

# **Modernising the Rural Economy:**

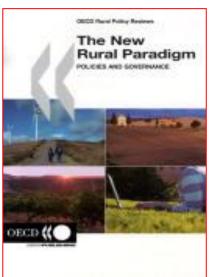
**Promoting Growth in all Regions** 

Enrique Garcilazo
Regional Development Policy Division
Directorate for Public Governance and Territorial
Development OECD

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# The OECD New Rural Paradigm (2006)



Guarantee an adequate attention to rural issues
And empower local communities and governments

	Old Paradigm	New Paradigm
Objectives	Equalization. Focus on farm income	Competitiveness of rural areas
Key target sector	Sector based	Holistic approach to include various sectors of rural economies
Main tools	Subsidies	Investments
Key actors	National governments, farmers	Multilevel-governance



Rural is not synonymous with agriculture Rural is not synonymous with economic decline



# Modernising the rural economy

- NRP and ahead:
  - Identification toward a set of principles
- Differentiation based on rural characteristics
  - Low density sparsely populated
  - Long distances
  - Lack of critical mass
- Need to enhance <u>competitiveness</u>
  - Rural areas integrated in global world

Differentiated but <u>integrated</u>

- Rural regions are complex territories
- Non-core urban areas

"Innovation and Modernising the Rural Economy"

