

## Assessment and recommendations

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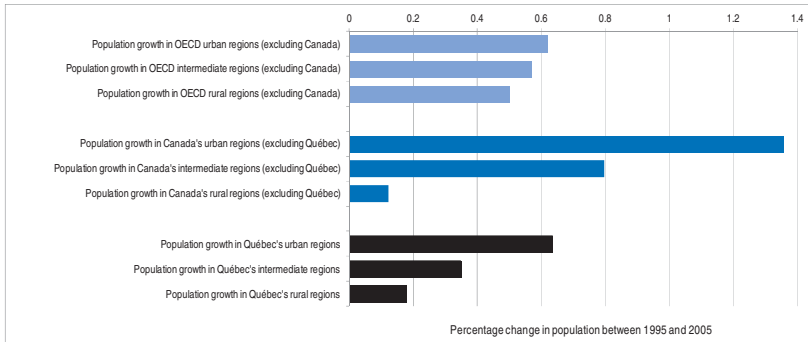
*On average, rural Québec is gaining population, has increasing personal incomes, and continues to diversify its economic base*

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On average, rural Québec is attracting new residents.<sup>1</sup> In the rest of Canada the rural population decreases and population in urban regions increases at twice the OECD average, but in Québec the trend is closer to the international average (Figure 0.1). The spatial distribution of population in Québec is different from that of Canada. It is based on relatively large networks of small cities located in rural regions, while Canada overall displays a high concentration of population in larger urban areas. Thus, the province does not display the large rural-urban split that characterises the rest of Canada. Rural Québec as a whole has actually gained population since the end of the 1990s, owing to the concentration of people in accessible rural areas close to urban nodes and metropolitan regions. As in other Canadian provinces, these territories display the highest growth rates in terms of population within Québec.

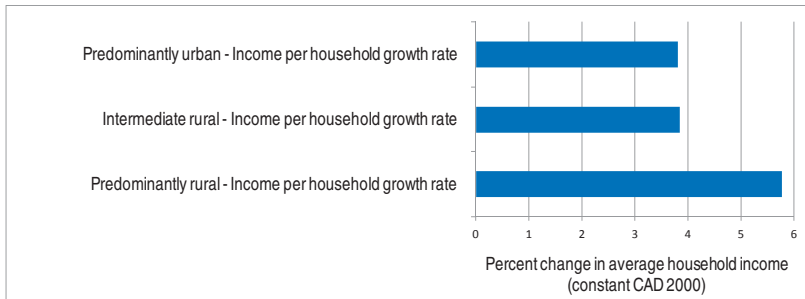
Demographic growth has gone hand in hand with an increase in personal income. Because of the spatial concentration of population and economic activity, some rural regions have developed an autonomous productive framework and experienced a rise in local personal incomes. Between 2000 and 2005, median household income increased more rapidly in rural than in urban areas. In particular, household income increased by more than 5% in predominantly rural (PR) areas, while both intermediate (IN) territories and urban (PU) poles registered an increase of 3.8% (Figure 0.2). The main factors behind this positive trend are the increase in employment rates (decrease of unemployment) in predominantly rural areas, and the diversification that has taken place in many rural economies.

**Figure 0.1. Urbanisation trends in OECD, Canada and Québec between 1996 and 2005**



Source: OECD Regional Database (2009), internal database.

**Figure 0.2. Increase in household income in Québec's predominantly urban, intermediate and predominantly rural areas 2000-05**



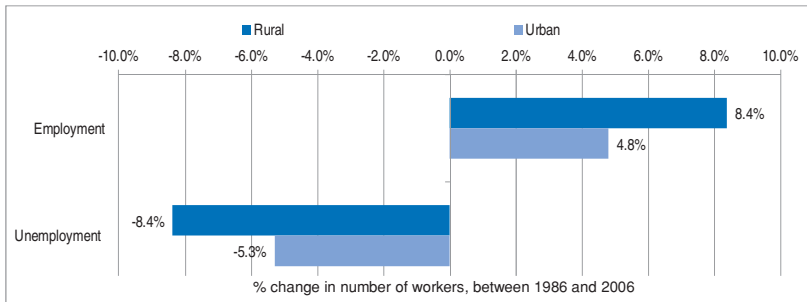
Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

On average, since the end of the 1980s, there have been more workers and fewer unemployed living in rural Québec. Between 1986 and 2006, rural areas (predominantly rural areas, intermediate areas and peri-metropolitan rural areas located on the fringes of Montréal and Québec City) experienced an increase in employment and a decrease in unemployment at a pace almost twice that of urban regions (Figure 0.3). Moreover, in OECD

regions there is evidence that employment (and unemployment) trends are often related to regional growth, especially in rural areas (OECD, 2009).

