

Disintegration, the reason for policy failure – *an analytical model of integrated rural development*

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Abstract

Our paper explores, on a theoretical level, the reason for frequent failures of rural development policies and identifies some potential improvements in rural policy making in Europe. Our approach to dis/integration concerns actors, resources, institutions, knowledge, the fundamental logic of development, and the interplay between two distinct levels of rural development: the level of policies, or central intervention; and the level of local aspirations aimed at improving everyday rural life. Along these lines, two characteristic systems of rural development – the central bureaucratic and the local heuristic – can be clearly identified. Ideally, these should work in co-operation, complementing each other, forming an integrated development system, where rural policy serves to (i) channel resources, establish strategic aims and development models in a top-down mode, and (ii) convey information and mediate social, economic, political interests in a bottom-up mode. However, lack of integration and divergence of interest can lead to dysfunction, conflict and dissipation within the system. We argue that rural development policies tend to fail because the central bureaucratic system imposes top-down control and objectives throughout the development process, thus failing to sufficiently promote the reconfiguration of local resources, which is better achieved through bottom-up processes and the local heuristic system. In other words, the tendency to disjunction between the two basic socio-political systems of rural development is the main reason for the failure of rural development policy. The paper offers analytical models of integrated and non-integrated rural development systems and illustrates the argument through some examples taken from the community initiatives and the pre-accession policies of the European Union.

Introduction¹

The situation and development problems of the rural areas of Europe is a very complex matter, since a large number of factors – globalisation, technical innovations, ‘natural’ socio-economic changes, etc. – has strong influence in the evolution of European rurality. Nevertheless, observing the history of EU policies one could say, that there has

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been a continuous positive intention to improve the situation. During the last decades a huge amount of money, human resources and political intentions, were pumped into the maintenance and the development of Europe's rural areas, through the CAP, the Structural and Cohesion Funds and domestic rural policies. On the other hand, the everyday aspiration of rural people to make local life better, together with waves of central policies trying to support this process – like LEADER, or support for SMEs, job creation, etc. – intended to have similar effects. Yet, results of all these efforts are not very positive: there is environmental and social degradation and depopulation in many rural areas of Europe, there are growing geographical disparities and a high level of disillusionment amongst rural people.

Why is it like this? What can be the fundamental problem, causing dysfunction in the development system, in spite of all effort and aid invested in the betterment of rural areas? How could we do better? Being rural sociologists, working with primarily qualitative methodology we believe that these types of questions do not have easy answers. Yet, we hope that through a new classification of rural disadvantages and a simple model of integrated and non-integrated rural development systems we can illuminate some of the most important reasons beyond the failure of European rural policies.

1. A working definition of integrated rural development

In their article Van der Ploeg et al (2000) suggest that a new model of rural development that emerges slowly but persistently in both policy and practice should be followed by a paradigm shift in associated theory. They suggest that “there is a need for a new rural development paradigm that can help clarify how *new resource bases* are created, how the irrelevant is turned into a value and how, after combining with other resources, the newly emerging whole orientates to new needs, perspectives and interests.” (2000:399). They state that, the new rural development paradigm emerged as a set of responses to the old, modernisation paradigm - marking a clear divorce from the deterministic nature of the old order. Nevertheless, the new paradigm still has its roots in the past, since rural development is usually constructed on the back of existing production structures (Murdoch 2000). The new paradigm is first of all connected to those trends, which have been trying to solve problems arising from the modernisation paradigm that shaped the European rural economy and society in the post War period. Though it has also strong connections with cultural traditions and social networks that predate the recent modernisation period.

The literature² feeds a number of elements into the ‘new paradigm’. The founding fathers of the endogenous development paradigm (Bassand et al. 1986) already established most important elements – such as the importance of endogenous resources, their marketing, the control of the process, external relations, local participation and leadership, subsidiarity, integration of economic sectors, etc. (Brugger 1986, pp.47) – subsequent theories concentrating on various aspects of rural development all offer valuable contributions. The ‘endogenous paradigm’, contradicting modernisation, put the main emphasis on the importance of participation, empowerment of local actors and unlocking of local resources. This was seen as the only way to protect rural values and enhance the rural economy at the same time (Shortall and Shucksmith 1998).

² A much more comprehensive review of the literature see in Nemes 2005/2.

Nevertheless, when disregarding extra-local influences and possibilities (positive and/or negative), this approach may close whole areas into low trajectories and misses the chance to explain important developments connected to global processes (Lowe et al 1995).

The theory of 'rural districts' (Marshall 1890 and 1927 cf. Fanfani 1994; Lowe et al 1995) is standing on a similar platform. However, it emphasises the importance of long standing socio-economic networks and a certain institutional thickness, trying to explain the economic success of these areas and clarify how they can penetrate global markets with their local products. Nevertheless, this approach can only be applied in a very limited scope, since these practices are difficult to transfer from one place to another and successful rural districts are still exceptions, rather than a rule for much of European rurality (Cécora 1999). The 'network paradigm', embracing previous exogenous and endogenous approaches, offers 'a third way', calling attention to the connections between local and extra-local networks (Lowe et al 1995, Amin & Thrift 1995; Cooke & Morgan 1993; Murdoch 2000). It explains rural development in the framework of innovation, learning and external intervention; and understands it as a set of power relations, 'who holds control', being the most important factor for local areas. However, as critics say, this approach is still too deeply rooted in the endogenous paradigm, and offers little help for the most backward rural areas, which, lacking resources and/or human capacity, have hardly any chance to develop sufficient networks or to be 'ahead of the game' in any way (Murdoch 2000). Multifunctionality and the 'cultural economy approach' offer different routes for rural development, subsequently seeing the way forward in the role of renewed agricultural production and connected activities (small scale processing, the maintenance of environment, etc.) or in the marketing of socio-cultural traditions, through ethno/green tourism and locally specific production. Nevertheless, these alternatives should be understood as complementary, rather than mutually exclusive possibilities for rural development.

The formulation of the new rural development paradigm, therefore, benefits from existing practices and a range of theoretical considerations. The literature offers a number of definitions for rural development, concentrating on various aspects and considerations. However, there is a wide agreement amongst authors that the 'new rural development paradigm' is still nascent concept informed by contemporary procedures and practices; therefore, we should not rush into exclusive, generalising definitions. Van der Ploeg et al (2000:396) believe that "the concept of rural development is above all a heuristic device. It represents a search for new futures and reflects the drive of the rural population. It goes beyond modernization theory where the problems of agriculture and the countryside were considered resolved. Definitive answers, however, are missing and if offered should be mistrusted. Rural development theory is not about the world as it is, it is about the way agriculture and the countryside *might be* reconfigured."

Nevertheless, we would like to offer here a working definition. It does not intend to be a final or an exclusive one, but tries to give a broad framework for this study and to indicate our approach to rural development, agriculture, EU policies and connected matters. The definition of what we call 'integrated rural development' is as follows:

Integrated rural development is an ongoing process involving outside intervention and local aspirations; aiming to attain the betterment of groups of people living in rural areas and to sustain and improve rural values; through the redistribution of central resources, reducing comparative disadvantages for competition and finding new ways to reinforce and utilise rural resources. It is integrated in the sense that - as opposed to

central development - it is controlled and managed locally; but – opposed to local development – besides local resources it also leans on the professional and financial support of the centre. In other words, *integrated rural development* could be called the theory of the ‘new rural development paradigm’ which tries to identify how local development and/or the reconfiguration of rural resources can be helped by the centre; for the benefit of rural localities; at the same time maintaining rural values for the future.

‘*Integrated rural development systems*’, in this understanding, are particular setups of central and local institutions (such as: administration, knowledge, information and decision-making systems, social networks), working in coherence and so being able to realise the ideas of integrated rural development theory.

