities; e.g. (1) promoting knowledge networks between firms; (2) engaging universities in local development; and (3) developing a business support infrastructure conducive to innovation. However, integrating the territorial dimension into local labour markets holds the key to effective functioning, which requires sound education and training

systems and flexibility, creation of jobs through entrepreneurship and the stimulation of innovations and importantly a partnership approach. Such a partnership approach can bring together actors to identify current and future labour market need, the role of active labour market policies and hindrances to employment opportunities (Barbieri June 2011 unpublished).

The integrated partnership approach can be developed through Local Employment Initiatives (LEIs), an instrument for job creation, part of European programmes and actions (ESF Article 6 Local Social Capital, Article 10 ERDF Territorial Employment Pacts, EQUAL, LEADER, etc. LEIs targets the integration of actions on the ground mainly (i) to provide outreach solutions of social inclusion for specific groups at the closest of their needs; (ii) to organise integrated active inclusion services at local level, often place-based; and (iii) to stimulate local business creation with inclusive pathways to entrepreneurship, training and the development of social economy (AEIDL et al. 2011). ESF currently supports two types of LEIs:

- Local Employment Pacts (long term agreement signed between local stakeholders) see box 7 on next page);
- Local Initiatives (led by a Consortium of partners to implement an ESF project with various statutory arrangements or set up by law, with broader scopes - e.g. Area based Partnership Companies in Ireland) (AEIDL et al. 2011).

As advocated by (AEIDL et al. 2011), complementary instruments in the form of networks and coordination platforms or micro-projects schemes of general interest (third sector and social economy) can run at the same time that ESF supported projects triggering the local capacitybuilding (bottom-up and top-down), increasing dissemination through their multiplier effect and often advocating innovative elements for policy change.

OECD LEED analysis (Hofer et al. 2010; OECD 2010e) underlines the clear role for public policy in fostering entrepreneurship at local level by facilitating the process of turning university graduates, researchers and professors into entrepreneurs. Public policy has a key role to play on fostering synergies between research and teaching and through opening up universities towards their 'third mission' – above all by ensuring quality performance and continuity. Nevertheless to best support entrepreneurship, universities themselves need to be entrepreneurial. Internal governance, positioning in local, national and global strategic partnerships and the right incentives to get professors, students, researchers and administrative staff involved, are key issues that define the role that universities play nowadays in promoting economic development and growth. University entrepreneurship support on its own, however, has its limits. It prepares students for future entrepreneurial careers and promotes the commercialisation of research results, but it is the close co-operation and integration into the wider local entrepreneurship support infrastructure and its services that increases effectiveness.

Box 7 Employment Pacts

Territorial Employment Pact in Vienna

The Employment Pact in Vienna began its formal cooperation in 1999 and is a partnership between the Municipality of Vienna, the Public Employment Service, the Wiener ArbeitnehmerInnen Förderungsfonds - WAFF (Vienna Fund for the Promotion of Employees), Federal Social Welfare Office – Vienna Regional Office, interest representations of employers and employees (working group of the federal province). The objective is to support economic development and the development of employment policies of Greater Vienna with forward-looking, concerted labour market interventions. The core function of the Pact is to coordinate cooperation and to harmonise the strategic and operative labour market and employment policy in Vienna. Its functions are the coordination, collaboration and co-decision to improve employment. These activities are based on joint programme development and on financial coordination of the three key partners: Vienna Fund for the Promotion of Employees, Public Employment Service and Federal Social Welfare Office. The Pact has two special focus areas: youth, who require support in the transition from school to training, and people at a risk of being permanently excluded from professional life. The labour market and employment policies are linked to other policy areas (social, economic, education). The Pact has a trans-national cooperation project with Bratislava.”

Barcelona Employment Pact

The Barcelona Employment Pact is a partnership agreement among the City Council of Barcelona, Comissions Obreres (Trade Union) of *Barcelonès*, the UGT (Trade Union) of Catalonia, Foment del Treball (The Department for the promotion of Work), PIMEC (the organisation for promoting SMEs) and the Government of Catalonia that defines and agrees the framework and priorities for developing active employment and local development policies in the capital of Catalonia. It constitutes a long trajectory of social co-ordination in the city of Barcelona as manifested in previous Agreements for Employment of Barcelona signed in 1997, 2001, and 2003.

The aim of the agreement is to promote a quality and inclusive labour market, with a high level of productivity and one that generates professional opportunities for everyone. The agreement is committed to the economic growth of the city of Barcelona that incorporates more added value and innovation and that allows the reaching of high levels of competitiveness, welfare and social and territorial cohesion.

The signing entities agree to carry out the following measures:

1. To promote measures to turn **Barcelona into entrepreneurship capital** by means of extending entrepreneurship, making business creation easy, coaching innovative business creation and growth of high added value and creating a favourable environment for economic activity.
2. To boost a battery of measures aimed at identifying, maintaining and attracting creative and innovative talent to the city.
3. To design a plan for the **socio-labour inclusion of youths who drop out of the education system** without the minimum qualification for starting out, from the third course of secondary education onward and in complete co-ordination with the educational centres
4. To design a mechanism of **orientation, training and professional insertion**, tailor-made for the people affected by the reconversion of sectors in difficulties, such as construction or certain business activities which allows them to remain active in the labour market by taking advantage of the opportunities generated by emerging sectors, and priorities in the city such as services for dependent people, amongst others. Furthermore, measures of prevention and anticipation will be designed so as to preserve the existing industrial fabric of the city.
5. To design a programme of **professional progress** aimed at improving the human capital of the city of Barcelona.
6. To elaborate and develop a strategy of **labour inclusion of the collectives suffering from high vulnerability** in the labour market by means of new active policies that include training programmes and itineraries of personalised insertion closely coordinated and optimising the overall resources and existing entities in the city.
7. To design a plan for the **improvement of employment, the covering of vacancies and professional prestige of the professional profiles associated with the sectors of commerce, the hotel and restaurant industry and tourism in Barcelona.**
8. To design a pack of initiatives related to the **renovation and modernisation of the culture and values of work** in the city of Barcelona, aimed, especially at the youngest in which special emphasis will be given to equal opportunities between men and women, and health and security at work.
9. The City Council of Barcelona will boost the quality of employment of public responsibility while ensuring that the companies that access public contracts fulfil the social obligations as included in the current regulations, and furthermore, contribute, within the framework of their possibilities, to an improvement in the stability and quality of the employment.
10. To jointly organise between the entities of the agreement, and as necessary with other institutions, a range of events for spreading and making the citizens aware and a technical debate about the challenges identified in the Local Agreement itself.

Source:(OECD 2011c)

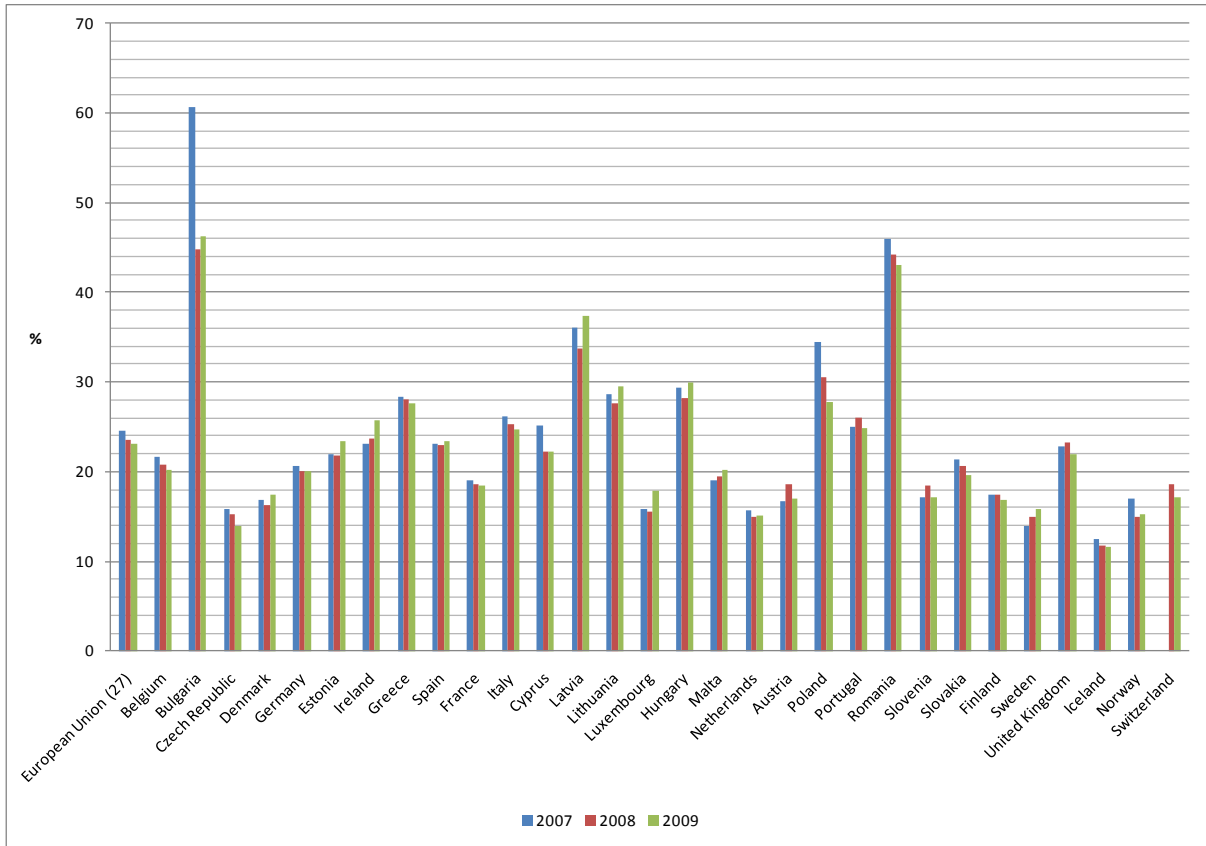
3.2. Inclusive growth, reduction of poverty and the level of actions

New models of well-being and inclusive growth have been stressed as part of the solution after the financial crisis saw an impact on these groups that was much higher than in the overall population. Groups often referred as vulnerable or disadvantaged include young people, ethnic minorities, elderly workers, low-skilled and migrants. Job losses have often been larger for these groups; particularly for youth and workers on temporary contracts where employment fell by around 8% points, nearly 4 times the decline in overall employment. Youth unemployment reached up to 40% in countries such as Spain. Less skilled workers also experienced a rise of unemployment by up to 6.4% points (nearly 3 times the overall rate). And due to the bursting of the construction bubble, men in the construction industry also experienced disproportionately high job losses (OECD 2010b p.22-23).

4.2.1. Poverty Risk

In fact, in the past 5 years the percentage of European population at risk of poverty has been steady declining, however, there are significant differences between countries (see figure 5 on next page). Defining and diagnosing “poverty” is a difficult task due to the multidimensional nature of this phenomenon - pauperisation of society depends on many factors, such as, economic, social, demographic and geographic; poverty is mainly determined by socio-economic factors related to the physical condition of the individuals and their place in the labour market. Lack of jobs and low flexibility of labour market’s functioning have a crucial impact on the phenomenon of poverty. Although unemployment is one of its many determinants, other factors such as lack of access to public services, infrastructure, education, training etc are involved in the labour market and therefore intensify or even determine the process of impoverishment of some communities or individuals. For example in Poland, 2007, the risk of poverty of extreme poverty was highest in regions with underdeveloped infrastructure and inaccessibility of services, including education (eg. Świętokrzyskie Voivodeship - 11%), while in the regions of Lower and Upper Silesia, with high density of infrastructure and accessibility to services, was around 4-5% (Ministry of Regional Development 2010).

It should be noted also that the phenomenon of poverty may be more common in rural areas in both OECD and non-OECD countries (see Ministry of Regional Development 2010) and among low-skilled or people with a poor level of educational attainment. There is also a strong correlation between poverty or the risk of poverty and demographic factors. This applies in particular family structures (single-parent families, families with many children), health (long-term or serious illness) and disability. Therefore, reasons for poverty must be found in the multidimensional relations between separate and overlapping factors, so an effective way to combat pauperization is providing a comprehensive support for people at risk of poverty on the one hand, and on the other, eliminating barriers that make poverty impossible to overcome (see Ministry of Regional Development 2010).



Note: This indicator summarizes the number of people who are either at risk-of-poverty and/or materially deprived and/or living in households with very low work intensity. Interactions between the indicators are excluded. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). The collection "material deprivation" covers indicators relating to economic strain, durables, housing and environment of the dwelling. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year

Figure 5 Population at risk of poverty or exclusion (percentage of total population)

Graph developed using Eurostat statistics: <http://epp.eurostat.ec.europa.eu/>

1.1.1. Social Inclusion factors and approaches

According to the Ministry of Regional Development (2010), the objective adopted in the European Council Conclusions (target Europe 2020) on social inclusion should be interpreted broadly and holistically. Social inclusion should be interpreted as preventing exclusion in social, economic and spatial terms. Box 8 outlines a number of factors that programmes and initiatives for inclusive growth should consider.

