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Rural Development

The impact of EU research (1998-2004)

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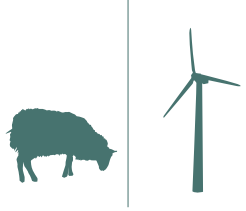

Rural Development

The impact of EU research (1998-2004)

2004

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Foreword

In 1996, the Cork Conference on Rural Development launched a wide debate on rural development policy. This debate culminated in the Agenda 2000 reforms which saw rural development policy established as the "second pillar" of the common agricultural policy (CAP).

The mid-term review of the CAP was adopted by the Council in September 2003. It strengthened the second pillar role of rural development further.

Following on the Cork conference and the mid-term review of the CAP, the Commission organised the Salzburg conference on rural development policy in early November 2003. Commissioner Fischler underlined yet again the emphasis on broadening rural development within the CAP.

In addition to this, WTO negotiations and their implications for the European Model of Agriculture, including concepts like multifunctionality of agriculture and decoupled payment regimes, have put the rural development policy high on the agenda. So has enlargement as new types and structures of rural areas are being included in the enlarged EU.

In order to make a timely response to these challenges, DG Research arranged a seminar on rural development research in Brussels on the 18 November 2003. The first objective of the workshop was to present and discuss preliminary results and conclusions from a first batch of ten Rural Development research projects funded under the Fifth Framework Programme (FP5).

The second objective was to identify needs and possibilities for future research in rural development within the European Research Area, including the current Sixth Framework Programme (FP6), and possibly beyond.

The third objective of the workshop was to provide a place to meet and exchange ideas with regard to Rural Development research in general.

This publication reports from the workshop, which was attended by coordinators from 22 FP5 research projects, one FP6 project, Commission officials from the Agriculture, Regional Policy and Research Directorates-General and some invited experts. I believe the report will inspire everyone who is interested in rural development policy and research.

Christian Patermann

Director of Biotechnology, Agriculture and Food Research

Introduction

Historically, rural development has been inextricably linked with agriculture, and no analysis of rural development and rural development policy can afford to ignore agriculture and agricultural policy. This is particularly true for the European Union, where the common agricultural policy (CAP) has had a significant impact on rural development: agricultural policy is fully integrated at European level and accounts for half of the Community budget.

The overall objective for the European Commission, as far as rural development in all EU countries is concerned, is to stimulate and to support satisfactory progress towards a sustainable approach for improving the livelihoods and quality of life of rural populations. Consequently, in November 2003, the Commission hosted a workshop to assess the results from the first round of EU-funded research projects in this sector, to identify the needs for future research work, and to provide a forum for an exchange of ideas on the Union's rural development research.

Issues for the common agricultural policy (CAP)

The CAP has evolved considerably since its beginnings back in 1962. Initially, the aims were to provide a fair standard of living for the agricultural community and to ensure the supply of sufficient quantities of food at affordable prices; subsequently, the CAP has had to deal with quantitative imbalances. However, the current context is very different from that when the CAP was created, and the policy is now facing diverse new challenges:

1) It is currently difficult for the EU to take advantage of expanding world markets. High prices and costs in European agriculture may actually lead to a loss of market share both within the European Union and worldwide. Furthermore, the historical trend towards a decrease in the proportion of Gross Domestic Product accounted for by agriculture is continuing, although the agricultural sector remains extremely important to the new Member States.
2) Agricultural support is unevenly distributed across regions and producers, and it has not been sufficiently successful to prevent agricultural decline.
3) The EU now includes an enormous diversity of farming methods and traditions, agricultural competitiveness and income levels and natural resources. One of the consequences of this is that the management of the CAP has become very complex.
4) The EU has to meet its international commitments to the agricultural sector, and define the limits of what it finds acceptable for international negotiations.
5) The need for reform of the CAP has been recognised by various groups of important stakeholders.

CAP reform

As the basis for reform of the CAP, the European Council has reaffirmed its desire for multifunctional, sustainable and competitive agriculture throughout Europe, including those regions facing particular difficulties.

The multifunctionality of agriculture corresponds to a diversity of requirements and constraints. Agriculture, and thus agricultural policy, is important in maintaining the landscape and the countryside, and is key in environmental protection. Obviously, it makes a crucial contribution to the vitality of rural communities. It must also fulfil consumer concerns and demands regarding food quality and safety, and ensure appropriate animal welfare standards.

Clarifying the legislation

Consequently, the European Council established guidelines for the revised CAP (Council Regulation (EC) No 1783/2003 of 29 September 2003). These include ensuring continued competitiveness by price cuts sufficiently large to promote the growth of home-market outlets and to increase export to the rest of the world. These price reductions, and the inevitable associated falls in farm revenue, are to be offset by an increase in direct aid payments to protect farmers' incomes. This new approach is called decoupling: payments to farmers are no longer linked to production volumes – they are decoupled from them.

There will also be a new division of functions between the European Commission and the Member States. Compensation in the form of both direct payments and rural development measures incorporated into an overall programme framework are to be devolved to Member States. At the same time as this decentralisation is being implemented, the rules will be simplified. In particular, the new regulation governing rural development will replace a large number of existing regulations. Legislation has become clearer, more transparent and easier to access as red tape is minimised.

Rural development is now the second pillar of the CAP. A comprehensive and consistent rural development policy is under construction. The objectives are to supplement market management in such a way that what was previously exclusively agricultural expenditure will now promote, among other things, development in rural areas and nature conservation. As part of the decentralisation, Member States will be able to target the direct aid according to their own criteria, enabling them to use this financing for diverse agri-environmental schemes.

