

Smart Villages

ENRD Seminar on Revitalising rural services
through social and digital innovation
Implications of OECD Rural Policy 3.0

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Outline

1. Key trends for rural services

- Research methods, data and definitions
- Trends and diagnosis

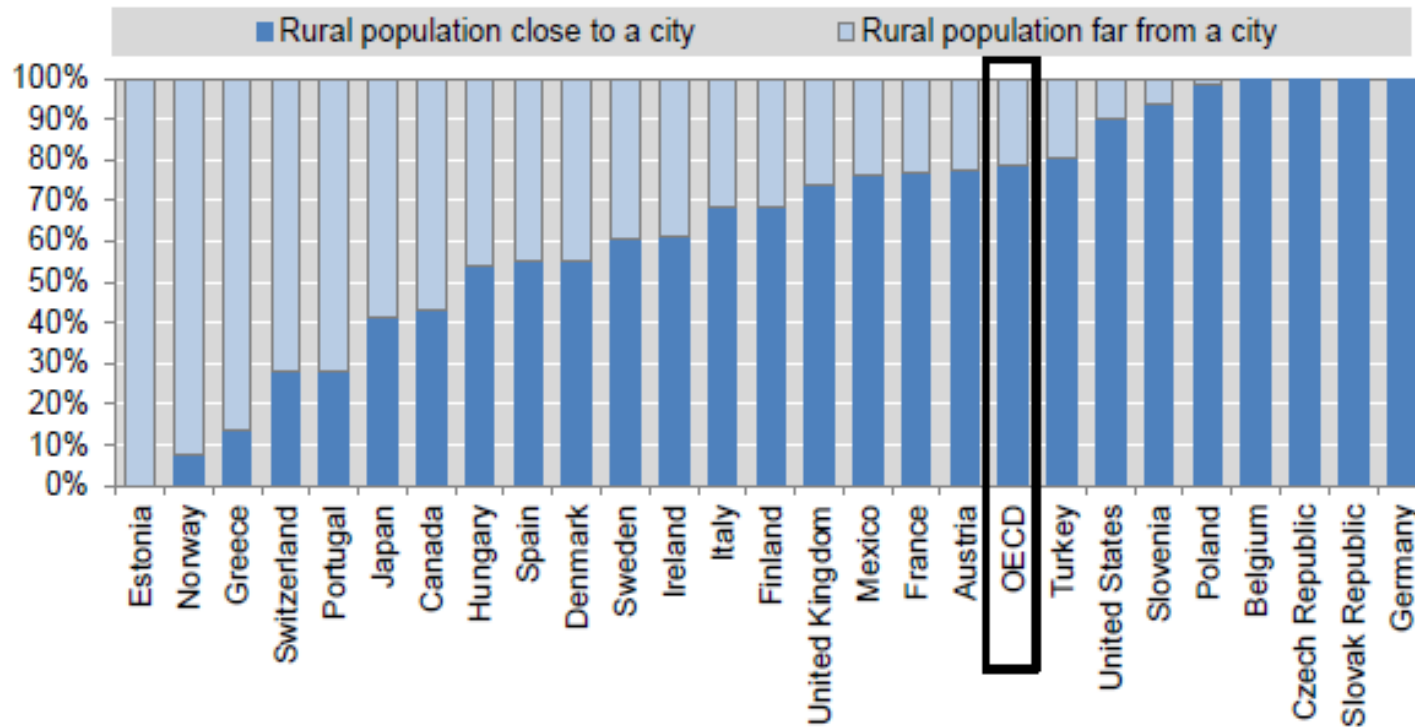
2. Policy lessons and framework for action

- Policy implications rural development
- Future considerations



Rural and urban areas are deeply interconnected...

Share of rural residents by region type



- ❖ *In OECD countries, 26% of population live in PR regions (297 million)*
- ❖ *Around 80% of rural population (235 million) lives close to a city*
- ❖ *6% of the rural population (62 million) in remote rural regions*



Rural regions can be sustainable ...

