BETTER POLICIES FOR BETTER LIVES

Enhancing rural innovation & rural policy 3.0: which implications for EU rural research and innovation?

Enrique Garcilazo, OECD Head of Regional and Rural Programme
Center for Entrepreneurship, SME's Regions and Cities
@Garilazo_OECD, #OECDRural

Innovating for the future of farming and rural communities
2-3rd May, 2018

Outline

1. What shapes performance of rural regions?
   - Research methods, data and definitions
   - Trends and diagnosis

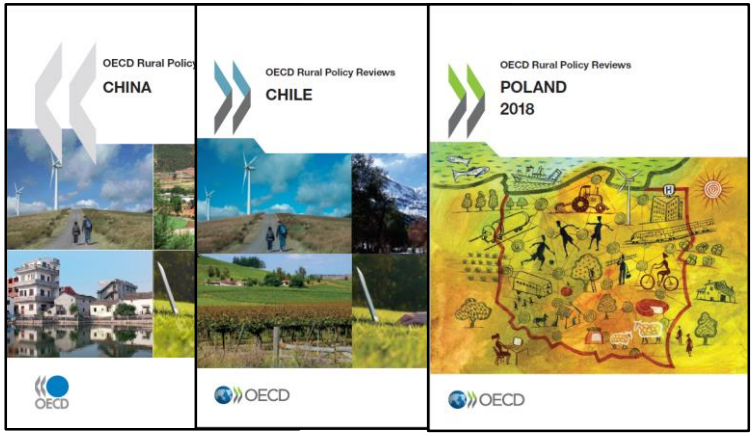
2. Policy lessons and framework for action
   - Policy implications rural development and R&I
   - Future considerations

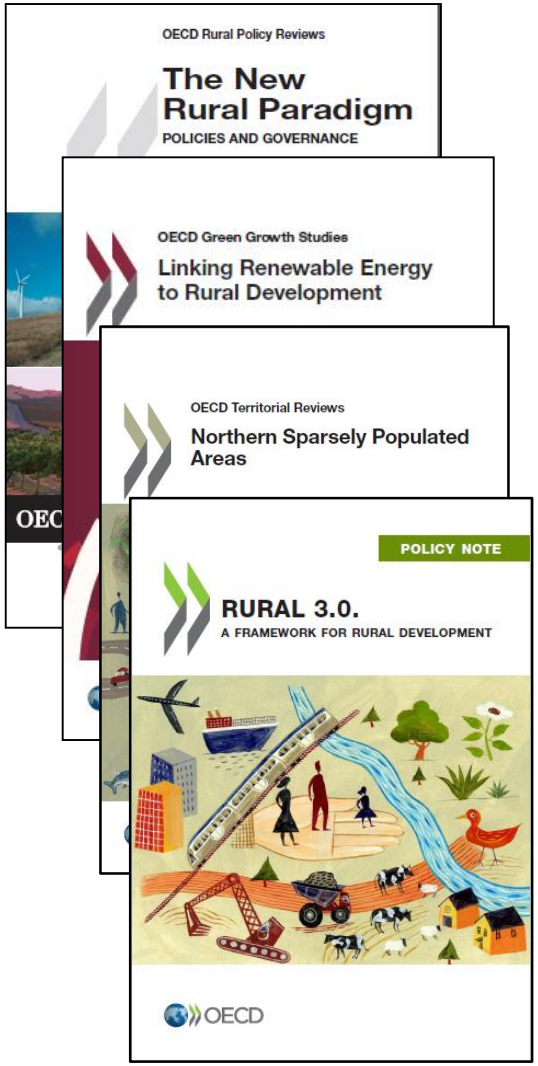
An evolving policy framework

OECD Working Party on Rural Policies (1994)

OECD Rural Development Conferences (11)

Rural Policy Reviews (12)





Thematic Studies

- The new Rural Paradigm
- Service delivery in rural regions
- Promoting growth in all regions (23)
- Linking RE Energy to Rural Dev. (15)
- RURAL-URBAN Partnerships (16)
- Low density economies (7)

Rural Policy 3.0

11th OECD Rural Development Conference "Enhancing Rural Innovation"