2. Rural disadvantages - access and resources

Rural areas need protection because, resulting from a different development trajectory, they have serious comparative disadvantages in the context of growing global market competition. One of the main aims of rural development is clearly to eliminate or overcome these comparative disadvantages, to ensure fair competition and social and economic cohesion between different areas. The current 'comparative disadvantages' originate from two different sources³:

- one is underdevelopment of different infrastructures, resulting in limited communication of people, products, money and information; we will call these *access-type disadvantages*;
- the other is the limited ability and resources to produce goods and services, saleable on the global market; we will call these *resource-type disadvantages*.

Access-type disadvantages are usually visible and quantifiable results of uneven development, based on imperfect resources. They limit different types of access to, and from, peripheral areas, namely: *physical*; *economic*; and *political (or policy) access*.

The most obvious example is bad *physical access*, due to poor physical infrastructure (roads, telecommunications, amenities, etc.), which sets strong constraints on the movement of people, goods and information, limiting 'physical access'. For example the lack of good roads limits: the possibility of commuting from a peripheral area into a nearby industrial centre, the transport of goods produced or the number of tourists attracted. On the other hand, it also limits the attractiveness of an area for industrial inward investment. The lack of so-called soft infrastructure (such as: business and financial services; educational institutions; or health services) is less visible, but causes similar results. It limits the movement of money (investment) and businesses, again, into and out of these areas, constraining *economic access*. For example, the lack of local banks and personal connections to them limits entrepreneurs to access financial resources and the banks access to their potential customers. Large outside investors

³ In fact, they both originate from being on a different development trajectory, experiencing slower social and economic change, having weak representation in political decision-making and gradually losing natural, economic and human resources to the benefit of the 'centre'. However, the two areas of disadvantage, described here, represent different type of problems and need different approaches and solutions.

usually use their central facilities for financial services, often even build their own training centres, but the lack of these services can easily become an obstacle for smaller investors. The third type of deficiency is due to the shortage of public and civic institutions, such as: public administration; organised interest groups; various agencies and umbrella organisations for civil societies; development associations; and often even representation of political parties. The lack of these hinders *policy access*, or the ability of central organisations to reach the peripheral areas to enforce regulations or to offer resources for development. Without a functioning local administration it is impossible to maintain even basic services, or to distribute government benefits to those in need. Without working civil society it is difficult to know what people of a certain locality wish for their future. The consequence of all of these deficiencies is *limited access*, resulting in limited communication (of capital, goods, people, information and policies) into and from the peripheral areas. This causes the exclusion of these areas from mainstream economic, political and cultural life and maintains their underdeveloped status.

Resource-type disadvantages of rural areas are the result of their long-term economic and political dependency on urban centres, their unfavourable economic structure and/or geographical location and their limited access to goods, information and central resources. These disadvantages limit the ability of rural areas to produce goods and services saleable on the global market and they could be classified as low *financial, human, and institutional resources*.

The most obvious example of a resource-type disadvantage is the lack of *financial resources*. In peripheral areas, businesses, people and even local authorities are poorer and have limited capacity. Capital accumulation (if there is any) is slow in primary production, the risk is very high and there are often other factors limiting the ability of entrepreneurs and local authorities to find capital for investment⁴. The scarcity of different types of infrastructure can also be understood as a resource-type disadvantage, if it sets constraints on local production and the development of businesses⁵. Another group of disadvantages arises from the weakness of *human resources*. Rural areas are often sparsely populated, providing less manpower and purchasing power than urban ones. Apart from numbers, the make-up of the population can also be an impediment with a high proportion of poorly educated, ageing residents and, in the CEECs at least, disadvantaged ethnic minorities. As a result of severe out-migration, whole generations can be absent in certain rural localities and those who left were usually the most educated and resourceful young members of the community. As a result of weak human resources and long-term economic and political dependency, there is often a weak culture of entrepreneurship and community resources can be on a low level. In general,

⁴ In Hungary, for example, agricultural land, livestock or machinery cannot serve as a deposit for bank loans. This makes it simply impossible for many agricultural entrepreneurs to get a loan. Much local infrastructural development has failed, because local authorities were unable to provide even 10 or 20% of the investment. Therefore, according to the generally applied additionality requirement, they were not eligible for government or PHARE aid. The lack of money is most often quoted as the main reason for backwardness of rural areas.

⁵ The lack of roads between villages, for example, limits local communication, the development of social networks, co-operation and businesses. Missing amenities and tourism infrastructure (hotels, B&Bs, restaurants, craft shops) makes it impossible to encourage tourism potential. The lack of banks, financial and advisory services or just a local post and other offices in an area makes the running of any business more costly and time consuming.

there is a lower capacity for innovation and learning than in urban areas⁶. *Institutional resources*, or a certain thickness of local institutions (formal and informal), (argued by Amin and Thrift (1994) and others) can also be absent. Moreover, in those areas where human resources are the most eroded, even a culture of mutual trust and willingness to co-operate can be missing, making it difficult to initiate or carry out any sort of development. The shortage of public and civil institutions, also mentioned as an access-type disadvantage, inhibits the ability of backward areas to recognise and efficiently express their needs and to attract aid and financial resources⁷. These *resource-type disadvantages* would disable rural areas in global competition, even if they have appropriate access to the markets.

Amongst the core EU policies, promoting the cohesion of underdeveloped areas, measures aimed at access-type disadvantages predominate. Resource development and empowerment of backward areas have always remained marginal targets in the policy arena. However, access is a two-way concept. Isolation can be very damaging for a locality, but it provides some protection against global competition. Suddenly removing this protection without reinforcing the local economy can cause serious further damage. Access, therefore, might be a necessary, but is certainly not a sufficient condition for the development of backward rural areas. Promoting the reinforcement and utilisation of local resources from central sources is difficult and problematic but critical for rural development and a lack of such resources may result in policy failures.

The central, the local and their integration

The following sections intend to clarify various elements of the above definition, such as: what we understand on centre and periphery, central and local development systems, how we differentiate between rural disadvantages and how they can be tackled through different strategies. Then we outline simple models of non-integrated and integrated rural development systems suggesting that through the latter one integrated rural development might be achieved.

3. Centre and periphery

Rural development marginality is usually understood in geographical terms and is often synonymous with peripherality or remoteness. In this sense, it has long been recognized that people living in rural areas have suffered problems of physical exclusion from urban-based services and jobs (Lowe et. al. 1995). Nevertheless, for rural development '*centre*' and '*periphery*' can be seen in a number of dimensions. For this study, besides the geographic interpretation, we also consider economic and political understandings as follows:

⁶ Nevertheless, in other cases innovation and flexibility, co-operation and learning are the main factors for flourishing rural economies.

⁷ In the world of bidding and competitive applications for almost every available resource it is crucial to have local partnerships and a well functioning local development organisation, preferably with a somewhat charismatic leader. To reach positive results it is also essential to have at least a degree of consensus about the main direction and areas of local development.

The '*economic centre*' for this study consists of large European economic players, such as: particular Member States; large interest groups (the European Farmers' Union – COPA – for example); and the so-called 'eurogiants' – multinational business corporations (Amin and Tomaney 1995). All of these economic players have significant power and resources to influence the flow of goods, services and investments, acting as bastions of the European economy in conditions of increasing global competition. On the other hand, they can have enough political influence to effect changes in the ruling policy paradigm. In contrast, local rural economies, with a high ratio of primary production and low value added, consisting mainly of very small firms, are often at the bottom end of vertical integration. These have negligible economic, financial and political weight and could be called the '*economic periphery*'⁸.

