
Leveraging Amenities for Rural Development: Direction, Dialogue, and Negotiation

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Rural areas are now at a critical juncture given the declining relative value in traditional forms of rural production and rising value of rural consumption in the form of natural, scenic, and cultural amenities.¹ A central dilemma is presented by the anti-Mathusian result of prodigious capability for production of food at a time when societies express the desire to preserve the landscapes, open spaces, cultural heritage, and option value of rural living. Both trends have the inexorable force of changes in technology or preferences. The “Old Rural Economy” can no longer hope to be reinvigorated by merely reformulating old policies to correspond to this new reality. Some key preoccupations in OECD countries concerning the restructuring of agriculture, reform of agricultural policies, and the challenge of meeting sustainable development objectives clearly recognize this. Our aim is to suggest that amenities can make a substantial contribution to this reinvigoration in two ways: by introducing new sources of value and by inducing critical thinking about the objectives of rural policy and ways to accomplish them. In fact, in the search for forward-looking and durable policy strategies, consideration of natural and cultural amenities fosters a *paradigm shift* that appreciates these requisites:

- The fundamental transformation of rural areas from places concerned solely with production to places of consumption
- The changing role of agriculture which *still* shapes the rural landscape and remains a cru-

cial component of rural economies, but is part of a wider economic structure which encompasses agriculture

- A new place for rural policies that endeavor to cure rural ills by focusing on strategic investments enabling the development of local institutions and entrepreneurial capacity rather than maintaining centrally managed subsidies for a fixed set of traditional activities
- The need to improve partnerships among different levels of government (local, state, national), public and private actors as well as the civil society, and target a broader agenda for territorial development.

We begin by broadly outlining the opposing sides in the multifunctionality debate given the new interest it has sparked in rural amenities and its useful point of reference for discussing rural policy. This reference is necessary for characterising the implicit social contract with rural areas and suggesting the outline of a new social contract. Given the entrepreneurial basis of this new contract, evidence of demand for rural amenities will be provided. This evidence is used to suggest that the first obstacle to an amenity-based rural development strategy—appreciation of the potential value of nonproduction aspects of the rural environment—is increasingly less daunting. This is followed by a discussion of characteristics that differentiate amenities and the strategies and policies that have been productive in their valorization and guaran-

teeing adequate provision. The critical engagement of actors in the dialogue and negotiation of collective arrangements for the sustainable use of amenity resources concludes our discussion of the essential ingredients of territorial policy with a strong amenity “flavor.” Examples from rural development experience in the U.S. and other OECD member countries are used throughout to make the arguments more concrete.

THE POSSIBLE ‘MULTIFUNCTIONS’ OF AGRICULTURE

The term “multifunctionality” has been used to describe the many potential outputs of agriculture in addition to food or fiber sold in the market. For example, the production of goat milk may also require maintaining upland pastures that increase the aesthetic value of scenic vistas in mountain communities. Animal waste is another positive externality of the primary agricultural activity of goat dairying. According to standard economic theory, efficiency is best served if these externalities can be internalized so that primary production decisions are based on net social benefit. Given the improbability of this first-best case, regulations, norms, or taxes could be used to reduce the social costs of primary activities, while subsidies could be used to increase social benefits. The crux of the policy debate over multifunctionality is whether domestic subsidies are an appropriate way to promote positive domestic externalities. This is neither a new issue nor does it concern only agriculture. However, the growing attention given to the noncommodity outputs of agriculture coincides with the opening of WTO negotiations to make further reductions in trade distortions, which countries already agreed to limit in the Uruguay Round Agreement on Agriculture. Some member countries are concerned that reductions in production-linked support and trade liberalization may, through a decline of the volume of food production in certain countries, reduce some of the positive noncommodity outputs of agri-

culture below the levels desired by society. Conversely, there are fears on the part of the trading partners that those countries might try to safeguard the continued protection of their domestic food markets, or even expand these outputs through measures that lead to increased food production. In short, underlying the debate on multifunctionality are some “nontrade concerns” that have emerged in the context of multilateral trade negotiations.

A general criticism in this current debate over the proper level and role of subsidies to agricultural activities is that the use of a single instrument to satisfy a number of very different policy objectives is prone to inefficiency. Rather than using the amenities objectives to justify continued trade-distorting subsidies to agricultural production, governments should target the provision of these amenities directly, if the strong social valuation is in fact genuine. For example, to compensate current farmers directly for the maintenance of hedgerows or stonewalls or scenic pastures rather than through support of various production activities that may have a looser association with these objectives. This standard recommendation corresponds to the well-known result from the theory of economic policy that, in order to simultaneously achieve a set of objectives, the number of policy instruments has to be equal to or greater than the number of goals (Tinbergen). Moreover, the standard policy recommendation in situations where a combination of private and public goods is produced, is to let market forces freely determine the level of production, consumption, and trade of the private goods. At the same time, any underprovision of public goods and any positive or negative externalities should be addressed through targeted and decoupled policy measures.

Apart from this general point, let’s consider closely the nature of positive externalities underlined in the debate on multifunctionality. Frequently cited multifunctions of agriculture include improving the quality of the environment, fostering viable rural communities, and ensuring an ade-

quate supply of natural and cultural amenities. The debate does not revolve around the desirability of these values. Rather, the source of contention is whether agricultural production is a requisite of these positive “multifunctions” or if they can be secured in other, potentially more direct, ways. In extreme simplification, some argue that agricultural activities have resulted in the co-evolution of rural landscapes and wildlife habitat for centuries and so agricultural production is intrinsic to the sustainability of amenities. Others, mainly in countries where agriculture emerged in modern times, put their emphasis on the role that agricultural production may play in degrading ecological systems, which is more apparent in the context of intensive methods that have drawn land into cultivation to meet market demands. It seems that both points of view have merit, consequently a universal solution to this debate is not available, and the contention can only resolve to a laconic “it depends.” Agriculture in itself does not always ensure positive multifunctions. Often it does the opposite. Still in many areas and for certain specific productions it can provide important opportunities for fighting decline and even for furthering economic development.

