OECD Rural Development Programme

Lessons learnt over the past decade

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Main issues in the presentation

1. About the OECD...
2. A changing framework for rural policy
   - Definition and evolution of rural policy
   - Analytical capacity
3. The New Rural Paradigm
4. Evidence from the OECD Rural Policy Reviews
   - Convergence of rural issues, and,
   - Common threads in rural policies
5. Four main conclusions
6. Something about rural development in China
What is the OECD?

- **Organisation for Co-operation and Economic Development**
  - Made up of 30+ industrialized countries – with engagement of other countries too
  - Essential common strand of membership is a democratic government and a largely market-oriented economic system
  - Provides a forum for investigating and discussing economic development among members. Oriented to improving public policy and enhancing the role and efficiency of market.
  - Purely advisory in nature, operates on a consensus basis.
OECD Mission Statement

For a *stronger, cleaner, fairer* world economy

- Support sustainable economic growth
- Boost employment
- Raise living standards
- Maintain financial stability
- Assist other countries' economic development
- Contribute to growth in world trade
What is Rural Policy?

• A range of policies and programmes, more often developed individually over time than the single creation of a coherent whole
• 2 levels
  • **Narrow Rural Policy** – those policies that are designed explicitly to address specific rural themes – agriculture, forestry, biofuels, rural broadband, rural medicine, transport to/from remote communities
  • **Broad Rural Policy** – those policies that have no specific geographic focus, but have major rural impacts – national health insurance, education policy, investment policy, energy taxation, water supply, biodiversity
Rural policy has evolved

- **Agriculture** has become an ever smaller source of income and employment in OECD members’ rural areas (mechanisation) – and globally
- **Manufacturing** in rural areas is changing its nature (globalisation is both an opportunity and a challenge)
- Rural residents are increasingly demanding the same **services** as rights as people in urban areas
- Some rural residents migrate to urban areas – in the same or other countries – and send back remittances
- Competition for scarce public resources requires evidence that **expenditure has a clear value**
Defining rural regions

- **OECD Regional Typology**

- It is a tool for international comparisons.
- Different nations have different kinds of rural areas (e.g., Canada and Finland much remote rural – England, Netherlands more intermediate than rural)
- Alternative definition in UK is area more than 30 minutes drive from a city of 100,000
Rural reviews lead to new policy advice from the OECD

Publication available from OECD
### The New Rural Paradigm

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- **Guarantee an adequate attention to rural issues**
- **Empower** local communities and governments
Acceptance of the NRP

• All countries see merit in the NRP as an enhancement to current rural policy

• Movement away from subsidies limited by:
  – Difficulty in identifying sound investments;
  – Vocal minority defends the subsidy approach;
  – Mismatch between what national agencies can manage and bottom-up process (LEADER community development example).
OECD Rural Policy Reviews

9+2 national reports
Germany; Mexico (2006)
Finland; Netherlands; Scotland, UK (2007)
China (available in Chinese script); Italy; Spain (2008),
Québec, Canada (2009),
England, UK (2010); South Africa (2011)
Convergence of rural issues

1. Declining employment in agriculture
2. Public services – demand and delivery
3. Protection of natural resource (amenities)
   - Natural resources have an “existence value”
4. Economic restructuring
   - Changing comparative advantage and economic function of rural
5. Climate change, and availability of energy now and for generations to come through bioenergy crops
6. Demography
   - Dropping birth rates and youth outmigration. Population increases depend on retirees, low-skilled foreign workers
Common strategies (1)

Emerging development strategies in rural areas

Place-based approach

1. High value agriculture (local food)
2. Nature/culture based tourism
3. Water services
4. Entrepreneurship and self employment
5. Elder care (silver economy)
6. Renewable energy
Green economy is seen as a development opportunity for rural areas

- Almost all renewable energy is rural
  - Renewable energy is a 3-into-1 solution for
    - Climate change
    - Employment
    - Boosting investment

- Local food can be an opportunity to reduce energy costs
In some cases, the difference between rural and urban economies is not considered

• In aggregate, rural economies in developed countries are seen as similar to urban regions, for example in types of employment.
• However, below the aggregate level, there are different types of activity, skills utilized, value-added, wage levels and organizational complexity.
• And urban and rural places are linked by the services provided – sometimes better to measure regional economies rather than try to separate rural and urban activity and treat them as separate.
Need for a focus on intermediate regions and urban-rural linkages

- Focus of most rural policy is on remote rural.
- Very little policy targets peri-urban areas or more intermediate regions, even though the majority of the rural population is found in these places.
- Urban areas are dependent on rural for the essentials of life – food, water, protection from flooding, biofuels, forestry (for carbon sequestration), renewable energy, cultural services such as biodiversity
Some Chinese rural assets
Chinese Rural Policy recommendations

On fiscal issues:

- Increase block grants AND
- Bring in a stronger, more transparent local tax system AND THUS
- Ensure local government expenditure obligations are covered by funding

Ensure policies affecting rural areas are ruraly proofed, nationally and at all levels of government; confident coordination is needed

Encourage local governments to bring in place based policies, exploiting local assets sustainably