The '*political centre*' for this study is the 'political building of the European Union'. This 'building' is not easy to capture, since the political power of the EU is spread between different political, juridical and bureaucratic institutions (such as the European Council, the Parliament, the European Court of Justice and the Commission) and financial institutions (such as the European Investment Bank) of the EU. The EU as a political centre is said to be largely influenced by the most powerful Member States; by the 'euro giants' and large international organisations (WTO, NATO e.g.) (Amin and Thrift 1994, Korten 1996, Tucker 1999). Nevertheless, the EU is a political entity, having its own traditions, rules and procedures and bureaucratic power and a growing influence in many areas of economic, social and political life throughout Europe. The political centre designs and implements most of the policies and initiates changes (first and second order changes, *ibid.*) within the ruling paradigm, as part of normal policy evolution. In contrast, rural areas of the EU are usually sparsely populated, having neither a strong electoral basis, nor economic power. There is a smaller density of governmental and non-governmental institutions and there are generally fewer informed and influential people living in these areas. As a consequence it is difficult to get political representation or influence here, and these areas are most of the time on the 'receiving end' of the policy line. Therefore, rural areas are usually in the '*periphery of political life*'⁹.

The '*geographical centre*' for this study is a highly urbanised geographical area, with a dense network of cities, industrial and service centres, extremely well developed infrastructure (of all sorts); rich human and institutional resources and networks. According to Eurostat 'peripherality index' (European Commission 2002) the central area of Europe consists of the Southeast of England, the North of France, the Benelux countries and West Germany. With a buffer zone around this area, everything else (such as Ireland, most of Scandinavia and Southern Europe and of course all the applicant countries) is on the geographical periphery. According to another approach, often cited as the 'developed banana' of Europe (Amin and Tomaney 1993) the North of Italy should be added to the developed areas. Undoubtedly, these regions are the most urbanised ones in Europe, while, the ones on the periphery, with a much looser network

⁸ Some rural economies of Europe, such as Emilia Romagna in Italy, are remarkable exceptions from this rule (Brusco 1982).

⁹ However, counterurbanisation, rural renaissance and not in the least international networks of rural regions, developed or encouraged by EU policies have brought significant changes in this issue. Rural regions of Europe are becoming increasingly powerful.

of smaller cities and generally lower level of infrastructure and resources, are the most rural ones.

The three aspects of *the centre*, described here, complement and reinforce each other in a number of different ways. Some of these are obvious, such as the highest degree of economic and political power (e.g. headquarters, political institutions). These are concentrated in central geographic locations, leading to far-reaching consequences for the development of these regions. Others are more obscure, such as the ways economic power is converted into political influence and vice versa¹⁰.

4. The central and the local system of rural development

Europeanisation is about opening up political, economic, geographic and social space. This is being carried out through the reduction of a wide range of traditional protection mechanisms of these spaces. The process serves the interests of the *economic centre*, the market, international capital and multinational companies. Nationally or regionally specific rules and regulations currently represent obstacles for the free movement of people, goods and capital. Business needs to have *access* to local and regional economies. To achieve this, generally accepted regulations and policies, to ensure the necessary conditions (stability, proper relations, common technical standards, etc.), are needed. The European Union, the *political centre* of Europe, can be seen as a central organisation, which can design, negotiate and enforce these conditions. The continuously growing common regulations on markets, trade, safety, environment and different aspects of production, aim to provide for the access required by the *economic centre*. All these regulations are supposed to create similar circumstances for businesses and capital investment in all areas of the EU. In other words, Europeanisation essentially means growing accessibility to all areas, participating in the game. Like this, the playing field for competition becomes the same global economic space of production and consumption of goods and services for all areas. All this results in a growing 'global' competition, the rules of which are set by the '*centre*'.

Europeanisation, therefore, exposes peripheries to growing global competition. As a result of being on a different development trajectory, rural areas usually have a weak starting position and a low level of control during the process and thus have a comparative disadvantage. Consequently, they can easily lose much of their remaining resources that can jeopardise their future development possibilities¹¹. At the same time this could also endanger the existence of those ecological, cultural and community values, which have been maintained in rural areas. This would entail a significant loss for the whole society and it is this which provides moral and democratic legitimisation for rural development. The resultant social, economic and environmental problems in rural areas can have a knock on effect on urban areas which provides additional political-economic legitimisation for rural development. Therefore, in parallel with the ongoing process of Europeanisation, intervention is needed to avoid or lessen its

¹⁰ It is often difficult to capture, how economic corporations or powerful Member States do actually influence political decision making. To reach their aims, these actors do not only use their political representation. Most of their influence is reached through lobbying, holding back or distributing information or affecting public opinion through networks, financial or political power.

¹¹ Newcomers or external investors can buy up houses, land and other means of production, depriving locals from the utilisation of these assets in local development in the future.

negative effects on peripheral regions. This intervention is usually called *rural development* by policy makers and it is done through: setting new rules for protection (replacing traditional domestic protection mechanisms); redistribution of resources through aid, agricultural subsidies and development policies; and providing assistance for local actors to unlock local resources.

On the other hand, *rural development* can also be seen as not an outside intervention, but the aspiration of local people living in rural areas for taking the challenge themselves and improving their life circumstances and their immediate environment. According to Van der Ploeg et. al. (2000:395) “rural development is reconstructing the eroded economic base of both the rural economy and the farm enterprise... (and) represents the well understood self-interest of increasing sections of European farming (rural) population.” This aspiration is embodied in the work of individuals, private businesses, local institutions of public administration and political parties, and various forms of civil society. Local actors, seeking more influence and better results (and/or to fulfil the requirements of external aid for development), often form development associations and partnerships. They try to achieve these aims through both unlocking local resources and attracting external ones (aid, public investment, direct private investment). This type of rural development is a ‘heuristic device, which “represents a search for new futures and reflects the drive of the rural population” (2000:396).

Along these lines two types of complementary rural development systems could be distinguished, existing in parallel, though often being in conflict with each other. They carry significant and characteristic differences concerning their aims, actors, motivations, constraints, resources and overarching logic.

One type could be called the *central administrative system* of rural development, based on fundamentally top-down interventions of the political centre. It comprises such elements as: European and domestic policies; centrally redistributed resources; institutional networks; skills, technical and procedural knowledge of various level bureaucrats; strategic development plans; central rules and regulations; representation of high level interest groups and NGOs, etc. It has a formalised and *institutionalised* character. It is based on written rules, established procedures and controlled by bureaucratic institutions. It uses external resources for intervention, usually works with a very narrow flow of information, with high transaction costs and aims at quantifiable results. At the same time it can have a large scope and embrace higher level or long term strategic objectives, which are above short term economic rationality¹². It is dependent on and driven by the modernist technological regime, and a central development logic¹³ - in other words by the ruling policy paradigm. The central system

¹² The central system can give preference to environmental protection before economic growth, for example. As a result, agri-environmental programmes or ecological regeneration plans can be designed, which are costly, but in the long run improve the environment and the livelihood of the people at the same time.

¹³ A technological regime is a more or less coherent set of laws, procedures, agendas, artefacts, knowledge, organizational patterns, designs, etc. that together structure technological development (Van der Ploeg and Renting 2000). According to the modernist regime, development was seen in concentration of economic power, exploiting economies of scale, and creating formalised institutions in an attempt for centralising decisions and operations (Brunori and Rossi 2000). In agricultural production, for example, the main targets were cost reduction, intensification and specialisation, which resulted in widespread monocultures on the European countryside. This process could be identified as one of the main components of what could be called the *central development logic*.

contains various levels, including EU or domestic level, but depending on its size and the kind of intervention, the regional level can also belong to here. Vast majority of EU and domestic rural policies belong to this system. Its overarching aim is to serve the interests of *the centre*, providing access to local economies and creating a reasonably balanced and 'peaceful' environment for economic development.

