BETTER POLICIES FOR BETTER LIVES

Smart Villages

Integrated strategic approaches to innovation in rural areas

29 January

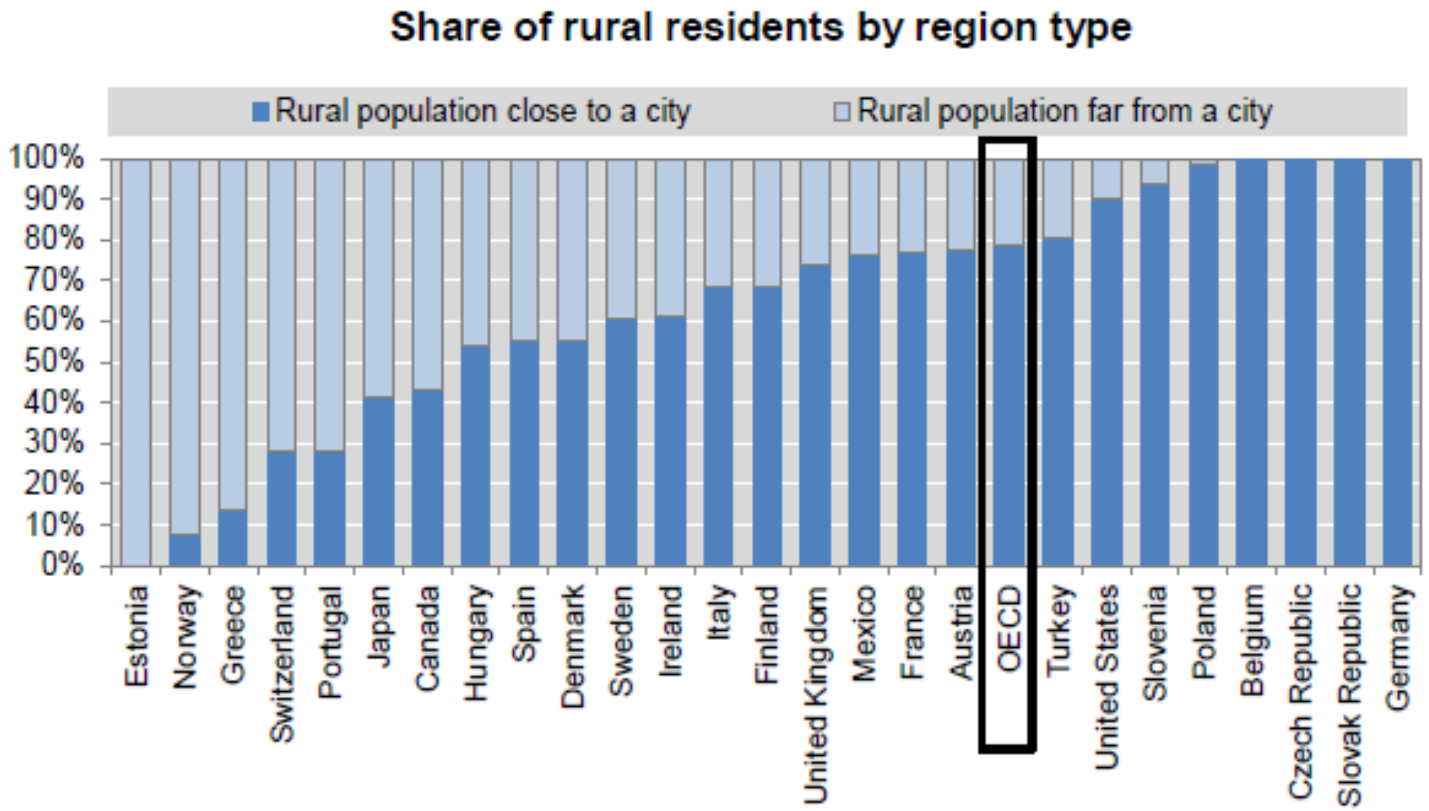
Enrique Garcilazo, Head of OECD Regional and Rural Unit
Center for Entrepreneurship, SME's Regions and Cities
@Garilazo_OECD, #OECDRural

