

## Rural Development and Food Security

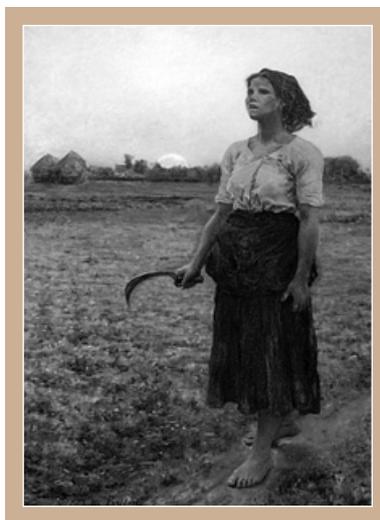
The countryside in Eastern Europe and Central Asia lags behind the cities, which offer more and better jobs, social services, and cultural opportunities. The post-communist transition introduced new rural/urban imbalances: while cities benefited from foreign investment and private enterprise, collective farms and their social infrastructure collapsed. Poverty and unemployment rates in rural areas have worsened; and rising food prices have generated food insecurity fears.

Rural underdevelopment is also a reflection of the incomplete reform agenda. Agricultural cooperatives, once common in the region, are now often seen as an awkward progeny of socialist-era collective and state farms, rather than as market-driven efforts to capture economies of scale. Farmland in most CIS countries may be rented but not owned; or if owned, it cannot be easily resold or collateralize bank finance. In many of the region's poorer countries, states continue to exert monopolistic controls over farm inputs and crop prices, rather than providing agricultural extension services. On the other hand, integration into the European Union (EU) and the World Trade Organization (WTO) have simplified the state's role in the rural economy.

David Sedik and Zvi Lerman argue that those countries that have made the most progress in "individualizing" their agricultural sectors have also reported the largest post-1990 increases in agricultural production. However, Georgeta Vidican points out that private individual farming has not been a panacea for Romania's rural development problems. What role should the state play in the rural transition economy? Nick Maddock

argues that the rules governing the provision of rural public goods are increasingly set by the WTO and the EU. While this on the whole works reasonably well, inadequate local support for rural business development, rural infrastructure, or the provision of technical services to small farmers may result. John Bachtler's portrait of EU rural development policy, which emerges as a victim of benign neglect, strikes a similar note.

By contrast, Thomas Sikor suggests that civic engagement can play an important role in rural development, particularly in transition economies where investment in civil society is in any case needed. Ricardo Pinto and Alexander von Brühl Pohl use survey data from Croatia to challenge the assumption that rural areas lag behind urban areas in business infrastructure. The authors also point to important gaps in the rural business environment that should be addressed, to improve rural Croatian companies' prospects on the single market. Agricultural extension services, which are the focus of Sophie Kemkhadze's analysis of Georgia's rural development challenges, could likewise merit increased support.



Jules Adolphe Breton, *The Song of the Lark*, 1884, Oil on canvas, 110.6 x 85.8 cm, Henry Field Memorial Collection, 1894.1033, The Art Institute of Chicago. Photography © The Art Institute of Chicago.

Susanne Milcher and Kitti Kiss argue that rising food prices could transform the region's urban-rural disparities by pushing vulnerable urban households into poverty while giving rural food producers new chances to escape it. Whether overall poverty levels fall depends on whether rural economies can leverage short-term price windfalls into sustained increases in farm incomes, creating new jobs in rural services and industry. Is such a turnaround likely if outmigration is depopulating rural areas? Andrew Cartwright suggests instead that "the countryside's death has been exaggerated" as increased labour mobility creates new opportunities for the countryside.

**Ben Slay and James Hughes**

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# Land Reform, Transition, and Rural Development

David Sedik and Zvi Lerman

The rural sector in the countries of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) has undergone a shift from predominantly collective to more individualized agriculture. During the 1990-2000 period considerably more land transferred ownership in these countries than in other successful land reforms, including those in Mexico, Brazil, Japan, Korea, and Taiwan (Table 1).

In actual practice, it was not always possible to return the exact plot of land to an individual or to his/her descendants. Often other plots were offered to former landowners in compensation, *inter alia* to avoid the fragmentation of large, integrated farm complexes into uneconomical smallholdings. For this reason, restitution in CEE did not necessarily lead to land fragmentation; it may have facilitated the transition from socialist cooperatives to corporate farms (Mathijs and Swinnen, 1998). In countries such as Estonia, Lithuania, Hungary, the Slovak and Czech Republics, and Romania and Bulgaria, many large farms were downsized, but maintained as corporations.

There were exceptions to this general scheme. As in the CIS countries, Albania underwent privatization of state-owned land followed by the egalitarian distribution of

**Table 1. Land reforms**

| Country or region      | Period    | Duration (years) | Land transferred (million ha) |
|------------------------|-----------|------------------|-------------------------------|
| Mexico                 | 1917-92   | 75               | 100                           |
| Brazil                 | 1964-94   | 30               | 11                            |
| Japan                  | 1945-52   | 7                | 2                             |
| Korea                  | 1945-50   | 5                | 0,5                           |
| Taiwan (Rep. of China) | 1949-53   | 4                | 0,2                           |
| CEE countries*         | 1990-2000 | 10               | 33                            |
| CIS countries**        | 1990-2000 | 10               | 116                           |

\* The countries of Central and Eastern Europe that are now part of the European Union, as well as Albania. Does not include the Western Balkan countries of former Yugoslavia.

\*\* The countries of the Commonwealth of Independent States.

Source: Deininger, 2003.

The basis of this shift from collective to individual agriculture lay in two interrelated aspects of agricultural policy reform: *land reform*, which concerns land use rights and land ownership; and *farm reform*, which deals with restructuring farms into individual land holdings.

## Land Reform in Eastern Europe and the CIS

Although nearly all CEE and CIS countries decided to privatize land, strategies for land privatization differed between these two groups (Table 2). In the CEE countries where legal records of current or previous owners still existed, restitution of actual plots of land was the primary privatization strategy. In these countries most agricultural land formally remained under private ownership throughout the socialist period. People joined cooperative farms during collectivization, but their land was not appropriated by the state or ceded to the cooperative. People lost the right to utilize their land, but they did not lose title to the land. Over the years, as rural residents moved to the city or died, some land became the property of the cooperative.<sup>1</sup>

land in former cooperatives to rural residents. State farms in Albania were eventually auctioned off to large investors. Poland is also a separate case, since collectivized agriculture was essentially abandoned after the 1956 uprising. The land that had been devoted to state farms was eventually auctioned off. The pattern in the Yugoslav successor states was much like Poland: most of the land had remained in individual family farms during the socialist period.

In the CIS, where the longer history of collectivized agriculture made restitution virtually impossible, land privatization in the early 1990s had a quite different meaning. Since agricultural land had belonged to the Soviet state, the first step was to legalize private ownership of agricultural land. Collective farms were then transformed into corporate farms (joint stock companies, partnerships, etc.) and land shares within these farms were distributed to workers. Thus, collectives became corporate farms that operated on collectively owned and farmed land.

Table 2. Differences in land reform policies in CEE and CIS countries

| Country                   | Extent of land privatization | Land privatization strategy  | Land allocation strategy <sup>(a)</sup> | Extent of post-privatization land transferability |
|---------------------------|------------------------------|------------------------------|---|---|
| <b>CEE</b>                |                              |                              |   |   |
| Romania                   | All                          | Restitution+distribution     | Plots                                   | Buy/sell, lease                                   |
| Hungary                   | All                          | Restitution+distribution     | Plots                                   | Buy/sell, lease                                   |
| Bulgaria                  | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Estonia                   | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Latvia                    | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Lithuania                 | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Czech Rep                 | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Slovak Rep                | All                          | Restitution                  | Plots                                   | Buy/sell, lease                                   |
| Poland                    | All                          | Sell state land              | Plots                                   | Buy/sell, lease                                   |
| <b>CIS <sup>(b)</sup></b> |                              |                              |   |   |
| Armenia                   | All                          | Distribution                 | Plots                                   | Buy/sell, lease                                   |
| Georgia                   | All                          | Distribution                 | Plots                                   | Buy/sell, lease                                   |
| Azerbaijan                | All                          | Distribution                 | Plots                                   | Buy/sell, lease                                   |
| Moldova                   | All                          | Distribution                 | Shares to plots                         | Buy/sell, lease                                   |
| Ukraine                   | All                          | Distribution                 | Shares to plots                         | Buy/sell, lease                                   |
| Kyrgyzstan                | All                          | Distribution                 | Shares to plots                         | Buy/sell, lease                                   |
| Kazakhstan                | All                          | Distribution                 | Shares to plots                         | Buy/sell, lease                                   |
| Russia                    | All                          | Distribution                 | Shares                                  | Buy/sell, lease                                   |
| Tajikistan                | None                         | None                         | Shares to plots                         | Use rights  |
| Turkmenistan              | All                          | None, virgin land to farmers | Leasehold                               | None  |
| Uzbekistan                | None                         | None                         | Leasehold                               | None  |
| Belarus                   | Household plots only         | None                         | None                                    | None  |

(a) In the land allocation strategy column, "shares to plots" indicates the conversion of previously distributed paper land shares into physical plots or land titles to physical plots.

(b) In August 2008 Georgia gave notice that it was withdrawing from the CIS. According to the rules of the organization, the decision will come into effect in August 2009.

Source: Lerman, Csaki, Feder, 2004.

While this example (which originated in Russia) was followed in most of the Soviet successor states, two exceptions can be noted. The first was in Central Asia, where land formally remained state property long after its redistribution began. Uzbekistan and Turkmenistan, where agricultural land still remains state property, retained state farms and distributed state leaseholds rather than land shares. Kazakhstan, Kyrgyzstan, and Tajikistan followed the Russian

example and distributed land shares to collective farm workers, though they left agricultural land under state ownership. Kyrgyzstan (in 1998) and Kazakhstan (in 2003) subsequently legalized private ownership of land. The second exception was the South Caucasus, where actual plots of land were distributed early on, from 1992 in Armenia and then in Georgia, and from 1996 in Azerbaijan. In this respect, these countries were closer to the CEE than to the CIS model.



A private farmer sells his produce at the Namangan market in northeast Uzbekistan. © Zvi Lerman

Since the distribution of land shares to corporate farm workers often did not change farm management, the new 'private' corporate farms operated much like their socialist predecessors (with their associated problems). For this reason Kyrgyzstan, Tajikistan, Moldova and Ukraine converted land shares into titles to land parcels or to actual land parcels at the end of the 1990s.<sup>2</sup> In Kazakhstan, the June 2003 Land Code annulled the permanent rights associated with land shares and forced share-holders either to acquire a land plot from the state (by outright purchase or by leasing) or to invest the land share in the equity capital of a corporate farm, thus effectively losing ownership rights.

