



Innovation in Rural Areas:
an Exception or a Must?

Remarks by
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an exception or a must?

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Dear Minister Espinosa, Ambassador Ballesterro, Dear Speakers, Ladies and Gentlemen:

It is a pleasure for me to participate in the fifth OECD International Conference on Rural Development. This event has become one of the main catalysts for the improvement of rural policy, one of the central challenges of today's democratic governments.

Let me share with you how the impressive transformations of rural regions demand and benefit from innovative policies, and the lessons from the OECD experience.

1. The rural metamorphosis

One of the most interesting and important changes of the era of globalisation is the recent transformation of rural areas given the technological advances and intensified competition in agricultural markets, ageing rural populations and expansion of urban areas.

This transformation is crucial for national and regional policymakers. Not only because rural areas account for three quarters of the land and are home to a quarter of the population of OECD countries, but because they represent a strategic instrument for economic growth, human development and environmental equilibrium.

There are at least 3 key dimensions to understand the changes affecting rural regions:

- Firstly, rural areas are experiencing two important demographic phenomena: on the one hand, many regions face out-migration, which, coupled with the ageing population, poses serious economic and social challenges. This is the case of many countries like Japan, or Germany (where the percentage of young adults leaving rural regions increased five-fold between 1995 and 2004). On the other hand, many countries are now experiencing 'urban to rural' migration. Especially in rural areas with relatively high levels of accessibility and those characterized by climatic or other amenity advantages (like in France, England and Italy).
- Secondly, changes in the economic structure of rural areas are also crucial. While agriculture has an important role in shaping rural landscapes in many OECD countries, its weight in rural economies has declined significantly, to the point of employing less than 10% of the rural workforce and accounting for about 2% of GDP. The diversification of rural economies towards non-agricultural sectors is a factor that cannot be ignored when discussing rural development today.

- A third important dimension concerns institutional changes. Most OECD countries have gone through processes of decentralization, relying increasingly on regional and local planning. Consequently, today, rural development policy involves a much wider array of actors that include national, regional and local governments as well as various rural stakeholders such as NGOs and universities, with the central government taking a less dominant role.

These, and other changes, like the growing pressure to cut agricultural subsidies, the end of the conception of rural life as different from urban life, the new urban vision of rural areas as a space for consumption (instead of only production) and the consideration of rural areas as providers of environmental goods and services, have reshaped the concept and nature of rural regions. In this context, rural areas are re-inventing their role in the global economy. Policies must adapt and lead this process. Innovation will be fundamental.

2. Innovation: a must for rural regions

The title of this first session puts forward a challenging question: is innovation in rural areas an exception or a must? Let me take a stand on this: in the context of globalisation, innovation is a must for all regions, whether rural or not. The capacity of regions to support learning and innovation processes is a key source of competitive advantages, a multiplier of economic activity, employment and development.

This is particularly relevant for rural areas, where the combination of geographical isolation, structural unemployment, lack of services and rural exodus, generate a vicious cycle that leads to economic decline. There are many examples of rural regions across the OECD that lag behind in all indicators.

Our study "The New Rural Paradigm: Policies and Governance" reports that between 1995 and 2000 GDP per capita in rural regions as a percentage of national averages declined in more than half of OECD studied countries (in 13 out of 23 countries with data). In these regions, GDP per capita represented about 83% of the national average (in 2000).

However, "rural" is not synonymous of decline. By no means. In fact, at the beginning of the 21st Century, in more than one out of three OECD countries, the region with the highest rate of employment creation was a rural region. In most cases, innovative policies made the difference. There are a growing number of rural regions that have built on their competitive advantages and now thrive in the global economy.

The experience of Extremadura in connecting its 383 municipalities to broad-band internet, linking all public institutions to the Net, to introduce a wide range of programmes on education, technological literacy, productive start or eHealth tools, is a great example.

The experience of Australia with its Rural Transaction Centres (RTC) Programme to help establish locally run units that introduce new services or bring back services into rural towns is another interesting case study. In Finland, telemedicine services allow a specialist doctor in Helsinki to provide diagnosis on X-rays taken in the sparsely populated regions thousands of kilometres away. Canada's "rural lens" aims to ensure that rural priorities are taken into account in government policy across ministries.

3. Lessons from the OECD's experience

These few examples, but also a myriad of other regional innovative policies and programmes throughout the OECD countries, share three essential qualities: 1) they all acknowledge that there are multiple objectives in rural policy which require different approaches; 2) they are place-based approaches which help to foster public-private mobilisation at the local level, integrating new stakeholders; and 3) they are developing a culture of cross-sectoral co-operation at all levels of government and diffusing awareness on the diversity of rural needs and opportunities.

We strongly recommend that any attempt to renovate or innovate in rural policy includes these three elements. But there are also other crucial ingredients for the formulation of innovative rural policy. I want to leave 4 of them in your minds:

1. Human Capital is essential. The current exodus of young people out of rural regions represents a brain drain that must be reversed. A key contribution could come from the so-called "neo-rurals": people of different ages and profiles that decide to move back, or to simply move for the first time to rural areas. Research presented at last year's OECD conference highlighted the importance of the so-called "creative class" (such as architects, artists, engineers, software developers, designers etc.), that is more and more keen to move to places that offer a better quality of life. These flows must be facilitated.
2. There is evidence that while R&D investment is a crucial driver of innovation, investments in education and training are more important in many rural areas.
3. Innovation is often wrongly considered as a synonymous of "high-tech activity" and R&D, which are mostly carried out in urban areas. Rural regions may find it much harder to compete in the production of emerging technologies than in the development of mature technologies and alternative methods. These regions have a competitive advantage that can be more powerful and precious than any industrial R&D compound: nature.

4. Finally, financial institutions play a crucial role in promoting innovation and development. The availability of financial resources can be the critical determinant of whether innovations emerge and are turned into marketable products and services or not. I am happy to see that among the speakers of this conference there will be distinguished representatives from key financial institutions. I am sure that their contribution will bring enormous value added to these brainstorming sessions.

Ladies and gentlemen,

In the era of globalisation, traditional sectoral approaches to rural development are increasingly ineffective. The challenge for policymakers is to adopt multifaceted policies for rural regions that go well beyond the use of agricultural subsidies, which still amount to about 1.2% of the OECD's GDP. Rural policy should be less defensive and more innovative. It should also be more focused on places instead of sectors and on investments instead of subsidies.

I have no doubt that globalisation can be a positive-sum game. This is true for the relationship between developed and developing countries, but also for the relationship between rural and urban regions. Innovative policies can make a huge difference. I look forward to a fruitful exchange of views over the next two days. I can assure you that the OECD will continue to develop its role as provider of advice for rural development policies and to promote fruitful policy dialogue for the benefit of a more balanced world.

Thank you very much.