Abstract

Fostering higher levels of economic activity in rural regions constitutes an important policy challenge for most OECD countries. While some rural regions have higher than average growth rates, most grow at slower rates than the majority of urban regions. Because rural regions are structurally different from urban regions and face important distance and density challenges, the OECD has, over time, developed an approach to national rural policy that recognizes the distinctive features of rural areas. The specific policy approach has evolved in response to three main sets of forces. The first reflect the internal workings of the OECD, which dictate how policy problems are analyzed and establish the institutional framework. The second set reflects the changing interests of the member countries who provide funding in return for specific types of analysis performed by the OECD Rural Programme. The third set can be thought of as forces of evolution. Over time, the OECD conducted specific pieces of analysis on rural territories a learning process occurred. Each region provided new information, and the aggregated pieces of individual information provided an opportunity for broader syntheses. Because the work has extended over a long period of time and across multiple member countries, it provides a unique perspective on rural development in advanced economies. While the approach is not a theory of rural development, it does provide useful guidance for developing an implementing territory specific rural policy.

1.0 Introduction

While the Organization for Economic Cooperation and Development (OECD) is mainly focused on national level, macroeconomic policy it has engaged in sub-national rural policy analysis for over twenty years. This analysis provides an opportunity to see how macroeconomic policy has differential impacts on various parts of a country. In particular, rural regions are distinct policy challenges for OECD

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1 The paper draws upon Freshwater and Trapasso, 2010 and also includes ideas provided by Tim Wojan and Mark Shucksmith. Much of the information that was used to develop the paper was obtained while the author was engaged as a consultant for the OECD, but the actual paper was developed totally outside the auspices of the OECD. As such, the opinions expressed are mine alone and do not reflect the policies of the OECD or the University of Kentucky. A preliminary version of the paper was presented at the AAEA Annual Meetings Pittsburgh PA, July 24-27, 2011 and helpful comments from the participants are gratefully acknowledged.

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countries. Agriculture and other resource based industries no longer drive rural economic growth. And, the fast growth industries of the “knowledge economy” seem urban in nature. Yet, while many rural regions lag behind urban regions, there are numerous examples of high growth rural regions in the OECD.

The combination of rural problems and opportunities has led the OECD to invest in ways to better understand how national governments can better design governance structures to support rural growth. The work has evolved over time to develop a coherent theory of rural development that is compatible with much of the academic literature on good theory and practice in rural development. The place-specific, bottom-up, integrated approach to rural development advocated by the OECD is consistent with academic theories on rural development in both North America and Europe (see for example: Douwe van der Ploeg et al., 2008; Faludi, 2006; Isserman, 1998; Keane, 1997; Shaffer, Deller and Marcoulier, 2004; Weber, 1999). Importantly, the approach has been endorsed by the member countries of the OECD, making it a potentially useful source of support for any effort to modernize rural policy within the various OECD member countries.

The OECD approach develops a standardized framework that is applied uniformly in order to allow comparisons. By adopting a consistent template for examining rural, the specific nuances that apply in each country are lost. But what is gained is a perspective that steps back from the detail and focuses on the main elements of rural policy and rural development. It is important to recognize that no member country describes its rural territory in the same way that the OECD does. National definitions of rural reflect the particular circumstances in each country, while the OECD definition of rural is a compromise that allows analysis across member countries.

Three broad groups forces have influenced the Rural Programme since its inception. The first group is internal to the OECD. It includes: the core values of the Organization; the changing priorities of the leadership of the Organization; and, internal competition among members of the OECD secretariat for promotion and resources. The second group of forces come from the member countries, including: changes in the particular types of work activity that are funded by financial contributions; support, or lack of support, by the Rural Working Party for the long term evolution of a coherent program of work; and, of course the actual amount of money provided for the budget in each year. The third group can be thought of as forces of evolution over time: as work activities were completed the knowledge gained shaped future work; consultants drawn from various academic institutions and disciplines also provided new ideas to the secretariat; and the increasing importance over time of identifying new sources of funding for subsequent years as the size of the secretariat increased.

2.0 The Role of the Organization for Economic Cooperation and Development

The most straightforward way to characterize the Organization for Economic Cooperation and Development (OECD) approach to rural development, as carried
out by its Rural Programme, is as the spatial application of the idea of comparative advantage among various rural regions. All regions, including rural ones, can play a positive role in the national economy, and the national economy is strongest when each region plays its role efficiently. Regions may be absolutely disadvantaged relative to other regions, but their particular mix of resources will give them some comparative advantage. Compared to urban regions rural regions may have an absolute advantage in some functions, say natural resource based industries. For other industries, say manufacturing, they may only have a comparative advantage (Freshwater, 2002; Wilkerson, 2001). In this environment the main role of national governments is to facilitate investments at the regional level that will help regions better exploit their roles.

Unlike the other large international organizations with a focus on economic development, such as, the World Bank, The Food and Agriculture Organization or the International Monetary Fund, the OECD provides no financial benefits from membership or from adopting its policy recommendations. In addition, its members are drawn solely from countries that are democracies having a strong attachment to market economics. The origins of the OECD lie in the Marshall Plan that helped rebuild Europe after World War II, and the values and operating practices established in the Marshall Plan provided the initial structure for the OECD.