## Farm reform and agricultural recovery

A second component of agricultural policy reform was farm reform, in which the individualization of landholdings was critical. In the CEE countries, where private land ownership did not cease after World War II, the main issue was the restitution of land use and ownership rights to individuals. This could then be followed by decisions of individual landowners regarding the use of their land plots, leading either to family farming or the continuation of corporate farming. In the CIS countries, progress with farm restructuring had to be preceded by land privatization decisions. Clear sub-regional differences are apparent in the Soviet successor states, in terms of the depth (percent of sown land in individual farms) and timing (watershed dates) of the individualization of landholdings. These differences have resulted in substantially different levels of recovery from the transition recession (Table 3).

Whereas the countries in the South Caucasus individualized land early and decisively, the Central Asian countries began individualization quite a bit later. Some have achieved remarkable progress in the past few years—even though in Uzbekistan, Turkmenistan, and Tajikistan, agricultural land continues to be owned by the state. The laggards in the date and degree of individualization, and in the recovery in agricultural production, have been Russia, Belarus, Ukraine, and Moldova. In fact, Russia and Belarus have not yet appreciably individualized landholdings.

## Agricultural reform and poverty reduction

It is difficult to establish a rigorous causal relationship between land and farm reform and the dramatic reductions in poverty that have been observed in the region since 2000, because there are no comparable rural poverty assessments

**Table 3. Sub-regional differences in farm policies and agricultural recovery in CIS countries**

|   | Central Asia          | Caucasus   | Russia, Western CIS      |
|---|-----------------------|------------|--------------------------|
| <b>Farm policies</b>  |                       |            |                          |
| Dominant farm organizational form   | Individual, corporate | Individual | Individual and corporate |
| Land sown in individual farms (% , latest year <sup>a</sup> )                     | 68                    | 97         | 34                       |
| Share of gross agricultural output produced on individual farms (% , latest year) | 78                    | 97         | 62                       |
| Watershed date for individualization  | 2000                  | 1993       | None                     |
| <b>Agricultural output recovery<sup>b</sup></b>                                   |                       |            |                          |
| Starting year   | 1998                  | 1994       | 2000                     |
| Production relative to 1991 level (% , latest year)                               | 105                   | 114        | 76                       |

(a) The latest year for which data are available.

(b) Gross agricultural output.

Source: Computed from official statistics.

spanning the period of land reform that examine landholdings over time. Studies of the connections between land and farm reform and rural welfare rely on cross-section evidence on landholdings and farm incomes.

Still, it is clear that land and farm reforms have helped reduce rural poverty in two respects. First, they have increased household assets via one-off transfers of land, livestock, and farm machinery from corporate farms to households. Farm survey data from many countries show a positive correlation between household landholdings and incomes.<sup>3</sup> Second, these one-off transfers from collective and state farms to individual farms increased crop yields (Dudwick, Fock, and Sedik, 2007). Higher yields increase farm production and improve family welfare both directly through higher consumption and indirectly through additional cash income from sales of surplus products. Less ambitious land and farm reforms tend to limit these positive effects.

But if robust land and farm reforms have helped reduce rural poverty through agricultural growth, these measures alone have been unable to offset the negative impact on rural living standards of employment losses in food processing and declines in rural services. Land and farm reforms may lay a basis for agricultural growth, but they are only two of many reforms needed to produce sustainable declines in rural poverty. The liberalization of agricultural markets (particularly in Central Asia), privatization of agricultural services, establishment of institutional structures for market agriculture, and the development of rural finance must all play a role.

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<sup>1</sup> "Restitution" refers both to the restoration of land use rights to the individuals (or their descendents) still registered as land owners, and to returning land title that had been lost to cooperatives during the socialist period, when individuals moved to the city or died.

<sup>2</sup> This process is far from complete. On Ukraine see Lerman, Sedik, Pugachov and Goncharuk, 2007; on Tajikistan see Lerman and Sedik, 2008.

<sup>3</sup> See Lerman, et al., 2007; Lerman and Cimpoies, 2007; Lerman, 2008a; and Lerman and Sedik, forthcoming, 2009.

## Land Reform and Land Use in Romania

Georgeta Vidican

Agricultural reforms were among the first elements of systemic transformation introduced in Romania in the early 1990s. By 2005 almost 95 percent of land was in private ownership, up from 9 percent in 1990. Collective farms were dismantled, land was restituted to owners based on

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records from the 1940s, and state farms were transformed into large corporate farms. However, these reforms resulted in land fragmentation. Many small and medium-sized farms were unable to benefit from economies of scale and had limited access to markets. This pattern of landholdings created transition challenges, particularly in terms of moving from subsistence farming towards more efficient, commercial agriculture.

### Land use patterns

Romanian landowners who wish to farm their land face a range of options. Under the 1991 land reform, farmers can

choose to farm either individually or in associations (formal or informal).<sup>1</sup> Since 1994, individuals can also enter various land-rental arrangements. In 1998, landowners were given the option of selling land to either shift out of agriculture or to farm on smaller plots. These alternatives, which can be viewed as a rearrangement of property rights over a spectrum of tenure forms, are apparent also in other countries (Csaki and Kislev, 1993).

Data on changes in farming structures during Romania's transition are very limited. Only one national household survey (in 1996) examined land reallocation under different farming arrangements. Hence, in 2006 the author conducted a follow-up survey in Romania's two largest agricultural regions, the Western Plain and the Central Romanian Plain, to trace land reallocation patterns following the opening of land markets (Vidican, 2008). The survey results show significant changes in farm structures (see Tables 1 to 3) and in farming arrangements (see Table 4) since 1996, which have important policy implications.

Surprisingly, despite the growing role of market forces and the slight decrease in the number of land plots, average household farm size decreased during 1996-2006 (see Tables 1 and 2). Whereas in 1996 23 percent of Romania's farms were between 5-10 hectares,<sup>2</sup> this share had dropped below 16 percent by 2006. At the same time, the share of households with landholdings smaller than 3 hectares increased by some 12 percentage points, while the share of large farms (more than 10 hectares in size) declined.

Moreover, Romania has the smallest farms among the new EU member states, as suggested by the data on average

Table 1: Distribution of households by number of plots (%)

|           | 1996 | 2006 |
|-----------|------|------|
| 1-2 plots | 31.1 | 38.5 |
| 3-4 plots | 34.6 | 36.7 |
| 5-7 plots | 27.6 | 20.4 |
| >7 plots  | 6.6  | 4.4  |

Source: Household surveys in 1996 and 2006.

Table 2: Distribution of households by landholding size (%)

|                | 1996 | 2006 |
|----------------|------|------|
| <1 hectare     | 5.7  | 12.2 |
| 1-3 hectares   | 39.1 | 44.9 |
| 3-5 hectares   | 26.4 | 24.1 |
| 5-10 hectares  | 23.2 | 15.6 |
| 10-20 hectares | 5.7  | 2.3  |
| >20 hectares   | 0.0  | 1.0  |

Source: Household surveys in 1996 and 2006.

farm size and share of cultivated land in farms below 5 hectares (see Table 3).

Perhaps less surprisingly, the role of individual farmers increased between 1996 and 2006, from 49 percent to 65

Table 3: Average farm size, and the share of small and large farms in total cultivated land

| Country          | Average farm size (hectares) | Share of land cultivated by farms < 5 hectares | Share of land cultivated by farms > 50 hectares |
|------------------|------------------------------|--|---|
| Czech Republic   | 100                          | 1%   | 93%   |
| Slovakia         | 31                           | 2%   | 96%   |
| Estonia          | 12                           | 9%   | 56%   |
| Latvia           | 12                           | 9%   | 31%   |
| Lithuania        | 4                            | 31%  | 11%   |
| Poland           | 8                            | 16%  | 25%   |
| Slovenia         | 6                            | 46%  | 8%  |
| Bulgaria         | 4                            | 19%  | 75%   |
| Hungary          | 4                            | 18%  | 58%   |
| <b>Romania</b>   | <b>2</b>                     | <b>58%</b>                                     | <b>19%</b>                                      |
| Weighted average | 5                            | 27%  | 38%   |

Source: IAMO (2004 p.13).



Among the Central and Eastern European countries that joined the EU in 2004 and 2007, Romania has the smallest farms. © Panos Pictures

percent of all private farmers (see Table 4). This increase occurred primarily in the Western Plain, while in the Central

Romanian Plain the share of households that farmed individually declined by 5 percentage points.

The share of households farming land in associations declined from 42 percent in 1996 to 16 percent in 2006. This decline can be mostly attributed to the lower share of households participating in informal associations (from 32 percent to 16 percent), while the share of households farming land in formal associations increased from 68 percent to 84 percent. This trend reflects land reallocation in the Central Romanian Plain, where the share of households participating in formal associations increased from 73 percent to 87 percent. In the Western Plain, the share of households farming land in associations (both formal and informal) declined (from 22 percent to 11 percent).

Land transactions were viewed by many observers as the solution to problems of weak agricultural performance and land fragmentation. However, while land sales have increased since 1998, the pace has been much slower than expected, and they have occurred mostly in the Western Plain region (which is more urbanized and developed). Likewise, leasing has only increased slightly. Of those landowners who did lease out their land in 2006, 66 percent leased to farming associations—a much higher share than in 1996 (Figure 1). Anecdotal evidence indicates that since 2004 associations have shifted to leasing contracts in order to improve access to finance, which would partially explain their increased involvement in land markets since 1996. The leasing contracts allow associations to offer the land they manage as collateral when applying for loans. Still, as membership agreements are often not legally enforced, members can withdraw at any time, which reduces the likelihood of receiving bank loans.