Rural policy

EU enlargement, the globalisation of trade, and changing consumer demands have led to a new context for agricultural policy, and consequently for rural policy: agriculture and local rural economies now find themselves in a rapidly changing environment. The agricultural sector comprises almost 7 million holdings, providing work for some 14 million people (EU-15). As 80% of Union territory is rural, and all Member States are affected, the Community dimension is clear. Agricultural and rural policies have an important role to play in EU territorial, economic and social cohesion. The new policy must recognise the varied needs of the rural world, and simultaneously fulfil the expectations of today's society and environmental requirements. This is an essential part of the European agricultural model. The policy is based on:

- The multifunctional nature of agriculture, with farms not just acting as sites of food production, but potentially providing a range of services and functions.
- A multisectoral and integrated approach to the rural economy favouring increases in various activities, sources of income and employment, and protection of the rural heritage.
- Flexible support for rural development, based on subsidiarity and decentralisation, with consultation at regional, local and partnership level.
- Transparency in drawing up and managing programmes, based on simplified and more accessible legislation.

Future priorities

This new policy, the second pillar of the CAP, constitutes a coherent and long-term framework guaranteeing the future of rural areas and promoting

the maintenance and creation of employment. It also promotes further progress towards environmental objectives. Indeed, Member States can make direct aid payments conditional on compliance with environmental provisions.

The measures aim:

- To strengthen the agricultural and forestry sectors by promoting high-quality agricultural products;
- To improve the quality of life in rural communities; this includes enhancing the competitiveness of rural areas and creating new sources of income for farmers and their families; and
- To preserve the environment and European rural heritage, and to do so by promoting environmentally friendly agriculture. In particular, the compensatory allowances to support farming in less-favoured areas will be extended to areas in which farming is restricted by specific environmental constraints.

New measures for new members

Rural development is an issue of particular importance for the majority of the new member states: they have substantial rural communities, and the agricultural sector makes a large contribution to their national economies. However, in many cases, farms are small and uneconomic and have suffered from, or continue to suffer from, under-investment and a lack of modern technology. The Treaty of Accession (2003) allows for a special rural development regime in the new Member States for the period 2004-2006. This regime is based mainly on a new Temporary Rural Development Instrument, funded by the EAGGF (European Agricultural Guidance and Guarantee Fund) to support the four so-called "accompanying measures" (agri-environment, early retirement, afforestation, and compensatory payments for less-favoured areas and areas subject to environmental constraints). This instrument should also provide help to the following specific rural development issues and actors:

- Semi-subsistence farms undergoing restructuring;
- Producer groups;
- Compliance with Community standards;
- Technical assistance; and
- Complements to direct payments.

In addition to these measures, new Member States will benefit from a Leader-type measure to be funded by the EAGGF Guidance. All other measures already available in existing Member States may also be applied to the accession countries. ■

Workshop on Rural Development Research

Held in Brussels on 18 November 2003, the workshop participants included 20 coordinators of rural development projects funded under the Fifth Framework Programme's Key Action 5 ("Key Action Five" of the "Quality of Life" specific programme within the Fifth Framework Programme), two Sixth Framework Programme (FP6, 2002-2006) project coordinators, four invited experts and several representatives from the European Commission services.

The workshop was addressed by Mr Etienne Magnien, Acting Director of Directorate E, DG Research. He reminded the participants of the context for rural development – how the mid-term review, adopted by the European Council, strengthens the position of rural development as the second pillar of the CAP, and has moved it to the top of the political agenda. Mr Magnien said that the workshop would be an opportunity to present and discuss the preliminary results and conclusions of the first round of projects funded under Key Action 5 in FP5. He stated that this event was not only an opportunity for the researchers to discuss with one another, but also for them to provide input and feedback to the European Commission. Representatives of both the Research DG and the Agriculture DG were present: the former funds and manages research, and can be considered as the 'provider', although they can benefit from a better understanding of the progress made by the projects and any obstacles encountered. The Agriculture DG is seen as the 'consumer' to whom the findings of relevant research are of significant value. Indeed, Director Nikiforos Sivenas (DG AGRI) described the future of rural development policy, and how Member States propose and implement strategies and use the numerous measures made available to them. He reminded the workshop of the difficulties and challenges of rural development, and the current complexity of policy implementation, explaining that many funds are available, but they have different rules attached and require various management plans.

Mr Sivenas also reported back some of the conclusions from the recent European conference "Planting seeds for rural futures" concerning rural development, held in Salzburg, Austria (12-14 November 2003):

- Competitiveness needs to be improved;
- The impact on the environment of the measures implemented should be considered;
- 'Rural' means more than just agriculture;
- A single funding source is desirable; and
- Rules for use and control procedures are important.

The Fifth Framework Programme

EU funding for research starting between 1998 and 2002 was structured into the European Commission's Fifth Framework Programme (FP5). FP5 laid out the priorities for research, technological development and demonstration (RTD) activities which were established from a set of common criteria responding to the need to increase industrial competitiveness and the quality of life of European citizens. FP5 was specifically designed to help solve problems and to find answers to the major socio-economic challenges facing Europe. The areas of research included combined technological, industrial, economic, social and cultural aspects – and multidisciplinary research was encouraged.

FP5 was organised into specific programmes and a number of themes called Key Actions (KA). One of these, "Quality of Life" KA5, covered issues concerning sustainable agriculture, fisheries and forestry, including the integrated development of rural areas. Funding work to lay the foundations for improved participation and development of rural areas fell into the remit of KA5.

Finally, he described some of the elements that, according to the Agriculture DG, are required to promote rural development and that research could help to provide. In particular, he suggested that better research methods are required, together with simple data that can be used by Member States, including:

1) Competitiveness and the consequences of policy application;
2) Measurement of the effects of policy on the environment;
3) Assessment of the effects on the well-being of rural areas;
4) The methodology for applying the Leader approach which is 'bottom up', and replacing the current, excessively 'top down' situation; and
5) Identifying the appropriate frameworks for regional, local and national implementation of policy.

Rural development research

One of the roles of the funding provided under KA5 was to provide an information base and new approaches to underpin efforts to develop the knowledge and technologies required for the

production and exploitation of living resources, including forests, covering the whole production chain. The work should be adapted to recent adjustments in the common agricultural and fisheries policies, whilst also providing the scientific basis for EU regulations and standards. A variety of priority areas for research were defined, including "The production of new tools and models for the integrated and sustainable development of rural and other relevant areas based on optimisation of the specific potential of each area, including, at regional level, diversification of activities and land use, and involvement of the people concerned."

