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**“ALL-RUSSIAN FORUM “STRATEGIC PLANNING IN THE REGIONS AND CITIES OF
RUSSIA”**

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**ROLF ALTER, DIRECTOR,
PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
OECD**



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Ladies and Gentlemen.

On behalf of OECD's Secretary-General, Mr. Angel Gurría, I would like to thank the State Duma of the Federal Assembly of the Russian Federation, the Ministry for Regional Development of the Russian Federation, the Centre for Strategic Research, and the Leontief Centre for the gracious invitation and the opportunity to participate to this important forum.

As many of you know, Russia is currently in the process of becoming a member of the OECD, when it will be benefiting from and contributing to the OECD as a forum to improve policies and performance, and to ensure sound public governance. We are known for our work on comparative data and analysis, the adoption and promotion of standards, peer review and the sharing of best practices.

However, the process towards membership already provides an important opportunity for policy dialogue and discussion of practical experiences among member countries and Russia. The same has happened with the new members we welcomed this year: Chile, Slovenia, Estonia and Israel, and it is replicated increasingly in our cooperation with Brazil, China, India, Indonesia and South Africa with whom we are pursuing a close partnership.

Against this background of greater reach of OECD, the topic of today's meeting is a critical element of our agenda. No doubt, regions and cities have a major role to play in promoting the competitiveness and cohesion of countries. In fact, in many countries, it is regions and cities that have been pioneering economic growth, innovative public governance and societal well-being.

Today, I would like to highlight some of the ways in which effective policies oriented towards regional and rural development can help to strengthen a still uncertain global recovery after a period of severe crisis.

The challenge facing policymakers in many, if not most countries, is to support economic recovery while also pursuing budgetary consolidation on an impressive scale. It is also critical to ensure that future growth takes place on an environmentally sustainable basis. The OECD believes that regional and rural policies constitute an important part of this policy agenda. Pursuing fiscal consolidation without choking off growth will require national and sub-national governments to do more – and better – with less, particularly in the field of public investment. This will demand an acute awareness of the regional dimension of policy.

Opportunities for growth exist in all regions and national governments should seek to promote growth in all regions. Whereas regional policy was once seen as a sort of social policy – using central funds to raise consumption in lagging regions – it is now used more and more as economic policy to foster structural adjustment. A chronically underperforming region represents a waste of potential and a drag on national performance. Nowhere is this more true than in our understanding of rural regions and the contribution they can make to national performance. There has long been a widespread tendency to see cities as the real engines of growth and to focus on their needs in devising macroeconomic and structural policies. Rural and urban regions do vary significantly in their economic performance, and the challenges they face are sometimes very different. However, recent OECD work suggests that both are capable of strong performance. The perception that “rural” is somehow equated with “decline” is simply wrong.

So is the perception that “rural” is synonymous with “agriculture”. Certainly, agriculture remains an important source of employment and growth in many rural regions, but it is neither the primary



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employer nor the largest sector in most rural areas. Policies reflecting a greater appreciation of the diversity of rural activities – and of rural growth potential – will be better equipped to allow rural regions to make the fullest possible contribution to aggregate growth. This is particularly true when we seek to devise economic policies that promote greener growth. On the whole, rural areas are particularly vulnerable to climate change, but they also have the potential to play a very important role in mitigating it. The great majority of renewable energy sources are space-intensive and therefore, almost by definition, they are predominantly rural activities. One of the most exciting projects on which the OECD is now working concerns the relationship between renewable energy development and rural economic performance – a project that underscores both the importance of innovation for rural development and the innovation potential of many rural areas.

To highlight these opportunities is not to deny the very real challenges facing rural regions in Russia and in many other countries. Rural economies across much of the world have been undergoing an often painful process of structural change. Accessibility, lack of critical mass, population ageing and a decreasing willingness to provide high levels of subsidy to rural areas are just a few of the challenges facing rural regions. Yet these challenges are not insurmountable. Our work at the OECD highlights three major lessons. The first is the potential of strategies based on investing in and promoting the natural, cultural and recreational amenities in rural areas. The second is that there are many different and innovative ways to improve public service delivery in rural areas. Finally, we see increasingly how better targeted resources can help improve rural development.

At the OECD Rural Development Conference in Québec last year, the Russian representatives indicated that some five million people are expected to move to the largest cities from small and medium-sized towns, including single industry towns in Russia over the coming years. Exploring the range of regional and rural development policies that can help strengthen and support growth outside major cities is thus an urgent priority for Russian policy-makers. What better way to explore with OECD countries what has worked for them – and what has not. Good policies are made, after all, by learning from successes, but also from failures. OECD peer reviews of regions and regional policies are made for such search process.

I hope that some of you will participate in the OECD Workshop sessions of this conference. The workshop on Revitalising Single Industry Towns will address a particular challenge for Russia and one that also confronts some OECD members. The second OECD workshop will discuss the demographic challenges faced by Russia and by many OECD economies. Both topics demonstrate the wide experience of OECD in regional policy analysis and design. We will be delighted to work closely with Russia at every level to share the experiences of OECD countries, and to chart the way forward to prosperous regions and sustainable performance of the country.

I wish all of us a successful conference, with frank and fruitful discussion and relevant results for regional policy design and implementation.

Thank you very much for your attention.