



Harmonized development of the farm economy and of the countryside

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ABSTRACT

The sphere of issues surrounding rural development in Hungary has gained prominence in the past few years. On the basis of the principles of the OECD 85% of the area of the country is judged to be of a rural character; 46% of the population lives here. It can be regarded as a particular attribute of Hungary that the role played in rural development by the agricultural sector is a more significant one than is the case in the majority of EU member countries. This situation can be explained by the relatively high GDP and export share of the sector, and by the fact that the proportion of the working population employed in agriculture is stabilizing at a level of approximately 8%. The exploitation of the regional development potential of the farm economy has, in the past decade, been hindered by the protracted crisis in agriculture and the decline of the economic and social situation in the rural regions. In the past two years regional policy and other laws drawn up to conform to the standards of the European Union have upgraded the significance of the countryside. In the interest of ensuring that the countryside should be capable of fulfilling its economic, social, ecological and cultural functions a number of tasks remain to be accomplished. The most important of these are the following: dynamisation of the farm economy and the attainment of an increase in competitiveness, the strengthening and diversification of the economic base of the countryside, phased development of public utilities in the countryside, an improvement in employment and earnings relations and also in living conditions and the intellectual level prevailing, and finally increased protection of nature and of the environment. It is also necessary to ensure that financial guarantees for rural development are created. A task to be accomplished which should not be diminished in importance is the formulation of regional concepts for rural development, the drawing up of integrated agricultural and rural development programmes constructed on the basis of these concepts, and the establishment of a regional information systems network.

(Keywords: countryside, rural development, development's priorities, financial conditions, structural framework)

ÖSSZEFOGLALÁS

Az agrárgazdaság és a vidék összehangolt fejlesztése

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A vidékfejlesztés problémaköre Magyarországon az utóbbi években került előtérbe. Az OECD elvei szerint az ország területének 85%-a vidéki jellegű, itt él a lakosság 46%-a. Magyar sajátosságnak tekinthető, hogy az agrárgazdaság vidékfejlesztésben betöltött szerepe nagyobb mint az EU országok többségében. Ez a körülmény az ágazat viszonylag magas GDP és exportrészesedésével, valamint 8% körüli szinten stabilizálódó foglalkoztatási arányával magyarázható. Az agrárgazdaság térségfejlesztő potenciáljának kihasználását az elmúlt évtizedben az elhúzódó agrárválság és a vidéki térségek gazdasági ill. társadalmi helyzetének hanyatlása akadályozta. A legutóbbi két évben kidolgozott EU-konform területpolitikai és más törvények felértékeltek a vidék jelentőségét. Annak érdekében, hogy a vidék betölthesse gazdasági, társadalmi, ökológiai és kulturális funkcióját, több feladat megoldására van szükség. Ezek közül a legfontosabbak, az agrárgazdaság dinamizálása és versenyképességének növelése, a vidék gazdasági bázisának erősítése és diverzifikálása, a vidéki infrastruktúra ütemes fejlesztése, a foglalkoztatási és kereseti viszonyok valamint az életkörülmények és a szellemi színvonal javítása, végül a természet és a környezet fokozott védelme. Indokolt lenne a vidékfejlesztés céljainak, feladatainak és eszközeinek törvényi szabályozása. Szükséges lenne az is, hogy megteremtődjenek a vidékfejlesztés pénzügyi garanciái. Fontos tennivalót jelent a térségi vidékfejlesztési koncepciók és az integrált agrár- és vidékfejlesztési programok kidolgozása és a területi információs rendszer létrehozása.

INTRODUCTION

On approaching the end of the 20th century it is now clearly evident that a new characteristic to emerge in the 21st century will be the upgrading of the significance of the countryside and the smaller settlements. The signs of this are already perceptible in the economically developed countries. The promotion of the cause of the countryside is based on the realisation that the rural regions bear a valuable natural heritage such as is not to be found in towns, and the preservation of which can only be undertaken by rural populations. In Hungary it is only in the past few years that substantial endeavours have begun in the interest of tackling the particular problems of the countryside. The transformation which occurred subsequent to the change in the political system did, although to differentiated degrees, on the whole exert a detrimental effect on the economy and society of the rural villages. General economic depression, impoverishment and vigorous income level restructuring of the local population are now characteristic of the majority of these settlements.

