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THE RURAL DEVELOPMENT CHALLENGE IN OECD MEMBER COUNTRIES¹

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Abstract:

Huillet stresses the need for well-defined rural policies. He argues a two-tiered approach is required. On the one hand general measures are necessary that take into account the circumstances of each rural setting. The importance of the institutional dimension is underlined.

Keywords

RURAL DEVELOPMENT, RURAL AREAS, OECD, POLICIES, HUMAN RESOURCES, EMPLOYMENT, RURAL POPULATION, RURAL SOCIOLOGY, INTERNATIONAL CO-OPERATION.

Rural development in the OECD context

Rural is important in OECD

One third of the people and nine tenths of the territory of OECD member countries are rural. The rural world is in a period of major transformation. Development is rapidly changing some areas, while many others are losing population. Agricultural policies - the traditional government tool for dealing with rural problems - affect an ever shrinking portion of rural people and economies, and come at higher and higher costs. At the same time, many OECD member countries believe that a healthy countryside is an increasingly necessary balance to rapidly spreading cities in maintaining overall societal equilibrium.

In 1992, the OECD Council at ministerial level underlined:

"The economic and social problems of rural areas, whose solution may be decisive for the success of agricultural reform in many countries, are particularly complex. They should be addressed in an integrated and cost-effective fashion. This would require adjustment policies, and policies to accommodate and capitalise on the diversity of economic, cultural, social, environmental, and resource bases of rural areas. Within the framework of a comprehensive rural development policy, local initiatives and partnerships will be of central importance."

¹ The opinions expressed in this note are those of Dr. Christian HUILLET, Deputy Head of the Rural Development Programme, and not necessarily those of the OECD.

and the Ministers of Agriculture underlined in 1992 :

"Rural development relates to a broad range of social as well as economic dimensions. Agriculture is a major part of the rural economy in OECD countries. Ministers emphasised that rural development should be addressed primarily through an integrated rural development policy, rather than only through agricultural policy. The primary focus of rural development policy should be the reduction of impediments to, and the promotion of, viable economic activities. Such a focus would contribute to efficient adjustment in agriculture. This in turn would improve the long-term viability of the agricultural sector and its economic and social contribution to rural areas."

Definitions and concepts: rural, agriculture

What rural means

The OECD treats rural as a spatial or territorial concept. It is interested in all the people, land and other resources in the open country and small settlements outside major urban centres. It is not restricted to any particular use of land, degree of economic health, or sector. OECD member countries share an interest in the trends that shape rural economies and measures appropriate to deal with rural problems; but they recognize that the diversity of rural conditions and national goals means that each country will need its own policies for rural development.

What agriculture means

Agriculture like forestry, mining, commercial fishing, and manufacturing is an economic sector. Agriculture is especially important in rural areas because it employs about one-quarter of the rural population in OECD countries, and with forestry it uses most of the rural land. But agriculture alone cannot be the source of a vital and growing rural economy; no net farming jobs have been created in OECD member countries in several decades.

The rural development challenge

The central challenge for rural development is to foster an improved national balance of economic opportunities and social conditions, utilizing an appropriate mix of market and non-market mechanisms to improve national economic performance, while safeguarding and developing important aspects of the rural heritage.

Overall conditions for many rural areas and their people justify the Ministers' repeated expressions of concern. The gap between many urban and rural communities that for various reasons are unable to exploit new entrepreneurial opportunities and face a shortage of good job options, is widening on several

measures of economic and social well-being. This may threaten sustainability and the potential for future development of rural communities.

In the economic realm, many rural areas still rely heavily on the primary sectors, especially agriculture, for economic activity and jobs. However, agricultural employment has been contracting for decades. The new jobs that have prevented or slowed the rate of rural depopulation are in other sectors, such as consumer services, construction and recreation. This trend will continue no matter which agricultural policy reforms are adopted. The future health and viability of most rural economies depends mainly on new entrepreneurial and employment opportunities in growing sectors. Rural development policy and agricultural policy address different goals by different means. They are not interchangeable but they are complementary.

