

# SUSTAINABLE RURAL DEVELOPMENT IN RUSSIA THROUGH DIVERSIFICATION: THE CASE OF THE STAVROPOL REGION

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The contemporary relevance of ensuring sustainable rural development is stipulated, on the one hand, by the growing economic and social backwardness of rural territories, and on the other hand by their ultimate importance for the nation in such issues as food security, preservation of soil and environmental resources, and the utilisation of agricultural, production and labour potentials. One of the key conditions of sustainable rural development is sufficient employment which provides rural inhabitants with a sustainable income which is competitive in comparison to urban territories. This paper includes an analysis of the current problems of rural development, based on the example of the Stavropol Region, one of the most agricultural regions of Russia; the paper addresses threats to sustainable rural development such as unemployment and depopulation, and substantiates the practicality of diversification of traditional rural sources of income by means of tourism and other alternative activities.

**Keywords:** sustainable development, rural territories, diversification, rural tourism

## Introduction

Under the conditions of growing urbanisation, more and more countries face the challenge of ensuring the social and economic progress of their rural areas. The specifics of agricultural production stipulate the main bottleneck: the possibilities to replace labour and land with capital are very limited. It is for this reason that sustainability of rural areas in general terms means the retention of rural inhabitants in their traditional environment by means of the provision of sustainable employment and income (Kiseleva et al., 2013).

Rural territories have great natural, demographic, economic and cultural potential. The rational utilisation of that wealth can potentially provide diversified development, full employment, and high living standards and quality of life for the rural population. However, the current situation differs vastly from that ideal picture, especially in developing countries, where agriculture forms a significant part of the overall structure of the GDP, and the proportion of rural dwellers within the overall population pushes up to one third (and even higher) of the nation.

Russia is considered as a developed country; nevertheless its rural territories are encountering serious problems on their way towards sustainable economic and social development. The territory of the country is over 17 mln. km<sup>2</sup>, including 4 mln. km<sup>2</sup> of arable land (23.4%). Over 27% of Russia's inhabitants live in rural areas, which is 38 mln. people. There are over 155.3 thousand rural settlements, but the majority of them (72%) are very small, with less than 200 inhabitants. Settlements with over two thousand inhabitants comprise only 2%. The standard of life in rural areas is very low; the income gap between urban and rural areas is increasing. In 2011, the wages in agriculture were only 52% of the national average wage in all industries (Kiseleva et al., 2013).

Such problems are most severe in the under-industrialised parts of southern Russia, where agriculture dominates in regional products, and a rural way of life is traditional for local people. During the transformation of Russia's economy in the 1990s, agriculture became one of the most unattractive areas for investments because of its longer capital turnover, low return, outdated infrastructure and specific natural conditions of production. That, in turn, decreased the level of income of rural people, created unemployment and

forced migration to urban centers. Consequently, traditional rural regions in the South of Russia lacked not only capital, but also labour, leading to the degradation of agricultural production and rural infrastructure, and giving rise to social tensions.

Recently, the Russian Government has begun to pay special attention to ensuring sustainable rural development. General programs and concepts, accepted on the federal level, define the main state approaches to rural issues, but concrete rural areas need real and effective mechanisms of social and economic revival. In order to manage rural development in an effective manner, the main agricultural, economic and social indicators of rural areas must be assessed to define the main threats to sustainable development and to discover potential areas of growth. This is especially important when taking into account the high differentiation of rural territories (even within one region).

## Material and methods

The objective of this paper is to analyse the current state of rural development in Russia and to substantiate the most potentially effective measures to ensure its sustainability in terms of economic, production, social and environmental factors. The analysis is conducted using the case of the Stavropol Region of Russia, which is located in the southern part of the country. The selection of the region is based on its agricultural specialisation, the significant share of rural areas in the region's geography, the predominantly rural population, and unique environmental and agricultural resources. The analyses covered 26 territorial districts of the Stavropol Region.

Dialectic, abstract, logical and comparative methods were implemented, as well as factor and correlation analysis of the official statistic data, and study of scientific publications. Given that the investigation of sustainable rural development issues is a relatively new line of research in Russia, authors utilized a system approach, which envisages the systematisation and stocktaking of various aspects of sustainable development: available resources, economic conditions of agricultural production, market capacity and the demand for agricultural commodities and food, employment and social issues, environmental conditions, and alternative sources of income for rural inhabitants.

