

*Alexander Turyanskiy, Alina Dobrunova*

## **AGRICULTURAL TERRITORIES MANAGEMENT PRACTICE IN TERMS OF CLUSTER APPROACH**

### **KLASTRY SPOŁECZNE A ZARZĄDZANIE OBSZARAMI ROLNICZYMI**

Belgorod State Agricultural Academy named after V. Gorin

Vavilova 1, 308503 Mayskiy, Belgorod region, Russia, e-mail: info@bsaa.edu.ru, dobrunova@mail.ru

**Streszczenie.** Rozwój terenów wiejskich ma w dzisiejszych czasach strategiczne znaczenie, wpływa bowiem na jakość życia mieszkańców wsi, jak również jest kluczowy dla rozwoju rolnictwa. Celem niniejszej pracy jest sformułowanie zaleceń dotyczących podniesienia poziomu rozwoju obszarów wiejskich z wykorzystaniem klastrów jako czynnika rozwoju. Strategia klastrów wdrażana jest na obszarze 65% obwodu biełgorodzkiego, jednak poziom życia społeczności wiejskiej wciąż odstaje od poziomu życia mieszkańców miast. Aby podnieść przydatność strategii klastrów społecznych w odniesieniu do rozwoju terenów wiejskich, autorzy niniejszej pracy opracowali projekt pod tytułem "Klustry jako czynnik strategicznego rozwoju obszarów wiejskich".

**Key words:** rural development, rural territories, socio-economic development.

**Słowa kluczowe:** obszary wiejskie, rozwój obszarów wiejskich, rozwój społeczno-ekonomiczny.

## **INTRODUCTION**

At present, the development of rural territories is of strategic importance. It affects not only the quality of life of rural residents, but is also crucial for agricultural development. At the present day, the problems of rural areas are solved by applying a cluster approach, which in recent decades has proved its efficiency both in foreign and domestic management practices. The formation of clusters has become an important part of governmental policy in the field of regional development in many countries of the world.

However, today there are no common, uniform mechanisms for the creation, development and promotion of clusters. Consequently, development of rural areas on the basis of cluster principles requires developing a sound cluster policy, including support mechanisms for cluster formation suitable to the Russian context.

## **THE AIM AND RESEARCH METHODS**

The purpose of the research is to put forward recommendations on how to develop rural areas with the use of the clusters. The object of research is the rural territory of the Belgorod-region. The study applied such scientific methods as induction, deduction, synthesis, analysis and specific economic study methods: economics and statistics, balance, normative and others.

## **RESULTS OF THE RESEARCH**

Studying the theoretical basics of rural area development it should be noted that in present day subject literature multiple definitions of such terms as «rural territories» (Bednarikova 2006, Calame 2012, Barron's Business Dictionary), «rural territories development» (Bednarikova 2006,

Targeting...), «development of agriculture» (Huylenbroeck and Durand 2003, Quan 2005), «clusters» (Potter 2009, Everitt 2011), «cluster approach» (Maskell 2009, Knowledge-based... 2008) are used. For the purposes of this paper, and based on selected theoretical concepts, the terms used will mean as follows:

- «rural territories» are the territories with its natural, economic, social and cultural conditions and resources, people living outside the cities that include inter-rural territories and rural settlement areas. In brief, rural territories should be considered a complex territorial system, development of which is determined by its connections with the environment, economic, social and institutional sphere;
- «rural territories development» is used to denote a change, growth or improvement of the four components: “social sphere – ecology – economy – institutions”. New priorities are assigned to these four aspects: purpose – the welfare of the today’s and future generations, base – natural and ecological systems of survival, economy – the driver of development, and institutions – ways and methods of goal achievement;
- «cluster» is a concentrated, complementary system of territories with independent authorities and business, inhabited by people sharing the purpose of economic development of the territory, raising the quality of life of rural population, support of the environment, on the basis of innovative technologies and management methods;
- «cluster approach» is a set of methods and means, based on principles of cooperation and competition, meant to streamline the efforts of business representatives, authorities and population aimed at development of rural territories.

The Belgorod region is a region in the Russian Federation, situated in the south-western part of Russia, 500–700 kilometers from Moscow, near Ukraine (Fig. 1). The Belgorod region is a highly developed industrial agricultural region. Its economy is based on great mineral resources and unique soils. Among all the republics, regions and districts of Russia, the Belgorod Oblast is 67<sup>th</sup> in terms of the area size, and 29<sup>th</sup> in terms of population size. The population of the region is 1.5 mln of people according to the data of 2013, including urban – 65.9%, rural – 34.1%. The largest cities are Belgorod – 379 135 people, Stary Oskol – 220 816 people, Gubkin – 87 556 people (<http://www.belregion.ru>).