In fact, there are significant and well known negative multifunctions of agriculture in the form of soil and water degradation due to excessive fertilizer and pesticide use, and diminished biodiversity (Mullarkey et al.). A recent OECD (2001a) publication on environmental effects of agriculture confirms that this is a valid concern given the mixed scorecard of the environmental impacts of agriculture in member countries. Despite some improvement in the environmental inputs of agriculture, levels of environmental damage caused by farming remain high. Agriculture has a major influence on the environment and amenities, as it accounts for around 40 percent of total OECD land use and 45 percent of water use. Farming can help conserve wildlife habitats and preserve beautiful landscapes. But it can also do a great deal of harm to the environment and amenities. OECD indicators on the

impact of agriculture on the environment over a 15-year period show that the levels of environmental damage caused by agriculture remain a key concern to policymakers in most OECD countries. On balance, there has been a reduction of nitrogen and pesticide loading of rivers, lakes, and ground water, and a decrease in the level of agricultural greenhouse gas emissions. But farming is having harmful effects on biodiversity, habitats, and landscape features in some regions, and risks of further soil degradation and water resource depletion persist.

In this context, the single instrument to promote positive externalities from the multifunctional perspective is too blunt to address the potential negative consequences of the policy. Production subsidies that raise profitability of extensive agriculture may reduce the desired quantity and quality of rural amenities, while instruments such as labeling, transfer to farmers a part of tourists expenses via tourist taxes, transfer to traditional farm families and villages (instead of farm production), purchase and transfer of land development rights may have higher efficiency. Tuscany without olive trees might no longer exist, while with many more olive trees as a result of subsidies could be renamed Andalusia. Policy reform to phase out the most distorting forms of support and use better targeted measures is required. A point with growing importance for policy reform concerns a move from sector-based policies to place-based ones. Such a move may provide an alternative third way that is applicable to rural development more generally. The common feature of both sides of the debate on multifunctionality is to implicitly regard farmers as recipients of subsidy—either attached to tradable commodities or to nontradable outputs (e.g., environmental services) from some menu that presumably is known and can be valued. Thus, both sides maintain a purely allocative role for policy: how do we ensure optimal provision of valued goods? But as largely unexploited sources of value, amenities force one to consider a more dynamic role for policy, more related to development than distribution,

and more connected with rural issues than with agricultural ones.

The role of agriculture in supporting rural employment and consequently in ensuring viable rural communities is declining. In most cases farmers are fewer than in the past, rural is no more synonymous with agriculture, and agriculture is no longer the backbone of rural areas. Thus, viable rural communities may be better assured by comprehensive area-targeted programs rather than by traditional agricultural production-linked payments. In other words, an approach that extends far beyond agriculture is required to cure current rural ills and a new social contract needs to be established with rural areas. The interests of the majority of rural citizens, and even most farm families, are no longer (if they ever were) best served by sectoral policies, since they increasingly depend on employment and income generated by a complex mix of interacting economic activities. This is why a shift from an approach based on subsidising sectors to one based on strategic investments to develop new activities is more likely to be successful. Such a suggestion does not dismiss the usefulness of all policy instruments related to agricultural production. On the contrary, a chapter on farmers may be part of the new social contract. In regions where aging populations and geographic conditions seriously impede conversion to nonagricultural jobs, block grants for area-targeted programs may conceivably give rise to monetary support to farmers. In these regions, as well as in more successful ones, local authorities may decide to devote funds for development to farmers that, ensuring recognized amenities, help to exploit their spillover effects. The point is that area-targeted programs focus on declining and restructuring rural regions or on the place-based spillover of amenities assure limited trade distortions. The same cannot be said for agricultural policies linked to production which raise output in both wealthy and marginal rural regions and, by definition, support the most efficient farmers. In short, a shift from a sectoral to a territorial policy

approach, including attempts to improve coordination and to integrate the various sectoral policies at regional and local levels, may result in cost-effective practices with a higher probability of reaching consensus in multilateral negotiations. In short, a useful perspective for the debate on multifunctionality should focus on amenities as comparative advantages for comprehensive rural development.

INGREDIENTS OF A SUCCESSFUL RURAL AMENITIES STRATEGY

Increasing demand

The proposition that demand for rural amenities is increasing is not contentious. It is consistent with expected changes in the structure of consumption as disposable incomes increase: a shift from commodities to greater consumption of differentiated products and of services—especially those services meant to furnish high-quality experience. In short, amenities appear to belong to the category of luxury goods for which demand is only likely to emerge after basic needs have been met and because the value of additional experiences (marginal utility) is not likely to diminish as quickly as that of, say, additional cupcakes, or cellular phones, or luxury automobiles.

Tourism may hold a privileged place in the collection of luxury goods and services. As shown by aggregate trends, it claims the title of largest export sector in the world economy and its growth continues at a robust rate (about 4 percent a year), recently overtaking the automotive products sector. The total tourism sector of international and domestic tourism is now commonly considered to be the world's largest industry. Moreover, analysis of regions throughout the world suggests that growth has been robust in most, comprising a largely universal trend (World Tourism Organization 2000).

