Rural Innovation: a Summary

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Evidence that rural is not declining and is not synonymous with primary activities
– For ex. this message is reflected in current Krasnoyarsk development policy that aims at promoting manufacturing and services

Modern Rural Development Policies (rather than the new Paradigm) offer a platform to discuss consistently of rural development across countries

And can also support international policy dialogue for key issues such as development of the Arctic region
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)

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

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

• Why is rural innovation so important?
• Why is rural innovation different?
• What can policies do to promote rural innovation?
• Why is it still so difficult to convince national policy-makers about these policies?
Why is rural innovation so important?

• Rural areas depend more heavily on tradables, thus innovation is critical for development
• Compensatory policies often create dependency not development and rich regions do not want to pay for lagging ones
• Agricultural angle: TFP productivity is declining, thus implicit need for innovation (usual link, but this is only a necessary condition)
• We are talking about an enlarged model embodying social (inclusive growth) and environmental sustainability (green growth) that can be better constructed at the right scale
Why is rural innovation different? (1/2)

- Innovation has often a urban bias (needs a new metric & broader non-tech scope) and do not address the needs of the poor
- Innovation depends on market structure (fragmented vs. segmented markets; niche markets)
- Is rural a creative class by necessity or by opportunity?
- There is a question whether rationale for policy depends on market failures or behavior that is not captured in economic models
- Planning rarely understands micro-incentives, but economists also need to go beyond simple optimization models
- Innovation is also about entrepreneurship (Swedish paradox). Social groups in rural areas can be entrepreneurial; Social capital is a specific asset of communities
Why is rural innovation different? (2/2)

• Innovation diffusion may be blocked in rural areas because of specific bottlenecks (lower skills, higher age)

• Question of administrative boundaries vs. functional areas; innovation in cities may originate in rural areas (OECD new database & Urban-Rural project)

• Rural innovation cannot be only addressed by top-down or sectoral policies (e.g. renewable energy)

• Caveats: people surveyed thinks the distinction rural-urban is not relevant (‘innovation in rural areas’ rather than ‘rural innovation’)

• Innovation in rural areas as in other regions/countries is a multidimensional issue that involves R&D, policy and governance
Higher dispersion of growth (OECD TL3 rural regions)

In terms of population growth, rural regions show the highest variability

- Opportunities for growth, both in terms of population and GDP, are observed in all types of regions.
- The variability of growth rates is much higher in rural areas than for the other types of regions.
- Part of this variability can be explained by looking at the role of the relationships with Urban or Intermediate regions (urban-rural linkages).


U.S., Canada, Chile, Mexico, Israel and Island are excluded from the analysis for reasons of data availability.
What can policies do to stimulate rural innovation? (1/2)

- Change the narrative (governance)!
- Use of social capital depends on whether the members of the group are authorized to innovate
- Bridge the urban-rural divide
- Use of community initiatives and innovation are often blocked by regulatory issues. How to address this tension without the risk of fragmenting of the regulatory framework?
- We need a model developing innovation both in governance (creating the environment) and in government (integrated package of public services)
- Focus on entrepreneurship, support to trial and error activities and provide business service to rural enterprises (interactions, self-confidence)
What can policies do to stimulate rural innovation? (2/2)

- SWOT analysis: entrepreneurs deal with strengths-opportunities; governments/collective deal with weaknesses & threats
- Rural policy should be both differentiated & integrated
- Promote networks and ownership: Rural communities started being proactive and governance mechanism should capitalize on this by empowering them

- Good news: a lot of policy experimentation (e.g. Canada, Finland, Nora region, Russia, UK, US)
- More focus on financing issues (grants, investment or financial markets)
Why is still so difficult to convince national policy-makers about these policies?

- Yes, rural regions can innovate, but we are still making the case... There is still a lot of self-justification
- Need to prove that these policies make the difference for aggregate outcomes
- Understand incentives connected to policy economy-wide and place-based policies
- Evidence that growth can happen in all kind of regions, and rural areas can contribute to aggregate growth (OECD *Promoting Growth in All regions*)
- Evidence that Well-Being agenda can only be addressed in a place-based manner (OECD Project on the *Regional Dimensions of Measuring Well-Being*)
Main message & OECD contribution

• There are no shortcuts to rural development
  – Development depends on a constellations of factors (not preconditions as there are several different institutional settings) and integrated approaches

• Information about the good policy solutions is dispersed among government levels and communities

• OECD agenda is to help guiding national and regional policies through this complexity (knowledge management of policy processes taking place in countries and regions)
  • Thematic focus through network of regions
  • Continued accumulation of case studies (Territorial, Urban, Rural, Innovation, Governance)
  • Regional Outlook / Regions @ Glance
  • Help implementation (e.g. OECD-wide Better Policies brochure)
Thank you!