

**Proceedings**

# **Adaptive Economies: Strategies for Resilient Regional Policy-Making**

20 May 2021



**OECD**

PREPARING REGIONS FOR DIGITAL TRANSFORMATION

*Most of what we think are technologies of the future are in fact available today, but access to them is not evenly distributed.*

*The biggest question for regions thus is not whether, but when and how to embrace these new technologies. So, the biggest risk is not taking any action*

## Welcome remarks

The OECD has been working with member countries on preparing rural regions for digital transformation. In the [11<sup>th</sup> OECD Rural Conference held in Edinburgh, Scotland \(United Kingdom\)](#) OECD countries agreed that rural areas are places of opportunities and growth, but in order to thrive, innovation is an essential ingredient.

In the [12<sup>th</sup> OECD Rural Conference in Korea](#), the thematic project *Enhancing Rural Innovation* was initiated with the support of five countries (Canada, Japan, US, Scotland-UK, Switzerland). This is a cross-country analytical study of innovation in rural regions, its drivers and outcomes. It aims to better understand rural innovation and how innovation operates in different geographies. The different country reports focus on the drivers of innovation in rural regions in these countries and their respective policy responses, in order to support innovation ecosystems and their global transformation.

This event is part of the OECD Rural Innovation project. The event leveraged the experience of Amin Toufani, CEO of Silicon Valley based T Labs and founder of Adaptability.org **to further examine how technological progress is affecting our economies at an exponential rate – and more importantly what steps governments, private sector and communities can take to adapt regions to future technological disruptions, turning barriers into opportunities.**

Nadim Ahmad, Deputy Director Centre for Entrepreneurship SMEs, Regions and Cities, OECD, highlighted the relevance of this event as a means to illuminate policymakers on unknown future scenarios for rural regions. This discussion should help regions to identify the type of skills and institutional framework are needed to gain resilience and face any future shocks.

COVID-19 has amplified existing inequalities amongst regions in terms of their capacity to adapt to new technologies and make the most of them. Recognising the differentiated impact of technological trends on rural regions is a starting point for policymakers.

*“To prepare regions for the future, governments need to think outside of the box and leave their comfort zone. That is why this event is relevant. Amin has focused throughout his career in the adaptive capacity to make the most of future changes”*



**ADAPTIVE ECONOMIES  
STRATEGIES FOR RESILIENT  
REGIONAL POLICY MAKING**

Opening remarks: **Nadim Ahmad - Deputy Director, CFE**  
 Moderator: **Peter Wostner - Chair, Working Party on Rural Policy**  
 Keynote speaker: **Amin Toufani - CEO of Silicon Valley-based T Labs and founder of Adaptability.org**

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 BETTER POLICIES FOR BETTER LIVES

## Adaptive Economies: Strategies for Resilient Regional Policy Making by Amin Toufani

Amin Toufani initiated the event with the example of Dick Fosbury, an Olympian who revolutionised his sport by using a new technique (the Fosbury flop – back first) in his jump during the 1968 Olympics in Mexico City. This example illustrates the power of unlearning to innovate and build competitiveness.



The world is changing fast, driven by exponential technological change. Medical knowledge is doubling every 80 days and solar energy prices are falling exponentially. Today, one single cell phone is 4 million times better than the first professional camera invented, it not only has more resolution but is also much cheaper. Acknowledging that today's technologies will advance at exponential rate in the coming years is key to design development paths and seize future opportunities. Technological change is also highly resilient to previous shocks and crises.

Amin stated that before 2030 **humanity would face five critical technological changes:**

1. Quantum supremacy: quantum computers become more common than normal computers;
2. Blockchain supremacy: blockchain architecture and validation structures become the norm and overcome any database structure;
3. Solar supremacy: solar power without subsidies becomes cheaper than any other source of energy;
4. Biotech supremacy: most people have access to biological improvements; and
5. Artificial intelligence (AI) supremacy: AI overcomes conventional computers and the human brain.



