

# Innovation in rural areas

## Project components

- ✓ Analytical pillar – better understanding rural innovation
- ✓ Policy framework – how to support innovative practices for rural innovation
- ✓ Financial instrument to support rural innovation
- ✓ Global transformation of the production process

## About the OECD's work on Rural Development

*The OECD has had a programme for research on Rural Development for over 40 years — we are a hub for internationally comparative data and expertise in rural economic development. We work with governments to develop integrated strategies in support for rural well-being, economic diversification and community resilience. Our work contributes to crosscutting global agendas such as the Sustainable Development Goals.*

For more information contact:

[JoseEnrique.Garcilazo@OECD.org](mailto:JoseEnrique.Garcilazo@OECD.org)

Regional and Rural Policy Unit, Regional Development and Tourism Division, Centre for Entrepreneurship, SMEs, Regions and Cities

## Why innovation in rural areas matters

Increasing globalisation, improved communications and reduced geographic distances by better transportation are additional drivers of economic change in rural areas. Furthermore, rural regions are highly open to trade and must focus on improving their competitiveness in order to deliver wellbeing to rural dwellers. Increasing global competition and shifts in trading patterns, most rural regions have been forced to find new economic roles.

Innovation is central to the challenges facing rural regions. However, the drivers for inventors and public policies to lead innovation in a rural context are not well understood. Unlocking this knowledge will help rural areas improve their prospects for growth and help support reforms to shift rural policies to place-based innovation beyond a subsidy and sector specific approach.

## How innovation is different in rural areas

In rural regions, innovation comes from a variety of sources, which are different to that found in urban areas. Formal science based innovation systems are typically found in larger cities with universities and large enough firms to have a formal R&D function. These science-based activities can be highly successful and have application in rural areas – for example, forest based bio-energy research. However, innovation is largely different in rural regions to cities and can take a number of different forms.

Imported innovations are important for rural areas and allow firms to remain competitive in external markets. Absorbing these innovations requires connections to the places where the idea is developed and the resources to acquire and introduce the new technology.

## Innovative practices can boost SME performance

Local labour markets in rural regions, particularly remote regions, are small. This means that for all but the largest rural regions there is little likelihood of a large employer, say of 1 500 workers, locating in these regions. In most rural regions, there are only SMEs. However, if SMEs provide a large share of employment growth, then there is potential for rural regions to grow; if they can develop they can remain competitive in the global arena. Given the large distances to markets, rural SMEs face a lack of critical mass. A key source of competitiveness will be their ability to identify niche areas of absolute and comparative advantages and add value in these areas. The key question is to identify the policy initiatives and financial instrument that can support innovative practices in rural areas.

# Innovation in rural areas

## 10 key drivers of rural change

The next production revolution (NPR) entails a confluence of technologies ranging from a variety of digital technologies to new processes. Rural areas are characterized by low density economy and by shortage of labour including depopulation and ageing, and these emerging technologies may help overcome these challenges in rural areas.

*Why innovation is important for business*

*Why innovation is important for well-being*



## Join us!

We are currently seeking case study participants focusing on particular regions. The place-based case studies include a detailed SME and innovation profile of the region, enabling factors and bottlenecks, and an analysis of policy settings. Case studies will identify future opportunities that can emerge with new technologies and will focus analysis on the effectiveness of select programmes and their delivery in different rural contexts.

Check out our website: <http://www.oecd.org/regional/rural-development/>