

*EU Rural Development Conference, Salzburg, November 2003*

*Keynote Speech: Rural Development Situation & Challenges in EU-25*

John M Bryden

Why are 1000 people here this week to talk about rural development? Only 500 came to Cork in 1996, and a mere 200 to the first EU rural development conference in Inverness in 1991. If you had tried to run a conference or more probably a seminar on European rural development in 1981, as I did, then you were lucky to get 30 people. The growth in interest in rural development has been exponential! Yet, if we look at rural areas beyond the commuting belt of cities and larger towns, this has been a period of tremendous change, huge challenges and all too often *negative* trends. Here I am speaking about issues of social and economic cohesion, the survival of rural populations and cultures, equity and human rights issues, and the protection and creative use of our environment. Equally, and especially since the structural fund and CAP reforms of the late 1980's and early 1990's, it has been a period of *rural policy experimentation*.

As we enter the exciting and challenging period of this major enlargement, we must assess how far we have gone, as well as what we know, and what we do not. We must be modest about our achievements, and take a fresh look at where we should go. I believe you have come here because this is widely recognised in both the existing and new member states.

As a one-time farmer, I make no apology for insisting that we take a territorial view of rural development, and a territorial view of rural policies. Farming on its own will *not* save rural places. However, the development of rural places *can* save farming and farm families, as well as others who live, and seek livelihood in, rural places. That I believe to be a *universal* truth, whether farming accounts for 2% or 40% of rural employment. **Our main question at this conference must therefore be – what makes rural places economically, socially, culturally and environmentally healthy, and how can European and national policies best work together to achieve this?**

To my mind 'healthy rural communities' have at least seven key characteristics.

First and foremost, they are at least *maintaining their population* and within it a viable age structure. Usually this also means that they have a *positive rate of net immigration*.

Secondly, healthy rural communities have *diversified their economic base* beyond the primary sector, maintaining or even increasing employment rates in the face of inevitable declines in primary sector jobs. These conditions would also tend to mean that *poverty and unemployment rates are no worse than those in cities and larger towns*..

Thirdly, the *physical and mental health of the rural population is as good as it is elsewhere*. Public health depends on socio-economic determinants, especially poverty and major risk factors including high blood pressure and blood cholesterol, obesity,

smoking and excessive alcohol, and exercise.

Fourthly, healthy rural communities *value their history, culture and environment and have a pride in their identity*, and use these both to enhance the quality of life and develop new economic activities and improve the rewards to existing economic activities. The education system supports these values.

Fifthly, healthy rural communities have *widespread property ownership, clear titles, and relatively high rates of locally financed and initiated new small enterprise start ups*. People have access to collateral, hence loans at reasonable interest rates. The transactions costs of doing business are low. There are open and active networks with links across ngos business and public sector, and good links with the outside world

Sixthly, *public agencies work together towards common goals and with an agreed value basis, and do not fight against each other*. These goals and values are set through local democratic and participatory process: ie they are ‘bottom-up’. There is a *lively and democratic local government, with reasonable fiscal and decision making autonomy*.

Lastly, and most important of all, *healthy rural communities are doing their own development, and not having it done to them by others*.

**So how well are our rural places doing in the Europe of 25 against these seven criteria?**

### ***Population & Migration***

As most of our rural areas now have negative rates of change in the natural population, and relatively high rates of out-migration especially of youth, the maintenance of rural populations almost everywhere is now dependent on significant levels of inward migration. Only the more successful rural areas in western Europe have succeeded in achieving positive rates of net in-migration. The corollary is an ageing population. In the new member states, crude death rates exceed crude birth rates in rural areas in four out of the five countries for which the data is available. In many but not all cases there has been a migration from rural to urban areas and especially capital cities, e.g. Slovakia and Hungary. However, in some, such as Romania, there has been a flow of migrants from urban to rural areas often in search of subsistence in the face of industrial restructuring. Youth dependency rates in the new member states are relatively high, age dependency is also high and the population in rural areas is usually older.

### ***Economic Diversification***

In the EU-15 the situation is that some rural areas have done relatively well, while others have not done so. Both the RUREMPOI and the DORA projects show that there is a differentiation between those areas that have been able to create employment and raise employment rates, and those that have not. Successful rural areas have managed to offset declining primary sector and related employment through new growth areas including tourism and recreation, new value-added and niche product activities, specialised manufacturing, health and social care, activities

related to local culture and environment, and sometimes also activities based on ICT, including call centres. The LEADER Programme, and in some cases the Structural Fund programmes, have been important here. Local factors have been crucial and include a sense of local identity, place based marketing, good governance, revitalisation of cultural and environmental assets, strong local entrepreneurship, appropriate and timely external support. Unfortunately, many rural areas have continued to lose employment.

In the new member states, a high proportion of rural people are still engaged in the primary sector and traditional manufacturing activities which are usually under considerable economic pressure. Underemployment and unemployment is consistently higher in rural areas, especially among young people and women.

In both old and new member states, families on small farms survive by a mixture of subsistence and off-farm earnings. Frequently this involves long distance commuting to urban and industrial centres at considerable cost.

In the EU-15 rural incomes per capita in areas beyond the commuting belt are generally lower than those in cities and larger towns. In the new member states, the evidence is much clearer – rural GDP (PPP) per capita in Estonia is 44% of national average, in Hungary it is 67% in Slovenia 75%, in Slovakia 88%. In 7 of the 10 countries for which data is available, rural areas have a higher share of the population living in poverty. In 8 of the 10 new member states, rural-urban disparities are thought to have increased in the past five years.

The situation can *only* be solved by increasing rural employment and enterprise outside the primary sector.