**Figure 0.3. Employment and unemployment in Québec's rural and urban regions**

1986-2006

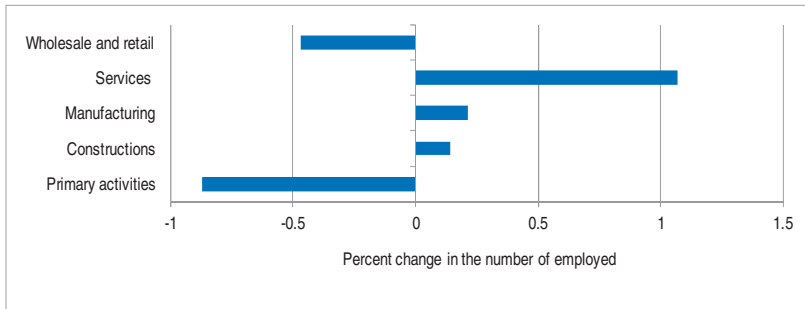


*Source:* OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Québec’s rural economy is also increasingly diversified. Data on sectoral employment at the level of regional county municipalities (MRCs, the French acronym) show that many rural and, in particular, predominantly rural areas increased the number of jobs in tertiary activities between 1991 and 2006 (Figure 0.4). Positive trends, although less robust, were also observed for manufacturing and construction activities. Owing to the diversification of their economic base, rural areas were able to retain and attract workers and reduce their exposure to external economic shocks. Accordingly, although data for measuring short-term trends in the last two years are limited, it is possible that predominantly rural areas with a diversified economic base and a “residential economy”<sup>2</sup> have been more resilient during the current financial crisis.

Figure 0.4. **Change in number of jobs in predominantly rural MRCs**

1991-2006



Note: Jobs at place of residence.

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

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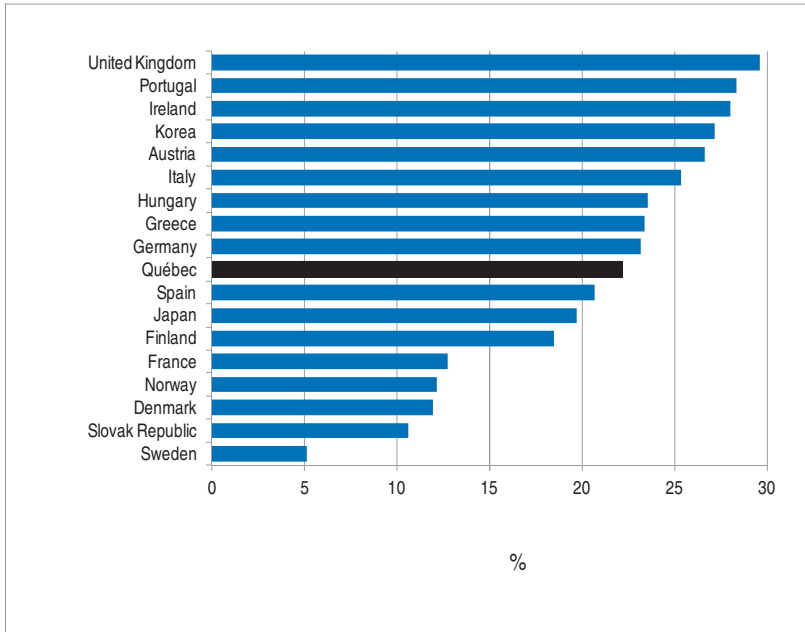
*There are however important disparities, as rural areas display contrasting performances*

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Despite good average performance, rural Québec, and predominantly rural areas in particular, reveal diverging trends and important disparities. In fact, while the average performance of rural Québec is in line with that of OECD rural regions, GDP per capita varies significantly across rural areas. For instance, in spite of a relatively small and geographically concentrated population (some 2.5 million inhabitants living in rural areas within the so-called *écoumène*<sup>3</sup>), the standard deviation of GDP per capita in rural Québec from the provincial average is larger than that in the rural part of Scandinavian countries, Spain, France or Japan (Figure 0.5). Hence, a large part of the economic success of rural Québec as a whole may depend on the performance of intermediate rural areas and, above all, peri-metropolitan rural areas.

Figure 0.5. **Regional disparities among rural areas within selected OECD countries (GDP per capita)**

Standard deviation, 2006 or latest available year



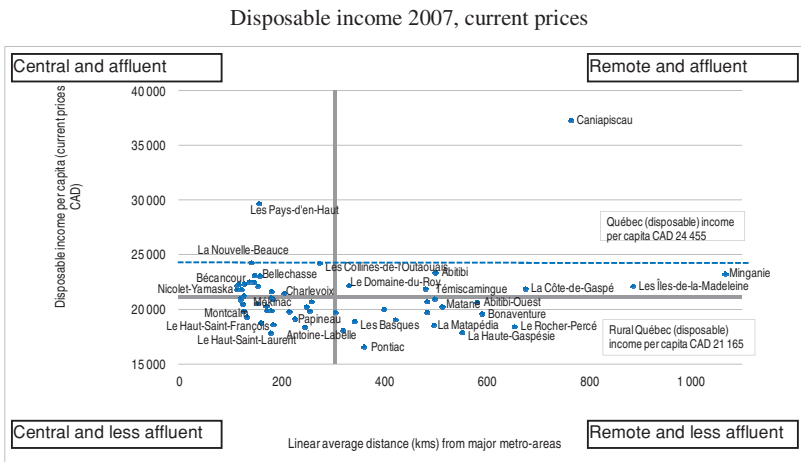
Note: The graph displays the standard deviation of GDP per capita within predominantly rural regions within the OECD area. A higher value indicates larger regional disparities. For Québec, predominantly rural MRCs have been taken into account.