Although single data sources examining trends in experiential tourism are less definitive, the collec-

tion of weak evidence appears to coalesce in a strong conclusion. To wit, the various types of experiential tourism which are most strongly related to amenity valorization appear to be the fastest growing categories in the expanding tourism sector. Estimates that nature travel increased at a rate of 10 percent to 30 percent each year in the early 1990s surpass the 4 percent annual rate of tourism overall during that period (Reingold). While dramatic growth rates from small bases must be assessed with caution, a 1994 survey of North American travel consumers suggests that the majority of consumers have at least some experience with these types of trips. Vacations involving activities related to nature, outdoor adventure, or learning about another culture in the countryside or wilderness had been made by 77 percent of the sample. The overwhelming majority of the remaining 23 percent expressed an interest in taking this type of trip in the future (Wight). Guidelines promulgated by the World Tourism Organization for tourism development also suggest the increasing importance of experiential tourism in public and private sector initiatives (1998).

However, it is advisable to exercise care in reading too much into broad labels of experiential tourism raising doubts that they may not indicate trends driven by rural amenities. In defining the market as the underinclusive category of farm tourism, the data for North America are much too thin to suggest more than a curious fad.² But the underdeveloped farm tourism sector in North America provides a glaring contrast to its substantial share of European tourism (Long). The latest data indicate that there are 8,000 Italian farm holiday companies, more than 100,000 beds, an average stay of 70 days/bed and an overall total of 7.5 million days of stay. Business turnover is estimated at over \$200 million. To demonstrate the potential impact in a small—albeit idyllic—rural region, the single province of Siena recorded about 250,000 guests in 1996, 75 percent of which were international, with an increase over the previous year of more than 30 percent. These data, despite the exceptional poten-

tial of the Italian rural environment, are ten times lower than countries such as France and Ireland in numerical terms. The comparison of North America to Europe seems to provide the rare development opportunity of identifying a nascent trend in a phenomenon possessing significant potential.

But tourism is not the only possible focus. Residential location choices also support the reasonableness of an increasing demand for rural amenities. Particularly in countries demonstrating high residential mobility such as the U.S., retirement combines much greater freedom over where to live with substantial increases in leisure time. The option of pursuing different lifestyle choices even if they are not realized during one's working life may still be valued by those of us who have little choice of where to live. This argument should not be dismissed as another expression of the grass on the other side always being greener. As long as the roles that women and men aspire to require an urban address, the option value of rural living may increase in step with the daily frustrations of city living but not require an exodus to the countryside.

A combination of statistical and anecdotal evidence also confirms a shift in the location choices of an increasingly important segment of the "New Economy"—workers whose connection to clients or headquarters can often be satisfied by virtual rather than personal contact. The dilemma of choosing to live where you work or to work where you wish to live is disappearing for some as new technological capabilities and the transformation of work are both contributing to the feasibility of greater number of people decoupling their residential and employment choices. "Lone Eagles"—first coined by the Center for the New West to represent footloose entrepreneurs, liberated by advances in telecommunications technologies—appear to be more than a rare species.³

Several analyses link growth trends directly to some measure of natural or scenic amenities.

McGranahan's index combining factors related to climate, topography, and waterfront is strongly associated with rapid rates of population growth over the past 25 years. Analysis by the Center for the Study of Rural America has used this same index to estimate the effect of amenities on employment growth allowing an assessment of the relative magnitude while controlling for a much broader set of characteristics (Henderson and McDaniel). The results verify that while scenic amenities are associated with employment growth (in all sectors but manufacturing), the impact is quite small relative to other factors related to labor force composition or localization economies, prompting the conclusion that "scenic amenities should be the capstone, not the cornerstone of rural development strategies" (p. 20). An analysis of the growth of investment and self-employment income—arguably nontraditional sources of rural income—also demonstrate a strong association with amenity rich rural counties in the West (Nelson). This identification of a new growth dynamic that is more dependent on quality of life than natural resources or production capacity is consistent with the two other analyses that note the strong tendency for the "old" rural economy in the U.S.—based on farming and manufacturing—to be more concentrated in areas with a low level of scenic amenities. While these analyses shift the focus to quality-of-life tactics of a rural development strategy for areas with a rich endowment of natural amenities, not much direction is provided for leveraging amenities dependent on human interaction.

Valuing rural amenities through goods markets is possible by linking characteristics of where a good is produced with consumers' purchasing decisions. The UK Countryside Agency is encouraging consumers to "Eat the View"—to purchase locally grown products cultivated in ways that help preserve the countryside. A survey concluded that 75 percent of shoppers are willing to pay a modest premium for food that accomplishes this but that their buying decisions are often frustrated by supermar-

kets that do not stock locally grown produce even when available (Ingham). Direct selling via farmers' markets has been one solution to this problem and the robust growth of these markets demonstrates a countervailing trend to the increased commodification of agriculture. Geographical indications or appellations of origin are another approach to link characteristics of a place to the quality attributes of a product (OECD 2000). However, the large upfront costs incurred in obtaining a label and considerable uncertainty as to whether it will provide a cost premium in the marketplace diminish the attraction of this strategy. It may be useful to re-evaluate the cost-benefit ratio in light of the new forms of direct selling made available through e-commerce and the advantages that labeling may produce in the virtual marketplace. Certification to some explicit or implicit standard of quality would appear to be one of the best ways to overcome the major drawback of e-commerce—buyers being denied the ability to visually inspect or evaluate a sample of the product. Having made a connection to the consumer, a web page has a distinct advantage in communicating explicit information that is merely implied in a label off the shelf. While labeling of products sold over the Internet can hardly be considered a trend, it may be worthwhile to examine the critical function of labeling in a networked world as a means to mitigate the dangers of commodification through globalization.

