

## *Rural Policy 3.0*

*Productive Regions for Inclusive Societies:  
Low Density Regions : Places of Opportunity*

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#OECDRural**

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



# Outline

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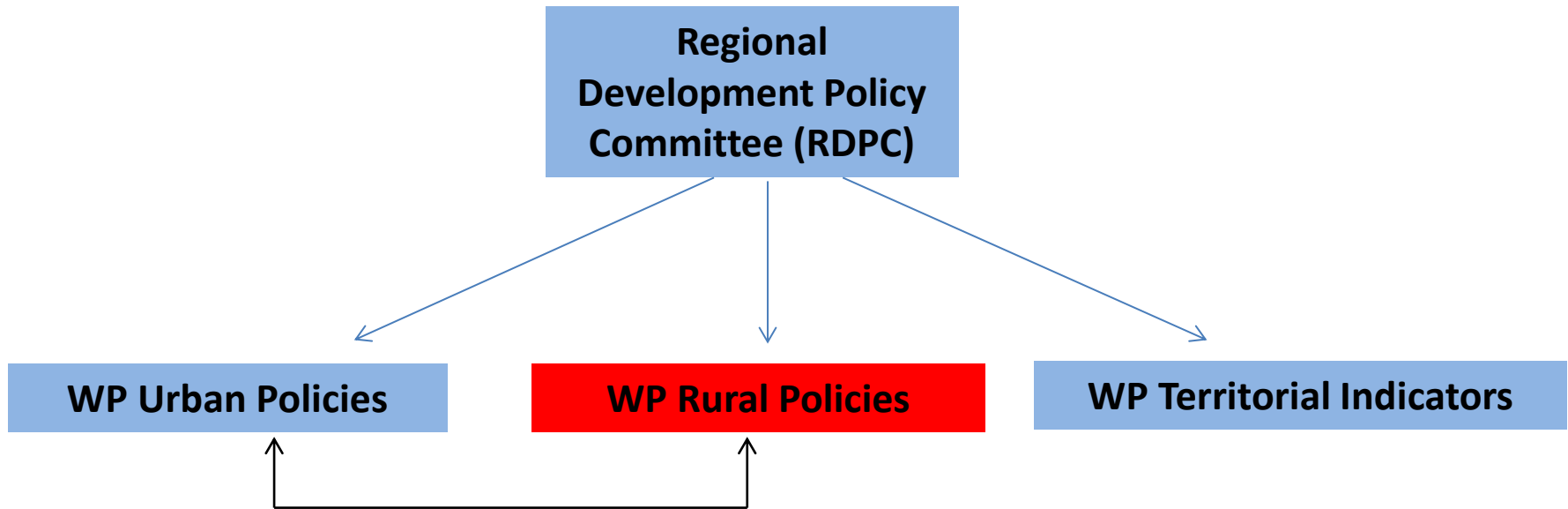
## 1. Performance rural and urban regions