The data for this research are from official sources of the Government of the Stavropol Region and Ministries of Agriculture and of Economic Development for the Stavropol Region. The alternative sources are FAO statistics and data from the Stavropol regional office of the Federal Service of State Statistics of the Russian Federation.

### The Stavropol Region: Main Indicators of Rural Development

The Stavropol Region is one of the entities of the Russian Federation which has a distinct agricultural specialisation. The region is located in southern Russia, in the central part of foothills of the North Caucasus and Fore-Caucasus. Its area is 66.2 thousand km<sup>2</sup>, including 57.9 thousand km<sup>2</sup> of arable land (40 thousand km<sup>2</sup> ploughed land) (Kiseleva and Orlyanskaya, 2012).

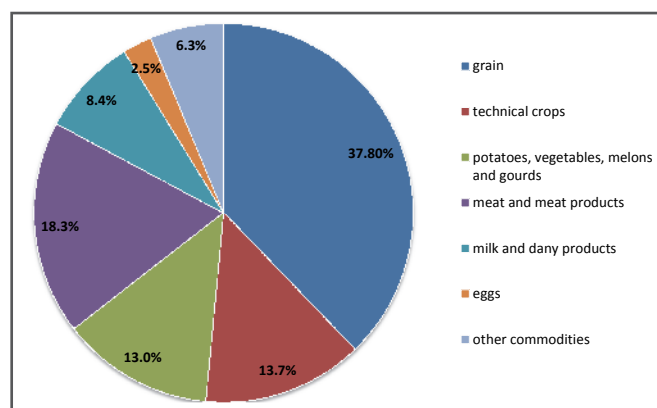
The recent years were quite positive for the economic development of the Stavropol Region, in terms of growth of real per capita income, retail turnover and GRP. Over half of the main indicators of social and economic development were above the Russian average level in the Stavropol Region during 2003–2011 (for example, the annual average growth rate of Stavropol's GRP was 1.7% above the average national level) (Table 1).

As of the end of 2011, the Stavropol Region took seventh place among Russia's regions in terms of agricultural production. The dynamics of agricultural production in the Stavropol Region confirms the growing importance of that industry in the structure of the Gross Regional Product (GRP). The share of agriculture among the total production of the Stavropol Region was 24.8% in 2011. Over 156 thousand people are employed by 289 agricultural organisations and 15.3 (?) peasant farm enterprises. There are also 410.5 thousand rural households producing agricultural commodities and food.

The total volume of agricultural production of the Stavropol Region in 2011 was €2.3 bln., which was 15.4% more than in 2010 (in 2010 the growth rate of agricultural production was lower – only 3.4%). In 2011, plant production increased by 20.2% and animal production by 5.9%.

The main crop produced in the Stavropol Region is wheat. Grain crops dominate in the structure of regional agricultural production, totaling 37.8% in 2011 (Figure 1). The grain crop yield is growing, but still remains low in comparison to the EU and USA (Stavropol – 3.9 tons per hectare; EU – 5.3 tons per hectare; USA – 7.4 tons per hectare) (FAO, 2012).

Among the most important social and economic parameters of regional economics, it is necessary to emphasise the ratio of effective demand and supply on the regional market. Effective demand is predetermined by the volume of GRP per capita and average per capita income, which are much below the average Russian level in Stavropol. Despite its threefold growth during 2003–2011, GRP per capita is still far below the average national GDP per capita (€11920 in 2011) (International Statistics, 2012). The average



**Figure 1** The structure of agricultural production in the Stavropol Region in 2011 in %

Source: Ministry of Economic Development of the Stavropol Region, 2012

per capita income in rural areas of the Stavropol Region is only 68.9% of the average Russian level.

Workforce productivity in agriculture in the Stavropol Region is also below the average national level, caused by an insufficient level of human development in rural areas which in turn influences the decreasing return on assets and shows the lowering effectiveness of the utilisation of resources in agriculture.

