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# Moving from Options to Policy: Rethinking Rural Policy Governance— General Discussion

*Moderator: Mark Drabenstott*

**Mr. Drabenstott:** Thank you very much, Fabrizio, and Richard. Now we turn to all of you. This is your chance to probe further into the fascinating policy experiments described this morning.

**David Darling,** *Kansas State University, Department of Agricultural Economics:* Mr. Barca, could you expand a little bit on evaluation of projects, because when I speak about evaluation to the people I serve in Kansas, they seem to be disorganized and not on task? I would like to hear your elaboration on that idea. Thank you.

**Mr. Barca:** We discovered the same thing. We started from realizing that very often both public administrators and politicians were picking up projects with no particular criteria, not because they had a particular collusive link with private interests but because they had no way to tell credible stories of why they chose A instead of B. What we did was to make the integration evaluation unit a chance to link to that as they saved some resources, and we set up a unit of the Treasury that put together this plan—a 19-people unit. People come back to Italy from the World Bank or from other areas where they had decided they would better use their brains. They have been helpful in setting up these evaluation units, often through public selection. I can tell you what has just happened in the very remote region of Calabria, which had never had any experience in that. They have selected 27 people through a rather complex four-month process with a good wage, as you can expect, and different professional

skills. But I cannot tell you how well they will perform, because this just happened about a week ago.

**James Spehar,** *Rural Resort Region:* I'm from Colorado and have spent the last five or six years working with regional partnerships in a variety of geographic and subject areas. As I have worked in those regional partnerships in this country, we have tended to try to bring together a variety of agencies around a specific task. Also, more often than not, we have left each of those agencies more or less in charge of their own particular part of the funding that we try to amalgamate to do a job, and the end result is often the same. Everybody at the table is interested and anxious for reform, but when push comes to shove, the answer is, "Not with my dollars, you don't," because they tend to want to use their dollars in their traditional areas. I wonder how you have addressed that issue in your partnerships in Great Britain and Italy, and what advice you might have for us in that regard?

**Jeffrey Gerhart,** *First National Bank of Newman Grove, Nebraska:* Just to set the stage a little bit, I am a fourth-generation ag banker. I was curious, Richard, did you include any banking organizations on your list for the rural task force?

**Joe Reorda,** *City of Trinidad, Colorado:* I don't see anybody in bib overalls here. And we are talking about farmers and ranchers. How is that information disseminated to the people in the trenches, so that they understand what we are trying to do for them?

**Mr. Drabenstott:** Thank you. Okay, we have three questions. The first, in addition to having local agreement, how do we ensure that we have funds that can be committed to projects? Second, what is the role of the financial community and bankers in arriving at decisions on local economic development, and particularly are they involved in the foot and mouth disease crisis management? And, third, I think a very useful question, how do we get all the players at all levels in the local community engaged and not just let this be an exercise among the professionals? Who would like to go first?

**Mr. Wakeford:** On the issue of banks, the Treasury actually takes a sponsorship role in relation to banks. One of the earliest actions was to get the four major banks in Britain together to say, "This is a crisis—how are you going to treat your customers?" They had been closing branches in rural areas over the last few years, so banks already had a guilty conscience. They were delighted to be writing to all of their customers and offering extensions to their overdraft facilities and so on and so forth. The banks were fully involved.

In terms of how one communicates with people in bib and overalls—that is not actually what farmers wear in Britain, but I know what you mean. We have relatively few farmers. In England there are about 225,000 farms, because our farms are actually much larger than the European average. We also have a very effective national farmers union, which is very good at communicating with its members. On top of that, the man from the government—as it were—is an agency which is called the Farming and Rural Conservation Agency, which employs 400 or 500 people. Their job is to go out and market agri-environment schemes, the potential for rural development, and so on. There is actually a user-friendly approach. The caution I would suggest is that agency is part of the Ministry of Agriculture. It attempts to advise farmers how to do farming business, I think. The Department of Trade and Industry sponsors rural industry. They have a

small-business service, which advises people how to do things that are not farming. Just occasionally in this diversification, people fall down in the gap. They forget that the farmer is a single person. The farmer is an entrepreneur, who has an asset—which is his land—and his other assets as well. And how he uses those to make a profit will cross the boundaries between different departmental responsibilities. And, we must never forget that.

**Mr. Barca:** On the issue of the funds, I think we tackled it pretty abruptly by from one day to the next by taking the money that had been previously allocated to the main agency operating in the south and the several agencies, and giving these funds to the regional authority. When I said before that 71.4 percent of the funds were in the regional authorities' hands, it means it was up to them to choose the projects or possibly to select a local agency that had been around for a while, as the candidate for presenting plans and then to allocate the money. The problem you mentioned was very much there, and we overcame it rather abruptly in the way I stated. Suddenly, all these agencies had to compete one with one another to actually present some value-added benefit. They could still be in the game, but they had to win the money from the regional authority.