Taking into account the fact that the farm economy in Hungary is very closely related to the countryside, it is the intention of the author in this paper on the one hand to analyse the situation in, and the connections between, agricultural society and the agricultural sector, and on the other hand to endeavour to assemble the opportunities for rural development open to farm economy, and the tasks to be accomplished. In the course of this discussion reference will also be made to certain issues arising within the integration of Hungary into the EU and which touch upon rural development.

THE POSITION OF RURAL DEVELOPMENT IN THE SECTOR POLICIES SYSTEM

The concept of the countryside, interpreted beside the core and peripheral relations, denotes the gravitational field of certain territorial, administrative and functional cores. The actual clear determination of the rural settlements and regions constitutes a task to be accomplished at national level, and is, at the same time, a requirement for effective rural development.

In Hungary, interpreted in the wider sense, farms, villages and small towns of a population below 10,000 (the majority of the latter being agriculture-based towns), and the towns in the areas of rural development are considered countryside. Of the 3130 settlements in Hungary 2924 are classed as villages and 206 as towns. Of the towns 102 can be considered rural. Thus, the number of rural settlements is 3026 (KSH, 1996a). This broader interpretation on the one hand serves to promote exploration of the connections of the countryside and the farm economy, while on the other hand enabling the differentiated economic and social situation of rural settlements to be taken into account in the allocation of financial resources for regional development. The countryside does not, after all, comprise merely an ensemble of homogeneous settlements, since both the villages and the small towns include those undergoing dynamic development, those of an average level of development and those lagging substantially behind the average. The latter are the *rural development areas*, which pursuant to the Regional Development Act (MK, 1996a) and to the National Regional Development Conception (MK, 1998b) as well as the regions backward from the socioeconomic aspect, the regions suffering chronic unemployment, and the regions in which the structure of industry is under transformation are eligible for regional development support. The types of these areas were determined on the basis of the statistically classified subregions (NUTS-4 level) and in a mode corresponding to EU standards. The rural development areas constitute (in accordance with the classification system updated in 1997 and anticipated to remain valid for a number of years) the regions in which the urbanisation/ruralisation index (what percentage of the population of the given subregion lives in settlements of population density above 120 per km²) is below the national average, the proportion of active wage earners in agriculture above the rural average, the average wage below 90% of the national average, and the unemployment rate on 20th December 1996 was found to be above 1.33 times the national average. In the majority of these areas the natural conditions for agricultural production are also less favourable than the average conditions (TRHGY, 1997). The countryside and the rural development areas are shown in *Figure 1*.

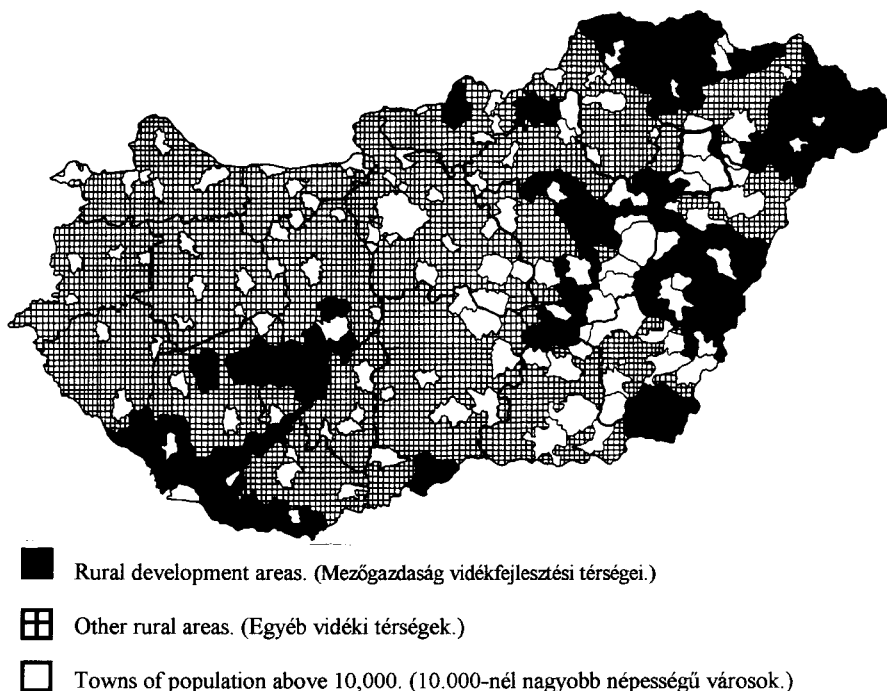
The functions of the rural areas can be classified into three groups

