THE ROLE OF RURAL DEVELOPMENT IN RAPIDLY URBANIZING OECD COUNTRIES

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1. Rapid urbanization in an OECD context
2. Rural and urban interdependence: rural and urban economic linkages
3. Regional Policy for rural development: What works?
4. Should rural development and regional policy be different in rapidly urbanizing OECD countries?
1. WHAT IS “RAPID URBANIZATION” IN AN OECD CONTEXT?

- How rapidly have urban populations been growing in OECD countries in recent years?
- The most rapidly urbanizing OECD countries were found among those with just above average levels of urbanization (around 50 percent urban)
- Turkey, Mexico and Chile were among the top six OECD countries measured by urban population growth rates between 1995-2005
  - New Zealand, Canada and Australia were the other three most rapidly urbanizing countries.
Figure 1.8. Urbanisation in OECD countries
Urbanisation levels and growth according to PU areas (1995-2005)

Source: OECD Urban Policy Reviews, Chile, 2013
“RAPID URBANIZATION” CHALLENGES DEPEND ON CONTEXT

- Level of GDP per capita
- Extent to which growth is concentrated in “megacities”
- Extent to which new urban population is concentrated in poor housing (slums?)
- Source of urban population growth (rural v. international)
- Speed and contiguity of land conversion to the urban center (sprawl?)
- Strength and capacity of national and local institutions and governance
- Demographic characteristics of rural population
- Rate of environmental degradation in cities
2. RURAL-URBAN INTERDEPENDENCE: RURAL AND URBAN ECONOMIC LINKAGES

- What do rural areas supply to urban centers?
- What do urban centers provide to rural areas?
- Are these linkages different in a rapidly urbanizing context?
RURAL CONTRIBUTIONS TO URBAN AREAS

- Food, forests, fish, minerals,
- Renewable energy (wind, hydro, wave, solar)
- Stewardship of environmental resources
- Recreational opportunities
- Repository for unwanted urban “waste”.
- Land for future urban expansion
- Workers

URBAN CONTRIBUTIONS TO RURAL AREAS

- Markets for rural resources and products
- Jobs for underemployed rural workers
- Specialized services requiring large markets or agglomeration
- Funds for private investment in rural areas and for public services

Does rapid urbanization change the role of rural areas and rural development?

- Rapid urbanization reflects a distorted role of rural areas,
  - oversupplying workers to urban areas
  - undersupplying rural goods and services

- Rural development in rapidly urbanizing countries can slow out-migration of rural people to the cities.
3. REGIONAL POLICY FOR RURAL DEVELOPMENT: WHAT WORKS?

- Increasing skills of low-skill workers is most critical
- Infrastructure may help when other factors in place
- Framing policy towards mobilizing local assets and away from external subsidies
- Formal and informal institutions foster linkages and ensure policy continuity
- Integrated packages simultaneously improving policies, infrastructure and human capital

Source: OECD, *Promoting Growth in All Regions*, 2012
4. SHOULD RURAL DEVELOPMENT AND REGIONAL POLICY BE DIFFERENT FOR RAPIDLY URBANIZING AREAS?

- Basic approach of the OECD Regional Policy paradigm can apply in rapidly urbanizing areas
  - Focus on local assets, soft and hard infrastructure, multi-level coordinated efforts in functional regions
  - Emergence of locally-driven, coordinated public policy strategies and private initiatives
- But the specific goals and investments can and should differ
THREE WAYS REGIONAL POLICY COULD BE DIFFERENT IN RAPIDLY URBANIZING AREAS

- More urgent focus on job creation and investment in rural areas
- More emphasis on building on synergies in regional cities
- More attention to building rural-urban clusters and serving urban niche markets for local and distinctive rural products
RURAL JOB CREATION AND INVESTMENT

- Integrated policy packages focused on local asset development, and investments in low-education workforce are key.
- Rural development involves dilemmas:
  - Harvest v. preservation decisions about natural resources affect rural job opportunities.
  - Education of rural workforce can affect outmigration.
  - Public decisions about education and rural resource use can thus play a role in rapid urbanization.
Regional cities can be sources of economic growth in their own right and anchors for rural regions slowing migration to “megacities”

- good transport linkages such as regional airports,
- economic specialization,
- land available for development,
- dynamic entrepreneurial universities
- basic and advanced services for large rural regions,
- employment opportunities for rural hinterland

URBAN-RURAL CLUSTERS

- Rural-urban industry clusters create value chains including both urban and rural producers
- Cost reducing clusters in food industry
  + Regional trade associations: Oregon Farmers’ Markets Association
  + Institutions linking producers to retailers: FoodHub “where food people connect and do business”
- Product differentiation clusters in food industry
  + Certification: (Food Alliance certifies “sustainable production”; Oregon Tilth certifies organic production
  + Personalizing the product: Pacific Fish Trax
  ‣ “Consumers Can Track Fish, Meet the Fishermen”

Source: Sheila Martin, Chapter 8 in Hibbard et al. Toward One Oregon, 2011
“NEW PARADIGM” RURAL DEVELOPMENT EFFORTS IN THE PACIFIC NORTHWEST U.S.

