



**Agriculture and the wider rural economy:  
Policy insights from recent research**

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*Connecting Rural Europe*

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# 1 Introduction

## 1.1 Background

Rural development policy is now an integral part of the Common Agricultural Policy (CAP), having evolved from a policy dealing with the structural problems of the farm sector, to a policy addressing the multiple roles of farming in society and the wider challenges facing rural communities.

Pillar I of the CAP concentrates on providing basic income support to farmers, who are free to produce in response to market demand, while Pillar II (Rural development policy) supports agriculture in a wider sense, including support for diversification, the pursuit of environmental goals, and the development of rural areas more generally.

The European Network for Rural Development (ENRD) was launched by the European Commission in October 2008 to act as a focal point for rural development actors across the EU. In particular, the ENRD helps ensure that Member States implement Rural Development Programmes (RDPs) efficiently. Its activities include the collection, analysis and dissemination of information on rural development measures and practices, and the provision of information on developments in rural areas.

The ENRD network's activities include Thematic Working Groups (TWGs) which have carried out specific analyses on the basis of on-going rural development programmes in a variety of areas, including the targeting of specific needs in territorial area, issues concerning public goods and public intervention, and the effectiveness of rural development policy delivery mechanisms.

This report focuses particularly on research related to the work of TWG2, which addressed issues concerning linkages between agriculture and the wider rural economy.

While this work was being completed towards the end of 2010, the results of a number of other relevant research projects, supported by the European Commission's Research DG's framework programmes (FP6 and FP7), as well as by the European Regional Development Fund (ERDF), became available. These studies differ in one notable respect from the ENRD work in that they do not include quantitative input-output analyses of the relationship between agriculture and other sectors at the local, NUTS3, level, but they were all empirically-based and address similar issues and concerns regarding rural development and agriculture.

This report has been prepared in order to bring together the main results of the TWG2 study alongside the main results of the other studies supported by the European Commission, including taking account of the extent to which the other studies confirm, conflict or add to the analytical findings of the thematic working group of the ENRD, and indicating what these studies suggest or imply concerning the practical and strategic policy options for rural development in both the current and future programming periods.

## 2 ENRD TWG2: Linkages between agriculture and the wider rural economy

*General information:* In order to develop its understanding of the relationship between agriculture and the wider rural economy, the ENRD TWG2 undertook a targeted research programme in 2009/10 built initially around an analysis of the economic relationships between the activities of the agriculture sector and those of other economic sectors in the local economy in 18 representative rural regions across the EU, namely:

- Waldviertel, AT;
- Kalmar, SE;
- Rottal-Inn and Ebesberg, DE;
- Overig Zeeland, NL;
- Gwynedd, UK;
- Matera and Pesaro-Urbino, IT;
- Gers and Corsica, FR;
- Alava, ES;
- Trikala, GR;
- Somogy, HU;
- Pieriga, LV;
- Banskobystricky kraj, SK,
- Vysocina, CZ;
- Krakowski, PL;
- Caras Severin, RO.

Website: [http://enrd.ec.europa.eu/thematic-initiatives/twg2/en/twg2\\_home\\_en.cfm](http://enrd.ec.europa.eu/thematic-initiatives/twg2/en/twg2_home_en.cfm)

*Objective:* Understanding the nature of the evolving relationship between agriculture and the wider rural economy was seen as fundamental to the successful deployment and development of the EU's CAP pillar II, as well as being important for pillar I of the CAP and for other EU and national funds that support developments in rural areas.

*Type of analysis:* The analysis first used input-output techniques in order to quantify the economic and financial relationships, and was conducted at the lowest level for which appropriate comparable data is available, namely at NUTS3 level – regions with between 125,000 and 350,000 inhabitants.

The analysis was designed to study these relationships and classify them according to several criteria, including the relative importance of agriculture using input-output (I/O) analyses of relevant data, based on the GRIT (Generation of Input Output Tables) technique, combining national I/O tables and employment by sector data at national and regional level.

The I/O model documents flows of money (transactions) relating to different economic activities in each region. Having identified these relationships it was then possible to compare the situation across types of regions. To address the various issues, data was assembled/analysed in respect of the following economic indicators:

- Backward and forward linkages – to measure *demand between different sectors*;
- Industry 'inter-connectedness' – to indicate the *degree of outsourcing and diversification* by measuring transactions (direct and indirect) between industries;
- Input-output elasticities - to take account of the *relative size of sectors* and to identify *key sectors* in the regional economy;
- Value added and multipliers - to estimate the impact of *changes in final demand on value-added (i.e. capital)*;

TWG2: Policy insights from recent research

- Employee compensation/incomes - to estimate the importance of each sector in terms of *employment*;
- Supply-driven multipliers - to estimate the *capacity of supply to respond* to final demand changes.

Where possible, 2005 data was used (avoiding the effects of NUTS3 changes in 2007/8) and making appropriate estimates, or using appropriate proxies, where data was not available, including for GDP or agriculture at NUTS3 level.

In order to investigate the extent of synergy and inter-dependence between agriculture and the rest of the rural economy, the 1,303 EU NUTS3 regions of 27 Member States were classified on 6 criteria:

- Degree of importance of *agriculture*
- Importance of the *food industry*
- Importance of *tourism* (measured in terms of natural resources and accommodation)
- *Demographic* changes
- Competition for *water*
- Competition for *land*

*Case studies:* Qualitative regional case studies were undertaken in each region by an expert team, based on a broad terms of reference that would allow them to explore regional dynamics and differences from which more detailed analysis could be developed.

The TWG2 work also used a variety of other research techniques - notably analyses of more general economic, demographic and social data, and interviews with local stakeholders, actors and project developers - in order to explore experiences of diversification, local capacity (human, institutional and infrastructure), conflicts over resources, as well as the factors driving, supporting or inhibiting performance and change in the regions concerned.

In addition the TWG2 analysed the coherence and consistency of policy programmes at national, regional and local level, in six out of the 18 regions originally selected (Trikala, GR; Matera, IT; Kalmar, SE; Gers, FR; Somogy, HU; Gwynedd, UK) and documented the experiences of specific project developers in the case study areas, in order to identify policy weaknesses (see two following text boxes).

### **The contribution of rural development programming to the creation of links between agriculture and the rest of the economy: evidence from six regions**

The screening of programming documents carried out by TWG2 in 6 EU NUTS 3 regions suggests that, at the strategic level, the promotion of links between agriculture and the wider rural economy is addressed to some extent in the *National Strategic Plans* (NSP) associated with the six areas. However, recognised the emphasis on this issue differs amongst the six cases, with the promotion of links as an important strategic aim in some areas (Matera, Gers, Trikala) but much less so in others (Kalmar län, Gwynedd, Somogy). Strategic documents were found to highlight the enhancement of these links as an opportunity or/and need, but mostly in an implicit manner. In regions with a tradition of decentralised policy design and delivery system there are more targeted and explicit references to the identification of opportunities and needs related to the enhancement of these links. The extent to which these links are pursued through rural development policy also appears to be related to local economic structures and development contexts. Thus, areas associated with a higher development potential and well-structured local policy design and implementation mechanisms are characterised by a more coherent strategic environment, as demonstrated by complementary references on these links in strategic documents specific to other EU, national and regional financing instruments.

