

Economic development in rural and remote areas

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Boost**

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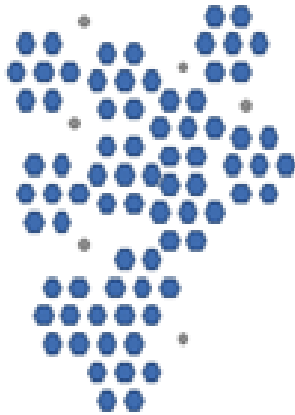
Outline

1. Rural and remote regions
2. Growth performance and key factors
3. What it means for policy

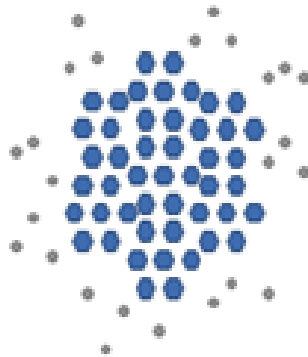


Four Types of Rural Areas

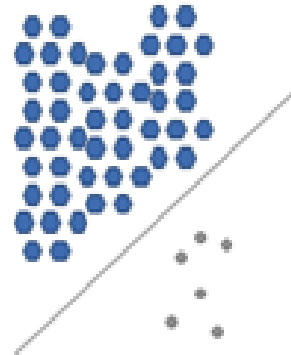
Rural inside the
functional urban area
(FUA)



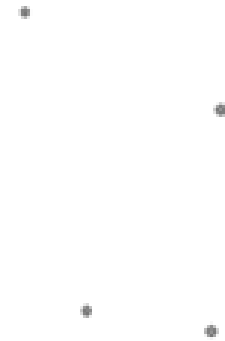
Rural outside, but in
close proximity to the
FUA



