

# Promoting Growth in all Regions

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# Outline

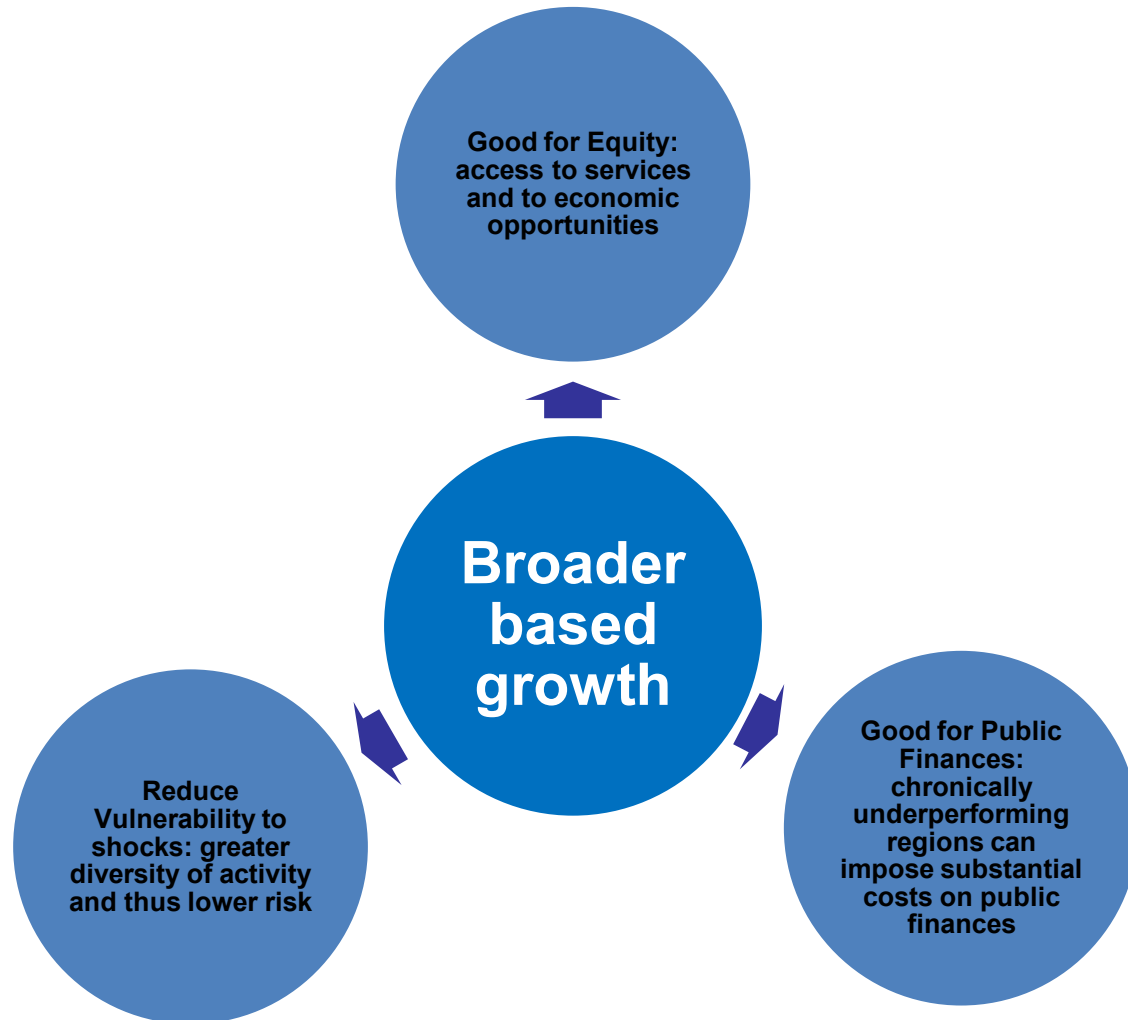
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1. Background and approach
2. Key findings
3. Policy lessons



# Promoting Growth in All Regions

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# Promoting growth in all regions

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What is the contribution of regions to aggregate growth?

What is the growth performance of different types of regions?

What are the factors associated with growth in higher and lower income regions?