- Emergence of locally-driven, coordinated state policy strategies
  - Oregon Governor’s Regional Strategies initiative for economic development
  - Coordinated Care Organizations for health services
  - Early Learning Hubs for early childhood programs
  - Oregon Open Campus for post-secondary education
  - METRO for land use

- Private rural initiatives to develop local assets:
  - Pacific Fish Trax
Emergence of locally-driven, coordinated policy strategies and partnerships

- Workforce Investment Boards for workforce training economic development
- Promise Zones for integrated housing, educational, economic development and crime reduction efforts
- Forest Management Collaboratives for locally managing federal forest land in a way that balances environmental and extraction values
To what extent do policy and institutions strengthen economic links between rural places and urban centers?

- Trade links
- Production links along a rural-urban value chain
- Infrastructure links
- Investment and savings links
- Fiscal links (taxes and government spending)
- Commuting
REGIONAL POLICY IN RAPIDLY URBANIZING COUNTRIES: SOME QUESTIONS

- How well do governance structures facilitate policy and program coordination between rural places and urban centers?

- How well do the institutions engage rural and urban stakeholders in determining policies affecting
  + educational investments in urban and rural places?
  + decisions about use of the nation’s environmental resources, particularly the harvest v. preservation of natural resources?
Regional Policy in Rapidly Urbanizing Countries: Some Questions

- How well developed are mechanisms for compensating natural resource owners whose resource use is being restricted for public benefit?
- How much potential is there for regional cities to absorb rural people and provide specialized services and markets to their rural hinterlands?
“Old assumptions imply there are no similarities between rural and urban communities around which common cause can be built. They imply that there are no interdependencies when, in fact, the well being of each place is strongly influenced by what is happening in the other and on finding opportunities to work together to improve their shared fate”

Our Shared Fate: Bridging the rural-urban divide creates new opportunities for prosperity and equity. The California Endowment report June 2008
Rural Development in the Rapidly Urbanizing Countries of the OECD:
Chile, Columbia, Mexico & Turkey

David Freshwater

OECD Rural Conference, Bologna Italy
The Nature of Development

• **Agricultural Transformation**
  – Shift from subsistence to market driven agriculture
  – Substitution of capital and technology for labor
  – Increased output from a slightly shrinking land base
  – Bi-modal distribution of production - 80/20 rule (80% of output from 20% of farms)
  – Off-farm income becomes the main source of household income for the majority of farms

• **Rural Transformation**
  – Small increases in absolute rural population, but a declining share of national population
  – Diversification of the rural economy beyond agriculture
  – Continued reliance on exports to provide income and employment

• **Urban Transformation**
  – Inflow of migrants from rural areas
  – Increasing share of population and GDP
  – Main source of population growth
  – Decoupling of urban economy from rural economy
  – Shift to endogenous growth in largest cities
The Nature of Rural Development

• Diversification of the rural economy beyond agriculture – rural development as risk mitigation with benefits for farmers, rural communities and the nation
• Concentration of farm production on the highest quality land
• At the community, or functional region, level an increase in economic specialization to provide competitiveness
• Increasing demand for skilled labor
• Increased demand for public services
• Falling fertility rate that eventually limits rural outmigration to cities and that can constrain future rural economic growth
Two Models of Regional Economic Growth

**Urban Led**

- Urban led growth, especially by large cities
- Rural regions benefit from trickle-down effects
- Limited national government role
- *Resembles a freight train* – cities as locomotives providing propulsion, global forces (tracks) dictate direction

**Spatially Balanced**

- Urban led growth, especially by large cities
- Rural regions provide additional growth from their distinct capabilities
- National government coordinates
- *Resembles a convoy* – some ships are bigger, but all provide their own propulsion, national government (convoy manager) guides direction
Common Elements

- Cities are the main sources of economic activity
- Investments in improving markets are good
- Investments in improving connectivity are essential – better roads and rail, better telecommunications
- Investments in human capital are vital
- Strong institutions are needed to underpin markets
Main Difference

