



OECD LEED CONSIDERATIONS ON THE DOCUMENTS:

DEFINING THE OPERATIONAL PROGRAMMES 2014-2020 AND GOING FORWARD WITH THE PREPARATION OF THE CZECH REPUBLIC FOR THE EFFICIENT USE OF EUROPEAN FUNDS

AND

DEFINITION OF FUTURE OPERATIONAL PROGRAMMES: GOAL – INVESTMENTS FOR GROWTH AND EMPLOYMENT

AND

MAIN SHIFTS IN INTERVENTION FOCUS FOR 2014-2020 – TOPICS

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Foreword

In April 2012 the Ministry for Regional Development of the Czech Republic, asked the Secretariat of the OECD LEED Programme to comment on a document prepared which defined the operational programmes for the programming period 2014-2020. Three documents were received for comment: “*Defining the Operational Programmes for the Programming Period 2012-2020 and Going Forward with the Preparation of the Czech Republic with the Preparation of the Czech Republic for the Efficient Use of European Funds*”, “*Main Shifts in Intervention Focus for 2014–2020 – Topics*” and “*Definition of Future Operational Programmes*”. These documents provide a summary of the Ministry for Regional Development’s proposals for defining future Operational Programmes for the programming period 2014-2020, specifically:

- Enterprises and Innovation for Competitiveness
- Core Infrastructure
- Development of Human Resources, Education and Training
- Integrated Regional Operational Programme
- Effective Investments for Prague
- Technical Assistance

The Czech Ministry for Regional Development identified, following significant horizontal and vertical consultation process, five national development priorities. Namely,

1. Increasing the competitiveness of the economy;
2. The development of core infrastructure;
3. Improving the quality and efficiency of public administration;
4. Promoting social inclusion, the fight against poverty and the health care system; and,
5. Integrated regional development.

The *National Reform Programme of the Czech Republic* is, along with *Europe 2020*, a document that is seen as important by both the Czech Republic and the European Commission. Drawing on both of these documents, there has been attempt to ensure that, from the earliest stages, the focus of future 2014-2020 operational programmes were in compliance with the National Reform Programme.

The emphasis on the promotion of thematic concentration evident in draft EU regulations, alongside the need to ensure the presence of the conditions for the successful management of operational programmes, led the Ministry for Regional Development to develop themes to act as a set of priorities which would elaborate the relationship between the five national development priorities identified above and the priorities found in operational programmes. At the same time, these themes help to keep interventions well focused rather than becoming overly broad or vague.

To this end, eight themes have been identified. These were:

- **An effective labour market** which focuses on education, lifelong learning, improving skills, keeping people over 55 in employment, increasing employment in women with children, etc.
- **A functional research and innovation system**, including the effective management of applied research and development, linking business demands with R&D institutions, etc.

- **Competitive businesses**, namely increasing the competitiveness of the economy with an emphasis on activities not directly related to R&D, etc.
- **Mobility, accessibility, networks, energy** – completing the core communications, accessibility and sustainable transport, modern technology.
- **Effective governance and institutions**, in particular improving the quality of state and local government, transparency, judiciary.
- **Integrated regional development**, such as by strengthening the competitiveness of regions (emphasising the importance of development poles) and strengthening the territorial principle/ cohesion.
- **Fight against poverty, inclusion, health** by tackling the issues of deprived areas, the availability of social services, etc.
- **Environment**, including reducing energy intensity of the economy, buildings, resolving selected issues relating to the environment and nature protection, etc.

Underpinning the Operational Programmes, and the themes, is a greater focus upon, and taking account, of the regional dimensions of interventions. This notwithstanding, the space for larger cities and associations who seek to apply the principle of community-led development has been somewhat constrained by the complex regulatory frameworks and it is intended that there will be greater opportunities for this in the future. Nevertheless, it is clear that there is a recognition of the crucial importance of involving local communities and citizens in addressing the problems of their areas.

This document has been structured around the information on the goals of each future Operational Programme (excluding Technical Assistance) and their focus that was provided, and the main shifts in the focus of interventions planned for the 2014-2020 programme period have been incorporated into this structure. Within this framework the current OECD document draws on the work which the OECD LEED Programme¹ has undertaken over the past 30 years, as well as wider OECD knowledge, to reflect on topics connected to the documents provided by the Ministry for Regional Development.

The new (draft) regulations concerning the funding of the European Union Common Strategic Framework bring with them opportunities to reconsider and explore how to most effectively use the resources available in order to have the greatest impact. Coming at a time of continuing economic fragility globally, and with the repercussions of the difficulties in the ‘Euro zone’ extending across the European Union, the future Operational Programmes have many challenges to address if the Czech Republic is to build a successful, sustainable, inclusive economy.

1. LEED is an OECD Action Programme dedicated to the identification, analysis and dissemination of innovations in local economic and employment development. The LEED Programme offers a uniquely active approach by providing: i) continuous monitoring and assessment of current local development practices and the diffusion of related findings; ii) analysis of initiatives, strategies and partnerships between government, business and civil society with the aim of complementing public policy and supporting local economic and social development; iii) elaboration of common methodologies and analytical frameworks for carrying out reviews and studies; and, iv) a critical link both between sub-national institutions, and between the OECD and sub-national bodies.

PART I.

Introduction

The ongoing economic crisis has brought with it significant challenges: unemployment, poverty and social exclusion is being driven by declining business and consumer demand and difficulties in accessing working capital and debt finance. Accompanying this is greater pressure on welfare payments, employment advice and training and re-training services. In the initial phase of the crisis, governments, including that of the Czech Republic, adopted new approaches or amended their activities in an attempt to mitigate the worst effects of the crisis. Whilst such measures were seen as a critical element of the response to the problems which the global financial and economic crises brought, the OECD nevertheless argued in 2009 that such ‘measures taken today should be designed so that they support, or at least do not compromise, sustainable long-term growth in the future’ (OECD, 2009a). The importance of maintaining a focus on how to create an economic and social environment in which long-term growth can be sustained has not diminished.