As far as programming is concerned, references of the need to promote links between agriculture and the wider rural economy appear in the majority of the *Rural Development Programmes* (RDP) associated with these six areas. The implicit references in the NSP are more explicit in the RDPs. However, the incorporation of this objective in a coherent strategic framework seems to be evident mostly in areas characterised with a general capacity to design clear and coherent policy strategic paths and the competence of institutions to coordinate and implement development strategies that promote competitive and synergistic forms of rural economic activity.

Evidence suggests that several RDP measures can support the enhancement of links between agriculture and the rest of the rural economy. In areas which still heavily rely on agriculture (e.g. Trikala, Somogy, Matera) most axes and a significant number of measures have been identified as means to promote these links. Linkages between agriculture and other sectors are pursued mainly through axis 1 and secondarily, through axes 3 and 4 (Leader). The most common measures "chosen" for promoting these links include modernisation of agricultural holdings (121); adding value to agricultural and forestry products (123); infrastructure related to agriculture and forestry (125); and almost all measures of axes 3 and 4.

### Coordination and complementarity

Complementarity between RDP programmes and measures and other EU and/or nationally-funded programmes was found to be satisfactory in areas characterised by broadly effective policy design and delivery systems. In **Matera**, Italy, strategic development priorities 'pass through' a process designed to achieve synergy and complementarity between RDP and other Structural Funds (mainly ERDF and ESF); main lines of this synergy include communication networks, the development of the agri-food sector in the production chain, research, renewable energy, infrastructure while training measures are complementary to be designed and financed through both EAFRD and ESF.

In contrast, in areas associated with centralised and complex policy design and delivery systems, complementarity was found to be weak and lacking. In **Somogy**, Hungary, for instance, the coordination with structural funds, as well as between national and regional/local authorities was considered insufficient. The distribution of funds among axes had been centralised and arguably politicized, casting doubt on whether the funds reach those most in need in rural areas. Often larger farms and entrepreneurs are supported, whereas smaller farms have less access to funds. The centralization of the delivery system, with a very low level of involvement of regional and local authorities has also resulted in long delays in project selection, approval and payments.

In **Trikala**, Greece, coordination between the structural funds and the RDP is not considered sufficient. While all operational programmes in Greece are managed under the National Strategic Reference Framework (NSRF), the RDP and the Operational Programme for Fisheries have different structures. This management choice reduces the RDP's coordination with other programmes, both at European and national level, such as initiatives concerning environment protection and support to SMEs. In general, the RDP seems to be isolated from all other horizontal operational programmes or the regional operational programmes. Concerning the promotion of linkages between agriculture and the manufacturing or other sectors of the economy, there is not a coherent and integrated strategy; several "fragmented" actions are implemented, the coordination of which is based on attempts to regulate individual initiatives rather than putting in place a framework for supporting and developing the existing linkages.

### Analytical findings

- The natural advantages of the local rural economy (land quality, climate, scenic appeal etc.), the extent of relevant infrastructure (notably transport), and the overall strength of the wider national and regional economy, largely determine the long-run potential and options for a locality, as well as the speed with which it can progress.
- Agricultural activity contributes far more to the success of local economies than indicated by data on shares of GDP or employment. This is because economic relationships between agriculture and other sectors – notably 'forward' links to food processing, trade, and hotel and catering (tourism) activities – are particularly strong and positive in local rural economies, even when the agriculture sector is relatively small, with changes in agricultural activity having a greater impact on the local economy than changes in other sectors.
- While some local activities may be intended to promote rural vitality and social cohesion directly, many of the activities undertaken primarily for economic gain can also produce wider environmental and social 'public goods' benefits and impact positively on a local economy, even though they cannot be measured as precisely as the economic linkages between sectors.

- There is a high degree of diversity *within* NUTS3 regions in terms of the composition and distribution of activities with, typically, different parts of the regions being separate 'local economies' with their own specializations, being focused on different activities to differing extents: agriculture of many kinds, forestry, fishing, energy production, tourism and diverse recreational activities (hill-walking, visiting historic sites, pleasure parks, sports, arts, craft production, etc.).
- The individual and collective capacity of local people - in terms of skills and competences, entrepreneurial and business capacity, and their ability to work together in partnerships and other collaborative initiatives – are crucial factors in enabling rural areas to cope successfully with the challenges of change.
- Despite the policy and institutional weaknesses outlined below, many successful projects were identified that came from both individual farmers and entrepreneurs, and formal or informal groups or networks, whether commercial or otherwise. Social and economic relationships appear generally stronger and closer than in urban areas, but hindered by the fact that the economic options are generally more limited or constrained.
- The success of a region depends, not only on the availability of funding, but on the range and capacity of institutional support services (such as extension and advisory bodies, consultancy services, etc.) as well as educational and scientific bodies (universities and institutes).

## Policy findings

- While rural development programming documents at different levels in the Member States do refer to some extent, in their national programmes, to the importance of re-enforcing the links between agriculture and rural development, they are far from consistent in the ways they present this policy. As a result, linkages between agriculture and rural development are *not* significantly embedded in the RDPs examined: in most cases they are not specifically articulated at the level of objectives; NSP level recognition is not always carried through to the RDP; and where linkages at RDP level are recognized at axis level, they are not always reflected in the measures.
- Similar objectives are commonly pursued under different axes regarding linkages between agriculture and other sectors. In some cases the same objective is pursued under different axes with different measures, and in others, different objectives are pursued with similar measures. This is not necessarily a problem for promoters of projects, but it weakens the promotion of policy coherence between priorities and measures.
- More generally, rural development policies that merely indicate those areas of intervention that are eligible for funding, and the types of support measures available, are not sufficient in order to develop integrated responses to the complex challenges that most areas face, not least in terms of exploiting the relationship between agriculture and the needs of the wider rural economy.
- There is limited complementarity between the EAFRD interventions and those from other funding sources (both EU and national). This is a general weakness with respect to funding interventions, but it is a particular weakness in the case of multifaceted actions such as those designed to enhance synergies between agriculture and other sectors.
- The structure and nature of institutional arrangements for the delivery of policies vary greatly between Member States. Some appear to ensure consistency and efficiency in the planning and delivery of programmes, including timely payments to project developers, but others (highly centralised systems and complex systems with limited co-ordination) do not.



## Implications of TWG2 findings for current and future policy

As outlined below, TWG2's policy findings relevant to the *current programming* period relate primarily to improved implementation, while finding relevant to the next programming period envisage more fundamental improvements.