Fig. 1. Map of Russia

The population of the region accounts for 1.1% of the total Russian population, the Belgorod region produces 4.4% of Russia's total agricultural output. The Belgorod region ranks very high with regard to a number of socio-economic factors characteristic of its development.

Over the years, systematic efforts to enhance rural development and life quality of the rural communities have been undertaken. Among them, a number of socio-economic programs and projects have been implemented, including: "Improve the quality of life of the population", "Strategy of socio-economic development Belgorod region for the period till 2025", "The formation of a regional solidarity society" on 2011–2025, "Social development of the village till 2013" (according to Federal Target Program "Social development of the village till 2012") and many others that are aimed at development of rural territories and enhancement of people's quality of life.

The bodies supervising the development work in the Belgorod region are the local authorities, the regional executive branch represented by the Agricultural Department of Belgorod Region and the regional government.

One of the characteristic features of the Belgorod model of rural area development is the implementation of cluster approach. The concept of cluster approach was used by the government to establish multi-sector clusters: social, mining and smelting, poultry farming, pig farming, tourist recreational. These social multi-component clusters established certain social goals to improve people's lives, and to be specific: to provide each 1000 countryside inhabitants with leisure, educational, and medical institutions, institutions of policing, community institutions, cultural institutions and well-organized cemeteries.

The main advantages of using cluster technology in rural area development are: pooling of financial resources of people, businesses and authorities, enhanced development flexibility and the formation of regional area clusters which enables strategic sectoral planning and also promotes multipolar distribution of wealth, and thus contributes to balanced spatial development.

Over the period 2008–2013, development of rural areas of the Belgorod region showed positive trends. Income of the rural population rose and in 2013, wages in agriculture amounted to 22.34 thousand rubles per month (683 USD), exceeding average regional wages in this sector (Fig. 2).

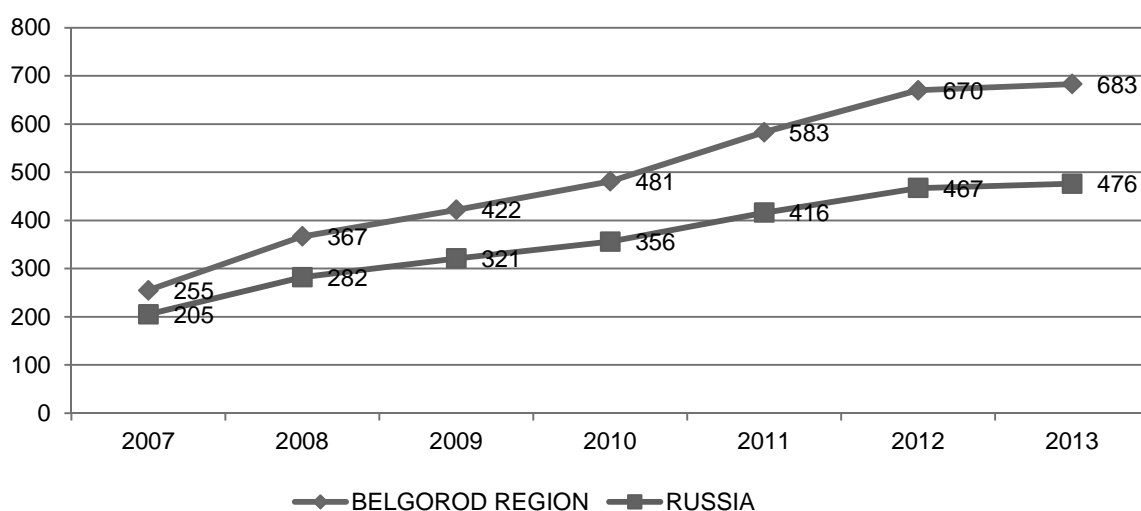


Fig. 2. Average monthly wage of agricultural workers (USD)

These factors, together with high bio-potentials have a huge effect on migration rates. The Belgorod area has possibly the highest rate of population migration into rural areas. Thus, the total fertility rate in rural areas increased by more than 47% compared with 1999 and amounted to 11.5 births per 1000 population. The absolute number of births in 2013 in comparison with 1999 rose to 1922 children, which makes 5895 people.

Positive trends in the Belgorod region can also be observed as it comes to building and infrastructure. In 1990, in rural Belgorod region 72.4 thousand square meters were constructed, whereas in 2010 the number was 481 thousand square meters and in 2013 – 583 thousand square meters (Fig. 3). Inhabitants of the rural areas enjoy relatively safe and comfortable housing conditions, with 31.7 m. per person, 95.3% of rural homes have gas connections, 95.8% – central heating and 41.9% – hot water.