Summary Statistics

	GDPpc		GDPpw		Population	
	2000	2012	2000	2012	2000	2012
PU	120.6%	121.1%	112.0%	111.9%	231.5%	229.3%
IN	98.6%	99.7%	99.2%	99.3%	102.6%	101.4%
PR	85.5%	83.9%	91.6%	91.4%	50.0%	49.9%
PRC	85.8%	86.3%	91.3%	93.3%	72.9%	74.3%
PRR	84.9%	79.9%	91.9%	88.5%	24.0%	22.6%
All	100%	100%	100%	100%	100%	100%

	Growth GDPpc		Growth GDPpw		Population growth	
	2000-08	2008-12	2000-08	2008-12	2000-08	2008-12
PU	2.07%	-0.70%	1.39%	0.24%	0.78%	0.67%
IN	1.98%	-0.28%	1.29%	0.65%	0.58%	0.45%
PR	1.95%	-1.11%	1.62%	0.12%	0.35%	0.38%
PRC	1.95%	-0.28%	1.77%	0.56%	0.63%	0.55%
PRR	1.95%	-2.45%	1.38%	-0.61%	0.02%	0.18%
All	1.99%	-0.70%	1.44%	0.34%	0.50%	0.46%

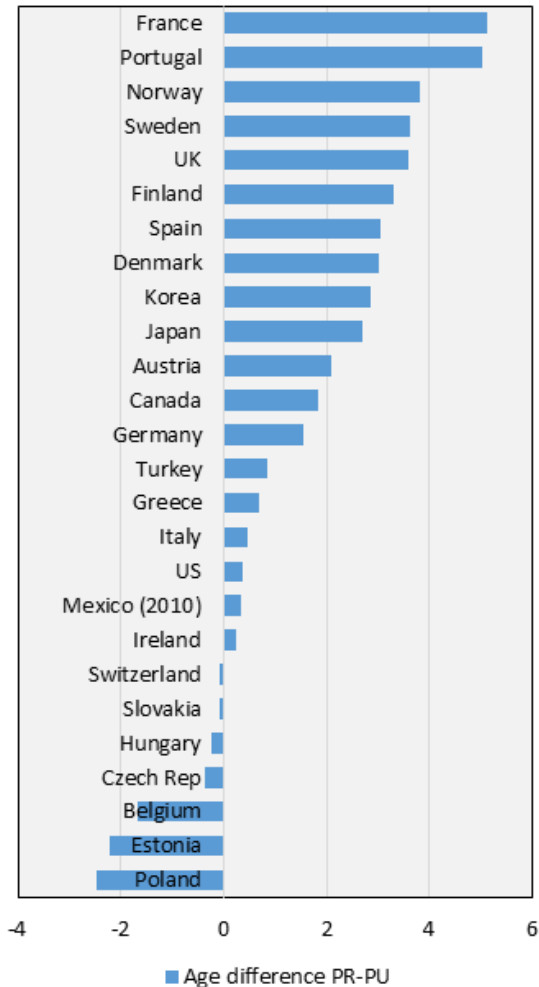
Note: Data refer to GDP and GVA evaluated at PPP constant 2010 US dollars, using the SNA2008 classification.

... but rural remote face demographic pressures.