With that in mind, it is important that the Operational Programmes for the period 2014-2020 both recognise and seek to address both short- and medium-term needs, as well as endeavouring to foster sustainable, long-term growth. Accordingly, with significant and ongoing economic fragility in evidence, the preparation of future Operational Programmes for the next programming period presents both challenges and opportunities: challenges in that many of the social and economic problems currently in evidence are likely to still be so in the first years of the new programming period, and opportunities to develop new ways of addressing such challenges and to explore different ways of building prosperous, inclusive, economically sustainable communities.

The Czech Republic, although ‘severely affected by the global downturn’ (OECD 2010a), was able to respond quickly to the crisis and the recession experienced was relatively short. Indeed, unemployment has fallen from its first quarter of 2010 high of 7.7% and has remained stable at 6.6% for the third and fourth quarters of 2011. However, there is no room for complacency. As the OECD noted in its 2011 Economic Survey of the Czech Republic ‘the recovery is less dynamic than in other economies in the region and further risks are arising from the international slowdown and sovereign debt crises’. Endeavouring to make the Czech economy more resilient and able to create and seize opportunities for growth is therefore central and European funds can support the implementation of a reform programme which seeks to do so.

Building on OECD LEED experience: key lessons

Before considering the future focus of the Operational Programmes, it is valuable to examine LEED work on key factors for successful local economic development. Drawing on its work since its inception in 1982, LEED (OECD, 2009b; 2009c) has established that four main drivers are essential for returning local economies to growth:

- **Human capital.** Localities with a pool of skilled labour will be both less harmed by the current crisis and quicker to return to growth. Human resources in a wider sense have a direct impact on the capacity of business to react to changes in the economic environment and to respond to new opportunities.

- **Entrepreneurship.** The fostering of a local entrepreneurial culture and the support of entrepreneurial activity has been shown to aid the process of growth and re-growth. Building a knowledge base and supporting local innovation systems can help harness new innovation and benefit local employment.
- **Local economic investment.** Investment strategies based on local assets allow for efficient and rapid responses to changing economic circumstances whilst pursuing long term goals to deliver growth and prosperity. Such sustainable local development is dependent upon creating the appropriate framework conditions and the availability of responsive delivery vehicles and mechanisms.
- **Social economy.** Nurturing the social economy is conducive to a locally cohesive society, where issues of exclusion are effectively tackled. Social cohesion raises the attractiveness of a given area as a location for successful businesses and contributes to the achievement of sustainable local economic growth.

Developing and sustaining each of these drivers is important not only to meet short-term needs but also in the long-term to build prosperous and successful local economies.

Human capital

Successful economies are those that have the capacity to quickly adapt to external trends and shocks. Adaptability should be considered from a number of different levels (OECD, 2009d). Whilst national governments may set the legal framework in which employers and trade unions operate, adaptability has also to happen at the level of local communities. For example, labour market agencies have to adapt to new priorities, employers and other stakeholders have to be empowered and incentivised to innovate and introduce change. In the future, the extent of adaptability in a local economy is likely to be a measure of success – the more adaptable a local economy the more likely it will be successful.

There are a number of ways governments can encourage local economies to be more adaptable, but the skill levels and employability of the workforce has to be considered a key driver. While companies and workforces are initially having to adjust to changing markets and new credit environments, in the longer term it will be those that incorporate new production processes and new ideas which are most likely to succeed. Innovative and successful companies are those that manage these adjustments quickly and effectively. Human resources in a wider sense have a direct impact on the capacity of business to react to changes in the economic environment and to respond to new opportunities. Labour market policy and vocational training can make a central contribution to this process, as the local labour pool is now one of a region's most important assets – in terms of ideas, innovations, talents, skills, specialisations, culture, methods and approaches to work.

As OECD work has highlighted, investment in human resources should always take a longer-term view with the objective of creating local skills banks that reinforce a locality's capacity to attract and retain high quality jobs. Attention must also be paid to the underlying economic structure of a given locality as a means of ensuring that the investment in skills is relevant to local needs. Furthermore, such training, re-training and skills upgrading should be seen in the context of life-long learning (OECD, 2006).

The OP Development of Human Resources, Education and Training recognises the importance of a skilled labour market and seeks to focus that through all elements of the education and training systems. However, whilst the case for better education and training systems is clear, education and training initiatives may not be sufficient in themselves.

At the same time as considering supply-side responses, attention must also be paid to the demand for skills at the local level, in order to avoid the creation of skills surpluses and raise the incentives for outward migration. This argues for more than simply effective local training programmes. Rather, what is also required is a strong focus on the demand for skills. Local agencies need to work with employers to ensure they fully use the skills available locally, so that investment in education and training yields both productivity and higher living standards, while retaining talent. Where public agencies work with local enterprises on productivity improvements by means of raising workforce capacities, it has been shown that higher quality jobs can be created and sustained.

Thus, a partnership approach is important, involving local actors as appropriate. These can include a wide spectrum of local economic and social interests, such as large enterprises, schools, trade unions and business representatives, city development boards, organisations to support entrepreneurship, local skills bodies and colleges, primary health organisations, career counselling agencies, temporary work agencies, and non-government organisations.

This new approach also requires some degree of flexibility in the management of labour market policy and vocational training, and a boost in the strategic and analytical capacities for the respective network of local public services. The Integrated Regional OP acknowledges the need to modernise the infrastructure of employment services and ensuring policy flexibility could be a component of that process.

Entrepreneurship

The OECD recognises the fundamental role of entrepreneurship in job creation and local development. LEED work has shown that those localities where entrepreneurship has failed to flourish, or where self-employment, start-ups and community businesses have had a low profile, have found it more difficult to create additional employment. Local action in support of enterprise and jobs makes a valuable contribution to local economies. While such an emphasis may not, of itself, be capable of fully replacing jobs lost through recession, a local economy failing to give suitable attention to the enterprise sector is missing out on new economic opportunities (OECD, 2009c).

At the same time, it is worth noting that public policies to support entrepreneurship are often more effective when they contain an important local component, enabling them to respond more closely to realities on the ground, and benefitting from local competitive advantages. Therefore, regional and local level institutions are in a better position to understand regional and local level needs and are more able to develop policy effectively to address them.

The OP Enterprise and Innovation for Competitiveness recognises the importance of developing infrastructure for entrepreneurship and it is important that local level institutions and potential partners, such as universities, are fully incorporated into the structures and networks to support and foster entrepreneurship. The creation of such networks also has potentially positive outcomes for innovation, as will be discussed later.

