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# **Towards Consistent Rural Development Policy in Central and Eastern Europe**

Franz Greif

Federal Institute of Agricultural Economics, Wien  
Austria

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## **Summary**

Among policy analysts there has been a shift in thinking about agricultural development to a broader concept of rural development embracing a wide range of elements including not only primary agricultural production but also off-farm activities, natural resource management, energy supply technologies and significant institutional changes including all types of civil society institutions. There can be stated that an improved conceptual approach is generally agreed. However, no comprehensive and up-to-date rural development policies and programmes exist in many countries of the CEECs and NIS. There is, therefore, a need to raise awareness about the magnitude and importance of the issue.

Among strategic considerations must be mentioned that it would be a mistake to conceive of rural development in Eastern Europe and CIS countries as lagging behind "western" experience. It is a must that modern rural development policies become part and parcel of the overall development policies able to react flexibly to changing conditions.

In this context it is felt that there are no uniform rural development policies and any concept of such policies should be developed on the basis of local expertise and experience avoiding the imposition of any external model. It is also to mention that the elaboration of such policies is a time consuming task, which does not always meet politicians' expectations for immediate solutions to current problems. Financial and human resource capacity constraints in some countries may also hinder the development of comprehensive rural development policies.

## **2. A systematic of changes in regional policy**

The example of Hungary can be generalized as the latest and probably most modern approach from the former bureaucratic system in Central and Eastern Europe to a decentralized regional policy:

Table 1.

Changes in CEEC's regional policy at the end of the 20th century 1			
Policy	bureaucratic (1985-1990)	in transition (1991-1995)	decentralized regional development 1996-
Aim	regional and economic adjustment		structural transformation
Object	r e g i o n a l u n d e r d e v e l o p m e n t		lowering of negative effects of the market areas of innovation
Target group	underdeveloped areas	underdeveloped settlements	problem areas, under- development, economic depression, „rurality“
Means	fund for territorial de- velopment and organization, central planning	fund for territorial development, projects	fund for territorial de- velopment, development programs
Financing	c e n t r a l i s e d		decentralized
Stimulation	automatically	by consideration	by consideration
Monitoring center	National Planning Office	Ministry for Environment and Regional Development	Councils for Regional Development
Decisive levels	Central Planning Office County Council	Municipalities communities	„Development Councils“ on national, County and lower regional level
Effects of methods applied	I s o l a t e d		integrative
Privileged branches	industry	infrastructure (gas, telephone)	processing industry, service industries, „R&D“
Effectuated population	4 %	17 %	25-30 %
Percentage of budgetary means	0.05 % of GDP	0.2 % of GDP	1-1.2 % of GDP

### 3. „Rural areas“ in CEECs and NIS - different from Western Europe

What makes the present situation in rural areas of East European states in transition different from Western Europe? There are five elements shown in the following table and worth for consideration:

<sup>1</sup> Following the compilation of Gyula Horváth, A magyar regionális politika és az Európai kihívások, Vezetéstudomány, 1996. 1. szám.



*Towards Consistent Rural Development Policy  
in Central and Eastern Europe*

Table 2.

Defining elements of rural areas in „East“ and „West“		
Planning attributes	in CEECs and NIS	in Western Europe
State centralism	„Active sanitation“ „Systematization“ of settlements	„Passive sanitation“ „Rural blights“
Rural infrastructure	Partly very low standard Agricultural co-operatives as infrastructure innovators	Fairly well developed rural infrastructure
Economic „regionalisation“	On national and regional levels: Regional distribution of production orders	In prosperous regions: „Vergetreidung“ „Vergrünlandung“ and abandonment of marginal land
Pollution and environment destruction	Socialist heritage Heavy industrial pollution, and by motor vehicles In high productivity regions: heavy impacts on the lebensraum of wildlife populations „checks“	Capitalist heritage Pollution by intensive agricultural production Effects of pollution on agriculture (industries, agglomerations, traffic)
Demography, unemployment and social tensions	„Overpopulation“ „Overage“ population Majorities of unemployed High social tensions	„Underpopulation“ Emigrant active population High ratio of old people Little social tensions Cultural and political lethargy

### 3.1 Effects of state centralism

An outstanding action among operations of political planning in most of CEECs and NIS was the „centralization“ of all functions of rural settlements, concerning regional distribution of the working and residential population, of administrative and educational institutions, the localization of industrial enterprises,

administrative control of economic functions, „regionalisation“ of the agricultural production, and the limitation (or prohibition) of private activities. It is said that this was „a very clever „programme of village destruction“, more or less part of the general programme to create a „new human being“. Some exemplary data from Hungary reflect some selected results of processes according to this:

Table 3.