### Social Issues and Unemployment

The relevancy of ensuring sustainable rural development in the Stavropol Region is very high, not so much because of the significant share of agriculture in the GRP, as because 42.8% of the population of the Stavropol Region lives in rural areas (compared to the corresponding average level for Russia at 26.3%). The 1990s saw depopulation in the Stavropol Region, but this mainly affected the urban population. Starting from 2008, there has been an accelerated shortage of rural population, which has been worsened by active migration outflow. Depopulation is one of the main threats to sustainable rural development, as it brings about the loss of historically developed areas, degradation of small rural settlements, and depletion of the rural economy (Kiseleva et al., 2013). Moreover, it threatens regional and national food security because of agricultural land withdrawal (Kovalenko, 2012).

During the past 20 years (from 1990 till 2010) the proportion of rural inhabitants within the total population of the Stavropol Region has decreased by 2.9 percent (from 45.7% to 42.8%). The dynamics of the main social and economic indicators of rural development of the Stavropol Region (Table 2) confirms that small rural settlements are declining, while the population is becoming more concentrated in larger communities.

**Table 1** Main indicators of rural development of the Stavropol Region in 2003–2011

Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011
GRP per capita in Euro	1060.0	1213.5	1588.2	1917.1	2283.3	2825.0	2416.3	2757.1	2954.8
Average per capita production of agricultural commodities in comparison to average Russian level in %	150	175	169	170	188	163	141	163	161
Gainfully employed population in thousand people	760.4	751.3	782.6	820.4	830.1	791.9	609.2	785.8	847.1
Employment level in rural territories in %	61.2	62.3	66.4	67.1	67.0	64.8	67.2	68.8	69.4
Average per capita income of rural people in comparison to average Russian level in %	62.1	62.4	63.8	64.6	65.6	66.6	67.7	68.4	68.9
Workforce productivity in agriculture in Euro	8182.9	8156.8	8808.8	8920.0	8800.0	9827.8	7323.3	9138.1	9314.3
Return on assets in agriculture in Euro	1.15	1.12	1.09	1.21	1.26	1.10	0.89	0.98	1.02

\* Presented financial numbers are real, inflation is considered. All financial numbers are calculated in Euro based on average Euro-Ruble ratios for each year

Source: authors' development according to Kiseleva et al., 2013; Molchanenko, 2013

**Table 2** Social and demographic indicators of rural development in the Stavropol Region from 2009 to 2011

Indicator	2009	2010
Average size of settlement, people	1636	1654
Proportion of population below active working age in %	21.7	21.4
Proportion of population over active working age in %	21.4	21.0
Average size of household, people	3.2	3.2
Life expectancy in years	66.6	66.8
Share of population with higher and secondary education in %	31	33

Source: authors' development according to Kiseleva et al., 2013

As our analysis shows, the labour market in rural areas of the Stavropol Region is characterised by two divisive tendencies: a decreasing population in general and an increasing proportion of the population of an active working age. The growth of the population at an active working age is faster than economic expansion rates, which drives unemployment up in rural areas. Despite the slowly growing employment level (Table 1), rates of unemployment in rural areas of the Stavropol Region are still very high (above 30% in 2011). Moreover, growth rates for employment are slower than those for the economically active population, which forces people seeking jobs to migrate from rural settlement to urban areas.

There are four main reasons for the high rate of unemployment among rural people in Russia in general and in the Stavropol Region in particular.

The first is a structural imbalance between demand and supply in the employment market in rural areas, caused by an inconsistency between the professional level of rural employees and the needs of agricultural employers. As seen in Table 2, the proportion of population with higher and secondary education increased during 2009–2011, but still remained lower than the national average. Employers seek certain qualifications and skills, but the labour market is not able to meet their requirements. This has a serious negative impact on the technological and innovative expansion of regional economics and represents a threat to sustainable rural development.

The second reason is the exceptionally low level of income in general, and wages offered at vacant job places in particular. The average per capita production of agricultural commodities in the Stavropol Region was 61% above the national average in 2011, but at the same time the average per capita income of rural people was only 68.9% of the national average (Table 1).

