Introduction

Franco Sotte

Department of Economics
University of Ancona
sotte@dea.unian.it
www.dea.unian.it/sotte/home.htm

The complexity and variety of rural development

Three main issues are at the basis of the analysis proposed in this book. The first issue regards the evaluation of the Rural Development Policies (RDP) in Europe. Several different experiences at all levels: European Union, National, Regional, local, have been carried out in the EU Member Countries under different policies: the structural policy (especially objectives 1 and 5B), the LEADER Initiative, the Rural Development Programs issued at regional level after Agenda 2000. Other programs have had regional relevance concerning border regions, remote areas, natural parks etc. In the Central Eastern European Countries, in particular with the SAPARD program, a comparable experience has been undertaken as well.

The second issue is the methodological one: new instruments are to be introduced in planning and evaluation (especially when qualitative attributes of development are concerned), new data and statistics are required and also new procedural and institutional solutions have to be tested and selected.

The third issue, on which this introductory chapter will concentrate, concerns the necessity for a more profound theoretical foundation for RDP. What is *rurality*? What is rural *development*? What is rural development *policy* then? These are questions which deserve a deeper analysis.

The lexical meaning of the word "rural" refers unambiguously to agriculture[1]. Historically in fact rurality was substantially defined by the

[1] Here are some dictionary definitions: Collins-Cobuild: "far away from large towns or cities"; Oxford Advanced Learner's Dictionary: "of, in or suggesting the countryside or agriculture"; Concise Oxford Dictionary: "suggesting the country (opp. urban), pastoral, agricultural"; Petit Larousse: "qui concerne les paysans, la campagne"; Warhig Deutsches Wörterbuch: "ländlich, bäuerlich"; Devoto-Oli: "relativo alla campagna (spesso contrapposto a urbano)"; Nuovo Zingarelli ed

prevalence of agriculture (social, economic, in the use of resources, etc.): as a result, the rate of employment in agriculture was commonly used to grade the level of rurality. But at a subsequent stage, industry first and then services exceeded agriculture almost everywhere. This suggested finding other measures for rurality, like the commonly used one proposed by OECD, based on population density and the absence of a large city in the given area[2].

But even this indicator appears inadequate. It represents in fact the relation of rurality with territorial dispersion and small scale, but neglects other fundamental values: polymorphism, complexity and diversity (i.e.: the integration between services, industry and agriculture, where not one is more important than the others), multifunctionality, uniqueness and common goods. They are frequently associated with rurality and are required to motivate the need for specific related policies for rural territories: as with the "European model for agriculture to be sustained in the years ahead" pointed out by Agenda 2000[3]. A desert in fact is not more rural than a region, where a rich historical heritage, a complex economic system, a vital rural society, several national and regional parks lie, and frequently the population density is significant, requiring a complex territorial strategy for sustainable development[4].

Are there other units of measurement of rurality that are more fitting, then? Notwithstanding the practical utility of the definition of rurality based on population density, proposed by the OECD and adopted also by the European Union, a plurality of indicators are necessary to better describe the complexity and diversity of what rural areas represent.

Diversity is a key concept in this book for another reason. The local specificity of rural issues. For historical, climatic, natural, socio-economic and political reasons, Europe presents an enormous variety of rural models each requiring a different RDP solution.

Enciclopedia Zanichelli: "Della campagna, che riguarda la campagna. Chi abita, lavora nella campagna".

[2] OECD (1994), Creating Rural Indicators for Shaping Territorial Policy, Paris; OECD (1996), Territorial Indicators of Employment. Focusing on rural development, Paris.

[3] "The Berlin European Council reaffirmed that the content of the reform will secure a multifunctional, sustainable and competitive agriculture throughout Europe, including in regions facing particular difficulties. It will also be able to maintain the landscape and the countryside, make a key contribution to the vitality of rural communities and respond to consumer concerns and demands regarding food quality and safety, environmental protection and maintaining animal welfare standards." European Commission (1997), *AGENDA 2000 : For a Stronger and Wider Union*, [COM(97) 2000].

