

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE  
TERRITORIAL DEVELOPMENT POLICY COMMITTEE**

**Working Party on Territorial Policy in Rural Areas**

**STRENGTHENING THE LINKS BETWEEN URBAN AND RURAL AREAS**

**ISSUES PAPER**

**6th Session  
7 December 2004  
OECD, Salle des Nations, La Défense**

*This document is submitted to delegates of the Working Party on Territorial Policy in Rural Areas at its 6th Session for DISCUSSION.*

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**JT00174944**

## STRENGTHENING THE LINKS BETWEEN URBAN AND RURAL AREAS-9/11/04

### ISSUES FOR DISCUSSION

#### Introduction

1. The OECD High Level Meeting of the Territorial Development Policy Committee (Martigny, Switzerland, June 2003) stressed the importance of competitive regions as the basis for national economic growth and social cohesion. Understanding why different regions perform differently and *how* their economic performance can be enhanced in coherence with other important policy objectives such as social cohesion and sustainable development is a priority for all Member countries. The economic importance of enhancing the accessibility and strengthening the functional linkages between rural regions and cities is now widely recognized. This is reflected in the spatial planning and investment strategies of most OECD countries. For example, the European Spatial Development Plan (ESDP) of the European Union incites member states to extend transport and ICT links to poorly connected rural areas as well as to reinforce functional inter-city links across Europe. Similarly there is concern to enhance accessibility *within* large urban regions. To this end, considerable investment has been made over the past 20 years in order to extend rapid transit networks and highways to connect regional towns with metropolitan centres, thus creating large functional commuting zones which enhance the size and diversity of the labour market of the region and increase the supply of affordable housing.

#### The changing policy context of rural regions

2. In view of the overall trend towards a reduced share of agriculture in rural employment, the OECD has increasingly stressed the multi-sectoral character of rural development drawing attention to the difference between rural zones in function of their geographic and economic distance from urban centres<sup>1</sup>, i.e.

- a) *Integrated rural areas* experiencing economic and demographic growth, located near an urban centre, with farmers representing only a small share of the population;
- b) *Intermediate rural areas*: relatively distant in spatial terms but with easy access to urban centres, dependent upon agriculture and related activities, but with a growing diversity of non-agricultural sectors of activity (processing industries, services);
- c) *Remote rural areas*: distant from urban centres, displaying low demographic density, ageing of the population, reduced infrastructure and services, low level of qualifications.

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1. A key factor influencing the type of policy employed to improve urban-rural linkages is *the density of the national urban network* which varies from one country to another (and often from one region to another). In Europe which has the most dense network, lowest average distance between cities is 16 km. against 53 in the United States.

3. In addition to the above definitions based on spatial considerations, other “rural” qualities or characteristics are continually evolving. As a result the definition of “rural” is no longer as clear cut as in the past. The reasons for this are many and include:

- *The diminishing share of agriculture in the economy of many rural areas:* This may lead to the development of other activities such as tourism for city dwellers and the introduction of tertiary activities in rural towns, thus modifying their socio economic profile. Out-migration and ageing, consequences of the reduction of agricultural employment, can thus be counter-balanced to a certain extent by these positive developments, witnessed in an increasing number of rural areas.
- *the expansion of urban areas into rural hinterlands:* This creates mixed-use areas which are hard to define as either urban or rural. This land is often under substantial development pressures which tend to force out agricultural and horticultural activity, resulting in a congested and environmentally unsustainable urban regions unless there is policy intervention.
- *improved access to rural areas:* Substantial investments in transport infrastructures, new rapid transport technologies, deregulation of air travel and low cost flights to regional airports in rural areas, and the extension of ICT networks, are making hitherto inaccessible rural regions with lower cost housing accessible to newcomers or “neo-rurals”, whether active or retired persons. This promotes characteristics which are more generally associated with urban areas,
- *lifestyle changes:* The high cost of housing in major cities is fuelling a trend towards increased daily commuting over considerable distances to cheaper homes in rural settings, leading to large “functional urban regions” which also encompass lower density/rural areas. At the same time, shorter working hours and more flexible working arrangements are inducing people to live part of the week, the month, or the year, in the city, and part in the country, while tele-work (part-time and full-time) also allows people to live and work in even remote rural areas.

