

# ENTREPRENEURSHIP AND RURAL DEVELOPMENT IN EAST-CENTRAL EUROPE: EIGHT KEY-ISSUES

CARMELO CANNARELLA (\*)

## ECONOMIC DEVELOPMENT AND RURAL ENTREPRENEURSHIP

The process of structural adjustment, together with reforms in trade within GATT, fast expansion of regional trade organizations, the creation of WTO, surely placed all the European postcommunist economies in the condition to define and exploit their comparative advantages both at national and regional level.

The perspectives for growth in these countries can however vary due to different socio-political stability degree, effects and consequences of tensions and conflicts and also because many mechanisms and implications linked to the process of structural adjustment are not completely well known, particularly with regards to agriculture. After decades of central planning, economies in East-Central Europe be-

came progressively demand-oriented systems definitively more reactive to regional, national and international markets but this "transition" has been a real shock for the whole region. In some of them, growth is now likely to be consolidated enough, confirming, in general terms, positive links between reforms, growth in GDP, inflation and trade deficit reduction.

Generally, some economic sectors (manufactures, services) gained major benefits from this systemic transformation while others (agriculture, heavy industry) still have to face contradictions and not clear perspectives with concrete effects for the opportunities of rural development. Urban economies reported increases in po-

### ABSTRACT

The peculiarities of the transition process in agriculture push towards the definition of some operational questions mainly linked to the mechanisms at the base of processes of growth and development for the rural communities and, in the same time, to the role agriculture can play within a process of global growth. In a market oriented scenario, agriculture can surely contribute to expand trade flows widening employment levels and incomes, reducing poverty and underdevelopment, but rural communities in East-Central Europe often seem not prepared to adequately respond to these challenges. In the meantime, the definition of development paths to facilitate the diffusion of innovation and to improve private investments in agriculture becomes more and more urgent. The risks linked in any effort directed to avoid those demands emerging from the global scenario are even clearer as well as the risks to increase inefficiency and a not sustainable social, economic, environmental growth.

### RÉSUMÉ

*Les particularités du processus de transition en agriculture sollicitent la définition de questions opérationnelles principalement liées aux mécanismes qui sont à la base des processus de croissance et de développement des communautés rurales et, en même temps, au rôle que l'agriculture peut jouer dans le processus d'une croissance globale. Dans un scénario orienté vers le marché, l'agriculture peut certainement contribuer à étendre les flux de marché en augmentant les niveaux d'emploi et les revenus, en réduisant la pauvreté et le sous-développement; mais les communautés rurales en Europe centrale et orientale semblent souvent n'être pas suffisamment préparées à relever ces défis. Il se pose aussi de plus en plus la nécessité de définir les voies du développement pour faciliter la diffusion de l'innovation et améliorer les investissements privés en agriculture. Les risques liés à tout effort visant à éviter les demandes qui émergent du scénario global sont encore plus clairs que les risques d'accroître l'inefficacité et une croissance sociale, économique et environnementale non soutenables.*

tential income and job opportunities for the best skilled workers, but for the rural areas in the region the benefits resulted from the chances offered by the new economic scenario appear rather limited.

Often agriculture worked also as a "last chance" for many low skilled individuals hit by the process of industrial restructuring: all this implied migration flows from urban to rural areas composed of people looking for resources to survive and high levels of manual work with frequent contacts with the informal economy and illegal activities.

Undoubtedly, the interrelations within the agribusiness network produced even in East-Central Europe many opportunities thanks to the introduction of information technologies (IT), high quality product supply, post-harvest management, marketing systems,

agroprocessing and other possible use of agricultural products for manufactures and industry. Thus, those services and products implying complex management and processing actions, with higher added value, created more investments and job possibilities compared to the raw materials sector.

This condition shows a dramatic impact for the reconstruction policies in agriculture and the strategies directed to reduce poverty in rural areas highlighting the necessary integration between the primary sector and the rest of the economy.

In some countries of the regions (Balkans, former USSR), where high levels of workforce are involved in agriculture, the "political" lack of programs and skills represents an obstacle in order to plan and concretely implement those structural adjustments to create benefits within the new global economic scenario, produc-

(\*) National Research Council of Italy (CNR) Scientific Activity Dept. (DAS) Roma.

ing, on the contrary, unemployment, under-employment, severe reductions in incomes, lack of job alternatives. Scarce investments for workforce training created concrete obstacles for the human resource mobility within the whole economy and it reduced space and opportunities for rural workforce in excess to be employed elsewhere.

