



CENTER FOR THE STUDY OF RURAL AMERICA  
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*Commentary on the rural economy*



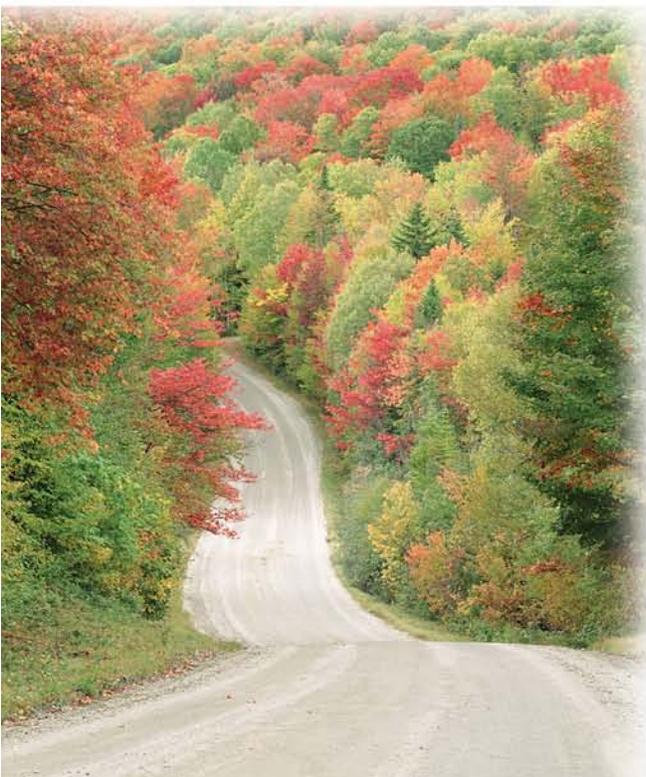
## **New Approaches to Rural Policy: Lessons from Around the World**

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**N**ew approaches to rural policy are badly needed, as past reliance on subsidies and policies focused on a single sector are yielding diminishing results. Fortunately, a new frontier of policy experiments is emerging, and this frontier holds great promise in helping rural regions seize new economic potential.

This was the consensus of more than 120 leading officials and rural policy experts from around the world who gathered near Washington, D.C., on March 25-26, 2004, to explore new approaches to rural policy. The conference was jointly sponsored by the Federal Reserve Bank of Kansas City, the Organization for Economic Cooperation and Development, the Rural Policy Research Institute, and The Countryside Agency (UK).



*Conference participants included over 120 rural leaders from around the world.*

Amid a flurry of new initiatives, participants agreed that new rural policies generally have two distinguishing features. First, they focus on exploiting each region's distinct economic assets instead of trying to develop a sector that will "lift all boats," as in most developed nations historically, where the sector of choice for rural regions has been agriculture. Second, public funds are aimed at constructing the public goods that will spur private sector investments. Indeed, investment is a strong theme of many new initiatives, with a deliberate attempt to scale back subsidies.

### **The need for new rural policies**

Why are new rural policies needed? That question was the starting point for the conference. Participants in the first session quickly agreed that globalization makes new policy approaches essential. Globalizing markets force consolidation in traditional rural industries, like agriculture and manufacturing, bringing economic decline to many rural communities. But there was a strong sense of optimism among participants that rural regions are not doomed to decline. In fact, most rural areas have underutilized their assets and overlooked potential intra- and interregional linkages that can make rural regions competitive in a globalizing economy.

In his keynote address, Alan Greenspan outlined an optimistic vision for rural regions based on technology and trade, which have been the catalysts for past successes. Success hinges on recognizing and leveraging the new opportunities created by local and global changes. Such experiences, Greenspan said, underscore the "importance [of] flexibility in enhancing economic welfare and economic growth."

Rural policy remains heavily oriented toward subsidies, such as those targeting agriculture and industrial recruitment. Yet these policies are increasingly anachronistic to the changing economic base of rural areas—and are likely to hinder rather than enhance prospects for rural dynamism. Greenspan noted that such policies tend to "freeze ... old inefficiencies," leading to distortion and misuse of rural resources.

