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OECD PRINCIPLES ON URBAN POLICY AND OECD PRINCIPLES ON RURAL POLICY

Better regional policies for better lives in urban and rural areas

Shaping better policies for better lives calls for an integrated view of the urban-rural continuum

Place-based policies play a critical role in helping national governments deliver high quality of life and well-being to people across the three dimensions of sustainable development (economic, social and environmental). Over the past 20 years, the OECD Regional Development Policy Committee (RDPC) and its Working Parties on Urban Policy (WPURB) and Rural Policy (WPRUR) have developed solid data, evidence, recommendations and a pool of good practices regarding:

- How a wide range of sectoral policies impact different ‘places’ differently, stressing that all policies have spatial consequences;
- The importance of considering functional geographies – recognising that urban and rural areas are interconnected through different types of linkages that often cross traditional administrative boundaries, are based on where people work and live, are not limited to city-centred local labour market flows but rather include bi-directional relationships; and
- How to design, implement and monitor better local and regional policies for place-based, sustainable and inclusive development.

While interlinked, urban and rural places have specific needs and capacities

In many OECD countries, urban policies tended to be framed as social policies targeting the problems of deprived urban neighbourhoods. They are moving towards a broader objective of building competitive, sustainable and inclusive cities, and thus involve a range of sectoral policies (housing, transport, land use, water etc.) that need to be integrated within a national urban policy.

Across the OECD, rural policies continue to be framed in most countries around agriculture – in terms of lead ministry and the content of many policy instruments. However, countries are moving towards a broader approach to take advantage of opportunities beyond agriculture. This includes tradable activities and adding value to rural assets such as forestry, mining, agriculture, fisheries, culture and tourism. Rural-urban linkages – i.e., flows of goods, people, information, finance, waste, information, social relations across space, linking rural and urban areas – reinforce rural economic diversification.

There is also a wide diversity of assets and challenges within urban areas and within rural areas, hence the need for a place-based approach and policy frameworks that can adapt to the local reality.

Both urban and rural areas are facing an increasingly complex policy environment. Global megatrends – ranging from globalisation and the next production revolution to demographic and environmental changes – are profoundly transforming economies and societies across OECD Members and Partners, calling for rapid adjustment in policy responses. But global megatrends will affect urban and rural areas in fundamentally different ways. Urban and rural areas have different capacities to exploit the new opportunities that stem from such megatrends while mitigating their downsides.

Objective and definitions

The Principles on Urban Policy and the Principles on Rural Policy seek to:

- Help Member countries deliver *better policies for better lives*;
- Support the commitments of governments to achieving global agendas through future-proof regional development policies, in particular:
 - The Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development adopted by the United Nations General Assembly in 2015;
 - The New Urban Agenda adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) on 20 October 2016;

- The Paris Agreement adopted under the United Nations Framework Convention on Climate Change in 2015;
- The UN-Habitat Guiding Principles and Framework for Action on Urban-Rural Linkages to Advance Integrated Territorial Development;
- Provide guidance on how *an integrated and functional approach to the urban-rural continuum* can contribute to the economic, environmental and social sustainability of cities of all sizes and rural areas and to the well-being of their citizens.

The Principles on Urban Policy and the Principles on Rural Policy are based on the premise that place-based policies should:

- Deliver opportunities for all, notably high quality of life and well-being to people living both in urban and in rural areas;
- Be underpinned by the principle of subsidiarity and a sound multi-level governance system based on a clear allocation of roles and responsibilities and co-ordination across ministries and agencies, across levels of government, and across local and regional actors;
- Prepare all countries, regions, cities and rural areas for technological, demographic and environmental change;
- Address the diversity of challenges and opportunities facing cities and rural areas; and
- Be informed by evidence and data.