Combined effort

The workshop invited the participants to express opinions and suggestions with regard to rural development research. Many suggestions were made, e.g. that projects should be representative of leading scientific and socio-economic groupings and produce deliverables for wide consumption and political and institutional follow-up. The suggested themes for particular attention were:

- Organic farming, including co-operation with ongoing research activities;
- Agricultural genomics;
- Work to improve consumer confidence in all steps along the food chain;
- Agri-environmental interactions;
- The multifunctional role of farming, including notions of a 'rural society' and ways to increase governance in RTD projects;
- Studies of the composition and structure of rural economies;

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- Evaluation and risk assessment and communication in relation to public behaviour and the spread of animal disease;
- Socio-economic analysis of agriculture's changing role in the rural economy; and
- Investigation of the robustness of rural economies, farm diversification strategies, and the weaknesses of tourism-dependent local economies.

Under QoL KA5, the Fifth Framework Programme has funded a variety of projects addressing the diverse issues associated with rural development. There were 20 RTD projects and two Concerted Actions. As the first of these projects are scheduled to end in 2004, representatives from the Research DG decided to bring all the project coordinators together to consider the progress made in those projects which are almost finished. ■

Research themes

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The ten projects presented at the workshop can be classified into the three areas discussed below. Although each involves numerous research groups and is multidisciplinary, they are all associated with one of three issues which are crucial to rural regions. A more detailed explanation of these projects is given in the next chapter.

The food sector

Agriculture has traditionally been the cornerstone of rural economies and social structures, and the major final destination of agricultural production is food. A variety of issues have arisen from recent developments in the food sector. The increasing competition of the global market for agricultural products is a major challenge for Europe's farmers. However, simply producing more and cheaper is not necessarily the only solution. This is particularly true in the light of the changing pattern of consumer demand – there is a growing desire for higher quality and specialised products or products with intangible qualities. Some of these qualities or characteristics are associated with another growing constraint on agriculture: environmental protection. Animal welfare can be considered in the same way. However, the very existence of such demands can potentially be used to generate higher added value or profitability: there is a growing market for organic foods, free-range poultry products, products made by traditional methods, and regional specialities.

For many of these characteristics, the market can only thrive if labelling is appropriate, and credible to the consumer. The **Dolphins** project addresses this issue – in particular, it considers origin labelling in various EU countries. The concept of origin labelling is more developed in the EU than elsewhere in the world and, in addition to contributing to EU policy in this sector, the project aims to strengthen the Union's negotiating position in international talks.

The **Omiard** project is looking at organic foods and focusing on marketing initiatives and strategies. It considers how they interact with the communities and environment in rural regions, and the role of intermediary market structures.

The **Suppliers** project aims to contribute to the sustainable development of those rural regions which are lagging behind by addressing the supply chains involving small food businesses.

Tourism

It is unlikely that agriculture alone will be sufficient to drive substantial sustainable development in lagging rural regions. Consequently, there is much interest in other activities and sectors that could have a positive effect on economic growth. One such sector with the potential to make a significant contribution to the economies of rural areas is tourism: indeed, rural tourism is already a major activity in some regions. Furthermore, tourism can enhance the value of local cultural traditions, and even stimulate the market for regional speciality foods.

Two projects fall into this category: **Sprite** is looking at the issue of cross-fertilisation between tourism and other elements of the economic and social fabric of rural regions, as a basis for developing integrated tourism. **Optour** has investigated the attitudes and opinions of tourists and potential tourists, and has looked at the barriers to tourism experienced by entrepreneurs in lagging rural regions, particularly those in certain former accession countries. ■

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Spatial issues and methodology

This third group of projects is the most diverse considering, among other issues, the question of the very definition of what constitutes a rural region. Historically, lagging rural regions tended to be areas that were geographically distant from population centres and densely industrialised zones: they were thus peripheral to the main thrust of economic activity. **Aspire** assesses how changing technology – particularly information technology – and other factors, for example social capital, have affected the idea of the periphery. The project considers how to minimise isolation from the 'motor' regions at the heart of Europe.

The concepts addressed by the **Restrim** project are similar: what are the characteristics of marginal rural areas that could be used to benefit their economies and social coherence? Rather than looking at physical infrastructure, it is important to consider issues of social capital, quality of life and administrative structure.

Furthermore, the situation is not static – there are population movements and changes in patterns of activity. **Newrur** is analysing the effects and consequences of the movement of populations from urban areas to nearby rural areas, a process called peri-urbanisation. This involves the establishment of new residential zones in areas that were previously rural and raises a variety of important issues, such as competition for land and the place of agriculture, as well as various social concerns.

The last two projects, **Medmont** and **Aembac**, are both methodological in their approach and have major environmental components. Investment projects in rural regions which are lagging behind can stimulate the

economy, but their effects on the environment may be less obvious. Medmont is studying how to assess the environmental impact of investment programmes on the particularly valuable, but fragile, environment of the mountainous regions of Mediterranean Europe. Aembac is developing an analytical framework for agri-environmental programmes. Preserving the environment and maintaining biodiversity are high priorities. Nevertheless, without a means of measuring or assessing such characteristics, it is difficult to identify which agricultural systems should be promoted or to determine the real effects of programmes and policy. ■

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A glimpse of the future?

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During the workshops, there were also presentations from selected projects that have started more recently, or are about to kick off.

Chalk and cheese

(MEA-Scope, Katharina Helming)

It is relatively straightforward to compare the profitability of intensive and extensive farming, or to make a comparison between the ecological impact of using or not using pesticides. However, comparing the effects on profitability with those on the environment is like comparing chalk and cheese to most people! Nevertheless, the multifunctional vision of European agriculture is a welfare approach that requires the assessment of much more than monetary issues. A consortium of 11 teams in nine countries will try to address this challenge via a project entitled 'Micro-economic instruments for impact assessment of multifunctional agriculture to implement the European Model of Agriculture' (**MEA-Scope**). **MEA-Scope**, a project funded under the Scientific Support to Policies heading of FP6, has the ambitious aim of closing the gap between existing macro-economic models and ecological and social process models. The tools developed for the assessment of multifunctionality will be valuable to policy-makers in their efforts to promote sustainable development of agriculture and rural areas in the EU. In particular, they will make it possible to assess the impact of proposed CAP reforms on multifunctionality.