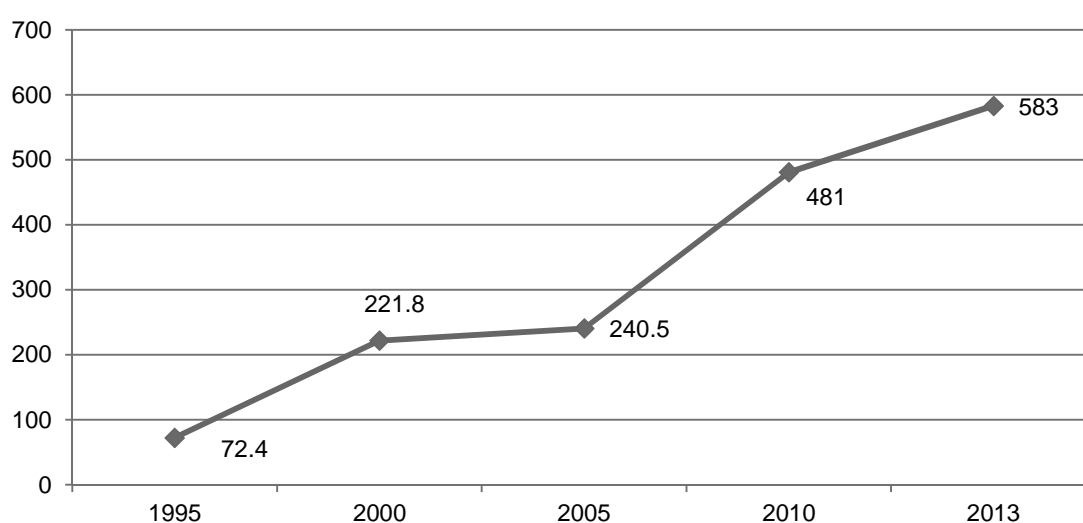


Fig. 3. Individual housing in the Belgorod region in 1990–2013 in thousand sq.m.

Development of socio-economic clusters is very dynamic. A good example of that is the naturally-created cluster of villages in the Belgorod region: Bessonovka, Dolgoye, Golovchino, Murom and others. In these rural areas, thanks to effective cooperation of the business community, regional and local authorities, the population can enjoy high quality of life.

This thesis has also been confirmed by results of a survey conducted among the residents, according to which they do enjoy social and economic benefits provided by businesses: 17.5% use financial support, 11.2% have the opportunity to use loans and advances on wages, 8.2% is used by enterprises in the processing of land, 7.3% can buy various products at a low price. At the same time we should note that it is not the entire business community that actively participates in the development of rural areas. A five-point scale assessment of activities of social institutions and local movements rated engagement of business community with 3.0 points and of local authorities with 2.9 points.

One may conclude that the timely implementation of important strategic decisions taken in the Belgorod region and aimed at rural area development were successful in alleviating the most urgent social problems, however the quality of life of the rural population is very far from the quality of life enjoyed by the urban population.

The results of the survey show that the majority of the rural population compared their financial position with typical middle class representatives – 72.1% and 21.2% thought it was lower than middle class and 6.7% believed to have high income (Fig. 4).

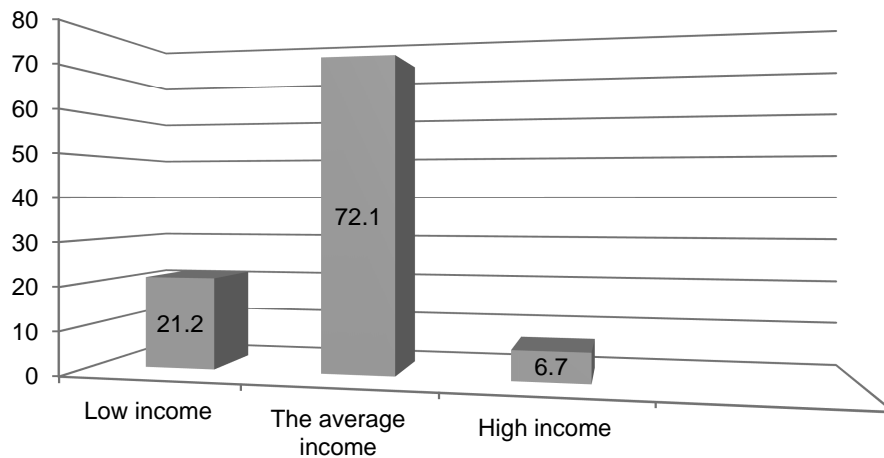


Fig. 4. Self-evaluation of financial status by rural people (%)

Assessing the development level of rural areas, 18.9% of respondents noted considerable improvement in life quality level and almost the same amount, that is 17.1% noted its degradation, whereas 47.1% think that life in the village improved only insignificantly. Majority of village dwellers noted significant improvement in upgrading of rural infrastructure (57.4%) and the general landscape. Almost one third of the respondents believe that the rural economy (29.4%), roads (34.2%) and management efficiency (29.2%) have improved. The negative points indicated are degradation of the environment (26.9%) and weak economic situation of rural citizens (25.2%).