Outline

1. What does the data tell us?

2. Policy responses for smart villages

Rural and urban areas are deeply interdependent…



Sources: **OECD Regional Outlook, (2016)**

- ***In OECD countries, 26% of population live in PR regions (297 million)***
- ***Around 80% of rural population (235 million) lives close to a city***
- ***6% of the rural population (62 million) in remote rural regions***

Rural regions can be sustainable …

Summary Statistics

	GDPpc		GDPpw		Population	
	2000	2012	2000	2012	2000	2012
PU	120.6%	121.1%	112.0%	111.9%	231.5%	229.3%
IN	98.6%	99.7%	99.2%	99.3%	102.6%	101.4%
PR	85.5%	83.9%	91.6%	91.4%	50.0%	49.9%
PRC	85.8%	86.3%	91.3%	93.3%	72.9%	74.3%
PRR	84.9%	79.9%	91.9%	88.5%	24.0%	22.6%
All	100%	100%	100%	100%	100%	100%

	Growth GDPpc		Growth GDPpw		Population growth	
	2000-08	2008-12	2000-08	2008-12	2000-08	2008-12
PU	2.07%	-0.70%	1.39%	0.24%	0.78%	0.67%
IN	1.98%	-0.28%	1.29%	0.65%	0.58%	0.45%
PR	1.95%	-1.11%	1.62%	0.12%	0.35%	0.38%
PRC	1.95%	-0.28%	1.77%	0.56%	0.63%	0.55%
PRR	1.95%	-2.45%	1.38%	-0.61%	0.02%	0.18%
All	1.99%	-0.70%	1.44%	0.34%	0.50%	0.46%

Note: Data refer to GDP and GVA evaluated at PPP constant 2010 US dollars, using the SNA2008 classification.

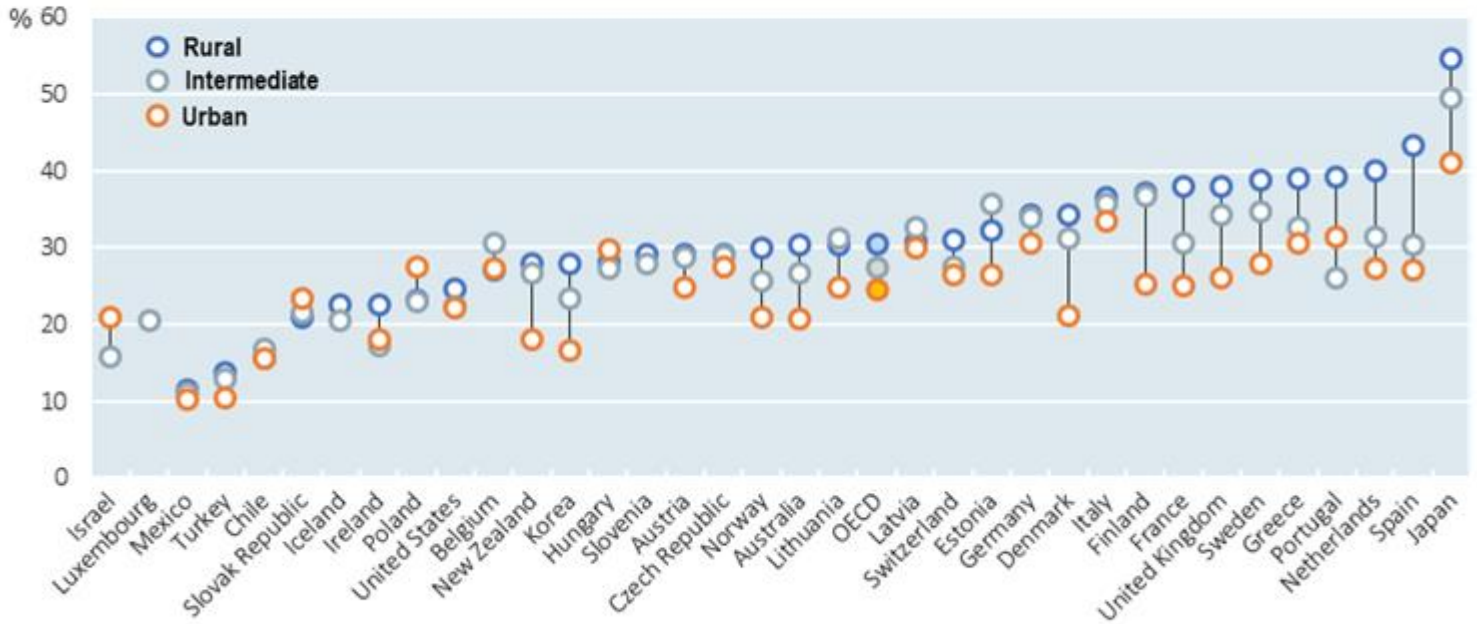
Sources: **OECD Regional Outlook, (2016)**