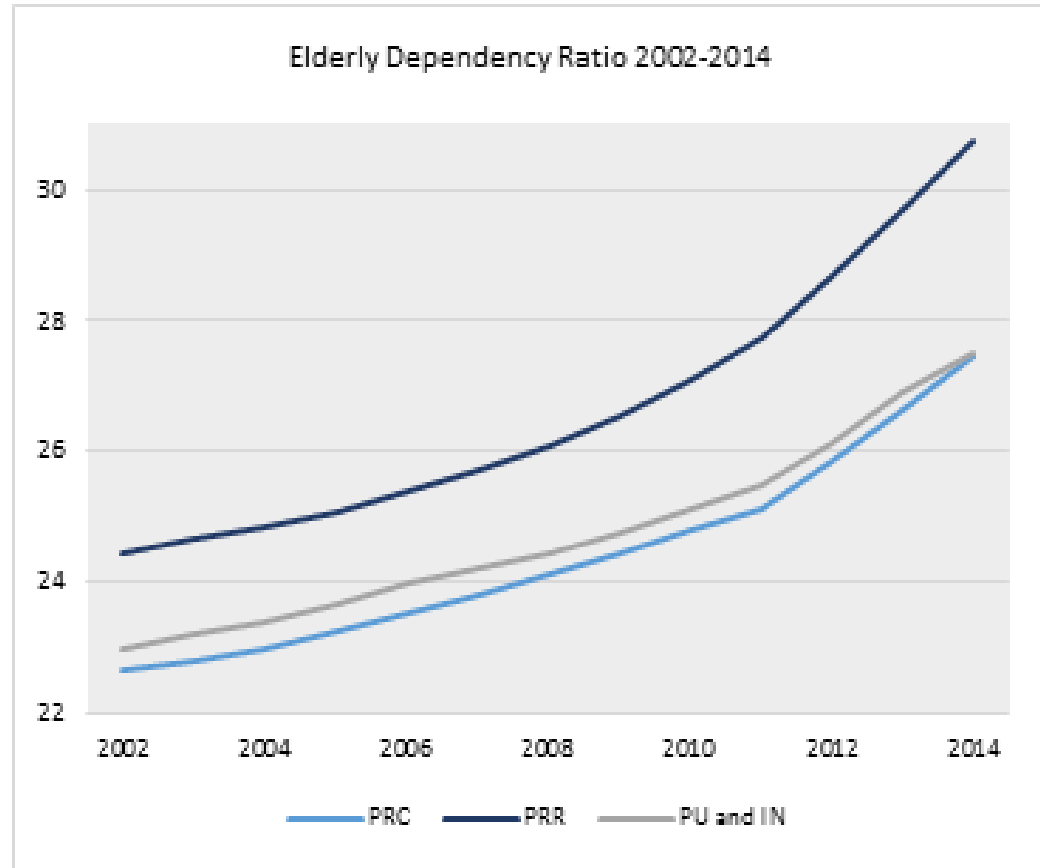


Most OECD countries face an ageing and shrinking workforce, particularly in rural remote regions ...

Age difference between PR and PU
(2014)



Elderly Dependency Ratio 2002-2014





Certain characteristics impact the delivery of rural services ...

Factor	How it impacts service delivery costs
Distance	All forms of connectivity are scarcer and accessibility to rural areas more expensive . Transportation costs and overall costs to provide goods and services are higher in rural areas on a per capita basis.
Low population	It is difficult to achieve scale economies of production of goods and services including public services.
Low density	In rural regions people tend to be dispersed or even scattered across much of the territory, making connectivity harder to achieve.
Ageing population	As the population ages the mix of services demanded changes; this may require new investments or outlays especially concerning healthcare.
Diminishing subsidies	In the aftermath of the global financial crisis, governments are cutting expenditures. This has an obvious impact on government services and costs.
Increasing diversity	Rural populations are becoming more diverse , representing a mix of residents historically rooted in the region, newly retired people, second home residents or newcomers who commute to a city for work. The result is a fragmenting of demand and a population where significant numbers of people choose to obtain goods and services away from the place where they live.
Few service providers	Choice is valuable. Too often rural service providers seek to exploit a local monopoly situation while paying little attention to actively marketing their business or improving the quality of service they provide.

