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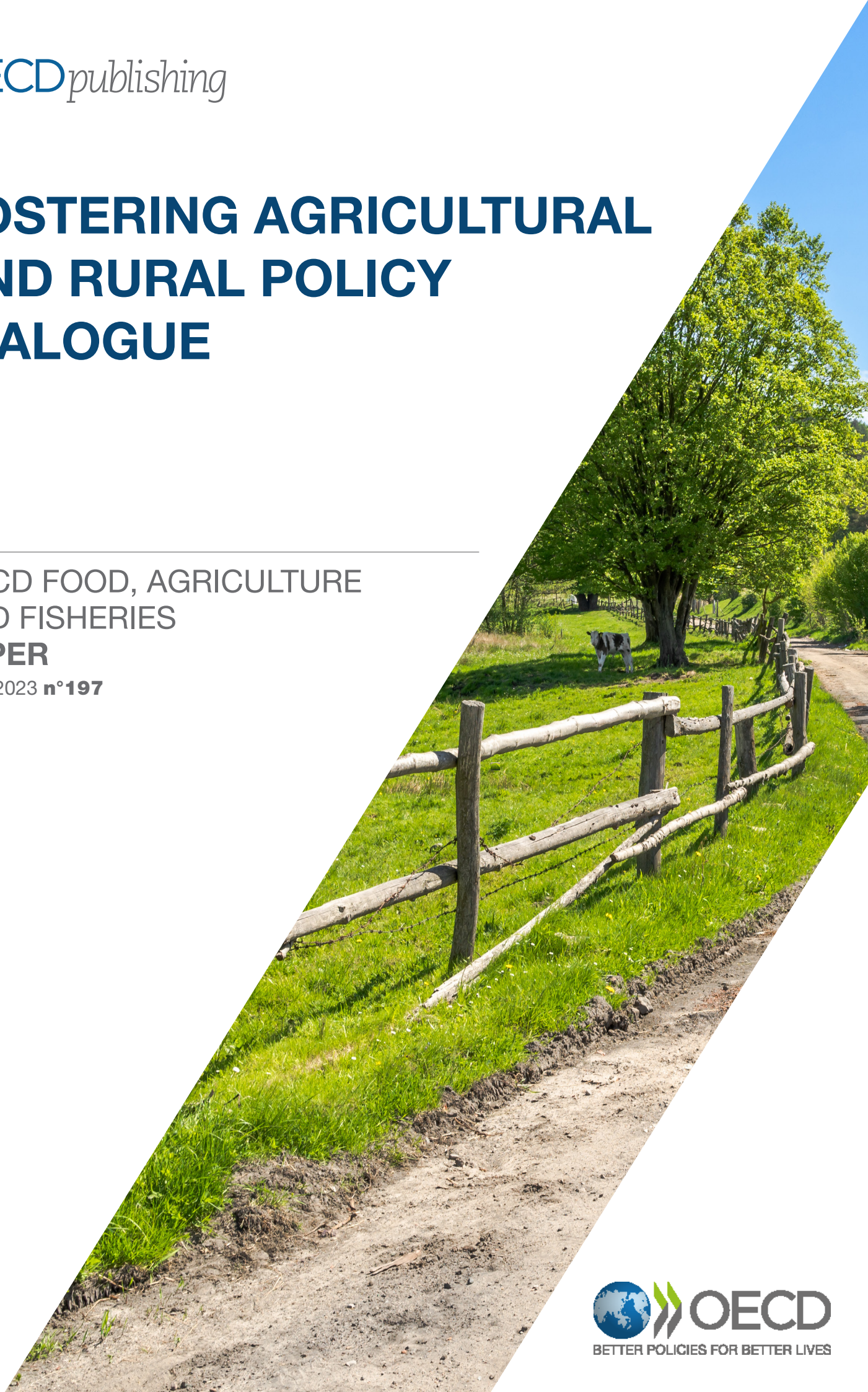

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Fostering Agricultural and Rural Policy Dialogue

Masayasu Asai, Janet Dwyer, Jesús Antón and Enrique Garcilazo*

Agricultural and rural policies can benefit from potential synergies when designed correctly. Broadly speaking, agricultural policies target farms and food production, while rural policies focus on ensuring the development of a territory and the well-being of the rural population. Despite these differences, both policies are often applied within the same territory and share a growing interest in improving environmental sustainability and adapting to climate change, as well as improving inclusiveness, food security and nutrition, and increasing productivity and innovation. This paper calls for a constructive dialogue on policies and processes to enhance the synergies and coherence in policy advice, and helping to resolve possible trade-offs between agricultural and rural policies. There are many opportunities to build on potential synergies, including on the role of agriculture in structural change in rural areas, on diversifying farm and rural economies, and on ensuring environmental sustainability.

Key words: Rural development, Food systems, Place-based approach, Economic sustainability, Environmental sustainability, Social sustainability, Resilience

JEL codes: H7, O2, O3, Q18, R5

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Key messages

- Agricultural (sectoral) and rural (place-based) policies need to build synergies to support their shared interests in achieving improved environmental sustainability and contributing to climate change adaptation and mitigation; in enhancing well-being and inclusivity; and in increased productivity through innovation.
- Efforts to build these synergies can sometimes be challenging due to encountering conflicts in goals, different governance and policy design. Agricultural policies have historically often been designed in a centralised way reflecting the importance of budgetary support, whereas rural policies in several OECD countries have taken a more holistic and polycentric approach. The food system lens has contributed to some convergence in policy approaches.
- Improving environmental sustainability is a common objective for both agricultural and rural policies; efforts in both policy domains should aim to build on synergies and address trade-offs, including in defining the relative effort made by agriculture and other rural economic activities. For global environmental public goods, such as the reduction of GHG emissions, actions from all sectors and regions are needed. In the case of local and regional externalities, such as water pollution, a place-based approach can help to efficiently reduce them and tackle their impacts.
- Rural policies should take account of the existing set of agricultural policies as they have potential positive or negative impacts on rural outcomes. In turn, agricultural policies should take into account broader rural development policy responses as they also support entrepreneurship and wellbeing in rural places. For instance, high levels of agricultural support, particularly if untargeted or market distorting, may hinder rural and agricultural innovation and are likely to have a significant impact on structural change, diversification opportunities and the environmental sustainability of rural areas.
- Reorienting agricultural support towards non-market distorting measures that support investment in services and assets such as innovation, infrastructure and management of natural resources will help foster agricultural and rural policy synergies. Co-development governance processes proposed by the rural policy principles can help identifying and selecting the right investment projects and targets.
- Engaging in a mutual learning dialogue on policies and policy processes is needed to enhance the synergies and address possible trade-offs between agricultural and rural policies. Developing a common framework can contribute to the effectiveness and efficiency of both agricultural and rural policies.

Executive Summary

Agricultural and rural policies are often applied in the same territory and can benefit from potential synergies, if designed in the appropriate way, despite their differences. Broadly speaking, agricultural policies target farms and food production, while rural policies are focused on ensuring the development of a territory and the well-being of the rural population. Agricultural policies have historically often been designed in a centralised way directed by a single ministry, reflecting the importance of budgetary support, whereas rural policy has, necessarily, tended to involve governance based on decentralised or polycentric approaches, with actions spread across multiple policy domains and several government ministries.

That said, recent convergence between these two policy domains can be observed. In many countries, agricultural policies have embraced a rural development agenda as part of continuing efforts to improve farm income and the functioning of agricultural markets, trade and food supply. The recent shift towards food systems approaches also calls for agricultural policies to respond to a broad set of goals and to consider the synergies and trade-offs among them – notwithstanding the continued need for policies to pursue targeted objectives. Meanwhile, rural policies increasingly consider the importance of well-being considering multiple dimensions of the economy, society, and the environment, including the quality of employment, healthy diets and the pursuit of a more circular rural economy, which implies taking into account the role and effects of agricultural activities.

Shared interests are growing between agricultural and rural policies toward improved environmental sustainability and climate change; enhanced well-being and inclusion; improved food security and nutrition; and increased productivity and innovation. The goals and objectives of agricultural and rural policies increasingly incorporate responses to these common challenges, albeit based on different assumptions, ways of working and policy design processes. Significant data issues need to be resolved to enable policy communities to make progress jointly based on a common understanding of these important challenges.

Although both agricultural and rural policies aim to develop the most effective policy design in consultation with their own constituencies, agricultural policy advice has traditionally focused on ensuring more efficient design, while rural policies have focused more on having a strong engagement with local stakeholders. Convergence between the two approaches is on-going and this paper identifies examples where trade-offs can emerge, and policy coordination is warranted, as well as opportunities to build upon potential synergies. For example:

- *The role of agriculture in structural change*: to what extent do agricultural policies have an impact on increasing or decreasing rural employment and facilitating the structural transformation of rural economies? Are rural policy approaches incorporating the potential contribution of the agricultural sector? Efforts to bridge digital divides between rural and urban areas will enhance rural innovation and adjustment; are current policies prioritising digitalisation and innovation?
- *Diversification of farming and rural economies*: some specific agricultural policies may promote farm diversification at the expense of other rural businesses, while some specific rural policies may have farm-based businesses out from the radar of their action. Broad diversification strategies that improve the wellbeing and resilience of all rural citizens will enhance the synergies between agriculture and rural policies.
- *Achieving environmental sustainability*: agricultural policies are moving resources and policy tools to promote sustainable agricultural practices. To this end, the co-development governance processes proposed by the OECD principles on rural policy can help identify and select the most appropriate investment objectives and projects.

A constructive dialogue on policies and processes can enhance the synergies and coherence of policy advice, increasing co-ordination and helping to resolve possible trade-offs between agricultural and rural policies. Shifting modes of governance, and the value of learning from other policy areas, are highlighted as relevant steps in working towards a future common vision for these policies.

1. Context and focus

Agricultural (sectoral) policy approaches and rural (place-based and territorial) policy approaches often address similar issues and incorporate interlinked goals, creating opportunities for synergies and complementarities (Cervantes-Godoy, 2022[1]). However, agricultural and rural policies originate from different perspectives and cultures of policymaking, which can sometimes lead to tensions or overlaps in objectives, as well as trade-offs in operations and outcomes.

The increasing importance of common goals does not automatically translate into policy coherence between these two policy areas, which differ in priorities, institutional cultures and approaches to policy making. There is scope to stimulate two-way action: rural policy analysis incorporating more consideration of agricultural policies and their impacts; and agricultural policy analysis incorporating broader interaction with rural place-based policies.

This paper seeks to make a broad review of interlinkages and to provide some ideas for an overarching framing to clarify the synergies, complementarities, and trade-offs between agricultural and rural policy approaches, with a view to enabling further suggestions for learning through dialogue.

The rest of the paper is structured in five sections as follows:

- Section 2 presents definitions of terminology and of the boundaries between policy areas.
- Section 3 compares policy goals and objectives in each domain, including the rationales for intervention.
- Section 4 discusses the main approaches to governance, measures and delivery used in each policy sphere.
- Section 5 compares policy trade-offs; and identifying principles of good practice for coherent and efficient interactions where possible.
- Section 6 concludes by outlining possible elements of a unifying framework and vision and suggesting steps to move in this direction.