While the OECD cannot impose its ideas on a country, the recommendations of the OECD can be useful for countries. First, they provide an external policy perspective, albeit one that is firmly grounded in neo-classical economics. Second, the recommendations of the OECD have been formally approved by the member countries and incorporate a peer review process, which gives them additional credibility. And, because the country has some involvement in shaping the specific topics covered in a review, the analysis is focused on issues that are relevant to the country.

Because the main role of the OECD is to deal with relations among national governments, rural development is a somewhat unusual topic; since it is a subnational issue that focuses on only part of each member country’s territory, and because the spillover effects from one country’s rural development policy on other countries are typically small. Moreover, the OECD generally avoids involvement in activity that leads to recommendations that are specific to the internal organization of a member country and have no implications for other members.

Being within the OECD is a first crucial factor in explaining the evolution of the Rural Programme. The OECD places a high value on analytical approaches that are grounded in economic theory and supported by quantitative methods. To be credible internally it was important at an early stage to first develop a solid data base and to use it to buttress policy recommendations. Because the Rural Programme was clearly outside the mainstream work of the Organization it was not

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3 In the text use of the word “Programme” indicates the specific unit within the OECD, “programme” is used in all other uses.
financially supported from core funding. This made it reliant on project-based, voluntary contributions from member countries. Initially these contributions came “without many strings” as a way to provide start-up funding. But over time member countries began to provide funds only if the Programme undertook a particular piece of analysis focused on that country. The majority of these projects were some sort of regional policy review at the national or sub-national level. The result was a shift from an initial emphasis on broad thematic analysis to a series of region specific assessments of the impacts of government policy on rural development.

3.0 Evolution of Rural Policy in the OECD

3.1 The 1980s

The initial interest in rural development began in 1981 with a meeting in Paris by delegates from a small number of countries that was followed by additional meetings in 1983 in Senegal, Italy and in 1984 in Williamsburg, Virginia, USA. These three meetings established that there was considerable interest in joint work on rural development issues by some member countries. At the time there was no staff dedicated specifically to rural policy analysis at the OECD, so the work was carried out by existing staff in the Public Management Directorate. Notably, the Agriculture Committee and its staff played no role in the work undertaken in the 1980s.

Within a few years the first work on rural development was produced by the OECD: *Rural Public Management* (1986), *New Trends in Rural Policy Making* (1988), *Partnerships for Rural Development* (1990) and *New Ways of Managing Services in Rural Areas* (1991). The four reports can be thought of as constituting a scoping exercise that brought together initial contributions by member countries that describe how they individually perceive the rural situation in their country and what policies should be to address rural development. The OECD Secretariat provided a synthesis in each report that identified common issues and approaches.

Most importantly these four reports set out a perspective on rural development that carries forward into current work at the OECD. The key elements are:

- A recognition that the role of the primary sector has declined, as a source of income and employment in rural areas. In particular agriculture while it continues to occupy most land provides weak development opportunities.
- A challenge in providing public services was identified. This had two key elements. The first being the difficulty of providing services in rural areas where distance and low density make the unit costs of provision high. The second aspect was the recognition that services constitute the source of most economic growth in OECD countries and that without service sector growth rural areas would inevitably lag behind urban areas.
- A reduction in the capacity and will of national government to directly fund investments in rural development was observed in virtually all OECD countries. Without direct investment by national governments it was necessary to look for
more “bottom-up” approaches that involved partnerships and better coordination across levels of government.

- A recognition that the average condition of rural areas in a country was an inaccurate indicator, because some rural areas were clearly prosperous, while others were facing far more serious problems than the average suggested. As a result a territorial approach was needed for more effective rural policy.
- Difficulties exist in relying only on market forces to bring about economic development in rural areas, because of weak levels of demand and high operating costs. While OECD members presume a market economy is the basis for production and distribution, there was a clear recognition that underlying conditions in rural areas were not favorable for markets to function well without government support.
- The importance of better coordination of government policy at all levels of government in dealing with the diverse condition and opportunities of rural areas. Moving from a sector based policy to a territorial policy introduces many more government players and coordination of their various programmes and activities becomes necessary if these disparate efforts are to be effective.

Importantly, the Rural Programme came into being because a number of member countries were both unsatisfied with existing work by the OECD on rural issues and of the opinion that the OECD was a potentially useful forum for examining rural policy. The specific interests of the countries that participated in the organizing meetings provided a conceptual framework that is the basis for the current work. But, these countries were unable to convince the OECD to provide stable funding for rural work leaving the Programme dependent on voluntary contributions.