- The first includes the *economic (production) functions*, which include agriculture, forestry and fishery activities, the sustainable utilisation of renewable natural resources, the exploitation of opportunities in village tourism, the holiday industry and recreation, and the operation of production and service establishments located in the rural regions.
- The second group consists of the *ecological functions*. These are constituted by the protection of the natural fundamental necessities for healthy life (land, water and air), the preservation of the character and variegated complexion of the landscape, and of biodiversity, and the protection of forest and other habitats, and ecological systems in general.

- Finally, the third group of functions of the countryside comprises the *social and cultural tasks* closely connected to the rural form of life. These are devoted to the promotion of the keeping up of community and cultural traditions accumulated over the centuries and the preservation and strengthening of the viability and identity of village societies.

Figure1

Territorial representation of the countryside and the rural development areas in Hungary since 1st August 1997



Source(1): The autor's own compilation on the basis of *KSH*, 1996a,c and *MK*, 1998a. (A *KSH* 1996a,c és a *MK* 1998a alapján saját összeállítás.)

1. ábra: A vidék és a mezőgazdasági vidékfejlesztési térségek területi képe Magyarországon 1997 augusztus 1-től.

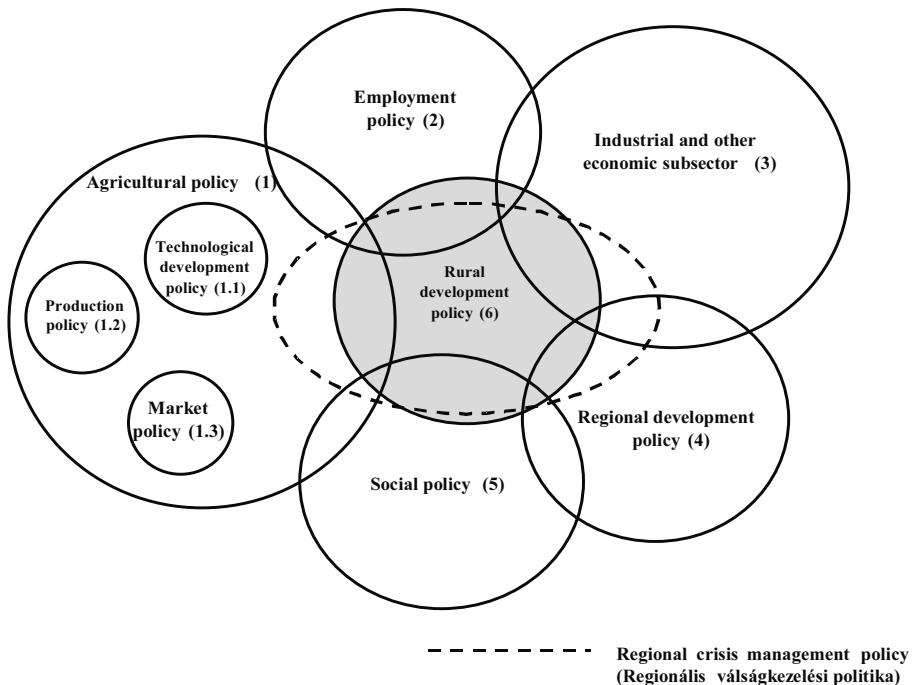
Forrás(1)

Rural development is an element of integrated economic development. It can be regarded as a complex activity with the objective of ensuring that the rural regions should have the sustainable capacity to fulfil their functions in serving the interests of the entire society, including the creation of the conditions essential for rural populations to be able to stay where they are, employment for rural populations, improvement in

living conditions and earnings relations, the development of public utilities and services, and also the shaping of agricultural production to conform to local characteristics and resources (Sarudi and Szabó, 1997). Rural development policy is closely connected to the various sector-related and subsector policies; it is only in cooperation with these policies and under conditions of effective coordination that it can fulfil its multifaceted tasks. (See Figure 2)

Figure 2

Interrelations of rural development policy



Source (7): Fehér (1998)

