

## ***Innovation in Rural Areas: an exception or a must?***

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the Role of Human Capital and Technology  
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Before starting my intervention, let me sincerely thank the OCSE for organizing this conference, the Spanish Government and the regional Government of Extremadura for their excellent hospitality.

The opportunity to contribute to set a strengthening strategy of rural development policies on an international scale is a great satisfaction to me. This is, indeed, even if in extremely different situations, the current real dimension of the problem: the scope of the responsibility goes beyond national borders.

Innovation is crucial in rural areas for opening new horizons within the great extraordinarily intense and fast changes of our times. Rural systems are submitted to a permanent adaptation tension, without a beginning and an end but with a continuous search for equilibrium and for the establishment of new conditions.

The change of international reasons for exchanges defines a brand new interdependence of the models and the places of production. The pressure that, in some areas of the world, countryside sets on metropolitan areas is another aspect of a process where countryside is surrounded by the city, roles are upset, equilibrium is distorted and the most important biodiversity, that is the cultural one, is consumed.

If we look at the future, with a humanity that in 20 years will have 2 billion inhabitants more, it is clear how difficult will be granting the access to food with no burdens on the externalities budget - caused by an intensive exploitation - and without compromising the whole ecosystems. Furthermore, the demand of renewable energy will contend the good fertile land to food destination.

In many OECD Countries the revision of the intervention tools in the agricultural sector and in rural areas was proposed.

On last January, the proposals on the reform of the Farm Bill from the Bush Administration were circulated. The theme of policies revision will be proposed also in the European Union with different strategies and contents, on the occasion of the so-called middle term (2009) “*health check*” of the Common Agricultural Policy. In the meanwhile, the 27 Countries of the European Union are developing their operative programs for rural development for the period 2007-2013.

In this framework characterised by greatly changing scenarios and agricultural policies, there is a strong need to understand which are the changes and needs of our rural areas and to check whether or not the policies we are adopting are actually effective. Globalization and the diffusion of information and communication technologies are providing new opportunities for rural areas. However, it is necessary to notice that there still are lands, peoples and enterprises not able to take these chances.

Considering Italian data, it is clear that rural areas with no particular advantage are not attractive for the population, particularly for young people. We, indeed, are facing very low indexes of generational change: in Italy the relation between under 35 years old and over 55 years old farmers is up to 6%. The company heads with at least the high school diploma, even if increasing, is up to 19% if compared to the total of farmers.

These data prove to institutional decision makers the need for public policies accompanying the changes. The dynamics across the territories are strongly related to the competitiveness of the agricultural and agro-food sector.

Italian primary sector proved a scarce dynamism of the incomes and of the added value over the last years. In the period 1981-2002, the added value per working unit increased at an annual middle rate of +4,3%, compared to a total increase of the economy of +1,6%. Such trend is mainly due to the exit of employees from the sector and, secondly, to the increase in productivity.

Vice versa, the most high quality products, of which Italy is rich, are able to drag, often together with tourism, the economy of rural territories. The strong diversification of the development always characterised Italian reality. The evolution of the agricultural added value underlines annual growth rates ranging from an increase over 2% to negative variations. In Southern and in Northern Italy, the trends are contradictory and not always respondent to the historical relief that agriculture had in the different territories. This confirms the thesis of Alexis de Tocqueville according to which “the wealth of a nation is not inherited, but created.”

The map of demographic and socio-economic dynamics confirms that the opportunities provided by globalization not always prevail on the falling apart elements of, mainly without the ability to produce system innovations. Peoples' flows into several territories across Italy, do not always support the trend analyzed by the OECD, that is, a migration from the urban context to the rural one. Positive dynamics can only be noticed in rural contexts with an intensive and competitive agriculture, in those with high quality emergent productions characterized by an increased ability of integration with non- agricultural economic activities.

These trends are not limited to Italy but, I believe, they also occur in other realities, mainly in the Mediterranean area. It must be pointed out that these similarities,

involving the production structure of the agro-food system, set a natural convergence of Mediterranean Countries on common guidelines while setting the strategies of the Common Agricultural Policy and of rural development policies.

The answer to the question that the title of this first session of the Conference raises is discounted for us : innovation should be an opportunity for all the areas in order to let them catch the chances offered by globalization. Nevertheless, reality shows us a fragile equilibrium that we can only defend if innovation enters tradition.

The future of agriculture and rural areas in Italy will assume more and more the features of a development without models, with different evolution patterns tied up to territorial features, to the structure of the enterprises and to the identity content of productions which are the expression of a different culture to be valued.

These trends must be accompanied by strong and targeted public policies. The preservation of the conditions at the base of economic and territorial equilibrium requires an important social attention, incisive government action and a strong actors' responsibility. The development of rural territories needs a re-unified society in which the "*bridging social capital*" starts increasing again, going beyond the logic of the group in the perspective of a mutual benefit.

The debate on resources set for agriculture cannot be separated from the consideration of its modern mission to produce socially remarkable values and goods able to give back to the consumer the right to sure and quality food and the interest of peoples in the preservation of free natural goods.

We share the tendency towards a progressive transfer of resources from the incomes and markets' support policies to the second pillar. The need to govern in a coordinated way the dynamics of an integrated multi factorial development implies the adoption of regional development policies facing the obstacles of infrastructural allocations

and the creation of enterprises and services out of the strictly agro-food sector.

Promoting innovation in rural territories implies the adoption of forms of flexible *governance* built on the intelligence of the situations and on the functional participation of the institutions.

