



## ***OECD 7<sup>th</sup> Annual Rural Development Conference***

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### ***“Developing rural policies to meet the needs of a changing world”***

13-15 OCTOBER, 2009  
Québec City Convention Centre  
QUÉBEC, CANADA

#### **Overview**

This conference brings together a diverse group of actors—policymakers, private sector professionals, academics, and others active in rural development—to foster thinking on policy targeting and to chart a way forward for rural regions in this fiscal climate. The objectives are: to 1) explore how the global recession has affected rural places and people; 2) identify some adjustment mechanisms that will be needed for rural recovery; and, 3) suggest roles that national governments can play and/or opportunities that can be maximised in restoring economic vitality to rural areas. The crisis, while important, is used as an entry point as the discussions will go beyond the crisis. As such, the underlying theme of the conference is “opportunity” and conference panellists will discuss the opportunities for rural development in the key sectors outlined below. In its work on rural development, the OECD: looks at the challenges facing rural regions, works to identify and disseminate approaches to improve rural policy design and implementation, as well as, fosters dialogue. This forum is a continuation of these efforts.

#### **Session I: Responding to the Financial Crisis and Recession in rural Areas**

At the OECD Regional Ministerial meeting in March, participants confirmed the breadth and scope of the financial and economic crisis in rural and urban areas; the role regional policy should play in minimizing the impact; and, the prospects for more robust and targeted policy making. Regional policy is well placed to ensure that emergency measures, such as fiscal packages, facilitate redeployment of resources toward activities that offer long-term economic, social and environmental benefits while boosting competitiveness. The key is in: how assets are used, how different stakeholders interact, and how synergies are exploited. But fiscal packages are largely silent on rural development even though the effect of the crisis can be seen not just at the national level but at the sub-national level. The downturn is affecting different areas in different ways and at different speeds, necessitating a good balance between regional and sub-regional initiatives. Some common characteristics of rural territories include: reduced budgets, increased vulnerability for SMEs, the bedrock of most rural economies, and an upward surge in unemployment levels. The responses range from: providing liquidity, strengthening the equity base of financial institutions, unfreezing credit markets and protecting savings, stimulating entrepreneurship, and supporting existing businesses. Some countries have effective mechanisms in place to transfer public support to local governments (e.g. Norway, Sweden) and effective assistance programmes for unemployed workers. For others, the tremendous challenges posed by the current systemic crisis require bold and pro-active responses that can lay the groundwork for more sustainable economic, social and environmental

development. In this sense, the crisis offers an opportunity to restructure economic incentive and governance systems.

This session will set the tone for the conference by discussing the challenges for rural areas flowing directly from the economic downturn and policy response mechanisms as well as provide a look ahead. Key topics for discussion will include: the magnitude and scope of the economic downturn on rural areas and the expected structural changes following the crisis; the attention given in the stimulus packages to rural areas; and, the main areas of opportunity, as well as the barriers to the emergence of a sustainable and diversified rural economy

## **Session II: Re-launching devitalized areas and single industry towns**

Many rural areas rely on one or two industries for the bulk of their economic activity. Unfortunately, the impact from the crisis on key industries in single-industry towns' has been stark, rendering them vulnerable to cutbacks or closures. Even in relatively healthy economies, local variations in the impact of the financial crisis centre on single industry towns. Historically prone to boom and bust periods, single industry towns are communities built around resource-based industries that are more and more being challenged by resource depletion and by low-skilled jobs threatened by globalisation. The significant challenge in the current economic climate is to find new activities in for these towns, and to minimize dependence on industries that are most vulnerable to global competition. This economic crisis grew out of a "sharp change in demand conditions", as opposed to the "emergence of a superior innovation that rendered existing industries obsolete". Thus, it may not automatically translate into an opportunity. Instead, it could weaken the processes to drive innovation and industrial renewal by producing adverse effects such as restricting the entry of innovative start-ups due to high entry barriers or slow down knowledge transfer. Therefore, it is important that policy approaches, while remaining cognizant of acknowledged approaches to re-stabilizing single-industry towns, adopt flexible strategies. The problems of industrial towns should not be exclusively tackled by unemployment and diversification policies. There should be a focus on: improving co-operation between the public, private and voluntary sectors, and on strategies to identify strengths and weaknesses, and on fostering a knowledge based economy.