2. ábra: A vidékfejlesztési politika kapcsolatrendszere

Agrárpolitika(1), Műszaki fejlesztési politika(1.1), Termeléspolitika(1.2), Piacpolitika(1.3), Foglalkoztatáspolitikai(2), Ipari és egyéb gazdaságpolitikai szegmensek(3), Területfejlesztési politika(4), Szociálpolitika(5), Vidékfejlesztési politika(6), Forrás(7)

It follows from the concept of the countryside that *the range of effect governed by rural development*, taken in the wider sense, extends to the development of the farms, villages and small towns; thus, 85% of the area of the country and 46% of its population is affected. In the narrower sense rural development can be applied to refer only to the rural development areas. In this case it governs a narrower of effect, wielding influence

over the situation of 1,3 million of the inhabitants of Hungary living on 26% of the total land area of the county (See Table 1)

Table 1

Data relating to the countryside and the rural development areas, 1st January 1997^x

Denomination (1)	Area km² (2)	Number of settlements (3)	Population (thousands) (4)
Total (5)	93.030	3.130	10.174
Budapest (6)	525	1	1.886
Other cities and towns (7)	22.186	205	4.539
Of these, small towns ^{xx} (8)	8.462	102	886
Villages (9)	70.319	2924	3749
Countryside (10)	78.781	3026	4635
Rural development areas(11)	24.029	849	1322
Of these, towns(12)	5.021	47	530
Countryside as a % age of the national figure(13)	84,7	96,7	45,7
Rural development areas as a % age of the national figure(14)	25,8	27,1	13,0

x According to the administrative status of 1 January 1997. (Az 1997. I. 1.-i közigazgatási beosztás szerint.)

xx Including the towns of population over 10,000 classified as regions of agricultural rural development. (A 10.000 főnél kisebb népességű és a mezőgazdasági vidékfejlesztési térségekbe sorolt városok.)

Source (15): The autor's own calculations on the basis of *KSH 1996a,c* and *KSH 1998a*. (A *KSH 1996a,c* és az *KSH 1998a* alapján saját számítás.)

1. táblázat: A vidék és a mezőgazdasági vidékfejlesztési térségek néhány adata, 1997. január 1.-én

Megnevezés(1), Terület km²(2), Települések száma(3), Lakónépesség ezer fő(4), Összesen(5), Budapest(6), Többi város(7), Ebből: kisváros(8), Község(9), Vidék(10), Mezőgazdasági vidékfejlesztési térségek(11), Ebből: város(12), Vidék az országos adat %-ában(13), Mezőgazdasági vidékfejlesztési térségek az országos adat %-ában(14), Forrás(15)

THE CONNECTION BETWEEN THE COUNTRYSIDE AND THE FARM ECONOMY

The situation of the farm economy and the countryside

The significance with respect to the national economy of agriculture in Hungary has decreased in the recent period, but still remains substantial, and greater than that observed in the European Union.

In 1996 agriculture contributed 7% to the gross domestic product, and in conjunc-

tion with the food industry almost 12%. On average for the years 1991-1996 the national food economy annually exported a value of 1.6 million dollars more than it imported, thereby substantially moderating the foreign trade balance deficit of the country.

Table 2

The position of agriculture in Hungary and in the European Union

Denomitation (1)	Hungary (2)					EU 15(3)
	1990	1993	1994	1995	1996	1995
Contribution of the food economy to GDP (4)	13.0	11.0	10.8	11.3	11.9	..
Of this: agriculture ^x : (5)	10.9 ^{xx}	6.6	6.7	7.2	7.0	2.5
food industry (6)	3.4 ^{xx}	4.4	4.1	4.1	4.9	..
Number of active wage earners in agriculture as a percentage of total active wage earners(7)	18.0	10.1	8.9	8.9	8.0	5.7
Agricultural and food industry product exports as a proportion of exports in the national economy (at current price levels) (8)	23.1	21.4	22.0	22.0	18.4	8.0
Proportion represented by agriculture in investment in new fixed assets (9)	5.9	3.0	3.1	3.1	3.1	..

^x.Agriculture, game management, forestry and fishery activities collectively (Mezőgazdaság, vad- és erdőgazdálkodás ill. halászat együtt.)

^{xx}. Estimated proportion. (Becsült arány.)