The Principles on Urban Policy and the Principles on Rural Policy **target the following constituencies:**

- *National ministries* dealing with cities and rural areas, urban policies, rural policies, and sustainable development, notably ministries responsible for regional development, in OECD Members and Partners. This constituency is the primary recipients of this guidance and is therefore invited to work across ministries, sectoral policies and levels of government to implement the policy recommendations;
- *Subnational levels of government* also have a critical role to play to align with the Principles in co-operation with national governments as they deal with many policies that are central to cities and people's well-being and are responsible for the largest share of public investment in OECD countries, as noted in OECD Recommendation on Effective Public Investment Across Levels of Government [OECD/LEGAL/0402]; and
- Beyond governments at all levels, *stakeholders involved in or affected by urban policy or rural policy (e.g. from civil society, the private sector, academia or financial institutions)* also need to be engaged alongside public authorities to implement most of the principles.

The Principles on Urban Policy and the Principles on Rural Policy are built on the following **definitions:**

- *Urban policy* is defined as a co-ordinated set of policy decisions to plan, finance, develop, run and sustain cities of all sizes, through a collaborative process in shared responsibility within and across all levels of government, and grounded in multi-stakeholder engagement of all relevant urban actors, including civil society and the private sector;
- *Rural policy* is defined as all policy initiatives designed to promote opportunities and deliver integrated solutions to economic, social and environmental problems in rural areas through the valorisation of resources, promotion of their recreational, ecological and cultural heritage, as well as through improving manufacturing activities and public service delivery in close co-operation with subnational authorities while actively involving civil society and the private sector; and
- *Stakeholders* are defined as persons or groups who are directly or indirectly affected by urban and rural policies, as well as those who may have interests in it and/or the ability to influence its outcome, either positively or negatively. They may include locally affected communities or individuals and their formal and informal representatives, national or local government authorities, elected representatives, regulators, agencies, civil society organisations and groups with special interests, end users, the academic community, utilities and other businesses.

In the event that the Principles would be embodied in an OECD Recommendation, it is planned to support the Recommendation with an *implementation toolkit* in order to help Adherents put them into action.

OECD PRINCIPLES ON URBAN POLICY

Targeting an effective scale of policy action in all cities

Principle 1. Maximise the potential of cities of all sizes to advance national and global prosperity and well-being over time, by:

- Leveraging the territorial assets of small, intermediary and large cities to generate growth and well-being for their immediate and nearby residents and users, as well as for the global community, and foster territorial cohesion and resilience;
- Supporting systems and networks of cities, for example through metropolitan and regional governance, inter-municipal and city-to-city co-operation.

Principle 2. Adapt policy action to the place where people live and work, by:

- Promoting flexible and collaborative territorial governance and policy beyond administrative perimeters where appropriate, by supporting a functional urban area approach (cities and their commuting zones);
- Adapting development strategies and public service delivery to the diversity of urban scales, ranging from neighbourhoods and intermediary cities all the way to metropolitan areas, large cities and megaregions;
- Promoting synergies across resources and capacities at a relevant scale for efficient, effective and quality local public services and amenities that respond to the population's needs; and
- Supporting the preservation and management of public goods and common cultural and natural resources accessible to all members of society, such as fresh air and biodiversity, at the appropriate scale.

Principle 3. Support interdependencies and co-operation between urban and rural areas, by:

- Leveraging the spatial continuity and functional relationships between urban and rural areas to inform public investment and programme design; and
- Carrying out joint strategies and fostering win-win urban-rural partnerships, as appropriate, to promote an integrated development approach.

Adopting a coherent, integrated and effective strategy to build smart, sustainable and inclusive cities

Principle 4. Set a clear vision for national urban policy that is fit for the future, by:

- Assessing and addressing the impact of globalisation, urbanisation, ageing, migration, population growth and decline, the production revolution, digitalisation, climate change, and other transformative trends on cities of all sizes; and
- Co-ordinating responsibilities and resources across levels of government to meet concomitantly place-specific needs, national objectives, and global commitments related to urban policy and sustainable development, amongst others.