2. Definitions and boundaries

Agricultural policy is concerned primarily with managing the design and outcomes of farming, as a sectoral activity. Its focus is generally to set goals and ensure delivery of an appropriate range, quality and quantity of the products from farms (principally food commodities), as well as facilitating or ensuring maintenance of the means of production (traditionally land, labour and capital). In recent decades, agricultural policy has increasingly embraced the social and environmental aspects of these assets, as well as their economic characteristics.[1] The OECD 2016 Agricultural Ministers' Declaration reflected this evolution and expanded the scope of their policy focus beyond the primary sector, calling for efforts to improve the productivity, sustainability and resilience of food systems (OECD, 2020[2]). Agricultural and food policies today thus go well beyond farming, and increasingly embrace systemic linkages from the producer to the consumer.

Unlike agriculture,[2] rural is a term that has a range of definitions that vary with geographical and historical context, but it generally refers to territories outside of the bounds of cities or major towns that are characterised by relatively low population density, and relatively dispersed settlement.

[1] For instance, for the period 2023-27, the European Union's Common Agricultural Policy (CAP) is built around ten key objectives, including fair income for farmers, climate change action and generational renewal.

[2] Agriculture is defined as: "The practice of cultivating the soil, growing crops, or raising livestock for human use, including the production of food, feed, fibre, fuel, or other useful products. Also known as farming" (Oxford University Press, 2022[6]).

A definition of rural policy can be taken from the OECD Rural Principles, which aim to improve the well-being of rural population; supporting the commitments of governments to achieve global agendas through future-proof regional development policies (in particular the UN Sustainable Development Goals, Paris Agreement of the United Nations Framework Convention on Climate Change; also the UN-Habitat Guiding Principles and Framework for Action on Urban-Rural Linkages to Advance Integrated Territorial Development); and to provide guidance on how an integrated and place-based approach can mobilise endogenous assets across the different types of rural places can contribute to the economic, environmental and social sustainability of rural areas and to the well-being of their citizens (OECD, 2020[3]).

While agricultural production is no longer the core economic activity in most rural areas in OECD countries (OECD, 2006[4]), it still remains a cornerstone of rural policy, with the Agriculture Ministry taking the lead in rural development policies in a number of OECD countries. In a survey undertaken in 2016 covering 24 OECD countries[3], agricultural production was reported as the most common high priority objective for rural development policies in 22 (out of 24) reporting countries, followed by environmental sustainability and quality of life (in 20), landscape preservation and innovation (in 17), accessibility (transport or broadband, in 15), service delivery and landscape occupation (in 14), ageing and outmigration (in 12), capacity building (in 11) and rural-urban linkages (in 10) (OECD, 2016[5]). In some countries however, such as Australia and the Czech Republic, regional policy, instead of rural policy, is used for developing rural areas[4] (Box 2.1).

The OECD terminology further distinguishes three types of rural areas: remote rural areas with very low population densities and generally without large settlements; peri-urban rural areas within a Functional Urban Area (FUA), sometimes included within "city-regions" (as distinct from territory beyond these regions which is more rural); and intermediate rural areas with access to a FUA which have modest sized towns and strong linkages to a nearby FUA but without being part of its labour market.

Rural development can be defined as *"a process of increasing productivity and improving standards of living in rural areas"* (Oxford University Press, 2022[6]). This process is the main goal of rural policies. Criticisms of this definition are also identified and alternatives offered: "*the creation and sustenance of resources devoted to improving the economic and social livelihood of people who live in rural communities"* (Anderson, 2016[7]), or *"the development of the countryside, in order to improve living conditions, increase employment, and enrich cultural life"* (Allaby and Park, 2017[8]) (ibid, 2022). These definitions apply in different ways the meaning of "rural economic development" as a main goal of rural policies, improving the productivity, sustainability and standards of living in rural areas, or creating the means for this improvement.

[3] In 2015, the survey was circulated to all OECD countries through the Regional Development Policy Committee, and only 24 of them had responded. Those countries are Australia, Austria, Belgium, Chile, Czech Republic, Denmark, Finland, Hungary, Ireland, Israel, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak republic, Sweden, Switzerland, Türkiye, United Kingdom, and United States.

[4] In the Czech Republic, several local smart strategies have been supported by the Ministry of Regional Development in the past years. Rural policy is understood in the Czech Republic as a specific part of regional policy, with a strong emphasis being placed on the development of functional regions consisting of urban centres and rural hinterland, which also correspond to the definitions in the Regional Development Strategy. Development of rural areas is formulated in the Rural Development Concept document 2021-27 and is implemented mostly by action plans under the Regional Development Strategy, in co-ordination with sectorial strategies, including agriculture.

Box 2.1. Regional policy in Australia

Australia has a number of definitions and criteria to identify "rural" and "regional". The Australia Bureau of Statistics defines metropolitan, inner regional, outer regional, remote and very remote areas, and urban areas and localities of various sizes, but does not specify a "rural" definition as separate typology in itself (OECD, 2020[3]). In Australia, approximately 60% of the national population resides in the five "big" state capital cities of Adelaide, Brisbane, Melbourne, Perth, and Sydney.

Australia approaches the matter of "rural" policy under the wider concept of regional policy. Consequently, there is a clear distinction between urban policy and regional policy. The former treats, in particular, the state capital cities as engines of economic growth and prosperity, while the latter covers regional Australia, which refers to all those places outside of the state capital cities. At the national level, each agency is expected to develop policies within their areas of responsibility (e.g. education, employment) that focuses both on the needs of those living in urban centres and those living outside metropolitan centres. In addition, specific agencies or levels of administration can apply different criteria to distinguish regional or rural areas, in line with their administrative boundaries and responsibilities.

Regional development policy and agricultural (industry sector) policy are separate, although complementary, domains. Regional policy in Australia covers large areas in terms of spatial units and sectors. Multiple industries (mining, tourism, forestry and fisheries, as well as agriculture) and different specialisations in regions drive the economy in rural and remote parts of Australia. Food production plays a role in the regional economy, but this role will vary depending on the region. For this reason, it is crucial for Australia to ensure coherence and alignment of regional and sectoral policies.

Sources: OECD (2020[3]).

2.1. Policies targeted to farms and food production vs policies seeking the development of a territory

The respective definitions of agricultural and rural policies already provide a first source of divergence in approaches: agricultural policies have been largely defined by their sectoral focus on farming and food production, while rural policies are defined by their place-based focus on promoting sustainable rural development.

This sectoral versus territorial distinction is reductionist, because some important facets are lost from each domain. The interconnections between sectors in (increasingly global) value chains, and the fact that agricultural policies affect land use and labour (typically shared with other economic activities in rural areas) as well as other sectors such as transport and energy, make agriculture a multi-sector activity. Also, farmers and farm households are often engaged in different economic activities. In a range of countries, a significant share of farm households adopts *pluri-active* business models that generate on-farm and off-farm incomes, and/or they generate additional income through *on-farm diversification* into complementary enterprises, such food processing, direct sales or rural tourism.

Agricultural policies are increasingly taking a broader view. The emerging food systems approach (Box 2.2) embraces the triple challenge of securing food security and nutrition, addressing environmental challenges, and providing opportunities for livelihoods. In this context, agricultural policy in many countries also increasingly includes a focus on rural socio-economic and environmental assets and their sustainable development, including land use and rural vitality, which have a place-based dimension. Importantly though, this does not make agricultural policy place-based; even when agricultural policies take this broader view, food often remains a central theme in the design and development of policies. While the food systems lens has gradually broadened the agricultural policy space to issues outside the traditional scope of Ministries of Agriculture, many measures are still largely targeted to actors in the agro-food sector, and these policies remain quantitatively important in many countries.

Box 2.2. Making better policies for food systems

The term “food systems” refers to all the elements and activities related to producing and consuming food, and their effects, including economic, health, and environmental outcomes.

Around the world, food systems are facing a triple challenge: ensuring food security and nutrition for a growing population, supporting the livelihoods of millions of farmers and others in the food chain and contributing to rural development, and doing so in an environmentally sustainable way. Moreover, across these three dimensions food systems should also become more resilient.

Unfortunately, food systems are currently a long way off from meeting the triple challenge. As documented in the OECD report *Making Better Policies for Food Systems*, even before the outbreak of COVID-19 about 2 billion people did not have regular access to sufficient, safe, and nutritious food, while an even greater number are overweight or obese. At the same time, technical and structural change and the repercussions of COVID-19 are putting pressure on the livelihoods of people working on more than 600 million farms worldwide and along other stages of the food supply chain. The environmental damage from food production is also considerable: around 80% of all threatened terrestrial bird and mammal species are in danger because of habitat loss due to agricultural expansion, while food systems account for an estimated one-third of anthropogenic greenhouse gas emissions. Better policies are urgently needed to deal with these problems.

A “food systems approach” starts from the realisation that there are important synergies and trade-offs between these goals. Effective policy approaches should take these into account, both to avoid unwanted outcomes (in the case of trade-offs) and to maximise positive impacts (in the case of synergies). Sound policy processes are needed to achieve coherent policies to address the “triple challenge”

Achieving better policies for food systems has often proved difficult due to disagreements over facts, interests, and values. Robust policy processes are crucial to navigate these obstacles:

- *Facts*: Build a shared understanding of the facts, e.g. by combining regulatory impact assessments and scientific input with stakeholder processes.
- *Interests*: Ensure all stakeholders have the opportunity to voice their views, but do so in full transparency to create a level playing field. In some cases, it might also be necessary to compensate those who stand to lose from policy reforms.
- *Values*: Consider using deliberative mechanisms to help citizens reach consensus on difficult societal decisions. Several deliberative initiatives in OECD countries have covered food and agricultural policies.
- When it comes to policy controversies (combining disagreements over facts, interests, and values), prevention is better than cure: policy makers should embed the above best practices into institutions and policy processes to prevent polarisation from emerging in the first place.

Source: OECD (2021[9]).

On the other hand, rural policies have evolved from focusing on promoting the competitiveness of rural places (OECD, 2006[4]) to a stronger focus on raising the well-being of rural citizens (OECD, 2020[3]). Rural policies have moved towards looking at challenges through a place-based approach and when feasible consider activities and outcomes that take place or provide benefits beyond the purely rural – i.e. benefiting society as a whole, rather than promoting the needs and quality of life only of rural people in rural territories. These policies also increasingly note the multiple and often complex interdependencies between urban and rural economies, communities, and environmental resources. For instance, environmental policies often aim to provide important rural ecosystem services that benefit wider society, and health or social care policies may invest in rural self-help measures that respond to the needs of rural population and contribute to reducing demands on largely urban treatment centres, thus benefiting the whole population. But at its core, rural policy seeks (directly or indirectly) to stimulate sustainable economic, social and environmental development in rural places.

In many countries there are “standalone” departments within Ministries of Agriculture that focus on rural areas. There are also examples of lead ministries on rural policy in OECD countries outside the Ministry of Agriculture: the Ministry of Enterprise and Innovation (Sweden); Ministry of Industry, Business and Financial Affairs (Denmark); Department of Rural and Community Development (Ireland); and Ministries of Regional Development and/or Rural Affairs. Rural policy is defined as “all policy initiatives designed to promote opportunities and deliver integrated solutions to economic, social and environmental problems” (OECD, 2019[10]). Understandably, policies that impact rural areas are also in other policy domains that are not themselves territorial such as Education, Housing, and Employment. Some policies as designed may have different impacts in urban and rural territories; specific targeted adjustments are recommended to avoid unintended consequences in rural areas. This approach is known as “rural proofing” and can be applied within a wide variety of sectoral policies. Alternatively, rural policies can also be designed independently of these sectoral policies.[5]

Mindful of these nuances, the operational definition of agricultural and rural polices used in this paper is as follows:

- Agricultural policy is the range of sectoral policies targeted to farms and related food chain actors in a given country.
- Rural policy covers a broad set of measures targeting diverse actors in different policy areas but taking a place-based perspective to addressing the overarching goal of contributing to the sustainable development and wellbeing of rural areas.