Urban to Rural Linkages Project

Promoting Growth in all Regions

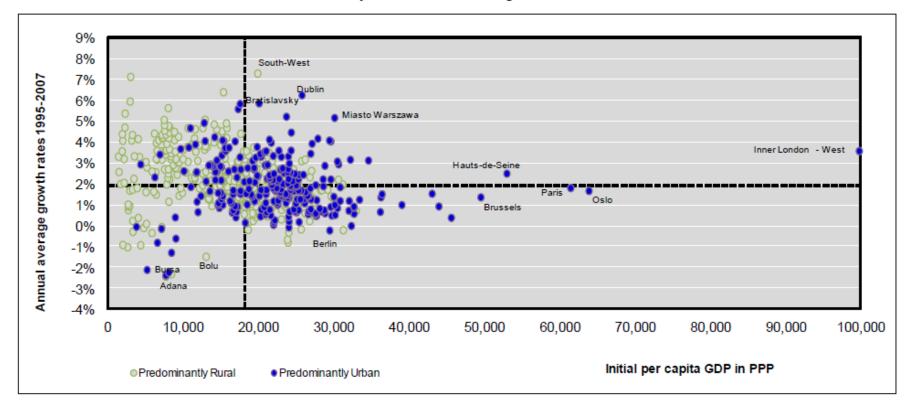




### There is no single/unique path to growth...

#### No marked convergence or divergence profiles by type of region

Predominantly urban and rural regions, 1995-2007



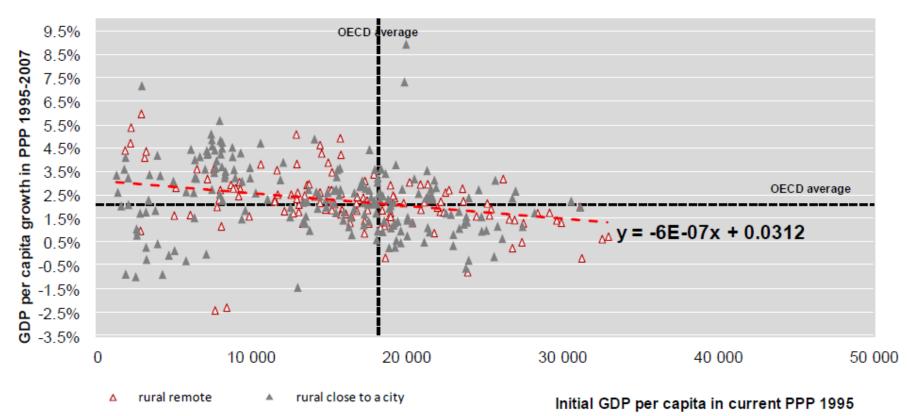




### **Convergence forces in rural regions**

#### Convergence patterns across rural regions

Remote and proximate rural TL3 regions, 1995-2007



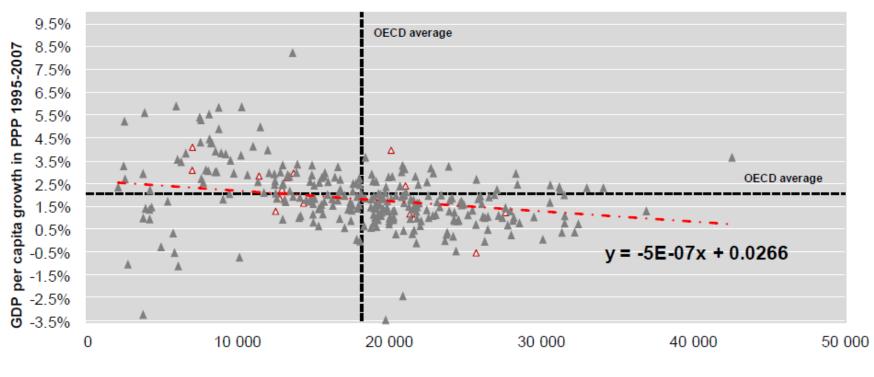




### **Convergence forces in intermediate regions**

#### Convergence patterns across intermediate regions

Intermediate TL3 regions, 1995-2007



△ intermediate remote

intermediate close to a city

Initial GDP per capita in current PPP 1995





## The most dynamic OECD regions over 1995-2007...

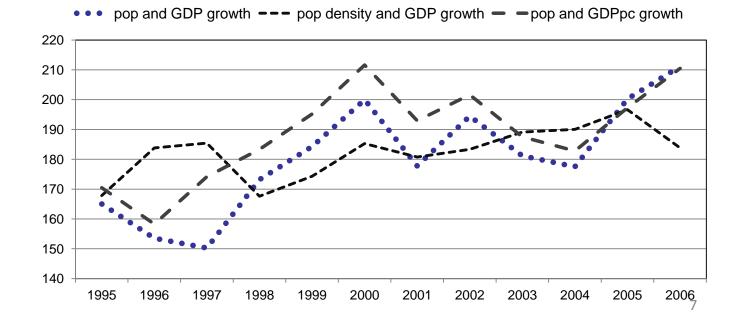
### Initial GDP per capita and annual average growth rates in GDP per capita among the five TL3 region types, 1995-2007

T	GDP per capita in PPP				
Type of OECD region	n	Growth (1995-2007)	Initial levels (1995)	Ratio to OECD average	
Urban (PU)	233	1.93%	22 568	124%	
Rural close to city (PRC)	199	2.33%	14 324	79%	
Rural remote (PRR)	123	2.24%	16 234	89%	
Intermediate close to city (INC)	280	1.81%	17 950	99%	
Intermediate remote (INR)	15	2.15%	16 096	89%	
Total	850	2.06%	18 172	100%	

Source: OECD Regional Database.