### ***Health***

We cannot say with certainty what the rural health situation is in the EU-15, but in many of the more sparsely populated rural areas we know that there are considerable problems with poor diet, alcohol abuse, higher rates of smoking, and ironically lack of exercise leading to health problems. We also know that there are problems in supplying quality health care in such areas, including problems of recruitment and retention of professionals. In the new member states, the situation appears to be worse. In the Czech republic, infant mortality is twice as high in the rural regions, and it is higher than urban rates in Slovakia, Slovenia, Romania and Bulgaria. A health impact assessment (HIA) of agriculture policy was recently carried out by the government of Slovenia. This HIA revealed that disparities such as level of unemployment; educational attainment; GDP; mortality rates and life expectancy are all worse in many rural areas. Cirrhosis of the liver, from alcohol abuse, was also highest in rural areas. Although data from other countries is lacking, since there is a generally accepted link between poverty and ill-health we can fairly safely infer that poor health is a greater problem in rural areas. We also know that there is a close link between unhealthy diets and food systems, especially the lack of affordable fresh vegetables and fruit and oversupply of subsidised butter and animal fats. Opportunities exist to improve this during the de-coupling process in CAP – especially to encourage more production and consumption of vegetables and fruit, and less of butter and animal fats. The siting of international supermarkets and closure of

local fresh food markets (sometimes as a result of over zealous application of EU regulations e.g. Lithuania) can have perverse results unless steps are taken to address the contradictions. This is an area where research and action should be a priority in the EU-25. The Slovenian Health Impact Assessment provides a model that could easily be adopted by each EU-25 and carried out nationally at relatively little cost.

### ***Value of rural identity, culture, history, environment, and education***

In the existing member states, the situation in rural areas is as ever highly variable. However, in some cases, creative use has been made of the LEADER programme to develop activities around local culture, history and environment, essentially local public goods that enhance quality of life for local people and visitors and also provide hooks for economic activities. Place based marketing has also developed around local and regional identity. There are also some outstanding projects in education to enhance and give value to young people's appreciation of local culture, history and environment. But these are far from being the norm; we need to make them so.

As to the quality of education, and life long learning, much remains to be done to secure equality with urban areas in both existing and new member states. Rural people's employment opportunities and future incomes will be increasingly restricted if they do not have equal educational and continuing learning opportunity from pre-school to retirement. The norm in the EU 25, and it is especially the case in the new member States, is that educational attainment is lower in rural than in urban populations. This is especially true of higher education and continuing education.

### ***Property ownership, clear title, access to credit***

This has been a major issue in the new member States and although much progress has been made, problems with titles remain in some rural areas.

Access to credit has improved in the new member States but interest rates remain high. Transactions costs, risk and uncertainty are generally higher than in EU-15, and these factors combined with relative poverty explain low rates of rural investment and low rates of local business start ups relative to national averages (e.g. Bulgaria, Romania).

In the EU-15 the picture is variable. Some rural communities have relatively vigorous local entrepreneurship, while others do not. The conditions which underpin such entrepreneurship, such as local institutional capacities, governance, the asset base, networking characteristics, property ownership, and local culture and history are also variable. There are sufficient cases of vigorous local entrepreneurship to argue that rural areas are not necessarily doomed to a slow death, and a good case for arguing that less successful rural areas can learn from their peers.

### ***Institutional capacities and governance***

Again, the situation in the EU-15 is highly variable, and determined by national and regional factors as well as local conditions. Relatively successful rural areas have better local government and governance, with public agencies working together and having good relations with the civic and private sectors, a relatively high degree of

fiscal and decision making autonomy. These are supported by national and regional fiscal equalisation schemes in countries such as Sweden and Germany. In others local government and governance are both weak, and fiscal equalisation may be weak, obscure, or non-existent. LEADER is generally seen to have strengthened local capacities in many rural areas during the last 13 years or so.

In the new member States local institutional structures and governance are generally weak ... like some existing member State, they have a legacy of highly centralised government and low degrees of local decision making and fiscal autonomy, leaving little room for local initiative.

### ***Who is doing the rural development?***

This is closely related to the previous issue. In general, one might say that considerable progress has been made in many of the existing member States since the 1980's both as a result of LEADER and similar national schemes and initiatives to give rural people a greater say, and a greater role, in their own development. Much has also been done in the new member States to change the development paradigm, for example through activities of such as the Carpathian Foundation in Slovakia, Hungary and elsewhere. However, much remains to be done in this regard. In the new member States, local institutional weaknesses mean that the framework conditions for a more empowered rural population are weak, and need to be addressed.

### ***Conclusion***

The foregoing analysis suggests that there remains a good deal to be done to secure 'healthy' or 'sustainable' rural communities in the EU-25. It also suggests that there is a need for both EU and national policies to work in a more integrated way if the broader concerns of rural people in terms of jobs, incomes, employment, quality of life, health, education etc are to be addressed. We have made some progress, but significant challenges remain. Although many of these challenges are significantly greater in the new member States, the situation is far from solved in the EU-15. A new policy paradigm – a real territorial rural development policy – is needed. Although radically different from the CAP and Structural Funds policies, it can draw upon the lessons of both.

I do not, however, wish to end on a negative note. Although there are great challenges, there are also many and diverse opportunities. These opportunities, and the capacity to grasp them, have been demonstrated by rural people in many areas of Europe. We need to learn from these successes, and transfer experience between rural areas in the wider EU-25. Rural areas have learned – and will learn - best from their peers, and the kind of mechanisms for this developed in the 1990's under the European LEADER observatory must not be lost with enlargement. General de Gaulle is credited with the rhetorical question: how is it possible to govern a country with 500 different kinds of cheese? The enlarged EU may after all have 1000 or more different kinds of cheese in 1000 different rural areas. My response would be let 1000 cheeses bloom! And, of course, support them with a proper Territorial Rural Development Policy!

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