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A New Generation of Rural Policy: More Lessons from Abroad

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Rural policy is changing around the globe. The policy shifts often represent a remarkable new direction compared with past approaches. And, as more and more nations rethink ways to encourage growth in lagging rural regions, the changes in policy appear to be picking up tempo. The shift in rural policy appears to be driven by one major factor—globalization.

The globalizing economy is yielding a patchwork of impacts across regions. In many countries, the gap in economic performance between leading and lagging regions is widening—and rural regions are often in the lagging category. Thus, countries are turning to fresh policies to boost performance in lagging and rural regions.



This is the second article in an occasional series on innovative rural policy initiatives around the world. The first article described new policy strategies for rural regions of Hungary, England, and Spain (November 2000).

The shifts in regional policy abroad hold some valuable lessons for rural America as it tries to deal with a globalizing economy. Like other rural regions around the world, rural America must find new sources of competitive advantage. It must grow new successful entrepreneurs. And it must equip a rural workforce with new technical skills. This article describes the general principles that are guiding new rural policies and then discusses policy innovations in Mexico, Finland, and Australia. It concludes with a few implications for U.S. rural policy.

An emerging framework for rural policy

Regional imbalances are the starting point for rethinking rural policies in many countries. Many industrialized countries see a divergence of economic performance across their regions. And while countries respond to that imbalance in different ways, a growing list of nations are implementing new regional policies to close the gap in performance.

From a policy point of view, another important starting point is the growing consensus that the current line-up of rural policies simply cannot redress the regional imbalances. Like the United States, most countries have historically relied on agricultural policy to spur growth and raise incomes in rural regions. Policy officials in more and more countries are concluding that agricultural subsidies are not leading to widespread rural economic gains. While that is not necessarily leading to cuts in farm programs, it is leading to new rural policies aimed at broader rural growth.

The new generation of rural policies generally center on three core principles.

- **New investments in regional competitiveness.** Whereas policies like agricultural policy operate primarily through subsidies, the new policies try to encourage investments in new economic engines that can effectively compete in global markets. There is no consensus on what the new

engines will be, but rather a common quest to find ones suited to the rural regions in question.

- **A focus on regions instead of sectors.** In the past, most countries tried to boost rural growth by focusing on one sector, usually agriculture. The new policies focus on regions, recognizing that regions must find ways to build critical mass in a highly competitive global economy. Regional partnering is a strong common thread of the new rural policies.
- **New forms of governance.** Countries have concluded that the institutions that govern economic policy must conform to the economic regions that are the focus of those policies. Thus, countries are exploring ways to realign outdated policy boundaries or, in some cases, redefining the partnerships among levels of government to make policies more effective at the regional level.

These principles have not been formally ratified as the foundation for new rural policies. Yet they form a *de facto* framework that captures most of the innovation in policy that has occurred. Moreover, these three principles increasingly

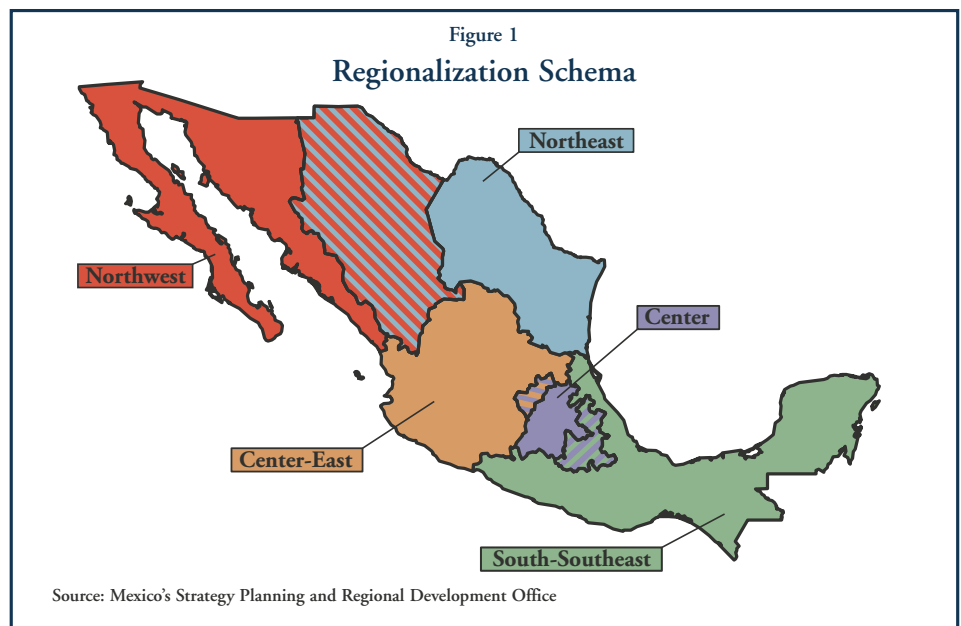
guide the work of the OECD's Territorial Development Policy Committee, the leading global forum for tracking innovations in rural and regional policies.

