



Leibniz Institute of Agricultural Development
in Central and Eastern Europe

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P R E S S R E L E A S E

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Challenges facing the development of rural areas in transition countries

IAMO Forum highlights research findings and strategies for solutions

Halle (Saale), 29 June 2013 – Most of the rural areas in transition countries are characterised by an inadequate infrastructure and service provision, weak employment and income growth, a poor education system and rising poverty. When quality of life and economic prospects are brought into consideration, such difficult conditions lead to high levels of migration, especially amongst younger population groups. At this year's IAMO Forum from 19–21 June in Halle (Saale), more than 140 academics from 14 countries gathered to discuss the future risks and opportunities of rural regions. The main focus was on Eastern Europe, the former Soviet Union and Asia, as well as the opportunities for public and private actors to shape living conditions in these areas. Under the conference title 'Rural Areas in Transition: Services of General Interest, Entrepreneurship and Quality of Life', a variety of analyses, research findings and strategies for solutions were presented at a total of three plenary sessions, 15 parallel sessions and a concluding panel discussion.

On the first day of the conference, the IAMO Forum 2013 was opened by *Professor Thomas Herzfeld*, IAMO's director, who gave an introductory lecture on the topic of the Forum. In his paper he observed that poverty rates in rural areas in Eastern Europe, the former Soviet Union and Asia were substantially worse than in urban areas. The disadvantage of rural areas exists also for infrastructure provision, access to health care and school education. Bringing up to parity the levels of infrastructure, employment and income growth of rural areas and reducing the migration of young and well-educated workers represents a major challenge. Following the OECD's 'New Rural Paradigm', representatives from all political levels and a variety of local actors must be co-opted to raise investment activity in order to strengthen the competitiveness of rural areas and make use of a broad spectrum of the rural economy. 'At present there are still large differences in the use of policy instruments for supporting rural areas. Whereas the EU countries of Eastern Europe support the ongoing development and economic diversification in the rural areas, rural development in the former Soviet Union is still dominated by traditional thinking and focus on the agricultural sector,' *Thomas Herzfeld* explained.

The provision of public and private services for the benefit of the population

Linxiu Zhang, Professor and Deputy Director of the Center for Chinese Agricultural Policy (CCAP) at the Chinese Academy of Sciences gave an introduction to the key subject ‘Services of General Interest’. In her lecture, entitled ‘Education Inequality as a Challenge to Development in China: Is There Enough Time to Address Them?’, she began by addressing economic developments in China and the challenges facing sustained growth. To meet future requirements in economic productivity the education and training of the workforce is essential, besides the necessary economic conditions and sufficient investment for new innovation. *Zhang* emphasised that it is imperative for the development of human capital to combat the existing inequality in the education system between rural and urban areas. To analyse the causes of these problems and find solutions, the ‘Rural Education Action Programme (REAP)’ was developed. Regarding future economic growth in China, *Linxiu Zhang* pointed out that action was needed soon to boost human capital and thus the education system in rural areas.

Dr. Marek Furmankiewicz from the Department of Spatial Management of Wrocław University of Environmental and Life Sciences in Poland gave a presentation on the Polish experience of the evolution of territorial cooperation from municipal associations to cross-sector partnership governance. *Furmankiewicz* pointed at the observation that during the past 20 years the partnership forms of cooperation have not replaced the old ones, but rather provide additional modes of governance of local resources. Various forms can co-exist, while many municipalities are engaged simultaneously in different forms of sub-regional and local collaboration. *Furmankiewicz* stated that, since Poland’s EU accession, there was a shift from establishing basic forms of sector-based local cooperation to more advanced partnership governance structures with strengthened roles of local communities and stakeholders. But although representatives from the local public sector, the local economy and the civil society should jointly initiate and implement projects of common interest – supported mainly by the EU LEADER programme, the state continues to dominate in the partnerships. Thus, the intended active and equal participation of actors from the third sector has been undermined. However, *Furmankiewicz* suggested that, despite of the still existing structural difficulties, the incorporation of the third sector into the governance of local development processes in Poland should be considered as a real progress.

Effects of rural enterprise on economic growth

The second day of the conference was opened by *Gerald McElwee*, Professor at Sheffield Hallam University, with a lecture on ‘Rural Illegal Enterprise’. He demonstrated that criminality is not merely an urban problem, but that illegal business activity is also widespread in rural areas. This includes the evasion of taxes and customs duties, trade in goods and services that are prohibited by law, and unlawful practices such as insider trading, cartel agreements and moonlighting, in order to gain a competitive advantage. Because of different moral beliefs and interpretations of the law, clearly defining the boundaries of illegal enterprise is not always simple. Differentiation must also be made between legal businesses with petty illicit activities and illegal businesses, including drug dealing, smuggling and prostitution. Summing up, *McElwee* noted that to date there are few research findings and policy-related studies on this subject. The extent of illegal enterprise in rural areas needs greater and more detailed analysis, even if the acquisition of data is difficult given the restricted access to such businesses and entrepreneurs.