All told, there are positive indications of growing demand for rural amenities in the form of experiential tourism, residential location choices, and demand for traditional rural products that are differentiated by place of origin or production method. For those amenities whose provision can be guaranteed by the identification and exploitation of market trends, public policy should be limited to establishing the conditions under which collective solutions to coordination problems can be secured. This topic will be central to a later discussion of how dialogue and negotiation are critical to finding these solutions at the regional level. However, it is also

important to recognize that some rural amenities may not be amenable to a market test of their value to citizens. This is clearly the case where large non-use values are present or where the publicness of the good denies the ability for market valuation.

Overcoming problems of supply

The idea of “amenities for free”—that is, as consequence of the market-driven activities of farming—is helpful in understanding the essence of the supply problem. A fundamental insight from sustainable development is that systems not currently valued in markets tend to be disregarded. This insight would be of little use if people were as prescient as economists often assume. But it is commonly observed that the exploitation of obvious opportunities tends to eclipse any exploration for new opportunities (March). Entrepreneurship can play a role in dislodging tendencies from such lock-in, but this dynamic may be quite weak in the case of rural amenities given the nature of production-based agricultural policies that have inadvertently reduced the need for farmers to develop more complex ways of competing or of cooperating with one another (OECD 1998). By supplanting the need to diversify to guard against price risk or to explore for new market opportunities, these policies have been highly inimical to the development of rural areas (OECD 1990).

A considerable task for an amenities rural development strategy is thus to convince the potential providers that things they take for granted are often valued—or could be organized in such a way so they are valued—by consumers. This presents not only the problem of recognition of entrepreneurial possibilities—itself a formidable challenge—but also diffusing this recognition among a collective of rural actors. In contrast to theories of induced development where a Big Push—i.e., destabilizing forces that create the potential for linkages that will make use of hidden resources in the economic transfor-

mation of a region—provides the impetus for development, an amenities strategy will likely always be more reliant on these indigenous hidden resources. This is because the value of these amenities is premised on the ability to preserve an authentic “otherness.” A successful amenities strategy may indeed bring about an economic transformation, but not in a conventional understanding from traditional to modern. While the injection of some outside resources may be essential to this transformation, the core challenge is to direct local actors to a “focal point” emerging from a sense of shared identity. This focal point then forms the attractor for the accumulation of critical mass required to make the local area a compelling destination. An example taken from the European Leader innovative actions in rural development helps to make this argument concrete. The Tarne des Montagnes in France attracted only day tourists from the provincial capital of Carcassonne, soaking up the landscape but spending little in the area. The “Cathares,” a religious movement and culture that had been wiped out in the Middle Ages, was used to project a compelling identity for the area. The hidden resources of the area were a series of romantic but largely ruined castles and monuments. Using the unifying message of the “Pays Cathares,” these resources were recuperated to provide a compelling attraction. The label “Pays Cathares” has since been used systematically to increase the value of agrofood, craft, and tourist promotion efforts in the area.

The creation of a compelling focal point may address coordination of a diffuse set of actors but by itself will not address the problem of commitment. Getting someone to forego a small current return for a larger deferred return is much more difficult if the latter return is dependent on the actions of others. That is, local actors must possess, or engender, a strong sense of mutual trust. ‘Engender’ is probably the more useful concept as it presumes that the building of trust is possible and that its application is context specific. Thus, the common view that rural areas may be advantaged in their endowment

of trust based on long traditions of reciprocity does not diminish the importance of this problem for new activities. In this regard it is important to recognize that trust does not emerge solely from the calculation of anticipated costs and benefits to cooperate, but also from the sentiment that this would be the appropriate behavior if reflected in the behavior of others. The ability to engage this discussion presupposes a familiarity and acceptance of institutional actors in the region and thus is likely to be most successful if coordinated through local NGOs or tourism associations or county-based cooperative extension. Structuring this activity as “technical assistance” delivered from remote offices of government will fail mainly because information is not the critical deficiency. Rather, the capability to effectively pursue a new rural development strategy will require the combination of a common sense of identity with individual and collective resources.

The one physical necessity that must be met if an amenities strategy is to be successful is ensuring adequate accessibility to an area. It is important to recognize that accessibility involves more than adequate transportation infrastructure. Potential consumers must have some way of knowing about alternative destinations. Outside resources in the form of regional or state tourism agencies can be tapped and this is one area where creative efforts at promotion will be rewarded. Unfortunately, resolving deficiencies in transportation infrastructure are less responsive to the schemes of active imaginations and crafty marketing. But “adequate” is clearly a relative term and will depend upon the accessibility of competitor sites, the attractive pull of the amenities, and characteristics of the target market. Since the attraction of rural amenities are often based on open space—a symbolic distance from urban life—transportation infrastructures that are deemed unsuitable for other activities such as just-in-time manufacturing or next-day delivery may provide sufficient access for tourists. The limiting factor may not be the speed of the final leg of the trip but the ease of traveling to the larger region.

It is only after the potential value of an amenity has been crystallized—i.e., when providers recognize potential external demand and believe that the joint activity for exploiting it may be possible—that the classical supply problems of amenities come to the fore. Our contention is that any proposed solutions to the supply problems of amenities with public goods characteristics, or characterised by the diffusion across a large number of providers, will be ineffective until attention is directed to these potential values. The abstraction from these issues is to be expected given the largely peripheral status of both entrepreneurship and trust in policy discussion. But this is primarily an issue of the effectiveness of different levels of government. In this regard, institutions of local governance are best able to address the concerns raised here that will impede amenity-based rural development strategies.