Table 4: Land reallocation patterns by year and agro-region (% of surveyed households reporting use of one of the following farming arrangements)

|                               | 1996    |                   |                    | 2006    |      |       |
|-------------------------------|---------|-------------------|--------------------|---------|------|-------|
|                               | Overall | WP <sup>(b)</sup> | CRP <sup>(c)</sup> | Overall | WP   | CRP   |
| Private individual farming    | 48.8    | 62.5              | 37.5               | 64.5    | 67.4 | 32.6  |
| Farming associations          | 41.9    | 22.3              | 77.7               | 16.2    | 11.0 | 89.0  |
| <i>from which:</i>            |         |                   |                    |         |      |       |
| -Formal associations          | 67.9    | 27.1              | 72.9               | 84.0    | 13.1 | 86.9  |
| -Informal associations        | 32.1    | 12.1              | 87.9               | 16.0    | 0.0  | 100.0 |
| Leasing-out                   | 11.8    | 34.5              | 65.5               | 20.4    | 28.6 | 71.4  |
| Land sales <sup>(a)</sup>     | -       | -                 | -                  | 12.9    | 87.5 | 12.5  |
| Land purchases <sup>(a)</sup> | -       | -                 | -                  | 11.0    | 18.4 | 4.0   |

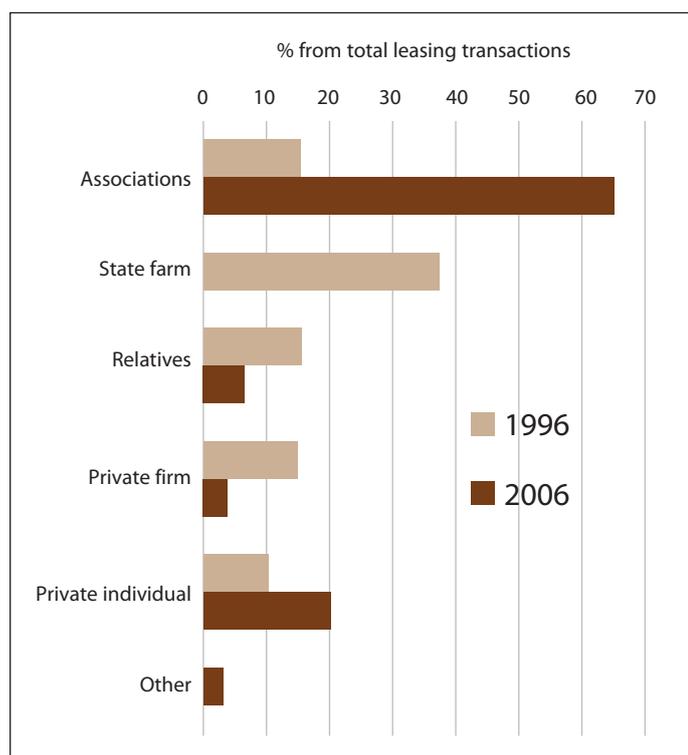
(a) In 1996 land sales were not formalized. Hence, the 1996 survey did not ask about land sales and purchases.

(b) Western Plain

(c) Central Romanian Plain

Source: Household surveys in 1996 and 2006.

Figure 1: Shares (%) of surveyed households that leased out land by type of leasee



Source: Household surveys in 1996 and 2006.

## Policy implications

Interviews with landowners and farm managers suggest that the persistence of farming associations results from a non-diversified rural economy and high transaction costs, particularly high land registration costs, short contractual arrangements, and ineffective legal dispute resolution mechanisms for landowners and tenants. These factors in turn prevent the development of well-functioning land markets. Hence, efforts to improve agricultural performance should address these obstacles in order to promote land consolidation and economic diversification. Often solutions to these problems are to be found in areas outside the farming sector, such as rural infrastructure and legal reform.

The data presented above also point to regional differences in the development of private individual farming in Romania,

reflecting differing historical legacies, economic opportunities, and social conditions. Different sets of incentives—due to differing institutional structures, historical legacies, and systems of values and beliefs (Burawoy and Verdery, 1999)—have been created across regions. For instance, a longer history of private property rights in the West and a more developed economy created interest in and opportunities for private individual farming and participation in land markets. Hence, policymakers need to be aware that some measures viewed as a panacea for land consolidation are effective only where the right incentives are in place. Alternative solutions, such as farming associations, should also be viewed as solutions to problems of land fragmentation.

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1 Formal associations were created on the structures of former socialist collective farms. Members retain their land rights and can withdraw at any time from the association. By contrast, membership in informal associations is based on verbal agreements between landowners.

2 Dumitru (2002) claims that viable family farms in Romania should average at least 5-10 hectares.

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## What's left to plan? Public goods in rural development

Nick Maddock

In many transition economies, the state has surrendered its direct involvement in agricultural production and the rural

economy, focusing on rural public goods and a greater regulatory role, particularly in food safety and plant and animal health. However, the exact definition of and appropriate financing for rural public goods remain unclear. In response to this conceptual gap, the rules and procedures of the World Trade Organization (WTO) and the European Union (EU) are increasingly determining which forms of public support for agriculture and rural development are, and are not, acceptable. These organizations' (sometimes implicit) treatment of rural public goods has significant implications for rural development in the region.



*The definition of rural public goods used by the WTO and the EU blurs the distinction between the public and private sectors. © European Commission*

### The WTO and rural public goods

The WTO has a significant and growing impact on small, open transition economies that make up the Europe and CIS region. At present, Turkmenistan is the only country in the region not to have applied for WTO membership. Azerbaijan, Belarus, Kazakhstan, Russia, Tajikistan, Uzbekistan, Bosnia and Herzegovina, Serbia, and Montenegro are currently negotiating for membership; the remainder have already joined. National 'offers' submitted by countries during membership negotiations are judged by the extent to which they distort trade. In WTO terminology, market distortions are identified by 'boxes' which are given the colours of traffic lights: green ('permitted'), amber ('slow down'—i.e., subsidies should be reduced), and red ('forbidden'). While the WTO agriculture regime has no red box, domestic support exceeding the reduction in commitment levels specified in the amber box is prohibited. There is a separate blue box for subsidies that are tied to limitations on agricultural production. In order to qualify as 'green', subsidies must not significantly distort trade; they must be budget-funded and must not involve price support.<sup>1</sup>

As a result, direct agricultural production subsidies (which are viewed as trade distorting) have declined. By contrast, policies that are viewed as generally supportive of agricultural and rural development are treated by the WTO as legitimate subjects of domestic expenditure. Agricultural research, training, extension services (i.e., the dissemination of information about new farm practices or technologies), market price information, phytosanitary, food safety testing services, artificial insemination and other so-called 'green box' measures fall into this category. WTO regulations imply that these activities are public goods even if they are not delivered directly by the state. Indeed, they are often contracted out, sometimes with a subsidy. That said, there is now a blurring of this definition, since extension services are also being delivered by the private sector (including, in some cases, by banks) without public subsidy. In Kosovo, for example, a commercial bank offers regular 'farmers' days', whereby local farmers are invited to attend trainings funded by the bank. Each 'farmers' day' covers a specific crop or topic, with the meeting led by experts on the subject. In addition to providing the bank with opportunities to attract new clients, this practice helps improve farming methods.

### The EU and rural public goods

A looser definition of rural public goods is suggested by the requirements for accessing the European Commission's (EC) structural funds for agriculture and rural development.<sup>2</sup> These funds co-finance investments in individual holdings, processing and marketing, standards and grades, protecting the rural environment, diversification, village renovation and development, land improvement and reparation, rural infrastructure, water resources management, and forestry. Not all of these activities can be regarded as strictly public goods; and the extent of EC funding for individual measures varies, suggesting that some of these goods and services are seen in Brussels as more 'public' than others.

Definitions of rural public goods are also implicit in policy decisions to make public spending on certain forms of agricultural and rural activities compulsory. Thus, countries seeking access to the EU's single agricultural and food market are obliged to establish food safety inspectorates capable of implementing EC regulations concerning veterinary and phytosanitary services.<sup>3</sup> When it comes to selling on the single market, food safety and its attendant infrastructure are effectively public goods.

### Rural business and infrastructure development

By contrast, some public activities that are critically important for rural development remain under-funded in much of the region. For example, the correlation of high rural poverty rates and low levels of rural business formation has led many observers to view rural business development promotion as a public good. Such views are born out by the fact that commercial support services for small and medium-sized enterprises—services that were to become self-supporting after an initial period of public support—have often collapsed or converted into consulting firms serving larger

companies. In Kosovo, for example, seven regional enterprise agencies (REAs) were established with EC support in 2001; donor funding was provided until 2004. Only two (in Pristina and Gjilan/Gnjilane) are still operating; the latter now acts as an implementing agency for donor-funded activities in the surrounding municipalities.

The reliable provision of electricity, gas, water, sewerage, roads and telecommunications has obvious implications for agroprocessing and rural enterprise development. In much of the region, rural infrastructure services are both inadequate and no longer supplied directly by the state or by state-owned companies. Rural development policies can extend their coverage to under-served areas and groups, by for example supporting the development of local market places and designating specialized economic zones. Through the provision of suitable sites and reliable utility services, rural development policy can attract industry to underdeveloped areas.

In OECD countries, such sites are typically developed through public-private partnerships, often with the land being provided by the state. In much of the region, however, the decentralization of development policy to sub-national governments, and the legal and regulatory frameworks needed for public-private partnerships, remain inadequate for these purposes. There are signs of change, however: the Russian government has called for the significant expansion of public-private partnerships, in order to support rural development (as well as transport and other sectors).<sup>4</sup> Similar developments are apparent in Ukraine, Kazakhstan, and elsewhere.

### What role for the state administration?

Redefining the scope of rural public goods inevitably raises questions about the public administration's role in their delivery. This not only concerns the central government and secondary levels of the administration, but also the role of such institutions as agricultural universities and organizations managing state-owned irrigation systems. While some of these institutions are slowly dying (including publicly funded extension services supporting only larger farms), others have more successfully reinvented themselves. Some agricultural universities have moved upstream to provide extension advice to small and medium-sized farms. In

Crimea, for example, the State Agriculture Training and Consultancy Centre, which previously provided free extension services only to larger farmers, is increasingly addressing the needs of smaller farmers. The same holds for the Crimean State Agricultural University, which has representatives in each Crimean rayon. Such institutions are obvious candidates to provide services (e.g. market information) which governments can more easily contract out than provide themselves.

Where does all this leave the Ministry of Agriculture? Rural planning, direction and control are activities that many agriculture ministries—particularly their sub-national offices—are unwilling to relinquish. Still, there is progress in taking on new roles which are broadly comparable to those of agriculture ministries in EU member states. These include policy development and analysis; allocating and administering nationally funded grants and subsidies; managing veterinary and phytosanitary services; collecting and providing agricultural market information; compiling sectoral statistics; and enforcing grades and standards. They also typically have oversight responsibilities in such areas as food safety, cadastration and land registration, management of state irrigation infrastructure, and research and extension.

### Conclusion

The end of state socialism has raised many questions about the appropriate state role in promoting rural development and reducing rural poverty. In practice, many of these questions are being resolved by the application of the principles that underpin WTO and EU accession. In many respects, this approach to defining and providing rural public goods is working reasonably well. However, evidence from the region suggests that these policy frameworks may provide inadequate support for rural business development, rural infrastructure services, and provision of technical services to small farmers by agricultural universities.