Source (10): KSH (1996b), KSH (1997), Eurostat (1996)

2. táblázat: A mezőgazdaság helye Magyarországon és az Európai Unióban

Megnevezés(1), Magyarország(2), EU-15(3), Élelmiszer-gazdaság hozzájárulása a GDP-hez(4), Ebből: mezőgazdaság(5), Élelmiszeripar(6), Mezőgazdasági aktív keresők az összes aktív keresők százalékában(7), Mezőgazdasági és élelmiszer-ipari termékek kivételének aránya a nemzetgazdaság kivételében folyó áron(8), Mezőgazdaság aránya az új állóeszközök beruházásában(9), Forrás(10)

According to other calculations the real losers in the change in political and economic system which began in the late 1980s were the villages, and within these, agriculture. Evidence of this is provided by the following facts, among others.

Annual gross production in agriculture in 1996 barely reached 70% of the output achieved in the late 1980s.

The number of *active wage earners in agriculture* in 1996 decreased by 65.4% in comparison with 1990, the ratio represented by agriculture in the number of active wage earners nationally decreased from 18% to 8%, and the population sustaining role of agriculture shrank to less than a half of its previous level. The numerical decrease in the agricultural population occurred in a period when the labour force released could be

absorbed neither by industry nor by the service industries. In consequence of this, in 1996 the village unemployment rate exceeded the national average by an average of 4 per cent. 44% of the total unemployed lived in the villages.

Table 3

Employment distribution of the economically active population, 1996 (%)

Economically active population (1)	For the whole country (2)	Of these: in the villages (3)
In employment (4)	88.2	84.4
Unemployed (5)	11.8	15.6
Total (6)	100.0	100.0
Unemployment rate (7)	13.4	18.5

Source (8): The autor's own calculations on the basis of *KSH* 1997. 18. (A *KSH* 1997. 18. alapján saját számítás.)

3. táblázat: A gazdaságilag aktív népesség megoszlása, 1996.

Gazdaságilag aktív népesség(1), Az országban összesen(2), Ezen belül a községekben(3), Foglalkoztatott(4), Munkanélküli(5), Együtt(6), Munkanélküliségi ráta(7), Forrás(8)

As the years progress *agricultural wage levels* lag behind the national economic average by increasingly large margins. While in 1990 this shortfall was 'only' 16.3%, in 1996 it amounted to 25.1%.

Table 4

Gross average earnings of those employed in agriculture

Year (1)	forints/head/month (2)			as a %age of the national economy average(3)		
	physical (4)	intellectual (5)	average (6)	physical (4)	intellectual (5)	average (6)
1990	9709	17663	11250	89.1	99.2	83.7
1991	11343	19930	13099	79.9	81.3	73.0
1992 x	13328	22840	15317	77.3	74.7	67.7
1993 x	16544	28751	19230	79.3	78.1	70.8
1994 x	20988	37213	24641	82.3	82.1	72.6
1995 x	25079	46673	29897	83.7	88.5	75.0
1996 xx	29679	54398	35073	84.1	87.3	74.9

x Data for establishments employing over 20 people (20 fő feletti létszámú szervezetek adatai.)

xx Data for establishments employing over 10 people (10 fő feletti létszámú szervezetek adatai.)

Source (7): *KSH* 1997. 16.

4. táblázat: Az alkalmazásban állók bruttó átlagkeresete a mezőgazdaságban

Év(1), Ft/fő/hó(2), A nemzetgazdasági átlag %-ában(3), fizikai(4) szellemi(5), együtt(6), Forrás(7)

In contrast to the previously experienced decreasing tendency, in the 1990s the *number of inhabitants of the 2924 villages* rose slightly, which can be attributed to the phenomenon of people moving back to the villages. According to data for 1997 over 37 per cent of the population, 3.7 million people, then lived in the villages. This proportion is similar to, or slightly higher than, that in Italy, the Czech Republic, Greece and Croatia, and three times that in the Netherlands and Denmark, but lower than that in Portugal and neighbouring Austria. (At the same time other calculations demonstrate a continuing decreasing tendency in the populations of villages numbering fewer than 500 inhabitants.) The modest increase in the proportion of the rural population is also due to the fact that many of those who had previously gone to settle in the towns - mainly those who had lost their jobs in the towns or had retired - moved back to the villages in the hope of finding the cost of living lower there. The moderate increase observed in rural populations was, however, brought about principally by the higher than average natural reproduction rates of the gypsy communities living in the rural areas.