As for the second question on dissemination of information, at the local level the Italian south has been very much held by a very small, minor European program called Leader Program, which was introduced in the beginning of the 1990s. That program puts together money for action groups at the local level to bring together leaders. Actually, it is called Leader with the idea of choosing leaders of local and rural areas. These have not led to major projects being implemented. When, at the beginning of 1980, this major plan came about, many areas in the south had local leaders that had been brought up through these minor programs and were ready to be candidates for presenting projects. On top of that, the role of the evaluation units that we are setting up at the regional level is not a passive

role—waiting for the projects to be presented and then examining them—but a proactive role. These people are actively involved at the local level, helping with potential ideas and directing these local projects, to help make them better candidates for investment. So these are the two ways.

**Mr. Drabenstott:** Next round of questions?

**Preston Gilson,** *Fort Hays State University, Docking Institute:* My question is directed to the prisoner's dilemma problem. Assuming that I am an emotional person and apply some guesses as to my opponent in this thing and I say that it is equally likely that he is ignorant or noncooperative, or cooperative, it looks to me like I am going to come out ahead by being noncooperative rather than cooperative. So, if I react to this in an emotional sense, I come up with a different answer than if I react to it in a rational way. Like yesterday's comment that maybe the rational thing is to get rid of land grant colleges. The result was that everybody reacted emotionally.

**John Gardner,** *University of Missouri, Agriculture & Natural Resources Extension:* This is a question both for the panelists and you, Mark, because I know the Center has talked about this regionalism, the devolution of authority. Could you compare and contrast Europe and the United States, and discuss our ability to take ag and rural policy to lower levels than the federal government, and which ones should those be?

**Brian Dabson,** *Corporation for Enterprise Development, Washington, D.C.:* I must admit I had a touch of homesickness seeing the slides of rural England, but also not so much about the usual bureaucratic chaos that I left ten years ago. I was hoping someone would ask about the regional development agencies. They seem to be an undemocratic consortium, an additional complication in the whole system. What is the prognosis for their continuing survival?

**Mr. Drabenstott:** Three very good questions. The first two seem to have a common thread. How do we begin to think about regionalism? What do we learn from the RDA experience in the UK? And, perhaps, what is the prognosis for the new regional emphasis in Italy? A fairly separate question that deals with the prisoner's dilemma: How do we really encourage cooperation at the local level when passions may be running higher than reason? So, panelists?

**Mr. Wakeford:** Shall I start with the bureaucratic chaos? Thinking about the presentation that I was going to make today led to me ask, Is it really like this? In practice, it is a bit like it, but it is not as bad as it sounds. It is like any recipe that you put together. It looks much more complicated on paper than in practice. But I think we are in an unstable position.

So, the prognosis is this: The Tories win the election, which is not being called but everyone believes it will be held on the 7<sup>th</sup> of June. They will actually get rid of the regional development agencies and pull that function back into democratically elected central government.

If Labour wins the election on June 7<sup>th</sup>, their manifesto is reputed to say that they will take the regional agenda further and deliver regional assemblies of an elected kind—democratically elected regional assemblies. I suspect if they do that, the other institutions I talked about at the regional level will start to be drawn into the same process. The regional development agencies may well then become the economic arm of something which is much stronger regionally because it will also distribute European funds according to regional agriculture and rural development plans.

How do you apply that in the United States, what levels do you come down to? It is really quite difficult, because in the United States there is an enormous variation. I spent a lot of time in New Jersey and in Pennsylvania. Even the contrast between those two states is enormous. One is clearly periph-

eral market gardening and trying to save the green acres of New Jersey because they are public amenities rather than serving any other great purpose—agriculture is not a strong feature in the state. Rural Pennsylvania, I gather, has more rural people than any other state in the nation. So, the issues there are rather different. Whether we are talking in U.S. terms about regions at the state level, in terms of Pennsylvania, I would have thought that was a manageable thing—or whether we are talking about groups of states where states have a degree of commonality, in terms of the subjects they are tackling, which you get in the Plains states, the New England states, or whatever.

I would not like to exercise any view at all, because my job here has been to show how we have done it and stimulate your thinking. Inevitably, it will be you who come up with the answers. That kind of size is something that is flowing throughout Europe now. The size of the population of between 5 million and 10 million, it is what they are doing in Spain in terms of antinuclear and so on. It is what has happened in France, where departments have been combined into fairly large chunks. I gather it is what is happening in Italy. It is what has happened in Germany, where the rural area had a very direct relationship with the European Community. There are some people who are saying this is being encouraged by the European Union as a route toward federalism. Because, if they deal directly with the regions in each European country, then the importance of the nation-state will diminish. That might be the sort of argument we only see in British papers.