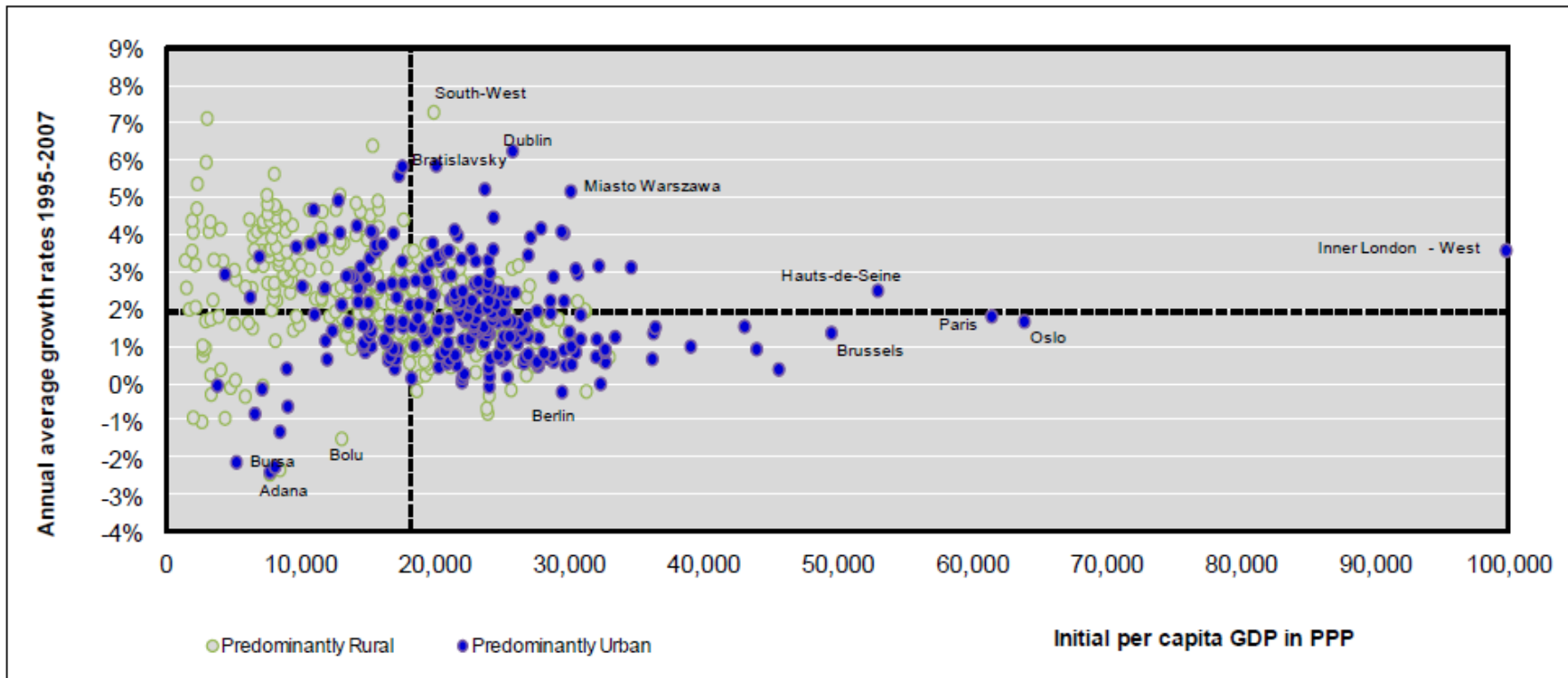
What do these findings mean for policies and institutions?