Despite significant improvements in the quality of life of rural inhabitants, there are some negative aspects too. The reduction in the number of rural health care centers and rural schools has led to a drop in health care availability and reduced number of pupils for the period to 10.2% or to 4.7 thousand people. The gap between cities and villages is still visible in the standard of medical care and facilities: the cities have 1.5 more doctors and the number of beds per 10 thousand people is 7 times lower in villages than in cities. Rural schools continue to differ from schools located in cities in a similar way in terms of infrastructure and staffing. In the 2011–2012 school year, 78% of rural schools had all types of improvements (in cities 96%) and renovation was required in 30.3% of rural schools. The number of rural schools that have a canteen was 91.4% (cities – 100%), a sports hall – 76.1% (cities – 97.2%), a museum – 58.2% (cities – 72.2%).

The rural community also suffers from shortage of other elements of infrastructure that improve life quality. And so rural area residents note the absence of law and notarial institutions (19.8%), insurance institutions (27.3%), bank services (19.8%), domestic services (19.1%), transport services (10.9%).

Answers to the question: “What are the basic ways to improve material welfare of the rural community?” were distributed in the following way: through pension increase – 13.24%; creation of jobs in the non-agricultural sector – 13.16%; increased child allowance – 12.28%; more

cooperatives – 12.06%; creation of agricultural jobs – 11.50%; salary raise for state employees – 11.87%; state support for farmers – 11.04%; rise in the minimum wages to the living wages of able-bodied citizens – 10.09% (Table 1).

Table 1. Suggestions for material status improvement of the rural population

Suggestions for material status improvement of the rural population	Grade
Pension increase	1
Creation of new jobs in the non-agricultural sector	2
Child allowance increase	3
Cooperatives movement organization	4
Creation of new jobs in agriculture	5
Salary raise for state employees	6
State support for farmers	7

## CONCLUSIONS AND SUGGESTIONS

Application of the cluster approach in rural area management practice points to some disadvantages. In the first place, this kind of approach is based on a natural creation and development of socio-economic clusters, whereas in the Belgorod region there was an attempt to impose it from 'the top down'. Secondly, there is no reliable feedback system that would provide the managing bodies with updated information about the condition of rural areas under their management. Thirdly, there is no efficient cooperation mechanism between private business, local authorities and local population with regard to rural area development.

That is why the following recommendations were formulated:

1. To raise the income level of rural communities, to develop the non-agricultural sectors of economy (housing and municipal economy, domestic and ritual services, real estate activities, public nutrition, pastry production, hotel business, tourism etc.) and to solve the issue of village infrastructure development, it is necessary to boost small business development in villages by introducing preferential taxation regimes. These would have to include tax exemption schemes for companies investing in local real estate; interest-free loan options for the period of one year for entrepreneurs based and operating in the rural area (excluding districts that are located near regional centers); fuller inclusion of costs related to investment and production in the accounting models; better access to the means and resources dedicated to businesses (commercial organizations and private businesses); support in agricultural production development provided to economic entities; income tax allowances granted for three years for the start-ups based and operating in the rural area (excluding districts located near regional centers).
2. To assess the rural area development it is necessary to design specific methods and collect complete information about economic growth dynamics, area potential and its usage, about institutional development, as well as social, economic and environmental aspects of rural area development. The information gathered would help classify rural areas into categories: depressive rural areas that demonstrated high speed of development in the past; rural areas in stagnation that show very low or "zero" development; pioneer rural territories or regions of new development; unique rural areas connected with big investment (project rural

territories); problematic rural areas showing very low level of development (including poorly developed areas; border rural territories, environmentally endangered areas). Grouping of rural areas in the above-mentioned categories would be a good analytical tool for the governing and managing bodies, as well as help address developmental issues in a more efficient way.

3. To boost cooperation of different authorities, business structures and population with regard to rural area development, it is necessary to create models of cooperation. One of the potential forms of such cooperation of state and private activities is state-private partnership.

The concept and form of state-private partnership can be applied in the following cases:

- transport organizations, for example, construction and usage of paid roads;
- leasing organizations for agricultural producers;
- establishment of communal services companies (for example waste recycling plants) with long term lease or concession;
- implementation of power-saving technologies: development of small power companies that use traditional or innovative models of power production, construction of autonomous, self-sufficient homes;
- provision of clean water and sewage disposal systems;
- state owned buildings management, such as schools, hospitals, administrative buildings;
- leasing of municipal companies (municipal property).

Development of state-private partnership along this line will ensure cost-effective, long-term usage of infrastructure and buildings in rural areas. At the same time such development can be attractive and beneficial for businesses and municipal authorities alike, as leasing can be one of the basic sources of local budget financing and also investment in the region.

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