Model behaviour

The work is based on the OECD (Organisation for Economic Cooperation and Development) definition of multifunctionality which includes the notion that farm output can be divided into two types: commodity outputs, e.g. beef, and non-commodity outputs, e.g. biodiversity. The project takes three existing models as a basis and links them together. These models simulate different aspects of farm structure, economics, production, and environmental effects. The approach is used at two scales: landscape scale (seven landscapes in seven European countries) and farm scale (with beef production as the model system employed to develop the tool). Application of the model generates a graphic representation of trade-offs. The idea of trade-offs is extremely important: what, for example, are the consequences for farmers' profits of reducing groundwater pollution? Policy options are very different if, for example, the pollution can be stopped with minimal impact on gross margin, than if the environmentally damaging effects cannot be prevented without a large reduction in farm profitability, in which case other sources of revenue may need to be found.

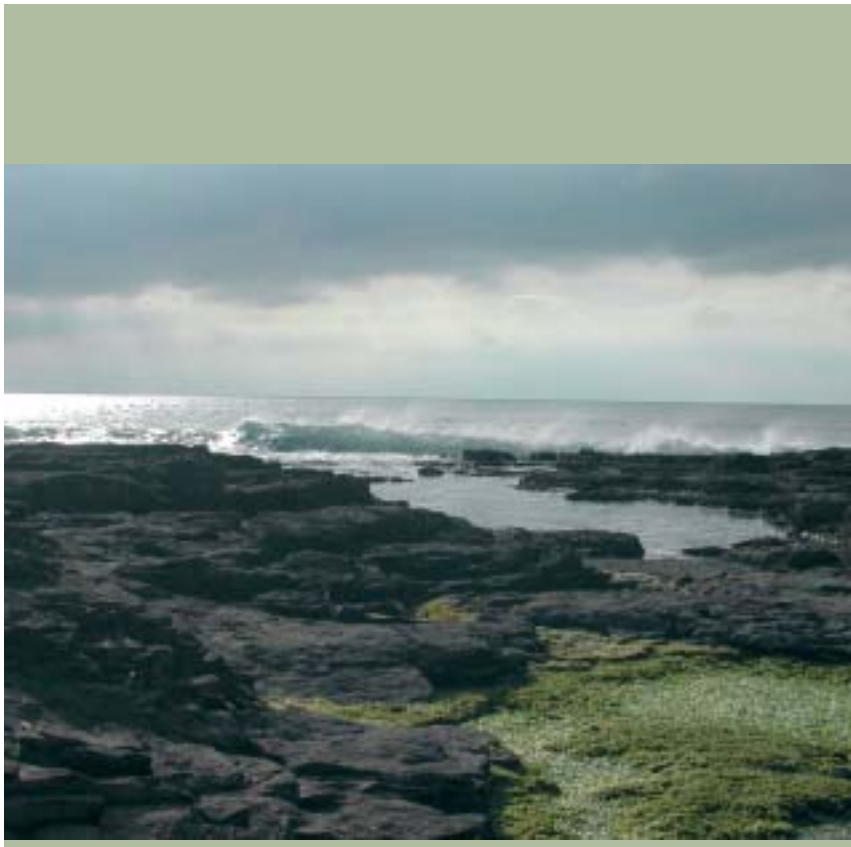
The project is validating the novel instrument with case studies in a variety of systems, looking, for example, at the trade-offs between farm profitability on the one hand, and hedgerow conservation in the Combrailles (France), wetland maintenance in Rhinluch (Germany), traditional landscapes in Borsodi Mezoseg (Hungary), and amenities in Mugello (Italy) on the other.

Foresight

(Patrick Crehan)

Foresight is like strategic planning – it mobilises all the stakeholders, educating them and getting them involved in the project. The idea is to use the opinions of experts as a basis for discussion with the various actors implicated. The outcome of the discussions should be a shared vision and, being shared by all stakeholders, actions and policies will have general support and therefore can be more easily implemented. Consequently, although some of the results may appear simplistic to specialists, they are practical, and most importantly, the very process of wide consultation and discussion is an end in itself. **eForesee** was a two-year project funded by the STRATA (FP5: Human Potential) programme, addressing challenges associated with foresight activities for smaller economies and regions.

Call for strategies



A series of pilot projects is being run by partners in Cyprus, Estonia and Malta, with particular emphasis on the structural changes to the economy that accompany accession to the European Union, including integration into the European Research Area. One particular point that has arisen is that there are no current strategies for abandoning the land, despite the fact that this phenomenon is likely to be significant, particularly in the new Member States. The pilot projects explore the decision-making processes involved in setting up foresight activities, and various aspects of management and implementation.

This work will improve understanding of foresight as a tool for policy development, implementing a knowledge management approach. Using this technique, foresight can be viewed as the creation of collective knowledge about the future and the foresight methods become tools for managing discussions about the future. This will lead to an improvement of foresight as a policy process and the development of a model for continuous foresight. ■

Understanding functions

Multifunctionality as an instrument

Towards a policy model of multifunctional agriculture and rural development.

(TOP-MARD: John Bryden)

Farming obviously produces food. However, this is not the only function of agriculture: like production in other sectors, farming generates employment, is a consumer of goods and services, and generates wealth. However, more than any other economic activity, agriculture has an enormous impact on a wide variety of factors including the landscape, food safety, cultural heritage, rural society and rural development, and the environment (pollution, biodiversity, water and air quality, for example). This has led to agriculture being called multifunctional, that is that its functions are multiple and go beyond simple market activities and economic production. Because most of the land surface in the EU is farmed, changes in agricultural policy and in agricultural practices can have substantial consequences across enormous areas.