… but rural remote face demographic pressures.

Rural remote regions face demographic challenges

Population ageing is particularly affecting rural regions

Elderly dependency ratios (people older than 65 over people between 15 and 64) by type of region, 2017



Note: Last available year was 2016 for Japan, Australia, New Zealand, and the United States.

Sources: OECD Regions and Cities at a Glance, (2018)

OECD
BETTER POLICIES FOR BETTER LIVES

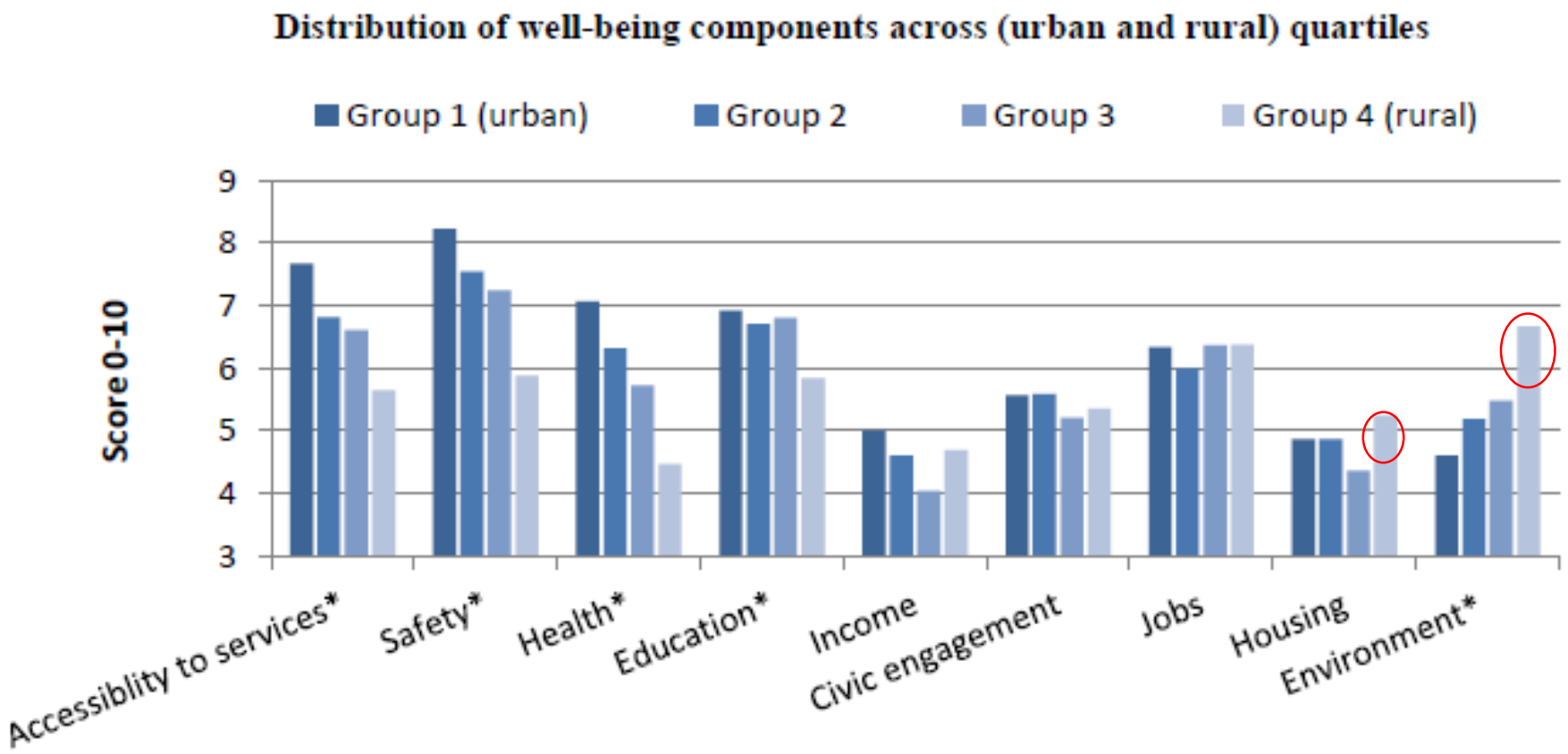
Distance and density key for service delivery…