Suggestions from TWG2 for the current policy period include the possibility of:

- modifying selection criteria to enhance the links between agriculture and the rest of the rural economy, and facilitate economic transformation;
- promoting Measure 311 (which is eligible to farmers) in the distribution of axis 3 budget, especially in the case of areas facing agricultural adjustment;
- improving the design of specific projects, for example by the more effective provision of technical support to potential investors;
- providing advice and support for project proposers, especially small farmers and SMEs generally, to help them in making submissions in order to enable them to compete more fairly against larger companies;
- improving the EAFRD delivery mechanisms and operational systems, especially for smaller firms, in order to provide greater transparency for applicants;
- simplifying procedures for applying for funding and licensing;
- ensuring continuous funding possibilities;
- avoiding delays in providing agreement on project proposals and transferring payments for agreed projects.

While the architecture of the post-2013 CAP is yet to be defined, the suggestions from the TWG2 work concerning the *future programming period* included the possibility of:

- Developing a more strategic, integrated, pro-active and cross-cutting approach to policy interventions. The main focus should be on supporting projects that will deliver results defined in terms of broad economic and social outcomes and objectives (e.g. creation of new jobs, generation additional incomes opportunities, etc.) rather than merely indicating eligible interventions and support measures.
- Explicitly recognising the importance of linkages between sectors within the NSPs and RDPs (or their future equivalents), notably between agriculture and the wider rural economy, and establish appropriate criteria to provide incentives for project developers who propose to address these possibilities.

In operational terms this suggests that, while the types of assistance for rural development may vary, all regions at different levels (NUTS2, NUTS3, and sub-regions within NUTS3 regions) should have clear and transparent strategic plans that:

- reflect the specific challenges faced by the areas concerned on all relevant economic (general and by sector) and social dimensions (including incomes and demographic);
- include realistic responses and attainable objectives, bearing in mind the potential and capacity of the areas and their populations;
- indicate ways in which the EAFRD, in association with the other structural funds, can best contribute and co-operate to achieving those ends, including strengthening the links between Pillars 1 and 2 ;

- include operational plans to ensure that project proposals demonstrate their contribution to the achievement of the wider goals of the local economy, and not simply meeting specific project-based criteria.

At the same time, institutional arrangements should be adapted to support this approach. This could include:

- providing a legislative framework that enables the maximum possible degree of flexible and effective institutional arrangements to be achieved at the regional and sub-regional levels, and allow for the active involvement of all local stakeholders;
- charging the relevant Managing Authorities with the responsibility, not only for addressing obstacles to the achievement of their objectives in their own direct areas of responsibility, but for promoting projects towards relevant local administrations as well as key financial institutions, notably those dealing with SMEs and micro-businesses.

In terms of the use of typologies of rural areas in order to target funding, the TWG2 work refers to a range of alternative EU-wide typologies of rural areas, which are further extended in the other European Commission-supported studies.

For more general policy purposes, the TWG2 work identified three broad types of situation:

- distressed rural areas – notably in some of the new Member States, where agriculture is in decline and new activities are slow to develop, and which warrant wide-ranging economic and social support similar to that given to distressed areas of inner cities;
- specialised agricultural rural areas which continue to focus successfully on agriculture as a core activity, but which could nevertheless benefit from modest diversification in order to maintain continued growth and prosperity;
- diversified rural areas – the most common type in most countries - where agriculture is no longer a dominant part of the region's economic and social structure, but it plays an important economic and environmental role, maintaining vitality and local character

The study did *not* suggest that these distinctions be used to influence or determine the type of funding that should be made available, but that they could nevertheless be useful as a general guide to help different rural areas to better appreciate the nature of the challenges they face, and their likely development priorities.

### 3 Framework Programmes 6 and 7 research projects

A number of comparative research projects have been funded recently under the Framework 6 and 7 programmes, which address issues concerning agriculture and rural development. While the coverage and focus of the studies vary, they tend to follow a similar operational pattern, with a consortium of academics joining together to present analytical and policy relevant findings, and are generally based on similar methodological approaches; assessing the relevance of alternative theoretical or empirical concepts, undertaking literature reviews, and conducting investigations in a range of case study areas selected on a variety of criteria.

A common strength of all these reports is their EU-wide perspective, based on sound methodologies and executed by acknowledged experts. This is particularly noticeable in the reporting of case studies where methodological structures, and the standards of data collected, are high. Moreover, the researchers demonstrate concern and familiarity with the quality of rural life and share a commitment to seeking practical solutions to the range of challenges that rural societies face.

However, the way in which FP6/7 work is commonly managed and presented does not always make the findings easily accessible for policy purposes. Importantly, however, much of the primary raw material is accessible from the project websites, making it potentially possible to undertake further work to exploit the results of these different studies, particularly the evidence from the case studies.

This report reviews the content of what are judged to be the five most relevant research studies of those that have been identified. These are the following<sup>1</sup>:

1. TERESA
2. CAP-IRE
3. RUDI
4. RUFUS
5. EDORA (part of ESPON programme funded by the ERDF)

#### 3.1 Project TERESA - types of interaction between environment, rural economy, society and agriculture in European regions

*General information:* Timescale: 2007 – 2009; budget and source: FP6; countries involved: AT, NOR, UK, FR, DE, PL, ES, RO, IT, HU, EI; website: [www.tereas-eu.info](http://www.tereas-eu.info)

*Objective:* This project starts from the premise that "rural development policy and the new CAP increasingly place agriculture in a wider context, taking into account the diversification of rural economy, the quality of the environment and food safety to gain higher competitiveness of the farming sector".

The main focus of the study is seen as the influence of agriculture on rural economy – aiming to link multifunctionality with regional cooperation to achieve sustainable rural development – in order to offer a stronger empirical basis for pursuing rural policy in the EU.

*Type of analysis and methodology.* The analysis uses a mixture of general statistical data and a selection of representative regions for case studies using data and qualitative material gathered by experts.

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<sup>1</sup> Further relevant FP studies include: ETUDE; RAPIDO; FARO-EU – focused on IT; SCARLED – focused on new MSs RURAGRI ERA-NET – focused on co-ordination of research in agriculture, rural development and sustainable development; SPARD; RURALJOBS; CAPRI-RD; IMPACT; IN-SIGHT; AE-Footprint; MultiAgri; Top-MARD; PANDORA

Some 11 NUTS3 EU regions were selected following a cluster analysis at NUTS2 level. The selection of the regions presented some problems related to the difficulties to allocate some NUTS2 regions in particular clusters, because of the diversities of situation (economic, social) within them. Case studies in selected areas address the interrelationship between different forms of agriculture and the rural economy as well as between agriculture and land management in rural areas, with a particular focus on the analysis of the supply chains developments.

