

**C.N.A.S.E.A**

**I.N.E.A**

**Which direction for Rural Development?**

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## **APPENDICES (separate volume)**

## GENERAL INTRODUCTION

The launching of the new programmes of rural development for the 2007-13 period is taking place in two phases of negotiation and consultation, at different levels, following the new regulations and directives of the Commission and the Community Strategic Guidelines. The first phase consists of the preparation of National Strategic Plans (NSP's) which define the main elements of rural development strategies for a seven year period at the level of the Member State (MS), as required by the Commission, regardless of whether the MS is organised in a centralised or decentralised way (into regions). This is followed by a second phase which includes the preparation of Rural Development Programmes at national or regional levels.

As organisations involved in drawing up the programmes in France and Italy, CNASEA and INEA decided to launch a study of 11 Member States of the European Union (chosen because of their diversity and the interest of the process that they have followed). Rather than concentrating on the coherence of the NSP's and Programmes in relation to the Community Strategic Guidelines developed by the Commission, the aim was to make a preliminary comparison of the different strategies in order to better understand the process of negotiation followed, to identify some of the innovations in both content and procedures, in both qualitative and quantitative terms, and to draw lessons for their own countries which could also be interesting for other Member States and for the European Commission.

CRITICA, an association with a long experience in rural development and managing "learning" networks at an EU level, was appointed to carry out the project. It brought in a team of experienced experts in the countries to be studied. A steering committee was also nominated, made up of representatives of CNASEA, INEA, the French Ministry of Agriculture, the European Commission and a number of recognised experts at EU level.

### Methodology

The main objective of the first phases of the study was to analyse the content and the orientations of the *National Strategic Plans for Rural Development* in 11 Member States of the European Union chosen because of their diversity and the interest of the process that they have followed. These countries were France, Italy, Spain, Austria, Portugal, Germany, Ireland, Scotland (UK), Finland, Poland and Rumania. Seven of these have national programmes for rural development while four have regional systems (, Italy, Spain, Germany and UK). Two countries of the 11 are New Member States (Poland and Romania).

Given the resources available, and the evolving and uneven nature of the information in the NSPs, the Steering Committee decided to concentrate on defining the key qualitative characteristics of the NSP's as well as some of the changes and innovations with respect to the 2000-6 programming period. They recommended collating certain basic information from the NSPs and contrasting this with the knowledge of the country experts with the aim of looking at the plans through the prism of the needs of different kinds of rural areas.

To this end, a common grid was drawn up and the country experts were asked to produce national reports based on the content of the NSPs at the time of writing, on selected interviews with those responsible for drawing up the plans (and sometimes other stakeholders) and the expert's own analysis of the most interesting developments in their countries. On the basis of these national reports a series of summary tables were drawn up. These were complemented with basic background information on each country and used to prepare the first part of the report presented below.

So rather than being a detailed comparative study the aim was to understand the context in the Member States in an enlarged EU of 27 members, how the design and adoption of the strategy was shaped by the process of negotiation, and what needs might have been left uncovered.

The second part of the project provides a review of *some innovations in the Rural Development Programmes*. It contains two different kinds of information.

- A statistical snapshot of some of the main feature of the Rural Development Programmes for 2007-13.

- An analysis of certain innovations in the Rural Development Programmes with the aim of identifying common principles and challenges for rural development, particularly in terms of governance. This is based upon the knowledge of the country experts, examples collected from the Rural Development Programmes and from key actors involved in their application.

In reading this material we should bear in mind that the study in no way pretends to provide an objective evaluation of everything that it is in the new programmes but rather to provide certain elements for launching a discussion on the direction of rural development in the future period. In the original proposal for the study CRITICA wrote that it had the following aims and hopes:

“In an extremely complex and volatile situation, the study does have the opportunity to be the first to document the brushstrokes of a European “picture” as it is being painted. In doing so it puts a finger on a major gap in all previous work on the identification, capitalisation and transfer of good practice. Nearly all previous European work has taken place at *project level*. There has, in fact, been very little opportunity for sharing good practice at *programme level*. This puts programme designers and managers at a disadvantage and reduces the chances of mainstreaming the lessons from successful projects”.

“Given the very tight timetable and the difficult context in which the national strategy plans and operational programmes have to be produced, much of information collected in the study proposed by CNASEA and INEA is likely to be “hot” in the sense that it is volatile and much more useful for both organisations, and for their counterparts in other countries, if it can be shared quickly”.

“So our proposal is to use the process of producing the outputs specified in the “lettre de consultation” as a way of taking the first steps towards creating a dynamic learning platform for sharing the key strategic developments in the design and application of rural development policy”.

In the spirit of our original proposal, we feel even more strongly that it is important to exchange as much information as possible, even if the data is provisional and approximate, while there is still time to learn and take it into account. This is particularly true given the imminent health check on the CAP scheduled for 2008. Nevertheless, the information should be interpreted with caution as “leads” or hypotheses of the direction in which the programmes are going.

We believe that the report which follows continues to show the need for a genuine “learning platform” for sharing strategic information at programme level.

**PART 1**

**A REVIEW OF THE NATIONAL STRATEGIC PLANS  
FOR RURAL DEVELOPMENT IN 11 MEMBER  
STATES**

## INTRODUCTION TO PART ONE

This first part of the report tries to pull out the most interesting examples of certain trends in the NSP's at EU level. An overview of the situation in all the Member States covered is also provided in the summary tables in the main text and in the synthetic fiches provided in the separate appendix.

The exercise has been made harder by the fact that, in order to produce results that were in time to be useful, the study had to be carried out at the same time as the National Strategic Plans and the Rural Development Programmes (RDP's) were themselves being drawn up. This has meant often working with provisional documents and reviewing the text with latest available update at the time of writing

The framework for the NSP's can be found in Council Decision 2006/144/EC on the "Community Strategic Guidelines for Rural Development" , in the Template produced by the Commission for drawing up the NSP's and in the Implementing Regulation for Regulation 1698/2005 of 20/9/2005<sup>1</sup>.

The Commission specifies that the National Strategic Plans should be structured around four axes for the 2007-13 period:

- Axe 1: Improving the competitiveness of the agricultural and forestry sector
- Axis 2: Improving the environment and the countryside.
- Axis 3 :The quality of life and the diversification of the rural economy

The fourth LEADER axis refers to the content of LEADER and how the LEADER method can be applied to the other three axes.

In the Community Strategic Guidelines the Commission recommends that Member States focus their attention on a series of priorities related to the Lisbon and Göteborg Agendas within each axis. In axis 1, the recommended priorities include facilitating innovation and access to R+D, improving integration within the food chain, encouraging the up take of ICT, fostering entrepreneurship, developing new outlets including non-food production and so on. In axis 2<sup>2</sup>, the recommended priorities include combating climate change, preserving the landscape, promoting territorial balance and promoting organic farming. In axis three the recommendations focus on raising economic activity rates, drawing women and young people into the labour market, developing micro-businesses, training young people in traditional skills, encouraging the take-up of ICT, renewable sources of energy encouraging the development of rural tourism and upgrading local infrastructure in particular in New Member States.

As a transversal axis, Leader can be used in all axes for increasing the endogenous capacity of rural areas, for stimulating innovation and/or for improving local governance.

The NSPs are only expected to provide an indicative allocation of the financial allocations to be specified on more detail in the Rural Development Programmes. In so far as the level of precision in the NSP's is concerned we find at least 3 different situations:

- Those (NSP's) which have not only set priorities but also fixed the budget for a certain number of measures.
- Those where the priorities have remained at quite a high level of generality – above all those where the NSPs are set at a national level but the programmes are developed at a regional level.
- Those in between both these extremes – with certain elements being more precise and another (above all in axis 3-4 being more vague)

The experts who carried out the study have not restricted their analysis to the content of the NSP's. They have used their extensive experience to comment on the context and process followed by the

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<sup>1</sup> Published in December 2006

<sup>2</sup> The beneficiaries of axis 1 and 2 are people engaged in farming *and* forestry although for brevity the text sometimes only refers to farmers



Member States and have introduced where possible other information which gives a better idea of the direction taken by the NSPs - which were sometimes still under discussion..

The NSP's appeared after the 2003 reform of the CAP, and both their content and the process they have followed take into account new elements in the CAP which directly or indirectly affect rural development such as:- decoupling, cross-compliance, and modulation. They are also affected by the evolution of the agricultural sector itself and the growth of new energy producing "filières" (bio-fuels). These non-food developments will also affect the forestry sector.

Alongside the introduction of the different axes, a series of other important elements have been brought in for the 2007-13 period. Without entering into the detail of these changes, or into the rationale for their introduction, it is worth mentioning the creation of a single fund for rural development the EAFRD, the introduction of more systematic payments for Natural 2000 area and various possibilities for managing these areas.

A second noteworthy aspect of these changes concerns the evolution of the role of the LEADER Initiative. One of the learning processes that the Rural Development Programmes should take into account concerns that of LEADER - which was launched in 1991 - and between 1993 and 2006 has functioned as a real laboratory for new approaches to rural development.

In the new Rural Development Regulation, the EU has decided, with support of the Member States, to include LEADER in the mainstream rural development policies - as has happened with other Community Initiatives. However, FEOGA in its new form of the EAFRD has fixed different rules to other funds. In particular it has established that a minimum proportion of the budget must be allocated to each axis. This is one of the major changes made by the Commission in its proposal to the MS for the development of the structural funds between 2007-2013.

The third important change proposed by the Commission concerns the establishment of a rural development network in each Member State and a European Rural Development Network which is much wider than that which previously existed between LEADER partnerships - but which uses the experience of these networks. It is partly because of these innovatory features and the creation of the new rural development networks that LEADER is analysed in more detail than is strictly justified by the budget allocated to it and by the limits it faces in mainstreaming.

Taking account these considerations, we followed the steps described below for the first part of the study analysing the NSP's

- **The study starts** with an analysis of the European context in which the National Strategic Plans are being designed by the Member States, focussing particularly on the budgetary constraints (Section 1.1) and the way in which the structure of the RDR and, consequently the NSPs are shaped by performing the role of second pillar of the Common Agricultural Policy. (Section 1.2). This is followed by taking a brief look at the importance of territorial as opposed to sectoral strategies within the NSPs (Section 1.3)

In the following sections we examine the extent to which the Member States have taken into account the needs of different types of rural area (Section 1.4). The experts refer to the typologies generally used in the national context of rural development; after this they try to see if the strategies proposed coincide with the needs of these areas – putting on the table the dilemma between sectoral and territorial approaches.

It seems that the Member States rarely present an explicit vision of the role that they would like the different types of rural areas to play in the future (Section 1.5) but that nevertheless, at national level, some do employ a series of mechanisms which can allow them to fine tune the strategies to the needs of the areas (Sections 1.6-1.8). In this way, the analysis carried out by the experts allows them to highlight the links - which are not always explicit - between the needs of different kinds of rural areas – and policy. This helps them to go beyond the basic division between rich and poor rural areas, and between agricultural and rural development. It allows them to see which of the choices made by the MS are appropriate to the needs and which favour a particular group, sector or area to the detriment of others.

Taking into account that the community guidelines define fairly clearly the types of measures in the axes covered by the NSP, the responsible authorities in each Member State have to work within a fairly limited framework. This reduces the possibility of making major changes compared to the previous period even though it is possible to introduce some improvements.

The first section ends with a summary of some key questions, which in the view of the experts, need addressing to ensure that policies are responsive to the needs of different types of rural area (section 1.9)

- **Section two** provides an analysis of the consultation process carried out by the administrations responsible for the programmes. This process takes place at different levels – at the level of central government departments, regional and local administrations, professional organisations, NGO's and civil society representatives. The study not only identifies the actors that have been consulted or taken part in a dialogue but looks at the content of the debates, their impact and the extent to which they have been taken into account in the NSP's.
- **Section three** provides analyses certain key features of the NSPs. It looks at the objectives axes and measures and considers the way in which the Member States use certain concepts such as competitiveness and sustainability which lie behind the priorities they defend in their strategies. The aim here is not to arrive at one common definition but simply to compare the way the content of the concepts may change from one country to another. The country experts also identify some of the main innovations in their respective countries, several of which are analysed in more detail in the second part of the report

Section three then goes on to look at internal and external coherence of the NSP and other programmes (later), and particularly with the main priorities of the EU - the Lisbon and Göteborg Strategy – which do not seem to have an immediate impact but which remain in the background. Complementarity with other funds seems complicated in the coming period as the EAFRD is isolated from the other funds but at the same time it continues to follow some similar procedures. In fact the common rules for monitoring and evaluation have been worked out with the Member States for the next programming period, independently from the other funds. In this context will coordination be improved? Will implementation be more efficient? In parallel, the weight of environmental legislation is becoming heavier and stricter, above all after the last reform of the CAP.

Section three ends by considering the possible contribution of the rural development network. Will this simply be a bureaucratic formality or an effective organ for coordinating the different axes/measures and community actions at national, regional and local levels. What will be the main tools for it to be used efficiently?

The study brings to light many qualitative and quantitative aspects which would have been difficult to identify through a simple analysis of the documentation. Many contacts and interviews have been held with the people responsible for designing the programmes and with different groups concerned by the implementation of the various axes and measures. It has only been possible to collect this information in such short period thanks to the great experience and knowledge of the experts who have participated in the study and who have been involved in their countries over many years.

It also has to be insisted that this study does not repeat the analysis of the NSP's carried out by the European Commission which above all consists of examining whether the Community regulations and recommendations have been respected. On the contrary, we have tried to make an original contribution in a series of areas basing ourselves on a qualitative analysis even if this is often backed up by considerable quantitative and statistical information in some of the country reports. It has not been possible to bring out all of these details in the synthesis report because this would make it too long and because it is not always possible to make comparisons. However, much of the information is included in the summary fiches which have been used as a basis for the main report and presented in a separate appendix.

## **1. The context for designing the national strategic plans.**

In this chapter we will examine the factors which have shaped and influenced the NSPs. We then try to cast some light on the extent to which the NSPs can address the needs of different types of rural areas. Firstly we look at the typologies of rural areas mentioned in the NSPs and those traditionally used at national level and identify some of the main transformations and needs of they are experiencing. Then we consider the extent to which the NSP addresses these needs. Is there an explicit or implicit vision of the role that different types of rural area will play in the future? What spatial criteria are being used to shape policy? Then we highlight some of the more interesting responses that will be analysed more fully later on in the report.

### **1.1 The design of the NSPs and the Rural Development Programmes**

The design of the NSPs and the Rural Development Programmes is taking place in the context of major shift in EU funding to eastern countries and heavy pressure from existing commitments.

The Commission originally earmarked 88.75 thousand million euros for the EAFRD programme for the period 2007-2013, of which 31.3 thousand million euros was intended for the Convergence regions. The amounts for Bulgaria and Romania were included in these figures. Modulation of about seven thousand million euros has to be added.

After the revision of the 2007-2013 financial perspectives, the total of the first and second pillar reached 292 thousand million, of which 77.6 thousand million was for EAFRD which represented a reduction of more than 20 per cent on the Commission's original proposal. (After further modulation the final figure went up to 88 billion Euro in November 2007).

The amount allocated for the period 2000-2006 was 52.5 thousand million euros, to which the 7.8 thousand million for the new Member States for the period 2004-2006 must be added giving a total of 60.3. Given that the 2007-2013 figures include Bulgaria and Romania and the 10 MS they do not represent a significant increase on the previous figure. For example, although the average EU budget available per hectare has actually increased by 3%, the budget per unit of work has fallen by 31% and by farm by a massive 43%<sup>3</sup> at an EU level due to the large number of farmers and farms in the New Member States.

The situation is also very different between the EU15 and the new Member States and also between the EU15 themselves. The table below shows that for many countries the expenditure on the RDP *after taking into account the transfers from the first pillar due to modulation* is declining. This can be as much as 20% in Spain and 15% in Finland for a longer programming period. The United Kingdom, Germany, Ireland and France all face important cuts. Austria is the only old Member State to experience an important 17% increase, whereas Poland and Romania will be launching large new programmes. Italy (as a result of transfers from the first pillar) and Portugal avoid reductions in their programmes.

Some of the countries in our sample compensated for the fall in community funding by increasing national funding for rural development. For example, this was the case for France and Ireland, in others like Finland and Portugal, national funding declined in roughly the same proportion as the total funding. Finally, Austria, one of the few OMS that actually obtained more EU funding reduced its national co-funding.

The cuts in the total allocation of the structural funds will be particularly severe for those regions that no longer fall within the Convergence objective (phasing-out) either because they have grown faster than the EU average or because of the statistical effect, which is most of the time the case. The rural areas of some of these regions may not have shared this increase in prosperity. For example, the growth in regions like Castilla-Leon in Spain has been concentrated in cities like Valladolid but it still

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<sup>3</sup> The following figures are based upon the report « Analyse financière des programmes de développement rural 2007-2013 ». *Pluriagri. AgroParisTech (ENGREF). Agnès Chabrilange, Cyril Mascart, Bastien VanMackelberg. Direction. Marielle Berriet-Solliec*

has huge expenses of extremely poor, remote rural areas with population densities below 10 inhabitants per sq km.

As the majority of NSPs are defined at national level, it is already difficult to say if the most remote rural areas will benefit proportionally more than others. In France, the regions' share was still being negotiated and the distribution was not included in the NSP. In any case, the absorption capacity of the most rural areas remains generally low: lower capacity to present significant investment projects; few food industry businesses etc. On the other hand, they do benefit from support to disadvantaged areas and Natura 2000. But if there is no political willingness on the part of the competent authorities to support these areas, for example by including selection criteria which favour them, there is a risk that their situation will worsen and that the local population will increasingly move away.

Similarly, in the richer MS, the disappearance of the definition of Objective 2 rural areas brings risks of some funding being diverted from the lowest income rural areas to richer areas.

| COUNTRY         | EU FUNDS 2000-2006 <sup>4</sup> | EU FUNDS 2007-2013 <sup>5</sup> | difference |
|-----------------|---------------------------------|---------------------------------|------------|
| <i>France</i>   | 6 707.000.000 €                 | 6.441.965.109 €                 | -3'95%     |
| <i>Italy</i>    | 7.779.000.000 €                 | 8.292.009.883 €                 | 6'59%      |
| <i>Spain</i>    | 8.999.100.000 €                 | 7.213.917.799 €                 | -19,83%    |
| <i>Austria</i>  | 3.324.950.000 €                 | 3.911.469.992 €                 | 17'63%     |
| <i>Romania</i>  |                                 | 8.022.505.486€                  |            |
| <i>Portugal</i> | 3.795.800.000 €                 | 3.929.325.028 €                 | 3'51%      |
| <i>Germany</i>  | 9.013.000.000 €                 | 8.112.517.055 €                 | -9'99%     |
| <i>Ireland</i>  | 2.556.200.000 €                 | 2.339.914.590 €                 | -8'46%     |
| <i>UK</i>       | 2.219.500.000 €                 | 1.909.574.420 €                 | -13'96%    |
| <i>Finland</i>  | 2.451.800.000 €                 | 2.079.932.907 €                 | -15'16%    |
| <i>Poland</i>   |                                 | 13.230.038.156 €                |            |

At the same time, many of the measures in the Rural Development Regulation, such as the early retirement schemes for farmers and the reforestation (of arable land) measures involve long-term commitments (being non-obligatory measures they are not applied in all MS and the percentage of financing is not very high in the whole programme, the same does not apply for forestry measures which were more important in 2000-06). In countries like Spain and some regions of Germany, the ongoing commitments for some measures can be important (40% of the budget in Nordrhein Westfalen and 30-40% in some of the horizontal measures that the Ministry is proposing to manage centrally in Spain).

*The twin pressure of cuts for some MS and existing commitments means that the design of the NSPs has taken place in very complex situations where the main concern of nearly all stakeholders is not to lose the resources they received in the past.*

## 1.2. Rural development and agriculture: a greater dependence on the CAP

« The rural development policy of the UE has evolved in the context of the reform of the CAP and has changed from being a policy dealing with the structural problems of the agricultural sector to one concerned with the many roles of agriculture within society» (COM (2005) 0304).

Rural Development is increasingly seen as complementing the first pillar of market support policies within the CAP. By 2013, the second pillar will represent 21% of spending on the CAP as compared to 17% in

<sup>4</sup> Source : *Rural Development Programmes 2000-2006. Country profiles*. European Commission. Directorate-General for Agriculture. Includes Guidance, Guarantee and LEADER.

<sup>5</sup> European Commission Press release 12 September 2006, DG AGRI. «Rural Development. The annual allocation for the Member States for the period 2007-2013 including the amounts from the modulation of Pillar 1 and transfers from tobacco and cotton.

the previous period.<sup>6</sup> With the introduction of three more-or-less new mechanisms: decoupling; cross-compliance; and particularly modulation, the interdependence between the two pillars is becoming greater.

Rather than providing aid linked to prices, these mechanisms seek to replace them. They also enter into fields traditionally dealt with under Rural Development. They are integrated in the CAP in the form of certain environmental obligations or budgetary transfers to encourage rural development. WTO negotiations played a fundamental role in setting them up through the obligation the EU is under to progressively remove aid linked directly to production, prices and markets.

The objective set by the EU is to increase competitiveness (and not only in the agricultural sector). This leads to:

- The pressure to obtain compensation to maintain and modernise the agricultural sector which is losing CAP subsidies and must conform to market demand (from which leads to the sector seeking resources through rural development programmes)
- The pressure to technologically strengthen agriculture by creating new markets such as bio-fuels or other uses for raw agricultural or forestry materials, which would mobilise a part of the UAA and mean the end of obligatory set-asides and by the use of biotechnologies which would increase the productivity of certain sectors. These 'biotechnologies' include GM organisms but also go beyond them. The debate on GM organisms is ongoing, but farmers are becoming more open (especially on the varieties they are interested in) because they are afraid of being left behind.

### **1.3 Between traditional and new – what is the place of the territorial approaches within the NSP's**

In a recent publication, the OECD argues that rural development policy is undergoing a transition from an "old" to a "new" paradigm of how to approach the future. Among the main features of this paradigm shift is a change from a "sectoral to a territorial approach including attempts to integrate sectoral policies at regional and local level and to improve the coordination of sectoral policies at central government levels"<sup>7</sup>

In the NSP's, the sectoral dimension is becoming increasingly important with the definition the national axes, food industry "filières" and clearly defined Community support measures. However, the territorial dimension whether defined at regional or local level, seems to be becoming less important in some aspects and more important in others. The decline in importance is largely due to the disappearance of Objective 2 (rural) areas which provided priorities for areas according to characteristics defined at Community level. On the other hand, the mainstreaming of LEADER and its application to other axes leads us to expect that the importance of the territorial dimension at local level will increase, even though it is limited by its relatively low budget

Both the Community Strategic Guidelines for Rural Development<sup>8</sup> and the Template issued by the Commission for helping the Member States to draft their NSPs<sup>9</sup> refer to some elements of the new

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<sup>6</sup> The comparisons are calculated in terms of 2004 prices using the rate of 1€ 1999 = 1,106€ 2004. P.14.

<sup>7</sup> The New Rural Paradigm: Policies and Governance. OECD 2006. The other characteristics of the paradigm shift are as follows: a shift from an approach based on subsidising declining sectors to one based on strategic investments to develop the areas most productive activities; a focus on specificities as a means of generating new competitive advantages such as amenities (environmental or cultural) or local products (traditional or labelled); more attention to quasi public goods or "framework conditions which support enterprise indirectly; *a shift from sectoral to a territorial policy approach, including attempts to integrate the various sectoral policies at regional and local levels and to improve co-ordination of sectoral policies at the central government level*; decentralisation of policy administration of policy administration and, within limits policy design to those levels; increased use of partnerships between public, private, and voluntary sectors in the development and implementation of local and regional policies.

<sup>8</sup> Community Strategic Guidelines for Rural Development. Commission of the European Communities. COM (205) 304 Final.

paradigm. In particular, there is a small but significant increase in the proportion of the budget spent on diversification and quality of life in axis 3 and an increase in the use of LEADER as a delivery mechanism in some countries.

However, in the end, the structure and order in which the Member States are asked to present their NSPs still fall more within the “old” tradition as defined by the OECD. Member States are explicitly asked to start the NSPs with a SWOT analysis of the strengths and weaknesses of their agricultural and food chains then to consider a series of key challenges to the environment and only at the end are they meant to produce a SWOT analysis of the diverse challenges and threats to the rural areas in their country<sup>10</sup>.

Unsurprisingly, all NSPs follow this structure and, as a result, all the plans have to be read through the sectoral lens of the main concerns of the agro-food chain and landowners in axis 1 and 2. This approach follows firmly in the footsteps of the previous period where axis 3 type “territorial” measures only represented around 10% of total expenditure and of these only 10% went to non-farmers<sup>11</sup>. Calling plans which focus so heavily on one sector “rural development strategies” continues to confuse and raise false expectations among the many people who understand rural development to concern all policies which affect the future of rural areas in Europe.

Within this broad picture, it is possible to distinguish at least three different situations among the 11 countries studied in this report:

A set of countries whose primary objective is to maintain *sustainable* agricultural and forestry activity *over as much of the country as possible* - in some cases, the more traditional measures contained within the NSPs are used as instruments within a far broader strategy for rural development.