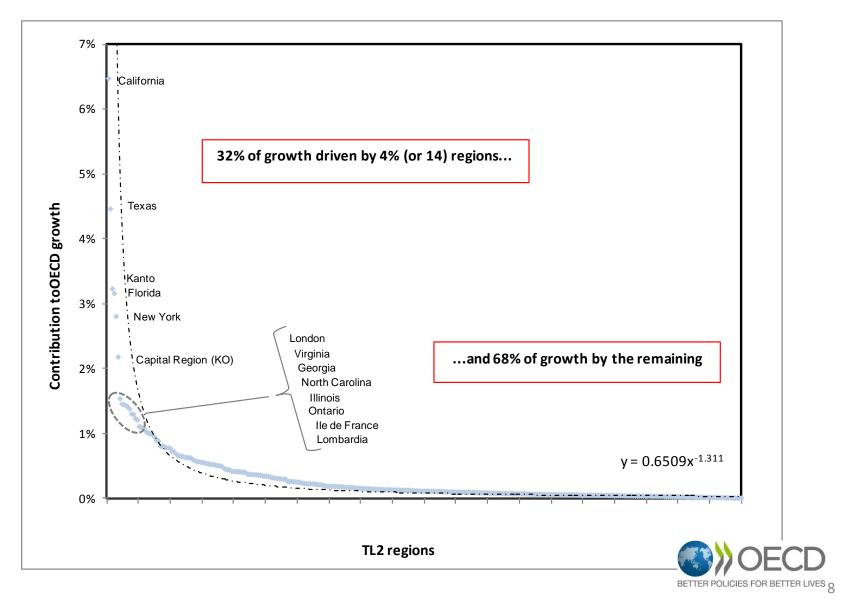
average rank
(1== highest)

- population
- pop density



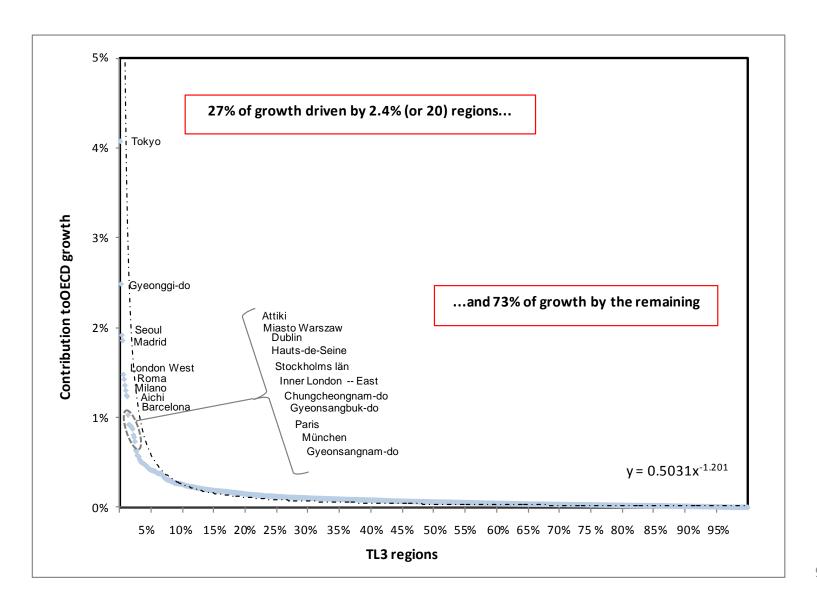


## **Contributions to growth OECD TL2 regions**





# **Contributions to growth OECD TL3 regions**





# Lagging regions contribute to national growth

#### lagging leading Australia 29% 71% 53% 47% Austria Canada 26% 74% Czech Republic 62% 38% Finland 35% 65% France 68% 32% 27% Germany 73% -16% 116% Greece 34% 66% Hungary Italy 26% 74% 27% 73% Japan 23% Mexico 44% 56% Netherlands 49% 51% Norway 61% 39% Poland 44% 56% **Portugal** 54% 46% Slovak Republic 67% 33% 48% Spain 52% Sweden Turkey 47% United Kingdom 57% 43% **United States** 51% 49% average unweighted 43% 57% average weighted 44% 56%

Lagging Regions Contribution to Aggregate Growth

Overall, they contributed to **44%** of aggregate OECD growth in 1995-2007.

