



# Innovative Service Delivery

Meeting the Challenges

of Rural Regions



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## Key Messages

### **Service delivery is key to the development of rural regions**

By exposing rural areas to greater competition and providing access to international markets, globalization has brought rural development policy in OECD and non-OECD countries to the forefront. This changing rural situation requires the introduction of policy models that strengthen the capacity of rural areas to adapt. Public goods and services – the bedrock for rural community development – can play a role in unlocking the rural regions competitive advantage. However, delivering quality rural services in a framework of shrinking public budgets, geographic remoteness and demographic shifts presents a unique challenge for policy makers. Innovative approaches to service delivery and place-based tools are providing some solutions but the overwhelming financial focus of rural development policy remains sectoral policy and agricultural subsidy-oriented. More can be done to exploit the economic potential of the human and natural resources located in rural areas, particularly given their scope and variety. New, integrated rural service delivery modes should thus adopt a more holistic approach with a view towards encouraging human capital development, social well-being and rural economic growth stimulation.

*“Public service providers can be catalysts when regions form for economic development. The healthcare provider, broadband company and regional university all can be catalysts. It makes sense to create as much alignment as possible between the service delivery geography and the economic development region.” (Mark Drabenstott, Chair of the Territorial Development Policy Committee, OECD)*

There are several ways governments can advance in this direction. Conference participants identified at least **6 key policy areas to improve service delivery** in rural areas.

### **First, the supply of services should be designed to match the characteristics and assets of different rural regions**

Policy makers should distinguish between services – essential public goods or competitiveness public goods and match the services to the rural regions objectives. Rural has multiple meanings and rural areas are in different stages of development so the essential public goods needed for economic development and the public goods needed to tap the competitiveness in rural areas will vary. The prevailing service delivery methodology at work in rural areas is often closer to “filling holes, treating deficits or tackling problems” than seamless interventions built on a holistic model. Not all regions know which services and which public goods are key to their future or how policy should best fund these two types of public goods. Identifying which public goods are critical to service investment will be difficult. It requires appropriate analytical tools and a better understanding of the diversity and complexities that are present in rural areas.

The case of education highlights the importance of understanding links between the “services offered” and the “needs” of rural regions. The evidence presented during the conference illustrated two distinct rural education packages in OECD countries each requiring a different combination of skill building tools. In rural regions that are new to diversification with a strong presence of subsistence farming, out-migration and low incomes the education and training focus is on farm and off-farm to bridge the gap with urban areas. Where the rural region is more developed and restructuring is typified by population influx and environmental concerns, the education and training leans more towards diversification, context specificity, and new technologies. The evidence also indicates that more rural dwellers participate in adult training and vocational programs than urban dwellers because of the insufficiencies of formal education. The United Kingdom presented three different policy responses to providing education in rural regions: a cooperative approach, amalgamation or an extended services/multi-service outlet approach. The British approach highlights a key concern

for further elaboration: the balance between achieving economies of scale and retaining local relevance and choice. It also raised the question, should the policy focus shift from economies of scale to scope when deriving responses to rural service delivery challenges. Some participants are wary of amalgamation because it operates on the basis of economies of scale.

*“A more flexible, contextualized and integrated approach to education and training is of key importance for modern rural areas and the complementary role of training needs to be expanded”.* (Elena Saraceno, Rural Development Consultant, formerly official of the European Commission)

Policy makers should ensure that service delivery policies understand and capitalise on the key resources of rural areas. The Wendland-Elbetal region in **Germany**, engaged in diversified and specialised biomass energy production. Now a leader in this field, the region was able to build on the local expertise developed and establish innovative education services, like the Energy Agency and the Energy Academy. Participants agree that policies targeting the aging population should go beyond the conception that elderly means decreasing health and less productivity and build instead on this population as an asset. The Tokushima business in **Japan** not only revitalised the local industry based on local resources it reintroduced the elderly population into the employment sector. The business which is based primarily on leaf collection yielded a turnover of 2.5 million dollars in 2006. The experience of SeniorPolis in **Finland** goes one step further and shows the elderly population as “as a resource, not a burden”. In the remote region of Kainuu the small municipality of Ristijärvi, turned its image of ‘Senior Citizens’ village to promote itself as a unique place for senior citizens to live. SeniorPolis is a network that collects, promotes co-operation, combines and integrates activities and operations involving senior citizens. As a small enterprise cluster it is active in care, real estate, transport, nutrition, entertainment, recreation and travel services.