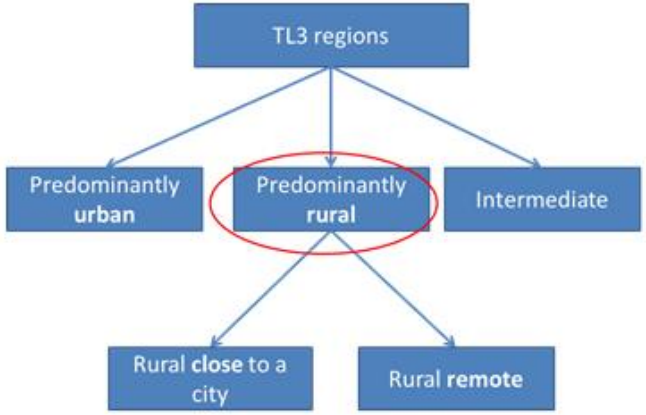
- Host: Scottish government, co-host EC and UK government
- Week 9-12th April:
  - Exhibition show, pre-conference, high level breakfast, conference and field trips
- Outputs:
  - Policy Note Rural Policy 3.0, Policy Statement,
- Attendees: 413 with 7 ministers and deputy minsters

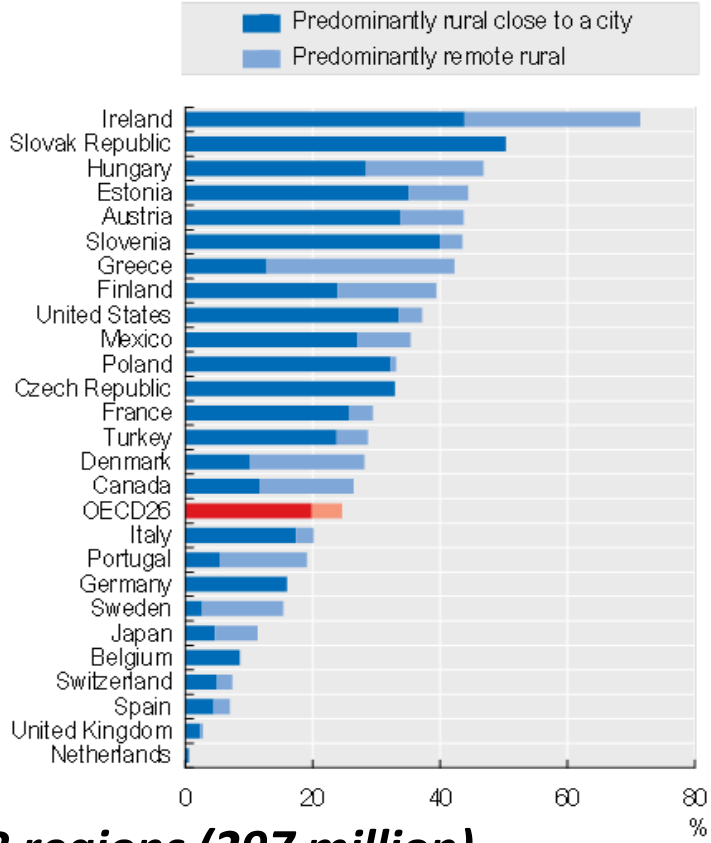
OECD
BETTER POLICIES FOR BETTER LIVES

… three types of rural areas present different challenges

Challenges by type of rural region

Type	Challenges	Opportunities
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





- ***In OECD countries, 26% of population live in PR regions (297 million)***
- ***20% in rural regions close to an urban area (235 million)***
- ***6% in remote rural regions (62 million)***