Source: OECD Regional Database (2009); Le Conference Board du Canada (2009), *Les communautés rurales: l'autre moteur économique du Québec*, prepared for the Groupe de travail sur la complémentarité rurale urbaine, June.

In Québec, disparities in personal income in predominantly rural areas are mainly related not to distance from main urban centres but to internal factors, including outmigration, ageing and dependence on natural resources. Although accessibility is often considered an independent variable shaping rural performance, Québec's predominantly rural territories display a non-linear relation between distance and local income (Figure 0.6). The share of predominantly rural areas in which residents' personal income is lower than the average in rural Québec is actually higher in areas that can

be considered relatively close to a large urban area (regions within 300 kilometres of Montréal and Québec City, and thus in accessible territories in the centre of the province).<sup>4</sup> The economic base of less affluent territories often focuses on primary activities, such as forestry, mining or agriculture.

Figure 0.6. Distance<sup>1</sup> (X) and income level (Y) in Québec’s predominantly rural MRCs



Note: 1. Distance is the average linear distance (in kilometres) between the geographical centre of the MRC and the centre of the metropolitan areas of Montréal and Québec City.

Source: OECD Regional Database (2009); OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The global economic downturn and structural challenges reinforce the vulnerability of resource-based and single-industry communities in rural Québec. Although not a negative feature *per se*, specialisation of a local economy in resource-based industries makes it more difficult to absorb international crises because of rural labour markets' smaller size and lesser diversity. In Québec, many communities dependent on commercial forestry are currently affected by two crises: *i*) a cyclical crisis which is due to the sharp reduction in demand for forest commodities, especially in the United

States; and *ii*) a structural crisis related to stronger international competition, an increasing currency exchange rate relative to the United States, and high energy and input costs. International competition has contributed to the loss of comparative advantages in rural manufacturing, causing a decline in jobs and reducing the number of secondary firms. Communities specialised in agriculture face similar challenges, and if improving the size of farms was initially an effective answer, it also reduced job opportunities and later the local population. This in turn challenged the capacity of regional and local economies to diversify their economic base or to produce services at the local level.

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*Persistent regional disparities affect the competitiveness of rural Québec*

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Divergent regional trends pose specific challenges for rural development. In the successful intermediate and peri-metropolitan rural areas, urban sprawl and the inflow of new people, often former urban residents, cause gentrification, put pressure on the environment (through intense commuting to urban nodes but also to other rural communities), and threaten the province's best agricultural land, which is located on the urban fringe of Montréal. Conversely, in predominantly rural areas that are losing working-age population and economic activities, the challenges are the high cost of delivering key public services, such as schooling and health care, finding another use for abandoned agricultural land, and the protection of a minimum endowment of human and social capital necessary to guarantee the development, or even the continuity of the community.

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*Rural Québec is confronted with three key governance and policy challenges*

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Considering trends in the development of rural areas, Québec faces three key policy and governance challenges. First, an inclusive governance arrangement needs to combine social and community development with economic development. Second, policy has to address community transition in lagging rural areas through economic stabilisation, access to land and accumulation of human capital. Third, environmental pressures have to be faced in intermediate and peri-metropolitan rural areas as well as in remote predominantly rural territories.

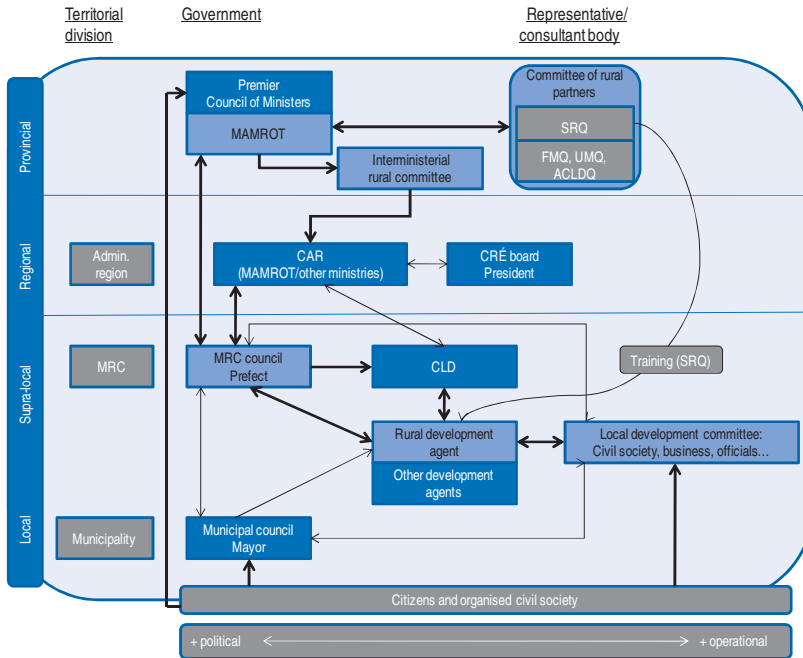
## 1) Inclusive governance for rural areas