4. It is now widely accepted that agricultural policies are no longer adequate to deal with the overall challenges facing rural areas of OECD countries in a globalising economy. The integration of rural areas into the mainstream of economy and society should be oriented towards integrated development projects dealing with industry, tourism, land use and amenity valorisations, transport and infrastructures, ICT as well as agriculture.

5. Regional strategies or policy packages aimed at increasing functional linkages between urban and rural areas and at improving competitiveness can draw on the same tool box of policy instruments (for example, policies for transport, infrastructure, housing, economic development and employment, agriculture, environment, social, cultural, financial and fiscal etc). However, policies require to be selected and combined differently, with more focus on one or another policy, in order to correspond most closely with the key issues and policy priorities identified in a given region or locality. One of the main challenges facing Member countries in improving the competitiveness of rural regions is how to attract private investment finance.

6. Moreover, strategies to improve the development and integration of rural areas with the mainstream of the economy and society must be tailor made and take into account:

- the local impact of national and even international trends, such as the reduction in subsidies to farmers;
- policy insights about how other regions deal with their challenges (benchmarking)

7. The above analysis raises the fundamental issue: What scope exists for improving the functional linkages between urban and rural regions to enhance the competitiveness of rural regions? As mentioned above, policies are already underway in OECD Member countries to strengthen the functional linkages between many rural and urban areas. In as much as the exact nature of this challenge varies from country to country and from region to region (due to contextual factors - economic, financial, geographic, political, social etc.) - policy decisions concerning investments which are usually long term, require to be based on multi-level governmental co-operation within a regional spatial planning framework which allows for participation of local stakeholders, including economic actors.

### **Opportunities to increase exchange of experience between policy makers in urban and rural regions**

8. The policy context in rural areas is now more complex than in the past. As a result, strategies may now even include policy approaches traditionally used in cities. For example, rural towns and villages can gain insights from the urban renaissance approach to upgrading architectural heritage and cultural activities in city centres. More innovative treatment of local challenges in rural towns could possibly build on lessons learned from urban policies to combat youth unemployment, encourage local entrepreneurship, or integrate new arrivals from the city or from abroad. It is therefore timely to ask whether there is more scope today than before for a greater exchange of experience between policy makers responsible for urban areas and policy makers responsible for rural areas.

9. On the one hand, urban policy makers have acquired considerable experience and expertise in developing long term holistic approaches which take into account social and environmental, as well as economic issues. Urban areas have often pioneered innovative governance processes and frameworks coupled with future-oriented spatial planning and modern planning technologies to support more sustainable economic development across a region. They also have considerable experience in involving all levels of government and a wide range of stakeholders in the decision making process. There is therefore untapped potential for transfer of experience from urban areas to rural areas. In particular, innovative governance approaches and spatial planning strategies which knit together the separate strands of sectoral policies are now needed more than ever before in rural towns and villages to improve endogenous growth and to strengthen connectivity between cities and regional towns and villages.

10. On the other hand, it is now widely argued (Australia, United States, Finland) that urban policies require to develop *a more "rural" lens* in view of the need to generate appropriate policy strategies for the urban fringe and hinterlands of large urban regions which contain rural areas and to support goals such as environmental sustainability and local production of fresh food for urban areas. The experience of rural policy makers in protecting and managing land in an environmentally sustainable fashion could assist urban policy makers in planning for the wider urban region.

### **ISSUES FOR DISCUSSION**

11. The following key issues are proposed for discussion in order to open this important debate for the future of territorial development policies.

**Key Issue 1: What are the key policies required to diversify and modernise the economic base of rural regions and promote small and medium sized hub towns which better connect rural communities and provide a gateway to the national urban network?**

***Policy Context***

12. The diversification of rural economies with the reduction of farm employment and the need to stem outward migration as well as attract new inhabitants is now sought by national as well as regional and local policy makers. Emerging trends in *rural governance* seek to bring adequate answers to questions such as what should be the optimal allocation of financial/fiscal resources in order to foster local development. Central to this debate is the question of the critical dimension of the local area to ensure proper delivery of public services and trigger growth. Such issues are at the core of the new impulse which is being given to the introduction of diversified forms of municipal co-operation across traditional administrative boundaries but also of partnerships aiming to strengthen local initiative and associate various local actors in development strategies and projects (Rural Development and Multi-level Governance)[GOV/TDPC/RUR(2003)2].