A new regional thrust in Mexico

A new focus on boosting regional economic growth is a clear policy priority in Mexico. President Vicente Fox has created a new office of regional policy that reports directly to him. The office is responsible for crafting a whole new direction for regional economic policy in Mexico.

Recognizing that Mexico's current legal framework often fails to coordinate economic planning across federal, state, and municipal levels, an important first step in the new regional policy was to designate five Meso-Regions (Figure 1). These regions were defined so that states could work together to establish common development priorities. Regions were drawn to reflect existing economic linkages and the "spontaneous regionalization process" that has emerged over recent years. States can be part of more than one region (so-called "articulating" regions).

The five main regions will implement a new planning process to encourage development. That process includes two key features: a new governance mechanism and a new series of steps for launching new economic investments.



The new governance mechanism was designed to lend structure and functionality to discussions among regional participants. This is the means by which regional policy officials and stakeholders come together. In particular, the mechanism will promote the exchange of information among regional development boards, technical committees (state development experts), and technical groups (development project experts).

Equally important to this mechanism is a newly designed regional planning process. This process aims to bring discipline to the evaluation of economic projects, with an aim to making regional competitiveness an overriding goal. The regional planning process is not required by the new regional policy but is strongly encouraged. The process has five steps:

- Diagnose the regional economy using existing data
- Develop a regional strategy and program
- Select a portfolio of regional projects based on the above
- Implement the projects
- Monitor and evaluate results

The process is aimed mainly at the five Meso-Regions but also looks at municipal and county development.

Mexico is also striving to develop micro-regions made up of several communities. The micro-regions Mexico is currently targeting for development are characterized by a majority of their people lacking a water supply, a drainage system, or sanitary service. Many of these people live on soil floors. In these communities, almost nine-tenths of the economically active population earn less than twice the minimum wage, and more than a third of the adult population is illiterate. In addition to addressing the problems of persistent poverty, the communities in these groups must also fight other problems: they often cannot take part in public service programs because they do not have a school or health center. And they lack the political influence to obtain funds at the state level.

The Mexican government has decided to fight these problems with “strategic community centers.” Strategic community centers work by centering actions in one community of the micro-region. The hosting community must be accessible from all the other communities in the region and must provide some education and health-care services. With the communities working together, the projects can reach a larger number of people and save costs by taking advantage of economies of scale. Also, local approval for projects is easier to gain when the benefits of the projects extend beyond the boundaries of just one community.

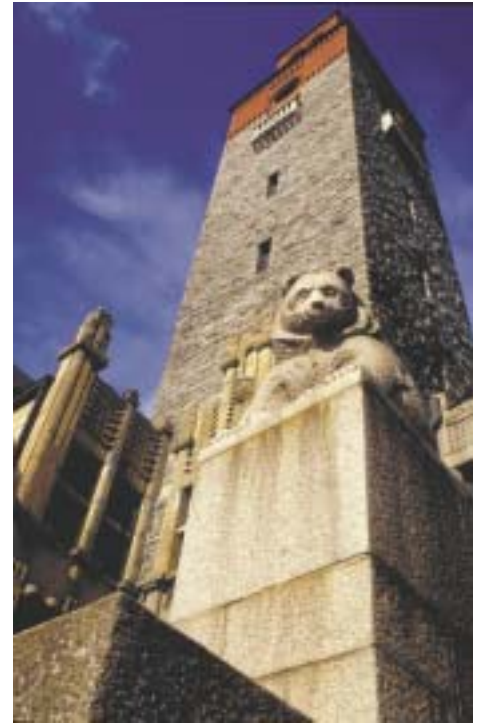
A final piece of Mexico’s new regional policy is the establishment of a regional fund to finance regional planning. The fund consists of contributions from the federal and state governments, businesses, and civil society. The fund finances the operations of the regional planning mechanism, pays the salaries of the regional office staff, and pays for regional studies.

New regional initiatives in Finland

Finland enjoyed strong economic growth in the 1990s, but most of the growth was in Helsinki, fueled primarily by Nokia, the telecommunications firm there. Recognizing a growing economic divergence throughout the nation, Finland recently reformed its national regional policy.