The other type could be called the *local heuristic system* of rural development, based on essentially endogenous, bottom-up processes. It comprises such elements as: local economic, political and social actors; local development plans; social networks and kinship relations; local authorities, innovative individuals, development associations and partnerships as well as the development skills and experiences of these local actors. Although it builds upon local resources, rural values and synergistic effects of multiple activities, it often needs external finance and encouragement (financial resources, technical assistance, mediation, expert knowledge, etc.). It is usually based on deep and responsive knowledge to local matters, very wide information flows, and an often loose network of public sector and civilian organisations of a certain locality. Institutionalisation and formalisation is usually low. This type of development tries to give flexible responses for internal and external challenges and possibilities in order to protect and improve local life and values, keeping benefits mainly for the locality. The resulting local development systems, in compliance with varied circumstances, can be very diverse or specific and difficult to transfer to other localities. The geographic level for this type of development varies according to local circumstances, though the sub-regional and other 'more local' levels below that seem to be the most appropriate. The overall logic of the local development system is rooted in the 'new rural development paradigm'¹⁴ (see examples earlier in this study).

Concerning human actors of the two systems, additional important differences can be pointed out. Dynamic actors of local rural development systems, such as leaders of rural development associations, organisers of local co-operatives or private entrepreneurs, work for the betterment of their immediate environment. Their work often has a very direct effect on the lives of themselves and their friends, neighbours, families. Therefore, due to their local embeddedness, they are under the moral control of their own community. Beside public money and aid, they usually risk their own savings and other resources as well. They usually have deep, insightful background knowledge and a continuous flow of information about their area, but often cannot deal with the bureaucratic rules of central policies. They are often very committed and have strong views on the future. This might mean less objectivity and can make them prone to mistakes during the development process¹⁵, but it also keeps them going and preserves their faith in times of decline or problems. In certain respects, they have a short timescale on the one hand, since they have to produce results quickly, to convince others to join, and encourage the outside world to support their ideas. In other respects

¹⁴ Opposed to centralisation and specialisation tendencies in modernism, new rural development activities go back to historic traditions, re-moulding the social and the material, based on diversity and pluriactivity to an extent, when researchers talk about 'repeasantisation' of the European countryside and agricultural production (Van der Ploeg et al. 2000). This process could be understood as one of the basic elements of a *local development logic*.

¹⁵ Such as: exclusion of those who they do not like or do not agree with; supporting and investing public and private resources into unrealistic ideas. These can cause legitimacy problems and can damage local economy and society.

they operate to a very long timescale, since they stay where they are and 'have a whole life to spend there'. The main concern of their work is to attain the betterment of rural life and reach results often of a non-quantifiable nature.

Actors designing, administering and controlling central policies (politicians, bureaucrats, public servants) come from a very different perspective. They have to deal with other people's lives and ideas, which usually have no effect on their own. They are high up in the system, seeing a broader picture, similarities, differences, successes achieved and mistakes committed elsewhere. As a result, they can take a more objective perspective which considers long term or indirect objectives. They are far from the field, have very limited knowledge and information about certain localities and never have enough time or resources to process and understand even the data they have gathered. They are under administrative and political control, deciding about public money, having imperfect information and resources for this, and a failure may put their career at risk. At the same time they have power and control by themselves, hence one of their main concerns can be risk avoidance, shifting the responsibility on to somebody else (officials lower in the hierarchy or the beneficiaries) if possible. They have an insightful knowledge of the bureaucratic structure, are used to strict rules and administrative procedures but also are the best placed to know how to 'interpret' them. They are often constrained by political commitments and other considerations, not recognised by outside observers. The main concern of their work is to fulfil the will of the political centre, achieving measurable results, designing and implementing policies in a transparent and accountable way, taking as few risks as possible.

Summing up it could be said that there are deep philosophical disparities between the two systems, or in other words they work according to significantly different development logics. One is rooted in the modernist tradition, the other in the new rural development paradigm, one works with a central, the other with a local development logic. As a result, the two systems (and their contributing actors) often cannot fully understand each other and it is hard to find good examples of long term, dynamic, balanced co-operation between them. Nevertheless, in reality any development process has to incorporate elements of both logics to have a chance to be successful. For example: central aims, such as the cohesion of different areas through structural development, are usually initiated by powerful central actors (e.g. the EU Commission), although the consideration of local interests and possible local effects, as well as the participation of local actors, is usually required for success. At the same time, a local development initiative, started by locals and aimed at their own environment usually needs some sort of technical or financial assistance (provided by the 'centre') to be able to take off, or at least needs broadly to comply with central regulations and strategies for the future.

5. Tackling rural disadvantages through different development systems

According to our initial definition of integrated rural development, The aims of rural development can be achieved through: *the reduction of comparative disadvantages for competition and the finding of new ways to reinforce and utilise rural resources.* Access- and resource- type disadvantages, (discussed above) are not independent. They are interconnected and often reinforce each other, multiplying negative effects in certain regions. Although they are difficult to separate, they should be tackled on different levels, through different approaches, institutions and procedures. The following section will explore how different rural disadvantages can be faced through the two identified development systems.

5.1. Tackling access-type disadvantages

Traditional development policies, determined by ‘the modernist technological regime’, recognise *access-type disadvantages* as the main cause of backwardness, as well as social and economic problems. According to this approach, through improved *access*, structural backwardness can be mitigated and peripheral areas can be connected to the circulation of economic life. The market, supposedly, will do the 'rest of the job'. This is good for *the periphery* since it brings in external capital and other resources (information, expertise, etc.), thereby revitalising the local economy. It is also good for *the centre*, since it opens up new space, markets, natural and human resources and supports the continuous growth of the global economy. Such an approach can be based on the following principles:

- development can best be achieved through large financial investments and by building infrastructure, agencies and administration;
- it should be based on programming, have large scope in terms of time and geographical space, and consider higher or longer term objectives (such as environmental goals or the cohesion of different areas);
- resources should be concentrated; this presumably brings better results, and also means large projects, which can be administered, controlled and evaluated by the central institutions all the way - enabling transparency and accountability of public spending;
- development resources should be additional to private and (domestic) public money, helping projects that could not be realised otherwise (this, again, often means expensive, large projects, such as building of motorways);
- during the development process, policies should consider and be continuously informed by local interests, effects and reactions.

All this corresponds well with what was said about the *central administrative system* of rural development¹⁶. The main target for this approach is the lack of physical access and infrastructure, understood as one of the most important causes of structural backwardness. The deep involvement of the central system in this seems to be rational, since it would be impossible to carry out large infrastructural developments (roads, communication lines, sewage systems, etc.) without central control, strategic planning and large external investments. This is also in line with modernisation and globalisation tendencies, economic growth and the usual bureaucratic and political requirements for spending large sums of public money. Nevertheless, if only some types of access are improved - namely the physical infrastructure, which is the easiest to plan, control, legitimise and carry out from a central perspective – it can lead to uneven development and the reinforcement of structural inequality.

¹⁶ This model is followed by traditional top-down development policies of the EU. Typical examples could be the Cohesion and the Structural Policies. To improve the three different types of access there are even different funds set up, such as the Cohesion Funds to improve physical access, the European Regional Development Fund (ERDF) and the Guidance section of the European Agricultural Guarantee and Guidance Fund (EAGGF) to improve economic and business access, and the European Social Fund (ESF), to improve social, policy access.

Tackling other *access-type disadvantages*, however, is less straightforward for the central system. Creating soft infrastructure for economic access (financial and market support institutions, vertical and horizontal integrations, all sorts of services, training, etc.), for example, requires less money and engineering work, but more organisation, connections, local knowledge and social engineering in general. In a free market economy, local level institutions for market, education and services can be financially supported by the centre, but it is usually better that they be organised and maintained locally. Policy access is a similar case. Local authorities and various units of lower level public administration must be financially supported and often have strong political connections with the centre. Nevertheless, in democratic states they usually have a high level of local autonomy too. This is even more applicable to other local institutions, such as NGOs, civil societies, development associations and other local or regional partnerships. They also need financial support from the centre; however, their political, financial and organisational independence is crucial for freedom and democracy.