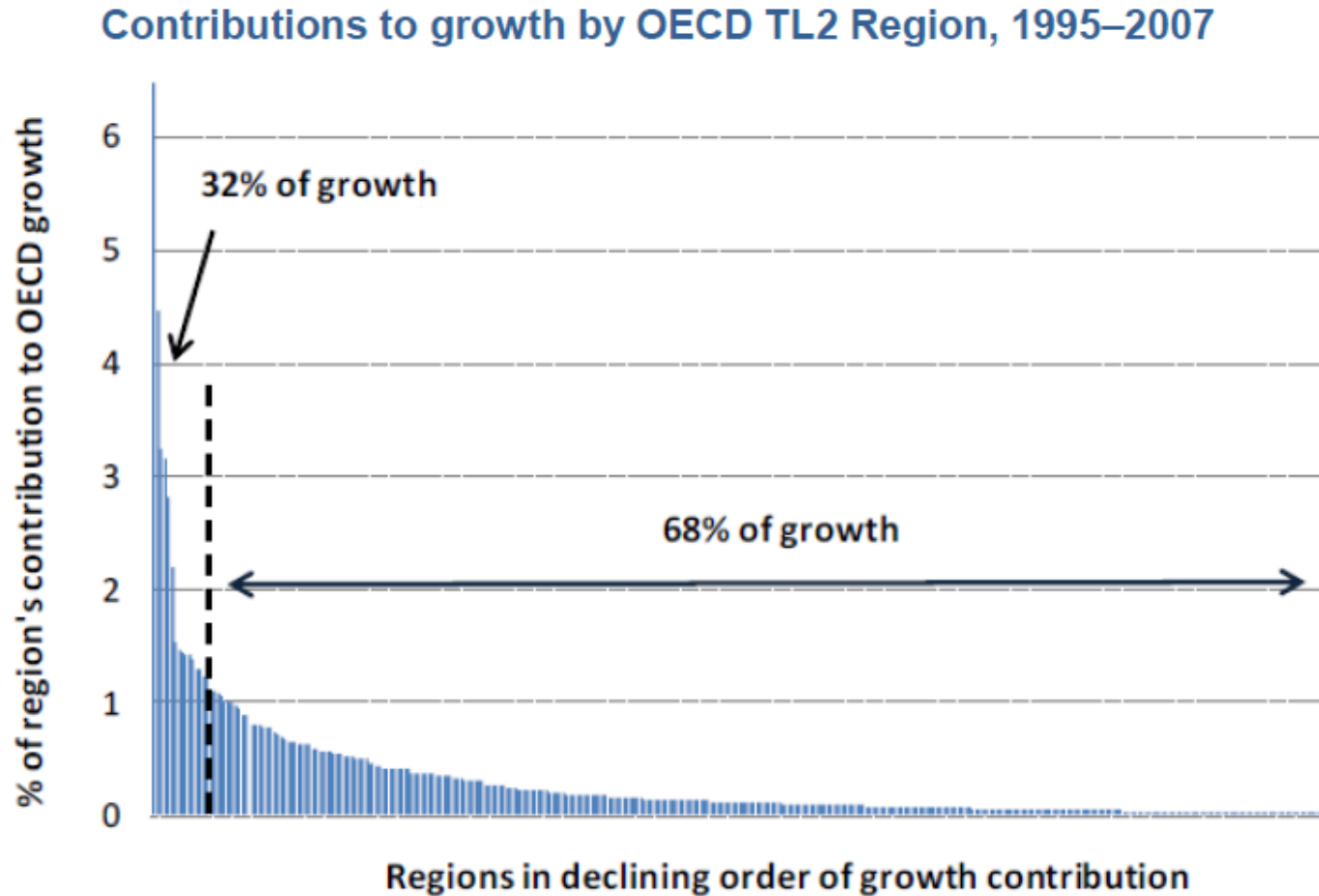
# There is no single/unique path to growth...

