



RURAL AREAS - PROBLEMS AND OPPORTUNITIES FOR DEVELOPMENT

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ABSTRACT

The aim of this paper is to study the problems of rural areas and to identify guidelines for overcoming them. The theoretical basis of the problems of rural development in Bulgaria are presented in it. The definitions of concepts "rural area" and "farming area" are given. The differences between the two terms are specified. In the paper are presented the objectives of the National strategic plan for rural development. The main economic indicators of rural development are described. The article outlines and analyzes the typical problems inherent in the rural areas and the ways to resolve them.

Key words: rural areas, economic development, National strategic plan

INTRODUCTION

Rural areas play traditionally important role for the Bulgarian economy and maintaining social stability. The development of most of them is entirely dependent on natural resources in the area, so that the economy of the rural areas is specialized in a limited number of industries - agriculture, livestock, forestry, fisheries, mining, rural tourism. The number of population in these regions ranged from 200 to 30 000 inhabitants. There are major differences between regions. Every rural area in Bulgaria covers a variety of agricultural lands, forests, farms, small industrial and regional centers. These areas have large natural, cultural and historic resources that are the basis for economic development. Compared with urban residents, people in rural areas have fewer choices in the social and economic terms. They are facing many problems such as low income, unemployment, low quality of social services like education and healthcare. Another characteristic of these regions is their remoteness from major urban centers, implying the need for well-developed transport infrastructure to support economic development.

Theoretical basis of rural development

The narrow sense of the term "development" is interpreted as increasing the income per capita. In the broader definition of the term is included the social and economical characteristics such as life expectancy, literacy rates, income distribution. Regional

development can be seen in two aspects: economic and social. In this paper more attention will be given to the economic development of rural regions.

Economic development can be defined as those activities that lead to more productive use of resources and provide more opportunities for producers and consumers. Development is change that is primarily oriented towards a particular purpose. The increase in human welfare is the end product of economic development.

Rural society with its resources - natural, financial, human and management is the object of rural development. The society is subject to the relations of regional development, as rural areas are administrative-territorial units with their own characteristics. The theory of regional development gives following definition of rural development: a change which not only includes certain economic indicators but also to increase the welfare of the rural population so as to solve their basic problems and exploit opportunities for economic growth. Residents of the region itself are both involved in its development and incur consequences. The development involves full use of all resources available to a region. Despite the frequent use of the term rural area, there are not many definitions of it. Most of them consider this concept in terms of its agricultural specialization and therefore harmonize content with the notion of

agricultural region. The agricultural area is a territorial unit differentiated under the effects of certain agri-environmental, geographic and economic factors that largely determine the specialization and production relations of the area. The agricultural area is defined as industry-specific economic area with agricultural specialization and is an integral, complex subject of general economic regions of the country. Agricultural areas are subject to economic regionalization unlike rural areas – subject to administrative-territorial division. Therefore, the concepts rural and agricultural areas are not identical. One of the distinguishing features of rural area compared to agriculture area is its subjective origin, especially in legislation. The boundaries of the rural areas are not fixed and depend on economic processes on the territory. Social indicators and production capacity of the rural economy is lower than the national average rates. The agricultural area in turn is formed on the basis of certain geographic and economic factors that largely determine its business specialization and is not established by legislation.

The definition of the term 'rural area' is based on social and economic differences and the criteria for it in each EU Member State is different. Each country has developed its own definition of the concept 'rural area'. In western literature, rural area is regarded as a distinct territorial community with villages and small towns to 30 thousand inhabitants. OECD and EUROSTAT define the rural area to criteria population density per sq. km. According to the OECD certain area is rural with a population density less than 150 inhabitants per square km, while EUROSTAT adopted density below 100 inhabitants per square km. as a criterion. The municipalities are the basic administrative-territorial units so we can consider the territory of municipalities with centers villages or small towns as rural areas. In the group of rural areas are classified almost all Bulgarian municipalities, except those in big cities and district centers. According to the Law for Regional Development of 1999 rural areas are defined as "municipality on whose territory there isn't a city of over 30 thousand residents and population density below 150 inhabitants per square km". Other authors define rural areas as "compact part of the national territory, including villages and small towns with main economic sector agriculture

and complementary activities – forestry and fishing, crafts and rural tourism."