From this point of view, in Europe and in Italy, there are different interesting experiences, pointed out by the OECD “*policy reviews*”. But there is still much to do for improving the processes *governance*, strengthening the ability of the subjects and of local institutions in planning, implementing and checking initiatives, putting in value the current good experiences both in the private and in the public sectors.

This is possible by strengthening networks and partnerships, exchanges of experiences, projects of cooperation, trainings actions and strengthening of the local *capacity building*. This is what Italy is, for instance, meant to do through the National Rural Net.

The most important thing, in any case, is to keep a targeted approach to the territory, (*place-based policy*). This OECD indication, complying with some Italian public policies strongly linked to the subsidiary principle, was fully caught in the formulation of the National Plan for rural development for 2007-2013, where a territorial articulation based on four categories was detected:

- A. Urban poles
- B. intensive and specialized rural areas
- C. intermediate rural areas
- D. rural areas with general development problems

A strong innovation seems to be necessary also in the field of the formation of human resources.

A final remark: a quality development needs a context of clear international rules, allowing a respectful competition of the rights of the consumers and of the identity of products.

The American economist Josep E. Stiglitz, one of the most careful critics of the processes of globalization, stated that ***“nowadays it is clear that many problems linked to globalization occurred in the way we have managed their processes”***. This is a statement we fully share: globalization can be a remarkable opportunity for rural areas, if it is well governed.

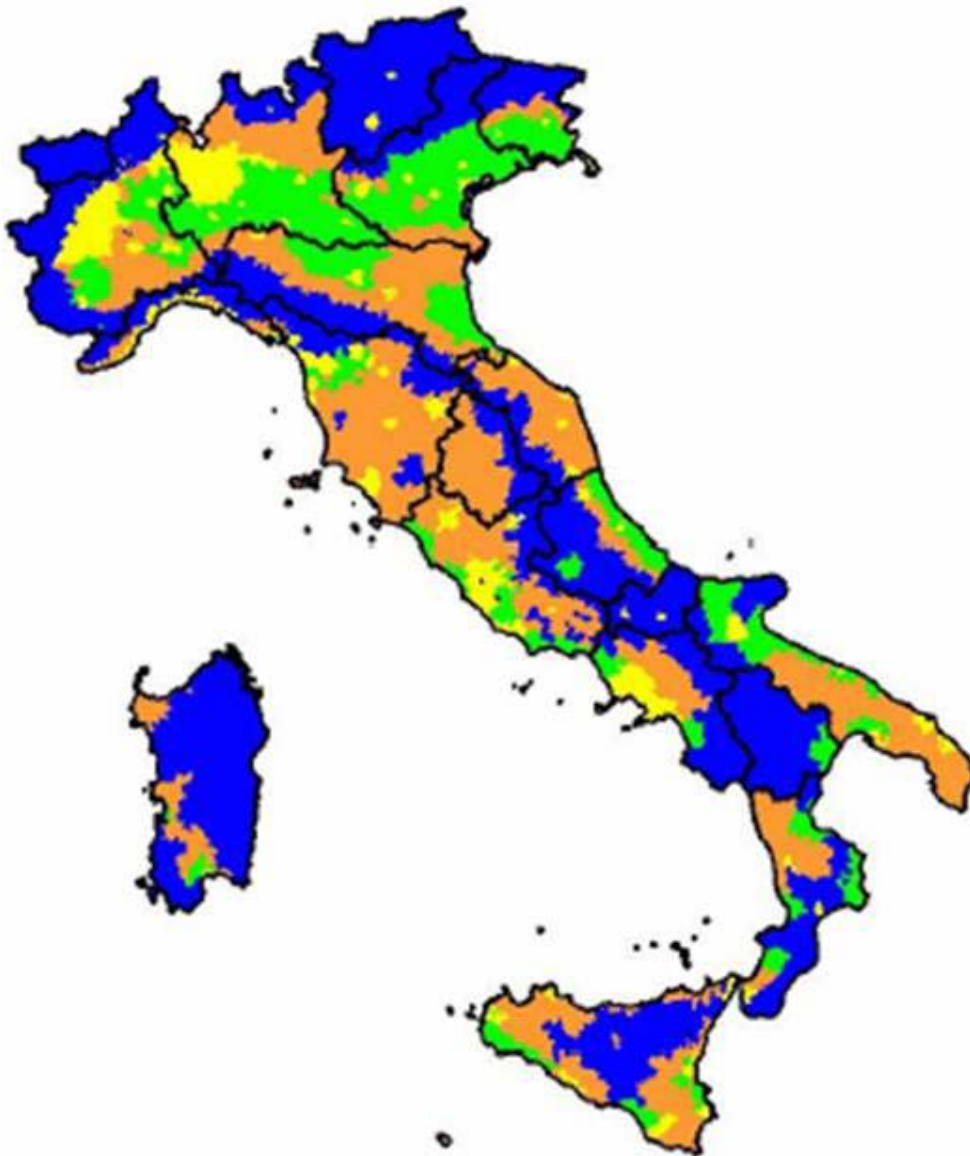
May I thank you for Your attention, wishing to give you back as soon as possible the warm hospitality You offered us in these days, even organizing in our Country the next meeting on the future of rural development policies.

**Annex:** Classification Italian rural areas (national strategic plan for rural development 2007-2013)

## Classification Italian rural areas

(National Strategic Plan for rural development 2007-2013)

- A. Urban poles
- B. Intensive and specialised rural areas
- C. Intermediate rural areas
- D. Rural areas with complex development problems



<sup>[1]</sup> Josep E. Stiglitz, Making Globalization work, trad. It “La globalizzazione che funziona”, Einaudi, Torino, 2006.