Rural Policy 3.0
Productive Regions for Inclusive Societies: Low Density Regions: Places of Opportunity

Enrique Garcilazo, OECD Directorate for Public Governance and Territorial Development
@Garilazo_OECD
#OECDRural

RURAL BUSINESSES – THE FUTURE IS NOW
An ENRD seminar about revitalising rural areas through business innovation
30th March 2017, Hotel Metropole, Brussels
Outline

1. Performance rural and urban regions
   • Research methods, data and definitions
   • Trends and diagnosis

2. Policy considerations and framework for action
The OECD Working Party on Rural Policy is a unique committee that discusses rural development policies at an international level.
OECD Territorial Reviews:
A series of case studies of regional policy

In OECD member countries:
- 20 National Territorial Reviews
- 8 Regional Territorial Reviews (NSPA)
- 5 Reviews on Regional Innovation Systems
  - 23 Metropolitan Reviews
  - 5 National Urban Policy Reviews
  - 12 National Rural Policy Reviews
Factors of regional competitiveness

1. Empirical evidence
   -- General trends

2. Case studies
   - Field analysis
   - Questionnaires,
   - Peer reviewers, experts

Policy implications:

3. Implementation Governance

- The new Rural Paradigm
- Service delivery in rural regions
- Promoting growth in all regions (15)
- Linking RE Energy to Rural Dev. (15)
- RURAL-URBAN Partnerships (16)
- Territorial Approach to FSN
Low density economies what are they?

Source: Global Monitoring Report 2013, IMF/World Bank
... three types of rural areas present different challenges

Three types of rural regions

- Rural inside the functional urban area (FUA)
- Rural outside but in close proximity to the FUA
- Rural is remote from the FUA

Challenges by type of rural region

<table>
<thead>
<tr>
<th>Type</th>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
</table>
| Rural inside a functional urban area (FUA)   | - loss of control over the future  
- activities concentrate in the urban core  
- loss of rural identity                      | - more stable future  
- potential to capture benefits of urban areas while avoiding the negatives   |
| Rural outside, but in close proximity to a FUA| - conflicts between new residents and locals  
- may be too far away for some firms, but too close for others                   | - potential to attract high-income households seeking a high quality of life  
- relatively easy access to advanced services and urban culture  
- good access to transport                      |
| Rural remote                                  | - highly specialised economies subject to booms and busts  
- limited connectivity and large distances between settlements  
- high per capita costs of services              | - absolute advantage in production of natural resource-based outputs  
- attractive for firms that need access to an urban area, but not on a daily basis  
- can offer unique environments that can be attractive to firms and individuals |
Convergence forces in low density regions...

<table>
<thead>
<tr>
<th>Summary Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>GDPpc</strong></td>
</tr>
<tr>
<td><strong>GDPpw</strong></td>
</tr>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td>PU</td>
</tr>
<tr>
<td>IN</td>
</tr>
<tr>
<td>PR</td>
</tr>
<tr>
<td>PRC</td>
</tr>
<tr>
<td>PRR</td>
</tr>
<tr>
<td>All</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth GDPpc</th>
<th>Growth GDPpw</th>
<th>Population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>PU</td>
<td>2.07%</td>
<td>-0.70%</td>
</tr>
<tr>
<td>IN</td>
<td>1.98%</td>
<td>-0.28%</td>
</tr>
<tr>
<td>PR</td>
<td>1.95%</td>
<td>-1.11%</td>
</tr>
<tr>
<td>PRC</td>
<td>1.95%</td>
<td>-0.28%</td>
</tr>
<tr>
<td>PRR</td>
<td>1.95%</td>
<td>-2.45%</td>
</tr>
<tr>
<td>All</td>
<td>1.99%</td>
<td>-0.70%</td>
</tr>
</tbody>
</table>

Note: Data refer to GDP and GVA evaluated at PPP constant 2010 US dollars, using the SNA2008 classification.

... driven primarily by rural close to cities.
Contributions to aggregate growth depend on few hub regions...

...the fat tail is equally important -- if not more -- to aggregate growth...
What are the key drivers of productivity growth?