3.2 The Early 1990s

In 1991 there was sufficient interest among the member countries of the OECD to create the Group of the Council on Rural Development. This was a free standing body that operated outside the main committee structure of the organization and which reported directly to the OECD Council. A small secretariat was created and individual countries nominated delegates to the Group of the Council to direct the work. Two initial tasks were undertaken. The first was to develop a perspective on rural conditions and rural policy that could be adopted by the members of the OECD as a framework for further analysis of rural policy opportunities. The second task was to construct a subnational data base of all the member countries that would provide a consistent means for identifying the condition of rural people and places. While the OECD provided some financial support for staff, the majority of the funds for the activity came from voluntary contributions by a few countries – Japan, Switzerland and the United States.

In 1993 the Group of the Council approved the release of What Future for Our Countryside? This publication established a distinct perspective on rural development. First it insisted that rural was a territorial or spatial concept that was independent of the types of economic activity or level of economic well-being (p.11). Second, it provided a simple typology of rural areas – remote, intermediate and
integrated (p.15). These three categories were seen to differ in terms of population density, economic structure, demographic structure, and access to services. In addition, they were seen as differing in terms of distance from a major urban center. But distance was not to be measured by physical distance, but by degree of connectivity (p. 33). Finally, the report emphasized the diversity of rural areas by stressing that important differences existed within each of the three categories as well as among them. Rural was no longer considered to be homogeneous territory that was defined in terms of being “not urban.”

In parallel to the conceptual work on defining the meaning of rural within the OECD, there was an effort to develop a consistent territorial data base for OECD countries that would provide the data that could be used for quantitative analysis of rural economic performance. The OECD, perhaps more than other international bodies, is firmly committed to the analytical approach of the economics profession. Models and statistical analysis are given great credence in the work of the secretariat and serve as the basis for policy recommendations. While considerable anecdotal evidence already existed that rural regions were diverse and that some rural areas were performing better than urban regions, there was no coherent data set that demonstrated this to be the case.

The first version of the data base was described in *Creating Rural Indicators* which was released in 1994. Constructing the data base proved to be a difficult task because there was no consistent definition of rural within the OECD and because individual countries collected data on the basis of administrative regions that reflected the historical context of each country. To resolve this problem the secretariat proposed using population density as the basis for defining three types of region. Predominantly urban, significantly rural and predominantly rural categories were developed for regions that would exhaust each country’s territory. Notably all three categories contain both urban and rural communities, with the distinction among categories being the percentage of the population in a region that is found in urban and rural communities. In predominantly rural regions more than half the population lives in rural communities. In predominantly urban regions less than 15% of the population lives in rural communities. A community is considered to be urban if it has a population density of greater than 150 persons per square kilometer.

The definition of community and region varies from country to country, but in all cases the community is the smallest territorial unit for which economic, social and demographic data is reported on a regular basis for the entire country. Regions are common aggregations of these communities. The resulting data set has two important characteristic. The first is that it does not provide a clean urban rural distinction, since both types of territory are found in all three categories. The second

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4 Japan is an exception in that communities with less than 500 persons per square kilometer are considered rural.
is the difficulty in making cross-country comparisons because the fundamental units of for collecting data vary greatly among countries.

The initial work by the Group of the Council on Rural Development led to two diverging perspectives on rural. The conceptual work in What Future for Our Countryside? focused only on rural and emphasized that while population density may be a criterion for defining rural it is also important to look at proximity and connectedness in order to understand differences in economic performance. Places with similar population density can differ greatly if one is geographically proximate to an urban region, but lacks strong connections to it, while the other is more spatially remote but firmly connected. By contrast, the approach described in Creating Rural Indicator fails to incorporate these distinctions and essentially relies upon density and indirectly upon proximity to define rural conditions within existing administrative boundaries that contain both rural and urban communities. In essence the conceptual work focuses on rural while the indicators work is more regional in nature.

Ultimately the indicators work came to dominate the OECD approach to rural development and became the core element in all the territorial analysis conducted by the OECD. It was quickly recognized that the three categories were useful for conducting both urban analysis and more general regional policy analysis. Predominantly urban regions essentially describe urban agglomerations and their hinterland, while the three categories provide a simple way to examine the spatial effects of various policies, not just rural development policies, on different types of territory. As a result, the original rural focus steadily evolved into a broader territorial approach, that examines how national policies play out across the various parts of a country.

What was largely lost in subsequent work was the distinction among types of rural. In particular, there was a consistent tendency to restrict rural policy analysis to predominantly rural regions; i.e. those where less than 50% of the population lives in urban communities. For most OECD countries this had the effect of excluding a large share of the rural territory and a large share of the rural population from consideration (Table 1). Moreover it restricted analysis to the most spatially remote rural territory. This category had a certain policy relevance, because it was the part of each country where the reliance on primary industry was greatest, the potential for a strong service based economy was most challenging and demographic decline was most common. However these characteristics also made it more difficult to address another of the key ideas that had led to the initial interest in conducting rural work – that rural areas were not uniformly lagging. Unfortunately the ratio of economically vibrant to lagging rural areas tends to be lower in predominantly rural regions than in other cases where connectivity to urban centers is stronger.

In the mid 1990s the focus of OECD rural policy shifted to examining several elements that were seen by member countries as particularly important for rural development. The interest of member countries was important in framing the work undertaken because the core budget for the secretariat was very small and
voluntary contributions from individual countries were needed to fund the program of work. The benefit of this situation was that work is clearly driven by the priorities of at least one country giving it at least one champion, but the downside is that the priority of that country may not be high for other members of the OECD.