2.2. Contrasting institutional and policy approaches

In the realm of agricultural policy, the setting of goals and the design of policy measures is often undertaken with a centrally designed approach at a national governmental level, at least for most OECD countries. In a number of cases, this reflects the fact that policies dictate the expenditure of very significant dedicated budgetary outlays subject to some form of legislative approval. For example, this is the case for the US Farm Bills approved by Congress. Within Europe it has even been a process largely determined at supra-national level as the Common Agricultural Policy is designed by the EU Commission and approved together with the European Parliament and the Council. However, with the broadening of the domain of agricultural policies to embrace wider environmental and socio-economic concerns has come a trend towards devolution – more decentralised policymaking, sometimes also more participatory – seeking to build more local perspectives and influence into policy approaches, resourcing and measures. For example, the new CAP from 2023 is, to a greater extent, shaped by EU Member States through their National Strategic Plans. Additionally, in both cases, there is significant consultation and engagement with stakeholders in the development of the relevant policies.

By contrast, rural policy approaches have typically given local communities and institutions greater influence over the policies that shape their future (Van Der Ploeg et al., 2000[11]). Rural policies were often developed in response to perceived drawbacks of earlier economic development policies which were seen to benefit urban populations. In its seminal work on the OECD New Rural Paradigm in 2006 and subsequently, the OECD has shown how much contemporary rural policy has focused on addressing this situation (via territorial initiatives, and more recently rural proofing), empowering rural people to identify and pursue their own missions for a sustainable future (OECD, 2020[3]; OECD, 2016[12]). A more recent framework for Rural Well-being shifts the focus to raising well-being standards for rural citizens which depend on the economic, social and environmental pillars (OECD, 2020[3]). A central characteristic of this rural policy approach is a consultative process for identification of distinct rural territory priorities, from which more bespoke policy design and delivery are then developed (a rural policy strategy).

Notwithstanding this trend to more holistic approaches to rural policies, the sustainable economic development of rural areas also matters to urban populations, precisely because of the interdependence of rural resources and urban demands, and vice versa. Thus, recent literature has emphasised polycentric governance models (Carlisle and Gruby, 2019[13]; Ostrom, 2010[14]) which can effectively combine “top down” frameworks and strategic targets or goals, with “bottom up” local knowledge, cultures and values.

[5] For instance, a specific territorial “package” focused on particular rural regions with complex needs and priorities, as in the PIT “integrated territorial programmes” of Italy (Storti, Henke and Macrì, 2004[53]).

These approaches have been suggested as useful to address current global challenges such as climate change, food security and biodiversity decline. [6]

2.3. Common challenges and opportunities are growing

Goals linked to the three dimensions of sustainability and the triple challenge of food systems (OECD, 2021[9]) are relevant for both agricultural and rural policies and have assumed increased prominence in recent decades. With respect to economic development, a common focus on building competitiveness and ensuring productivity (and food security) is evident in both agricultural and rural policies. In social terms, both policies have become subject to significant and increasing concerns in relation to equity, diversity and inclusivity, as well as accessibility to quality services, to ensure the wellbeing of farmers and rural inhabitants. Climate change mitigation and adaptation and, more generally, environmental sustainability, are increasingly embraced by both agricultural and rural policies: both have close links to the management and sustainable use of natural assets, providing vital ecosystem functions and services to people and the planet.

In the context of current societal goals such as the United Nations Sustainable Development Goals (SDGs), particular common elements or concerns relevant for both agricultural and rural policies have assumed increased prominence in recent decades. They can be grouped across the three dimensions of sustainability:

- *Economic*: In respect of economic development, a common focus on *building competitiveness and ensuring productivity growth in a sustainable manner* is evident in both agricultural and rural policies. This is linked to the phenomenon of globalisation, trade, and international market development, whereby the future economic viability of farms and of rural areas must be secured via comparative advantage, measured across increasingly larger distances and contrasting local situations. Innovation is the key driver to achieve sustainable productivity growth, combining food security objectives with social and environmental sustainability.
- *Social*: policies have become subject to significant and *increasing concerns for equity, accessibility, diversity and inclusivity*. Ensuring that policies contribute to the livelihoods of farmers and rural inhabitants, and do not discriminate on the basis of race, gender or orientation, that they combat social exclusion and embody mutual respect between cultures and ethnic groups, have been a distinct feature of recent policy scrutiny and reform. Prominent examples include specific agricultural policies focused on enhancing the roles of women and youth in agriculture and agricultural decision-making; initiatives to enhance the social welfare and wellbeing aspects of land use and management (e.g. social farming, access to farms for excluded groups); initiatives to increase the opportunities of Indigenous Peoples in agriculture and to benefit from their traditional knowledge; and enhanced awareness and provision of rural services to better support social inclusion and the integration of migrants from ethnically diverse groups into rural communities.
- *Environmental*: Both agricultural and rural policies increasingly embrace the *management and sustainable use of natural assets, providing vital ecosystem functions and services* to people and planet. Thus, ensuring that these policies are pursued in ways which strengthen the transition to more environmentally sustainable agricultural production and rural areas has been a central concern. Within the environmental domain, an increased focus on policies' contribution to *climate change action* has been evident. Many reports and strategies consider how agriculture and food systems can promote climate mitigation and adaptation; and rural policies and rural development programmes are now expected to incorporate climate-smart approaches and move rural communities swiftly towards *net zero*.

[6] Carlisle and Gruby (2019[13]) explain: "The term connotes a complex form of governance with multiple centres of decision making, each of which operates with some degree of autonomy (Ostrom, Tiebout and Warren, 1961[56]; Ostrom, 2005[55]). The decision-making units in a polycentric governance arrangement are often described as overlapping because they are nested at multiple jurisdictional levels (e.g. local, state, and national) and also include special-purpose governance units that cut across jurisdictions (Mcginnis and Ostrom, 2012[57]; Ostrom, 2005[55]).

These growing complementarities have been noted in food value chains and food systems; farm income diversification and social protection; and land-use, environment and resilience (Cervantes-Godoy, 2022[1]). *Innovation* has also come to the fore as an enabler of progress on economic, social and environmental fronts, in both technical (e.g. digital technologies) and human and social domains (e.g. new skills and new ways of doing/organising things). Thus, both agricultural and rural policies increasingly focus on policies that *enable an innovation process* that is designed to respond more swiftly and effectively to economic, social and environmental priorities.

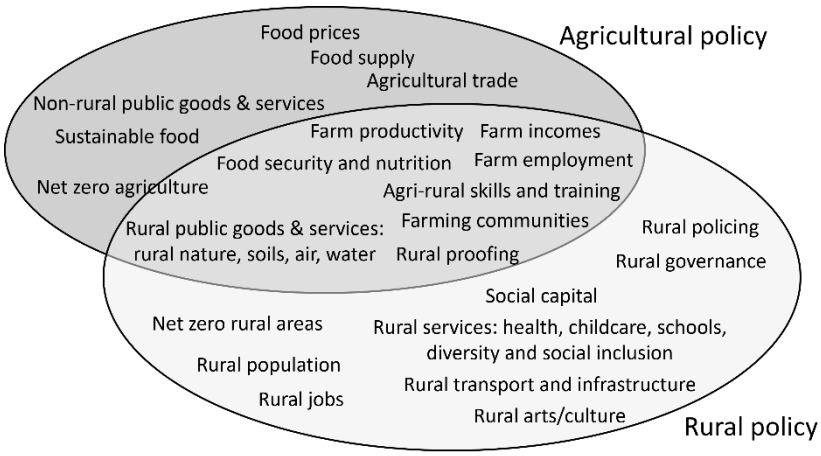
3. Policy goals and objectives

The identification of policy goals and objectives follows two steps. First, the kind of goals that agricultural and rural policies are likely to pursue are explored, noting potential points of synergy and tension. Second, by considering existing agricultural and rural policy regulations or strategies in different OECD countries, these are compared to the outcome of the first step to illustrate the variability of agricultural and rural policies in these different contexts.

3.1. Policy goals as reflected in existing policies: Potential synergies and trade-offs

Based on the definitions in Section 2, Figure 3.1 portrays the coverage of key goals of agricultural and rural policies in OECD countries, and their intersecting domains. Although most agricultural activities take place in rural areas, some public goods and services related to agricultural policies are not related to rural policy goals. For instance, agricultural policy goals related to broad food supply and the functioning of agro-food markets are largely outside the concerns of rural policy. On the other hand, broad rural policy goals related to rural jobs in all sectors, social capital, rural services, poverty and inclusion in rural areas, and general rural infrastructure, are not usually under the purview of agricultural policies. However, there are goals related with farm incomes, employment, skills, communities and environmental sustainability that are clearly common to both policy areas.

Figure 3.1. Intersecting goals of agricultural and rural policies



The need to bring the two policy areas together is emphasised by the intersection of goals and, in particular, the challenge of ensuring long-term sustainability in agriculture as a sector, which requires the consideration and mobilisation of strategies which go beyond that sector and thus cross into the domain of rural policy (Cervantes-Godoy, 2022[1]). For example, large-scale farm specialisation focused on low-cost, high volume intensive commodity production may increase food supply but increasingly may need to adjust to respond to sustainability goals. And farming systems based on small or medium-scale production also need to respond to a broader set of economic, social and environmental goals, such as represented in the SDGs. Past evidence is clear that an approach focused only on agricultural production can easily

lead to significant negative impacts on environmental sustainability (OECD, 2019[15]) as well as on interconnected rural cultural and social assets (Parris, 2001[16]; Baldock, Dwyer and Sumpsi-Vinas, 2002[17]).

From this perspective, more diverse agri-rural development strategies must be identified for different rural environments and different farms and households, while ensuring sufficient sustainable agricultural production to meet the food security needs of a growing global population. A broader range of resources, products and services can be mobilised from farms and rural households, in order to enable a balance of agricultural production alongside other rural sustainability goals. From the perspective of rural policy, the future development trajectory must also offer a good quality of life for farm families and other rural inhabitants who, increasingly, will not engage directly in agriculture itself but may undertake linked or complementary roles (e.g. in supply chains for agricultural products, or in a variety of on-farm or off-farm service sector roles, or in rural manufacturing).

From the perspective of rural policy, it is necessary to include consideration of agricultural development, and especially the future management and use of land, in pursuing sustainable rural futures. Internationally, there is growing pressure on rural resources from trends in climate and demography, leading to an increased focus on rural areas to generate renewable energy and sequester carbon, as well as supplying safe, nutritious food and providing clean water and air, also recreation and amenity space, for the whole population (urban and rural). Rural policies therefore need to incorporate strategies that meet national as well as local priorities, in a sustainable way.

As previously noted, a shift in emphasis towards goals that intersect rural and agricultural policy and food systems opens possibilities for synergies and co-ordination between them. As noted by Cervantes-Godoy (2022[1]), this includes the general services or public goods provided to agriculture like infrastructure (e.g. roads, physical protection for floods), investments in innovation, and rural policies that improve the rate of adoption of new technologies (e.g. digitalisation) and the quality of life of rural population (public services, including health and education and skills training)".