The third reason is the underdevelopment of non-agricultural activities in rural areas, which means a lack of alternative sources of income for rural households. The transition to new technological patterns and a growing workforce productivity in agriculture inevitably bring about a reduction in employment. In order to secure rural areas as social and production subsystems, it is necessary to diversify rural economics through the promotion of non-agricultural activities, as many foreign developed countries are doing. Programs for the development of non-agricultural activities in rural territories have been successfully implemented in the EU, USA, China and other countries (Bondarenko, 2011).

The fourth threat to the sustainable development of rural areas in the Stavropol Region is demographic aging. The natural decline in population is not compensated by its natural replacement. The recovery of labour potential is provided by means of migrational gain, but incoming people lacking the qualifications for higher-paid jobs therefore represent added competition for low-skilled labour on the market and as a result, the overall unemployment rate increases.

### Climatic Zones and Agricultural Clusters

Rural areas dominate in the Stavropol Region (except for two urban agglomerations of Stavropol city and the area of Caucasus Mineral Waters). Despite such a predomination, social, economic and environmental conditions

very much vary from one rural territory to another. There are 26 districts, located in several climatic zones with different humidity: from dry in the east to perhumid in the south-west (Figure 2).

The different climatic, soil and environmental conditions of separate agricultural zones predetermined their production specialisations, the various sets of crops and animals produced, and consequently the specifics of their rural development. With due regard to such variety in the natural, soil, climatic and economic conditions of agricultural production, there is the regional agricultural system, which is composed of four agricultural zones (Zhuravel, 2011).

The first is the Sheep-Grain Zone, which includes the eastern parts of the Stavropol Region (Dry and Very Arid climatic zones I and II). This zone occupies over 27.5% of the arable lands in the Stavropol Region, including 21.1% of ploughed lands (mainly light chestnut soils).

The second is the Grain-Sheep Zone, where grain production dominates over sheep breeding. This includes territories of Arid Zone III with chestnut and dark chestnut soils (36.9% of the arable land of the region, including 41.2% of ploughed land).

The third is the Grain-Cattle Zone, which is composed of the northern and central parts of Moist Labile Zone IV. Its share in the total acreage of arable land is 25.1%, including 26.2% of ploughed land.

The fourth is the Cattle-Grain Zone, which includes the southern part of the Moist Labile Zone IV, and zones V, VI and VII. It is the smallest zone out of four, with only 10.1% of the total acreage of arable land of the Stavropol Region, including 11.5% of ploughed land.

The specialisation of agricultural production influences the level and sustainability of rural development in those areas. Analyses of decided differences in social, environmental and economic development of separate

**Figure 2** Climatic zones of the Stavropol Region in terms of humidity

Source: Ministry of Economic Development of the Stavropol Region, 2012

**Table 3** The distribution of rural districts of the Stavropol Region in terms of their social and economic development level

Resource Potential	Agricultural-Industrial Districts	Agricultural Districts
High	<b>Section 1.1.</b> <b>Grain-Cattle Zone: 2</b> (Izobilnensky, Novovaleksandrovsky) <b>Cattle-Grain: 1</b> (Miberalovodsky) <b>Sheep-Grain: 1</b> (Budennovsky) <b>Grain-Sheep: 1</b> (Kirovsky)	<b>Section 1.2.</b> None
Average	<b>Section 2.1.</b> <b>Grain-Sheep: 1</b> (Sovetsky) <b>Grain-Cattle Zone: 1</b> (Petrovsky)	<b>Section 2.2.</b> <b>Grain-Cattle Zone: 2</b> (Aleksandrovsky, Georgievsky) <b>Cattle-Grain Zone: 1</b> (Kochubeevsky) <b>Grain-Sheep: 1</b> (Krasnogvardeysky)
Low	<b>Section 3.1.</b> <b>Grain-Cattle Zone: 1</b> (Grachevsky) <b>Cattle-Grain: 1</b> (Andropovsky) <b>Grain-Sheep: 1</b> (Blagodarnensky)	<b>Section 3.2.</b> <b>Grain-Sheep: 1</b> (Ipatovsky) <b>Cattle-Grain Zone: 1</b> (Predgorny) <b>Grain-Cattle: 1</b> (Shpakovsky)

Source: authors' development according to Rusinova, 2011

districts of the Stavropol Region depending on the level of diversification of their economics in general and agricultural production in particular, conducted by Rusinova (utilisation of existing natural, social and economic resources), Molchanenko (employment in rural territories) and Kiseleva (approaches to the management of rural territories), have attempted to classify 26 districts into four groups: agricultural-industrial, agricultural, agricultural-raw and raw (Table 3).

