POLICY HIGHLIGHTS

STRATEGIC GOVERNANCE PLAN FOR RURAL DEPOPULATION IN RESOE

PREPARING REGIONS FOR DEMOGRAPHIC CHANGE

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About this policy highlights

This booklet reproduces highlights from the project "Strategic Governance Plan for Rural Depopulation in Asturias, Cantabria, Castilla y León, and Galicia (RESOE)" (Spain), which provides national, regional and local stakeholders with an action plan for each region and a common strategy for the four regions on topics relevant to OECD rural regions facing depopulation: quality service provision, digitalisation, entrepreneurship, innovation, and multi-level governance. This project is part of the OECD series of work: *Preparing Regions for Demographic Change.*

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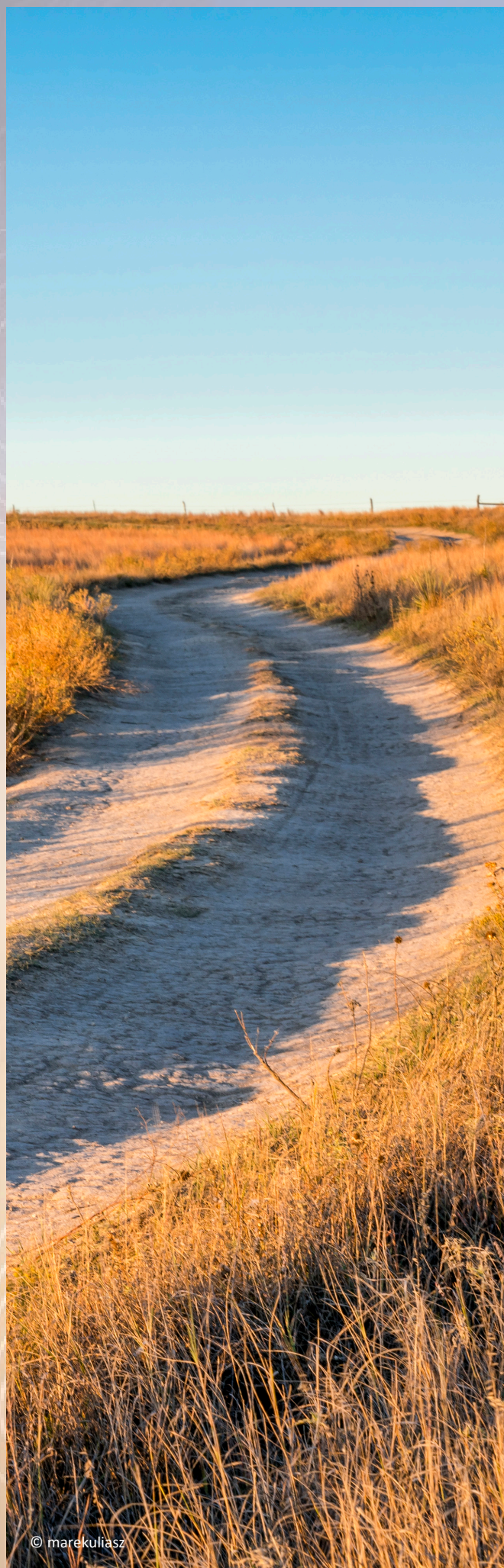For more information, visit the project's website
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Introduction

The Spanish regions of Asturias, Cantabria, Castilla y León and Galicia form the macro-region "Regions of Southwest Europe" (RESOE). All four have a high degree of rurality, and are facing demographic pressures due to population decline and ageing.

RESOE MACRO-REGION

6.7 million inhabitants

139 723 km2

2 741 municipalities

Between 2001 and 2019, the population of the RESOE macro-region decreased by 0.04% annually, against an increase of 0.86% in Spain over the same period. The share of elderly (people older than 65 years) to total population was close to 25% in 2019, more than five percentage points above the Spanish average and almost twice the OECD rate. By 2035, the population of the RESOE macro-region is projected to decrease from approximately 6.6 million in 2011 to 5.9 million inhabitants.