Box 8 Factors for programmes and initiatives for inclusive growth

- Accessibility to public services offered by the administration - The smooth functioning of the State requires that "all citizens are involved in its formation" (Poland 2030 Strategy, p. 300). In this context, it is necessary to provide access to e-Government services, such as those related to support economic activity, taxes and administrative decisions. Lack of access to such services for a broad group of citizens' leads to their marginalization and impoverishment. According to Eurostat in 2009, e-government on-line availability was 74% in the EU-27, while in Poland was 53%;
- Availability of telecommunications infrastructure (particularly the Internet) – no Internet access means no access to on-line services provided by the government and business (digital exclusion);
- Availability of the health care system - limiting access to medical services (irrespective of the form of their services - public or private), resulting from poverty or malfunctioning of the institutions responsible for implementing actions in the field of health, may directly contribute to the deterioration of social status of individuals leading to social exclusion;
- Availability of services, active instruments of labour market, tools conducive to social integration offered by labour market institutions and assistance and also access to updated information on the forms of assistance offered. Long-term unemployed, people with disabilities and other groups at risk of social exclusion face a number of barriers to enter the labour market. The basic problems are: low or outdated qualifications, as well as a lack of qualifications and skills which meet the needs of employers, lack of ability to effectively seek employment, and limited access to financial resources for starting their own business;
- Availability to education and training offers - Inclusive growth also includes matters of education, especially lifelong learning education, both in school and outside the school. No access or limited access to good quality education and training is often the cause of vulnerability to social exclusion. Person not having access to good quality and adequate labour market learning and training offers will not be able to increase or change their qualification. This lack of lifelong learning opportunity could result in 'joblessness', the inability to take another job, and consequently the risk of social exclusion;
- Availability to transport infrastructure, social infrastructure and public transport – the lack of developed transport infrastructure in some regions, and inefficient intraregional connections, causes difficulties for people to access regional and local labour markets, thereby, negatively affect mobility of workers, resulting in unemployment. It is necessary to create an environment for increasing employment and attractiveness of regions through the implementation of infrastructural investments at the local and regional level to include
 - Development of regional and local transport networks;
 - A comprehensive revitalization program; and
 - Development of regional and local social infrastructure.

The optimal use of infrastructure and transport will enable mobility as a factor for social inclusion. Given the complexity and multiplicity of factors influencing the risk of social exclusions, it is reasonable to formulate a broad view to the EU in 2020 in this area, enabling the implementation of activities in all spheres of social life associated with the causes of social exclusions.

Source: (Ministry of Regional Development 2010)

Beyond these factors Noya and Clarence (2008 p.5) had long advocated that policies to foster social inclusion should also take into account the geographical concentration of disadvantage, in particular as poverty and exclusion tend to cluster together multiplying their effects that spread out in particular areas:

“Common patterns in the geographical concentration of disadvantage are evident across the OECD. Indeed, it is clear that the intrinsic characteristics of poor neighbourhoods (in terms of location, housing, educational attainment, and job opportunities) worsen over time and that geographic exclusion may preclude such areas from being able to exploit wider positive macroeconomic changes.⁷ Differences between the experiences of disadvantage and exclusion in rural and urban areas must also be recognised, as social exclusion does not develop in the same ways nor does it take the same forms in these two different contexts. The so-called spatial poverty trap will therefore continue to pose additional challenges to job creation and entrepreneurship development, unless the design and delivery of local development policies effectively addresses patterns of social exclusion at both the individual and community levels. Accordingly, the territorial element of social exclusion is an important one to consider when designing and implementing active social policies”.

⁷ OECD (1999). *A Caring World: The New Social Policy Agenda*. Paris, OECD.

1.1.1.1. Social Protection

OECD and ILO (International Labour Organisation 2011) recently investigated the social protection policy measures to address vulnerabilities and poverty in response to the global economic crisis in Asia. More specifically two programmes were reviewed – conditional cash transfers (CCTs)⁸ and employment guarantee schemes (EGSs)⁹ – which provided an innovative template for policies to alleviate poverty, cushion the social effects of economic downturns and foster sustainable growth and development. The OECD and ILO (2011) note that these programmes have a strong territorial dimension as they mainly cater for geographical areas with high levels of poverty and deprivation, often rural remote localities. According to the OECD and ILO (2011 p.87):

“The rationale for both programmes is the need to bring in outside inputs to complement scarce local resources and help overcome bottlenecks and constraints to the optimal use of those resources. Ultimately, the yardstick for success is the level of welfare benefits that accrue to the poorest populations as well as the potential of the programme to bring about positive transformation of the local economies where those populations live. ... the capacity and commitment of local players are central to attain the ultimate goals. ... Good vertical coordination between different tiers of government ... is the main challenge for effective administration Strong local authorities that can facilitate horizontal coordination across different departments are equally critical.”

1.1.1.2. Social Economy and Enterprises

However, issues of inclusive growth are not only about addressing access to good employment, as some groups such as the elderly or those with physical or mental disabilities might not be able to participate in the labour market. Other strategies to promote social inclusion need to be put in place; the social economy and social innovation approaches can integrate and address social needs beyond current economic models of growth. The “Social Economy” refers to a wide-range of organisations which inhabit the space between the State and the market and extends beyond the traditional idea of the ‘non-profit sector’ to include a diverse range of organisational forms. Such organisations include associations, co-operatives, foundations, mutuals, and social enterprises (Noya and Clarence 2008 p.3). Boxes 9 and 10 provide social economy examples from Poland and Slovenia.

Box 9 The social economy in Poland

In Poland, the social economy has the potent significant role to play in Polish society, such as improving social inclusion, enhancing social capital and through the provision of goods and services. However, there is a number of general obstacles to the development of the Polish social economy: limited understanding; a narrow focus and fragmentation. Notwithstanding these general obstacles to sound development of the Polish social economy as a whole, regional disparities are also evident. A recent OECD LEED Programme project ‘Improving Social Inclusion at the Local Level through the Social Economy’ examined three regions (Malopolskie, Swietokrzyskie and Mazowieckie) in Poland, a common obstacle is the inconsistency between the supportive structures available to develop social economy development strategies and the situation that prevents an effective relationship between these structures within the sub-regions and with their target groups. The Malopolskie region is the most advanced, yet despite regional accomplishments (such as Malopolskie Pact for Social Economy), locally derived strategies are often replaced by external information providing a more general framework. Mazowieckie Region has a lack of coherence between local and regional policy, and the Swietokrzyskie region has the most undeveloped social economy. Therefore implementing both inter-sectorial and locally, regionally and nationally integrated strategies provides an instrument which could be used to overcome both general and regionally specific issues.

Source: (OECD 2009e)

⁸ CCT – makes small, regular payments to very poor households conditional on parental investments in the education and health of their children

⁹ EGSs – public employment programme where temporary work is delivered ‘on-demand’ to those who have an urgent need to earn an income.

Box 10 The social economy in Slovenia

The poverty rate in Slovenia is below the EU average, as are rates of inequality. Categories of people with the highest poverty rates include: single households; tenants; households without a member employed; and, older women. The specific target groups linked to policy objectives for those disadvantaged in labour market include: Roma; disabled people; ex-prisoners; single parents; youth; the long-term unemployed; and people with low skills.

The Ministry of Labour, Family and Social Affairs co-finances social protection programmes carried out by social economy organisations for different vulnerable groups/areas, such as programmes for: people with mental health problems (including housing units, day centres and programmes of advice and advocacy); the social rehabilitation of people with different abuse problems (drugs, alcohol, food); to support independent living by disabled people; the social integration of elderly people, children and adolescents; homeless people (including shelters); the social integration of the Roma population; victims of domestic violence and similar. The programmes are co-financed through tenders, either for one year or for three years, the majority being co-financed for three years (70% of programmes). The highest level of co-financing to social economy organisations is 80% of the total cost of the programme. From 2001 the extent of funds granted to social economy organisations for carrying out social programmes increased from EUR 3 million to EUR 9.7 million in 2010. Social inclusion policy-making traverses different ministerial responsibilities, and so clearly reveals a need for horizontal, co-ordinated action to link with relevant ministries and public bodies, including the Ministry for Public Affairs which is responsible for the social economy sector. Unfortunately there is evidence that the recently formed Inter-Ministerial group could be more effective in playing that co-ordinating role. In addition there is a need for horizontal co-ordination across regional centres and regional development bodies, municipalities, and the Disabled Directorate. At the same time, it is necessary to build consensus at the local level and the regional level around social enterprises if they are to work. This presents a challenge not only to the formulation of policy but also for its implementation, and there is a need for coherence and consistency in both these areas.

Source: (OECD 2010c)

“Social enterprises” are defined by Noya (2009) as private initiatives with the aim of combating exclusion and creating well-being for individuals and communities and are a key component of the social entrepreneurship dynamic in OECD countries. In fact social enterprises have proven to be able to contribute to: reducing social exclusion by reintegrating difficult groups into the labour market and by delivering well-being services (not only welfare services) to the underprivileged; creating jobs at the local level, and; increasing social capital and citizens' participation, thereby creating more sustainable communities (Noya 2009 p.7). A comprehensive and coherent legal framework for social enterprises has recently been introduced as a new legal category in the United Kingdom and in Italy, characterised in law by the presence of an explicit social aim, a multi-stakeholder nature of governance, a non-profit constraint and an asset lock, which are all conducive to a vocational role in the processes of endogenously driven local development (Noya 2009 p.195). Box 11 discusses the social economy in a rural community in Bałtów, Poland and provides an example of a social enterprise.

3.2.3 Migration and rising mobility: the issue of the Roma

A further factor leading to the increasing complexity of human resources issues is rising mobility. The inflow of foreign workers varies considerably between country and year; e.g. Spain experienced a disproportionate inflow of foreign workers in 2005. Stocks of foreign labour force also show significant variation; e.g. Luxembourg had the highest stock in all 2004-2008 years, but stocks are rising in a majority of European OECD countries (see graphs 1 and 2 in annex 4). Inflows of foreign workers have been impacted by the recent financial crisis as labour demand has declined; in some countries in very significant ways. However, family and humanitarian migration has been less affected despite the crisis throwing many immigrant workers out of work and the prospects of returning to work or the integration of their children in the labour market are challenging (OECD 2010a).

Box 11 Jurassic Park – local development through social economy

Bałtów is a typical small rural community of 4 000 inhabitants in one of Eastern Poland's Regions: Swietokrzyskie. In the communist times most of its citizens were employed in the steelworks of Ostrowiec Swietokrzyski. After its restructuring in the nineties unemployment rate reached 35% and many people were at risk of poverty and social exclusion as the whole area suffered from lack of employment opportunities. It was neither equipped with basic infrastructure nor social services at satisfactory level. As with many other areas in Poland, Bałtów was touched by an outflow of younger generations looking for better chances in Polish and European metropolises.

This dramatic social situation pushed local civic leaders to the action. They established in 2001 first of the initiatives called 'Bałt' Association. It aimed at local development and creation of employment opportunities. The ideas incubated in this organisation served as a catalyst for a launch of further social enterprises. One of the first ones was an establishment of Jurassic Park as in the neighbouring area some dinosaurs' traces had been discovered. The Association 'Delta', which initiated a public collection for the purchase of the first natural-sized dinosaur's copy runs today a successful social enterprise of 180 employees and diversified its activities by establishing horse riding centre, skicentre and small zoo to ensure all year round employment. All initiatives managed to attract half million visitors in 2009. Other social economy undertakings complement the main projects. National and European funding (i.e. ESF) trigger their conceptualisation and implementation. Some additional tourist attractions are offered like raft excursions on the local river Kamienna, which has been adapted to the aim. The 'Allozaur' social enterprise supports tourism, production of local souvenirs and maintenance of local infrastructure. There is a lot of attention paid to development of skills and quality of rendered services. Bałtów example shows that it is possible to reverse economic decline by using local resources. It proves that social economy can be a good and sustainable option to the communities in need which are able to redefine and reinvent themselves.

Based on FISA (2010)

There is nothing new to say that immigration policies at the supranational and national levels need strong local support systems to integrate migrants into the labour market. However adapting skills to new labour markets is a resource intensive process, and governments need to ensure that communities experiencing immigration have adequate funding on this task. Local agencies need to put in place tools and instruments for recognising qualifications and skills gained overseas and providing specialised language instruction (OECD 2006; Froy et al. 2009).