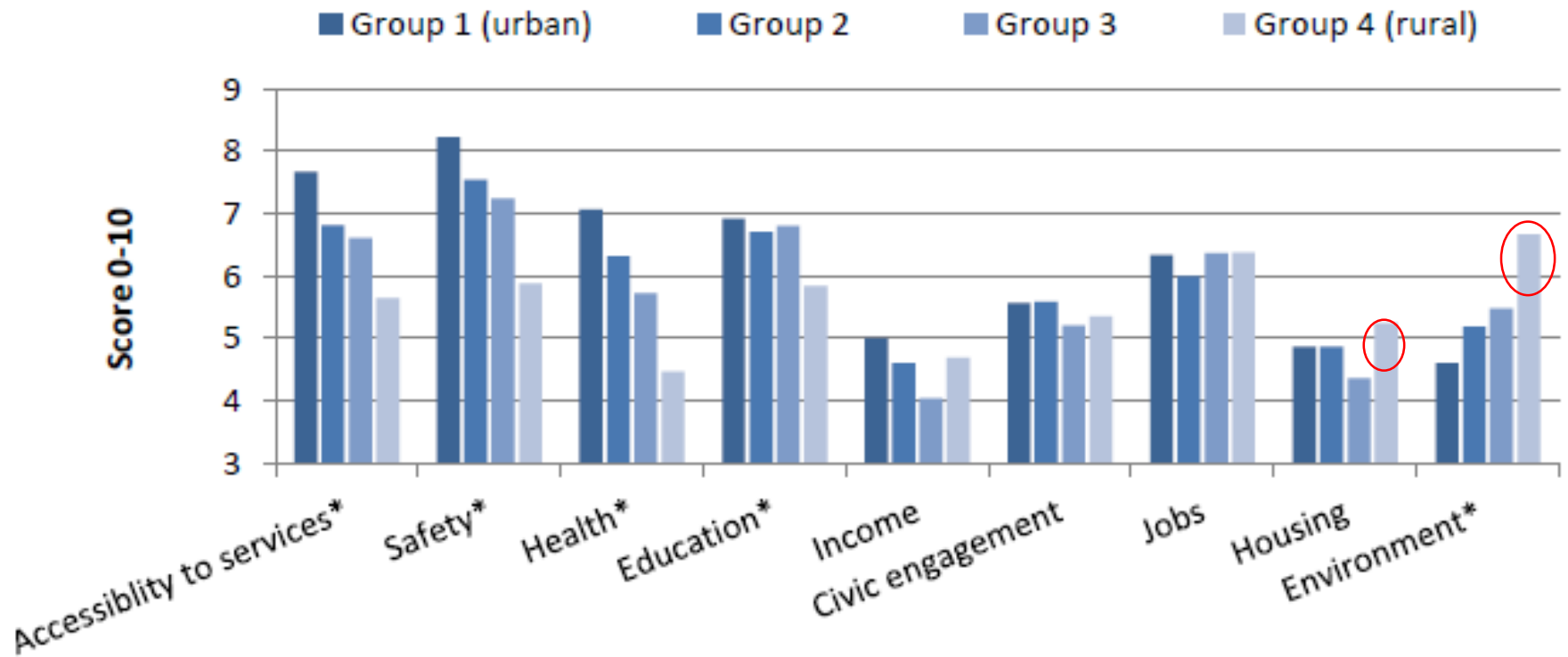


- **Strategic solutions**
- **Economies of scope**
- **Long term planning**
- **Integrated solutions**