Finally, the service mix and the geography of delivering rural services should align with a regional economic development strategy. In this regard, more regions are developing comprehensive strategies that create linkages across the service delivery spectrum. For example, some rural areas in the **United States** are starting to re-conceptualise healthcare service delivery moving it from a narrow to a broad scope as a “sustainable economic engine for the entire rural community”. By framing healthcare service delivery this way, determining the strategic location of services on a continuum of care and considering the linkages within regions that provide service in a competitive posture become the driving factors. In the case of **Canada**, the Western Economic Diversification (WD) supports skills development. This is done in a manner that adheres to a strict criterion which combines strengthening and growing the economy with industry involvement, providing training that fills specific gaps in the economy and encourages the involvement of underrepresented rural residents.

### **Second, equity and efficiency targets should be carefully balanced**

Public policies should ensure that the determination of which service for which region considers equity versus efficiency tradeoffs. Across OECD countries, there is agreement to guarantee minimum standards for rural citizens in terms of access and quality of basic services such as education and healthcare. “Minimum standards are important since the difficulties in accessing public services may themselves generate or perpetuate unequal capacities and life-chances” (see Proceedings of OECD Conference, Edinburgh 2006). There are positive links between improved human development (in the form of knowledge, skills and health) and increased opportunities (better incomes, living standards and economic growth). However which services must be provided in rural regions no matter the cost remains undetermined. For example, the question of the financial viability of small schools is of particular interest to **Russia** where 70% of the country’s 67 000 schools are in rural areas. Conference participants agreed that cost efficiency, effectiveness and tradeoffs may conflict with service delivery frameworks that lack the full understanding of the value of social objectives, geographical coverage, and minimum standards that are non negotiable to citizens.

In this context, some speakers emphasised the importance of investments in services with wider social impacts that increase opportunities for direct and indirect employment. The presentation on healthcare delivery in the **United States** stressed the additional role of rural health care services that of generating economic vitality by creating jobs. In **Ireland**, the Western Development Commission (WDC) adopts an entrepreneurial approach by funding projects that yield social dividends ranging from creating and sustaining employment to the provision of services and infrastructure such as childcare and elder care. The result has been two-fold; more social enterprises and increased commercial investment in the social enterprises sector.

### **Third, innovative rural-urban contracts should guide service delivery**

Policy makers should redefine the “rural-urban contract”. Speakers presented different views on the links between rural and urban; some emphasized the importance of cities and rural regions working together to achieve a “level playing field” in rural regions. Others observed that urban and rural areas will follow the same paths to competitiveness, “the assets will be different the comparative advantage and the leadership will be different but the way to exploit them will be the same”. While a few implied that rural regions have already levelled the playing field and replaced the “one-sided dependent contract” with a more equitable one that recognises the importance of resources located in rural regions. Conference participants agreed that the relationship between rural and urban regions should be well integrated in any strategy for service delivery. People, food, energy, water, landscape, biodiversity are but a few of the assets rural areas can utilise to compete in national and international markets and rebalance the urban-rural relationship.

*“Rural areas are not a parasite on the urban economy but a partner in a symbiotic relationship in which the whole is greater than the sum of its parts; a crucial partner for the world in addressing global challenges.” (Richard Wakeford, Chair of the Working Party on Territorial Development Policy in Rural Areas, OECD)*

An interesting example is offered by the National Spatial Plan of **Japan** which promotes the formation of sustainable regions by developing partnerships and linkages between urban and rural regions and the synchronisation of service delivery with the reorganisation of urban functioning systems. It suggests as a way forward making use of existing facilities and sharing functions between areas to sustain daily-life-related services. The rural-urban dialog on services is often unequal with rural in a subordinate position due in large part to “costs” concerns. An emphasis on “high costs and low benefits” in rural areas can be often attributed to a distinct “urban bias” in service policies – that can take the form of a continued replication of urban services in rural areas instead of appropriately designed ones. The presentation on education in the **United Kingdom** referred to this “risk of urban bias” in the commissioning of schools as an “on going challenge”. Conference participants agreed that it is time to “move away from the paradigm in which rural services are regarded as “uneconomic” and a burden on the urban taxpayers. Rural services are not just for rural people and service delivery in rural areas have cross border effects.