At the same time, there is also scope for tensions and trade-offs in these interlinked domains. Such trade-offs may arise as much because of a lack of explicit communication between both policy constituencies, as because the policies may have conflicting goals.

For instance, agricultural policies coupled to production (such as market price support, payments based on output and variable inputs) may enhance total agricultural output, but potentially give increased scope for negative environmental externalities from the process of change (loss of habitats and features) and from increased input use in production (higher nutrient levels) (OECD, 2019[15]). Given the large share of rural land that is dedicated to agriculture in many countries, this can have a negative impact on rural policy goals for the environment and rural quality of life, as well as potentially damaging assets that underpin other rural economic sectors, e.g. rural tourism, or traditional crafts associated with cultural landscape management. It is therefore important that agricultural policies can be adjusted to better reflect these wider rural interests.

In other situations, some current agricultural policies in OECD countries may act to reduce or prevent structural adjustment in farming, creating incentives for farms to maintain the same practices as in the past, often in an effort to preserve farm employment and cultural values. However, separate rural policies may support rural economic diversification and innovation to improve rural competitiveness and sustainability, in order to preserve rural economic and social dynamism. A paradoxical situation may then develop where there are rural labour and skills shortages among a new generation of rural enterprises, at the same time as we find low incomes, low productivity, labour retention and a lack of innovation in farming and rural land use. This has negative implications for both agriculture and sustainable rural development goals and suggests there would be benefits in better aligning the strategies of rural and agricultural policy. This issue is covered in more detail in Section 5 of this paper.

3.2. Objectives as reflected in existing policies

As briefly discussed already, agricultural policies in OECD countries share a common focus on the farm sector and food supply. In many cases, reflecting the interlinkages between farms and their resource base, they also promote broader goals for agricultural land management (e.g. environmental goods and services)

and/or agriculture's contribution to economic and social development (socio-economic). These broader goals may be specific to rural areas because farms are predominantly located in rural territory.

Table 3.1 shows the original focus of the main agricultural policy goals in the United States and the European Union around food supply and prices, and their evolution over time to incorporate new and broader priorities. It also shows that current agricultural policy goals in New Zealand tend to be more targeted than the broader policy goals in Brazil, given the preference for using social and environmental policies to address those goals directly, rather than agricultural policy.

OECD's agricultural policy reviews are today called "Policies for the Future of Farming and Food" and tackle issues and goals well beyond food production (OECD, 2021[18]). The conclusion of an examination of past OECD work and country reviews (OECD, 2019[19]) and the OECD framework used as the basis for the reviews (OECD, 2020[2]), find that policy strategies should cover the whole food supply chain and that well-functioning markets and a sound regulatory and policy environment are key to foster innovation and improve productivity, sustainability and resilience. They also note the need to improve evidence on the linkages between agricultural policies, productivity and environmental sustainability.

Table 3.1. Agricultural policy goals

Countries	Goals		Rationale / drivers of change
European Union	Initial goals Article 39 of the Treaty of Rome (1957) set out the specific objectives of the Common Agricultural Policy (CAP): • To increase agricultural productivity by promoting technical progress and ensuring the optimum use of the factors of production, in particular labour • To ensure a fair standard of living for farmers • To stabilise markets • To ensure the availability of supplies • To ensure reasonable prices for consumers	Current goals Article 39 still is still valid. The latest version of the CAP for the coming financial period (2023-28) has ten Strategic Objectives: • To ensure a fair income for farmers • To increase competitiveness • To improve the position of farmers in the food chain • Climate change action • Environmental care • To preserve landscapes and biodiversity • To support generational renewal • To achieve vibrant rural areas • To protect food and health quality • Fostering knowledge and innovation	Environmental integration (Arhus, 1992-); Creation of 'rural development' as a mainstreamed part of the CAP (2000-); Lisbon Treaty promoting social integration and innovation (2009-)
United States	Initial goals The original farm bill(s) were enacted during the 1930s as part of President Franklin D Roosevelt's New Deal legislation with three original goals: • To keep food prices fair for farmers and consumers • To ensure an adequate food supply • To protect and sustain the country's vital natural resources	Current goals The Agricultural Improvement Act of 2018 (the 2018 Farm Bill) provides the basic legislation governing farm programmes for 2019 to 2023. Although the 2018 Farm Bill does not set out specific goals, it addresses agriculture and food policy across 12 titles. These titles cover commodity support programmes, conservation on agricultural land, agricultural trade promotion and international food aid, nutrition programmes, farm credit, rural development, agricultural research, forestry on private lands, energy, horticulture and organic agriculture, and crop insurance.	Reflects growing concerns for equity, rural socio-economic need, environmental protection, land for renewable energy generation, and a strong focus on nutrition support, domestically and internationally
Brazil	Brazil's policy 2020 for sustainable agriculture has main focus areas: • Land governance and environmental compliance for effective territorial management and regulation • Innovation and sustainable production to promote sustainable agricultural systems • Production inclusion, focused on generating rural income, ensuring the inclusion of all producers in local markets or global production chains and, most importantly, creating opportunities that enable generational renewal in agriculture		Strong elements of environmental and social integration as well as a focus on innovation, in these contexts
New Zealand	The main focus of current agricultural policies is • Animal disease control • Relief payments in the event of natural disasters • The AKIS - agricultural knowledge and information (or innovation) system		The rather specific goals reflect a mission approach more strongly market-led than in other countries. With most of

Countries	Goals	Rationale / drivers of change
	After a deep reform of agricultural policies in the 1980s, most public support for agriculture in New Zealand is devoted to what OECD terms 'general services': also including investment in R&D. The government also provides support to community-scale, off-farm investments in irrigation systems. Agricultural policies also incorporate important elements of environmental sustainability and social integration, such as ambitious targets on climate change mitigation, and green programmes and assistance payments to help with climate adaptation.	NZ's key agricultural outputs destined for export, agricultural policy is not seen as a means by which broader rural goals are pursued: NZ uses targeted social and environmental policies for these.

Sources: OECD (2020[20]; 2021[21]).

Rural policy goals in OECD countries commonly seek to increase the well-being of rural inhabitants across economic, social and environmental dimensions, but differ between one another in the extent to which they bring together all policy domains in which issues of rurality are explicitly addressed or affected in a coherent approach. The OECD New Rural Paradigm in 2006 required rural policy to move from a previous focus on agricultural support to a broader concern with all aspects of the rural economy and changed the logic for government intervention from a focus on social equity to one of strengthening the inherent economic capacity of rural places (OECD, 2006[4]). Thus, the New Rural Paradigm represented an important shift in the previous rural policy regime that provided support for a few key natural resource sectors, to one investing in broad based rural economic development (Garcilazo, 2018[22]). The OECD Rural Well-being's multi-dimensional people-centred approach looks beyond the economic factors and expands the frame of analysis to include the environmental and social dimensions of well-being (OECD, 2020[3]).

OECD's rural policy reviews today take a broad perspective, covering territorial economic development policies and a range of the most relevant sectoral policies – generally including primary sectors, rural service sectors (e.g. health, transport, education and training, tourism and leisure) and the particular range of manufacturing activities that are, or can be, located in rural territories. They also consider the rural resource base, including its demography and environmental characteristics, covering rural human, social, cultural and environmental capital (Figure 3.2). In practice, rural policy examples from different countries show a great diversity of approach and breadth (Box 3.1) and the set of specific goals is often less easy to identify.

Figure 3.2. Main rural policy concerns of OECD countries that have had a rural policy review

	Decertification	Housing	Population decline	Service delivery	Aging	Renewable energy	Agri-environment	Poverty focus	Peri-urban included	Broad economic growth focus	Tourism
England		X		X	X	X	X		X		X
Finland	X		X	X	X	X				X	X
Germany			X	X	X	X	X				X
Italy				X	X	X					X
Mexico				X		X		X			X
Netherlands		X		X	X	X	X		X		X
Quebec	X		X	X	X	X					X
Scotland		X		X	X	X	X				X
Spain				X	X	X		X			X

Source: Freshwater and Trapasso (2014[23]).

Box 3.1. Rural policy goals

EU rural policy

There is still no uniform approach to rural policy in the European Union. Different countries take different approaches and pursue different kinds of policy. For example:

- Spain has recently launched a policy 'to promote a fair and beneficial ecological transition for rural areas' that will use funding from a variety of EU and domestic sources to promote environmental and social transition in rural Spain, adopting green and socially inclusive measures to stimulate the regeneration of rural areas.
- Sweden introduced a new coherent rural policy in 2018 to develop "viable rural areas with equal opportunities for enterprise, work, housing and welfare that leads to long-term sustainable development throughout the country". The policy has a multi-level approach and includes stakeholders from public, private and the non-profit sectors (OECD, 2019[24]).

Despite these differences, efforts are being put in place to develop common objectives and shared approaches on rural policy. Launched in December 2021, the Rural Pact is a framework for co-operation among authorities and stakeholder at the European, national, regional and local level. It contributes to achieving the shared goals of the long-term vision for the European Union's rural areas by facilitating interaction on rural matters between public authorities, civil society, businesses, academic and citizens.

Another significant common element in the rural policies of EU Member countries is the rural development funding and goals within the CAP, its agricultural policy (Table 2.1). However, this funding effectively offers scope for individual countries and regions to choose different measures to suit their specific needs and opportunities, as justified under the common framework of EU strategic objectives.

US rural policy

The United States Department of Agriculture (USDA) is committed to helping improve the economy and quality of life in rural America. USDA administers the greatest number of rural development programmes and has the highest share of programme funds going directly to rural counties (approximately 50%). "While no overarching framework guides rural policy at the federal level, the USDA's Rural Development Agency is leading the charge with targeted support in the areas of housing, business and utilities. The agency co-ordinates the other federal agencies on adequate housing, employment creation and business retention, human capital concerns, poverty issues, medical care, and physical infrastructure development remain key foci of federal rural policy" (USDA, n.d.[25]), as supported by a wide variety of initiatives.

Pipa and Geismar (2020[26]) and Ajilore and Willingham (2020[27]) criticise what they describe as a plethora of individual federal programmes run by a wide variety of different government departments, rather than a coherent rural strategy, and call for a more prominent rural approach in federal policy. An example that could be revisited is the now defunct White House Rural Council which included as one its goals streamlining and improving the effectiveness of Federal programs serving rural America (White House Rural Council, n.d.[28]). The Council was chaired by the Secretary of Agriculture aimed to coordinate programs across government and encourage public-private partnerships to promote further economic prosperity and quality of life in rural communities. A more recent initiative that shows promise is the Rural Partners Network (RPN) launched in 2022. The RPN is, a whole-of-government effort to transform the way federal agencies partner with rural places to create economic opportunity that is also led by USDA (The White House, n.d.[29]). Nevertheless, more co-ordinated and strategic approaches exist at the State level, and indeed it could be suggested, given the scale and diversity of America's rural territories stretching from Alaska to New Mexico, that this may be a more appropriate level for strategic rural attention and action.

The COVID-19 pandemic, however, has revamped efforts to better co-ordination federal efforts in partnership with states and local communities with the creation of the Rural Community Assistance Partnership (RCAP) in December 2021. This partnership through RCAP's regional partners, provides

more than 300 technical assistance providers to build long-term, trusted relationships with thousands of communities.

