
POSSIBILITIES OF LOCAL ECONOMIC DEVELOPMENT (LED) IN LAGGING RURAL AREAS

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Abstract

The long-term strategic objectives of the EU Rural Development Policy in the next (2014-2020) programming period are as follows: the competitiveness of agriculture, the sustainable management of natural resources and the balanced territorial development. In this strategy agriculture seems to remain one of the key element as solution for lagging rural areas. However parallel to the decreasing role of agriculture in employment, searching for the possibilities of local economic development (LED) for disadvantaged, peripheral rural settlements suffering from the lack of employment, basic services, infrastructure, and strong local communities is essential as well. Based on LED theories and our primary research in four villages of Nograd county in Hungary firstly the social functions of traditional agriculture based on local resources, the increasing importance of diversification and the labor-intensive products with high added-value have to be emphasized in the new rural policy. However, as main point, besides agriculture the expansion of local economy, strengthening of local communities, development of the infrastructure and the improvement of urban-rural connections are essential for lagging rural areas as well, especially in terms of employment, availability of basic services and allocation of local rural products to urban markets. So LED also means the development of the micro-regional centurms nearby the lagging rural settlements.

Keywords: Agriculture, Local Economic Development, Rural Policy

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Introduction

The significance and actuality of local economic development cannot be questioned regarding the development of the Central-Eastern European regions. The development of micro-regions in Hungary are carried out along the priorities represented by associations of local governments, organizations set up by local players of several settlements to achieve common development and the economic action groups of rural development. The essence of all the efforts is that the aims to be achieved and the related strategy are defined by the local population. The territories require various development strategies due to their special conditions. It is also important which programs can be implemented with the contribution of the local population (G. Fekete, 2000). „*The aim of the local economic development (LED) is to create the economic capacity of an area so that it could provide the future of the economy and the appropriate standard of living for the population. This is a process in which the state, the local government, the private and the business sector work together to create more favourable conditions for the economic growth and the labour market*” (Swinburn G. et al., 2004: 11. p.). The role of the local economic development is gradually increasing, since nowadays the local economies need to face more and more difficulties, such as globalization, economic crisis, national and regional challenges. The aim is to meet the demand of the community, however, the cooperation of the community and the positive attitude to the developments as well as the common responsibility are inevitable (G. Fekete., 1998).

In the next programming period (2014-2020) economic and employment growth is the long term objective of the European Union and Hungary as well. In the meantime, detailed strategic frameworks are also being designed for the development of the rural areas parallel to the debates on the budget of CAP and rural policy. The rural development policy retains the long-term strategic objectives of contributing to the competitiveness of agriculture, the sustainable management of natural resources and climate action, and the balanced territorial development of rural areas in line with the Europe 2020 strategy – Smart, Sustainable and Inclusive growth (see EC, 2010). Based on the economic, social, environmental and spatial challenges of rural areas, these broad objectives of rural development policy 2014-2020 are given more detailed expression through the following six EU-wide priorities (EC, 2011):

1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
2. Enhancing competitiveness of all types of agriculture and enhancing farm viability;
3. Promoting food chain organization and risk management in agriculture;
4. Restoring, preserving and enhancing ecosystems dependent on agriculture;
5. Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

While the CAP is being updated, the Government of Hungary passed the comprehensive and long-term strategy of the rural development, namely the National Rural Strategy (NRS) which is going to be in effect in the period 2014-2020. It defines tasks to be carried out in four major fields: agribusiness, rural development, food industry and environment protection. In addition to the major objective (improving the capacities of rural areas to attract and keep population) the Strategy sets five strategic objectives (NRS, 2012):

1. The preservation of natural values and resources,
2. Various and viable agricultural production,
3. Food and nutrition safety,
4. Providing the basis for rural economy, increasing the rural employment,
5. Strengthening of the rural communities, the improvement of the rural standard of living.

The horizontal aspects that need to be taken into account during the elaboration are: sustainability, spatial and social cohesion and the recovery of urban-rural relations. Regarding the latter one, based on the researches and professional literature, especially the employment and service-providing relations between the large centers and their agglomerations are of great importance for the disadvantaged rural areas.

Hinterlands, agglomerations are created around such settlements that have central functions, where the urban and rural relations and the spatial movement of the population create a network of settlements. The central functions and services are often provided in the center (mainly a city), having more significant role than just comprising high number of population in the city. According to Hogart (2005), in today's Europe and in Hungary as well the core issue of investigations on hinterlands is the relation between urban and rural areas. The major conclusion of the author is that the relations become more complex and interdependent.