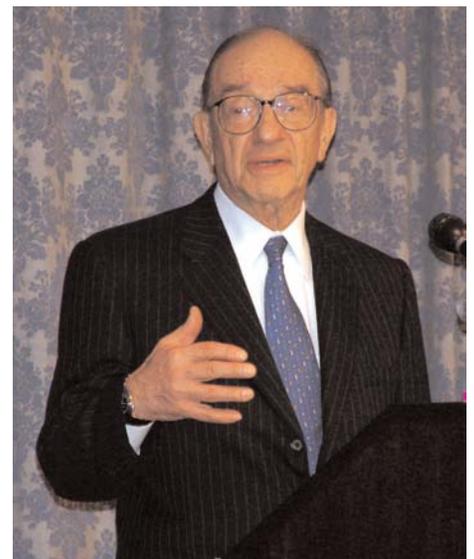
Constance Morella suggested that proper policy perspectives can in fact reduce longer-term dependence of rural regions on subsidies. Rural places can become more self-reliant "by emphasizing or exploiting underutilized economic assets, releasing potential, promoting entrepreneurship, and mobilizing private investment." This perspective was strongly echoed by Gianfranco Micciché, who offered as evidence his own experiences in rural initiatives in southern Italy. "Enough with subsidies," Micciché said.

Policies supporting infrastructure, technology, and networks can help rural regions find alternative economic bases to commodity production. In that spirit, Donald Johnston argued for more cross-sector coordination between agriculture and other industries in light of the reality that "rural is not synonymous with agriculture anymore."

Oryssia Lennie pointed out that in Canada, tele-health, distance learning, and e-commerce are all examples of how "technology can bridge the distance between communities and make amenities and opportunities more available." Johnston added that in Canada such technological solutions are not only equitable but also a cost-efficient means of providing needed services in remote areas.

### **The vision for new rural policy**

Rural policies need to be considered as parts of broader regional and national policies, rather than isolated from them, as has been the custom. This new vision for rural policy by Mario Pezzini served as a focal point for the conference's second session. David Sampson used the research and experiences of the U.S. Economic Development Administration to suggest that regional clusters are the new structures on which rural economies can be based, and visionary public



*Federal Reserve Chairman Alan Greenspan*



*Gilbert Gonzalez, Jr., United States*

policies can set the stage for productive private investment. He argued that “clusters significantly enhance the ability of regional economies to build prosperity because they act as incubators for innovation.” In this sense, rural areas need to think beyond traditional jurisdictional boundaries to create natural regional clusters of economic activity, innovation, and prosperity. While Kees de Ruitter recognized that regional economic policy is a “trial and error” process with “no blueprints,” regions can still usefully learn from each others’ experiences. The need to share policy experiences so that best practices can emerge was a strong theme throughout the conference.

### **The rural policy laboratory around the globe**

The next two conference sessions took a closer look at the spectrum of new rural policies now appearing around the world. The third session focused on policies aimed at building a new rural economy. One prominent theme was that regional partnerships can be invaluable in developing the critical mass of businesses necessary for rural places to compete in the global marketplace. The value of such partnerships was reiterated across different national experiences, as well as across both private and public sectors. Norio Sato highlighted the importance of

public sector partnerships in Japan. Robert Militello shared his private-sector tale of a unique farmer/processor partnership that has paved the way for more than 50 years of success in the U.S. The National Grape Cooperative farmers grow the grapes, while Welch’s Grape Juice Company develops, manufactures, and markets the products.

Rural areas are naturally diverse, which presents opportunities for using their various natural and cultural amenities to build new economic competitiveness. In fact, recognizing and leveraging the value of rural amenities has been a focal theme for the work of the OECD’s rural working party over the past decade. Margaret Clark sketched the wide range of rural industries in England based on the similarly broad spectrum of rural amenities, with an emphasis on small, nimble, niche-seeking firms. She pointed out that 36 percent of registered businesses in the UK are located in rural areas and that often these businesses are established by newcomers to the area.

The fourth session examined many efforts throughout the world to rethink the governance of rural regions. Chuck Fluharty stressed the importance of merging public policy and community action, which all too often act independently rather than interacting synergistically. Such policy synergies are most productive when they recognize the rural-urban continuum of economic development issues. Policy need not favor rural areas, added John Mills, but must nevertheless ensure that such areas are not in fact disadvantaged by policy.