The demographic pressures in the four RESOE regions will likely result in an increase in the cost of providing health and education services. Further, in line with a national trend, the regions are experiencing reductions in public budgets, which puts fiscal pressure on the regional and local governments and this is expected to increase in the coming years.

The COVID-19 pandemic brought both challenges and opportunities. The acceleration of digitalisation and remote working, along with the European Recovery and Resilience Funds, provided new ways to invest in the well-being of rural communities.

This document provides a summary of the four regional action plans and the common strategy for the RESOE regions in the OECD project Strategic Governance Plan for Rural Depopulation in RESOE. The action plans identify policy responses and strategies to address demographic pressures in the following policy domains: 1) entrepreneurship, innovation and digitalisation; 2) multi-level governance; and 3) quality education in rural areas.

Summary of demographic indicators

	Pop. density (per km2) (2020)	Annual % pop. growth (2001-2019)	Share of elderly (65+) in total pop. (%) (2020)	Share of foreign-born pop. (%) (2015)
Asturias	96.4	-0.222	26.09	5.8
Cantabria	110.6	0.493	22.29	7.1
Castilla y León	25.6	-0.126	25.51	7.2
Galicia	92.0	0.005	25.44	6.8
RESOE	48.3	-0.040	24.98	6.7
Spain	94.2	0.857	19.58	11.6
OECD	38.4	0.687	13.13	10.0

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Entrepreneurship, innovation and digitalisation

Rural regions facing demographic pressures need to overcome specific challenges to create jobs, boost entrepreneurship and innovation, and provide quality broadband. This will help retain population, especially the young, and attract new population. Despite the difficulties encountered by rural regions in these areas, RESOE regions, with the support of the National Government, have an opportunity to establish reinforced cooperation and implement strategies at the macro-regional level and at the regional level. The action plans include recommendations that focus on strengthening entrepreneurship, increasing support for innovation, and expanding digitalisation.

Increasing rural enterprises opportunities and improving their access to information and financial resources

The number of active firms in the RESOE macro-region has fallen more (-5.1%) than in Spain on average (-3.5%) during 2008-2017. In the second half of 2020, people aged 16-29 in Asturias, Cantabria and Galicia had the lowest activity rate across Spanish TL2 regions (between 43%

and 44%), almost ten points below the national average.

The action plans take into account the slowdown in entrepreneurial activity and the decline of youth labour participation levels, especially since the COVID-19 crisis

In 2008-2018, the share of active workers in RESOE rural areas decreased from almost 35% (1.1 million workers) to 25% (748 000 workers). The share of young workers in RESOE rural areas also decreased, from 33% (317 000) to 23% (145 000), during the same period. The action plans also describe the challenges that hamper growth opportunities for RESOE rural entrepreneurs, such as access to information and finance, high administrative burden, and the difficulties in setting up business operations in other regions.

To address these issues, the action plans identify policy responses in the following areas:

Create regional digital platforms tailored to the rural environment in which all the necessary information for entrepreneurship is centralised. This would facilitate information to start a business, ease access to markets, provide strategic resources and networks, reduce information asymmetries, connect demand with supply and rural businesses with knowledge partners and support networks, and inform on the many different lines of funding and subsidies.

Promote alternative or non-bank sources of finance and the implementation of financial instruments that facilitate access to credit for rural entrepreneurs. Regional authorities should also speed up licensing procedures for rural entrepreneurs and promote greater flexibility in administrative procedures and tax incentives in rural areas targeting rural entrepreneurs.

Encourage a rural lens and macro-regional initiatives in the framework of the national "Recovery, Transformation and Resilience" Plan. Initiatives in Spain such as the creation of a National Office for Entrepreneurship (ONE) and of public/private seed capital investment funds should take steps to understand rural needs and characteristics and, take this into account when developing initiatives.

Facilitate firm mobility and geographical expansion within the RESOE macro-region. RESOE regions should make progress towards market integration and facilitate the establishment and operations of firms in other territories.