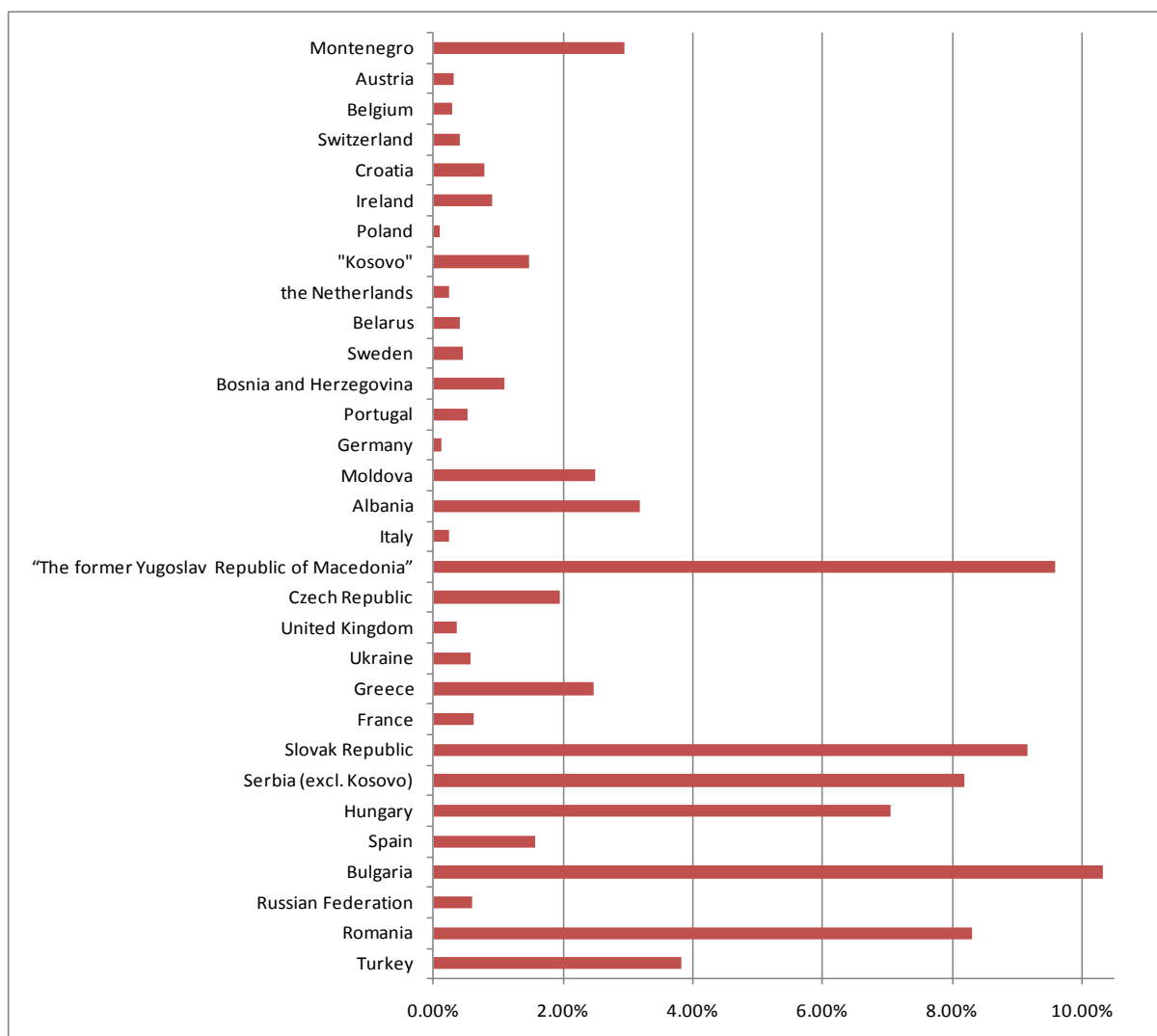
Adding to this migration complexity is the increase of free movement migration within the European Economic Area (EEA) since the initial EU enlargement in 2004 and again in 2007 with the addition of Bulgaria and Romania. According to the OECD International Migration Outlook 2010 "... this form of migration currently accounts for almost a quarter of all permanent migration in OECD countries and 44% of all migration in the European Economic Area, where it now significantly exceeds family migration of persons from outside the EEA (28% of the total), as well as labour migration from other countries" (see graph 3 in Annex 4) (OECD 2010a p.29).

As an example, Roma communities¹⁰ live in all EU Member States as well as in candidate countries and potential candidates (European Commission 2010b), their estimated population in Europe ranges between 10 and 12 million (European Commission 2010c), and the percentage of total population per country varies significantly (see figure 6 on next page and Table 1 in Annex 4). Their social-economic conditions are generally worse than those of the majority and continue to be victims of persistent discrimination in many Member States (European Commission 2010b).

The economic and financial crisis has exacerbated the existing structural problems of Roma inclusion (such as access to quality education and jobs, mainstream housing, financial services,

¹⁰ Roma is used as an umbrella term including also other groups of people who share more or less similar cultural characteristics and a history of persistent marginalisation in European societies, such as the Sinti, Travellers, Kalé European Commission (2010b). Roma in Europe: The implementation of European Union Instruments and Policies for Roma Inclusion - Progress Report 2008-2010. Commission Staff Working Document, SEC(2010) 400 final. Brussels, European Commission.

efficient public services etc) (European Commission 2010b p. 3) all of which require policy implementation at national, regional and local territorial levels. The European Commission states that there is a need to break the vicious cycle of poverty moving from one generation to the next. In Member States, Roma presents a significant and growing proportion of the school age population and therefore the future workforce. The Roma population is young: 35.7% are under 15 compared to 15.7% of the EU population overall. The average age is 25 among Roma, compared with 40 across the EU. The vast majority of working-age Roma lack the education needed to find good jobs (European Commission 2011).



Note: due to the inconclusive and variability of the actual population of Roma in European countries the Council of Europe Roma and Travellers Division sourced a minimum and maximum estimate and took the 'average Roma estimate' to calculate the percentage of total population.

Figure 6 Roma percentage of total population

Graph developed from statistics from: Council of Europe and Travellers Division (2010)

The 2008 Commission Staff Working Document (CSWD) analysed the legal and financial instruments and policies at EU level for Roma inclusion. According to this analysis, the existing instruments and policies are in principle appropriate and suitable for the inclusion of Roma;

however, there is obviously an implementation gap at the national, regional and local levels. The main reasons for this implementation gap includes (1) a lack of political will; (2) a lack of strong partnerships and coordination mechanisms; (3) a lack of capacities and knowledge at the local level to implement instruments and to change the living conditions of Roma communities, and (4) a lack of ownership among the potential beneficiaries in municipalities, NGOs and Roma communities. (European Commission 2010b)

In many EU member countries, especially within the ‘Decade of Roma Inclusion 2005-2015’, there have been strategic plans that provide the basis for a unified national approach. Some Member States have made particular efforts to involve the regional and local actors in their national policies, examples include (European Commission 2010b):

- Spain implements its Roma Development programme in coordination with the Autonomous Communities and municipal bodies and Roma NGOs;
- Italy, in 2009 established an inter-institutional group aimed at stimulating local authorities to promote actions in favour of the Roma population and exchange best practice;
- Greece – the ‘Rom Inter-Municipal Network’ of municipalities with Roma population is the main consultative body at the local level;
- The Dutch government stipulated in June 2009 that municipalities with Roma communities must involve the local Roma population in local policies aimed at this group;
- Sweden has established a network of municipalities.

The European Commission (2010c) upon examination of policies adopted to promote Roma inclusion, found the following conditions that have had favourable and sustainable impacts in achieving Roma inclusion: multi-sector approaches to social inclusion; effective coordination of policy implementation; sustainable social inclusion policies; targeting and mainstreaming; positive action and other comprehensive measures to promote non-discrimination and equality; Roma participation; and data collection.

According to the European Commission (2011) to achieve significant progress toward Roma integration, it is crucial to ensure that national, regional and local integration policies focus on Roma in a clear and specific way, and address the needs of Roma with explicit measures to prevent and compensate for disadvantages they face. It is therefore imperative that *local and regional territorial approaches* are undertaken to ensure the needs of Roma in specific localities are addressed, and that these approaches are integrated at the national level to ensure political coordination and cooperation.

The key significance of a territorial approach to the Roma issue is emphasised in key examples in box 12 on next page.

Box 12 Examples of a territorial approach to the Roma issue

Analysis of socially excluded Roma localities in the Czech Republic and absorption capacity of entities involved in this field

Nationwide data collection on socially excluded Roma localities through local research to better understand the processes affecting living conditions in such localities; to ensure evidence-based policy development and proper utilisation of EU funds for the 2007-13 programme period; and to ascertain the current and potential level of the absorption capacity of entities involved in social services provision to such localities. The project was funded from the ESF and the Czech state. The project provided the first hard evidence of the extent of Roma social exclusion in the Czech Republic and started a society-wide dialogue on the issue. It also generated recommendations for ameliorating the social exclusions of Rom and has been used as a basis for ESF funding allocation.

ACCEDER program (Spain)

Since 2000 the ACCEDER programme has been developed in 48 locations in Spain, focusing on unemployed Roma and non-Roma of working age. The programme facilitates the access of the Roma population to the job markets; motivation for education; and promote active politics to allow the development of the programmes. Employment centres were established in each location with a coordinator, mediator who inform Roma about the programme amount and encourage their enrolment; jobseekers who reach out to prospective employers and labour adviser who design personalised formative job-oriented itineraries for users. Since 2006 the programme also promotes self employment. By May 2009, the programme had helped 35,000 people with skills training and job seeking and 25,000 clients had found jobs in the service, industrial, construction and agricultural sectors. A significant amount of its beneficiaries have been Roma women. ACCEDER had proven that an NGO can successfully manage, it is possible to organise a national programme and adapted to each locality and the institutions therein, and the explicit but not exclusive targeting of Roma is a noteworthy feature and contributes to its success.

JOBS project – Jobs Opportunities through Business Support: Roma initiatives (Bulgaria)

The JOBS projects has implement three initiatives targeted at the Roma community: 1) assistance for unemployed Roma (training, courses, support in finding vacancies/internship opportunities, support for start-up entrepreneurs and business management training, access to financial and business networking for existing business. It offered direct access to microfinance; two business centres were established in large urban Romani neighbourhoods in Burgas and Pazardjiki within local NGOs. 2) Roma inclusion through business support – RIBS component, which replicates the JOBS for Roma support model in two small rural minority communities in Elhovo and Peshtera, providing the full range of JOBS project service. 3) Sustainable Employment Generation through Business Support which is part of the 'Urbanisation and Social Development of Areas with a Predominant Minority Population' project – six JOBS centres were established with provided a comprehensive package of business services targeted at minority communities in Pazardjiki, Lom, Stara Zagora, Dulobo, Omurtag and Venets. Under all three initiatives, 2,086 jobs were created/sustained for Romani clients, 66 financial leases were approved, nearly 27,000 information and advisory services were provided and 3,187 people were trained. A total of 95 business plans were developed for banks and other funding sources and 27 start-up grants were provide. The JOBS project relies on local NGOs to provide business centre services. The centres are autonomous local NGOs established according to the JOBS methodology founded by a range of public and private stakeholder which are actively involved in business centre development and thus share a sense of ownership of the result. Key element is the development of long-term strategies for the business centres based on thorough needs assessment to identify priority needs and services required.

Source: (European Commission 2010c)

1.2. Summary

This section discussed the importance of fostering a sustainable and inclusive job-rich development through an integrated approach by all stakeholders especially at the local territorial level. The local dimension is emphasized for creating job-rich communities because it supports the local labour market; strengthens local institutions; generates local labour market intelligence; maximise skills development and training; integrates systems of social protection; anticipates impacts of demographic change; harness infrastructure development; accelerates the local transition to a low-carbon economy; and enables a sustainable business environment, especially for SMEs. Of significance is the critical role of local leaders in informing, shaping national policies and prompting economic development and recovery programmes at the local level.

This section also highlighted the poverty risks in Europe and the need to foster local social inclusion programmes. Social protection policies were identified as having a strong territorial dimension; with the social economy and enterprises providing an innovative approach to fight social disadvantage. With increasing mobility, social inclusion programs and policies for migrants need local

support systems to integrate them into the local labour market – e.g. addressing the Roma inclusion requires a national, regional and local approach and implementation. Therefore, a multi-sector approach to social inclusion, partnerships and coordination mechanisms at all territorial levels is essential for future policy/programme development and delivery.

Some issues to be considered are:

- Fostering job-rich communities to encourage programmes that pursue job creation and local employment initiatives;
- Empowering local communities through programmes that promote local employment initiatives that support partnerships and good governance systems;
- Integrating programmes and policies for job creation, employability and inclusive growth in a way that aspects of the social economy and social enterprises are utilised for fostering, developing and implementing social protection initiatives to trigger local capacity-building, increase dissemination and advocate innovative elements of policy change.

4. Fostering education policy for qualifications and skill rich ecosystems

In the wake of the crisis and increased competitiveness within the labour market, ensuring the right provision of skills via education and training policies by both public and private sector organizations is rapidly becoming a key aspect of development. National approaches have had many years of development but they are no longer able to tackle the needs of different communities. A forthcoming OECD report 'Leveraging Training and Skills Development in SMEs'¹¹ revealed that firms have better skill development outcomes from informal training and skills development activities, particularly through participation in knowledge intensive service activities (KISA)¹¹, than formal vocational training (OECD Forthcoming). Public education efforts need to be connected to business demands and training organizations efforts to raise the levels of skills in particular areas. The interrelationship of education policies with industry growth and employment is also particularly important for the design of instruments to boost local development and to achieve ecosystems rich in skills development activities. This section will discuss instruments and methods of educational policy and programs and its impact on different territorial levels. Formal education systems as well as more informal methods of skills upgrading and training will be discussed.

4.1. Instruments and methods of educational policy and programmes and their impacts on different territorial levels

2.1.1. European Targets and Benchmarks

At an international/national territorial level, the Europe 2020 strategy is based on five EU headline targets; one of these targets is "the share of early school leavers should be under 10% and at least 40% of 30-34 year olds should have completed a tertiary or equivalent education" (European Commission 2010a). Graphs 1 and 2 in Annex 6 illustrate the current trends in these targets for the EU and for each country. These build on Council conclusions on 12 May 2009 on a strategic framework for European cooperation in education and training ('ET 2020') that highlights the crucial role that education and training have in meeting social-economic, demographic, environmental and technological challenges facing Europe and its citizens. Therefore an essential component of Europe's strategy is the investment in human capital through education and training systems and the importance of flexible European cooperation (The Council of the European Union 2009)

A series of reference levels of European average performance (European benchmarks) was developed as a means of monitoring progress and identifying challenges of the strategic objectives for the period 2010-2020 (see Table 3) (The Council of the European Union 2009). This section discussed two of these benchmarks: early childhood education and adult participation in lifelong learning via private sector workforce development, and their territorial dimension.