Brazil rural policy

The Program for the Sustainable Development of Rural Territories (Pronat) and Territory of Citizenship Program (PTC) were created in 2003 and 2008, respectively under the general responsibility of the former Ministry of Agrarian Development. They were targeted via a national initiative to identify microregions with specific characteristics of rural distinctiveness and/or disadvantage compared to urban territories. A sustainable development strategy was launched in 2011.

Brazil's "family farms" policy focused on improving the livelihoods and quality of life of smaller family farms in the poorest rural regions of the country, alongside a separate policy and strategy of growth and development focused on farming and food production. Although this two-track approach has weakened, with the rise of more market-oriented and liberalising Brazilian policies, in the last decade (Sabourin, Craviotti and Milhorance, 2020[30]; Niederle et al., 2019[31]), the policies aimed at family farmers, food supply and rural development were resumed from 2023, under the responsibility of the re-established Ministry of Rural Development and Family Farming. These policies intend to be more targeted, reinforcing the linkage between economic and social development of family farmers, the quality of food supply and the environmental sustainability of rural production, including efforts to integrate family farmers from the Northeast and Amazon regions into the global bioeconomy supply chains.

3.3. Matching the rationales with underlying policy goals

Table 3.2 synthesises the principal goals of agricultural and rural policies in OECD countries, based on collected information as reported in Table 3.1 and Box 3.1. The table also shows how the goals map onto the 17 overarching SDGs and those of climate change mitigation and adaptation as set out in the Paris Agreement.

Examining the details in the table, column 3 indicates a high degree of commonality in the more specific goals of many agricultural and rural policies, on topics where their missions overlap. The main point of distinction for several areas is that agricultural policies tend to target farmers, their families and businesses, rather than all rural actors. This suggests that the rationales for these more specific goals are also similar, but this does not prevent specific measure from having conflicting impacts on agricultural and rural policy goals. In overview, rationales for policy measures in agricultural and rural policies exist along a continuum which identifies a case for intervention. Common cases include:

- Correcting for spatial, inter-sectoral or temporal *inequalities* in market or policy provisions, where the social optimum demands more equal treatment.
- Correcting for economic, social and/or environmental *externalities* and encouraging the delivery of *public goods and services*, some of which are generated simultaneously with private goods and services in agriculture or rural enterprise.
- *Investing in socially, economically and/or environmentally beneficial assets*, or institutions, particularly where market imperfections (e.g. information asymmetries, transaction costs, short-termism, etc.) lead to situations of private under-investment, relative to societal goals in the longer term.
- *Supporting innovation and knowledge* (knowledge elicitation, R&D, promotional campaigns) to help raise awareness, improve understanding and knowledge and skills linked to the other goals and outcomes that they seek to target, and to further investigate how these could be enhanced.

Table 3.2. Inventory of policy goals as found in agriculture and rural policies of OECD countries

Goals	Agricultural policies	Rural policies	Examples of specific goals	Relevant SDGs and main climate actions
Food security and nutrition	++	+	Food security linked to fairly high self-sufficiency (see also next row)	**2**
			Access to a sufficient variety and quality of food to enable healthy diets (see also next two rows)	
Food production and supply	+++	+	Self-sufficiency, Sustainability	**2**, 1, 3, 8, 12, **Climate adaptation**
			Competitive exports, compared to other nations	
			Productivity and/or efficiency	
Food prices	+++		Affordable for domestic consumers	**2**, **1**, 8
			Remunerative for farmers, Stable or guaranteed	
Agricultural trade	+++		Protection for 'sensitive' products, Open access for favoured nations, Increasing trade, to promote sustainable development	**10**, **8**, 12, 17
Farm incomes	+++	++	Comparable to those in other sectors	**10**, **8**, **1**
			Stable, despite unpredictable contexts	
Agri-rural skills and training, quality	++	++	Raising professional standards and Continuing Professional Development (CPD)	**4**, **12**, **5**, 8, 9, 1
Education			Increased technical knowledge, business management skills	
			Delivered inclusively to relevant rural or sector trainees	
Rural incomes		+++	Levels on a par with those in urban areas	**10**, **1**
Income (in)equality	+	+	Equity and social sustainability between rural population groups	**10**
Rural employment	+	+++	High availability, high quality, well-paid and diverse, and secure	**8**
Rural infrastructure	++	+++	Providing quality, cost and reliability on a par with that existing in urban areas (agricultural policies tend to concentrate upon physical, shared infrastructures, e.g. water supply, roads, wastes)	**12**, 11, 6, 7, 10, **Climate adaptation**
Rural population	+	+++	Stable or growing, with a good spread of ages, old, working age and youth (agricultural policies often support farm succession)	**16**, **15**
Rural services	+	+++	On a par with those in urban areas, reaching excluded groups	**10**, 12, 11, 5, 1, 16
Rural vitality	++	+++	Stable or growing populations, jobs, social and economic diversity, a strong sense of place and a good level of wellbeing	**16**, **3**, **17**, 8, 1, 12, 5
Natural resources, environmental externalities	++	+++	Biodiversity and natural resources protected and enhanced, also landscape, soils, water and air, culture and heritage, and amenity provision	**15**, **6**, **14**
Climate change	++	++	Supporting climate mitigation and adaptation – a new priority	**13**, **Paris accord goals**

Note: The number of "+" indicates the relative relevance of each goal for agricultural or rural policies: low (+), medium (++) and high (+++) relevance). SDGs are ordered based on its relevance to each Goal. SDGs and actions in bold indicate higher relevance than others. Number of SDGs respond to 1 "end poverty", 2 "end hunger", 3 "good health", 4 "education", 5 "gender equality", 6 "clean water", 7 "clean energy", 8 "jobs and growth", 9 "industry innovation", 10 "reduce inequality",11 "sustainable settlements", 12 "sustainable production & consumption", 13 "Climate action", 14 "marine protection", 15 "managed land", 16 "strong institutions", and 17 "strong partnerships".

In the past, agricultural policies have justified their intervention mainly based on tackling socio-economic objectives associated to all agricultural production, such as food security and market stability; many countries also have a strong focus on improving access to food among the poor, which could be seen as an issue of addressing basic inequalities. However, in relation to farm incomes, the main concern has been inter-sectoral inequality – under the assumption that agricultural incomes lag behind those in other sectors, and payments in OECD countries most often target landowners' income rather than low household income.

The rationale for rural policies was traditionally rooted in correcting for socio-economic spatial inequality between rural and urban areas, "strengthening the inherent economic capacity of rural areas". There has thus been significant emphasis on investing in assets that are beneficial for rural areas – considering population (human and social) as well as physical assets – particularly within strategic initiatives of rural development. The investment rationale is often based on infant industry arguments in territories with few alternatives to farming; as well as on the need for public investment in infrastructure and services because of their higher costs relative to urban areas, meaning that rural populations otherwise suffer persistent relative disadvantage.

A case for public investment in agricultural development has also been a longstanding feature of some agricultural policies, made on the basis that these typically small enterprises have difficulties raising capital from private sources, compared to larger businesses in other sectors, or that persistent under-investment is related to the classic uncertainties in agricultural production conditions (e.g. weather).

The growing rationale of interventions for the environment in both agricultural and rural policies generally embraces the need to support the provision of public goods and to help address externalities, more often than inequalities in distribution. However, in respect of interventions for innovation and knowledge, both public goods/externalities arguments and evident inequalities in access/availability are common drivers for policy action.

Among these rationales, some clearly lend themselves to being pursued with capital investment aids (one-off grants or loans), while others may require more regular incentives which can be created by payments, but also commonly by fiscal measures or market interventions. Regulations are also frequently used to set baseline standards of acceptable practice in production and market operations, covering economic, social and environmental standards.

4. Measures, governance, and delivery

This section examines how the main mechanisms used to pursue the goals of agricultural and rural policies differ, and how these differences are shaped in different countries. Closely connected to the design and selection of measures are the governance structures and delivery processes of these policies, which influence how and where measures are targeted and that reflect decisions concerning who should be involved in policy design and implementation. Also important is the challenge of monitoring policy impacts and measuring progress against goals, for which data assumes particular importance.

The OECD work on agricultural policies assesses the policy measures used by governments against a set of common principles and analytical perspectives, and provides advice on how to improve their *efficiency* (OECD, 2022[32]). The OECD work on rural policies also offers advice, measured against broad principles for rural policies and with a particular emphasis upon their *governance and coherence* (OECD, 2019[10]). These principles and perspectives are discussed as part of the comparative analysis.

4.1. Taxonomies on agricultural and rural policy measures

As highlighted in the OECD *Agricultural Policy Monitoring and Evaluation* report (OECD, 2022[32]), countries differ in their agricultural policy approaches, reflecting differences in the sector's role in terms of GDP, trade, and other factors. Some countries provide extensive budgetary and market price support to agriculture (e.g. Japan or Norway) while others provide limited support to the sector or focus largely on public goods (e.g. Australia, New Zealand). Some countries offer support increasingly through more decoupled payments and with increasing focus on environmental measures (e.g. European Union) while others concentrate their (much lower) support on general services and innovation (e.g. New Zealand).

The OECD calculates estimates of support to the agricultural sector for 54 countries, including all OECD members (OECD, 2022[32]). This annual exercise is based on a taxonomy of agricultural support measures which is focused on implementation criteria, not on policy goals and objectives (Box 4.1). The taxonomy differentiates instruments based on their likely distorting effects on markets, but analysis of the extent and design of payments allows for an assessment of how aligned and effective they are in terms of the overall goals for the sector, including environmental sustainability.

In the past, the traditional agricultural policy approach in many OECD countries was to use various forms of direct market management and trade protection measures – commonly leading to Market Price Support (MPS). MPS measures may include market rules, regulated or managed prices, supply "controls", including tariffs and subsidies for import or export, and governments buying, storing and selling products themselves. One clear attraction of this approach was its relatively low initial cost to the taxpayer, as the costs of higher or lower prices fall on consumers, producers and/or supply chain intermediaries rather than on government, and some measures (e.g. import tariffs to maintain minimum internal market prices) actually generate public revenue. While these policies were common and substantial among OECD countries prior to the WTO Agreement on Agriculture, their role has declined significantly over the past three decades.

- In a developing economy context, in order to ensure affordable food for consumers, support sometimes focus on lower prices for key products (e.g. Argentina, India, Viet Nam (OECD, 2022[32])).
- In many more developed economies, the priority tends to be to protect domestic production from lower-cost competitors abroad, so prices may be supported upwards, meaning that consumers (intermediary and/or final) absorb the costs (OECD, 2022[32]).

In either case, market management was also intended to reduce uncertainties in supply chains by reducing some of the classic price fluctuations arising from weather and structural characteristics (e.g. cyclical variations associated with medium-term production processes, as in pig production).

These tools, together with payments based on outputs, and payments based on variable inputs without constraints, are identified by OECD analysts as "most trade distorting", as they alter the market signals to producers and traders and affect the relative competitiveness of inputs or outputs from different territories, irrespective of underlying "comparative advantage".

Through a widespread process of reform across OECD countries the overall level of support has fallen (relative to the size of the sector), and the structure of support in a number of countries has shifted out of these most trade distorting measures to more "decoupled" measures under other Producer Support Estimate (PSE) categories (Box 4.1). In some cases, e.g. the European Union, this shift has created a significant element of annual public revenue to farmers, stimulating wider scrutiny of its purpose and rationale in policy debates.