Sluggish economic conditions in the early 1990s, especially weak employment growth in most member countries, led the OECD to undertake a major effort to better understand labor markets – The Jobs Strategy. This project brought all the directorates of the OED into an effort to understand why employment growth was slow despite economic recovery, and how governments could design policies that would improve labor markets and enhance worker productivity. The Rural Programme contributed to this project through a report published in 1995, *Creating Employment For Rural Development: New Policy Approaches*. The report recognized that rural labor markets face particular problems in terms of small size, long commuting costs and mismatches between desired and available skills. These problems can make typical employment policies ineffective, so some care is required to design employment policy appropriate for rural areas.
In this period a major effort was placed on assessing the potential for amenities to play a role in rural development, primarily through expansion of tourism and retirement functions (OECD 1994). The interest came from the recognition that environmental services are an important function of rural areas and that societies in OECD countries, while predominantly urbanized, placed an increasing value on natural environments found in the countryside. A related project examined the role of niche markets in rural areas, recognizing that small places were unlikely to be able to accommodate any firm that required high volumes of production or large amounts of labor (OECD 1995).

While these studies did not restrict their analysis to predominantly rural areas in terms of the specific case studies that were developed, they did tend to focus primarily on more remote areas, under the presumption that if policies could be designed that would be effective in remote rural territory they would also be applicable in rural areas that were more proximate to urban centers.
In this period shifts in the balance of forces are evident. The importance of meeting the OECD internal requirement for analytical rigor is seen in the initial work on rural indicators. The resulting analysis was important internally and externally because it provided quantitative support for the idea of rural development. The Rural Programme was also able to tap into a core thematic project of the OECD – The Jobs Strategy, which added to its internal credibility. This allowed the Programme to become a more formal part of the OECD. However, over time the unwillingness of the small group of original funders to maintain support created the need for a new way to generate revenue. The initial thematic work had clear public good and free rider attributes – all members benefitted, but only some member countries paid. The new model was to provide analysis that was of direct benefit to the funder, but of limited value to others.

3.3 Post 1995

In 1996 the Rural Programme became a core part of a new Territorial Development Service (TDS) that merged a number of smaller OECD programs that focused on sub-national topics using a spatial lens. This placed territorial analysis within the formal organization of the OECD with its own committee structure. Guidance for rural work remained with the Group of the Council, while guidance for other parts of TDS also remained with their prior structures instead of its previous ad hoc position as a Group of the Council. In the process a new division was created- the Territorial Reviews and Governance Division (TRGD) within TDS that incorporated the rural policy programme, the regional policy unit and the indicators group. The other division in TDS was the Local Economic Employment and Development Programme (LEED), which had also adopted a subnational focus but with a primary interest in local labor markets and strategies to enhance employment in them. In principle there should have been a strong synergy between the two divisions, but their work evolved almost completely independently.

A number of factors contributed to diverging work programs. The first was that two distinct divisions within the same directorate had to have distinct competences in order to coexist. Duplication of effort would clearly be seen as counterproductive both by the OECD and by member countries. This ensured that LEED continued its initial activity on local labor markets while TRGD was led in the direction of examining inter-governmental relations. A second factor was that neither division had a large permanent budget, which meant that neither could survive without being to attract voluntary contributions from member countries to carry out specific tasks. Obviously, each division tried to identify areas of competence that were both attractive to potential funders and were not in obvious competition with the other division.

However, over time a degree of competition among the divisions developed. For the administrative staff of each division moving up in the OECD entailed doing better than individuals with similar responsibilities. From an internal management perspective success became an almost zero sum game. If peers were competing for
the same promotion that you were, you had to demonstrate a better record in, funding, volume and quality of work, and attention to important issues.

For TRGD the emphasis on multilevel governance as a way to improve rural policy largely reflected the interest of European members of the rural working party. The 1996 Cork Declaration established a new way of thinking about agriculture and rural areas in Europe (European Commission). It recognized that the dominant role of farming in rural areas had ended, but that rural areas now played a broader role in a more urban society. New rural functions included: the non-commodity outputs of agriculture, a larger role in manufacturing and services production, as well as the provision of major environmental services and important cultural benefits.

While the Cork Declaration had limited impact on EU direct farm supports in the short run, it did stimulate a bigger response in EU regional policy. Cohesion funds for rural regions shifted to supporting a broader vision of rural development from a focus on the primary sectors. With this shift there was a new demand by the EU members of the OECD for strategies to accommodate the new stream of funding. Multi-level governance provided this mechanism, since it examined ways to better coordinate EU directives that cascaded through national and regional governments to specific localities. Importantly, the underlying philosophy of the Cork Declaration was broadly consistent with existing philosophy of rural development followed by the Rural Working Party, so addressing member country concerns did not involve a significant reorientation of the work. But it did provide a major infusion of new funds to TRGD and an expanded emphasis on the role of government in supporting rural development.

