

# Modernising the Rural Economy:

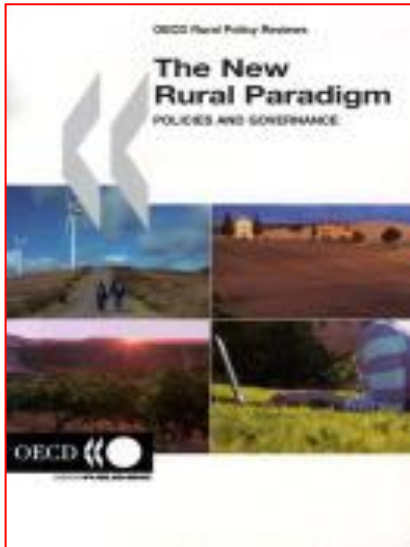
Promoting Growth in all Regions

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



**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 competitiveness
  - Rural areas integrated in global world
- Differentiated but integrated ↔
  - Rural regions are complex territories
  - Non-core urban areas ↔

“Innovation and  
Modernising the  
Rural Economy “

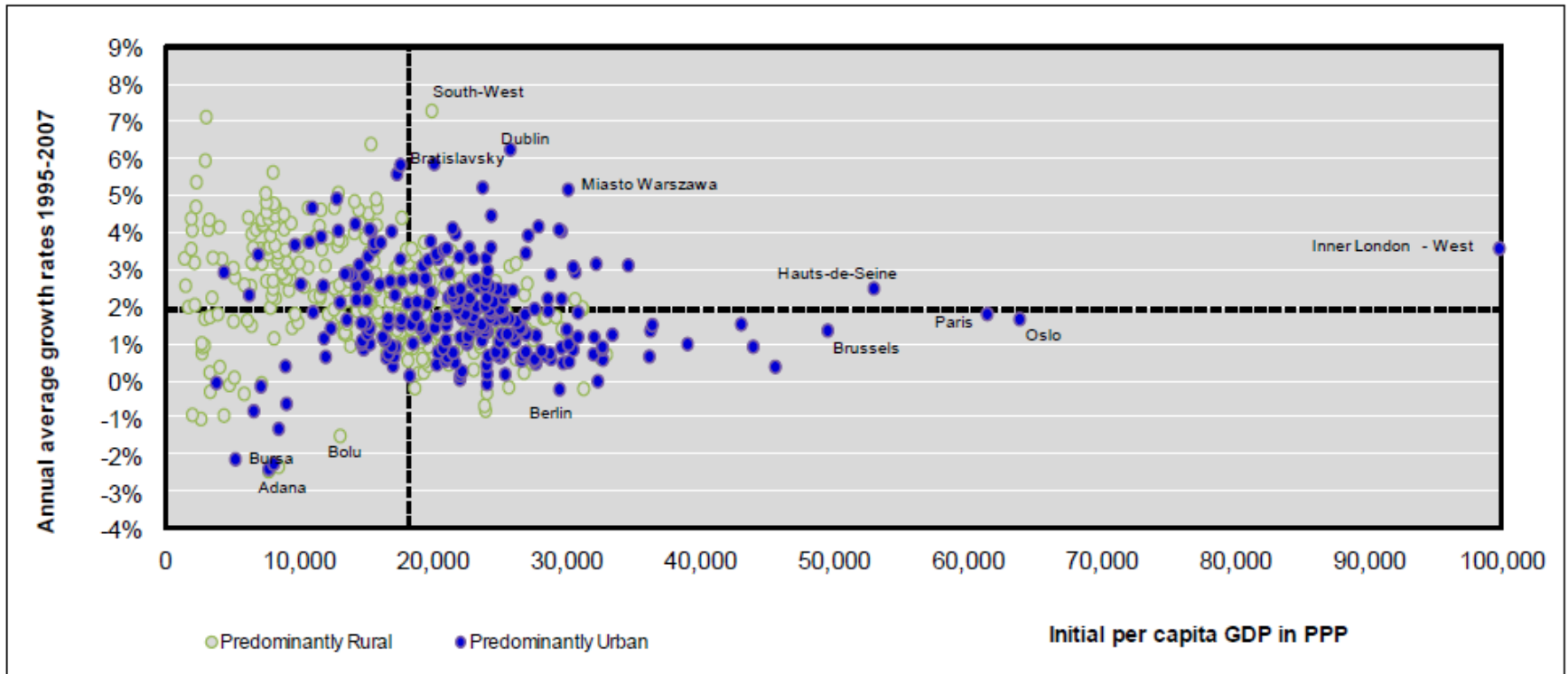
Urban to Rural  
Linkages Project

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

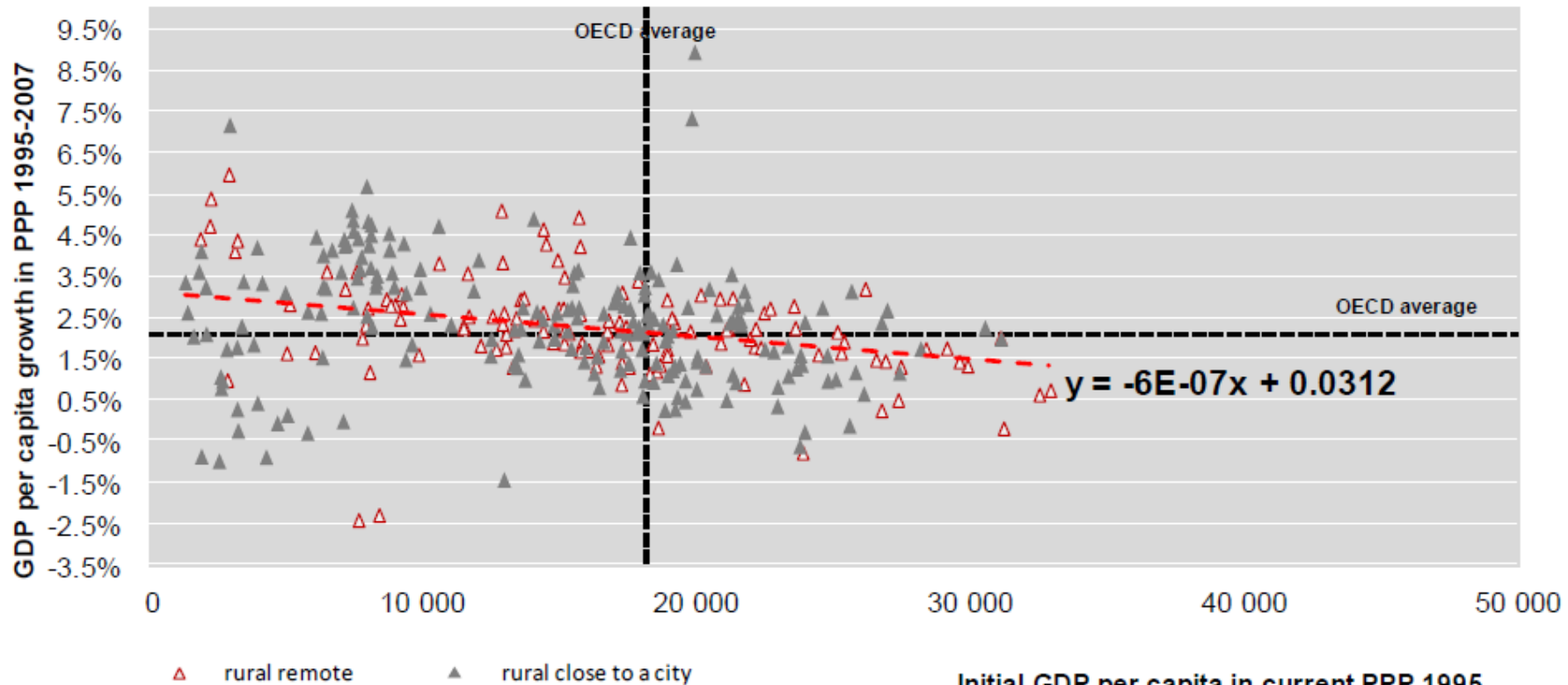




# Convergence forces in rural regions

## Convergence patterns across