The multifunctionality of agriculture is a key issue for the EU. Indeed, the common agricultural policy is evolving from support for the production function of agriculture to promoting some of the other functions, especially those beneficial for the environment. The TOP-MARD project aims to develop the concept of multifunctionality, particularly as an instrument for rural development policy. To do this the project will first analyse the various functions of agriculture, both as concerns different types of farming and in diverse rural contexts. Participants in 11 different European countries will ensure that data from a wide range of rural regions and agricultural contexts are included. The links and relationships between these diverse functions and many other factors will be investigated. The factors considered will be as diverse as land tenure, farm type and scale, household characteristics, and national and regional policy and governance.

From observation to prediction

This analysis will be used as the basis for the development of a computer-based model of the relationships involved. The model will be adapted to be applicable to different rural contexts, farm types and household characteristics. Importantly, it will serve as a tool for policy-makers when considering multifunctional agriculture and rural development. The resulting targeted policy model will help in assessments of the impact of policy changes both on agriculture itself, and on regional development in diverse European contexts. ■

FP5 project presentations

A holistic approach

Definition of a common European analytical framework for the development of local agri-environmental programmes for biodiversity and landscape conservation

(AEMBAC, Riccardo Simoncini)

The objective of protecting the environment receives wide approval. Policies and actions that promote a better environment are generally desirable, particularly in the field of agriculture. However, defining what exactly is good for the environment, along with the impact of policies and actions on the environment, is problematic. The aim of the **Aembac** project was to establish a common European methodology for assessing biodiversity and landscape conservation, particularly as affected by agriculture at agro-ecosystem level, and to develop agri-environmental measures tailored to suit specific environmental needs and opportunities.

There are many and diverse reasons for the lack of sustainability in agriculture, including ecological, social and economic factors, and there are also significant variations between regions and countries. Consequently, any attempt to address this problem must consider issues relating to a wide variety of disciplines. Indeed, the **Aembac** project is based on the notion that failing to consider the complexity and holistic nature of, for example, multifunctionality will inevitably result in approaches that fail to deliver the desired results.

The way to do it

The methodology behind **Aembac** allows for the synthesis of the object of analysis, without losing the complex character inherent to its nature, and is thus highly useable. It is based on the environmental functions approach, these being defined as "the capacity of natural processes and components to provide goods and services that satisfy human needs, directly or indirectly". This approach involves investigations into ecosystems, and the linking of natural and social sciences. It incorporates the notion of "environmental minimum requirements", and has been tested in 15 areas in seven

European countries to verify comparability. Finally, the participation of stakeholders is regarded favourably, in terms of both information gathering and the formulating of recommendations and monitoring procedures.

One of the key results of this work is the selection of scientifically based indicators for assessing environmental outcomes. As a result of the detailed

ecological, economic and social information provided, it will provide invaluable input into policy considerations and will facilitate dynamic programmes for agricultural sustainability. As it generates quantifiable measures of environmental goods and services, the application of this methodology will provide scientific support to the concept of multifunctionality in agriculture. It could also serve as a basis for the transition of the CAP from production volume-based agricultural subsidies to decoupled support – that is, payments based on the provision of environmental goods and services.

Although developed for agriculture, the methodology may also be appropriate for assessing environmental impact in other sectors, particularly forestry, fishing and tourism.

What keeps us apart?

Aspatial peripherality, innovation and the rural economy

(AsPIRE, David Meredith)

Throughout history, some regions have had more economic activity and higher incomes than others. In recent times, areas including large cities have tended to be more prosperous and dynamic than outlying rural areas, resulting in the classic theories of peripherality – peripheral areas, those furthest away from core areas, tend to be underdeveloped. Conventional thinking about the imbalance between regions tends to focus on concepts of distance 'costs'. Increasing the distance to markets and pools of skilled labour obviously inhibits economic development. Regional policies try to address the economic imbalance between the peripheral and core regions, and have generally tried to do so by improving transport infrastructure. Motorways, high-speed rail links and airports all tend to bring peripheral areas closer to the hubs of economic activity.

Aspirations

However, it is increasingly obvious that physical distance is only one of a diverse range of factors that affect a region's economic performance. Indeed, travel and freight costs are becoming less of an impediment to economic activity. So, **AsPIRE** is investigating the reasons why some regions appear to underperform. The research consortium's view is that many diverse factors determine economic success, not all of which are associated with geographic location or distance from sites of high economic activity. They call these factors "aspatial" – aspatial peripherality suggests that regions can be peripheral to economic activity, without necessarily being physically distant. Research teams in Eire, Finland, Germany, Greece, Spain and the UK are investigating why some regions are more successful than others. This involves a massive collection of data concerning the availability of information and communications technology, business networks, local and regional governance, tourism and social capital (availability of literate and skilled labour). The project also includes a number of case studies from selected regions.

This work is identifying the factors contributing to good economic performance in some regions and the reasons for relative weakness in others. It appears that rather than any one single feature, synergy between various aspatial factors is required for regions to exploit their potential. Obviously, the findings of this project can contribute to the development of both adapted and effective regional policy.

Studying origins

Development of origin-labelled products: humanity, innovation and sustainability

(Dolphins, Bertil Sylvander)

Origin labelling is an interesting issue which raises questions concerning the free market and protectionism, and about quality and consumer choice. The principle of origin-labelled products is to protect products from defined areas that have particular characteristics, in much the same way as brand names are protected. The free trade argument is that this distorts competition – consumers are not that concerned about whether champagne comes from a certain region, but they do care about the price and quality of the product. There are currently over 600 such products, and most are from Mediterranean countries. European Union policy is to uphold the idea of origin-labelled products, and to defend the principle at the World Trade Organisation that origin labelling is of value. However, there is currently no European policy for the development of origin-labelled products, and such products are handled differently depending on the country, the region, and even the product type itself.