In 1999 a new committee, the Territorial Development Policy Committee (TDPC) was formed with three working parties focusing on rural, urban and indicators work. With the change, and the end of the Group of the Council, the work of the rural unit again shifted focus. TDPC emphasized territorial perspectives, but not necessarily rural perspectives. The emphasis was on functional regions and in many cases rural areas were seen as being the hinterland in an urban agglomeration.

About this time the work effort of the TRGD division shifted to emphasize the production of territorial reviews at the national or regional level. These reviews tended to focus on governance processes, rather than economic structure. In part this reflected the influence of the environment within the TDS, where LEED had positioned itself as the entity focused on local economic development. Almost in response the Territorial Reviews and Governance division adopted a stronger focus on governance mechanisms. In addition, with the TDPC becoming the supervisory committee defining the program of work, there was a broader focus on territorial issues than was the case with only responsibility to the Group of the Council, which had a narrow rural remit.

As the Programme became more integrated into the OECD its staff became more exposed to internal completion for funding, promotion and space. This was most evident within TDS where two similar divisions competed for support. In addition
the overlap in activity with other directorates, mainly Agriculture, also led to internal friction. The shift to conducting territorial reviews created an initial influx of money and an expansion of staff as the countries most interested in the opportunity made their contributions. However the initial rush of enthusiasm was soon over and it became harder to identify new clients and more resources had to be put into developing future funding. Importantly, as the number of territorial reviews of various types grew, a fairly coherent set of case studies developed that created an opportunity for an inductive approach to understanding rural development.

3.4 The Early 2000s

For several years there was very little work by the TRGD secretariat that can clearly be seen as purely rural in nature, although there were strong rural components in many of Territorial Reviews produced after 1999. The *Territorial Outlook* published in 2001 to describe the OECD approach to spatial issues has a strong focus on the importance of regions as the basis of economic growth and the importance of developing national policy that is sensitive to differences in conditions and opportunities within a country. But while the book has a brief section on rural development, there is no indication that rural policy is seen as much different than regional policy.

In 2002 TDS was broken up with the Territorial Reviews directorate being merged into the Public Governance and Territorial Development Directorate. LEED was established as an independent unit. The merger of the TRGD with the government directorate represented a return to the origins of the rural programme, which had initially had its home in the same directorate before being established as an independent unit.

To a great extent the work undertaken in the early part of the last decade reflected the interest of the countries that were active on the TDPC at that time. Recall the actual work undertaken by the secretariat is dictated by the financial contributions of the member countries. While there is some opportunity for the secretariat to advance proposals for work to individual countries in the hope they might fund the project, in reality countries and regions tend to only finance things seen as having direct value to them. About 2000 the European Union was engaged in expansion and in re-examining its regional policies. Inevitably this influenced the OECD, if only because EU members comprise the majority of OECD members, so for these countries EU policy shapes national policy concerns. As a result the countries and regions prepared to finance territorial studies did so to better position themselves within the evolving set of EU policies and directives.

In 2002 the first Rural Conference was held in Siena Italy. This program for the conference drew together ideas from a number of regional territorial reviews that had been conducted in regions that had important rural components. The necessity to examine rural as a distinct element within regions revitalized the interest in rural development. Most importantly, it seemed that within a region having both urban
and rural components it was possible to see a divergence of conditions. That is, urban growth was neither necessary, nor sufficient, for rural growth. This meant that the traditional regional economics perspective that rural hinterlands prospered on the basis of urban led growth was incomplete.

Most importantly, the Rural Conference in Siena provided an opportunity for a broad cross-section of rural policy makers and rural researchers to share ideas. Proceedings of the conference were published in 2003 as *The Future of Rural Policy*. A second Rural Conference was held in Warrenton VA in 2004 and it resulted in proceedings with the title *New Approaches to Rural Policy: Lessons From Around the World* (2005). The ideas from these two conferences became the basis for an effort to synthesize the previous work of the Rural Programme into a strategic document that could provide a general perspective on how national governments could carry out effective rural development policy.

This was a major innovation, because while the OECD had identified key pieces of effective rural policy as early as the 1980s, it had never assembled the pieces into a strategy. Instead there were various publications that either looked at issues, such as: the role of partnerships, the importance of understanding devolution, the changing nature of rural economies, difficulties in providing services, etc.; or that provided case studies of how rural policy played out at the national or regional level through the territorial reviews.

The first few years of the new century witnessed another major shift in strategy. As the influence of a regional approach within the OECD expanded rural policy became a subcategory of the broader focus. Creation of the TDPC established a territorial perspective as a legitimate OECD function. The demise of the TDPC and the separation of LEED and the Territorial Review unit reduced direct competition within the Organization. By establishing a series of successful rural conferences the Rural Programme was able to demonstrate that it had a distinct client group that was prepared to provide support, even though, at the time, there was limited formal activity within the OECD on rural topics.

3.5 Post 2005

About the middle of the decade the Programme evolved in a new direction that would use many of the ideas and analyses developed in earlier years to assess the performance of national rural policies. The first step in this process was the development of a metric against which individual programs could be judged and that could also be used as a basis for suggesting policy reform. The metric was termed the New Rural Paradigm and it became the basis for conducting a series of eleven national policy reviews between 2006 and 2009.