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1 See [http://www.wto.org/english/tratop\\_e/agric\\_e/agboxes\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm).

2 See [http://ec.europa.eu/regional\\_policy/funds/prord/sf\\_en.htm](http://ec.europa.eu/regional_policy/funds/prord/sf_en.htm).

3 See <http://europa.eu/scadplus/leg/en/lvb/f84001.htm>.

4 See, for example, 'Helping to Fill Russia's Infrastructure Gap: The Role of Public Private Partnerships', Standard and Poor's RatingsDirect, 9 September 2008.

## A Poor Relation? EU Structural Funds and Rural Development

John Bachtler

For much of the past 50 years, rural development has been a neglected policy area for the European Community. With

responsibilities split between the Common Agricultural Policy (CAP) and Cohesion Policy, and subordinated to other priorities, rural development has lacked a coherent policy approach and resources. The accession of new member states has brought new challenges.

The eastern enlargements in 2004 and 2007 introduced much greater diversity into the EU's agricultural structures. This is evident in the scale of rural underdevelopment, in the significantly greater shares of agriculture in employment and GDP (compared to the EU15), and in large num-



Sicco Mansholt, widely considered to be the father of the Common Agricultural Policy, was European Commissioner for Agriculture from 1958 – 1972. © European Commission

bers of small, subsistence-based family farms.<sup>1</sup> Preparation for EU-financed rural development was supported through the Phare and SAPARD pre-accession funds. Although the resources were very limited, they did provide some first experience in preparing regional and rural development programmes, establishing administrative systems, and familiarizing enterprises and farmers with new types of aid.<sup>2</sup> After accession, the new member states became eligible for rural development support under the Cohesion Policy and the CAP. For 2004-06, relatively small amounts of structural and cohesion funding were made available to the new member states, ranging from €69 million in Estonia to €1.1 billion in Poland. From 2007 onwards, however, the new member states have benefited from the Cohesion Policy on a similar basis as the EU15 (albeit with an ‘absorption cap’ on receipts).

The EU’s eastern enlargements corresponded to the development and introduction of new rural development planning frameworks for both cohesion policy and the CAP’s Pillar II support for rural development. For the 2007-13 period, both frameworks take the Lisbon Strategy as their starting point, focusing on growth, jobs and sustainability.

However, priorities for the two policy areas then diverge. While a new European Agricultural Fund for Rural Development (EAFRD) has been created for implementing CAP Pillar II support, its administration is completely separate from the structural funds and lacks a clear territorial cohesion focus. Since cohesion policy retains a rural development remit via the structural funds, member states need to develop their own cooperation mechanisms to ensure coherence between the two mechanisms.<sup>3</sup>

One of the most contentious enlargement issues was the EU15 decision to phase in CAP funding for the new member states over the 2004-13 period. Consequently, the rural development pillar is much more important in the new member states than in the EU15. As Table 1 shows, the total allocations for the new member states are significantly lower than for the EU15: for example, Poland receives less than half the allocations for France. Moreover, the share of rural development in total CAP spending is considerably higher,<sup>4</sup> ranging from 37-38 percent in Hungary and the Czech Republic to 69 percent in Estonia, Latvia and Romania, and 79 percent in Malta. This compares with rural development shares of 6-10 percent in Belgium, Denmark, France, the Netherlands and United Kingdom. Many new member states are also devoting larger shares of their rural development allocations to non-farm areas of intervention.

### The future of cohesion policy

It is too early to draw definitive conclusions on EU rural development spending in the new member states. During the 2004-06 period structural funds were committed quickly, but the absorption of these commitments was slower than expected. Institutional and regulatory frameworks were not always adequate—a problem which then persisted into the 2007-13 period. Funding for some rural development programmes was held up by frequent changes in eligibility criteria, and by other administrative complications. Sub-national administrative capacity proved to be a problem in countries where regional authorities are non-existent and local authorities have limited staff and financial resources. These constraints appear to have limited the participation of municipalities, communities, small and medi-

Table 1: CAP rural development allocations for 2007-13

| Member states     | Total single payment scheme and Pillar II receipts, (€ million) | Pillar II as % of total receipts | Rural development axes (percentage of total receipts) |  |  |                         |
|-------------------|---|----------------------------------|---|--|--|-------------------------|
|                   |   |                                  | Environment and countryside                           | Agriculture and forestry competitiveness | Rural quality of life and economic diversification | Building local capacity |
| EU15              | 19,830  | 21%                              | 6%  | 12%                                      | 2%   | 1%                      |
| New member states | 6423  | 52%                              | 21%   | 19%                                      | 10%  | 2%                      |

Source: Based on RLG (2007) *CAP in 27 Member States: implementation and vision of common agricultural policy*, Raad voor het Landelijk Gebied (Council for the Rural Area), Utrecht. Data are unweighted national averages.

um-sized rural enterprises and smaller farmers in EU rural development programmes.<sup>5</sup>

Although the 2007-13 period is less than two years old, a debate has already started on EU rural development policies from 2014 onwards. In September 2007, Commission President José Manuel Barroso launched a review of the EU budget, including a public consultation on objectives and policy priorities. In parallel, a consultation on the future of the Cohesion Policy has been carried out, and a 'health check' of the CAP has been undertaken. Strong pressures from member states, European institutions, sub-national authorities and other interests for increased EU spending on the environment, energy and competitiveness, research and knowledge appeared during this process. There is also considerable support for the reorientation of CAP spending towards rural development.<sup>6</sup> The perceived lack of coherence of EU policies, and the division of rural development responsibilities between the EAFRD and structural funds, also remain major concerns.

Major changes to EU priorities will not happen overnight, as they need to be reconciled with the national interests of 27 member states. However, the budget review is likely to see

greater emphasis on rural development, based on a broader approach to the rural economy and more integrated management of rural development spending.

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1 Nemes, G. (2005) *The Politics of Rural Development in Europe*, Discussion Papers 2005/5, Institute of Economics, Hungarian Academy of Sciences, Budapest.

2 Roze, M. (2007) *New EU members and challenges facing European rural and agricultural policy* Presentation to Conference 'Prospects for the CAP in the new Member States' Valmiera, Latvia, May 2005.

3 Davies, S., Bachtler, J., Yuill, D., Gross, F. and Vironen, H. (2008) *A Strategic Discussion on the Future of EU Regional and Rural Policies*, Background Paper for the Sub Rosa Seminar, 29 February – 1 March 2008, Brussels.

4 RLG (2007) *CAP in 27 Member States: implementation and vision of common agricultural policy*, Raad voor het Landelijk Gebied (Council for the Rural Area), Utrecht. <http://www.rlg.nl/cap/introduction.html>.

5 Meyers, W. H., Kazlauskienė, N., Naujokienė, R. and Kriščiukaitienė, I. (2006) *Lessons learned and challenges in rural development programmes of Lithuania*, Žemės ūkio Mokslai, Nr 1 (priedas), 1-8. Mażwa M and Sendrowski (2006) *Institution and utilization of agricultural structural funds in Poland*, Support for Agriculture Foundation, [www.fundacja-wpr.pl](http://www.fundacja-wpr.pl).

6 Cunder, T. (2007) The role of rural development policy in environmental and land management in Slovenia, *Journal of Central European Agriculture* 8(2), 237-242.

6 *Reforming the Budget, Changing Europe*, Presentation by Dalia Grybauskaitė, Commissioner for Financial Programming and the Budget to Members of the House of Lords, House of Commons and European Parliament, London, 3 July 2008. Some reorientation of the CAP is already proposed as part of the 'health check', albeit a fairly modest 8 percent increase in the transfer of direct payments to the rural development budget.

## Civic Initiatives and Rural Development

Thomas Sikor

Agriculture has experienced serious problems in Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) since 1990. Outputs and/or yields declined for most crops and in most countries during the 1990s. In addition, agriculture has not by itself addressed the consumptive interests of rural areas, such as recreation and nature conservation. As a result, agriculture has not been an engine of rural development, contributing instead to the concentration of poverty in rural areas observed throughout CEE and CIS.

Changes and continuities in states and markets underpin these problems. While agricultural ministries have largely withdrawn from direct involvement in production and marketing, they continue to harbor paternalistic attitudes towards agricultural producers. Markets have developed for most agricultural products and services, but too often they remain absent for land and more specialized products. Many markets are under the control of a single or a small number of traders, offering unfavorable prices to rural producers.

Case studies from Albania, Bulgaria and the Czech Republic suggest that civic engagement can play a critical role in addressing these rural development issues.

### Water user groups in Bulgaria

Bulgaria's irrigation infrastructure was built under socialism for large-scale agriculture. Cooperatives coordinated local water allocation and maintained secondary canals. Since today's small-scale farming does not match the large scale of water provision, small producers must manage water delivery and maintenance of secondary canals.

Many small producers in the Plovdiv region have formed water user groups in reaction to these problems. Groups of 10 to 50 small village producers coordinate water delivery, liaise with the irrigation company, and maintain secondary canals. In other cases mayors take the lead in coordinating water delivery and maintenance, even though they do not have a corresponding legal mandate.

These water user groups show how civic initiatives can help overcome free-rider problems in rural development. But while collective management of surface water is much better for water systems and soil quality than individual wells and pumps, water user groups have only developed in some villages. Their spread has been constrained by a general lack of social trust, low respect for many government officials, unfamiliarity with models of successful cooperation, and weak organizational capacity. In addition, under Bulgaria's legal framework some of the actions undertaken by water groups and mayors are not strictly legal, while investment to maintain and upgrade irrigation systems is often inadequate.

While legislation to promote cooperation in irrigation has been enacted, it has not always been able to connect with initiatives on the ground. Many officials in the agricultural min-

istry and state-owned irrigation company have resisted the implementation of the 2001 Water User Associations law, as it implied a loss of control for them. Only one water user association was registered during the first year of implementation. Similarly, emerging water markets cannot replace the functions of the water user groups. Market-based providers are reluctant to service small producers because of high costs and monitoring problems. Plovdiv's irrigation company has in the past responded to financial pressures by simply cutting services to small producers.

### Legal assistance on land rights in Albania

While agricultural producers in Albania have in principle received legal rights to land, many have yet to receive formal land titles, leaving them with only temporary land certificates. Few land transactions have been registered with the cadastral service. Land conflicts are common, but few reach the courts. Although most conflicts are resolved through the mediation of relatives or local government officials, quite a few linger on. Private legal assistance is costly and difficult to find in rural areas. While local authorities may be accountable to local communities, they possess little expertise in legal matters and low standing relative to the central government. Courts have a legal mandate to resolve land disputes, but judicial proceedings can be quite lengthy. And while the Albanian cadastral service (the Immovable Property Registration System) has received significant assistance from USAID, the World Bank and the European Commission, it is a highly centralized agency that has been unable or unwilling to provide the legal assistance needed by rural people.