A group of countries where the emphasis is on *competition* of their own agriculture in external markets - the two new Member States can be seen as a special category as they are mainly concerned both to modernise farming and food complexes and to reduce unemployment in rural areas

Some of the countries above concentrate more than average resources on the diversification and improvements in the quality of life in rural areas - the countries that really stand out in this area, for different reasons, are Romania and Germany. There is a larger group of countries that have increased their spending on this priority since the last period. Some, but by no means all, of these countries also give priority to LEADER as a mechanism for delivering the measures in axis 3.

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<sup>9</sup> Establishing the National Strategic Plan. Guidance Template. European Commission. The template says that Member States should follow six steps in writing their NSP: 1. Baseline analysis of the economic, social and environmental situation and setting of baseline indicators; 2. Overall strategy, translation of Community priorities and setting of national priorities; 3. Strategy per axis including quantified targets, objectives and indicators; 4. RDP's and their indicative allocation; 5. Internal and external consistency, compemementarity with other Community funding instruments; 6. Amount and set up of the national rural network.

<sup>11</sup> Court of Auditors Special Report No 7/2006 concerning rural development investments: do they effectively address the problems of rural areas. OJEU. 20.11.06. Also Contrats et Territoires. Étude Comparé de la mise en oeuvre du 2 pillier de la PAC en Europe. CNASEA . 2002

## 1.4 Nearly all countries report major transformations taking place in different types of rural areas<sup>12</sup>

According to the national reports carried out for this study in broad terms, the trends in the different types of area are similar in the nine old member states, but quite different in Poland and Romania.

The peri-urban (and coastal areas of some countries, like Spain, Portugal, France and Italy) are growing in population terms and face pressures on natural resources, environment, land prices and traditional activities like farming and fishing. On the other hand, there is potential for developing high-value/high-quality products and services which capitalise on their proximity to major markets.

The intermediate areas usually experience slower rates of population growth or decline - depending heavily on their sectoral mix and degree of specialisation. The intermediate areas are also further broken down in some countries in terms of their employment structure and dependency on agriculture. For example, in Spain around half of the value of agricultural output is produced on just 15% of irrigated, intensively farmed land. In Italy, these areas have been divided into two categories. In the first category, (Rural areas with specialized intensive agriculture) 38% of agricultural value added is produced on 24% of agricultural land.

These intensively farmed areas are often the ones most concerned with competitiveness on world markets and in some cases can behave like industrial districts linking farmers, suppliers, the food industry and various commercial actors in a chain reaching final consumers. The needs of these areas are totally different and often contradictory to those of remote areas which still rely on traditional farming methods. There is usually scope for policies to improve both vertical integration along the supply chain and diversification into new sectors.

The third category of remote areas are usually losing population, particularly among women and young people. However, the scale of depopulation varies enormously between "desertification" of parts of the interior of Spain and Portugal and the North of Finland and the more modest decline of some remote areas of Italy. The main opportunities are to be found in diversifying into new economic activities based on natural and cultural resources (amenities).

If these amenities are not that special and the distances are very large then there may not be many alternatives to public subsidies for services which improve the quality of life and create some jobs for the ageing population. Reversing the trend requires attracting new inhabitants and firms rather than just reactivating the existing ones.

In some Member States like France and the UK, the net effect of these changes has led to an overall growth in the population, employment and income in rural areas. This has led to debates about a "new ruralism" where increasing numbers of people see rural areas as more attractive places to live and work than the cities. However, this can hide severe concentrations of social exclusion, depopulation and ageing in the remote areas as well as the marginalisation of many of the original inhabitants in the new growth areas.

There are, of course, exceptions to this trend. The Austrian report, for example, argues that most of the problems of the more remote fragile areas have improved considerably since the 90s due to improved transport, suburbanisation and tourism so that in general rural areas are doing quite well.

In countries like Spain and Portugal, there is an important distinction between coastal areas, where many periurban areas are located, and the interior. Many of the countries refer to a growing dualism in

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<sup>12</sup> The Study on Employment in Rural Areas predicts that further 28-35% of the agricultural workforce or 4-5 million workers will leave the sector between 2000 and 2014 in the EU 15. In the NMS the predictions are for a loss of between 28% and 59% of the workforce or 2-4 million persons. To this must be added a further 1-2 million people from Bulgaria and Rumania. (Study on Employment in Rural Areas (SERA). DG Agriculture. May 2006)

the farming and food chain which may not necessarily be reflected in spatial terms. In this context, policies for strengthening the “champions” can often make it even harder for the vast majority of ordinary farmers and the more marginal areas.

The Irish report points out that the needs of rural areas are not necessarily the same as those of a balanced regional policy. The Irish Spatial Development Strategy is based around the strengthening of a series of “hub” and “gateway” towns, which, when connected with a rural hinterland, can start to compete with the massive growth experienced by the Dublin conurbation during Ireland’s boom years. However, rural actors point out that the out migration from the rural hinterlands to the “hubs” can be just as devastating as the population loss to the cities. They also point out that bringing in new migrants can totally change the distinctive character of certain “fragile” Gaelic rural areas and may not be an appropriate solution. At the same time, in intensive agricultural areas like the southern part of Spain, most of the agricultural work is done by migrants with all the social problems it raises.

At the other extreme, Poland and Romania point to the vital role of rural areas and farming in the economy as a whole and, particularly, their role as a safety net against deindustrialisation and high costs of living in the cities. Both countries also point to the paradox of massive under-employment in rural areas coupled with *population growth*. If we take the accelerated depopulation of rural areas experienced by Portugal following its integration into the EU as an example, their evolution will be marked by a clear reduction in both the number of farms and the population.

In Poland, it is said that approximately two thirds of the 1.8 million small farms do not produce for the market. Farmers with more than 2 hectares of land cannot register as unemployed and there is said to be a surplus of labour in rural areas of as many as one *million people*. However, the rural population is growing in comparison with the urban population because people increasingly cannot afford housing in the cities and move to homes in the country.

In Romania, 48% of the population live in rural areas and 38% work in agriculture. There is also a starkly dualistic farm structure with around 25,000 farms of between several hundred and several thousand hectares producing for the market and 4.5 million subsistence farms of less than 2 hectares. These have been the only refuge for people thrown out of state industry and farms, hence also the population growth.

Having provided this very brief panorama of the major changes taking place in different types of rural area within the 11 countries studied the *next question is the extent to which these changes- and the needs which they create- are reflected in the NSPs*. The table below simply provides four columns for describing the typologies which are *either* mentioned in the NSPs or normally used at national level in analysing rural development



### Terms used to analyse the changes affecting rural areas in each country

| Country              | Type 1                             | Type 2  | Type 3                    | Type 4   |
|----------------------|------------------------------------|---|---------------------------|--|
| France <sup>13</sup> | Urban                              | Periurban   | Rural                     |  |
| Italy                | Urban poles                        | Rural areas with specialized intensive agriculture      | Intermediate rural areas  | Rural areas with general problems of development |
| Spain                | Periurban areas                    |   | Intermediate areas        | Rural areas in need of revitalisation            |
| Austria              | High industrial employment         | High agricultural employment<br>High tourism employment |                           |  |
| Rumania              | Rural areas close to urban centres | Mainly agricultural rural areas                         |                           | Rural areas of difficult access                  |
| Portugal(1)          | Periurban and coastal              | -   | -                         | Interior   |
| Germany              |                                    |   |                           |  |
| Ireland              | Strong areas                       | Changing areas  | Culturally distinct areas | Weak areas                                       |
| Scotland             | Areas within the commuting belt    | Standard rural areas                                    | Standard rural areas      | Very fragile areas                               |
| Finland              | Urban-adjacent rural areas         | Rural heartland   |                           | Sparsely populated areas                         |
| Poland               | Periurban                          |   | -                         | Remote   |

Source: Country Reports. These terms are not referred to explicitly in the NSPs of Romania, Finland or Poland. (1) The Portuguese NSP makes the territorial distinction between urban (Lisbon, Oporto and Braga where 54% of the population live) and peri-urban (14% of the territory) which equally corresponds to the coastal and rural areas (nearly 72% of the territory and coinciding with the disadvantaged areas).

The Commission guidelines do say that the national strategies must be based on a thorough assessment of the needs of rural areas based on a SWOT analysis. However it leaves the MS and their regions to decide how they take into account the needs of *different types of rural areas* if they chose to do so. Some of the NSPs do not refer to any typology of rural areas while others to not pay much attention to the differences and changes mentioned above.

There will therefore be cases where an MS has strong and structured policies and shapes Community policies to its own (as is true for England<sup>14</sup>, Scotland and Germany) and cases where national policies are vague and unstructured and Community measures will largely guide policies (notably the southern countries). Other countries are somewhere between these two situations and many nuances can be introduced.

## 1.5 The vision for different types of rural area is not explicitly developed

Given the important transformations that are taking place in the rural areas of so many Member States, the next question is whether the NSPs present a vision of what these different types of rural area could become in the future. In fact, nearly all the national reports written by the experts complain

<sup>13</sup> Version of November 05 not June 06

<sup>14</sup> It should not be forgotten that England developed measures aimed at disadvantaged areas and applied them with the greatest generosity, allocating the maximum authorised amounts.

that the NSPs do not present an explicit vision of the future of rural areas - let alone for different types of rural area.

In policy terms, the changes described above and the support to the third category of most disadvantaged rural areas seem to be reduced to a distinction between areas with (natural) handicaps (Mountain and other Less Favoured Areas) and areas with natural values (Natura 2000).

Nevertheless, many of the reports refer to a series of implicit national goals for rural areas as a whole, which then have important spatial implications. For example:

In *Austria*, mountain areas play a priority role among rural areas. They do not only symbolise one of the key elements of national identity, but are also responsible for a high proportion of its foreign exchange earnings. The striking feature about Austrian Rural Development Policy is the way in which it “instrumentalises” small farmers to become the “guardians” of a landscape which is so important nationally in social, environmental and economic terms. Through the agro-environmental and LFA payments, these farmers provide the conditions for much broader development strategies. Instead of dealing with them as marginal areas, the strategy consisted of turning them into centres for the diversification of activities, notably based on rural tourism, thus justifying the fact that they benefit from a high level of subsidies and ensuring acceptance from society as a whole in the framework of the overall social consensus.

*Finland* does not present a spatially differentiated vision in its NSP. However, it has a series of national goals with strong territorial implications. For example, the objective of *farming everywhere* despite the extremely adverse climatic conditions once again justifies massive importance given to the AE and LFA measures to slow down the decline of farming in the central and northern areas. Once again the RDR only provides one source of funding for the specific and general policies required to make rural areas “competitive” in terms of working and living.

*Italy* points to the *potential* and needs of different kinds of rural area identified in the NSP : high quality products and services which exploit closeness to markets in peri-urban areas; better integration along the food chain to compete in international markets for the agricultural “districts”; opportunities for both vertical integration along traditional product chains and diversification into new areas in intermediate areas; and integrated development aiming to improve territorial competitiveness through adding value to agricultural, natural and cultural resources in the remote rural areas.

In *Romania*, rural areas are seen as central to both the economy and society. Agriculture plays a key role in the fight against unemployment and both agricultural and rural development have to be seen as mirror images of changes in the city.

The *Irish Report* points to a particular concern for specifically rural ways of life and culture.

In *Poland*, the dominant visions are those of a competitive agriculture competing on world markets and attracting its fair share of EU subsidies on the one hand and a natural reserve for wildlife on the other.

*Scotland's* own national strategy<sup>15</sup> refers to harnessing traditional strengths and weaknesses, providing opportunities for young people so that they do not have to leave, offering high quality services and making the most of natural and cultural heritage. Once again this vision is not the needs of different types of rural areas with in the NSP.

In *Portugal*, a distinction is made between rural areas where agriculture is competitive and integrated in the agro-food chain, areas which can still ensure their viability despite being in difficult circumstances and finally pluriactive and diversified small farms located in the interior of the country for which other activities and sources of revenue must be found. The policies developed do not correspond clearly to this distinction, although one can say that competitiveness concerns the first and to some extent the second category and that axes 2 and 3 of the rural development regulation concern the last category.

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<sup>15</sup> Rural Scotland – A new Approach.

## **1.6 The link between the changes taking place in different kinds of rural areas and the strategy proposed in the NSPs is not always explicit.**

Following the recommendations of the Community Strategic Guidelines and the Template for writing the NSPs, the analysis of the needs of different types of rural area usually comes after the general analysis of the strengths and weaknesses of the agro-food chain and the environment in the National Strategic Plans (as has been mentioned all are based on the SWOT approach recommended by the Commission) .

In most cases, the analysis that forms the basis of the first two axes does not differentiate between the needs of different kinds of rural area. Even in axis 3, the main distinction that seems to affect policy is that of areas with different kinds of natural handicap and areas with special natural values (Natura 2000)

This situation takes Community policies of rural development back to the notion of territoriality, which was toned down in the rural development programmes 2000-2006. Most of these programmes cover a country or big regions within regionalised or federal MS.

Distinction must also be made between the MS who develop their strategy at national level and those who regionalise their programme to better adapt the strategy to their territories. Currently, some MS who regionalise their rural development policies, such as Italy, Austria and Germany, have only presented their national-level strategy, which therefore limits the analysis on this point.

The notion of territoriality based on the local level is the basis for the axis linked to the previous Community initiative Leader. This idea is being taken forward increasingly, since Leader contributes to others axes for the period 2007-2013. However, the idea of using regional divisions is less followed with the disappearance of Objective 2 and the fact that Objective 1 encompasses the whole country for each of the NMS.

Different territorial definitions are in place for the period after 2007 (in addition to Objective 1, which does not involve the rural):

- Disadvantaged areas: mountain areas, areas at risk of abandonment and areas affected by specific problems (as set out in articles 17 to 21 of Regulation 1257/99 on support for rural development; and again in article 37 of the new Regulation). Subsidies are fixed by the MS within the defined maxima set out in the annex to the Regulation (this amount was increased from 200 to 250 euros per hectare) which encourages MS like Finland and Austria to enlarge the areas covered and give the maximum subsidies; this explains to some extent the weight of axis 2.
- LEADER areas, the definition of small areas of local action and development: territories with homogenous geography and less than 100,000 inhabitants (a limit which disappeared under Regulation 1698/2005).
- Natura 2000 areas

In most cases we can see that these community delimitations (and not the other typologies mentioned above) are the only ones which can explicitly be seen to affect policy

## Links between types of rural area and policy

### **France:**

*Follows community delimitations (Natura 2000, Mountain Areas and other handicapped areas)).* The June version of the NSP carries out a national analysis without distinguishing between different types of areas. There is analysis in the annexe which mentions periurban areas, rural employment poles, the catchment areas of these poles and other rural spaces but this is not reflected in policy

### **Spain:**

*Follows community delimitations.* The NSP establishes a classification of rural areas into periurban, intermediate areas and rural areas in need of revitalisation but this is not reflected in policy. There is a clear difference between intensive farming irrigated areas which cover 15% of the total agricultural land and the rest. However, this is not used in the NSP either.

### **Austria:**

*Follows community delimitations .* The NSP establishes a classification of rural areas into areas with high agriculture employment, high industrial employment and high tourism employment. But the classification is not used for policy.

### **Rumania.**

*Follows community delimitations.*

### **Portugal.**

*Follows community delimitations.* The main territorial differences are between the interior and the coast (population growth) and the North and the South (farm size) partly reflection in the NSP

### **Germany:**

*Follows community delimitations.* There are several systems for classify rural areas in Germany but none them are used in the NSP.

### **Finland:**

*Follows community delimitations* The NSP mentions urban-adjacent rural areas, rural heartland and sparsely populated areas but the link between these types of area and policy is not made explicit

### **Poland:**

*Follows community delimitations.* Rural areas and agriculture are referred to almost as if they were homogeneous identities.

### **Ireland:**

There do seem to be (more culturally sensitive) policies recommended for culturally distinct areas.

### **Scotland:**

The NSP does differentiate between standard rural areas and very fragile rural areas (which are prioritised). However, the main difference is between rural areas inside commuting belts and the rest but this is not reflected in the NSP.

### **Italy.**

Specific policy orientation differentiating urban poles, rural areas with specialised intensive agriculture, intermediate rural areas and rural areas with general problems of development. In particular the NSP points out that the intervention tools prepared for axe 1 are needed in all the categories of areas and the territorial priorities in axe two will have to take into account areas identified in specific European regulations (like Natural 2000). The above mentioned categories will also have to be used for designing the regional RDP in order to differentiate the intervention modalities of axes III and IV.

## 1.7 How do the Member States adapt the strategy for each axis to the needs of different types of rural areas?

The main methods used by the MS for adapting their strategies to the different needs faced by their rural areas seem to be implicit rather than explicit in the NSP. From the country reports we can identify at least the following:

Firstly, as mentioned above, the main instrument proposed for slowing down the rate of employment and population in the most deprived rural areas continues to be the *use of natural handicap payments for less favoured areas and agro-environmental payments in axis 2*. These areas have been enlarged since the time when the Commission was approving the delimitations. Now the Commission sets the criteria for the classification leaving the delimitation to the MS. The subsidies are meant to compensate farmers for the extra costs of production in mountain areas and those suffering from natural handicaps, of continuing to use certain traditional farming methods and/or of respecting certain environmental requirements.

In this sense they are essentially policies which subsidise or compensate for income loss and for the reduction of certain CAP grants rather influence the causes of the demographic changes mentioned above. Nevertheless, we will see below that *some countries do adapt them in several ways to meet the needs of different kinds of rural areas*.

Secondly, for connecting the three axes, Italy suggests a series of *integrated sectoral or territorial projects* made up of “packages” of different measures *which can be adapted to the needs of different types of areas and or target groups (like young people and women)*.

This territorially sensitive approach should be distinguished from national sectoral approaches. For example, Portugal also proposes to develop integrated sectoral projects but these seem to concentrate on food chains that have the greatest potential for competing on international markets and who have lost ground, rather than those that concern the rapidly depopulating interior of the country. Similarly, in Spain, the high priority given to modernising farming and food chains directed at export markets is likely to favour intensively farmed areas at the expense of the more marginal rural areas and farms.

The third main instrument in the NSPs for responding to the diverse needs of European rural areas lies in *adapting the measures in axis 3*. Axis 3 and 4 contain the only measures of the RDR which can directly benefit rural inhabitants who are not farmers (working mainly on the farms as defined by the MS) or to landowners, or public entities in the case of forestry (including now State forestry) and in theory there is no reason why national, regional or local government cannot adapt the menu of actions to the characteristics of particular rural areas and combine them with measures from cohesion policy and other national measures.

Good coordination, at the appropriate levels, between the authorities responsible for the different programmes and a clear division of responsibilities are needed to achieve this. This happened in some MS for the renovation of villages under the Regional Fund. However, in the agro-food sphere, particularly second transformation, grey areas have always existed.

The organisation and administration of the programming can be carried out at regional level, where there is the public co-financing, while the delivery, preparation and implementation of the projects is carried out at a lower territorial level. This requires some sort of local delivery mechanism like the Regional Management in Austria.

Some countries will be using the LEADER groups for this purpose. If LEADER acts as a local development agency, integrating all interests, including the farmers' organisations, it can be efficient in delivering measures in other axes. For agriculture there are specific organisations supporting the farmers and answering to their needs (cooperatives, agro-food enterprises, farmers' organisations etc.). They have different attitudes towards LEADER, but often negative ones, principally because agricultural investments were not included, but also because they feel that they were marginalised from the process carried out in many MS by the local authorities and their partners.

## 1.8 Agro-environmental and LFA payments are being fine tuned in several ways.

Some countries are using the LFA and agro-environmental payments to respond more closely to the needs of different kinds of area.

### *Support to income approach*

Firstly, the 1996 Northern entrants to the EU, with a higher than average income per head, dedicate a very high proportion of their Rural Development Programmes to agro environmental and LFA payments, to compensate the support they were giving before to their family farms. In Austria these payments represented 86% of the programme (60% -agro-environmental and 26% LFA). In Finland the draft programme for 2007-13 proposes that 80% of public funding focus on these two measures (35%- agro-environmental and 45% LFA).

What is interesting is that both countries use these payments to create a set of base line conditions for anchoring family farms into a far broader system of rural development which is not always explicit in the NSP. In Finland, the agro-environmental and LFA payments are one sources of funding within the far more integrated national strategy for a "Viable Countryside".

In Austria, the national strategy uses both AE and LFA payments to meet the needs of a broad range of farming activities. These measures are fine-tuned to meet the needs of different kinds of rural areas at regional level (Länder). At NUTS III level, it is mainly axis 3 measures which are used to meet specific local needs. Axis 3 measures are either supported by local advisory bodies of the agricultural chambers or by one of the 36 local development agencies called "Regional management", which rely significantly on inter-municipal cooperation.

### *Developing the multifunctionality of farming*

A second approach involves the development of various forms of territorial farm contract following the lines of the French "Contrat Territorial d'Exploitation". Some of the contracts, such as the Scottish Land Management Contract allow the MS to move from simply compensating farmers for certain costs to providing positive incentives for certain changes by integrating measures from all three axes. The contracts can also be adapted to the needs of different types of rural area as in the Spanish Territorial Farm Contracts (these are described in section 4).

In these kinds of contract it is important to establish the link with the cross-compliance of the CAP and environmental policy: agro-environmental measures will be more limited, some actions covered until now by the agro-environmental measures could be either part of the compulsory environmental regulations or of the Natura 2000 obligations. They will allow maintenance of biodiversity without increasing support. There is also the fact that most LFA cover Natura 2000 areas.

### *Focussing on competitiveness – compensating with LEADER*

Finally, at the other extreme, in some countries the main direction of policy seems to pull against the needs of least favoured areas and farms. Despite massive population loss in certain rural areas, most of the Southern European countries continue to prioritise the modernisation and competitiveness of their agro-food systems and give a far lower priority to LFA and AE payments. In Spain, for example, least favoured areas cover 78% of agricultural land but LFA payments accounted for less than 5% of the budget in the previous period. Agro-environmental payments also accounted for less than 10%. In these countries, LFA and agro-environmental payments have very little impact on the needs of different types of rural area.

Although, this in no way makes up for the difference, some of the members of this group rely more heavily on LEADER as a method for building local rural development strategies.

## 1.9 Key issues identified in the policies

Some key issues have been identified by the country experts on the basis of their analysis of the NSPs in the Member States covered. In particular these are:

1. *A lack of differentiation between different types of rural area and different types of farming and food industry*<sup>16</sup>.

As mentioned above, a common theme running through many of the reports is the lack of an explicit vision and insensitivity of policy to differences in different types of rural areas and different types and sizes of farms and food industry. As it has been mentioned above several countries seem to use the measures in the RDR in national, regional or local strategies, which themselves are more sensitive to these issues. However, this is not apparent in the NSPs. In some cases, like Italy, the NSP places considerable emphasis on different categories of areas.

2. *Insufficient priority to creating jobs in rural areas*

At first sight, it seems unlikely that many of the NSP and Rural Development Programmes for 2007 – 2013, will create many new jobs. For example, the German report argues that the main problem analysed in the NSP - the high unemployment rate – may not be improved by the measures proposed in the plan. Biofuels or biotechnologies and agrifood industries have a high technological component but do not create many jobs. While the production of raw materials may be located in rural areas, the industry is mostly in coastal areas better served by transport.

On the other hand it has been shown that diversification can create jobs. Leader has created some dozen of thousands of jobs through the diversification of rural economies, in areas where there are not many other possibilities for the creation of new jobs and where farms are disappearing. If LEADER-type actions are marginalised, job creation may also be reduced.

3. *A tendency to “strengthen the strong”.*

As a result of the priority given to competitiveness by the Commission in the CAP, most NSPs have made this the main backbone of their strategy. In the context of decoupling, farms have no choice but to adapt to the market. However, Member States are aware of the consequences of this choice. The Spanish, Portuguese and Polish reports refer to the social and environmental consequences of prioritising larger intensive farms and agro-food firms<sup>17</sup> as opposed to the needs of the most deprived rural areas and small family farms; the first axis remains the private hunting ground of the former.

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<sup>16</sup> The European Court of Auditors has recently produced a report on a series of investments carried out under the previous Rural Development Regulation to answer the question “To what extent do the outcomes of investment measures (supported by the RDR) address effectively the problems of rural areas” They arrived at three conclusions which are central to this report. Firstly, “the flexibility of the Rural Development Regulation (broad objectives, lack of priorities) and the lack of a clear strategy in the Member State programmes have led to a situation where it is unclear to which objective the funds have contributed. Member State programmes focus largely on the agricultural sector and do not sufficiently take into account the characteristics of the geographical area supported” Secondly, “there is a lack of effective conditions and selection procedures to target funds on the most needy geographical areas and beneficiaries. Finally, “a significant part of the expenditure is implemented in areas which are not predominantly rural. When compared to the previous programming period, investment support for rural areas decreased significantly”. In its reply, the Commission rejects these points and argues that “the implementation of the investment measures should not solely be assessed against their impact on solving the problems of rural areas”. It insists that other objectives should be taken into account such as the competitiveness of the agricultural and forestry sectors, enhancing the environment and improving the wider economy,

<sup>17</sup> The rural development budget limitations do not allow for the satisfaction of the needs of these sectors ; far from it, particularly given the current rhythm of the agroalimentary sector’s development

Countries like Poland and Romania are preparing themselves for a big change by helping their competitive farms to enter the EU market with force. Many of their smallest farms are likely to disappear.

