

## **Session 6: Investment Priorities for Rural Development. The Way Forward**

### *Transcript*

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“Many decisions for rural areas are taken in town”: these words opened the Conference. Towns indeed host and train public administrators who design rural policy; we are sitting in one of these towns. But the phrase goes deeper than that. It reminds us that even if no comprehensive regional strategy exists, decisions about public investment and provisions of public goods are taken anyway. We do not need regional development policy to make these things happen. They do happen, but in the absence of regional policy decisions are taken with no consideration of their impact on locations. In fact, they end up favouring those areas where there is already a concentration of economic and financial interests and bureaucracies, and they come to disadvantage to the areas where this is not the case. It is often argued that when left to their own, with no State intervention, capital and highly skilled labour, i.e. very mobile resources, move to the existing, strong agglomerations due to market forces. Well, this is not the full story.

If there were no state interventions in the agglomerations, if the State was not providing and upgrading the public goods which are necessary for these mobile resources to actually move to the existing agglomerations, then there would be no further flow. It is a State action that makes further concentration feasible. Ironically it is also State action that often compensates for the effect of this concentration by subsidizing areas that are falling behind.

This reflection tells us two messages. First the State territorial allocation of public goods should not be captured by specific private interests, but should be run strategically and in an accountable way by checking its effectiveness; actual results should be thoroughly and continuously measured. Second rural and urban needs must be considered together, as Mark Drabenstott pointed out before, not only because there are very strong synergies but because the return of public investments should be fairly compared across the whole range of possibilities; not just by carving a little niche where rural policy can be run. From this point of view, the conference has provided very rich ideas on how to tackle the rural dimension inside a comprehensive regional strategy.

Let me tell you how I have made sense of what I have heard.

In the permanent process of creative destruction, a feature of capitalism that Schumpeter pointed out, no individual, and no community can afford to sit down even on extremely beautiful past glories. For rural areas, the challenge is particularly high, because they are not areas where innovators concentrate and where the wind of cultural trends and financial challenges blows particularly strongly. If the challenge is not met, skilled people will move out of rural areas. Either they will fall behind or agriculture will be substituted by other activities, but the shift will often suit external interests and most of value added will be produced outside. This is my fear when I look at some experiences of moving from agriculture to renewable energy in an unplanned way, especially when the entrepreneurial filiere is missing in the area.

This conference has made progress in two directions.

The first is the direction of pragmatism, by which I mean a good conceptualization based on the awareness that information is incomplete. Actions to be taken in policy can never, almost never, be fully devised *ex ante*. Private partners, public partners understand what to do only while they are doing it. This conference is clearly signalling that more quantitative analysis is needed. There is a need in our methodological approach to combine two cultures that are often separate or even in conflict. A culture of participation and a culture of evaluation. We know that a culture of participation without the clear establishment of targets, without making clear what the expected output is, without measurement and evaluation, is a method that leads to fuzziness. At the same time, we know that the evaluation culture with no participation leads to a top-down approach and to a system that often encourages agents not to achieve the actual objectives but just comply with the rules that somebody above has fixed. The alternative is a combination of evaluation culture and participatory culture into a self-diagnosing system by which the actors continuously evaluate what they are doing and by evaluating so they learn what it is that they are doing and which direction they should take. This, I think, is the general message we should draw from the conference.

The second important area of discussion of this conference concerns the object of policy: the services, the public goods that the new rural policy should deliver. In the conference, many categories of actions have emerged. Basic services, those services that must be satisfied since they are part, as Oaxaca conference clarified, citizens rights. They are preconditions of development. And the very interesting paper by Pose clarified that education comes first, I mean really first, out of these basic services. Without education a territory does not go anywhere.

Now, with reference to basic services, the questions of this conference have been: what quality should be guaranteed? Should we have equal services for all or a minimum standard? Let me take a stance on this point. The experience - and I refer not only to Europe, but to United States in the provision of education to all ethnic minorities (as surveyed by Sabel and others) - strongly suggests that the appealing idea of equal services or equal finance for all often leads to a convergence to the bottom. On the contrary, the attempt of fixing minimum standards is more promising, providing that we tackle it in a pragmatic fashion. We should establish minimum standards that are subject to diagnostic monitoring and continuous revision. The process of implementing the standards, of measuring and discussing progress towards them with the very citizens who benefit from those services, the cultural and political debate that follows, all these steps produce knowledge and equip agents both with the means to achieve the targets and with the capacity to revise them.

The other big question that the conference addressed for basic services was about whether we should provide basic services in all location? Even when population is very, very small, should we make the community sustainable at “any” cost?

The questions of sustainability is a tricky one. I don’t dare to get into it. I’ll rather gather from the Conference some very tentative indications that could be the ground for further studies.

The message looks like: do try delivering basic services in all locations, and do that with a very high involvement by the whole community. But, as Mark Shucksmith in particular implied, do accept the concentration of most specialized services, and try to provide some of the services through broadband linkages; health is an area where that can happen. And do monitor reactions by the communities and be ready, quite frankly, to scale down services if sustainability looks not to be achieved even as the results of their provision.

But, since what is “basic” changes all the time, there is a continuous challenge and the Conference moved up, to consider what we can call “advanced basic services”. Think about the example provided of Italy, by Sabrina Lucatelli in the area of child care. A region which 20 years ago was extremely advanced in providing welfare to all its citizens is falling behind in the provision of “more advanced” basic services. The variance in their provision between more or less rural areas – as appropriately measured – is high in the area of education, namely of education and care for small children; and this is producing negative effects on female labour participation. Society’s “basic” requirements are moving up and the welfare system is not being upgraded.

But the Conference made a further step, to a higher level of services. David McGranahan showed, on the basis of a fascinating paper, the role of scenery, namely of in forests and their accessibility, in attracting innovative agents. Well, this pinpoints to a third category of public goods. State action in agriculture aimed at preventing deforestation becomes a primary service; to improve scenery and valorise cultural heritage become necessary tools to attract innovators and improve productivity.

But we must – the Conference did – move up in the ladder of services. Take the place where this journey started, Siena. There are basic services, there are advanced basic services and there is an extraordinary scenery. It was used as an example. There is also a good university, but this is not enough. In capitalism, the town of Siena is sitting on its glory, it is not reinventing, it is attracting innovators but when they go there... they admire the scenery. This is very well probably, but it doesn’t work in our present society; it might work in another one that we may invent at some point through our lives or in the lives of our grandchildren but not in capitalism. So, yet more advanced and innovative services must be produced or promoted in rural Siena. For example, education must be pushed even further, a higher challenge should shake the University system. Like in Finland, new bridges must be promoted between firms and university.

I can finally summarise the very interesting ideas of this Conference as steps in a ladder of services, from basic to highly specialised areas. But do not take this image as a suggestion that there is a sequence, a time sequence, that the new rural paradigm must explore in rural areas. It would be an unwarranted conclusion. History of policy-making and development tells us that these services are sometimes in a sequence, while sometimes they come or should come simultaneously. Let me conclude by saying that it is the job of a comprehensive regional development policy to enable communities to understand which sequence they should follow!