Regional approaches to rural policy put a new set of demands on federal policy and its officials. In general, the federal government becomes a supporting actor rather than taking the lead role. Still, the federal role can be critical in providing the structures that promote rural regions’ economic development efforts. Wolf Huber sees the federal government “organizing this policy

process to keep it fluent and innovative and to increase the adaptability of the whole process of economic and social development.”

In fact, flexibility was viewed as a critical hallmark of new rural policy approaches. There was strong consensus that there is no longer a “one-size-fits-all” federal policy for rural regions. Rather, federal policy must be flexible enough to support multiple economic development strategies, each in tune with the respective region’s unique complement of assets. As an example of this flexibility, Gilbert Gonzalez described how the U.S. Department of Agriculture Rural Development Agency works with federal partners, education and private sector institutions, and local leaders on a range of rural and regional programs. Such programs include efforts to develop high-speed Internet access to enable rural America to compete in a global economy.



*Wolf Huber, Austria*

Rural areas can play a wide variety of roles in the economy, and Nicolas Jacquet sees these diverse roles flourishing through new forms of private and public governance. In France, more than 80 percent of the population live in municipalities that participate in areas characterized by intermunicipal agreements. Robert Militello’s earlier sketch of the innovative partnership between a grape grower cooperative and Welch’s also highlighted a valuable case study in private governance. “Our company’s grape growers are, in fact,



*John Mills, United Kingdom*

Welch's stockholders. The board members of Welch's believe they are elected by the stockholders to ensure the success of the total enterprise—and the total enterprise is from farm to the consumer. They take their governance role very seriously.”

### Where is rural policy headed?

The final session of the conference took stock of where rural policy is likely to go in the period ahead, especially in light of the new policies now taking root around the world. Mark Drabenstott underscored five interrelated core themes:

- Globalization is driving the need for new rural policies. Recalling Chairman Greenspan's vision of technology's critical role in the past and future of rural regions, Fabrizio Barca highlighted the importance of productivity growth for regions' global competitiveness.
- A new rural economy with both challenges and opportunities is developing from the forces of globalization. Policies for a new rural economy will require the support of “robust analytics that help regions assess opportunities with the greatest promise for their unique set of assets,” Drabenstott said. Barca stressed the importance of the private sector in

building new economic engines, noting that regions must find ways to unleash the “animal spirits” of their entrepreneurs.

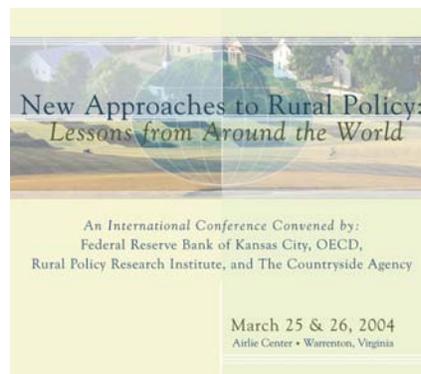
- Innovations in governance are evolving from these new pressures as well, allowing new partnerships and

institutions to strengthen prospects for the rural economy. Sergio Soto Priante's sketch of Mexico's new Micro Regions provided a valuable example of such innovations.

- These combined evolutions are causing a needed transition to new constituencies and new champions for rural regions and policies. Many participants commented that no matter how badly new policies are needed, they ultimately proceed only under the leadership of new public and private sector champions. Richard Wakeford added that in analyzing synergies, rural/regional policies need to be considered in their environmental context, as each simultaneously constrain yet create opportunities for the other.
- Finally, recognizing synergies between experiences and constituencies can create more policy bang-for-buck than exists for current backward-looking policies.

## New Approaches to Rural Policy:

### Lessons from Around the World



Globalization is causing widespread consolidation in traditional rural industries, leaving many rural regions throughout the world looking for new sources of economic growth. The need for new rural policy approaches is underscored by the continued high cost of existing rural policies.

Yet there are promising new policy options for boosting rural economic performance. Rural policy officials and leading policy analysts from developed

countries around the globe gathered to explore these new policy options in the first global conference of its kind.