- Research methods, data and definitions
- Trends and diagnosis

## 2. Policy considerations and framework for action



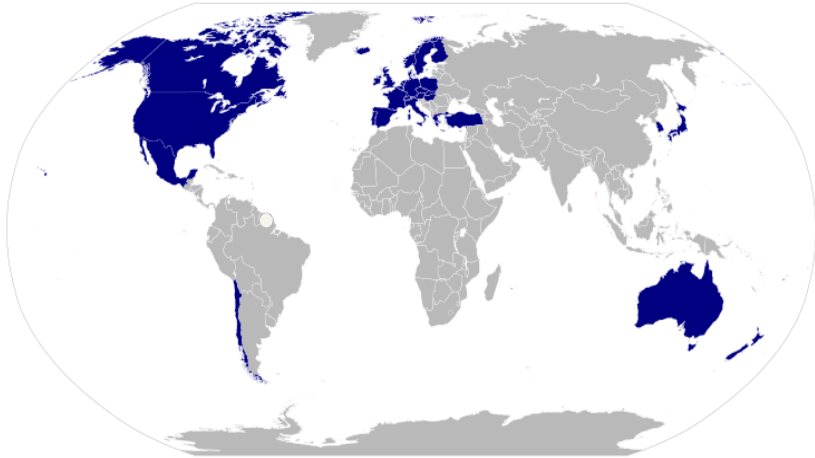
# Regional and Rural Policy in OECD



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





# Thematic Reviews

## ❖ Factors of regional competitiveness

### (1) Empirical evidence

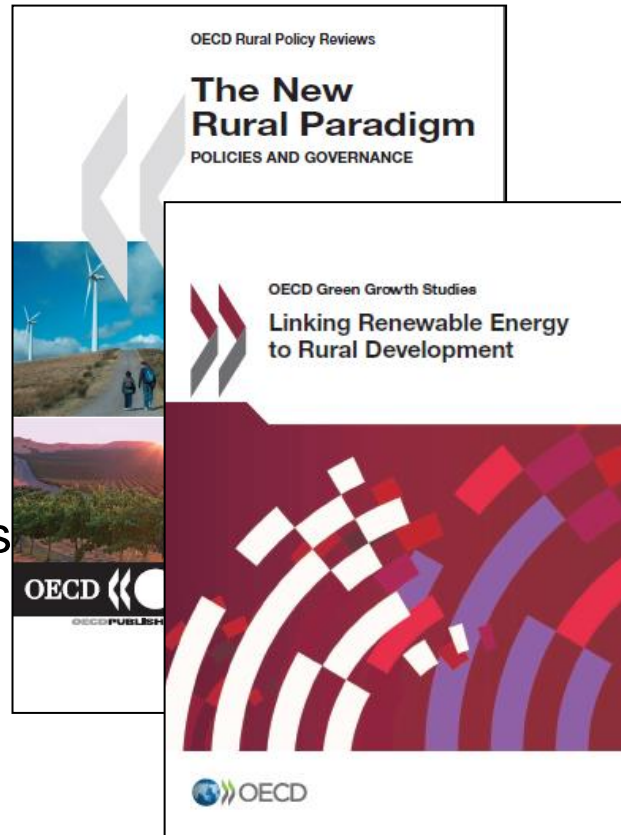
-- General trends

### (2) Case studies

- Field analysis
- Questionnaires,
- Peer reviewers, experts



### • Policy implications:



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

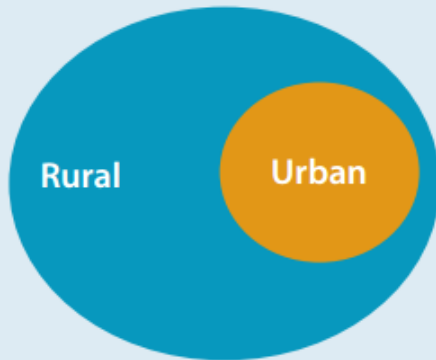
(3) Implementation Governance



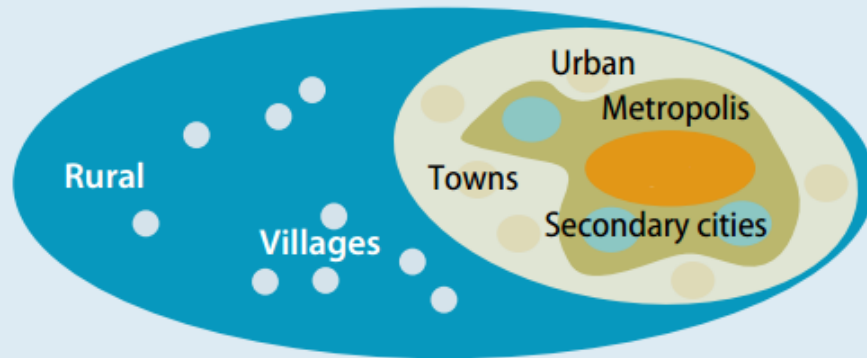
# Low density economies what are they?



a. The simplified area economy



b. And a more realistic representation





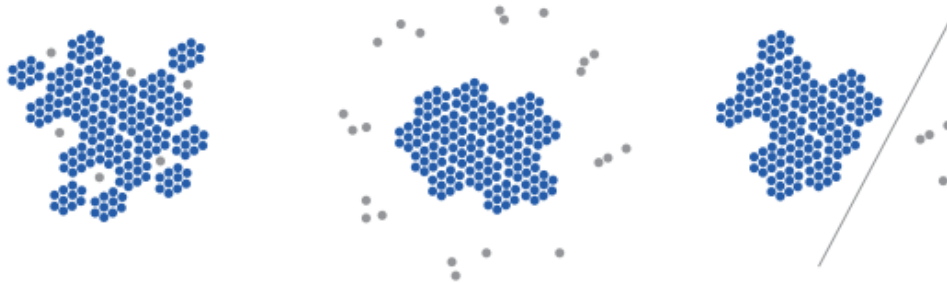
# ... three types of rural areas present different challenges