13. The new policy approaches indicated above, combined with efforts to mobilise more effectively and efficiently local assets and stakeholders are translated into what are now recognized as “Place-based Policies” that were debated in March 2004 in a high level conference organised in Warrenton (Virginia), that was co-sponsored by the OECD, the Federal Reserve Bank of Kansas City, the Rural Policy Research Institute (United States) and the Countryside Agency (United Kingdom). Conference findings mention in particular: “that new policy approaches are needed to help rural regions compete effectively in rapidly changing global markets. This will demand a shift away from past reliance on subsidies focused on a single sector (agriculture) towards an integrated place-based policy for rural development.” Investment in human capital, infrastructure and social capital is considered as strategic for this purpose. These place-based policies are currently being reviewed by OECD in a series of six case studies<sup>2</sup> the findings of which will be synthesised in a “Thematic Review on Place-based Policies” to be published mid 2005.

14. In complement to innovative governance approaches, *spatial planning strategies can be applied* in rural regions with smaller urban centres in order to support improved accessibility on the regional and national scale, underpin the restructuring of the local economy and support tourism, protect and enhance architectural heritage, the natural environment and sporting opportunities. By strengthening or developing a regional network of towns and communities and developing “hubs”, critical mass can be increased to support the establishment of new economic activities, exploit endogenous assets, and create a network of employment and service centres.

***Policy Issues for Discussion***

15. **In rural regions:** The major issues in rural areas relate to cost of delivery of basic infrastructure and public services which affect more far-reaching economic development goals and thus require local area co-operation and partnerships.

- What, then, are conditions necessary for achieving critical mass and acquiring the skills and financial means within local government to facilitate the development process?

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<sup>2</sup> Mexican micro-regions strategy, Spain (Extremadura, Basque Country), Italy (Tuscany), Hungary (Lake Balaton), Greece (Crete).

- Which new rules and guidelines are required at the national level to lift the obstacles to increased and more efficient municipal co-operation, with a view to creating the proper local conditions for sustainable growth?
- Which financial and fiscal incentives should be implemented by the national government?
- Under which conditions can rural areas reap the opportunities offered by ICTs?
- What are the key factors which condition an appropriate spatial planning strategy for different types of rural areas?

16. **In remote rural regions:** In remote rural areas, the issues are those of other rural areas, only more acute because of distance, very low densities and often even more pronounced devitalisation (out-migration, ageing).

- Which innovative policies are required to maintain a minimum level of public services at an acceptable cost (multi-functional service points, delegation to private service providers, different forms of municipal co-operation).
- Which support measures are necessary from the national level and which kind of cross sector co-operation is useful to avoid public service closures which would be damaging to the local society and economy?
- How can broadband technology be brought to remote areas to help businesses and support public service delivery?
- Under which conditions can tele-education and tele-health pilot projects be mainstreamed?
- What is the most appropriate spatial planning strategy, safeguarding natural heritage and the environment while permitting infrastructure development (In particular, Natural Parks as a basis for tourism development).

**Key Issue 2: What changes are needed in order to develop an approach which takes more into account the rural as well as the urban policy standpoint in large metropolitan regions? To what extent would this contribute to sustainable economic growth across the functional urban region, and if so, why?**

### *Policy Context*

17. Large densely populated regions are the engines of economic growth. Worldwide, the size and population of such regions is increasing. In 2001 2.9 billion (47.7 % of world population according to the UN---- lived in densely populated regions. The UN State of the World's Cities report released on 14<sup>th</sup> September 2004 at an international conference in Barcelona drew attention to the problems involved in managing such regions from a sustainable economic, social and environmental standpoint. Even in OECD countries, there are difficulties in implementing well intentioned plans and regulations and there is a very real danger that as urban regions expand outwards, the economic, social and environmental sustainability of the growing metropolis, as well as the urban fringe and rural hinterlands, will be threatened<sup>3</sup>.

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<sup>3</sup> A new form of expansion is that of "urban corridors": long belt of cities interspersed by rural areas and often lying along a main transport axis (Eastern Seaboard in Australia and in the United States, Great North Way in the United Kingdom). They concentrate a higher share of GDP in proportion to population and it is feared that

18. It is widely recognized that the *spatial structure* of metropolitan regions is an important factor in determining the economic development and long term sustainability of densely populated regions. In many metropolitan regions in OECD and non-OECD countries, congestion costs due to lack of foresight and poor planning can slow down a regional economy and create poor quality living environments. On the other hand, appropriate spatial planning frameworks which are implemented not only through regulations but also supported by political will and consensus of the population, can be instrumental in achieving key goals. For example, public and private transport networks and other necessary infrastructures can improve accessibility across the region, support economic development, and facilitate the supply of high quality accessible affordable housing. At the same time, planning and wise land use management can ensure an adequate supply of green space including both leisure areas and farming/horticultural activities. In this way, an attractive and sustainable working and living environment can be created across the region, thus contributing to the attractiveness and competitiveness of the region, consequently influencing the location decisions of footloose companies.