Throughout the development of the LEED Programme there has been an emphasis on small- and medium-sized enterprises (SMEs). As many large-scale, traditional industries have diminished in their importance as a result of structural changes, the SME sector has gained in prominence, first in terms of its scope for job creation and innovation, and second as a target for deliberate policy measures at both national and local levels. SMEs have been especially successful in the emergence of new service industries and many high technology industries and can also play a critical role in the transition to a low-carbon economy (OP Enterprise and Innovation for Competitiveness).

It is central to LEED's work that the appropriate policies and actions to support and develop SMEs is a prerequisite for successful local economic development. Localities similarly need to have in place a number of essential building blocks for the success of their local business communities. This ranges from good quality business premises to strong financing mechanisms.

The OP Enterprise and Innovation for Competitiveness positively acknowledges the important role, both real and potential, of SMEs, particularly with regard to the development of a knowledge based economy, and identifies important elements of the infrastructure of support they require as elements for implementation. Such a recognition, both of the needs for entrepreneurship and of SMES, can make a positive contribution to fulfilling the goals of the Operational Programme.

Local economic investment

Local economic development operates both within governmental spheres and within markets, where the final customer might be one of many at the start, and where factors well outside the control of local and other sub-national governments impact upon the outcome.

Furthermore, economic development processes happen within a wider geographical space than local government (according to LEED it is at a level corresponding to local labour markets or travel-to-work areas that policy approaches can best contribute to job creation, progression and accessibility, therefore enhancing economic and social outcomes), and in some cases at a larger scale than regional or even national governments, which implies that substantial inter-government co-operation and effective partnership working are required. Given these factors, it is highly desirable that economic development is orchestrated as:

- A partnership activity between public, private, and institutional sectors, with substantial vertical and horizontal collaboration on the public sector side;
- A long-term effort that will also produce important milestones within short time spans; and,
- An activity that is stakeholder and investor facing and utilises appropriate organisational vehicles to deliver this (such as development agencies/corporations).

Successful local development involves achieving a high investment/high return equilibrium, just as much as it does for the most successful businesses. Success in the open knowledge driven global economy requires places to be truly distinctive, appealing and productive. Just as firms must innovate and invest to succeed, localities have to adjust, reinvent, and differentiate themselves. They have to change the old patterns of land and resource use, and connect assets with opportunities in new ways and over new spaces. They must modernise infrastructure and build up human capital. This can have positive impacts on entrepreneurship, innovation, skills, and other factors of growth. But this involves adjustment costs, in the form of investment to re-engineer the locality for the new economic functions and flows that it must facilitate.

Despite differences in financing tools between localities, two basic forms of innovation are emerging.

- i) There is a continued push by commercial intermediaries and investment institutions to create non-governmental approaches which define and develop new localised investment markets where there is confidence that good returns might be made.

- ii) Within government at various tiers, there are efforts to innovate with public finance in ways which will make it more flexible and sensitive to commercial thresholds, and thus leverage private investment more effectively.

Financing local development is not simply a question of finding the public money required to invest in a local productive base, or wider economic development opportunities. How local development is financed plays a key part in defining what the goals of local development may be, and the extent to which the outcomes will be sustainable in both financial and economic terms. Financing local development involves both public and private finance, including philanthropic financing, and the mix of these varies very broadly over the OECD countries.

Local development has turned a corner in recent years and has gradually moved into the main stream of thinking about how countries, regions, counties and localities can become more productive, create more wealth and jobs, foster new and growing firms, build human capital, and improve incomes at the local level. Indeed, the important role played by regional and local government in the area of territorial development has been clearly recognised in the Integrated Regional OP, and the wider focus of the Czech government on incorporating a territorial dimension into the future operational programmes, alongside the need to ensure effective co-ordination.

Social economy

Comprising co-operatives, associations, mutual organisations, social enterprises, the social economy is engaged in not-for-profit activities for the production of goods or services targeted at their members or offering services of general benefit. Indeed, the purpose of social economy organisations is to bring about social change in order to improve the well-being of the citizens (OECD, 2009e). Research has also shown that social economy enterprises and organisations help to strengthen the entrepreneurial spirit, facilitate better democratic functioning of the business world, incorporate social responsibility and promote the active social integration of vulnerable categories (OECD, 2007a; 2009e). Their features qualify social economy organisations to be economic actors pursuing ‘local sustainability’ and, as a consequence, as having a significant role in fostering social inclusion.

The potential contribution the social economy can make has been further acknowledged with the European Union’s ‘Social Business Initiative’ launched in 2011. The European Union argues that given the focus of social economy organisations on the generation of positive social, environmental and or community impacts can contribute to fulfilling the European Union’s 2020 Objectives. In particular, social economy organisations:

- “Generating sustainable jobs and facilitating social and work integration, improving the quality of social and healthcare etc. (thus contributing to inclusive growth)
- Introducing efficient ways to reduce emissions and waste, and to use natural resources and energy more efficiently (thus contributing to sustainable growth)
- Focussing on innovation and the participatory use of the internet (thus contributing to smart growth).” (European Commission Press Release, 25/10/2011).

These areas cut across a number of areas of proposed activities in the future Operating Programmes. There is an explicit recognition in the Integrated Regional OP of the need to support bodies providing local services which can contribute to local job creation, such as social enterprises, however the role of the social economy in fostering social inclusion can also contribute to meeting the goals of the OP Development of Human Resources, Education and Training.

At the same time, the potential of social economy to other areas, such as the increasing the quality of life in towns, improving the environment and health care (Integrated Regional OP), the need to increase the use of renewable energy resources (OP Enterprise and Innovation for Competitiveness) should not be overlooked. These are all areas where the social economy has consistently played an important role.

A recent example of a social economy organisation addressing the green economy agenda can be found in the UK where the Whitby Esk Energy project, led by local community organisation Esk Valley Community Energy Group, is installing to install an Archimedes screw-based hydroelectric power turbine on the River Esk at Ruswarp, near Whitby, North Yorkshire. The aim is to help make the community more energy efficient and use a renewable energy source, whilst the net earnings from the project will be re-distributed back into the local community.