## Three types of rural regions

Rural inside the functional urban area (FUA)<sup>1</sup>

Rural outside but in close proximity to the FUA<sup>2</sup>

Rural is remote from the FUA<sup>3</sup>

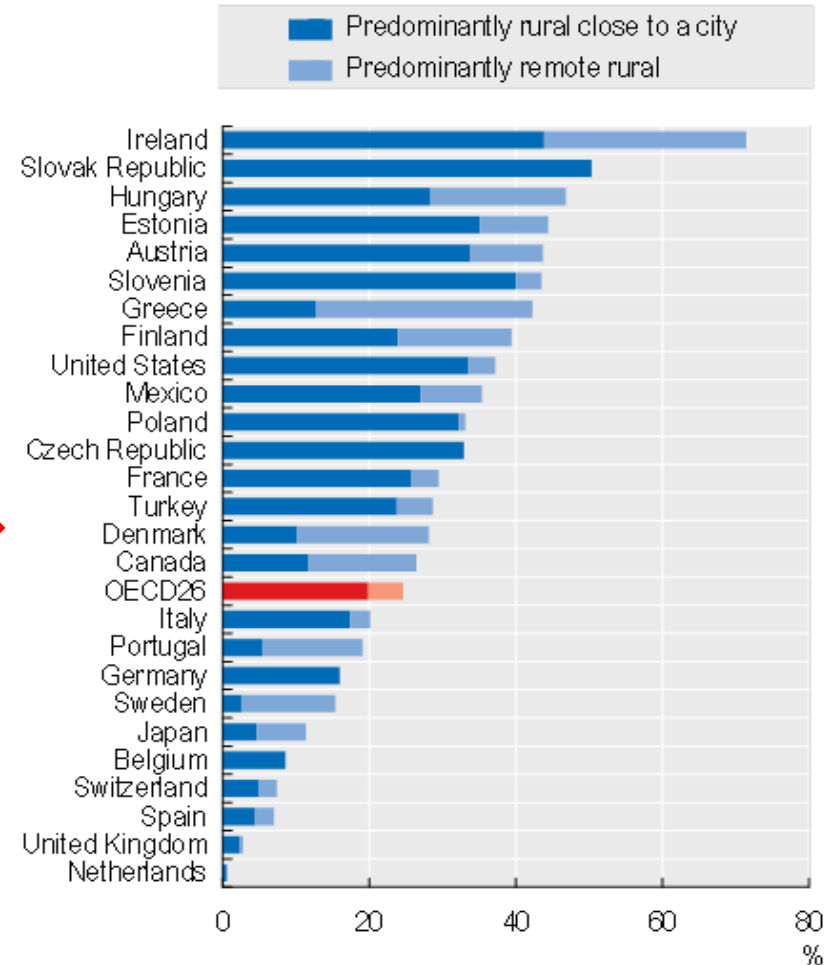
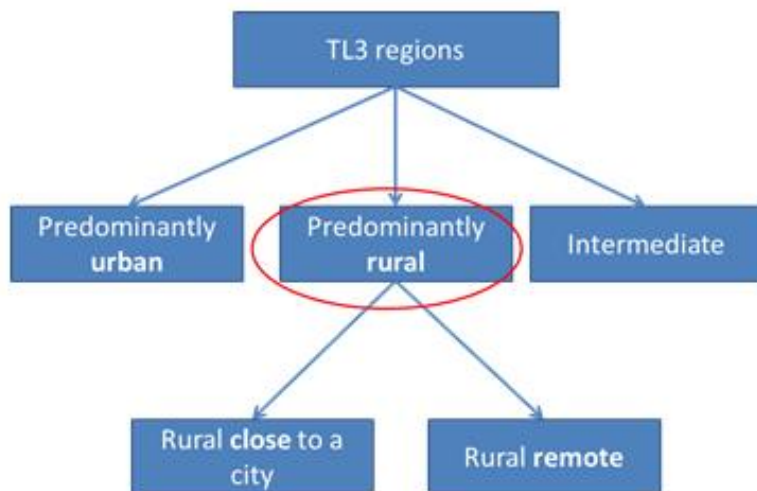