• Can rural be a source of independent growth?
• OECD argument – yes
  – Observe that some rural regions grow faster than most urban regions
  – Growth in rural regions is different – more focused on absolute advantage (resource base), innovation comes from individual firms and entrepreneurs, only small and medium firms
  – Rural growth is exogenous – external demand drives growth
Stages of National Rural Policy as National Development Progresses

• First – increase role of markets – connectivity, price discovery – Low income developing countries mainly in Africa
  
• Second – build local capacity and increase productivity through investments in firms and people – medium income developing countries – Eastern Europe
  
• Third – broaden local economic base by adding manufacturing, tourism and other new sectors – Turkey Chile Mexico Columbia
  
• Fourth – improve integration with urban economy in peri-urban territory and improve service delivery in more remote territory – Balance of OECD
The role of rural development in rapidly urbanizing OECD countries: Perspectives from Turkey

23.10.2013
The role of rural development in rapidly urbanizing OECD countries: Perspectives from Turkey
Turkey in Context

Population = 75,627,384
GDP per capita = 10,497 USD (2012)
90th in Human Development Index
Gini coefficient = 40,0 (2010)
17th largest economy, nominal GDP, World Bank (2012)
Changes in the Share of Urban and Rural Population in Turkey, 1927-2012

Source: TurkStat
Changes in the Share of Urban and Rural Population in Turkey, 1927-2012 (%)

Source: TurkStat
Economic Structure by Sectors

Composition of GDP, 2012 (%)

- Agriculture: 12.4%
- Industry: 19.3%
- Services: 61.9%
- Indirect Taxes-Subsidies: 7.9%
- Financial Intermediation Services: 1.6%

Source: 10th National Development Plan

Composition of Gross Value Added, 2008

- Agriculture: 8.50%
- Industry: 27.20%
- Services: 64.30%

Source: TurkStat

Composition of Employment by Sectors, 2012 (%)

- Agriculture: 24.60%
- Industry: 19.10%
- Construction: 6.90%
- Services: 49.40%

Source: TurkStat
## Spatial Distribution of Poverty

<table>
<thead>
<tr>
<th>REGION</th>
<th>Methods</th>
<th>Percentage of poor individuals (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td>Complete poverty (food+nonfood)</td>
<td>26.96</td>
</tr>
<tr>
<td>RURAL</td>
<td>Complete poverty (food+nonfood)</td>
<td>34.48</td>
</tr>
</tbody>
</table>

*Source: TurkStat*
# Evolution of Rural Development Policy within the National Development Plans

<table>
<thead>
<tr>
<th>Year</th>
<th>Development Plan</th>
<th>Policy Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>Foundation of the Turkish Republic</td>
<td>Agricultural economy, &quot;village institutions&quot; as a nationwide development initiative to educate village teachers as community leaders. Introduction of tractors and mechanisation of agriculture in 1950s.</td>
</tr>
<tr>
<td>1968</td>
<td>1968-1972: 2nd Development Plan</td>
<td>Agricultural towns (tarımken) and villagetowns (köyken), land consolidation and land reform.</td>
</tr>
<tr>
<td>1979</td>
<td>1979-1983: 4th Development Plan</td>
<td>Primary development regions, scale shift to &quot;region&quot;, &quot;villagetowns&quot; empowered as a mezol level policy unit.</td>
</tr>
<tr>
<td>1985</td>
<td>1985-1989: 5th Development Plan</td>
<td>Focus on development of service delivery to rural areas, integrated rural development projects primarily in the Southeastern and Eastern Anatolia Regions.</td>
</tr>
<tr>
<td>1996</td>
<td>1996-2000: 7th Development Plan</td>
<td>Problem of agricultural productivity and land reform as the predominant focus areas.</td>
</tr>
<tr>
<td>2001</td>
<td>2001-2005: 8th Development Plan</td>
<td>EU integration became a significant priority, &quot;rural development&quot; was used as a concept for the first time in a development plan. Regional development gaps were underlined.</td>
</tr>
<tr>
<td>2007</td>
<td>2007-2013: 9th Development Plan</td>
<td>Rural development was integrated into regional development policy chapter in the Plan. Rural poverty, local institutional capacity development, enhancement of service delivery mechanisms and entrepreneurship were prioritised.</td>
</tr>
<tr>
<td>2014</td>
<td>2014-2018: 10th Development Plan</td>
<td>Rural development policy was disconnected from agricultural development policies. Enhancement of service delivery mechanisms, abandonment of &quot;central village&quot; approach, development of IT and means of transportation to the proximate urban centres, innovative methods of rural development are encouraged.</td>
</tr>
</tbody>
</table>
Rural Development Perspective in the 10th National Development Plan