#### *4. Weak governance*

Several countries insist quite strongly that there are general gaps in the governance of rural areas and rural programmes. Italy focuses on the complexity of different levels of programming (with 20 regional programmes), the weakness of a cohesive national strategy, the slowness of financial circuits and the lack of complementarity with other funds. On the other hand, the Scottish report refers to excessive centralisation in unaccountable quasi-government bodies leading to a potential lack of synergy between a range of instruments like Community Planning Partnerships, Regional Project Assessment Committees and the LEADER action groups.

#### *5. Inadequate capacity building and social capital*

Poland and Portugal talk of the need for capacity building, and creating social capital in the more marginal rural areas. There is a particular need to focus on certain groups like women and young people.

The NSPs rarely raise the problems faced by female farmers who make up nearly 40% of the workforce (in the EU25) or the problems of professional training which are now covered by the Regulation.

#### *6. An emphasis on isolated investments in agro-food.*

The technological weakness of the food and agricultural sector is often referred to in the axis dealing competitiveness, but isolated investments are insufficient to respond to the profound changes within the sector and the objectives of the CAP.

Italy argues for a far more holistic approach to local value chains which focus on innovation, human capital, joint quality control systems and marketing rather than isolated capital investments.

France places emphasis on food chains; the NSP even talks of a threat to food safety in the event of a loss of competitiveness.

It also turns towards the non-food. The limitations on the import of raw materials for these industries created bottlenecks and should be lifted, since production is insufficient. The agricultural sector has great hopes for the development of new opportunities in this area.

#### *7. A defensive attitude towards natural resources.*

In Spain, the LEADER network argues that more could be done to take an integrated and proactive approach to valorising all rural amenities rather than simply conserving them or compensating farmers for the extra cost of looking after them. Poland also points out that environmental organisations and policies often focus on narrow concepts of natural sustainability rather than the social sustainability of rural communities within a natural environment.

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with 500 new products presented at the last food show (October 2006) . What is more, they are competitive enough to invest here.



## **2. The process followed in designing the NSP**

### **2.1 There is a first, second and third “division” of players involved in designing the NSPs.**

#### *1. At an institutional level*

The first division is clearly made up of the institutional players surrounding the Ministry of Agriculture and forestry. The Ministry itself has a slightly different orientation in the 11 countries studied. For example, there are the countries with more traditional Ministries of Agriculture and Forestry (sometimes with fishing and food) in Italy, Spain, Portugal and Finland. In Germany and Austria, the Ministries have a greener, “life” related set of functions (environment and water in Austria). Finally, only one country, Ireland has a specific Ministry for Rural Development which has taken responsibility for axis 3. The Irish Ministry of Agriculture is responsible for axis 1 and 2 with the involvement of the Ministry of the Environment.

In France, the DPEI and the DGPFAR share responsibilities. The DGPEI is by far the most important body since it is responsible for different agricultural fields as well as product quality. Rural development remains the poor relative. The DIACT (previously DATAR), responsible for the rural Objective 2 areas until 2007 remains in charge of the rural network. A significant budget has been allocated for its launch and functioning (35m euros) and for some actions under axis 3.

The impression given is that while other Ministries have been formally consulted in drawing up the Rural Development Strategies, the lead Ministry has kept the process closely under its own control.

However, this is by no means the case when it comes to the strongly regionalised countries (UK, Spain, Italy and Germany). Here the balance in some countries can be so strongly tilted towards the NUTS II “regional” administrations (countries in the case of the UK) that the whole rationale behind a “national” strategy can be questioned. There is no doubt that the negotiations between the national and regional administrations have been very real and have had a major impact on the NSPs in all these countries.

#### *2. At the level of professional farming organisations*

The second division of players is made up of the professional farming organisations and chambers that, in most countries, have a long standing love-hate relationship with their respective ministries. They have been instrumental in lobbying for a higher percentage of funding for axis 1 and the adaptation of axes 2 and 3 to the interests of farmers.

This group is by far the strongest, most influential and best organised when it comes to professional agriculture. The situation is not so good for the organisations representing the small, family farms. In Spain, on the other hand, there is a great diversity of organisations representing the interests of different types of farm and those of family farms are well listened to.

#### *3. At the level of other rural interests*

The third division is composed of a more diverse assortment of environmental organisations, community groups and local authorities. Of these the environmental organisations have generally been more focussed and militant in their demands (as in Spain, Italy and Scotland). However, in other countries like Finland and Portugal and Italy they have not played an especially important role. As mentioned above, in many cases they restrict themselves to a mainly physical as opposed to social concept of sustainability which has reduced their ability to mobilise support from other actors and have clearer impact on the NSP. The organic farming organisations defend also the interests of their own sector and its better integration in the market circuits.

The intervention of this group is quite different between MS going from nearly non-existent or very weak, mainly in the NMS and some southern European MS (excluding Italy where they are well organized and active), to strong structures lobby with political connections in Northern Europe.

The weakest link in the entire chain is still the representation of civil society at local level in rural areas themselves. There is virtually no representation of rural interests as a whole, although some sectoral interests like tourism, quality products, agro-food industry, but diverse associations manage to make themselves heard.

In some cases like Finland, Italy, Spain and Portugal the LEADER partnerships have been quite closely involved in the consultations and have managed to affect the content of some of the actions if not the overall balance of priorities. Although Leader is an institutional/administrative initiative the interests represented on the partnerships are starting to make a place for themselves. 14 years after the launching of this initiative, these actors are gaining weight in the debate

In other countries, like Poland, local mayors have also played a relatively important role. However, they tend to position themselves around demands for better rural infrastructure and village renewal rather than the broader, more integrated concepts of rural development defended by the LEADER groups.

In Poland, civil society was relatively unorganised in rural areas until the creation of the Polish Rural Forum. This organisation is helping rural communities to intervene. The Ministry made clear that drafting the programme was its own responsibility and consultations would come later. It would never be officially admitted that a proposal results from the intervention of the social partners. Local authorities, the Polish Rural Forum (for the 1<sup>st</sup> time) and the academic society participated to the consultation process.

It is worth noting that consumers organisation are rarely mentioned in the reports of the national experts (except in France)

This lack of representation of the rural world as a whole is also true at European level. In contrast to the professional farmers who are well represented at EU level by one or more umbrella organisations which bring together their associations from different countries, the organisations and associations working on rural development are represented far more unevenly (with the exception of the LEADER network).

## **2.2 The process of designing the regional development programmes is becoming more open but there is still a long way to go.**

The process of designing the NSP has clearly been more intensely participative in the first and second "divisions" than in the third. Many of the important discussions and agreements with both the main institutional and professional organisations have taken place in informal bilateral discussions.

In France, a very detailed mechanism for dialogue was put into place for the preparation of the NSP: creation of a national strategy committee made up of 52 members, including the different administrative services, territorial groups and diverse agricultural and rural actors. Although the balance was not perfect, since the administration was over-represented, it did constitute a place of debate and provided opportunities to put forward proposals.

A similar process has been carried in Italy where the working group involved a wide and representative range of stakeholders - including the national government, the regions and local administrations as well as representatives of different kinds of private organisations. Nevertheless, due to the specific decentralized institutional framework of Italy, the Ministry had to devote particular attention to the Regions, programming a large number of meetings (about 20) and producing specific focus documents. In order to take account of specific regional needs in the final document they also organised a final series of bilateral meetings. The discussions included the definition of the methodology for defining different categories of areas.

In Romania, a national strategy committee was also established, made up of the previously mentioned groups.

Ministries have used a variety of tools to obtain comments on the NSPs from a wider range of actors. These include:

- *Sending out a formal questionnaire.* These are generally quite difficult to reply to and generate quite general responses if they are sent out before a draft.
- *Sending out drafts to a selected number of stakeholders.* No Ministries have involved outsiders in preparing the drafts. However, in countries Spain many successive drafts have been circulated. Some countries like Scotland and Portugal have placed the drafts on the web, so that they can be consulted by a far wider group of stakeholders.
- In some countries the only way of replying was by sending in written comments. A commonly heard criticism is that there was insufficient time to draft considered replies and no feed back (1 week in Poland)
- *Bilateral discussions or negotiations with individual stakeholders.*
- Some countries have organised *conferences or seminars* but these are usually information giving events and rarely provide a space for the different actors to adopt common positions.
- Finally, some countries have created *more detailed technical working parties* to make recommendations in particular areas like the LEADER method, networking in France and the thematic groups in Italy, that have been organized to support the national working group on specific topics such as “Forest and climate change”, “Water resources”, “Soil”, “Biodiversity”, “Landscape”.

In general the national reports suggest that there is a lot of space for improvement in all these areas. Some reports argue that the key decisions concerning the most important budget heads were taken exclusively by the first and at most second “divisions” and that the impact of the consultations was restricted to the less important aspects of the strategy. There is a need for: more time for discussions, greater transparency and accessibility of information, working groups at the early stages to discuss the principles and design of the strategy, genuine platforms to create space for dialogue...

## 2.3 Some key debates and some non-debates

Rural development is not, at the centre of the political and societal debate in most countries of Europe. Within this context, quite a few countries, like Poland have considered the Rural Development Programme itself to be far more important than the NSP. The NSP was seen by many as merely another step to obtain the funds in the programme and both have been developed, more or less in parallel, with more attention being paid to the former.

In some countries like Austria there seem to be a fairly peaceful consensus around the roles that the main actors will play in the NSP (for example the instrumental role of farmers in creating the baseline conditions for more integrated sustainable development strategies in Austria; the primacy of the municipalities and LEADER in axis 3 and of the professional farming organisations in the other two axes are recognised in Portugal). This has also led to a less intense debate.

However, in general, there are a series of well recognised fault lines which run through the debates on the NSPs. The main debates are as follows:

*The role of the national “strategic approach” and the level of programming: centralisation versus regionalisation.*

In Italy, the “strategic approach” implicit in the NSP has been seen by the Ministry as a an important innovation in itself and a real opportunity for forging a more integrated national approach and overcoming some of the problems of over-complex governance raised in the last section. This has been hotly contested by the regions. As a result despite the strategic issues raised at national level, the regional institutions will, in the end, have far more influence on the final shape of the rural

development policy and the way in which most of the issues raised above are dealt with. This will lead to important differences between the regions. In Spain one of the points is how much programming should be made at national or regional level. There has been a reduction of the horizontal lines from 10 to 6. In the last period the national programme included many horizontal measures covering nearly all the measures, leaving only the ground to the regions to adapt them, set the details and to propose some specific actions.

In general the EU applies the principle of subsidiarity and leaves the competences of the different the level of programming to the MS. With objective 2 rural zones now disappearing, we are moving away from the time when the Commission promoted a dialogue with regional authorities (with the presence of the national ones) around the new programmes.

The two new elements introduced: developing the strategic plans at national level and creating national rural development network, without forgetting the measures already managed at this level by national budget lines will give more importance to the national level at the expense of the regional. On top of this, there are direct national-local links through the LEADER networks which sometimes miss out the regional level. This will not inordinately affect the MS with regional governments.

#### *The weight given to each axis*

On the surface the line-up is disappointingly predictable in all countries. Professional farmers' organisations generally want more resources for axis 1, environmental organisations for axis 2 and rural movements and mayors more for axis 3. For example, in Scotland, but also true in many other MS, Farmers called for more emphasis on competitiveness, and no national modulation. Environmental organisations were in favour of modulation and wanted more agri-environmental measures. Regional Councils wanted to strength local governance, think-thanks were also in favour of use of Local Action groups, and said that there was too much emphasis on environment.

However, beneath the surface there are some potentially interesting alliances being formed. For example, environmental organisations, small farmers and community groups in deprived rural areas have a common interest in the agro-environmental and LFA payments developed alliances in countries like Austria and Finland. But these policies only benefit farmers and land owners so, on their own, they may be a short-term response to the needs of some rural areas.

So an important question is whether the policies in the NSPs are seen in isolation or whether they are simply one vital tool in broader strategies for rural development. If one tries to answer this question within the NSP or RDP the result is a clear conflict of interest between the organisations defending each axis – with predictable results. The main scope for building broader alliances requires stepping outside the RDP and coordinating rural development programmes with other community instruments and national policy.

#### *The percentage of each axis going to farmers.*

Given the balance of forces it is clear that axis 1 and 2 are exclusively for farmers. The debate occurs over the minimum 10 to 15% assigned for axis 3 and 4. Some farming organisations have argued that "diversification" within this axis should also be interpreted as farm diversification. However, others have realised that this relatively small proportion of the budget is precisely the "hook" that can be used to lever in resources from other programmes to the benefit of rural areas as a whole – and consequently for farmers.

The first two axes will be strengthened by the complementary budget coming from modulation and which has a significant standing in certain MS or regions such as Romania (maximum 20%) and Spain (15%). In others, this transfer is mentioned (France, Scotland) without the exact percentage being indicated. The obligatory minimum percentage from 2007 is 5% (as indicated by Italy). It is clear that farmers call for these amounts to be assigned to them and to go essentially towards axes 1 and 2. They are mainly aimed at improving the well-being of animals and the respect of environmental and sanitary norms.

*The percentage of funds going to large intensive farms and food firms competing on international markets.*

This debate often takes place behind the scenes. Most national and regional governments want to ensure the international competitiveness of certain key food sectors and clusters. Some consider that their national and regional “champions” are sufficiently strong to be able to stand on their own feet. But other countries mainly in Southern Europe and the New Member States are keen to catch up.

For certain sectors the key issue is integration into a well-structured agro-food chain. This is the case with traditional produce such as beetroot, oil-producing plants, and certain fruits and vegetables and also more innovative ones linked to the production of biofuels. It seems that in the dualistic policy framework of the 2007-2013 phase, the farmers less integrated in food chains will lose ground. Their interests were never served by the CAP and will be even less so by rural development policies if certain measures are sacrificed.

Farming organisations are often divided on this issue depending on the nature of their membership and on their political and social orientations. Some are primarily concerned with defending the interests of small family farms in the more fragile rural areas. But they often feel safer in alliances with their big international brothers than with the mayors, LEADER groups and civil society organisations in these areas.

*The role of the LEADER axis.*

The LEADER method raises hackles precisely because it involves a limited amount of power sharing. Up until now farming has not been eligible for LEADER actions and farmers, with notable exceptions, have been under-represented on LEADER partnerships. So farmers’ organisations are afraid that their influence will be diluted if more measures are managed by LAG boards. Others would like to be themselves the promoters of the LAGs with mainly agricultural projects.

At the same time, the mayors (and regional authorities) in many countries are used to have the final word in the allocation of funds and are not over enthusiastic about broader citizen involvement from farmers or anyone else. The inhabitants of many of the neediest rural areas of Europe fall between these two powerful stools.

The fact that LEADER is integrated into the programmes threatens to subject it to the same procedures, mechanisms and power relationships as the other actions. This risk exists despite the affirmations made in the Regulation on the maintenance of the specificity of this initiative. For certain MS, it will be a means of neutralising its influence. For others, that see the possibility of mobilising layers of society previously unaffected by Community subsidies, it can be means to attract political support and consolidate their influence on certain territories.

*The balance between development and conservation (rural development and environment).*

Some countries, like the UK in general and Scotland in particular, place a strong emphasis on the conservation of landscapes and natural habitats. However, it must be noted that the problem of disadvantaged areas is different to that of Natura 2000, even though the measures of axis 2 (subsidies per hectare) and axis 3 (investment and other projects for the management of these areas) concerns the same groups of farmers. Under axis 3 they will concentrate more on the objectives of conserving ecological systems and cultural heritage. Clearly, the attitude of the farmers towards less favoured areas (LFAs) is not the same as their attitude towards areas of Natura 2000. There is a big difference between compensation which they receive and projects involved in them.

Natura 2000 had a bad start and a cold reception in most MS. Farmers, stockbreeders and foresters have often seen a limiting of their activities which threatens their survival in fragile areas, without significant compensation in the 2000-2006 programmes. This explains the implementation difficulties experienced during this period and why the Commission passed responsibility to the MS. The introduction of grants for these areas comes in this new period (they existed in the previous regulation

but were little used). However, we must see what level of finance the MS will dedicate to this aspect, without a supplementary budget and with the overlapping of some of these areas with LFAs.

The environmental organisations in several countries have developed very clear and constructive demands for improvements and been quite effective in getting their message across. Nevertheless, in countries like Spain, other southern countries and Poland it can appear that the vast majority of rural areas are sandwiched between strong and conflicting positions in favour of export-led agro-food on the one hand and strict conservation on the other.

### 3. Some important features of the NSPs

#### 3.1 Key concepts, objectives and measures

Many Member States do not explicitly define the key terms that they use to frame the general and specific objectives of their NSP. However, the documents usually allow one to deduce the interpretation that is being assigned to them. The concept of competitiveness is often adapted to the needs of the agricultural sector which mainly produces material outputs, whereas rural development covers the production of material and immaterial outputs such as services and environmental benefits. Sustainability and durability can take on different meanings depending on whether the MS has effective environmental policies or not. In schematic terms we can distinguish between narrow and broad definitions of the concepts

| Concept                | Narrow definition  | Broad definition  |
|------------------------|--|---|
| <i>Competitiveness</i> | Reducing costs and increasing productivity through increasing the size of farms and firms + more modern equipment.<br><br><i>Examples: Poland, Spain</i> | The competitiveness of value chains and clusters. The importance of organisation, human capital and innovation along the chain. Collective. sectoral instruments for quality control, marketing, etc<br><br><i>Examples: Italy, Portugal in terms of objectives</i> |
| <i>Sustainability</i>  | Physical sustainability. Maintaining landscapes, habitats, flora and fauna<br><br><i>Examples: Scotland</i>  | The social and environmental sustainability of rural communities<br><br><i>Examples: Finland, Austria</i>   |
| <i>Diversification</i> | Diversification of the farm<br><br><i>Examples: Scotland</i>   | Diversification of the economy<br><br><i>Examples: Spain, Portugal</i>  |
| <i>Quality of Life</i> | Nature and recreation<br><br><i>Examples: Scotland.</i>  | Culture, social capital, the availability of services to the population as well as the quality of the natural environment<br><br><i>Examples: Finland, Italy</i>  |

The objectives presented in many NSPs are extremely generic. In some cases, they simply repeat, in slightly different words, the general objectives laid down in the Regulation and the Community Strategic Framework. In addition, the content of the different axes is not very explicit for some measures: for example forestry, which is quite important in some MS, appears in axis 1 (investments) and in axis 2 (management, improvement, forestation on arable land) at the same time. The same apply for Natura 2000, where actions may be included in axis 1 (for payments) and in axis 2 as mentioned. Delimitations are not clear for axis 3 and 4 either. In some cases they have been grouped

After the general and specific objectives for each axis, the NSP's often provide an indicative list of measures, generally well known from the regulations, to be developed later in the RDR. At this stage, NSP's are not required to provide detailed information on the budget by that will be devoted to each axis or measure. Some countries like France, however, provide indicative amounts for the national measures and the regional packages.

The financial allocations by axis will be examined in the next section on the Rural Development Programmes. However, the NSP's suggest that compared to the previous period there seems to be an increase in funding for axis 2, 3 and 4 compared to axis 1. In particular there is a small but notable

increase in investment non agricultural diversification, the quality of life and services although these measures are still very small in relation to the total. . LEADER has shown that the return to investments in these measures is higher in employment and social terms than in the other fields.

The following table provides information from those countries with information in their NSPs as they were at the end of 2006,.sometimes supplemented by information from Rural Development Programmes.



| Country         | Axis 1   | Axis 2  | Axis 3  |
|-----------------|--|---|---|
| <b>France</b>   | National measures: Installation JA,, 2 actions linked to forests<br>Modernisation of farms, modernisation of buildings for rearing animals<br>Development of agro-alimentary industry<br>Non-food (biofuels)                 | LFA (national)<br>Natura 2000, Subsidies to pastures (national), agri-environmental measures<br>Water Directive (national)  | To a large extent regional: conservation of heritage (Natura 2000), basic services , tourism, local strategies  |
| <b>Italy</b>    | Axis1: Quality of agricultural production;<br>Modernization and innovation in enterprises and filières; Infrastructures improvement; promotion of entrepreneurship above all of young people                                 | Axis 2: Biodiversity; Promotion of practices compatible with good management of water resources; Soil resources; Gas reductions   | Axis 3: Attractiveness; New employment opportunities /LEADER: reinforcement of local governance; local participation in policies and capacity building.   |
| <b>Spain</b>    | 4 horizontal measures for internationally competitive agriculture:<br>1. Improving water management<br>2. Increasing the value added of farm and forestry<br>3. Technical support to farmers<br>4. Support for Young Farmers | 2 horizontal measures:<br>1. Prevention of forest fires<br>2. Natura 2000 in Forestry Areas<br>New instrument: Territorial Farm Contract<br>Biodiversity, support to Natura 2000, dev. Of renewable energy and biofuels, alternative use of waste, soil erosion, climate change.... | Main threat: depopulation. No horizontal measures proposed.<br>Quality of life, diversification, use of new technology infrastructure and services, rural tourism, conservation of cultural heritage...                                     |
| <b>Austria</b>  | Farm investments ( priority for mountain farms and species-appropriate livestock stables)<br>Vocational training with specific focus on women<br>Promotion of bio-fuels<br>Strengthen the forestry sector                    | LFA allowances<br>Agri-environmental payments<br>Natura 2000  | Investments in non-agricultural diversification<br>Village based micro-enterprise<br>Village renewal (specially local agricultural and forest roads and cycling)<br>Rural heritage<br>Renewable energy sources( doubled budget for biomass) |
| <b>Romania</b>  | 50-70% of the axis for restructuring and modernising farms<br>20-30% of the axis for enhancing the forestry and agro-food products<br>10-20% of the axis for acquisition of skills   | 55-65% for supporting LFA<br>45-35% for agro-environmental measures and management of forestry areas  | 20-30% creation of employment<br>50-70% quality of life<br>10-20 % for training and development of the conditions of the local governance   |
| <b>Portugal</b> | Axis 1: competitiveness of agri-business mainly wine, fruits and vegetables, olive oil, certified products for forestry, investment in forestry products, irrigation;.   | Axis 2: improve forestry management and multifunctionality of forests, good management of Natura 2000, promotion of products produced with sustainable processes, protect landscape fauna (local breeds); apply national plan on farms waste;                                       | Axis 3: All activities to revitalise rural areas inclusive rural tourism, services, Apply LEADER method mainly partnership between private and Axis 4: local partnership, and LEADER principles, priority to diversification...             |

|                          |  |   |  |
|--------------------------|--|---|--|
| <b>Germany</b>           | Axis 1: Improvement of productivity in agriculture and forestry; marketing opportunities and market structure; product quality; environmental, nature and animal protection; coastal and flood protection;   | Axis 2: biodiversity, water, climate and soil protection; sustainable land management; environmental and adequate animal housing; stability and close to nature forestry;                                 | Axis 3: jobs and income; quality of life and perspective for the future; minimum level of goods and services; natural and cultural heritage; recreational and leisure offerings;<br>Axis 4: endogenous development potential; regional cooperation and participation; innovative approaches                            |
| <b>Ireland</b>           | Competitiveness,<br>Structural Improvement<br>Education and training<br>On-farm capital investment<br>Improving competitiveness in forest sector   | Improving environment and countryside<br>Compensatory allowances in LFA<br>REPS<br>Natura 2000<br>Animal Welfare<br>Forestation   | Rural Enterprise (29'8% of the axis)<br>Local Infrastructure and services (14'11%)<br>Village enhancement (12'2%)<br>Environmentally friendly initiatives (14'11%)<br>Training, skills acquisition (15'05%)  |
| <b>UK<br/>(Scotland)</b> | Axis1: Enhance the competitive performance of producers; Develop market focus; Add value and improve supply chain linkages; Improve the performance of processors; Promote an environmentally sustainable industry/  | Axis 2: Maintain traditional agriculture landscapes in LFA; Protect biodiversity; Promote sustainable forest management; support good quality water; Tackling climate change; Safeguard landscapes        | Axis 3: Achieve a thriving business community;<br>Promote public access to the countryside;<br>Build capacities; Develop social performance of business; support rural services  |
| <b>Finland</b>           | Setting up of young farmers (31% of axis)<br>Adding value to agricultural and forestry products (22%)<br>Modernisation of agricultural holdings (20%)<br>Early retirement (13%)<br>Vocational training and information actions (8%)<br>Cooperation for new products development (6%) | Agri-environment payments (43%)<br>Natural handicap payments to farmers in mountain areas (30%)<br>Payments to farmers in handicap areas other than mountain areas (24%)<br>Animal welfare payments (2 %) | Diversification into non-agricultural activities (30%)<br>Support for micro-enterprises (25%)<br>Village renewal (15%)<br>Encouragement of tourism activities (13%)<br>Basic services for the economy and rural population (11%)<br>Training and information (4%)<br>Conservation and upgrading of rural heritage (2%) |
| <b>Poland</b>            | Most important measures:<br>Modernise farms ( 10 % of total budget)<br>Food industry   | Most important measures:<br>Maintain production in LFA (14% of total budget)  | Most important measures:<br>Basic services (9%)<br>Micro-enterprises (6%)  |

### 3.2 Some innovations

According to the country experts, in broad terms the National Strategic Plans point to a continuity in the policies implemented in the 2000-6 period. The most innovative developments concern the greater importance given to axis 3 and 4 relative to the whole rural development budget; the content of axis 3, even when it deals with smaller percentage and the integration of Leader, with the possibility to intervene horizontally in the different axes.