Factor	How it impacts service delivery costs
Distance	All forms of connectivity are scarcer and accessibility to rural areas more expensive. Transportation costs and overall costs to provide goods and services are higher in rural areas on a per capita basis.
Low population	It is difficult to achieve scale economies of production of goods and services including public services.
Low density	In rural regions people tend to be dispersed or even scattered across much of the territory, making connectivity harder to achieve.
Ageing population	As the population ages the mix of services demanded changes; this may require new investments or outlays especially concerning healthcare.
Diminishing subsidies	In the aftermath of the global financial crisis, governments are cutting expenditures. This has an obvious impact on government services and costs.
Increasing diversity	Rural populations are becoming more diverse, representing a mix of residents historically rooted in the region, newly retired people, second home residents or newcomers who commute to a city for work. The result is a fragmenting of demand and a population where significant numbers of people choose to obtain goods and services away from the place where they live.
Few service providers	Choice is valuable. Too often rural service providers seek to exploit a local monopoly situation while paying little attention to actively marketing their business or improving the quality of service they provide.

- ***Strategic solutions***
- ***Economies of scope***
- ***Long term planning***
- ***Integrated solutions***

OECD
BETTER POLICIES FOR BETTER LIVES

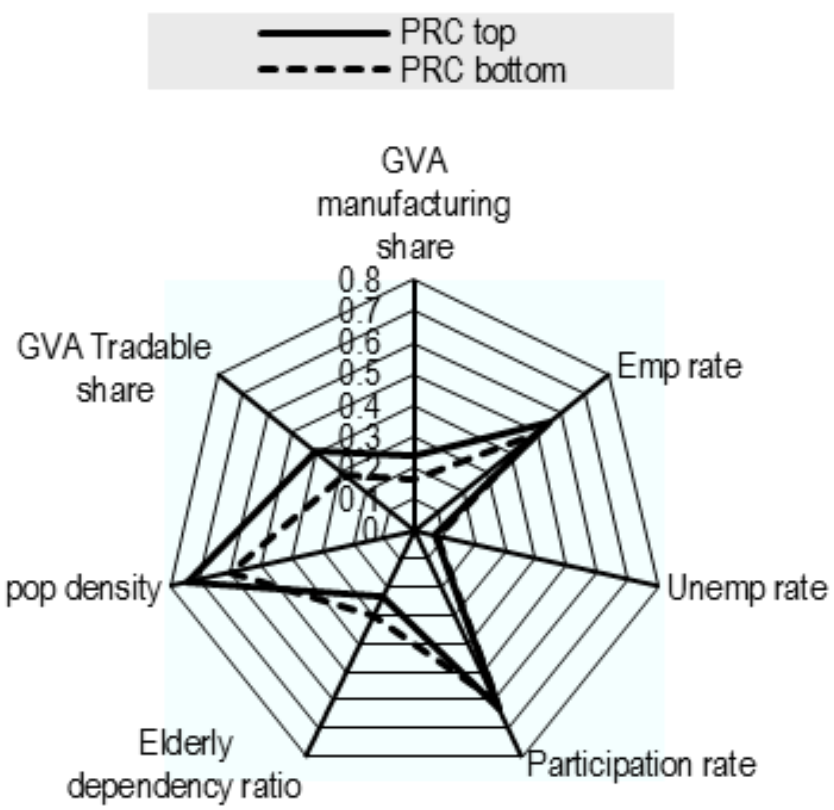
Rural regions perform well on several dimensions of wellbeing