Conference participants highlighted the need for new policy options, the principles underpinning new policy approaches, and the lessons that can be learned from a wave of new policy initiatives in many developed countries. The conference was cosponsored by the Federal Reserve Bank of Kansas City, the OECD, the Rural Policy Research Institute at the University of Missouri, and The Countryside Agency, United Kingdom.

The conference proceedings will be available this fall.  
To receive a free copy, please visit [www.oecd.org](http://www.oecd.org).

# International Conference on New Approaches to Rural Policy: Lessons From Around the World

## Conference Program

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### THE NEED FOR NEW RURAL POLICIES

#### INTRODUCTORY REMARKS AND MODERATOR

**Thomas M. Hoening**-President and Chief Executive Officer, Federal Reserve Bank of Kansas City, United States

#### WELCOMING REMARKS

**Constance A. Morella**-U.S. Ambassador to the Organization for Economic Cooperation and Development, Paris

#### THINKING REGIONALLY IN A GLOBALIZING ECONOMY

**Alan Greenspan**-Chairman, Board of Governors of the Federal Reserve System, United States

#### THE NEW ECONOMIC IMPERATIVE IN RURAL REGIONS

**Donald J. Johnston**-Secretary-General, OECD, Paris

#### DISCUSSION PANEL

**Antonio Sánchez de Rivera**-Vice Minister, Ministry of Social Development, Mexico

**Oryssia J. Lennie**-Deputy Minister, Western Economic Diversification, Canada

**Gianfranco Micciché**-Deputy Minister, Ministry of the Economy, Italy

### THE VISION FOR NEW RURAL POLICIES

#### INTRODUCTORY REMARKS AND MODERATOR

**David A. Sampson**-Assistant Secretary for Economic Development, Department of Commerce, United States

#### A NEW FRAMEWORK FOR RURAL POLICY

**Mario Pezzini**-Head, Division of Territorial Reviews and Governance, OECD, Paris

#### DISCUSSION PANEL

**Wendi Key**-Assistant Secretary, Regional Programmes Operations, Department of Transport and Regional Services, Australia

**Kees de Ruiter**-Director, Department of Rural Policy, Ministry of Agriculture, Nature, and Food Quality, Netherlands

**Nicolas Jacquet**-President, Territorial Planning and Regional Action, France

### THE RURAL POLICY LABORATORY AROUND THE GLOBE: BUILDING A NEW RURAL ECONOMY

#### INTRODUCTORY REMARKS AND MODERATOR

**Margaret Clark**-Director, The Countryside Agency, United Kingdom

#### AMENITY-BASED DEVELOPMENT

**Norio Sato**-Director of Rural Policy, Rural Development Bureau, Ministry of Agriculture, Forestry, and Fisheries, Japan

#### RURAL ENTREPRENEURSHIP

**C. Robert Militello**-Director, National Grape Association, Inc., and WelchFoods, Inc., United States

#### DEVELOPING NEW RURAL INDUSTRIES

**Francesco Mantino**-Head, Structural Policies and Rural Development, National Institute for Agriculture Economics, Italy