In other words, to successfully improve access to (and from) backward rural areas, local level institutions should be deeply embedded in local economy and society. They should be based on insightful knowledge of local circumstances and should give flexible, innovative responses to external and internal challenges, which assumes diversity, small scale and networking with a high level of independence. All this is difficult to achieve through conventional formalised institutions, top-down procedures and tight bureaucratic control of the central administrative development system. These types of institutions correspond better with bottom-up processes and the *local system of rural development*. Of course, it does not mean that central resources (money, expertise, coordination, strategic planning, etc.) are not needed, but rather that, some of them should be channelled through the local development system. This reduces transaction costs, targets resources more effectively to those places where they are the most needed. On the other hand, if these institutions are deeply embedded in local economy and society, they are more likely to improve access both ways, for the benefit of the locality as well¹⁷. Additionally, besides creating policy access, local institutions are essential for unlocking local resources too, and therefore, their development also helps to tackle resource-type disadvantages.

Improving access does not necessarily favour the local economy and society nor helps to sustain rural values and improve life circumstances. If the local economy is not reinforced at the same time as the opening and if it cannot protect itself in the field of global competition, then improved access can take away as many or even more resources than it brings to the area (Douthwaite 1998). The results of asymmetric patterns of resource allocation and of diverse development trajectories cannot be eliminated simply by providing access and space for competition. This would be similar to setting up a race between a horse-drawn carriage and a modern racing car¹⁸. If local

¹⁷ An example could be a local institution created to support the marketing of regional products on external markets.

¹⁸ Just two examples: The IMF (International Monetary Fund) has recently admitted that taking the North and the South as broad clusters, during the last three decades there has been a divergence of per capita income levels between the two groups of countries. The number of low-income countries in the lowest quintile has actually risen from 52 in 1965 to 102 in 1995 (Tucker 1999). And a European example: According to EU experts, after fifteen years of Structural and Cohesion Policies, the gap between the Southern Member States and the rest of the EU has been reduced. However, regional disparities, within the Southern States have grown, significantly (European Commission 2002). In practice, the central urban

resources are inadequate or unprepared for the production of marketable goods and services, then the locality would not have anything to sell on the market and would lose out on the business. Improved transport and communication links can accelerate the loss of labour and local markets, squeezing out local businesses and reinforcing out-migration.

Tackling resource-type disadvantages

To be able to take an active part in 'the game', the ability of backward areas to produce marketable goods and services has to be improved. In other words, *resource-type disadvantages* have to be tackled as well. We argue that without advanced *local level systems* of rural development and a hospitable environment, created by the central system, resource-type disadvantages cannot be faced efficiently.

Improving the productive capacity of a certain region can be based on two basic strategies: relying on external resources, by attracting aid and direct private investment; or on internal resources, by unlocking them through local development. However, at the end of the day, every development is based on the utilisation or unlocking of some sorts of internal resources. Even large industrial foreign direct investment (FDI), as a classical example of exogenous development, chooses a particular location for new plants to utilise certain local possibilities. They can be attracted by geographical location, cheap and/or skilled labour, natural resources, cheap space or looser control and regulations, for example. They can also be induced by regional development policies, offering special taxation or financial assistance for those, investing in a certain geographic area. All these can be understood as internal resources, particular to an area. However, the way in which FDIs unlock them is very specific. It involves large financial investment, advanced knowledge, world-wide networks, and creates huge value added.

Nevertheless, there are certain characteristics of large external or induced investments, which often prove to be disadvantageous for the well-being of the localities involved (Cécora 1999). Large external investments in a relatively poor environment, changing everything overnight, can cause a shock to the local economy and society. What is called the "creaming" of regional resources by Stöhr (1986), they might use only a very limited part of the local resources (for example cheap labour, or space) creating over dependent, one-sided local economies. Whole regions can become dependent on one firm or industry, which carries the danger of total collapse in case of bankruptcy or relocation of investments¹⁹. Alternatively, a firm can remain completely alien from its environment, offering little help to the local economy, but creating huge obstacles to

areas of the less developed states (which always have been better off) are developing rapidly, a consequence of structural aid, growing production and improved access to the global economy. At the same time backward rural regions do not benefit much from the development, but are going into even deeper decline and depopulation.

¹⁹ If labour gets more expensive, environmental and welfare regulation stricter, or tax holidays end, firms, having no roots, local supply networks or need for skilled workforce, can (and often do) move forward to less developed areas. This is currently a strong trend in several Hungarian regions. For a comprehensive analysis of these and the following issues see Kortén D. C. *When Corporations Rule the World* (1996) or Douthvaite, R. *Short Circuit* (1996).

any alternative forms of development²⁰. Competition for local resources and markets between external investors and local entrepreneurs is another important issue, limiting local development possibilities²¹. Decisions about large private (and public) investments are made far away, with small (or no relevance) to local interests, such as employment, income levels, accessibility of services and the protection of local (rural) values. If investments have to comply only with laws and central regulations (which mainly support central interests), there are no effective safeguards for the betterment of local people, or the protection of rural values.

However, if the local development system is well advanced, then a region or a certain locality is less exposed to the dangers, carried by large external investments. If a region has a well thought out, widely known and agreed development strategy, it is easier to decide if a certain investment is likely to bring benefits, or simply intends to exploit particular resources for profit - leaving environmental and social problems behind. If an area has advanced local development institutions and democratic procedures, it is easier to make legitimate decisions, and, should the occasion rise, to bargain and make a better deal with investors. It is also easier to find alternative possibilities (external and internal) for development or to stop an ongoing project, if necessary, to safeguard local values. External investment is neither good nor bad for rural development necessarily. If well prepared and controlled, it can be a boon to the local economy and society - providing jobs, supporting business networks, feeding into local infrastructural investment and improving the well-being of the whole community. The critical distinction for rural development and the 'betterment' of an area is: whether the bulk of the value is created/captured locally or externally; how sustainable is the unlocking and use of local resources; and who controls the whole process. To achieve a good position in this game, besides central rules, rural areas need extra, 'tailor made' protection, which might best be offered by their local-heuristic development system.

Compared to FDI, local development initiatives unlock internal development capacity in a very different way. Having far less money and usually no advanced technical knowledge or international networks, they have to work with what they have: local knowledge, skills and traditions; primary production; natural environmental beauty and social networks. They have to unlock local resources – in other words have to reconfigure rural values as development resources – to be able to compete on the market. According to Stöhr (1986) endogenous initiatives aim at diversified multisectoral development standing on “more than one leg” (p. 70.). These rural development practices include a wide variety of new activities such as the production of high quality and region-specific products, farming economically, nature conservation

²⁰ A chemical, or a waste disposal plant, built in a rural location, employing few, highly qualified workers, can be a major obstacle for the development of rural businesses in the field of tourism, or agricultural production, for example.

²¹ Retail business could be the most obvious example. Large department stores, built by international chains, often force small retailers out of business. Another, more unusual example: In a small rural area of the Great Hungarian Plain the National Park and the local development association together planned to start an environmentally friendly, extensive cattle business. An essential asset for this would have been the unused animal breeding plant of the old co-operative. The plan was supported by all important local actors, however, at the auction, a large agricultural investor, having better resources and political connections, managed to buy the plant. Today, instead of the environmentally- and community friendly local solution, there is an intensive goose-feeding plant on the site, threatening the environment and limiting tourism potential.

and landscape management, agri-tourism and the development of short supply chains. They can be characterised by pluriactivity, multidimensionality, multifunctionality and a high degree of integration. Creating cohesion between farms and other rural businesses is also a crucial factor, and the simultaneous take up of different rural development activities may well provide some clues to how potential impacts can be enlarged by triggering synergy mechanisms. Rural development practices often require a difficult and complex reconfiguration of farm activities, new skills and knowledge or the creation of new networks.