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%

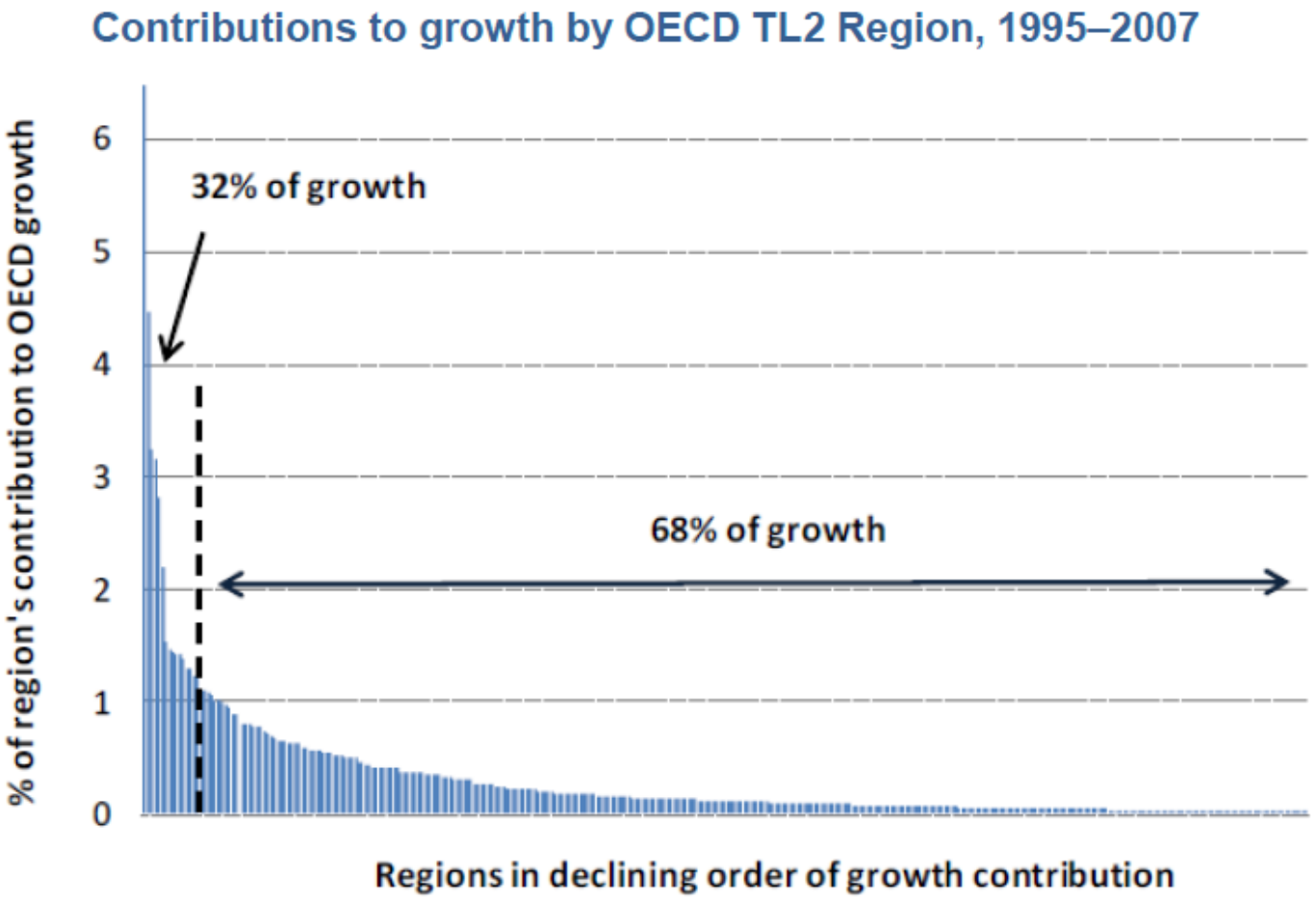
	Growth GDPpc		Growth GDPpw		Population growth	
	2000-08	2008-12	2000-08	2008-12	2000-08	2008-12
PU	2.07%	-0.70%	1.39%	0.24%	0.78%	0.67%
IN	1.98%	-0.28%	1.29%	0.65%	0.58%	0.45%
PR	1.95%	-1.11%	1.62%	0.12%	0.35%	0.38%
PRC	1.95%	-0.28%	1.77%	0.56%	0.63%	0.55%
PRR	1.95%	-2.45%	1.38%	-0.61%	0.02%	0.18%
All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