There are often important differences among rural areas, which may be described broadly in three types:

Predominantly rural regions:

(Remote or isolated) Remote areas which usually have the lowest population densities, often the lowest incomes and older populations, depend heavily on primary sector employment, and generally provide the least adequate basic services.

Predominantly urbanised regions:

Many of these regions have been gaining population, have employment bases in one or more of the secondary or tertiary sectors - farming is still a key part of land use - and are likely to face potential threats to the environmental, social and cultural heritage.

Significantly rural regions:

The economic and social vitality of individual communities within these regions varies considerably. Their economies are more likely to depend on a mix of primary and secondary sectors. In many countries, larger scale farming operations are likely to be found in these intermediate areas.

Objectives of rural policies

The goals of rural development are both economic and societal.

Many members besides are explicitly committed to providing opportunities for rural citizens to *share a standard of living* generally comparable to national norms. Achieving these goals requires establishing an integrated set of objectives, such as increasing net job creation; reducing dramatic disparities in mean incomes and 'under-employment'; and ensuring that rural people have reasonable access to essential basic services. However, it is generally

recognised that it is not feasible or beneficial to seek to preserve every rural community by attempting to forestall all changes and structural adjustments. For some rural areas the practical goal is to maintain certain minimum living standards and the rural fabric. This includes attention to indigenous or other culturally distinct groups in rural areas who face special problems. In all cases, policies should be chosen weighting the full costs and effectiveness of action, and the possibility of promoting means for rural areas and people to make a successful structural transition.

Another important rural development goal in many member countries is to identify, develop and/or protect key national elements of the built and natural environment in rural areas (*management of public goods*), especially where it cannot reasonably be expected that private market transactions alone will secure their future at socially optimal levels. Many of the *amenities and heritage characteristics of rural areas are the product of generations of interaction between human activity and the natural environment*. Many do not require public intervention or management. On the other hand, virtually all member governments have programmes to provide heritage facilities and services directly, or to ensure their protection, as well as to encourage heritage activities by private citizens and firms. Examples include national parks, forests, reserves, monuments, land use controls, and environmental regulation. The complement of 'public interest goods' and the mix of private and public action to provide them at a socially desirable level varies, depending on costs and other factors like national history and culture, aesthetic judgements, proximity to major urban centres, private property rights, and population density.

National policy and programme responses

Rural economies are experiencing *two kinds of difficulty*.

Employment opportunities are declining in primary and secondary sectors on which many rural areas depend. Fishing, mining, forestry and agriculture are all undergoing substantial employment contraction as they become more productive and efficient. In many countries, the manufacturing sector is beginning to follow the same pattern. With few regional or national exceptions, most rural employment growth in recent decades has come in other industries, especially consumer services, construction, recreation, and the public sector.

Rural areas have not *shared proportionately in producer service employment*, a major engine of national economic growth which has been concentrated in and around large urban centres. Most rural places lack the natural advantages of agglomeration and economies of scale sought by such industries. Many are not well connected to the networks linking major urban nodes which are critical sources of information, innovation, technology, and finance which facilitate development.

A two tiered approach

- Addressing these disadvantages requires a two-tiered approach, comprising general measures that address common rural circumstances and other sets of measures appropriate to the circumstances of each type of area. However, it is important to recognise that policy changes at the international level may also act to facilitate or retard the achievement of member countries' rural development goals.

The general national measures include macroeconomic policies conducive to economic growth and various programmes to reduce the isolation of rural places, for example, education, accessible modern communication, and transport systems. Their availability in rural areas will depend importantly on economic feasibility and they should be undertaken in an environmentally appropriate way.

- *Selecting measures* particularly appropriate for each type of area depends on an understanding of major differences in rural areas as well as the potential effectiveness of such measures.

Present special policies employed:

A wide range of special policies has been employed by member countries to meet their specific rural development objectives. These measures can be classified into broad categories such as:

- agricultural policies;
- leadership training and local capacity building;
- technical assistance;
- incentives for private sector action;
- environmental policies;
- subsidised credit and direct investment;
- improved government and intergovernment co-ordination;
- transfer payment and special employment programmes;
- community development;
- special health, education, and other human capital programmes; and
- transport and other infrastructure programmes.