The study contrasts existing policy paradigms – the interventionist model *vs* the competitive model *vs* the multifunctional model – but claims to have enlarged the last one in order to transform it into a cooperative and territorial model “*that offers a greater diversity in integrated rural development taking into account the added value of the agricultural sector for the environment, the local economy and social cohesion*”.

*Case studies:* The cluster approach led to the selection of a mixture of regions ranging from coastal to mountainous regions, intensive to extensive agricultural structures, regions influenced by urban agglomerations to far-off regions. 10 EU countries plus Norway were covered, and in particular the following regions:

- Norway: Hedmark NUTS3
- United Kingdom: West Sussex NUTS3
- France: Savoie NUTS3
- Germany: Barnim NUTS3
- Poland: Chelmsko-zamojski NUTS3
- Spain: Murcia NUTS3 (+2)
- Romania: Timis NUTS3
- Austria: Lungau NUTS3
- Italy: Bolzano-Bozen NUTS3 (+2)
- Hungary: Bacs-Kiskum NUTS3
- Ireland: South-West NUTS3 CE

The development options available to these areas are categorised in relatively stark terms, such as: those where some rational alternatives within agriculture exist; those where alternatives are outside agriculture or only loosely related (e.g. tourism); those where little or no alternatives exist to replace existing agricultural activity.

## Analytical findings

Alternative agricultural production is seen to be essentially achievable only in relation to niche markets such as organic or locally labelled, with limited possibilities for the bulk of rural agriculture.

The potential for pursuing alternative strategies (interventionist, competitive, co-operative) is seen to largely depend on the characteristics of specific regions, such as land quality, urban proximity and accessibility, attractiveness and diversity of the landscape.

The regions analysed have been categorised in terms of:

- post-agricultural regions: agricultural activities are of marginal relevance but there is high level of secondary farmer activity;

- peri-urban agricultural regions: these regions are often located in densely populated areas around large agglomerations but with profitable agriculture. Major conflict over competing land use have been registered;
- areas where agriculture co-exists with other sectors, including many regions from NMS and Mediterranean regions;
- areas with favourable natural amenities and hence high importance for tourism, where agriculture may make a small direct contribution to employment but an important contribution to the quality of life;
- areas where agriculture is strong as well as urban expansion, causing conflict over water and land use.

The report discusses the extent to co-operation and networks in rural areas, and also raises issues concerning legislative restrictions on rural development related to the protection of biodiversity, soil protection, water management, impact of tax relief.

## Policy findings

The main observations coming from the analysis can be summarised as follow:

- demands for an integrated and multifunctional role for agriculture are being mainstreamed in European agriculture and rural development policies;
- regional and rural policy has already begun a paradigm shift from top-down, subsidy-based approaches into a broader integrated approach, i.e. OECD 2006;
- rural diversification is not an end in itself. It needs to be recognised that it takes place at two levels: at the regional level, for the rural economy as a whole, and at farm level;
- supply chains are important - agricultural supply chains shape and are shaped by the regions in which they operate – but long-run success depends on effective management;
- rural territories need to be differentiated to reflect rural diversity, promote rural systemic approach, and include economic, social, environmental multifunctionality and public goods concerns in development strategies.

*How do you provide support within the European framework of policies to improve the contribution of agriculture to rural development?* That was the main question the project has been trying to answer and several needs were identified to better tackle these issues, in particular:

- having a common and enlarged definition of rural areas and rural development, reflecting current dynamics and change;
- grouping regions by type;
- reviewing targeting levels to take account of regional supply chains etc., and not just set goals at farm and local level;
- developing a “place-based” approach based on real needs – as in “An agenda for a reformed Cohesion policy” (Barca 2009).

## 3.2 Project CAP-IRE - Assessing the multiple impacts of the Common Agricultural Policies (CAP) on Rural Economies

*General information:* timescale Jan 2008 - Dec 201; budget and source - 1.5m euro FP7 Theme 8; consortium countries - Joint Research Centre ES + NL, GR, PL, UK, ES, BG, FR, DE; website [www.cap-ire.eu](http://www.cap-ire.eu)

*Objective:* The main aim of the project was originally to develop concepts and tools to support future CAP design, based on improved understanding of long-run socio-economic mechanisms of change in rural areas. In practice the work appears to have focused on the reaction of farm households to prospective CAP reforms. However, this review focuses on the main analytical findings, and policy implications, as seen under the existing policy regime.

*Type of analysis and methodology:* Farm-household surveys and other surveys and modelling, with a particular interest in the "chain inter-reactions between agriculture and related economic sectors". Further work includes an analysis of innovation and structural adjustment, the relationships between the agri-food chain and other sectors, and issues of governance in rural areas.

*Case studies:* The findings are based on 11 case study regions in 9 EU countries, in which 55 farm-household units were studied in-depth through face-to-face interviews, with a further 2,100 farm-household telephone or written questionnaire interviews. This provides a particularly rich body of information – including attitudes regarding the future – albeit of an essentially qualitative kind.

The case study regions analysed are:

- Italy: Emilia Romagna NUTS2 and Bologna NUTS3;
- The Netherlands: Noord Holland NUTS2;
- Greece: Macedonia and Thrace NUTS1;
- Poland: Podlaski NUTS2;
- United Kingdom: North East of Scotland NUTS2 + NUTS3;
- Spain: Andalusia NUTS2 + 8 NUTS3;
- Bulgaria: Yambol region (South East Planning Region) NUTS3;
- France: Midi-Pyrenees and Haute-Garonne NUTS3;
- Germany: Hessen NUTS2 and Lahn-Dill-District NUTS3;
- Germany: Brandenburg-Nordost NUTS2 and Ostprignitz-Ruppin NUTS3.

The regions were grouped in order to focus on specific research issues as follow: options regarding technology; linkages between farm households and the local economy; linkages between farm households and the regional economy; the use of indicators for analysis; the impact of different policies on social indicators; the connections between households and issues.

### Analytical findings

The main relevant analytical findings are as follows:

- standard economic indicators, such as the share of agriculture in GDP and employment, do not account fully for the significant role and interconnections of agriculture in the rural economy;
- the connections are changing between farms and input suppliers and product processors/traders, often resulting in fewer local purchases. The importance of local farm

household transactions appears to depend on the strength of attachment of farmer to the local area rather than 'objective' factors such as type of farm;

- European rural regions are very heterogeneous in terms of social features and sustainability;
- farmers are increasingly involved in off-farm activities – agro-tourism, environmental protection etc. – but with very large differences between countries/case study areas - ranging from under 5% in the French regions, Italian and Portuguese regions, to around 15% in Greece, Bulgaria and Spain, and close to 25% in the Netherlands;
- heterogeneity of farms and households increased between and within regions but with increasing likelihood that farm households will be tenants rather than own the farm;
- networks such as business partnerships, advisory services, associations etc. are important in helping farmers making decisions about alternative options open to them;
- the abandonment of farming is expected to continue, with an average of 20% of farms estimated to exit over the next decade even without major changes in the design of the CAP. On the other hand, land abandonment as such is only significant in disadvantaged areas; the exit rate would increase substantially without the CAP support.