¹¹ For a review of KISA see Martinez-Fernandez, C., I. Miles and T. Weyman, Eds. (2011). The Knowledge Economy at Work: Skills and Innovation in Knowledge Intensive Service Activities. Cheltenham, UK, Edward Elgar Publishing Limited.

Table 3 European Benchmarks – Reference levels of European Average Performance

Adult participation in lifelong learning – with a view to increasing the participation of adults in lifelong learning, particularly that of the low-skilled: - by 2020, an average of at least 15% of adults should participate in lifelong learning
Low achievers in basic skills – With a view to ensuring that all learners attain an adequate level of basic skills, especially in reading, mathematics and science: - by 2020, the share of low-achieving 15-years olds in reading, mathematics and science should be less than 15%
Tertiary level attainment – Given the increasing demand for higher education attainment, and whilst acknowledging the equal importance of vocational education and training: - by 2020, the share of 30-34 years old with tertiary education attainment should be at least 40%
Early leavers from education and training – As a contribution to ensuring that a maximum number of learners complete their education and training: - by 2020, the share of early leavers from education and training should be less than 10%
Early childhood education – With a view to increasing participation in early childhood education as a foundation for later educational success, especially in the case of those from disadvantage backgrounds: - by 2020, at least 95% of children between 4 years old and the age for starting compulsory primary education should participate in early childhood education

Source: (The Council of the European Union 2009)

2.1.2. Early childhood and primary education

As indicated in the European benchmarks, early childhood education is one of the crucial factors for a more cohesive society. It aims at eliminating educational barriers of children with poorer social background and improves competences such as emotional and verbal communication, social skills (functioning in the group, conflict and problem solving etc) which are prerequisite for the successful schooling (Federowicz 2011). PISA¹² results suggest that those school systems that perform the best and provide equitable learning opportunities to all students are also those that provide more inclusive access to pre- primary education (OECD 2011a). Removing barriers in the pre-primary education accessibility is one of the challenges for public policy, especially in the sparsely populated, rural areas, with low labour participation of women and substantial share of immigrant population. An example of the territorial approach addressing rural communities is presented in box 13.

Box 13 Early childhood education in Poland's rural areas

Pre-school education is one of the key priorities for educational policies in Poland. Starting from the late 80s, Poland suffered from a steadily decreased access to the early childhood education. Only in the nineties the number of such institutions contracted by 28% (in the rural areas by 38%). This dramatically negative trend has been reversed with the use of the ESF after EU accession and was accompanied by the active campaigning of NGOs active in this area. The development of alternative forms of early childhood education was based on the assumption that they must be flexible and should engage local communities. They provide wider spectrum of services (logopedic, pedagogic and psychological assistance), assistance and coaching for staff, parents' assistance, advisory services aimed at sustainability achievement. One of the values promoted within this approach has also been empowerment and activation of small communities. Eligibility criteria focuses on rural areas. In consequence, participation in the preschool education doubled between 1998 and 2009, only between 2007 and 2010 the participation of children in the pre-school education has increased by 20% and achieved 43%. Further implementation with targeted focus on rural and deprived communities remains major objective of Polish authorities.

Based on: (Ministerstwo Rozwoju Regionalnego 2011; Swianiewicz 2011)

A similar phenomenon can be observed at the quality of education at primary and further levels. All across EU we can observe differences in educational outcomes among Member States, which can suggest that they are a consequence of nationally established educational systems, but there are also discrepancies in the educational attainments among regions (e.g. regional disparity in Italy), (Boarini 2009) and within regions (e.g. Poland wider urban/rural division) or even in the

¹² PISA - The Programme for International Student Assessment (PISA) is an internationally standardised assessment that was jointly developed by participating economies and administered to 15-year-olds in schools.

specific areas of cities and municipalities (e.g. socially segregated towns). They are, in part, reflecting the effects of natural or forced segregation of children, but it is possible to identify other factors. The consequence is a strong territorial diversification of formal education attainments in most EU countries.

In addition to pursuing formal education and qualifications through the schooling system there are other ways for upgrading skills in adult population and pursuing adult participation in lifelong learning through participation in vocational education and training activities. According to a recent report by CEDEFOP (European Centre for the Development of Vocational Training), Europe will generate around seven million jobs net (job creation minus job losses) by 2020. Most of these new jobs (8.5 million plus) will be in knowledge and skill intensive occupations, meaning that the demand and need for skills (including formal training and qualifications) will continue to rise (CEDEFOP 2010).

2.1.3. Importance of SMEs, lifelong learning and vocational education

The recognition of the growing importance of the demand for skills is in contrast to the fact that Small and Medium Enterprises (SMEs) with less than 50 employees provide significantly less employee training than larger firms; in fact up to 50% less training (OECD 2008a; OECD 2010e). This is even true for countries that are known for their strong training cultures, such as Denmark, the Netherlands, Norway and Sweden (OECD 2010e). Private sector influence on lifelong learning opportunities needs not to be underestimated; the territorial dimension of small firms in particular, has a significant influence on the availability and utilization of skills and the skills equilibrium of the local area (e.g. West Midlands, UK, (Green and Martinez-Solano Forthcoming)).

The importance of SMEs within the European economy is highlighted by the fact that SMEs account for 67% of employment in Europe, with micro firms accounting for 30% of the total private labour force. SMEs contribution to employment growth is well above what is expected given their share of total employment - SMEs contributed to 84% of the employment growth in the period from 2002 to 2007 (OECD LEED 2010/14). However, at a local territorial level, SMEs encounter difficulties in implementing formal learning activities due to their low critical mass, as indicated in Figure 7 (VET participation rates of enterprises by size) on the next page. They are instead, more inclined to participate in knowledge-intensive activities as a way of learning new techniques or new ways to operate. These activities, however, do not carry formal qualifications or standard training certificates and tend to benefit managers, business owners and highly educated members of staff (OECD/LEED 2010/6).

Vocational Education and Training (VET) is actually highly affected by territorial dimensions as national frameworks play a large role, but SMEs are more likely to interact with VET providers in their regional/local vicinity; within their skills and training ecosystem (OECD LEED 2010/14). Motivations in three categories of incentives have been recently examined by an OECD project looking into workforce development in SMEs: public incentives (such as government programmes), private incentives (such as from collective agreement with trade unions, industry association activities) and in-house incentives (such as the usual business/market drivers of productivity, services requirements, new product development, financial and employment constraints). Figure 8 shows the incentives for workforce development activities of small firms. Unsurprisingly, it is in-house

incentives that are driving the majority of skill development activities in firms. However, differences occur when comparing private/public incentives. In New Zealand, Turkey and Belgium private incentives also outweigh public incentives. In Poland and the UK, firms list public incentives as motivation for their training activities ahead of private incentives, 23% and 35% of firms in both countries respectively (OECD LEED 2010/14).

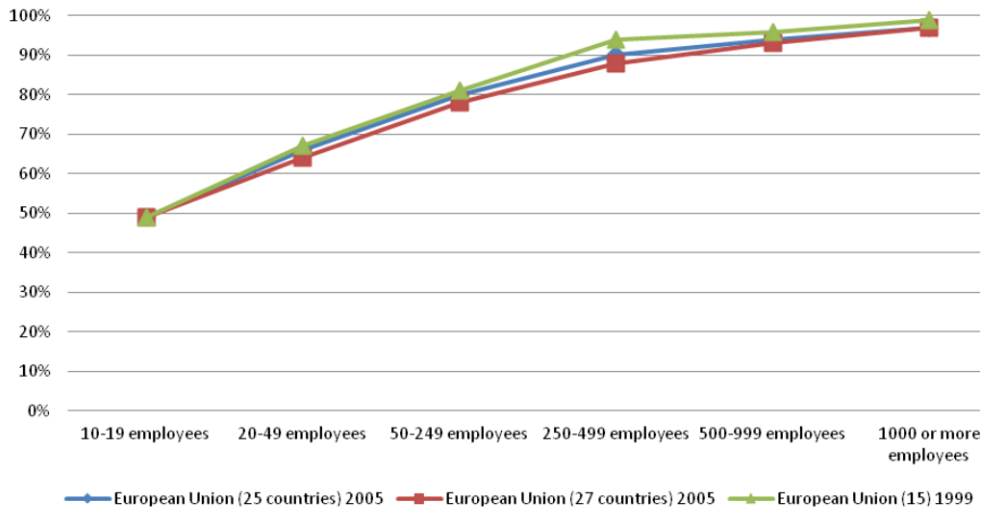


Figure 7 VET participation rates of enterprises by size, 1999 and 2005 in Europe
 Source: CVTS3, Eurostat 2009 and CVTS2 New Cronos 1999 (OECD/LEED 2010/6)

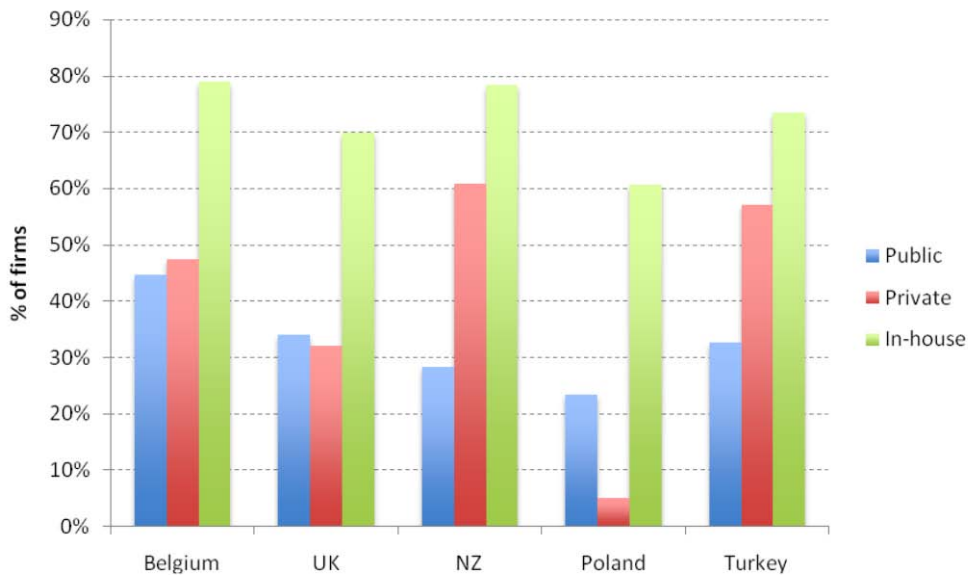


Figure 8 Incentives for skill development
 Source: (OECD LEED 2010/14)

Small firms place a great importance in the suppliers and collaborators for skills development and opportunities of learning. The knowledge network of small firms has a strong connection to the territorial level depending on the firm’s maturity in the market. High knowledge intensity areas are

more connected to global networks especially to global customers but firms in both high and low knowledge intensity areas tend to collaborate with local providers for their training activities as well as with other firms and suppliers in their vicinity for developing their knowledge intensive service activities (Martinez-Fernandez and Sharpe 2007). A systemic approach to adult learning education, considering the way firms learn and the interactions they develop would therefore have several implications for policy design; an important one is the territorial connectivity of the firms and the way they interact.

4.2 Skills and Training Ecosystems

Fostering education and training through skills and training ecosystems is a successful approach where organisations from the public, private and third sector related to skills development and training (VET organisations, universities, public departments, local institutions such as employment agencies, firms and business associations, etc) join in partnerships to achieve high interactions through projects for skills development at a regional/local territorial level. As discussed earlier, small firms rely on training skills available locally, the ecosystem upgrades these skills through different organisational interactions and training projects, and on the way the services are also upgraded (Hall and Lansbury 2006; OECD 2010e; OECD 2010d). The concept of skill ecosystems directs attention to the interdependency of multiple actors, territorial levels and policies in creating and sustaining the local conditions under which appropriate skills can be developed and deployed in clusters of firms in particular regions (see Box 14 for an example).

Box 14 OSTIM (Middle East Industry and Trade Centre) – organised industrial zone Ankara, Turkey

- Established in 1967, was granted the status of “organised industrial zone” by the Ministry of Industry and Trade in 1997.
- Located on 500 hectares
- Hosts around 5,000 companies (mainly manufacturing SMEs) which generate approximately 50,000 jobs.
- The main sectors: construction machines, metal processing, machine and machine parts, plastics and rubber, electric and electronics, medical equipments, automotive and defence.
- The management company of OSTIM provides a broad range of services and facilities to the firms operating in the zone and hosts a number of training and education facilities: an apprenticeship school, a vocational training centre, vocational high schools of two regional universities (Fatih and Hacettepe), a technical and industrial education school, a vocational training and technology centre.
- A key subsidiary of OSTIM in the area of training and skills development is its consultancy and training company called ODEM.
- KOSGEB has a local branch (the so-called ‘KOSGEB Ankara OSTIM Service Centre’) located in the zone to provide SMEs with necessary supports for growth and competitiveness.
- Technopark of the Middle East Technical University (METU) hosting 60 R&D intensive companies and a joint research centre established with the same university.
- OSTIM is active in developing four clusters in various sectors together with regional universities:
 - Construction and engineering machines cluster
 - Medical industry cluster
 - Defence industry cluster.
 - Renewable energy cluster

Source: (Elci 2011)

The role of local networks and skills ecosystems in encouraging firms to participate more fully in entrepreneurship training activities has received little attention in policy design. Although training can in principle be provided by experts from other countries or regions, it tends to be seen as a local resource by both enterprises and employees. This, and the positive effects of local networks and connectivity in achieving the vitality of local economies, suggests that a local policy orientation might be useful in promoting greater entrepreneurship training cultures. An example of

an organisation providing entrepreneurship training within a local skills ecosystem is provided in Box 15 (OECD 2010e p.180-181).