Rural areas have the following characteristics:

- Areas on a small scale and poorly developed.
- These areas are remote from major cities. The problem with the distances will be resolved with improved transport infrastructure.

Rural economy is largely dependent on available natural resources. In these areas are developed primarily agriculture, mining, forestry and other activities that constitute the main source of income for people living there. Other features classifying rural areas are: geographical position, natural environment, the number of population, the level of infrastructure development.

The number of population in these regions ranged from 200 to 30 000 inhabitants, and in some villages live only a few elderly people. According to their economic and social characteristics rural areas are divided into developed and underdeveloped. The second category includes mountainous, hilly and border areas. For classification of rural areas are selected six indicators that form the complex criteria for determining the type of rural area:

- Absence of large city with over 30 thousand inhabitants.
- Operating income per capita for two of three consecutive years is not more than 30% of national average.
- The average annual unemployment rate for two consecutive years from three is more than 50% above the national average for the last year.
- Population density is less than 75% of the national average.
- Share of territory occupied by agricultural and forest areas is more than 20% above the national average share of agricultural and forest areas.
- The share of employees in agriculture and forestry of all employees is more than 20 percent above the national average for last year.

This complex criteria outlines two types of rural areas - developed rural areas and underdeveloped rural areas. As underdeveloped rural areas are classified those municipalities that meet the first three and at least one of the other requirements of complex criteria. In Bulgaria, around 34 rural areas are

determined by this criteria as the backward rural areas. The population of poor rural areas amounted to about 1 million, or 12.2 percent of all population of the country and the total amount of their territory is 27,000 square kilometers.

Remoteness from urban centers is another criterion, which divides the regions. Those close to large cities have greater opportunities for development than the distant of them. Characteristics of rural areas appears to be considered for specific areas.

National plan for rural development

Development of agriculture and rural areas in Bulgaria is associated with the need for accurate and coordinated intervention by the government. For the period 2007-2013 is established National Plan for Agriculture and Rural Development. Objectives, priorities and measures of this plan are coordinated with the National Plan for economic development for 2007-2013.

The national plan for development of rural areas is based on three main principles:

1. Development of competitive agriculture and forestry, coupled with innovation-based food industry.
2. Preservation of natural resources and environmental protection in rural areas.
3. Promoting employment opportunities and improving social infrastructure and quality of life in rural areas.

The plan is harmonized with the National Strategic Reference Framework for 2007-2013, whose task is to achieve high economic growth through knowledge-based economy in line with the principles of sustainable development. The three objectives of the plan are aimed at improving economic and social conditions in rural areas through a competitiveness, market efficiency and raising living standards of the population.

The first objective is the development of competitive agriculture and forestry. Improving economic conditions in rural areas is directly linked to agriculture because it is the predominant industry in these areas. Investments in farms is a priority in Bulgaria, to be Bulgarian agriculture competitive in Europe and meet all EU requirements.

The second goal aims to conserve natural resources and the environment. Implementation of this objective is linked to

the National agri-environmental program and the European ecological network Natura 2000. The main activities in this program are related to the preservation of agricultural lands with high nature value, conservation of biodiversity, maintaining the traditional features of the landscape and the development of organic farming.

The third goal is aimed at promoting employment opportunities and improve living standards in rural areas. These areas have significant resources, enabling them to achieve development. Currently, the service sector in rural areas is not sufficiently developed, necessitating the need to support the sector in order to prevent the depopulation of them.

Achievement of the objectives of the plan is not possible without the participation of people from the regions and the efforts of local authorities.

Key indicators for rural development

Rural areas can be classified according to different criteria. Indicators of demographic, administrative, infrastructural and social development of the region can be divided into two groups: general and criteria reflecting the problems in rural areas. The general criteria include geographical location, size, number of inhabitants, population density, remoteness from urban centers and indicators characterizing the natural conditions of the area.

The second group of criteria includes indicators which reports socio-economic problems of the region: unemployment, employment, age structure, migration, types of migration, depopulation, level of infrastructure development, development of agricultural and non-agricultural sectors, gross added value per capita, average wage, environmental protection. The most common indicators in this group can be summarized as economic, social and socio-economic. Economic indicators reflects the level and dynamics of production and marketing to the number of inhabitants. Social indicators shows the level of living standard, poverty and access to social services.