No marked convergence or divergence profiles by type of region

Predominantly urban and rural regions, 1995-2007



# Contributions to aggregate growth depend on few hub regions...

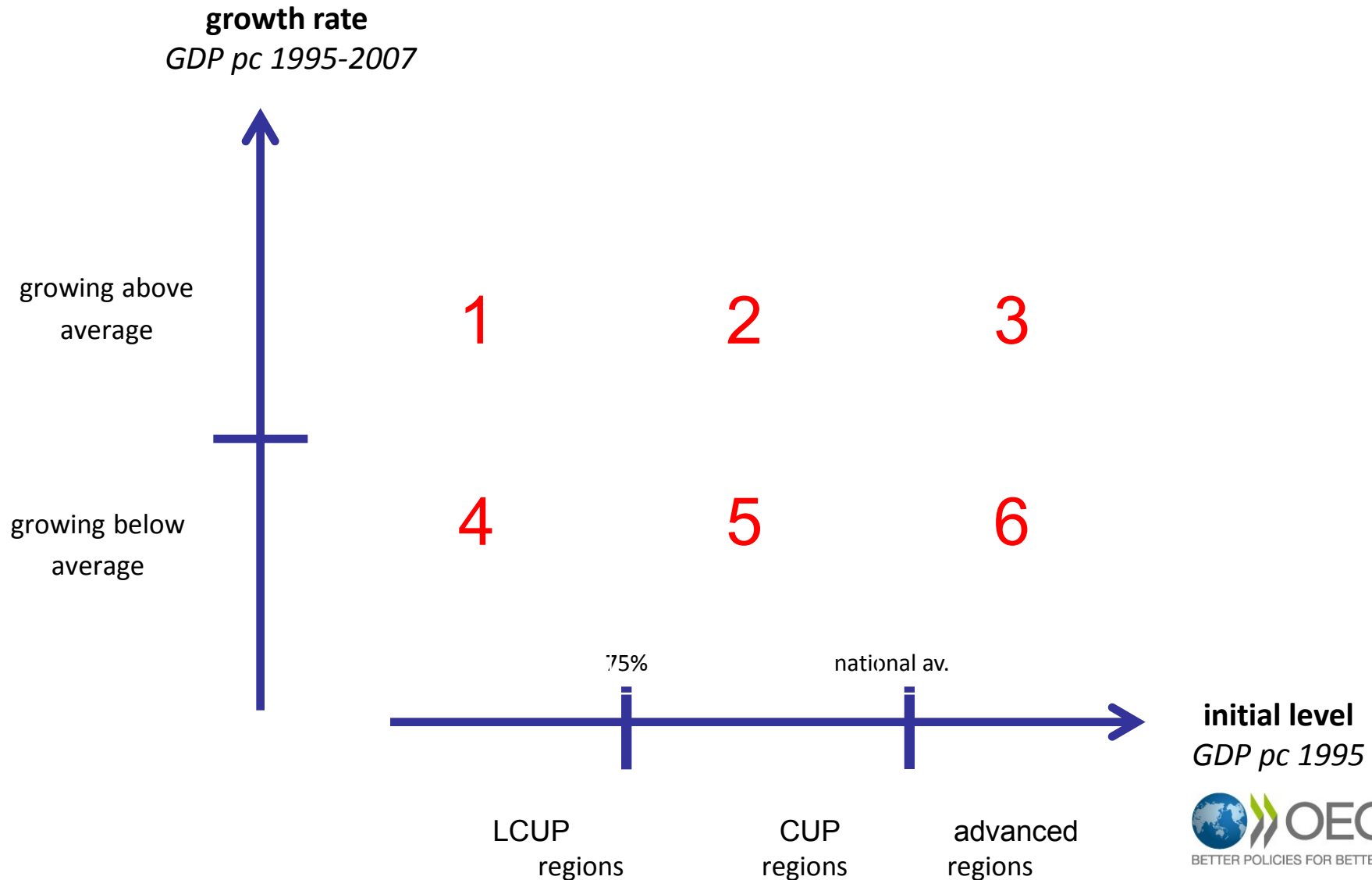


Source: OECD Regional Database (Territorial Level 2 regions).

...the fat tail is equally important -- if not more -- to aggregate growth...



# Regional performance varies with development...





# Analytical approach:

Compare indicators relevant for regional growth b/w  
“growing” and “underperforming” group

<ul style="list-style-type: none"><li>•Population density</li><li>•GDP density</li></ul>	}	Economic mass/thickness of market economies of agglomeration
<ul style="list-style-type: none"><li>•Employment rate</li><li>•Unemployment rate</li><li>•Youth unemployment rate</li></ul>	}	Labour utilisation
<ul style="list-style-type: none"><li>•Patent applications</li><li>•Patent intensity</li><li>•Business R&amp;D to GDP</li><li>•Government R&amp;D to GDP</li><li>•Higher education R&amp;D to GDP</li></ul>	}	Innovation related indicators
<ul style="list-style-type: none"><li>•Primary attainment rate</li><li>•Tertiary attainment rate</li></ul>	}	Human capital
<ul style="list-style-type: none"><li>•Connectivity in global network</li></ul>	}	Geography/NEG
<ul style="list-style-type: none"><li>•Productivity</li></ul>		
<ul style="list-style-type: none"><li>•Infrastructure</li></ul>		





# Key findings

Growth drivers/bottlenecks	Lagging (>75% of national average <i>per capita</i> GDP)	Intermediate (75-100% of national average <i>per capita</i> GDP)	Leading (>100% of national average <i>per capita</i> GDP)
<b>Human capital/skills:</b> presence of very low skilled	√√	√	√√
<b>Human capital/skills:</b> presence of highly skilled	√	√	√√
<b>Labour-force mobilisation:</b> participation/employment rates		√	√√
<b>Innovation activity:</b> patents, R&D spending, employment in knowledge-intensive sectors	√	√	√√√
<b>Agglomeration effects:</b> density of population, density of GDP			√
<b>Quality of government</b>	√√	√	√