- ** Tradable activities** are key for rural close to cities and remote rural.
- A minimum level of **density** is key for economies of scale/scope and delivery of goods and services.
Summary of trends

- Low density regions display convergence trend:
  - there is growth potential

- No systematic evidence of rural paradox
  - sustainability is possible

- Rural close to cities particularly dynamic

- Growth of rural regions and low density economies matter for national growth

- Tradable activities are key

- Agglomeration benefits can occur at different scales

- Enabling factors are key (skills, accessibility)

- Demographic challenges and service provision
1. Performance rural and urban regions
   • Research methods, data and definitions
   • Trends and diagnosis

2. Policy considerations and framework for action
Building effective and sustainable rural-urban partnerships: a strategy

Matching
...the appropriate scale

1. Better understanding of Rural-Urban conditions and interactions

Engagement
...including relevant stakeholder

2. Addressing territorial challenges through a functional approach

Learning
...to be more effective

3. Working towards a common agenda for urban and rural policy

4. Building an enabling environment for Rural-urban partnerships

5. Clarifying the partnership objectives and related measures
The policy headache: isolated sectoral action may have unintended outcomes.

Problem: lack of connectivity

Persistence of inequality

Leaking by linking

Infrastructure provision
The policy headache: isolated sectoral action may have unintended outcomes.

Brain drain

with labour mobility

Human capital formation

Policy responses

Persistence of inequality
Towards a Multidimensional Response

Many countries are reforming in this direction, but implementation is still difficult.

At the regional scale

- Regional growth and convergence
- Innovation
- Business environment
- Human capital formation
- Infrastructure provision
- Policy responses

What are rural needs:
- Business innovation
- Skills
- Accessibility/ICT
Further Policy Considerations

1. **Identifying drivers in rural areas**
   - Tradables (manufacturing), renewable energy, natural resources, services, fisheries, forestry, agriculture, tourism, natural amenities
   - Finding the niche (smart specialisation)
   - Comparative and absolute advantages
   - Smart specialisation are particularly important for rural areas (against more diversified economies in urban areas)

2. **How to add value in these domains**
   - Policy focus on enabling factors: skills, accessibility, market intelligence, institutions, business-innovation
   - Strong synergies between digitalization and transforming comparative/absolute advantages
   - Support entrepreneurs to business innovators
3. **Demographic trends and forward looking policies**
   - Address long term cost enhancing efficiency in service provision (planning, ICT)
   - Computing returns to investments

4. **Address spatial pockets of poverty in low density areas**
   - Beyond transfers, identify bottlenecks of enabling factors, better target national. Regional and local interventions

5. **Environmental agenda**
   - Mitigation and adaptation to climate change
### Rural Policy 3.0

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Equalisation</td>
<td>Competitiveness</td>
<td>Well-being considering multiple dimensions of: i) the economy, ii) society and iii) the environment</td>
</tr>
<tr>
<td><strong>Policy focus</strong></td>
<td>Support for a single dominant resource sector</td>
<td>Support for multiple sectors based on their competitiveness</td>
<td>Low-density economies differentiated by type of rural area</td>
</tr>
<tr>
<td><strong>Tools</strong></td>
<td>Subsidies for firms</td>
<td>Investments in qualified firms and communities</td>
<td>Integrated rural development approach – spectrum of support to public sector, firms and third sector</td>
</tr>
<tr>
<td><strong>Key actors &amp; stakeholders</strong></td>
<td>Farm organisations and national governments</td>
<td>All levels of government and all relevant departments plus local stakeholders</td>
<td>Involvement of: i) public sector – multi-level governance, ii) private sector – for-profit firms and social enterprise, and iii) third sector – non-governmental organisations and civil society</td>
</tr>
<tr>
<td><strong>Policy approach</strong></td>
<td>Uniformly applied top down policy</td>
<td>Bottom-up policy, local strategies</td>
<td>Integrated approach with multiple policy domains</td>
</tr>
<tr>
<td><strong>Rural definition</strong></td>
<td>Not urban</td>
<td>Rural as a variety of distinct types of place</td>
<td>Three types of rural: i) within a functional urban area, ii) close to a functional urban area, and iii) far from a functional urban area</td>
</tr>
</tbody>
</table>
Rural Policy 3.0

R-U Linkages
1. National
2. Regional
3. Local

Wellbeing
1. Economic
2. Social
3. Environment

Types
1. Inside FUA
2. Close to cities
3. Remote

Actors
1. Private
2. Public
3. Third
Rural Policy Responses in OECD Countries

- Europe: European Commission CAP pillar II (DG Agri), DGRegio (smart specialisation) and LEADER
  - Urban rural linkages through ITI, CLLD
  - Strong alignment between Rural Policy 3.0 and Cork Declaration

- United States: USDA and White House Rural Council

- Italy: Inner Area Strategy

- Japan: National Spatial Strategy (compact and networked), rural revitalisation (multifunctionality, 6th industry, rural-urban linkages)

- Chile: building synergies amongst a wide range of national ministries => national rural policy
thank you

JoseEnrique.Garcilazo@oecd.org