Recognising the diversity of the social economy, and the breadth of areas in which it does, and could potentially, function is crucial if it is to receive the support necessary for it to flourish. Such support includes legal and fiscal frameworks which support the development and sustainability of the social economy and the provision of appropriate infrastructure, such as incubators, training, etc. that acknowledges the specific double or triple bottom lines of social economy organisations. Building knowledge and understanding of the social economy amongst public and private sector actors is also important (OECD, 2007a).

A key level for determining outcomes and what the future will look like

LEED work since 1982 has played a major part in establishing and gaining acceptance for the notion that local action, local policy flexibility and new forms of local governance in economic development are both desirable and essential as one element in meeting the challenges of economic crisis. While local action alone is not capable of solving acute local employment difficulties, it is clear that the resolution of such difficulties is harder in the absence of a local approach.

The importance of localities has been recognised in the European Commission's (2012) proposed provisions for 'Common Strategic Funds'. Indeed, the European Union emphasises the way in which local economic development strategies should be implemented by local action groups who represent the interests of the community. Such action groups should be composed of public and private actors, with no single group dominant. The message of partnership working, so central too much of LEED's work throughout its 30 years, is being firmly embedded in these approach.

Just as local initiative and entrepreneurial spirit are required locally, national policies also need to be made more adaptable to local priorities. For example, there are increasingly diverse patterns of employment and unemployment between regional or local labour markets and it is important that these be taken into account in supplying employment services and implementing programmes, so as to enhance their effectiveness and help make local markets more flexible, more fluid and more active. The central point is that government policy cannot reasonably be expected to be effective on the principle of 'one size fits all', particularly when targeted responses are required quickly to tackle local problems and issues. To be effective, policy and action programmes must be co-ordinated and designed, in part, locally in a way that reflects and meets local needs. Whilst the current proposals only sees the space opening up for community-led development in future interventions due to the perceived complexity of the regulatory framework, it is important, nevertheless, that partnerships play a key role in the design and delivery of programmes and strategies.

Conclusion

It is worth concluding with two of LEED's principle messages: firstly, that investment in skills upgrading is crucial to future long term prosperity, and secondly that local stakeholders need to be investing their attention into both the supply and the demand side of local labour markets through improving work organisation and human resources management, spreading innovation and promoting technological transfer. Many of these elements are evident in the proposed future operational programmes, and there is the potential to embed them in other aims, such as the transition to a low-carbon economy.

'Quality' job creation – a theme central to LEED's work since its inception – is of the utmost importance, including in relation to stimulating entrepreneurship. The new green economy will also provide both a useful and necessary opportunity for public investment in jobs at the local level, with new jobs being created as the public sector invests in green jobs which ultimately will be provided by the market as new green sectors strengthen and mature. Support for entrepreneurship and innovation, as well as eco-energy programmes, are therefore important areas of activity which are in evidence in the proposed OP Enterprise and Innovation for Competitiveness and that intersect with other Operational Programmes such as OP Development of Human Resources, Education and Training and Integrated Regional OP.

What is clear is that returning local economies to prosperity, meeting the Czech Republic's goal of being one of the 20 most competitive economies in the world by 2020, as well as meeting the Europe 2020 agenda, will require an integrated approach not only horizontally, but also vertically, and there will be a need to involve a wide breadth of different actors from the economic development, labour market and social policy fields, and from the public, private and civil society sectors. It is only with such integration, and meaningful partnership working, that the ambitious goals that the Czech Republic has set itself can be within reach.

PART II. CONSIDERATIONS ON INDIVIDUAL OPERATIONAL PROGRAMMES

The key issues and themes identified within the proposed Operational Programmes, and wide-ranging reform agenda in the Czech Republic, have been broadly identified by recent OECD and IMF analysis as important areas to be addressed. The OECD's 2011 Economic Survey emphasised challenges in strengthening the fiscal policy framework, improving the healthcare system, building on changes to the pension system and in addressing the Czech Republic's energy/carbon-intensive economy, as well as the importance of continuing with on-going reforms that will contribute to maintaining and increasing medium-term economic growth. In particular, the OECD 2011 Economy Survey emphasised that whilst much had been achieved in, for example, the areas of increasing labour market flexibility and making the tax structure more growth and employment friendly, there remained still much to be done in improving the business environment, supporting innovation and the adoption of new technology, and in the area of education reform to promote human capital development. Issues, both new and reinforced, are clearly embedded within the proposed future Operational Programmes.

The goals and key elements of each of the operational programmes provided are now considered in greater detail.

OP Enterprise and Innovation for Competitiveness

The goal of this Operational Programme, to support entrepreneurship and innovation, is central to the wider ambition of the Czech Republic, namely to make it one of the twenty most competitive global economies by 2020. Competitiveness is a critical aspect of local economic development as it enables regions to participate successfully in the global economy. Regions which are not competitive are likely to see firm closures, job losses, emigration and limited resources to re-orientate their economies. A region populated with competitive and innovative firms will prosper and offer its local population secure and sustainable employment, freeing up resources and increasing the tax base which in turn can be used for infrastructure investment or project development. Such investment, particularly in the field of human capital, can be an attractive pull factor for companies to locate there and also encourage potential entrepreneurs to go into business. This will further strengthen a region's capacity to compete in the global economy, to develop its resources and to provide residents with a high quality of life (OECD, 2004).

Therefore, measures which seek to foster competitiveness, both now as part of the response to the crisis, as well as in the longer term, are of the utmost importance. Levels of competitiveness will play a critical role in determining the ability of localities and regions to recover, as well as the speed of that recovery, from the problems that have emerged, and are emerging, as a result of the ongoing economic difficulties. The elements that contribute to competitiveness are varied, but supporting entrepreneurship and fostering innovation, and research and development, as well as considering energy usage and efficiency, are all important components.

The importance of entrepreneurship, small and medium sized enterprises and innovation to economic growth and job creation is widely recognised. Indeed, it is well documented by the international literature that the SME sector is the largest provider of employment in most OECD countries, especially for new jobs. Indeed, such is the importance of enhancing their competitiveness that *ex ante* conditionality for

funding includes the requirement for specific actions to have been undertaken for the effective implementation of the Small Business Act.