Box 15 Formaper

Formaper, the training agency of the Milan Chamber of Commerce, Industry, Craft and Agriculture, works to meet the training demand of its 325 000 registered enterprises. The institutional task is to contribute to the *development of an entrepreneurial culture*, building on specific know-how acquired in the most dynamic and vital of Italian regions, including several world-class SME clusters. The overall objective is to support sustainable economic and social development through the provision of high-quality training and consulting services.

Formaper activities are aimed at providing technical assistance to private and public sector development through active involvement in international co-operation projects. Typical assignments include delivering tailored training and support services for the following fields of expertise:

- Development of SMEs, especially in their start-up phase, and entrepreneurship development – training programmes for owners, managers and consultants in business planning, financial services, ICT and marketing.
- Adult learning and links with the labour market.
- Regional development, including capacity building for Business Support Providers (BSPs) and SME development agency staff.
- Public administration.

Source: (OECD 2010e p.181)

There are emerging issues at the regional/local territorial level that are critical to address for the policy process such as access to relevant information and data; balanced and long-term strategies; better mapping skills provisions; building strong relationships with employers; and look to the future and anticipate change (Froy et al. 2009). Despite these challenges, skills-rich ecosystems can help as a joining-up approach to achieve national/regional strategic objectives of attracting talent; integrating disadvantage groups, and up-skilling those in employment (OECD Forthcoming). Integrated territorial approaches to local skills and training ecosystems need to be at the core of future and flexible education policy.

2.2. Summary

This section firstly discussed the European targets and benchmarks and noted that an essential component of the Europe Strategy is in the investment of human capital through education and training systems, and flexible European cooperation. Early childhood education and adult lifelong learning are both part of a continuum investment in building a skilled workforce.

In particular, early childhood learning is one of the crucial factors for more cohesive society with the development of social skills. However, not all regions, especially sparsely populated, rural areas have this accessibility to pre-primary education. The difference in accessibility to education and in its quality also occurs in primary and further education levels. The removal of the barriers is a challenge for public policy.

Adult lifelong learning was examined in the context of SMEs. SMEs encounter difficulties for participating in formal learning activities; instead they are more inclined to participate in informal 'KISA' (knowledge intensive service activities) learning. Vocational Education and Training activities (VET) are affected by the national frameworks of their respective countries, and SMEs are more likely to interact with VET providers if they are accessible within their locality. Moreover, firms with both high and low knowledge intensity tend to collaborate with local providers for their training needs, and between local firms and suppliers for developing their KISA. An important implication for policy design is the territorial connectivity of the firms and the way they interact.

This connectivity was further examined within the skills and training ecosystem concept whereby attention is given to the independency of multiple actors, at various territorial levels and policies in creating and sustaining the local conditions for skills to be developed and deployed, such as clusters of firms in a particular region. A local policy orientation could be used to promote greater entrepreneurship training cultures through skills ecosystems and the positive effect of local networks and connectivity in achieving vitality of local economies.

Some issues for consideration are:

- More attention to early childhood education and reducing regional education disparities within local and regional context is needed to foster balanced human capital development;
- Investing in skills development in SMEs via both formal educational programmes and alternative ways of learning can improve adult education on those areas that are more important for firms to develop and create employment;
- Fostering ways to promote territorial connectivity of firms and the way they interact within regional and local skills ecosystems.

3. The Way Forward

This section presents some concluding remarks and summarises themes for further discussion/consideration for integrating spatial strategies to pursue modern territorial development.

The way forward takes into account the complexity of factors that a territorial dimension analysis brings into policy design for development - the social, economic and environmental factors integrated in local development, job creation, employability, inclusive growth and fostering education policy for qualifications and skill rich ecosystems (see Figure 9). The combination or cohesion of different territorial levels provides a more sophisticated approach for developing territoriality-proof policies that can reach the final delivery and implementation of strategies and initiatives.



Figure 9 Territoriality – an integrated approach to foster local skills and local jobs

Improved coordination and policy coherence between supranational, national, regional and local governments will yield economic and social dividends in the form of better designed and more

effective strategies that combat the immediate effects of high unemployment, mitigation of future economic shocks and building accountable, competent institutions that can meet the growing set of challenges (OECD and International Labour Office 2011). Table 6 highlights a selection of challenges, responses and coherence measures with a territorial approach.

Table 4 Territorial dimension of challenges, responses and coherence measures

Challenges	National Response	Local Response	National-Local Coherence
Social protection for vulnerable households and recently unemployed through the provision of temporary employment.	National Rural Employment Guarantee Act (NREGA) of India is a social protection programme designed to guarantee employment to one member of every rural household for no fewer than 100 days per year at the minimum wage of 60 rupees per day (Matta, 2009).	Implementation of national EGS framework in the field. Local adaptation and targeting of EGS to suit unique local challenges, vulnerabilities and opportunities, prioritising types of hard and soft infrastructure projects (<i>i.e.</i> roads, hospitals).	Policy Coherence can provide (1) grassroots feedback for midcourse revisions; and (2) ensure that complementing supports maximise project potential (<i>i.e.</i> when EGS projects build educational infrastructure there are additional teachers available for them).
Job creation through growing nascent and expanding existing sectors that have high-employment potential (<i>e.g.</i> Green Jobs).	Foster a business enabling environment for desirable, potentially job-rich sectors, such as green jobs, through business friendly regulations, tax holidays and other incentives. National Youth employment programme	i) Vocational skills upgrading to meet the forecasted employment needs of each sector (<i>i.e.</i> Philippines Business Process Outsourcing, Thailand's Green Energy) ii) Entrepreneurship training and youth business creation campaigns.	i) Dialogue and labour market intelligence to best tune vocational training services to match actual requirements by sector. National advocacy campaigns reinforce local initiatives for starting enterprises by youth
Responding to returning economic migrants (urban-rural and international) in need of jobs.	Accommodate by expanding labour markets to absorb migrants, identifying new destinations for migrants, and protecting migrants rights (Awad, 2009).	Temporary job creation to provide relief until the economy recovers and re-skilling workers for new sectors; Building effective employment agencies and partnerships with industry	National governments working with local governments and social partners in vocational training and job matching, addressing remittance reductions via alternative livelihoods.

Source: (OECD and International Labour Office 2011)

This paper has discussed how the territorial approach (both local and regional) is an effective and needed mechanism for development, employment, education and poverty reduction which are core issues of the EU2020 strategy. The ESF is a vital tool in pursuing these goals but it must be flexible to integrate a territorial approach, to create ownership at the local level and to foster a coordinated policy approach.. As AEIDL et al. (2011) noted, “solving local problems related to poverty or unemployment is often too remote from the institutional processes of policymaking and too few discussion platforms currently exist to enable local or subregional voices to be heard”. Despite the ESF orientation of providing support to people, it is an instrument of territorial action and impact.

The paper discussed some good practices of territorial approach, including examples from the ESF. The following box, on the next page, highlights some mechanisms/strategies, as discussed in the paper, which could improve the territorial dimension of the ESF.

Box 16 Strategies for territorialisation**Increase territoriality awareness/monitoring**

- Consider the functional aspects of territories in programmes/policies implementation;
- Foster a more systematic use of 'territorial impact assessments' for sectoral policies (or major reforms);
- Include territorial flexibility in programme/policy objectives allowing the development of locally focused programmes adjusted to meet their own priorities and local context which valorise the local knowledge and local actors, and recognise the particular characteristics of communities, especially in relation to human capital, economic compositions and population social distribution;
- Better consider different territorial profiles and future opportunities/needs within policy and programme design, such as local impacts of green growth.

Foster linkages and synergies of existing instruments

- Strength linkages between different financial instruments to assure better coordination and integration of policies – for example integrate ESF into the regional development programmes to increase territorial relevance;
- Rediscover and readapt already existing mechanisms which could be used for tailor-made territorial support, for example, global grants;

Facilitate territorial integration of policies and programmes

- Pursue territorial integration in the flexible delivery of programmes/policies through the fostering of good governance systems, allowing the coordination and cooperation of actors at the national, regional and, chiefly, at the local territorial level, allowing partnerships and ownership;
- Integrate programmes and policies for job creation, employability and inclusive growth in a way that aspects of the social economy and social enterprises are utilised for fostering, developing and implementing social protection initiatives to trigger local capacity-building, increase dissemination, and advocate innovative elements of policy change.

Increase the local dimension of Job creation policies and programmes

- Recognise the importance of localised structures and processes within policy/programmes deliberation whereby local development makes important contributions to national economic performance and reduce social disparities;
- Foster job-rich communities to encourage programmes that pursue job creation and local employment initiatives;
- Empower local communities through programmes that promote local employment initiatives that support partnerships and good governance systems.

Think also 'local' for education and skills development

- Devote more attention and resources to early childhood education and reducing regional education disparities within local and regional context to foster balanced human capital development;
- Invest in skills development in SMEs via both formal educational programmes and alternative ways of learning can improve adult education on those areas that are more important for firms to develop and create employment. Built programmes within existing local support systems
- Foster ways to promote territorial connectivity of firms and the way they interact within regional and local skills ecosystems.

Key policy messages (Figure 10) supporting the strategies for territorialisation:

- The efficiency of implementing policies is interconnected with territorialisation, therefore policies and instruments should be territorially implemented as a means to reaching their objectives. When using the territorial approach to implement the actions funded from the ESF - efficiency should be the main starting point and criterion of implementation;
- Institutional capacity building at all levels of management, at the regional and local level, is a significant element ensuring the success of applying the territorial approach. In order to use the possibilities offered by the application of the territorial dimension in the actions supported by the ESF it is necessary to establish the institutional and administrative capacity at different levels of intervention;
- In order to efficiently use the territorial approach for actions funded from the ESF it is essential to build mutual trust between stakeholders operating at individual geographical levels, who have the awareness of co-responsibility for the effects of implementing individual policies. The role of local partnerships as the tool of effective territorialisation needs to be emphasised;
- Strategic thinking is essential when administrating (or governing) on the regional and local level. It is important to keep a specific balance between aspects that are strategic and top-down, and aspects that are implemented from the bottom-up. In order for the policy actions on the regional and local level to be effective, they should be integrated into a broader strategic context.
- Flexibility is important for policy framework strategies to enable specialised implementation at the regional and local levels.
- To enable the efficient territorial approach, it is essential to coordinate the actions supported by the ESF at different policy levels.

More specifically:

- It is necessary to connect the labour market needs to the educational services and facilities at the local level. The educational and training policy at the regional and local level should be flexible and correspond to the labour market needs.
- It is necessary to develop systems for regular enhancement of the quality of education at the central level, however it is important to gather competences in a flexible manner and tailor them to the potential and needs of a given territory.
- Efficient territorialisation of education is a precondition of the existence of adequate competences at the regional and local level.
- The establishment of partnerships between entities operating in the area of employment constitutes a key condition of efficient implementation of the employment policy and

ensuring general access to the labour market services (employers, labour market institutions, non-governmental organisations).

- Many problems from the area of social inclusion require a specific approach involving adjustment to a given territory. For example the manner of responding to poverty in metropolitan areas and rural areas constitutes a differentiation of the approach as regards to a given territory.