Overall, the report concludes that it is difficult to really understand the links between farms and rural areas, partly due to lack of data, but also modelling the links even when data exists is considered complicated. The authors argue for extending the existing FADN (Farm Accountancy Data Network) by adding additional questions regarding farm household purchase and sales decisions, as in the US.

## Policy findings

The report suggests that policy objectives should be adjusted in order to:

- pay more attention to measures targeted at innovation and support for entrepreneurship;
- strengthen links between productive agriculture and environmental/social aspects;
- take account of the non-agricultural contribution to the local economy of farm household members;
- develop more targeted measures with respect to land abandonment in less favoured areas;
- take account of the vulnerability of some rural cities to a decline in farm production

Overall, the report states that policy makers need to recognise that the effectiveness of policy interventions depend on making policy objectives both clear and predictable.

### 3.3 Project RuDi: Rural development impacts

*General information:* timescale February 2008 - October 2010; budget and source - 3.3M euro, 7<sup>th</sup> framework programme; countries involved DE, UK, IT, NL, GR, AT, SL, SE, EE, CZ plus International expert group; website [www.rudi-europe.net/](http://www.rudi-europe.net/).

*Objective:* The stated aims of the RuDI project are to:

- improve understanding of the processes and structures underlying the formulation, implementation and impacts of European rural development policies;
- understand the contribution of rural development programmes to EU priorities;
- contribute to the development of rural development policy.

The research examines the design, delivery and evaluation processes of the 2007-13 programming period using a range of quantitative and qualitative approaches, particularly case studies, paying particular attention to the explicit objectives and priorities in the Council Regulation (EC) 1698/2005 on support for rural development, and their coherence with wider notions and experience in effective rural development.

The RuDI project has produced a number of analytical documents and finalised its first "Extended Policy Brief" in June 2010 in order to feed into the debate about the future of Rural Development Policy in the European Union.

*Type of analysis and methodology:* The RuDI project analyses the different approaches to governance with respect to rural development policies - in both vertical and horizontal terms - in order to identify the strength and weaknesses of different approaches. In addition, it reviews the effectiveness of the Common monitoring and evaluation framework (CMEF).

The study involved an analytical review (working papers 1-7), in-depth case studies (working paper 8), and a synthesis of findings and conceptual development (WP 9). Two additional work packages cover dissemination and networking (WP 10), and management and coordination (WP 11).

*Case studies:* Each of the partners undertook case studies to illustrate the ways in which rural development policy process – design, delivery, targeting of funds, and monitoring and evaluation - affect performance. They also considered the evaluation approaches used to evaluate Pillar 2 policy and the extent to which they capture 'soft' as well as hard 'impacts'.

While the case studies were chosen in order to be representative of different circumstances across the EU, they were also used to highlight particular issues e.g. effect of devolution in a Swedish case, policy co-ordination in Germany and Italy, Leader experiences in Austria, Greece, Italy and Ireland, targeting in Estonia, etc.

The regions covered were in: Austria; Czech Republic (2); Estonia; Finland; Germany (2); Greece (2); Hungary; Ireland; Italy (2); Netherlands (2); Romania; Slovakia (2); Sweden, and; United Kingdom.

#### Analytical findings

The study analysed developments in terms of policy design, delivery, evaluation and challenges.

In terms of design the main points made are:

- the Ministries of agriculture still exercise the strongest influence on RDP design, although they are becoming more open and involving experts from other areas, such as environment, broader rural economy and society;



- some programmes have different designs for each axis – which may lead to miss opportunities for synergies, innovation and policy learning – while more homogenous systems may focus on main stakeholders and neglect others;
- targeting of expenditure tends to be based on historical experience rather than needs and potential;
- national strategic plans can help overcoming potential conflicts between interested policy parties regarding rural development. Case studies from Germany and Italy show that the implementation of integrated approaches offers more potential for enhancing policy performance;
- big contrast have been found between MS where RDP funds are relatively small compared to other resources available, and those where they are the major source – notably in new MS – to be used in planning and implementing RD policy.

In terms of delivery the main points made are:

- many countries have opted for a centralised delivery system, often linked to a central payment agency in the new MS. Others MS have adopted a more decentralised system in terms of both delivery and payment – examples being UK, IT, NL;
- changes in procedures and criteria need to be accompanied by adequate support mechanisms;
- no evidence that decentralising to LAGs and the Leader approach reduces efficiency of delivery;
- devolution processes require new forms of co-ordination, cooperation and institutional arrangements – a prerequisite for a more territorially-based approach;
- the effective co-ordination of RDPs with other similar programmes at national and regional level is weak, with potential overlap (example ESF and Leader funding for unemployed in rural areas).

In terms of evaluation of the programmes, the main points made are:

- there is a general interest in evaluation among many Managing Authorities. However, evaluations have only a limited influence on policy design – more on accountability;
- timing of evaluations - ex-ante, mid-term, and ex-post – account for their limited use. CMEF is seen as a helpful tool but the impact indicators are not considered adequate to measure the impact on quality of life, economic and social cohesion;
- the need to capture deadweight and displacement effect poses real problems, and sufficient resources are not generally allocated to the task. Too much emphasis is put on data collection and not enough on identifying causal factors;
- there is very little focus on synergies between measures and programme impact. Mid-term and ex-post evaluations tend to focus on individual measures with little emphasis on interactions and overall programme effects.

## Policy findings

- Overall, while the structure of programming and delivery have been simplified, albeit in a new 4 axes structure, the development instruments are largely unchanged since the 1990s and a number of studies have raised concerns about potential mismatch between measures and goals and priorities.

- In relation to the CMEF, this approach fails to fully encompass the nature of the rural development programme operation in which the design, delivery and evaluation of the policy will all have a major influence on impact of the success of the programme.

In terms of policy design, the report proposes:

- objectives set out in strategic guidelines should be used to cluster measures instead of axes and to choose which measures should serve which objectives, thereby enabling measures to serve multiple objectives;
- provide more flexible frameworks at EU/national/regional level to account for diversity of situation;
- more objective-led approach to policy, with clearer priorities to meet rural development needs and opportunities;
- allow Leader concept to get well established at local levels in all MS;
- increase stakeholder participation in the design of the policy.

In terms of policy delivery it is suggested to:

- tailor delivery systems at national/regional level and to provide appropriate training and skills for the administrations concerned;
- overcome sectoral boundaries in delivery of rural policy – ideally through one single system supported by all the relevant government departments and funding sources;
- improve organisational and human capacity to ensure timely implementation of programmes;
- devolution requires a more meaningful empowerment of local actors;
- promote a more integrated approach for Leader with more and wider co-operation.

