



# ***Strengthening Regional Policy for Resilient Places***

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*Business at OECD (BIAC) Key Messages to the 2025 OECD  
Regional Policy Ministerial Meeting*



**Established in 1962, *Business at OECD* (BIAC) is the officially recognized institutional business stakeholder at the OECD. We stand for policies that enable businesses of all sizes to contribute to economic growth, sustainable development, and societal prosperity.**

**Through *Business at OECD*, national business and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.**

# Introduction

*Business at OECD* (BIAC) appreciates the opportunity to participate in the OECD Ministerial Meeting on Strengthening Regional Policy for Resilient Places. The private sector drives job creation, innovation and economic development, which requires close public-private cooperation and an enabling policy framework for investment, including at the regional level. As businesses across OECD countries face the impacts of geopolitical risks and barriers to trade and investment, as well as structural headwinds, it is imperative to address competitiveness at the heart of the OECD agenda. This is particularly urgent given the troubling slowdown in productivity growth and the stark regional disparities that persist\*. Labour productivity remains considerably higher in capital regions and in regions specialised in tradable sectors than in the rest of a country.

In this context, the OECD Ministerial represents an important opportunity to discuss ways to ensure that regional policies contribute to enhancing growth, cohesion and resilience. This requires, among others, investments in infrastructure, digitization, and skills development as well as fostering entrepreneurship and innovation ecosystems that reflect local realities and economic potential. Multi-level coordination, coherent policy frameworks and close dialogue with the private sector are essential to foster regional development and maximise the returns on both public and private investment.

## *References:*

- OECD (2024), *Job Creation and Local Economic Development 2024*

# Recommendations

## *Investing in Infrastructure*

Well-developed and efficient infrastructure is a prerequisite for regions to remain competitive in terms of their strategic positioning. Infrastructure is often a decisive factor in deciding where to set up or expand a business and its activities. Efficient and future-proofed infrastructure improves access to markets, mobility, and global connectivity. This encompasses all areas of infrastructure, including public transport, energy, and digital services. As regions are still unevenly positioned, we need to keep focusing on investing in basic infrastructure and bridging divides while maintaining a close dialogue with the private sector to ensure that infrastructure is effectively adapted to the needs of businesses. In this context, it is also crucial to ensure that infrastructure development supports climate mitigation and adaptation objectives, so that today's investments remain resilient in the face of future climate risks.

## *Accelerating Digitalisation*

Efficient digital infrastructure is a defining driver of productivity and competitiveness. It supports innovation and builds resilience for all regions and sectors. Businesses, including small and medium-sized enterprises (SMEs), rely on public investments in digital infrastructure to remain competitive in a fast-evolving global economy. Governments must accelerate the pace of their investments, while fostering digital skills, supporting holistic innovation ecosystems, and encouraging the digital transformation of businesses, in particular SMEs.

Data centers are essential to digital infrastructure, ensuring secure, reliable, and efficient data exchange and storage. As demand for digital services grows, strategic investment in data center capacity is needed to support innovation, economic growth, and the digital resilience of all regions.

To unlock the full potential of the digital transition, OECD countries must develop coherent governance frameworks that keep up with technological advancements, promote innovation, and manage risks while ensuring that no region is left behind. Widespread access to high-speed internet, accompanied by the upskilling of the workforce and interoperable data systems, must be a priority. In addition, governments need to support public-private partnerships to expand the uptake of AI, cloud computing, and data-driven tools to bridge the resource and expertise gaps.

Closing these digital divides is essential to reducing inequalities and unlocking regional growth. Weak digital infrastructure and high connectivity costs in low-income areas limit access to digital markets, remote work, and key services – undermining business potential and investment. Targeted investment in high-speed internet can boost connectivity, link urban and rural areas, and expand access to digital services. Our partnership for the OECD Digital for SMEs Global Initiative (D4SME) strengthens this effort by promoting practical and localised solutions for SMEs, and it supports collaboration between public and private actors to ensure that all regions benefit from the digital transformation.

## **Streamlining Governance & Regulatory Policies to Unlock Regional Investment**

Mobilising investment for regional development requires more than funding, it demands effective, coordinated governance across all levels of government. Fragmentation, administrative delays, and inconsistent regulations risk undermining the timely delivery of strategic projects.

Business supports the OECD's vital role in advancing best practices for multi-level governance, ensuring that regional development efforts are not only well-financed, but also well-coordinated, accountable, and fit for purpose in today's fast-changing economic landscape.

Reducing red tape through digital tools, standardised processes, and simpler regulations make it easier for businesses to access funding and plan in the long-term. Streamlined procedures boost private sector participation and speed up investment in regional growth and innovation.

Businesses need clear, responsive governance, that enables timely investment and supports long-term planning. Strong regional leadership, streamlined processes, and public-private collaboration can unlock local potential and create the conditions for innovation and competitiveness. With the right governance in place, regions can offer the stability and vision that businesses need to invest and grow.