Overcoming problems of publicness

The discussion so far has intentionally fused a heterogeneous set of products into the single term “rural amenities.” But clearly, amenities differ with respect to publicness and their use or non-use values. The successful valorization of amenities will thus draw on variable combinations of tactics. But thinking tactically is not the best place to start. A socially entrepreneurial approach to the problem first exhausts all plausible potential values before proceeding to the question of whether they can be exploited (or appropriated). With the widest possible range of potential values identified one can then begin to assess the conditions under which they may be valued in markets—a possibility increasingly likely in instances of increasing demand. This may be rather obvious in the case of amenities that have high use values for easily identifiable beneficiaries. For other amenities the challenge will be to find ways to internalize externalities, redefining property rights or other means of transforming public goods into collective goods amenable to a market solution. If the possibility of market valuation is unlikely,

then attention can be directed to assessing the social value of an amenity in the form of taxpayer willingness-to-pay and mechanisms under which providers can be compensated. Examining these issues can take advantage of the conceptual framework from the OECD research program on rural amenities that began in 1992.

The classical basis of the supply problem is found in the relative publicness of an amenity. Most rural amenities are to some extent public goods, having nonrival and nonexcludable characteristics. In the pure case, the available supply of nonrival public goods is not decreased by individual consumption. For example, a lighthouse once built and functioning provides an identical service to each additional ship without increasing its operating costs. Amenities valued for their mere existence—such as biodiversity—are completely nonrival. In contrast, the number of fish, game, and forest products decreases as people hunt or harvest, making them entirely rival goods. Most amenities are somewhere in between. In general, nature areas can only absorb a limited number of visitors before congestion starts to reduce each person's enjoyment. A good is nonexcludable if it is impossible or infeasible to exclude anyone from consuming it. The classic example of this is scenery. Nonexcludability often renders the establishment of amenity markets difficult and sometimes impossible. In most cases, private goods are excludable and it is on this basis that markets are created through which people pay for the privilege of enjoying a particular good.

The possibility of finding a market solution to the supply of amenities is thus directly related to the share of potential use values. The relation between tourism and amenities is especially instructive in clarifying the distinction between use and non-use values. A potential use value exists wherever an amenity may contribute to the value of a concrete experience at a definite point in time. In contrast, a non-use value exists where no concrete experience is required. For example, the existence value of a

great wilderness area would be independent of any desire to experience that area firsthand. Option value would characterize amenities that may be enjoyed at some future date but is independent of any concrete plans—for example, the value of Norman Rockwell's America existing somewhere derives from knowing that one could visit, live, or for some possibly paint there. But because these values are not manifest in any current behavior, there exists no market test of their value. The Washington Conference on Valuing Rural Amenities organized jointly by ERS and OECD in June 2000 examined the various challenges to incorporating these values into public decision making so that aggregate social welfare comprised of both market and nonmarket values can be maximized (OECD 2001b). A summary of the conference concludes that while methods for estimating nonmarket values are founded on a strong theoretical basis and have benefited from increasingly sophisticated statistical techniques, the results are still too equivocal to determine these social values. Rather, rigorous analysis is best viewed as an important input to the policymaking process where the determination of what nonmarket amenities are valued and at what level results from the dialogue of interested parties.

The fact that some rural amenities may be characterized by a substantial share of non-use values greatly complicates finding a market solution to support their optimal provision. Two very simple principles—the Beneficiary Pays Principle (BPP; Brown) and the Provider Gets Principle (PGP; Blochliger)—are helpful in assessing the likelihood and efficiency of (quasi-)market or nonmarket solutions. Analogous to the provision of public services, the BPP would require the tax burden be distributed according to the benefit that taxpayers derive from the public service. This is not only just and equitable but also economically sensible in that it allows externalities to be internalized. In the rural development context the BPP would require that beneficiaries compensate providers of rural amenities. It is easiest to apply when amenities do not have

characteristics of nonrivalry and nonexcludability, and when use value is high. An OECD case study from Italy provides an instructive example of how this might be implemented in practice. Associations of Local Families collectively manage community property forests in upland mountain areas. Outsiders gathering mushrooms were damaging the natural resource base of the *Communalie Parmensi*. Nonmarket valuation studies determined that visitors were willing to pay an average 2 ECU per visit for access to the resource. After the levy of this fee began in 1988 a valuable source of income was provided, comprising 50 percent of total revenue of the *Communalie* for maintaining the resource.

The provider-gets principle is a subset of the beneficiary-pays principle in that providers are paid for the amenity, although in this case, the source of funding could come from tax revenues, user fees, lotteries, or any mixture of these. The BPP is more rigorous in economic terms in that only those who are prepared to pay the price of the amenity are expected to pay, which theoretically leads to an optimal level of supply given assumptions of no non-use value and no free-riding. But for those amenities that fail to satisfy these assumptions, BPP may result in an inadequate supply due to the unwillingness of beneficiaries that can be made to pay to fully compensate providers. From the societal level, the choice between which principle is most appropriate derives from equity considerations (i.e., how much would people who derive no benefit from the amenity have to pay under the PGP) versus the social costs of suboptimal supply. But these same principles are also instructive at the local level in assessing market and political feasibility of alternative tactics for ensuring provision. Since the likelihood of securing public support will increase with the social cost of suboptimal supply, explicit estimates of these costs may be advisable in some cases. To be valid, these estimates will also have to provide some basis for defining the relevant population of interest, which will also be helpful in comparing the relative share of beneficiaries to nonbeneficiaries.