* Old Rural Development Policy: Fragmented, lack of coordination, focused on service delivery
* New Rural Development Policy: Focused on coordination, selection of the unit and scale of intervention, determination of rural settlement typologies and capacity development programmes in response to a diverse set of rural settlements
* Smart selection of the unit of intervention and linking rural settlements to the nearest urban centres instead of interlinking proximate villages and creating webs of villages without genuine interaction with the urban market and service delivery centres are the two primary rural development solutions in the 10th Plan.
* «A significant difference is observed between the rural areas near the urban centres and remote rural areas; risks inflicted by decreasing population and aging are rising. Therefore, there is need for diversifying rural development policies and practices and a new perspective on design and practice of rural development policies which goes beyond the village as a unit of intervention.» (10th NDP)
Different Images of Rural Settlements
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Primary Challenges of Rural Development in Turkey

1) Phenomenon of dual administrative system due to the recent Metropolitan Municipality Law. (30 vs. 51)
2) Dependency on agriculture in most of the rural settlements
3) Erosion of human and social capital in the vast rural settlements due to ongoing migration trend
4) Lack of professional village administration and resulting inefficiency in the management of village assets
5) Land reform, land aggregation and productivity challenges to be resolved against historical legacy of land ownership
Institutional Structure of Rural Development
Governance

- Ministry of Development
- Ministry of Food, Agriculture and Husbandry
  - General Directorate of Agricultural Reform
  - Agriculture and Rural Development Support Institution
- Ministry of Interior
  - Provincial Special Administrations
  - Village Service Unions (KHGB)
- Agricultural Credit Cooperatives
- Regional Development Agencies
A Good Example of Rural Development: KÖYDES
(Village Infrastructure Support Programme)
Objective: Eradicate infrastructure problems related with drinking water and roads

Initiated: In 2005

Financing: Central budget

Total cost: 8,8 billion TL (app. 6 billion USD)

Duration: Annual programming

Area: 79/81 provinces (except İstanbul and Kocaeli)

Beneficiary population: 12.3 million (16.7 %)

Settlements covered: Villages and sub-villages

Implementing authorities: 79 SPAs and 909 Village Service Unions

Components: Drinking water and road since 2005; irrigation (2010); sewage (2011)

Legislation: Annual decree approved by High Planning Council and other regulations
## Some basic indicators (2005-2013)

### Basic Outputs

<table>
<thead>
<tr>
<th>Type</th>
<th>2005</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking water Settlement (#)</td>
<td>47 461</td>
<td></td>
</tr>
<tr>
<td>Road Asphalt (Km)</td>
<td>98 394</td>
<td></td>
</tr>
<tr>
<td>Road Non-asphalt (Km)</td>
<td>81 159</td>
<td></td>
</tr>
<tr>
<td>Road Repaired (Km)</td>
<td>32 574</td>
<td></td>
</tr>
<tr>
<td>Irrigation Agricultural land (Ha)</td>
<td>54 090</td>
<td></td>
</tr>
</tbody>
</table>

### Progress achieved (%)

<table>
<thead>
<tr>
<th>Components</th>
<th>Type</th>
<th>2005</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking water</td>
<td>Safe access to water (by settlements)</td>
<td>93</td>
<td>99</td>
</tr>
<tr>
<td>Road</td>
<td>Asphalated</td>
<td>33</td>
<td>44</td>
</tr>
</tbody>
</table>
Impact of the Law No. 6360 on Rural Development

* Metropolitan Municipality Law no 6360 has brought radical changes in service delivery and democratic representation for the rural population.

* According to the Law No. 6360, 16.082 villages were converted into administrative neighbourhoods. Therefore, ratio of rural population decreased from app. 24% to 9,5%.
Impact of the Law No. 6360 founding metropolitan municipalities in 14 provinces in addition to the 16 already existing metropolitan municipalities:

- All the villages within the borders of metropolitan municipalities converted into administrative neighbourhoods
- Districts which have less than 2000 people converted into administrative neighbourhoods
- Village service delivery unions within the metropolitan municipalities were closed
- Municipalities have relatively high financial resources and technical capacity
- Key services like waste management will improve
- There is ambiguity on future of the common assets of the villages, the planning and reconstruction of village settlement areas and protection of the traditional architecture
- Village as an identity will probably erode
Teşekkürler...