Losses in rural autonomy in communist Hungary			
Year	1965	1980	1985
Number of settlements	3,259	3,121	3,058
- without autonomous councils	339	1,597	1,556
- without schools	48	828	924
- without agricultural production co-operatives	200	1,500	1,800

### 3.2 The secondary role of infrastructure development

The central administration of East European states very often neglected infrastructures in rural areas or set back their development. So one of the most severe problems concerning political and social aspects of privatization processes was that the greater part of infrastructure in rural areas

used to be constructed and maintained by (socialist) co-operatives. The active participation of state and collective farms in the construction and maintenance of housing, public utilities and social infrastructure was encouraged by several factors:

- state legislation very often excluded the private sector from construction and management activities in this field

- the lower level government's role in planning infrastructure was insignificant and in

spite of their responsibility for the development of rural districts in general they did not dispose on the financial means necessary;

- in order to further develop primary production agricultural enterprises had to allocate a part of their resources to the needs of infrastructure, an innovative process starting with advanced collective farms; a great part of so-called secondary activities was dealing with construction, maintenance of flats, schools, kindergartens or cultural institutions, transport services and many others.

### 3.3 Consequences of economic „regionalisation“

Due to collectivization processes on the one hand and the general principle of a certain (in many countries very strong) regional determination of agricultural production rural areas of CEECs and more of NIS are characterized by a monotony of charmless landscapes often without even a minimum of traditional shape, the uniformity of the regional economy and a stereotype functionality of rural centers also neglecting any urban or central attractiveness. Planning non-agricultural functions of rural areas in general and of farms in particular, f.i., touristic activities will highly be touched by these circumstances.

### 3.4 Pollution and destruction of the environment

The negative heritage of the materialistic economic system in rural areas of Eastern Europe is ubiquitous. Nevertheless the state of affairs in the discussion about environment policy for or in CEECs and NIS seem to be considerably advanced in comparison to rural development policy. It is not possible to elaborate this topic in this paper but only to refer in this context to description, evaluation and perspectives of the process „Environment for Europe“.<sup>1</sup>

### 3.5 Demographic structures, unemployment and social tensions

Forced industrialisation, population movements and the „systematisation“ of rural settlements caused negative effects for the greatest parts of the East European countryside. Rural areas in Eastern Europe on an average lost a very high percentage of their population between 1950 and 1980, rural Romania (as an excessive example) 5

or 6 million people. So the demographic structure changed basically:<sup>2</sup>

Table 4.

Demographic structures in Romania	
Until 1950 (in „traditional“ regions until 1965)	Around 1990
- young demographic structure	- extremely overaged rural population
- high birth and death rates	- rural birth and death rates exceed urbans
- moderate matrimonial level	- very low matrimonial level
- large (traditional) family size	- small family size due to low standards of living
- rather low level of divorce	

The weakening of large scale enterprises (not only in agriculture) by the introduction of market economy, privatisation and other legal measures, the breakdown of agricultural production and constraints to higher efficiency led to a huge share of unemployed persons especially in the countryside. We may perhaps wonder that this attendant phenomenon of system-change in many CEECs and NIS until now has not, or rarely, led to a discharge of social tensions. However, it remains unsure for how much longer the lack of an adequate social security net can still be endured. But a continuing lethargy in the agricultural society of Eastern Europe cannot last forever.

## 4. Different systems of rural development policies

### 4.1 Objectives

In general there can be found a widespread heterogeneity of rural development approaches and systems over all countries under consideration.

- Definitions and aims of rural development policy in some countries form an „integrated“ political matter, with comprehensive methods of regional planning. Maybe the most advanced example is Hungary's „Act on Regional

<sup>1</sup> Published by Jürgen Gneveckow in „Osteuropa“, Vol. 4/1996, pp. 343 - 363.

<sup>2</sup> See Vasile Surd, Critical status of rural Romania, in: Franz Greif (Hrsg.), Die Zukunft der ländlichen Infrastruktur in Ostmitteleuropa. Schriftenreihe der Bundesanstalt für Agrarwirtschaft (Wien), Band 75, 1994.



## *Towards Consistent Rural Development Policy in Central and Eastern Europe*

Development and Physical Planning". In Slovenia a coherent rural development and renewal of villages was introduced in a similar comprehensive meaning. In the Czech Republic rural development advanced example is Hungary's „Act on Regional Development and Physical Planning“. In Slovenia a coherent rural development and renewal of villages was introduced in a similar comprehensive meaning. In the Czech Republic rural development policy is not really „comprehensive“ but plays its role more as a „cross-section“ matter. Ministries for Planning and Development are established in Hungary and the Czech Republic.

- Regional policy sometimes is a subordinate part of the existing planning system (Slovak Republic) and represented by rural development agencies or councils on state level.

- Regional policy as part of the economic policy is reported from Poland. Lithuania has developed special programmes for agriculture and for social welfare and employment in the countryside. A similar approach seems to be in pursuance in Estonia on the basis of „Principles of Evaluating Laws on Rural Development and Economy“.

- Political efforts are standing before the first version of rural development policy programmes in Latvia, but so far they are not yet completed. Bulgaria because of higher lacks of resources is dealing with rural development measures only in most problematic (individual) cases.