Socio-economic indicators are used to measure the economic and social development of the area. They include:

- The level of income as a measure of the living standards.
- Stability of the municipal budget and its

ability to respond to economic and-social needs of the region.

- Unemployment and Employment rates
- Population of the rural areas - changes in the number of inhabitants and the natural and mechanical population shift.
- Indicators reporting development of transport and social infrastructure.

The indicators have to measure the development and main characteristics of the rural areas. There are many indicators that forms the different groups of rural areas. We need to look for criteria which cover a group of indicators, representing the main features of the condition of rural areas. Such indicators are the source of income, employment and demographic stability. Each region can be assigned to a group of rural, if the value of the indicators are lower than average. Each area designated for rural can be classified in turn to the group of developed and underdeveloped rural areas.

The information for classification of the regions have to be correct and reliable. Currently, information has several disadvantages, such as slowed information processing, lack of data on private sector and some municipalities.

Source of income is the first indicator for the classification of rural areas. The nature and purpose of the presented development projects by the local authorities are determined by the leading sector in the rural economy. According to the source of income is determined whether the investigated area is rural and what type of rural area is: developed or underdeveloped rural area. Source of income for the rural population may be as agriculture and any other sector for which there are conditions for development - mining, tourism, forestry, or other non-agricultural businesses. A rural area may be defined as a developing countryside if there is well-developed agriculture adequate to the natural resources of the region. In such areas the land is highly productive, markets are relatively close and transport costs are low. In addition, they have developed manufacturing industry and good infrastructure. Underdeveloped rural areas are those without adequate conditions for intensive development of agriculture. This type of rural areas are less attractive to live and have constantly shrinking populations, their

infrastructure is underdeveloped. These are mountainous, hilly and border areas.

According to the indicator 'source of income' there are two types of areas - rural areas with the main source of income from farming and rural areas with income mainly from non-agricultural activities.

The second indicator of development is employment rates. This criteria is used in development projects for rural development by the EU. The increase in employment creates conditions for maintaining and increasing population in these areas, therefore the change in employment is given as a criteria for rural development. Increasing employment and population leads not only to revitalizing the area, but also to economic growth. Employment as an indicator for the classification and evaluation of rural areas is preferable and often used because of ease of measurement and greater confidence in relation to information for rural areas. This indicator has drawbacks such as: individual residents in the rural area can work at more than one firm, many workers of the family are considered inactive, but actually work in their own farms; in the employment rate are not included income of profits and rent of land.

The third indicator is demographic sustainability. Migration to and from rural areas and population age structure give an idea of the conditions of working and living in this area. If the population of the area is constant, it is developed and vice versa. This parameter indicates whether employment has reached a constant level in which there is no need to leave the rural community area.

Problems in development of rural areas

In rural areas are outlined several typical problems.

Low income and employment are among the main problems inherent in the rural areas. They emerge in several aspects: problems with the labourforce, low labor productivity, lower prices of agricultural products.

Typical feature of the rural areas is the surplus of labour force due to fewer jobs that are opened. Most new jobs are for unskilled workers, so the wages and nature of the work are unattractive. Workers with higher qualification migrates to the cities. In rural areas remains peoples mostly in retirement

age. These problems can be solved by creating more employment opportunities and extra income for the people of these regions. Problems of the laborforce are the most serious and difficult to solve because they affects people with their skills, initiatives and opportunities. Besides unemployment, another problem is the depopulation of the rural areas and strong aging. In rural areas there is also low labor productivity, which may be increased by introducing more modern technology, upgrading skills of workers, providing better working conditions.

One of the reasons for lower income of the people in rural areas are the low prices of agricultural products. Thanks to market forces demand for basic goods grows up more slowly than that of luxury goods and services. Sometimes purchase prices are maintained intentionally low, when there is only one buyer (or group of purchasers) in agricultural production. To solve this problem at least partially, many farmers are trying to increase their income by processing the raw material and production of finished products, i.e. closing the production cycle. In many regions is not developed cooperation of farmers.

Second group of problems are associated with poor working and living conditions in the rural areas due to underdeveloped infrastructure and public services. In the state of infrastructure - roads, water supply and sewerage, electrical and communications networks, is more than poor. This situation, together with the low quality of health and education, is the main reason for migration and depopulation of rural areas. Solving these problems is possible through close cooperation with local government authorities which make efficient the use of opportunities provided by EU for regional development.