With its *Politique nationale de la ruralité* (PNR), Québec has opted for an innovative territorial and multisectoral policy approach to rural development which applies to all rural areas in the *écoumène*. The policy contributes to changing the perception of inevitable rural decline and is largely in line with what the OECD has defined as the New Rural Paradigm. As a continuation of the first rural policy (2002-07), the second PNR (2007-14) has been widely accepted in the province as part of a strong societal vision of “rurality” in the province. The public endorsement of the PNR has in turn stimulated local ownership and cohesion around policy objectives. To establish the preconditions for economic development in rural areas, policy measures aim at strengthening social and human capital as well as community capacity and favour the dynamic occupancy of rural land. Many local and supralocal projects undertaken with funds from the PNR can create the social conditions in local communities that make it possible to avoid spending large amounts of money on unsuccessful sectoral economic development programmes (as is done in many OECD countries). The principle of dynamic land occupancy represents a political and societal commitment to maintain the current settlement structure in Québec's vast and sparsely populated rural territories, even if the delivery of many public services is increasingly costly.

The policy is led by a nonsectoral ministry (department) in charge of municipal affairs, regions and land occupancy (MAMROT is its French acronym). It complements sectoral agricultural and economic development policies, by targeting the empowerment of local administrative levels, particularly the supralocal MRCs. MAMROT is at the top of an effective vertical co-ordination scheme involving the provincial, regional, supralocal and local levels of government. Besides local stakeholders, four non-profit partner associations contribute to policy implementation and monitoring, adding parallel vertical co-ordination mechanisms (Figure 0.7).



Figure 0.7. Implementation of Québec's *Politique nationale de la ruralité* (PNR)



Note: In administrative regions, the CAR (Regional Administrative Conferences) brings together the regional directors of provincial ministries, while a CRÉ (Regional Conferences of Elected Officials) is a consultation body for municipal elected officials.

Boxes in light blue indicate key actors for PNR implementation.

Source: OECD, based on Government of Québec, MAMROT.

Equitable social and local community development is stimulated through contractual place-based partnerships (“rural pacts”) between the government of Québec and 91 MRCs. Rural pacts represent a bottom-up approach to mobilisation and investment in rural communities, and their impact has been significant. MAMROT plays a strong role in assisting and monitoring commitments made by MRCs. Although the main local horizontal co-ordination process is delegated to municipal elected officials, the participatory planning process occurs in local development committees, which bring together civil society representatives, institutional and business actors, and elected officials. Moreover, 136 rural development agents in the

MRCs, financed by the provincial government, are key actors. They assist the local committees, support the emergence of rural pact projects, and monitor their implementation.

Specific measures target innovation and the development of expertise in rural areas. Even if programmes, such as the rural laboratories, often feature an experimental approach, their knowledge-sharing element can have structuring value for communities, particularly over a longer period of time. The specific rural policy budget for PNR measures is limited in its scope, but its long-term approach gives communities financial security for their local plans and investment commitments. Moreover, Québec's provincial budget seems to increasingly consider the spatial dimension of policies; targeted funding by ministries to rural areas has increased more than the overall level of expenditures by these ministries.

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*There is a need to integrate the governance of social and economic development in rural areas...*

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Québec invests significantly more in community capacity building than other Canadian provinces, but returns on these investments can be improved. At the provincial level, government responsibilities for social capital should be more strongly integrated with local economic and entrepreneurial development. Once significant experience with the rural pact has been acquired over two PNRs, the increased level of social and human capital in communities should be strong enough to re-integrate the two streams of development. A single, integrated institutional counterpart for MRCs, with responsibilities for both rural social development and local economic development, was already in place before 2003. This institutional arrangement would facilitate the integration of the support measures of local development centres (CLDs, the French acronym) with the PNR, avoid duplication and favour holistic governance of rural policy. Although focused on economic development, CLDs contribute to PNR objectives, measures and structures. Integration would also facilitate the evaluation of rural policy, as social impacts may be difficult to detect and are often related to economic impact.

To make use of new capacities in rural communities, policy may need to become more inclusive of the private sector and its organisations which are currently excluded from direct rural pact financing. The PNR already goes a long way by including multisectoral participation at the design stage of the policy. Moreover, the government shares responsibility with leading civil organisations in the committee of rural partners. However, beyond private

initiatives in rural laboratories and speciality products, efforts should be made to commit the private sector and its institutional actors from business and agriculture to PNR objectives. The policy may include relevant sectoral actors to assist empowered rural communities more proactively in transforming their new capacities and promising PNR projects into market-oriented commercial and other entrepreneurial opportunities.

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*...and enhance the modulation of policy interventions in rural areas.*

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Modulation of policies from other ministries can be made more effective. Through the *clause de modulation*, horizontal co-ordination has been introduced and puts MAMROT in charge of monitoring the adaptation of sectoral programmes to the specific characteristics of rural areas. With its interministerial rural committee, which brings together 18 government bodies, the PNR tries to strike a balance between integrating policies directed to rural areas through commitments from sectoral ministries and targeting specifically defined rural regions with relatively limited financial resources. However, although there has been significant collaboration by several ministries, efforts to co-ordinate their policy frameworks can meet with resistance. When presenting new policies and programmes, ministries should commit to discussing implications for rural territories. A strong minister or an organisation with “moral authority” over each government body would probably be more successful in implementing the modulation tasks set by the PNR.