The Citizens' Advocacy Office (CAO) in Tirana has filled these gaps by offering legal assistance on land rights. This NGO (with support from international donors) provides legal assistance on demand, including on land conflicts. By raising public awareness of legal rights and offering legal assistance, CAO's legal clinic has provided critical support for rural people, many of whom do not have other places to turn in their dealings with a sometimes opaque and unresponsive land administration system. In addition to providing critical assistance to rural communities that neither the state nor the private sector can supply, the CAO has brought experience from its work on land disputes to bear on national policy-making.

### An agri-environmental NGO in the Czech Republic

Conventional agricultural activities on marginal lands in the Czech Republic became unprofitable after 1989, when output prices decreased relative to the costs of inputs and services. At the same time, new interests in rural recreation and nature conservation led the government to expand the system of protected areas. As a result, small farmers producing on marginal land felt squeezed between declining profits and increasingly restrictive land-use regulations. The central state agencies dealing with these small producers have not always attended to their interests: agricultural agencies mostly serve large farmers, while environmental agencies focus more on landscape protection than on local communities' income-generation needs. And while local authorities are more concerned with rural development, they do sometimes lack technical expertise and innovative capacity.



*Bulgaria's irrigation infrastructure was built under socialism for large-scale agriculture, but now many small producers have formed water user groups to manage water service delivery. © Ilia Goranov*

Several conservation NGOs have sought to address these problems by providing landscape management services to small farmers in the 'White Carpathians' Protected Landscape Area. The Information Centre of Moravke Kopanice has:

- promoted products from environmentally sensitive farms by creating a label for locally produced goods and identifying concrete market outlets;
- lobbied central government agencies on behalf of small producers; and
- encouraged local producers to form marketing associations.

Civic engagement via the Information Centre's work is therefore bringing new approaches to rural development in a region suffering from economic decline and outmigration.

## Conclusion

While the 'explosion' of the NGO sector in the region since the late 1990s may have been concentrated in urban areas, some NGOs are concerned with rural development. Civic initiatives also take the form of *ad hoc* groups formed around specific purposes, which may not be registered formally and escape the eyes of NGO analysts. Such initiatives can make critical contributions to rural development, by filling gaps left by withdrawing states and underdeveloped markets. They address shared problems of rural people, where cooperative approaches are advantageous. The advantages of cooperation are obvious in irrigation, due to technical interdependencies in the large-scale irrigation systems built under socialism. Yet civic initiatives also generate benefits in other areas, such as in marketing and legal matters. This is particularly true for incipient moves towards new forms of agriculture, such as environmentally sensitive farming and specialty products. At the same time, these initiatives would

benefit from suitable investments in civil society to overcome limits in impact and scope, and strengthen technical capacity, organizational performance, and accountability. They would also benefit from more supportive legal frameworks and better access to government funding.

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## Rural Businesses in Croatia and EU Accession: Lagging or Leading?<sup>1</sup>

Ricardo Pinto and Alexander von Brühl-Pohl

The assumption that rural economies lag behind urban ones, as far as the provision of business infrastructure is concerned, underlies many development debates in East and Southeast Europe<sup>2</sup>, as well as in other transition economies. A casual analysis of the provision of business development services such as business centres, incubators, and information centres suggests that the availability of these services is greater in urban than in rural areas—suggesting *prima facie* needs to improve the business environment in rural areas.

The Business Information Needs Survey is the largest recent survey of businesses carried out in Croatia (see [www.bizimpact.hr](http://www.bizimpact.hr)). This telephone survey, consisting of 65 questions, was conducted during February-April 2008, and focused specifically on the challenges associated with accession to the European Union. The target population comprised both small and medium-sized enterprises (SMEs) with under 250 employees, and larger crafts (more than five employees). Some 2,000 respondents were sampled, out of a population of 57,600 SMEs and 2,700 larger crafts. The survey focused on companies in six different regions, the gender of the owner/director, and the area of economic activity, as well as the urban/rural dimension (in Croatia, settlements with 2,000 inhabitants or less are defined as rural, while those with more than 2,000 inhabitants are urban). Whilst recognizing that this is an imperfect definition of what comprises a 'rural' enterprise (the EU has no common definition of rural areas and most member states have developed their own definitions, often based on population density), it does provide a basis for analyzing the urban/rural dichotomy.

**Rural versus urban business environments**

A number of important differences about rural versus urban business environments are suggested by the data.

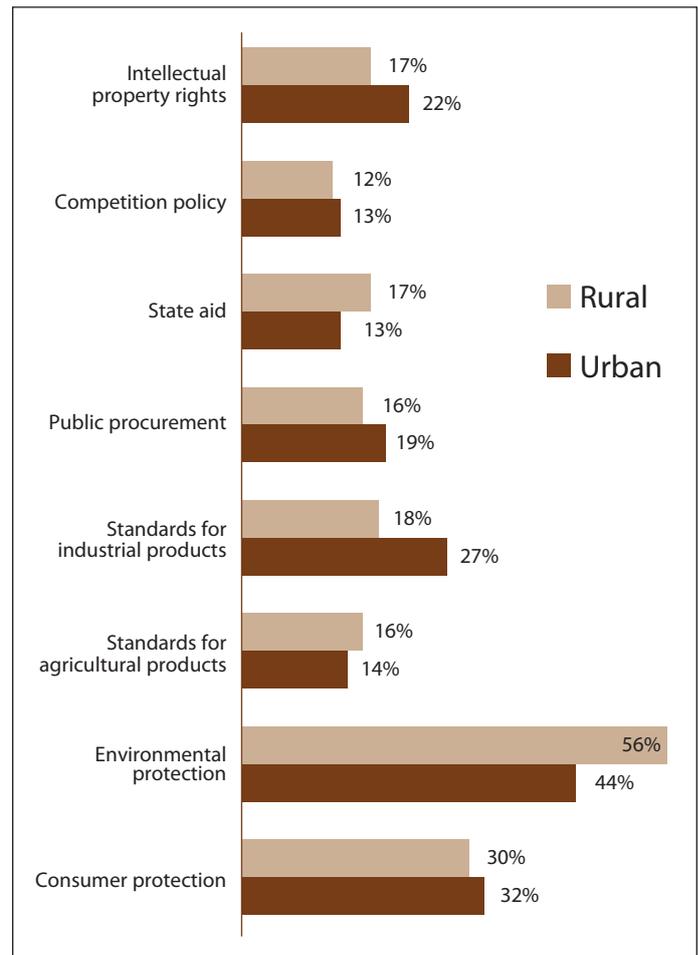
**Benefits of EU accession:** Croatia’s anticipated EU accession is likely to offer new business opportunities to all firms. While no significant differences were reported between rural and urban enterprises concerning perceived advantages and disadvantages of EU accession, urban enterprises are slightly more optimistic about accession (51 percent of urban enterprises regard it positively compared with 44 percent of rural enterprises). However, the survey data suggest significant differences in perceptions of preparation for accession, in terms of compliance with the laws, regulations, and standards associated with the *acquis communautaire*. Urban enterprises (32 percent) feel that they are fully prepared compared to rural companies (22 percent). This is likely, in due course, to translate into competitive advantages for those enterprises that have prepared for accession.

**Use of business infrastructure:** Perhaps surprisingly, the survey data suggest that use of business development services (BDS)<sup>3</sup> by urban and rural firms is rather infrequent. Whilst acknowledging the important roles of BDS providers in assisting start-ups, business planning, marketing, and training, 80-90 percent of survey respondents stated that they do not use services provided by such institutions as regional development agencies, local government economic development offices, business centres, or private business consultants, in order to keep themselves abreast of important legal and regulatory developments. Urban and rural companies differed only with regard to their use of county economic development departments (there are 21 counties in Croatia). Whereas 23 percent of the rural companies surveyed tended to use them at least sometimes, fewer (18 percent) of urban counties reported ever using these institutions.

Unlike in many Southeast European countries, there is significant BDS provision in Croatia. However, the survey data show that neither rural nor urban enterprises use it intensively in terms of preparing for EU accession. Instead, the survey data indicate that the main sources of such information for businesses are not the BDS providers but rather accountants and lawyers. In reality, therefore, Croatian businesses get their support from outside the BDS system. Not only did 59 percent of the survey respondents use accountants and 24 percent use lawyers (often or sometimes) as sources of such information; they also assessed the usefulness of these services as quite high (the mean score for the usefulness of accountants was 4 on a zero to five scale). This situation did not vary between urban and rural enterprises.

**Legal and regulatory preparation:** In seven of the eight fields of legal harmonization investigated,<sup>4</sup> neither rural nor urban enterprises are undertaking significant steps to prepare for the adoption of the *acquis communautaire* (see Table 1 above). This is rather surprising, given that Croatia’s

**Table 1: Companies that have taken preparatory steps for legal harmonization, by thematic area**



EU accession is expected in the short to medium term. Reasons for this apparent lack of urgency include a lack of time and knowledge of where to obtain information about these changes, and inadequate human resources. Instead, companies stated that they largely acquire information ‘incidentally’ through the media.

Somewhat surprisingly, rural respondents report better preparation in the area of environmental protection than urban enterprises (56 percent versus 44 percent, respectively). However, rural companies are far less likely to participate in public procurement in Croatia (only 27 percent have taken part in public tenders, compared with 40 percent of urban enterprises). This is a concern, since public procurement in Croatia amounts to some €6 billion annually (15 percent of GDP in 2007), representing significant business opportunities.<sup>5</sup> The sheer complexity of the relevant public procurement legislation, combined with a lack of transparency in the tendering procedures, contribute to this outcome.

**Use of Information and Communication Technology (ICT):** The survey data do not reveal significant rural/urban differences in the use of TV, newspapers, and magazines to keep informed about business matters. However, signif-



*Spinning their wheels? Rural enterprises in Croatia are not preparing enough for the adoption of the EU's *acquis communautaire*. © Renaude Hatsedakis*

icant differences in internet use are apparent. Rural companies are less likely than urban companies to use the internet to obtain business information (9 percent compared with 16 percent); and whereas 64 percent of urban enterprises report frequent internet use, only 46 percent of rural companies report such use. Since Croatia enjoys near-universal internet access, this difference reflects varying business practices rather than insufficient internet service provision in rural areas. Likewise, whereas 70 percent of urban enterprises report frequent email usage, 41 percent of rural enterprises indicate no or infrequent email use. Whereas 56 percent of urban companies report use of corporate websites, this share dropped to 44 percent for rural companies, suggesting that rural enterprises are making limited use of e-business and e-commerce potential. Inadequate ICT and e-business skills would therefore seem to be a notable weaknesses of Croatia's rural business environment.