Material and methods

The Faculty of Economics and Social sciences of the Szent István University signed an “adaptation” and cooperation agreement with four villages in Nógrád county in June 2010 after several months of preparation. The above mentioned villages are: Bokor, Kutasó, Cserhátszentiván and Nógrádsipek. According to the agreement, the villages become the research targets of the researchers and students of the Faculty while the Institute of Regional Economics and Rural Development of the Faculty provides help with rural development project proposals. In the framework of the cooperation a survey was carried out in summer of 2012 questioning the local population about their economic and social conditions, the situation of the local communities and their development ideas. In the survey special focus was placed on the investigation of the role and potentials of agriculture, the possibilities of LED and urban-rural connections as well. With random samples, 62 households of the four settlements (10% of all the households), covering 149 people (15% of the total population) were questioned. The primary data was analyzed with SPSS program, and in this study descriptive statistics method has been applied to display the results.

Results and discussion

The settlements in question are located in the center of Nógrád county, which is a disadvantaged area of the country (Figure 1).



Figure 1: Location of the analyzed settlements

Source: own edition, 2013

Nógrádsipek has a central position among the four villages due to its extra tasks in public administration. Although it is close to the other villages on the map, it takes about 45 minutes to get to any of the villages mentioned above on the road. Anyway, the poor accessibility and the peripheral location is characteristic to all the settlements. Nógrádsipek, Kutasó and Bokor are isolated from other settlements, since they have only one road in and out of the village. They are not linked to other settlements. Except for Nógrádsipek, which has stagnating population number since 2000 (673 permanent inhabitants), the settlements have ageing population and negative migration figures. The population of Cserhátszentiván is 143, of Bokor 108 and of Kutasó 111 (in 2011, Source:

Central Statistical Office of Hungary - CSO). Regarding the infrastructure, Nógrádsipek has the most favourable location and it has its own school as well as the public utilities are provided. In the smaller settlements, however, both the infrastructure and the basic services lag behind. The population can use the most important services only in the larger settlements nearby. Due to their poor accessibility, these larger settlements cannot become centers of such areas. It might be the explanation for the fact that households need to face the challenges due to the lack of local jobs and the peripheral location as well (Figure 2).

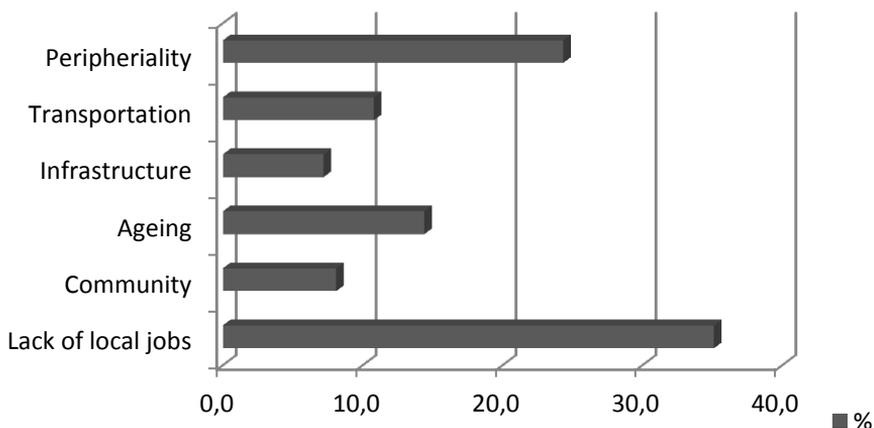


Figure 2: The fields of major problems indicated by the households (% of the asked households)

Source: own edition, 2013

Since there are not enough job opportunities, the active population commutes and works mainly in the larger cities nearby (Pásztó, Szécsény, Hatvan, Budapest - see Figure 3) primarily outside the agricultural sector. The rate of registered unemployment is 10-11%, but the real unemployment is much higher than that figure. The number of businesses is very low and there are even fewer operating enterprises in the area. 54 of the 62 families questioned, none runs business. Out of the 8 operating enterprises 6 deal with agriculture. The full-time farmers work locally and mainly in their own businesses.