In terms of policy evaluation it is suggested to:

- improve the reporting format provided for the CMEF to more fully capture the needs of all relevant institutional levels;
- foster institutional dialogue with the Managing Authorities stimulated and supported in finding governance solution, including receiving more capacity building support;
- improve networking as a means of collective learning;
- focus on evaluations undertaken by themes or by cases, for example on problems or concerns, as well as on the description of good examples;
- ensure greater mutual understanding between policy makers and the evaluation specialists who seek to measure the outcomes and effects of policy interventions.

In terms of facing challenges it is suggested to:

- maintain Pillar II in a broad form which integrates social, economic and environmental aspirations for rural development;
- removes axes but maintain minimum fund shares for specific objectives;
- simplify measures and broaden range of objectives to which they apply;
- ensure Strategic Guidelines are followed through in practice with more EU level support for local level administrations;

- ensure a better co-ordination of the rural development planning processes and the funding provisions that are put in place;
- strengthen the role of future monitoring and evaluation with more precise requirements in the guidelines, including more qualitative methods that are 'more sensitive to context' and also set out longer-term perspectives;
- foster the territorial approach, recognising the diversity of rural areas and the need for more integrated projects;
- ensure the use of innovative methods in pursuit of environmental objectives;
- ensure that rural development programmes pay attention to rural areas where development achievements are lagging.

### 3.4 Project RUFUS - Rural Future Networks

General information: timescale 2008 - Jan 2011; budget and source - FP7 1.75m (EU contrib. 1.4M€); consortium countries DE, NL, FR, UK, SE, NL; website [www.rufus-eu.de](http://www.rufus-eu.de)

*Objective:* The objective of RUFUS (Rural Future Networks) is to provide policy makers and stakeholders with a theoretical and practical understanding of how CAP measures interact with other forms of public intervention in the field of rural development, and how policy regimes can be combined to ensure a more sustainable development. More specifically, the project aims to report on the status quo of the integration of the Common Agricultural Policy with other policies, and offers development trajectories – ‘rural futures’ – for different types of area, with appropriate guidelines and recommendations.

*Type of analysis and methodology:* RUFUS investigates how rural development policy can be targeted at the endogenous potential of rural regions to encourage multiple functionalities which go beyond physical landscape potentials to include social as well as economic activities and opportunities, using what the authors refer to as a “trans-disciplinary conceptual framework on policy integration and rural multi-functionality”.

It recognises that understanding the notion of “rurality” has developed in recent years, and that rural development is no longer seen as “a practice without a theory”.

Scenarios of rural futures - the trajectory of policy interaction processes - are generated. These quantitative findings are “tested” against stakeholders’ experiences of regional development dynamics through case studies. The relevance of the findings for other regions were examined with the help of an expert panel.

Special emphasis is given to combining findings with other research, setting them in the context of political goals and policy problems, and transposing them into practical recommendations, drawing on existing data bases: ESPON, EUROSTAT, CORINE plus other indicators including share of NATURA Sites, bed spaces etc.

*Case studies:* A new typology of rural regions was developed using a set of multi-sectoral indicators – nearly 900 clustered in six types based on nine indicators, from which four different rural types were derived:

- socio-economic lagging – unemployment and outward migration;
- agriculturally dominant – average success;
- tourism dominated – average success;
- important manufacturing and pop growth – economically strongest.

The regions analysed are:

- Wesermarsch, Straubing-Bogen; Kyffhauser (NUTS3) in Germany;
- Vosges and Jura (NUTS3) in France;
- Achterhoek, Winterswijk and Kop van Noord-Holland (NUTS3/LAU2) in the Netherlands;
- Minho-Lima (Castro Laboreiro) NUTS3/LAU2 in Portugal;
- Kalmar and Kronoberg (NUTS3) in Sweden;
- Somerset (NUTS3) and Norfolk/Breckland (NUTS4) in the United Kingdom.

## Analytical findings

- The study began with the categorisation of different types of regions. Remarkable differences were discovered between regions in terms of size, population density, institutional capacity, human capital, land use, etc.
- Regions will always show differences, no matter how refined is the typology used. Likewise, the review of case study regions concludes that it is difficult to distinguish clear patterns in terms of potential future developments.
- The development of tourism appears to be a goal in all types of region. Also branding of local products is a recurrent element in most regions, as is renewable energy and biomass production.
- A general typological categorisation is not a good starting point for evaluating the basic character of a region, and needs to be complemented with other data in order to elaborate future development options.
- A region's potential depends not just on preconditions and natural assets, but also on the perception that regional actors have of their potential – i.e. their entrepreneurial capacity.

The study addresses policy integration in three dimensions:

- geographical (informing, co-ordinating or developing joint goals between two or more regions);
- horizontal (coordination between two or more sectors or administrations);
- vertical (coordination between different levels of the administrations, at European, national and local level, also across sectors)..

In terms of geographical integration, the study found that this often took place in relation to specific issues such as transportation, infrastructure, education and the labour market, where policy was determined at a higher level than the local region.

In terms of horizontal integration, the British case studies illustrate how local development strategies developed by LAGs do take account of other policy documents referring to their territory in designing their local strategies with the aim of enhancing complementarity with other policies.

In terms of more complex forms of vertical integration, federal countries such as Germany are seen to have a certain institutional advantage given the assignment of responsibilities to different levels and experience in handling issues of "competing legislation" (where state legislation "trumps" national legislation in issues like environmental planning) and have developed institutional systems to handle this.

## Policy findings

- The study notes that the CAP is dominant in the discussion of the policy for rural areas, but many other policy sectors have critical impacts on rural development, such as cohesion, employment, social and environmental policies;
- Much more could be done to avoid the "worst costs of non-coordination";
- To focus more on the particular strengths and weaknesses of different types of rural areas is needed; different national and regional preconditions create different policy requirements;
- it is suggested to increase knowledge transfer from EU to regional and local level to ensure that the actors involved can actually use the incentives offered – examples of branding and marketing of regional products, and of tourism, mentioned positively in this respect;

- The EU is mainly a facilitator – “EU strategies need to provide visions and guidelines for a common European development when EU-agreements and funding provide a framework or ‘tool package’ which regional actors can use”;
- Learning and competence building concerning EU-related matters is of core importance, and a task for the EU as well as national and regional levels.

Summarising the case studies, the report states that the funding of land management activities through the second pillar of the CAP was generally seen as a positive possibility for rural regions. From most of the case study regions, problems were reported concerning co-ordination between national ministries, government offices and local authorities, which encountered several difficulties in making joint initiatives. When the EU, national and regional authority rules added up, they make programmes like the RDP too strictly steered. This is seen as an organisational problem that has to be dealt with at national level, but calling for action by the Commission and the Member States.