Rural regions perform well on several dimensions of wellbeing

Distribution of well-being components across (urban and rural) quartiles

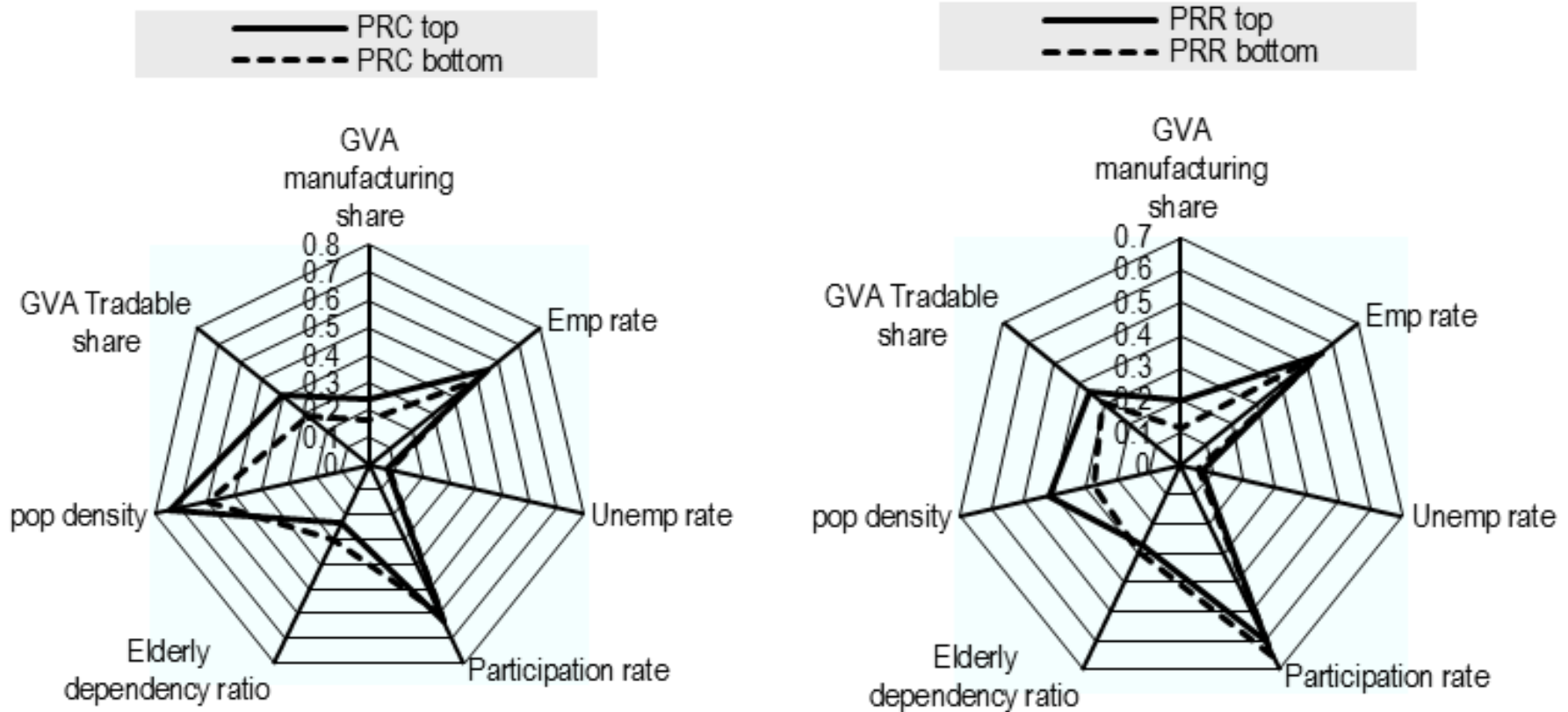


- **Rural dwellers** have better environment conditions and more affordable housing
- Jobs and income in line with urban dimension
- **Rural regions** lag in access to services, safety, health and education



Small towns and rural villages are key drivers of productivity...

Determinants of productivity growth before the crisis (2000-2008)



- **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.



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Rural policies must be forward looking





Building effective and sustainable rural-urban partnerships: a strategy

Matching

...the appropriate scale

1. Better understanding of Rural-Urban conditions and interactions

2. Addressing territorial challenges through a functional approach

Engagement

...including relevant stakeholder

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

4. Building an enabling environment for Rural-urban partnerships

Learning

...to be more effective

5. Clarifying the partnership objectives and related measures

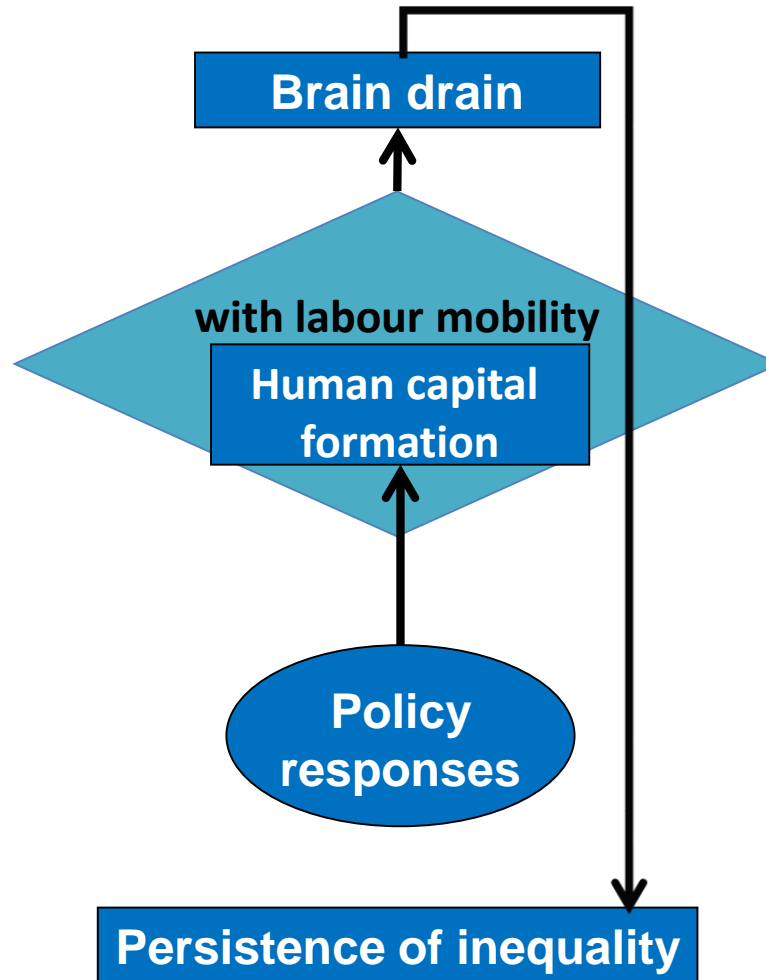


Digitalisation is key but it must be embedded into a broader “place-based” approach

- Broader approach to wellbeing provision
- Strategic approach to service provision
 - Digitalisation
 - Skills and digital update
 - Spatial planning
 - Demographic projections
 - Empowering rural communities
- Rural proofing not sufficient but is needed for digital broadband