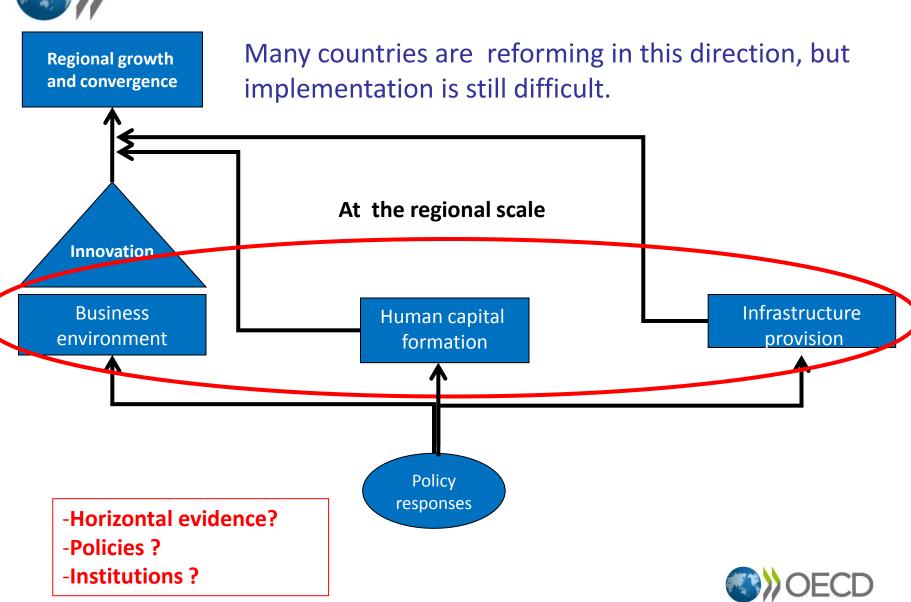
In eight OECD countries lagging regions contributed more to national growth than leading regions.



Bottom line: support for lagging regions need not be merely a "social" policy. They contribute a large share of national growth.



## Towards a Multidimensional Response





# **Case Studies Methodology**

#### Sample of 23 case study regions

Case study number	Region	Category			
Dynamic regions					
1	Aquitaine	CUP and growing above av.			
2	Asturias	CUP and growing above av.			
3	Brandenburg	LCUP and growing above av.			
4	Central Transdanubia	CUP and growing above av.			
5	Durango	CUP and growing above av.			
6	Jalisco	CUP and growing above av.			
7	Marche	CUP and growing above av.			
8	Midi-Pyrénées	CUP and growing above av.			
9	Sachsen-Anhalt	LCUP and growing above av.			
10	San Luis Potosi	LCUP and growing above av.			
11	Wielkopolskie	CUP and growing above av.			
12	Zuid-Nederland	CUP and growing above av.			
	Less dynamic region	ns			
13	Chiapas	LCUP and growing below av.			
14	Estado de Mexico	CUP and growing below av.			
15	Lubelskie	CUP and growing below av.			
16	Nord-Pas-de-Calais	CUP and growing below av.			
17	Wear)	CUP and growing below av.			
18	North West (CR Manchester)	CUP and growing below av.			
19	Podlaskie	CUP and growing below av.			
20	Sicilia	LCUP and growing below av.			
21	Vychodne Slovensko	CUP and growing below av.			
22	(CR Leeds)	CUP and growing below av.			
23	Zacatecas	LCUP and growing below av.			

#### Field study

#### Questionnaire (21 questions)



#### GROWING LAGGING REGIONS

#### PHASE 3 CASE STUDIES - EXAMPLES OF BEST PRACTICES

OUESTIONNAIRE

This questionnaire concerns a number of case studies selected for phase 3 of the project "Growing Lagging Regions". Prior to the actual questionnaire, this documents provides basic information on the project "Growing Lagging Regions" and the process of reviewing the case studies.

Please provide answers to the questions in the questionnaire, and add any background documents that you main consider usefully for OECD work.