### THE RURAL POLICY LABORATORY AROUND THE GLOBE: RETHINKING GOVERNANCE

#### INTRODUCTORY REMARKS AND MODERATOR

**Charles W. Fluharty**-Director, Rural Policy Research Institute, United States

#### RURAL PROOFING

**John Mills**-Director of Rural Policy, Department for the Environment, Food, and Rural Affairs, United Kingdom

#### NEW REGIONAL PARTNERSHIPS

**Gilbert Gonzalez, Jr.**-Acting Under Secretary for Rural Development, Department of Agriculture, United States

#### FEDERAL COORDINATION

**Wolf Huber**-Director, Regional Policy and Spatial Planning, Federal Chancellery, Austria

### WHERE IS RURAL POLICY HEADED?

#### INTRODUCTORY REMARKS AND MODERATOR

**Odile Sallard**-Director, Directorate of Public Governance and Territorial Development, OECD, Paris

#### CLOSING PANEL

**Fabrizio Barca**-Head, Department for Development Policies, Ministry of the Economy, Italy

**Mark Drabentstott**-Vice President and Director, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, United States

**Sergio Soto Priante**-General Coordinator of Microregions, Ministry of Social Development, Mexico

**Richard Wakeford**-Chief Executive, The Countryside Agency, United Kingdom

# International Conference on New Approaches to Rural Policy: Lessons From Around the World

## *Conference Findings*

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More than 120 senior policy officials and experts from 15 countries (including all G-7 countries) gathered at Airlie Center near Washington, D.C., on March 25-26 to discuss the future of rural policy. The international conference was convened by the Federal Reserve Bank of Kansas City, the OECD, the Rural Policy Research Institute, and The Countryside Agency. A welcoming address was made by Constance A. Morella, Ambassador, Permanent Delegation of the United States to the OECD. Featured speakers included Alan Greenspan (Chairman, Board of Governors of the Federal Reserve System, United States), Thomas M. Hoenig (President and Chief Executive Officer, Federal Reserve Bank of Kansas City, United States), Donald J. Johnston (Secretary-General, OECD), David Sampson (Assistant Secretary, U.S. Department of Commerce), Antonio Sanchez de Rivera (Deputy Minister for Social Development, Mexico), Oryssia J. Lennie (Deputy Minister of Western Economic Diversification, Canada), Gianfranco Miccicché (Deputy Minister of the Economy, Italy), and Nicolas Jacquet (President, Delegation for Economic Development and Regional Planning, France).

Participants agreed that new policy approaches are needed to help rural regions compete effectively in rapidly changing global markets. This will demand a shift away from past reliance on subsidies focused on a single sector (agriculture) towards an integrated place-based policy for rural development. This shift can allow rural regions to contribute to overall economic growth by seizing new opportunities.

Globalization, the emergence of important new niche markets, and freer trade bring both threats and opportunities to rural regions. Many rural regions suffer from lagging economic growth and still

depend heavily on commodity industries, such as agriculture. Globalizing markets diminish profits in these industries and encourage businesses to consolidate.

While globalization brings special challenges to rural regions, it also unlocks bright opportunities. Recent innovations around the world demonstrate that rural regions are not doomed to depopulation and economic decline. Rural areas often possess valuable resources that are largely underused. Natural and cultural assets, high value local products, both agricultural and non-agricultural, and the availability of land are only some of the endowments of rural spaces. Information and communication technologies provide rural areas with tremendous new opportunities in economic development and public service delivery.

Faced with these challenges and opportunities, conference participants agreed that developed countries need to forge new policy approaches to spur economic development, innovation and productivity growth in rural areas. Many countries lack a comprehensive rural development focus. Policies remain largely concentrated on supporting low-cost agricultural commodities and are often characterized by a redistributive logic. In the future, rural policy should shift to an integrated approach focused on the distinct demands and assets of rural places, and to public actions that spur private investment in those places. Conference participants stressed the importance of investing in 1) human capital by increasing the skills of rural inhabitants 2) infrastructure by insuring the connectivity of the rural areas in the new economy; 3) social capital by facilitating partnering and knowledge pooling across and within levels of government—and between the public and private sectors. It was agreed that these are the main preconditions for strategies to extract the value of cultural and natural

resources and to foster business clusters that tap niche markets for products and services.

Several countries have begun to design new policies and to promote innovative forms of governance to implement them. These experiences are marking a breakthrough from the traditional topdown, sectoral approach to rural development. They adopt a holistic approach to integrate scattered policy initiatives into a comprehensive framework and work for a shift towards a “new rural governance” based on consultation, negotiation, and partnerships among government, businesses and communities. They are shifting away from a past reliance on subsidies and towards promoting new investments in countryside renewal. The common theme in many of these policy innovations is their emphasis on exploiting underused assets, releasing potential, fostering entrepreneurship, and mobilizing private investment. There is also an increasing awareness in governments of the need to use a ‘rural lens’ to safeguard the interests of rural residents and businesses.

Charting a new course for rural policy will help the rural regions throughout the world that are not seizing the opportunities offered by new technologies and free trade.

It will require new relationships with urban residents and policy. By better harnessing distinct rural assets and spurring investment, the new policy approaches will boost rural economic growth and reduce the need for government subsidies to compensate for development gaps.

Recognizing the challenges posed by new approaches to rural development policy, conference participants agreed on the need for continued sharing of lessons learned and welcomed the offer made by the Mexican Government to host an international conference on rural development in March 2005.