[4] This is the case for instance of many Italian rural areas, where the population density approaches the upper limit of the OECD definition of rurality: 150 inhabitants per Km2.

In peri-urban rural areas the main issue is one of integration with metropolitan areas considering the residence functions and the presence of local demand or traditional and new rural products and services. In rural areas, where natural, historical and leisure resorts are located, the main problem is focused on tourism values and in sustainable exploitation of common goods and services. In agricultural highly productive territories, the problems are linked to a commodity oriented agricultural perspective and competition in international markets. In areas with high quality agriculture, the main issue deals with the certification and valorisation of local and typical produce. Where remoteness is the major characteristic of an area, integration and a break in isolation take the principal position in the policy agenda. There are, moreover in Europe, areas that suffer from severe natural constraints, such as lack of water or poor soils. We must not forget the specific cases of disaster areas like territories where war and ethnic cleansing have taken place, such as in former Yugoslavia, or natural disasters, such as earthquakes or floods which have severely conditioned the development level and the possibilities for the future, such as recently in the Italian Apennines.

The list reproduced here is still incomplete. A first basic assumption with rural development should then refer to its territorial specificity and differentiation across Europe and to the necessity that a suitable policy should be designed at a local level as a result of a bottom-up approach.

Rural development and rural development policy: a new perspective

In a complex and evolutionary perspective, development of rural areas relies on the integration between four types of capital: natural capital, social capital, human capital and artificial capital[5]. Natural capital is made up of natural resources, biodiversity, fertility, water, hydrological equilibrium etc. Social capital consists of formal and informal institutions, rules and customs, rights, cultural heritage, participation and organisational capacity etc. Human capital is represented by knowledge, experience, entrepreneurial skills, expectations, dignity, age, health etc. Artificial capital comprises plant and machinery, level and distribution of income, infrastructures etc.

These four types of capital are strongly intertwined. On the quality of this interrelation relies local development, as well as landscape value, quality of life and, in short, the attractiveness and competitiveness of a local system[6].

If the local system is driven exclusively by the objective of artificial capital maximisation, not caring about side effects on the other types of capital (direct or indirect), the balance can be lost. A weakened rurality loses its

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[5] A. Arzeni, R. Esposti, F. Sotte (Ed.s) (2001), *Agricoltura e Natura*, Associazione Alessandro Bartola, Franco Angeli, Milano

[6] An attempt to evaluate the quality of life in rural areas is dealt with in this book in the paper of G. Bazzani, S. Di Pasquale, D. Viaggi, G. Zanni.

resilience, its capacity to adapt to after shocks or to capture new business opportunities. A gradual waste of natural, social and human capital is the direct effect. Ultimately rural areas lose their capacity to participate autonomously in the overall development and part of the artificial capital itself is lost in the long run for paying the costs of losing the equilibrium: such as after floods, BSE and the foot and mouth disease.

Rural development is then first a long term strategy, aimed at preserving the complexity and the balance between the components, integrating rural areas in a sustainable development process. From the socio-economic point of view, this means providing non agricultural functions and employment in rural areas, fostering exchanges between sectors and territories, and thus breaking both isolation and mono-functional agricultural specialisation. Collective action should be enhanced, aimed at reducing transaction costs and facilitating individual initiative[7].

Besides, as general development takes place and society evolves, rural areas are asked to adjust correspondingly. Food security for instance has passed from the quantitative definition of the past to a qualitative one, while other roles of rural areas are capturing the interest (and the willingness to pay) of the consumer and the tax payer. Further, rural areas can be a fundamental reserve of low factor costs, low transaction costs, scope economies, flexibility and a capacity to adapt to new business opportunities. The Italian case of industrial districts, which have grown up in traditional rural areas of the North-Eastern and Central regions, demonstrate that assumption. Originating from the rural socio-economic environment, the industrial districts have developed a very competitive, flexible and dynamic system of small-medium enterprises, specialised in a wide variety of products for the body, for the house and for tourism (the so called “made in Italy”, as it represents the core of the Italian position in market globalisation). Its competitiveness has played a crucial role in overcoming the crisis of many traditional large Tayloristic enterprises located in north-western regions, the traditional urban centre of the country.