3.5.1 The New Rural Paradigm

*The New Rural Paradigm (NRP)*, published in 2006, drew together much of the previous work of the programme into a concise statement of a positive rural policy. It was positive in two senses. First it asserted that rural areas could be
independently prosperous and that they were not necessarily fated to be economically lagging, or have their prosperity driven by an adjacent urban region. Second it was positive in the sense of recommending proactive rural policy that was based upon strategic investments.

The main philosophy of the NRP is set out in Figure 1, in contrast with the “old rural paradigm”. Admittedly the description of the old rural paradigm is a caricature of traditional rural policy approaches. However, the caricature captures the core of current rural policy in many of the OECD member countries. It is clear that despite the NRP being grounded in several decades of rural policy research and analysis, both within the OECD and as undertaken in various countries, a considerable reluctance to fully adopt the ideas of the NRP continues to exist.

The main value of the NRP is that it constitutes a metric by which various rural policies can be assessed. Just as economists use the competitive equilibrium as a common standard for assessing the performance of various economies, the NRP allows the policies of various countries to be compared, not against each other, but against an idealized approach.

![Figure 1: The new rural paradigm](image)

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source: OECD 2006a, p.15

3.5.2 The National Rural Policy Reviews

Between 2006 and 2009 the OECD Rural Programme conducted national level reviews of rural policy in Germany, Mexico, Scotland, Finland, the Netherlands, Spain, Italy, China, Quebec and England. Each review was commissioned by the government involved, and each review was conducted using the New Rural Paradigm as the metric for comparing current rural policy to an “ideal”. These national reviews built upon a number of rural region reviews that had been conducted in the earlier part of the decade that had shown that national policies had
a significant impact on the development path of rural territory. National rural policy reviews also reflected ideas developed in a number of OECD national level reviews of territorial policy. In particular, these reviews showed that general regional policy often had different impacts in rural than in urban areas, and that in many countries rural policy was still dominated by agricultural policy.

Because the countries reviewed self-selected for the process it is difficult to determine the extent to which all OECD countries are concerned with improving their rural policy, or more precisely their interest in having their rural policy measured against the precepts of the NRP. In addition four of the reviews were not of member countries, although only one, China, involved territory outside the OECD. Even so, roughly one quarter of the OECD membership engaged in a review. It also seems likely that the countries that engaged in the review had already made some commitment to reform of their rural policy, and were using the review process as an impetus to extend the process further, or to rebut internal criticism.

In general the reviews found that some aspects of the NRP had been embraced by all the countries reviewed (Freshwater and Trapasso). However, there was considerable diversity among countries in terms of the elements of the NRP that had been adopted, and no country could be said to have embraced the majority of the principles. Most countries recognized that agricultural policy was now a minor factor in rural areas, although it remained important in some specific territory. In addition, there was some movement to adopting more of a bottom-up approach, although in general national governments were unwilling to give up oversight and budget control. And most countries were looking for ways to broaden the economic base of rural areas and take advantage of natural amenities.

The reviews also pointed out some important challenges for rural areas that had not previously been priorities. The first was an imminent demographic shift. In most countries the problem of rural regions had been an excess supply of labor. After decades of outmigration and falling birth rates, the challenge in the current decade will be a shrinking labor force in most of the rural territory of the OECD. In addition the OECD notion of rurality had focused on predominately rural regions, that is those that are most remote from urban centers. But in most of the countries the problems of peri-urban rural areas were as significant as those of more remote regions. In some countries there were no remote rural areas, so all rural was proximate to urban places. And, these regions faced a completely different set of development challenges.

The set of reviews taken as a whole show that there is a degree of homogeneity across the OECD in terms of challenges and opportunities for rural development. A premise in the 1980s when the initial meetings were held was that there were sufficient similarities among member countries to justify adopting a collective effort to improve national level rural policy. Because there are large differences among the ten nations reviewed, the existence of commonalities in problems, policies and solutions revealed by the reviews is an important justification for the work of the Rural Programme.
The NRP provided a coherent conceptual base for a revived effort to analyze rural policy. It was an approach that was grounded: in the academic literature on rural development, in the past work of the Rural Programme, and in the principles that were set out at the founding of the Programme in 1992. The NRP marked a shift away from client based analysis to something more conceptual in nature. But the shift was almost instrumental in nature. The Programme still required voluntary contributions to survive and the NRP provided it with a tool to open up a new series of country specific rural policy reviews.

5.0 Related Rural Development Work in the OECD

While rural policy has mainly been addressed through the Rural Policy Programme in its various forms, other parts of the OECD have also contributed to rural policy analysis. The two most important parts have been the Agriculture Directorate (AGR or TAD) and the Local Employment and Economic Development Programme (LEED). In both cases the demarcation of responsibility has not been clear. As a result the Rural Programme has at times overlapped with these other entities. The relationship with Agriculture has been more consistent and less competitive. In part this reflects a clear lack of desire by the Agriculture Committee to push too far into rural development and the absence of competition for funding. Unlike the Rural Programme most of the work of the AGR/TAD is funded from the core OECD budget. With LEED, as noted previously, the competition as more direct.