Table 5

Changes in population figures, 1980-1997^x

Year (1)	Total (2)	Budapest (3)	Other cities and towns (4)	Of these:		
				In the small towns ^{xx} (5)	In the villages (6)	In the countryside (7)
Population (thousands) (8)						
1980	10,709	2059	4617	911	4033	4944
1990	10,375	2017	4632	897	3726	4623
1997	10,174	1886	4539	886	3749	4635
Change in the inhabitant population (thousands) (9)						
1980-89	-334	-42	15	-14	-307	-321
1990-97	-201	-131	-93	-11	23	12

^x According to the administrative status of 1 January 1997 (Az 1997 január 1-i közigazgatási beosztás szerint.)

^{xx} Including the towns of population over 10,000 classified as regions of agricultural rural development. (Az 10.000 főnél kevesebb népességű és a mezőgazdasági vidékfejlesztési térségekbe sorolt városok.)

Source (10): The autor's own calculations on the basis of *KSH* 1997. 39. and *MK* 1998a. (A *KSH* 1997. 39. és a *MK* 1998a alapján saját számítás.)

5. táblázat A népesség számának alakulása, 1980-1997

Év(1), Összesen(2), Budapest(3), Többi város(4), Ezen belül : Kisváros(5), Község(6), Vidék(7), Lakónépesség száma 1000 fő(8), Lakónépesség számának változása 1000 fő(9), Forrás(10)

In addition to the factors outlined above the deepening of the concerns affecting agriculture and the countryside are also perceptible in public utilities, in the deterioration in the demographic situation of the population, in the opportunities available for education and cultural enrichment, and in a number of other indicators. The common characteristic of the detrimental factors cited is that they constitute a danger to the economic, social and ecological equilibrium of numerous rural regions.

The role of the farm economy in rural development

Of all the sectors of the national economy *the farm economy is the most closely bound to the countryside*, since the countryside constitutes the source of the location of operations and the labour requirement of the farm economy, particularly that of agriculture and forestry. Further to this, the farm economy exerts decisive influence on the possibilities for income generation not only of those engaged in agriculture and forestry, but in general of rural families and rural settlements, thus constituting a *direct settlement-shaping force*. In the process of production activity the farm economy is in very close relation to the living environment and the renewable natural resources, and in consequence *exerts an influence on the condition of the natural environment* (principally the soil, surface water, and the flora and fauna). The farm economy can therefore be considered a *factor in social and rural development issues of a multifaceted, multidisciplinary nature, with a wide range of objectives*, and it will presumably continue to fulfil this role in the long term.

The ecological characteristics of Hungary are, from the aspect of its agriculture, favourable. Its conditions enable the production of a wide range of agricultural products. 66% of the total land area of the country is fit for utilisation for agricultural production, the proportion of utilisable arable land being 51%. (The corresponding proportions in the EU are 45% and 23% respectively.) Thus, in Hungary the prospects for intensive land utilisation are indeed good. These prospects, in comparison with those of the EU countries, in themselves also *upgrade the role of agriculture and forestry activities in rural development*.

The role in employment of the farm economy (and, within this, agriculture and forestry) is (despite the decline which occurred in the first half of the 1990s) almost double in significance compared with that of the countries with developed agriculture, and will in the longer term also remain more substantial than that observed in the European Union (with the exceptions of Greece, Ireland, Portugal and Spain). It would be expedient to treat this function of the sector as a particular characteristic and an important element of rural development.

It follows from the configuration of the Hungarian economy that in the countryside it is presumably to be anticipated that even in the long term the *agricultural sector* will maintain a *relatively high GDP share*, and that within the rural economy it will continue to hold sway over a sphere of action which is wider than average.

In Hungary biomass can be regarded as the most significant source of renewable energy. The *energy-bearing production capacity of agriculture and forestry* is over three times its own fossil energy requirement. Exploitation of this factor may also increase the significance of the sector from the aspect of rural development, employment and services.

Agriculture and forestry provide a specifically particular service to society, in that they create the conditions necessary for *the preservation of the natural environment and*

for recreation. Both these activities are linked to the ecological function of the countryside, and in harmony with this other function enable the foundations for sustainable development to be laid.