The creation of a dynamic agriculture should be considered in these areas as a critical step to provide a crucial employment base, to recover the primary sector and to establish decent life conditions for the rural communities in order to achieve an effective political and social stability and peace. For this reason, the limited attention that many Governments in East-Central Europe paid to agriculture should be considered as an alarming issue. The economic performances of agriculture can highly vary from country to country, from region to region in East-Central Europe, but the weakness of small and medium size farms (and the related workforce) seems to be a widespread characteristic in all these economic tissues.

These farmers have many problems in common: they can't benefit from the evolution in demand and supply due to the absence of information and training about the implications of this process and, consequently, they can't move towards high added value productions or, in general, towards market oriented productions integrated in post-harvest, processing and distribution systems. Such operations imply high costs and risks with parallel technological and management improvements and specific technical and marketing skills: they requires also a targeted role of government in services connected to infrastructures and training with a parallel presence of marketing, technological and financial services for the definition of alternative job and income opportunities in non farm sectors.

#### FROM THE ECONOMIC TO THE DEVELOPMENT PERSPECTIVE

The evolution in communications and service related to IT, in international trade and touristic flows and in technologies (among which biotechnology) can influence concretely the globalization degree in world economy. At present, goods, capitals and idea can be easily moved creating a great number of new opportunities as well as risks, challenges and problematic situations. In the countries of East-Central Europe, where agriculture plays a more critical role due to its stricter links with the global economic growth and trade, a deep re-thinking in many strategies becomes more and more urgent in order to find out appropriate paths to exploit all the benefits can result from these processes avoiding negative effects represented by economic and social costs from benefits gained by others.

All this requires the adoption of specific actions which, taking into proper consideration local dimensions and needs, can drive towards the development of a dynam-

ic agricultural system supported by adequate programmes for an economically and socially sustainable rural development. It means that these policies should be directed to achieve not only good production levels for the economic growth but also adequate standards for rural communities well-being. On the contrary, in East-Central Europe, from the beginning of the transition process, investments for a sector critically involved in the global and widespread economic growth, in the environment protection and in the creation of a stable and balanced society suddenly and dramatically decreased. Why?

The great economic transformation in postcommunist Europe has been mainly connected to the dismantling of the old heavy industry base for creation from scratch of manufactures and services trying to exploit the advantages of a cheaper workforce (1). Very little has been done for agriculture and for the related rural development programs because it has been considered a declining sector unable to support a "modern" economic development. In the new scenario agriculture appeared economically inefficient because in the previous economic system it had to achieve the "maximum social benefit" rather than to produce "value", provide services or high added value opportunities. With the collapse of this system, manufactures replaced heavy industry as new priority in the governmental programs but agriculture became a problem.

The effects of economic liberalization, market forces and trade-based systems created pushes to local, regional, national and global competition; with many unexpected adjustment processes involving producers and consumers in order to provide answers to new realities in terms of prices, needs, supply, products, etc... Yet, in consideration of the peculiarities of the previous system, the question about how define a balance between economic efficiency and social sustainability still remains open. Undoubtedly, this problem will remain probably unsolved until an approach which links agriculture only to "production" still remains adopted. As a first step, a dynamic agriculture implies systematic connections to other Ministries such as Ministry of Industry, Trade, Labour, Environment, Health and Social Affairs in order to widen the spectrum of alternative possibilities and opportunities of development for rural communities with a particular attention to local culture, history, traditions and needs. This perspective shift however is likely to be extremely difficult to achieve al-

(1) The limits in this strategy are now for the entire region rather evident. A cheaper workforce can't be enough to acquire foreign investments. Usually a cheaper workforce, whose differentials with western Europe are progressively reducing due to trade union pressures, is related to low productivity and difficulties to find skilled workers. It should be noted also that unclear laws and low development in infrastructures (roads, railways, airports, telephone networks, ports, etc.) can vanish any comparative advantage resulting from a cheaper workforce.

so because Ministries of Agriculture in East-Central Europe don't cover the higher levels in the political scene and usually they lack of necessary experiences and strategic skills to overcome old operational and mental schemes.

These skills are critically involved when managing the heritage of the former system which, through its inefficient resources allocation, a limited growth in agriculture and limited investments for rural development, made producers unable to react, to diversify their productions, to cope with risks and competition; all this presently acts as an heavy weight mainly for small-and medium farms.