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*It is important to further strengthen the supralocal level ...*

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To alleviate the risk of over-using participatory local strategic planning exercises and tiring out participants, the functional responsibilities of Québec's MRCs should be strengthened, while bearing in mind the role of regional conferences of elected officials (CRÉs, the French acronym). MRCs may become the centre of rural and territorial development strategies, including their implementation and evaluation. As an existing administrative structure, MRCs have a broader view of the rural policy programmes implemented in their territory than individual municipalities. Given the difficulties of merging municipalities, MRCs are the lowest administrative unit with “competence” to resolve rural and territorial policies across municipalities. Allocating the implementation of local development policy to MRCs is an effective way to mesh the many sector-specific policies and programmes into one holistic delivery system. Also, the sectoral

responsibilities that are currently co-ordinated at higher levels could benefit from a strengthened territorial approach if MRCs obtain more competences and receive stronger incentives to collaborate with sectoral actors. In this respect, it is important to balance MRCs' competences with those of CRÉs. As they have a critical mass of population, larger administrative regions can be a more appropriate level for the design and implementation of some regional development policies. In this respect, CRÉs would have to become proper regional governments or enlarged MRCs would have to become the single regional level of government.

Empowering the supralocal level does not necessarily mean introducing direct elections of MRC prefects, as this may be questionable from a rural perspective. So far, the fact that Québec's municipal governance is non-partisan in nature has avoided political conflicts about rural policy. An electoral process risks leading to a short-term mentality in decision making. Moreover, whereas currently (in the absence of a single dominant population centre), each municipality has equal representation and voice on the MRC council, direct elections would concentrate electoral power in the MRCs' most populated municipalities at the expense of smaller rural communities. To avoid the potential of urban electoral weight vetoing rural development policies, consideration should be given to revoking the current veto right of dominant population centres in MRCs' decision-making process for rural issues.

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*...enhance external monitoring and evaluation and small communities' capacities...*

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Within this framework, civil society's role is to balance the dominant role of elected officials. Although the power of municipal elected officials at the different levels of government makes vertical co-ordination very effective, there is a risk that elected officials may lose sight of the local population's concerns, diluting citizens' influence on the system. In the spirit of the New Rural Paradigm, greater external monitoring and policy evaluation would help ensure that such threats do not materialise. In particular, a comprehensive evaluation, comparable to that undertaken for the first PNR, should be carried out by an external body regularly or over the whole rural pact implementation period before the end of the second iteration in 2014. It could include a restatement of objectives, an evaluation of progress towards the strategic objectives, and a review of the flow of funds. Concrete indicators for success that measure the long-term benefits for the community could avoid the potential perception of rural pacts as a mere mechanism for the distribution of funds.

To help municipalities accept responsibilities prudently, small rural communities should be provided with the capacity to establish a local development agenda and implement PNR measures. This would help ensure that territory-specific government objectives are addressed. In many cases, small rural municipalities refuse to accept further responsibilities, as they lack the technical competences and political support to implement innovative measures in their communities. Before strengthening local decision making, local capacities would have to be enhanced through more substantial and specific training to form, motivate and link rural development agents. It is important to monitor whether the high turnover of agents observed during the first PNR diminishes following stronger recognition by MRCs and recent salary increases.

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*...diversify local governments' sources of revenue...*

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Beyond the current reliance on property taxes, local and supralocal levels should have access to more diversified and autonomous sources of fiscal revenue. This would allow municipalities to enhance the services provided to new and established residents in light of the changing social and demographic composition of rural communities. To react to new service needs and reduce property tax pressures on poorer, long-established residents affected by rural gentrification, the local taxation system should include more taxes and municipal user fees that are directly linked to individuals' income and expenditures and depend less on fiscal transfers. More diversified revenue sources could result in increased resources for PNR measures, which usually require local co-financing. With enhanced capacity building at the municipal level, a de-concentration of revenue generating capacities in favour of local or supralocal institutions might be decided. This would however require greater accountability on the part of local administrations than what the PNR and its governance structure currently call for. Local and supralocal administrations' freedom to bring policy design and implementation closer to rural residents should be counterbalanced by strong external evaluation of objectives and financial management.

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*...and facilitate local-level collaboration of provincial and federal policies.*

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Vertical co-ordination of rural policy between administrative levels is strong in Québec, while the Canadian federal level acts mainly in parallel.

Owing to a constitutional arrangement, provincial governments deal directly with local governments. The federal government does not have an official rural policy, but the strategic directions of its rural development approach, co-ordinated through the Rural Secretariat (RS), essentially parallel those of Québec. With Canada's Rural Partnership, the RS links various federal and local activities in rural areas. However, its effectiveness on the local level suffers from an unfavourable institutional setting within the Department of Agriculture and Agri-Food and limited resources. The Community Futures Programme (CFP) is a successful nation-wide federal-level local development initiative with a mainly rural focus. Its key strength is the combination of incentives for business development and local governance which contributes to local capacity building. CFP offices in Québec (called SADCs) have a role similar to that of the CLDs and are under the responsibility of the federal regional development agency for Québec regions. Their mandate is to exploit local competitive advantages.