Look for greater participation by NGOs, more access to information and a stronger justice system to defend citizens’ rights and thus give private investors more confidence
Chinese Rural Policy recommendations

Continue land reform process under way to:
- Fully implement laws proposed on farmland rights
- Allow residential land to be marketable and mortgageable
- Deter unreasonable land expropriation

Look for all areas to have more coherent, better funded strategies for service delivery

Tailor service improvements to the needs of each place and deliver with innovation

Open up service delivery opportunities to properly regulated private providers
Chinese Rural Policy recommendations

• Look beyond agriculture (still 60% of rural employment) for job creation
• Invest in tourism, energy and high value added products
• Anticipate rural urban linkages and look to develop locally rather than rely on migration and remittances
• Protect and exploit rural amenities
• Tackle water pollution and water use efficiency
• Address pollution caused by rural enterprises
• Be aware of sheer numbers – over 700 million rural people; where will they be in 10, 20 years, with what quality of life?

“NOT JUST A VERY GOOD REPORT BUT AN EXCELLENT ONE” Lu Mai – SG NRDC
Banna opportunities?
Finite land asset demands good governance

- Land outside urban areas is important natural capital; national, regional and local authorities need to ensure that effective governance arrangements are in place
  - for the benefit of people who live in rural areas, who earn a living from it; and
  - for people more generally because it provides public goods as well as commodity products
- Open land assets provide many life essentials, including food, clean water, protection from flooding, renewable energy generation, carbon locked up etc
- These assets should be exploited to their full potential – sustainably – for the public goods they can deliver as well as commodity products
- Sustainable development (or “green growth”) strategies point to exploitation that responds to environmental challenges, such as climate change and biodiversity
- Globally, demands for the use of land are growing – for food production, water catchment management, forestry, biofuels, renewable energy and growing cities – so inefficiencies in the use of land may threaten nations’ food security
- Through regulation and fiscal means, governments should help owners and users of land to reconcile competing demands and thus achieve best use of the finite asset
- But what is best use – can economics help inform it? How can the interests of the individual and wider public goals be evaluated? Land is both private property and a global common.
- In developed and developing countries, good governance models will maximise private/public benefits – so that land use can satisfy both global and local demands
- Can the OECD identify models of good governance and methodologies to identify the best use such governance should aim to deliver?
The big challenges for land management and governance?

- Competing uses and global drivers
  1. agriculture and food
  2. urbanisation and infrastructure
  3. water and flood management
  4. biofuels and non-food crops
  5. forestry and biomass
  6. other renewable energy
  7. biodiversity and cultural landscape enjoyment

- The land demanded by all these competing uses may well add up to more than is available; will markets adjust to allow security of delivery of the essentials of life? (Malthus retested!)

- Each sector/Ministry tends to see its own sponsored uses as paramount: inefficiencies result from failure to analyse optimum total productivity

- Owners/tenants may choose uses that in aggregate don’t deliver the outcome the world needs — whether in food, water, or responding to the climate change challenge

- Can informed markets deliver the best outcome? How are they informed by government, whether regulation or tax? What other governance models are effective in achieving both local and global needs?
Drivers include:

- 35% more food production needed by 2030
- Growth in demand for meat means more land needed for same output
- The need to compensate for big yield drops in China and Africa as a result of climate change already locked in

The global response will include

- greater production through improved farming methods and use of underproductive land (eg Brazil, Africa)
- Greater crop productivity (eg following genome science, precision farming)

But food growing must also:

- Become less greenhouse gas intensive (7% of UK emissions; 10% of Canada emissions)
- Pollute groundwater less (ie less or more precise delivery of fertiliser)
- Cycle nutrients more efficiently
- Find ways of using water more efficiently as aquifers drop and new city dwellers demand more water
- Be more biodiversity friendly
- Meet higher standards to prevent zoonoses and disease

Food production and storage also needs to be sufficient to overcome short term market volatility. Recent events (fuel price hike, natural disasters etc) suggest we should be

- Ready for food trade barriers, in the name of food security
- Ready for interruptions in the supply of energy, potash, elements of modern food production

At the same time there is competition for use of land from:

- Increasing demands for biofuels to reduce dependence on fossil fuels
- Forest conservation and tree planting to meet climate change mitigation targets
- City sprawl (450 million people to move to expanding Chinese cities in next 15 years)
- More land lost to coastal retreat, hydroelectric schemes and set aside for flood management
- Cities take more of the water as people achieve better standards of life

Need to understand current OECD/FAO projections and how much new land they assume can be cultivated
1. The rural context is important.
2. Commonly desired outcomes for rural areas but different political structure, social values, rights, etc. act as constraints on policy choices.
3. Place-based evaluation can play a key role in examining the performance of projects and programmes.
4. Much more work needed to place value on biodiversity; while real value of food and biofuel is difficult to deduce because of fiscal influences
5. Intergenerational issues will also be important, given climate change and soil condition
6. There is scope for mutual learning for policy dialogue. Emerging economies – OECD
7. Governance is a crucial issue – eg of the natural asset that land represents