Another factor concretely influencing transformation in rural world is the changes in role and relations between "public" and "private". While in the past bureaucracy centralized operative decisions and actions, at present transition forced governments to reduce progressively their influence.

This process creates new role for the primary sector and new intervention guidelines, but often it left rural communities with no or scarce institutional references while severe budget limits and scarcity of skills are reducing space, capabilities and influence of the Ministries of Agriculture. In many countries of the region, governments often lack of analytical skills to defend new

strategies and keep on innovative policies to stimulate growth, but a strict co-operation between "public" and "private" still remains an essential step just considering the great number of actions and measures, at the base of rural development, necessary to support a new agricultural system and to develop institutional skills and technologies which have to be simultaneously adopted (figure 1).

In particular in the Balkans agriculture is facing critical conditions and day after day the definition of new strategies and operative and political roles to increase co-operation among producers, agribusiness, investments, NGO, universities and the international scientific community becomes more and more urgent.

#### EIGHT KEY-ISSUES

Eight key-issues can be placed at the base of many problematic situations linked to entrepreneurship and growth in rural areas in East-Central Europe: they can be considered as "knots" strictly related to those elements enable to produce a concrete impact on key factors within the global economic environment confirming the crucial role of sound interrelations between agriculture and the whole economy and society.

These key-issues have been based on some typical questions of the marginal areas but they have been