Local actors should be encouraged in their efforts to enhance coherence between federal and provincial rural development measures, given that a transfer of the federal government's rural and community development programmes to the provincial level is unlikely. These two levels of government are therefore left with the option of greater local-level collaboration between both rural development programmes to achieve further complementarities and synergies. As is already happening in a few localities, MRCs and municipalities would benefit from even implicit encouragement to make better use of both sets of measures as long as the same activities are not funded twice.

## 2) Development in lagging areas

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*Stabilisation of the local economy can improve resilience to exogenous shocks*

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Given Québec's exposure to international competition and the global economic downturn, rural policy should have strategies able to foster economic development and tackle specific challenges in lagging areas. There is evidence that fostering growth in all areas, even lagging ones, is in the interest of national and provincial governments as it contributes to overall output without affecting the opportunities for development in other regions (OECD, 2009). Lagging areas in rural Québec are exposed to specific challenges, given their specialisation in traditional manufacturing and natural resources. A holistic rural policy, including existing sectoral

measures as well as programmes targeted to single-industry communities and devitalised MRCs, should help alleviate the critical situation in many resource-based and single-industry regions, which are currently among the most vulnerable economic entities. Complementary financial support from MAMROT and the ministry in charge of economic development encourages communities to think about and implement revitalisation plans for industrial diversification, but there is room for strengthening the management of community transition.

Stabilising the local economy is an important policy goal for lagging resource-based and single-industry communities, but it requires a long-term approach that also addresses demographic change. For larger rural areas, a more diversified economy can help ensure the vitality of single-industry towns. Measures that have proved helpful, and are already partly implemented in rural Québec, aim at optimising framework conditions for entrepreneurship, ensuring a competitive business environment, and providing incentives to invest in non-resource sectors. Given rural Québec's manufacturing tradition and related entrepreneurial skills, incubator services are important as they can provide an environment in which entrepreneurs and small businesses can validate their ideas and transform them into viable products and services. However, as diversification strategies are often difficult to implement in small local labour markets, policy makers have to consider other options to deal with the risks inherent in lagging areas. It is crucial for these approaches to take account of the fact that the workforce size in many rural areas will shrink, making diversification all the more challenging (although in small rural areas, re-specialisation through a single successful project may induce other projects or attract new residents).

The stabilisation of a lagging area's economy should be part of a process of community transition which plans for industrial closure as a normal event in a non-renewable resource-based industry's life cycle. Stakeholders, including all levels of government, the departing industry and civil organisations, should collaborate on the effective restructuring of communities in transition. This requires a complex and lengthy process involving a variety of interrelated actions, ranging from diversification strategies, labour market adaptation and incentives for possible new industries and residents to public service delivery adjustments and municipal financial stabilisation. Community transition has to be accompanied by time-limited financial support from all stakeholders. This is relevant in Québec where communities dependent on property taxes are strongly affected by falling property values and lost employment income. Short-term investments could take the form of a stabilisation fund.

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*...both in traditional primary industries...*

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While diversification focuses on the development of competences in promising industries, comparative advantages and new knowledge-based developments in traditional sectors should still be valued. Although declining, Québec's agriculture, forestry and mining sectors remain a vital part of the rural economy and generate additional employment indirectly through their demand for local goods and services, the marketing of non-timber forest products and new extraction technologies. However, as in the case of parts of manufacturing, primary industries will not contribute strongly to the future economic growth of rural regions, which will necessarily come largely from the tertiary sector.

Québec's agricultural support system should tie support to farm income, independently of the type of agricultural business and production. This could promote the development of agriculture and other sectors of the rural economy. All over Canada, the OECD estimate of government support to agriculture has been declining, and a decoupled system of support focused on business risk management has been introduced in much of Canadian agriculture. However, the situation varies: the output of certain commodities prevalent in Québec still receives strong support. Although support also goes to some smaller producers, many of the sectors supported have particularly high incomes and large-scale farms, in part reflecting higher consumer prices than those prevailing on world markets. A system decoupled from production objectives that gives producers incentives to diversify their operations would be in line with policies in many OECD countries, where support has shifted from commodity output towards different types of support, often linked to land-use objectives. This would facilitate taking advantage of emerging market opportunities in higher value-added sectors such as organic and other certified food and forest (timber and non-timber) production.

There is room to enhance the involvement of local governments in the management of natural resources. Regarding the decision-making framework for natural resource management, the government is right to seek an increasing role for regional and local actors. However, MRCs and aboriginal communities still have little legal decision-making power regarding the use and management of natural resources on their territory. Stronger involvement of rural communities and MRCs could enhance opportunities for local development. Putting MRCs and aboriginal communities in charge of so-called proximity forests is a promising step towards enlarging their role and giving them a greater say in how forestry planning and management affects their communities. In this regard, local



governments (municipalities) may need support from provincial authorities in the form of transfer of management expertise and monitoring capacity.

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*...and in emerging sectors.*

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The stabilisation strategy should use the crisis as an opportunity to put in place a framework for a new rural economy, improve local availability of valuable jobs, and increase the overall endowment of human capital. As an example, many OECD countries have been developing new sectors that can supplant departing industries, particularly in renewable energy production, rural tourism and retirement living.