Boosting regional innovation and aligning sectoral specialisation with natural and demographic assets

Investment in innovation remains low in the RESOE macro-region. The share of R&D to total expenditure stood at 0.98% of GDP in 2018 (0.26 percentage points below the Spanish average and near one point below the OECD average). Patent applications per million inhabitants (23.6) were also below the national average (38.6) in 2015. Innovation is high on the policy agenda of the RESOE regions, however, some lack a holistic common vision on innovation.

There is scope to expand social innovation and promote and support more innovative activities across companies, as well as form stronger collaborations between research centres and universities to generate more business-focused R&D lines to valorise skills and entrepreneurship.

The elaboration of the regional smart specialisation strategies (RIS-3) during the 2021-2027 programming period presents an opportunity for RESOE regions to foster emerging sectors that can enhance rural innovation, digitalisation and development of new technologies. However, so far the programmes focus on individual regional strategies with limited cross-regional collaboration. Thus, there is potential to deepen cooperation and develop a more integrated and coordinated macro-regional smart specialisation strategy.

To address these challenges, the action plans suggest the following strategies and initiatives:

Develop an integrated vision and build cooperation in smart specialisation and innovation at the macro-regional level. RESOE regions could present a common plan to tackle depopulation and to access European funds. They could discuss and agree on common priority areas, objectives and actions (to be included in their EU Operational Programmes) in order to set up a common list of joint or integrated investment proposals in line with their smart specialisation and innovation strategies.

Leverage the potential of key sectors for rural areas and better connect regional strategies to job opportunities. RESOE regions should specialise in various sectors strategic to rural such as tourism or the silver economy, which generates new business opportunities in a wide range of products and services. They should also encourage stronger cooperation between universities, polytechnic institutes and vocational schools to better connect smart specialisation and innovation strategies with regional job opportunities in rural areas.

Strengthen regional innovation strategies and promote the development of social economy incubators in rural areas. RESOE regions should better align the innovation vision of public administrations and innovation institutions with the innovation needs of SMEs and rural enterprises by encouraging further cooperation between both parties. They should also support a greater presence of social economy entities and business incubation programmes in rural areas, which support entrepreneurs that wish to set up or develop their project in sparsely populated areas.

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Unblocking barriers to increase connectivity and digital service provision

Spain has good overall broadband access throughout its territory, ranking as seventh in the world for broadband speed. Over the years, the Spanish government and the RESOE regions have introduced several initiatives to accelerate the digitalisation of public services and the deployment of broadband across the country.

In Spain, data and analysis on the quality of broadband connectivity measured by data speed, find that only 30% of individuals living in

Analysis based on Ookla speed data shows larger digital gaps within the RESOE macro-region and in particular among rural areas and the rest

rural areas have basic digital skills, in contrast with 63% in cities.

To address these issues, the action plans recommend:

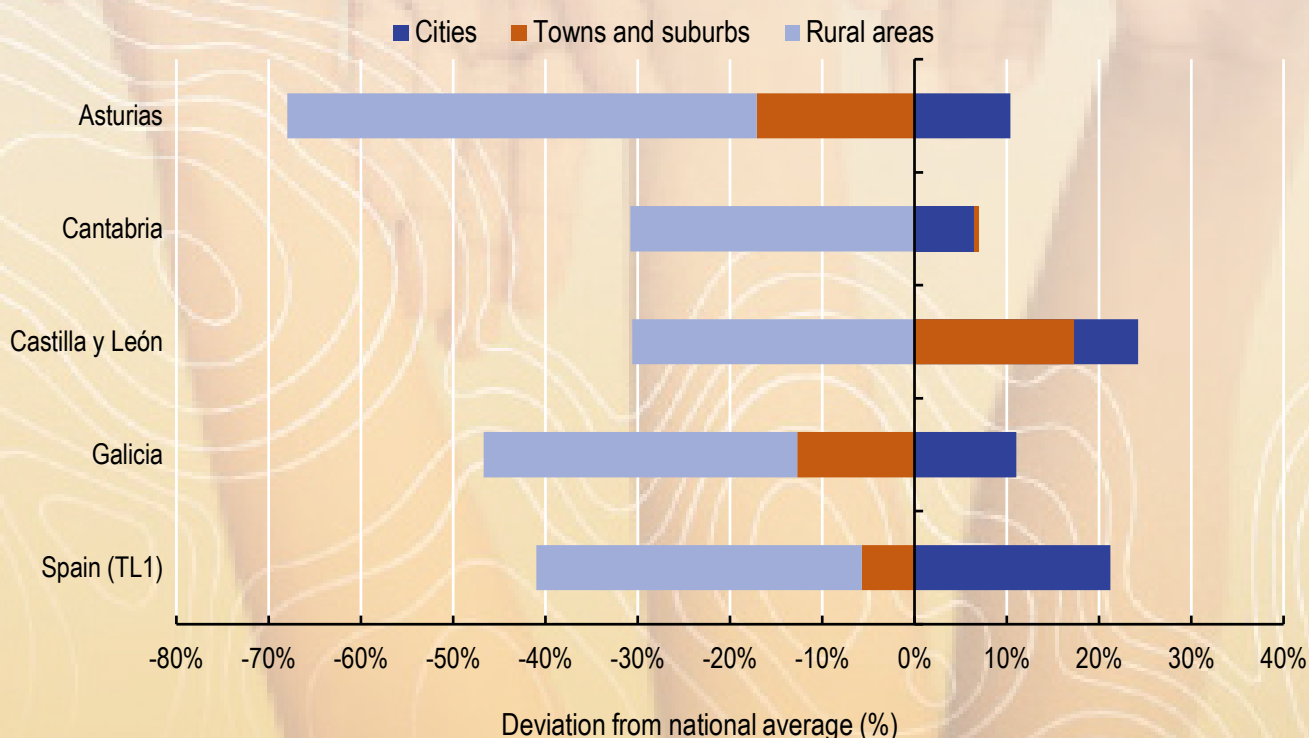**Accelerate the implementation of broadband connectivity in areas with the largest gaps.** Regional and local stakeholders from RESOE regions should introduce measures that simplify and lower the cost of broadband deployment through their oversight of planning permission, construction permits and other regulatory instruments necessary, or by taking into account alternative technologies with lower costs and faster deployment.

Increase the digitalisation of public services to improve the future provision of services. RESOE regions should consider the development and implementation of smart software platforms for local public services based on the Internet of Things sensors throughout the territory to manage basic local services (e.g. lighting, water management, waste collection) or improve the management of key sectors and industries (e.g. tourism, agriculture).

Gaps in download speeds experienced by users, by degree of urbanisation

Deviation from national average (%)

Governance

RESOE regions share common challenges in the governance of regional development and the provision of public services. These include overlapping competences with ambiguity in the division of powers between the national and regional governments, a high degree of municipal fragmentation, financial shortfalls, and a culture of limited vertical and horizontal cooperation at all levels of government. This results in fragmented and uncoordinated governance frameworks across the macro-region, and a need to enhance the multi-level governance tools and mechanisms.

The high levels of municipal fragmentation of the RESOE macro-region translate into difficulties for the adequate provision of public services to all citizens

All four regions could further strengthen multi-level governance arrangements, such as inter-municipal cooperation, to address the impacts of demographic change in an effective and coordinated fashion. The action plans offer guidelines and four recommendations on multi-level governance.

Strengthening the governance of regional development and service provision by reinforcing vertical and horizontal collaboration mechanisms

There are currently 2 741 municipalities in the RESOE macro-region, with an average of 685 local governments per region – higher than the national average of 478 municipalities per region. In addition, the average population in the RESOE municipalities is 58% and 75% lower than the averages of Spain and the OECD, respectively. This situation makes it difficult to efficiently provide public services, generating a need to create economies of scale.