Local economic development initiatives can bring about very different benefits and have to face different problems than external investments. It is usually based on or aimed at a high degree of local-regional identity (Stöhr 1986). The scale of the development and of economic and social change is usually smaller, therefore it does not bring a shock to the locality. The change can be organic, built mostly on endogenous knowledge and resources, unlocking local development potential. Farms and other rural businesses, when diversifying their activities, can make gradual changes, based mainly on the reconfiguration of rural values and their existing resources (buildings, skills, land, etc.) and on their family labour, rather than significant financial investments. This type of development does not create economic dependency and cannot be disrupted by outside forces through cutting the flow of external resources or simply relocating the investment somewhere else. Nevertheless, as it is shown in the literature there are many difficulties in reinforcing the economy through local development. As a result of economic and social degradation, resources are often simply inadequate or difficult and costly to unlock or utilise. Remoteness and lack of infrastructure restrict local development as much as external investment and the lack of local financial capital brings further difficulties. Nevertheless, the most difficult problems arise from the deficiencies of the local development system: poor human resources, the lack of legitimate institutions, weaknesses of trust and entrepreneurial culture. Without these and other necessary factors like co-operation and innovation, successful local development is impossible to realise.

New rural development activities, therefore, assume both a well working local development system and appropriate interventions of the centre. As one of the most important elements, an environment hospitable for local economic projects is much needed. This includes a variety of factors, such as: appropriate rules, regulations (market, hygienic, animal welfare, etc.) and accessible legal services, which can help (but also hinder) the production and marketing of locally specific products; supporting state agencies (technical, financial); long term development strategies; educational and training organisations. If appropriate information about local needs is available and respected, these factors clearly can be efficiently facilitated by – and hence can ultimately be part of - the central system of development. Nevertheless, other aspects of hospitable environment, such as advisory services; local business associations; local development plans or marketing strategies are more efficiently provided by the local system.

Direct aid for economic development, investments or the creation and maintenance of jobs, for example, is also needed. Nevertheless, significant financial resources usually are only available from the central administrative system, which is not able to (and does not intend to) deal with the diversity of self driven local economic development projects. Traditional production subsidies under the CAP or domestic schemes could be mentioned as examples. After all, these can be considered as financial support for local economic development in the agricultural sector. These are traditionally significant

subsidies, which are channelled through the institutions and procedures of the central development system. According to this, strict bureaucratic control has to be applied from the top all the way to the beneficiaries. Therefore, variations, different circumstances and local innovations cannot be taken into account. The money is distributed normatively according to simple, quantifiable indicators and eligibility criteria. The result is that: there was probably no policy in recent history of the EU criticised more for being ineffective, expensive, not reaching the targeted social groups and bringing possibly more socio-economic and environmental damage than benefits for rural Europe than the CAP.

We would like to argue that: efficient redistribution of external aid and unlocking of local resources call equally for: a deep, insightful knowledge of local circumstances. Building networks, achieving synergistic effects and working out innovative solutions require trust and mutual understanding amongst the participants; and diversity, local variations, innovative solutions should be considered during the process. It is difficult to imagine achieving all this through formalised institutions and administrative procedures of the central development system. Advanced local systems of rural development seem to be much better suited for these purposes.

For balanced development of backward rural areas - ensuring parallel improvement of various access- and resource-type disadvantages - harmonic co-operation between central and local systems of development would be needed. If this is achieved that could be called an *integrated system of rural development*. Such a system might be able to solve the problem of 'how to support local development centrally', and realise ideas of integrated rural development theory. The following section offers simple models to explore the connections between the integration of central and local development systems and the effectiveness of rural development policies, delivered by the system as a whole.

6. Integrated versus non-integrated rural development – two simple models

Integration in rural development can be discussed in various ways. Its most common understanding concerns the integration of various economic sectors - agriculture, industry, services. Another frequently mentioned aspect is the integration of those disadvantaged social groups in the development process (women, elderly people, national and ethnic minorities, etc.), which could suffer even more if left out of improvements. Nevertheless, now we concentrate only on the lack of integration of the two development systems: central and local. Building on the above discussed concepts, we intend to provide simple models of integrated and non-integrated rural development systems, which could give some explanation about the failure and success of rural development policies. The models at this stage can be understood as a vertical slice of the whole rural development system (including the *central system* and one (any) particular *local system*), thus it tries to explain the process from the perspective of a single rural locality.

Components of the model are derived from the previous analysis:

Central Administrative System of Rural Development – characterised by top-down, exogenous interventions, high level of institutionalisation, bureaucratic control, written rules and procedures, the modernist technological regime and quantifiable targets;

Central Development Resources – financial resources in the central development budget, available for redistribution through the central system;

Local Heuristic System of Rural Development – characterised by bottom-up processes, heuristic aspiration of local people to improve their lives, flexible responses to challenges, social networks, diversity, multifunctionality, and synergistic effects;

Local Development Resources – rural values (natural, cultural, social), understood as resources, which often have to be unlocked or reconfigured if they are to be used for local economic development;

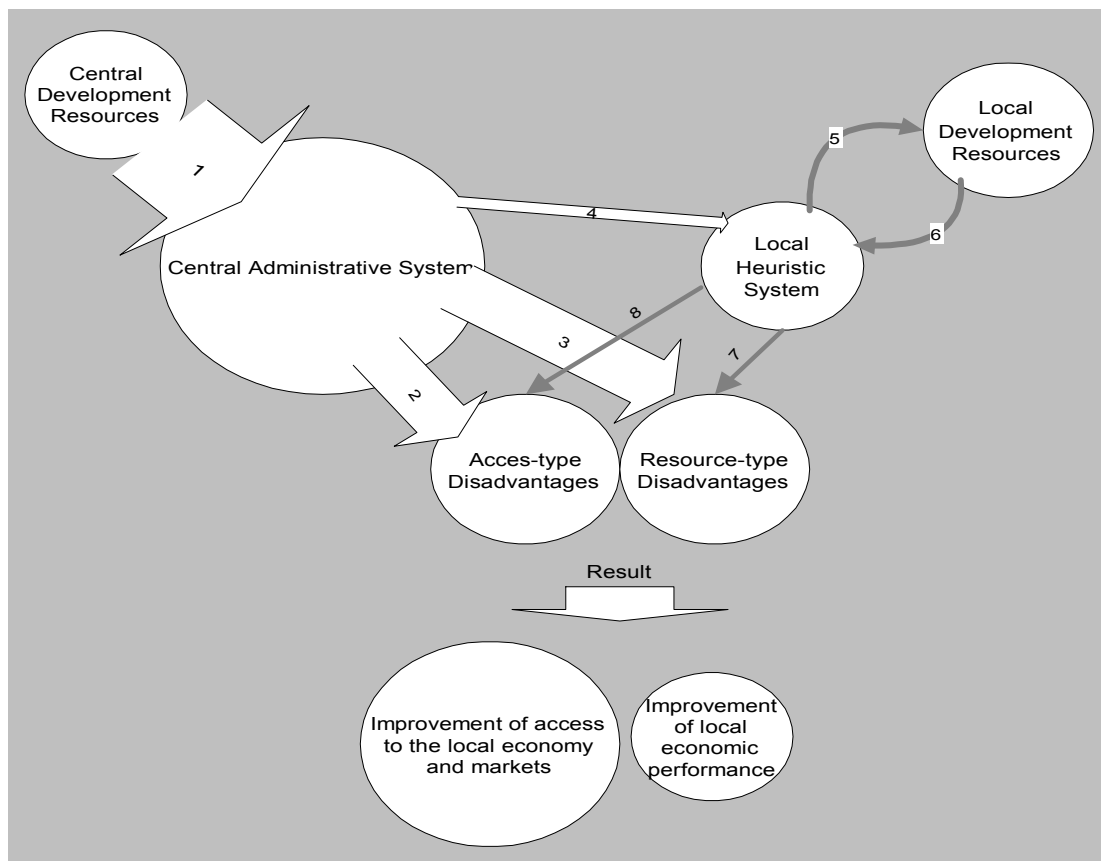
Access-type Disadvantages – limiting access (physical, economic, policy) and the free movement of goods, people and capital to and from backward areas;

Resource-type Disadvantages – (financial, human, institutional) limiting the ability of rural areas to produce goods and services saleable on the global market;

Result – the outcome of the development process: to a certain extent upgraded access and enhanced production capacity, resulting in either more balanced or biased environment for local economy and society.