Development of the renewable energy industry offers very high potential for socioeconomic development in rural areas. Despite low costs for electricity, Québec's abundance of wind, water and forest resources provides a foundation for a strong renewable energy industry. Further developing this potential as part of rural policy will increase the opportunities available to local communities. Hydroelectricity and wind energy are the major focus of Québec's current energy strategy. Besides the important hydro-projects, particularly in the north, the Gaspésie wind energy project is a promising linking of opportunities in renewable energies with rural and regional industrial development. Likewise, resources in forestry and agriculture can increasingly contribute to the production of renewable energy, although policy should avoid locking in specific technologies. To fully benefit from opportunities in forestry-based biomass and biofuels necessitates stronger investments in innovation and transformation of resources. Other OECD countries have gained experience in these fields which may also be valuable for Québec.

Rural tourism and retirement living are important growth industries. Tourism can help to replace lost economic activity in resource-based sectors and give new dynamism to communities although it is not a solution for all rural communities in Québec (particularly given climate constraints). To develop rural tourism, MRCs may need better incentives to co-operate on designing and implementing strategies. There have been some initiatives to promote specific regional tourism strategies, but a better response to specific rural tourism challenges and integration of strategies with supralocal rural activities may be required. Finally more effort should be made to benefit from population ageing and the settling of the elderly in rural communities. Contrary to practices in other OECD countries, Québec has not yet sufficiently considered the opportunities of longevity and an important resident elderly population for local development in health and health-related services, housing and education.

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*The accumulation of human capital can be enhanced by retaining, attracting and creating pools of skilled labour in rural areas...*

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A pool of skilled labour gives rural areas the possibility to focus on innovation and develop emerging sectors at lower cost. The existing pact in Québec between different labour market partners is an important instrument for responding to specific regional labour force needs. Beyond that, concentration of skilled workers can be increased through support for entrepreneurship, self-employment, business expansion and intergenerational transfer of firms.

Investments in innovation and entrepreneurial approaches have a stronger long-term impact on employment creation than the more common policy of attraction and relocation of businesses through financial incentives. Even if it is difficult to demonstrate that new knowledge and networks result in creating or maintaining businesses, policy should support these approaches rather than the more visible approach of recruitment of new employees. As part of an integrated regional rural approach focused on skilled labour, investments in ICT and transport infrastructure as well as educational and health services are also critical for economic success. Business and non-profit organisations can be partners in promoting rural entrepreneurship and innovation, as they face fewer legal and regulatory constraints.

CLD support and promotion of co-operatives can be crucial for sustaining skilled labour in rural areas. Co-operatives are a key opportunity for sustainable rural development as they are mostly based on social capital and community mobilisation. They are active in delivering essential services to rural areas where private sector provision, with its different targets, is decreasing. They can thus help achieve the main objectives of Québec's rural policy.

Another way to enlarge rural local labour markets (LLMs) is through the in-migration of workers, although integrating foreign migrants poses challenges for rural areas. Québec already seeks to renew its population by attracting youth and immigrants and helping them find labour market opportunities and better living conditions in rural areas. Since most migrants of foreign origin live in large urban centres, efforts of non-profit actors to establish a presence among immigrant communities should be strengthened. It is also important to assist rural communities in strategically planning to attract and integrate immigrants and become a “host community”. This requires a multisectoral approach and strong involvement of the local

population, which may have problems integrating new residents and cultures. However, the government and each rural community should also be aware that the creation of an environment for economic opportunities and jobs is more important for a successful inflow of immigrants than advertising the desirability of immigration. The main reason for migrants to settle in a rural area is not government effort but perceived social and economic opportunities.

Finally, policy makers may need to prepare for a new situation in parts of rural Québec where the economy will be smaller and service delivery more difficult to sustain than in the past. The policy debate should attach more importance to challenges linked to adjusting infrastructure and public service delivery in regions where the transition to a new equilibrium is taking place. Despite Québec's rural policy efforts to ensure the continued existence of communities, demographic change will lead to even more strongly declining and aging populations than at present. Innovative delivery of health or education services can delay this trend but will not reverse it.

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*...while access to land in predominantly rural areas should be enhanced.*

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Québec's current system for protecting agricultural land does not differentiate local situations and is applied uniformly across all designated agricultural land. The system does not consider agriculture as a spatially specific activity with varying returns and opportunity costs. A law adopted in 1978 ensures that land valuable for agriculture is not urbanised or used for other activities. This law and a related commission that monitors compliance with the law are biased towards intensive farming, which was the agricultural model viewed as most sustainable when the legislation was designed. However, new agricultural trends such as more on-farm multiactivity, off-farm complementary income and part-time farming have reduced the need for scale in agriculture.

As the situation of protected agricultural land in predominantly rural areas contrasts with that in peri-metropolitan and intermediate agriculture, the legislation should distinguish among different types of areas. The current case-by-case evaluation of requests for development on protected agricultural land should be replaced by a multiannual plan for agricultural land incorporating updated land use and development schemes and elaborated by the MRCs in public consultation. This plan should be managed in connection with the PNR's rural development measures and other strategic planning carried out at the MRC level. Once agricultural land is divided into different categories, the law should be modified for

predominantly rural areas that are not functionally connected to urban centres to promote on-farm economic diversification beyond the activities currently judged acceptable.