Such qualification provides us with a basis for assessing the social and economic level of each district of the Stavropol Region, and the discovery of the main roadblocks on the way to sustainable development and perspectives for the effective utilisation of existing potential.

Sections 1.1. and 3.4. are poles: five rural territories out of 26 have both high resource potential and favorable conditions for the development of agricultural and industrial production, while one rural territory (Neftekumsky District) is the most underdeveloped. It has raw specialisation and lacks its own resources, which evens opportunities of its self-consistent development.

Section 3.1. unites rural districts which have achieved high results without any substantial natural resources. The key determinants of the sustainable economic and rural development of those districts are the effectiveness of agricultural production and rural households and the quality of regional management. On the contrary, three rural districts still have agricultural-raw specialisation despite their high resource potential (Section 1.3.). One of the priorities for those districts is the development of agricultural processing and food industries with high added value, which may change the structure of the territorial gross product, provide alternative sources of income and create new working places.

Section 3.2. includes two districts which are in a special position. Predgorny District is allocated to the urban agglomeration of Caucasus Mineral Waters, and Shpakovsky District to the city of Stavropol. Being located nearby the largest cities of the region, those districts suffer from migration outflows. Rural people seek employment in the cities; such activity provides them with more income than does a traditional way of life in rural areas. The agricultural potential of those districts is low, which means they cannot move to the Agricultural-Raw Group. Industrial development is too insufficient to be included into the Agricultural-Industrial Group (Caucasus Mineral Waters area is the specially protected natural and resort area, where the development of large-scale industrial complexes is prohibited). Further polarisation of regional economics may aggravate social and economic problems of rural areas in those districts. The most important task on the way to the sustainable development of those territories is to retain labour in rural areas, provide alternative sources of income and overcome the negative aftermaths of economic polarisation.

The given methodology provides tools for assessing the efficiency of the existing resource potential of different rural territories within one region, for discovering the bottlenecks in their social, economic, agricultural and environmental development, as well as enabling the substantiation of measures for increasing their sustainability.

### Approaches to State Regulation of Rural Development

The current situation in the sphere of rural development is not unique for the Stavropol Region. Similar tendencies are observed in many regions of the Russian Federation, especially in those which are as heavily involved with agricultural production as Stavropol. In order to strengthen the preconditions for sustainable rural development and utilise the existing competitive advantages in rural areas, the Government of the Russian Federation accepted the Federal Target Program "Sustainable Rural Development in 2014–2017 and for the period until 2020". Among the prior directions of that Program, those currently applicable for the Stavropol Region are:

1. the satisfaction of needs of rural people, including young families and young specialists, in suitable dwellings;
2. the development of integrated facilities in rural settlements, and their social, transport and engineering infrastructure;
3. grant support for local initiatives coming from rural inhabitants.

Besides these directions, the program contains particular target indicators (Table 4).

Federal programs establish umbrella conditions, but ensuring sustainable rural development through the diversification of rural economics and the promotion of alternative sources of income and employment opportunities in rural territories are hardly possible without substantial support from the regional administration and federal government. That is especially demanded by small and medium enterprises, farms and rural households during their development stages. As for the regional government and separate local administrations, such support should be provided in the following ways:

1. free information, consultancy and extension services for rural people in business, finance, management, law, agriculture, social issues, etc;
2. favorable credit facilities available for rural inhabitants who are willing to start a business;
3. preferential tax treatment for small and medium agricultural enterprises, farms and rural households during their development stages;
4. development of rural infrastructure, including transport, communication, social and even entertainment facilities;
5. selection of local initiatives of high social and economic importance for the region and particular local society, their administrative and financial support.



