

Accelerating Economic Growth in Sindh

1. Introduction

While evaluating the potential accelerators of economic growth, it is crucial to understand that, unlike Indian data of regional GDPs are not public and publicized in Pakistan. Few studies have estimated the regional GDPs and their respective compositions with growth.

Given the data limitation, the report tends to assess the growth accelerators in context of public policy interventions. Before developing a formal understanding of growth drivers in Sindh, it is important to document the significant context-specific challenges to growth.

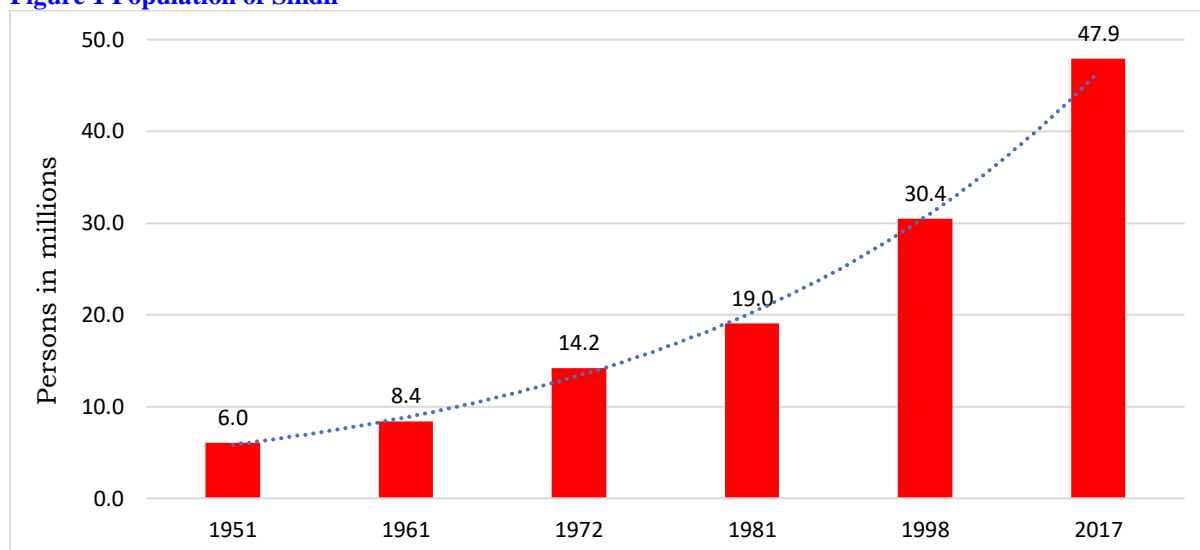
2. Major Challenges to Growth

The approach to evaluating growth potential should necessarily account for the 3Cs: Context, Challenges, and Considerations.

2.1 High population growth with a large base of population pyramid

Sindh's average inter-census (1998-2017) population growth rate is 2.41 percent, and the average population density is 341 persons per square kilometer. When analyzing the urban and rural growth breakdowns, urban growth has disproportionately surpassed rural growth. Sindh is the only province where the urban population stands at 51.9 percent, and the rural population is 48.1 percent (2017). The population density of the five highest-density districts of Sindh ranges between 2215 and 43064 persons per Km.

Figure 1 Population of Sindh



Source: Author's tabulation from Pakistan Bureau of Statistics, Islamabad.

2.2 With the agrarian transition, farm sizes have been significantly reduced, and the distribution of farmland in Sindh is highly skewed.

The total number of farms in Sindh is 1.1 million, with a corresponding area of 9.9 million acres. The land distribution is too skewed: 56.4 per cent of farms are less than 2 hectares,

whereas only 2.4 per cent of farmland commands approximately one-fourth of the area—see Table 1. This distribution is a grave concern for rural poverty and inequality.

