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OECD Regional Development Ministerial

**MEGATRENDS: BUILDING BETTER FUTURES
FOR REGIONS, CITIES AND RURAL AREAS**



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**OECD Regional Development Policy Ministerial on
Megatrends: Building Better Futures for Regions, Cities and Rural Areas
Athens, Greece 19-20 March 2019**

Summary of the Chair of the Meeting

On 19-20 March 2019, the OECD convened a Ministerial Meeting on “Megatrends: Building Better Futures for Regions, Cities and Rural Areas” chaired by the Greek Deputy Prime Minister and Minister of Economy and Development Yannis Dragasakis, and two Vice-Chairs: Deputy Minister for Territorial and Urban Development, Kyung Hun Jeong (Korea), and Vice Minister of Regional Development, Felipe Salaberry (Chile). The meeting gathered Ministers, Vice-Ministers, State Secretaries, senior government officials and high-level representatives from 49 delegations representing OECD countries, partner countries, and international organisations and associations.

The meeting took place in the context of continued place-based inequality across and within urban, peri-urban and rural settings, contributing to social and political divides in many countries. At the same time, several megatrends are driving profound changes to economies, societies, jobs and the environment. They include globalisation; rapid technological innovation and the future of work; digitalisation; demographic change through migration, ageing, and urbanisation; and environmental challenges such as climate change and resource scarcity.

Thus far, these megatrends have not benefited all regions to the same degree, and not all regions are equally equipped to manage the future. Countries are seeking to cultivate the significant opportunities from megatrends for well-being, productivity and employment across regions and communities, but remain concerned about their potential to deepen regional divides. Regional development policy is expected to play a crucial role in preparing all communities to take charge of their future.

This Athens meeting was the fourth of such meetings of the Regional Development Policy Committee (formerly Territorial Development Policy Committee) since its creation and marked its 20th anniversary. Such meetings have provided a political momentum for the Committee’s work and the regular renewal of its mandate. The first event in 2003, the High-level Meeting of the Territorial Development Policy Committee “Innovation and Effectiveness in Territorial Development Policy”, took place in Martigny, under the Chairmanship of Switzerland. The 2009 Meeting at Ministerial Level “Investing for Growth: Building Innovative Regions” was held in Paris, France under the Chairmanship of Finland. The third meeting “Regions and Cities: Where Policies and People Meet” was held in Marseille, under the Chairmanship of France in 2013.

The [Declaration on Policies for Building Better Futures for Regions, Cities and Rural Areas](#) (the “Athens Declaration”) was adopted at the Athens Ministerial Meeting by the Ministers and high-level representatives of 46 countries, including all OECD Members and 10 non-Members.

In the opening session, the Chair of the Meeting highlighted the importance of addressing social inequalities and regional disparities in all countries, and for Greece particularly in light of the crisis impacts. Noting the need for countries to address today’s social challenges while bearing in mind the long-term megatrends of tomorrow, he called for a fairer, more inclusive and more sustainable growth model. To achieve this goal, the Deputy Prime Minister noted the critical role of the Welfare State and basic social protection rights’ as well as institutions, governance tools, financing and multi-year planning. He also shared the experience of Greece in promoting greater citizen participation in shaping the National Growth Strategy through Regional Conferences on Productive Reconstruction.

The OECD Secretary-General Angel Gurría warned that policy must act today to avoid larger divides tomorrow. He remarked that efforts to ensure no place is left behind or left out are falling short. He recalled persistent regional disparities in many countries, and the lack of progress in most countries in reducing that divide. He noted that more attention is needed to the impacts of broad-scale technological, demographic and environmental trends on different places. He cautioned that without taking action, technological change could have the same challenges as globalisation—widely shared benefits for firms and consumers but localised losses for certain communities. He highlighted two new OECD reports to help countries in navigating these changes: [OECD Regional Outlook 2019: Leveraging Megatrends in Cities and Rural Areas](#) and [Making Decentralisation Work: A Handbook for Policy-makers](#).

Plenary 1: Looking Back, Looking Ahead

The Session Chair, the OECD Secretary-General, celebrated the Regional Development Policy Committee’s 20th anniversary as an opportunity to take stock of the state of regional development policy over the past two decades. Looking ahead, he highlighted that megatrends can be threats or opportunities; the question is how to ensure that all communities are able to seize the potential upsides and minimize possible downsides.

Ministers and other Heads of Delegation recalled the importance of persistent regional inequalities and the increasing prominence of the regional development policy agenda for inclusive growth in wider policy debates. They noted the diversity of country patterns, with some experiencing continued challenges to spur catch-up of regions outside of the capital, while others reported progress made by the non-capital regions. They also discussed the importance of ensuring the pre-conditions for people to live where they wish and with a high quality of life.