Stronger ties

The **Dolphins** project, involving 15 partners in nine countries, is the first Europe-wide study into this issue. Project partners believe that it is important to move from protectionist-driven reasoning about origin labelling to an approach focusing on favouring rural development. The first aim of the study is to strengthen the links between researchers working in the field. The project intends to describe the evolution and characteristics of origin-labelled products in the agro-food system, with emphasis on rural development and rural employment.

With a clearer understanding of the phenomenon, policy issues such as the effects of legal protection, public financial and promotional support, and competition policy can all be addressed. This will lead to the development of tools for assessing the consequences of policy on rural development associated with origin labelling. The impact of policy on the concerns of the public and consumers is also important. Finally, Dolphins will also provide recommendations to support the EU's case in defending origin-labelled products at the World Trade Organisation.

Sustainable development in high places

Tools for evaluating investment in the Mediterranean mountain areas – an integrated framework for sustainable development

(MEDMONT, Vassiliki Kazana)

The mountainous zones in the Mediterranean region in Europe present a series of particular problems concerning sustainable rural development. These regions have been marginalised, and have a weak social and economic fabric. Although their natural resources are potentially valuable assets, they are subject to severe environmental problems concerning water, erosion and resource degradation. There are also institutional issues, with inefficient public administrations and poor implementation of programmes. To date, there has been little assessment of such problems which are specific to Mediterranean mountain areas, so the **Medmont** project was launched to rectify this.

Through Medmont, a methodological framework and tools (indicators) were developed to evaluate investment decisions *ex ante* and *ex post*, and to monitor sustainable development projects. The Medmont framework integrates three dimensions: a) the spatial scale (a four-level hierarchical system including region, landscape system, landscape type, and ecotope level); b) the type of approach (top-down and bottom-up); and c) the level of detail or of aggregation (high and low). Diverse impact assessments have been incorporated into the methodology to ensure thorough, extensive coverage, including assessments of the natural resource capability evaluation base specific to agriculture, forestry, livestock, recreation, wildlife and water; a socio-economic evaluation; an institutional evaluation; a welfare evaluation, and an integrated evaluation. Spatially referenced indicators were developed on the basis of data collected from five study sites in the mountainous regions of Mediterranean countries (Greece, Italy, France, Slovenia and Spain) and through expert opinion modelling. Spatial entities suitable for development analyses were identified and mapped for the

mountain areas of the Mediterranean to be used for evaluation by end-users through both a generic form and specific forms (thematic maps).

Aiming high

The variety of mountain landscape types, natural resources, and socio-economic and institutional situations in the case studies make the Medmont framework applicable throughout Mediterranean mountain regions. Indeed, it may also prove relevant to other mountainous areas in Europe if suitable modifications are made.

Medmont provides simple and composite investment evaluation and monitoring indicators for a wide variety of project investment categories in identified and mapped sustainable development entities in mountain areas. The integrated evaluation indicators take environmental, socio-economic and institutional objectives into account, and are consistent with sustainable mountain development. The Medmont evaluation framework also includes local actors in the evaluation process, measuringing social preferences. Thus, these integrated tools make it possible to assess sustainable development projects in terms of the trade-off between environmental and socio-economic indicators.

Change by sprawl

Urban pressure on rural areas: mutations and dynamics of peri-urban rural processes

(NEWRUR, Nathalie Bertrand)

One of the issues important to the sustainable development of rural areas is change in land use. The effects of the growth of towns and cities have been studied from the perspective of the urban areas themselves, but there has been little analysis of the effects on rural areas. However, the impact of urban centres on rural areas is large, and increasing. Despite the continuing concentration of employment opportunities in cities and their suburbs, the availability of nearby cheap housing is declining. The result is that more areas, further away from city and town centres, are becoming residential. The associated influx of new populations into rural areas creates new demands for services and infrastructure. Indeed, it raises a variety of potential problems including, for example, the sustainability of cultural heritage.

Spreading the news

The **Newrur** project has been investigating this phenomenon – modern urban sprawl – and its implications for coherent and sustainable development in rural areas. The multidisciplinary team has used a spatial and statistical approach to study peri-urban processes in five EU countries – France, Germany, the United Kingdom, Greece and Spain. This project has several objectives. Accurate description of the processes in action, using a defined typology, provides a sound basis for policy-makers. Comparative analyses, with identification of the sequential stages, also contribute to our understanding of the phenomenon. Another important issue being addressed is the consequences of this changing pattern of land use on agriculture. Underlying the whole project is the need to develop new tools that can be used by those policy-makers and regulatory bodies confronted with potential problems and conflicts arising from urban sprawl.

Going organic

Organic marketing initiatives and rural development

(Omiard, Peter Midmore)

Many European citizens believe intuitively that organic farming is sustainable and, furthermore, that it may also favour sustainable development. **Omiard** is the first major research project aimed at considering the place of organic products in the two key EU policy areas of sustainable agriculture and rural development. In particular, the project has studied all aspects of the marketing of organic food in Europe, while focusing on rural development. The work will characterise market structures and identify where possible improvements in regulations, policy and good practice can be made.

Growing needs

Generally, organic farming and production maintains the income of the producers, as organic products have a higher added value and can therefore generate higher incomes. In addition, the environmental consequences of organic farming are obviously less damaging than those of standard farming techniques. However, in recent years, there has been an over expansion of organic farming, leading to overproduction. Indeed, only a very small percentage of consumers buy organic products, and even fewer do so on a regular basis. This suggests that the marketing efforts associated with these products have been insufficient. Although the organic market is at various stages in different regions and countries, the marketing initiatives identified by the Omiard team are small and have had little impact. However, it would appear that typical consumers of organic products can now be 'categorised' as more "educated and affluent" rather than "alternative".

Organic producers share a variety of common interests which are not necessarily shared by other local producers. As a consequence, producers of organic products become involved in networks that form between the like-minded, rather than in the local networks. However, there are some inherent problems associated with having large supermarket chains as retailers of organic products – long-distance transport and excessive plastic packaging are not compatible with the organic concept. Furthermore, there could be conflicts regarding the standards and definitions associated with the use of the term organic. The Omiard team has found that retail through general food shops and a single nationally recognised label for organic products could both contribute to the success of the organic sector. Previous support for the sector has taken the form of stimulating supply, but work carried out within this project indicates that demand must also be promoted.