Table 1 Distribution of farmland in Sindh

Sindh	Marginal		Small		Medium		Large	
	Farms	Area	Farms	Area	Farms	Area	Farms	Area
1972	18.8	4.5	51.7	34.5	27.2	42.4	2.2	18.6
1980	25.3	6.4	50.5	35.2	22.0	39.7	2.2	18.8
1990	33.2	8.9	46.8	33.6	17.7	34.4	2.2	23.1
2000	45.9	12.6	36.6	27.7	15.0	34.1	2.5	25.6
2010	56.4	15.2	26.7	22.6	14.5	39.2	2.4	23.0

Note: Marginal holdings [up to 2 hectares (5 acres)], Small holdings [2-5 hectares (5-12.5 acres)], Medium holdings [5-20 hectares (12.5-50 acres)], Large holdings [> 20 hectares (50 acres)].

Source: Khan, Asim Bashir (2015), *Essays in Land Inequality, Agrarian Transition and Agriculture Taxation in Pakistan*, MS Thesis, Institute of Business Administration (IBA), Karachi.

Table 2 District Wise change in average farm size in Sindh 1972-2010

Districts	Average Farm Size (Hectares)				
Census Year	1972	1980	1990	2000	2010
Sindh	5.12	4.69	4.34	4.04	3.58
Karachi	15.97	8.79	9.91	12.66	8.25
Badin	-	6.23	5.15	4.84	6.21
Hyderabad	6.96	4.86	4.88	4.26	5.96
Thatta	6.18	5.02	4.52	5.29	5.38
Tharparkar	5.93	6.5	6.58	9.31	5.29
Sanghar	5.68	5.54	6.55	3.24	5.05
Tando Muhammad Khan	-	-	-	-	4.86
Kashmore	-	-	-	-	4.84
Shaheed Benazirabad	4.96	4.27	6.47	3.6	4.80
Tando Allahyar	-	-	-	-	4.77
Mirpurkhas	-	-	-	7.8	4.37
Matlari	-	-	-	-	3.88
Umarkot	-	-	-	3.44	3.4
Jamshoro	-	-	-	-	3.25
Jacobabad	4.05	4.02	3.46	4.15	3.24
Sukkur	3.93	3.58	2.87	3.11	3.21
Shikarpur	-	2.96	2.65	2.75	3.04
Dadu	5.09	4.49	3.74	3.07	2.55
Noshehro Feroz	-	-	3.31	4.37	2.35
Shahdadkot	-	-	-	-	2.35
Larkana	3.72	3.15	2.94	3.59	2.29
Ghotki	-	-	-	2.58	2.25
Khairpur	4.17	3.41	2.61	2.18	1.67

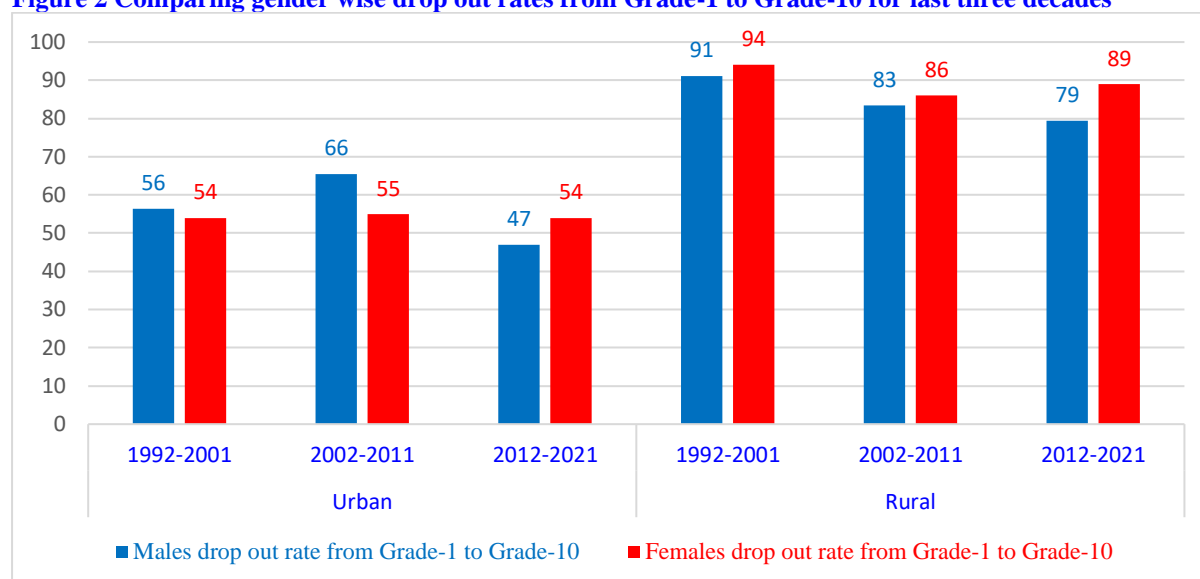
Source: Khan, Asim Bashir (2015), Essays in Land Inequality, Agrarian Transition and Agriculture Taxation in Pakistan, MS Thesis, Institute of Business Administration (IBA), Karachi.

