

## INTRODUCTORY COMMENTS

Cologne Rural Conference  
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On behalf of the Territorial Development Policy Committee, let me add my warm welcome to all of you as we begin this important conference. As someone who was there when this OECD series began in a glorious church in Siena, I confess to feeling a sense of pride and ownership that it has become the premier annual event in the global dialogue on rural policy. I want to congratulate the organizers for once again putting together a world-class program.

This event addresses a critical topic for rural regions—how best to provide services in the unique geography that we call rural. I would like to offer a few comments on this topic, but allow me first to comment on how important this global dialogue on rural policy really is.

I truly believe that this annual gathering is far more important than merely being a series of interesting topics on rural policy, or a shelf lined with valuable conference volumes, as important as that is. No, this conference has a transcending purpose. That is to sustain the dialogue on a policy that has comparatively few champions in our respective capitals. Globalization has made rural policy essential to the future of our many countries. But as repeated policy steps throughout the world show, we are moving into the future in fits and starts. Notwithstanding the global consensus that has been unequivocal since this conference was held in Warrenton, Virginia four years ago with a keynote address from none other than Alan Greenspan, a place-based rural policy is still an infant in many ways.

Sectoral policy, and subsidies to agriculture in particular, remain the overwhelmingly financial focus of rural policy. This means we still have far to go in implementing the policy instruments that rural regions need to prosper. This series of conferences gives voice to the need for change—and the most promising path to change. This year’s focus on rural services provides yet one more powerful example that sectoral policy cannot answer needs that are now rooted in place.

To be sure, there are more and more signs that policymakers are moving in the direction of place-based rural policy. Our German hosts provide an excellent case in point. They undertook a major review of their rural policy, aided by the OECD’s Rural Working Party. As a result of that effort, serious steps toward a new rural policy framework are now under way here. One can see similar positive trends in the EU. And the new U.S. farm bill, still being negotiated, is considering a major new focus on helping rural regions craft regional development strategies and prioritize public investments. Though the outcome is still unknown, the bill may supply funds for some of those investments.

While these policy innovations are encouraging, we must not lose sight of the task that remains in pulling rural policy into the 21<sup>st</sup> century. This conference is an excellent opportunity for major progress in that effort.

Now let me turn to the issue at hand—policies that help rural regions deliver the services rural citizens need in the 21<sup>st</sup> century. I know this conference will highlight intriguing, technology-led ways to deliver services to rural areas. I leave those delivery mechanisms to the experts. But I would suggest that there are three questions that can offer valuable context to the “delivery” issue:

- What are the “right” services?
- What is the “right” region?
- What is the link to other rural policies?

### **What are the “right” services?**

The answer to this question is probably regarded as a given by many observers. Rural citizens and policy officials alike regard health care, broadband, education, and other similar services as “givens” in the 21<sup>st</sup> century. And indeed they are. Such services are part of the “necessary” set of conditions for prosperity.

Yet we probably do well to keep our minds open to a broader discussion on services. Allow me to borrow a metaphor that may be helpful. We have begun a policy discussion in the TDPC on how governments prioritize investments in public goods for regional development. Which public goods are critical to successful development in which region? This is not a simple question, and the more we discuss it the more we conclude that the answer is, in fact, devilishly difficult. As but one illustration of that difficulty, everyone recognizes that the answer will be different for every region—one region’s top priority may be another’s low priority. The key, of course, is knowing which is which!

We have made one breakthrough that may point the way forward. We have begun to distinguish between investments in two different categories of public goods. The first category, *essential public goods*, represents things like roads, water, and schools that every region needs to develop its economic potential. The second category, *competitiveness public goods*, represents the highly unique public goods that unlock that region’s distinct competitive advantage. The improvements to the electricity grid to support wind-based energy is one example.

We have also begun a discussion of how policy should fund these two types of public goods. Essential goods likely fall to central government, with some support from provincial or state government. Competitiveness public goods, meanwhile, likely fall more to a mix of public and private funding, though we have begun to discuss a sliding scale where more of the funding shifts to the public sector in those regions that lag furthest behind in their development.

I would suggest that this broad investment framework may be helpful in our discussion of public services. While we may tend to think of public services as all being “essential”—a theme that emerged as the “white flags” in Oaxaca—there are probably services that are much more critical to the development of one rural region than another. The issue, of course, is whether regions know which services (and public goods, for that matter) are critical to their future. But more on that in a moment.

### **What is the “right” region?**

As the policy focus shifts from sectors to regions, we must constantly be mindful of what the “region” is. I suspect that in issues such as health care or broadband there will be a natural tendency to imagine “service delivery” at the level of a region. Moreover, I suspect that region will often be defined as the one that most closely corresponds with the reach of the service providers. Exploiting economies of scale is a good reason to approach the problem in this way.

Yet the geography of delivering rural services cannot be determined in isolation. It must also connect in fundamental ways to regional economic development. What is the region that represents the functional economic region most suited to a regional

economic development strategy? This region may or may not align with the most likely public service geography.

I would recommend that throughout our discussions we encourage a linking of these two regions. Services and public goods provide the bedrock for development—and may also unlock a region’s distinct competitive advantage. Moreover, public service providers can be catalysts when regions form for economic development. Thus, it makes a lot of sense to me to create as much alignment as possible between the service delivery geography and the economic development region.

In both cases, the TDPC’s findings are highly relevant. We have learned that regions form best from the bottom up (not top down) and that more critical mass is better than less. I suspect these twin principles will move us toward more alignment in defining regions for both services and development.

### **What is the link to other rural policies?**

How best to provide services to rural areas is a critical issue to rural regions and to policy officials in our capitals. I’m confident this conference will supply valuable recommendations on how best to provide these services. This conference will be even more successful, however, if we also show how delivering rural services fits in rural policy for the 21<sup>st</sup> century.

While there are many ties, I would suggest that the most important bridge may be found in regional governance. Governance is the term we use in the TDPC to describe how regions think and act as a region—bringing public, private, nonprofit, higher education, philanthropic, and other key leaders around the region’s round table.

Regional governance is a critical issue for crafting a regional strategy to seize the region's competitive advantage. While we are working on the tools that help a region diagnose its competitive advantage, at the end of the day, the quality of region-wide governance is probably even more important. Put another way, the “artform” trumps the science. Having a regional strategy is, in turn, pre-requisite to prioritizing public goods and public services.

Regional governance, though, is far from certain in most rural regions. Jurisdictional lines drawn for an earlier economic era impede the very partnerships on which regional governance is founded.

At the end of the day, therefore, a critical issue for public policy is helping rural regions build sustaining mechanisms for regional governance. Such partnerships provide the foundation for rural development—and rural service delivery. We have much more to learn about how best to do this. My hope is that the next two days will enlighten this issue while unlocking new ways to provide the services that rural regions deserve and need.