There are also innovative actions proposed for axes 1 and 2. Some of these actions were probably funded during the 2000-2006 period by the Objective 2 programmes covering rural areas and are now integrated in the rural development programmes. One has to ask to what extent the ERDF/ESF programmes of the new Objective 2 of competitiveness and employment will affect rural areas. Only the regional programmes of the ERDF, which cover a series of activities in rural areas, seem to do this but rural areas are not priorities unless explicitly made so by the responsible authorities. The ERDF tends to focus on urban areas.

The experts involved in this study referred to the following innovations in their respective countries. Some of these will be analysed in the second part of the report.

| Member State    |   |
|-----------------|---|
| <b>Austria</b>  | "The strong connection" of axis 3 with the Leader approach, Natura 2000, the funding for local agenda 21 (national funding)   |
| <b>Finland</b>  | The application of the LEADER method to all axes.   |
| <b>Spain</b>    | Territorial Farm contracts in axis 2. The application of LEADER to all axes. 10% of the budget for the LAGs which covers the existing Proder and LEADER groups. The advice services to farms and the measures to support biofuels are also new.   |
| <b>Portugal</b> | In axis 1 sectoral integration of activities, operated mainly through national integrated projects with global grant mechanisms for priority sectors, new technological aspects in farming and forestry. In axis 2: Territorial Farm Contracts +the creation of partnerships for the integrated development of Natura 2000 areas. Priority for LEADER in axis 3. Possible transformation of grant funding into zero interest loans which would have to be repaid if all conditions are not met. |
| <b>Italy</b>    | The NSP itself is considered an important innovation. Integrated projects sectoral or territorial projects and "packets" of measures for specific target groups (young people and women). The system of advice services to farms. A new system of management of forests. The theme of biofuels  |
| <b>Scotland</b> | Land Management Contracts in axis 2. The use of Regional Project Assessment Committees (RPACs) for coordinating funding. The use of other local participatory planning structures like Community Planning Partnerships but only through membership of the new RPACs   |
| <b>Poland</b>   | Most effort is going into improving the efficiency of the existing system. No innovations have been mentioned although 180 LEADER groups have only recently started their activities.   |
| <b>Romania</b>  | The measures to help small subsistence farms to enter the market economy and to diversify and increase the quality of life in rural areas.  |
| <b>Germany</b>  | Not much innovation visible. The NSP itself could be an innovation and work as a starting point for a strategic dialogue and learning process on the federal level. The most innovations / changes are "forced" by the European level (strengthening of the LEADER axis, better evaluation / SEA, better participation, extension services)   |
| <b>France</b>   | In Axis 1, non-alimentary products and quality products are the renewed concept of agricultural competitiveness. In Axis 2, there is more focus on biodiversity (Natura 2000) and water (Water Directive). In Axis 3, the innovation is the introduction of the LEADER approach.  |

### **3.3 Instruments for coordination and integration**

Given the relatively small proportion of the budget of the RDR that is spent on non-farm activity, it is extremely disappointing that there are few concrete measures mentioned for coordinating and integrating its delivery with that of other national and community instruments.

#### **National subsidies**

National subsidies are not mentioned in the NSPs, however they are very important and complementary to rural development measures in most countries. They are limited to Convergence regions, given that the Objective 2 rural areas are disappearing, and to some specific actions. They follow a notification procedure, together with the presentation of programmes, and are subject to a new regulation that comes into force for the period 2007-2013 and of which the implications for the rural sector will have to be seen.

#### **Coordination with other programmes**

Many countries simply repeat the requirement that they will establish clear eligibility rules and demarcation lines between different programmes. These are usually based upon the beneficiary (farmers and non farmers), the closeness of the activity to farming (food chains, agro-tourism, farm diversification, etc) and the size (micro-firms and small scale village renewal by the RDR – large firms and infrastructure by the regional fund). However, this may avoid duplication and double funding but it does nothing to achieve genuine synergy. The integration of actions should take place at territorial/regional level, particularly with other structural fund programmes, since there are no more programmes with multiple funding sources due to the complexity of coordination involved, including at the level of the Commission.

Many countries also pledge to increase the representation on the monitoring committees to other ministries and other actors. However, the general meeting of these committees is not very efficient; the work is done mainly the working groups, with the presence of the managing authority, in charge of the implementation of the different measures.

In Scotland there are several initiatives for both improving integration (the Regional Project Assessment Committees) and improving community participation in planning (the Community Planning Partnerships). These will be dealt with in part two of the report

Two of the main innovations mentioned in some countries – territorial farm contracts and integrated territorial or sectoral projects – also provide different mechanisms for coordinating different measures within the rural development programmes.

As we have seen some countries like Austria do not have such elaborate mechanisms for integrated rural planning but argue that the menu of EU and National Programmes are effectively mixed, matched and packaged at Land and local level through local development agencies (mostly “regional management” but also LEADER).

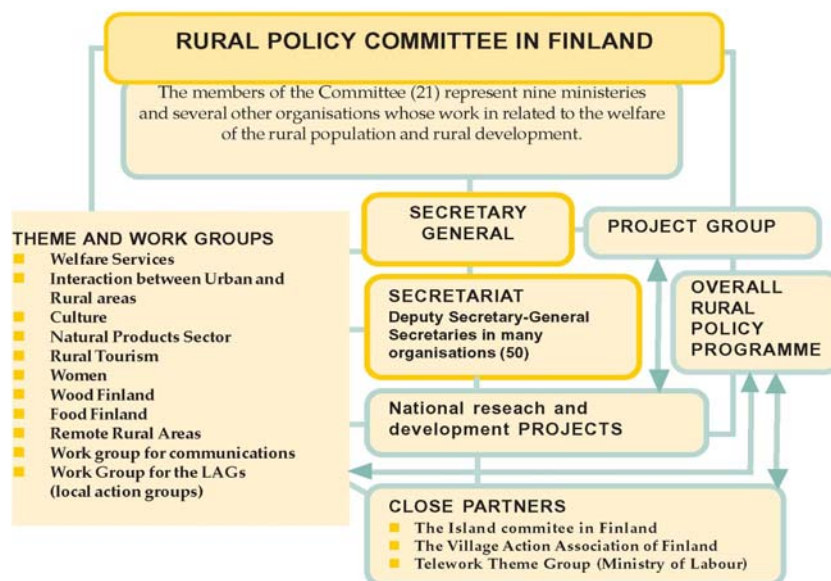
Finland still provides one of the most interesting examples of policy coordination.

## The Finnish Rural Policy Committee

One of the most advanced mechanisms for the integrated planning of rural development programmes continues to be the Rural Policy Committee of Finland. The Finnish RPC has identified two types of rural development policies. **Narrow** policies and measures are those specifically targeting rural areas while **broad** policies and measures include all policies and measures (such as education, health and transport) having an impact on rural areas. The RPC recognises that all policies have a different impact on rural areas than urban areas.

The Rural Policy Committee is responsible for designing and coordinating a comprehensive rural policy program, "Viable countryside –our joint responsibility" 2005 – 2008. This is the fourth program of this type. The program is the most important instrument in Finland and the EU National Strategic Plan should, in this perspective, be seen as one of the tools used in a much broader approach to rural development. The NSP has much the same analysis of the situation and needs of the rural areas, but focuses more strongly on agriculture.

The RPC is appointed by the government and has a secretariat and a series of focus groups (for women, food production, rural housing, social welfare and so on). The RCP also has some money for strategic projects. The coordination is at national level with the participation of the administrative bodies and all partners



### 3.4 Cooperation and Learning

All the NSPs are required to include a section on the creation of a Rural Development Network<sup>18</sup>. In most cases, the recommendations are quite brief and restricted to covering the points in the Community Strategic Guidelines for Rural Development and the Template for the NSP issued by the Commission. The key functions of the network nearly always revolve around the identification and dissemination of good practice, the organisation of thematic seminars and workshops, support for cooperation, and so on.

Nevertheless, there are a number of very important new developments in the Commissions proposals for a Rural Development Network.

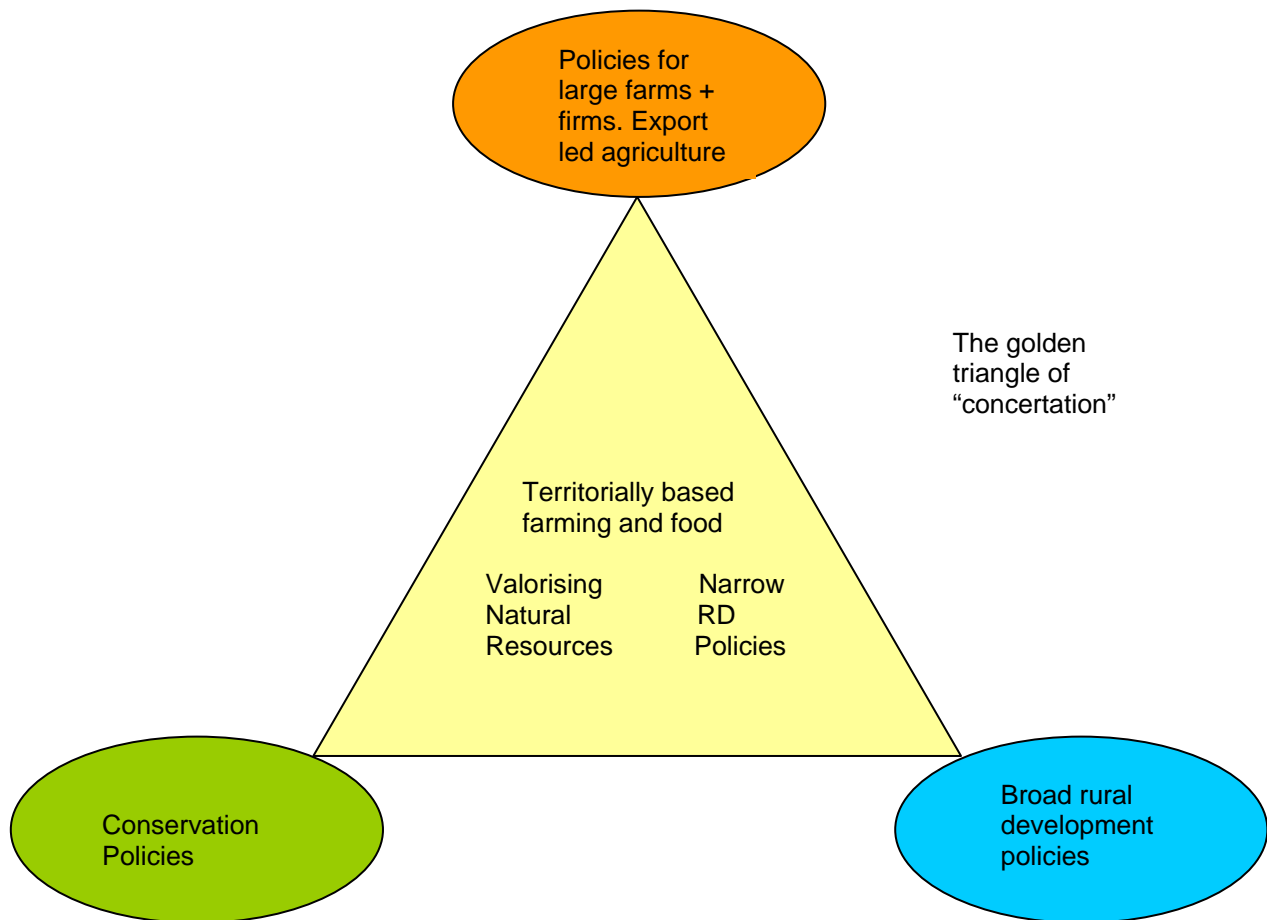
The first and most significant is that the RD networks at both community and national levels will for the first time include all the main stakeholders in rural development rather than just the LEADER groups. In some countries, like Romania and Poland, this is expected to produce a strong bias towards institutional and public sector actors. But the importance of building a dialogue between different sectoral departments and levels of government should not be underestimated. The composition of national network is in discussion in most MS and consultation with different stakeholders is open on this subject.

In this context, some key questions are: what role will farmers' organisations play? (given that there are several organisations in most countries); what kind of environmental organisation will be taken on board and how will their representativeness be assessed? What actors representing rural development should be included (besides Leader)? In general there are no national organisations. It seems that in some MS, the administration is taking a very high profile. Will it play a facilitator role or a more authoritarian one? The same questions apply for the national networks

In most countries, the network, if it is an effective and representative structure will provide a new space for dialogue between professional farming organisations, representatives of local authorities and civil society organisations. Based on the analysis above it is clear that while there are strong differences and contradictions between these different stakeholders there is also a more space in a "golden triangle" of dialogue around strategies which meet the needs of different kinds of rural areas.

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<sup>18</sup> It should be noted that when the Commission refers to network it means the technical support unit (unite d'animation) which supports the different stakeholders involved in rural development. It does not mean the voluntary representative organisations of these stakeholders themselves. This often creates confusion with the networks of LEADER groups.



This diagram is a very first thought of the points around which it might be possible to generate more consensus among rural development actors. It would include in "conservation policies" all those which involve protection and restriction of the use of natural resources. The Natura 2000 payments are a compensation for the extra costs of these restrictions. But it seems that the Land Management Contracts in Scotland, the Parks in France and LEADER can go further to provide individual and collective incentives to the valorisation of natural resources. Here there is much more scope for involving farmers and other local actors. The same applies to policies for improving high quality specialised food clusters and a group of policies related to job creation and small scale rural infrastructure.

In addition to including new stakeholders some countries propose that the Rural Development Network assume new functions and explore different organisations forms. For example, in Spain the RD Network will itself be able to support pilot projects.

France has devoted much thought to the organisation of the Network in order to overcome some of the problems that have occurred with the main organisational forms used in most countries. This may also be dealt with in the second stage of the study.

In Italy the rural network, besides its traditional role in diffusion and exchange of information and knowledge, is supposed to support the national and regional governance of rural policy and the improvement of capacity building in the programming of national and regional administrations.

**PART 2**

**SOME INNOVATORY FEATURES IN THE RURAL  
DEVELOPMENT PROGRAMMES  
OF 11 MEMBER STATES**



## INTRODUCTION TO PART TWO

The second part of the project focussed on the way in which some of the key issues raised in the National Strategic Plans were being followed through in *the Rural Development Programmes*. This part contains two different kinds of information.

**Chapter 4** contains a statistical snapshot of some of the main features of the Rural Development Programmes.

In fact, it has taken far more time to carry out the negotiations on both the National Strategic Plans and the Rural Development Programmes than originally foreseen. As a result it also took far longer than envisaged to collect the information used in the first part of the project for the analysis of the NSPs. At the time of writing the second phase there was still uncertainty about certain elements in many of the Rural Development Programmes.

Some of the countries studied with a decentralised programming system could not yet present final aggregate national figures for the 2007-13 period. In some cases, there were ongoing negotiations with the regions which might produce significant changes for the 2007-13 programming. There was more information available on the countries with centralised national programming systems. However, even in these cases, the programmes had not been officially approved and the Commission could not provide figures in a comparable form at the level of measures.

The second type of information in **chapter 5** and following chapters concerns the experts' analysis of certain innovations in the Rural Development Programmes of their countries which could be of interest to other countries. This has to be read in the context of the findings of the first stage of the report which shows that the Rural Development Programmes are very much a continuation of the programmes in the previous period.

For example, despite the significant changes in the programming procedures (the three stage strategic approach involving firstly, the Community Strategic Guidelines, then the National Strategic Plans and finally the Rural Development Programmes, the simplification into one single fund, the creation of four strategic axes, strengthened evaluation and monitoring procedures and so on) there are a very small number of new measures introduced at Community level.

In addition, the RDR for 2007-13 is still primarily a programme for farmers, landowners and the agro-food producers. Data for six of the countries in our study shows that support for beneficiaries outside the farming and food sector does not exceed 15% in the five OMS covered and 25% in the one NMS (Poland).

The experts from the 11 countries covered found in the first stage of this study that the most innovative features proposed for the new programmes were:

- The extension of the non-agricultural measures in axis 3 and in particular the extension of the LEADER method to all axes (in countries like Finland, Spain, Italy)
- The development of different kinds of integrated sectoral and territorial projects. These are mentioned by Italy, Portugal and Poland.
- The use of certain other mechanisms of participatory planning and coordination of rural development measures (the Regional Project Assessment Committees [RPACs] and Community Planning Partnerships in Scotland, Local Agenda 21 processes in Austria).
- The development of various forms of Territorial Land Contracts that bring together measures from various axes. These are mentioned in Scotland, Spain and Portugal.
- The development of certain new or relatively new measures (the advice services for farmers, Natura 2000)
- Strategies for emerging sectors such as biofuels and biotechnology

We will see that, with the exception of the last two points, many of these innovations involve new forms of governance and new forms of interaction between rural development actors (public authorities, farmers, civic organisations) at different territorial levels or in different sectors.

In **section six** of this report we provide an analysis of the most interesting ways in which the LEADER method is being reinforced in six countries to allow it to be extended to other axes and measures (the first type of innovation above)

In **section seven** of this report, we cover the way in which integrated sectoral and territorial projects are being used to address some of the emerging needs of rural areas in four countries (the second main type of innovation detected in the NSPs). This chapter also provides examples of two other types of innovation - namely certain mechanisms for coordinating rural development measures (the RPACs and the Land Management Contracts in Scotland) as both of these have been used to deliver more integrated rural development projects

## 4 A statistical snapshot of the RDPs

According to the latest data available to the Commission on the allocation of the EU budget for the first three axes in all 27 Member States, on average 38% of the EAFRD budget will be spent on axis 1, 43% on axis 2 and 19% on axis 3

However, there are some very important differences in the strategies that have been adopted.

**EAFRD Expenditure by axis 2007- 2013**

|                | Shares %  |           |           |
|----------------|-----------|-----------|-----------|
|                | Axis 1    | Axis 2    | Axis 3 +4 |
| Spain          | 53        | 33        | 14        |
| Portugal       | 46        | 43        | 11        |
| Italy          | 42        | 43        | 15        |
| France         | 38        | 52        | 10        |
| Germany        | 29        | 41        | 30        |
| Austria        | 15        | 73        | 12        |
| Finland        | 12        | 74        | 14        |
| Ireland        | 10        | 80        | 10        |
| United Kingdom | 10        | 80        | 10        |
| Romania        | 45        | 25        | 30        |
| Poland         | 41        | 34        | 25        |
| <b>EU-15</b>   | <b>35</b> | <b>50</b> | <b>15</b> |
| <b>EU-12</b>   | <b>42</b> | <b>35</b> | <b>24</b> |
| <b>EU-27</b>   | <b>38</b> | <b>43</b> | <b>19</b> |

Source European Commission 2007<sup>19</sup>

Firstly, most New Member States are very concerned with improving the position of their agro-food systems on world markets and catching up with other EU member states. They therefore devote an above average proportion of EAFRD expenditure to axis 1. The table above provides the information for the countries in our study whereas the other figures can be consulted in appendix 1. These countries include Latvia 50%, Hungary 48%, Romania 45%, Lithuania 45%, Bulgaria 42%, Poland 41%, Cyprus 41%, and Estonia 40%. Only the Czech Republic, Slovenia and Slovakia spend less than the EU average on this priority.

These countries, including the two in our study (Poland and Romania) join the Southern European Countries in the group that places most priority on increasing agro-food competitiveness: Spain 53% Greece 50%, Portugal 46% and Italy 42%. France also spends roughly the EU average (38%) on increasing the competitiveness of its agro-food complex

Secondly, at the other extreme, there is the group of countries as in the previous period whose primary objective is to maintain a sustainable agricultural and forestry activity over as much of the country as possible and concentrate heavily on axis 2. Four of the five countries are in our study: the UK and Ireland with 80% on axis 2, Finland 74%, Austria 73%. To these we must add Sweden 72% Denmark 64% (according to the latest information), Luxembourg 65%. This block is made up almost exclusively of wealthier, northern countries in which agriculture faces severe natural handicaps. With the exception of Ireland, Community support is used for maintaining the rural population and

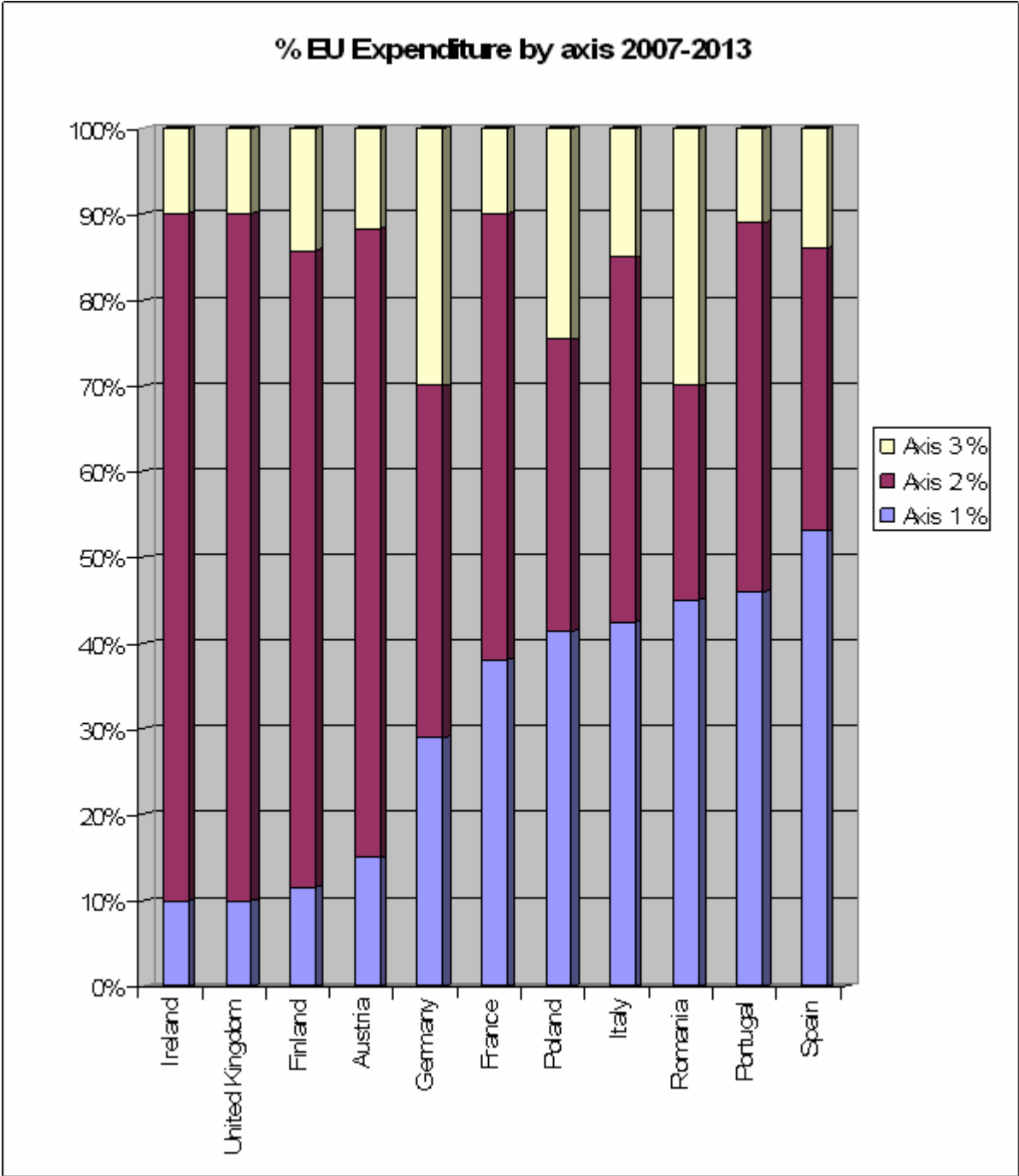
<sup>19</sup> These figures were provided by the Commission just before the summer of 2007. The figures for Spain were still an estimate. Where the MS do not specify the axes in which LEADER operates this has been included in axis 3 together with technical assistance. So the third column generally refers to axis 3 + axis 4 + TA. In a seminar on Ensuring Good Management of Rural Development Programmes 3-4 October, the aggregate figures provided by the Commission were practically the same for axis 2 (44%) and 3 (19% with 13% for axis 3 and 6% for axis 4). The figure for axis 1 is slightly lower at 34%..

landscape rather than a way than an important vehicle for competition in world markets (they have other systems for competitive agriculture)

Of the NMS only the Czech Republic 55%, Slovenia 53% and Slovakia 51% follow this strategy.

Thirdly, many new Member States are also very concerned to improve rural infrastructure and the quality of life in Rural Areas. So expenditure on Axis 3 in these countries is also far higher than average. This is particularly true for Bulgaria 31% and Romania 30% and Malta 30% but also Poland 25% (19,5% if one takes out LEADER and TA) and Estonia 21% (following information in the officially submitted rural development programme)

Certain Old Member States also give a higher than average priority to axis 3. These include the Netherlands 35% and Germany 30%.