Such exponential growth in technology might lead to some radical changes in our economies. First, reducing prices of goods and services, as the cost to create them drops. Second, creating commodity oversupply as technology replaces certain raw materials and improves the transformation of others. Finally, compressing gross domestic product, as technology progresses can improve the capacity of the circular economy and reuse of products, which might lower the demand for new products. For example, when electric batteries are able to last several decades, this will reduce prices of transport and vehicles, and the need for producing new vehicles.

*Exponential technologies create exponential winners but also exponential losers. Regional governments need to create institutional arrangements to become the exponential winners*

Governments need increasingly to compete for skills and capital. The goal in today's world is to set policies to attract the best skills and capital. To do so, governments would benefit in setting a sound innovation sandbox in the regions that offer the right conditions. This sandbox would require robust financial systems and sizeable tax breaks, thoughtful deregulation, safety nets for entrepreneurs' failures and inventive incentive models.



Technology will become a distance eraser, and in turn reduce transport costs and fully connect rural regions. Satellite internet, autonomous vehicles, drones (and cargo drones) or virtual reality will radically modify the way people and goods move. One of the main barriers to massively produce and adopt these technologies are regulatory challenges.

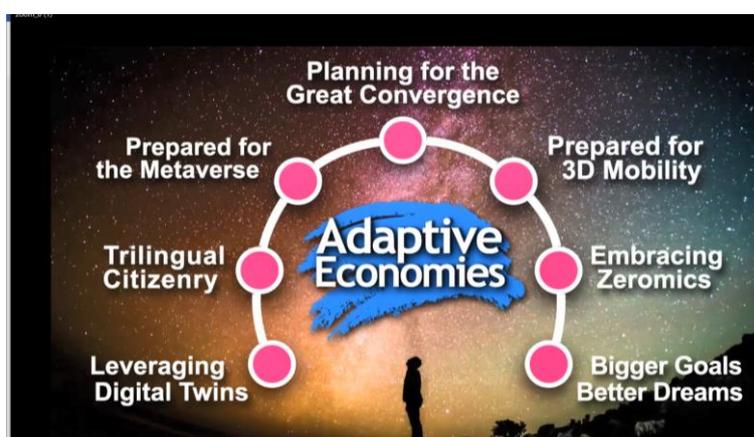
**Today's innovative business models focus on creating a digital twin (digital representation of the reality), just in time delivery services and hyperactive customize services.**

Ultimately, future business are selling performance, instead of new goods or services. In this sense, industries are increasingly moving towards tech companies that sell on time services.



Keeping up with the pace of change requires a strong capacity to adapt. To this end, regions aiming to seize future changes can embrace adaptive economies by following seven different steps. They include:

1. Leveraging digital twinning as a service delivery model;
2. Promoting diversity and trilingual citizens (citizens that are highly adaptable and with technological knowledge);
3. Preparing communities for life in virtual reality (metaverse);
4. Planning for an economy that focuses on selling performance (great convergence);
5. Preparing for 3D mobility and greater use of drone's transport;
6. Embracing progress in biotech and the economic activities associated to it, in particular the capacity to detect diseases genetically (zeromics); and
7. Promoting imagination and experimentation in regions (bigger goals and better dreams).



Ultimately, technological disruption will arrive regardless whether regions are prepared or not. To adapt and seize future changes, governments need to invest in innovation, promote entrepreneurship on new business as well as experimentation and imagination within the region. At the same time, as not everyone has the capacity to adopt and benefit from the new technologies on time, policies also need to protect the most vulnerable (people and firms) by boosting their adaptive capacity (e.g. with income safety nets) and technological skills.

All these actions require forward-looking policy strategies and sound government coordination. Taking new risks is not easy and has to be done in cooperation with citizens and local business, in a way that new ideas reflect the competitive advantage of the region and the development goals of the communities.