# Main Policy Messages

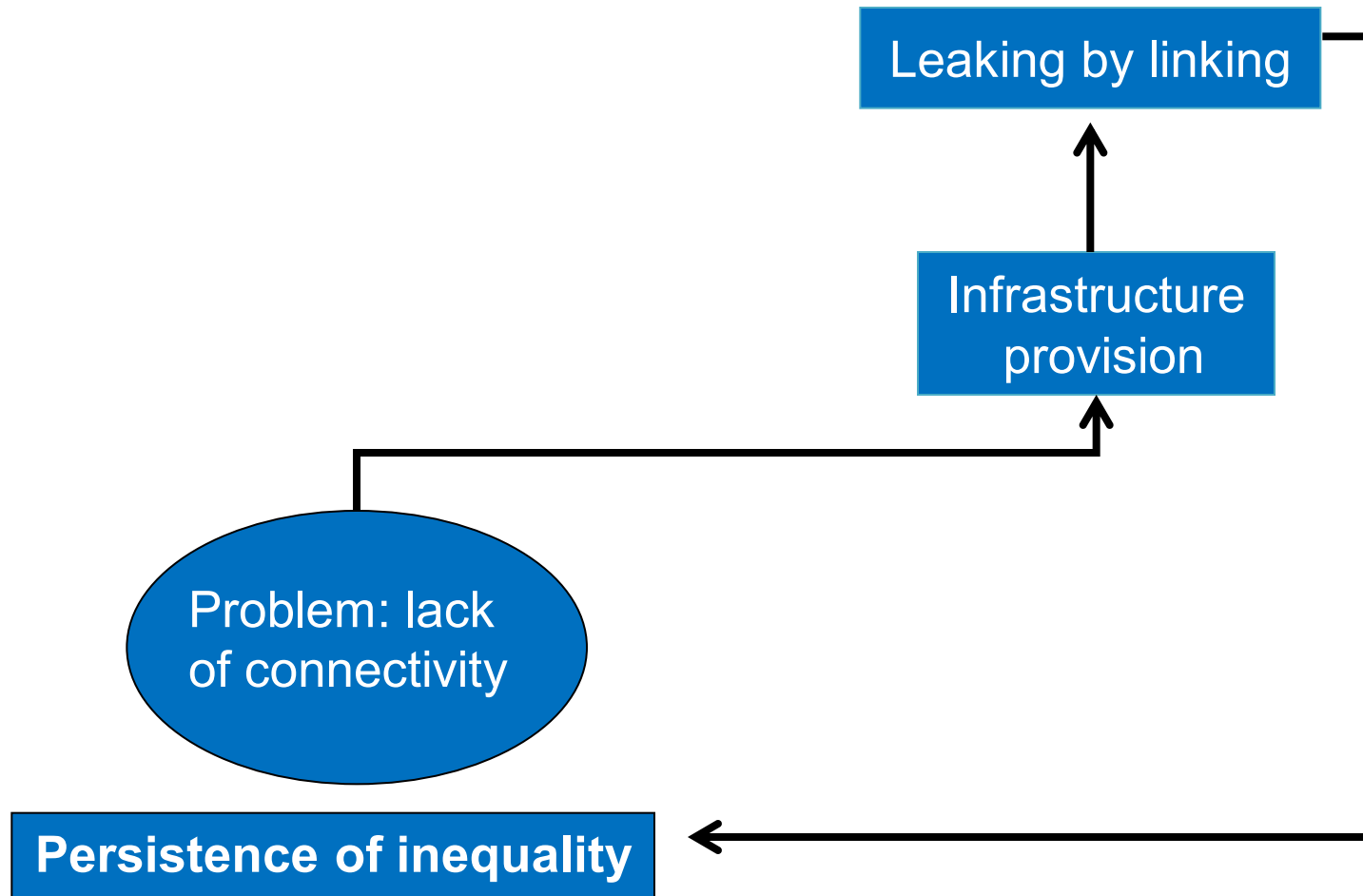
Not as clear as it seems (or as policy-makers might like!):

- The foregoing omits important interaction effects.
- Many policy interventions can have unintended effects if undertaken in isolation.
- However, if this implies a constraint in terms of policy *coherence*, it also points to opportunities arising from policy *complementarities*.

In short: no simple messages or solutions.