Changing the law would also have a significant impact on off-farm activities and promote economic diversification. In remote rural areas where farming is a marginally profitable activity even with high support, off-farm diversification can help slow loss of farmland by increasing the income of farm families. In fact, in line with a trend in the OECD area, Québec farm families have multiple sources of income. While higher incomes may lead to more part-time farming, they enhance the likelihood of preserving land that is farmed.

### 3) Environmental challenges in different rural territories

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*Demographic growth and pressure on rural land should be addressed by protecting land and environmental activities on the urban fringe...*

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Unlike predominantly rural areas, intermediate and peri-metropolitan rural areas should be the target of a specific policy to enhance the protection of agricultural land, ensure the implementation of pro-environmental activities and preserve the natural heritage. While urban expansion should not be entirely prevented, it is necessary not to waste valuable agricultural land, the natural heritage and the landscape for urban sprawl, which has been intense in parts of Québec. As many peri-urban areas, particularly in the metropolitan region of Montréal, have particularly high-quality farmland, co-ordination of urban, agricultural and environmental policy is necessary to achieve a defensible trade-off between the protection of agricultural land, the natural and cultural heritage, and the consolidation and continued development of urban areas.

To be able to set an adequate strategy for their urban and peri-urban agriculture, the Montréal and Québec City metropolitan regions must understand the value and functions of agricultural areas. The value comes from commodity production, but also from their ecological and cultural roles. Their functions are economic, social and environmental, and they benefit society as a whole. As in the case of predominantly rural areas, the evaluations by the commission that monitors compliance with the law have to be more effective. The current case-by-case evaluation process tends to

become judicially bogged down, favouring the rapid marginalisation of peri-urban agriculture in Québec.

The current land protection legislation should be reformed or replaced in Québec's main metropolitan regions by a stricter policy to control urban sprawl. This policy objective can only be achieved once urban and peri-urban residents and institutions are convinced of the value of protecting farmland and green spaces as a collective asset for all citizens. Then, the provincial and metropolitan authorities, together with local farmers and representatives of environmental and local civic groups, should develop a new plan for urban and peri-urban agricultural land. Different OECD countries have gained experience that the authorities in Québec may want to take into account.

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*...while policy in remote rural areas should target the protection of local environmental amenities.*

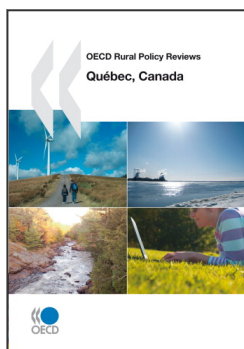
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Rural policy should guarantee that the environmental quality of remote rural areas, which is now strained by the exploitation of natural resources, is included in the government's sustainable development approach. In light of strong relative population decline, there is a risk that remote rural areas are seen as territories to be exploited rather than an integrated part of Québec's "rurality". A perception that favours imprudent handling of environmental protection and the exploitation of natural resources could threaten the quality of amenities and create problems relating to the emission of greenhouse gases (GHG) and other pollutants. Both Canada and Québec have started to consider the environmental sustainability of rural and particularly resource-based communities later than other countries. Only in 2005 did Québec introduce legislation to ensure that forestry management will maintain biodiversity and that ecosystems will remain viable while meeting socioeconomic needs. In 2006, a sustainable development law was adopted.

In the spirit of the efforts made by the government of Québec, rural policy and its local-level implementation should be more strongly involved in strategic decisions regarding the management of natural resources. This could give rural communities a role as watchdog to protect local amenities and facilitate their access to the benefits they can generate.

## Notes

1. For this assessment, the OECD and the *Ministère des Affaires municipales des Régions et de l'Occupation du Territoire* (MAMROT) created a regional typology which classifies rural Québec into four categories: *i*) peri-metropolitan rural areas, that are outside large urban areas; *ii*) intermediate rural-areas, which are rural areas close to an urban centre; *iii*) central predominantly rural areas; and *iv*) remote predominantly rural areas. The rest of the province, northern Québec, is not considered owing to the extremely low population density and the existence of agreements with native populations.
2. “Residential economy covers all the activities generated on the local level by the consumption of the population living on the territory considered.” In: *Cohesion Serving the Regions (press kit)*, Informal Meeting of Ministers for Spatial Planning and Cohesion Policy, 26 November 2008, Marseille, France, [www.eu2008.fr](http://www.eu2008.fr). The term is usually used as the opposite of “productive economy”.
3. An *écoumène* is a continuously inhabited territory. In Québec this includes 1 100 municipalities mainly in the southern part of Québec (south, northwest and along a small strip northeast of the St. Lawrence River basin), where the large majority of the provincial population resides. This *écoumène* alone covers an area as large as New England in the United States.
4. To assess the impact of distance on regional performance in predominantly rural areas, the OECD calculated the average linear distance of MRCs from Montréal and Québec City. The distance is expressed in kilometres. All rural areas with an average value of less than 300 kilometres are considered close to metropolitan centres.



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