Rural remote



Remote and largely
uninhabited





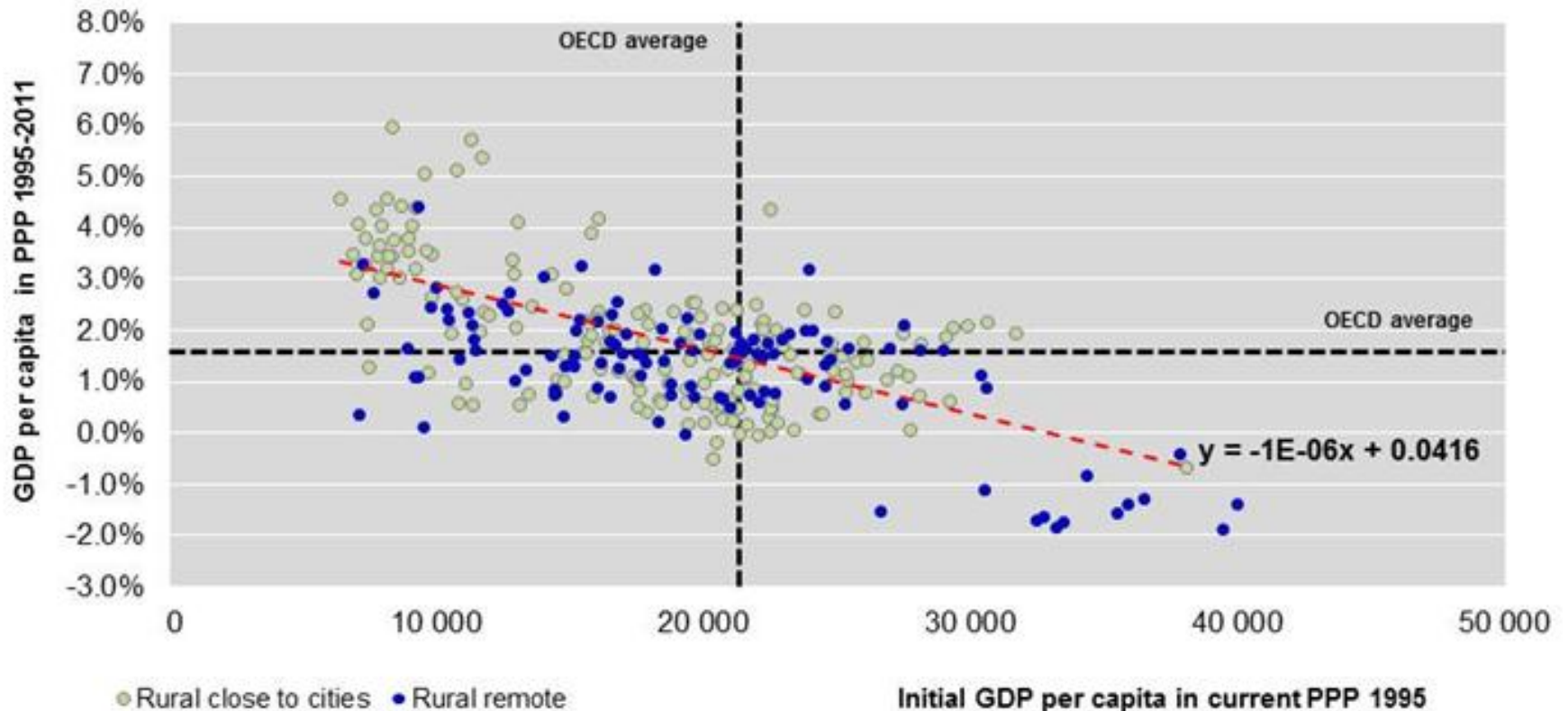
Four Types of Rural Areas

Type	Challenges	Opportunities
Rural inside functional urban area (FUA)	-loss of control of future -activities concentrate in core -loss of rural identity	-more stable future -potential to capture benefits of urban, and avoid negatives
Rural outside, but in close proximity to, 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	-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
Rural and largely uninhabited	-highly specialised economies subject to booms and busts -limited connectivity -large distances between settlements -very high per capita costs of services	-can offer unique environments that can be attractive to firms and individuals -can be very prosperous under the right circumstances

- Face different challenges, opportunities and policy responses
- Countries advancing on defining different types of rural regions, mixed regions (urban/rural)
- Context matters: different countries have different definitions



Convergence forces in rural regions...





Who are the Frontier Regions?

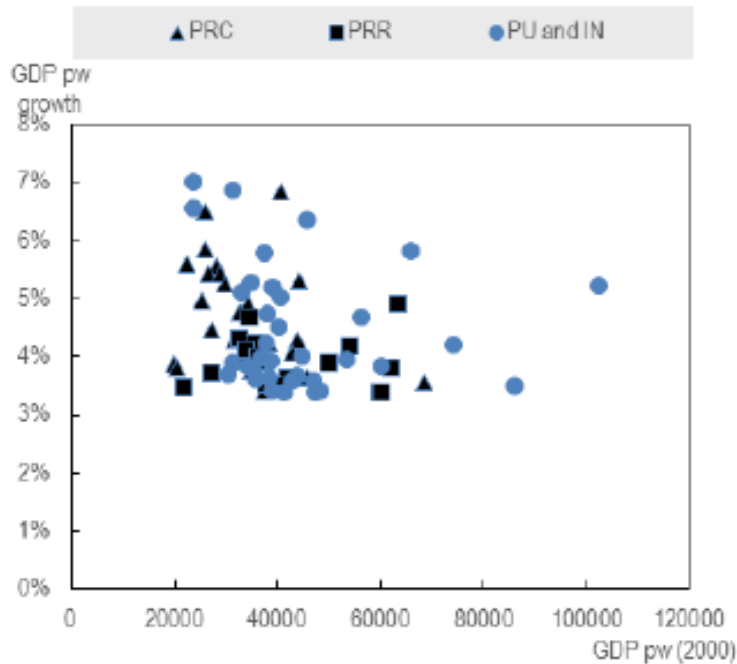
- Frontier regions are urban
 - Due to agglomeration benefits
 - Spillover effects to neighbouring regions
- But a number of frontier regions are rural
 - Antofagasta and Tarapaca (Chile) in mining activities
 - Campeche (Mexico) specialised in oil and gas
 - North. Territory and Western Australia (Australia) in extractive
 - Alberta and Newfoundland and Labrador (Canada) in extractive
- Contaminates the economy, contributes to national prosperity and its export basket



Who are the high performers – growth?

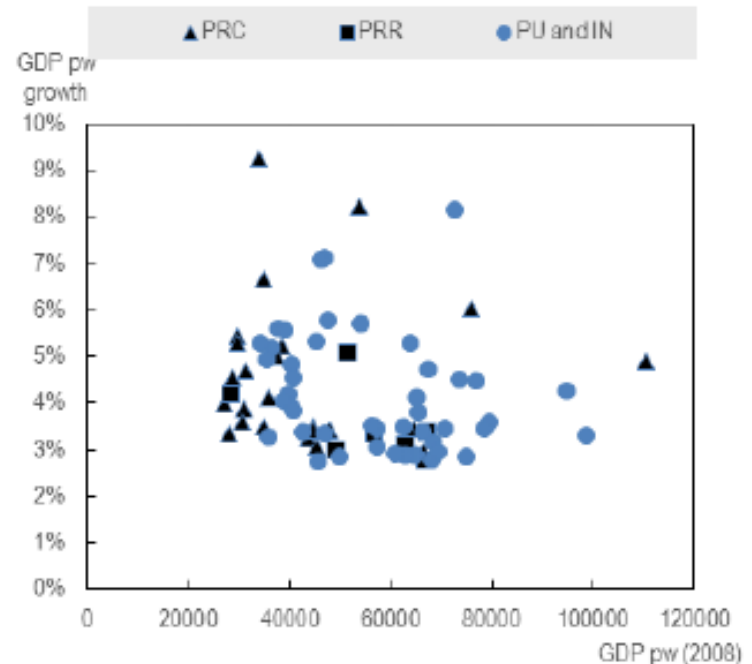
OECD TL3 regions within 10% top productivity growth, by typology