rural regions

Remote and proximate rural TL3 regions, 1995-2007

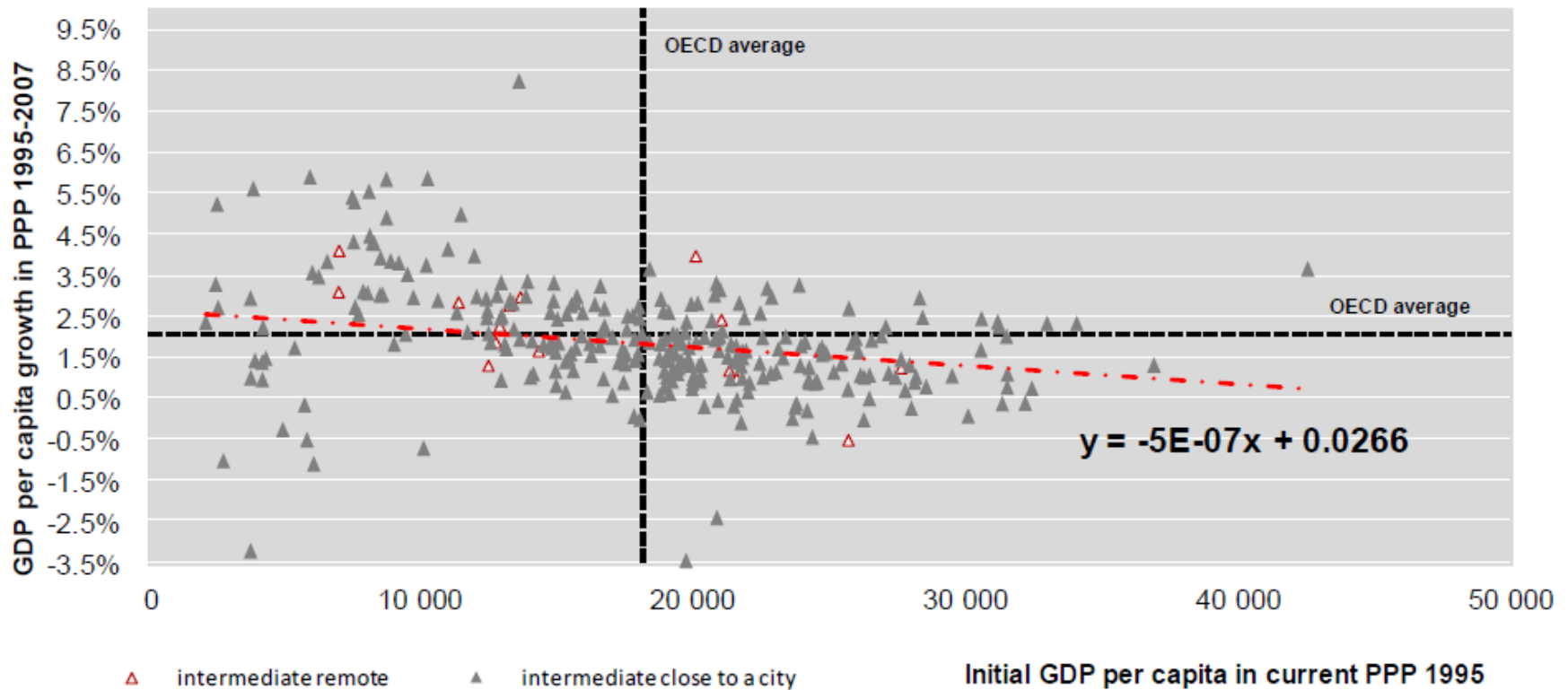




# Convergence forces in intermediate regions

## Convergence patterns across intermediate regions

Intermediate TL3 regions, 1995-2007





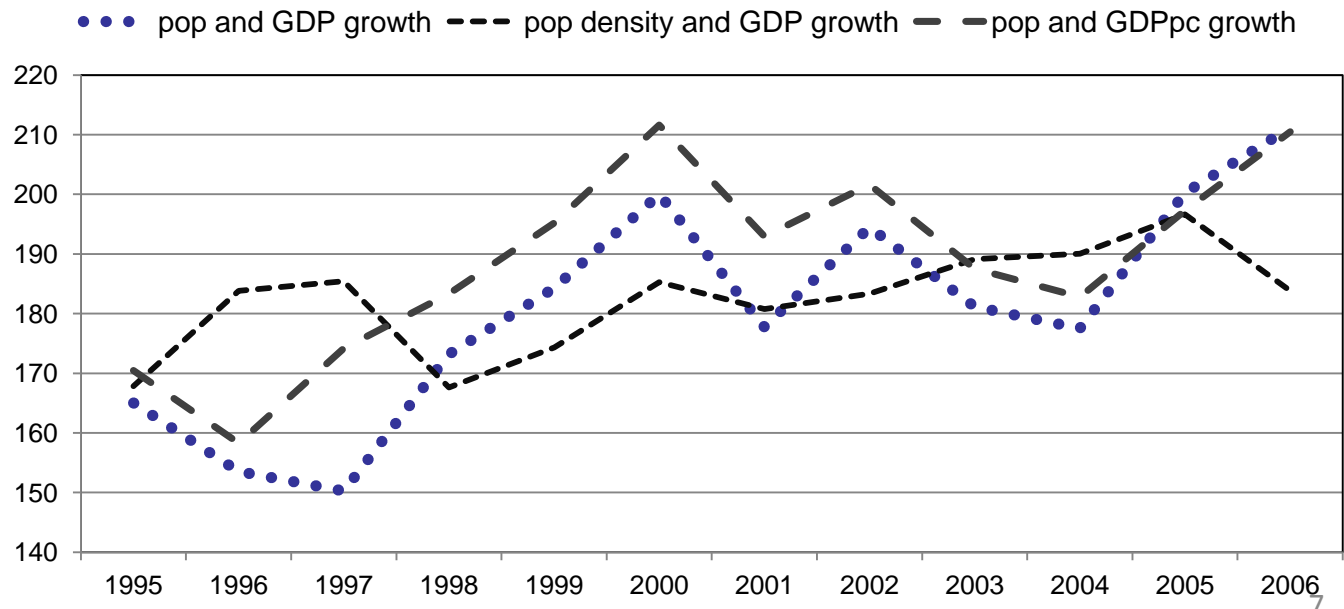
# The most dynamic OECD regions over 1995-2007..