A detailed correspondence between different types of amenities and the appropriate policy instruments for securing their optimal supply has not been developed. However, examples from the OECD research program on rural amenities provide a rough outline of what this correspondence may look like. The central question that the case study and conceptual work can provide insight to is how benefits from an amenity can be appropriated once an amenity value has been identified. The first possible strategies are those that simulate or transform amenities with strong public goods characteristics into private goods. For example, quality assurance systems may be used to guarantee the link between a specific product and the amenity. In effect, quality labels or product certification internalize amenity value (including especially non-use value) through the market. The Protected Designation of Origin (PDO) used in the EU names “a region or well defined area ... which is used to designate an agricultural product or food originating from that region ... whose quality or characteristics are essentially or exclusively due to the geographical environment, including natural and human factors, and of which the production, processing, and manufacture occur within the geographical area so defined (EU Regulation No. 2081/92).” To benefit from a PDO, specifications must be drawn up defining the geographical production area and method of manufacture of the product, with details of the proof of origin of the product (traceability). The specifications must also describe the product’s effective link with the area. Verification of the specifications is mandatory and takes place at all levels (farmers, processor, retailer). This last point is especially important for the amenity values implicit in the product to travel back through the supply chain as the designation requires that primary products be differentiated.

Another market strategy is to support the emergence and growth of enterprises that help providers realize value from amenities. Objectives of this strategy are to i) conserve amenities as a resource for

development, since it is in the interest of these enterprises to organize and maintain the source of their activity, and ii) stimulate rural development, especially in less favored areas whose comparative advantage is based on amenities. Territorial strategies and networking are two measures commonly used to support amenity-related rural enterprises. Territorially based supports make use of complementarity between several amenities and their immediate environment. Some amenities are sufficiently outstanding to attract large numbers of customers for the rural enterprises that are associated with them. Others can only achieve sufficient visibility by networking with other amenities, either of the same kind or in the same territory. In such cases, emphasis is on networking, or building relationships between enterprises, or even between the amenities themselves. The development of wine routes throughout lesser known regions of the U.S. is one example (Telfer). Another is the amenities along the border trail of Napfbergland, Switzerland, that through networking created a “critical mass” of amenities to attract potential customers to local enterprises despite lacking the drama of many scenic areas in that country.

An amenities strategy that could be made consonant with trade liberalization arguments of agriculture is to remunerate amenity owners or managers for specific actions that are positive externalities of agricultural production. Such payments may be justified by the need to remunerate the provider of a public good, in particular when that good has a high non-use value which cannot be expressed in market terms. Examples of “amenity management contracts” include the Swiss “contributions for ecological services” that encourages socially desirable production methods such as organic agriculture, measures to increase animal welfare such as paddock grazing and free-range poultry farming, and the conservation of the biodiversity (Article 31b of the Agriculture Act, 1992). These contributions involve remunerating, on a contractual basis, the supply of ecological services beyond those prescribed by cur-

rent legislation. Another example of this type of policy instrument is the Contrat Territorial d’Exploitation (Land Management Contract) in France that enables farmers to enter into five-year contracts with local authorities to ensure the provision of nonmarket benefits. Although available to all farmers, priority is given to proposals requiring collective action of small and medium-sized farms. Initial case study analysis of this initiative, however, cautions that care must be taken in ensuring that financial remuneration complements socially desirable practices rather than providing a monetary substitute for the cultural and professional norms that have shaped these practices (Beuret).

The guiding principle of amenities policy is that the valorization of amenities should be internalized so that individuals and territories providing amenities are paid by the beneficiaries, just as if a market existed. Policy will therefore be based on the beneficiary-pays principle. Internalization is either direct through a market stimulated by adequate policies, or through the government paying amenity providers from funds collected from beneficiaries. This is obviously easier for amenities of local rather than national importance, and those for which the access can be limited. Whenever it is technically and culturally feasible to create or stimulate markets, whether for amenities or for complementary goods, this solution is preferred to more interventionist forms of policy. Reinforcing the role of NGOs and interest groups in their capacity to represent and articulate specific social demands (even for non-use value) is another possibility of implementing decentralized mechanisms of compensation. A third possibility is to promote compensation agreements between enterprises who provide and those who benefit from amenities, e.g., between the farming and tourism sectors. An example from Yufuin, Japan, provides a creative solution to the maintenance of traditional agricultural practices that are much less efficient than mechanized methods but provide a scenic milieu that is highly valued by tourists. In 1991, the local authority, the tourism

association and the Spa Hotels Federation, financed “measures for the conservation of the rural landscape by the supply of rice straw.” Payments are made to cattle farmers who buy dry rice straw to use as bedding for the animals and then return the organic matter to the rice farmers.

Given the great diversity of amenities, policies should be regionally specific, be cognizant of the long-term costs of potential irreversibilities, and be re-evaluated on a regular basis to ensure that they are efficacious. The amenities that are most challenging to valorize are those having a strong resemblance to common pool resources. It is not surprising that the provisional list of design principles associated with the sustainable use of these resources may be instructive for thinking about amenities policy that supports a strong territorial role (Ostrom, p. 90). In particular, the seventh design principle requires that “the rights of appropriators to devise their own institutions are not challenged by external government authorities.” This principle of subsidiarity derives not only from the much richer sources of information available to local actors, but also from the requirement that these institutions are derived through processes of consensus building. To be sustainable—that is, flexible and adaptable—the coordination of common pool resources requires local commitment that is impossible to engender through centralized policy. Insight as to how one might solve the problem of commitment is provided by examples of negotiated partnership that characterizes several successful approaches to the valorization of amenities.

The missing ingredient: Promoting commitment through negotiation

Our contention has been that a critical role for amenity policy is to direct local actors to the appreciation of potential amenity values. Understanding the characteristics of these amenities can then help in discussing feasible ways of compensating amenity

suppliers. Devising solutions—especially in those cases dependent on the collaboration of a significant number of actors—will then usually require committing actors to the realization of the strategy. It is in this last entrepreneurial step of the process—the full valorization and sustainable use of the amenity through time—that the social capital available to leverage a solution is in many ways a more valuable resource than the absolute “quantity” of the amenity. Clearly, for those regions that cannot arrive at sustainable solutions, the eventual value of even a bountiful endowment may evaporate. To the extent that some rural communities have demonstrated a comparative advantage in the production of social capital, this may compensate for a more meagre endowment of amenities. The good news is that social capital is almost always more amenable to creation than amenities.