Regions which are given responsibility for regional development and various forms of regional co-operation, do not always have organisational structures that enable the municipalities to take part in a democratic process. Although the Leader approach takes different forms in the regions and LAGs serve different functions; the bottom-up perspective is seen to support policy integration in several regions.

Co-operation with neighbouring regions is frequently mentioned in some case studies, especially in relation to employment and labour market issues. Regions highlight their own uniqueness but also see themselves sharing identities with neighbouring regions, and work with the structural funds to encourage regional actors to develop projects that benefit more than one region. Such territorial policy integration should be encouraged.

Regional actors typically perceive EU programmes as difficult to understand and the work-load linked to a successful application too heavy. Municipal and regional administrations are often not adequately trained in global territorial management, and find it difficult to make professional quality applications.

Improving knowledge-transfer and information/education about EU initiatives is seen as one of the most successful strategies for overcoming these problems. Simplifying the rules for application to the structural funds is also considered a critical element, because in general excessive number of rules deters applicants. The ESF is seen as a better model than the ERDF and EAFRD, and it is proposed that rules are more standardised between them to assist coordinated actions.

Better account needs to be taken of the heterogeneity of the endogenous potential of regions and its use by actors in evaluations, and introduce methods that take account of the effects of initiatives.

Relationships are very weak between spatial strategies (which have a remit to integrate sectoral policies) and agriculture and forestry. The compartmentalisation of funding is an obstacle to addressing changing rural landscapes. The Rural Development Fund should strengthen co-operation between programmes by organising them in one common framework, with a streamlining of guidelines to help regional actors to apply for and use funding in ways that are best adapted to their specific potential and development needs.

The issue of policy integration is considered to be a central objective of EU policy on agriculture and regional development. While accepting the inevitable compartmentalisation of government departments, it is argued for efforts to be made to overcome these and makes some valid suggestions of a general kind, as indicated above.

### 3.5 Project EDORA - European Development Opportunities in Rural Areas

*General information:* the EDORA was undertaken under Priority 1 of the ESPON 2013 (European Observation Network for Territorial Development and Cohesion) Programme<sup>2</sup>. The ESPON 2013 Programme was adopted by the European Commission in 2007. The 47 million euro budget is 75% financed by the ERDF under Objective 3 (European Territorial Cooperation) with the remaining 25% financed by the 31 participating countries (27 EU MSs + Iceland, Lichtenstein, Norway and Switzerland). The specific budget of EDORA is 700,000€. The timescale is September 2008 - September 2010. The Countries involved are: UK, SE, UK, ES, GR, IE, UK, SI, AT, DE, PL, HU, PO, UK, PL<sup>3</sup>.

Website: [http://www.espon.eu/main/Menu\\_Projects/Menu\\_AppliedResearch/edora.html](http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/edora.html)

*Objective:* The stated objective of the project is to better understand the development opportunities and challenges facing rural areas in Europe in order to support targeted policy development, especially in relation to job creation and social change in the light of the reform of the Common Agricultural Policy.

The project aimed to provide evidence on the development opportunities in diverse types of European rural areas, and reveal options for improving their competitiveness. An important aim was to identify opportunities for increasing regional strengths through territorial cooperation, and to analyse the potential impact of climate change on the development opportunities of rural areas.

In particular, the study began by addressing three issues: how best to differentiate between types of rural areas; the kinds of opportunities different types of area face; the way in which opportunities depend on, and may be strengthened by, the interaction between urban and rural areas.

*Type of analysis and methodology:* The study includes a series of country profiles – all EU MS plus other countries (Switzerland, Iceland, etc.) with each country's NUTS3 regions classified using a modified urban-rural typology:

- predominantly urban;
- intermediate close to a city;
- intermediate remote;
- predominantly rural close to a city;
- predominantly remote.

The indicators considered in the analysis relate to: demography; employment; business development; rural-urban relations; cultural heritage; service of general interest; farm structure changes; institutional capacity indicators and climate change.

Alongside these country profiles are a series of thematic reviews of the academic literature on rural change with a focus on activities outside agriculture and forestry. These include:

- economic processes linked to structural change;
- social processes as reflected in migration (rural exodus, NMS to EU15, counter-urbanisation);

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<sup>2</sup> The stated mission of the Programme is to: 'Support policy development in relation to the aim of territorial cohesion and a harmonious development of the European territory by (1) providing comparable information, evidence, analyses and scenarios on territorial dynamics and (2) revealing territorial capital and potentials for development of regions and larger territories contributing to European competitiveness, territorial cooperation and a sustainable and balanced development'.

<sup>3</sup> No FR, IT participants with the FR country review conducted by NORDREGIO

- policy processes, regional enlargement and privatisation of public services;
- environmental processes: impact on agriculture and 'consumption countryside' activities;
- urban-rural relations;
- broad themes: linkages, multifunctional agriculture, global, knowledge economy (often exogenous factors);
- regional diversity and importance of hard and soft resources: natural resource and capital, and human resources.

The report also includes a paper on Institutional capacity.

*Case studies:* In addition to the above, 'holistic' analyses were undertaken in twelve 'exemplar regions' (for four groups of area, as below) in order to deepen understanding of rural change in different contexts. The areas analysed were:

- Group 1: Mansfeld-Suedharz (DE); Chelmsko-Zamojski (PL); Osrednjeslovenska (SI)
- Group 2: North Yorkshire (UK); Neumarkt (DE); Jonkoping (SE);
- Group 3: Skye and Lochalsh (UK); Teruel (ES);
- Group 3: La Rioja (ES); Ostrolecko-Siedlecki (PL); South Savo (FI); Zasavska (SI).

### Analytical findings

The report contains a useful set of information about the average situation by category of regional type (see above) in NUTS3 regions in each of the Member States. It also contains extensive literature reviews, as well as specific summaries of findings in "exemplary regions".

However, as the Draft Final Report (July 2010 – project due for completion before end 2010) notes, some problems were encountered with the methodology in that "*the exemplar regions elaborate upon, and sometimes challenge, the typology and the meta-narrative developed in the conceptual stage of the project*" noting that "*differences (between regions of the same 'type') were as prominent as the similarities*" – a finding not unique to this study, but one which sits uncomfortably with the original objective of focusing on urban-rural links.

Among other findings, the following are noted:

- linkages and connections are more important than proximity as such, although infrastructure and transport remain important;
- risks of stagnation and abandonment are serious in some areas with not much sign of progress;
- importance of social capital, institutional capacity, styles/structure of governance;
- the pace of change over time is often quite variable and presumably also uncertain for the future.

### Policy findings

The policy findings of the report appear somewhat uncertain, although it is hard to avoid the impression that the project began with an attempt to:

- develop a new categorisation of rural and urban areas that underlines the importance of links between the two, not least with respect to development opportunities in rural areas;



- use this categorisation to support the notion that rural development is inextricably linked to wider territorial development, and that this implies a greater role for cohesion policy and regional development policies, and a concomitant weakening of the link between rural policy and agriculture.