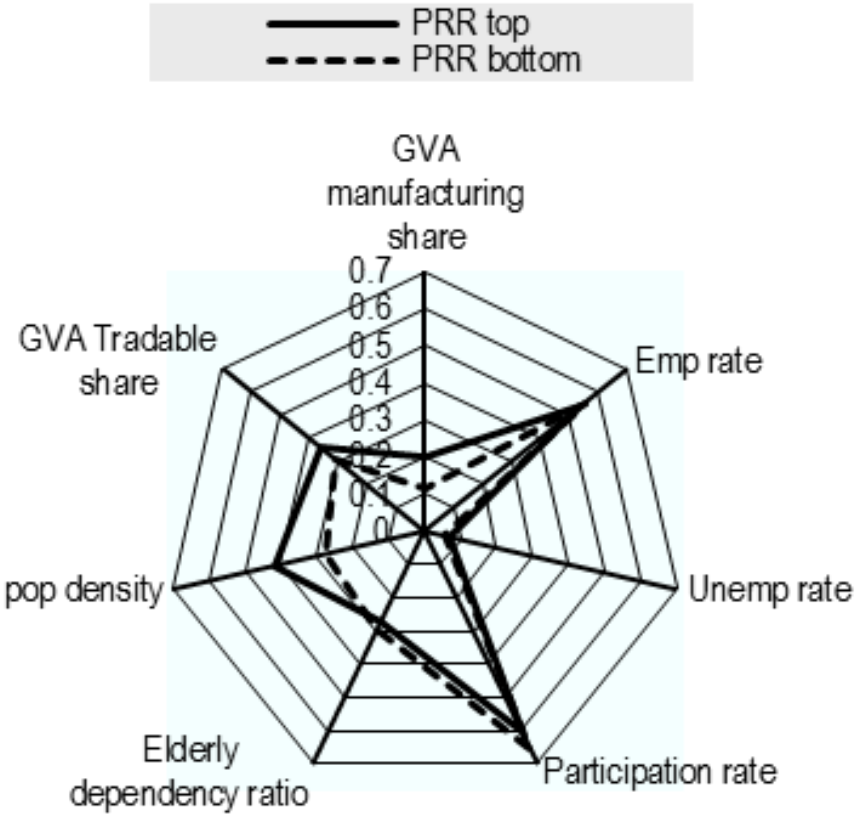


- ***Rural dwellers*** *have better environment conditions and more affordable housing*
- *Jobs and income in line with urban dimension*
- ***Rural regions*** *lag in access to services, safety, health and education*

Rural villages key drivers for the rural economy…

Determinants of productivity growth before the crisis (2000-2008)