### **4.2 Institutions**

Institutions as acting instruments of rural development policy in the CEEC and NIS represent once more a broad field of heterogeneity between hierarchical systems and central planning methods:

- a hierarchical system of institutions likely with the highest degree of differentiation was established in Hungary and the Czech Republic. In these countries the state is acting in co-operation with institutions on self-government levels; „Regional Development Councils“ and/or local authorities are involved in planning in rural areas. In Slovenia central authorities are acting as co-ordinators while the performance lies in the hands of municipalities and local authorities.

- In some countries the planning system can be defined as a „modified centralized system“, where leading institutions of the states central authorities partly co-operate with regional and local administrations (Poland, Lithuania, Estonia).

- No strict institutional determination of planning activities so far was introduced in Latvia, while Bulgaria still persists in a centralized system with more or less strong control of regional and local planning operations.

### **4.3 The position of some rural problems in planning systems**

In the questionnaire was to indicate which problems or facts are considered as most characteristic for the respective countries' interests in rural development policy:

- in the „Visegrad area“ and Austrian neighborhood the central political idea for planning the countryside is more or less a balanced approach to a coherent rural development (Czech and Slovak Republic, Hungary, Slovenia);

- security in food supply for the national population is indicated as most important aim in Estonia and Lithuania, and as an additional target together with agriculture as an element of economic stability for rural areas in Slovakia;

- preserving agriculture to keep upright a certain density of rural population is part of the planning systems in Estonia and Latvia, while pluriactivity or (in general) the combination of all sources of rural incomes only was mentioned by the Slovak reporters;

- on the opposite it is an important aim for Bulgaria and Poland to considerably reduce unemployment in rural areas, and for the latter not least by stimulating a drift to the cities.

The following scheme is a tentative to indicate the position of rural development policy systems in CEEC and NIS. The horizontal dimension shows the sequence of political system objectives between centralized and decentralized approaches; the vertical dimension represents the differentiation of instruments for the performance of rural development between centrally planned procedures and the co-operation of hierarchical institutions.

Table 5.

Policy systems for rural development in CEECs and NIS				
Differentiation of instruments				
Hierarchical system of institutions				H (?)
Co-operation of central agencies with regional bodies		PL(?) AL	CZ	SLO
„Modified centralized systems“	R(?)	SK EE	LV, LT(?)	
Centralized instruments and isolated methods still in action (or „no priority“ ...)	BG, BLR UKR RO(?)			
	Centralized bureaucratic approach	Regional concentration R.D.P. as part of other political matter	R.D.P. as Cross-section matter New version of R.D.P. in elaboration	R.D.P. as integrated policy Decentralized approach
Political system objectives				

### 5. Final remarks and recommendations

It is remarkable that reference to important regional questions f.i. referring to less favored areas (mountainous zones, coastal regions, wetlands, poor or degraded soils, a.s.o.) is given in most of the answers to the questionnaire. But indications of rural policy measures for other types of rural problem regions are almost completely missing. But it is a fact that regional development problems in border areas close to the former iron curtain are still considerably high, and under new political circumstances entirely comparable to those problems in borderlands of West European neighbor countries.

A second hint concerns the neglected regional category of peri-urban areas; these are zones of contacts of „urban“ and „rural“ interests and in so far full of prospective conflict potentials (well known from peri-urban areas in Western countries). In many cases there are good and even best conditions for agricultural production for near and considerably demanding markets, but also with drive away effects for farmers because of high land values, pollution of soils and water resources and a multitude of potential damages in cultivated areas.

So finally three recommendations can be submitted:

- first it seems to be absolutely necessary to make available basic information about regional structures in the countryside, the main problems the inhabitants of communities are in touch with, and about needs (capital, manpower, land) to achieve sound solutions. In this context the example of Bulgaria is very remarkable: The Ministry of territorial development and construction existing since 1995 decreed the elaboration of a comprehensive inventory for regional policy purposes. The issue of the first volumes already happened (for the Haskovo blast) and it must be mentioned that these reports seem to be of an extraordinary value for preparing decisions about rural development planning. The collection of data is subdivided by communities (obština) and comprise all activities projected or planned, together with their correlated (estimated) costs;

- secondly the principles of communal autonomy and self-determination must be improved all over Central and Eastern Europe. This will be indispensable if the new political systems are interested not only in changing but sustainable developing social and economic conditions in rural areas, with their own and growing local and regional centers - maybe for the first time since decades. If the „approach to Europe“ should go on, and it will go on, enlarged



*Towards Consistent Rural Development Policy  
in Central and Eastern Europe*

rights and duties of communities will be successful among others, and their political initiative and financial capacity will grow;

- last but not least to come to a political decision for agriculture and agricultural activities in different varieties as the fundamental element of rural societies and economies. Although rentabilities of agricultural production are decreasing worldwide there must be found a clear political declaration that agriculture and forestry form an economic, social and ecological basis for a promising and long-term rural development policy.