In this session the problems and potentials faced by single industry towns and specific policies being developed or underway to address these issues will be discussed. Key topics will include: transitioning from job loss to increasing employment through upgrading skills, matching labour market needs; managing the transition process by identifying strengths and weakness; fostering opportunities for new businesses in emerging sectors; creating conditions that will help small innovative firms grow; revitalising the local economy including considering the role for economic diversification; building community capacity; enhancing knowledge resources, and institutional, human and social resources; shifting to the knowledge economy; and, maximising the benefits of the stimulus packages while reducing the downside risks.

## **Session III: Rural tourism: implementing "cutting edge" schemes**

The tourism sector is traditionally one of the strongest economic sectors in the world. However the industry has been gravely impacted by the global financial crisis and took a downward turn in mid 2008 that has yet to right itself. This is evidenced by the increasing unemployment in "key tourism source markets". There remains a large degree of uncertainty about the depth and duration of the financial crisis. The upside is an opportunity has been presented to explore new options, diversify products, explore new markets and rethink long-term strategies. In rural areas tourism is used as a development strategy to improve social and economic well being. In particular, resource and culture based tourism are providing new opportunities for income and employment. This is reflected in the introduction of multiple new types of active and passive opportunities – from extreme sports to wine trails, and the growing interest by urban populations in short trips within a country. But rural tourism is governed by a wide range of policies and, as such, mandates a

wide level of horizontal and vertical interaction. Further, it is impacted by divergent stakeholder interests, from the local residents (interested in preserving the rural areas), the government (interesting in economic growth), to the rural tourists (who are dynamic and fragmented in their behaviour patterns and loyalties), all of which can foster conflicting policy strategies.

In this session, speakers will discuss the challenges and policy responses related to rural tourism strategies. Some of the challenges include: marketing, resource degradation, competition among multiple sites offering similar activities, the need for effective management and planning. While daunting, the outlook is far from bleak; there are a number of different government and bottom-up strategies underway to guide rural tourism development. There is also a noticeable shift in rural tourism planning from *ad hoc* to more place based tailored strategically constructed schemes.

#### **Session IV: Re-imagining Forests: Potential for forest based rural development**

The forest product industry is a source of economic growth and employment, with a large share of forest products traded internationally. Although there are differing opinions about how forestry can best contribute to rural development, forest policy is considered to be an integral part of rural development. According to the FAO, the global economic crisis could: spur a declining demand for wood products, lead to a scaling down of production, reduce the willingness to pay for environmental services as well as the investment in sustainable forest management, and favor illegal logging. The importance of forests is unquestioned. They are key renewable resources in terms of energy, raw materials, biomass and as sources of second-generation biofuels. The economic crisis provides an important opportunity to promote improved efficiency in the use of energy and to chart a new course in forestry policy. In this regard both new wood products and non-wood outputs from forests are important. Strategies could involve timber and biomass to boost sustainable growth, as well as strategies to stem the process of desertification. Forests are also locations for important new recreational activities, such as mountain biking, and can produce a variety of local foods. However, climate change is a major threat to the long-term sustainability of forests. Healthy, sustainably managed forests are valuable tools for mitigating and combating climate change, thus forest science must advise policy decisions and management actions. The model forest concept of working collaboratively to determine local priorities and goals that are then used to develop and demonstrate new sustainable forest management policies and practices, as well as to empower communities, is but one example.

In this session, speakers discuss the possible roles of forests in rural community development – multiple use, biomass, carbon sequestration, eco-tourism, as well as, the problems and potential of forest management and specific policies introduced to address these issues. Key topics will include: challenges and opportunities for forestry in the context of climate change; adapting forest management to climate change and inter-sectoral collaboration and economic incentives.