## Challenges by type of rural region

Type	Challenges	Opportunities
Rural inside a functional urban area (FUA)	<ul style="list-style-type: none"> <li>● loss of control over the future</li> <li>● activities concentrate in the urban core</li> <li>● loss of rural identity</li> </ul>	<ul style="list-style-type: none"> <li>● more stable future</li> <li>● potential to capture benefits of urban areas while avoiding the negatives</li> </ul>
Rural outside, but in close proximity to a FUA	<ul style="list-style-type: none"> <li>● conflicts between new residents and locals</li> <li>● may be too far away for some firms, but too close for others</li> </ul>	<ul style="list-style-type: none"> <li>● potential to attract high-income households seeking a high quality of life</li> <li>● relatively easy access to advanced services and urban culture</li> <li>● good access to transport</li> </ul>
Rural remote	<ul style="list-style-type: none"> <li>● highly specialised economies subject to booms and busts</li> <li>● limited connectivity and large distances between settlements</li> <li>● high per capita costs of services</li> </ul>	<ul style="list-style-type: none"> <li>● absolute advantage in production of natural resource-based outputs</li> <li>● attractive for firms that need access to an urban area, but not on a daily basis</li> <li>● can offer unique environments that can be attractive to firms and individuals</li> </ul>



# OECD Regional Database and Rural Definition







# Convergence forces in low density regions...

## 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%

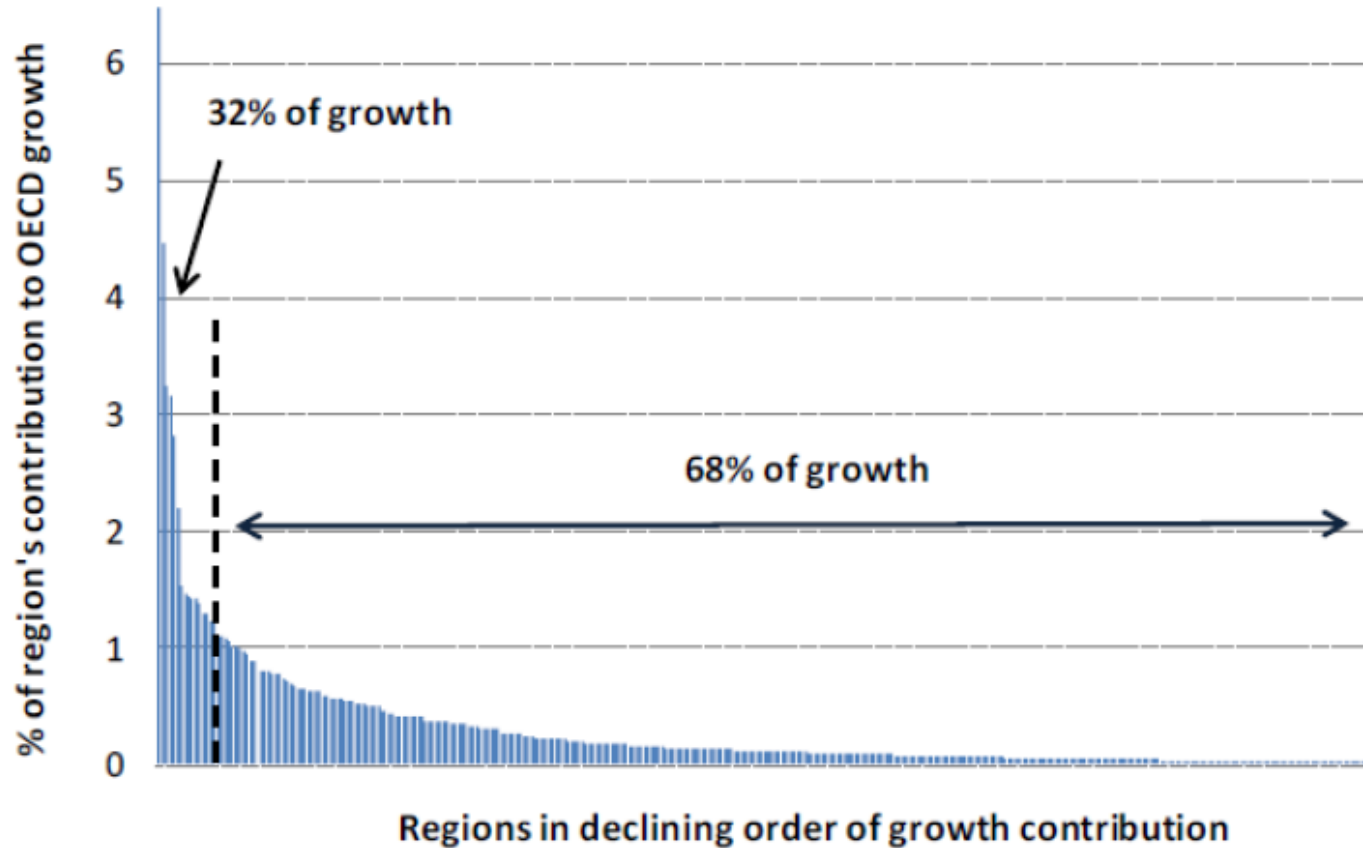
	Growth GDPpc		Growth GDPpw		Population growth	
	2000-08	2008-12	2000-08	2008-12	2000-08	2008-12
PU	2.07%	-0.70%	1.39%	0.24%	0.78%	0.67%
IN	1.98%	-0.28%	1.29%	0.65%	0.58%	0.45%
PR	1.95%	-1.11%	1.62%	0.12%	0.35%	0.38%
PRC	1.95%	-0.28%	1.77%	0.56%	0.63%	0.55%
PRR	1.95%	-2.45%	1.38%	-0.61%	0.02%	0.18%
All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