OECD
BETTER POLICIES FOR BETTER LIVES

Contributions to aggregate growth depend on few hub regions…

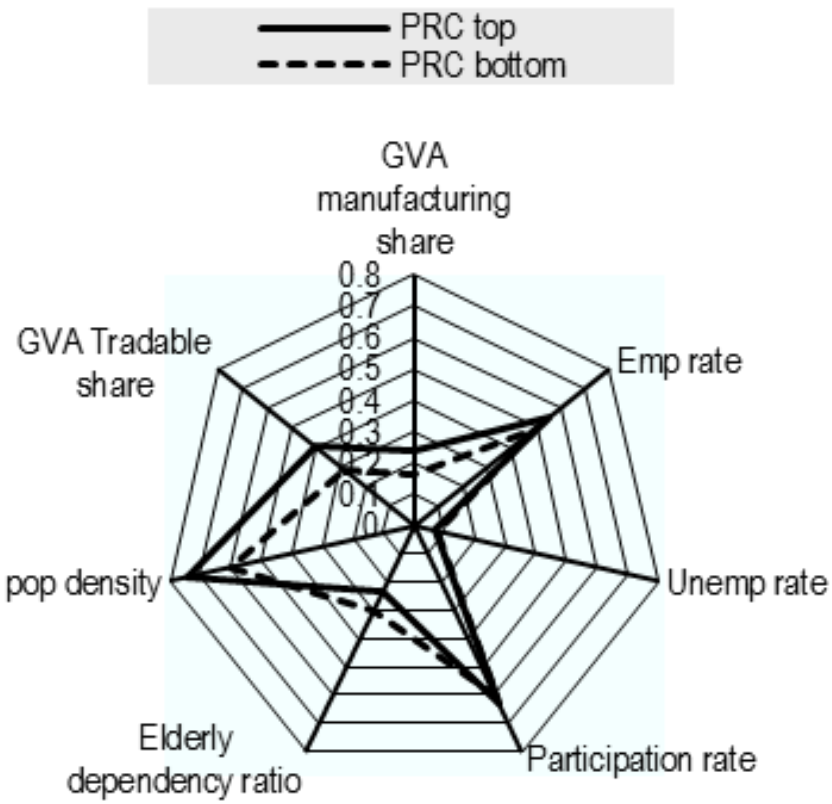


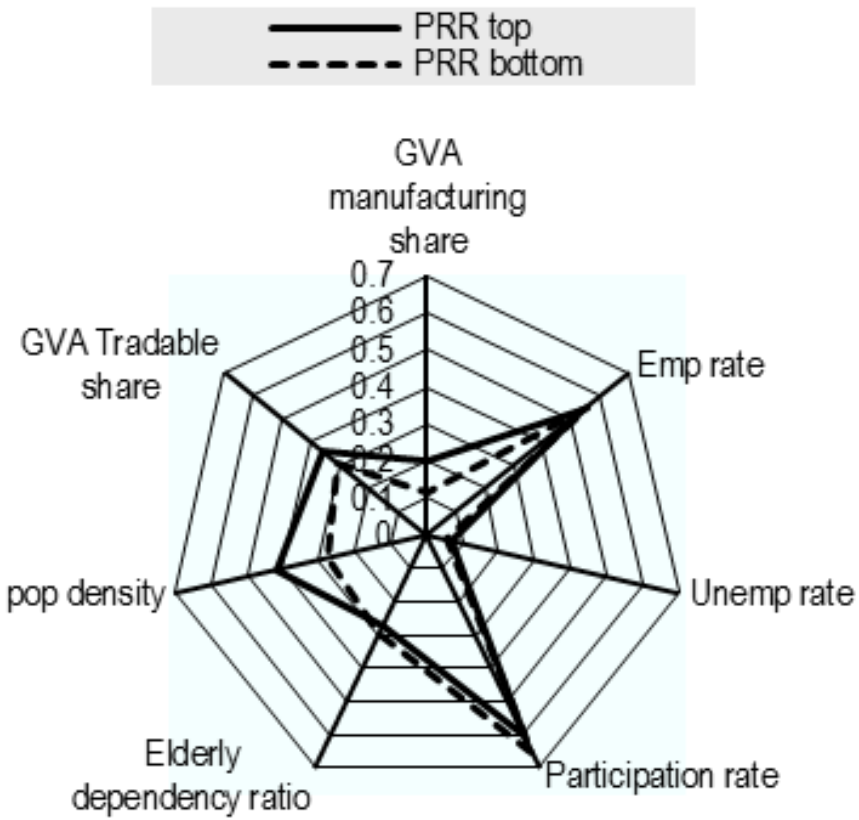
Source: OECD Regional Database (Territorial Level 2 regions).

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

What are the key drivers of productivity growth?