(pre-crisis 2000-2008)



**Amongst top performers
54% were rural (pre-crisis):**
→ 33% rural close to cities
→ 21% rural remote

(after crisis 2008-2012)

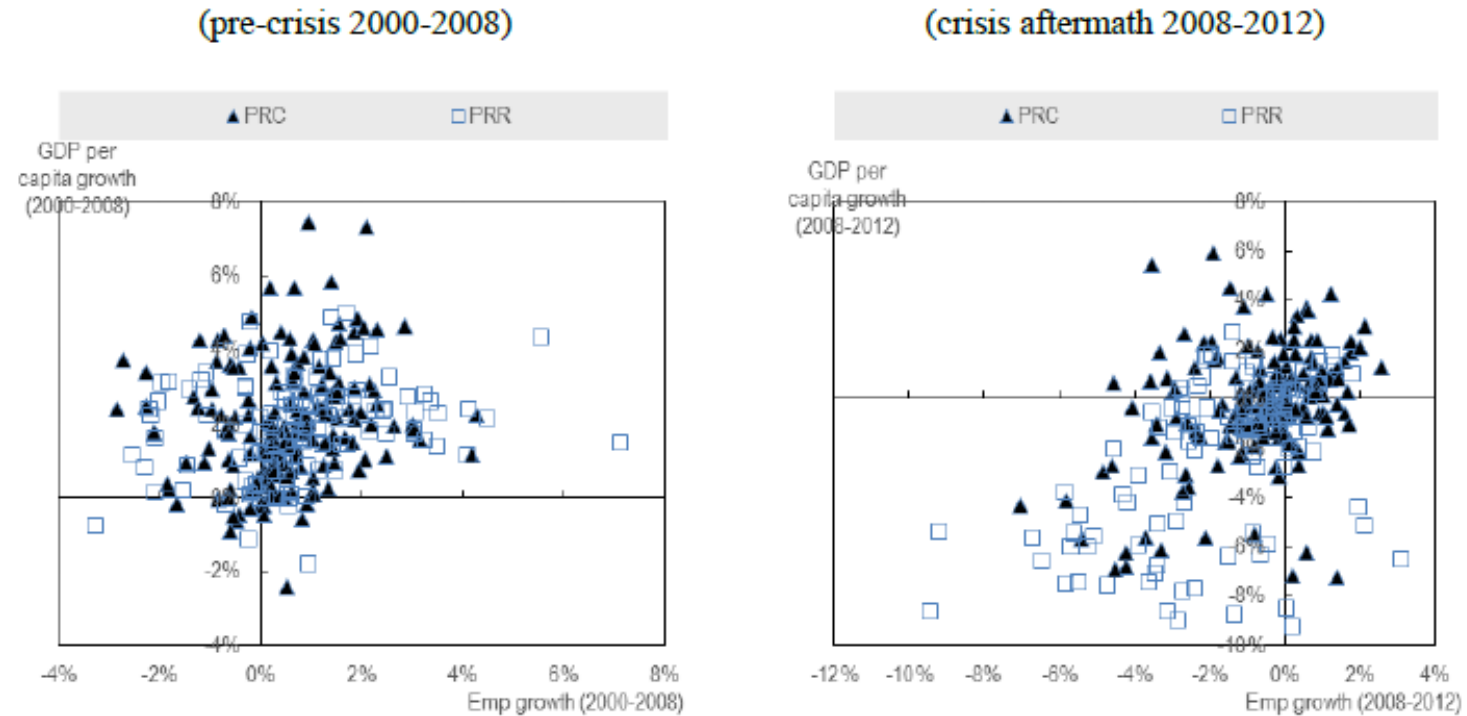


**Declined to 41% (post
crisis)**
→ 31% rural close to cities
→ 9% rural remote



The Rural Paradox

Correlation between GDP per capita growth and employment growth in rural regions



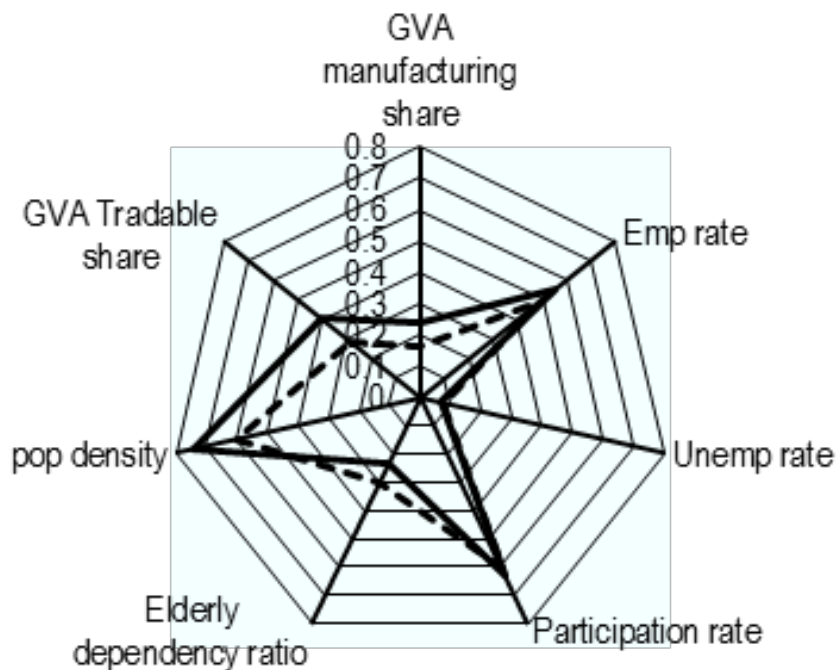
*The majority of rural regions close to cities and rural remote are not driven by the paradox: **69% of rural close to cities and 58% of rural remote experienced both employment and productivity growth***



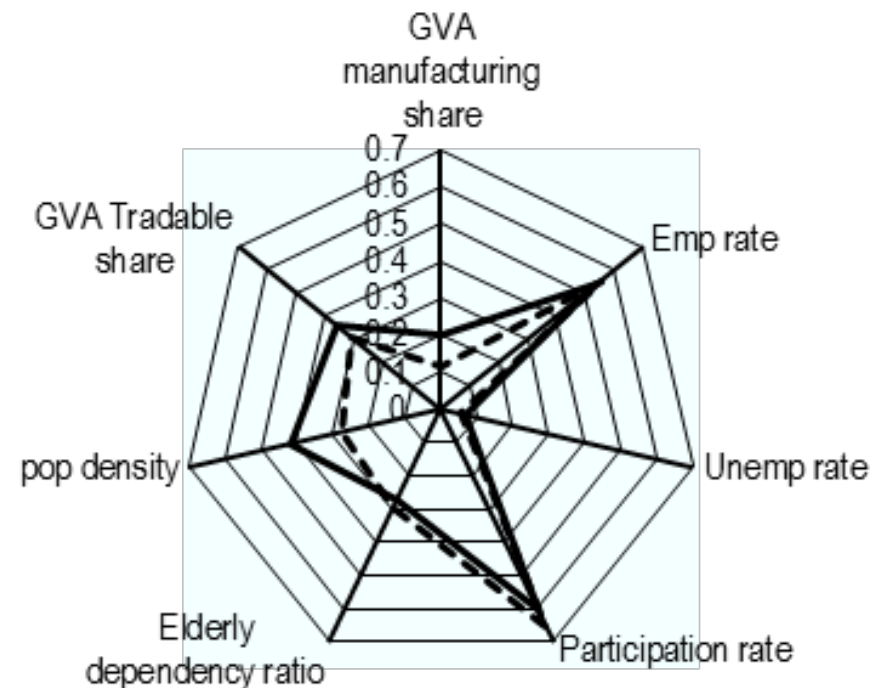
What are the key drivers of productivity growth?

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

— PRC top
- - - PRC bottom



— PRR top
- - - PRR bottom



- **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.



OECD Key principles for place-based policies

- I. Use of regional *specific assets* and smart specialisation (or to create absolute advantages to stimulate competition & experimentation across regions) → tradables

- II. Create *complementarities* among sectoral policies at the regional (or local) level

- III. Use of *multi-level governance* mechanisms for aligning objectives & implementation



An Evolving OECD Rural Paradigm

	Old Paradigm	New Rural Paradigm (2006)	Rural Policy 3.0
Objectives	Equalization and a focus on farm income	Competitiveness of rural areas and expanding opportunities	Increase rural competitiveness and productivity in order to enhance the social, economic and environmental well-being of rural areas
Key target sectors	Sector based	Holistic approach to include various sectors of rural economies	Low density economies with a focus on comparative and absolute advantages
Main tools	Subsidies for firms	Investments	Integrated investments and delivery of services that are adapted to the needs of rural areas and benefit from potential complementarities
Key actors	National governments, farmers' organisations	Multilevel-governance —horizontal and vertical coordination	Encourage vertical and horizontal coordination among governments (rural-urban and rural-rural partnerships) and bring new stakeholders into decision making (indigenous people, third sector, firms)
Approach	Top down	Bottom-up	Building capacity at the local level to encourage participation and bottom up development

thank you

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