The creation of an entrepreneurial culture and the provision of appropriate support structures for entrepreneurs at all stages of their life-cycle is therefore of the utmost importance and is something which the Operational Programme has recognised with its proposed activities.

Providing the right infrastructure to support entrepreneurship, such as business incubators, can add value far beyond its actual worth in changing attitudes towards entrepreneurship, building alliances among local leaders to develop coherent policies for economic growth, fostering a better climate for small business (OECD, 2009c). However, providing good quality buildings is a success factor for a business incubator, but is not the sole factor. Capacity building and services are also fundamental.

Formapaper, the training agency of the Milan Chamber of Commerce, Industry, Craft and Agriculture aims to provide sustainable economic and social development through the provision of high-quality training and consulting services. Formapaper 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 and SME development agency staff.
- Public administration. (OECD, 2010c)

At the same time it is important to consider the development of an entrepreneurial culture, and here links with the OP Development of Human Resources, Education and Training can be built. As Scotland's 'Determined to Succeed' entrepreneurship education strategy demonstrates, entrepreneurship skills can be inculcated from an early stage (OECD 2010b) and should also be built into higher education. At the Cambridge Centre for Entrepreneurial Learning (CfEL), the focus is on promoting entrepreneurial culture at the University and to spread the entrepreneurial spirit amongst students through the development of entrepreneurial skills, attitudes and behaviours (Hofer *et al.* 2010).

Attention on entrepreneurship development brings with it, automatically, the recognition of the importance of innovation to long-term economic growth, even more so in a recovery period after a global economic and financial crisis (OECD, 2009f). Support for innovation requires the development of interlinked actions across policy areas, such as education, investment, science and technology, labour markets and trade. Accordingly, there is a need to ensure that innovation crosses Operational Programme 'boundaries', and indeed it is noted that in the OP Development of Human Resources, Education and Training there is an explicit focus upon it, alongside entrepreneurship.

In 2007 the OECD was asked by member countries to develop a strategy to strengthen the contribution of innovation to key economic and social objectives. A broad range of research and analysis have been led by the OECD and policy recommendations have since been developed. A specific section of the *OECD Innovation Strategy: Innovation to strengthen growth and address global and social challenges*

(2010d) asserts that ‘although business funds a greater share of global R&D in comparison to government, public support for longer-term fundamental research in universities and public research organisations remains critical’.

According to the OECD, the development of new scientific and technological knowledge that can lead to innovations is fundamental for enhancing competitiveness and growth at national and local level and support mechanisms to commercialise those innovations should be considered by governments. This can happen through the creation of research spinoffs, as is supported by the German example ‘SPiNOFF’ or through building relationships between business and universities, as in the case of ‘Knowledge Transfer Partnerships’ (UK), which facilitates knowledge transfer and, indirectly, the commercialisation of research. Both examples are rooted in the acknowledged propensity for effective knowledge and technology transfer to be closely related to the interest and readiness of companies to collaborate with knowledge generators, such as universities and research institutions (OECD, 2010b).

SPiNOFF was a 1996 initiative of the Forschungsverbund MV e.V. FMV (Research Partnership Mecklenburg Vorpommern) which sought to build the interdisciplinary skills needed for researchers to co-operative with the industrial sector. SPiNOFF now acts as a one-stop-shop for technology transfer and technology oriented business start-ups by graduates and researchers in a range of fields, including ICT, medical technology and mechanical and electrical engineering. With business support and coaching available, alongside a range of other activities, SPiNOFF is a good example of the way in which scientific and technical knowledge can be supported in its commercialisation (universities, innovation and entrepreneurship book).

Knowledge Transfer Partnerships involve a graduate working on a project that has been identified as strategically important for a company. Jointly supervised by the company and the university, the graduate works for the company for between one and three years to implement the project. Central to the Knowledge Transfer Partnerships are the links between universities and business, where businesses can benefit from the expertise of university staff and its application to a specific challenge. Such partnerships can be of great benefit to SMEs who may lack the resources to undertake such work but who can, through the government sponsored programme and some contribution from them, leverage external knowledge and skills. (Hofer *et al.* 2010).

Whilst the resource limitations that SMEs have which may hinder their ability to develop or readily access research and development knowledge and innovation transfer, there are also other factors that impact negatively on their research and development activities, including a lack of understanding of the need for research and development, as well as rivalry and competition amongst firms who may have been co-operating (Proto *et al.* 2012). Accordingly, putting in place mechanisms and instruments to help support SMEs and to move towards more ‘entrepreneurial’ attitudes and greater motivations to expand and to innovate current activities will need to take into account demographic variables, personal characteristics, values and beliefs.

Knowledge networks are one potential tool. Highlighting the way in which networks can contribute to wide-ranging goals, LEED work undertaken in the Autonomous Province of Trento, Italy, and Magdeburg, Germany, demonstrated the importance of knowledge networks to entrepreneurship and the dissemination of innovation. The Association for Economic Services of Magdeburg is a service provided by the city to companies in the region who are in the identified priority sectors (mechanical and systems engineering, healthcare, and environmental technology and recycling management). The Association seeks to: “match suitable partners together; facilitate the implementation of co-operation agreements and projects and strengthen the competitiveness of enterprises” (Proto *et al.* 2012). Specialised, innovative infrastructure facilities are also available to firms and institutions within each of the priority areas.

Clusters can also provide an appropriate framework through which to stimulate knowledge flows (OECD, 2010b) something which the Operational Programme foresees as an area for development.

OECD analysis has also highlighted the way in which more targeted measures on innovation-oriented SMEs is required, alongside comprehensive efforts to bolster support for the early stages (*i.e.* pre-seed, seed and start-up) of SMEs, which are marked by negative cash flows and untried business models' (OECD, 2006b). The OECD innovation strategy document states very clearly that 'seed capital and start-up financing such as business angel funds play a key role in enabling entrepreneurial individuals to turn new ideas into new products. Having access to these sources can provide more than just funding – they also help start-ups to develop as businesses, providing advice and potentially on-the-ground management expertise' (OECD, 2010d). What is clear is the need to put together an holistic approach that supports all elements of entrepreneurship and innovation across the life cycle of a firm.