## **Encouraging Regional Skills and Workforce Development**

A skilled local workforce is key to competitiveness. As labour shortages persist in a number of regions and sectors, regional policies should support skills development that is targeted to the specific labour market needs of the region. Employers are often the best source of knowledge on needed skills. Governments should work closely with business and representative employers' organizations to identify the potential skills required for the regional labour force. We underline the importance of fostering dialogue with businesses on the necessary investments in vocational education and training programs, encouraging cooperation between business and training centers, providing targeted career guidance, and supporting mentoring for entrepreneurship and start-ups at the school and community levels.

Also, many regions face significant labour shortages in green and digital jobs. In almost all OECD regions, Information and communication technologies (ICT) roles show twice the labour market tightness of other jobs. These gaps highlight skills mismatches driven by structural shifts. Investing in local training programs will be essential to support the twin transition and meet net-zero goals\*.

Indeed, regional training schemes can also play an important role in targeting local industry needs – e.g. apprenticeship programs designed together with local businesses. We recognise the importance of place-based approaches to skill development. In less densely populated or remote regions, higher education and training programs should be closely aligned with local strengths and the evolving economic landscape. To support resilient and inclusive growth, we must ensure that education and training are tailored to regional needs, enabling smooth job transitions and equipping workers with relevant skills. This is especially critical in the context of climate and digital transitions, where the impact on jobs varies widely across regions. We look forward to the OECD's 2026 Employment Outlook which will focus on "Geographic Disparities in Jobs and Incomes".

### *References:*

- OECD (2024), *Job Creation and Local Economic Development 2024*



## **Align Climate Action for Increased Resilience and Competitiveness**

As the impacts of climate change intensify, strengthening regional resilience must go hand in hand with climate action that safeguards economic competitiveness. *Business at OECD* (BIAC) emphasises that regional policies must facilitate the green transition through coherent frameworks that encourage private sector investment in climate adaptation, innovation and resilience. We underline that effective subnational strategies for climate action require strong coordination across different levels of government, alongside close public-private dialogue to ensure practical and scalable solutions also at the regional level. We call on the OECD and governments to:

- Promote efficient multi-level governance processes that enable regions to integrate climate objectives with economic development goals;
- Support climate infrastructure and adaptation measures that reflect regional needs;
- Streamline government planning and permitting procedures across government agencies to reduce delays and uncertainty;
- Ensure reliable, affordable, and sustainable energy systems that reflect local energy mixes, resource endowments, and industrial strengths;
- Integrate consumer education and worker upskilling measures into broader resilience planning.

The success of the transition requires tailored approaches that reflect regional realities. A territorial approach to climate action – grounded in local risk assessments and taking into account socio-economic considerations - is essential for building resilience and driving competitiveness. We support integrated land use, linking housing with public transport and nature-based solutions. Engaging local authorities in adaptation strategies and accelerating the circular economy will reduce resource demand and enhance long-term sustainability. Thus, we underline the importance of a territorial approach, incorporating regular local risk assessments and cost-benefit analyses that account for both short- and long-term socio-economic impacts.

## **Strengthen local innovation ecosystems**

Regional policy has an important role in developing local innovation ecosystems and helping regions benefit from global knowledge and resources and enhance their innovation capabilities and economic growth. By supporting public-private cooperation as well as innovation clusters that bring together companies, research centers, and local institutions, policymakers encourage the sharing of resources and infrastructure. Such clusters can, among others, help SMEs access research and skilled labour and create partnerships with universities. Regional policy can also support regions investing in specific areas of competitive advantage through smart specialisation strategies.

Strong local innovation ecosystems enable supportive environments for innovation and scaling successful initiatives. Collaboration between businesses, universities, and public institutions, especially through innovation clusters, allows for better access to research, skills, and infrastructure, particularly for micro and small businesses. We stress the importance of regional policies, which are well-placed to provide smart specialisation strategies, leverage local strengths, and foster partnerships that turn regional potential into sustainable economic growth.

## ***Stimulate entrepreneurship and foster SME development***

SMEs are at the heart of regional development as they are the main vehicle for local job creation. At the same time, they face considerable challenges, including regulatory burden and barriers accessing finance. Regional policies should therefore provide practical solutions by addressing barriers SMEs are facing and foster capacity building, including among others by:

- Streamlining administrative processes, e.g., by offering one-stop-shops for business registration and licensing;
- Supporting regulatory simplification and streamlining permitting processes;
- Improving access to finance through regional funding programs and by connecting SMEs to diverse funding sources;
- Fostering skills and workforce development. As labour shortages persist in a number of sectors, regional policies should support skills development that is targeted to the specific needs of the region and SMEs;
- Fostering entrepreneurship trainings, including for women, who represent a huge potential\*;
- Supporting partnerships between SMEs, research centers and universities;
- Offering guidance to foster SME's access to new markets;
- Promoting cooperation among SMEs and with large companies to share resources and know-how;
- Fostering regional clusters and innovation hubs to encourage cooperation on innovation and foster supply chain resilience.

Businesses, especially SMEs, can drive effective skills development by partnering with local stakeholders to align training with emerging needs, as automation and AI reshape job tasks unevenly across regions. Place-based approaches are essential to equip the workforce for this digital transformation.

### *References:*

- *OECD (2024), Women's Entrepreneurship Policy: Recent innovations and future directions for OECD governments*




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