**Table 4** Target indicators of the Federal Program "Sustainable Rural Development in 2014–2017 and for the period until 2020" for the Stavropol Region

Target Indicator	2013	2014	2015
Agricultural production index of all categories of households in % of previous year	105.4	105.0	103.7
Plant production index of all categories of households in % of previous year	106.8	107.1	104.8
Animal production index of all categories of households in % of previous year	103.3	101.9	101.9
Quantum index of capital investment into agriculture in % of previous year	108.8	108.9	109.0
Profitability of agricultural producers in % of previous year	11.0	12.0	14.0
Average nominal wages of people, employed in agriculture in Euros per month	342.2	375.6	375.6
Expected levels of inflation in %*	6.5	4.8	4.9
Expected real wages of people, employed in agriculture in Euros per month	319.9	334.8	319.2

\* according to the Federal Service of State Statistics of the Russian Federation (<http://www.vedomosti.ru/finance/news/21100711/rosstat-podtverdil-ocenku-po-inflyacii-za-2013-god-na-urovne>) and the Ministry of Economic Development of the Russian Federation (<http://top.rbc.ru/economics/24/09/2013/878630.shtml>)

Source: Government of the Stavropol Region, 2011

Regional programs and territorial subprograms for sustainable development have already been accepted in the Stavropol Region, but their volumes are insufficient to ensure the complete structural reorganisation of regional economics and rural societies. For this reason, more attention should be paid to the discovery of internal potentials, and the search for "growth points" and local identities, which may increase the competitive advantage of rural communities and bring about new incomes, both from traditional activities and alternative sources.

### Diversification of Rural Economics as a Path to Sustainable Development

Diversification of rural economics and expansion of income opportunities for rural inhabitants are the key tasks on the way to increasing the sustainability of rural areas in Russia. For rural territories, diversification means going above traditional agricultural activities, which is currently a vital necessity (Zykova et al., 2011).

The Stavropol Region is famous across Russia and worldwide for its unique resort potential, including its mineral waters, spa resorts and climate. Among the apparent competitive advantages of the region, we emphasise its:

1. Favorable climatic conditions and diversity of picturesque landscapes.
2. Treatment resources (variety of mineral water springs, therapeutic muds).
3. Essential historical and cultural potential.
4. Transport accessibility (relative proximity to the most densely populated regions of Russia, development of air, railroad and highway connections).
5. Existence of advanced treatment and recovery technologies, balneotherapeutic research centres, specialised educational establishments and a number of highly-qualified specialists (Erokhin and Ivolve, 2013).

However, SWOT-analysis, as conducted by Erokhin and Ivolve, demonstrated that the recreational complex of the Stavropol Region in many ways loses its position to its foreign competitors and some of Russia's

other regions (Erokhin and Ivolve, 2013). This in turn decreases the probable economic effect of rural tourism and creates threats to its sustainable development in the future. The market for tourist services is being globalised, many artificial barriers being removed and new rules having been established since accession to World Trade Organization. Many regional tourist and recreational complexes are not ready for such radical changes. Rural areas are the most unprotected, since rural households are not deeply involved in domestic tourist services, do not produce commodities with high added value, high quality or competitiveness, and very much depend on domestic state support and rural state policies. However, the results of the SWOT-analysis led us to define the key success factors which may ensure the sustainable development of rural areas of the Stavropol Region by utilizing its tourist and recreational potential (Erokhin and Ivolve, 2013).

Ensuring sustainable rural development by means of rural tourism is expected through:

1. Health and treatment tourism (balneological, climatic, ecological).
2. Sport tourism (Olympic Games, hiking, cycling, mountainous, equine, paragliding).
3. Excursion tourism (cultural, national, ethnographic, photographic).
4. Rural tourism (educational and recreational rural tourism, gastronomy tourism).