Recent LEED research (OECD, 2009i) reports that some regions in eastern Germany achieved good results in raising the innovation potential and readiness of local firms through the participation of company managers and staff in training and further education, suggesting the potential to ensure strong links with the life-long learning and skills development agenda of the OP Development of Human Resources, Education and Training. It should be acknowledged that universities and research institutes are, however, not the usual interlocutors of firms. Even high-technology and growth companies often direct, in the first place, a request for support or interaction to the Chambers of Commerce and business associations. Accordingly, ensuring that key local and regional actors are fully incorporated into the delivery of programmes under the Operational Programmes is important in ensuring potential relationships and synergies are not lost.

The OP Enterprise and Innovation for Competitiveness foresees support for building new and spreading existing research and development and improving the existing infrastructure and regions in the Czech Republic could develop strategies for focusing on specific sectors and leveraging EU resources. Specific technology incubators could assist the Czech regions to augment the existing local knowledge economy by: linking universities to businesses and product production; creating an environment friendly to technology entrepreneurship; being a hub for the commercialisation of university research; and, supporting potential high growth start-ups in the areas identified in the Operational Programme, as well as in the transition to a low-carbon economy.

The need to reduce the energy intensity of the Czech economy has been acknowledged, and the Operational Programme foresees not only modernisation but also the use of renewable energy sources and secondary raw material. The OECD has recognised the importance of developing the 'green economy' and believes that the current economic crisis provides an opportunity to focus measures into that area. Indeed, recent OECD analysis shows that ambitious policy action to address climate change makes economic sense, and that delaying action could be costly. This is not to suggest that such a shift will not bring with it challenges, including job losses and job restructuring, but it will also bring opportunities, including the creation of jobs (Miranda and Larcombe, 2012).

Dealing effectively with many environmental challenges will require investment in innovative energy-efficient buildings and transport systems, alternative energy supplies and 'smart' electricity grids, pollution control, as well as investments in environmental infrastructures (OECD, 2009f). Actions, such as these, are foreseen in the OP Enterprises and Innovation for Competitiveness, OP Core Infrastructure and Integrated Regional OP.

As sustainability becomes central to the business strategy, there will be an increasing demand for green skills. While the green economy will continue to expand, the business sector may suffer from labour shortage of qualified employees, ranging from low-skill, entry level positions (e.g. machinists) with more

vocational profiles, to high-skilled higher-paid jobs (e.g. engineers). Moreover, enterprises may need to transform their business activity to meet greener demands, leading to adjustments in the profiles of their employees and providers, therefore widening the gap between the demand and supply of skills, products and services in the market (OECD, 2010e). Thus, there is the potential to utilise training opportunities to enable people who are qualified workers in the manufacturing sphere (the target of the proposed amendment) but are short-term unemployed to adjust their skills in an area of growing importance.

If the benefits of the transition to a low-carbon economy are to be seized it will be vital that there is a close co-ordination of the demand and supply for labour is crucial to a successful move to a low-carbon economy. This requires a sound understanding of the labour market, grounded in the collection and analysis of data, as well as the involvement of public, private and social partners. Where such involvement is well founded, OECD work has noted that the quality of jobs is enhanced (Miranda and Larcombe, 2012). Putting in place measures to facilitate this knowledge is therefore of great importance and could form part of the modernisation of public administration agenda in OP Development of Human Resources, Education and Training.

Integrating initiatives that move towards a green-economy with wider local economic development is also important. This can take many forms, from supporting enterprises 'seeking to enhance competitiveness in high growth green economy industries' (Miranda and Larcombe, 2012) to overcoming information asymmetries, particularly amongst SMEs who lack the necessary skills and resources to identify potential opportunities.

Recent work by the OECD also emphasised the way in which an effective strategy for green growth is based on factors including: the identification of potential green clusters and the implementations of strategies that build on local assets, investment in green infrastructure, fostering creativity and innovation through collaborations among universities and research institutions, venture capital and other investors, innovators and government, and the integration of demand driven workforce development with green economic development policies (Miranda and Larcombe, 2012). Accordingly, ensuring that the transition to a low-carbon economy is fully incorporated into other dimensions of the Operational Programme, such as those on entrepreneurship, innovation and research and development will be of value.

The goals of the Operational Programme are ambitious and they demand significant co-ordination both with other Operational Programmes and also horizontally and vertically with relevant actors. Nevertheless, the Operational Programme has the potential to help the Czech Republic to reach its goals and to contribute to the development of a sustainable, prosperous economy.

OP Core Infrastructure

The OECD Futures Project on Global Infrastructure Needs (2007) emphasised the importance of infrastructure to the economic and social well-being of people, and the quality of the environments in which they live. Taking a long-view (2020-2030) the OECD highlighted not only the challenges around the investment gap to meet future infrastructure needs that are evidence in member countries, but also the long-term challenges presented by demographic change, environmental factors, technological progress, the trend towards decentralisation and local public involvement, as well as the growing need for infrastructure to be upgraded.

Such challenges cannot easily be met in a single Operational Programming period. However, the focus on the modernisation and development of transport systems, alongside water and waste systems and a wider consideration of the environmental revitalisation of waterways and flood protection measures, within the Operational Programme is an indication that the Czech Republic has recognised the importance of its infrastructure to its wider economic and social objectives.

There is the potential to build strong links between this Operational Programme and activities undertaken in others, such as those linked to tourism (Integrated Regional OP) and reducing the energy intensity of the economy (OP Enterprise and Innovation for Competitiveness). Embedding a transition to a low-carbon/green economy across Operational Programmes has the potential to strengthen the overall outcomes by ensuring greater co-ordination.

OP Development of Human Resources, Education and Training

The focus within this operational programme of ensuring the Czech Republic has sustainable, long-term competitiveness driven, in part, by the presence of an effective labour market is clearly of the utmost importance both in addressing short-term needs and putting in place the framework for sustainable, long-term growth and prosperity. As the OECD (2009d) argued: ‘the most competitive local labour force will be one that has the generic skills required to adapt to change as it occurs and keep pace with new economic opportunities.’