Note: *The districts are in descending order with respect to their average farm size as of 2010.

2.3 Low enrolment and high school dropout rates.

Not only is the school enrolment ratio in Sindh indecent, but the dropout rates are alarmingly high, and the improvement in controlling dropout rates does not correspond to the level of investment in the education sector. Even after the Eighteenth Constitutional Amendment, the performance is indecent.

Figure 2 Comparing gender wise drop out rates from Grade-1 to Grade-10 for last three decades



Source: Author's computation from Pakistan Education Statistics, AEPAM, Ministry of Education, Islamabad.

2.4 Low investment in TEVET programmes and inadequate coverage

Considering that the province of Sindh hosts the second largest population of out-of-school children in Pakistan, there is an urgent need for investment in Technical and Vocational Training institutions and programs, whereas compared to the magnitude and urgency of the problem, the level of investment in TEVT programs is insufficient to cater the needs of a fast-growing population.

Table 3 Technical and Vocational Training Institutions in Sindh

g	TEVT	Institutions	Enrolment	Teachers
2010-11	Technical	55	18,106	740
	Vocational	423	42,952	2,078
	Total	478	61,058	2,818
2020-21	Technical	301	20,705	846
	Vocational	416	65,489	1,953
	Total	717	86,194	2,799

Source: Author's compilation from Pakistan Education Statistics and SEMIS.

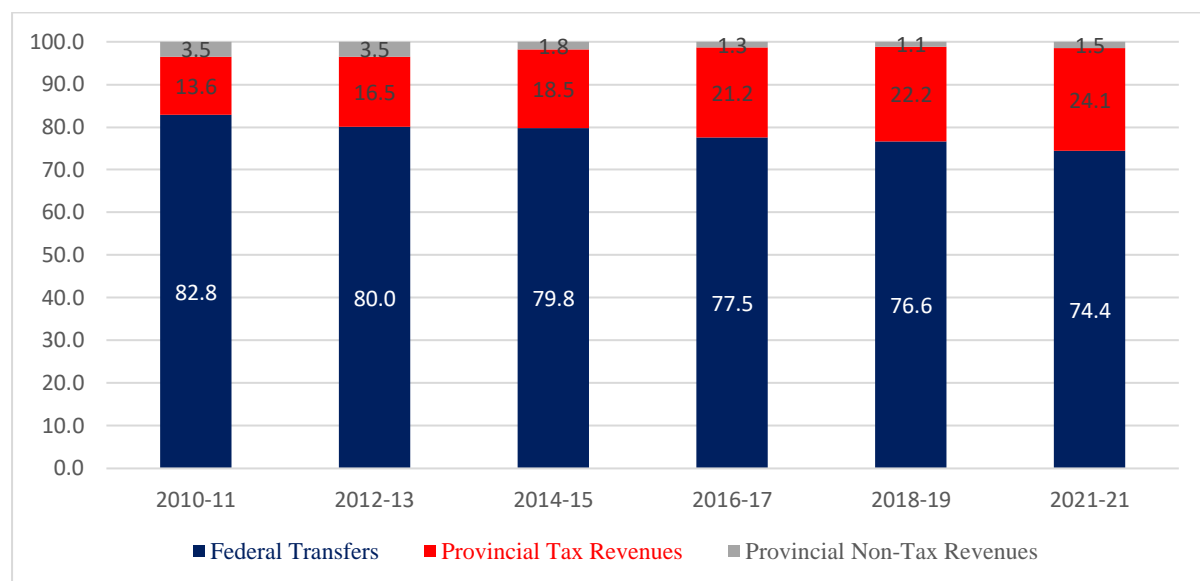
2.5 Food security, malnutrition in children under five and pregnant and lactating mother