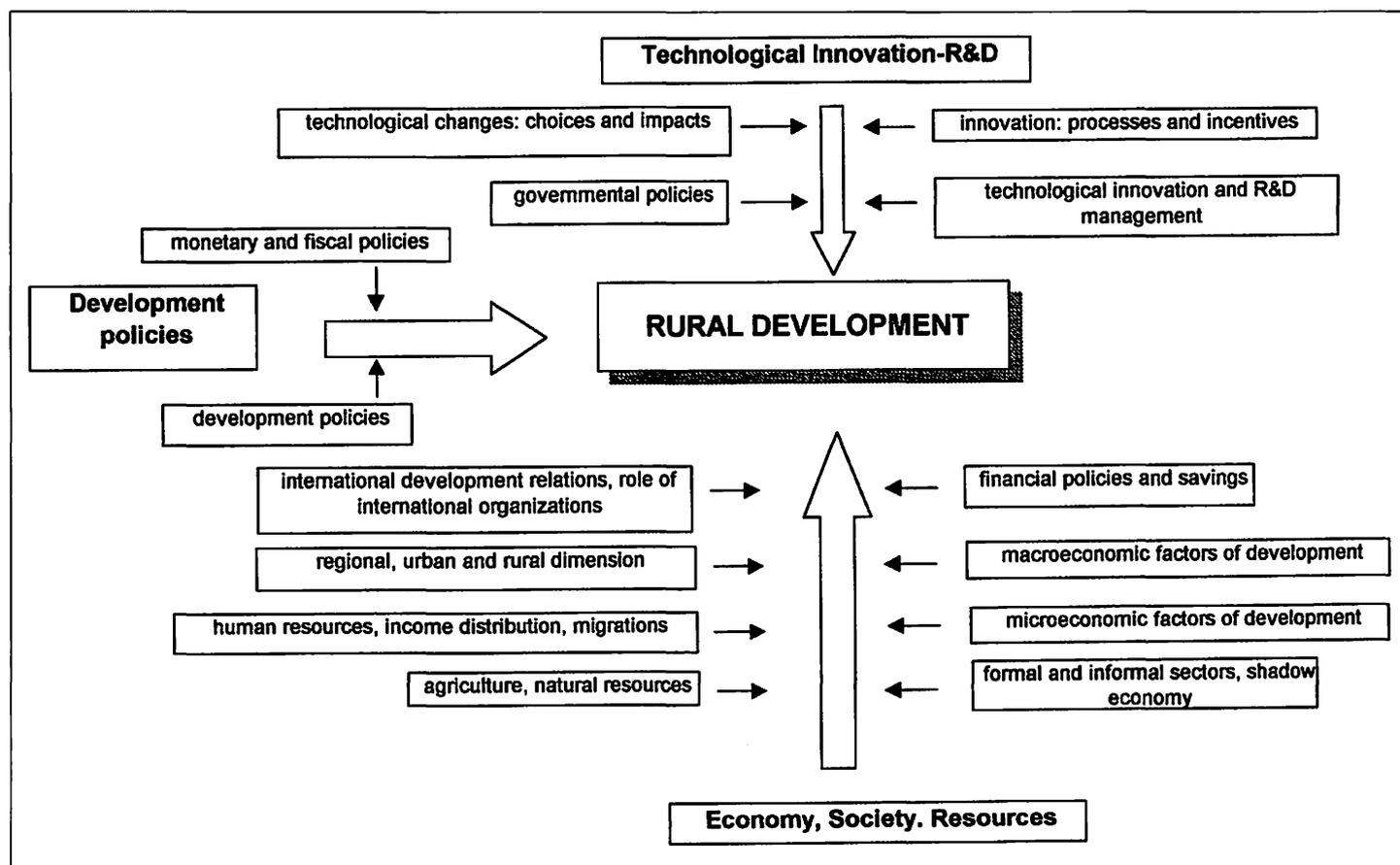


Figure 1 - Factors influencing rural development.

**Table 1 Key-issues for rural development: resuming table**

Key-issue	Goals	Actions
Create growth capabilities and promote competitiveness	<ul style="list-style-type: none"> <li>- Enforce reaction capabilities to competitors</li> <li>- Prevent the creation of weak market areas</li>   <li>- Create market intelligence services</li> </ul>	<ul style="list-style-type: none"> <li>- Interaction between public and private sector</li> <li>- Wide local participation for a better information diffusion</li>   <li>- Create market intelligence services</li> <li>- Technological development</li> <li>- Human resources education and training</li> </ul>
Define legal frameworks and develop links with other economic sectors	<ul style="list-style-type: none"> <li>- Definition of macrolevels and sector regulation</li> </ul>	<ul style="list-style-type: none"> <li>- Land reform</li> <li>- "De-sectorialization" of agriculture</li> <li>- Reductions of borders between agriculture, industry and services</li> <li>- Integration of agriculture with the global economic and legal framework</li> <li>- Integration of policies among the countries of the region</li> </ul>
Develop management skills and support services	<ul style="list-style-type: none"> <li>- Creation of capabilities to react to the evolution in demand, to competitive prices, changes in regulations, contract deadlines</li> <li>- Creation of capabilities to farm planning and agribusiness management</li> </ul>	<ul style="list-style-type: none"> <li>- Human resources education and training</li> <li>- Stimulate the development of new co-operatives and other farmers' organizations</li> <li>- Stimulate co-operation among firms, farms, universities, research institutes, services and NGOs</li> </ul>
Develop market systems and infrastructures	<ul style="list-style-type: none"> <li>- Improvements in communications, in packaging, refrigeration and storage systems, in transports, roads, ports, and railways</li> </ul>	<ul style="list-style-type: none"> <li>- Interaction between public and private sector</li> <li>- "De-sectorialization" of agriculture</li> <li>- Efficient use of investments</li> <li>- Development of a rural banking system</li> </ul>
Build rural financial systems	<ul style="list-style-type: none"> <li>- Improvements in the capabilities of rural areas to attract investments</li> <li>- Development of local private banking services</li> </ul>	<ul style="list-style-type: none"> <li>- Reduce political abuses over cheap preferential credits</li>   <li>- Stimulate savings and reduce subsidies</li> <li>- Stimulate associations among farmers</li> </ul>
Develop technologies	<ul style="list-style-type: none"> <li>- New technologies must increase productivity, reduce costs, improve competitiveness</li>   <li>- Technologies must be environmental friendly</li> <li>- Technologies must be convincing</li> </ul>	<ul style="list-style-type: none"> <li>- Enforce relations between research in East-Central Europe and the international one</li>   <li>- Enforce links between, firms, farms, universities, research institutes and State agencies</li> </ul>
Develop strategies for alternative sources of income	<ul style="list-style-type: none"> <li>- Stimulate local products' demand</li> <li>- Identify non farm activities for rural areas</li> <li>- Stimulate contacts between possible investors and rural communities</li> </ul>	<ul style="list-style-type: none"> <li>- Promote public and private investments in infrastructures</li> <li>- Human resources education and training</li>   <li>- Improve quality in local health and social services</li> </ul>
Implement environmental friendly agricultural practices	<ul style="list-style-type: none"> <li>- Promote investments for a rational resources allocation and for the adoption of environmental friendly practices</li> <li>- Promote investments for environmental monitoring</li> </ul>	<ul style="list-style-type: none"> <li>- Rural communities training and education</li> <li>- Improve skills</li> <li>- Improve resources control and monitoring</li> <li>- Establish a sound legal framework</li> <li>- Develop environmental management services</li> </ul>

adapted to the peculiarities of rural areas in East-Central Europe in order to highlight how agriculture can operate as an active partner for agroindustry stimulating economic growth, employment, incomes and savings and reducing poverty while enforcing the natural resources base and contributing to create a social peace. A dynamic agricultural sector should be directed to efficiently expand, in terms of costs and risks, its own linkages with upstream sectors, post-harvest management and distribution in order to maximize opportunities for an economic growth.