Furthermore, sub-national fiscal arrangements in Spain do not always take into account territorial specificities. For example, the current system is based on a Guarantee Fund's formula that does not consider depopulation as a criterion for allocating funds. This leads to an inability to address future costs in the provision of services.

Summary of demographic indicators

	Municipalities	Avg. municipal pop.	< 1 000 inh.	< 5 900 inh. (EU)*	< 9 700 inh. (OECD)**
Asturias	78	13 061	23.1%	67.9%	74.4%
Cantabria	102	5 714	36.3%	82.4%	90.2%
Castilla y León	2 248	1 065	89.3%	98.0%	99.0%
Galicia	313	8 632	11.2%	71.6%	81.2%
RESOE	2 741	2 444	76.5%	93.6%	95.9%
Spain	8 131	5 836	61.5%	85.9%	90.4%

Notes: *The European Union average municipal size is 5 900 inhabitants; **The OECD average municipal size is 9 700 inhabitants.
Source: Instituto Nacional de Estadística (2020), "Padrón Población por Municipio"; World Observatory on Sub-national Government Finance and Investment (2019), "Country and Territory Profiles: Spain".

In order to facilitate the creation of economies of scale for the provision of public services and to strengthen the governance of regional development strategies, the action plans suggest the following:

Identify the most successful and efficient instances of inter-municipal cooperation and generate instruments to encourage their reproduction and strengthen their functioning. For example, consolidating the process of "comarcalización" in Cantabria will not only bring benefits for the associated municipalities, but also allow the regional authority to efficiently regulate the allocation of resources and the localisation of development policies.

Use supra-municipal governance mechanisms to build greater territorial capacity to mitigate demographic decline. RESOE regions should use these mechanisms to manage resources, build dialogue and support multi-level coordination.

Clarifying competences and distribution of responsibilities and strengthening coordination between regional ministries

The 2013 local reform implemented by the Spanish government aimed to establish the principle of "one administration, one competence" in order to clarify the distribution of responsibilities and strengthen coordination.

However, it is estimated that local entities in the RESOE macro-region are still duplicating competences, which affects their ability to provide effectively public services.

The action plans offer the following actions:

Carry out a regional mapping of competence conflicts and elaborate a proposal to reform statutes to clarify the distribution of responsibilities. Most of the overlap of competences issues come from the lack of clarity in the distribution of competences stated in the Spanish Constitution and the autonomy statutes of Autonomous Communities. It is therefore necessary for regions to make arrangements to clarify the distribution of responsibilities.

Evaluate devolving certain competencies to the municipal level or up-scaling some to the provincial level. Regional governments should identify the instances where local governments have adopted a proactive role as service providers in non-statutory competences. If in those cases municipalities are providing the services more effectively than the regional governments, asymmetrically returning some competencies to the local level should be considered.

Implement a dialogue committee among regional ministries (Consejerías). This could reduce coordination and communication difficulties at the regional sectorial level.

Deepening macro-regional and cross-border horizontal collaboration

There are some successful formal and informal collaboration mechanisms for service provision between the RESOE regions and their neighbours. These are positively valued by the governments involved. However, these mechanisms and initiatives could be reinforced. A complex scenario of high demographic pressure requires greater collaboration between regions in key areas such as health, employment and entrepreneurship.

At an international level, the Common Cross-Border Development Strategy (ECDT) signed by Spain and Portugal aims to guarantee equal opportunities and effective provision of basic services to all people in bordering areas. This strategy could be strengthened by developing a list of concrete actions and more actively incorporating the participation of sub-national governments in the strategy's design.

Although a high share of the activities developed within the framework of cross-border Working Communities have taken place (such as tourism promotion, training and cultural exchange), there is still room to address joint service provision in key areas such as in infrastructure, health and employment.

The action plans offer the following actions:

Map informal instances of collaboration between RESOE regions and formalise them. This would ensure access to public services for the entire population within the framework of flexible but formal institutional relationships that provide clarity not only to the administrations involved, but also to the beneficiaries.