All three parameters—Food availability, affordability, and quality—have been inadequate to fulfill the food requirements of a fast-growing population.

2.6 High degree of fungibility

All provincial governments in Pakistan, including the Government of Sindh, have a consistent tendency to substitute federal transfers for their own tax effort.

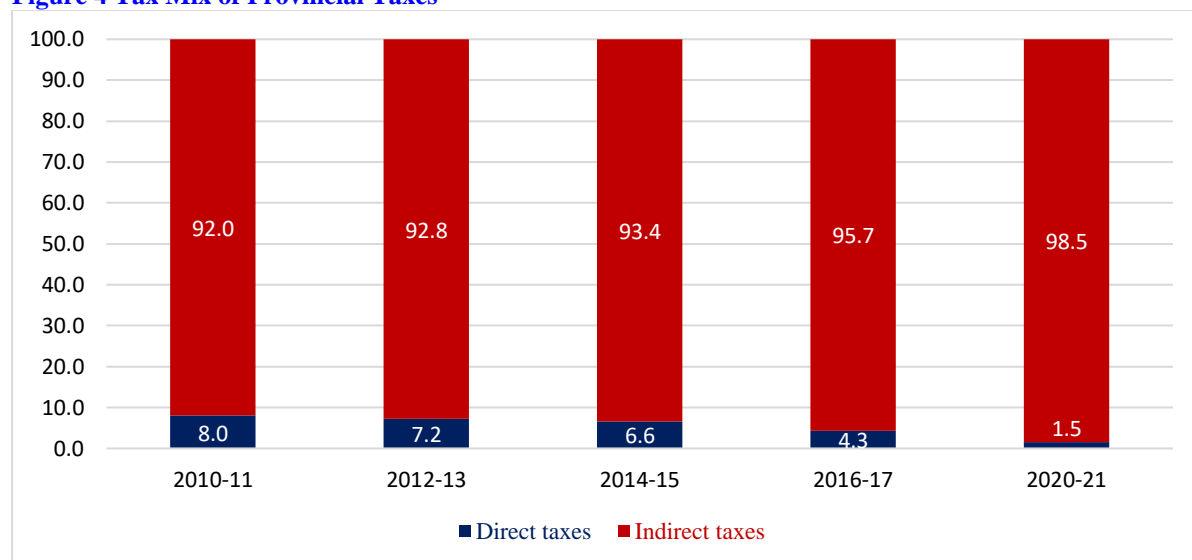
Figure 3 Federal Transfers and Provincial Own Resources



Source: Author's compilation and analysis from Volume-I Annual Budget Statements, Finance Department, Government of Sindh.