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

Type of OECD region	n	GDP <i>per capita</i> in PPP		
		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%

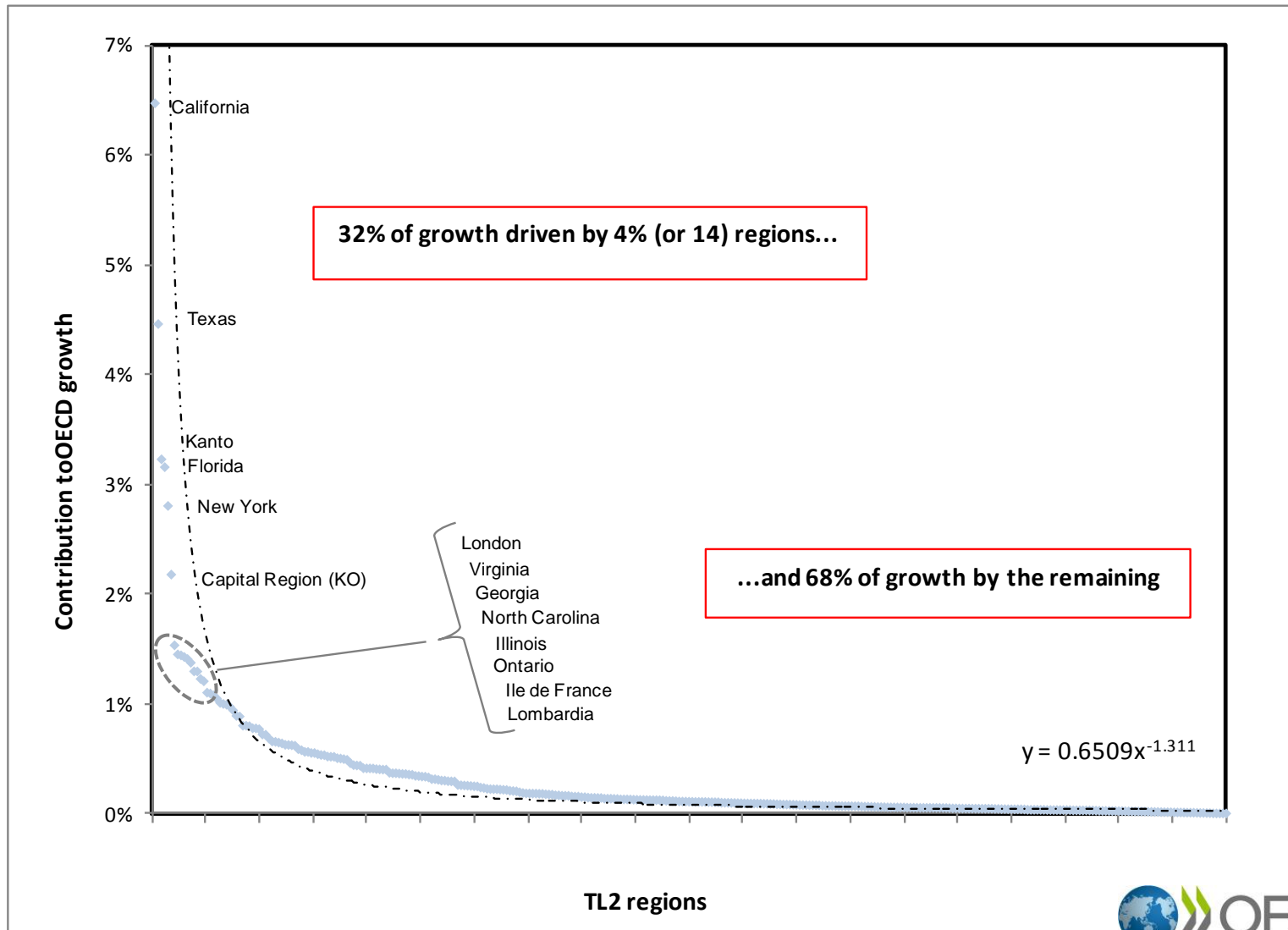
Source: OECD Regional Database.