Yet, the economic and social tissue involved has to be in the condition to understand and react to these changes: producers and rural communities must have tools and skills to respond to consumers' needs, competitors and pressures of other components in the agribusiness chain and to identify new agricultural and

non agricultural job and income alternatives.

They should be able to cope with environmental issues, management of natural resources and public health issues.

Create capacity of growth and promote competitiveness and definition of comparative advantages

**Central planning.** In the former system, agriculture was focused to achieve only production targets. With a generally absence of a private sector, it was paid scarce attention to the modifications in the regional, national and international markets.

**New approach.** In the new scenario, it is necessary to find out short and medium term strategies for agriculture in order to evaluate and exploit market opportunities at regional, national and international level.

**Goals.** The main goal of these strategies should be fo-

cused to enforce the capacity to respond to international competition and to avoid the creation of weak market areas.

**Actions.** In order to achieve the tasks connected to the improvement of competition capacity of the primary sector, a closer interaction between private (producers' associations, industry, agrobusiness) and public sector is crucially involved. Such interaction represents a precondition in order to respond to changing situations. Multilevel and pluralistic approaches have to be adopted with a wide local participation to make new regulations and national and international standards understood and used. In the same time, improvements in competition are linked to the parallel adoption of a great number of actions: it is necessary to create the condition for a fast development of services providing market intelligence with information about agroecological conditions, work and land productivity, production costs, new veterinary policies, new laws about property rights, etc...

Technological developments have to be supported as well through adequate R&D programs. The definition of sound education and training schemes has to be considered however as a first priority: these programs must be frequently updated to inform producers and farmers in time about alternative strategies for rural development.

Define an appropriate legal framework for agriculture and develop sound ties with other sectors to ensure major impact on the global development

**Central planning.** Central planning in agriculture was focused mainly on the achievement of short term production targets to obtain certain levels of food security. This approach made an interrelation with other social and economic Ministries completely useless. Low priority was devoted to structural issues particularly those considered "political sensitive" such as land property.

**New approach.** In the changed conditions and progressive evolutions in regional and global trade, also East-Central Europe can afford new opportunities particularly in those rural economies where comparative advantages have been defined and exploited.

**Goals.** Possibilities for economic growth and development are closely linked to the identification of comparative advantages: macrolevel and sector regulations become crucial elements for the "stabilization", necessary to improve national and local competitiveness and good development levels in rural areas. On the contrary, inappropriate regulations can contribute for a "destabilization" through impediments and obstacles, bad incentives, inadequate timely information, etc...

**Actions.** Land reforms, positively or negatively, worked as a crucial factor influencing dramatically levels and quality of investments. In general, the definition of a

sound legal framework to support growth and development can't be achieved if agriculture remains "sectorialized".

The development of a modern agricultural system implies a progressive reductions of borders between agriculture, industry and services. It means that, even while defining the so called "agricultural policies", a closer integration of agriculture within the entire legal and economic framework through a deep dialogue among different social, political, economic and institutional forces has to be achieved.

In the same time, governments in East-Central Europe should concretely improve the integration among their trade, legal, environmental, educational and health policies.

Develop management, marketing and support services

**Central planning.** In the former system, entrepreneurship was frustrated thanks to the action of a rigid bureaucracy with the diffusion of irresponsibility, rigidity and delays. Governmental agencies provided basic training (for example on new crop varieties) and recommended production practices involving limited knowledge on crop production.

**New approach.** The improvement of human resources has to be considered the basic condition for the recovering of agriculture in the region. Skills and capabilities are essential tools to respond to:

- activities related to high added value production system;
- alternative or integrative rural activities;
- market oriented production practices with a more remunerative use of land and inputs;
- production costs.

Without such capabilities, farmers in East-Central Europe can't cope with competition. Other specific skills are required to manage post-harvest phases, processing processes and environment and human health protection.

**Goals.** An advanced farm management, the knowledge of agribusiness and marketing implications, firm planning, represent an important know-how base in order to face risks connected to these activities and to respond to consumers' demand, lower prices, changes in quality and sanitary standards, deadlines and contractual specifications.