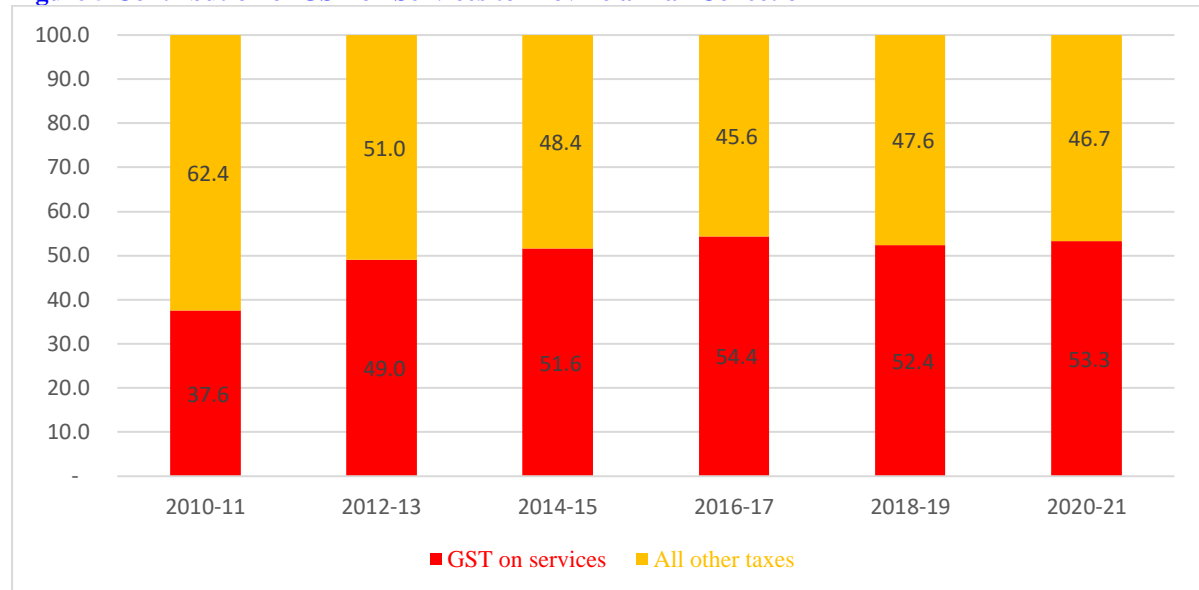
2.7 The fiscal policy is skewed and the incidence of taxation lies disproportionately on urban centres causing distress on fiscal sustainability.

Figure 4 Tax Mix of Provincial Taxes



Source: Author's compilation and analysis from Volume-I Annual Budget Statements, Finance Department, Government of Sindh.

Figure 5 Contribution of GST on Services to Provincial Tax Collection



Source: Author's compilation and analysis from Volume-I Annual Budget Statements, Finance Department, Government of Sindh.

2.8 No effective local government system

There is no effective local government system specifically after the passage of Eighteenth Constitutional Amendment, the provincial governments have curtailed the administrative and financial powers of local governments in the province. In addition to that there is no Provincial Finance Commission since 1st July 2010 to date.

- *Low Fiscal Space*
- *Debt Sustainability and Public Finances*
- *Poor Governance*
- *Climate Challenge*
- *Lack of Skilled Human Resource*

3. Stock taking of growth policies in Sindh

Vision 2030

A united, just, resilient, productive, innovative, industrialised and prosperous Sindh with a disciplined, caring society comprising of healthy, happy and educated people and built upon the enduring pillars of self-reliance, respect, tolerance, equity and integrity.

The following development priorities were identified during the extensive consultation process:

- 1. Nurturing a caring society;*
- 2. Developing innovative people;*
- 3. Governing effectively and without debt;*
- 4. Enabling competitiveness in agriculture, business and industry;*
- 5. Securing and investing in sound infrastructure and in the Environment.*

(Government of Sindh, 2007)

World Bank Input to Sindh Growth Strategy (The World Bank Group, 2017)

Sindh Growth Strategy

- *Industrial sector is not diversified beyond a narrow range of textiles.*
- *Low rates of investment in human and physical capital*
- *Investment climate is not investor friendly*
- *Interface between citizens and government is very poor*

Four Points Reforms Agenda

- *Improve investment climate for productivity growth*
- *Improve rural service delivery*
- *Improve connectivity to markets*
- *Strengthen government*

Sindh Agriculture Policy 2018-2030

- *Raise overall growth rate in agriculture to 4-5 per cent.*
- *Reduce rural poverty to half the current level*
- *Reduce food insecurity and malnutrition by half the current level*
- *Make efforts to preserve agro-ecological resource base.*
- *Enhance resilience and climate change adaptability.*