average rank  
(1== highest)  
 ■ population  
 ■ pop density





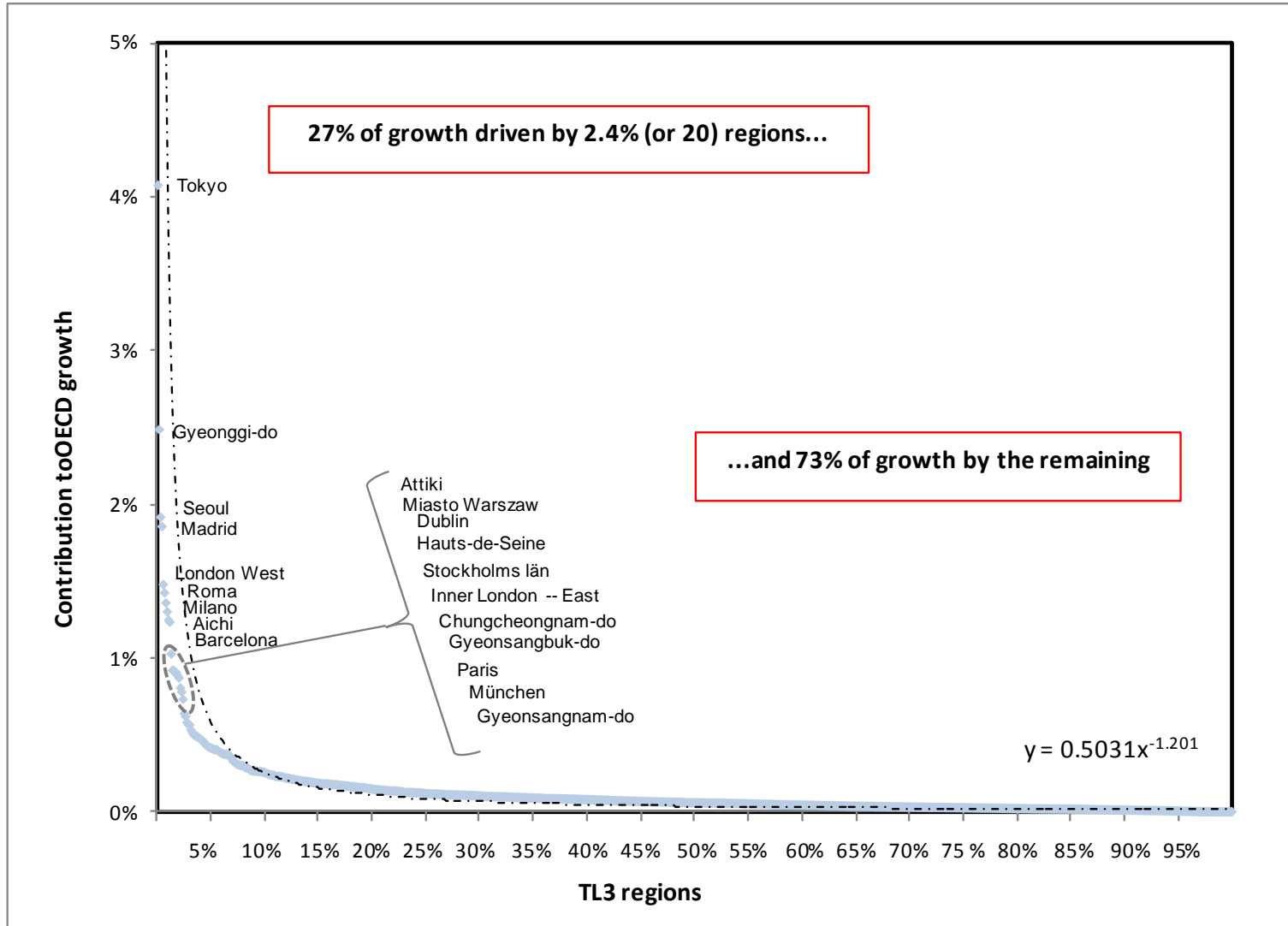
# Contributions to growth OECD TL2 regions