At a practical level, however, the report contains more mainstream arguments for greater flexibility in the operation of policy, more devolution of responsibilities etc., although not always it seems taking into account, not just the differing responsibilities and interests of the different parties to be associated to such a system, but the practical difficulties, and costs, involved in building and maintaining 'democratic' structures and systems.

It is considered that the evidence assembled in this study does not support simplistic conclusions or policy responses. One of the consortium partners has commented<sup>4</sup>:

*'It is hardly surprising that the current debate has produced demands for a major rethink of how best to address the broader needs of rural areas in Europe, including calls for axes 3 and 4 to be brought back into the Cohesion policy fold, by transferring responsibility for them to DG Regio.*

*A common phrase in the recent discussion, especially from the DG Regio side, has been 'rural-urban relationships' ..... seen as a potential driver of territorial rural development. On closer examination (in the context of EDORA) the terminology turns out to be frustratingly ambiguous.*

*Most rural economies will benefit more from a balance between connections with both nearby urban areas and more distant sources of information, innovation and demand (whether urban or rural). Rural-rural and rural-global linkages are likely to be as important as rural-urban'.*

The above is not uncritical of the support structure from rural development policy in the EU, or of practical experiences during the current programming period. Rather, the point is made that "EU Rural Policy will need to steer carefully between the risk of a narrow agrarian focus on the one hand, and becoming swallowed up in an urban dominated regional growth process, on the other". Moreover, it is highlighted that rural regions can, and often do, exhibit an endogenous growth dynamic of their own.

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<sup>4</sup>Andrew Corpus of NORDREGIO, [www.norden.org](http://www.norden.org)

## 4 Common findings from the research considered

Given the complex structure and scale of the different research projects and their reports, it is not possible to make precise and detailed comparisons between their findings on different issues. Nor do all of the reports necessarily refer to all of the same issues.

Nevertheless, despite differences in coverage and approach, the research findings from all sources tend to provide some common basic conclusions. These common conclusions and also conclusions of direct relevance to links between agriculture and the wider rural economy made by some of the research reviewed is highlighted below under the following four themes:

- Economic factors
- Development factors
- Institutional factors
- Policy findings

### Economic factors

The research findings from TWG2 and the FP6/7 research projects reviewed tend to provide some common basic conclusions with regard to economic factors. Notably that:

- conventional **measures of economic activity** in agriculture – share of GDP and regional employment – understate the contribution of the sector to the local economy;
- the **diversity between regions** makes it difficult to find simply typologies that “capture” the characteristics of different regions.

Additionally important, input-output based, findings of TWG2 (but generally absent from the FP6/7 research projects reviewed) related to economic factors were:

- the extent of the **diversity between areas *within* regions** – an important finding of TWG2 analysis – which affects the way regions can address their concerns, and the way policy interventions can best be targeted;
- the benefits of estimating the **quantitative economic links** between agriculture and other sectors – the FP6/7 studies, where they address these supply-chain issues, do so in qualitative rather than quantitative terms, with none using the kind of input-output techniques deployed in the ENRD work.

### Development factors

The research findings from TWG2 and the FP6/7 research projects reviewed tend to provide some common basic conclusions with regard to development factors. Notably that:

- the **resources and endowments** of the regions – land quality, landscape etc. – largely determine economic potential and diversification options;
- any **diversification within agriculture** is largely limited to development of niche markets and local brands;
- **human capital** is of vital for development.

Regarding the importance of human capital, the FP6/7 studies reviewed generally have relatively little to say about how this aspect can be specifically supported. One exception to this is the important empirical ESoF<sup>5</sup> study which extensively investigated entrepreneurial capacity and draws an important

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<sup>5</sup> [www.esofarmers.org](http://www.esofarmers.org)

distinction between professional and managerial skills, on the one hand, and more entrepreneurial – opportunistic, strategic and networking – skills, on the other.

Notwithstanding the above mentioned ESoF study; in contrast, the TWG2 findings highlight the specific importance of business and **entrepreneurial capacity** and this importance is subsequently reflected in the policy findings of the TWG.

The FP6/7 studies do nevertheless provide some analytical and/or empirical insights in relation to development factors. Notably:

- **conflicts over land use** – which were not particularly apparent in TWG2 research – tend to be strongest in regions where successful agricultural areas are adjacent to urban ones;
- the scale of **farm closures** that can be foreseen over the coming decade, and which need to be embodied in social as well as economic planning;
- the **lack of realistic opportunities for diversification** in areas facing general economic and social decline and still significantly dependent on semi-subsistence agriculture;
- the changing nature of the **relationship between farms, farmers and their economic surroundings**, both local and further afield, in the more prosperous rural areas;
- the need to develop a forward looking perspective, while recognising that developments in rural areas can be **erratic, unpredictable and uneven** over time.

### Institutional factors

Despite differences in coverage and approach, the research findings from TWG2 and the FP6/7 research projects reviewed tend to provide some common basic conclusions. Notably regarding:

- the importance of **institutional services**, although without necessarily entering into detailed discussion regarding the relative benefits of alternative arrangements;
- the extent to which **legal and legislative issues** – environmental standards, planning legislation etc. – can be major issues when developing rural projects.

### Policy findings

As with the other factors summarised above, despite differences in coverage and approach, the research findings from TWG2 and the FP6/7 research projects reviewed tend to provide some common basic conclusions. With regard to policy findings these are that:

- comprehensive and effective **rural development strategies** and policy interventions at regional and local level tend to be lacking, with a focus on projects rather than programmes;
- there is a need for the **EU level to provide more information support** to national and regional levels and to simplify procedures for applying for EU support;
- EAFRD and other **EU funding sources** (ERDF and ESF) are being used in a complementary way to only a limited extent in practice;
- the **institutional arrangements** in place in Member States are highly varied, and there is an urgent need to develop more democratic and effective structures, notably in some NMS.

In terms of drawing policy implications, the FP6/7 research generally offers much less in terms of detailed practical proposals based on **good practice experiences** and examples from across the Member States compared with the TWG2 work. But the FP6/7 work has added some additional policy insights regarding:

- the potential benefits of **harmonising structural fund rules** in order to ensure effective co-operation in practice – with ESF rules seen as more flexible than ERDF;
- the need to replace conflicts about ‘ownership’ of rural development policy with a more proactive and **inclusive approach** that starts from the needs of the localities and their populations, while respecting the diversity of interests involved;
- the fact that **national procedures** can be a more serious obstacle to accessing EU funds than difficulties with the EU system itself;
- the fact that **evaluations processes** tend to measure whether the money has been spent ‘correctly’ rather than its overall economic and social impact, and to contribute little to policy development.