(Government of Sindh, 2018)

Sindh Development Forum USAID

- *Establish advisory mechanism (Think Tanks)*
- *Performance-driven output-based paradigm*
- *Evidence-based planning*
- *Public Private Partnership for improved service delivery*
- *Strengthen value chains and markets*
- *Capacity Building and Human Resource Management*
- *Population planning, family planning*
- *Ease of doing business*
- *Promote small and medium enterprises*

At what stage of economy does policy intervene

		<i>Pre-production</i>	<i>Production</i>	<i>Post-production</i>
<i>Which income segment do we care about</i>	<i>Bottom income</i>	<i>Primary education, early childhood program, TEVT</i>	<i>Minimum wages, social security, in-work benefits</i>	<i>Social transfers, Child benefits, income tax</i>
	<i>Middle income</i>	<i>Public higher education, adult training programs</i>	<i>Industrial policies, on-job training, work councils</i>	<i>Unemployment insurance, pensions</i>
	<i>Top income</i>	<i>Inheritance, gift, estate tax</i>	<i>R&D tax credits, competition</i>	<i>Top income, tax credits, wealth tax, corporate tax</i>

Annexure 1 Federal Transfers and Provincial Tax Pool

Fiscal Year	Federal Transfers	%	Provincial Tax Revenues	%	Provincial Non-Tax Revenues	%
2010-11	268.67	82.84	44.23	13.64	11.43	3.53
2012-13	332.92	80.03	68.70	16.51	14.39	3.46
2014-15	413.63	79.75	95.78	18.47	9.22	1.78
2016-17	529.21	77.53	144.54	21.18	8.81	1.29
2018-19	613.56	76.65	177.72	22.20	9.20	1.15
2020-21	705.27	74.40	228.35	24.09	14.35	1.51

Source: Author's compilation and analysis from Volume-I Annual Budget Statements, Finance Department, Government of Sindh.

Annexure 2 Provincial Tax Mix

Tax Mix	2010-11	%	2012-13	%	2014-15	%	2016-17	%	2018-19	%	2020-21	%
Direct Taxes												
Tax on Agriculture Income	0.21	0.48	0.41	0.59	0.34	0.36	0.47	0.32	0.58	0.33	0.61	0.27
Property Tax	0.84	1.90	1.91	2.78	3.01	3.14	2.00	1.38	2.85	1.60	0.92	0.40
Land Revenue	0.35	0.78	0.21	0.30	0.18	0.18	0.19	0.13	0.23	0.13	0.31	0.14
Tax on Profession, Trades and Callings	0.23	0.52	0.26	0.39	0.32	0.34	0.35	0.25	0.41	0.23	0.89	0.39
Capital Value Tax on Property	1.91	4.31	2.15	3.12	2.51	2.62	3.25	2.25	3.27	1.84	0.68	0.30
Total Direct Taxes	3.53	7.99	4.93	7.18	6.36	6.64	6.26	4.33	7.33	4.12	3.41	1.49
Indirect Taxes												
Sales Tax on Services	16.62	37.58	33.67	49.01	49.40	51.57	78.64	54.41	93.17	52.42	121.73	53.31
Provincial Excise	2.95	6.66	3.10	4.52	3.87	4.04	3.49	2.41	5.06	2.85	5.13	2.25
Stamps Duty	4.27	9.66	5.02	7.30	6.55	6.84	8.04	5.56	9.93	5.59	12.77	5.59
Motor Vehicles	2.96	6.70	3.33	4.84	4.21	4.40	6.17	4.27	7.33	4.13	9.83	4.30
Sub-total Indirect Taxes	26.81	60.61	45.11	65.67	64.03	66.85	96.33	66.65	115.50	64.99	149.46	65.45
Other Indirect Taxes												
Entertainment	-	-	0.03	0.05	0.05	0.05	0.25	0.17	0.08	0.05	0.04	0.02
Electricity	0.07	0.163	0.07	0.10	0.07	0.07	0.11	0.07	0.70	0.39	1.03	0.45
Sindh Development Maintenance of Infrastructure	13.50	30.524	18.24	26.55	25.07	26.18	41.39	28.63	53.87	30.31	74.28	32.53
Others, all types	0.15	0.350	0.17	0.25	0.04	0.05	0.04	0.03	0.08	0.04	0.02	0.01
Cotton fees	0.16	0.368	0.14	0.21	0.16	0.17	0.15	0.10	0.16	0.09	0.10	0.04
Sub-total Other Indirect Taxes	13.89	31.405	18.66	27.16	25.39	26.51	41.94	29.02	54.90	30.89	75.48	33.06
Total Indirect Taxes	40.70	92.013	63.77	92.82	89.42	93.36	138.28	95.67	170.40	95.88	224.94	98.51
Total Tax Collection	44.23	100.000	68.70	100.00	95.78	100.00	144.54	100.00	177.72	100.00	228.35	100.00