The case of Fillmore County, Minnesota, provides an instructive example of how a modest endowment of natural and cultural amenities can be organized into a compelling attraction. As one of the most agriculture dependent counties in Minnesota, Fillmore suffered severely from the Farm Crisis of the 1980s. The amenities that did exist were clearly hidden resources in the form of State Historic Sites and some buildings on the National Register of Historic Places, the scenic bluffs along the river running through the county, and the absence of any strip mall development owing to the stagnation of the local economy. The natural surroundings are described best as “quaint” rather than “dramatic” or “breathtaking.” These amenities would likely go unnoticed by a passer-by much as they were taken for granted by residents. It is likely that the state bike path built on retired rail beds running along the river would have had little effect on the development prospects of this economically depressed county. But in recognizing the bike path as an opportunity to interest weekend refugees from Rochester or the Twin Cities, the value of the formerly hidden resources became clearer. Communities along the bike path soon realized that the

potential for high value-added tourism based on a combination of preservation and recreation was possible if they could come to some agreement on maintaining their authentic character. A state/local partnership worked to develop hospitality industry skills especially among the growing numbers of bed and breakfasts that were renovating the considerable endowment of distinctive architecture. To refine the vision that residents had for their local community, representatives from Galeena, Illinois, Branson, Missouri, and other rural tourism archetypes were recruited to describe tourism development in their own community.

The example demonstrates the importance of the coordinated action of many individuals to effectively leverage a collection of amenities into a concrete contribution to rural development. Much of the negotiation took the form of traditional zoning debates at the town level that were aided by the coordination of the county government sharing the same vision. The fact that the strategy effectively convinced town property owners that part of this amenity value would be incorporated in housing values provided a large and stable interest in the success of the strategy. The seeming lack of alternatives—punctuated by the farm crisis combined with the rural manufacturing crisis in the latter half of the 1980s—provided a strong impetus to pursue seriously all viable options. The key lesson for higher levels of government from this example is that a modest injection of well-targeted resources in times of crisis may be required to induce a shift in perspective from production-oriented to consumption-oriented development strategies. The fact that various interests of effected parties were well aligned throughout the process, while presenting a useful example of how negotiation may be required to crystallize these interests, does not provide insight to the two key benefits of negotiation of resolving conflicts and the joint discovery of unanticipated possibilities.

Conflicts, however, are likely to emerge in many local debates over an amenities strategy precisely because the contested assets often have alternative uses as production inputs, use amenities or non-use amenities. The developing countries provide the most compelling examples of the net social benefits of negotiation in finding solutions to these conflicts. The urgency of both preserving non-use values of natural environments and the subsistence requirements of local populations supplemented by the productive capacity of these environments present situations that are seemingly far from compromise. Unfortunately, tragic lessons of nonnegotiated solutions seem to repeat themselves. In those cases where an area is cordoned off—to the limited extent this is possible—the perverse result of more rapid degradation is commonly observed. By replacing local norms developed in the interest of sustainable exploitation by legal restriction, local capabilities for monitoring and self-governance are dismissed (Ostrom). But the very complexity of these issues combined with their extensive geographical scale suggests that local governance solutions may always be more effective than policing solutions. The principles guiding how seemingly intransigent positions can come together through the mutual consideration of alternatives has wide applicability developed most extensively in the practice of sustainable development.

The Regional Forest Agreement case study from Australia is instructive of how processes of negotiation can resolve disputes over competing forest uses, clarify the amenity value of a natural resource, and facilitate the development of commercial activities linked to these amenities. Technical forest management plans are essential to a competitive and sustainable forest products industry. But in order to broaden the debate leading to acceptance of these agreements the Australian authorities included as an integral part of the mechanism an exhaustive social assessment process. The aim was to assess the characteristics of each locality to derive a clearer picture of the current and future place of native woodlands (and economic and noneconomic activities associ-

ated with them) in the lives of the communities concerned. In the past, there has been profound disagreement about how the forests should be managed and about whether the needs of a competitive forest industry could accommodate those of amenity preservation. By taking full account of the range of forest values (market and nonmarket) along with their economic and environmental benefits and costs it was hoped that solutions preserving amenities that maintained economic activity based in forest production could be found. This information was then used to predict the likely impacts, both positive and negative, which may be experienced by individuals and groups and to determine ways in which such impacts could be managed. Social assessment was also used as a mechanism to facilitate stakeholder and community participation in the decision making process. Through participatory techniques such as workshops and public meetings, people were involved in the collection of social information relating to their area. Involvement by stakeholders in the agreement and social assessment process increases the broad understanding by all stakeholders of the range of issues being assessed, and facilitates acceptance of the agreement outcomes and compliance in the long term. It also enables governments to strategically target assistance where the agreement places significant adjustment pressures on particular communities and industries.

The policy of regional nature parks is an integral element of overall rural development policy in France that is illustrative of the benefits to be derived from negotiation and contracting. Its aim is to leverage local resources, most evident in significant environmental assets, for promoting rural development. Launched 30 years ago to address problems of regional disparity it was exceptionally forward looking in its focus on sustainable (commitment to periodic monitoring) and integrated (partnerships joining institutional actors in an area with the central government) rural development. There are currently around 30 regional nature parks in France, covering nearly 10 percent of the national

territory and including over 2,600 rural communes and 2.3 million inhabitants. There are currently plans to create another 15 RNPs, and the concept has been adopted in more than 15 countries. Although the decision to create an RNP was originally made at the central government level, since 1975 parks have been established by local initiative. Regions now initiate the procedure of classifying an area as a RNP and draw up the park's charter in cooperation with local authorities, subject to central government approval. The Regional Nature Park Charter binds all partners to the project for a period of ten years, sets the objectives to be achieved, sets out the policies to be undertaken, and defines specific measures for implementing them. The RNPs not only provide a wealth of productive ideas that have been successfully implemented with respect to amenities, but their contractual basis of governance has been critical to sustaining this creative energy over the long term as visions over how to accomplish various goals are made explicit and jointly shared.