### Conclusions and policy recommendations

Does access to business infrastructure lag in rural areas? There is little evidence to support the view that rural enterprises in Croatia are systematically and consistently disadvantaged compared with urban businesses in this respect. However, there are some important gaps that should be addressed in order to improve the business environment in rural areas. Key recommendations include the following:

**Use of ICT:** Rural enterprises are systematically under-utilizing the potential for e-business and e-commerce. This suggests a need to raise ICT awareness and skills for small businesses in order to improve market access and competitiveness.

**Legal and regulatory preparedness:** Legal and regulatory requirements pertaining to such topics as standards for agricultural products, environmental protection, and public procurement are extremely important for rural enterprises. Further awareness-raising is needed in these areas if rural companies are to make full use of the business opportunities offered therein.

**Business development services:** Neither rural nor urban enterprises in Croatia appear to use these services intensively; nor do they find them particularly useful—in sharp contrast to services provided by accountants or lawyers. Some of the current support for BDS providers should be shifted to efforts to make better use of accountants and lawyers in rural areas.

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1 This paper is based on a survey carried out by the EC-funded project (EuropeAid/121473/C/SV/HR) "Improving Information to the Croatian Business Community" or BIZimpact Project ([www.bizimpact.hr](http://www.bizimpact.hr)) being implemented by Pohl Consulting & Associates. We acknowledge use of the survey information for the preparation of this paper.

2 UNDP, 2004, *Business Development Services: How to Guide*, p.14.

3 BDS here refers to business centres, business incubators, technology parks, enterprise zones and regional development agencies (RDAs). In addition to some 300 enterprise zones, Croatia has 60 business centres, incubators, and RDAs. There are 21 counties, each with its own chamber of commerce and chamber of crafts. All counties, and most large municipalities, also have an economic development department.

4 These are consumer protection, environmental protection, standards for agricultural products, standards for industrial products, public procurement, state aid, competition policy, and intellectual property rights.

5 Sanader, I. (2008) Press Conference of the Prime Minister of Croatia on Public Procurement, 05.06.2008.

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# Agricultural Extension in Georgia

**Sophie Kemkhadze**

Extension services seek to improve farmers' access to marketing, production, post-harvest, and management information necessary for sound investment and operational decisions. Increased farming profitability, agricultural commercialization and development, and rural poverty reduction, are the anticipated impacts. However, the widespread failure (at least in financial sustainability terms) of new extension systems in transition economies (whether through private or public provision) has meant that the yield gains that should underpin agricultural development have been modest. There is nonetheless renewed interest in agricultural extension systems in Georgia;<sup>1</sup> a number of models are in place and demand for extension support is growing.

## **Agricultural extension and transition**

The need for comprehensive national extension systems to provide information on production alternatives, markets and marketing, farm management, and other factors is criti-

cal to transition economies as agriculture commercializes. The need for such services in Georgia is underscored by the large numbers of small farmers with little knowledge of farming practices. Georgia's farmers expect not only advice on modern farming practices, but also support to better organize their businesses, liaise with banks and financial institutions, and improve access to information on prices, demand and supply of various commodities.

Since the start of the transition, governments, farmers, donors and development partners have grappled with the problem of how to address the information needs of small farmers. Outside the new EU member states, to date, none of these efforts has led to the development of a nationwide extension system. In Georgia, the medium-term expenditure framework and annual economic policy statements have called for the establishment of such a system. This call has been taken up by research and consulting centres established by the Academy of Agricultural Sciences and the Ministry of Agriculture, outreach activities supported by donors, NGOs, and foreign and domestic investors/businesses; and some informal linkages between research institutes/stations and farmers. This diverse and often uncoordinated set of measures has produced disjointed, inequitable, and inefficient development results.



*In need of extension services? Harvesting grapes in Georgia's Kakheti region (OSCE/German Avagyan)*

The policies used in other countries during periods of rapid growth in smallholder crop production suggest a set of necessary conditions for the development of an effective extension system. The use of appropriate technologies, markets that provide reasonable returns, seasonal finance for input purchases, secure and equitable access to land, and supportive infrastructure along the entire food chain are particularly important. This requires low-cost knowledge and information conduits, to make farmers aware of alternatives and choices.

The question of farmers' fees for extension services (and the subsidization therein) is crucial. While a number of fee-paying services have been introduced in transition economies, they have generally not been able to recover a significant part of their costs.<sup>2</sup> If producers cannot afford to purchase adequate production inputs, they are unlikely to pay for information or advice, however beneficial it might be. Thus, except perhaps for large farmers and producers of certain high-value crops, extension services paid for by farmers are unlikely to be sustainable in Georgia (or many other transition economies). Charging for these services is a relatively recent phenomenon in Western Europe: before the 1980s, extension services in the UK were provided free of charge. Moreover, farmers are often unwilling to abandon the practices they know, even when new information is provided. Thus, agricultural productivity growth requires a combination of materials, personal contacts, demonstration, and incentives to change.

### **Towards a feasible extension model for transition economies**

The large numbers of small farmers in Georgia, their general inability to pay for extension services, and national budget constraints suggest that a national extension service that would deal with *all farmers individually* is infeasible at present. A less costly national extension model might be viable, however, if it could be co-funded by all concerned, including the farmers and businesses which sell to or buy from farmers. Such a model could feature:

- the use of mass media and publications for disseminating generic information and advice;
- a network of extension service providers working at the community level with groups of (rather than individual) farmers, offering location- and problem-specific information and advice; and
- service provision from input suppliers, packers, and processors who deal with large numbers of farmers.

Vocational education and training (VET) centres could play an important role in agricultural training, performing some of the functions normally performed by extension services. Building extension systems into existing VET centres can be affordable (unit costs are low) and efficient in terms of reaching large numbers of farmers and minimizing the costs of transferring knowledge, skills and innovations.

Georgia's rural residency pattern (most Georgian farmers live in villages rather than on their farmland) lends itself to this group approach, as farmers are more easily able to travel to local VET centres for training. Extensive farm underemployment during much of the year means that most farmers have the free time needed to attend group or village meetings. Not only are Georgia's VET centres able to provide high-quality training—they also appear to be establishing themselves as knowledge centres for local farmers. Many of the participants in VET training courses are farmers (rather than labourers) who want to learn more about modern farm practices.

### **Are 'lead farmers' the answer?**

Advisers typically form the backbone of extension services, delivering agronomy packages derived from national or international agricultural research networks.<sup>3</sup> However, relatively high travel costs and large numbers of small and medium-sized farmers often make this arrangement impractical in transition economies. Group extension methods have emerged in response to this. However, an alternative that is now finding favour is the so-called 'lead farmer model',<sup>4</sup> which has been imported from Western Europe and North America.<sup>5</sup> This model typically involves a larger farmer or a cooperative providing assistance to other farmers in the surrounding area. This model may combine agricultural advice with input procurement, seed preparation, machinery services, and marketing and branding. This type of assistance normally addresses a range of farm sizes, (from large farms to householders), and may or may not involve contractual relationships between the lead farmer and beneficiary farms.

The motivation for lead farmer engagement appears to involve altruism and reputation effects (which, in rural areas, can be quite important and may have indirect commercial benefits), as well as possibly obtaining access to increased volumes of agricultural production for marketing purposes. While 'client' farms are normally not obliged to sell through the lead farmer, many do. Accordingly, lead farmers may be able to negotiate better prices with buyers for larger volumes. In some respects, lead farmers and their clients operate as informal cooperatives. The lead farmer approach recognizes that the farmers are often unlikely to accept advice unless they see its benefits in their immediate vicinity. It may also be the cheapest way of providing extension services, particularly in Georgia.

The lead farmer model appears to have developed spontaneously; lead farmers 'emerge' rather than being created. While this means that the lead farmer model is probably well adapted to farmers' needs and provides services that are in demand, it raises questions about whether lead farmers can be created deliberately, and whether the altruistic motives on which the model is based would be adversely affected by external financial support.

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1 See Andersen, Jock R (2007). *Agricultural advisory services*. Background paper for the World Development Report 2008. Washington DC. Also International Food Policy Research Institute (2006). *From best practice to best fit: a framework for designing and analyzing pluralistic agricultural advisory services*. [http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1191427986785/Anderson\\_AdvisoryServices.pdf](http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1191427986785/Anderson_AdvisoryServices.pdf).

2 Fees are charged for extension provision in Estonia. At the outset of the service in 1995, farmers were given a 90 percent subsidy on the cost of the service, with the intention of progressively reducing the subsidy as the service became established. In practice, an 85 percent subsidy is still given.

3 World Bank (2008) *World Development Report: Agriculture for Development*. See in particular chapter 7 'Innovating through science and technology', pp.158-179. [http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1192112387976/WDR08\\_12\\_ch07.pdf](http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1192112387976/WDR08_12_ch07.pdf).

4 While there is little experience with lead farmers in transitional agriculture, they are found in Crimea, within the framework of the UNDP-implemented Crimea Integration and Development Programme ([www.undp.crimea.ua](http://www.undp.crimea.ua)).

5 See Mitchell, Jeffrey. P *et al* (2001). 'Innovative Agricultural Extension Partnerships in California's Central San Joaquin Valley'. *Journal of Extension*, vol. 39, no. 6. <http://www.joe.org/joe/2001december/rb7.html>. The approach in California involves experienced mentors or lead farmers who voluntarily share information about their production systems with other interested farmer participants, consultants, and researchers. This is linked to on-farm demonstration evaluations of conventional and alternative management practices and a small management team that provides technical assistance and project leadership.

## Rural Development, Food Prices, and Regional Disparities

Susanne Milcher and Kitti Kiss

Poorer countries of Eastern Europe and Central Asia are typically those with the highest share of rural population,<sup>1</sup> as large shares of the population live in rural areas that do not make a large contribution to GDP. Rural-urban disparities are not only related to low rural incomes; they also reflect exclusion from resources, employment opportunities, and social services in rural areas. Recent increases in food prices affect rural and urban populations differently. This article

examines possible medium-term effects of food price increases on rural-urban disparities within the region.

### Rural-urban disparities and barriers to rural development

In almost all countries of the region, poverty rates are higher in rural than in urban areas (see Table 1).<sup>2</sup> Moreover, despite at least a decade of strong economic growth, a significant part of the population in both urban and rural areas is close to the poverty line (particularly in the CIS countries). Thus, even a small reduction in real incomes could push many vulnerable households into poverty.