TASKS IN RURAL DEVELOPMENT

The development of the countryside and that of the agricultural sector constitute two issues inseparable from each other. Alleviation of the problems of the farms, villages and agriculture-based towns can only be achieved by means of a complex approach. In the examination of possible solutions it should be anticipated that Hungary will in the future become integrated into the European Union. When compared on the international scale there is, as yet, little legislation relating to regional development and the development of the farm economy, but as the years pass increasingly large amounts are being devoted to rural development purposes. (The ratio of subventions relative to GDP is 0.2% in Hungary and between 1 and 3% in the EU). In addition to this, preparatory negotiations in connection with the future EU membership of Hungary may lay the foundations for the participation of the country in EU rural development programmes. The financial resources thus obtainable could provide the opportunity for the implementation of programmes for regional rural development and, within this, for agricultural development. However, these amounts can be obtained only by means of programmes based on well-formulated concepts for rural and agricultural development.

The general objectives of rural development

The priorities of rural development applicable to every rural region in the country, taking into account the experience gained by the EU member countries, and, in the wider sense, in the economically developed countries, and the contents of the European Charter for the Rural Regions, can be expressed as follows (Sarudi and Szabó, 1997):

- strengthening and consolidation of the economic base of the countryside, and diversification of the sphere of economic activities undertaken;
- improvement of employment and earnings relations in the countryside;
- improvement of living circumstances and conditions in the countryside;
- preservation and protection of rural social communities, professional and civil organisations and cultural values;
- improvement of the social and economic situation of less favoured agricultural areas, by means of increased subventional support;
- renovation and ‘face-lifting’ of the villages and farms;
- the fostering of strengthened rural ties for young people and entrepreneurs;
- the development of public utilities networks;
- the raising of the intellectual standard of the countryside, and the creation of equal opportunities in education for the rising generation;
- protection of the living and the constructed environment.

Tasks of rural development in the rural development areas and in the subregions with favourable resources for agricultural production

Of the 150 subregions in Hungary there are 38 *rural development areas*, in which a high proportion of the population is employed in agriculture, population density and income levels are low, the quality of the land and its population sustaining capacity are weak, and depopulation and long-term unemployment are characteristic. These subregions are

also entitled to increased support for regional development. Such support is given for the purpose of the development of agriculture, protection of the environment and the stimulation of employment, and also for the development of tourism, social objectives and public utilities in these regions. Therefore, in these areas it is expedient to grant prominence to tasks connected with structural change (e.g. afforestation, the establishment of pasture, environmental protection, horticulture and livestock keeping) and supplementary employment (village tourism, local industry, home industry, services, etc.). In the interest of the sustaining of populations a substantial role should be granted to employment outside of the agricultural sector and retraining to promote this.

In the subregions possessing resources favourable to agricultural production, which are not eligible for increased support for regional development, the main task is the achievement of high-quality, competitive agricultural production, processing and commercial activity. In connection with this it would be expedient to incorporate into a programme the changes to be made in the structure of production, to conform to market conditions (e.g. agricultural production not only for the food industry), complementary activities (local specialities, activities in agricultural commerce and banking-related issues, goods transferral and storage sites, machinery trade and repair, etc.).

Tasks of the farm economy in connection with rural development

It is common knowledge that in rural development agriculture is regarded as merely one of the available sources of livelihood. In agriculture the major resource is the land, while in rural policy further components are constituted by surface water, forest, the natural environment, the keeping up of historical and cultural traditions, and the preservation of the viability of rural communities. Agriculture forms the backbone of the countryside, and in consequence the countryside would not be capable of fulfilling its functions in the absence of viable agriculture. From this arises the conclusion that *the development of multifunctional agriculture is a necessity*. The sustainable utilisation of natural resources cannot be viewed in isolation from agriculture, and the provision of the services necessary for rural communities is also among the tasks facing the sector. *There is therefore the need for changes in agriculture in the traditional sense of the term*. It would be expedient to extend the regional development functions of the sector, presently decisively restricted to its production (i.e., economic) role, to cover also the preservation of the landscape and cultural functions related to the land. However, a very substantial condition for this is that the accomplishment of these new types of task should also be remunerated in a calculable manner.

Account being taken of the above relations, the *rural development priorities of the farm economy* can be defined as follows:

- preservation of the rôle in employment of the farm economy;
- development of the farm economy in accordance with the requirements for sustainable development;
- the promotion of structural change: land utilisation and a structure of production conforming more closely to the resources available, the provision of assistance in, and encouragement for, the production of products of regional character, local specifics and types of livestock and plants particular to the various regions, the renewal of forest areas and plantations, the development of labour-intensive sectors, the utilisation of agricultural land for purposes other than food production, etc.;
- support for education, research and specialist consultant advice connected to structural change and to development;

- protection of the living environment (the landscape, the soil, surface water and protected natural heritage);
- village renovation and village development (with particular regard to small settlements and farms); and finally
- the exploitation of village tourism and other alternative opportunities for the creation of employment.