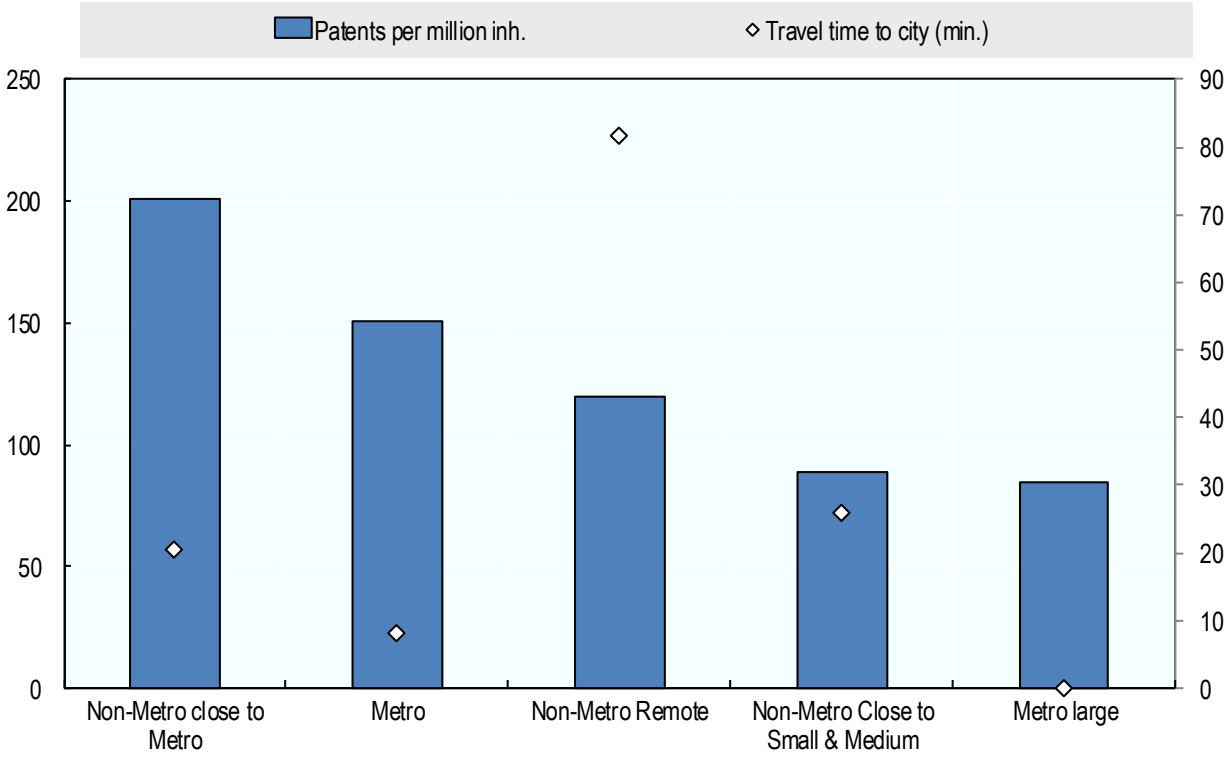


Sources: **OECD Regional Outlook, (2016)**

- ***Tradable activities*** *are key for rural close to cities and remote rural*
- *A minimum level of* ***density*** *is key for economies of scale/scope and delivery of goods and services.*

Innovation can also occur in remote rural places

Patents (inventor address) and medium travel time, TL3 regions, 2018



Sources: for patent data is EPO PATSTAT; for travel time is Weiss, D.J., Nelson, A., Gibson, H.S., Temperley, W., Peedell, S., Lieber, A., Hancher, M., Poyart, E., Belchior, S., Fullman, N. and Mappin, B., 2018. A global map of travel time to cities to assess inequalities in accessibility in 2015. Nature, 553(7688), 333