*... driven primarily by rural close to cities.*

# Contributions to aggregate growth depend on few hub regions...

Contributions to growth by OECD TL2 Region, 1995–2007



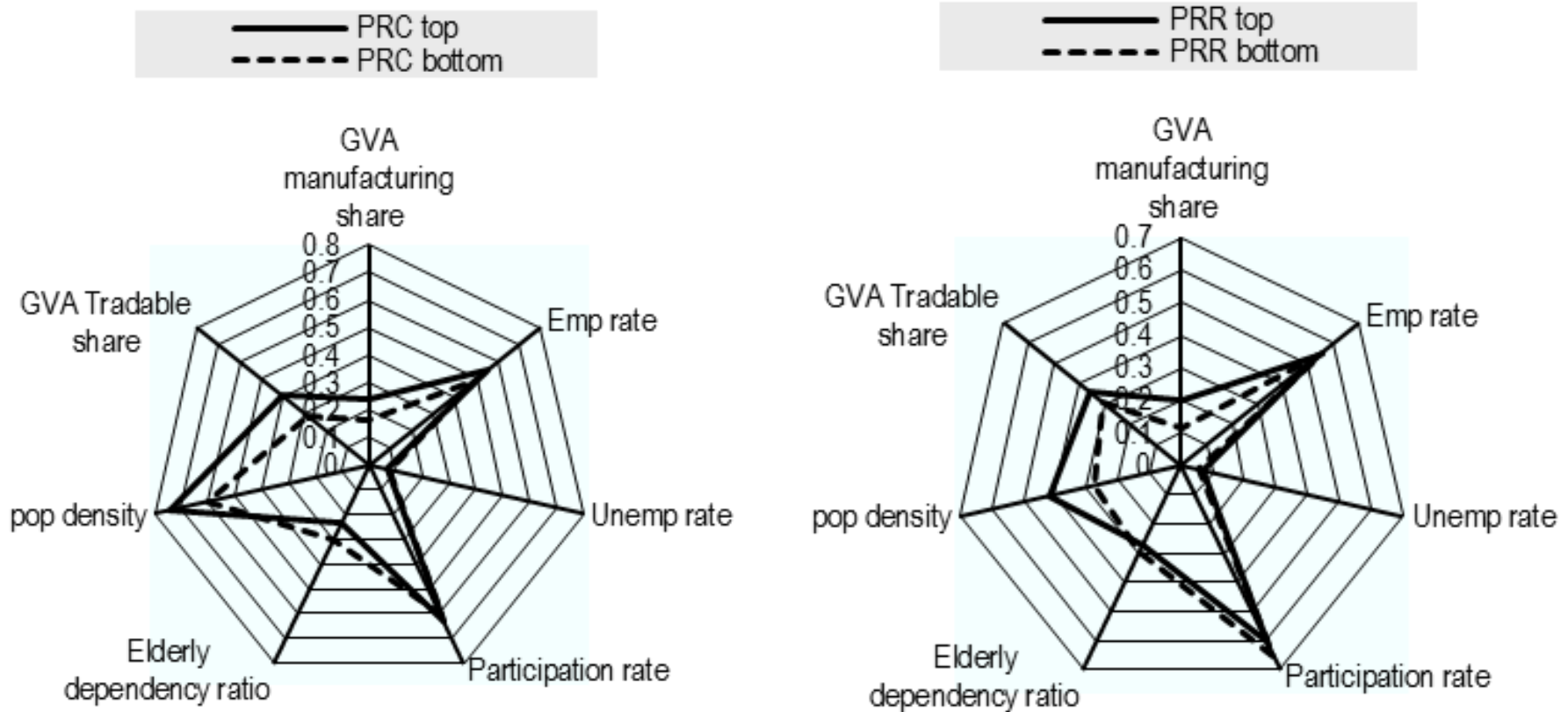
Source: OECD Regional Database (Territorial Level 2 regions).