The structural framework, financial conditions and information system for rural development

Rural development is a bottom-based activity involving a high number of participants (local populations, non-governmental organisations, trade unions, chambers, Hungarian and foreign enterprises, local authorities, county councils, regional authorities, ministries, international organisations, etc.), and is fed by many types of financial sources. Hence comes the extremely high significance of coordination not only at government level, but also at regional level; within the boundaries of the regions, between the counties and between the subregions; at local authority level, between the non-governmental organisations. In the field of rural development (including among other tasks the formulation of programmes, the exploration of possible channels of funding and the harmonisation of developments) the role of the local authorities and of local non-governmental organisations is the determinant one.

The structural framework for regional development is set by the legislature governing regional development (the Council for National Regional Development, the Council for Regional Development and the Council for County Regional Development). It would not be expedient to establish other structures parallel to these for rural development, but there is justification for the operation within this framework of new institutional elements to deal specifically with rural development (e.g. working committees for rural development), if only for the purpose of strengthening the interest-enforcement capacity of the countryside.

In the subventions policy of the EU, and also in the system of Structural Funds, it is anticipated that from the year 2000 rural development will be administered within target area 1, in which GDP per capita is below 75% of the community average. Rural development and the development of the structure of agriculture are also to be included in the framework of integrated development of the economy. However, in the integrated programmes there will be a clear distinction between developments in local public utilities and tasks to be accomplished with respect to farm economy and the protection of the agricultural environment (EC 1997.a,b.).

On consideration of the points outlined above it appears particularly important to ensure that concepts in rural development and the development of the structure of agriculture, and also action programmes, should be formulated as soon as possible for every subregion, and that programme planning should also take root at the subregional level. This is also, in accordance with the principle of programme financing, an essential condition for taking advantage of structural subventions available from the EU.

Support for rural development can be anticipated both from national (Hungarian) sources and from sources originating from EU countries. National sources of finance may be derived from the budget, the income of rural local authorities, capital investment by entrepreneurs or the savings of local populations (the principle of co-financing). Of the potential sources of finance, it is to be anticipated that budget-derived sources will continue to represent a decisive proportion of the total sources of finance available. For

this reason it is also important that financial resources for rural development should be kept separate from other expenditure destinations in the budgets of the individual government departments. At the same time it would also be expedient to endeavour to ensure that government department resources should rather be decentralised to regions or counties (Horváth, 1997.)

The construction of a bi-directional information system appears justified for the purposes of laying the foundations for rural development; such a system would, on the one hand, make available to the regions, counties, subregions and settlements every type of information which might be of assistance in the more efficient operation of local society (legal implements and possible sources of subvention, specialist consultant advice for the preparation of programmes, etc.); on the other hand, the system would also provide the government with a true outline of the situation of the countryside and of the effects of rural development. In information dissemination activity it is particularly important to achieve general acquaintance with the EU Common Agricultural Policy (CAP) and regional rural development policy, and the implement systems of these policies (structural and other fundamentals).

Finally, *the development of professional back-up for agricultural structure and rural development*, together with the establishment of a structure to deal with preparation for decisions to be taken, planning and programme management, constitutes a substantial task to be accomplished.

CONCLUSIONS

In Hungary, due to the favourable ecological characteristics of the country, the significance of the farm economy in the national economy and its rôle in employment is considerably more substantial than that observed in the developed countries of the west, including most of the member countries of the European Union. It is expedient to take into account this role as a particular characteristic in rural development. The most important requirements for the harmonisation of rural development and farm economy development are constituted by an improvement in the competitiveness and profitability positions of the sector, and the further development of the framework of subventions and institutional structure for rural development. Taking into account the anticipated reform in the agricultural and structural policy of the EU, preparations should be made for programme financing; rural development can, after all, only gain access to supplementary sources of finance by means of integrated economic development programmes embracing both the modernisation of the structure of agriculture and the protection of the environment. Such programmes should promote the strengthening of the multifunctional character of the farm economy, and within this, that of agriculture and forestry.

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