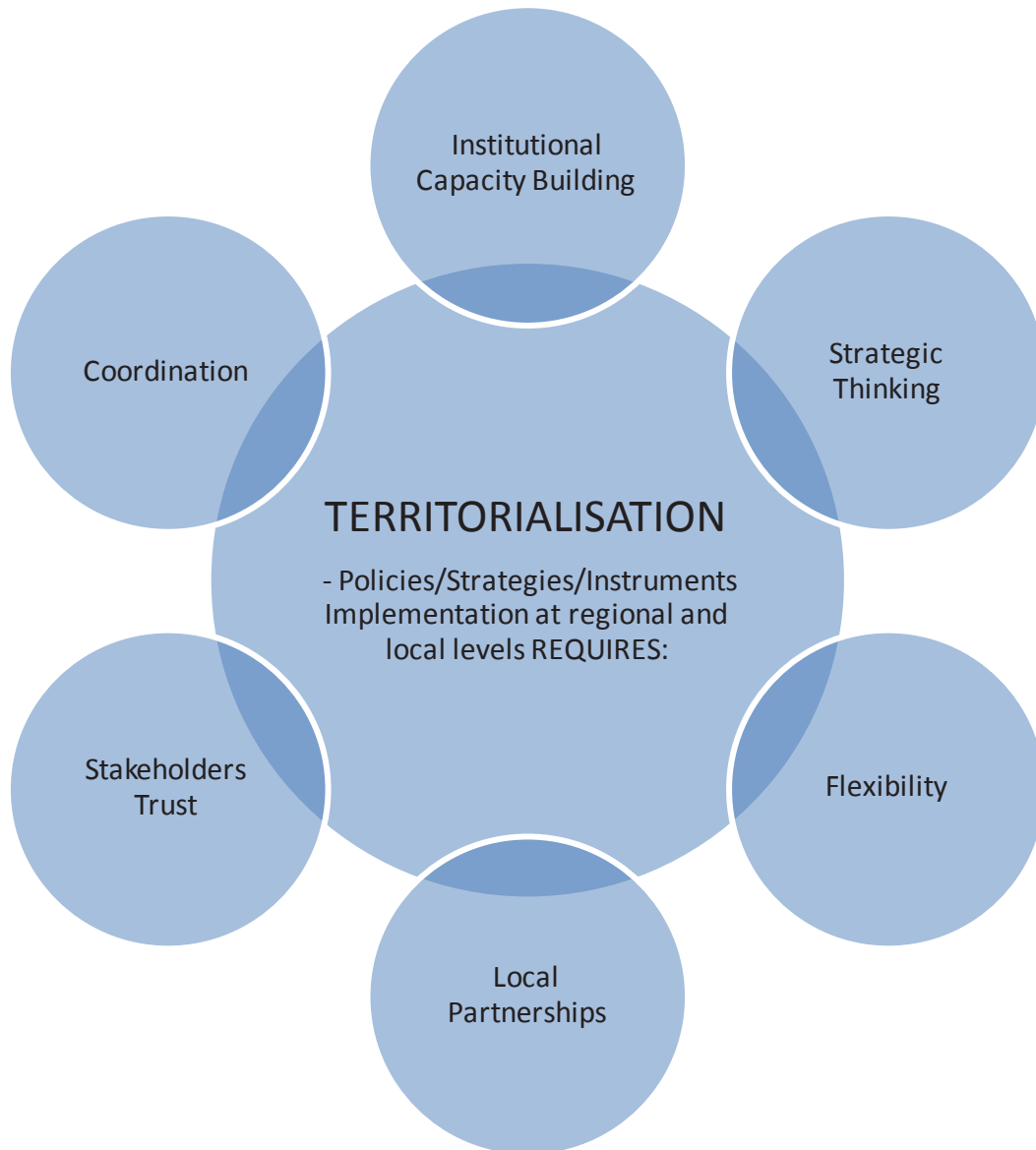


Figure 10 Key attributes for territorialisation

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Annexes

Annex 1 Evolutionary Process of the ESF

1950s-60s Post War
1951 – 6 countries (France, West Germany, Italy, Belgium, the Netherlands and Luxembourg) signed the Treaty of Paris – create the European Coal and Steel Community (ECSC).
Europe received aid from the US – Marshall Plan for a European Recovery Programme – rebuild infrastructure, education and training.
ECSC Treaty outcome – ECSC Fund – for the Retraining and Resettlement of Workers (forerunner to the ESF)
1957 – Treaty of Rome – European Economic Community (EEC) with the ESF
ESF – compensate for job losses – short-term retraining allowances and resettlement help. It covered all sectors except agriculture
ESF – Used by the EEC governments to deal with problems at a national level. Applications were automatically accepted.
Community-funding rule – EEC funding had to be matched with national funding. Funds were channelled into government-run retraining and resettlement projects (operated by the public sector)
1966 – EEC government meeting (Hague conference) – ESF reform was needed to bring into line their respective social policies
1970s – Financial challenges
1971 – ESF reform – target particular groups and categories of people
1972 – The agricultural sector became eligible for support, textile workers need to learn new skills (industrial restructuring)
1973 – United Kingdom, Denmark and Ireland joined the EEC. Leaders agreed on the need to deal with regional and structural imbalances in economic development.
1975 – European Regional Development Fund (ERDF) was established. The ESF and ERDF were referred to as ‘Structural Funds’.
Extending assistance to people with practical problems they face finding work in other EEC countries
Extended support to preparatory studies and innovative pilot schemes
Concentrated support for young people (recruitment and employment)
Greater support for women, whether they had lost their job, joining the labour market, returning to work.
Other target areas – Disabled and older workers (aged 50+)
Public/private partnerships – involving employers, trade unions and individual companies
Defining common priorities across the EEC and concentrate funds – structured approach.
New System of prior-approval – more paperwork
ECU – forerunner of the Euro – introduced – virtual currency
1980s – Market changes and new needs
Targeting training in newly emerging technologies
1981 – Greece joined the European Community
1983-1988 funding period removed the requirement that a retrained person had to work in a job related to their training
ESF priorities – young people - vocational training (half was on-the job work experience) and courses that training people in the use of new technologies
1983 – ESF should be channelled towards needy regions
1986 – Spain and Portugal joined the EEC
1987 – Single European Act – unified financial policies and markets
Half of the ESF funding went to schemes that boosted employment in poorer regions
1988 – ESF reformed – could better assist the needy regions (reducing the imbalance between rich and poor) and underlined the importance of integrating women occupations where they are substantially underrepresented
The growing size and importance of the ESF reform was need with a more cooperative and collaborative relationship between Member States and the Commission. The reform was a move from (individual) projects pursued in a national context to a programmed multi-annual effort on a basis agreed in partnership between Member States and the Commission. Move from an annual budget to a medium-term budgetary perspective – to secure multi-annual programme funds
Member States and the Commission would together coordinate and plan ahead for the spending of the ESF – Member States agreed to exchange employment data and strategies, so that the ESF could be better integrated into the Member States’ labour-market policies
1990s - Globalisation
Allocation of allocated funds to training older people in the workplace to allow them to stay in employment longer or bring them back into the labour market
ESF initiatives – providing care for older people, in order to give family members the opportunity to stay or return to work.
1993 – ESF reform – aid was not just targeted at women returning to work after childbirth – also at low and under-educated women who were in danger of being unemployed or socially excluded. Assisted women to become entrepreneurs.
1992 – Member States decided to increase support to specific groups through new funds alongside the Structural Funds:
Cohesion Fund – to help poorer EU countries develop environment and transport infrastructure projects
The Financial Instrument of Fisheries Guidance (FIG) targeted restructuring in the fisheries sector;
European Agricultural Guidance and Guarantee Fund (EAGGF) already in existence since 1962, continue to invest in the development of European rural areas
1994 – EU governments agreed to an Employment Strategy – improve the competitiveness of the European economy
EU leaders decided to almost double the Structural Funds for the period of 1994-1999 – approximately 70% of the aid was allocated to the region’s most in need.
1995 – Finland and Sweden joined the EU
Structural Fund – new role addressing sparsely populated regions
1997 – Treaty of Amsterdam, Member States agreed on a framework for employment guidelines and a joint strategy. Guidelines – people were in the position to get a job, increase female employment rates, improve the number of childcare facilities and encourage entrepreneurship.

Adaptability was an important focus – people in a job would be able to adapt to new areas of work, if the need arise Shift emphasis from unemployment to employment
Core of the ESF – More widespread and accessible training, better training for recognised and relevant professional qualifications, job creation and improved employment guidance and counselling. ESF continue to target – training for young people, the unemployed and those excluded from the labour market. Delivery of ESF objectives – social partners, non-governmental organisations, and charities.
Set aside 5% of ESF budget to finance innovative schemes; to assess the effectiveness of ESF-funded projects; and exchange experiences between Member states
ESF Initiatives – Establishment of 3 major community programmes – EUROFORM (new ways of vocation training and employment; 2) HORIZON (training for people with disabilities; and 3) NOW (New opportunities for women).
New ESF programmes – YOUTHSTART (assist young people without qualifications get a first job); INTEGRA (assisting groups eg. Single parents, the homeless, refugees, prisoners and ex-prisoners get secure jobs, and fighting race or other discriminations in training or employment; and ADAPT (assisting people adjust to changes in business and industry – training in information technology)
1999 – EU leaders set out a common EU immigration policy
2000s – Knowledge-based economy, à la ligne
2000 – EU leaders launched the Lisbon Strategy – make the EU most advanced, knowledge-based economy by the year 2010 – attract people to enter and stay in employment ESF support the European Employment Strategy as part of the Lisbon Strategy targeting four pillars: 1) enhance the skills and flexibility of existing workforce; 2) development of education systems – more responsive to labour market needs – lifelong learning; 3) develop active labour market measures with preventive and job-orient strategies; and 4) Entrepreneurship – development of new enterprises and the growth of SMEs was essential for job creation and expanding training opportunities for young people. EQUAL initiative – develop new ways of tackling discrimination and inequality in the labour market and to promote inclusive work life
2002 – Introduction of euro
2004 – 10 new member to the European Union ESF provided support to new Member States to address inequalities and to identify their employment policy priorities Immigration Policy – setting the objectives for strengthening freedom, security and justice in the EU – better manage migration flows Supporting the integration of migrants
Support active aging – number of training schemes: some introduced ‘replenishment’ periods – increase knowledge of new technologies and software. Others schemes – transmit the knowledge of older workers to young people – mentoring programmes. Support career development and individual guidance systems Combating all forms of discrimination and inequality within labour market – 2 Equality Directives were developed and the ‘Business Case’.
2007 – Bulgaria and Romania joined the EU New ESF cycle of 7 years – focus on growth and jobs, creating a flexible labour market: increase adaptability of workers, enterprises and entrepreneurs. New field – strengthen the capacity of public institutions across all areas of government, at national, regional and local level to develop and deliver policies and services. Promotions of partnerships between employers, trade unions, non-governmental organisations and public administrations to facilitate reforms in the field of employment and inclusion. Trans-national cooperation is integral to all ESF actions, and innovation becomes part of all its activities

Developed from European Commission (2007a) ‘European Social Fund: 50 years investing in people’

Annex 2 Tables for section 2

Table 1 The temporal dimension of local development success

Shorter-term (one or two business cycles)	Longer-term (five to ten business cycles)
Connectivity and accessibility	Openness to international populations
Economic breadth	Power (and adaptability) of the city region identity and brand
Quality of life, place, and amenity	Location and access to growing markets
Skills of labour force	Role in fostering/broking international trade
Innovation and creativity	Power and influence of language and regulatory/legal/financial systems
Business environment, entrepreneurship and city cost base	Depth of artistic, architectural and cultural endowment
Image and identity	City-region leadership and effective investment advocacy
Leadership and implementation of strategy	Adaptation to climate change
	Success in adjusting to shocks, and luck/skill in being on the right side of conflicts
	Investments in the city from all sources (including higher tiers of government)

(Clarke et al. 2010)

Table 2 European responses to the economic crisis

	National schemes with a local dimension	Examples of local and regional schemes
Improved job matching	<p>In the Czech Republic a set of regional outplacement services have been established, in partnership with private suppliers, for those made redundant in the industrial sector.</p> <p>In the Netherlands, the government has established 30 mobility centres to promote cooperation between companies, trade unions and job-finding organisations in helping displaced workers to find new employment.</p>	<p>In Flanders (Belgium) a scheme called "employment premium 50+" is being adapted to encourage the recruitment of people above the age of 50 in times of crisis. Flanders is also working to create improved career development paths for older people.</p>
Skills development	<p>In Austria there has been a temporary expansion in regional training programmes for the unemployed.</p> <p>In the Netherlands, <i>Leerwerkloketten</i> (learning and working service desks) seek to improve the transition from education to the labour market. Thirty learning and working service desks have been created, at the same governance level as the Dutch mobility centres (see above).</p>	<p>Northern Ireland has introduced a scheme called "Skillsafe" which provides contingency plans for apprentices who have been made redundant in the economic downturn. When an apprentice has been placed on short-time working as a result of the recession, the Department of Employment and Learning fills the down-time with training and pays a training allowance to offset the loss of earnings.</p> <p>In Flanders (Belgium), employees who are temporarily unemployed for economic reasons have the opportunity to participate free of charge in training programmes provided by the Flanders employment service (VDAB). In addition, employees on short-time working receive a "bridging premium" and an additional premium if they use their free time for training purposes. 26 sectors have also received additional means (some EUR 10 million in total) from the Flemish government to invest in skills development.</p>
Job creation	<p>In Spain, the government has put in place "Plan E" which includes a public investment fund for local cooperations with the target of creating and/or maintaining 300 000 jobs at the local level. This has supported public works in construction, industrial promotion, advanced technologies, sustainable mobility and tourism.</p> <p>In the United Kingdom, the Future Jobs Fund aims to create 150 000 additional jobs which will benefit communities and are primarily aimed at 184 year olds who have been out of work for nearly a year. Local organisations can bid for funding to support job creation, but generally awards are being made to partnerships led by local authorities or not-for-profit organisations. 50,000 jobs are specifically being targeted in unemployment hotspots and around 10 000 are aimed to be green jobs.</p>	<p>The municipality of Paltamo in northeast Finland has set up a new employment agency to link unemployed people to new job opportunities emerging at the local level in the public sector. Work includes renovation and repair work, forestry work and other environment maintenance work with wages being subsidised by the Employment and Economic Development Office.</p> <p>The Flemish government in Belgium has invested EUR 7 million to create a Social Investment Fund to reinforce the social economy sector. A recovery plan has also been developed in this sector which provides temporary subsidies in order to save jobs and delivers 150 000 training hours to build relevant competencies. In addition, a sector specific manual entitled "Alternatives to Dismissal" (<i>Alternatieven voor Ontslag</i>) is being developed to advise sheltered workplaces with economic problems on how to avoid redundancies.</p>
Raising productivity and promoting innovation	<p>In Spain, an integrated plan has been drawn up with the social partners and regional governments for the automobile industry, in order to preserve existing jobs by driving competitiveness in the sector through training and innovation, amongst other things.</p>	<p>The city of Milan (Italy) has launched a Programme for Innovation supporting innovative research and development projects in ICT, fashion, energy and food sectors, undertaken by SMEs set up by young entrepreneurs. The programme is financed by the council in partnership with the chamber of commerce, city universities, national research council and Assolombarda (Province of Milan Firms Association).</p>
Building local capacities	<p>In Poland, new legislation has introduced special programmes to better adapt the services of the public employment service (PES) to the needs of local labour markets. Poland has opened some of the services of the PES to the employed (e.g. postgraduate studies, training loans, on-the-job training) and developed special programmes which allow local offices more discretion in supporting vulnerable groups in the labour market with individually designed services and on-the-job training for adults, associated with certified qualifications.</p>	

Source: The information for this table was compiled from a number of sources including a questionnaire to OECD countries conducted by the OECD Secretariat (ELS) and the European Commission in January and May 2009, a questionnaire circulated by the OECD LEED Forum of Partnerships and Local Governance, Clark, 2009; Froy and Giguere, 2010.