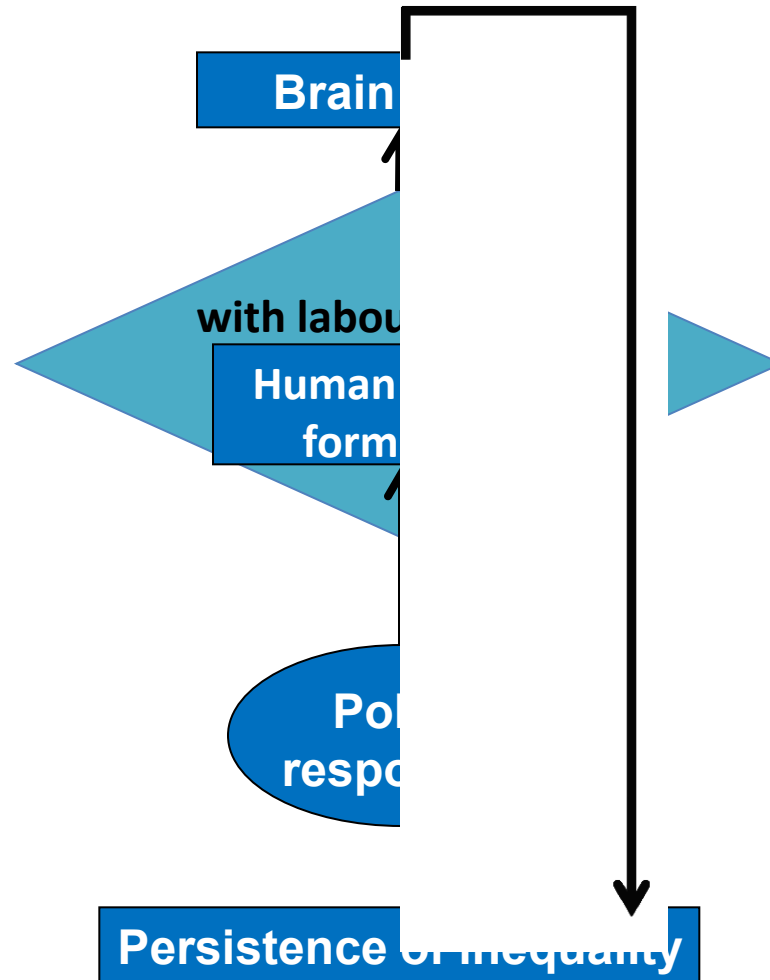


# The policy headache: isolated sectoral action may have unintended outcomes.





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# The need for a differentiated approach

- Place based policies are best suited for this task:
  - ❖ Integrated approach focuses on specific place-based assets – diagnosis is critical
  - ❖ Right level of intervention – local labour markets
  - ❖ A match between bottom and top down information and initiative is critical
  - ❖ Policy design and multilevel governance are key for a successful implementation



# An evolving rural paradigm

	Old Paradigm	New Rural Paradigm (2006)	Rural Policy 3.0
<b>Objectives</b>	Equalization and a focus on farm income	<b>Competitiveness</b> of rural areas and expanding <b>opportunities</b>	Increase rural competitiveness and productivity in order to enhance the social, economic and environmental <b>well-being of rural areas</b>
<b>Key target sectors</b>	Sector based	<b>Holistic</b> approach to include various sectors of rural economies	<b>Low density economies</b> with a focus on comparative and absolute advantages
<b>Main tools</b>	Subsidies for firms	<b>Investments</b>	<b>Integrated investments</b> and delivery of services that are adapted to the needs of rural areas and benefit from potential complementarities
<b>Key actors</b>	National governments, farmers' organisations	<b>Multilevel-governance</b> —horizontal and vertical coordination	Encourage vertical and horizontal coordination among governments ( <b>rural-urban and rural-rural partnerships</b> ) and bring new stakeholders into decision making (indigenous people, third sector, firms)
<b>Approach</b>	Top down	<b>Bottom-up</b>	<b>Building capacity at the local level</b> to encourage participation and bottom up development



# Conclusion

## 1. **Institutional** factors and **policy framework** matters

- Institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate them into the development process are vital, as are those that enhance policy continuity
- Self-conscious shift towards a growth-oriented policy framework is very often a part of the recipe for success.

## 2. **Focus on areas of absolute advantage and diversifying economic activities related to them**

## 3. **Complementarities** and **synergies** are critical

- Simultaneous improvement in policies, infrastructure and human capital, suggesting strong synergies and avoidance of brain-drain effects.
- Simultaneous improvement in *infrastructure, the business environment* and *geographic factors* , thus avoiding leaking-by-linking effects.

## 4. Upgrading the skills of **low-skilled workers** may be as important for growth as policies aimed at expanding higher education.

thank you

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