Participants underlined the diversity of regional situations and the importance of tailoring policies, ensuring they are cross-sectoral and “place sensitive” to make regions more resilient to emerging challenges. They noted that the one-size-fits-all solutions would not succeed in light of the wide variations in regional economic ecosystems as well as other geographic factors. They highlighted the need in particular to adapt structural policies and access to public services to specific local needs and challenges.

They further called for policies to better valorise and build on the complementarities of different territories across a country as an element of cohesion, noting the importance of ensuring that residents of all places feel part of a collective future and not left behind.

Participants also raised the importance of improving our understanding of urban and rural areas in a more holistic fashion, noting that people share their time across these different spaces. While they recognised that the new geography of jobs was to a certain extent favouring big cities, they also noted the divide is not simply a question of urban versus rural. Some urban areas are also suffering from poorly managed urbanisation or other forms of deepening inequality. They further underscored the importance of strengthening the ties between urban and rural areas. They called for a new narrative for rural areas focusing on comparative advantages to reinforce their opportunities.

Ministers and other Heads of Delegation recognised the importance of governance and different forms of collaboration and partnership for greater flexibility to meet regional needs. They emphasised that this would require greater empowerment of local communities to help facilitate the solutions already found in many places. They also called to upscale collaboration across levels of government, and to design such collaborations to be more agile to allow for quicker responses. They underlined that this further requires strengthening the capacity of regional and local governments—that in some countries is part of regionalisation or decentralisation efforts—to be able to respond to upcoming transformations from megatrends and find an economic future for all places.

In looking beyond government, Participants recognised the important role of dialogue with social partners, firms and investors, particularly in light of the technological revolution. They noted that territories need to be attractive to private investment, including through public investment in digital infrastructure, use of digital tools, and the early education and training of the current and future workforce. They emphasised that public, private and civil society need to be mobilised to prepare and manage future change and better capitalise on technology for social development. Adaptability of people to face these changes will be essential.

Going forward

Ministers and other Heads of Delegation recognised the importance of the OECD in elevating the regional development policy discussions internationally and supporting their policy priorities. They called on the OECD to continue to serve as a unique international forum for discussing new evidence and policy options in regional development policy and for sharing these advances with a wider range of sectoral ministries. They highlighted that OECD work with their countries, such as peer reviews, has played an important role in the development and implementation of their regional development policies. While many problems of regional inequalities persist, they noted that OECD tools have further clarified the evidence base, tools and policy approaches to help address the challenges. A new narrative needs to be developed for the rural areas, focusing on their specific advantages and the role of tradable sectors for productivity growth.

Plenary 2: Tired or Wired? Regional Policies in a Digital and Global Economy

In this session, Chaired by the Korean Deputy Minister for Territorial and Urban Development, Kyung Hun Jeong, Ministers and other Heads of Delegation concurred that digitalisation is first and foremost a tool to bring greater quality of life to people, which offers significant opportunities. They underscored that the human element should not be forgotten, as not all technology trends are beneficial for societal health or personal happiness. They further highlighted the importance of ensuring that public and private action is viewed through the lens of its value to society.

Participants stressed that efforts are required to increase the positive impact of digitalisation on people, business, and governments in all types of places. This includes not only the creation of quality jobs, but also opportunities to improve and facilitate public service provision in all areas. The goal is to ensure that digitalisation does not widen the gap or contribute to further citizen discontent and a rejection of public institutions.

Ministers and other Heads of Delegation recognised that industry 4.0 and 3D printing, autonomous mobility, artificial intelligence, virtual reality, block chain, etc. are all factors changing industries and jobs. Regional innovation strategies can help local economies to seize the business opportunities from emerging disruptive technologies to boost productivity and growth while supporting diversification. They noted this requires that the regional policy toolkit facilitate such strategy development, innovation in firms, access to finance, and other related tools. It also requires extra efforts to ensure firms, particularly SMEs, fully benefit from these digital tools and they called on the OECD to continue develop substantive work on the links between regional development and SMEs, particularly in the area of digitalisation.

Participants discussed the importance of high-speed internet as well “smart cities”, “smart villages” and “smart territories” to bring new opportunities to urban and rural places, and improve public service delivery. Many shared their national experiences with policies to invest and expand the digital infrastructure throughout their territories to ensure a more balanced growth. They noted the importance of good planning and accessibility for the success of places. They underlined the critical nature of timely, smart regulation to stay ahead of the curve with respect to technological change and to change the behaviour of people, such as in relation to mobility in cities.

Participants expressed concerns about the likely social costs that may arise through digitalisation, in particular during the transition period. They noted that further policy efforts going beyond traditional regional policies would be required, such as social protection and support schemes to workers in transition, to prevent deepening divides. Smarter investment in human resources, such as in life-long learning and more generally ensuring that people have the skills for the future work, including digital literacy, will need to be available in all regions. They highlighted the importance of firm investment in training given that workers should be viewed as an investment and not a cost.