Source European Commission 2007

## **MEMBER STATES HAVE CONSIDERABLE MARGIN FOR USING THE EU FUND IN THE RDP ACCORDING TO THEIR SPECIFIC NEEDS**

The RDR specifies that at least 50% of the EU contribution to the RDR must be spent on certain axes (25% for axis 2, 10 for axis 1 and 3 and 5% for axis 4). However, Member States are able to spend the rest as they think best – leading to the major difference in their priorities as described above.

National cofunding is also not subject to any conditions about the priority axes as long as minimum cofinancing rates are met. So MS can top up measures they think are more important with their own national or regional funds (as long as they are approved by the Commission as national aids). Similarly, they can attract more private investment by focusing on certain measures like support for the marketing and processing of agricultural products.

The percentage of private investment in the RDR depends heavily on the priority given to each axis. For example, private investment in axis 2 is almost non-existent in most countries. We only have data, from another source<sup>20</sup>, for total public expenditure for five of the countries in our study and this must be treated as a provisional estimate. Private investment in axis 1 varies from 44% in Portugal to 67% in Austria, depending heavily on the priority given to the measures associated with the marketing and processing of food (high rates of private investment) or training and early retirement (low private investment)

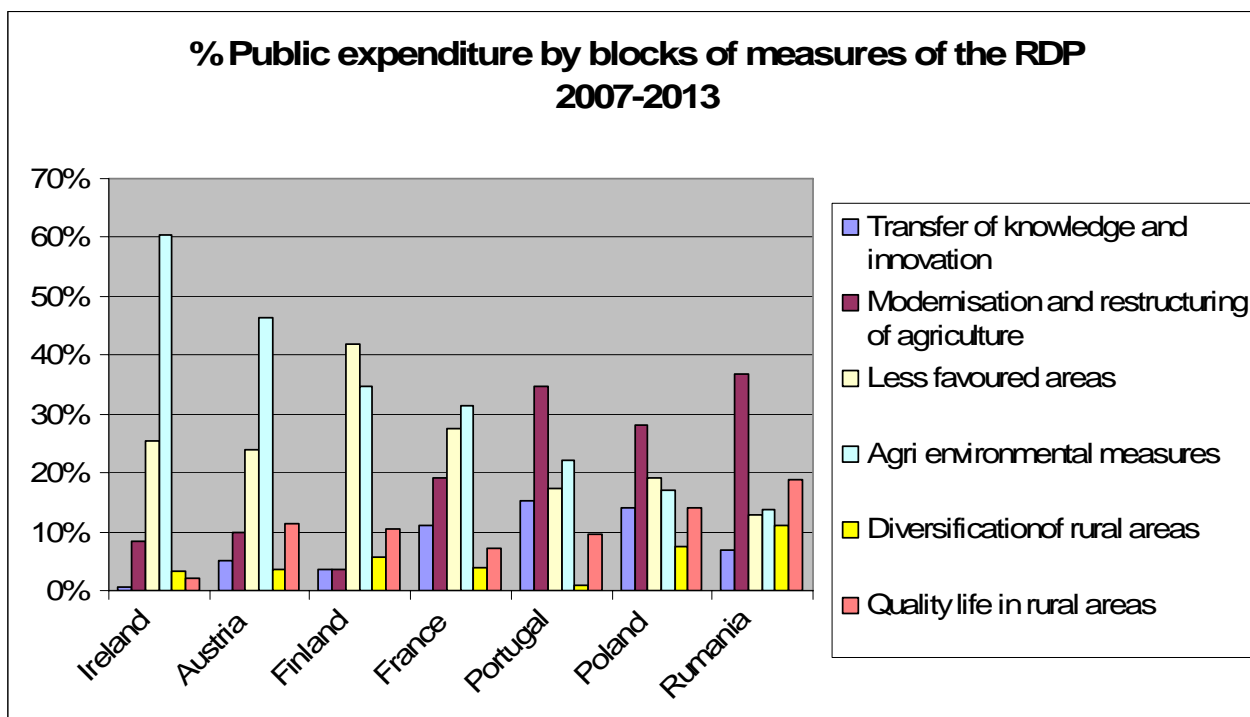
In axis 3 the rates of private investment vary from 32% in France to 45% in Portugal. Once again this depends heavily on the priority given to measures for improving the quality of life (low rates of private investment) as opposed to the diversification of rural economies (higher rates)

## **THE IMPORTANCE OF CERTAIN KEY MEASURES IN THE RDP**

In the graph below we compare the relative importance of total public expenditure on six of the most important blocks of measures defined in the RDP. We were only able to obtain data at the time of writing for six non-regionalised countries. The data for Romania only refers to EU expenditure.

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<sup>20</sup> Sources: report « *Analyse financière des programmes de développement rural 2007-2013* ». Pluriagri. AgroParisTech (ENGREF). Agnès Chabrilange, Cyril Mascart, Bastien VanMackelberg. Direction. Marielle Berriet-Sollic; National Draft Rural Development Programmes



Sources: report « Analyse financière des programmes de développement rural 2007-2013 ». Pluriagri. AgroParisTech (ENGREF). Agnès Chabrilange, Cyril Mascart, Bastien VanMackelberg. Direction. Marielle Berriet-Sollicec; National Draft Rural Development Programmes.

Once again one can see the weight given to the two measures for compensating farmers for income loss - agri-environmental measures and the support for less favoured areas – in the group of countries concerned with maintaining a sustainable agriculture over a broad area. It can be seen that all other measures are relatively insignificant in these countries

As one moves to the right into the group of countries which place more importance on the competitiveness axis so the measures for the modernisation and restructuring of agriculture become more important. Nonetheless in these countries there is a more even balance of measures.

However, the measures involving investment in physical capital in both axis 1 (modernisation and restructuring of agriculture) and axis 3 (quality of life in rural areas) seem, in nearly all cases, to take precedence over the more immaterial measures associated with the transfer of knowledge and innovation in axis 1 and the diversification of rural economies in axis 3.

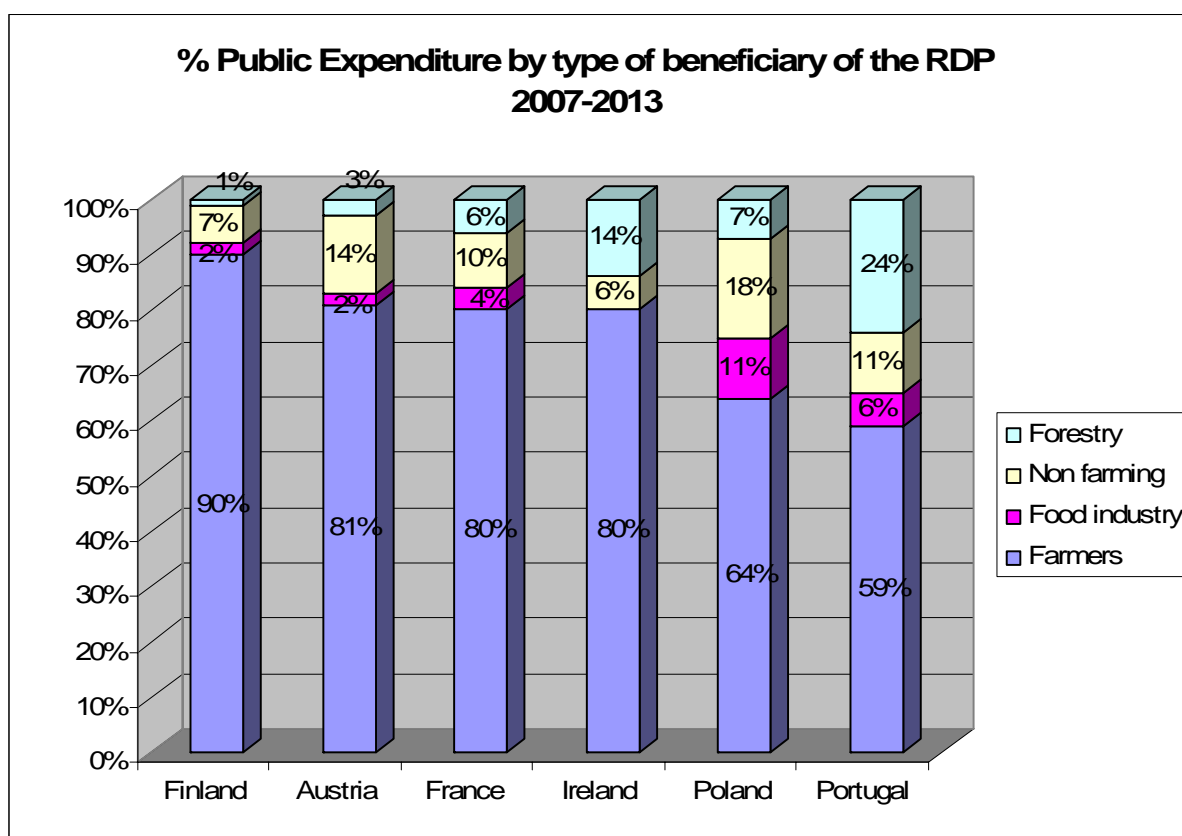
So, in summary, we can see that the organisation of the Rural Development Programmes into the four axes financed by just one fund simplifies matters and introduces far more clarity into the strategic choices made in the programmes. The priorities in the Old Member States remain very similar to the previous period and a very high proportion of expenses are still absorbed by the measures for less favoured areas and agri-environmental measures. This highlights the importance of the rules to ensure that farms comply with environmental rules.

Overall the breakdown of the budget by axis confirms the picture provided in the first stage of this project with three main (sometimes overlapping) groups of countries: Firstly, a group of countries that are very concerned with improving the position of their agro-food systems on world markets. Secondly, at the other extreme, a group of countries whose primary objective in the RDP is to maintain a sustainable (multifunctional) agricultural and forestry activity over as much of the country as possible and concentrate heavily on axis 2. Thirdly, some countries, including some of those particularly concerned with increasing the world competitiveness of their agrofood sector, try to balance the expenditure between the different axes and devote an important proportion of expenditure to axis 3,

## 5 Some innovations in the new programmes

### 5.1 New beneficiaries

In the first place, the RDR is still primarily a programme to support the multi-functionality of farming by paying farmers for a range of services outside the food sector. Diversification is seen spreading outwards from the core group of farmers and their families to affect some other rural actors. But data for six of the countries in our study shows that support for beneficiaries outside the farming and food sector still does not exceed 15% in the five OMS covered and 24% in the one NMS (Poland). So for broader territorial approaches to rural development it becomes essential to find ways of integrating the Regional and Social Fund.



Source : report « Analyse financière des programmes de développement rural 2007-2013 ». Pluriagri. AgroParisTech (ENGREF). Agnès Chabrilange, Cyril Mascart, Bastien VanMackelberg. Direction. Marielle Berriet-Sollic

## 5.2 New measures

Secondly, despite the significant changes in the programming procedures (the three stage strategic approach involving firstly, the Community Strategic Guidelines, then the National Strategic Plans and finally the Rural Development Programmes, the simplification into one single fund, the creation of four strategic axes, strengthened evaluation and monitoring procedures and so on) there are a very small number of new measures. The 22 measures in the previous RDR have now been transformed into 35 measures divided into three axes (+ the transversal LEADER axis). There are 14 measures in axis 1, 13 measures in axis 2 and 8 measures in axis 3. Most of these correspond very closely to the measures in the old RDR although small changes make comparisons complicated.

There are a series of “relatively” new measures that were introduced in the 1257/1999 Regulation following the CAP –reform. These include the advice services for farmers (axis 1), measures to encourage the involvement in food quality schemes (axis 1), support for animal welfare (axis 2), support for capacity building in local development strategies (axis 3). The ENGREF study quoted above found that these new measures only represented around 1.5% of public spending on the RDR in the eight countries they studied<sup>21</sup>.

## 5.3 Other innovations

Whilst it is true that there have not been great changes in terms of beneficiaries or measures since the previous period, there has been an evolution in the approaches and forms of governance used - particularly through the introduction of more adapted forms of organisation.

Thus, in the first stage of this study, the experts from the 11 countries covered found that the most innovatory features proposed for the new programmes were

- The extension of the non agricultural measures in axis 3 and in particular the extension of the LEADER method to all axes (in countries like Finland, Spain, Italy)
- The development of different kind of integrated sectoral and territorial projects. These are mentioned by Italy, Portugal and Poland.
- The use of certain other mechanisms of participatory planning and coordination of rural development measures (the Regional Project Assessment Committees and Community Planning Partnerships in Scotland, Local Agenda 21 processes in Austria)
- The development of various forms of Territorial Land Contracts that bring together measures from various axes. These are mentioned in Scotland Spain, Portugal.
- The development of certain new or relatively new measures (the advices services for farmers, Natura 2000)
- Strategies for emerging sectors such as biofuels, biotechnology....

One can see that, with the exception of the last two, all these innovations involve new forms of governance of rural development. Some are directly linked to the application of LEADER and others introduce approaches which converge in certain aspects with the LEADER method at other territorial or network levels.

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<sup>21</sup> Austria, France, Denmark, Finland, Netherlands, Poland, Portugal and the Czech Republic. The information was based on provisional Rural Development Programmes.



To respond to this complex question, it is essential to have an analytical framework which allows for the governance which underlies the principles of LEADER to be characterised and understood.

## 5.4 New Forms of Governance and the principles of LEADER

The Rural Development Regulation for 2007-2013 defines the LEADER approach as the combined application of seven already existing operational principles:

### Article 61 in Axis 4 of Regulation (EC) No. 1698/2005

*The LEADER approach shall comprise at least the following elements:*

- (a) Area-based local development strategies intended for well-identified subregional rural territories;*
- (b) local public-private partnerships (called local action groups);*
- (c) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;*
- (d) multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy;*
- (e) implementation of innovative approaches;*
- (f) implementation of cooperation projects;*
- (g) networking of local partnerships*

There is a common strand which runs through the seven operational principles of LEADER which it is useful to set out here in order to understand the scope of their application. Many of them involve what we can call the emergence of new forms of governance. The idea is to use the structures created by LEADER to lead eventually to the co-responsibility of actors around shared objectives and commonly agreed strategies to achieve them.

The underlying idea of this notion of co-responsibility is that rural development is the business of all stakeholders who are involved directly or indirectly in rural affairs. This means farmers, rural populations, public and private institutions, political decision-makers, and even urban consumers. Faced with an issue as complex as rural development, where multiple particular interests compete next to the public interest, it is essential that all the concerned stakeholders participate in the definition of objectives, strategies and their actual implementation.

Thus, local partnership is the first form of expression for the participation of local stakeholders, constituting a space for essential dialogue at the level of a rural area.

Another principle, which was highlighted during the definition of the LEADER methodology in the LEADER 2 observatory 1998-9, must be added to these principles. This is the decentralisation of financial decision-making and administration. This is an all encompassing principle which is hosted at programme level whereas the other principles take place at LAG or trans-local levels (cooperation and networking). We shall see later that the efficient functioning of this principle is in fact necessary for the bottom-up approach (c) to become a reality. In fact, this principle can be formulated as being autonomy in return for responsibility: the local action groups have autonomy in the definition of their objectives, strategies, methods of selecting projects etc; but in return they are responsible for the expected rural development results.

The fundamental principles of the LEADER methodology can be found in the fact that the negotiations between the local level and higher levels are generally carried out around a local development plan in which the objectives and implementation strategy are set out. These are defined by the LAG, the actions of which can now spread into other areas.

We shall see in the following chapters that the extent and form in which the seven operational principles of LEADER lead to the emergence of new forms of governance depends fundamentally on the context of each country. Some countries already have very dense networks of local actors working together in different ways. In some, the administration is characterised by very strong centralised and sectoral traditions. In such cases, the governance aspects of LEADER can assume less importance. The partnerships can become ad hoc alliances of certain actors who try to add value to existing centralised or decentralised initiatives. The added value can take the form of innovation in specific areas or of a better use of local resources. However, the evidence from the Synthesis of the Intermediate Evaluation of LEADER suggests that in most countries these more temporary arrangements are giving way to an interesting range of more permanent methods of operation which in different ways impinge on the governance of rural areas.

In the following sections we will explore these and other issues in two stages:

Firstly, in the following section on the mainstreaming of LEADER) the way in which countries took advantage of LEADER partnerships to apply these principles across the different axes or in other national or Community programmes will be examined. This will cover the six countries where the mainstreaming of LEADER was studied.

In the following chapter we will look at a more disperse range of integrated territorial and sectoral approaches to rural development. We will see that the similar issues of governance are also present and that many of the operational principals of LEADER are applied either singly or in combinations by other actors than the LEADER partnerships.

## 6 The mainstreaming of LEADER

In the context of reduction in the budget for rural development in many countries, we have seen that the Rural Development Programmes for 2007-13 are to a large extent a continuation of the previous periods. There are important changes in the way the programme is managed and a small number of new measures. However, there is no doubt that, despite its relatively small size, one of the most important innovations in this period is the mainstreaming of the LEADER method and, closely related, the extension of the non agricultural measures in axis 3.

Six of the countries included in our study (Austria, Finland, Ireland, Spain, Germany and Poland) have been chosen to analyse the way proposed in which LEADER was being mainstreamed in more detail in their Rural Development Programmes in this second stage of the study.

### 6.1 LEADER – still a seed but one that is growing

Between 2000-6 the EU committed €2,105.1million from the EAFG Guidance section to LEADER which resulted in a total investment of €5,046 million including national and private co-financing. This represented around 3.5% of the EU expenditure on rural development.

For 2007-13, the Commission has set a minimum of 5% which translates into an EAFRD contribution of at least € 3.753 – 78% more than in the previous period. Many Member States and regions will be spending more than the minimum so this figure is likely to be considerably more. The latest figures from the Commission suggest an average of 6% for axis 4. However, this has to cover a longer time period, all the New Member States and is now open to all rural areas in the EU.

The symbol of LEADER is a seed. The seed has certainly grown. The question is whether it will become a tree. The following table provides a picture in the six case studies carried out in this study.

| Country  | Size of budget  | % Budget                               | No of groups           | Territorial coverage   |
|--|---|--|------------------------|--|
| <b>Austria</b>                                     | €387,9 m public expenditure on A4<br>€194 m EAFRD (aprox. 50%)<br>€3.9 m. grant per group | 5%<br>Increase of 375%                 | 100<br>Up from 56      | All of Austria except 8 cities with 50.000+ are eligible.    |
| <b>Finland</b>                                     | €242 m public expenditure on A4<br>€108.9 m EAFRD (45%)<br>€4.4 m grant per group         | 5.3%                                   | 55<br>Down from 58     | All rural areas. Only largest municipalities excluded        |
| <b>Ireland</b>                                     | €425 m A.3+4 all LEADER<br>€234 EAFRD (55%)<br>€10.9 m grant per group                    | 8.5%<br>Increase of 300%               | 39<br>Up from 36       | All rural areas  |
| <b>Andalucia<sup>22</sup><br/>(Spain)</b>          | €406 m on A4<br>€7.4 m grant per group  | 15% (10% in axis 3 and 5% in a1 and 2) | 50-55<br>Up from 50    | All rural areas except settlements of 50.000+                |
| <b>Schleswig-Holstein<br/>Germany<sup>23</sup></b> | € 54.5 m public expenditure on A4 (55% by EAFRD)<br>€2.6 meuro per group                  | 13%<br>Increase of 110%                | Around 21<br>Up from 6 | All rural areas (size of regions 50.000-100.000 inhabitants) |
| <b>Poland</b>                                      | €787.5 m A3 +4<br>€3.9 m grant per group  | 4.6% including 15% of the total axis 3 | 200<br>Up from 160     | 50% rural areas  |

The following finding can be drawn from the table:

- Firstly, the expenditure figures refer to minimum amounts set out in the Rural Development Regulation. However, in many countries and regions (for example, Schleswig Holstein) this budget

<sup>22</sup> The minimum amount that the 17 regions can spend on LEADER in Spain in the 2007-13 period is 10% of the total budget

<sup>23</sup> 5-7% spent on Axis 4 in Germany as a whole.

is seen as “seed” funding. LAGs are meant to use it as a base to negotiate with the people responsible for other measures and programmes. The final budget may be considerably higher but it is not possible at this stage to quantify it or to say exactly what the LAGs competences will be.

- Finland, Ireland and Andalucía, and Schleswig-Holstein will all achieve complete “territorial” mainstreaming. All their rural areas are or will be covered by a LEADER partnership.
- In Austria, in two or three Länder LEADER will probably cover all eligible areas, but in the major part of the country there is no explicit strategy to cover all rural areas. Thus the administration will admit “blank spots”, where no local partnership shows up to submit a local development strategy. Nevertheless, the extension of LEADER can also be considered as “mainstreaming” in the sense that LEADER is now an inseparable and well supported programme component deemed to foster innovative actions and partnership structures in rural areas. LEADER is mainstreamed as a pathfinder programme leveraging innovation by pilot actions.
- The budget has increased in every country except Finland. In some cases it has increased considerably – 60% in Germany, 300% in Ireland and 375% in Austria.
- As a percentage of expenditure on rural development, LEADER represents between the minimum 5% and a maximum of 15% in Spanish regions like Andalucía and German regions like Schleswig-Holstein (13%) and Saarland (15%)
- The budget per group (and hence the capacity to employ a technical team and animate the territory) varies enormously between countries from around € 2.6 meuro of public grant per group in Schleswig-Holstein, € 3.9 meuro in Austria and Poland, € 7.4 meuro in Andalucía and € 10.9 meuro in Ireland.

## 6.2 The Local Development Partnerships are the heart of the Leader Method.

The Local Development Partnerships form and success depends heavily on the governance context in which they operate. Article 61(c) of the Rural Development Regulation makes it clear that the local public-private partnership (local action group or LAG) is the heart of the LEADER approach to rural development. The functioning and the quality of the local action group determine the extent to which the LEADER method can be effectively called into being.

The Synthesis of the Intermediate Evaluation of LEADER+ (SIEL) points out that the form and success of the LEADER partnerships depends fundamentally on the governance context in each country. In particular, it depends upon the way in which different rural actors – mayors, regional authorities, farming organisations, private firms, civil society organisations see that they have a place in the partnership. Each main type of actor has to feel that by working together they can increase rather than reduce their capacity to achieve their objectives.

In this context, the SIEL report finds that the embedding of LEADER into wider rural policy appears in three forms:

**Strategic Merging.** “LEADER can be designed as a *pathfinder, incubator, or niche specialist* for designated areas of intervention”<sup>24</sup>. This requires strong top-down support from sectoral actors (e.g. ministries, regional governments, farmers) but less horizontal support at local and supra-local level)

Among our case studies Austria is a prime example of this kind of mainstreaming.

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<sup>24</sup> These categories and quotes were presented in the Synthesis of the Intermediate Evaluation of mid-term evaluations of LEADER + programmes. Final report DG Agri.  
[http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/evaluations/leader\\_mid\\_term\\_eval\\_synthesis\\_en.pdf](http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/evaluations/leader_mid_term_eval_synthesis_en.pdf)

See also the Lag-Handbook by Robert Lukesch  
[http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/methodology/lukesch\\_handbook.pdf](http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/methodology/lukesch_handbook.pdf)

**Austria: the innovatory niche specialist.**

- The present National Rural Development Programmes in Austria constitutes a clear political decision towards mainstreaming LEADER as a path finder and niche specialist.
- The policy makers at national and Land level support this process on the basis of the agreement that LEADER is and remains a sub-category of rural policy which is in turn a sub-policy under the mighty protective shell of agricultural policy.
- This seems to be an excellent strategy for the integration of farming into local development, because funding and support mainly enhances the fringes between agriculture, forestry and the local economy: tourism, renewable energies, food heritage and culinary innovation, nature, landscape and species protection, place-related culture etc.
- This strategy is probably less appropriate to solve problems which are not at all related to farming, forestry or land stewardship

**Full Mainstreaming.** “LEADER can be included into rural policy as its paradigmatic core component shaping other mainstream rural and local development measures according to its pattern”. This requires both top down support and agreement among sectoral actors and a high degree of horizontal support at local and supralocal levels.

Among our case studies, Finland, Ireland and Andalucia are good examples of this approach. In all cases, the LEADER partnerships are officially entrusted to implement a substantial chunk of mainstream rural development policy. The scope of the partnership’s role seems to be wider in Ireland and Andalucia.

**Local Customization.** “Even in the (regrettable) absence of strong coordination at higher levels of decision making, local action groups may be able to act as local development agencies packaging the flows of funds into their area to the best of the potential”.

In this case ministries, regions and other higher level actors do not fully instrumentalise the LEADER partnerships for achieving their aims but nonetheless the LAG is able to build up strong horizontal alliances at local level to carry out more or less integrated rural development strategies. Greece, Northern Ireland and Portugal are said to be prime examples of this situation. Among our case studies, it is probably the strategy that the Polish LEADER groups feel closer to.

Nevertheless, these categories should be seen as working hypotheses which do not necessarily apply in all countries and contexts. Moreover, they are not watertight. Local Action Groups can evolve, move between them or even combine certain elements of several approaches depending on the governance context and political will of the main actors involved in rural development. The first two approaches require a stronger commitment from the top while the third provides the LAGs with certain basic tools and a budget and then allows them to swim or sink at local level.