The new Regional Development Act will include explicit and detailed objectives to spur growth in lagging regions. Three parts of the act will be especially important: the Regional Centre Development Program, the Aid for Subregions Project, and relocating some government offices.

The Regional Centre Development Program will be one of the most important instruments of the new regional policy in Finland. This program will aim to develop a network of 30 to 40 regional centers covering all regions. While the program will not include new economic development initiatives, it will attempt to increase the spatial effectiveness of existing programs. In particular, the program will enable federal and regional governments to cooperate on



Reformed regional policy in Finland helps federal and regional governments work together—and emphasizes networking within regions.

new investment projects. The program will also emphasize networking within regions, an attempt to spur new synergies among regional firms and governments.

The Aid for Subregions Project is a policy experiment that will support the regional centre program. The subregions project will encourage cooperation among municipalities. Some decisions by authorities on public services can be transferred under the program to cooperating municipalities in an attempt to align decision-making with regional economic opportunities. To date, 30 of Finland’s 79 subregions have submitted proposals to take advantage of this transfer of authority.

Finally, Finland is encouraging more governmental activities to be located outside of Helsinki. In May 2001, the Finnish government issued a directive on the need to locate government offices outside the Helsinki metro area. Any new government units must be located in regional centers, or an offsetting number of existing workers must be relocated if new agencies are created.

Stronger regions in Australia

Australia's government is also directing new attention to developing its regions. Improving economic growth in the countryside and Australia's diverse regions emerged as a priority when the Liberal-National Party coalition government took office in 1996. An important part of the new policy thrust is the recognition that regions are not necessarily areas with "commonly accepted boundaries." Rather they are communities that may share a natural environment, landscape, economic dependence or social purpose.

In its new program, Stronger Regions, a Stronger Australia, Australia seeks development, not through a single overarching plan, but rather through partnerships between the federal government and local communities. The program is based on the idea that "regional Australia is anything but homogeneous... There is no one policy that will suit [the thousands of communities]." The program works through several avenues.

Sustainable Regions Programme. This program "provides grants to communities to plan and put into action development projects that will lead to stronger local economies and improved access to services."¹ These grants, which range from \$1,000 to \$500,000 AUD, help community groups and local governments with economic projects that range from community planning and local industry development to regionally-based enterprise and infrastructure projects.

"Regions do not always have commonly accepted boundaries."

—STRONGER REGIONS,
A STRONGER AUSTRALIA

"This search for the perfect policy has been fruitless—and for a very good reason. It is predicated on the belief that regional Australia is homogenous, and regional Australia is anything but homogenous."

—JOHN ANDERSON,
DEPUTY PRIME MINISTER

A reduction in charges for agricultural exporters. Australian Quarantine and Inspection Service lowered its charges. Starting on November 1, 2001, export fees and charges were cut by 40 percent to increase the competitiveness of Australia's exporters and to benefit commodity industries.

A regional business development analysis. The government is conducting a review to identify impediments to growth and the effectiveness of current programs for business development. The review will also seek to develop options for the future, whether by removing the impediments to growth or by improving government programs.

Enhancements to national competition policy. "The National Competition Policy was implemented in the mid-1990s to regulate government policy dealing with competition between firms, individuals, and government agencies that supply goods and services."² The proposed enhancements are an effort to make sure the interests of those in rural and regional communities are addressed—through an improved public interest test, public consultation on proposed reforms, and public education on implemented reforms.

Access to Government Information Program. The government will conduct an information and awareness raising campaign to educate the citizens about the available government-sponsored programs. The Australian government will also fund an expanded call center so that people can find out what programs are offered in other communities in their region.

Conclusions

Around the globe countries are finding new ways to focus on rural development. In general, the new policies are aimed at regions, new sources of competitiveness, and new forms of governance to align policy administration with economic regions. While these new policies are too new to provide any current assessment of their effectiveness, they can give policy-makers in rural America glimpses of new paths that U.S. rural policy might take. Like most other industrialized nations, many rural regions of America lag well behind the national economy. Like their counterparts abroad, these regions are looking for new economic engines. The new generation of policies around the world that aim to boost regional competitiveness are certainly worth watching.

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¹http://www.dotars.gov.au/dept/budget/regional/2002_2003/strengthening_capacity.htm#3

²http://pandora.nla.gov.au/parchive/2001/S2001-Feb-6/members.iinet.net.au/_greenswa/platforms/natcompetition.html