The lecture ‘Supply Chains in Agriculture: Joint Action of GIZ and the Private Sector’ given by *Sophie Grunze*, advisor in the Agricultural Sustainability Standards department at the German Society for International Cooperation (GIZ), looked at the challenges and opportunities for the sustainability of agricultural value added in developing and transition countries. To improve long-term economic growth and the competitiveness of businesses in rural areas, development partnerships are being formed between development organisations and actors in the private sector. Because there is a connection between development policy goals and business objectives, and the potential risk is minimised on both sides, this gives rise to a win-win situation. Within the public-private partnerships the focus is on core tasks, such as developing further education and training programmes, ensuring technological innovation, improving market-oriented value chains, and establishing business guidelines and standards. ‘Specific factors, such as rising food prices and price fluctuations, changes in consumer preferences, limited resources and the impact of climate change represent additional challenges for the sustainable development of the agricultural sector in these regions,’ *Grunze* added.

Quality of life in rural areas and economic inequality

Ida Terluin from the Agricultural Economics Research Institute (LEI) at Wageningen University and Research Centre, the Netherlands, gave a presentation on the economic development in rural regions in the EU with reflection on the empirical findings and theories and with the focus on a question of why economic growth rates differ among rural regions. A qualitative research of 18 case studies in lagging and leading rural EU regions within the RUREMPLO project shows that the capacity of local actors, be they private or public, the degree of their mobilisation and organisation, as well as the strength of the internal and external networks are the essential and decisive factors in rural development, thus demanding for a bottom-up approach. From the economic development theory perspective, *Terluin* suggested, the mixed exogenous/endogenous development approach and the community-led development theory can be used to explain economic development in rural regions of the EU. In her concluding points, *Terluin* stated that due to the heterogeneity of rural regions, a unique development path does not exist. However, based on the empirical findings and the theories, a general guideline for territorial development strategies for rural areas can be derived. This guideline includes the 'Think global and act local' approach, the capacity development of local actors, improved cooperation between local actors and actors inside and outside the region, balance of power in external networks, adjusted administrative structures, and the use of a comprehensive territorial development plan. *Terluin* pointed out that, within EU's rural development policy, the LEADER approach broadly reflects the above guideline. In the next programming round 2014-2020 of the EU's rural development policy, the bottom-up approach is conceived in terms of community-led local development.

Professor Charles Becker, Departments of Economics at Duke University in North Carolina, USA, gave a presentation on Russia's rural decline and the collapse of the USSR. In his speech *Becker* suggests a major contributor to the collapse of the USSR was continuous rural population decline, especially the absorption of young, skilled labour by the Soviet industrialization and urban development programmes. Based on the cross-regional empirical research, the study explored how changes in rural skilled population affected urban population expansion in Soviet and post-Soviet periods, and compared population change in rural areas in Russia with those in US. It is evident that

missing labour markets led to the emptying out of much of the Russian countryside due to the high demand of new workers in urban centres. Lack of import of new labour from other Soviet republics constrained in the end also the urban growth. In contrast to the existing theories that view the USSR's collapse through inefficient economic and political structures and a lack of inherent advantages of capitalism economies, *Becker* argues that the wasteful use of labour resources and the missing inter-republican labour market with the other Soviet republics may have contributed to the collapse of the USSR.

Prospects for rural development policy

The IAMO Forum 2013 finished with an animated panel discussion. *Professor Linxiu Zhang* from the Center for Chinese Agricultural Policy at the Chinese Academy of Sciences, and *Professor Charles Becker* from Duke University, USA, were the academics taking part. *Jan Florian*, from the national network of local action groups in the Czech Republic, was invited as a representative of local governance in rural areas. *Professor Sophia Davidova* from the University of Kent in Great Britain chaired the panel discussion. The panel of experts discussed with Forum attendees the challenges in developing and implementing a sustainable policy of rural development currently facing in particular the EU, the successor states of the Soviet Union and China. The discussion focused on issues such as how the gap between town and countryside with regard to employment opportunities, services and incomes can be bridged and how the migration of human capital can be stopped. Participants in the debate were in agreement that access to education, infrastructure, and public goods such as healthcare, and well-trained professionals is crucial. What proved more controversial was the question of whether public goods and infrastructures should be maintained in sparsely populated and shrinking areas or whether, for reasons of financial and environmental sustainability, it is preferable to adopt a policy of shrinkage management and aim for a concentration of schools, health centres or shopping centres. At this point the discussion explored national examples from China, the USA and Georgia. In conclusion, what participants were able to take away from the panel discussion, as well as from the IAMO Forum 2013 as a whole, was the certainty that there is still scope for much research in the subject of 'rural development'. They will also have noted the appeal from *Linxiu Zhang* to make their own research more policy relevant so they can make an active contribution to the practical development of rural areas.

The IAMO Forum 2013 is organised and hosted in cooperation with the Thünen Institute (TI) of Rural Studies, Braunschweig, and supported by German Research Foundation (DFG), the Rentenbank, the Marga and Kurt Möllgaard Foundation, the Ministry of Sciences and Economic Affairs of Saxony-Anhalt as well as the city of Halle.

For more detailed information about the event, contact presse@iamo.de, while the conference web site can be visited at www.iamo.de/forum/2013.

About IAMO

The Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) is an internationally renowned research institution. With some 70 scientists and in cooperation with further leading research institutions, it is addressing urgent issues in agricultural and food economics and rural areas. Main regions under review include Central and Eastern Europe as well as Central and Eastern Asia. IAMO is making a contribution towards enhancing understanding of institutional, structural and technological changes. The outcomes of the work are used to derive and analyse strategies and options for enterprises, agricultural markets and politics. Since its foundation in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutions.

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