### **Fourth, government should move away from a logic of spending to a logic of investment**

Spending in rural regions is often motivated more to “keep an area afloat to enable it to survive” rather than to bring about development, growth and prosperity. Participants stressed that “spending and investment are not the same”. The presentation on **China’s** ambitious plan to increase investment in rural infrastructure showed a direct response to the accelerating changes in rural regions, that seeks to invest in unexploited opportunities for rural economic development. Evidence from different OECD and non OECD countries indicate that effective investment strategies can help curtail the level of dependency, encourage business development and entrepreneurship and build a bridge to engender confidence in the rural region and entice private sector investment.

*“Public bodies spend tax payers money, the trick is to make sure that what is spent in rural areas is part of an investment plan for the future that is based on a long-term strategy for success.” (William H. Roe, Chairman of Highlands & Islands Enterprise, Scotland, UK)*

Faced with growing levels of dependency and low productivity in rural regions the **South African Government** initiated a capacity building project to support local economic development in partnership with different ministries and the private sector. The program, “Project Khulis’umnotho” aimed to build local economic development capacity in 18 of South Africa’s District municipalities, improve the business environment, determine where government should invest and identify “a set of bankable economic projects that if well planned, packaged and resourced could have a significant impact on economic productivity levels”. The **United States** Department of Agriculture (USDA) is investing to incentivise cost sharing in local initiatives and promote self help by educating rural lenders and entrepreneurs. It developed a new socio economic benefit assessment system that directly measures results, increasing accountability as well as improving the targeting of resources. In this framework, the USDA encourages businesses in rural communities to “provide the leadership” and to lead tangibly by “**bringing more of their own dollars to the table**”.

Rural investments are often too narrowly focused on transport infrastructure. In fact, over the last few years, the European Union has devoted around 50 % of all the resources for the development of rural areas to transport infrastructure. However, the evidence presented during the conference demonstrates the complex interrelationship that exists between infrastructure investment and rural development. While good infrastructural endowment is essential to achieve economic growth, the returns of additional investment will differ depending on the characteristics of the region. In some cases, regions that are well connected to national and international networks with a skilled population in place will benefit from additional investment in infrastructure and experience greater economic growth. On the contrary, the peripheral areas that are more disconnected from these networks often benefit less from the improved accessibility due to lagging human capital development. Those regions may be prematurely exposed to competition and experience negative effects like skilled labour migration.

*“Infrastructure has to be one of the strategies in an integrated development strategy but it should not be the main or the sole factor. Instead it has to be coordinated with policies aimed at human capital development.” (Andrés Rodríguez-Pose, Head, Department of Geography and Environment at the London School of Economics and Political Science)*

A holistic investment strategy for rural regions should consider several factors like: a) the real return on such investments b) the appropriate time to invest; and c) how the investment fits within the wider framework of strategies and link with other investments. In Ireland the WDC utilises in the framework of its investment plans a rigorous evaluation and project sifting process that incorporates both technical and commercial due diligence. Funding is earmarked for working capital purposes (e.g. business plan development) and is “not specific to any particular spend or an asset”. To date, it has leveraged over €100 million into the region and boasts a diverse portfolio – €27m in 75 enterprises which has led to over 1,500 jobs.

### **Fifth, effective and inclusive governance is key to rural service delivery**

Several speakers described regional governance as central for crafting a strategy for service delivery and exploiting the regions competitive advantage. The vertical and horizontal relations across levels of government and the interaction with the private sector and NGOs “form the very foundations for rural development and they produce the strategy that prioritise investments in both public goods and public services”. Since, a regional strategy is a prerequisite to public service investment; for a more modern and innovative approach to service delivery in rural areas to take hold the governance framework needs to be strengthened.