Table 3 Strategies for job-rich communities

Shape the path to job-rich growth	<p>Facilitate restructuring of production networks and supply chains to the needs of local sources of demand and the continuing trends towards greater regional integration;</p> <p>Contribute to productivity and investment in domestic sectors via a greater focus on micro, small and medium enterprises;</p> <p>Provide relevant skills to workers and enterprises to enable smooth transitions across sectors.</p>
Support labour market adjustments	<p>Design a common framework for skills and qualifications that facilitates skills recognition between sending and receiving countries of labour force;</p> <p>Cushion the negative effects of trade reforms with specific programmes for SMEs;</p> <p>Develop labour market intelligence to understand trade demand for new and specific skills in the workforce.</p>
Strengthen local institutions through policy coherence	<p>Upgrade local managerial and technical capacities;</p> <p>Promote inclusive and participatory forums to strengthen local government and civil society organisations dialogue with national counterparts;</p> <p>Utilise strong area-based partnerships to create local ownership, share location specific knowledge, and provide a forum for stakeholders;</p> <p>Labour market intelligence and quality data capture.</p>
Generate local labour market intelligence	<p>Create partnerships to integrate data and information from different administrative sources and also to better carry out employment services;</p> <p>Remove local disincentives to a focus on quality and sustainability in the labour market;</p> <p>Provide capacity building training for staff on collecting and analysing labour market information;</p> <p>Collect information in new areas of growth.</p>
Maximise skills development and training	<p>Link labour market information with skills development ;</p> <p>Establish joined-up strategies locally that link supply and demand approaches to skills and employment,;</p> <p>Foster skills utilisation of the local workforce by investing in human resource development on both the supply and demand side of the labour market;</p> <p>Pursue strong commitment from government, at all levels, in the process of skills formation.</p>
Integrate systems of social protection	<p>Prioritise decent work and poverty alleviation;</p> <p>Integrate social protection systems in local employment and social development strategies;</p>
Anticipate the impact of demographic change in local development	<p>Develop labour market information mechanisms (demographic check);</p> <p>Design sustainable planning models for shrinking communities;</p> <p>Promote tailored quality employment for the +65, adjusting jobs and training systems to the needs of an older workforce;</p> <p>Develop the silver economy to adjust to new demands for welfare services and social inclusion from elderly citizens;</p> <p>Integrate migrants in ageing labour markets;</p> <p>Develop specific programmes for youth employment.</p>
Harness infrastructure development with local economic and employment strategies	<p>Develop comprehensive Local Economic Development (LED) strategies, involving the private sector and communities;</p> <p>Advocacy at both national and local levels on mainstreaming the use of labour-based and community contracting as local development options;</p> <p>Co-ordination of social security programmes;</p> <p>Seek out green jobs and emerging job-rich sectors</p> <p>Develop a comprehensive programme for implementers of community contracting and the use of labour-based methods for infrastructure development;</p> <p>Develop and apply participatory and transparent project monitoring and evaluation procedures.</p>
Enable a sustainable business environment focusing on SMEs	<p>Integrate policies to support Micro, Small and Medium Enterprises by creating an enabling environment to foster the start up and growth of dynamic MSMEs;</p> <p>Tap into the potential of public-private partnerships.</p>
Accelerate the local transition to a low-carbon economy and sustainable local development	<p>Build institutional knowledge;</p> <p>Strengthen vocational training centres;</p> <p>Develop indicators to conduct environmental audits of the green sector;</p> <p>Provide systems that support entrepreneurship in green sectors;</p> <p>Utilise local economic development networks and forums;</p> <p>Communicate why green growth is important;</p> <p>Leverage urban policies for environmental and sustainable initiatives.</p>

(OECD and International Labour Office 2011)

Table 4 Examples of territorial development approaches

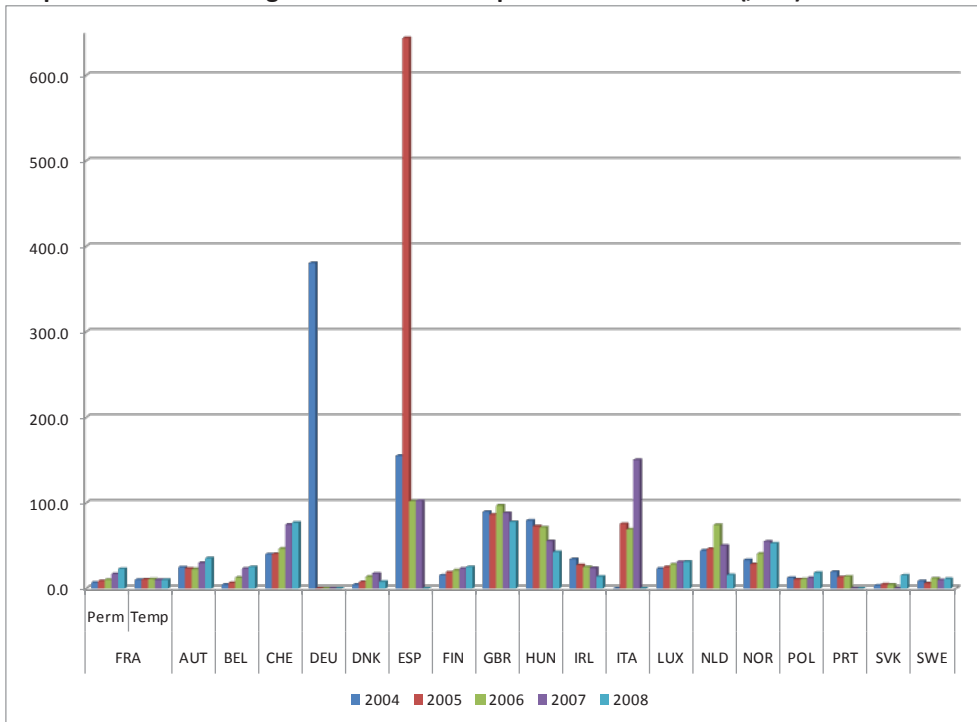
Country	Programme/ Initiative	Benefits	Issues	
Czech Republic	Local Development Programme	Each Kraj prepares / adopts its own development programme according to the Act on Regions (Regional Systems) and the Act on promotion of Regional Development. (OECD 2009b p.25)	It is in the preparation of these documents, the Krajs are considering the key development elements concerning their territory. These also allow for a better coordination (or integration) of (sectoral/territorial) policies and activities that are implemented by other central or regional level administrations	The documents contain number of broad objectives that often cannot be delivered by Krajs authorities.
Scotland	Single Outcome Agreement (SOAs)	SOAs acknowledge that it is crucial to the development process that effort is built around a clear understanding of local conditions (OECD 2009a p.85-86).	In working to deliver regional competitiveness, it is important to recognize that the economy of each local authority area operates individually not as one coherent unit. Given the scale of geography and the corresponding settlement pattern, clear distinctions can be drawn around 32 economies which make up the Scotland's local authorities. In order to develop a successful regional economy, it is therefore essential to reflect on these area dimensions and view building sustainable growth as requiring success in each of these 32 areas. Whilst there are pan-regional drivers such as higher education, transport and broadband, each economy is different and has varying challenges and opportunities.	
Denmark	Bornholm Growth Forum	Regional Forum operates as a platform for policy co-ordination in relation to regional economic development. The primary task for each forum is to develop a regional business development strategy which correspond with the Globalisation Strategy. (Froy and Giguère 2010a p.88)	The forum has brought local people together to deliver a common strategy to improve the relevance of skills to the local economy. For example the forum in Bornholm has drawn up the region's business development strategy and established business clusters – a cornerstone in the strategy – resulting in improved co-operation between relevant policy areas and more understanding of shared interests, particularly between VET and the business community. They have also “provided local stakeholders with a sense of common direction, togetherness and not least interdependency” and created a desire among islanders to “do something for themselves”	
Netherlands	Kansenzone Rotterdam Initiative	The project Kansenzones (2005 to 2008) aims to promote entrepreneurship in the area and to boost economic development in order to improve the quality of housing, quality of life and quality of work in the area. The initiative intends to stop or prevent the closure of businesses and promote investment by current and new firms. The underlying idea is that entrepreneurship and local investment has a positive influence on a number of other local parameters. The programme works as follows. Entrepreneurs/businesses in the zones are eligible for an investment premium of 50%. The programme is aimed at (future) entrepreneurs and owners of commercial real estate. Owners of houses (adjacent to businesses, or on top of them) are also eligible for an investment premium. Entrepreneurs or owners of commercial real estate can obtain an investment premium of 50%, with a maximum of EUR 100 000, for investment in durable equipment (excluding cars) or for the construction/renovation of commercial real estate. The minimum investment is EUR 4 000. (LEED-OECD 2008 p.106)		
Italy	Patti Territoriali (Territorial Pacts) and PITs	“Patti and PIT in Italy: the Patti – patti territoriali (territorial pacts) and PITs – progetti integrati territoriali (integrated territorial plans) have provided a framework for local partnership working in Italy, based on the model of the territorial employment pacts introduced in Europe in 1997. (Froy and Giguère 2010a p.30)	These pacts provided useful co-operation at the local level between many different stakeholders. Participants felt that they had only been able to provide effective and concrete inputs into local strategy development	Their impact on real policy integration appeared to be variable, with co-operation often remaining formal. Participants felt when it came to the implementation of projects and programmes, co-operation was at a much lower level. The local PIT also appears to have had limited impact in terms of integrating employment policy into wider regional concerns.

Italy - Province of Verona	Spatial Plan	The spatial plan of the Province of Verona is framed by the regional spatial plan of the Veneto region (PTRC Veneto, 2009), and a number of development actions are set within the European funds and initiatives. The Veneto region has approved a Strategic Document (DSR Veneto, 2006) and Operational Programmes (in particular, POR Veneto, 2007) within the European cohesion policy and the Lisbon strategy. Such documents define a territorialized financial support framework which establishes a loose connection with more stringent documents such as the ESDP, while areas within Natura 2000 programme are fully considered, as well as the results of Interreg initiatives and other experiences such as Leader and territorial development actions. The Operational Programme devotes specific attention to urban areas, rural areas, transport, cultural and natural heritage and the environmental restoration of derelict areas and contaminated land.
	Regional Planning	Regional planning, a process is now in progress, because a preliminary plan, which will replace the one in force since 1991, was elaborated in 2007 and the procedure for the final approval began early in 2009. The contents of the plan are mostly strategic, and the spatial representations are of general kind, in terms of diagrams more than maps (but landscape defence binding rules are included). There are specific references to European policies and documents, interpreting cohesion and territorial documents in a precise way, thereby defining the proposed plan as an updated strategic territorial framework for local actions for both economic development and physical organization. The cooperation goal is defined primarily with the neighbouring regions involved in the project of the macro-region of the Po-Adria Valley. The plan, once approved, will replace the current one and will have legal binding effects. This is not the only outcome, as the elaboration phase is an interactive learning process involving a number of institutional and non-institutional actors.
	Territorial Planning	Territorial planning of the Province of Verona, a preliminary report to support renovation of the existing plan was approved in December 2006 (PTCP Verona, 2006). The document is more closely concentrated on specific local issues than on strategic aspects. It defines a framework with little reference to the European policies, but recognizes the territorial role of the Province within the wider space, with particular reference to the protection and appropriate use of environmental areas with regard to Sites of Community Interest as well as the infrastructure networks which form a strategic node close to Verona. The plan is not detailed, because its purpose is mainly coordination and does not include some logistics initiatives already ongoing and, in any case, does not define, on such key interventions, a "territorial project" (Diamantini, 2007). The cooperation perspective among institutional actors is addressed, but the role and the weight of the city of Verona in the provincial territory are evident, making the document the basis for subsequent institutional coordination. (Zanon 2010 p.2064-65)
Italy - Province of Trento	Territorial Plan	The territorial plan of the Province of Trento (Piano Urbanistico Provinciale) approved in 2008 (PUP, 2008) is the third document addressing physical organization and socioeconomic development issues, after the first one of the 1960s and the second one of the 1980s. The title of the plan emphasizes that it is fully part of the "urbanism tradition" because it defines a number of aspects and contents in legally binding terms. The new plan, however, takes a new approach, more strategic than previous ones, and many issues reflect European discourses, in particular, sustainability, subsidiarity, competitiveness and territorial cooperation. A distinctive aspect of territorial planning in Trentino is that, since the first experience in the 1960s, the territory, with its weaknesses and potentialities, has been the basis for local development actions taking advantage of environmental, territorial and social capital. The current plan, which is detailed in many of its parts, does not refer to European documents and actions, apart from infrastructure networks. In particular, it includes the project for the new Brenner railroad (mainly in tunnel), but does not emphasize this as an opportunity on which to build a territorial node. By contrast, Sites of Community Interest defined by the Natura 2000 programme are included in the project as key areas in the territory's structure. (Zanon 2010 p.2065-66)