**Mr. Barca:** I don't think we see it only in British papers. The regions in Italy have always been democratically elected, at least since 1970. That is not enough. Those regions did not have a penny, particularly in the south of the country. Those regions had near them a very Big Brother that was the national agency for the south of the country. It was up to this agency to choose what to do or not to do. When Professor Putnam studied the Italian situa-

tion and decided that there is a historical difference between the two areas and he traced the failure of the south to unchangeable historical circumstances, I think he was very wrong. He did not realize, in his otherwise very important study, that in the center and north you did not have a Big Brother nearby who was spending the money and that the failure of many regions was linked to the fact that they did not have resources. They were not credible. There was not much at stake. The big change has been to return the resources to the regions and that is making them more responsible. It is actually creating a competition. The governors of these regions, as we call them, were elected a year ago to a new system that allows more stability in government, actually more than there is on the national level. As formerly mentioned, they have 44 billion lira to spend. At the end of 2002, there will be a first check, and at the end of 2005, another check on how far their economy has grown, which is unprecedented, compared with the last 20 years. This is what gives the political market an impact and makes people work. That is why they are selecting and changing the administrative structure. You know how costly it is for politicians to change the administrative structure. They have extremely strong lobbies not to change the administrative structure. They are changing it, because they don't want to lose. All the time, it is cooperation and competition. What are they doing? Are they doing well? Have they spent properly? This is one point.

The second point is on the prisoner's dilemma. I think your point is absolutely correct, but I would not call it emotional. Actually, I didn't have time to elaborate. If you solve that very rationally, if you have half and half, a 50 percent chance of the parties being knowledgeable, a 50 percent chance of them not being knowledgeable—and then if the parties are knowledgeable, you have a 50 percent chance of cooperation and a 50 percent chance of noncooperation. That serves the purpose of showing what the local authorities can do to alter the parameters of the game in the people's rational,

rather than emotional, behavior. If you actually are a credible authority, you are likely not to allow the unknowledgeable guys a place at the table, only the representatives of the well-established associations. You are likely to bring to the table innovative potential leaders, and everybody will be more cautious and they will change the likelihood that they will cooperate. An even more poignant example: If the local leaders know yours is the only table where things are being decided—i.e., that if a good proposal does not emerge from that table, then the local community will lose money altogether—i.e., if money and resources are not exactly preallocated, and this is one possibility, then you can go the other way: You can give the legal amount of money whatever happens, or give a big amount of money but link it to evaluation approaches. Probably, the cooperative attitude and what you expect about other people's cooperative attitude changes, because you know that if you miss that table you miss access to resources for a couple of years.

**Mr. Drabenstott:** Just to follow on to John's question: At the Kansas City Federal Reserve we clearly don't have a sense of regions in mind. However, we think if you combine three facts, the power of regionalism continues to grow.

First, we had a lot of discussion yesterday about critical mass in rural America. That is obviously going to be one factor. Second, I think there is a clear sense of "economic" regions having emerged that have outstripped our traditional policy boundaries. Third, I think there will be a fiscal urgency in many administrative regions in rural America that will lead many to think about issues much more regionally. When you combine all three of those factors, it seems to us that regionalism is a concept that probably is going to get much more currency in rural discussion.

**Wayne Fawbush, Vermont Sustainable Jobs Fund:** Richard, your last comments about developing the framework and then promoting local initiatives by trusting people: We actually tried to get through

that prisoner's dilemma by structuring a funding situation based on the level of cooperation. It worked for about six years until it became an assumed entitlement by those local governments—i.e., the counties within the states. My question is, How do you take a good idea that promotes initiatives and a regional approach and keep it from becoming over time an entitlement program and another problem?

**Thomas Creighton, First National Bank of Flagler, Colorado:** This sort of covers the whole gamut and is something of a rhetorical question. A lot of discussions over the last day and a half have brought us to looking at a distinctly different paradigm for world development. When we look at the organizational issues, they seem to be really quite different from our existing structure of federal bureaucracies and the federal structure of state and federal governments in the United States. Is there a chance we can really make progress on this stuff?

**Mr. Drabenstott:** Two questions: How do we start with a brilliantly designed policy and prevent it from becoming an entitlement?—which is a very useful question based on some historical experience. And second, how do we get from here to there? What advice do you have for us, having sat through the last day and a half?