**Actions.** Some producers will be able to generate sufficient income levels to afford training and development programs or define contracts with management and marketing services. Others can achieve these targets only through sound producers' organizations. It is important to encourage the diffusion of producers' associations (which thanks to past "collective" experiences have a certain tradition in the region) and the definition of short training courses with the involvement of local

universities, services and NGOs.

Develop dynamic market systems and services in infrastructures

**Central planning.** The old co-operatives provided minimal services and rural infrastructures were not adequately developed. The management of the agricultural systems was founded on the idea "produce and sell" thanks to established distribution network and the desperate demand of the economy of scarcity.

**New approach.** Agricultural entrepreneurs in East-Central Europe have now to cope with consumer's demand and, to do this, they have to promote their own products. This particular aspect is likely to be a relevant factor because it concretely contributes to put in contact local capabilities with regional, national and international needs; marketing services play a critical role in order to satisfy punctually the characteristics of this demand.

**Goals.** Concrete improvements in communication networks, in packaging systems, in roads and railways, modern refrigeration systems, timely information about prices and products, etc... are essential elements in order to put in contact supply and demand, producers, consumers and suppliers, and all the components of the agroindustrial chain. Adequate investments in rural areas should be considered as a basic condition to increase capabilities in these regions to attract other investments and to define alternative production and job activities (for example rural tourism, promotion of typical products, etc...).

**Actions.** Even for this aspect, useful contributions can be provided by a closer interaction between private sectors and governments, stricter links between agriculture and other economic sectors and an efficient use of investments for infrastructure, with a crucial support of a sound rural financial system.

Build efficient rural financial system

**Central planning.** State banks provided credit for the achievement of the planned tasks in agriculture: private investments in the rural sector completely lacked.

**New approach.** At present a great amount of national and foreign investments, as well as financial services, is focused mainly in urban centres: for this reason it is important to find out incentives to stimulate a convergence of investments in rural areas. This issue shows peculiar and problematic implications due to the difficult conditions of agriculture; in addition, a larger part of these investments are based on urban population savings. In theory, the new scenario provides interesting opportunities for innovative use of savings and for the development of local credits with related local banking services.

**Goals.** The development of financial services for the private rural sector, well connected to local realities and

conditions, can provide useful contributions to the solution of this problem. Local private financial services should be developed.

**Actions.** The extreme sensibility of this peculiar aspect and the weakness of agricultural systems in the region require the definition of a specific economic policy for agricultural credit. This implies a severe perspective shift granting credits, during a first step, not only for the achievement of economic goals but also for the social ones. The sensibility of this issue depends also to the fact that preferential cheap credits can provide a political and social stability, with a positive influence in income distribution, only in the short run. In the long run, an excess of political intervention and distortions on credit markets can be usually reported with an inefficient resources allocation and negative income distribution<sup>(\*)</sup>. For this reason, it is quite difficult to support rural credits through local savings rather than subsidies and achieve objectivity while setting public and social goals without nourishing political corruption in credit markets. Financial issues involve many "for" and "against" and many political and social risks: all this can create obstacles and reduce efficiency of cheap credit actions. It is clear enough that economic and social costs of credit policies for agriculture in East-Central Europe are not well known and the differentials between declared benefits in financial programs and their concrete effects should be studied and analyzed in detail.

Develop technologies to support economic and social growth

**Central planning.** In the former economic system, agricultural programs devoted scarce attention to the efficiency and development of services. In this scenario the role of technologies was irrelevant because the economic system tended to maximize incomes for rural communities through exogenous measures.

**New approach.** Possibilities of growth and development for rural areas in the region are likely to be linked to the availability of new production and processing technologies which should be however appropriately related to local realities and specific opportunities markets can offer.

The achievement of these tasks in the countries of East-Central Europe is concretely limited by the general crisis in fiscal systems which eroded institutional capabilities and made the agricultural research centers stagnant. Investment opportunities and contacts with the private

(\*) Usually in East-Central Europe, economically bigger farmers receive the main benefits from cheap credits even if the credit support schemes are, in theory, planned to help weaker and poorer ones. The reason for this situation is linked to the fact that often financial institutions tend to provide preferential credits to safer clients. Bigger farmers show often a better education and seem to be more familiar with financial tools. Other distortions arise because cheap credits are an easy instrument for patronage with chosen clients.

sector often have been not institutionalized.