#### **Session V: New sources of energy production and transmission**

The economic case for various forms of renewable energy has improved due in large part to the volatility of world market prices for conventional energy sources, improvements in renewable energy technologies, the improved cost competitiveness of several renewable energy options, and climate change concerns. Renewable energies, led by wind, biodiesel, and photovoltaic technologies now represent the fastest growing of all energy industries. The promotion of energy-saving and new energy technologies, as well as tax measures that encourage green investment or the purchase of green products, are prominent in recovery packages. Renewable energy presents enormous opportunities for rural areas, since virtually all renewable energy technologies rely upon a rural location. Improving natural resource productivity and achieving sustainable development are important rural goals and offer opportunities, plus investing in renewable energy would increase the number of jobs. Rural areas are uniquely suited to lead the way toward a future filled with clean and renewable energy. While manufacturing the equipment for generation may remain an

urban activity, the actual generation of power occurs in rural areas. However much of the power will have to be transported to urban areas, and in most countries the existing distribution grid is not adequate for this task. This suggests a coordinated approach to development that can help both cities and rural regions.

In this session, speakers will provide an overview of opportunities and constraints facing renewable energy, as well as the problems of connecting small-scale generation to the national grid. Key issues to be discussed include: helping small rural communities to capture and use their local renewable energy systems and export excess power to the grid; accessing commercially viable resources (e.g. waste, biomass); ensuring the availability and reliability of supplies (due to the intermittent nature of some renewable energy sources e.g. wind); managing the relatively higher costs, particularly capital costs, associated with renewables generation; and developing appropriate technologies.

### **Session VI: Rethinking the new demography of rural communities**

Demographic shifts and economic restructuring are dramatically altering the lives of rural people and their communities. In OECD countries the rural population is ageing as the number of elderly people is growing and the proportion of younger generations is diminishing, generating economic and social hardship. Where rural regions once provided a steady flow of people to cities, the decline in birth rates and fewer jobs for low skill workers has reduced this influx. In some countries the flow has reversed as older citizens retire to rural areas, leading to an increase in the rural native-born share of population. In many countries a tipping point is approaching where rural areas will move from a situation of an excess supply of labour to one where there is excess demand. Redistribution trends are the product of both structural changes in the nation's economic system and residential preferences. In order to ensure long-term capacity for service delivery in the context of an ageing population policies should consider: identifying ways to integrate more fragmented service delivery policy environments as well as ageing strategies that incorporates factors such as illness prevention and focuses on the entire population and not only on the elderly. Thus, the challenge for OECD countries is designing a flexible and adaptable delivery system for rural communities that ensure high levels of efficiency, accountability and equity no matter the population mix.

In this session, panelists will provide an overview of rural demographic issues including – aging population, youth outmigration, the roles of immigrants, relations with first nation populations, long distance commuters (fly in-fly out construction and mining camps) etc. Also, different country perspectives will be presented highlighting the opportunities associated with demographic change and specific policies being introduced to address them.

### **Session VII: Climate change: policy implications in rural areas**

Climate change is a major concern of OECD national governments and policies are now being reoriented to reduce the emission of green house gases and the consumption of energy. In fact, the OECD's *Strategic Response to the Crisis* report stressed the importance for investment in new eco-friendly technologies; referring to them as a “new source of growth” that will represent “win-win” opportunities for both the environment and the economy. National policies that address climate change could have dramatic effects on rural communities specifically on resource allocation. Yet, few policies explicitly consider the impact of climate change on rural areas. The importance of sustainability cuts across both urban and rural areas. Many rural regions face the threat of flooding, coastal erosion or a limited water supply. Moreover, the economies of rural areas are disproportionately specialized in the production of goods that have a high energy and emissions content. Rural areas also face higher transportation costs, so higher fossil fuel prices have a disproportionate effect on individuals and firms. This includes agriculture, mining and various processing activities. Rural development planning and management processes offer some of the most concrete entry points for integrating climate change adaptation. Rural communities are “living laboratories” for climate change adaptation. Indeed, rural communities and landscapes can provide solutions to reduce and sequester greenhouse gas emissions. There are significant possibilities for increases in efficiency but, these changes will require new investments. This would lead to changes in land use management,

infrastructure standards and more. New investments in rural areas, including in alternative energy production and carbon sequestration, can both enhance energy security and address global concerns.