Principle 5. Leverage the potential of cities of all sizes for advancing environmental quality and the transition to a low-carbon economy, by:

- Encouraging more efficient use of resources, and more sustainable consumption and production patterns, notably by promoting circular economy in small, intermediary and large cities, including at the neighbourhood level;
- Mainstreaming climate mitigation and adaptation priorities in urban planning, urban infrastructure investments and local public service delivery, notably housing, transport, water, solid waste and energy;
- Addressing negative agglomeration externalities, such as traffic congestion, air and noise pollution, slum development, increasing pressure on natural resources and public services, threats to urban safety;

- Exploiting the potential advantages of urban density and urban form (compact or sprawl) to implement green and nature-based solutions, including green buildings, sustainable public transport, and renewable energy;
- Fostering resilient cities that are well prepared to anticipate, respond to and recover from natural and man-made disaster risks and shocks; and
- Bridging climate, growth and inclusion objectives in cities, for example by appraising the distributional effects of climate decisions on vulnerable groups, and setting up accompanying measures.

Principle 6. Promote inclusive cities that provide opportunities for all, by:

- Improving access for all urban residents and users – regardless of their gender, age, ethnic background or health status – to drivers of social inclusion, such as local public services, affordable quality housing, transport, education, health, employment and economic opportunities, cultural heritage and amenities, leisure and safe public spaces;
- Supporting national and local inclusive growth policies that help cities cope with demographic change and foster social cohesion at all urban scales ranging from neighbourhoods to metropolitan areas, including policies for gender equality, healthy ageing, and the local integration of migrants;
- Promoting urban identity and culture and a quality living environment for all neighbourhoods, especially the most degraded.

Principle 7. Foster a national and multi-level urban policy approach that sets incentives to align and integrate sectoral policies to jointly promote development and well-being in cities, by:

- Setting incentives, regulations and co-ordination mechanisms to manage trade-offs and encourage policy coherence, both across ministries/public agencies and levels of government, notably by:
 - Evaluating how *economic development* policy may affect different cities and how the specific strengths of different cities – including tourism assets – can contribute to local, regional and national prosperity;
 - Fostering inclusive *labour markets* for all segments of the skills spectrum;
 - Promoting equitable access to quality *education*, especially for low-income youth, and fostering collaboration between higher education institutions, businesses, local and regional governments, and civil society;
 - Taking measures to adjust *housing* quantity, quality and affordability to the variety of housing needs, with a view to promote social cohesion; integrating housing, transport and land use planning;
 - Designing and planning *transport* policies that increase the accessibility of urban residents and users to economic, social and cultural opportunities; improving multimodality; encouraging and harnessing soft mobility and new forms of clean urban mobility; combining supply-side and demand-side transport management policies;
 - Promoting effective *land use* policies that encourage transit-oriented and mixed-use developments to reduce socio-spatial segregation and enhance urban regeneration, including through inclusive urban design.

Principle 8. Harness adequate funding for effective implementation of responsibilities for urban policy at all levels of government, by:

- Promoting a diversified, balanced and sustainable basket of resources to adequately finance urban development, infrastructure and services across levels of government;
- Using economic instruments such as taxes or fees to catalyse needed revenues and foster behavioural change to build sustainable and inclusive cities;
- Providing subnational governments with sufficient leeway to adjust and manage their revenues to respond to urban development needs;
- Mobilising innovative financing tools such as borrowing, land value capture mechanisms, and infrastructure funds; and

- Leveraging private sector funding where appropriate with a view to maximise related opportunities and address risks.

Engaging stakeholders in a co-designed, co-implemented, and co-monitored urban policy

Principle 9. Promote stakeholder engagement in the design and implementation of urban policy, by:

- Involving all segments of society, notably the most vulnerable residents and users, such as women, elderly, youth and children, disabled, migrants and minorities;
- Harnessing innovative mechanisms to engage with the private sector, notably property developers, urban planners, institutional investors, the financial sector, as well as with regulators, academia, non-profit organisations and civil society;
- Promoting outcome-oriented engagement by clarifying the decision-making line and how stakeholder inputs will be used, allocating proper resources, sharing information, making it accessible to non-experts and striking a balance between over-represented categories and unheard voices.