Co-evolution of rural with urban areas on the basis of a common strategy is then a fundamental condition for fostering competitiveness in a globalised economy. This issue is crucial in the European Union enlargement process, considering the largest reserve of rurality in Central Eastern European Countries, compared to most urban western ones. RDP is consequently defined as an integrated process of territorial programming and management. It should be inter-sectorial and interdisciplinary.

A new hierarchical distribution of responsibilities is then required, as well as a new integration between top-down and bottom-up approaches, and between

[7] See the contribution of H. Meert, G. Van Huylenbroek, E. Van Hecke on this subject.

government and governance. The analysis of the experiences of objective 1 and 5B as well as of LEADER I and II can prove to be very useful in this respect.

It is evident that a "learning by doing" approach is more suitable for such a purpose. Complexity and variability require very flexible policy solutions which should be rooted in a very efficient and updated monitoring and evaluation feedback. In this respect a basic scientific problem concerns the necessary improvement of statistical information available at a territorial level[8]. New methodologies should be provided as well[9].

As rurality evolves over time from a sectorial definition to a territorial one, the role of agriculture in rural development changes. In the traditional agrarian rurality, agriculture was dominant and the overall welfare of rural areas was directly influenced. For that reason agricultural policy was often attributed more general functions than those of a sectorial policy, such as social and territorial.

The situation now is generally reversed[10]. The perspective in the long run for a sustainable agriculture is no longer possible without a parallel (earlier in some respects) development of the overall rural areas. The implication in term of policy is that if, in the past, agricultural policy was supposed to cover most rural development policy expectations, today, other policies are necessary conditions for a sustainable development in rural areas.

All other policies should be adapted to the new roles of economic sectors and to the new definition of socio-economic development for rural areas. RDP, if territorially defined, largely overtakes the agricultural dimension and depends on industrial and tertiary policies, on infrastructural policies, on quantity and quality of services to society (education services, health care, etc.), on environmental and territorial planning[11].

Rural Development Programs should outline, first of all, a long term strategy of development of the rural areas and then consider these policies altogether taking care, in particular, of the interlinkages between them. The subsidiarity principle should orient the distribution of responsibilities between different levels of government.

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[8] This subject is developed here in the paper of I. J. Terluin, J. H. Post.

[9] The whole third part of this book is methodological and dedicated to the quantitative evaluation of RDPs. The two papers of A. Bonfiglio and C. Ciobanu, K. Mattas, D. Psaltopoulos use input-output analysis to assess structural changes respectively with objective 5B policy and in less developed regions. R. Esposti presents the results of an evaluation exercise through an econometric application. A regional Social Accounting Matrix was used by S. Efstratoglou, A. Daouli, J. Kola, D. Psaltopoulos, K. J. Thomson in investigating policy effects in remote rural less developed areas.

[10] This concept is developed here by P. Kostov, J. Lingard.

[11] An analysis of the multidisciplinary dimension of rural development is in this book in the paper of A. Errington.

The unsatisfactory approach of CAP to rural development

It is evident that the present Common Agricultural Policy (even in the Agenda 2000 reformed version) does not comply with a theoretically correct RDP definition. Notwithstanding the relevant progress made so far in the EU on several aspects of a territorially oriented policy (the reform of structural policy, LEADER Initiative, the "accompanying measures" of the Regulation no. 2078/1992 and now the so called "second pillar" of the CAP), the objective of an agricultural policy, coherent with a rural development comprehensive policy, is still very far away. No significant integration is in fact researched between agricultural policy and all other sectorial, social and territorial policies relevant for rural development. Substantially rural development is still basically considered within the CAP as an agricultural issue, disconnected by regional, territorial and local development.