The direction and thickness of **arrows (1-8)** represent the flow of resources between different components of the model; and the size of the circles indicates the level of institutionalisation (and advancement) of the local and central development systems.

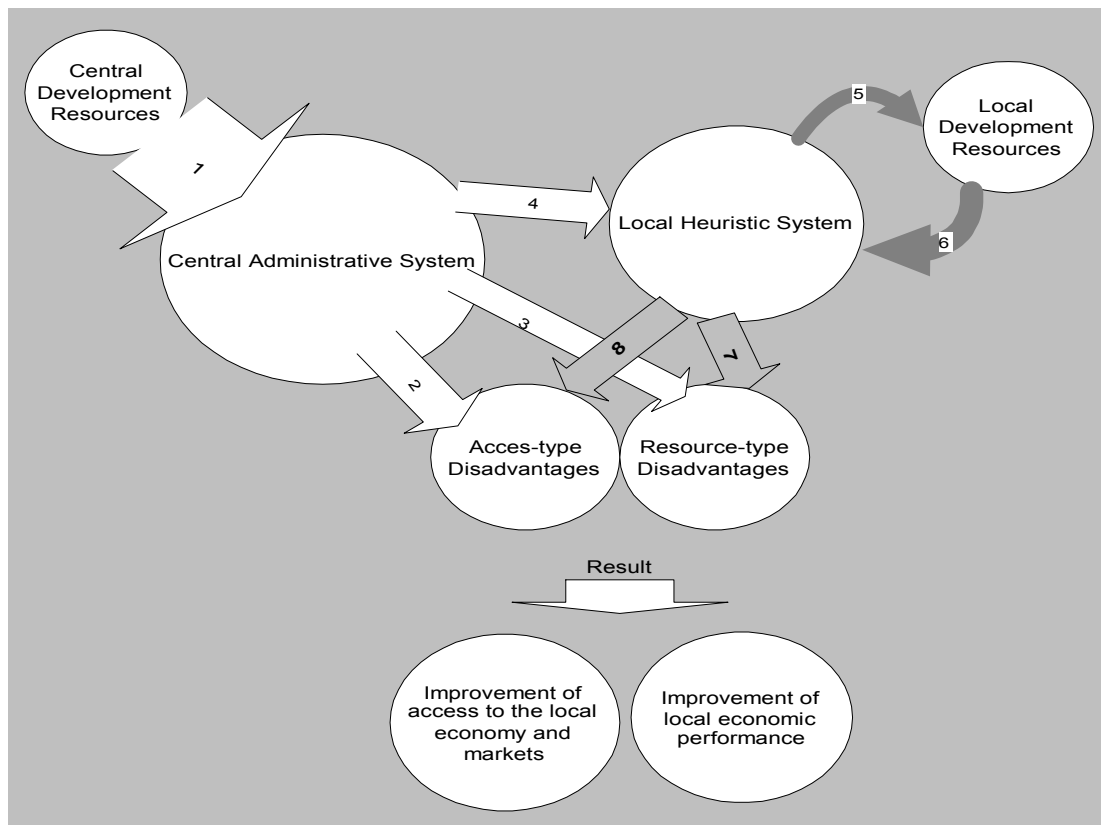
Figure 1. The non-integrated system of rural development



In a *non-integrated system* there is little or no co-operation between central and local systems of development. Control is kept in the centre and the local system is underdeveloped and barely institutionalised. The vast majority of *central resources (1)* are delivered by policies and institutions of the *central system* directly to the beneficiaries. Large amounts *(2)* are invested into tackling *access-type disadvantages*

however; they aim largely the improvement of physical access. There are also large sums (3) for local economic development, however, mostly in the form of simple normative payments (production subsidies), which are ineffective and can carry significant dysfunctions. Very few resources (4) are assigned to the reinforcement of local development institutions or to unlock latent local development resources. The *local system* of rural development is weak, hardly institutionalised and does not have adequate resources to release local development potentials (5). Thus, much of these remain unexploited and the added value (6) of *local resources* (or rural values) remains small. The contribution of the local system to the elimination of *resource-type disadvantages* (7) is not likely to be significant. Non-physical access, backing the local economy and rural products to penetrate global markets can also expect little or no support (8). All these can lead to unbalanced development where, in a certain rural locality, access (especially physical access) improves much faster and further than production capacity. Here we end up in a vicious circle. If there is nothing to sell, then rural areas cannot withstand the competition brought by improved access, and finally most values that have been preserved by rurality are likely to be lost. In this case, rural development is not successful and central policies fail to fulfil their role.

Figure 2. The integrated system of rural development



In an *integrated system*, local and central development systems should work in a dynamic cooperation with each other. Control, resources and responsibilities should be dispersed throughout different levels of the system. The existence of advanced local development institutions is a necessary condition in this model. *Redistributed resources* (1) are still channelled through the *central system*, although their allocation is quite different. A significant share of resources (2) is still directly spent on tackling *access type* (mainly physical) disadvantages. However, those resources, allocated for

supporting local economic development directly from central sources (3) represent a much smaller share of the budget. They are still normative payments, but rather aiming at the maintenance of public goods (agri-environmental schemes, for example) than simply subsidising conventional agricultural production. A significant part of central resources (4) is devoted to the reinforcement of the local development institutions and the unlocking of local resources. As a result, the *local development system* is well advanced and institutionalised. It is able to invest (5) in the protection of rural values and their utilisation in the development process. Like this, *local resources* can be exploited and can contribute with considerable added value to the development process (6). This value flows into the economic resource base of the local area (7), creating marketable products and greatly reducing *resource-type disadvantages*. At the same time, the local development system can also make a significant contribution against *access-type disadvantages* (8), primarily improving business and policy access, for the benefit of the local area. All this can lead to a much more balanced development. The production capacity of the locality is reinforced and a two way access (from as well as into the locality) is provided. Thus the rural area, utilising its resources and finding its segment of the market can become independent, keep its population and sustain its values for the future.

Three main differences can be highlighted between integrated and non-integrated models. One concerns the *flow of resources*, the second the *flow of information*, and thirdly the *level of advancement and/or institutionalisation* of local development systems.

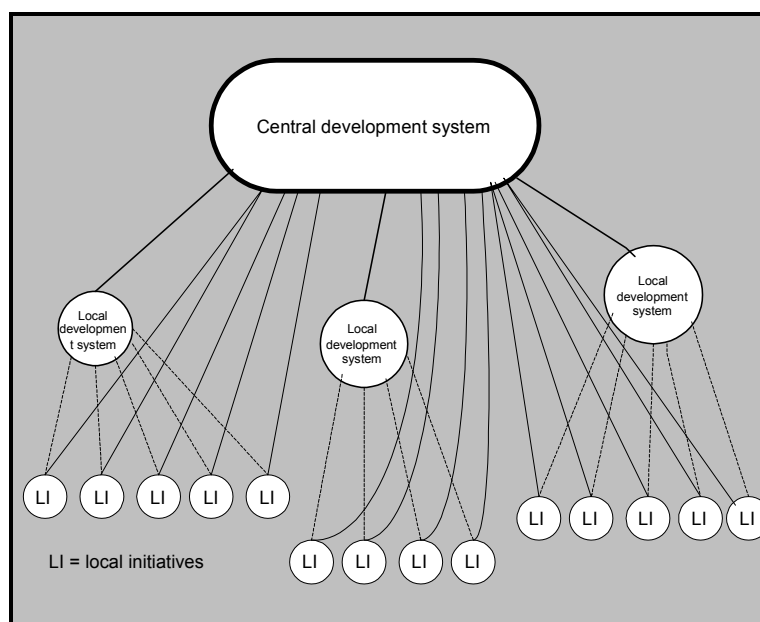
The difference concerning *resource-flows* is quite obvious. In the non-integrated model the central system distributes the vast majority of the budget directly through its administrative institutions, applying strict bureaucratic control and simple indicators all the way down to the beneficiaries. The inevitable result is low effectiveness, since much of the money cannot reach those places where it is most needed. At the same time, lacking central financial resources and technical/political support, local systems are not reinforced and there is often insufficient capability to unlock local development resources, or even to absorb central aid. Consequently, the value added of the local system to the development process remains small.