**Goals.** New technologies have to be environmentally sustainable and they should grant increases in productivity and economic efficiency while contributing to reduce risks. The introduction of new technologies, capable to cope with market fast changes, remains a very complex issue also because often they must be competitive compared to consolidated traditional practices. Technologies have to be “convincing” and contribute to afford some priorities such as:

- increase productivity and lower production unit costs in order to obtain gains in productivity;
- achieve environmental sustainability to defend and improve the natural resource base;
- allocate land and human capital towards more market oriented productions and achieve higher added value products in order to increase incomes.

**Actions.** The introduction of technological innovations in these agricultural sectors highly depends on the enforcing and improvements of scientific co-operation between research institutes in East-Central Europe and the international ones. In the same time, links between private firms, farms and universities must be encouraged, developed and enforced. Firms and farms need technology to improve their competitiveness: in several occasions they decided to join low costs research programs included in specific networks.

Introduce the adoption of natural resource management practices to enhance their sustainable use

**Central planning.** The former economic system devoted scarce attention to environment issues: it lacked of systems for a sustainable management to improve quality of soils or water and no programs based on sustainable approach for environment were planned.

**New approach.** At the beginning of the systemic transformation process, the dramatic environmental conditions in East-Central Europe forced the governments in the region to cope with the issue related to quality of air, soil water and biodiversity protection.

**Goals.** The natural resource protection and environment quality are strictly linked to the promotion of investments directed to the introduction in farms of practices based on a rational resource allocation and to the adoption of sustainable production methodologies. Other investments are necessary to manage the monitoring phase involving also forest resources. An appropriate use of resources can also contribute to improve productivity and increase rural incomes.

In general terms, improvements in rural landscape can represent a crucial step for the definition of many non agricultural activities such as those related to rural tourism and recreation with a concrete impact for the promotion of typical and “niche” products (food and non-food) and other small rural industries.

**Actions.** Some actions are necessary in order to achieve tasks and goals related to the sustainability of agricultural practices:

- inform and educate rural communities on economic benefits of environmental sustainability;
- improve management skills about land use and forest resources;
- facilitate local controls on forest resources and establish a sound legal framework and efficient services.

Develop alternative strategies to improve quality of rural communities' life

**Central planning.** Scarce flexibility and management from the top down represented concrete limits for the former rural development programs.

**New approach.** In the renewed scenario inflexible integrated economic and social programs and omnicomprehensive services seem to be a not practicable option. It is rather necessary to find out alternative production and service opportunities for specific local rural communities.

**Goals.** The possibilities to stimulate demand for local products and to create conditions for a positive environment for local, regional, national and international investments can provide concrete contributions to create further economic and social development opportunities for these communities. It means that investors and producers have to work together in the definition of activities capable to increase agricultural and non agricultural employment (for example rural tourism or small rural industry). All this contributes to expand local economic opportunities and to achieve a sustainable economic growth.

**Actions.** Public and private investments in infrastructures, education and training and health services are surely key factors critically influencing also traditional conditions of rural communities with low productivity levels.

#### CONCLUDING COMMENTS

Transition from a closed centrally planned economy to a market one shows many implications for all the mechanisms at the base of development. Often many issues directly involve the State role within this peculiar scenario considering also that many recent processes, linked to globalization, created additional problems for already weak governments. This should consider as a crucial condition because, as previously described, governmental institutions and private sector (producers, financial institutions, firms in processing and distribution, etc...) should actively co-operate and interact in order to cope with all the facets involved in rural development. This condition of weakness in both sides of the “private-public” relationship should be considered as a clear push to identify original methods and innovative mental and cultural approaches. In many cases, the fo-