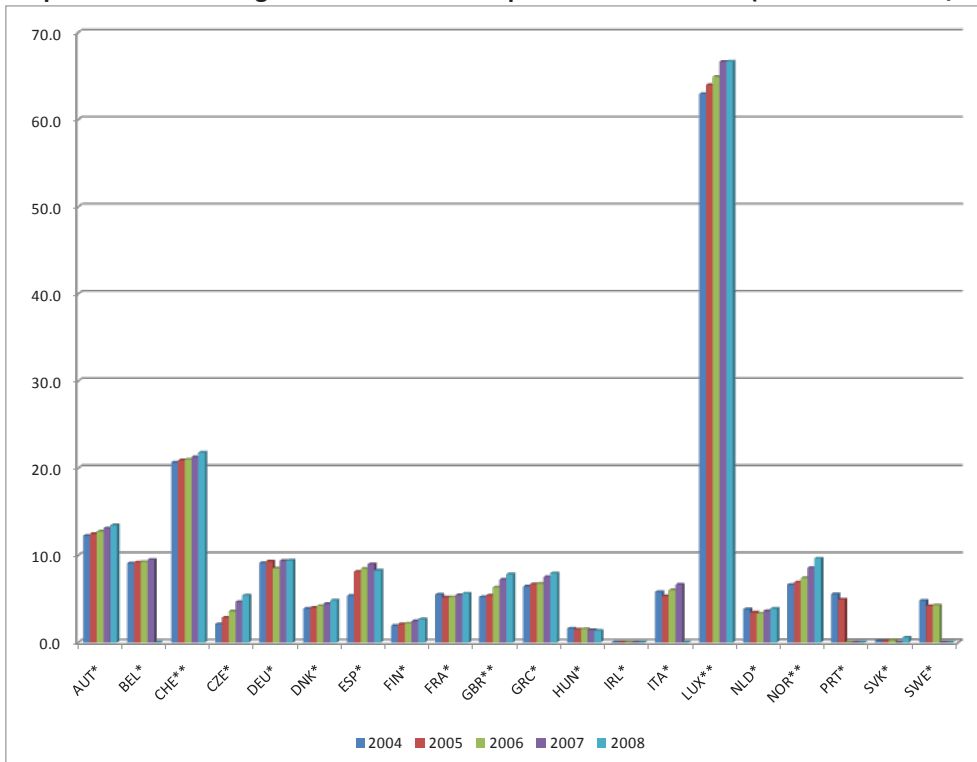
Sources: (OECD 2009c p.85-86); (Froy and Giguère 2010 pp. 30 and 88); (OECD 2008b p.106); (Zanon 2010 pp.2064-66).

Annex 3 Graphs and tables for section 3

Graph 1 Inflows of foreign workers into European OECD Countries (,000)



Graph 2 Stocks of foreign labour force in European OECD Countries (% of labour force/employment)



Both graphs 1 and 2 Sourced: OECD StatsLinks:

http://www.oecd.org/document/41/0,3746,en_2649_33931_45591593_1_1_1_1,00.html

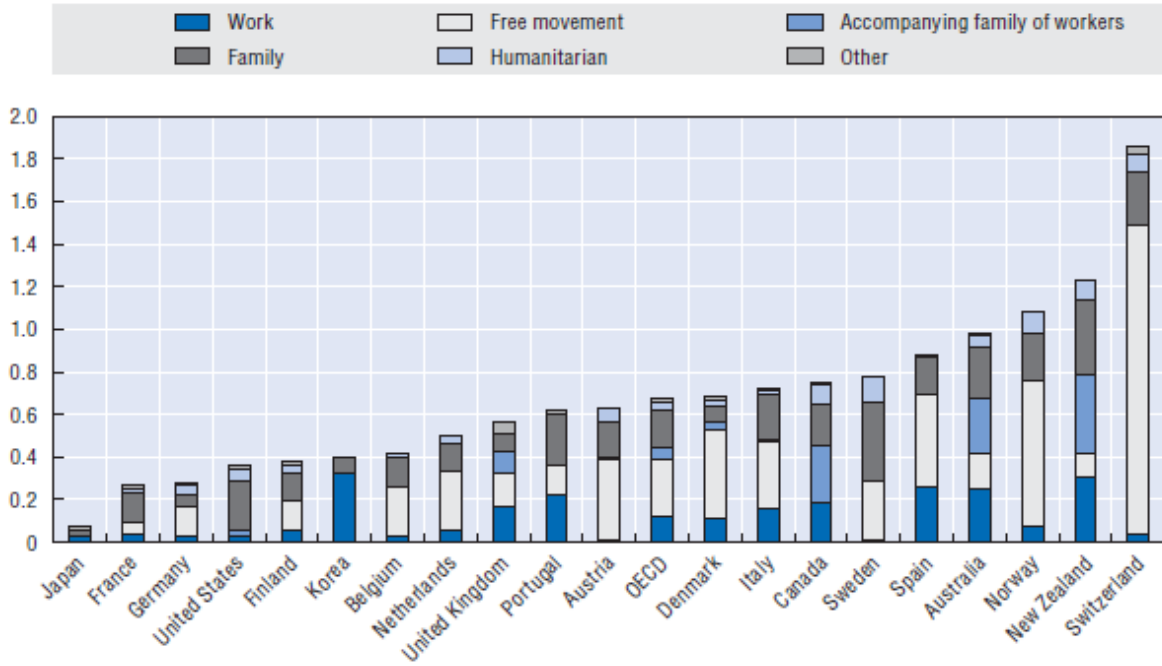
Table 1 Estimate Roma population in European countries

	European countries	Total country population*	Roma estimate**	% of total population***
Data updated: 14/09/2010	Turkey	71,892,807	2,750,000	3.83%
	Romania	22,246,862	1,850,000	8.32%
	Russian Federation	140,702,094	825,000	0.59%
	Bulgaria	7,262,675	750,000	10.33%
	Spain	46,157,822	725,000	1.57%
	Hungary	9,930,915	700,000	7.05%
	Serbia (excl. Kosovo)	7,334,935	600,000	8.18%
	Slovak Republic	5,455,407	500,000	9.17%
	France	64,057,790	400,000	0.62%
	Greece	10,722,816	265,000	2.47%
	Ukraine	45,994,287	260,000	0.57%
	United Kingdom	60,943,912	225,000	0.37%
	Czech Republic	10,220,911	200,000	1.96%
	"The former Yugoslav Republic of Macedonia"	2,061,315	197,750	9.59%
	Italy	59,619,290	140,000	0.23%
	Albania	3,619,778	115,000	3.18%
	Moldova	4,324,450	107,500	2.49%
	Germany	82,400,996	105,000	0.13%
	Portugal	10,676,910	55,000	0.52%
	Bosnia and Herzegovina	4,590,310	50,000	1.09%
	Sweden	9,276,509	42,500	0.46%
	Belarus	9,685,768	40,000	0.41%
	the Netherlands	16,645,313	40,000	0.24%
	"Kosovo"	2,542,711	37,500	1.47%
	Poland	38,500,696	37,500	0.10%
	Ireland	4,156,119	37,500	0.90%
	Croatia	4,491,543	35,000	0.78%
Switzerland	7,581,520	30,000	0.40%	
Belgium	10,414,336	30,000	0.29%	
Austria	8,205,533	25,000	0.30%	
Montenegro	678,177	20,000	2.95%	
Data updated: 03/08/2009	Latvia	2,245,423	14,500	0.65%
	Finland	5,244,749	11,000	0.21%
	Norway	4,644,457	10,100	0.22%
	Slovenia	2,007,711	8,500	0.42%
	Denmark	5,484,723	5,500	0.10%
	Lithuania	3,565,205	3,000	0.08%
	Georgia	4,630,841	2,250	0.05%
	Azerbaijan	8,177,717	2,000	0.02%
	Armenia	2,968,586	2,000	0.07%
	Cyprus	792,604	1,250	0.16%
	Estonia	1,307,605	1,250	0.10%
	Luxembourg	486,006	300	0.06%
	Totals	Total in Europe	823,950,134	11,256,900
European Union area			5,907,800	1.18%
Council of Europe area			11,179,400	1.37%

Note: * Total population as of July 2009. ** Average Roma estimate – Due to the inconclusive and variability of the actual population of Roma in European countries the Council of Europe Roma and Travellers Division sourced a minimum and maximum estimate and took the 'average Roma estimate' to calculate the percentage of total population. *** The percentage of total population was calculated from the 'average figures'.

Table developed from statistics from the Council of Europe and Travellers Division (2010)

Graph 3 Permanent-type migration by category of entry, 2008

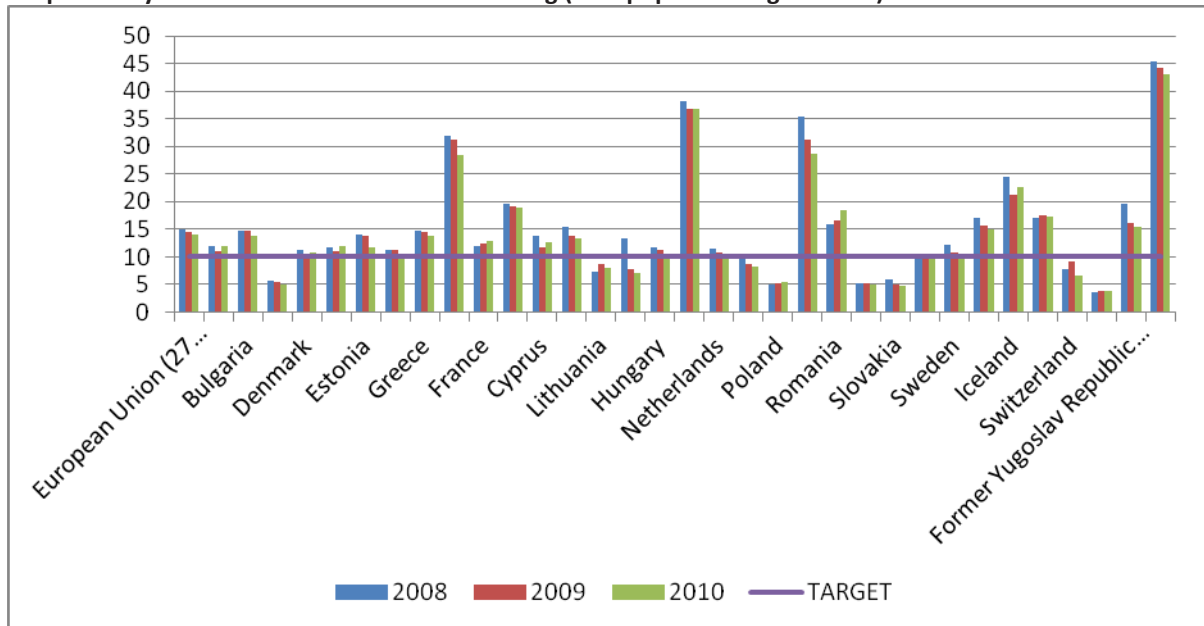


Percentage of the total population

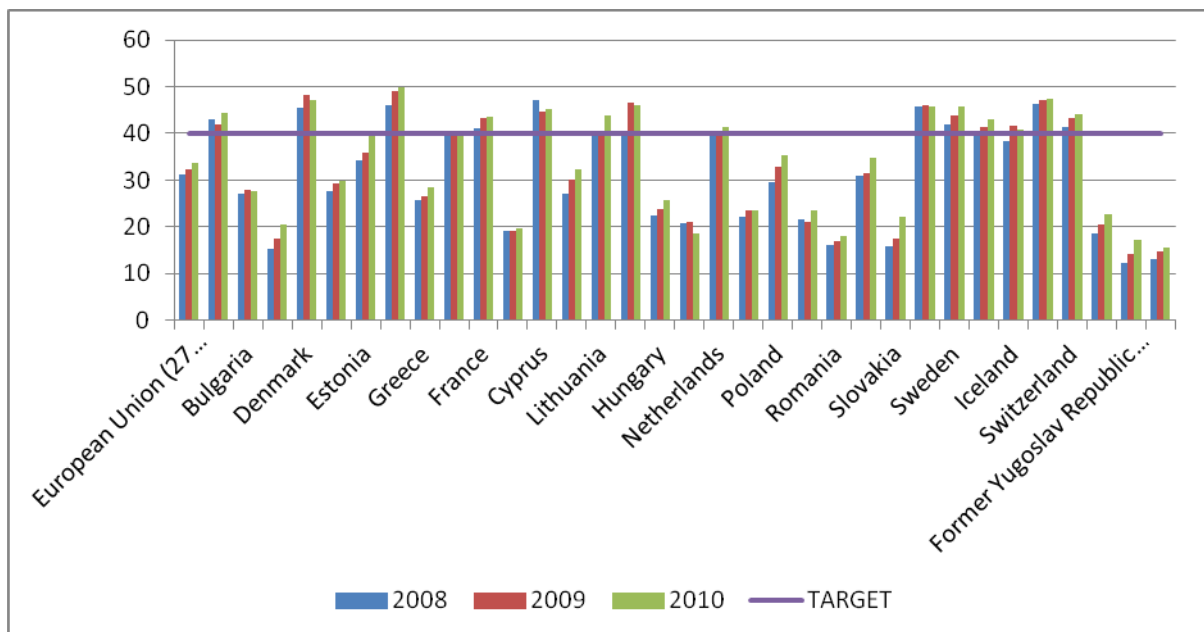
Sourced : (OECD 2010a p.30)

Annex 4 Graphs for Section 4

Graph 1 Early leavers from education and training (% of population aged 18-24)



Graph 2 Tertiary education attainments by age group 30-34 (%)



Both graphs 1 and 2 were developed using Eurostat statistics: <http://epp.eurostat.ec.europa.eu/>

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