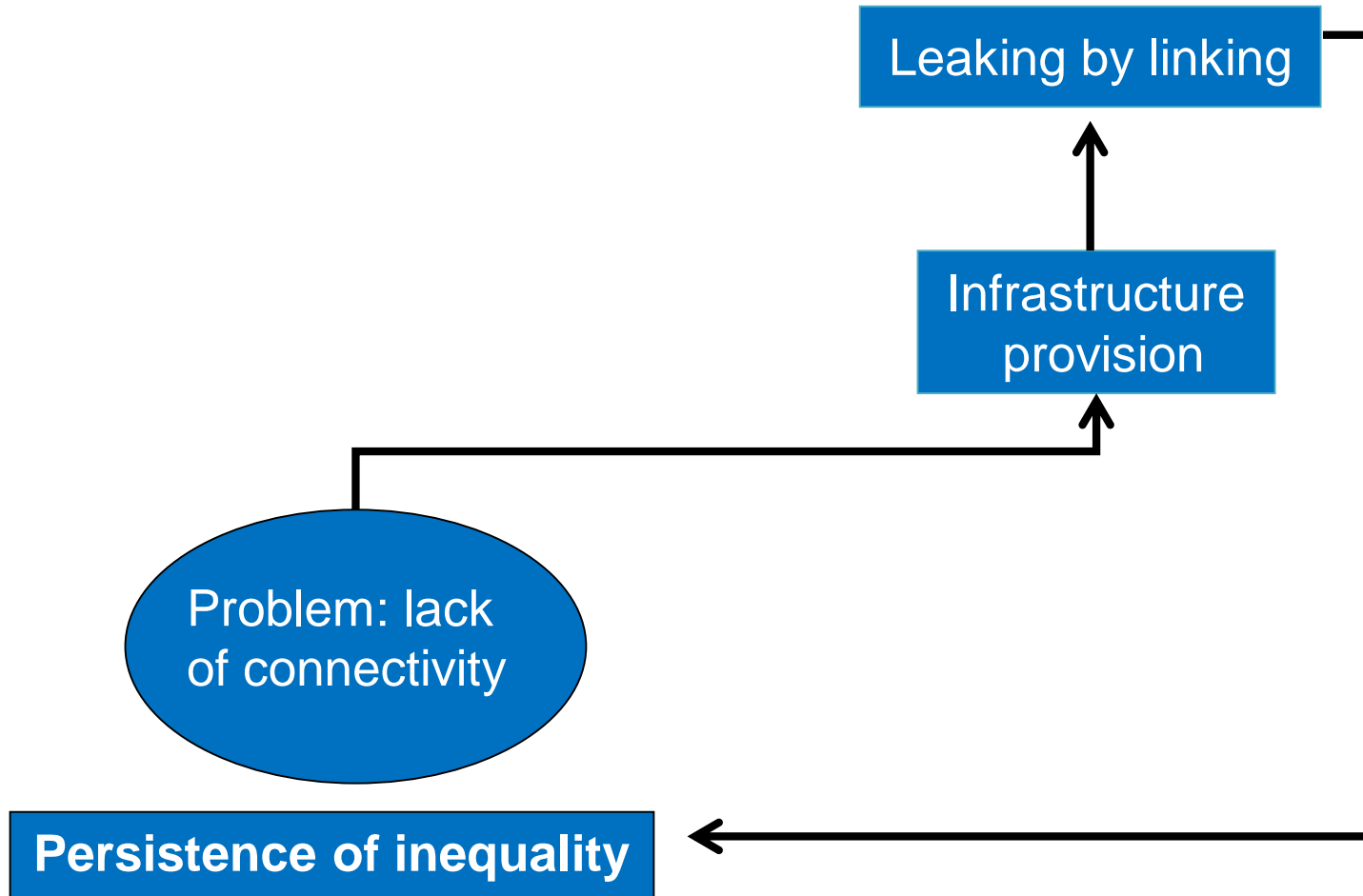


Towards a multidimensional response: isolated sectoral action may have unintended outcomes.





Towards a multidimensional response: isolated sectoral action may have unintended outcomes.





