

**OECD Cologne Conference on Rural Service Delivery
April 3, 2008**

**OPENING SESSION: RURAL SERVICE DELIVERY:
TRENDS AND CHALLENGES**

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Plenary Session
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Thomas C. Dorr
Under Secretary for Rural Development
Remarks (12-15 minutes)

Good morning. Thank you, for that very generous introduction. It is a distinct pleasure to be with you today.

Ronald Reagan famously remarked that the closest thing on this earth to eternal life is a government program. There was ... and still is ... considerable truth in that observation.

It is also true that very often one of the hardest things on this earth to do is to substantially change a government program. That is certainly the case in the United States, with our entrenched interest groups and narrowly divided Congress.

Yet as we all understand, despite the obstacles, change is essential. We are here to discuss evolving models for providing public services in rural areas. The forces of inertia are substantial. But the opportunity is great, and the costs of inaction are high. So again ...change is essential.

The parameters will of course vary from one country to another. National circumstances differ. In the United States, the discussion begins with diversity. Rural America is home to some 60 million people ... the population of France or Italy ... in a land area larger than Europe west of Russia. One size does not fit all.

Regional opportunities vary widely. Rural America contains some areas of deep and prolonged distress ... areas that still suffer from geographical isolation and significant structural deficits.

But it also contains many of America's fastest growing communities ... a fact which is sometimes overlooked because we quickly "graduate" our success stories. An area that grows beyond a relatively low threshold ceases by definition to be "rural" and falls out of the statistical picture.

In addition, new economic drivers are changing the game. Broadband and distributed computing are leveling the playing field. They erode barriers of time, distance, and isolation. They support economic diversification.

Renewable energy in particular is an historic opportunity. Renewable energy is disproportionately rural energy. If the United States is able, over the next two or three decades, to displace just one billion barrels of imported oil with biofuels, that alone is a new market larger than today's net farm income ... which is, by the way, at an historic high.

Farm exports and farm equity are at record highs. The growth in U.S. farm equity alone over the last ten years exceeds \$1 trillion, an amount larger than the GDP of all but the world's ten largest economies.

So very clearly, despite important regional differences, rural America as a whole is dynamic and growing.

Just as clearly, this challenges our traditional structure and inherited programs for rural development. USDA Rural Development is therefore, both by choice and by necessity, an agency in transition.

We are by statute the lead agency at the federal level concerned with community and economic development in rural America. We have a portfolio in excess of \$100 billion invested in rural infrastructure, housing, community facilities, and businesses.

As we never tire of saying, we are the one agency in the U.S. government that is able to build an entire community from the ground up. We don't build roads ... but we do just about everything else.

We recognize, however, that we cannot stand still. If we remain nothing more than a traditional provider of traditional programs via traditional methods, we will quickly become irrelevant. Our response to the new environment facing rural America therefore takes several forms:

- First, since the beginning of the Bush Administration, we have placed a very high emphasis on State autonomy. We have become one of the most decentralized agencies in the federal government. Our 47 State Directors are essentially CEO's of their State Rural Development offices.

We recognize that the challenges are very different in the corn belt as compared, for example, to the Mississippi Delta, New England, or the Central Valley of California. We believe it is essential to empower our associates in the field ... and to allow our State Directors a very high degree of independence as they seek to identify regional opportunities and appropriate strategies.

- Secondly, we recognize that dependency is a trap. We are a relatively small agency. Most rural services are delivered by State and local governments. We are an economic development agency. Our total operating budget this year is \$2.3 billion. That is approximately one-tenth of one percent of current net farm equity. That should suggest who is the tail and who is the dog.

Rural America is in fact awash in latent investment capital. When one's own available financial resources exceed any potential federal support by several orders of magnitude, queuing up and waiting for a federal grant is a prescription for paralysis.

- We are therefore working to change an entrenched rural culture of dependency into an entrepreneurial and investment culture. As one tangible measure of this, we are steadily shifting our emphasis away from grants to loans and, when possible, loan guarantees.

We are thus using our resources to incentivize cost-sharing, local initiative, and self-help. We are doing this in our business lending ... in our housing programs ... and in our community facilities

programs alike. We have also reached out to new partners and to unconventional lenders to broaden our reach.

- This works. This is not hypothetical. The numbers tell the story. By emphasizing outreach, competitive awards, and leverage, we not only drive our partners towards self-sufficiency ... we are able to generate a very substantial multiplier.

I mentioned a moment ago that our budget authority this year is \$2.3 billion. Through leveraging, however, we will actually generate a net investment of \$18.5 billion, a multiplier of 8-1.

Constrained budgets, I am sure, are a limitation we share with everyone here. By aggressively using the credit tools available to us, over the past ten years we have almost doubled our program level ... despite an underlying budget that has been virtually unchanged over that period. More aggressive cost-sharing allows us to do more with less.

- Finally ... and perhaps the most challenging step of all for a government agency ... we have imposed the discipline of reform upon ourselves. Since 2001, we have reduced staff by more than 13%. In

the same period, we have consolidated more than 350 of our offices around the country ... 44 percent of the total.

We are working, both through proposed legislative changes and via administrative reform, to streamline our programs and simplify administration both for our own staff and our customers.

We have developed a new tool, the Socio-Economic Benefits Assessment System (SEBAS), to directly measure results, increase accountability, and improve the targeting of resources.

And last but not least, to support a leaner staff in a streamlined, technology intensive environment, we are investing heavily in training and IT, centralizing back office functions, and moving major operations online.

We have done all this, once again, while nearly doubling our net investment in rural America over the past ten years. These kinds of productivity gains are commonplace in private industry. They are all too rare in government. But they are, I believe, essential if we are to

remain an effective partner to rural businesses and communities in the years ahead. Rural America is changing. So are we. Thank you.