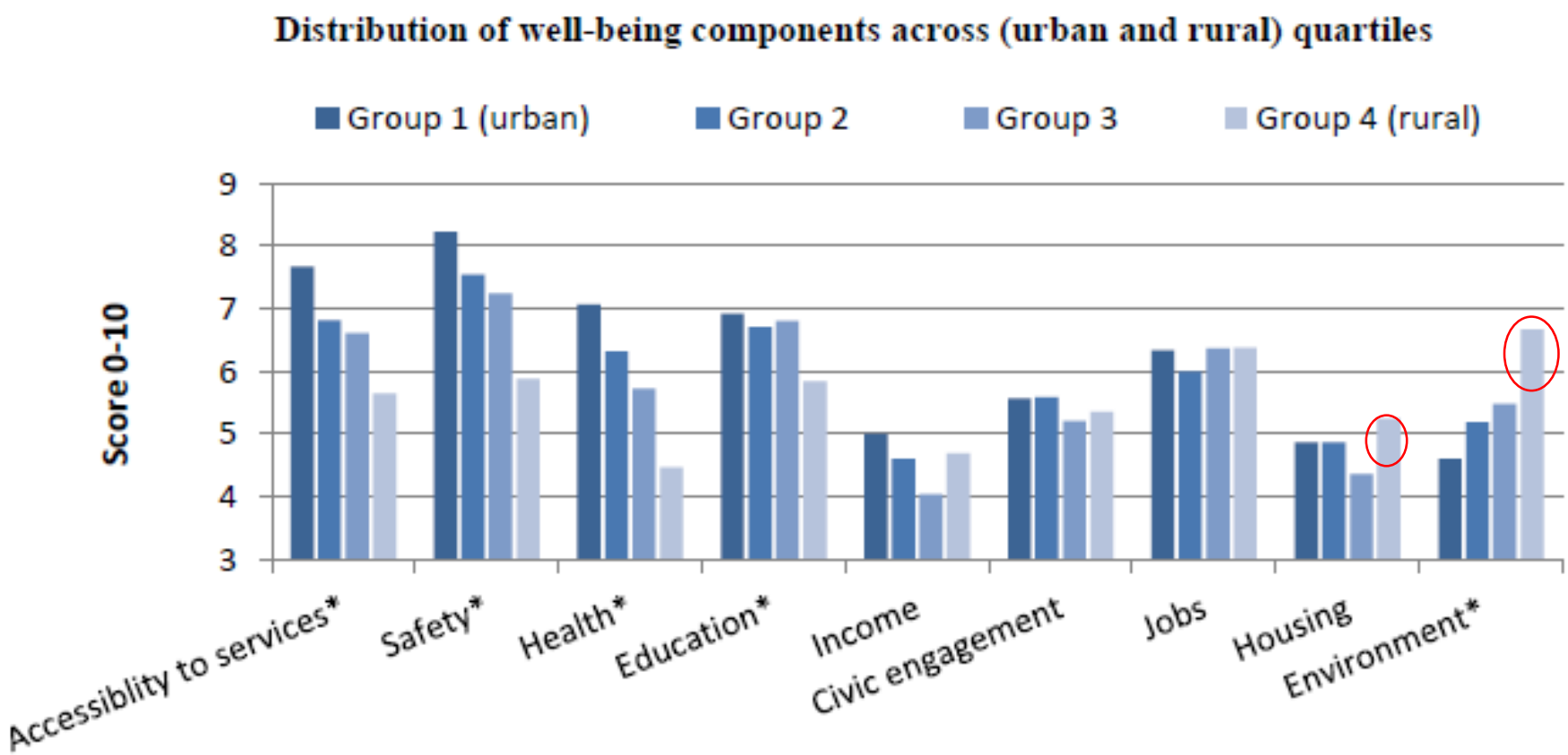
Determinants of productivity growth before the crisis (2000-2008)





- ***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.*

Rural regions perform well on several dimensions of wellbeing



- ***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*

Summary of trends

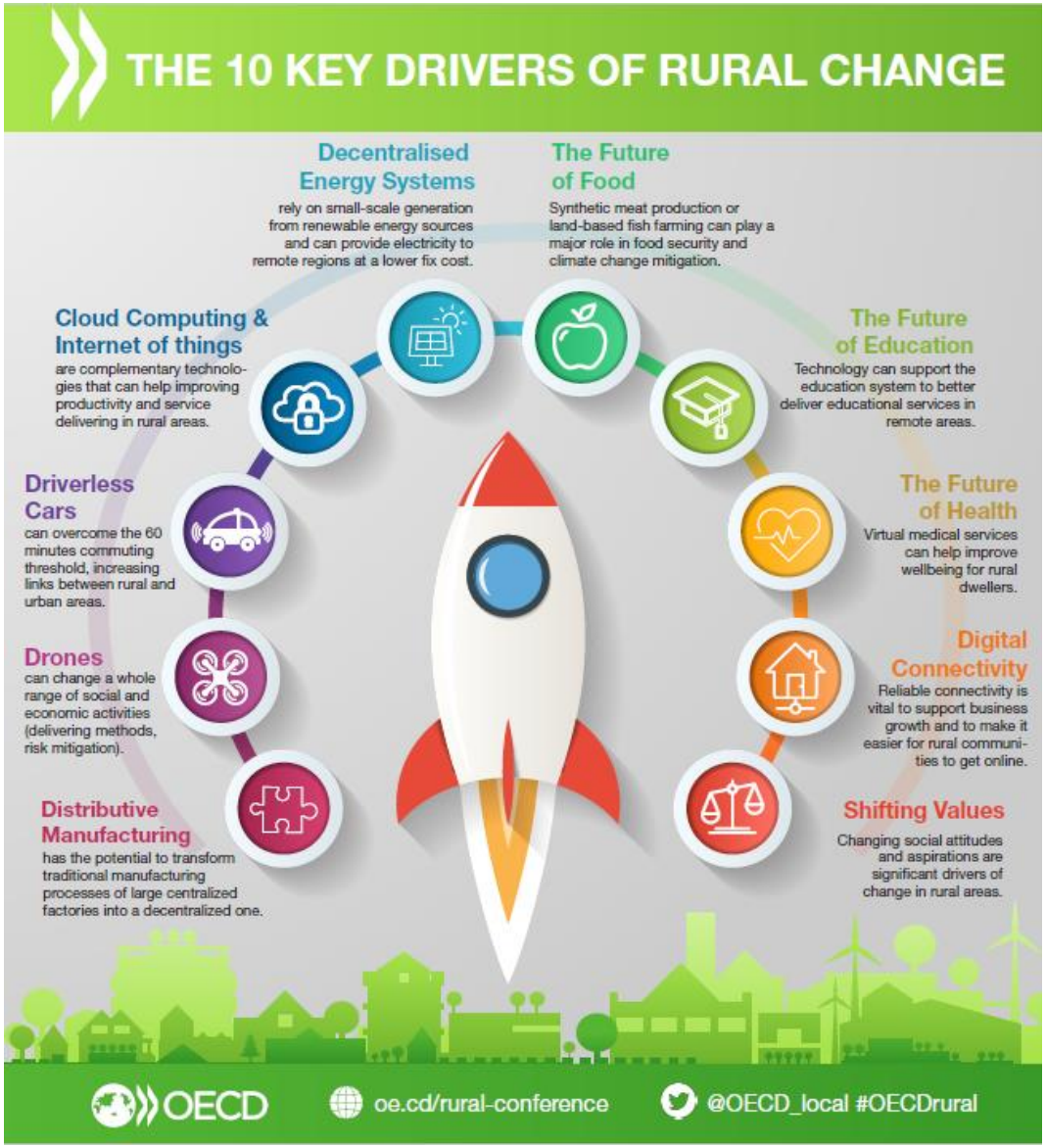
- **Low density regions display convergence trend**:
  - there is growth potential
- **Rural close to cities particularly dynamic**
- **Growth of rural regions (and low density economies) matter for national growth**
- **Tradable activities are key**
- **Agglomeration benefits can occur at different scales – towns and villages**
- **Rural regions perform well on several dimensions of well-being**
- **Enabling factors are key (skills, accessibility)**
- **Demographic challenges and service provision**