Towards a Multidimensional Response

Regional growth and convergence

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

At the territorial scale

- Metropolitan areas
- Rural close to cities
- Rural remote

Innovation

Business environment

Human capital formation

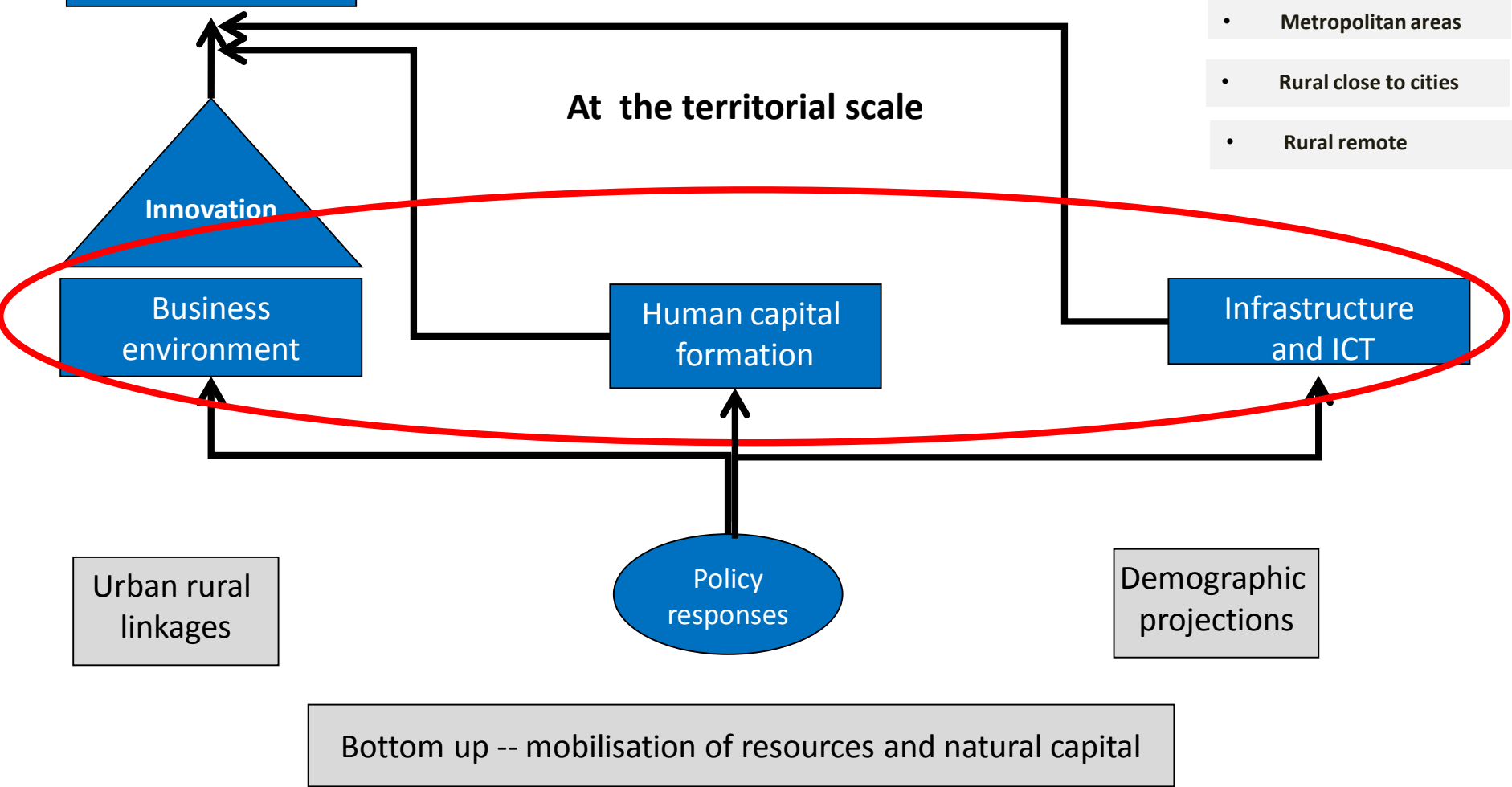
Infrastructure and ICT

Urban rural linkages

Policy responses

Demographic projections

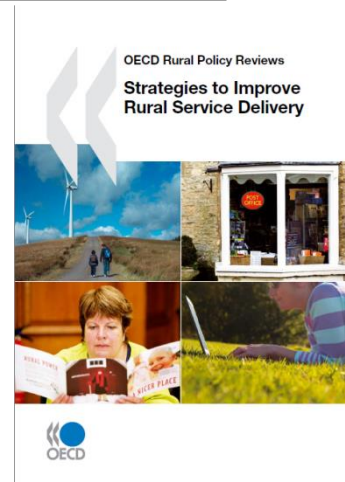
Bottom up -- mobilisation of resources and natural capital