5.1 The Committee on Agriculture

To a great extent the Rural Programme had an independent existence as a Group of the Council entity because the Agriculture Committee was reluctant to incorporate a broader rural agenda into its work. To be sure the approach followed by AGR in the 1970s and 1980s recognized that there was more to rural areas of the OECD than agriculture and that farm households were increasingly dependent upon off-farm sources of income, but this was not seen as a significant issue for the OECD. Because the primary focus of the Agriculture Committee was on trade related issues, the work of the AGR secretariat emphasized the development of models to assess the degree of support for farming in various countries and the implications of domestic policies for trade.

In the 1990s AGR became more interested in rural issues as multifunctionality came to be seen as a new way to think about the roles of farming. The idea of multifunctionality leads to a broader perspective of agriculture, including its linkage to the rest of the rural territory. In particular, the non-commodity outputs of agriculture have implications for other sectors of the rural economy and for the quality of life of rural residents. Both agri-environment issues and rural development are inherently spatial phenomenon, so a territorial approach is useful for understanding policy implications.

In 1998 the Agriculture Directorate of the OECD produced *Agricultural Policy Reform and the Rural Economy in OECD Countries*. The report by AGR examined how
agricultural policy reform might improve rural development prospects. The main emphasis is on agricultural supply chains showing how forward and backward linkages from farms can contribute to rural development. In addition, the positive and negative environmental impacts of agriculture are explicitly recognized. Another important element in the report is the distinction between large and small farms. While large farms account for the majority of production they have fewer local linkages than small farms, which are seen as better integrated into the local rural economy.

In 2005 the Agriculture Committee and the Rural Working Party co-hosted a workshop on the coherence of agricultural and rural development policies (OECD, 2006). Various presentations examined the linkages between agriculture and rural both in terms of economic relations and policy. While there was a general consensus that the two issues are related the strength of the relationship was more ambiguous. Those from the agriculture side tended to focus on supply chain linkages and opportunities for farm based rural development, particularly through Pillar II of the CAP. Those from the rural side recognized that farming was important in some rural regions, but noted that many rural regions had limited agricultural connections. In essence the workshop demonstrated that while there was common ground between agriculture and rural, there were still large differences. A subsequent review of evaluation methods to measure the impact of agricultural policy on rural development concluded that there is no clear pathway to describe the connection and hence great difficulty in measuring impacts (OECD, 2009).

In 2007-2008 the Agriculture Committee of TAD conducted a more focused examination of how agricultural policy affects rural areas (OECD, 2010). The report finds that the non-commodity impacts of agriculture are the main connection to rural development, largely because farmland is the dominant use of rural land. Farmland is important for providing amenity benefits that can support other industries, such as rural tourism, and for its influence on the quality of life of rural residents. The level of impact of agriculture varies by rural region, with some regions still receiving considerable direct benefits from commodity production and others having only weak connections to agriculture. This finding is consistent with the diverse nature of rural in the OECD, and the idea that the comparative advantage of regions varies considerably.

A second important element of the work was the connection to household income. A mix of farm and off-farm income characterizes most farm households in the OECD. Consequently, public expenditures on improving off-farm income may enhance farm household well-being more effectively than an additional expenditure on direct farm support. While historically the focus of the Rural Programme had been on “predominantly rural” regions, that is those regions with low urbanization that are more remote, the Agriculture Committee introduced the issue of peripheral rurality and urban–rural interactions in a significant way.

Looking back over the last two decades it is clear that the connections between agriculture and rural at the OECD have been limited. But they have also been limited
within member countries and within the agricultural economics profession (Freshwater, 2001). When the two groups have engaged in joint activity the result has been a better understanding of the linkage, but it has also reinforced the fact that agricultural policy and rural policy are not identical and are more different than similar.

5.2 The Local Employment and Economic Development Committee

The LEED Programme is another major, but indirect, contributor to rural analysis at the OECD. Despite a period of time of shared administrative existence with Rural Development within TDS there has been less direct collaboration between the two units than was the case with Agriculture. Yet, the focus of LEED work is on topics that are central to the Rural Programme – locally based development strategies, enhancing local governance, improving job skills, the role of small and medium size business, and green growth, for example. Where LEED differs is its orientation towards local rather than rural.

In many ways the interests and analysis of the two program is identical. Both stress an investment based, bottom up approach to development that is focused on expanding employment. But, what differs is the underlying geography that is examined. The Rural Programme limits itself to rural territory. And, in any particular rural region there may be multiple local labor markets. By contrast, LEED tends to use local labor markets to define functional regions that are the basic unit for its analysis. While LEED has a spatial focus, it is at a smaller regional scale than is common for the Rural Programme, and the spatial units of interest to LEED include both rural and urban territory.