Public expenditures for general services (GSSE, see Box 4.1) account for just 13% of total support on average across the 54 countries tracked by the OECD, down from 16% two decades ago (OECD, 2022[32]). This includes expenditure on innovation and infrastructure, which has a high potential to improve productivity while responding to a range of environmental and social policy goals.

In respect of rural policies, a wide range of measures is used and there is usually a focus upon both:

- Investment, to build the capacity for successful sustainable development and foster new business and new sector developments (technical and institutional).
- Revenue funding or fiscal provisions (tax breaks or differential treatment) designed to reduce the costs of rural service and amenity provision – this may be targeted at small businesses, or particular sectors, or by specific types of service (e.g. rural broadband, rural bus services, rural schools and health centres).

In rural policy, by design, any kind of government measure or regulation in all policy areas can be part of the strategy, including investments, subsidies, fiscal provisions, financial instruments and direct public provision of goods and services. However, there is also a strong contemporary emphasis upon self-help mechanisms. These primarily fund activities to strengthen human and social capital, knowledge exchange and institutional development, in order to stimulate higher levels of innovation, creativity and entrepreneurship with a view to fostering longer-term economic and social benefits.

It would be extremely difficult to attempt to estimate the scale of support to rural areas that comes from rural policies, because of the very diverse ways in which it is given, both directly and indirectly, rather than through a single well-defined policy or budgetary envelope. Nevertheless, territorial targeting of government funding has not been a specific point of contention within international trade negotiations, suggesting that its ultimate impact in this arena is not significant, for any particular sectors. Freshwater and Trapasso (2014[23]), in reviewing the influence of the OECD's rural policy approach on rural policies in

member countries, noted “Importantly, there is still more money available for agricultural programs in almost all OECD countries than for rural development programs.”

Box 4.1. OECD indicators of agricultural support measures

Every year OECD calculates indicators of agricultural policy support that are comparable across countries and time. These indicators show the diversity of support measures implemented across different countries and focus on different dimensions of these policies. Definitions of three main indicators are shown below.

The Producer Support Estimate (PSE) measures all transfers to agricultural producers individually. They include:

- Market measures that create Price Support (MPS)
- Payments based on outputs
- Payments based on inputs (including variable inputs and services, but also on-farm capital)
- Payments based on current area, animals, revenue or income
- More decoupled supports (income payments) that do not require production
- Payments to farmers for the provision of non-commodity outputs.

The General Services Support Estimate (GSSE) measures expenditure and investment to the sector as a whole rather than to farmers, including knowledge and innovation systems, inspection and control, and infrastructure.

The Consumer Support Estimate (CSE) measures the (positive or negative) support received by consumers who buy food at national prices resulting from MPS and also any food aid/assistance programmes.

Source: OECD (2022[32]).

4.2. Governance and its implications for delivery

Turning now to governance and its implications for delivery, historical differences between agricultural and rural policies can be identified, but there is also an increasing convergence over time. As noted previously, traditional agricultural policies have been centralised, while rural policy approaches have combined centrally led initiatives with bottom-up, participatory processes (involving networks and partnerships) and multi-level governance mechanisms.

The issue of governance is key to the OECD approach to rural policy. A central principle is that the identification of investment and revenue funding priorities for rural territories should be done through a consultative process involving all relevant stakeholders. A related principle is that of territorial specificity – acknowledging that different territories must be enabled to choose different instruments and measures to suit their specific needs and capacities, and to make best use of their particular endowments of assets and opportunities.

These two elements of consultation and territorial specificity mean that plans and strategies assume a generally important role, in rural policy design and delivery. They are usually time-limited and increasingly output-focused, setting targets for achievement that will be monitored and evaluated periodically, to check for their effectiveness.

By contrast, governance has only recently emerged as an issue in agricultural policy discussions in OECD countries. The OECD has advocated agricultural policy reform focused on decoupling support from production and using more targeted tools to achieve specific outcomes, and to support more general services and public goods such as innovation (OECD, 2022[32]), prescribe specific types of measures seeking to achieve well defined outcomes. Questions around governance have tended to emerge in the context of debates around rural resource use and environmental sustainability, including how best to tackle

climate change. For example, in the past few decades the European Union and Australia have developed a stronger territorial and bottom-up element within their agricultural policies, focused on sustainable rural development. Box 3.1 gives more details of country examples. The question of governance also features prominently in policy discussions around food systems (Box 2.2).

Centralised policy making is often criticised for being insensitive to local situations, but may have advantages of simplicity and uniformity that bring some efficiencies, at least for national administrations. Decentralised policies by contrast can be more easily adapted to suit local contexts and aspirations, but may have very different modes of operation and resource implications from one territory to another, making higher level scrutiny and evaluation challenging.

Future uncertainties in rural and agricultural contexts from major global challenges suggest that policies need to have *adaptive capacity* (Folke et al., 2011[33]), which would favour bottom-up involvement and ownership so that they can be well adapted to changing local situations. However, given the scale of these global challenges and the urgency of the climate crisis, policy reforms must also be capable of making significant shifts in societal norms and expectations in a relatively short time period, which could be difficult unless strongly supported by national targets and top-down oversight (Dwyer, 2011[34]).

In either policy domain, an increasing feature in recent years is a focus on explicit strategies which emerge from processes of collective deliberation and present a "common vision" of mutually supportive goals and outcomes. This trend can be seen as a response to major global challenges such as sustainability and climate change, which present "wicked problems" and call for innovative policy approaches.

Another increasing feature in both agricultural and rural policy is a tendency to advocate more holistic strategies. In agriculture, this sometimes means taking a supply-chain approach, involving not only farmers but other supply chain actors, and considering not only measures affecting agricultural producers but also measures targeting consumers, retailers, and processors. More broadly still, there is a growing recognition of the need for a food systems approach, which looks at a broader set of objectives (food security and nutrition, livelihoods and rural development, and environmental sustainability), as well as a broader set of instruments (exploring for example the potential synergies between healthier diets and environmental sustainability) (Box 2.2). In rural policy, integrated territorial planning and development have been used for some time, but there is a growing emphasis on rural development strategies which simultaneously target economic, social, and environmental objectives (OECD, 2020[3]).

More systemic approaches arising from environmental sustainability goals have been incorporated in recent policy concepts such as the bioeconomy and the circular economy (Cervantes-Godoy, 2022[1]; Diakosavvas and Frezal, 2019[35]). A bioeconomy strategy seeks to consider all potential sustainable economic uses of biological assets and services together, rather than taking a sectoral approach; while the circular economy concept requires life cycle thinking and planning in the use and re-use of rural resources, including how waste can be minimised and recycling increased.

Both environmental and social integration in agricultural and rural policies have increased the public interest in monitoring and evaluation of these policies' outcomes. Therefore, the next section highlights the critical role of data.

Box 4.2. Agricultural and rural policy decision making in OECD countries

In the *European Union*, agricultural and rural development measures under the new CAP after 2023 include a polycentric approach that aims to combine common EU objectives with National Strategic Plans that set out each country's individual approach to pursuing these common objectives. National or local measures are largely selected from a "menu" of options within the CAP framework. EU regional, maritime and social funds will contribute to rural policy goals alongside CAP measures, to varying degrees.

In *Japan,* some rural policy initiatives operate separately to Japanese agricultural policies, even though the latter also include rural development programmes. The two broad spheres of policy interact more at a provincial and local level. Traditionally, local governments have had the strongest role in rural policies while national government has led on agricultural policy. However, in environmental integration

it has been local governments who have led the way with agri-environment schemes for farmers and in various environmental initiatives for regional and rural development, such as Groundwork Trusts and Local Action. These have all been initiated over the past 20 years or so by Japanese Prefectures and municipalities. In addition, the latest Japan Basic Agricultural Plan 2020-2030 features significant elements of environmental and social integration in its goals and policies for food supply and consumption, sustainable agriculture and generational renewal.

In the *United States*, a strong federal agricultural policy approach is complemented by differentiated initiatives at state or sub-state levels which variously support alternative agricultures, agri-environmental management and rural development, reflecting regional and local preferences. Within the national policies of the USDA, a suite of approaches to environmental management is also incorporated within the Farm Bill, as well as specific measures to support rural economic and community development.

In *Australia*, a generally liberal approach to agricultural production policies has gradually been reshaped in order to better incorporate environmental and social goals. This has occurred at both federal and state levels. Programmes now exist which support environmental land and water management, sustainable agriculture practices and local rural economic diversification. In many cases, these programmes are treated and conducted as a part of broader regional policies instead of agricultural (industry sector) policy (Box 2.1).

In *New Zealand*, greater agricultural sustainability has been driven through much joint working between national government departments and key sector groups to develop sector strategies, particularly where it has been linked to increasing product competitiveness in key export markets. At the same time, land reforms and moves to address social inequalities particularly in respect of Indigenous Peoples have also been taken, within national policy.

4.3. Data issues

An important challenge in seeking to bring greater coherence to agricultural and rural policies is to establish common understanding via a more integrated analysis of the data – in particular, micro data- that are collected for both agricultural and rural polices.

The availability of high-quality microdata is essential for assessing and understanding the socio-economic and environmental performance of the agriculture sector and of rural areas. The analysis of the economic, environmental and social sustainability of agricultural and rural policies can benefit from a better understanding of how farms interact with firms that are located in the same place.

The OECD is taking the initiative in facilitating discussion on joining up farm and firm-level data and analysis. In March 2022, the 29th meeting of the OECD Network for Farm-Level Analysis (FLAN) was held, with a session on “Synergies and gaps between farm- and firm-level data”. There, experts were invited to share their experiences and ideas on microdata analysis in rural areas.

For policy and research purposes, various types of microdata are available in OECD countries. For instance, in the European Union (EU), the Farm Accountancy Data Network (FADN) and the Competitiveness Research Network (CompNet) collect comprehensive data on outputs, economic value added, and labour and capital inputs for farms and businesses. Both datasets are collected from national statistical institutes and government organisations, and provide valuable information on the economic performance of rural regions at the micro-level, using regional classification.

The FADN covers nearly 90% of the total utilised agricultural area (UAA) and total agricultural production in the European Union. To monitor and improve the sustainability performance of farms, the European Union is currently converting the FADN to a Farm Sustainability Data Network (FSDN) by incorporating social and environmental data. The CompNet dataset covers all non-financial corporation sectors, including manufacture of food products, but excludes the agricultural sector. Thus, combining the FADN and CompNet at the territorial level could improve assessment of the economic performance of rural areas.

In the United States, USDA has a vast amount of data on the US agricultural sector. For instance, the Annual Agricultural Resource Management Survey (ARMS) provides detailed economic data on the

financial condition, production practices, and resource management of farms. The Bureau of Economic Analysis (BEA) produces several micro-level annual surveys that have been widely utilised for broader economic research, such as productivity, taxation, innovation, R&D, and offshoring. The Economic Research Service (ERS) in USDA has been working to explore linkages between farms and the wider economy.

Although much information can be extracted from existing micro-level surveys, a number of challenges restrict our ability to exploit available data:[7]

- inconsistent definition of rural regions, and a lack of common indicators for social and environmental performance for farm and non-farm businesses
- data collection challenges (e.g. tending to exclude small producers, only small numbers sampled in rural territories due to sparsity issues) and inconsistencies in data units
- dealing with multifunctional businesses (farms which are also processors or retailers) and/or multi-site businesses (operating in both cities and rural areas)
- measuring rural value chains and the trade occurring between farm and non-farm businesses in rural areas.