Ministers and other Heads of Delegation noted that responses to both opportunities and challenges of digitalisation need to be provided largely at regional and local level. They highlighted that stakeholder engagement with the private sector and civil society can help

structure the response, such is in how to best use big data. They further underlined the importance of leadership and foresight at all levels of government.

Going forward

Ministers and other Heads of Delegation called on the OECD to provide data and tools to address the regional implications of the impacts of digitalisation and other technological change in all types of places, from "smart cities" to "smart villages" and other opportunities for rural areas related to digitalisation.

Plenary 3: Including Everyone, Everywhere: Managing Demographic and Social Change

The Chair of this session, the Chilean Vice Minister of Regional Development, Felipe Salaberry lead the discussion on how urbanisation, ageing and migration continue to reshape regions, cities and rural areas. Ministers and other Heads of Delegation noted that responses to such change require an integrated approach taking into account local realities.

Participants highlighted that migration is an important consideration for their regional development approaches given the localised effects of migration, such as in border areas or in large cities. They stressed the importance of listening to the communities where migrants are located to ensure policy responses are accepted by native-born populations and migrants alike. They also raised the concern that seasonal migration, such as in tourism-intensive regions, places great strain on local public infrastructure and services.

Ministers and other Heads of Delegation underscored the need for integrated development across different policy sectors. They noted that often structurally weak regions cumulate other demographic and social challenges at the same time. They stressed that regional development policy tools will need to address these multiple factors to help them bounce back.

To manage urban areas, Ministers and other Heads of Delegation recalled a number of important urban policy considerations. They raised the importance of effective mobility and transport options, managing the increasing densification of peri-urban areas, and access to affordable housing among other priorities. They also stressed the importance of maximising the benefits and reducing the costs (e.g. congestion, pollution) of agglomeration, notably for citizen well-being in cities.

For locations facing population loss and larger shares of an ageing population, Participants noted the importance of adapted public services to avoid a reduction in quality. Different solutions were discussed, such as using technology to deliver services remotely, regrouping of services, and identifying strategic services points to ensure access to essential public services for all residents within a reasonable amount of time. They recalled that scale and distance matter for access to services. They also highlighted opportunities to work with neighbouring jurisdictions, including across international borders, in declining population areas for public services such as education as well as employment opportunities. Ensuring education and attractiveness for youth was also discussed as important for preserving the vitality of such places. They stressed that the effect of population changes on public finances may require a re-examination of the tasks at different levels of government depending on the type of place.

Ministers and other Heads of Delegation further highlighted the importance of culture, diversity and social capital, as well as changing social norms, in managing social and demographic change. They stressed the importance of a diversity of views in public debates, reflecting the concerns of both urban and rural places. They also discussed valorisation of the cultural heritage of different regions to celebrate diversity. Evolutions in social and behavioural norms across generations and geographies, for example related to work-life balance, consumption patterns and mobility, were also raised as important considerations in designing policies.

Ministers and other Heads of Delegation identified a need to react quickly to the changes and to be pro-active to respond to citizen feedback, notably through subnational authorities. They recognised that as localities are closer to citizen needs, they can also help combine top-down and bottom-up knowledge. They stressed that better listening to citizen concerns and effectively communicating policy choices will be critical for adapting to these demographic and social changes.

Going forward

Ministers and other Heads of Delegation called on the OECD to continue to provide data at the relevant scales to understand the impacts of demographic and social trends. They noted the importance of new policy approaches, governance tools and finance strategies for providing the relevant pre-conditions and public services in the context of both expanding and shrinking communities. They further called for the OECD to promote networks between national and subnational governments to address these challenges.

Breakout Session A: Smart Spending: Investment in Quality Infrastructure

Ministers and other Heads of Delegation recognised the importance of quality infrastructure in national agendas in this Breakout Session chaired by Flavia Terribile, Chair of the OECD Regional Development Policy Committee and Senior Advisor, Presidency of Italy's Council of Ministers. They recalled the needs in terms of quantity: the current level of investment being less than half of what is required in the world to meet demand. They also highlighted that the challenges are more than just the quantity, but also the quality of that infrastructure. They recalled the links to international agendas such as the 2019 G20 and the G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment. They highlighted investment gaps in new investment as well also maintenance of existing assets and the infrastructure demands for climate priorities and digitalisation, among other needs. They highlighted the importance of "smart" infrastructure and better future proofing of investments to respond to megatrends throughout national territories.

Participants discussed tools to meet the infrastructure finance gap, such as public-private partnerships to leverage private financing, infrastructure banks, and land-value capture. They also noted that infrastructure investments through fuel taxes might need to be revisited in the future as mobility patterns change. They further highlighted the importance of local public investments to catalyse private investment, and the need to ensure subnational government capacity to do so effectively.