Implement a pilot Task Force for the Demographic Challenge. A platform of this nature would not only serve to improve communication between regions, but also build sectoral meeting points to strengthen cooperation and better coordinate joint actions.

Develop an action plan for the territorialisation of the Spain-Portugal Common Cross-Border Development Strategy and diversify cross-border common areas of action. It is suggested to carry out a process of dialogue between the National Government and all relevant sub-national administrations to develop an action plan for the implementation of the ECDT and a diversification of strategic areas of cross-border action.

The role of the National Government in strengthening coordinating mechanisms of vertical collaboration

Over the last few decades, a number of vertical cooperation mechanisms have been introduced, such as the Conference of Presidents, Bilateral Cooperation Commissions, collaboration agreements between the National Government and the regions, and the recent "Sectorial Conference for the Demographic Challenge".

There is room for deeper collaboration between levels of government in Spain

These initiatives could be better utilised and implemented more fully. Doing so would require a re-evaluation of their design and/or operations as well as political will.

Revising and strengthening vertical collaboration among levels of government can generate a more effective multi-level governance system in the RESOE macro-region. Reinforcing the strategic role played by the National Government in promoting a shared vision, common objectives and aligned policies throughout the country is a step in this direction. Identifying a national level body that could assume such a role and align the vision and priorities among the various levels of government would generate stronger legitimacy for the dialogue and coordination mechanisms.

The actions identified on these issues include:

Strengthen Bilateral Cooperation Commissions and collaboration agreements. That is, provide the bilateral cooperation commissions with a strategic role in the design and implementation of instruments for regional development, and take advantage of the availability of collaboration agreements to strengthen ties with the regions through joint intervention and investment initiatives.

Review the structure and governance of the "Sectorial Conference for the Demographic Challenge". That is, evaluate the governance mechanisms for the conference and adjust as necessary in order to facilitate coordination among the actors to better support the decision-making process and the implementation of consensual actions.

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Quality education in rural areas

The action plans review evidence on costs and access estimations based on school location simulation and actual demand. In RESOE regions, the estimations for 2011 show that annual costs per primary student (between EUR 3 989 and EUR 4 218) and secondary student (between EUR 6 504 and EUR 6 681) are above the average for Spain (EUR 3 863 and EUR 6 374) and EU27+UK (EUR 3 933 and EUR 6 467).

Across degrees of urbanisation, annual costs per primary and secondary students in sparse rural areas of RESOE regions are above the respective costs in cities (e.g. 64% and 30% in Castilla y León)

Both annual costs per student and distances to school vary considerably across municipalities within the macro-region. Average costs per primary school student range from under EUR 4 000 in urban municipalities to over two or three times the value in rural municipalities.

Students in sparse rural areas in RESOE regions also have to travel longer distances to get to schools compared to students in more urban areas, with an average difference of about 3 km and 11 km for primary and secondary school students, respectively. Rural municipalities located in mountainous areas face not only higher costs but also significantly higher distances to school.

By 2035, the number of students in RESOE regions is expected to decrease. The school placement simulations for 2035 show that this decreased demand can be supplied by significantly less primary and secondary schools and less primary and secondary school teachers. However, these future simulated school placements increase travelled distances in sparse rural areas for primary and secondary school students. Even after fully adapting the school network to future demand to ensure efficiency and access, the decrease in future demand increases excess costs relative to cities in sparse rural areas for primary and secondary schools.

The action plans offer three recommendations on education provision.

Estimation of annual costs per primary and secondary student (2011) (in EUR)

	Asturias	Cantabria	Castilla y León	Galicia	Spain	EU27 + UK
Primary	4 061	3 989	4 218	4 089	3 863	3 933
Secondary	6 504	6 561	6 681	6 619	6 374	6 467

Source: OECD/EC-JRC. (2021). Access and Cost of Education and Health Services: Preparing Regions for Demographic Change. In OECD Rural Studies. OECD Publishing, Paris.