Building a skilled and adaptable labour pool and increasing the number of quality jobs are two key national objectives for the Czech government. This includes a strong regional approach in aiming to make the best out of strong local economies and allowing weaker regions to catch up (and this will be important in relation to both the desire to reduce regional disparities – OP Integrated Regional Development and the potential for Prague to continue in its dominant role given the focus of OP Prague: Growth Pole of the Czech Republic.)

However, the path towards effective skills development is not necessarily an easy one. A detailed understanding of the skills supply and demand in a locality, the so-called ‘skills ecology’, is crucial in order to ensure interventions are appropriately balanced. At the same time, it is necessary to consider the medium- and long-term: What sectors will be dominant in the future? What types of skills will be required? Identifying and analysing such information can be difficult, but it is important to assess what is available in order that it can feed into priority setting and associated planning (OECD, 2009b).

Central to any successful approach to improving skills is the need to work in partnership with a wide-range of public and private actors, as well as the social economy. Sharing information, identifying needs and planning appropriate responses, as well as ensuring the effective utilisation of resources will all emanate from such relationships. However, there is also the potential for them to help encourage employers to think about their long-term needs, not only to identify their immediate needs, and to improve the quality of skills utilisation (OECD, 2009b).

Finally, there is the need to anticipate change and to ensure skills strategies reflect the potential shifts that may occur. Accordingly, as has already been noted, the goal of reducing the energy intensity of the Czech economy suggests the potential for green economic growth and there will be significant skills needs associated with such a shift. Ensuring strong links between Operational Programmes is therefore important. Whilst this Operational Programme already has links with the OP Enterprises and Innovation for Competitiveness, such as that of building human resources around research and development, all potential links should be identified and explicitly drawn out. This will enhance the search for greater competitiveness and ensure that the skills needs of new areas of activity are met.

It is important to note that training provision needs to address a multiplicity of needs: from those of the un- or low-skilled to up-skilling of those already in employment. In that sense, life-long learning has to open up education and training systems to those who may not readily have access to them, such as the long-term unemployed, whilst it also needs to be accessible to those who have heavy workloads or family/caring responsibilities. Employed people require training which is both intensive, adaptable to employer needs (when provided in working hours) or available outside working hours and ensuring that

such training relevant and readily available is important (2009g). Some localities have used incentives and subsidies to support the development of customised training, or seed funding has been used to encourage companies to work together more effectively in meeting training needs through the pooling of provision. Such pooling can include large and small companies, and it is also particularly useful for SMEs (OECD, 2009b).

An integral part of any skills strategy must be to increasing the employability of those who are, or are at risk of, social exclusion is important not only as they are a latent economic resource, but also for wider social cohesion and the benefits such cohesion brings to territories. OECD work has highlighted that the needs of such people are not necessarily well-met by the private sector (OECD, 2009b). Indeed, the same finding also applies to some low-skilled workers who are in employment. For such people, it is important to ensure that accessible training opportunities are provided and that suitable outreach activities are undertaken if necessary.

Previous OECD work has highlighted the value of the social economy in working with disadvantaged and vulnerable groups, particularly those who are hard to reach or reluctant to engage with government agencies (OECD, 2007a). Social economy actors have an important role to play in the area of work integration and can provide training and support as individual's transition to the open labour market.

The social economy, a focus in the Integrated Regional OP, has been an actor of long-standing in facilitating work integration activities. Through the provision of training, alongside 'soft skills' such as confidence building, work integration social enterprises have demonstrated their ability to assist disadvantaged people back into employment. A Slovenian example, the ŠENT Association, demonstrates the complex ways in which social enterprises can support people back into work. Its aim is to assist the social inclusion of people with mental health problems and it has a wide range of activities to assist their rehabilitation and facilitate their social inclusion in the labour market. Its programmes of activities include: health and social care, education, consultancy, public relations about mental health, and work integration (Spear *et al.*, 2010).

Whilst the focus on addressing the employability of those who are, or who are at risk of, social exclusion, is clearly of great importance, it is also important not to overlook the needs of people who may not be able to participate in the labour market. The elderly and the disabled, for example, face significant risks of social exclusion. Ensuring that the needs of the most vulnerable are met is also important, and this links to the goals of the Integrated Regional Operational Programme.

Integrated Regional Operational Programme

The Operational Programme has a number of key foci elements of which have already been discussed in relation to other Operational Programmes.

The importance of addressing healthcare challenges has been highlighted in the OECD 2011 Economic Survey of the Czech Republic. Seeking to link health and social care is an important element of the Operational Programme and has the potential to create synergies with other parts of Operational Programmes and across other programmes. Poor health can contribute to social exclusion and implementing preventative health programmes can contribute both to the social inclusion agenda as well as enable people to participate fully in the labour market.

At the same time, the focus on the development of social enterprises, and specifically those that create jobs, in this Operational Programme can be accompanied by supporting social enterprises to contribute to the provision of social and care services. There are many examples internationally of social enterprises providing services from child care to elder care that facilitate the participation of women in the labour

market (OP Development of Human Resources, Education and Training) and also meet important social needs.

Nor should the role of the social economy in facilitating and encouraging volunteering be overlooked. One of the less tangible strengths and contributions of the social economy has been the way in which its utilisation of volunteers has contributed to the creation of social capital and trust within communities, and therefore greater social cohesion.

What is clear, is the importance of identifying the synergies across Operational Programmes and building strong links in order to ensure such synergies are fully exploited has the potential to create greater positive outcomes.

Tourism is a potential growth sector and therefore it is important to put in place appropriate policies and strategies. It is important to recognise that such strategies should acknowledge the horizontal and vertical linkages within an economy that are occasioned by the tourism sector. Accordingly, what the proposal to improve the co-ordination of policy, data collection and the marketing of the Czech Republic destination, there is also the potential to link this element of the Operational Programme to others, such as the OP Development of Human Resources, Education and Training and OP Core Infrastructure.

Elements such as improving the environment, revitalising water courses and enhancing transport all contribute to both facilitating and attracting tourism. Putting in place appropriate training mechanisms is an important element of creating a successful tourism sector. One such example is the National Skills Academy for Hospitality which was established in England in 2008, backed by leading sector employers, with the remit to identify, endorse and promote qualifications and learning opportunities delivered to national standards. The Academy's mission is principally to develop a brand which is universally trusted as the benchmark for excellence in hospitality training. Delivery takes place in local universities, colleges of further education, employer businesses and dedicated hospitality schools. The role of the Academy is also to:

- focus on the areas related to management and leadership, customer service and craft skills
- which are central to addressing the industry challenges;
- innovate and provide franchise solutions (to training and skills development); and,
- ensure that funding is available where needed to support excellence in hospitality training (McCallum *et al.* 2012).

