Rural challenges around the world are remarkably similar. Agriculture and other traditional economic bases are no longer broad enough to sustain rural growth. Young people are leaving their rural homes, raising serious doubts about the future of Main Streets everywhere. And rural communities worldwide are struggling to provide the infrastructure, services, workforce, and quality of life needed to attract new businesses.

New approaches to meet these rural challenges are springing up around the globe. Some policy innovations offer unique approaches to accomplish a similar goal—to align rural policy governance with a whole new rural economic landscape.

In this issue of The Main Street Economist we explore three case studies of policy innovations in Hungary, England, and Spain. While these specific rural policy initiatives may not be the answer for rural America’s challenges, they offer a glimpse of how rural America in the new century may rethink the way it designs and implements rural policy.1
Innovations in rural policy governance around the world fall into two main categories. Hungary and the United Kingdom have created new policy regions by literally realigning policy with a new economic landscape. Spain, on the other hand, has assembled new policy teams across existing regions to create new governing partnerships while leaving administrative borders alone. It is too soon to rigorously evaluate either of these types of policy innovations. Yet early indications suggest that most rural communities in these countries believe the innovations can boost their economic outlook.

Hungary's new policy regions

Hungary continues to make the transition to a market economy after its emergence from Communist rule. One concern during this transition period has been improving economic performance in the nation's key rural regions, where more than a third of the country's people live. Some of Hungary's rural areas suffer from high unemployment rates and incomes that lag well behind the nation's cities—and the rest of Europe for that matter.

During the transition period, Hungary quickly learned that many of its rural governments were ill-equipped to address the nation's rural economic challenges. Many of the nation's 19 counties had weak finances and many of its 3,131 towns and villages were fiscally inefficient. Many also lacked the power to form new economic plans, such as funding new infrastructure through taxes.

To improve economic performance throughout the country, in the late 1990s Hungary implemented a new focus on regional, or territorial, development by creating seven new planning regions (Figure 1). The effort was aimed at improving economic growth in the regions, not rural areas per se. Nevertheless, the program has important effects on rural Hungary. The new regional focus has also been an important part of helping the nation make new investments and shift its balance of trade from the former Soviet Union to the West.

As part of the new program, the government committed to collecting and tracking economic information on the seven new regions. It also created the National Regional Development Council (NRDC) and made this body responsible for regional development policy. The council was charged with commenting on the principles of the regional policies and with coordinating sectoral aid for regional development. Reporting to the NRDC are seven Regional Development Councils, one for each of the new regions. Each council has a working executive body and provides a permanent staff for regional economic development efforts. In forming united development plans, the process requires that the views of small communities are heard.

From a rural perspective, an important task of the seven developmental regions is to administer a set of rural development programs that accompany Hungary's accession to the European Union. These programs will help develop infrastructure, diversify employment, and modernize agriculture.

Hungary's seven regions have just begun over the past year or two to implement their new policies. While it is too soon to tell if this new way of governing territorial development will improve Hungary's rural economy, one important outcome is clear: The new regions are already represented in Brussels. This representation allows them to apply directly for EU development funds and encourages new foreign investment in rural Hungary.

New regions in England

Like Hungary, England has redrawn its rural policy map, creating several new regions charged with boosting rural economic growth. Historically, the United Kingdom was regarded as perhaps the most centralized government in Europe. In recent years, however, the UK has undertaken a dramatic process of devolution. Scotland has been granted a democratically elected parliament, Wales a national assembly, and Northern Ireland an assembly. Within England, devolution extended still further as Parliament created regions and regional development agencies to work for rural and urban regeneration in their areas.

In part, the new policy regions were formed to address deep concerns about rural economic vitality. While England is densely populated, 11 percent of its people still live in rural places. Many of these people are producers who get most of their income from off-farm activities. But in much of the English countryside, there are significant concerns that the sluggish rural economy may be based too narrowly on farming to sustain viable rural towns and villages.

To address these concerns, in 1999 Parliament created eight Regional Development Agencies, or RDAs (Figure 2). Each agency serves a region made up of several counties, both rural and urban, in an attempt to overcome the ageless power struggle between political leaders in towns and the countryside. The hope was that the regions would bring greater coherence to national economic programs and help coordinate regional economic development.
The charge of the RDAs is multifaceted: to further economic development and regeneration; to promote business efficiency, investment, and competitiveness; to promote job formation and boost worker skills; to encourage new investment; and to contribute to sustainable development. While government offices will continue to have many responsibilities in each region, the RDAs are responsible for crafting and implementing economic plans in the region. Local elected leaders play an important role in the work of the RDAs. Four of each board’s 13 members are drawn from local government, while at least one board member can contribute a strong rural perspective.