19. Governance reforms, metropolitan/urban strategies and innovations such as the US “Smart Growth” movement or the Finnish Regional Centre Programme increasingly relate to the functional urban area which comprises rural and mixed use land as well as dealing with issues within the contiguous built up urban area. There is growing recognition by academia and practitioners of the need to complement strategies, which until now have focused primarily on the main urban centre, with policies which display a more “rural lens” and target more explicitly measures which better integrate into the mainstream of the economy and society the urban fringe, the regional towns, and rural communities of the wider region. Better integrating urban core, certain areas of the urban fringe, regional towns, and rural communities of the metropolitan hinterland is one of the central issues of regional politics in the 21<sup>st</sup> century.

### ***Policy Issues for Discussion***

*What is the scope for reconciling key policy objectives for different parts of metropolitan regions with the overall objectives for the region?*

20. **In the urban fringe:** How can accessibility to jobs, housing, services, and leisure activities be increased? What policies would need to be activated and co-ordinated? For example,
- How can the financing of network infrastructures (transport and ICT) be improved to better connect the fringe with the urban core, suburban centres and with regional towns?
  - What measures are required to increase the supply of affordable housing in accessible planned areas in the fringe and to upgrade existing stock?
  - What policies can enhance local employment opportunities and support enterprise creation for residents in the fringe and outer areas?
  - Are there examples of strategies for upgrading the local environment targeted at fringe areas? For example, to increase green space for leisure, protect valued agricultural resources, reduce water consumption, encourage companies to operate environmental systems management?

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they may accentuate disparities (Better Integrating Spatial Planning and Economic Development in Urban and Rural Municipalities of Densely Populated Regions, GOV/TDPC(2004)4.

- What measures are required to enhance social cohesion, for example does locating high quality educational and health facilities in the fringe as well as in the city centre where the best services are usually located have any effect?

21. **In rural and ex-urban<sup>4</sup> areas:** *How can conflict between competing activities and life styles be reduced and synergies encouraged? For example:*

- Do planners locally and regionally have the capacity and tools which allow them to address conflict and competition, for example between commercial farmers and rural residents who commute to the city and between agriculture and commercial developments?
- Can local plans tackle local environmental challenges such as water pollution, degradation of land, preserving local fauna and flora, are the financial resources for this available?
- How often do rural towns have a strategy to manage the impact of weekend visitors and second homes on small villages and towns?
- How can rural communities plan for and develop new economic activities based on leisure, cultural and sports activities, commercial activities, while at the same time modernizing and protecting high value agricultural activities?

22. **In regional towns:** *How can regional towns be encouraged to preserve social and cultural heritage and assets while increasing restructuring the economy and increasing competitiveness and employment opportunities? For example:*

- Can the growing interaction between the regional towns and the core urban area be managed in a positive manner?
- What actions are needed to conserve and enhance the cultural and social heritage and assets of regional towns?
- Can the impacts of the growth of a regional town on the environment and social cohesion be identified and steps taken to deal with problems and exploit opportunities?
- Can local and regional demands for transport be differentiated and transport demand be better managed across the region in order to meet both local and regional needs?
- What types of business plans improve economic and social opportunities in regional towns?

### **Key Issue 3: How can the monitoring and analysis of urban and rural trends be improved?**

23. New economic, social and environmental and spatial relationships are emerging in both densely populated and more sparsely populated regions.

- Is there a need for setting up regional observatories to provide the information required to better inform the key policy decisions which will determine the economic, social and environmental future of the entire region?

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4. In contrast to “rural” land, “ex-urban” is used to describe land located beyond the urban fringe which is not used for agriculture, forestry or an environmental purpose, for example, former quarries, wastelands, disused docklands etc.

- Similarly, what scope is there for extending analysis to each sub-component of the region (i.e. the local level) in order to allow localities to examine their strengths and weaknesses and to develop a strategy to address what are considered as priorities?

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