...the fat tail is equally important -- if not more -- to aggregate growth...



# What are the key drivers of productivity growth?

## 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.



# Summary of trends

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- ❖ **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**



# Outline

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## 1. Performance rural and urban regions

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## 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

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

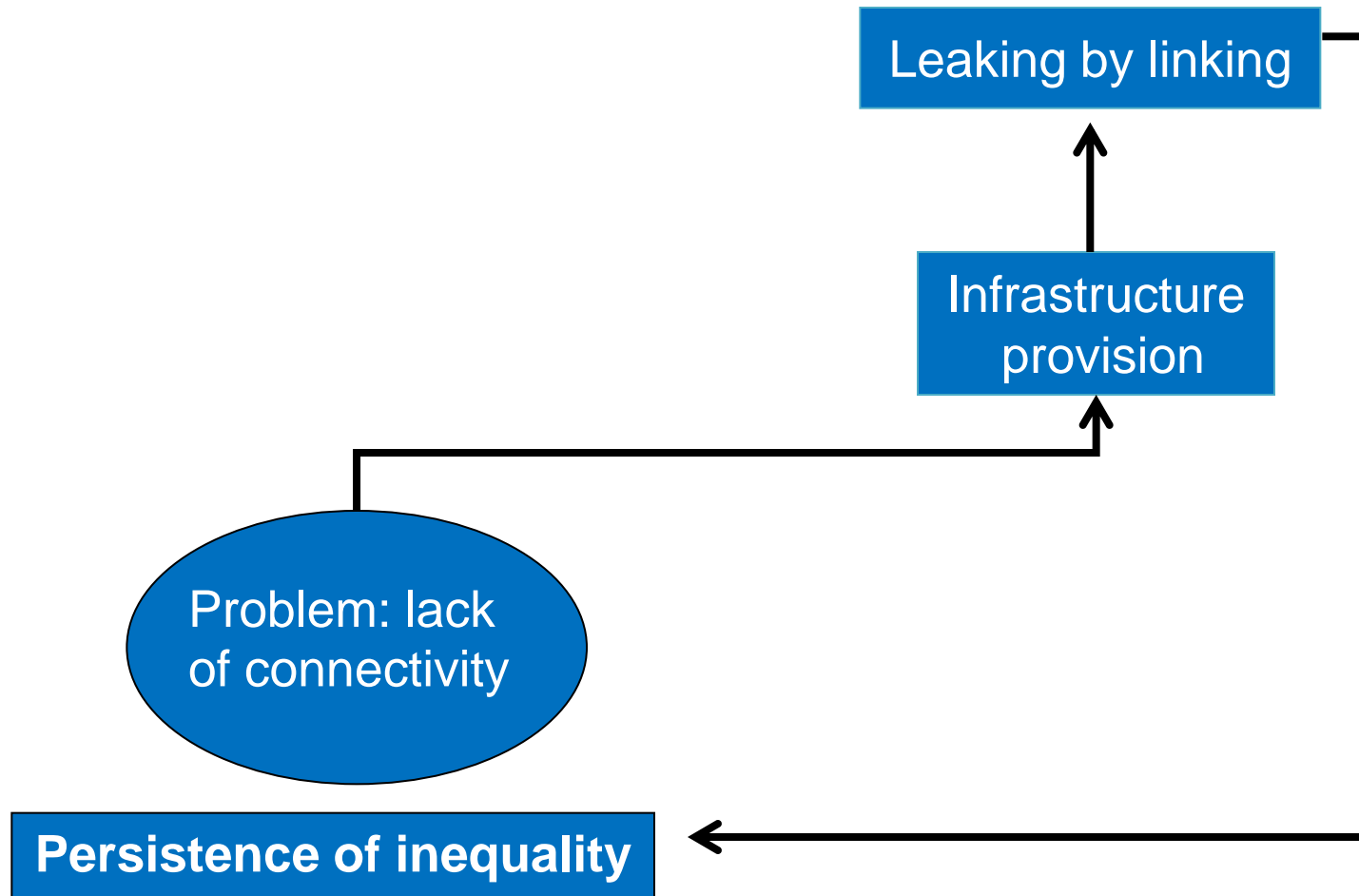