But even inside the CAP a tremendous contradiction still exists. It consists in the still distorted budget distribution between the two pillars. Given the overwhelming weight of the first on the second (i.e.: market support and direct payments on rural development), the final effect is determined by the prevailing push of the old support to products, which weakens and neutralises all efforts made in favour of an integrated and multidimensional agriculture.

As a result, in spite of the Mac Sharry and Agenda 2000 agricultural reforms, the territorial distribution of benefits has not substantially changed and the CAP has still maintained a sectorial function in conflict with the Cork Declaration and with the "European model of agriculture" required by the declaratory chapter of Agenda 2000. Still integrated roles and multifunctional agriculture are insufficiently supported, while high levels of profit and rent are associated with market distortion and the behaviour of farmers coupled with production. As a result, artificially high land prices hamper the establishment of new enterprises and the access to the young and new entrepreneurial energies in agriculture[12]. The maintenance of this CAP brakes the enlargement process and weakens the EU position in the WTO negotiations.

The *de facto* RDP can then be described as follows. The major role is still played by agricultural policy. And rural actors are still consistently oriented by it. But unfortunately not in a rural development direction. Paradoxically in fact, the so called rural development of Agenda 2000 is only a 10% package (no more than a small extra sum) to the centrally defined traditional CAP oriented towards market support, that maintains its overwhelming weight. The other European policies which are addressed to rural regions (the new objective 1 and 2 structural policy as well as the LEADER Plus Initiative) are independently defined and anyway not able to comply with a comprehensive RDP as previously defined.

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[12] The paper of A. Arzeni analyses the change undertaken by many enterprises in rural areas towards multifunctionality and diversification and their new needs of services (in terms of extension, information, education, etc.).

As a result rural areas still lack complementary policies for rural development remaining in a condition of precariousness and uncertainty. Moving from the present CAP to a more integrated rural policy is one of the major issues for Europe. The subject has been widely addressed by research[13].

An integrated vision of agricultural policy should also integrate two new dimensions: the first regards all institutional levels and responsibilities from the centre to the periphery[14], the second dimension concerns the necessary convergence between budget expenditure and tax and social security exemption or facilities.

An issue of a reformed CAP concerns the enterprise and the entrepreneur. The specific character of the past CAP has distorted the entrepreneurial capacity of farmers and distanced them from the other small-medium entrepreneurs. Acting in an artificial and protected market, farmers have in fact been educated to solve prevalently technical problems, while a small-medium entrepreneur, facing competition on open markets, needs a different skill: oriented to solve business and market problems[15]. A crucial commitment of a new agricultural policy will then search for new solutions to remove the gap between farmers and other small-medium entrepreneurs in rural areas so helping them to operate in less protected markets, favouring the exchange of experience between sectors and with other territories.

As a conclusion, with rural development, Europe is required to start a new experiment in governing. To accomplish that task, policy makers should develop more intense cooperation trough research. From this perspective, RDP is a substantial challenge for agricultural economists as well. Without losing their point of observation and their specificity, they are required to open their disciplines to a cross-fertilisation with other disciplines concerning not only economics and other social sciences, but also natural sciences and territorial planning.

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[13] The policy recommendations of the Buckwell Report on CARPE can be recalled: A. Buckwell et Alii, "Towards a Common Agricultural and Rural Policy for Europe, "European Economy", n. 5, 1997. See also here the paper of M. del Mar Delgado, E. Ramos which try to analyse the effects of the rural development package of CAP in Southern Spain.

[14] In Italy for instance the national and regional policies have often competed with the CAP following, as a matter of fact, different and contrasting objectives.

[15] This subject is addressed here by two papers. The first of J. Phillipson, M. Gorton, P. Lowe, A. Moxey, M. Raley, H. Talbot, provide an analysis of rural micro-business and the role of farms in the new rural economy. The second of D. Psaltopoulos, S. Stathopoulou, D. Skuras examines, with reference to Greece, the factors influencing the structure of start-up capital and their relevance to the evolution of rural enterprises.

A substantial effort in this direction is evident in all the papers presented here. They can contribute to a more suitable and concrete definition of sustainability in development and to a corresponding policy design.