Information gathered from member countries suggests that we do not know enough about the effectiveness and efficiency of these approaches, and that additional work is required (*evaluation*).

Strategic Considerations

Past efforts to promote rural development have often *concentrated on sectoral subsidies* and *industrial recruitment* activities. However, important new strategies focus on local *leadership* business expansion, and *entrepreneurship*. Measures to facilitate the adoption of such strategies and provide resources for their implementation are important ingredients in rural development policy. Of particular importance in such strategies are local development approaches which represent the broad spectrum of

rural community interests, support community based leadership, foster self-reliance, and promote an entrepreneurial culture.

New entrepreneurial opportunities exist in virtually every sector, not only those that are growing rapidly like tourism and recreation, but even in those like agriculture where there is net contraction. Examples include new products, niche markets, and further integration of production and marketing. Entrepreneurial decisions are best rooted *in local circumstances, taking into account resources, comparative advantage, and opportunity costs*. While no single sector offers the solution to all rural economic problems, all may contribute.

Where development potential is limited, cost-effective measures to ensure basic levels of services, especially those like health and education which protect and develop human resources, are important. However, assistance in providing other infrastructure and only slightly less basic services is often desirable, depending on costs and resources. Better services not only contribute to equivalence in standards of living, they also help preserve the rural fabric, and an adequate level of public services is often a precondition for economic development.

Agriculture, forestry, and other primary sectors are uniquely important in most rural areas, because of their environmental and amenity contributions, both positive and negative, and because they are significant employers of rural people. Sound, economically efficient farming operations and diversification of on-farm and off-farm activities are important components of the well-being of most rural communities. Reformed agricultural policy will contribute most to rural development when it facilitates adjustment to changes in the structure of the sector and is a complement of comprehensive rural development policy. In this context, it is important to recognize the multi-functional role of farming and farmers' contributions to 'public interest goods'.

The above discussion highlights the importance for future rural development policy of a coordinated and integrated approach.

Institutional dimension

Changing rural conditions poses a fundamental challenge to member countries in finding more effective institutional arrangements for formulating, implementing and evaluating policies and programmes of rural development. Given its territorial and multi-sectoral character, the making of rural development policies and programmes involves an increasing array of actors at every level of government, but also in the private sector and in the voluntary network. In response to this, countries have endeavoured to improve co-ordination and simultaneously encourage wider participation by a variety of actors.

Like other important subjects, rural development policy requires an institutional focus. The essential tasks that must be performed, are to identify and articulate rural concerns in the appropriate framework, not merely as a by-product of a sectoral focus. They also include monitoring and analyzing rural conditions and trends; ensuring that rural areas are taken into account in other national policies; and operating programmes specifically aimed at rural development.

Authorities at the intermediate and local levels have critical roles in rural development even where the national government has the leading responsibility. Central governments should be receptive to indispensable initiative and leadership by and from the intermediate and local levels. Whichever level has the primary role, central and intermediate governments need to play complementary parts in an atmosphere of co-operation. There are many examples of effective collaboration that involve different levels of government, multiple sectoral ministries, private business, trade associations and voluntary organisations. Neither partnerships nor decentralising and devolving authority and responsibility can substitute for certain functions that only central governments can perform, however.

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Sectoral employment shares by type of region in OCDE members countries*
- Sectoral shares in percent **