**Four paths to mainstreaming in Germany**

The case study of Schleswig-Holstein shows how the LEADER approach can grow in a step by step fashion to become a more central part of the rural development strategy. It identifies four main paths of mainstreaming LEADER in Germany. Firstly, the direct influence of the LEADER Groups themselves who have been included in the formulation of Länder programmes.

Secondly, the National Strategic Plan is seen as a vehicle for spreading LEADER principles more evenly around the country.

Thirdly, the Federal Government set up its own pilot initiative called Regionen Aktiv. This had €50 meuro of national funding to cover 18 partnerships over a shorter period than LEADER +. It was based firmly on LEADER principles but is said to have improved on them in certain areas like the flexibility of boundaries, the global grant, the level of participation in formulating the strategy and the degree of self evaluation. Together with LEADER it had an important influence on both federal and “Länder” programmes. Schleswig-Holstein has actually called its LEADER programme for 2007-13 “AktivRegion”

Finally, in Germany the Federal Government uses a procedure known as the GAK (Joint Task for the Improvement of Agricultural Structures and Coastal protection) to negotiate a series of common measures to be implemented by the Länder with national cofunding. In 2004, under the influence, of LEADER+, the Federal Government introduced a new measure into the GAK called *integrated rural development*. This financed the preparation of integrated rural strategies and regional (local) management structures based upon partnerships. In Schleswig-Holstein, 105 such initiatives were set up in parallel to the 6 LAGS thus covering almost the entirety of its area. The priority for the next period is to bring all these initiatives (the integrated rural development projects, Regionen Aktiv and LEADER+) together state-wide into around 21 integrated LAGS under the Leader axis.

The Rural Development Regulation (Article 62) lays down a series of conditions that the LEADER partnerships must follow in the next programming period. These conditions generally increase the legitimacy and ability of the partnership to engage with different rural actors and successfully follow one of the mainstreaming approaches described above.

#### **Article 62 of Regulation (EC) No. 1698/2005**

1. *A partnered local development approach shall be implemented by the local action groups satisfying the following conditions:*
  - a. *They must propose an integrated local development strategy based at least on the elements set out in Article 61(a) to (d) and (g) and be responsible for its implementation;*
  - b. *They must consist of either a group already qualified for the LEADER II or LEADER+ initiatives, or according to the LEADER approach, or by a new group representing partners from the various locally based socioeconomic sectors in the territory concerned. At the decision-making level, the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their associations, must make up at least 50% of the local partnership;*
  - c. *They must show an ability to define and implement a local development strategy for the area.*
2. *The Managing Authority shall ensure that the local action groups either select an administrative and financial lead actor able to administer public funds and ensure the satisfactory operation of the partnership, or come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the partnership and the ability to administer public funds.*
3. *The local action groups shall choose the projects to be financed under the strategy. They may also select cooperation projects.....*

We will see that the Member States covered by our case studies are exploring three main types of strategy for strengthening the conditions mentioned in the Regulation concerning the partnerships. All of these put the partnerships in a stronger position for mainstreaming the approach in other areas.

- Methods for strengthening the capacity of the partnership to define, propose and implement a local development strategy (Articles 62.1a and c of the RDR).
- Strategies for improving the capacity of the LAG to manage public funds and at the same time choose the project to be financed (Article 62.2 and 62.3). This is closely related to the third principle of LEADER concerning the reinforcement of *the bottom-up approach with a decision-making power for local action groups*.
- Strategies for increasing the legitimacy and representativeness of the LAGs. (Article 62.1b). Once again this is closely related to the third principle of LEADER.

By strengthening the capacity of the partnerships in this way, the LAGs become better placed to convince Departments dealing with other parts of the Rural Development Programme as well as

Ministries and Departments dealing with other programmes, that the LEADER method can add value to existing centralised approaches.

### **6.3 Strengthening the capacity of the partnership to define, propose and implement a local development strategy**

The local development strategy is important in at least two ways. Firstly the *process* of drawing up the local development strategy provides the partnership with one of the main ways of building support and alliances, at both local and supra-local levels, for the implementation of the programme. By talking and listening to people who have often never been consulted and by creating spaces for dialogue between actors who may be mutually suspicious of each other, the partnership can shift rural development into a higher gear. Secondly, once the strategy has been prepared, the *plan* can serve as a sort of visiting card which provides legitimacy for negotiations with new actors and for integrating more themes into the process.

However, one of the main problems is that both of these advantages are very hard to achieve within the narrow confines and time limits of an official call for proposals for new LEADER programmes. In this context, a number of Member States in our case studies have tried to broaden both the *time scale* and *the scope* of the local development strategies. So the formal proposal to the LEADER initiative comes at the end of a much longer and richer process.

#### **Getting a Head Start – The Finnish Case**

The period for submitting applications for the next round of LEADER in Finland started on 4 November 2005 after adoption of the Council Regulation and ended on 15 December 2005. Instructions for submitting applications were issued at the time of starting the submission period, explaining the criteria applicable to LAGs and local rural development programmes. 58 applications were received by the due date, covering almost the entire area of Mainland Finland.

All applicants got written feedback regarding local programmes in May 2006, and the LAGs updated their programmes accordingly in autumn 2006. The final decisions regarding Leader LAGs will be made after the Finnish Rural Programme has been approved and the EU and national regulations have been adopted.

Local rural development strategies were used as the basis when the writing of the Leader sections of the national strategy and the Rural Programme for Mainland Finland. Finland has a tradition of local development. The municipalities' competences are very large and have been a basis to push Leader, accompanied by a strong political will at national level.

The interesting points of this experience are not only the early start and longer time period but also the fact that there was a process of negotiation and improvement of the plans with the Ministry. Finally, in a very bottom up way, the local plans formed the building blocks for the national LEADER submission.

### **The New Rural Strategy for Andalucía (NERA)**

One of the first methods being used for consolidating and extending LEADER is to turn the Local Action Groups into the corner stone of an ambitious, bottom-up process for preparing a New Rural Strategy for Andalucía. This will be the first integrated regional development strategy for the rural areas of Andalucía which goes beyond the strict confines of the Rural Development Regulation.

In essence each of the 50 LEADER partnerships is responsible for developing a participatory plan for their area using a common methodology. After a general explanatory public meeting and in depth interviews with local actors, a series of thematic or sectoral working groups composed of local actors will be set up.

These will produce a number of thematic or sectoral SWOT analyses using a common format. The thematic SWOT analyses will be brought together into an aggregate territorial analysis through a series of joint public meetings which will also be used to make proposals for the future. The proposals can cover anything from cultural activities to roads but are not expected to cover large regional infrastructures such as airports. The common format and methodology will allow the Region to aggregate them to produce rural development plans for the 8 provinces of the region and finally the regional rural development plan itself.

As the organisers say NERA is *“a process, a path of debate and reflection about today and about the future that we want for our villages and people tomorrow”*.

Once again the process starts earlier, goes on longer and is far better resourced than a simple call for proposals. But in addition, the strategies go far beyond the scope of LEADER to touch nearly all aspects that influence rural development. Another interesting feature is the adoption of a common methodology and the aim of building a broad rural development strategy for the whole region based on the bottom up LEADER approach.

In Ireland, the Ministry has also provided additional funds during 2007 to the LEADER groups to complete their strategic plans for 2007-13.

Finally in Poland the process of capacity building among local action groups for their first stage of LEADER took around one year (from autumn 2004 until Autumn 2005). This focussed very heavily on legal and administrative conditions and very little time for forward planning and actual implementation. The Polish Rural Forum, a civil society organisation, played an important role in compensating for the lack of training and information activities during this phase.



## **6.4 Improving the capacity of the LAGs to manage public funds and choose the project to be financed.**

One of the strongest features of the LEADER method is the link between the design and proposal of local strategies and project selection. There are many examples of community planning where local actors are encouraged to become involved in formulation of strategies but these simply result in recommendations for funding by higher authorities. These approaches can result in considerable cynicism and community burn-out if, as it is often the case, the strategies that have taken so long to develop do not materialise.

However, the condition that public funds should be managed by a public-private partnership where at least 50% of the board are not from the public sector has caused a cultural revolution in rural development in many countries and, in some MS, it actually runs into legal problems. Part of this has been solved by insisting on a particular legal form for the LAGs. For example, in Andalucía all LAGS must now have the legal status of non-profit making associations, whereas in the previous period some were registered as limited development companies. In Poland the LAGs must also adopt an existing legal status.

Nevertheless the need to ensure that LAGs choose projects while at the same time guaranteeing sound financial management has resulted in at least three different models or circuits of financial and administrative management.

At one extreme various countries have applied a centralised system whereby the LAG selects projects and passes their recommendation to the managing authority that pays and justifies the payment. This can take a lot of administrative work and responsibility off the LAG but, depending on the administration it can result in long delays, double checks and a loss of autonomy.

At the other extreme, there is the completely decentralised global grant where the managing authority passes the funds to the LAG who, selects pays and justifies the payment to the MA. The administrative and financial burden, responsibility and risk for the LAG can be very high in these cases.

Finally, a high proportion of countries are adopting various kinds of quasi-global grant systems whereby the payment is subject to an eligibility check by some form of intermediate body (that in some cases may be a public body within the partnership).

For example, in Finland LAGs select the projects for financing (assessment of their appropriateness). However, Employment and Economic Development Centres make the final decision on granting and paying funds for the projects by assessing their legality.

In Austria, projects are only funded if the LAG has given approval. A department of the regional government (Land) examines the conformity of the project with the development strategy and with National and EU regulations. Their formal approval is required for payment

In Schleswig-Holstein the LAGs dispose of general budget (€ 250000-300000 a year) for partnership building, organizing the management as well as both interregional and trans-national cooperation. All projects have to be assessed in a state-wide competition for selecting best projects whereas the criteria of competition are not clear at present.. LAGs (50/50 public/private partners) have the decision power regarding general budget as well as projects. Departments/Authorities of rural development on the sub-state level examine the conformity and handle the financial aspects.

As LEADER has grown and expanded the procedural requirements on the LAGs using all systems have become much heavier and the requirements of the Commission services in this field also increased. The Synthesis of the Mid Term Evaluation reported that "(i) excessive bureaucracy (ii) difficult relationships between managing and other involved authorities on the one hand and LAGs and project promoters on the other; (iii) problems with raising co-funding (iv) delays in financing and (v) insufficient autonomy of the LAG" have resulted in "a loss of management efficiency (too much time spent on bureaucracy rather than mobilising and animating) and in due course disappointment of the

local actors” It is quite clear that if these problems can undermine the entire value of the LEADER approach if they are not controlled.

In fact the MTE argues that “good bottom-up does not need less but rather a different style of top down – enabling and encouraging instead of command and control”. The following provide some examples of strategies adopted by certain MS

- **Providing adequate advances.** In Andalucía, the Regional Government makes an advance of the total amount of the first year of the programme to the groups. As soon as the first year is certified by the LAG it can receive 50% of the second year and so on. So the advances made by the Regional Government to the LAGs are more favourable than those they receive from the Commission
- **Guaranteeing an integrated package of co-funding** In Finland Municipalities must provide 20 % of the public funding of a LAG. Payment has to be a "lump sum", so a municipality can not define its proportion on the basis of the amount of projects which are implemented in its area. This is written to the programme documents. The arrangement increases the commitment and interest of the municipalities to the LAG work.
- **Ensuring a match between payments and income.** The groups in Andalucía do not have to pay the final beneficiary before receiving the funds as in some regions. They simply certify the completion of the investments and pass this on to the regional government. So it is the Regional Government and not the LAG which absorbs any problems caused by a lack of liquidity resulting from gaps between the 7% advanced by the Commission and the payments that have to be made to justify the next instalments. This means that unlike many other Spanish LAGs, Andalusian groups are not in debt.
- **Providing sufficient funds for animation.** In both Finland and Ireland the maximum 20% of axis 4 is allocated to activation and the acquisition of skills on a local level. It is possible to complement this with further resources for animation and training. However, in some countries like Austria the running costs of the Group have been pegged at 10% of the total LAG budget

Various countries have also managed to increase the efficiency and reduce the risk involved in decentralised LAG management systems by developing common standards, procedures and protocols. These tend to have an element that is common to all LAGs and a part that can be adjusted flexibly meet local circumstances (e.g. project selection procedures. Some Managing Authorities and LEADER networks have developed training and quality control systems related to these procedures. Finally, IT has been used in some countries to improve monitoring and greatly speed up eligibility checks and payment procedures.

All these initiatives provide a reservoir of tools and methods which can be used to strengthen the capacity of the LAGs to implement integrated rural development strategies and manage public funds in the next period.

## 6.5 Increasing the representativeness and legitimacy of the LAGs.

Following the guidelines in the Regulation and the results of past evaluations, many MS have been concerned to improve the representativeness of the LAGs. This generally takes two forms. Firstly, incentives to increase the involvement of certain key actors – especially farmers. Secondly, incentives to increase the proportion of under-represented groups like women or young people.

In Austria, for example, the RD Programme states that women will be represented in decision making bodies according to their share in the population. However, there is a provision saying “at least a critical mass should be obtained”

The countries concerned with the “full mainstreaming” of LEADER tend to go beyond balanced representation to develop measures to increase the legitimacy the LAGs *as agents for carrying out public policies* both in and outside the Rural Development Regulation.

For example, in Ireland, the Government will approve 39 “Integrated Local Action Groups” which will receive contracts to deliver the next round of LEADER, Social Inclusion and any other programmes to be rolled out during the period

Similarly, although Finland applies all the LEADER principles they have also developed some special national principles which strengthen the LAGs and increase their recognition among other partners. These are:

- LAGs must be registered as NGOs which are open to all interested rural people and organisations to participate
- As mentioned above municipalities must show their commitment to the LAG work; they must offer 20 % of the public funding on the basis of annual one-off payments (“lump sum”).
- The three-way procedure in the board is obligatory.

### **The three way principle in Finland**

The Rural Development Programme for the Mainland Finland 2007-2013 states that one of the selection criteria of an eligible Leader is that the board of the LAG should be based on the principle of the three-way procedure. This means that the board or decision-making body of the local action group should have a balanced representation of the following parties:

1. Municipalities (local administration)
2. Communities (organisations, associations and large enterprises)
3. Local people (individual people and small entrepreneurs)

The principles relating to the three-way procedure and the regular turnover of board members have to be written into the selection criteria and legislation of a LAG

Finland is the only country where the representation in the LAG boards must follow the three-way procedure, while in the other countries it is only required that at least half of the representatives of the decision-making bodies, i.e. boards, must be other than official authorities. Finnish LAGs differ from those in the other countries in that the local rural residents must also be represented in the boards to reinforce the rural development work founded on the grass-root level

Andalucía is also embarking on a process of improving the LAG’s local representativeness while at the same time ensuring that they fulfil all the conditions for being recognised as official “collaboratory agents of the administration” (entidades colaboradoras de la administración). This involves applying a delicate balance of top down and bottom up conditions which should be monitored closely because they could tip the LAGs in either direction.

On top of the general conditions in the RDR, the Regional Government insists that the LAG boards must have a good balance including agricultural organisations, women and young people. Although women and young people were already targeted as priority groups no objective criteria seemed to

have been applied until now. In the future it would be useful to have some objective criteria showing these priorities.

In addition, the association must have carried out the local strategic planning process described above (not only the plan and submission for LEADER). On this basis the LAGS can be officially recognised to carry out public policies – a status that has been ratified by the economic and social partners at regional level, and should be translated into practice by giving the Leader institutions an operational power to manage public funds.

#### **Local project selection committees in Andalusia**

One of the innovations in the new Rural Development Programme in Andalucía is the creation of Local Committees of Rural Development (Consejos Comarcales de Desarrollo Rural) – each with a similar representative structure which will be specified by the regional government. The LAG team will act as the staff of the Local Committee and submit all projects to it for final decision. The Regional Government aims to ensure that independently of the make up of the LAG board all local actors are represented on the Committee and that it is free from political interference. The presidency of the Local Committee will be shared between the LAG president and a representative of the Regional Government.

The final decision on the selection of projects rests with the local committee. However, the LAGs have to follow a common procedure specified in the Rural Development Programme.

One possibility is the local project selection committees might vary to accommodate different programmes and actors such as axis 4 of the EFF.

Nevertheless the workings of the Committees need to be followed carefully to ensure that they strengthen rather than undermine the autonomy of the LAG. There is a risk that LAGs in some countries just evolve into antennae of Regional Government – thus losing contact with their own base

## 6.6 Strengthening “area-based local development strategies intended for well-identified sub regional rural territories”

Article 62.3 of the EAFRD Regulation states that “*the area covered by the strategy shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy*”.

The Implementing Regulation fixes the lower and upper limits of the LAG area in flexible terms: “The population of each area must be as a general rule greater than 5,000 inhabitants and not exceed 150,000 inhabitants. However, in properly justified cases the limits of 5,000 and 150,000 inhabitants may lowered or increased respectively”

According to the Guide for the Application of the Leader + Initiative produced by the Commission, the average size of LEADER+ local action groups is around 56,000 inhabitants over an average territory of 1,805 square kilometres. “This, however, hides huge variations: the average number of inhabitants was over 70,000 in habitants in countries like Ireland, the UK and Italy and below 40,000 in Spain, Austria, Belgium and Luxemburg. In Sweden and Finland the average size is over 4,000 km<sup>2</sup> and below 500 km<sup>2</sup> in Belgium, Luxemburg and the Netherlands.

In fact the Synthesis of the Intermediate Evaluation of LEADER+ argues for an abolition of the numerical thresholds for LEADER, on the grounds that “the requirement of a relevant, consistent and viable area-based pilot strategy offers sufficient criteria for avoiding the approval of too small or too large areas”

Nonetheless it is clear that the territorial criteria in the RDR pull in different directions.

- The criteria for “critical mass” lead to larger territories - possibly ending in functional labour market areas. These areas would probably include market towns and urban centres. The risk of going too far in this direction is that the LAG can simply turn into another development agency – losing contact with the inhabitants and weakening the bottom up principle.
- The criteria for “coherence” often lead to smaller territories which share a common identity and a common set of problems. This is particularly appropriate in the early capacity building stage of projects In this case the animation of the territory and the application of the bottom up principle becomes easier but many of the causes and solutions of the problems will be outside the reach of the LAG.

Taking account the risks inherent in both extremes the following strategies have been detected in the countries covered by our study:

- **Geographical mainstreaming.** Finland, Ireland, Schleswig-Holstein and Andalucía have achieved the complete coverage of rural areas, in Austria the complete coverage is not determined, but would be seen as desirable by the authorities, if there are enough local partnerships capable to submit a sound development strategy. This completely changes the nature of calls for proposals for LEADER. The LAGs tend to be seen as permanent structures and much value is placed on the human and social capital of both the partnerships and the technical teams. As nearly all areas are covered competition can only come from rival partnerships within the same areas. This does happen but it is not so frequent. So the calls for proposals become a method for improving and selecting the best quality from what already exists. This seems to be the trend in many countries because of important costs involved in setting up high quality partnerships.

Some other countries (such as France which was not covered by a case study on LEADER) have decided to concentrate LEADER in the more organised territories to launch more specific innovatory projects. The aim is to chose the areas with the strongest capacity to act (organisational capacity, creativity and so on) and use LEADER to launch initiatives in specific areas like agro-food or the environment which add value to the more routine local development

processes In these cases, the aim is not to create permanent structures of governance, there is more competition between areas and the selection criteria can be stricter.

- **Defining appropriate areas to meet rural diversity.** For example, in Andalucía, LEADER territories are considered to be too large and diverse to develop a coherent strategy so the region expects to increase the number of areas from 50 to around 55.

More ambitiously, the Regional Government also wants to be able to modulate the levels and intensity of public investment to take account of the degree of rurality of each area. In order to do this it is testing a battery of indicators for developing a finer typology of rural areas which can be used to provide an objective basis for adjusting funding levels and rates.

- **Taking more account of urban-rural relationships.** In both Austria and Finland the areas covered by LEADER have been extended to cover urban settlements that are functionally important for rural areas. All but the larger cities (>50,000 inhabitants) are eligible. Because of the pattern of urban settlements in the Andalucía some very rural areas can fall within municipalities with a largish town or city and a population of over 100,000 people. However, the investments will be directed at the rural hinterlands of these areas and no investments will be permitted in settlements of more than 50,000 people.
- **Taking more account of differences within rural areas.** The Irish report mentioned the fact that many of the smaller villages and settlements in rural areas are losing out to the larger villages and towns. This is something that would have to be dealt with by introducing clearer territorial priorities into within the LAG strategies but as yet there are no examples to draw on here. There is one LAG in Lower Austria which deliberately pursues a strategy of internal differentiation (LEADER+ Verbund Weinviertel)<sup>25</sup>.
- **Step-by-step integration into the federal state.** Schleswig-Holstein is applying a step-by-step strategy of geographical integration. Due to the federal system in Germany the federal state's funding through 1257/99 resulted in the creation of 105 integrated rural development projects and 6 LAGs (LEADER+). The Integrated Rural Development Projects led to the creation of local partnerships and the development of a local strategies as a basis for local and regional development. But the budget for implementing the strategy had to come from other sources. Together the integrated rural development projects and LEADER+ covered nearly all rural areas. To maximise the funding, Schleswig-Holstein decided to fade out the funding through 1257/99 until the end of 2009 and simultaneously build up around 21 new LAGs state-wide until 2008. The challenge for the LAGs is integration and transformation of existing network structures into new LAGs and furthermore to open up financial resources from different programmes.

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<sup>25</sup> MECCA: Einsatz des Instrumentes LEADER am Beispiel Niederösterreichs. Working Paper 01/2007, Wien. P.58-63.

## 6.7 Extending LEADER to other axes and measures and instruments – strengthening the multi-sectoral design and implementation of the strategy

The theory is that once the LEADER partnerships have been strengthened in terms of their strategic capacity, their ability to manage public funds, their legitimacy and representativeness and their territorial balance – then they will be in a much stronger position to show other institutional stakeholders that they are an advantageous form of managing other measures and programmes.

For example, the people responsible for rural development in Andalucía, argue that the way in which LEADER has been set up as a fourth axis which can be applied to all other axes makes it look as if it is going to draw funds away from these areas. “Most public administrators are jealous of their budgets and powers so the art is to convince them that *the partnerships and their local staff will not take away resources but actually add to their capacity to carry out actions which they would find harder to do on their own*” In order to do this detailed negotiations have been held with those responsible for the main measures in the RDP to define where LEADER could be most useful in all three axes.

### Extending LEADER to other axes and measures of the RDR

| Country <sup>26</sup>               | Axis 3  | Axis 2  | Axis 1  |
|-------------------------------------|---|---|---|
| <b>Austria</b>                      | Open to all measures  | No intervention   | Increasing the value added of agricultural and forestry products  |
| <b>Finland</b>                      | Open to all measures  | Open to two measures  | Open to three measures  |
| <b>Ireland</b>                      | All measures implemented by LEADER  | None  | None  |
| <b>Andalucía (Spain)</b>            | All open and most implemented by LEADER   | Grants for non productive investments in agricultural land<br>Grants for non productive investment in forestry land | Information and training to farmers<br>Modernisation of farms<br>Increasing value added of agricultural and forestry products<br>Cooperation to develop new products and technologies<br>Improvement of infrastructure for agriculture and forestry |
| <b>Schleswig-Holstein (Germany)</b> | Open to all measures, integration of 1257/99 measures until 2010  | In parts  | In parts  |
| <b>Poland</b>                       | Diversification of farm incomes<br>Support to micro enterprise<br>Village renewal<br>Other Small projects | None  | None  |

LEADER in Andalucía will be responsible for most of axis 3, two measures in axis 2 and four measures in axis 1. The Regional Government has decided to ask the Local Action Groups to submit up to four programmes – one basic programme (covering the running costs of the LAGS, the preparation of the strategic plan and the specific programmes submitted to LEADER and animation and training) and 3 specific programmes - linked to the different axes in the Rural Development Regulation. All these fall under the general umbrella of the local strategic plan mentioned earlier.

<sup>26</sup> In the first part of this study we saw that LEADER will be restricted to axis 3 in Portugal but open to all measures in France and Italy

In Schleswig-Holstein the LEADER-approach will be applied to all axes in the programme. But the main focuses are measures in axis 3. The measures of axes 1-2 should be synchronised with LEADER as the programming period develops. But it is still not possible to say, which measures of axes 1 and 2 are eligible

In Finland, the LEADER approach will be applied to all axes in the programme. However, 14 measures from all 3 axes have been chosen as most suitable after consultation with local actors. The process has been made easier by the existence of the Rural Policy Committee which was described in part one. One of the working groups of the Rural Policy Committee is the *Working Group on the Local Action Groups (LAG)*. It is a horizontal cooperation body which has members from the different ministries, regional administration authorities, local action groups and some interest groups. At the same time it is also a working group of the Ministry of Agriculture and Forestry. This makes its role strategic: it combines different actors creating synergy between them and it also has a mandate of the Ministry which strengthens its position. The group's work will continue in the programming period 2007-2013 with new contents and focus.

The RDR in *Austria* states that "in the sense of a comprehensive implementation of local development strategies, there should be a strong focus on realising as many projects and measures under axes 1, 2 and 3 under the LEADER axis in close coordination with the local action group. However, in practice, it is thought that LEADER will not be involved in axis 2.