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Adopting more flexible strategies that can adjust to the ebb and flow of demand on the school network

The school network of RESOE regions ensures access to schools to all students, even those living in the most remote areas of the region. The regions spend large resources ensuring that even the smallest schools remain open and that school transport is available and free.

The school network has less strategies in place to respond to the potential of lower utilisation of schools due to demographic change in different parts of the region.

Using the data on shifting demographics and its potential impact on school systems to build new and alternative strategies for the school network should be a priority for regional authorities.

Estimations based on population projections show that RESOE regions stand to gain cost-efficiencies by adapting the school network to new local demands without sacrificing school access and increasing transportation costs

To accomplish this goal, the action plans suggests the following initiatives:

Evaluate and explore strategies for the schools in the network where demographic shifts overtime are expected to result in less than optimal financial positions. A first step towards understanding the geographical differences in costs within the regions and with respect to other Spanish regions is to establish whether there is a correlation between actual excess costs and the level of sparsity, and demand across municipalities. School level data on the sources of spending by school is a key source of information for planning a forward-looking cost saving strategy that ensures adequate access and quality to all students.

Explore new strategies for regions with schools most vulnerable to shifting population projections. RESOE regions can adopt a proactive and forward thinking strategy that considers future demand. The regions can identify municipalities or groups of municipalities that will likely face school closures and those that could serve as new educational hubs, especially for secondary education. The analysis should include alternative strategies to delivering education, including more innovative uses of broadband or school mergers, without sacrificing quality or increasing travel times and costs beyond what is reasonable for the students 'age.

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Ensuring the most efficient use of school resources in rural areas

The process of adapting the school network will require a substantial adjustment in school resources and in particular the number of school staff. Alternative strategies such as innovative broadband use and/or grouped schools (CRAs) allow for more efficient use and resource sharing between small rural schools and avoiding duplication of administrative fixed costs.

Moreover, while RESOE regions currently do not face scarcity of teachers in rural areas, teachers' ageing and high rotation pose present and future challenges.

The following actions can contribute towards the goal of ensuring a better alignment between school resources and needs:

Support further school network integration and grouping of rural schools. Innovations using digital means can help regions to overcome issues related to school isolation while not increasing further the already large expenditure in school transportation. Further support to networks of rural schools or small schools seeking partnerships with urban schools and other institutions would increase the exposure of rural students to other realities and improve the diversity of curricula.

Adapt career incentives of rural teachers and career advancement opportunities to the future supply needs of the regions, that project a declining demand that is possibly linked to generational change. Besides increasing the skills of teachers, RESOE regions could consider specific policies for rural school staff near retirement age such as changing roles or early retirement plans within the context of grouped schools. These plans could be combined with attractive employment packages for rural teachers that try to minimise staff turnover and maximise diversity in terms of competences and skills.

Leveraging digital solutions to improve school transport and close digital skills gaps

RESOE regions have undertaken several initiatives to support the use of digital devices in classrooms and invest in the digital skills of pupils and teachers.

With the progress made in terms of digital connectivity, digital solutions can help address challenges related to school transport and digital skill gaps of education professionals, which are particularly challenging in rural areas.

The following actions aim to improve school transport and digital skills of education professionals by using digital means:

Increase the flexibility of school transport. In view of the significant digitalisation of schools in RESOE regions, education authorities should combine the promotion of distance learning in rural schools with greater flexibility of upper secondary and vocational school transport for in-person teaching days.

Develop digital skills through volunteer committees and interdisciplinary cooperation. These committees would support civil servants from rural areas with the most difficulties in their adaptation and training process. Fostering collaboration between teachers has proven to have a positive impact on the use of ICT in classes and on the teaching of digital technologies to students. RESOE regions should also encourage networks bringing together digital sectors and teachers in order to improve ICT learning in schools. This interdisciplinary cooperation would better inform students about the broad opportunities offered by digital careers and the digital skills required to access them.