5. Exploring trade-offs and synergies

This section examines how agriculture and rural policies operate alongside each other, in a contrasting range of situations. Examples of tensions are presented, as well as specific steps taken by countries to enhance the coherence and cost-effectiveness of these policies, in practice. The implications of polices with different timeframes of application and impact are also relevant for this discussion.

5.1. Role of agriculture in structural change

Historically there has been a steady trend of people moving out from rural regions to urban areas, and of employment moving from agriculture into manufacturing and services (Cervantes-Godoy, 2022[1]). A main policy issue is the extent to which agricultural policy and rural policy contribute to the shared goal of facilitating adjustments to structural changes and structural transformation. In particular, questions arise about the role of agricultural policies in rural employment and the economic resilience of rural areas, and how rural and agricultural policies contribute to the deployment of digital technologies, as discussed below.

Improvement in agricultural labour productivity has facilitated (often steady, long term) decline in farm employment. Are agricultural policies having an impact on the decline (or the increase) of rural employment?

In some places where farming remains a key rural activity, a decline in the use of agricultural labour may be seen as an obstacle to the objectives of maintaining or increasing rural employment. However, it can also be argued that "releasing labour" from this relatively poorly remunerated primary sector can enable rural people to earn higher returns in other forms of rural employment (World Bank, 2018[36]) and encourage diversification of the rural economy into non-agricultural activities and services. On the other hand, policies could seek promoting adding value to agricultural production, increasing their quality and the ratio of agricultural output value to input cost, without necessarily causing any decline in labour use.

Another key policy question is the extent to which agricultural policies contribute to, or detract from, increased productivity and associated structural adjustment. The OECD *Agricultural Policy Monitoring and Evaluation* report (2021[21]) illustrated variations of the linkages between agricultural support and productivity, sustainability and resilience dimensions of food systems. Market price support policies and

[7] As identified at the 29th OECD Farm Level Analysis Network (FLAN) meeting and reflected in Khafagy and Dwyer (2022[54]), a background note for the meeting. All materials from the meeting are available on the FLAN website: https://www.oecd.org/agriculture/topics/farm-level-analysis-network/

other distorting support "treat the symptoms of un-competitiveness rather than causes, and impede the adjustment process" (Cervantes-Godoy, 2022[1]). In some OECD countries, production-linked policies contributed to increased labour productivity which was linked to significantly reduced employment in agriculture (Dwyer, 2022[37]), but coupled support can also reduce technical efficiency (DeBoe, 2020[38]). Furthermore, high levels of untargeted agricultural support policies in many OECD countries today may contribute to farming businesses retaining people in relatively unprofitable and often low-status, low-income employment, reducing structural adjustment and productivity growth. In a recent review of the impact of CAP support on farm technical change, Khafagy and Vigani (2022[39]) found evidence of a weak negative impact at EU level, but at regional level patterns varied according to the specific choice of Member States, with positive impacts in some cases where CAP investment support targets added value and diversification, and negative impacts where its direct payments simply reduce sector incentives to respond to market trends.

In some developing countries, agricultural and trade policies may specifically act to keep food prices affordable for consumers – particularly on certain staple products. This 'negative price support' is unlikely to be the most effective way to keep prices low for poor consumers and might also lead (inadvertently) to the decline and disappearance of small-scale agricultural production on those farms that cannot spread their fixed costs across a larger volume and value of output. It should be noted that negative price support is also applied in Argentina, where large, export-oriented producers are already dominant, in which case the impact of this policy on structural change may be minimal.

The goal of rural policies is not specific concerning levels of agricultural employment, but it is to ensure good employment opportunities in rural areas in whatever sectors can ensure economic, social and environmental sustainability. And there is no automatic relationship between a reduction of agricultural employment and increase or decreases in quality employment in other sectors. Nevertheless, some countries have specific agricultural policy objectives which incorporate a goal to preserve or increase the number of people working in agriculture (e.g. France), while many countries seek to increase the range and quality of available employment in rural areas. In both these circumstances, a good level of employment is linked to goals for rural vitality and quality of life. Synergies could therefore be improved if both agriculture and rural policies can develop a shared vision of how best to support enhanced productivity and economic and social development both within and beyond agriculture, while increasing the quality and variety of rural employment opportunities.

Agricultural income support may prevent the reallocation of scarce rural resources towards more sustainable uses. Are agricultural policies hindering the economic resilience of rural areas?

If agricultural policies support improved returns or incomes for food producers in an attempt to keep small farms viable, it may be difficult to achieve economic diversification and greater resilience in rural territories, because their relatively scarce human and financial resources will be preferably retained within farming. An example can be cited among the EU Member States which acceded to the European Union in 2004: in Slovenia, joining the CAP offered relatively high levels of income support to farmers (Erjavec et al., 2015[40]). Rural investment and environmental projects then struggled to attract uptake because farmers had no interest in diversifying their businesses or responding to new environmental initiatives due to these CAP subsidies, and other rural sectors could not easily compete with farms to attract employees or entrepreneurial opportunities because they had no access to these subsidies.

Some agricultural policies influence land markets and may lead to increased land prices and/or fewer land sales (consider, for example, the capitalisation of direct payments made to farmers for income support, into land values (Feichtinger and Salhofer, 2013[41]). At the same time, rural policies and rural development funding may seek to promote greater access to land for young farmers and other more diverse land-based businesses. This results in many cases in inefficiencies, whereby farm incomes are not improved but the barriers to generational renewal and economic diversification are increased. In such circumstances, designing income support mechanisms for farm or rural households which focus on non-agricultural outputs (e.g. goods and services produced for the environment, or enhanced social benefits from farming), may be possible and helpful.

Are rural and agricultural policies prioritizing innovation and digitalization that can benefit all economic activities in rural areas?

Enhanced innovation and digitalisation can help structural change in agriculture and in the rural economy. Efforts have been put in place to bridge digital divides between rural and urban areas and to enhance rural innovation beyond science and technology, including social and process innovations (OECD, 2022[42]; OECD, 2021[43]). Agriculture and rural policies should be synchronised and ensure faming activities also benefit from digitalisation and innovation. Innovation enables the production of more and better with less, adding more value, and is a key means of solving potential trade-offs. Digital technologies are an enabler of innovation with an impact across different economic activities, including farming, and has the potential to unlock rural innovation and maintain well-being standards even if the face of a declining population.

5.2. Diversification of farming and rural economies

The diversification of economic activities among both farms and rural economies can be a source of increasing income, economic growth and resilience.

Does a move away from a sole focus on agricultural production among farm businesses lead to a decline in national food security? Can rural and agricultural policies jointly contribute to food security and nutrition?

Multifunctional land-use has been promoted as a model of farm and rural development which can pursue farm viability and rural diversification simultaneously, but analysts take different views on how far this enables sufficient food production for all of the population. Under certain assumptions and in certain production systems, trade-offs may be created between food, environment and amenity or high social welfare outputs.

Some claim that the pursuit of rural environmental and social goals will reduce overall food output, for example by diverting land from agriculture into nature conservation and amenity use. Several policy levers can reduce these trade-offs, helping to keep overall food supply and broadening the space of policy choices. For instance, innovation may induce sustainable productivity growth, and trade contributes to food security. In addition, achieving a balance between food output and environmental protection is necessary to avoid production which undermines its natural resource base and life-support system, because such “production at all costs” is simply not sustainable.

In respect of pluri-activity among farm households, this approach can offer the capacity to maintain incomes and preserve family farming as well as supporting a diverse rural economy, with income from outside agriculture supplementing income from primary production. However, tensions may arise between improving agricultural productivity and competitiveness, and quality of life, as small households struggle to manage a complex portfolio of different activities and demands. In these circumstances it is possible that farming efficiency and output will be reduced, in order to better accommodate time and resources being devoted to earning other sources of household income. However, there is little evidence of such effects operating at a scale which significantly diminishes overall food production, among OECD countries.

Food security and nutrition is one of the key challenges at the centre of the food systems approach (OECD, 2021[9]), and has also been the focus of a territorial approach (OECD/FAO/UNCDF, 2016[44]).

Are agricultural policies promoting resilience in the wider rural economy, and rural policies promoting agricultural business resilience?

Promoting farm diversification as a specific strand in agricultural policies can bring tensions with goals for the wider rural population and rural economy. If financial incentives give preferential access to farms to start up new business ventures in rural areas (e.g. in tourism or hospitality), this can displace the income of standalone businesses in similar sectors (e.g. if hotels lose custom to farm-stay providers, rather than farm-stay helping to expand the local market for rural accommodation, overall).

To avoid this phenomenon, it can be important to ensure that diversification policies are designed to be available to all types of existing business – not just farms – and that they offer start-up opportunities to encourage new businesses as well as enhanced opportunities for pre-existing ones. Otherwise, the

sectoral nature of agricultural support may bias investment decisions in favour of farm households and against other firms.

Looking at the impact of diversification policies on farm businesses, they can be highly beneficial where diversification is complementary to farming requirements and activities – for example, using labour at complementary times of year or bringing in new income from previously under-used assets. However, there are also cases where diversification creates increased pressure on human resources within the business, leading to increased stress and poor health, ultimately undermining its sustainability. Medium-term business planning for resilience can be a useful way to reduce these risks, and can be incorporated into diversification policies. Encouraging collective planning and action, including the creation of peer-support networks, can also be beneficial.

Do rural policy strategies sufficiently balance rural economic activities between agriculture, manufacturing and services? Can rural policies make the agricultural sector more attractive?

In developed economies, service sectors emerge as the dominant employers and generators of wealth; however, they may be limited in rural areas if there is a lack of necessary infrastructure such as reliable and fast broadband, and good road and rail connections. At the same time, the ability of primary producers to add value to their products may be limited by a lack of skills in small-scale manufacturing and processing, or difficulties establishing supply chain connections. It is important for rural policy strategies to analyse and respond to particular local imbalances and challenges in a coherent way (embracing both farm and non-farm sectors), identifying underlying obstacles and addressing them early on, rather than being led mainly by business development options that are quick to establish but that will increase local economic reliance on particular, limited or high-risk sectors (such as seasonal tourism targeting visitors from overseas). Investment in robust and adaptive infrastructure can have benefits for rural and farm businesses as well as rural households, and is therefore a key consideration for sustainable and resilient rural areas. Furthermore, good infrastructure and services (including digital) in rural areas can potentially make the agricultural sector more attractive, particularly for the young.

These points are indeed addressed by some countries' policy frameworks. For instance, the Irish Rural Development Policy 2021-2025 is a comprehensive policy, underpinned by a programme of commitments across government departments and agencies, and its main goal is to support the economic and social progress of rural areas and build a better quality of life for their inhabitants.

5.3. Achieving environmental sustainability

All economic activities (agriculture and other) in all regions (rural or not) have an environmental footprint. The goal of environmental sustainability is increasingly shared by agricultural and rural policies, but trade-offs and synergies occur with respect to the relative effort made by agricultural practices and other rural economic activities, and the scale of change achieved.

Do current agricultural policies help to make food production compatible with environmental sustainability? Can rural policies contribute to climate change mitigation and environmental sustainability without a joint strategy that includes agriculture?

Climate change mitigation requires reducing emissions as well as encouraging carbon storage or sequestration. While in urban areas this leads to a focus on reducing emissions by eliminating fossil fuel usage for energy and heating in industry and households, in rural areas there is an equal focus on changing land uses and land management practices in order to store more carbon or facilitate greater rates of sequestration in living biomass above or below ground. This implies that rural strategies to address climate change need to embrace both farming and non-farming businesses and households, for maximum impact. Similar arguments can be made in the case of biodiversity protection and water resource management, particularly in rural territories where agriculture is the dominant land use.