Total public expenditure on the LEADER axis in Austria is set at 387,9 meuro and of this 86% goes on the measures contained the local development strategies implemented by the LAGS. 70% are measures concerning axis 3 and 16% relate to axis 1. A relatively small amount of axis 4 is reserved for the functioning of the LAGs (10% of axis 4) and cooperation (4%)

In Ireland the integrated local action groups will be responsible for the whole of axis 3 but they will not take part in any other axes. However, as we will see below the Irish partnerships have a far greater role in the implementation of other strategies for local development and social inclusion in rural areas.

In Poland, beneficiaries have the choice of applying to LEADER or to traditional centralised support systems for three out of the four measures in axis 3 – Diversification of farm incomes, support to micro enterprise and village renewal. In addition, LAGs will be funded to support small projects (up to €6600) which do not fall into any of these categories.

### **Extending LEADER to other instruments of rural development.**

When it comes to using the LAGs for implementing measures financed by other community, national and regional instruments outside the RDP, the LEADER programme and partnership managers also have to convince other institutional actors that they can offer value added. This leads to very different situations even within the same country or region.

For example, in *Andalucía*, LAGS have presented and managed EQUAL and Interreg projects as well as specific projects for both Departments of Employment and Tourism. In the future, these measures will be negotiated with other regional ministries and departments on a case by case basis.

*In Finland*, many LAGs are planning to use ERDF, ESF and other national programmes. Around four of the LAGs will manage funding from axis 4 of the EFF for the Sustainable Development of Fishing Areas (€7.7 meuro in total)

*In Poland* there is a lot of support for the LEADER approach from national NGOs which are consulted in the programming of the ESF. As a result a special measure with a budget of €260 meuro has been created in the Social Fund OP for "partnership for rural development focusing on social capital in rural areas. This is open to other beneficiaries as well. However, there are likely to be some legal obstacles in the case of using other EU funds as there is very little coordination between the different planning bodies and they have all imposed different conditions on beneficiaries.

In *Austria*, a number of LAGs, mostly those whose experience reaches back to LEADER II, have embarked on managing various measures and schemes, mostly Objective 2 and INTERREG. They



even may diversify into different legal entities (non-profit association, company with limited responsibility etc.) in order to comply to differing funding mechanisms and requirements. However, those developments are mostly up to the local partnerships and are not explicitly supported by the managing authority or the governmental implementing bodies at Länder level, except in those alpine areas, where the “Regionalmanagements” (regional development agencies) coincide with the LEADER territories (Kärnten, Tirol)

The best example of “full mainstreaming to other instruments of rural development can undoubtedly be found in *Ireland*. There were 36 LEADER partnerships during the previous programming period. In about half of these areas the LEADER partnerships were used also use to deliver a series of important social programmes (for example, the Rural Social Scheme) while in the rest they were delivered through separate partnerships and agencies (such as Area Development Management).

In the 2007-13 programming period, the Irish Government is recommending that there should only be one partnership – the LEADER group – that delivers all programmes in rural areas. The LEADER budget is itself expected to increase by three. One LEADER group – the Duhallow Partnership expects this to mean a LEADER budget of around 7m euros for an area with about 30,000 people.

However, this would only represent between a quarter and a half of the budget that they manage. In addition to LEADER, for example, IRD Duhallow also manages the Rural Social Scheme, the Rural Transport Initiatives, Duhallow Community Food Services, a programme for fragile rural areas (CLAR), EQUAL, and a series of employment and training initiatives. In return for taking on these functions, board members and senior staff are expected to sign up to the same standards as the government and its departments.

In addition, Ireland has created a network of County Development Boards designed to coordinate all programmes at the level just above that of the LAGs. Membership of these boards is made up of representatives of central government departments, local authorities and the LAGs themselves. The local strategic plans of the LAGs must be endorsed by the CDBs to ensure that they fit in with broader county development plans. However, the administration of funds and project selection is left to the LAG board.

The 39 “Integrated Local Action Groups” in Ireland will be responsible for the following programmes:

| <b>Programme</b>                          | <b>Content</b>  |
|---|---|
| <b>The Rural Transport Initiative</b>     | A pilot initiative in Ireland for the past five years which is now about to be mainstreamed and rolled out nationally as the Rural Transport Programme with the integrated LAG’s being favoured as coordinator/delivery agents.   |
| <b>CLAR</b>                               | A national programme which favours rural disadvantaged areas where depopulation is a major factor   |
| <b>Community Services Programme (CSP)</b> | This is a relatively new national initiative which supports social economy type projects. The integrated LEADER Partnerships have been tasked with the selection of projects locally  |
| <b>Rural Social Scheme</b>                | This programme was introduced in 2004 with 2,500 places available to low income small farmers or their spouses and fishermen .Local Action Groups are the implementing bodies and are responsible for the selection of appropriate community work, the employment of the participants, and the financial management of the programme. |
| <b>Warmer Homes Scheme</b>                | Another national initiative which is aimed at reducing fuel poverty by installing and upgrading attic insulation, draft proofing windows and doors in order to reduce heat loss and fuel consumption.   |
| <b>Interreg</b>                           | This programme is being delivered in many parts of Ireland through inter territorial projects involving groups of LAG’s.  |
| <b>The European Fisheries Fund (EFF)</b>  | Negotiations are ongoing between the Ministry for the Marine and the Ministry of Community Rural & Gaeltacht Affairs to finalise procedures for the roll out of the EFF through LAG’s   |
| <b>Salmon Hardship Fund</b>               | This was established in addition to the EFF to boost the economies of those regions experiencing hardship since the Irish ban on salmon net fishing. All LAG’s in coastal counties are expected to deliver this programme   |
| <b>Local Development</b>                  | This programme has been delivered in both urban and rural areas.  |

|                                   |   |
|-----------------------------------|---|
| <b>Social Inclusion Programme</b> | There are 11 urban based partnerships and 14 joint LEADER partnerships. From the beginning of the next programming period LDSIP will be delivered in all rural areas through the existing or newly created LEADER partnerships. |
|-----------------------------------|---|

It can be seen that in many countries LEADER partnerships are being used to coordinate and implement more measures both within the Rural Development Programmes and in other programmes. However, the potential for using the partnerships for integrating the various policies that affect rural development is still a long way from being fully exploited.

## 6.8 Strengthening innovation within LEADER

Using the LAGs to implement new measures and policy instruments is only one of the ways of mainstreaming LEADER. In fact, the Intermediate Evaluation of LEADER + and some of the country reports argue that it is a strategy which risks “*backstreaming*” or diluting some of the distinctive characteristics of the LEADER approach. For example, the LAGs could get overloaded with the responsibility for implementing the conventional measures for rural infrastructure and farm roads – thus reducing their capacity to animate the territory.

This is one of the reasons why some countries like Austria tend to prioritise the innovatory path finding role of LEADER rather than its more basic role in the governance of local development. Austria has picked four priority topics for the local development strategies to be implemented by the LAGs: renewable energies, cooperation between agriculture and local economy (tourism), qualification (human resources), and innovation itself.

These have been further broken down into 27 sub-measures, some of which go beyond the scope of the measures in the RDR (this is specifically allowed in the RDR). They include: the development of systemic concepts for energy production and use as well as for local mobility; enterprise-based and inter-entrepreneurial measures for women in order to improve the job-family compatibility; branding strategies of trans-regional significance; clusters of sectoral and intersectoral cooperation (crafts...); rural-urban links, actions fostering local identities. Some of these areas (which are relatively new in other countries) already have quite a tradition in Austria so the LAGs are meant to innovate on past practice. A certain amount of additional national co-funding will be reserved for these kinds of innovatory measures.

In Schleswig-Holstein innovative measures are optional, the main focus lies on improvement of life quality as well as development and diversification of rural economies.

In the New Member States like Poland the setting of the LEADER Programme and Local Action Groups is in itself an innovation. The process has drawn out some valuable lessons for other countries in the same situation:

### **Lessons from the Polish Experience**

- There is more interest and involvement of rural communities in many areas of Poland in building partnerships and carrying out Leader-type actions than the Government originally thought;
- As a result, the attitude of national authorities (primarily the Ministry of Agriculture and Rural Development) to Leader-type activities has changed significantly, from an early opposition to the 5% minimum for the Leader Axis in the period 2007-2013 when this issue was first discussed in 2005, to a more positive attitude in the late 2006.
- This positive attitude is mostly shown by increased amount of funding above the minimum 2.5% required (current proposal – 4.6%), but the flexibility of the programme and autonomy of LAGs is still quite low. This means that LAGs will have significantly more money than in the present period, but their ability to support innovative, non-standard activities will remain very limited. The procedures and formats concerning application forms, eligible beneficiaries and costs, as well as most of the selection criteria of projects by LAGs will all be defined at the national level. All selected project will have to be verified by the regional authorities before payment;
- However, the consistent effort of stakeholders, including rural NGOs, and openness for dialogue with the social partners on the Ministry's side, have made it possible to introduce certain innovative solutions, such as „small projects” that the LAGs will be allowed to support if they meet objectives of Axis 3 (even though they don't fall within any of the selected Axis 3 measures). This is particularly important because the scope for funding and definition of beneficiaries in the „large projects” (i.e. measures in Axis 3) is defined in a very restrictive way. However, it should be kept in mind that these proposals have not been finalised yet;
- The programming effort could have been improved if solutions and lessons from countries more experienced in Leader (and generally in EU funds) could have been taken into account; this would prevent the programming teams from having to „reinvent the wheel” – they could certainly have benefited from analysing (and perhaps adapting to the Polish conditions and legal structures) the most effective methods and solutions developed in other countries;
- Lack of coordination between different government bodies makes it difficult for LAGs to become strong local actors benefiting from a variety of funding sources. A large scale information campaign about LAGs is needed for decision-makers not familiar with rural issues.

## 6.9 Cooperation and Networking

In general, it has been possible to obtain far less information about the future role of LEADER in national and trans-national cooperation and networking despite the fact the new far broader Rural Development Network is an important change compared to the last period.

The Regional Government of Andalucía will continue with the promising and unusual method of cooperation first tested in LEADER +. This has two parts:

The first is to provide a fixed budget for the work programmes of stable “cooperation groups” made up of at least 4 Andalusian LEADER groups and built either around a particular theme or a particular area. These groups can also cooperate with LEADER type groups in other parts of Spain, Europe and other countries such as Latin America and North Africa. The second is for specific “joint cooperation actions” proposed by the cooperation groups and selected by the regional government.

The advantage of this system is that it allows the LAGS to start with common problems at a regional level and then helps kick start more realistic and rooted projects at national and international levels

In Schleswig-Holstein trans-national and interregional cooperation is mentioned as eligible under LEADER, but it is optional. The national network organisation will be funded too in the new period.

## Planns for “Super networking” in Finland

**Budget** - Although there is a rather brief description of the Rural Network in the NSP, it has a substantial funding of 13 million € for the 2007.13 period.

**Aims and method of work** - The network will take an entrepreneurial approach in the sense of taking on new challenges and being flexible in structure and working methods. One of the goals is raising awareness. The network will help the people using the rural development programme see the broad picture, not only the part that they are involved in. It should help them see the importance of the role they are playing in working with the projects or receiving support for sustainable farming. It should help people understand the importance and meaning of all the axes and the added value of combining efforts.

The aim is to create a very open network by making the threshold for entry as low as possible. The actors are not asked to be *members* in the network, but *participants*, indicating that anyone can take part on their own terms.

The network itself will not be a policy making body. The knowledge gathered in the network will have to be used by for instance the rural policy committee or ministries.

**The process** - Two planners have been employed to start up the network. The planning started with an open hearing in the spring 2006. Many stakeholders (authorities, national organizations and universities) declared their readiness to take part . Stakeholders have been divided into 9 groups and a hearing/planning session has been held with each group. Two planning officers where appointed in the beginning of 2007.and they will work until fall 2007 when the network unit is organized.

**A network of networks** - There are initiatives to create regional networks to meet the special regional needs. These will be supported by the regional authorities. The national network will not manage the regional network but there will be close interaction, cooperation and division of work.

The national network will have a more active role when it comes to target group networks. They will be initiated by the national network. There is a Swedish speaking population of 6 % in Finland. To meet the needs of this group there will also be a Swedish sub-network.

**The network unit** - There will be a central unit with 5-8 persons located in Seinäjoki in Ostrobothnia. But the work of the network is also be carried by others, either by partners in the network or agencies carrying out tasks on the basis of tenders.

**Virtual networking** - Finland is sparsely populated with huge distances but it has a very modern high tech communication system. The network will try to make the best possible use of this by creating a good virtual platform for the work. This means combining existing web services but also providing a wide range of communication services, for instance video conference / virtual Connect Professional meeting room and other interactive services.

**Panels of diversity** - To promote creativity there will be special panels composed of people with different background and interests. By making people from different regions and target groups meet in new ways the network hopes to get new ideas and create a greater understanding between the actors in the network

## 7 Integrated Territorial and Sectoral Strategies

### 7.1 Paths to integration

This section looks at other, non LEADER, routes towards the coordination of rural development policies. Integration can take at or between different spatial levels, between or within sectors or between actors affected by a particular issue. The objectives behind the different forms of integration can vary considerably but most imply a new form of governance and new roles for the actors concerned with rural development

Traditionally integration is associated with economic, vertical integration applied to the agro-food sector. It involves a long and sometimes painful processes which leads actors in the agro-food sector to cooperate to face competition at market level. Some of the RDPs have focused on improving competitiveness through this form vertical integration of the agro food sector.

But there are other forms of integration, for example:

- Territorial integration (where Leader has had an important influence). Actors are brought together in new forms of organisation to facilitate the application of different measures in a particular territory
- Organisational integrated management - where the aim is to facilitate the application of rural development measures, in cases where the impact and the efficiency of the measures improve, when they are applied collectively and in a more organised way, rather than individually.

The following table summarises the types of integrated strategies observed in the countries studied.

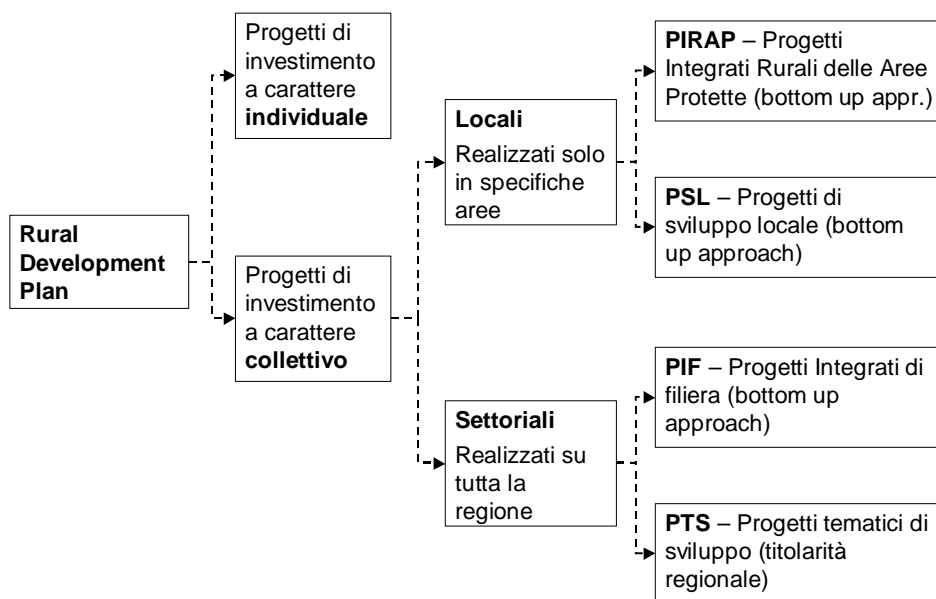
| Country               | Integrated territorial  | Integrated sectoral projects (mainly for the food sector)                                 | Integration applied to particular themes | Integrated projects for individual actors |
|-----------------------|---|---|--|---|
| <b>Campania Italy</b> | Integrated Projects for Protected Areas (PIRAP)<br>Local Development Projects (PSL) | Integrated Sectoral Projects (PIF)  | Thematic Development Projects            | Individual investment projects            |
| <b>Portugal</b>       | Integrated Territorial Interventions  | Strategic Sectoral Plans<br>Integrated Projects for Strategic Sectors (Food and Forestry) |  |   |
| <b>Scotland UK</b>    |   |   |  | Land Management contracts and RPACS       |
| <b>Romania</b>        |   |   |  | Integrated packages for subsistence farms |

One can see that all these approaches try to respond to certain key challenges:

- The extreme diversity of situations faced by rural areas – not only within the same country but often within the same region. This means moving away from standard solutions to more flexible methods for adjusting the fit of the policies to different needs.
- A gradual shift away from a paradigm based on compensating for deficits through passive income transfers to one based upon maximising the opportunities for sustainable development. Passive income support schemes are increasingly seen as a temporary stopgap. No matter how high they are set they will eventually be eroded if the underlying conditions affecting the competitiveness of particular territories and sectors is not changed. So it is increasingly seen to be necessary to link the grants to the achievement of certain results in a range of areas.
- The fact that diversification or other policies, on their own, are not enough. It is increasingly realised that there is a strong relationship between the competitiveness of firms and the general environment or conditions affecting the competitiveness of the territories in which they operate. Simply encouraging new activities on their own, will not work. But conversely, policies to improve the access and attractiveness of regions do not automatically lead to any form of economic revival. The two must be linked.
- The growing link between physical investment and human and social capital. Historically many rural development programmes have concentrated first on catching up on the levels of physical capital and infrastructure and only afterwards on more intangible investments in services and human resources. But it is increasingly clear that the organisation and application of knowledge and the governance of development is crucial at every stage.
- The need for « glocal » solutions. In order to compete on world markets or even to retain a certain proportion of local markets in the face of global competition small scale operators or even bigger have to obtain a certain critical mass. If they are to survive, especially in the international market this necessarily means building alliances with other operators that affect competitiveness both within the territory and along the value chain.

As an example, Campania in Italy is one of the regions in Europe which has faced these problems and developed a very full range of different types of integrated projects, as shows the next scheme.

### *Implementation tools of Campania's RDP*





## 7.2 Integrated Territorial Projects

Two types of project integrated territorial projects have been observed in the countries studied: one specifically for protected areas - designed mainly for the organisations managing natural parks; and one for more general local development strategies. Both forms of integration involve:

- Either a series of actors coming together into some form of *partnership* which present an integrated *plan* which forms the basis of a *contract* which specifies the conditions upon which the actions are funded.
- Or the reinforcement of the vertical relation beneficiary/ administration, in a private/public partnership to improve the implementation of the measures, especially for protected areas where there is a need to have a stronger territorial impact.

The Italian and Portuguese examples illustrate this approach:

**Italy :**

### **Integrated rural projects for protected areas (Progetti Integrati Rurali delle Aree Protette - PIRAP)**

**Aims.** in rural areas of particular environmental value, to promote and realise coordinated public interventions to adapt the infrastructure necessary for a better utilisation of the territorial resources, the prevention of environmental risks and improvements in the quality of life of the inhabitants.

**Eligible areas and intermediaries.** The areas should have a strong link to the protection of the environment and be defined by the bodies which guarantee the supervision and management of the zones. They should promote a broad dialogue in the framework of their direct competence and encourage the participation in the definition of all projects of the variety of holders of public and private interest in the territory.

The eligible areas for the accomplishment of the PIRAP are the Park Areas. The projects are carried out by the management bodies of the parks.

**Modes of action.** Investment contract or programme agreement depending on the arrangements foreseen in the programming or other procedures.

### **Local Development Programmes (Progetti di Sviluppo Locale -PSL)**

**Aims** - To promote and carry out actions which support and link the actors in the process of economic diversification and to implement territorial marketing actions to strengthen key linkages within the areas chosen. The actions should be based on a development strategy agreed for the different areas and be in connection with the PIF and the PIRAP,

**Eligible areas and intermediaries** - Planning and implementation will be carried out by LAGs according to Article 62 of Regulation 1698/05, selected in line with axis 4 of the RDP of Campania 2007-2013.

#### **Modes of action**

Local Action Groups will elaborate their own programmes on the basis of the specific indications to be given by the regional authority. Amongst others, these will specify:

- the maximum number of LAGs and PSLs to be financed, which cannot be more than 12
- the financial allocation for the realisation of the LEADER approach
- the minimum criteria for eligibility of the PSLs
- the modalities for the selection of the PSLs that are eligible for funding, in line with the correct application of all procedures
- the operation and competences of the Province and the region in the promotional activities of the LAGs and the implementation of the PSLs

The choice of the measures applicable in the context of the LEADER approach takes into account the programming functions of the Province which, in the areas concerned, carries out a role of strategic orientation of economic development and of coordination of the activities developed by local bodies. The Local Development Programmes should be elaborated with the objective of integration and complementarity with regards to public initiatives developed in the context of the PIRAPs (see above).

To these two examples the Portuguese Integrated Territorial Interventions must be added. These build on the area or zonal plans of the previous period (2000-6) and are enlarged to the different areas covered by Natura 2000. They envisage an integrated application of agro-environmental measures in the protected zones. The territorial approach is also evident here, but the integration is limited to the links between agriculture and the environment. As for the local partnership - called local support structures - these mainly work on the implementation and monitoring of centrally decided plans and are limited to the actors directly involved in the sector. However, the link established by the LEADER LAGs today - notably for the animation of the local support structures - will enlarge the partnership and should allow for a better integration of other sectors.

### **7.3 Integrated Economic Sectoral Agrofood Projects**

There are two forms of what Portugal and Campania have called economic integrated sectoral projects. The first concerns projects which integrate a series of actions and actors along a particular food chain. (These are what we refer to as economic integrated agro-food projects in this report). This approach generally concerns important, competitive sectors which the region considers have the potential for improving their performance by increasing economies of scale, removing obstacles and improving coordination along the value chain. In this case the actors involved in the partnership can come from outside the sector (for example, transport and logistics).

The aim of this kind of intervention in the agro-food sector is to create public/private partnership to accelerate and facilitate the vertical integration. The Strategic Sectoral Plans and Integrated Projects for the Food Sector in Portugal fall into this category.

#### **Objectives of economic sectoral integration**

Certain obstacles to the development of competitiveness in activities related to agriculture and forestry exist in MS where it has been difficult to implement vertical integration. These are hard for individual farmers or enterprises to overcome in sectors where investment needs to be programmed and coordinated. This is particularly true with regard to infrastructure and the redeployment of activities.

This action plan attempts to concentrate strategic actions in key sectors. This means above all sectors with a high potential for development which have not reached the required level of competitiveness. They can often achieve this without having to incorporate too many external production factors, but rather by optimising endogenous resources and opportunities and by mobilising the different stakeholders of the network from the top to the bottom of the value chain. With these actions it is easier to introduce technological innovations and to focus on a better quality of products.

What are the reasons for the delays in integration? The deficiencies in agricultural and forestry networking can be attributed to the lack of a strategic vision, vertical integration or a critical dimension as well as the weakness of entrepreneurial organisation, qualifications, innovation and low value-added. What are needed are responses to specific needs in complex areas where success depends on diverse and joint actions. Furthermore, these often need to be simultaneous and integrated, requiring forms of support to be negotiated within a contract. These actions have a formative character on the territory, on its social and economic development, the growth of exports and employment. They also meet certain administrative and technical requirements which justifies the differentiation of this operational instrument. This is the case for both Portugal and for the Italian region (which applies strategies for both vertical and horizontal integrations at the same time).

## Italy.

### **Integrated Sectoral Projects – Progetti Integrati di Filera (PIF)**

**Aims** - The introduction of innovations and the improvement of quality are sought from the development of new forms of sectoral governance that mobilise and encourage strategic alliances between economic and non-economic actors. These can participate in different ways of improving the market competitiveness of the supply chain or “filière”. In organisational terms, some of the actors who contribute to the development of the filière do not exclusively belong to the agro-industrial sector, but carry out other key functions in the supply chain. These roles can include transport, physical distribution, marketing, internationalisation and research. The final objective is to bring public and private actors together to enable them to define a joint management and cooperation model that will increase the overall competitiveness of the regional supply chains.

**Eligible areas and intermediaries** - The sectoral partnerships are made up of public and private organisations, economic operators, sectoral organisations, research and training bodies and public agencies responsible for developing the internationalisation of agricultural and agro-industrial produce. The involvement of partners should shape the programming of coherent and sustainable development initiatives. This implies financial resources from EAFRD, ERDF and ESF necessary to give life to the development processes of the network combining governance, territorial implantation and marketing in an organic way.

**Modes of action** - Promoted by the regions, the PIF will be developed by sectoral partnerships based on the specific directions given by the Regional authority, which will set out the objectives, available resources and eligible expenditure. It will also indicate the sectors and the number of projects to be carried out as well as the methods for giving approval and of accomplishing the objectives, including the definition of the roles and competences of the involved actors.

## Portugal

### **Strategic sectoral plans**

These plans integrate all the agricultural and agro-food enterprises in a network and are based on an agreement between the Ministry and the social partners. They improve the conditions for accessing public funding and regroup all the necessary measures for the development and consolidation of the sector into one single plan. These actions include the cooperation between all the stakeholders within the sector, training, the creation of competences and the development of quality products.