In an integrated model, a significant part of the budget is not delivered directly by central policies, but channelled through the local development system. This strengthens this system and allows for the reinforcement of local institutions and social networks, etc. It can also directly provide financial aid for the exploration and exploitation of local resources for local economic development. All this can result in the rapid growth of local added value and the expansion of available development resources, for the development system as a whole.

By including the *flow of information* in the model, the differences of effectiveness between integrated and non-integrated development can be partly explained. Accurate and detailed information about problems and possibilities, disadvantages and resources is the key starting point for any action in rural development. To explore the differences in information flows between integrated and non-integrated development, additional figures are needed, showing not only one slice (representing the viewpoint of one locality), but the system as a whole. In the non-integrated model (see Figure 3.), the central system, through institutions and bureaucratic procedures tries to supervise the whole development process. For making appropriate strategic and operational decisions about development, information has to be collected, processed and analysed centrally.

For tackling resource-type or some non-physical-access-type disadvantages, masses of very diverse information should be handled from a large number of rural localities. Information would be needed not only about access- and resource-type disadvantages, but also on many other aspects, such as conditions of social networks, local development institutions, condition of the local value bases, and so on. Moreover, taking this logic further, different level institutions of the central system should monitor and control each of the development projects²² as well. This would involve huge diversity, large number of decisions and huge transaction costs, creating enormous difficulties for normal bureaucratic institutions. Possible (usual) solutions are: fighting mainly those disadvantages, which are easier to grasp without detailed information of a qualitative nature (problems of physical access, for example); supporting large projects instead of small ones; or to give normative payments based on simple quantitative indicators and political decisions, rather than detailed, quality information. Nevertheless, all these result in low effectiveness, significant gaps in the development process and the exclusion of certain activities, social groups and geographic areas from central aid.

Figure 3. Information flows in the non-integrated development system

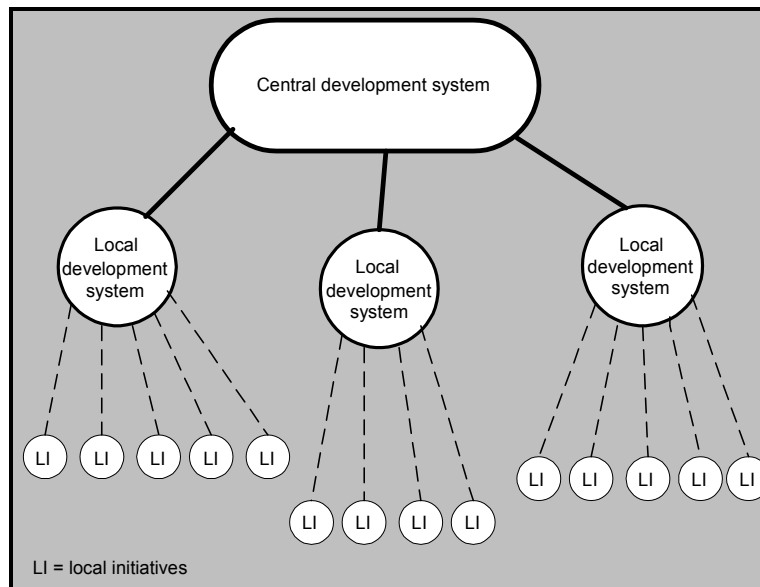


In an integrated model (see Figure 4.), information is still needed, however, it is collected, processed and used on a much lower level, in the relevant local development system. Every single local system, belonging to a certain region or rural locality (institutions, social networks, businesses, etc.) deals only with information of its own area. In this way transaction costs can be kept lower, background information, innovative local solutions, tacit knowledge and social networks can be utilised and latent resources are easier to unlock. Limited central control can still be applied through

²² Looking at EU pre-accession policies, the PHARE Programme works this way most of the time, giving the right (and the burden) of controlling each project to the Brussels institutions. The SAPARD Programme has a similar system, though in this case the main controlling/commanding body was established in the Candidate Countries, according to strict rules, determined by the Commission in Brussels.

regulations and the allocation of central resources. However, this allocation can be based on diverse, qualitative information, already processed by local development institutions. Strategic and operative decisions can be negotiated with local representatives, for example through integrated local development plans. By utilising diverse, high quality local information in a dynamic, iterative way, local development initiatives can create significant added value and generate synergistic effects, thereby making the use of central resources much more effective in the development process.

Figure 4. Information flows in the integrated development system



Several obstacles, hindering the dynamic integration of central and local systems of rural development can be identified in the above model. A more philosophical reason - arising from the differences in their basic logics, and causing frequent misunderstandings between them - was explored above. Another, rather practical reason originates from the absence or immaturity of local development systems. If there are neither established decision making procedures, legitimate leaders and representatives nor carefully planned local development strategies in the localities; if local development associations, public-private partnerships, advisory services, paid development managers and agencies, and other local institutions are lacking; if social networks are undeveloped; there is no culture of entrepreneurship and innovation and human resources are insufficient in general - that seriously limits the possibility of both local development and central policies. Legitimate and formalised institutions play a key role here²³. Paying local people to work for the common good can concentrate and accumulate human resources on local rural development tasks. These people then can accurately collect and process information, making it available for both central and local use. They are also crucial for accessing central development resources. The central system, which is based on bureaucratic institutions and procedures, needs 'something comparable' to communicate with. Without formalised institutions and representative bodies the local/sub regional level can neither negotiate with the central system nor access aid from the 'rural development budget'. Institutions are also necessary for accountable and transparent spending of financial aid. Consequently one could say that,

²³ In the literature this is often referred to as a certain 'institutional thickness' (Amin and Thrift 1994).

an integrated system can only work if the local development system reached a certain level of *institutionalisation*, which is the third important difference between the two models described above.

A fundamental difficulty for integrated rural development can be identified here. The most appropriate levels for local rural development – sub-regional and below – often have few historic roots and weak public, civil and business institutions. Especially in the most backward areas, these have to be newly created or largely developed to be able to fulfil central requirements. For the centre, it is not easy to find ways to support this process, for several reasons. First of all, central aid, according to the rules, is tied to accountability and complicated bureaucratic procedures. This often proves an impossible condition for newly emerging rural development networks. On the other hand, for organic development, aiming at structural changes, local institutions should progress through bottom-up, participative processes, which cannot be driven or closely controlled from outside. Once the local development system has fully operational, advanced institutions, they can translate and mediate; they can help to access central resources for local economic development; explore and defend local interests; or can offer both, information and a channel for the central system to provide technical and financial aid. Nevertheless, local development systems with their institutions can already be considered as ‘process type results’ of previous rural development themselves. Therefore, it is very difficult to find an entry point in this cycle and to initiate the process. Surely, it should be a gradual process, involving many compromises and a combination of local and central efforts. Nevertheless, we would like to argue that reflexive intermediary agents, translating and mediating between central and local systems, could be of a great help in this process.

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