Rural policies for environmental protection and enhancement can be more effective when they deal with farm and non-farm actions and targets through an integrated and strategic approach. At the same time, agricultural policies should give significant attention to environmental protection and enhancement through ensuring standards compatible with relevant SDG goals for biodiversity, water and air quality, soil

protection and carbon storage and sequestration, as well as offering appropriate incentives to innovate for higher environmental performance. These actions can provide opportunities for new enterprises in rural areas through bio-economy and circular economy developments.

The goal of environmental sustainability is increasingly shared by agricultural and rural policies, but immediate trade-offs and synergies emerge on the relative effort to be made by agricultural practices and other rural economic activities. For global public goods like the reduction of GHG emissions trade-offs are global beyond one sector or region, but for local externalities such as water pollution a local place-based approach is needed.

Can the rural policy approach help to mitigate the environmental footprint of agriculture?

There is accumulating evidence from various OECD countries that a more locally tailored and embedded approach to policy design and delivery can enhance the outcomes of agri-environmental policies. In the United Kingdom and the European Union, experiments with collective and outcome-focused payment schemes that define the desired outcome and allow for locally identified best practices, have shown efficiency benefits over the more established schemes based on management prescriptions and related payments for income forgone (OECD, 2022[45]). Many of the basic principles of bottom-up and participatory rural development along with a more holistic national rural strategy can be applied to the challenges of fostering more sustainable agricultural systems through local strategies promoting innovation through multi-actor approaches and locally designed activities. Payment-by-results schemes, collective natural flood management projects involving farmers and local communities working together with environmental agencies (OECD, 2017[46]), and schemes which link environmental benefits to business opportunities on farms or within surrounding rural communities, are good examples of how a greater degree of local governance can add value to agri-environmental policies (OECD, 2013[47]). At the same time, maintaining higher-level oversight and monitoring of outcomes and resource implications remains key to ensuring that these are compatible with national and international targets and obligations.

Decades of experience in pursuing more environmentally sustainable agriculture in different OECD member countries has demonstrated the importance of engaging farmers in this agenda as active partners, rather than passive recipients of government prescriptions that tell them how to farm for nature. In the European Union, the PEGASUS Horizon 2020 applied research project highlighted the value of social processes in effective and innovative agri-environmental initiatives, and the Payment-by-results experiments sponsored by the European Commission demonstrated the added value of giving farmers a greater influence in determining how best to deliver environmental outcomes on their farms (Chaplin, Mills and Chiswell, 2021[48]).[8] Similar findings have been reported in Australia, where agri-environmental approaches have moved from the successful but mainly motivational and voluntary 'bottom up' experience of LANDCARE, to more ambitious public goods payment schemes, and now forms of co-management in which farmers work with other stakeholders to make decisions about how best to protect the environment (Guerrero, 2021[49]; Pannell and Roberts, 2015[50]). These examples and experiences suggest that agri-environmental policy making can draw positive lessons from the governance and participatory principles of rural policy and apply them successfully to promote sustainable agriculture. An outcome approach to agri-environmental policy making can contribute to this objective (Guerrero, 2021[49]).

6. Policy dialogue towards a coherent approach

This final section considers how the OECD can identify and seek to promote enhanced performance of agricultural and rural policies, acting simultaneously in the same territorial contexts. This conceives an overarching framework for policy, enabling rural and agricultural to be reconciled and integrated – within the wider context of the SDGs, and in the face of climate imperatives and other future priorities. In this paper, only the stepping stones to create such a framework are suggested. It is necessary to first create a common space for policy thinking, from which a framework might emerge over time.

[8] Results from an OECD study (OECD, 2022[45]) with farm simulation and choice experiments in four countries, however, shows that result-based payments do not always lead farmers to adopt best practices for environmental outcomes.

6.1. Creating a common framework

In all its work, the OECD promotes better policies for better lives. It does so through the generation of comparative analysis and evidence concerning policy performance, with a focus on agreeing internationally valid principles and standards for policy.

- In agriculture, OECD policy analysis has shown how policies in many countries provide large amounts of support that does not respond to the economic, environmental and social demands of contemporary society, and is often trade distorting. Equally important has been OECD's work to identify more effective, alternative policy approaches. This work has increasingly included a focus on environmental and social aspects as part of a broader food systems approach, and rural proofing.
- In rural policy, the OECD has worked to strengthen territorial differentiation (understanding differences between territories and identifying how this affects their policy needs) in policy formulation and analysis, and has emphasised the process and governance aspects of better policies, more strongly than the specifics of the measures that are used. Equally valuable has been the recent evolution of the New Rural Paradigm into Rural 3.0 which places renewed emphasis upon strategic oversight of rural development actions and the value of integrated design and delivery approaches, using packages of measures that are tailored to local circumstances and working in partnership with a wide range of relevant actors. Nevertheless, the evidence of actual impact - improved rural policies in countries that have had a rural policy review – is rather limited (Freshwater and Trapasso, 2014[23]).
- The analysis in this paper has identified a trend, likely increasing in future, towards greater convergence in goals and priorities between agricultural and rural policies, as well as in other aspects of the policy process. Table 6.1 summarises the key points that have emerged from the comparative analysis, from a purposely oversimplifying vision of old divides, to identified emerging commonalities that have been growing in the last two decades.

Table 6.1. Elements of convergence between agricultural and rural policies in OECD countries

Topic	Old divides		New commonalities
	Agricultural policies	Rural policies	Agricultural and rural policies
Definition of type of policy	Sectoral	Territorial	New environmental imperatives: • Climate action • Biodiversity and water protection • Functioning rural resources (soil, carbon storage) Stronger social integration: • Social justice, diversity and inclusion Transformation: • Innovation for future resilience
Goals and objectives	Mainly food and production focused	Mainly seeking to stimulate economic development and well-being	Embracing wider goals and challenges, as identified under type of policy
Design / delivery process	Top-down	Bottom up and top-down (multilevel governance)	Poly-centric: decisions made at various levels but the bottom must co-ordinate with the top in a Strategic approach
Measures	Standard instruments often applied to whole sectors/regions	A wide variety of measures, more territorially targeted often integrated in different packages	Increasingly applying approaches and ideas from other areas (e.g. social policies, business innovation policies, labour and skills policies), regulations
Rationales for intervention	Public goods, externalities, inter-sector inequality	Inter-territory inequalities,	Enabling innovation, mobilising under-valued territorial assets, pursuing SDGs in diverse ways
Principal concerns of OECD analysis	Policy efficiency, design implementation capacity, and trade implications	Policy equity, ownership, and governance	Performance, measured as impact, efficiency, social equity and sustainability, and good governance processes over time and space

Topic	Old divides		New commonalities
	Agricultural policies	Rural policies	Agricultural and rural policies
Key features of the analytical approach to policy	Economic analysis of impacts of different policy instruments or type of measures	Policy packages, integrated delivery of goals	Learning from monitoring and evaluation, systemic analysis and diagnosis, emphasis upon functional inter-dependences – inter-sectoral, as well as inter-territorial (across the urban-rural axis)

In bringing together the two strands of work, this paper has noted that a common framework must embrace:

- Policy design that responds to trade considerations and commitments to international environmental and social goals and standards.
- Policies that include the principles of territorial differentiation, polycentric governance and inclusive co-development in policy design.
- There is high potential to enhance the synergies and resolve the trade-offs defined in Section 5 through discussion and mutual learning between rural and agricultural policy makers. This can contribute to the effectiveness and efficiency of agriculture and rural policies.
- All of this must be achieved with an eye to future resilience in the face of climate and other global challenges.

6.2. Suggestions for future work

Agricultural policy analysis needs to embrace better understanding of processes and governance issues that affect policy performance and take into account more bottom-up and holistic approaches. Rural policy analysis needs to acknowledge the existing set of agricultural policies and the potential impact of these measures on rural outcomes, in particular on innovation and transformation, in current rural development.

Both agricultural and rural policies are increasingly focused on delivering environmental sustainability goals, for which the right balance of incentives and priorities is crucial, within agriculture and considering all rural natural resources. Social sustainability goals are also a current area of concern for both agricultural and rural policies. The growth of interest in societal values of inclusion and equity in the treatment of diverse groups including young generations has stimulated increased attention to these aspects in all areas of policy making. This includes setting social baselines for equality, diversity and inclusion, monitoring impacts by gender and, more generally, on diversity (Giner, Hobeika and Fischetti, 2022[51]). Explicit policy tools to facilitate social sustainability in agriculture and rural domains are becoming more of a feature in many OECD member countries.

Some suggestions for work which could help strengthen commonality and coherence between agricultural and rural policies include:

- Strengthening the existing analytical work assessing the effectiveness of agricultural policies on a broader range of criteria, looking not only at economic outcomes but also e.g. environmental and social outcomes. This is in line, for instance, with the stream of work in the OECD on measuring sustainable productivity growth, expanding productivity measurement to include sustainability aspects such as the use of natural resources (Bureau and Antón, 2022[52]), as well as with recent work assessing the impact of agricultural support policies on the “triple challenge” of food security and nutrition, livelihoods, and environmental sustainability (OECD, 2021[21]) and on climate mitigation objectives (OECD, 2022[32]). Future work could for example explore impacts of agricultural policies on broader rural development and employment outcomes.
- Consideration of the extent to which the principles of rural policy as identified in comparative analysis of scope, delivery processes and governance, are equally valid and useful for agricultural policies. This would mean identifying those elements in agricultural policy where greater spatial differentiation and more inclusive co-development will improve its efficiency and effectiveness. Exploring notions of an optimal balance between top-down and bottom-up policy making and governance in the context of goals for food production, food security and agricultural productivity, as well as thinking about the role of farming in future rural resilience and environmental sustainability – protecting biodiversity, decarbonizing the economy and strengthening community

well-being – would seem worthwhile. The OECD has been promoting the need to reorient agricultural support towards measures that support investment in services and assets such as innovation, infrastructure and environment and natural resource management. Identifying and selecting the right investment projects and targets may benefit from co-development governance processes, as proposed among rural policy principles.

- Rural policies may benefit from giving more consideration to the non-rural goals and wider concerns of agricultural policies, as well as other key priorities for society with significant implications for rural resources, as a core part of any future rural policy strategy. In particular in countries where agricultural support is high and likely to have a significant impact on rural areas and assets, rural policymakers should acknowledge their need to engage with agricultural policies to enhance their future development in more sustainable ways, which build rural resilience and foster rural transformation.
- Future work could explore how a rural policy approach might help address some of the issues that OECD countries are facing in making agriculture attractive to a new generation of farmers. With farmers rapidly ageing, many OECD countries are looking at how to attract and retain new and younger farmers and entrepreneurs in the agro-food sector – these farmers can be particularly important in terms of innovation as they are more likely to be “digital natives”. Issues include the services and digital connectivity in rural areas; the mix of skills required and the access to knowledge, training and extension services; ensuring dialogue and understanding between rural and urban populations, including to improve the image of the farming sector; the lifestyle and social possibilities important to young people; and the opportunities for income diversification, including within the farm household (also an important factor in farm-level resilience) through complementary activities (agro-tourism) and other employment possibilities within the rural community.

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