Lessons for service provision

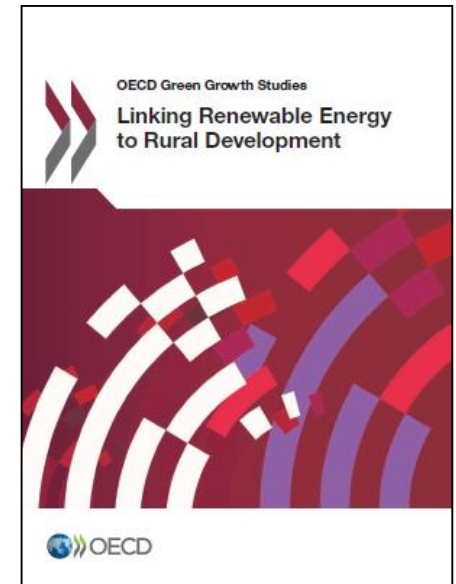
- **Exploiting synergies: consolidation, co-location or merging similar services** matching with available demand in rural areas.
- **Alternative delivery mechanisms.** Where demand for services is widely dispersed, bring service to the user. (e. g. adopting mobile service delivery approaches, telemedicine).
- **Demographic trends and forward looking policies.** LT cost enhancing efficiency in service provision (planning, ICT, ROI)
- **Community-based solutions for different types of providers.** e.g. volunteer fire departments, community owned shops provide services and operate as social enterprises.
- **Improve quality and marketing.** Technology can help rural residents access information about service quality and alternative providers.
- **Alternative energy sources** by allowing isolated communities to produce their own energy instead of importing expensive conventional fuels.
- **Innovate - create a new service to achieve better outcomes.** Insufficient business to support a full range of services, but travelling handyman scheduled by telephone or Internet might flourish.





Lessons for deploying renewable energy

- **Embed energy strategies in the local economic development strategy** so that they reflect local potential and needs.
- **Integrate renewable energy within larger supply chains in rural economies**, such as agriculture, forestry, traditional manufacturing and green tourism.
- **Limit subsidies in both scope and duration**, and only use them to encourage renewable energy projects that are close to being viable on the market.
- **Avoid imposing types of renewable energy** on areas that are not suited to them.
- **Focus on relatively mature technologies** such as heat from biomass, small scale hydro and wind.
- **Create an integrated energy system** based on small grids able to support manufacturing activities.





An Evolving OECD Rural Paradigm

Rural Policy 3.0

	Old Paradigm	New Rural Paradigm (2006)	Rural Policy 3.0 –Implementing the New Rural Paradigm
Objectives	Equalisation	Competitiveness	Well-being considering multiple dimensions of: i) the economy, ii) society and iii) the environment
Policy focus	Support for a single dominant resource sector	Support for multiple sectors based on their competitiveness	Low-density economies differentiated by type of rural area
Tools	Subsidies for firms	Investments in qualified firms and communities	Integrated rural development approach – spectrum of support to public sector, firms and third sector
Key actors & stakeholders	Farm organisations and national governments	All levels of government and all relevant departments plus local stakeholders	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
Policy approach	Uniformly applied top down policy	Bottom-up policy, local strategies	Integrated approach with multiple policy domains
Rural definition	Not urban	Rural as a variety of distinct types of place	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



Moving forward

Edinburgh Policy Statement on Enhancing Rural Innovation

<http://www.oecd.org/rural/rural-development-conference/>

- Discontent with the **uneven impacts of globalisation**
- Sustainable Development Goals that “**no one is left behind**”
- **Place-based policies** relying on multi-sector co-ordination and multi-level governance necessary to **unleash growth potential** grounded in **rural specific assets**.
- **Innovation** will be critical for the future competitiveness and sustainability of rural economies: digital connectivity and new technologies
- **Rural policy 3.0** a robust rural policy:
 - **Well-being** at the forefront of rural policy objectives
 - **Place-based view of rural development**, integrated approach and long term perspective
 - Maximize complementarities, replace top-down approached to results oriented policies with room for experimentation
 - Design policies with long-term perspective
 - Develop **urban-rural linkages**
 - Promote societal approach based on **social innovation** with pro-active role for rural communities.
 - **Empower communities** to better understand conditions and challenges in order to support community-led efforts.
 - Effects of **demographic trends** to design public services
- Calls for policy makers to be **forward looking**
- Recognises the value of further strengthening OECD **comparable data** on rural areas
- Conference welcomes OECD to establish **Principles for a robust rural policy**

thank you

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