Ministers and other Heads of Delegation agreed on the critical importance of greater alignment across sectors and levels of government to meet these infrastructure needs given that 57% of

public investment in the OECD is undertaken at the subnational level. They acknowledged the leading role of the RDPC in promoting a place-based approach to infrastructure investment, notably through the [OECD Recommendation on Effective Public Investment across Levels of Government](#). They highlighted different types of strategies and governance arrangements for national and subnational entities to co-finance large infrastructure projects, stressing the importance of a long-term planning.

Participants exchanged on the use of, but challenges with, cost-benefit analysis of infrastructure projects. They underscored the importance of considering direct and indirect effects, the challenge of attributing the values associated with difference impacts (such as environmental), and the weaknesses of such approaches when addressing infrastructure critical for local vitality in particular regional contexts, particularly in a low-density or remote area. They highlighted that in general cost-benefit analysis tends to be very narrow, and does not reflect all the positive impacts of an infrastructure investment.

Going forward

Ministers and other Heads of Delegation called for the OECD to continue to work in this critical area of "smart" and quality infrastructure, including improved data on subnational finance, accessibility to infrastructure and tools to support country efforts, such as to further implement the [OECD Recommendation on Effective Public Investment across Levels of Government](#) and to develop the OECD/UCLG World Observatory on Subnational Finance and Investment.

Breakout B: Rethinking Policies for Sustainable Development from the Ground Up

In this session, chaired by Lamia Kamal-Chaoui, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities, Ministers and other Heads of Delegation highlighted the widening notion of sustainable development beyond environmental considerations with the adoption of the UN Sustainable Development Goals (SDG), which call for joint action on the economic, social and environmental dimensions of well-being. They welcomed the potential of the SDGs to manage trade-offs and foster policy complementarity across sectors. They also emphasized the importance of multi-level governance to localise the SDGs since 65% of SDGs targets cannot be reached without proper engagement of cities and regions. Participants shared different practices to mainstream the SDGs in local and regional planning; target and sequence policy reforms; prioritise budget allocation; and engage stakeholders. Examples were provided on how National Urban Policies can use the SDGs to advance infrastructure, policy coherence and capacity development.

Participants also highlighted the universal dimension of the SDGs and their potential to drive better policies in both advanced and emerging economies. They noted the transition of core responsibilities related to SDGs from ministries of foreign affairs to ministries of sustainable development and more recently offices of the Prime Minister or other heads of state. Some countries reported dedicated SDG headquarters and/or Commissioners to better align efforts across levels of government and upscale good practices. They also noted that strengthened local management capacity is essential to implement the SDGs, particularly given that the majority of targets require subnational governments.

Going forward

Ministers and other Heads of Delegation noted the need for greater measurement efforts to go beyond national averages to ensure no place is left behind, which requires localising the SDGs framework to document regional disparities and guide public action. They called on the OECD to continue developing data at the subnational scale, analysing good practice examples to inspire other countries and regions, and promoting engagement between the national and subnational levels in the implementation of SDGs.

The Path Forward

The final session was chaired by Greek Deputy Prime Minister and Minister of Economy and Development Yannis Dragasakis.

Throughout the Ministerial meeting, Participants highlighted the importance for governments at all levels to better address regional divides today and plan for future megatrends. They commended the OECD in working with countries to facilitate the paradigm change in regional development from a compensation-oriented to growth-oriented approach. They noted that getting it right for the past is not always a guide for the future.

In addition to adopting the Declaration on Policies for Building Better Futures for Regions, Cities and Rural Areas, Ministers and other Heads of Delegation welcomed the new [OECD Principles on Urban Policy and OECD Principles on Rural Policy](#), which consolidate over 20 years of OECD work on urban and rural development.

Going forward

They invited the RDPC to consider the possibility of transforming these Principles into an OECD Recommendation. They called on the OECD to develop further the toolkit to support countries in their regional development efforts across the urban-rural continuum. They noted that better data and international definitions on different types of rural and urban spaces, including with new data sources such as big data, will be critical for countries to implement the Principles.

They called on the OECD to provide further evidence-based policy recommendations to promote a place-based lens across a wider range of relevant sectoral policies from transport, planning, infrastructure and housing to education, innovation and employment. They underscored the important role of the Regional Development Policy Committee in working with other OECD Committees to address crosscutting issues and to further support a place-based lens in other policy areas.

Ministers and other Heads of Delegation also highlighted the importance of engaging both national and subnational governments, as well as the private sector, social partners and civil society, to help all communities to better navigate the changes. They encouraged the adoption of innovative multi-level governance and finance tools to address the impacts of megatrends. They recommended further efforts to reinforce such multi-stakeholder dialogue, taking advantage of OECD platforms such as the Roundtable of Mayors and Ministers and the Champion Mayors for Inclusive Growth.