#### Background information on Growing Lagging Region: Project

The OSCD is currently undertaking a project "Curoving Lagging Regions" siming at investigating why some legging regions manage to each up vis-h-vis other legging regions. The goal is to pixpoint these fact that the second policies play in this process. The project combines before quantitative (i.e. a series of case studies) methods three phases. The three phases are summarised below. The questionness registed policies play in the project combines below the quantitative (i.e. a series of case studies) methods three phases. The three phases are summarised below. The questionness registes to place 3 of the project.

Phase I develops a successory based on the performance of OECD TL2 engines comparing initial technical and growth mass of GDP per capita in their respective countries nor error 1905-2005. This touconomy defines 6 categories of regions; (1) lagging-growing; (2) lagging-underperforming; (3) quasi-lagging growing, (4) quasi-lagging growing, (4) on the control of the

Phase 2 conducts analytical work investigating the main factors responsible for growth among lagging growing regions using econometric models and descriptive methods.

Phaz 2 carries out a number of case studies among OECD regions. The aim is to deepen the analysis and improve our understanding of the neb policies play in the catching-up process. The selection of case studies is made in regions from the categories (1)-(4) in the twomony. The case studies will play special attention to the key factors relevant for growth in lagging regions, the role of institutions, governance mechanisms and regional policies. The selection of the case studies will be decided by countries participating in place 3 of the project in conjunction with the OECD Socretariat.

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#### Drafting of case study



# Factors for Growth Among Regions Growing <u>Above</u> Average "Growing" Regions

Factors for growth in regions growing above average	Frequency	%
Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross border, urban spatial)	8	15%
Infrastucture connectivity	8	15%
Institutions (governance, leadership capacity, continuity, mobilisation)		12%
Human capital	6	12%
Innovation, includes entrepreneurial	5	10%
Business environment, public sector activity and industry	5	10%
Geography	4	8%
Internationalisation: international competition and brandname attractiveness	3	6%
Presence of natural assets and amenities	2	4%
FDI	2	4%
Economy (diversified, differentiated and market aware)	1	2%
Other	1	2%
Tourism	1	2%
Density (cohesion, internal fragmentation, labour market mismatch)	0	0%
Demographic factors	0	0%
Agriculture	0	0%
Environmental constraints	0	0%
Availabity of financing	0	0%
Total	52	100%





# Bottlenecks in Regions Growing Below Average "Underperforming Regions"

bottlenecks in regions growing below average	frequency	in %
Institutions (governance, leadership capacity, continuity, mobilisation)	8	15%
Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross border, urban spatial)	7	13%
Density (cohesion, internal fragmentation, labour market mismatch)	7	13%
Human capital	6	12%
Geography	5	10%
Infrastucture connectivity	4	8%
Business environment, public sector activity and industry	3	6%
Demographic factors	3	6%
Innovation, includes entrepreneurial	2	4%
Agriculture	2	4%
Economy (diversified, differentiated and market aware)	1	2%
Other	1	2%
Environmental constraints	1	2%
Internationalisation: international competition and brandname attractiveness	0	0%
Presence of natural assets and amenities	0	0%
FDI	0	0%
Tourism	0	0%
Availabity of financing	0	0%
total	50	100%





#### **Conclusion**

#### 1. Institutional factors and policy framework matters

- Institutions that facilitate <u>negotiation</u> and <u>dialogue</u> among key actors in order to <u>mobilise</u> and <u>integrate</u> them into the development process are vital, as are those that enhance policy continuity
- Self-conscious shift towards a growth-oriented policy framework is very often a part of the recipe for success.

#### 2. Complementarities and synergies are critical

- Simultaneous improvement in policies, infrastructure and human capital, suggesting strong synergies and avoidance of <u>brain-drain effects</u>.
- Simultaneous improvement in infrastructure, the business environment and geographic factors, thus avoiding <u>leaking-by-linking effects.</u>
- 3. Upgrading the skills of **low-skilled workers** may be as important for growth as policies aimed at expanding higher education.
- **4. Infrastructure** does not appear to be the binding constraint for the great majority of regions.



# thank you

JoseEnrique.Garcilazo@oecd.org