In this session we consider the possible adjustments facing rural areas and the best opportunities for new investments. Key topics to be discussed: building adaptive capacity in rural areas – strategies and activities already under way such as sustainable natural resource management and improved market access; developing opportunities for climate change research, education and monitoring; integrating climate change mitigation within rural development policies; providing technical and financial assistance to rural communities for capacity building and workforce training to implement adaptation and mitigation strategies; and, participating in the development of national climate change policies to ensure rural interests are considered.

### **Session VIII: Strategies to enhance the local food industry**

Local rural economic development is depending more and more on the use of local assets and the ability to offer unique products or services matched to regional assets. In this framework it is important to consider strategies that identify assets, and make the investments and reinvestments that allow rural communities and regions to capitalise on the assets and foster local entrepreneurship. There are growing opportunities in both foods that have a regional appellation and in the production of food for local consumption. The first provides an opportunity to market a region's food products to a global audience, while the latter connects local farmers to the community in which they reside. Both provide an opportunity for increased value-added and can increase farm viability. Local foods are rapidly replacing organic foods as a focus for integrating farmers in the peri-urban fringe with city residents. Local farmers markets provide an opportunity for personal contact as well as food purchases, restaurants feature local products in region-specific recipes, and regional *appellations* provide a way to identify a variety of products with a specific *terroire*. The local food system is increasingly being used as part of a regional tourism strategy where specific foods are the focus for visitors who follow a "trail" that leads them from producer to producer. A concern with "carbon footprints" is further reinforcing the desire to buy local produce.

In this session the panel will explore the scope for local food systems, including questions such as, the differences between local and organic foods, integration of local foods into national and international food supply chains, the role of local food in a tourism strategy and the impact of local foods on farm income and farm structure.

### **Session IX: Local Government and declining fiscal capacity: adjustment mechanisms**

The recession has had major implications for rural governments. Many have a very limited tax base and their revenues have declined as property values fall and unemployment increases. In addition, their expenditures have increased as higher level governments download responsibilities. While the global economic crisis has forced many countries to reinforce local government capacities to respond to the different problems, this financial support has largely been provided to larger cities. In rural areas an increasing demand for local public services, due to lower incomes and higher unemployment, has further complicated the problems of local government. Because of the recession, policy makers in rural areas are tasked with making difficult choices between reducing personnel and reducing services to balance budgets while at the same time funding mandated services. Some local governments have found innovative ways to manage this issue and their responses can provide guidance for others in similar situations.

In this session, the challenges and opportunities facing local governments will be discussed. National measures complemented by local flexibility and local alignment of policies are key, with considerations given to stronger cooperation between all stakeholders, and better policy coordination. Add to this the opportunity to do away with fragmented polices and address inter/intra agency conflict over roles and

responsibilities allowing for more carefully balanced strategies that reflect the needs of the agencies and maximise the use of limited resources.

### **Session X: Identifying Appropriate Responses for Rural Development Policy: A roundtable discussion among delegates**

To allow for more interaction among the participants and more in-depth discussion on the different themes covered throughout the conference, the participants will be divided into small groups for this session. Each group will include a moderator plus a panellist from one of the previous sessions.

### **Session XI: Recap and Way Forward: A framework for action**

What have we learned? How can we move forward and take advantage of the opportunity offered by the financial crisis to exploit the potential of rural regions? How can we introduce changes that better consider rural areas and harness the economic opportunities in renewable energy and climate change? How can policy help to identify and deliver schemes that are well adapted to the characteristics and development dynamics of different rural communities and consider the implications of rural demography? When considering adjustment mechanisms and decreasing fiscal capacity, who should do what and with what resources? In the final session, speakers will highlight some important issues that emerged from the conference and identify transferable practices to shape the way forward. The speakers in this session will share their views and experience on the topics discussed, and most importantly, will provide at least 5 key take aways for all to consider and for the OECD to consider in its future work.