Holidays may be the answer

Opportunities for and barriers to tourism-led integrated rural development in rural regions of selected Member States

(Optour, Jonathan Edwards)

Clearly, tourism is a potential source of revenue for rural regions and can be the basis for creating or increasing economic activity and subsequently employment. Tourism could thus make a substantial contribution to development in rural regions. **Optour** aims to identify the opportunities for and barriers to tourism, particularly as concerns Eastern European countries. The underlying context is one of an increase in tourism – rural tourism has been growing consistently in Western Europe over the last 50 years, although the pattern remains uneven. There are numerous examples in which early promise has not been fulfilled, and financial support has had to be continued. For instance, there was a boom in tourism in the Czech Republic in the 1990s, but tourist numbers now appear to be declining. Experience in Western Europe suggests that rural tourism is often supply-led or, in other words, created because there is an apparent 'free capital' comprising the rural environment and rural culture; the barriers to the success of the industry are not being given appropriate consideration.

Globe-trotting

The project methodology involves obtaining and comparing the views of tourists (or potential tourists), entrepreneurs and facilitators concerning Romania and Bulgaria as potential tourist destinations. The tourists were selected from the populations of Germany and the United Kingdom (both established generators of tourists), and Spain and Portugal (emerging tourist generators). This trans-European perspective is useful – for one thing, it allows the experience gained in the development of the tourist industry in Portugal and Spain to be used to help Bulgaria and Romania.

One of the findings is that constraints on the growth of tourism should be identified and analysed appropriately. Financing and the availability of capital are among the main barriers to increasing tourism in the accession countries. These constraints may give tourists the impression of poor quality which could, in turn, inhibit further investment. However, there are other important barriers: former communist management systems and infrastructures may be unable to adapt to the requirements of the market economy, while various types of social problems can also play their part.

This analysis can be used to develop strategies for stimulating tourism. For the successful integration of rural tourism into sustainable development in accession countries, the strategies employed need to take into account the realities of the situation, and to recognise that some barriers cannot be overcome.

Networks are the key

Restructuring in marginal rural areas (the role of social capital in rural development)

(Restrim, Jo Lee)

Traditionally, economic analysis and research into regional development tended to be based on factors such as natural resources and infrastructure. More recently, other so-called 'softer' factors, including tacit knowledge, trust and the collective capacity building, have been integrated into this notion of development. Such elements are collectively described as social capital, and are generally believed to be the result of networks – of the players involved, of information, and of resources. In their work on social capital and rural development, the **Restrim** project concludes that it is more informative to consider the networks underlying these factors than the factors themselves.

Rural reasoning

The Restrim project includes extensive case studies in diverse rural regions across Europe, and asks why some regions are successful while others are developing much more slowly. The specific aim was to assess how networks of socio-economic actors affect their local rural development. They use a vision of development that is not solely economic, but also includes a quality-of-life dimension. Indeed, these two issues are not independent – the quality-of-life dimension is important in itself but may also influence the economic situation. Individuals, and even businesses, may stay in an area or move to an area (thereby stimulating economic activity) for quality-of-life reasons as much as for economic reasons. Indeed, the development of telecommunications is such that telecommuting is now possible for people living in relatively remote rural areas. Potential entrepreneurs may choose to locate their businesses on the basis of an agreeable lifestyle and preferences concerning their place of residence rather than on purely financial reasoning. Another example is the traditional farming practice of crofting, important to locals in parts of Scotland not only as a source of income, but also because of the social structure and contacts it involves – crofting keeps people in the area, and the loss of this practice would result in population emigration.

This project has generated findings of significant interest to policy-makers: it appears that long-term consistent support is much more beneficial than repeated initiatives or three-year projects. Current administrative regions may be too big, resulting in homogeneity being imposed on a variety of geographical zones that were previously diverse. Furthermore, many regions are now using the commercial technique of branding, thereby turning regions into commodities (for example, three different regions have near-identical logos competing with each other). This may also undermine local values and reinforce artificial homogeneity.

Profiting from a ‘handicap’

Supporting and promoting integrated tourism in Europe’s lagging regions

(Sprite, Tim Jenkins)

It has become obvious that agriculture alone will be unable to ensure viable and sustainable development in Europe’s rural regions. This reality is increasingly reflected in various aspects of EU policy addressing the issues associated with rural population decline, globalisation, and the competitive world market for agricultural products. The socio-economic development of Europe’s lagging rural regions will undoubtedly require full exploitation of the resources available. Although these regions may struggle to compete in the increasingly standardised global market place, one of the consequences of this trend, paradoxically, is that the very distinctness and uniqueness of local products and services acquire greater value and the demand is growing. Indeed, specialised products from a particular locality are often perceived as of higher quality than standardised mass products.

Adding value

Rural areas in Europe have seen the opportunity and are increasingly adopting ‘cultural markers’ as assets for local and regional development. Such markers include, for example, regional cuisine, languages, crafts, folklore, cultural sites and landscapes, literary and art activities, and music festivals and other events. This strategy of using cultural identity and local characteristics as the basis for overcoming stagnation in development has been called the ‘culture economy’ approach. The **Sprite** project has been studying how, as part of this cultural economy approach, rural tourism can contribute to enhancing the value of local characteristics and driving economic growth, based on maintaining and preserving cultural heritage.

Tourism can stimulate networking in a region, with the resulting networks providing added value to local crafts and products; the overall outcome can be extremely beneficial to the local economy. However, for optimal effects, tourism must be well integrated – explicitly linked to local natural, social, cultural and economic structures. Classic tourism tends to be vertically structured and to involve large enterprises. Consequently, although it provides both capital and clients, it frequently denatures and distorts the local environment. Integrated tourism, in contrast, is largely based on micro-businesses which are often family-run; the effects associated with each business may be small, but they are numerous and collectively reinforce local traditional identity, or local ‘flavour’. Localised networking between businesses and structures is also necessary. Nevertheless, to be successful, some degree of vertical integration is required, if only to attract tourisms from elsewhere. In this analysis of the state of tourism in rural regions, and extensive case studies in 12 regions, the Sprite project is providing answers to policy questions, and helping to show how best to ensure the success of integrated tourism programmes.