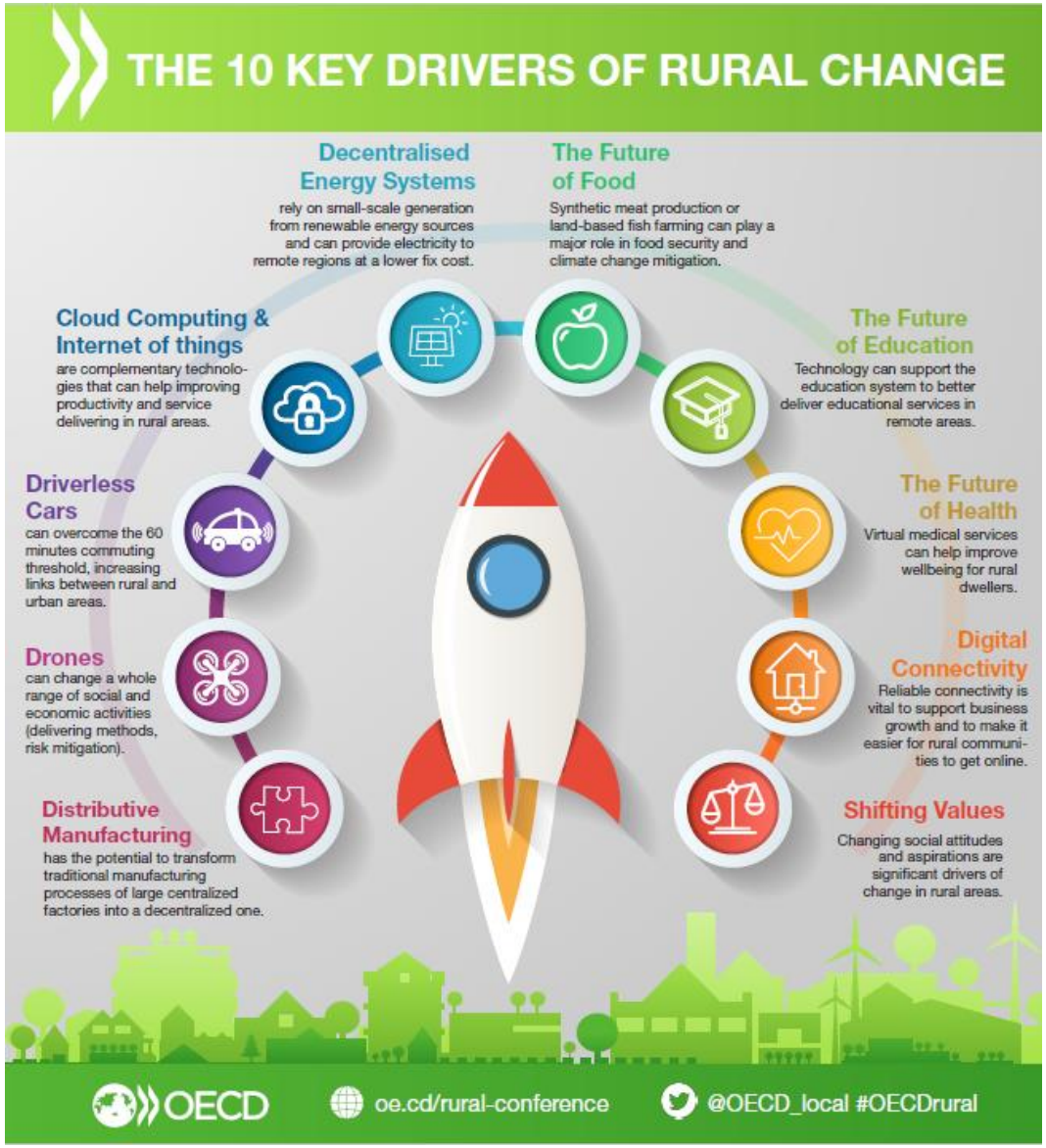
Preliminary results: please do not quote