...to be more effective



5. Clarifying the partnership objectives and related measures

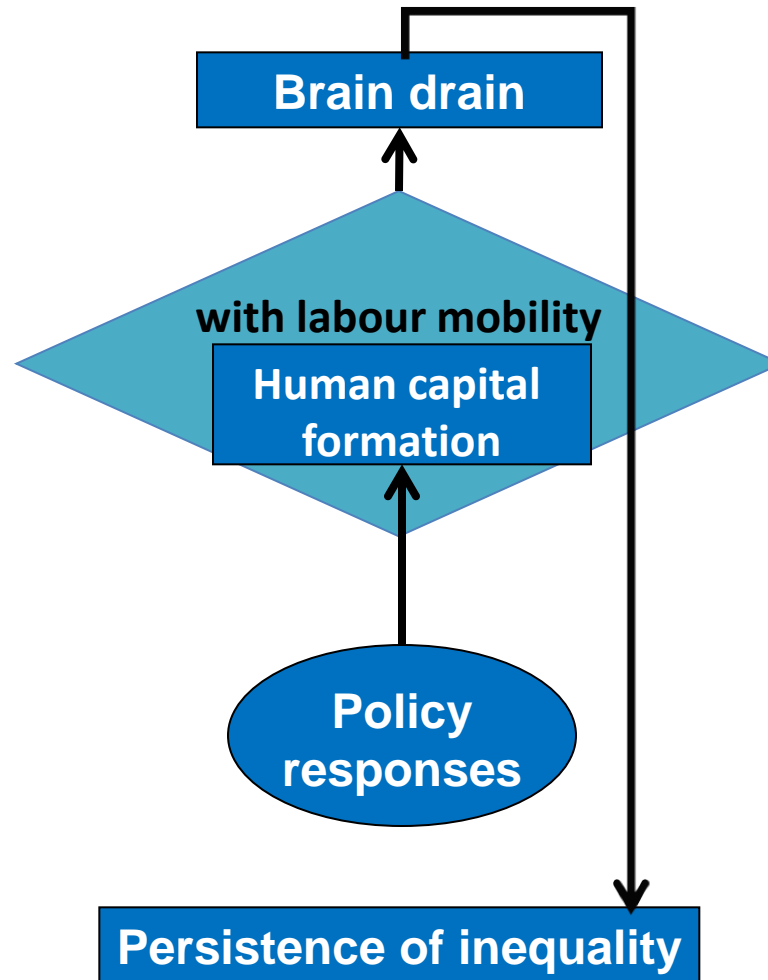


# The policy headache: isolated sectoral action may have unintended outcomes.





# The policy headache: 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 regional scale

Innovation

Business  
environment

Human capital  
formation

Infrastructure  
provision

Policy  
responses

**What are rural needs:**

- **Business innovation**
- **Skills**
- **Accessibility/ICT**



# Further Policy Considerations

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## 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