Outline

1. What shapes performance of rural regions?
   - Research methods, data and definitions
   - Trends and diagnosis

2. Policy lessons and framework for action
   - Policy implications rural development and R&I
   - Future considerations

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

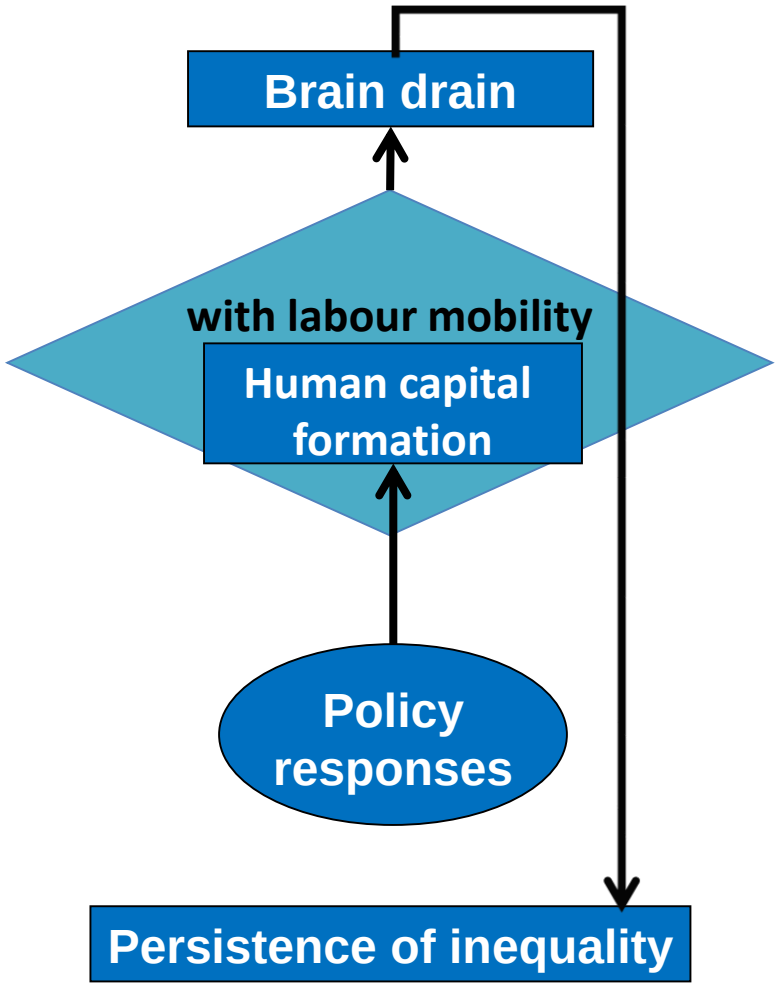
3. Working towards a common agenda for urban and rural policy
4. Building an enabling environment for Rural-urban partnerships