*“The reality of rural areas is complex, multisectoral, multiactors [so it] has to be considered with a holistic approach and reorganized to better manage these complexities.” (Xavier Gizard, Secretary General, Conference of Peripheral Maritime Regions of Europe)*

Conference participants agreed the governance framework underpinning effective service delivery should:

1) *Recognise the change in the role for the top level of government.* The governance framework is evolving with new roles for the top and the bottom tiers of government. In many cases, the central government no longer decides when, where and how to invest in territories. A key question discussed was thus how the public sector can shift away from a command and control role to one that facilitates knowledge pooling and shared decision making. In this direction, **Japan’s** national spatial plan calls for a softer and flexible public sector role that facilitates coordination of stakeholders, sharing of good practices and consensus building. The **South African** central government representative characterised the Ministry’s role as that of an “enabler” to ensure that the governing structures and infrastructure investments are in place to encourage local actors and private sector involvement.

*“Rely on people who implement on the ground, more autonomy for localities will lead to tailor-made policies.” (Gert Lindemann, Secretary of State, Federal Ministry of Food, Agriculture and Consumer Protection)*

2) *Facilitate knowledge-pooling and simplify decision making processes.* No single institution public or private has the knowledge necessary to decide what services would work better for the region. This knowledge is often a mix of centrally owned strategic notions and local key information. In this framework, facilitating information sharing and mutual trust is critical to combine national and sub-national as well as public and private instruments to respond to the service needs of different areas. In **Scotland**, new relationships were cultivated with local government that was founded on mutual understanding and trust; public agencies were streamlined to allow local government to work out how to achieve their outcomes. After the recent restructuring in the **USDA**, each state director became a “CEO” of the respective office with increased flexibility and autonomy in decision-making. **USDA’s** reforms also aimed to revitalise the institutional arrangement by making it “smaller” and “leaner” with a more “market oriented” focus.

*“In an era of increasing expectations anything that falls short means people can and will move. Therefore, a modern approach to service delivery must meet the expectations of the people who will be expected to live there.” (Keith Mueller, Associate Dean of Public Health, University of Nebraska)*

3) *Engage local communities and integrate local expectations.* Policy makers “track budgets” but rural citizens are interested in the measurement of “value” which presents “a significant policy dilemma”. Across rural regions, local expectations are changing and this makes the consultative process vital to rural service delivery. The case of **Turkey** with the recently launched Village Infrastructure Support Programme (VISP) provided an example of a new infrastructure delivery mechanism that included a participatory framework and citizen satisfaction criteria in public services in its basic tenets. The planning mechanism of the **Japan** spatial plan also calls for the cooperation of national and local stakeholders in policy formulation and mandates round table discussions between local stakeholders and central government. The experience from **Italy** with its use of 11 focus groups in the rural Calabria region demonstrated the relevance of engaging local actors in the pre-policy development stage. In investigating the healthcare service delivery shortfalls in the region, the Evaluation Unit of the Ministry of Economic Development relied on a mixed approach of desk analysis and field analysis with “territorial listening” to understand context and challenges. In **Germany**, the “Practical Solutions to Close Broadband Supply Gaps” pilot project highlights another way for municipalities and citizens’ groups to work in partnership. It established a working group on nation-wide broadband supply

under the direction of the Federal Economics Ministry. The group examined all possible concepts and drew up recommendations for action. The participants in this scheme include representatives from central and local governments as well as private actors.

4) *Mainstream rural proofing of sectoral policy.* Rural proofing is a way to insure that the impacts of a policy on rural areas are considered well in advance of policy implementation and requires wider cross sectoral coordination at national, regional and local levels. A conference speaker insisted that rural proofing works best when rural is considered early in the policy design phase and when governments engage the local community and draw from previous experiences. Despite being introduced in different forms in **Canada**, **Finland** and the **United Kingdom** rural proofing remains a largely underused rural policy tool in most OECD and non-OECD countries.