# Contributions to growth OECD TL3 regions





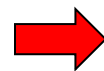
# Lagging regions contribute to national growth

## Lagging Regions Contribution to Aggregate Growth

	lagging	leading
Australia	29%	71%
Austria	53%	47%
Canada	26%	74%
Czech Republic	62%	38%
Finland	35%	65%
France	68%	32%
Germany	27%	73%
Greece	-16%	116%
Hungary	34%	66%
Italy	26%	74%
Japan	27%	73%
Korea	23%	77%
Mexico	44%	56%
Netherlands	49%	51%
Norway	61%	39%
Poland	44%	56%
Portugal	54%	46%
Slovak Republic	67%	33%
Spain	48%	52%
Sweden	58%	42%
Turkey	47%	53%
United Kingdom	57%	43%
United States	51%	49%
<b>average unweighted</b>	<b>43%</b>	<b>57%</b>
<b>average weighted</b>	<b>44%</b>	<b>56%</b>

*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

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

- Horizontal evidence?
- Policies ?
- Institutions ?

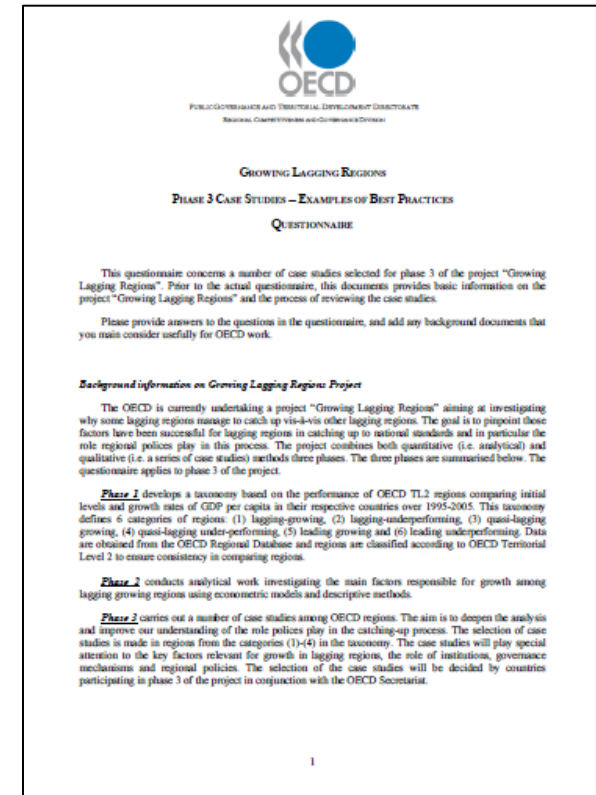


# Case Studies Methodology

Sample of 23 case study regions

Case study number	Region	Category
<b>Dynamic regions</b>		
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.
<b>Less dynamic regions</b>		
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.

Questionnaire (21 questions)



Field study

Drafting of case study



# Factors for Growth Among Regions Growing Above Average “Growing” Regions

<b>Factors for growth in regions growing above average</b>	<b>Frequency</b>	<b>%</b>
Policies (shift mentality, silos, fragmentation, adjusting policies to assets, linkages, cross border, urban spatial)	8	15%
Infrastructure connectivity	8	15%
Institutions (governance, leadership capacity, continuity, mobilisation)	6	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%
Availability of financing	0	0%
<b>Total</b>	<b>52</b>	<b>100%</b>



# Bottlenecks in Regions Growing Below Average

## “Underperforming Regions”

<b>bottlenecks in regions growing below average</b>	<b>frequency</b>	<b>in %</b>
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%
Infrastructure 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%
Availability of financing	0	0%
<b>total</b>	<b>50</b>	<b>100%</b>



# Conclusion

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

- Institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate 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 brain-drain effects.
- Simultaneous improvement in *infrastructure, the business environment* and *geographic factors*, thus avoiding leaking-by-linking effects.

## 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

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