Learning
…to be more effective

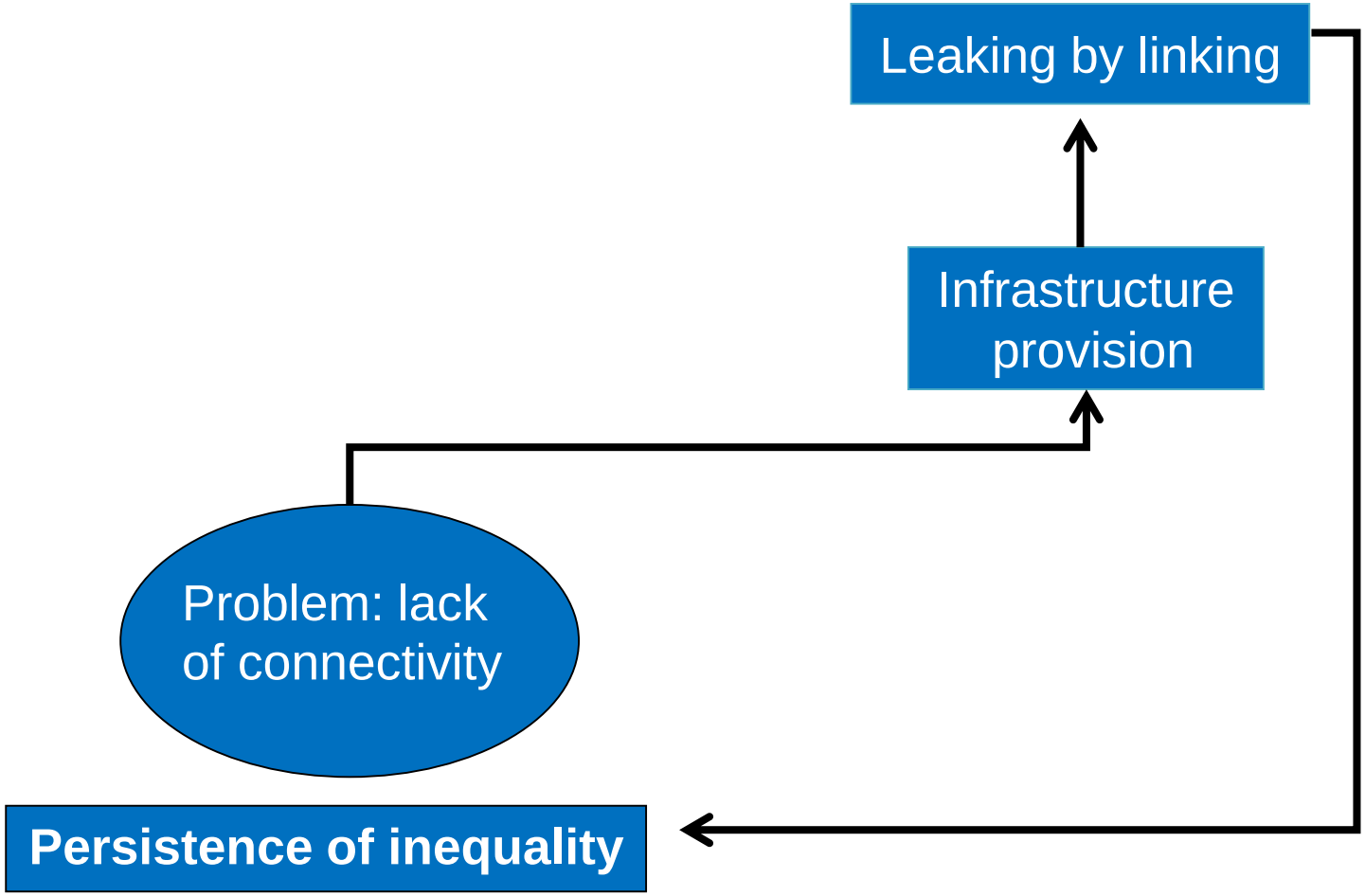
5. Clarifying the partnership objectives and related measures