Principle 10. Strengthen the capacity of actors in cities to innovate and fulfil their duties effectively, efficiently and inclusively, by:

- Reinforcing strategic management and innovation capabilities of public officials at all levels of government to design and implement integrated urban strategies that match the complexity of current and future challenges;
- Encouraging policy continuity and independence from political cycles, including through the professionalisation and capacity development of public workforce at national and local levels where appropriate, for example through merit-based recruitment and promotion processes, fair remuneration, and the certification of competencies;
- Promoting innovation platforms, experimentation and pilot-testing to draw lessons from successes and failures in urban policy, and scale up replicable practices; and
- Harnessing the potential of diverse actors, including the private sector, to bolster technological, social, public sector and civic innovation, including through a smart city approach.

Principle 11. Foster monitoring, evaluation and accountability of urban governance and policy outcomes, by:

- Promoting dedicated monitoring and evaluation tools and/or institutions across levels of government endowed with sufficient capacity, independence and resources throughout the policy making cycle; and fully involving local and regional governments in these processes;
- Leveraging the potential of data, including smart, big, open and geospatial data, to ground urban policy decisions in up-to-date and quality information and evidence, while safeguarding the privacy of individuals;
- Developing a sound system of indicators, including disaggregated data, to assess and benchmark objective and subjective well-being in cities, track progress at sub-national level against national and global commitments and agendas, and foster evidence-based dialogue with stakeholders for policy improvement; and
- Setting up accountability mechanisms that prevent corruption across public and private sectors, promote public scrutiny and foster integrity in urban policy, including at all stages of public procurement in cities.

OECD PRINCIPLES ON RURAL POLICY

Targeting policy actions for all types of rural areas

Principle 1. Maximise the potential of all rural areas, by:

- Leveraging the unique assets of each rural area to adapt and respond to emerging mega-trends (digitalisation, globalisation and trade, climate change, population ageing, and urbanisation); and
- Adapting policy responses to different types of rural regions including rural areas inside functional urban areas (cities and their commuting zones), rural areas close to cities and rural remote areas.

Principle 2. Organise policies and governance at the relevant geographic scale by:

- Implementing rural policies at different scales that match with functional relationships (e.g. local labour markets, food chains, environmental services and amenities) based on current and future needs;
- Ensuring that there are effective government mechanisms at the relevant scale to realise rural policy objectives; and
- Encouraging the efficient and effective provision of public services and infrastructure (e.g., shared services, integrated service delivery, e-services) in order to maintain quality and accessibility, address market failures, and respond to emerging needs, especially in underserved rural communities.

Principle 3. Support interdependencies and co-operation between urban and rural areas, by:

- Leveraging the spatial continuity and functional relationships between rural and urban areas in order to inform public investment and programme design; and
- Carrying out joint strategies and fostering win-win rural-urban partnerships, as appropriate, to promote an integrated development approach.

Adopting integrated and effective strategies to build smart, sustainable and inclusive rural areas fit for the future

Principle 4. Set a forward looking vision for rural policies by:

- Improving well-being for rural dwellers across economic, social and environmental objectives;
- Ensuring that responsibilities and resources across levels of government are clearly defined and effectively aligned with national targets and strategies, place-specific needs, and the Sustainable Development Goals;
- Ensuring that rural policy objectives benefit from foresight studies, are measurable at different scales (administrative and functional) and connect to policy levers;
- Providing access to data tools such as geographic information databases, smart data and small area data and strengthening capacity building in order to help national and sub national governments involved in rural policy-making prepare for demographic change, climate change and the transition to a low-carbon economy, digitalisation and the next production revolution; and
- Promoting integrated spatial planning that considers such factors as environmental quality, waste management, natural resources development, community attractiveness, climate change mitigation and adaptation and population ageing and out-migration.