Source: Author's compilation and analysis from Volume-I Annual Budget Statements, Finance Department, Government of Sindh.

Annexure 3 Questionnaire on Economic Policies and Acceleration of Economic Growth

Economic Policy

1. *How successful has economic policy been in providing a reliable economic framework and in fostering competitiveness and efficient market functioning?*
2. *Do you think the Sindh Growth Strategy is on track?*
3. *What are the major constraints to economic growth in Sindh and what are potential options for untapping the growth?*
4. *Are there specific segregation of urban and rural growth.*

Labor Market Policy

1. *How effectively does labor market policy address unemployment?*
2. *Does the Government of Sindh ensure enforcement of minimum wage legislation in informal and formal private sector jobs? Specifically farm employment.*
3. *Is there adequate legislation for provision of health care services in case of injury and death due to hazardous employments?*

Tax Policy

1. *How effective is a Sindh's tax policy in realizing goals of revenue generation, equity, growth promotion and ecological sustainability?*
2. *Do rural and urban incidence of taxes are fair? If not, what are short term and long-term plans of government to harmonize them?*
3. *Do you think the subsidies are rational and support the poorest segment of society in Sindh? If not, suggest measures for improvements that support the agenda for growth.*

Budgetary Policy

1. *To what extent does budgetary policy realize the goal of growth with fiscal sustainability?*
2. *Does the distribution of development programmes is meritorious?*

Research and Innovation Policy

1. *To what extent does Government of Sindh support research and innovation for technological innovations that foster the creation and introduction of new products?*

Social Policies and Growth

Education Policy

1. *To what extent does education policy deliver high-quality, equitable and efficient education and training in Sindh?*
2. *Which education sector interventions in Sindh are directly linked with economic growth and how we can scale them up? and accelerate the economic growth.*

Social Inclusion Policy

1. *To what extent does social policy prevent exclusion and decoupling from society?*
2. *Please list down major social protection interventions of Sindh province and narrate if any of them have objectives related to growth and employment generation.*

Health Policy

1. *To what extent do health care policies provide high-quality, inclusive, and cost-efficient health care?*
2. *What are the major gaps in health policy?*

Family Policy

1. *To what extent do family support policies enable women to combine parenting with participation in the labor market?*

Pension Policy

1. *To what extent does pension policy realize goals of poverty prevention, intergenerational equity and fiscal sustainability?*

Sustainability and Growth

Environmental Policy

1. *How effectively does environmental policy in Sindh province protect and preserve the sustainability of natural resources and environmental quality?*
2. *Legislation and implementation on environmental degradation? Is there a framework of environmental taxes and carbon permits in place?*

Government Capacity

Institutional Reforms

1. *To what extent does the government improve its strategic capacity by changing the institutional arrangements of governing?*

TARGETING AN EFFECTIVE SCALE OF POLICY ACTIONS FOR URBAN GROWTH

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.*

TARGETING AN EFFECTIVE SCALE OF POLICY ACTION FOR RURAL GROWTH

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 wellbeing 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.*