Poverty reduction has been generally more successful in urban than in rural areas, as urban households have better access to employment, education and health services, and support from urban-based donors.<sup>3</sup> The urban poor have



Low levels of agricultural mechanization continue to depress labour productivity and incomes in rural areas. © Panos Pictures

benefited more from the region's economic upswing, because they are better integrated into formal labour markets. Slower progress in rural poverty reduction reflects the slower development of agriculture, and poor access to non-farm employment opportunities and social services, and to physical and social infrastructure, markets, land, and credit. The lower responsiveness to growth in rural areas has therefore resulted in persistent inequalities or so-called poverty traps, reflecting important institutional barriers to rural development.<sup>4</sup>

Rural poverty also reflects the fact that agriculture remains a central source of living in rural areas.<sup>5</sup> Non-farm employment opportunities are often limited and reliance on subsistence farming continues. Households whose incomes depend largely or solely on agricultural wages are therefore particularly vulnerable to poverty. Agricultural employment in some of the low-income CIS countries has expanded with the economic recovery and often serves as an informal safety net, as workers in rural areas are more easily able to grow their own food than are urban workers. On the other hand,

**Table 1: Poverty, vulnerability, and spatial differences**

| Country                       | Percentage of the population living in poverty<br>(below \$PPP 2.15/day) |             |           |       | Percentage of vulnerable population<br>(living below \$PPP 4.30/day) |             |           |       |
|-------------------------------|--|-------------|-----------|-------|--|-------------|-----------|-------|
|                               | Capital  | Other urban | All urban | Rural | Capital  | Other urban | All urban | Rural |
| <b>Albania</b>                | 16   | 19          | 18        | 27    | 63   | 67          | 66        | 75    |
| <b>Armenia</b>                | 35   | 57          | 46        | 57    | 86   | 94          | 90        | 96    |
| <b>Azerbaijan</b>             | 4  | 8           | 6         | 3     | 66   | 74          | 69        | 70    |
| <b>Belarus</b>                | 1  | 3           | 2         | 2     | 14   | 26          | 23        | 18    |
| <b>Bosnia and Herzegovina</b> | 2  | 6           | 4         | 4     | 21   | 39          | 38        | 33    |
| <b>Bulgaria</b>               | 0  | 5           | 6         | 6     | 20   | 34          | 31        | 36    |
| <b>Estonia</b>                | 4  | 5           | 5         | 5     | 21   | 27          | 24        | 28    |
| <b>Georgia</b>                | 32   | 50          | 41        | 62    | 75   | 87          | 81        | 89    |
| <b>Hungary</b>                | 0  | 0           | 0         | 0     | 8  | 11          | 10        | 16    |
| <b>Kazakhstan</b>             | 2  | 14          | 13        | 31    | 29   | 57          | 55        | 79    |
| <b>Kyrgyzstan</b>             | 42   | 68          | 57        | 77    | 89   | 96          | 93        | 98    |
| <b>Latvia</b>                 | 1  | 3           | 2         | 5     | 7  | 19          | 12        | 27    |
| <b>Lithuania</b>              | 1  | 2           | 1         | 8     | 11   | 21          | 15        | 42    |
| <b>Macedonia, FYR</b>         | 4  | 5           | 5         | 3     | 26   | 25          | 24        | 25    |
| <b>Moldova</b>                | 27   | 48          | 37        | 47    | 75   | 88          | 81        | 87    |
| <b>Poland</b>                 | 2  | 2           | 2         | 3     | 20   | 22          | 22        | 36    |
| <b>Romania</b>                | 4  | 7           | 6         | 20    | 41   | 47          | 45        | 72    |
| <b>Russian Fed.</b>           | 5  | 7           | 7         | 14    | 36   | 37          | 37        | 53    |
| <b>Serbia and Montenegro</b>  | 6  | 4           | 4         | 9     | 36   | 37          | 35        | 51    |
| <b>Tajikistan</b>             | 54   | 73          | 67        | 76    | 89   | 96          | 93        | 97    |
| <b>Ukraine</b>                | 0  | 1           | 1         | 2     | 11   | 20          | 20        | 28    |
| <b>Uzbekistan</b>             | 4  | 43          | 34        | 55    | 39   | 83          | 73        | 93    |

Source: World Bank staff estimates using the ECA Households Surveys Archive, 2002-2004 (World Bank, 2005).

low levels of agricultural mechanization continue to depress labour productivity and incomes in rural areas.<sup>6</sup> And while further mechanization and commercialization may raise incomes for those agricultural workers who remain employed, it is also likely to result in labour shedding, reduced incomes for unemployed rural workers, and increased inequality in the countryside.<sup>7</sup>

A durable reduction in rural poverty and inequalities therefore requires the expansion of non-farm employment opportunities in rural areas. However, prospects for growth in both farm and non-farm employment are limited by shortcomings in rural investment climates, particularly in the form of inferior communication networks, poor physical infrastructure, underdeveloped financial services, and weak market linkages.<sup>8</sup> According to the World Bank, while more than 90 percent of urban households in the region have access to water,<sup>9</sup> in Azerbaijan, Moldova, Romania, Russia, and Ukraine less than the half of rural households are connected to the water system, and may experience unreliable or poor quality water service deliveries.<sup>10</sup> Issues of rural access to water and electricity are even more serious in Central Asia.

### Food price increases and rural-urban disparities

Although urban communities have benefited disproportionately from the region's economic upswing, recent rapid food price increases are hitting urban households (and especially the urban poor) harder than the rural population. Unlike the rural poor, virtually all poor urban households are net food consumers. And while in the new EU member states food spending is limited to 20–25 percent of the household consumption basket, this share rises to 70 percent in Azerbaijan, Armenia, Albania, and Tajikistan.<sup>11</sup> In these countries, rising food prices could push poor urban households into deep crisis. By contrast, rural households can cope better with a downturn, as they benefit from the safety net offered by subsistence farming opportunities. Furthermore, at least some poor rural households are net food producers, and as such may benefit from higher food prices.

In principle, higher food/agricultural prices should stimulate agricultural growth, increasing demand for farm labour and rural wages, and reducing rural poverty. This seems particularly likely in the middle-income CIS countries, where large-scale, relatively capital-intensive farming based on hired labour remains important, and where markets for farm output and inputs are relatively competitive.<sup>12</sup> By contrast, in the low-income CIS countries where many farm households sell their crops (e.g., cotton) to the state at prices well below world market levels while having to purchase inputs from state monopolies, smaller shares of these 'terms-of-trade' gains trickle down to poor rural households. Furthermore, sustained gains over the long term also depend on farm households' abilities to finance agricultural commercialization (access to credit is likely to be facilitated by the higher value of land), in order to increase productivity levels.

However, even in the region's wealthier countries (including the new EU member states), structural barriers to rural development (e.g. inadequate access to land, credit, and markets; inadequate physical infrastructure) may keep these gains from being widely shared among rural communities. Better rural infrastructure may likewise be needed to ensure that the rents accruing from the higher prices are reinvested in rural areas, to boost agricultural productivity and real incomes.<sup>13</sup> More developed transport, irrigation, and financial infrastructure in rural areas would increase yields and farm incomes generally, help small farmers get their produce to market, and increase the demand for (and wages of) agricultural labour.

Among rural households, the negative consequences of food price inflation seem likely to be most severe for unskilled landless agricultural workers, who are most at risk of being made redundant by the commercialization and productivity growth resulting from higher food prices. Poorly targeted social safety nets and inadequate alternative employment opportunities exacerbate these problems.<sup>14</sup> And while the ability of subsistence farming for households to feed themselves may not be directly affected by food price inflation, higher non-food prices will further reduce their real incomes, and make the challenge of escaping from poverty more difficult.

### Conclusion

Rising food prices could transform urban-rural disparities in the region by pushing vulnerable urban households into poverty and by giving rural food producers new chances to escape it. Whether overall poverty levels fall depends on whether rural economies can leverage short-term price windfalls into sustained increases in farm outputs and incomes, creating new demands for, and employment opportunities in, rural services and industrial activities. Significant public and private investment and expanded rural development programming, in order to improve physical and commercial infrastructure in rural areas, should therefore remain priorities. Otherwise, the food price windfall seems unlikely to benefit the rural poor who need it the most.

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1 In the region's three countries classified as low-income countries by the World Bank (Kyrgyzstan, Tajikistan, and Uzbekistan), 63–75 percent of the population lives in rural areas. In all other countries, the share of rural population is under 55 percent (World Health Organization, WHOSIS database: <http://www.who.int/whosis/data/>, August 2008).

2 The poverty data presented here are from the World Bank's regional data base, which is the sole source of comparable poverty data in the region. Under the World Bank's methodology, poverty is defined as living with less than \$PPP 2.15/day, and those living with less than \$PPP 4.30/day are regarded as vulnerable. For more on this research, see World Bank (2005), *Growth, Poverty and Inequality – Eastern Europe and the Former Soviet Union*.

3 Ibid.

4 Ibid., p. 95.

5 European Bank for Reconstruction and Development (EBRD) (2002), *Transition Report 2002 - Agriculture and rural transition. Economic transition in Central and Eastern Europe and the CIS*, p.90.

6 World Bank (2008), *Unleashing Prosperity – Productivity Growth in Eastern Europe and the Former Soviet Union*, pp. 73-78.

7 Davis, Junior (2006). 'Rural non-farm livelihoods in transition countries: emerging issues and policies'. *eJade electronic Journal of Agricultural and Development Economics*, vol. 3, no. 2, pp. 180-224.

8 EBRD (2002), op.cit, p.92.

9 The ratio is similar for other urban areas (the only exception is Moldova).

10 On average, in 2003 Tajik households were provided with water less than six hours per day, while the supply was even lower in rural areas. See: World Bank (2005), op.cit., p.3.

11 United States Department of Agriculture. (<http://www.ers.usda.gov/Data/InternationalFoodDemand/StandardReports/Foodbudgetshares.xls>, July 2008).

12 World Bank (2008), *Innovation, Inclusion and Integration – From Transition to Convergence in Eastern Europe and the Former Soviet Union*, pp. 47-51.

13 Food and Agriculture Organization of the UN (2008), *Growing Demand on Agriculture and Rising Prices of Commodities. An Opportunity for Smallholders in Low-Income, Agricultural-based Countries?* p. 13.

14 World Bank (2008), op cit p.48.

## Is the Village Dying?

Andrew Cartwright

Change in rural areas in Central and Eastern Europe are often represented by shrinking, dying villages whose fate is contrasted with the dynamism of the city. Likewise, although it is important to distinguish between international and internal migration and between permanent and circular migrations, rural migration is frequently seen as a net loss. Rural out-migration leaves behind the retired, those on sick pensions, those whose only work is on their household plot, and those whose education stopped after primary school. There is a common impression that moving away for education or work is a first, permanent step taken by younger people who are turning their back on village life.