Country	Predominantly rural regions			Significantly rural regions			Predominantly urbanised regions			National Total		
	agriculture	industry	services	agriculture	industry	services	agriculture	industry	services	agriculture	industry	services
Australia	16	23	61	5	26	69	1	25	74	6	25	69
Austria	19	40	41	5	43	62	1	37	62	9	40	51
Belgium	11	18	71	3	29	68	3	29	68	3	29	68
Canada	10	26	64	3	27	70	1	23	76	4	25	71
Denmark	15	32	53	6	33	61	1	24	75	9	30	61
Finland	15	35	50	8	36	56	1	32	67	8	34	58
France	11	45	44	6	49	45	2	46	52	4	47	49
Germany	37	21	42	32	23	45	4	24	72	17	23	60
Greece	26	28	46				5	28	67	18	28	54
Iceland	18	27	55	13	30	57	8	29	63	11	30	59
Ireland												
Italy												
Japan												
Luxembourg				4	32	64				4	32	64
Netherlands												
New Zealand												
Norway										10	26	64
Portugal												
Spain	24	27	49	19	27	54	4	36	60	14	30	56
Sweden	6	32	62	3	29	68	1	19	80	4	29	67
Switzerland												
Turkey												
U.K.												
United States ***	6	23	71	2	19	79	1	19	80	3	21	76

* calculation based on the most recent available data

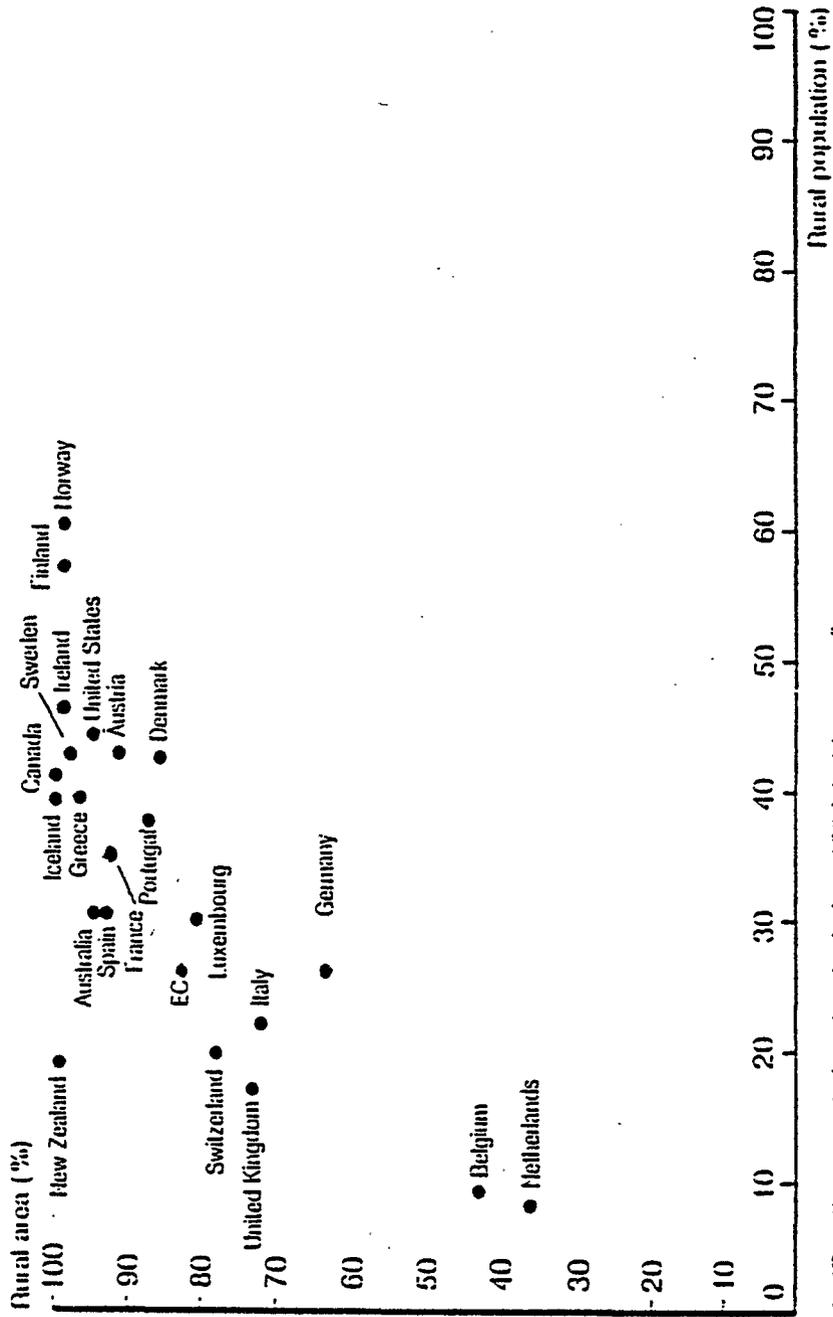
** AGRICULTURE = agriculture, hunting, forestry and fishing