With regard to the goal of reducing regional disparities, and the role tourism can play, it is also of value to consider in what ways tourism can be enhanced in less well-performing regions. It is important to orientate policy in this sector around four key approaches: sustainability, out of season tourism, internationalisation and promotion of different tourisms. This approach will highlight the unique features and qualities of the region. These goals should be achieved through specific actions and activities enhancing the attractiveness of the territory for tourists and visitors.

An excellent example of this alternative is the use of peripheral rural areas in New York for wine tourism, as seen in the Finger Lakes Wine Trail in New York State. This strategy leverages wine tourism into a broader, regional effort to sustain small-scale agricultural operations and increase processing capacity (as well as increasing value-added production) while preserving the rural landscape. Since the wine trial approach began in the mid-1970s, the number of wineries in New York has grown from 9 in 1976 to 212 in 2006. More recent numbers indicate that the Finger Lakes Region alone boasted 107

wineries in 2009 and one million people now visit the wine trail every year. In addition to creating a market for small scale producers, the wine trail has stabilised agricultural land values, increased revenue for complementary tourism-related sectors (such as restaurants, hotels and taxi and travel services, etc.). Employment in the wine and grape industry alone is estimated at 36 000. The economic contribution of the industry to the state is estimated at USD 6 billion (OECD, 2010c).

A local focus is important also for tourism. Localities need to focus on their own specific strengths. Recognising these strengths, rather than simply trying to ‘copy’ or ‘import’ successes in other areas, is an important element of developing successful tourism.

The improvement of competitiveness in tourism depends on a complex mix of internal and external factors. Enhancing the competitiveness of small tourism enterprises is one of them. The most significant units of supply in most locations are SMEs and, often, micro enterprises. Tourism SMEs are also significant for their economic development potential. For example, a flourishing visitor economy creates opportunities for new enterprise creation. This is important because in some, notably rural, localities there is little prospect of alternative forms of investment. Moreover, tourism SMEs can also be a source of innovation and help shape destination development (OECD, 2007b).

Running across this Operational Programme, and indeed, across nearly all of the proposed Operational Programmes, is the focus on modernising public service administration and provision. Such processes are a key part of what has been labelled ‘social innovation’. LEED work on social innovation highlights the benefits which flow from developing innovative approaches to addressing the welfare of individuals and consumers, including fulfilling unmet needs, enhancing social inclusion, increasing unemployment and fostering local economic development (OECD, 2010b).

Such is its potential that social innovation is an area which is receiving growing attention from governments internationally. In the United Kingdom, NESTA, the National Endowment for Science, Technology and the Arts, a non-departmental public body, includes in its activities work on social innovation through ‘The Lab’. The Lab is a concept rather than a physical space, which includes projects aimed at creating better public services through social innovation. The work of The Lab is divided into three distinct parts: Challenge Lab which looks at the contribution innovation can make to services; Methods Lab which examines how public service innovation can be fostered; and, Learning Lab which seeks to disseminate what works and what does not work (OECD, 2010b).

The role of ICT is clearly important, and the focus on the digitalisation and use of electronic resources has the potential to not only improve public administration but also make services more easily accessible to citizens. The infrastructure for high speed internet (OP Enterprise and Innovation and Competitiveness) will make a valuable contribution to the ability of citizens to access public facing services, and it will be important to avoid the potential of a ‘digital divide’ between those who can and those who cannot access internet based services.

Operational Programme Prague – Growth Pole of the Czech Republic

The Operational Programme for Prague reflects many elements contained in other Operational Programmes: the focus on competitiveness, innovation, improving infrastructure, enhancing the functioning of the labour market and the need to ensure the inclusion of disadvantaged people all of which are as important in a capital city, as they are in other regions and localities.

It will be important to ensure that the implementation of this, and other Operating Programmes, enables the reduction of regional disparities rather than embedding gaps (Integrated Regional Operational Programme), particularly those lower territorial administration units, where a lack of economic

development dynamics has contributed to less successful outcomes. Where there are already problems such as a lack of human capital and low levels of innovation and research and development, there is the potential for such disparities to become even more pronounced. Putting in place more effective data collection tools, both in terms of quantity and quality will be an important part of assessing the impact of the various Operational Programmes.

Conclusion

Recent work undertaken by the OECD LEED Programme has identified the key strategies for a job-rich community (see diagram below). Wide-ranging in their coverage, they highlight the need to ensure that a complex array of components, and actors are part of the landscape. It is worth noting that the proposed Operational Programmes reflect the strategies identify and acknowledge their need to build and maintain the linkages between them.

Developing effective co-ordination mechanisms between Operational Programmes, as well as partnerships between different target groups, such as educational institutions and businesses, is central to enabling the synergies between programmes to be utilised in a way which provides medium- and long-term benefits to increasing competitiveness. Formal, multi-stakeholder partnerships are one tool to help embed co-ordination and indeed LEED work has long highlighted the value of partnerships.



Source: OECD-ILO, 2011

Although there is no universal model for partnerships, a number of principal tasks are shared by them all: (1) pursuing a general objective such as stimulating economic development or promoting social inclusion; (2) endeavouring to achieve that objective mainly by increasing the degree of co-ordination between policies and programmes via the different services and levels of government, and by adapting them to the local context; (3) when the outcome of improved co-ordination is insufficient, setting up new

projects and services; and, (4) working at local level to involve local actors, and especially civil society, in identifying priorities and in project development, and to harness local resources and skills (OECD, 2001).

LEED evidence tells us that effective decentralisation, and a mix of regional and local actors, is critical to successful local economic development. Indeed, it is essential for an holistic approach to be taken. The proposed Operational Programmes provide a wide-ranging vision and address the many strategies which the OECD has identified as crucial to the creation of job-rich communities, incorporating the mix of actors required will contribute to the potential success of the activities envisaged.

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