### **Sixth, service delivery innovations should be encouraged**

Policymakers should encourage innovation in service delivery. Participants acknowledged that the response to fast evolving rural environments can take many forms and there should continue to be a “fundamental focus” on innovation. Many of the structural barriers to delivering services in rural areas can be reduced through the development of different methodologies of approach.

*“We cannot stand still; if we remain nothing more than traditional providers of traditional programs via traditional methods we will become irrelevant.” (Thomas C. Dorr, Under Secretary for Rural Development, USDA)*

Case studies presented at the conference highlighted the breadth and scope of service delivery innovation schemes in rural regions worldwide. The AGnES program in **Germany** works to improve healthcare delivery in rural areas by encouraging the decreasing number of general physicians to delegate home visitations, where appropriate, to qualified community medicine-nurses in rural areas. **Portugal’s** “Net on Wheels” project uses vans equipped with notebook computers to provide access to the internet and professional training to marginal groups. Since inception, the project has reached over 26 000 users and provided over 250 courses with 860 basic ICT skills diplomas. The WD of **Canada** also facilitates professional skill building initiatives (e.g. auto service, carpentry, electrical, machining, pipefitting, plumbing, and welding) through the use of mobile labs (two 55-foot trailers) and e-distance learning.

It is equally important to ensure that innovative service delivery schemes are not just one-time investments but provide opportunities for learning and scale-up to widen developmental impact. The WD supports an Entrepreneurship Learning Centre in Alberta, a video conferencing network that provides business information and interactive training opportunities. Since it was introduced in 2004, over 14,000 small business owners and entrepreneurs have been served; as a result, the concept is being expanded to Manitoba.

## **Summing Up**

Public service delivery is key to ensure well-being and stimulate economic development in rural areas. A modern rural service delivery strategy entails: appropriate analytical tools to determine the right mix of services—essential public goods or competitiveness public goods—and matching them to the right regions, in a manner that considers efficiency/equity tradeoffs and is coherent with the overall regional strategy. It also means galvanizing local resources to successfully recalibrate the urban-rural contract. Effective rural service delivery is also about encouraging an approach that is less about spending and more about long-term investments, one that builds on local preferences and resources and boosts confidence in the region. More importantly, rural service delivery calls for an adaptable governance framework that embraces the shifting roles of stakeholders at all levels; improves the capacity of local authorities, facilitates participation and introduces mechanisms to ensure proper horizontal and vertical coordination as well as knowledge and resource pooling.

Effective “one size fits all” approaches to service delivery do not exist. As such, conference participants agreed that there is enormous value in sharing, internationally, lessons learned on what works and what does not; thus, nourishing a dialogue critical to innovative policy making for rural regions. Moreover, service delivery in rural regions should be integrated with place-based policies; the outcomes need to articulate broad well-being results which stretch from economic productivity to human capital and measurement of equity and fairness; to an integrated approach (horizontal and vertical) which values roles at all levels of governance.

The 2008 OECD Rural Policy Conference took place in Cologne, Germany. This event was co-organised by the OECD and the Germany Ministry of Food Agriculture and Consumer Protection and was the sixth of a series of international conferences that started in Siena, Italy (2002), followed by Warrenton, Virginia US (2004); Oaxaca, Mexico (2005); Edinburgh, Scotland (2006) and Cáceres (Extremadura), Spain (2007). More than 300 senior policy officials and experts from over 20 member countries, along with delegations from several developing countries participated in the conference. The event consisted of six plenary sessions:

- *Rural Service delivery: trends and challenges*
- *Delivering quality education, to rural regions*
- *Innovative strategies for healthcare and social service delivery*
- *Increasing rural access through ICT and transportation*
- *Fostering business and financial services in rural areas*
- *Service delivery and the future of rural regions: a framework for action*

All presentations and this report can be downloaded from the OECD website:

[www.oecd.org/gov/regionaldevelopment/cologne](http://www.oecd.org/gov/regionaldevelopment/cologne)

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### Speakers

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<b>Yoshinobu Fukasawa</b> (Japan)	<b>Dieter Popp</b> (Germany)	<b>Michael Wedler</b> (Germany)
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