INDUSTRY = mining and quarrying, manufacturing, electricity, gas and water, construction

SERVICES = other

*** Utilities included in services

RURAL POPULATION AND AREA IN OECD COUNTRIES
relative shares of rural communities in national totals



1. 'Rural' :: population density below 150 inhabitants/km².

OECD Rural Indicators - A Basic Set

Population and Migration		Social well-being and Equity	
density	inhabitants / sq. km	per capita income	GDP disposable income
% rural	population area	crowding	total per capita
change	total net migration	FLUSH TOILETS	persons per room
structure	age class sex	education	% HOUSEHOLDS
households	size single parent	health	post secondary
urbanisation	cities over 10,000	safety	infant mortality
			crime rates
			death rate of pop. (<1) per inhabitant
Economic Structure and Performance		Environment and Sustainability	
sectoral	employment (place of work)	topography and climate	vegetation period
labour force	participation (residents)	land use change	sq. km over 600 m days per year
un-employment	total youth	habitants and species	agricultural - arable wooded
productivity	Gross Value Added	air pollution	protected areas
		soil and water	threatened species
			SO X emission CO 2 emissions
			high erosion risk N - supply
			% of land kg per hectare

Distribution of population by type of region in Member countries*

-Typology based on the share of population living in rural communities**

Country	POPULATION		
	Predominantly rural regions	significantly rural regions	Predominantly urbanised regions
	national total = 100		
Australia	30	15	55
Austria	41	37	22
Belgium	2	17	81
Canada	34	27	39
Denmark	39	38	23
Finland	47	32	21
France	30	40	30
Germany	8	26	66
Greece	47	18	35
Iceland	35	8	57
Ireland	62		38
Italy	6	56	38
Japan ***	(c)	23	77
	(a)	23	43
Luxembourg		100	
Netherlands		15	85
New Zealand		61	39
Norway	51	38	11
Portugal	29	71	
Spain	14	52	34
Sweden	49	32	19
Switzerland	14	25	61
Turkey			
U.K.	10	27	63
United states	36	34	30
EC Average	14	37	49
OECD Average ****	14	35	40

* Calculations are based on most recent available data

 ** common working definitions: 1. "rural" = communities with less than 150 inhabitants/km²
 2. Regional share of rural population : "predominantly rural", more than 50%; "significantly rural", 15-50%;
 "predominantly urbanized", less than 15%.