Outline

1. What does the data tell us?
   - Research methods, data and definitions
   - Trends and diagnosis

2. Policy responses for smart villages

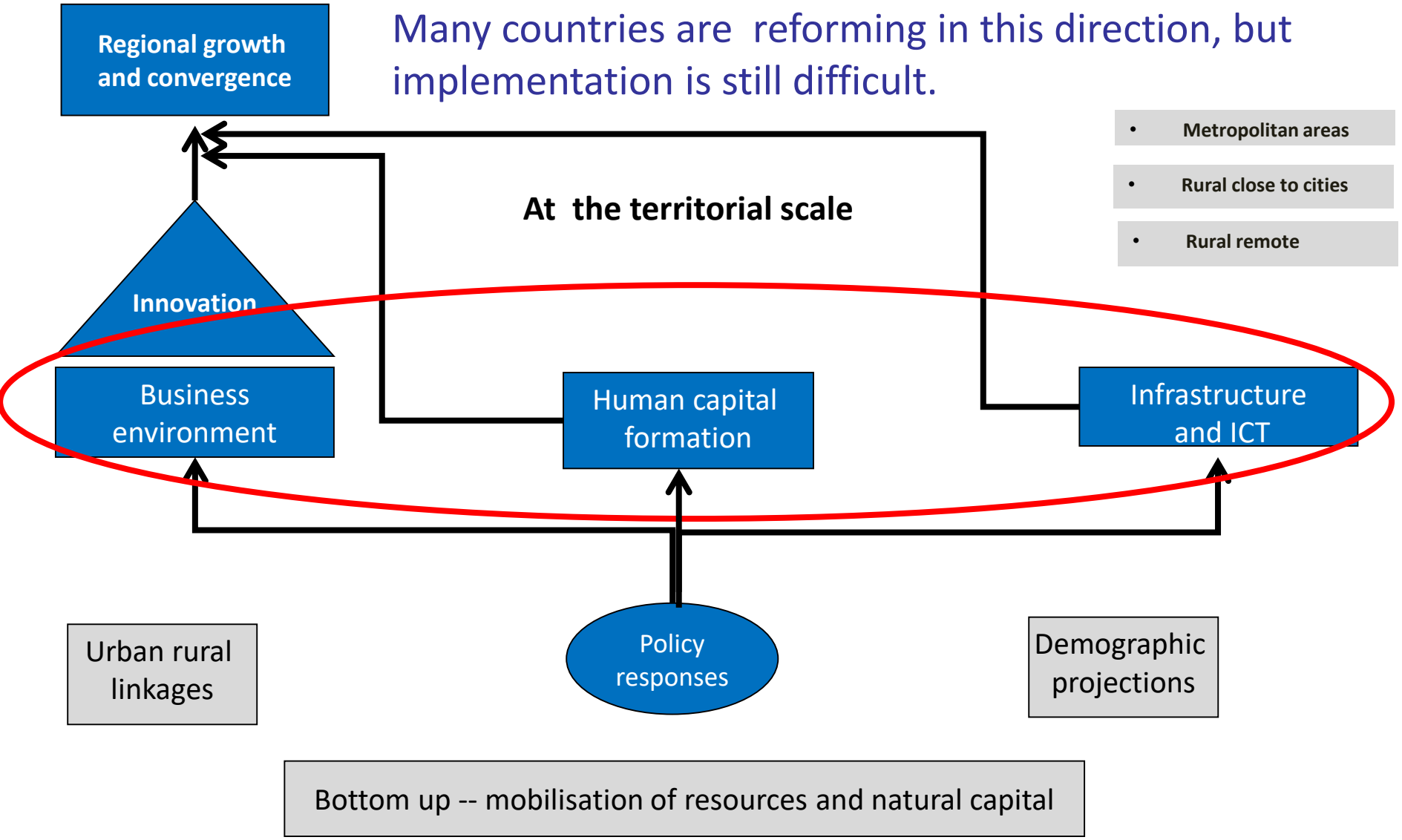
Rural policies must be forward looking



Digitalisation is key but it must be embedded into a broader "place-based" approach

- Broader approach to wellbeing provision
- Strategic approach to service provision
  - Digitalisation
  - Skills and digital update
  - Spatial planning
  - Demographic projections
  - Empowering rural communities
- Rural proofing not sufficient but is needed for digital broadband

Towards a Multidimensional Response



Lessons for service provision

- **Exploiting synergies: consolidation, co-location or merging similar services** matching with available demand in rural areas.
- **Alternative delivery mechanisms**. Where demand for services is widely dispersed, bring service to the user. (e. g. adopting mobile service delivery approaches, telemedicine).
- **Demographic trends and forward looking policies.** LT cost enhancing efficiency in service provision (planning, ICT, ROI)

- **Community-based solutions for different types of providers**. e.g. volunteer fire departments, community owned shops provide services and operate as social enterprises.
- **Improve quality and marketing**. Technology can help rural residents access information about service quality and alternative providers.
- **Alternative energy sources** by allowing isolated communities to produce their own energy instead of importing expensive conventional fuels.
- **Innovate - create a new service to achieve better outcomes**. Insufficient business to support a full range of services, but travelling handyman scheduled by telephone or Internet might flourish.

thank you

JoseEnrique.Garcilazo@oecd.org