**Mr. Barca:** How to prevent it becoming an entitlement: I think there is a particular reason why people do not think what we are doing will become an entitlement. This is a once-and-for-all game. This is from 2000 to 2008 in terms of actually expanding programs. We know very well that, if these regions are successful, they will reduce the amount of money transferred through the European Union to these areas. There is a sense in the communities, and in the newspapers, and this is the way it is in the country talk, that this is the last chance the south has to have a huge amount of money purportedly spent in these areas. That helps. It has helped in building momentum in these areas. When you are targeting projects, if you grade on competitive asset

environment, in which different local communities or pacts of different local communities (possibly over state boundaries), the communities know that they compete for money. In this case, there is a sense that the money you gain is for a particular project that must be achieved. That still leaves the chance—very likely—that the people who have come together to carry on a project will turn into local agency territorial pact. The ones that turn into local agencies have some employees with some activities going on, so they have some consultancy. The point was made yesterday quite clearly. Some of them will survive after the money is gone if they do provide value to the people, and they will probably raise money at that point from the communities. Many of them will collapse. We have to be credible or the federal level will not pump money into these agencies. There will be a point after which they must become sustained by the community.

How do we go from here to there? It is a very difficult question. I know that in Italy, without needing to have such a tremendous, horrendous, dramatic event, we did move because we had a sudden sense of a break of a social conscience. That is the point I made before. It became very clear, as if all of a sudden, all rural communities perceived that a social conscience was actually falling apart. After that came a moment of lack of resources. That's when you had better be ready to offer the country as a whole—in our case, Europe as a whole—a new conscience. The bad way that the resources in the south of Italy had been managed have made it extremely difficult for Italy to get an adequate amount of resources. We lost considerable funds in the 1999 agreement in Berlin. Points were made which were wrong, but we could not sustain our points. We would have needed more money and we had a chance to do it but could not do it. We were not credible. And the sense of lack of credibility is very much the sense of the people of the south—both in urban and rural areas—that even for 2008 and 2006 and 2002 and 2003, if they have achieved good results, it would be a chance actually to get

some more funds, because of the results. So, I think this sense of rebuilding a social contract is a way to move from one place to a new policy.

**Mr. Wakeford:** I agree with everything that Fabrizio has said about how you withdraw, how you achieve, and then how you try to get communities going with their own momentum. But as an interactive agency, we have to keep finding headroom within our budget to do new things. In order to do new things, we have to stop doing old things. In order to do that we try to reduce the ground level, so that it might start with 75 percent, which is why the parishes will get very, very small things. That is how to secure value there. Put some dollars on the table; we'll put the rest on. Over time, we'll try to pull that back to 50 percent, 33 percent, and so on. But ultimately, if the communities don't feel that some good is coming out of that, then it may well collapse.

My theory is that it collapses for a very British reason, which is our obsession with central government. There is an attitude in Britain that *they* should fix everything. Not that the answer is in our hands, but that *they* should fix something, which is why I am always so excited when I come to the United States. There is a much more entrepreneurial attitude here, partly funded by the large number of charitable trusts. So they are doing wonderful things. In Trenton, when the central Trenton was declining and they were having problems there, a not-for-profit group came together, won some money from some funds, got some councilmen on board, because they knew if they didn't do something about it, nothing was going to happen. The British psyche is sometimes a difficult problem for the government. Everything gets elevated to the government. So, I always love to see if we could actually push those things down. That is an illustration of one national characteristic that is very different between the British part of Europe and the United States.

How then can you make progress? I have been sitting in this conference thinking, What will the people sitting here make of some of these presentations? The opening presentation inspired me, because there were so many themes coming through, which I could see were in the papers. I started to write on the top of my speech, “Must cover this, must cover that.” I didn’t so it was okay. There are so many things that we *could* do together, because we have the same issues. I am sure as I said just now that there must be a way in which we can internationally learn from each other and understand what we mean by the potential to use amenities.

I come back to the point I made to the National Farmers Union at the last rural talk I went to, because they said to the Ministry, “We must get back to normal as quickly as possible.” No one else is saying that we must get back to normal as soon as possible. And I said, “We are never going to get back to normal. That normal doesn’t work anymore. We need a new normal.”

So we want to use this crisis in a sense to come out, and there will be a fundamental review, and we will have rural development in which agriculture plays a significant part. And I don’t believe that is something that is uniquely British. And when we heard the OECD presentation yesterday afternoon, we found it is happening in a number of other countries as well. That is where the opportunities are—to inspire and inform each other. At the local level in the United States, I just take that some of the things that you hear will stimulate you not to look at how do we respond to this crisis and try to get rural American back to normal. You have to get it to where you want it to be. That means having a vision of rural America in 10 and 20 years’ time, working out what you need to do to get from here to there. Only you can do that. But, for goodness’ sake, borrow as many ideas as you have heard here. That is the way that knowledge goes forward.

**Mr. Drabenstott:** Please join me in thanking our panel this morning.