Since their creation, the RDAs have forged new partnerships and strengthened existing ones to foster economic development in their communities. The RDAs focus on encouraging development close to home, but they also seek new economic ties with Europe. For example, the South East England Development Agency has an office in Brussels and follows a strategy document regarding the “European Strategy for South East England.” Furthermore, the British regions will begin taking part in new elections to the European Parliament in 2001. Thus, while England is not part of the euro zone, its regions seem likely to benefit from future EU economic development initiatives.

As in Hungary, it is too soon to tell whether England’s new policy will make a significant difference in the economies of rural areas. But rural leaders in the country appear enthusiastic about the new policy process.

New rural partnerships in Spain

Over the past decade, Spain has enjoyed strong economic gains nationwide while many of its rural regions have struggled. With rural areas accounting for nearly a quarter of Spain’s population, boosting rural economies has become a major national priority.

Spain’s approach to creating new rural policy is unique. Rather than redrawing its policy map, Spain encourages a new “bottom-up” approach to creating economic partnerships. Perhaps the best example of this bottom-up approach can be seen along the border between the provinces of Valencia and Alicante, a rural region where manufacturing—mostly clothing and textiles—forms the economic backbone of the area.

Many of the small rural towns in the Valencia-Alicante region have the potential for stronger economies, but they lack the infrastructure to connect their industries with European and global markets. To overcome the twin challenges of size and distance, the towns have launched a consortium of new governing bodies, which have begun to create a critical mass of interest and resources from throughout the region. One new governing body was created to assemble an economic development plan for the region, as well as to manage EU grants. Another governing body was created to coordinate public services like waste collection and sewer systems.

To oversee the new governing bodies, in 1999 the municipalities of the region came together to form a new governing district, the Comarca Centrales Valencianas (CCV). The CCV district was designed with three goals in mind: to support social cohesion, encourage balanced and sustainable growth, and represent the region’s interest in national legislation.

While the CCV district is not an official “region” in the sense that it does not correspond to boundaries drawn by the government of Spain, it does represent groups of municipalities that have coalesced around common economic strengths (Figure 3).

Since its formation, the CCV district appears to have scored some gains. Still, challenges remain. The consortium has provided a welcome source of synergy to bring the region’s many small rural towns together around some common economic development goals. Most efforts have gone...
into planning new economic development projects, and some of these have even received financial support from the EU. But questions linger about how best to improve transportation infrastructure, enhance access to technology, and preserve the environmental quality of the region. And it is unclear how these functional regions may be able to operate going forward without any administrative authority to raise taxes.

Conclusions

Most rural regions around the world are looking for new sources of economic growth—sources beyond agriculture and other traditional industries. The outmigration of rural young people raises serious questions about the future of many rural places. And rural communities find it difficult to assemble the critical mass of infrastructure, services, work force, and quality of life to attract new businesses.

To meet the triple threat posed by these trends, new approaches to rural policy are springing up around the globe. One central theme in these innovations represents a fundamental shift in policy governance: aligning the design and implementation of rural policy with a new rural economic landscape. In Hungary and England, policymakers have literally redrawn the map. In Spain, the map is the same but the policy partnerships are new.

The United States shares many of these rural economic challenges, but our governance of rural policy has not changed. Rural policy innovations in the rest of the world may not be the answer for rural America’s challenges, but they do offer a sneak preview of how rural America may rethink its approach to rural economic policy.

1 The Territorial Reviews Division of the Organization for Economic Cooperation and Development (OECD) provides a unique forum for tracking and analyzing innovations in rural policy around the world. This group provided the Center with information on recent rural policy developments in the countries discussed in this article.

2 The ninth region, in London, was established in 2000.

Conference Proceedings

To help improve the economic outlook for rural America, the Center hosted its first major conference in April of this year. More than 250 rural leaders from throughout the nation and beyond gathered in Kansas City to discuss rural America’s future, its challenges, and policies to meet those challenges. Conference participants represented all regions of rural America, five foreign nations, and many walks of life—business, agriculture, banking, universities, and public officials at the federal, state, and local levels.

For a copy of the conference proceedings, or for a copy of proceedings of past conferences on rural issues sponsored by the Federal Reserve Bank of Kansas City, please visit our Web site at www.kc.frb.org or write us at:

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