This picture is no doubt very true in some regions. In southern Albania, for example, the rural exodus has been profound: in some villages more than half the population is over 60 years old. Their children work in Thessaloniki or Tuscany and are unlikely to return anytime soon; they may prefer to educate their own children in Greek or Italian before learning their mother tongue. More often than not, those who do return use their savings to move to urban or coastal areas where there are better opportunities in tourism or construction. For such areas, out-migration is a loss that is only partially compensated by remittances.

In the rural development policies guiding the management of the EU structural funds for 2007-13, countering rural out-migration is a priority. The Romanian approach to this 'pre-occupying threat' is to create the 'necessary conditions to avoid difficult human and social problems that could result from population migration from rural areas to city areas'. In Hungary, the planners concede that 'gradual depopulation of small settlements is a realistic threat'; while in Bulgaria, where some of the largest rural population losses have been seen, growth of the non-farm rural sector is to 'slow the outward migration from rural areas'.

This paper argues that rumors of the death of the countryside may well have been exaggerated, in three respects. First, the recent *World Urbanization Prospects*<sup>1</sup> shows how in most parts of Central and Eastern Europe, the onset of transition in the 1990s halted previous urbanization efforts. Second, the argument that rural out-migration is a permanent loss to the countryside overlooks the return of villagers,

the often temporary nature of this out-migration, as well as the flow of money, care and interest that might still tie families, friends, and neighbourhoods together. Third, the rhetoric of demise and decline may obscure the nature of rural-urban linkages, both in the ways in which returnees bring a revival of the commuting lifestyle, and in the fact that many urban residents still retain strong ties to rural areas.

### Is rural out-migration continuing?

The below table shows how, in most countries, the transition slowed down, stopped or even reversed socialist-era patterns of rural-urban resettlement—which in some countries, had a forced character. In Romania, which experienced perhaps one of the most ruthless pre-transition rural de-population programmes, the urban population trebled in size from 1950-1990. Yet, in every year since then, its numbers have fallen. At present, the urban population is down by 700,000 at 11.6 million. The rural population also shrank, falling from 10.8 million in 1990 to just over 10 million in 2005 with a further half million drop expected by 2010.

**Share of the Population living in Rural Areas (%)**

|                    | 1970 | 1980 | 1990 | 2000 | 2010 |
|--------------------|------|------|------|------|------|
| Belarus            | 56   | 43.5 | 34   | 30.1 | 25.7 |
| Bulgaria           | 47.7 | 37.9 | 33.6 | 31.1 | 28.3 |
| Czech Republic     | 35.6 | 24.8 | 24.8 | 26   | 26.5 |
| Hungary            | 39.9 | 35.8 | 34.2 | 35.4 | 31.7 |
| Moldova            | 67.9 | 59.6 | 53.2 | 55.4 | 58.8 |
| Poland             | 47.9 | 41.9 | 38.7 | 38.3 | 38.8 |
| Romania            | 59.7 | 53.9 | 46.8 | 46.5 | 45.4 |
| Russian Federation | 37.5 | 30.2 | 26.6 | 26.7 | 27.2 |
| Slovakia           | 58.9 | 48.4 | 43.5 | 43.7 | 43.2 |
| Ukraine            | 45.2 | 38.3 | 33.2 | 32.9 | 31.9 |

Source: World Urbanization Prospects, 2007. (<http://esa.un.org/unup/>).

It is often argued that rural areas provided a buffer that absorbed the shocks of the 1990s. For those who lost jobs in the urban areas or for whom the costs of living there became too high, decollectivization created opportunities to reclaim or buy farmland and, temporarily perhaps, revert to a peasant life of semi-subsistence farming. This was a well-trodden

path for those in their late 40s or 50s, who took early retirement or sick pensions. In Hungary for example, the last agricultural census found over 960,000 household plots of less than one hectare in size produce food mainly for household consumption. Hungary's latest rural development strategy notes that the average age for individual farmers is 60 for women, 53 for men; and that whereas 'in 1996, 21.8 percent of those employed in agriculture were under 30, this share decreased to 15.2 percent.' Urbanization may have slowed, but it is accompanied by 'disadvantageous' rural demographics.

### Is rural outmigration so bad?

Beliefs that rural populations are less willing to migrate than urban populations seem quite strong. In Romania, where 2-4 million people may be working abroad, Dumitru Sandu's<sup>2</sup> study of village out-migration found that less than 200,000 people were working abroad at the time of the 2001 survey. Sandu also found that many migrants could be characterized as repeat or circular migrants, for whom working abroad had become a way of life. Moreover, it was possible to identify a number of village characteristics that would increase the chances that those who left would also return – being in a relatively poorer region, close to a market town,



Rural areas that offer semi-subsistence farming opportunities have provided a buffer to absorb the economic shocks of the 1990s

near to a national highway, having a younger population, but also with a tradition of commuting amongst some of the older unemployed. Such traits were found in the 4 percent of villages that accounted for 60 percent of the circular migration from the countryside. Near some of Romania's smaller cities for example, it is common to see villages gradually creep towards city boundaries, blurring the lines between urban and rural. Such peri-urban development might be financed by money sent from abroad.

Migrants from rural areas living in Central and East European cities may have more enduring ties to rural areas than is the case in other parts of Europe. These could take the form of dacha visiting, weekend hobby farming, home brewing, and the like. Andre Czegledy<sup>3</sup> refers to 'urban peasants' who cherish the family time that comes with self-provisioning. These are not the weekend day trippers that head into the countryside in other parts of Europe: they often visit family members, older relatives who have stayed or retired to the country. Such ties may represent an important life line for villages, bringing younger people, funds for improvements, medicines, friends, news or just company—countering feelings of isolation and remoteness. Although such rural-urban linkages are present in many countries in the region, they are not well reflected in EU rural development programming. Some attention is given to semi-subsistence farmers, with an emphasis on encouraging those who might market more of their goods. Yet, the majority of urban peasants seem unlikely to get involved in such plans.

Obviously, many rural areas cannot hold onto their populations because there are no opportunities in the village. But why not consider measures to increase mobility, support commuting, and otherwise strengthening rural-urban connections? This means looking into rural road networks and transport, energy supplies, the coverage of IT networks and other infrastructures that might encourage employment creation on the outskirts of towns. Secondly, where labour seeks opportunities abroad, one approach might be to engage with potential returnees whilst they are still away earning money. The Spanish agricultural union in Andalucía offers one such example: recognizing that many of its farm labourers from Romania were overqualified for picking work, the union offered support in business planning as well as in the early stages of setting up back in Romania. The idea would be to broaden the target audience for policy planners beyond those currently living in the countryside to those who might soon return.

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1 United Nations Population Division, The 2007 Revision Population Database accessible at <http://esa.un.org/unup/>.

2 Sandu, D., 'Emerging transnational migration from Romanian villages,' *Migration online, Focus on Central and Eastern Europe*, 2002. [www.migrationonline.cz/studies\\_f.shtml?x=195089](http://www.migrationonline.cz/studies_f.shtml?x=195089).

3 Czegledy, A., 'Urban peasants in a post-socialist world. Small-scale agriculturists in Hungary,' in Leonard, P., and Kaneff, D., (eds.) *Post-socialist Peasant – Rural and Urban Constructions of Identity in East Europe, East Asia and the former Soviet Union*, Palgrave (Hampshire: England), 2002.



The **United Nations Climate Conference**, a major forum to advance international cooperation on a future climate change regime, will take place on 1-12 December in Poznan, Poland. It is envisaged that the session will be attended by 8,000 participants, including more than 190 government delegations headed by ministers for the environment or climate change, international institutions, environmental, business and research non-governmental organizations, and the media. For more information, please, visit <http://unfccc.int> or [www.cop14.gov.pl](http://www.cop14.gov.pl).

The Food and Agriculture Organization (FAO), together with UNDP, will host a regional consultation, **'Food Price Fluctuations, Policies and Rural Development in Europe and Central Asia'** on 5-6 December in Budapest. The sharp fluctuations in food prices over the past two years underscore the important links between food prices, agricultural production, and global economic trends on the one hand, and poverty reduction and sustainable rural development on the other. The consultation will share with representatives from countries in the Europe and Central Asian region some recent results of FAO- and UNDP-sponsored policy research on the topic of soaring food prices and agricultural and rural development. For more information please contact David Sedik at [david.sedik@fao.org](mailto:david.sedik@fao.org).

The **Economic Policy Institutes Network** (EPIN) will hold its annual meeting in Minsk, Belarus on 9-11 December. The purpose of the event is to review the year's activities, present the research conducted by EPIN members that received small grants in 2008, promote the human development approach to analysing economic policies, provide selected training modules on human development and the Millennium Development Goals (MDGs), and raise awareness about the impact of economic policies on vulnerable groups. For more information, please visit [www.epinetwork.org](http://www.epinetwork.org).

UNDP will hold a training for local representatives of micro-regions in the **Kosice Region of Eastern Slovakia**

in January (date to be determined). The training will focus on local planning and cross sectoral communication. Local stakeholders from public, private and civil sectors will be trained to work together on local development issues. Through initiatives such as this, UNDP is helping Eastern Slovakia to absorb EU funds. For more information, including the exact date of the training, please contact Natasa Matulayova ([natasa.matulayova@undp.org](mailto:natasa.matulayova@undp.org)) or visit the project website <http://europeandcis.undp.org/kosiceproject/en/>.

A knowledge **'Share Fair' for Agricultural Development and Food Security** will be held in Rome at the headquarters of the Food and Agriculture Organization (FAO) on 20-22 January 2009. The event is being organized by Biodiversity International, the Consultative Group on International Agricultural Research (CGIAR), FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP). The Fair will provide an interactive experience, allowing people to share and learn from each other, experiment with tools and methodologies for knowledge sharing, and create linkages and networks for future collaboration between organizations. More information on the event can be found at <http://www.sharefair.net/>.

The Fifth World Water Forum, **'Bridging Divides for Water'** will be held on 16 - 22 March in Istanbul, Turkey. Organized by the World Water Council, the Forum is the world's main water-related event, aimed at putting water firmly on the international agenda. A stepping stone towards global collaboration on water problems, the Forum offers the water community and policy and decision makers from all over the world the unique opportunity to come together to find solutions to achieve water security. More information can be found at <http://www.worldwaterforum5.org>.

**The next issues of *Development and Transition* will focus on:**

#### **Reforming the state (April 2009)**

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