## Further Policy Considerations (cont.)

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### **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



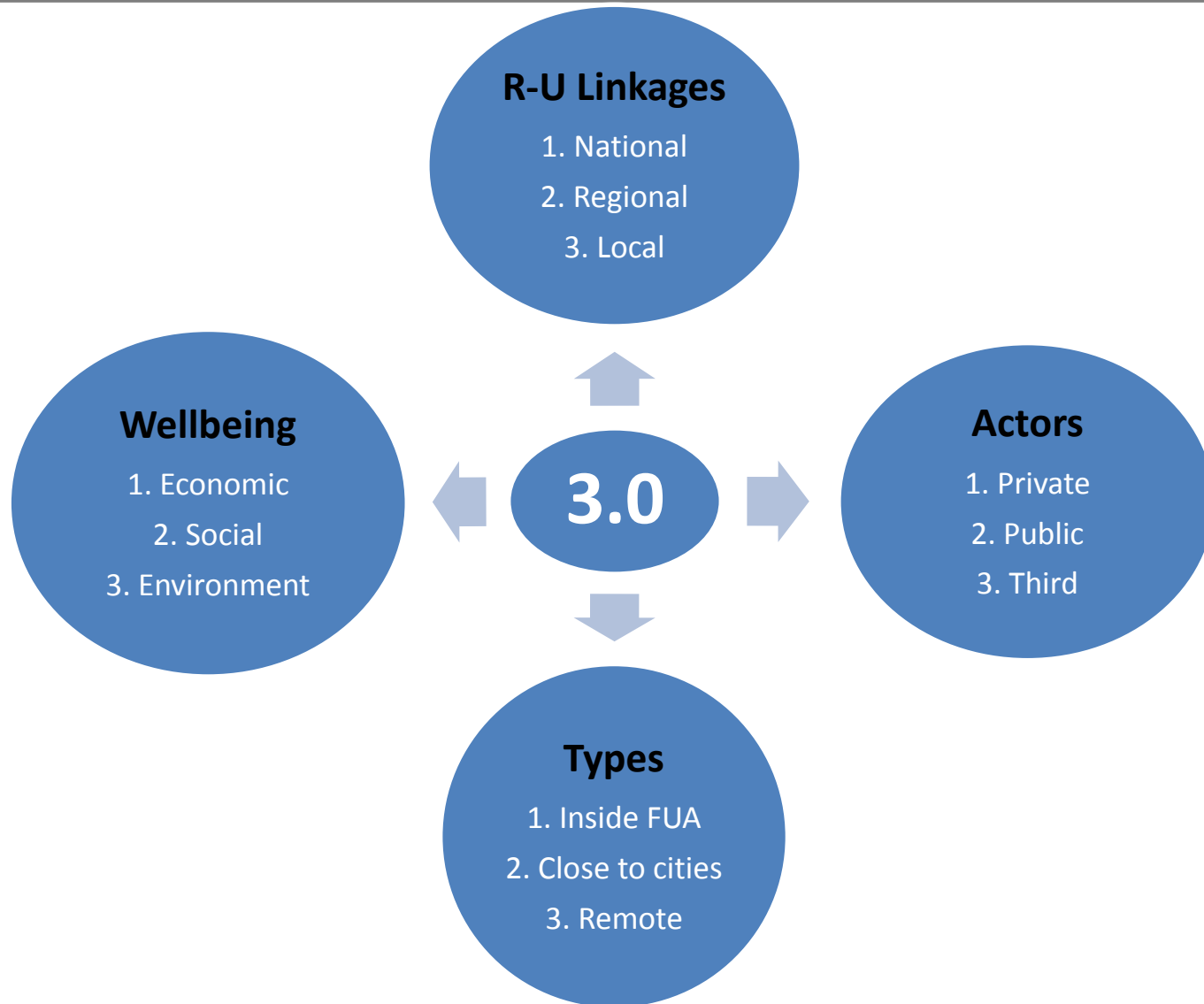
# An Evolving OECD Rural Paradigm

## 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



# Rural Policy 3.0





# Rural Policy Responses in OECD Countries

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- ❖ 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, 6<sup>th</sup> industry, rural-urban linkages)
  
- ❖ Chile: building synergies amongst a wide range of national ministries => national rural policy

thank you

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