As sustainability becomes an increasingly important objective of government, the success of amenities initiatives will require a much more comprehensive approach for directing economic activities to their highest, best, and reproducible use within the limits of a local area's carrying capacity. Research in progress by OECD's Territorial Reviews Division should be of significant interest to rural communities in this regard. The Territorial Review of Siena, Italy, will provide a detailed assessment of that province's *Piano Territoriale di Coordinamento della Provincia* (Territorial Plan of Provincial Coordination). The plan is decidedly innovative in its emphasis on the shared assessment of alternatives (co-planning) suited to the unique institutional and political circumstances of the province. Maintaining the value of the Sienese countryside as a substantial differential resource is a central focus of the plan in an area that has already demonstrated a high capability for valorizing amenities. Lacking a definitive evaluation of the plan's implementation, the

process used in developing it is still instructive of two essential ingredients for success. Ownership of the plan's principles was established through a lengthy and detailed consultation process spanning three years and involving actors throughout Siense society. Consensus on these principles must exist before the specifics of programs or policies polarize discussion, if negotiation is going to result in the joint discovery of possibilities. Comprehensive representation in the programming process must also be assured if these planning principles are to effectively discipline policies.

CONCLUSION

Although the potential contribution of amenities as unexploited sources of value for rural development has been recognized for some time (e.g., OECD 1993), the current debates over the proper level and role of subsidies to agricultural activities have lent much greater political importance to it. Accordingly with a given point of view, agriculture's ability to produce a collection of market and non-market goods as its multifunctions provides a justification for continued subsidies as market forces alone would result in a suboptimal supply of the socially valued nonmarket outputs. This point of view is countered by the argument that these socially valued outputs could be provided more efficiently with policies targeted specifically for their provision that do not introduce trade distortions or unintentionally promote the negative externalities of agriculture. Our central concern has not been with the relative merits of these arguments. Rather with the fact that the contention has blinded both sides to the true value of the amenity issue: a means of opening dialogue with rural communities over how they can realize their full value to both consumers in the market and citizens in the society. If amenity "by-products" can be organized to eclipse the value of the primary activities then arguments for continued agricultural support are less persuasive. Similarly, investigating taxpayer willingness-

to-pay to secure non-use values of rural environments opens the possibility of public support in an area where family farms are commonly recognized as the most effective and deserving recipients in the promotion of "stewardship."

The recognition of the contribution of amenities to rural development has recently become much broader owing partly to increased societal demand for open-space; for an authenticity of place defined by the coherent evolution of economic, cultural, and natural systems; or for quality products differentiated by place of origin. Thus, if demand is increasing, can markets by themselves effectively provide amenities through time? Or is there a need for policy intervention?

We have suggested two main points. First of all, amenities are fragile resources that resemble many of the factors required for tourism development: i.e., in most of the cases, they require a lively local economy if they are to be preserved and valorized. If the local economy fails, then either opportunities related to amenities will disappear or extraordinary investment in restoration, well beyond ordinary maintenance, may be required in the future in order to assure their preservation and valorization. Thus, while amenities may be seen as a potential resource for development, they may need appropriate rural development policies to be directly and indirectly valorized. These rural development policies should adopt an area-based approach extended far beyond agriculture, away from sectoral subsidies and based on strategic investments that are enabling of new and specific comparative advantages in rural areas. There is an urgent need to demonstrate to rural actors that the amenities that are often produced jointly with other rural activities have inherent value and that demand for these amenities is increasing.

Equally important for the effective supply of amenities is the heightened capability of local governance. The valorization of amenities requires creative, local solutions, explorations of new ventures

and, most of all, dialogue among different actors to jointly solve problems of coordination. This in turn, on the basis of a mutual learning process, requires an ongoing negotiation of shared commitment among local owners of land and the built environment, farmers, municipal authorities, NGOs, and national authorities in charge of cultural heritage, agricultural policy, and infrastructure. It requires, as well, periodic monitoring and assessment. Note that the value of rural dialogue goes beyond raising awareness of a wider range of rural constituents. Dialogue is critical to finding solutions to problems

that ask for more than individuals reacting to incentives. Amenities contributing to rural development will require the commitment of individual actors to appreciate and extract value from what is a coordinated or collective activity. Trust in these circumstances is the belief that appropriate behavior will be reciprocated by others in the relevant community of interest. Rural amenity strategies appear to have a strong affinity for partnership-based forms of governance because they often embody the very local identity that has been vital to the creation of capabilities underlying the development of trust.

ENDNOTES

¹ A range of natural and man-made features in rural areas, including wilderness, cultivated landscapes, historical monuments, and even cultural traditions. Amenities are distinguished from more ordinary features of the countryside because they are recognized as having specific societal or economic values. These are places and traditions from which individuals, communities, or society at large derive utility. It is this utility and corresponding value that allow rural amenities to be considered as important resources for rural development.

² In a detailed study of the relatively farming-dependent province of Saskatchewan, 76 vacation farm operators (or 0.1 percent of all farms in the province) supplied roughly 6,500 visitor nights in 1993 (Weaver and Fennel).

³ The often cited analysis of migration data by Salant, Carley, and Dillman confirmed that in one year 3 percent of the sample qualified for their definition of "lone eagles," or an estimate of about 2,600 immigrants to the state of Washington.

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