cal point is represented by the need to put again in contact government (and its institutions), rural communities and the private sector through decentralized operations and promoting local organizations. Despite many economic difficulties, it is important not to forget that in East-Central Europe private sector, universities, NOGs are however in condition to provide essential skills and capabilities to develop technologies, marketing strategies and agribusiness opportunities: these are critical contributions not only for producers but also for State institutions. Widespread poverty and unemployment in rural areas still have to be considered as the most urgent and complex problem to be solved in the region: it involves directly research and definition of new policies encouraging global rural development, savings and capabilities of the social cushions to positively act for those individuals hit by the contradictions of the transition process. Economic and financial developments in Western Europe (for example the implications of the European Monetary Union - EMU or the future evolution of CAP) and those long term structural changes considered necessary to acquire (real or supposed) benefits from globalization tend to make even more complex this scenario. Economic growth in East-Central Europe is strictly linked to the expansions in exports towards Western Europe, an area exposed to fast changes and frequent adjustments in technologies and demand characteristics. For the economies in the western part of the continent and for the eastern ones, given this complex network of interrelations, it becomes essential to understand their own roles and the position of their agricultures within this scenario and the lack of this mutual understanding can explain those many difficulties in reforming the present CAP. Surely if the effects and implications (positive and negative) of globalization are not included and analyzed while defining specific political and economic political actions even for agriculture, the development possibilities in the near future hardly will be fully exploited by the former European communist countries. The globalization forces, pressing over all the components of agroindustry, are forcing these agricultural sectors, often in weak conditions, to define their comparative advantages and to adapt quickly through innovative policies, strategies and structures in order to exploit potential development opportunities. Yet many producers in East-Central Europe need technical skills, experiences and, above all, financial support to adapt to these new conditions. Many rural families involved in agricultural and non agricultural activities seem not prepared both to exploit benefits can derive from great transformations in agriculture and to provide answers to once not existent competitors. It makes more and more urgent the definitions of strategies to make available also for farmers in East-Central Europe punctual information about consumer needs, timely information on market trends and other informa-

tion and material resources useful to let market mechanisms work. Growth margins in the social and economic scenario resulted after the 1989 events are surely impressive but the definition and exploitation of comparative advantages require permanent efforts supported by huge investments, skills, experiences, know-how and infrastructures to adopt the necessary adjustments and manage changes and transformations resulting by these new realities. ●

## REFERENCES

- AKII (1998) "Studies in agricultural economics", n. 91, AKII, Budapest.
- AKII (1999) "Studies in agricultural economics", n. 92, AKII, Budapest.
- Baljaeva N. (1995) La crisi del sistema statale russo: cause e prospettive, in Santoro C.M. (edited by) "Nazionalismo e sviluppo politico nell'ex Urss", Spai, Milan.
- Beneria L., Feldman S. (edited by) (1992) Unequal burden, economic crisis, persistent poverty, and women's work, Westview press, Boulder.
- Besley T. (1994) How do market failures justify interventions in rural credit markets, The World Bank Research Observer, vol. 9, n. 1, Washington.
- Bezuneh M., Deaton B. Food (1997) Food aid impacts on safety nets in "American Journal of Agricultural Economics", n.79, may.
- Busch G. et al. (1997) L'Europa Centrale ed Orientale: situazione economica e prospettive di sviluppo, 1997 report, Banco Ambrosiano Veneto-WIFO-CSNE-WIIV.
- Byerlee D., Alex G. (1997) Strategic issues for agricultural research policy into the 21st century, World Bank, Washington.
- Carney D. (1995) The changing public role in service to agriculture: a framework for analysis, in "Food Policy", vol. 20, n. 6.
- Chambers I. (1994) Migrancy, Culture, Identity, Routledge, London.
- Cranne M. (edited by) (1994) The true cost of conflict, in New Press, New York.
- Hayami Yujiro (1996) The peasant in economic modernization, in "American Journal of Agricultural Economics", n.78, december.
- IERiGZ (1996) Polish agricultural and food sector in 1990-1995 and its development till the year 2000, IERiGZ, Warsaw.
- IERiGZ (1997) Polish agricultural market: recent developments and outlook, IERiGZ, Warsaw.
- IERiGZ (1999) Zagadnienia ekonomiki rolnei, n. 2-3/99, IERiGZ, Warsaw.
- IERiGZ (1997) Zagadnienia ekonomiki rolnei, n. 6/97, IERiGZ, Warsaw.
- Judt T. (1996) A grand illusion? HarperCollins Canada Ltd.
- Maddison A. and Associates (1992) The political economics of poverty; equity and growth, The World Bank, Oxford University Press, Oxford.
- Morozzo della Rocca R. (1997) Albania: le radici della crisi, Guerini ed Associati, Milan.
- Pasour Jr. E. C. (1990) Agriculture and the State, market processes and bureaucracy, The Independent Institute, Holmes & Meier, New York.
- Rostowski J. (1998) Macroeconomic instability in post-communist countries, Oxford, Clarendon Press.
- Therborn G. (1995) Modernità sociale in Europa, in AA. VV. "Storia d'Europa", Einaudi, Turin.
- World Bank (1997) Rural Development: from vision to action, Washington.
- Yaron J. (1994) What makes rural finance institutions successful?, The World Bank Research Observer, vol. 9, n. 1, Washington.