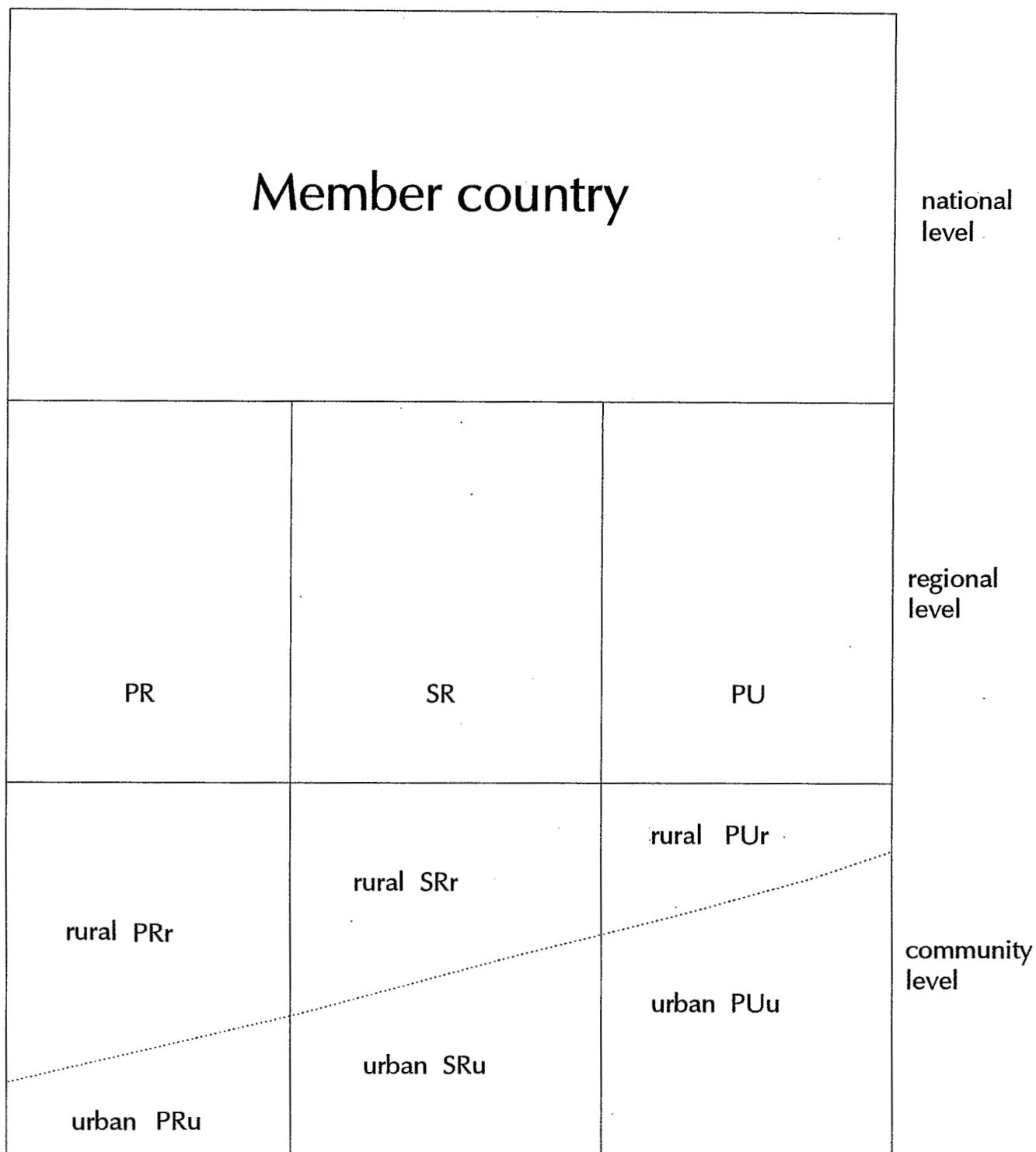
 ***(c) : common definition (density threshold at 150 inh./km²)

 (a) : adjusted definition (density threshold at 500 inh./km²)

**** without Japan and Turkey

RURAL INDICATORS

The Geographical scheme and Terminology
For the Statistical analysis



Rural population and area in OECD Member countries

-Rural communities' share of national totals**

Country	Rural Communities	
	Population	Area
	national total = 100	national total = 100
Australia	30.3	94.6
Austria	42.6	91.2
Belgium	9.2	43.1
Canada	40.9	99.8
Denmark	42.3	85.9
Finland	56.8	98.5
France	36.8	90.3
Germany	26.6	63.7
Greece	39.1	96.5
Iceland	39	99.7
Ireland	46.3	98.5
Italy	21.9	72.1
Japan ***	9.2	65.3
	(c)	
	(a)	
Luxembourg	27.2	86.6
Netherlands	29.9	80.6
New Zealand	8.1	36.2
Norway	19	99
Portugal	60	98.7
Spain	37.5	87.3
Sweden	30.3	92.9
Switzerland	42.6	97.8
Turkey	19.7	78.2
U.K.	16.9	73.2
United States	44.1	94.8
EC Average	26.1	81.6
OECD Average ****	34.2	95.5

*Calculation are based on most recent data available.

** common working definition: "rural" = population density below 150 inhab./km²*** (c): common definition (density threshold at 150 inh./km²)(a): adjusted definition (density threshold at 500 inh./km²)

**** without Japan and Turkey