The implementation of such a multi-sided and complex project involves the completion of a range of tasks. Among the top-priority tasks, we emphasise the development of theoretic and methodical issues of sustainable rural development by means of rural tourism; the assessment of the current and long-term sustainability of the economic development of rural territories in the Stavropol Region; the development of mechanisms for implementing the Strategy for sustainable rural development through particular kinds of tourism and action plans for short-, medium- and long-term perspectives; the elaboration of social, economic, legal, administrative and managerial measures which drive the touristic and recreational complex of the Stavropol Region

**Table 5** Potential efficiency of development of rural tourism in the Stavropol Region

Indicators	2010	2015	2020	2020 to 2010 in %
Incoming tourists in thousand people	1 172	1 980	2 420	206.5
– incl. foreign citizens	30	80	120	400.0
Total annual expenses of tourists in € mln	710.0	1 825.0	3 000.0	422.5
Incomes of regional budget from tourist complex in € mln	58.5	172.5	295.0	504.3
Number of new workplaces	138 000	198 000	242 000	175.4
– incl. sphere of tourism and recreation	46 000	66 000	81 000	176.1

\* Presented financial numbers are real, inflation is considered. All financial numbers are calculated in Euro based on average Euro-Ruble ratios for each year

Source: Erokhin and Ivolve, 2013

to a brand new qualitative level and provide complex sustainable solutions through economic, social and environmental tasks along with the preservation of the natural resources and historical and cultural potential of the region.

The strategy for Social and Economic Development of the Stavropol Region until 2025 envisages growing numbers of incoming tourists, incomes from the regional budget and the creation of new workplaces (Table 5). However, the most important thing is to increase the involvement of rural inhabitants in those new opportunities. The development of rural tourism may not only provide new employment opportunities and improve the quality of life of the rural population, but also revive depressive rural areas and increase agricultural production (especially in the districts of Agricultural, Agricultural-Raw and Raw Groups) (Table 3). An increasing in-flow of tourists will raise the demand for local high-quality and ecologically sound products (at least foodstuffs, marketed as local and ecological), which will result in the consequent development of supply from domestic farmers and rural households.

## Conclusions

As one of the most agriculturally developed regions in Russia, the Stavropol Region demonstrated positive dynamics in terms of its main economic indicators during 2003–2011. Growth rates were often above the national average. However, despite the general positive dynamics of GRP, a range of negative processes in the Stavropol Region have been observed, directly related to rural development:

1. declining population in rural areas (partial recovery is provided by migration inflows from neighbouring regions);
2. imbalance in structure of regional economics (prevalence of agriculture);
3. growing wealth disparity of population;
4. decreasing number and increasing average size of rural settlements;
5. worsening environmental situation and ineffective environmental management.

There is a paradox situation on the local labour market, when the labour surplus cannot cover the existing deficit of highly qualified specialists. The growth of population at an active working age in the Stavropol Region is faster than economic expansion rates, which increases unemployment in rural areas. High unemployment in rural areas of the Stavropol Region (over 30%) is worsened by a low level of income and wages, demographic aging and the migration of rural people to urban economic centres such as Stavropol City and Caucasus Mineral Waters.

The classification of rural districts of the Stavropol Region according to their level of social and economic development allowed us to assess their resource potentials and the character of their industrial, agricultural and rural development. Only a few rural districts utilise their limited resources in an effective manner and secure their sustainable development through diversified local industry and agriculture. Most of the districts have raw specialisation, lack resources and require support from regional and federal governments.

International experience shows that employment opportunities in rural areas are likely to shrink even further. Only the parallel development of the non-agricultural sector may bring about increasing employment in rural communities in Russia, improve the quality of life of rural inhabitants, provide them with alternative sources of income, and secure rural settlements.

The Federal Target Program "Sustainable Rural Development in 2014–2017 and for the period until 2020" has been accepted by the Government of the Russian Federation, as well as a set of local programs in the Stavropol Region. However, those programs themselves are not enough to protect rural areas from depopulation. "Growth points" should be identified for each rural

community, which may increase competitive advantages and bring about new incomes, both from traditional activities and alternative sources.

Taking into account the unique resort resources of the Stavropol Region, we consider the development of the regional recreational sector as one of the tools with most perspective to provide alternative sources of income to rural people and to ensure the sustainability of rural areas. The key factors which may promote sustainability are health and treatment tourism in rural areas, excursion and ethnographical tourism, educational and recreational rural tourism, and gastronomy tourism. The most important expected effects from the development of rural tourism are the growing involvement of rural people in new employment opportunities, a better quality of life of rural population, the development of rural areas, and the sustainable growth of agricultural production.

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