Another problem is economic insecurity generated by the realization of agricultural production. The market economy mechanisms increases the role of supply and demand as factors that dictates the prices of agricultural production. The adverse natural conditions are also a factor for inconsistency in people's incomes.

State of the environment further reduces the quality of life in rural areas. Much of the agricultural land in Bulgaria are polluted with pesticides or by industrial plants, making it

difficult to produce quality and healthy products. However, Bulgaria also have many beautiful places with preserved natural environment, a prerequisite for development of ecological and rural tourism.

Possible ways of solving the problems of rural areas

There are different methods and approaches to solving the problems of rural areas.

A fundamental principle of the EU is implementing approaches that will achieve and ensure long-term sustainable development of rural communities without continuing to depend on external intervention of the state.

There are three different approaches for solving existing problems in rural areas.

At first the state is supposed to be inefficient trying to solve problems. The market forces have to solve the problems without governmental intervention. The second is the approach of government intervention which have to solve the problems because it is considered that this is beyond the powers of local authorities and the problems could not be solved through market forces.

Supporters of the third approach consider that attention should be directed to the city, which is the center of the municipality and its development will have an impact on the whole rural area. Most suitable approach would be that combines both the state intervention and promoting the potential of local people to resolve problems in a way that would create sustainable development.

There are several measures that would help solving existing problems in rural areas.

One of them is the adoption of complex programs reducing economic disparities among the rural areas. They are caused by natural circumstances or underdeveloped infrastructure of the different regions mostly mountainous and hilly areas.

Diversification of activities in farms would be applied by several initiatives that would encourage farmers to start with new activities in addition to traditional agriculture - such as producing food with specific taste, growing herbs and production of ecological and healthy foods, creating a small scale industry firms, development of services and trade.

Another way is development of integrated local economies. In this case the needs will be satisfied within the local economy as production and processing units remain within

the region. For example, development of rural tourism can make attractive and winning many local manufactured products and goods, which in turn will help their producers. Better access to services, information and development of advanced technologies will enable people to live and work away from the city. That will also improve the competitiveness of existing businesses.

Another means of solving the problems of rural areas is increasing professional knowledge and adopting new, which will lead to retraining and provide additional income to people. In this case it is particularly important public policy support and advices to farmers, entrepreneurs and local authorities.

Solving problems related to employment and unemployment requires efforts and resources in the municipalities to focus on generating employment in all sectors - agriculture, development of small and medium business, attracting investors, expanding the public and private sectors. Municipal governments should develop and implement measures for increasing the economic activity of population, providing better adaptability of businesses and the workforce to changing conditions.

After restitution of the land in 90th years it was divided to many owners, leading to fragmentation and impossibility to apply modern farming practices.

It is necessary to carry out consolidation of existing parcels and ensure development of the land market in Bulgaria. It has been shown in practice that larger farms have lower cost of production and higher returns on capital investments. The state should conduct policy of support for family farms to be able to resist the increasing market competition.

It is also needed protection and tax preferential policy lending (granting interest-free and low-interest loans) to farmers. Lending to agriculture is hampered by high inflation, high interest rates, lower purchase prices of production. For these reasons, the financing of projects in agriculture is difficult, but the motivation for investment is very low. Should

be increased macroeconomic stability by reducing inflation and interest rates. This will create real prerequisites for the development of profitable agriculture and to encourage investments in the sector.

Another key initiative for rural development is stimulating entrepreneurship. It have to be created conditions helping people to start new businesses.

During the years of transition to market economy a significant part of the Bulgarian rural areas was depopulated. This created conditions for a waste of valuable resources of the country. Developing a special program for absorption of uncultivated land is closely linked to achieving the main objectives of the National Plan for Rural Development. It is unacceptable to leave uncropped fields. Special attention should be devoted to programs for the development of border areas.

CONCLUSION

Rural areas occupy 81% of the territory and 42 percent of the population. Total 231 municipalities in Bulgaria have been classified for rural areas. There live approximately 3.2 million people. Welfare of a considerable part of the Bulgarians depends of development of rural areas. The country has fertile soils and favorable climatic conditions for growing different crops which on suitable farming practices can produce higher yields. Much of the Bulgarian nature is preserved and allows the development of alternative and rural tourism. These natural resources are found as option for appropriate measures by the state and initiative by the people living in rural areas to achieve the desired social and economic development.

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