OECD
BETTER POLICIES FOR BETTER LIVES

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

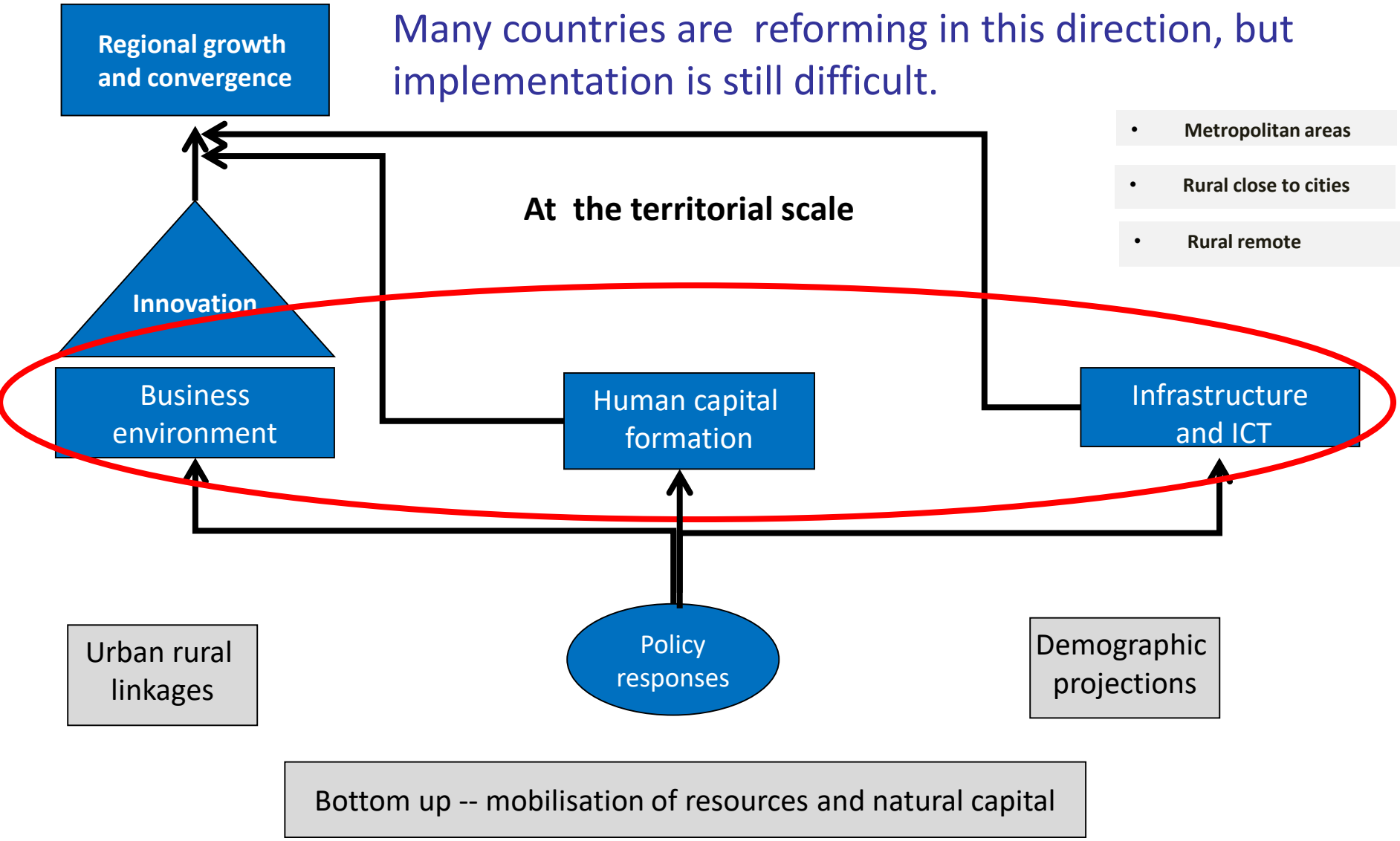


Towards a multidimensional response: isolated sectoral action may have unintended outcomes.



Towards a Multidimensional Response

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



- Metropolitan areas
- Rural close to cities
- Rural remote

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 with digitalisation agenda
   - Local value chains to GVC's, internationalization
   - Support entrepreneurs to business innovators

Further Policy Considerations (cont.)

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. **Retaining value locally**
   - Reducing mismatch of skills, attraction,
   - Cooperation educational facilities and business opportunities

6. **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

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**.
- Rural areas have specific **structural challenges**: population decline and ageing, climate change and management of natural resources
- **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-bein**g at the forefront of rural policy objectives
  - Place-based view of rural development, integrated approach and long term perspective
  - Develop **urban-rural linkages**
  - Promote societal approach based on **social innovation**,
  - Bottom-up approach empowering communities
  - 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

JoseEnrique.Garcilazo@oecd.org