Even during the interval when both programs were in the same directorate – the Territorial Development Service, there was minimal collaboration. Indeed, the experience seems to have led to a tacit division of effort. LEED tended to focus on economic structure, while TRGD emphasized the analysis of administrative relations among various government agencies with responsibility for various forms of regional policy.

Hardly any LEED publications have a specific rural focus, Businesses and Jobs in the Rural World, being the main exception; but rural examples are relatively common in the work LEED discusses. There is also a natural connection to rural places, particularly when the focus is on smaller functional regions. Rural areas tend to have well defined local labor markets and have a high reliance on indigenous development strategies, rural regions face ongoing major externals economic shocks and individually are too small to be a priority for national intervention.

Over time the degree of tacit “specialization” by LEED and the regional programs of the OECD has weakened. LEED reports now have a strong governance focus, especially on local government institutions and functions. Similarly the level of economic content in the various rural and territorial reviews has increased. While this change makes both types of report more useful, because it links governance and
underlying economic structure, it does suggest that there are opportunities for closer collaboration on specific projects.

6.0 Concluding Comments

Developing effective policy for rural regions has proven challenging for OECD member countries. As a result of the rural indicators research developed by the Rural Programme there is now a greater recognition that rural regions can be economically viable and productive, but difficulties remain in designing national policies to support rural development. For almost thirty years there have been efforts within the OECD to provide members with support for policy design and implementation.

As described in the body of the paper, the conceptual approach taken within the Rural Programme has been remarkably consistent over time. Basic concepts identified in the 1980s continue to act as the foundation for OECD policy recommendations made today. The main themes of the current OECD approach, The New Rural Paradigm, can be seen in the three workshops held in the early 1980s that led to the creation of the initial Group of the Council. Yet, it is clear that over this same time period the Rural Programme itself has engaged in many forms of rural analysis and had a range of priorities.

The main force that led to different approaches and priorities was the necessity of responding to changing priorities of the various member countries that provided the operating funds for the Programme. Not only did the priorities of countries change over time, but so did the actual countries. As a result rural analysis was carried out by the OECD across a wide spectrum of types of rural region, from low density resource based regions to peri-urban rural regions in close proximity to large cities. This certainly emphasized the diversity of conditions in rural regions and the importance of formulating rural development principles that were flexible enough to accommodate the diversity.

On the other hand, the culture of the OECD emphasizes evidence based analysis, a central role for markets, and suspicion of subsidies. These principles apply to all OECD activity, including the Rural Programme. Indeed the rural indicators work was almost necessary to establish internal validity for the newly created Programme. In turn this led to policy recommendations that focused on expanding the productivity of rural regions and on ensuring that each region made its maximum contribution to national output. Support for rural regions was to be characterized as investments that should generate positive rates of return, rather than subsidies made for social cohesion reasons.

Rural policy recommendations evolved over time as the body of studies grew and new ideas were introduced. As a result it is difficult to characterize the OECD approach as a theory of rural development. What the OECD has developed is an approach to rural development that is grounded in the broad set of case studies of various rural regions that have been studied over the last twenty years. The analysis
in the case studies was informed by academic experts engaged as consultants by the Rural Programme, so there is clearly a connection to academic theories. But, the focus of the Secretariat has always been on delivering applied policy advice to the government that engaged them. Generalizations have played a much smaller role, in part because the priorities were completing current contracts and developing future contracts to cover the budget for the next year.

Given this reality, the consistency of the policy recommendations over time is truly surprising. Such an environment might well have resulted in large variability in recommendations in an attempt to secure subsequent contracts by delivering conclusions that suited the client. An explanation for why this did not happen may be the culture of the OECD. Not only does the Secretariat have to be responsive to the funders, but they also have to be credible within the OECD. Individuals move within the organization on a regular basis and promotion and recognition hinge on the quality of previous work.

Perhaps the single largest contribution of the Rural Programme was the early demonstration that in the OECD countries economic growth is not strictly an urban phenomenon. By showing that there are some rural regions with higher rates of growth than some urban regions, it was possible to refute the argument that rural areas must rely upon proximate urban areas to drive rural development, and that remote rural regions had no dynamics. With the existence of growing rural regions and declining urban regions, the scope for development policy, especially locally driven policy, became greater. If some rural regions had growth it was possible that other rural regions could also grow, if the right conditions could be established.

With this in mind it became possible to begin to look for the necessary conditions for growth and, conversely, the conditions that were associated with decline. To be sure only some of these conditions are potentially modifiable, either by policy or by markets, but some are. As a result the scope for both better national rural development policies expanded, but most importantly so did the importance of local actions to both change behavior and to orient the development strategy to make best use of local strengths.

It is also important to recognize that in the mid 1990s these ideas were strongly reinforced by the EU adopting the Cork Declaration as the new basis for its rural policy. Because EU members make up the majority of the OECD membership their interests can shape the work of the various divisions and units. This is especially true for those programmes that rely mainly on voluntary contributions for funding. EU member countries engaged the Rural Programme to identify strategies that they could follow to successfully implement the new approach. In the process the Rural Programme refreshed the ideas that it had been founded upon, and produced the New Rural Paradigm.
References