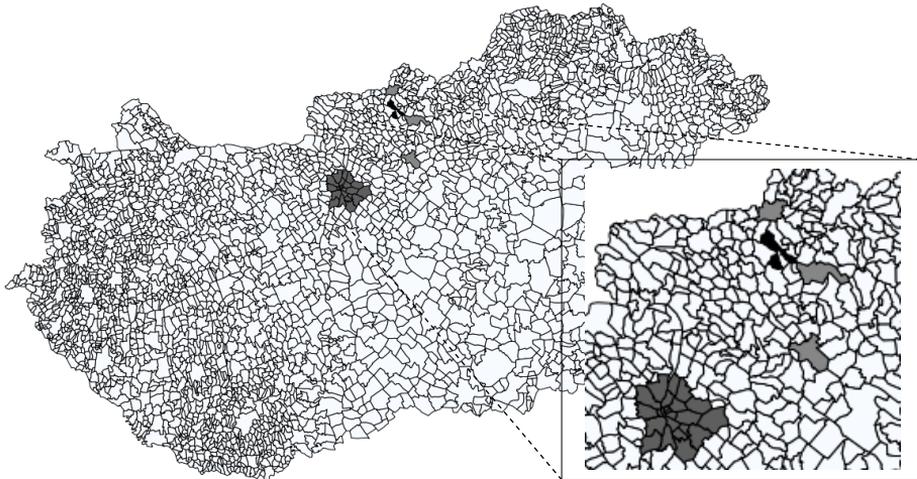


Figure 3: Location of larger cities as “workplaces” for local residents of the analyzed settlements

Legend: ■ Analyzed Settlements ■ Budapest ■ Other larger cities nearby
 Source: own edition, 2013

Agriculture, which was an important sector earlier, has miscellaneous roles at the moment. On one hand, due to the natural endowments, the number of full time farmers is not really high (except for Bokor, where there are more people dealing with sheep farming or working in the local cheese factory). On the other hand, the number of household which have market gardens is very high. Berry production and livestock breeding are common, mainly raising poultry and rabbits. Vegetable and crop production is carried out in small scale (excluding the few agricultural businesses), however, nearly 50% of the households responded do not keep animals at all and do not cultivate lands. Agricultural activity provides jobs for two people in the families on average, the households produce primarily for self-sufficiency. Only seven households out of 62 trade with their products - mainly at their homes. There are only three households which rent arable land and only eight families get land-based direct payment from the EU. The research tried to examine what could be the potentials for job creation. According to 50% of the households questioned, the solution for employment enlargement would be agricultural and forestry developments as well as the revival and use of agricultural traditions. Some can see potentials in tourism and the organization of related events as well as in the building of a waste burning facility. According to the respondents, the increase in the utilization of public work could be also a solution.

Several civil organizations work in the settlements, but they are not really well-known among people. Most of them know only the Sport Association and the Wild Rose Traditional Association. This rate is reflected in the opinions of the people questioned while asking them about the activity of the organizations. More than 55% of the respondents think that these two organizations are the most active from the civil associations. However, the rate of participation in civil organizations is very low, only 13%. In the survey it was examined whether the local people attend village forums or not to discuss the situation, the future and the strategy of the community. 50% of those questioned said that they usually participate such events, however, 52% of the

respondents said that they did not have information about the development strategy of the village. Out of those who do not attend the forums, 71% said that they did not know the development plans, while 26% had some basic information about them. Therefore, 97% of those who do not attend such events, are not familiar with the development concepts. However, almost 70% of those who attend such events are familiar with them. The distribution of knowledge about the plans vary: 39% have some information, 21% have adequate information while 9% is very familiar with the development strategies.

Conclusions

In addition to the emphasis on the improvement of competitiveness and efficiency of farms, it is considered really important to improve diversification especially in the disadvantaged rural regions, to encourage the production which needs high live-labour and creates high added value as well as to provide markets for such products. Last but not least, the horizontal and vertical cooperations between the producers and the food chain players should also be promoted and encouraged. The social role of rural development and agriculture should be kept and strengthened as a safety net for the rural population. As an alternative income source the strengthening of local and safe food production of high quality can be also a potential in addition to the self-sufficient production. At the same time, apart from the agricultural potentials (mentioning the fact the agriculture is losing significance), it is extremely important to expand and develop the local economy, the availability of basic services and infrastructure, to create a successful local community which is able to carry out local development with the help of rural development policy. Due to the lack of local employment possibilities, it is inevitable to develop the relationship between the peripheral small settlements and the surrounding centers, to improve the accessibility and the public transport because they all contribute to the expansion of job potentials and the introduction of local agricultural products on the market. In this approach, LED also means the development of the micro-regional centres nearby the lagging rural settlements. Civil organizations cover a wide scope of activities, but they are the results of the cooperation of only a few people. It is an important value that there is a “core” in the settlements which is able to keep the community together and motivate them and can be joined by anyone.

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