Principle 5. Leverage the potential of rural areas to benefit from globalisation, trade and digitalisation by:

- Creating an enabling environment for rural areas to identify and invest in their areas of competitive advantage such as tradeable activities and adding value to rural assets;
- Investing in digital connectivity to enable the use of next generation technologies in rural areas such as cloud computing, artificial intelligence, the internet of things, and blockchain technologies among others; and
- Facilitating the decentralisation of production (e.g. renewable energy and 3D manufacturing) through supportive policies and regulations;

Principle 6. Supporting entrepreneurship to foster job creation in rural areas by:

- Enhancing technological innovation and diffusion in order to overcome the barriers of physical distance and lower density such as higher transportation costs and thin labour markets present in rural areas;
- Promoting innovation and value-added activities in established (e.g., agricultural and industrial production, logistics) and emerging (e.g., bio-economy, renewable energy, biotechnology, tourism) sectors;
- Supporting the integration of local SMEs into global value chains and the scope for diversification of rural economies through investments in entrepreneurial skills, infrastructure, and cluster initiatives;
- Supporting entrepreneurs and SMEs in rural areas to access capital (e.g., through finance support schemes, lending to microbusinesses); and
- Connecting rural people and firms with lifelong educational training opportunities and skills upgrading in universities, research centres, manufacturing extension centres, agricultural advisory services and vocational institutions.

Principle 7. Align strategies to deliver public services with rural policies by:

- Assessing the impact of key sectoral policies (e.g., transportation, health, education) on rural areas and diagnosing where adaptations for rural areas are required (e.g., rural proofing);
- Recognising where policies and regulations create additional barriers to the provision of public services in smaller places and responding with innovative solutions;
- Incentivising innovative practices such as flexible models of service delivery and leveraging advances in digital technologies to deliver e-services (e.g., e-health and remote education); and
- Developing smart rural villages and towns by promoting digitalisation complemented by training for public sector personnel and residents to navigate and use e-services.

Principle 8. Strengthen the social, economic, ecological and cultural resilience of rural communities by:

- Ensuring the sustainable management of natural capital, land-use and enabling the creation of value from ecosystem services (e.g., flood protection services, increasing biodiversity on agricultural lands);
- Supporting a comprehensive approach to climate change adaptation and mitigation for rural areas (e.g., food production, soil management, water use), and developing robust systems for disaster response and recovery;
- Decarbonising the energy sector by taking advantage of renewable energy opportunities and supporting the shift to a circular economy (e.g. bio-waste, sustainable mining practices);
- Valuing, promoting, and preserving tradition, heritage and cultural assets; and
- Ensuring that rural areas have institutional capacity, good governance and funding to fulfil their roles and deliver high quality of life for residents, from youth to seniors.

*Engaging stakeholders in policies for rural areas***Principle 9. Implement a whole-of-government approach to policies for rural areas by:**

- Engaging with all sectors and levels of government to integrate national policies that improve the well-being of rural areas;
- Identifying and addressing the barriers to policy coherence across ministries, public agencies and levels of government; and
- Setting incentives, regulations and coordination mechanisms to mitigate conflicts, manage trade-offs (e.g., land use, mining, agriculture, energy and water); and
- Maximising policy complementarities across sectoral strategies through integrated and coordinated rural policies (e.g., coordinating transportation investments with health and education services).

Principle 10. Promote inclusive engagement in the design and implementation of rural policy by:

- Engaging a diversity of stakeholder voices, including those that are underrepresented and/or marginalised, in the policy process and empowering local and regional stakeholders to be partners in policy elaboration;
- Engaging with the private and not-for-profit sectors and leveraging their expertise and resources to deliver better outcomes for rural areas; and
- Harnessing innovative mechanisms and digital technologies to develop new ways of disseminating public information, generating and using data, and consulting and engaging citizens in decision-making (e.g., participating budgeting, rural observatories).

Principle 11. Foster monitoring, independent evaluation and accountability of policy outcomes in rural areas by:

- Evaluating rural policy initiatives and outcomes and communicating progress in meeting them in an ongoing manner in order to improve policy design and implementation;
- Developing outcomes indicators in order to assess and benchmark rural well-being through economic, social, environmental and other performance indicators;
- Providing accessible data that is easy-to use in order to help rural communities and stakeholders identify priorities and monitor progress;
- Exploring innovative methods of data-collection that address the challenges of confidentiality that are inevitably part of small-area analysis; and
- Assessing the process and outcomes of different steps of public engagement in order to learn, adjust and improve accordingly.

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