Regions in chains

Supply chains linking food SMEs in Europe's lagging rural regions

(Suppliers, Philip Leat)

Even in economically lagging rural regions, the European food sector consists of activities other than agriculture itself and typically comprises many small and medium-sized enterprises (SMEs). These

companies are of particular interest because many use local agricultural products and traditional production methods. Therefore, in addition to contributing to rural economic activity, they also reinforce local identity, distinctiveness and culture. Promoting the sustainable development of such businesses would obviously be beneficial. The **Suppliers** project has been examining supply chains involving food SMEs in Europe's lagging rural regions. Market access is a critical issue, especially as these enterprises are located far from major population centres, have low volume outputs and are widely dispersed. The project consortium has conducted extensive business surveys, including 1149 food network businesses (producers, intermediaries and customers) in lagging rural regions selected from six European countries, so as to be able to describe and better understand the supply chains involved.

Chain reaction

Three types of supply chain intermediary were defined: the first is locally integrated and sensitive to the local nature of the products. The second is not local but, due to its specialist nature, also appreciates and exploits the particular characteristics of local products. The third type is not local and displays no particular sympathy for the specific nature of the products. Food producers supplying this third type of intermediary (typically, large supermarket chains) may become less embedded locally due to the dictates of the market economy. Indeed, this type of network is known as a 'director chain' because it is driven by the commercial requirements of the large player. In contrast, chains embracing only small, local or specialised actors involve more negotiation, with the benefits of food supply being more evenly spread between the players, the structure is more informal, and based on trust and personal contacts, and most of the raw materials used by the SME are obtained locally. Similarly, innovation tends to come from a bottom-up process, whereas in 'director chain' structures, innovation is frequently stimulated by market share considerations at the top.

Obviously, different supply chain structures can coexist in any particular region. This type of research, describing the networks as perceived by the various players, will improve our understanding of the factors involved in fashioning their formation, performance and development. These analyses will be used to help identify strategies and to develop models that could be exploited by policy-makers and institutions to improve supply chain integration and performance. ■

Where do we go from here?

The discussions at the workshop provided an occasion to discuss the state of the art. One area of debate concerned the real meaning of rural development, and whether or not we have a precise idea of what exactly is meant when we refer to it. One of the consequences of this is reflected in the research – rural development research remains diverse and heterogeneous. For obvious reasons, much of the research and many of the policies addressing rural development have focused on agriculture. As has been explained, agriculture is only one element of the rural economy. Furthermore, in recent years farming has come to be seen as the cheapest way to manage land – but will this remain the case? The quality of land and water resources is also important. There was even a suggestion that, in some situations, sustainable land management could be perceived as an impediment to rural development. However, the point was raised as to whether we should distinguish between the agricultural and non-agricultural components of rural development.

There was a general feeling among those present at the event that major changes are coming to rural areas (and to rural development research).

Making research relevant

Such considerations lead on to the issue of what sort of research is desirable and required in the field of rural development. What forms of research, technology capacity and organisational infrastructure best serve the rural requirement for knowledge-based rural economies? Various national governments display very different

degrees of interest in research in this field, but a point made by several participants was that articulation between the European Commission and national research could be greatly improved. Indeed, as the EC only provides about 5% of all research funding in Europe, fruitful interaction with national funding is essential.

Several speakers expressed the view that a valuable approach to ensuring the pertinence of research would be to involve stakeholders and policy-makers prior to the start of any research work, thereby ensuring that the research will be both relevant and accepted. One suggestion was that much of the current research involves economic issues: social matters need more effort and attention and should be given a higher priority, and ensuring that research is more applied than academic would also be beneficial. Another approach that received much support was to find out what sort of agriculture stakeholders want before turning their responses into research questions. There were several comments supporting the idea of improved communication and interaction between research projects to maximise synergy and allow cross-fertilisation.

The end result

One of the main issues of concern expressed by many of the participants was the fate of the information and knowledge generated by research: how can the results of current work be used to drive future research? But, as one speaker asked: "How do we ensure that the findings and information reach the right ears?" If the results of research are presented academically they may be impenetrable to many and risk being unusable. It was agreed that the outcomes should be easier to understand by using 'common' language and clear presentations, although the findings still have to be disseminated among target groups (including farmers, SMEs, and rural populations). It is not only the presentation that can impede the exploitation of research. Policy-makers, who have to deal simultaneously with a broad range of interconnecting issues, may have difficulties with scientific reports which tend to cover a single issue. Nevertheless, the communication gap between researchers and policy-makers is too large. A more specific point raised concerned making further efforts to promote the research findings in future EC Framework Programmes.

This interaction between research and policy-makers was the subject of a variety of reflections, those areas of rural development policy that could benefit from more research being of particular concern. The question was asked: "How do we measure the impact of policy on rural development?" Indeed, there was a widely held view that research could make a valuable contribution by identifying indicators of the effects of policy, be it EC, national or regional. For example, could research identify those factors associated with the success of rural SMEs? The particular problem posed by decoupled payments was raised. Policy is relatively easy when financial support is based on production volumes, but under the new decoupled system of support for farmers, measuring the consequences of support on outcome and activity will be more complex: this is an area where research could help. However, the diversity of approaches evident in the research projects presented is such that identifying indicators of rural development and making them applicable and easy to use, or establishing a hierarchy, remains a challenge.

Words into action

The final area addressed by the discussion concerned policy and the use such policy makes of research. Much research can be described as 'soft, qualitative or fuzzy' economic analysis which, nevertheless, generates the information required for knowledge-based policy. So, one of the major questions for rural development policy is how to translate research findings into action. A more specific issue raised by workshop participants was how best to establish a balance between bottom-up and top-down policy initiatives and decision-making structure in the wide context of international rules and agreements. ■

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