The beneficiaries are the enterprises, groups of enterprises or professional associations within or outside the partnerships together with competent institutions in the technological, environmental or administrative fields. Such action allows for the creation of specific operational instruments through integrated projects for strategic sectoral networks.

At the same time, these projects are subject to a more continuous process of public and private evaluation which will reward or penalise the actions undertaken. This monitoring will also lead to adjustments in the instruments of intervention.

### **Integrated projects for strategic sectoral networks**

The projects envisage investment plans for the networks, which include not only physical investment - financed in the framework of projects linked to competitiveness - but also non-material investment in areas such as training, the sharing of expertise and development.

The funding conditions should be defined for each of the projects through agreement between the promoters and the public administration. Quality products, including the produce of organic agriculture, are part of a different measure with another approach: they cover smaller, less competitive networks, particularly in terms of exports and industrial production.

Networking, partnerships and integration can be found in these two examples. Nevertheless integration is a long and sometimes painful process which leads actors in the agro-food sector either to cooperate or to face problems at market level.

## 7.4 Integrated Projects for particular themes

In Italy, integrated projects can focus on specific themes such as water management and renewable energy. In Portugal, the focus is on the forestry sector, which is crucial not just because of its geographical spread, but also its economic importance and the role it plays in environmental affairs.

In addition to the other forms of integrated project, Campania has also launched integrated projects which they call « thematic development projects » (progetti tematici di sviluppo). These bring together operators and actions across the entire region around a particular theme like water management or energy consumption.

### Italy

#### **Thematic development projects (Progetti Tematici di Sviluppo –PTS)**

**Aims.** The Thematic Development Projects are instruments to deal with rural development issues which do not concern sectoral or territorial networks, but which are characterised by their transversality, whether in terms of development conditions or specific territorial elements. The Thematic Development Projects will carry out thematic initiatives of more general interest in a more efficient way. This includes activities related to the support of productive activities (energy, the rational use of water resources, land optimisation, the internationalisation of products etc.).

**Eligible areas and intermediaries.** The actors involved in the preparation and implementation of the Thematic Development Projects are the Region and other public bodies with specific competences in the relevant areas of each project. The eligible areas are the specific regional territory of each project.

**Modes of action.** The Thematic Development Projects will follow the guidelines adopted by the regional authority, which amongst others, will specify the themes of action, the budgets, the eligible expenditure and the actors to involve in the preparation and execution of the projects.

## Portugal

### **Integration of the forestry sector**

This form integration is specific to the Portuguese situation due to both the economic importance of the sector and the serious fires which have ravaged the forests in recent years, affecting up to 400,000 ha in one year. Special forest investment funds created by the regulation 1698/2005 (Fundos especiais de investimento imobiliario florestal) allow investments to reach a decisive level. These are made in the framework of public-private partnerships which allow a more effective execution of projects.

### **Municipal plan to protect forests from fires**

In the forestry sector, municipalities are now obliged to elaborate their own plan (Plano municipal de defesa da floresta contra incêndios). This obliges municipalities to analyse the situation of the sector and to participate in the construction and maintenance of the necessary infrastructure.

### **Forestry Intervention Zones - (Zonas de intervenção florestal – ZIP) and Management Societies**

The zones of intervention are designed to allow owners to develop a common management of the area. Forestry Management Societies made up of these owners (Sociedade de Gestao Florestal) are formed for each area. Their work includes defence against fires and close cooperation with the municipalities. They can work to commercialise their products and are better placed to used credit and grants in a more effective way.

## 7.5 Integrated Projects for individual actors

When applied individually it has been seen that the impact of some rural development measures is quite limited. It can be much more effective if they are grouped into a coherent package of actions. For this reason, in their RDP's some MS propose mechanisms for encouraging certain actors to take a more integrated approach.

In case such as these, co-responsibility operates between the manager of individual projects and the level above following the principle of autonomy in return for responsibility. Individual actors are engaged around global objectives, resulting in vertical dialogue for which they receive conditional support. This aims to move away from a divided approach, by which support is given an an ad hoc basis following a strategy devised at the higher level.

Several types of instrument have been developed which allow individual actors to apply for an integrated package of measures (progetti di investimento a carattere individuale) rather than having to apply for each measure separately (for example, a grant for physical improvements to a farm or firm can be accompanied by actions to improve training and marketing. The Land Management Contracts in Scotland and the Integrated Packages for Subsistence Farms in Romania are examples.

In Romania, the method has been adapted to farms in the subsistence sector. Actions are not undertaken collectively by the actors, but the methodology designed at national level is applied to all interested beneficiaries with more appropriate accompanying measures. So Romania specifies the kind of measures already applied to other farms that are more appropriate to apply to the subsistence farms. The investment plan integrates different kind of modernisation actions. Another kind of action is related to young farmers with other conditions. There are also other institutional measures such as advisory services and groups of farm producers. All examples of an individual approach, although the Romanian programme also permits an evolution to a collective approach.

### **Land Management Contracts (LMCs): in Scotland**

The Scottish Rural Development Programme aims to use Land Management Contracts (LMCs) to “enable the Scottish Executive to deliver many of its broad-ranging priorities for rural areas and to achieve a cross-cutting approach to implementing actions across the Axes of the RDR”. The Scottish Executive (SEERAD) proposes to “move to a system where LMCs become the principal gateway to support for land management, business development, diversification and wider rural development measures.”

“For example, agri-environment measures on wetland biodiversity can deliver benefits relating to water quality, flood management, soil quality, climate change and tourism. Some measures can also deliver benefits that cut across the Axis; for example, measure to improve the nutritional quality of food can deliver other environmental benefits under Axis 2, such as improved air quality, and also reduce costs, thereby contributing to the competitiveness objective of Axis 1.

### **Scottish Land Management Contracts (LMCs)**

Two of the guiding principles of LMCs are to:

- *Deliver broad economic, social and environmental policy objectives through an integrated approach to land management;*
- *Provide the basis for moving towards a 'one stop shop' for land managers and other rural actors and a joined-up approach to the administration and delivery of rural funding by the Scottish Executive, its agencies and Forestry Commission Scotland;*

The full LMC concept has 3 tiers:

- **Tier 1 – Single Farm Payment and cross compliance** - securing a basic level of environmental protection, food safety and animal welfare;
- **Tier 2 – LMC Menu Scheme** -delivering widespread benefits leading to economic, social and environmental improvement; and,
- **Tier 3 – under development for 2007** - providing tailored benefits leading to economic, social and environmental enhancement.

Tier 1 Single Farm Payments are “decoupled” from food production, but come from Pillar 1 of the CAP, and are thus not part of the SRDP. Tiers 2 and 3 aim to provide support to a “*broader range of land-based activities, including the farmed environment and forestry, and to support other sustainable activities in rural communities*”.

The SRDP makes two specific proposals “to ensuring a regional and local dimension to Tier 3 of LMCs: First Regional Project Assessment Committees (RPACs see below) will be created to enable a broad range of stakeholders in different areas of rural Scotland to participate in the process of deciding which applications should receive funding; and,

Secondly, regional rural development guidance should be provided on the outcomes and priorities of relevance in making decisions to fund applications

LMCs are therefore seen as the main way of integrating environmental, social, agricultural and rural objectives, but this is ‘mainly’ through farmers, crofters and landowners to whom the idea of Land Management Contracts is particularly suited. Some observers have seen this as a means of ensuring that not only Axis 2 but also Axis 3 payments go mainly to farmers rather than to non-farming rural entrepreneurs or to rural community organisations

The framework for Tiers 2 and 3 of the LMCs would allow Scotland to integrate the following individual schemes into one package: Organic Aid Scheme; Farm Business Development Scheme; Agricultural Business Development Scheme; Scottish Forestry Grants Scheme Farmland Premium; Scottish Forestry Grant Scheme (in part); Scottish Natural Heritage Natural Care Scheme (in part); Crofting Counties Agricultural Grant Scheme; Crofters Cattle Quality Improvement Scheme; Crofting Counties Development Scheme; Agriculture Processing and Marketing Grants; and Scottish Rural Partnership Fund.

The advantage for clients is that only one application form will need to be completed for a whole range of actions,(as in Italy and Spain) currently covered by the eleven schemes listed above.

The disadvantage lies in the fact that it is mainly farmers and landowners who are eligible for this measure. It will also be extremely difficult to control (and measure) what goes to Axis 2 and what to Axis 3 of the Regulation. One difficulty is dealing with the need to facilitate agricultural support on the one hand, but also to draw in other rural concerns on the other. SRDP Policy has roots in the CAP changes, and yet it is now aiming to be (more) cross-cutting. How far should rural policy be compatible with the CAP framework? Can ‘rural development objectives be achieved through a single ‘client group’ of ‘farmers’?



Most items concerning axis 3 relate to non-land based clients, and it therefore seems strange to include these within the frame of Land Management Contracts or the proposed Rural Development Frameworks (which do offer attractions, especially in providing a mechanism for multiple applications as well as cooperation between land managers, but about which there must be concerns for non-land managers).

### **Regional Project Assessment Committees (RPACs)**

The actions approved within the Land Management Contracts in Scotland will be decided on by a new more participative and more “joined up” form of project assessment committee called the *Regional Project Assessment Committees*. The RPAC’s will include key government agencies, NGOs, business and community groups, and will be built around existing administrative structures ‘as far as possible’. The proposal is to tailor the support to the needs of communities across rural Scotland through an element of devolution in decision making is both welcome and absolutely necessary to achieve the outcomes desired. Equally, the proposal to engage local stakeholders in this process is also welcome, necessary and innovative.

But it is important to point out that RPACs will be a *different* – and additional - partnership, sitting alongside other (differently composed) regional partnerships in Scotland, and especially the existing Community Planning Partnerships (CPPs) which are based on Local Authority areas. Community Planning Partnerships are non-executive bodies without powers or funding. They do not have private sector and NGO participation. Nevertheless on the one hand the Government appears to expect quite a lot from CPPs, but on the other they do not trust them enough to combine them with RPACs and include non-public sector members! There must be concerns about the proliferation of partnerships, not to mention overlap, duplication, and inconsistencies of goals and measures as well as expected outcomes.

Questions remain about how the RPACs will be advised and monitored: who will compose the committees? Will there be a duplication of work? How the experience of the LAGs will be tapped, etc. There are legitimate fears that RPACs could also become just another bureaucratic layer, which is not popular with the public, potentially increases the time taken to make decisions, and potentially costly for the public purse.

### **Romania**

The challenges facing Romanian rural areas in the coming years are immense and the ways in which the Rural Development Programme responds to these challenges is a severe test of the robustness of EU policy tools and have important repercussions for the rest of Europe.

Nearly half the population of Romania (48%) live in rural areas and over a third of the workforce (35%) work in agriculture. There is a starkly dualistic farm structure with around 25,000 farms of between several hundred and several thousand hectares producing for the market and 4.5 million subsistence farms of less than 2 hectares. These have been the only refuge for people thrown out of state industry and farms and explain the fact that in rural areas the population has actually grown in recent years

So the challenge is both to modernise Romanian agriculture and recapture much of the local and external markets that have been lost - while at the same time providing as many people as possible with a sustainable form of living in rural areas. It is clear that if Romania simply follows the pattern of other EU countries millions of people will be forced to leave the country side and look for work in the cities of their own country and the rest of Europe

In this context Romania has chosen a two pronged strategy. The first part involves supporting the restructuring of agriculture and particularly the transition of as many subsistence farms as possible into viable enterprises producing for the market. The second, strand has been to encourage the creation of alternative economic activities related to an improvement in the quality of life in rural areas.

**The first strategy** brings together a range of measures into an integrated multiannual package for subsistence farmers (a 5 year plan for each farm supported by a grant of 1500 - without cofinancing - including technical support for the farmer). The aims are to encourage a smooth generational transition by supporting early retirement on the one hand and the setting up of young farmers on the

other, to increase the levels of investment in both physical and human capital and finally to encourage cooperation among small producers.

In addition to the traditional measures for early retirement, the setting up of young farmers and the modernisation of farms, Romania has brought in a series of specific transitional measures negotiated on her entry to the EU. These are grants to subsistence farmers who prepare a 5 year modernisation plan, grants for advice services to farmers and grants for groupings of producers

#### **Integrated package of measures concerning the transformation of semi-subsistence farms into commercial farms**

Over a period of seven years - the length of the programming period - a semi-subsistence farm which envisages developing towards a commercial exploitation can foresee several progressive stages:

**In a first stage** the farmer starts with the preparation of a 5-year development plan, which allows him to receive an annual grant of EUR 1,500 over the period. At the same time, the farmer can benefit from the services of a technical or management advisor to help him develop and implement the plan. This advisor can also help him to complete the documents needed to benefit from the other measures for which he is eligible in the context of the national RDP or to receive the grants under the 1<sup>st</sup> pillar of the CAP. The farmer has EUR 1,500 each year - without needing to provide private co-funding - to pay the services of this advisor for a period of three years.

**In a second stage**, those under the age of 40 can elaborate an setting up (installation) and development plan for their farm with the help of an advisor which, if it is accepted, gives them the right to a setting up subsidy of between EUR 25,000 and 40,000.

This subsidy, as well as the semi-subsistence support envisaged in the first stage, can make up a volume of investment which enables the farmer to access the specific investment measure for the modernisation of farms. An investment project in the framework of this measure allows a farmer to finance up to 55% - for young farmers - of the modernisation investment foreseen in his plan and eligible under the national RDP.

Furthermore, farmers over the age of 55 who leave their land to another to allow them to increase the size of their farm can benefit from the pre-retirement measure. However, the application of this measure is only foreseen from 2010 by which time it is expected that the prescriptive framework for its application should have developed in the national legislation. From now until then, a correlation can be assured with the programme of life annuities currently applied when older farmers leave their land to an active farmer.

To these measures can be added specific support for the formation and development of organisations of producers (a measure already in place in other MS). These would join their farms to commercialise their produce together from an annual turnover of EUR 100,000. It is to be assumed that a small farm would find it difficult to break into and achieve a sustainable place in the market by itself with its limited production. In this case, the organisation of producers could offer an interesting alternative.

This way of dealing with the problem of the transformation of semi-subsistence farms seems to be well structured from a conceptual perspective. However, one can ask about the institutional capacity to implement a modernisation plan to make the farms viable amongst such small farms. No institutional mechanism is foreseen to successfully implement the modernisation of these farms.

A key element in the successful implementation of this integrated package of measures, which does not seem to have been adequately valued by the Romanian authorities responsible for the management of the RDP, is the capacity to advise and provide a framework for farmers who are going to engage in this process. The state agricultural board has a rather limited level of expertise on the economic and management aspects of a farm; it must be assumed that the implementation will be progressive. Private advice is also in its infancy, its emergence being stimulated by the implementation of the SAPARD programme which is focused more on investment projects than on an integrated concept of farming.

At institutional level, the deficit is noted by the authorities who intend to take a loan from the World Bank to finance a programme to create and consolidate the capacity for private advice to support the restructuring process of farms.

Despite these policies it is clear that only a certain proportion of the 4.5 million subsistence farms is going to be able to make the transition to becoming a viable enterprise. So in parallel to the first package of measures the Romanian RDP proposes **a complementary strategy** made up of a package of measures to stimulate the creation of new activities directly related to the quality of life in rural areas. The aims are to help in the concentration of land-ownership into viable units by providing off farm alternatives, assist some farms to survive through part-time activities, to provide jobs for rural young people and even attract back young potential investors who have emigrated and finally to provide services to improve the quality of life in rural areas.

To this end Axis 3 in Romania contains two groups of measures one directed at creating alternative activities in the tourist sector (excluding accommodation which has already covered more and the second to help farmers to diversify into non food production and services.

The key challenge identified for all these integrated packages of actions is to assure the quality of the parallel advice services required to help farmers design and implement their projects.

## GENERAL CONCLUSIONS

The study that has been carried out of the rural development measures proposed in 11 Member States for the period 2007-2013 has taken place in two parts:

- The **first part** of the study involved an analysis of the National Strategic Plans.
- The **second part** of the study provided a statistical snapshot of the Rural Development Programmes and a review of some innovative features

We can draw the following conclusions from the report:

### PART ONE ON THE NATIONAL STRATEGIC PLANS

#### The context for designing the NSPs

The NSPs are being designed in a context of budget reductions in many Member States together with pressure from ongoing commitments. So the scope for change is often limited.

Most countries tend to use a variation of the classic typology of rural areas developed by the OECD and Eurostat which distinguishes between peri-urban, intermediate and remote rural areas. The country reports indicate that these areas are undergoing major demographic and employment changes in most Member States.

The National Strategic Plans follow the guidelines laid down by the Commission and start their analysis with an account of the strengths and weaknesses of the agro-food system and the environmental situation. After this, many NSPs make reference to the typologies of rural areas mentioned above and to the different kinds of problems that they face. But they rarely present a vision for the future of these areas and the territorial analysis is seldom translated explicitly into the strategy that follows. In nearly all cases, the only typology used explicitly for policy is the Community delimitations of Least Favoured Areas and areas covered Natura 2000.

However, although this does not appear in the NSPs, it is clear that some countries are using the measures in the Rural Development Regulation as part of more territorially sensitive national and regional approaches to rural development. It is often possible to detect an implicit link between the needs of different types of rural areas and the strategy developed in the NSP. For example, in the case of Finland, it seems that the third category of remote rural areas receives an important part of the budget.

In some cases, these countries have their own explicit national rural development strategies (eg Finland, Ireland) while in others (e.g. Austria) the measures in the RDR seem to be mixed rather creatively at regional and local levels. The methods proposed for adapting the policies to the needs of different kinds of areas include sectoral and territorial "integrated" projects in axis 1, the expansion of agro- environmental and natural handicap payments and the development of different kinds of land management contracts in axis 3 and the expansion of LEADER in axis 3.

Nevertheless it is clear that the beneficiaries of the funds, in most cases, remain restricted to the agricultural and agrofood sector. This is true for the investments envisaged in axis 1 and also for the beneficiaries of Less Favoured Areas and Natura 2000 who are also farmers. Only the limited funds devoted to axis 3 and 4 leave some space for other rural actors. However, in a long term policy there is no need to oppose farmers and non farmers or to that one or the other is the basis main basis for rural development. This leads to an excessively simplistic and dualistic debate which risks dispersing the energy required for a rural development which requires the active involvement of all actors <sup>27</sup>.

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<sup>27</sup> There is an important percentage of farmers involved in pluriactivity (more than 50% of work outside the farm). It is also important to take into account the different types of farm and farmers (it is not possible to enter into detail here) and to avoid a situation where rural development budgets finance large agro-environmental projects which follow a different logic.

In this context, the country reports identify a series of key questions do not appear to be given sufficient attention within the NSPs. These include : a lack of differentiation between different types of rural area and different types of farming and food industry in certain countries; insufficient priority to creating jobs in rural areas in some countries; a tendency to “strengthen the strong” in some countries; weak governance in rural areas in some countries; inadequate capacity building and social capital; in some countries, an emphasis on isolated investments in agro-food rather than coherent approaches to the whole food chain; and a frequently a defensive rather than proactive attitude towards natural resources

### **The process followed in designing the NSPs**

The country reports provide a lot of rich insights into the consultation process carried out in the Member States, which has generally been intense and wide - ranging from different institutional levels to farmers and their representatives and Leader groups and civil society representatives. The institutional debate has been particularly strong in those countries with a regionalised system where it is clear that the process has substantially affected the design of the NSPs. Farmers and their representatives have also been particularly influential. However, there is still a noticeable weakness in the representation of non-agricultural rural actors outside LEADER despite the appearance of civil society organisations like the Polish Rural Forum.

In general, there is a need for: more time for discussions, greater transparency and accessibility of information, working groups at the early stages to discuss the principles and design of the strategy, genuine platforms to create space for “concertation”...

The centre of the debate has continued to revolve around the weight given to each axis. The agricultural sector has wanted reinforce its competitiveness and the food sector has wanted greater sectoral integration with more resources for axis 1. Environmental organisations want more funds for axis 2 and rural movements and mayors more funds for axis 3.

Other debates have included: the level of centralisation versus regionalisation in programming; the percentage of each axis going to farmers; the percentage of funds going to large intensive farms and food firms competing on international markets; the role of the Leader axis; and the balance between development and conservation.

While it has been possible to refer to these debates it is harder to identify their impact. New social challenges have emerged such as the production of bio-fuels where there is some potential for agreement between farmers and environmental organisations or the conditions for sustainable development where farmers and environmental organisations tend to disagree on the application of the norms. In both areas farmers are playing a larger role within society. The need for some countries to ensure that their agro-food sector can compete on international markets and to increase technological development in agriculture also limits the margin for manoeuvre in some cases.

### **Strategic objectives, axes and measures**

Compared to the previous period there seems to be an increase in funding for axis 2, 3 and 4 compared to axis 1. In particular there is a small but notable increase in investment non agricultural diversification, the quality of life and services although these measures are still very small in relation to the total. LEADER has shown that the return to investments in these measures is higher in employment and social terms than in the other fields.

So In general the NSP’s must be considered as a gradual evolution of the policies developed in the previous period. However, as specified in the terms of reference, we have tried to identify the main new developments and innovations which will be analysed in the next part of the report

### **Instruments for coordination and integration**

In terms of the internal and external coherence of the NSPs, most make general references to the main Community Strategies of Lisbon and Goteburg but do not make specific links with their content. This is despite the fact that the various options considered by the Member States for technological development in agriculture, the diversification of economic activity, the protection of the environment

and sustainable development are extremely important for the outcome of these priority community strategies.

When it comes to links with the other structural funds, the creation of a separate fund for rural development may well simplify procedures but it also increases the difficulty of coordination with the Regional and Social Funds, In this sense, the NSP tend to mention various forms of demarcation to prevent duplication but do not go very far in the development of mechanisms to encourage genuine synergy. This will probably take place in interdepartmental committees and new structures for planning and coordination such as those mentioned in Finland, Scotland, Ireland and Spain.

### **Cooperation and Learning**

As far as the new Network for Rural Development is concerned this could turn into a genuine space of representation and dialogue between the different interests in rural areas and different levels of the administration. However, it will have to avoid the domination of the more powerful interest groups and head-on conflict on the most contentious issues. Ideally the network would gradually build trust and support around a central core of less conflictive issues which we have called the “golden triangle of concertation” for rural areas.

## **PART TWO ON THE RURAL DEVELOPMENT PROGRAMMES**

### **Statistical snapshot of the RDPs**

One can identify different groups of countries according to the priorities given between the different axes:

- **Axis 1**, centred on the development of agricultural and agro-food competitiveness receives a very different level of priority in the MS studied. The percentage of the budget dedicated to it varies between 15% for Austria and 53% for Spain.

However, there is a clear group of countries that are very concerned with improving the position of their agro-food systems on world markets. These countries include most of the New Member States including Poland (42% on axis 1) and Romania (41%). They join the Southern European countries: Spain 53% Greece 50%, Portugal 46% and Italy 42%. France spends roughly the EU average (38%) on increasing the competitiveness of its agro-food complex

- **Axis 2**. Secondly, at the other extreme, there is a group of countries, as in the previous period whose primary objective in the RDP is to maintain a sustainable (multifunctional) agricultural and forestry activity over as much of the country as possible. They concentrate heavily on axis 2. This included four of the five countries are in our study: the UK and Ireland with 80% on axis 2, Finland 74%, Austria 73%. Most of these countries spend a very high proportion of their budget on a small number of measures (particularly Agro-environmental Payments and Least Favoured Areas).

These countries do not seem to use the RDPs in the same way to promote the diversification and quality of life in rural areas – although many have their own important national policy in this area which does not depend on EU funds. This may explain why despite the relatively small proportion of the RDP budget spent on axis 3 many of these countries are at the forefront of mainstreaming the LEADER axis (eg Ireland, Finland and Austria)

- **Axis 3**- Thirdly, some countries, including some of those particularly concerned with increasing the world competitiveness of their agro-food sector, try to balance the expenditure between the different axes and devote an important part to axis 3 with the aim of encouraging the diversification of their rural areas. If one distributes axis 4 as specified in the RDP's we arrive at an average of 19% devoted to axis 3 for the EU 27 – which is higher than in the previous period. Germany, followed by Poland and the two most recent EU Members also spend a relatively high proportion on this axis. Some countries and regions in this category

also use LEADER as an important method of delivering axis 3 but the potential here is far from exhausted.

## **Innovation**

The RDPs are still fundamentally concerned with the modernisation and competitiveness of their agriculture systems and non agricultural beneficiaries only account for around 15% of the total budget in the five old Member State where we had data (20% in Poland). So for broader territorial approaches to rural development it becomes essential to find ways of integrating the Regional and Social Fund, using their support for rural areas in the field where they can intervene.

Most of the measures in the new Rural Development Regulation correspond very closely to the measures in the old RDR although small changes make comparisons complicated. There are a series of “relatively” new measures that were introduced in the 1257/1999 Regulation following the CAP – reform. These include the advice services for farmers (axis 1), measures to encourage the involvement in food quality schemes (axis 1), support for animal welfare (axis 2), support for capacity building in local development strategies (axis 3). According to sources quoted in the report it seems that these new measures only represented around 1.5% of public spending on the RDR in the eight countries they studied<sup>28</sup>.

In the first stage of this study, the experts from the 11 countries covered found that the most innovatory features proposed for the new programmes were: the extension of the non agricultural measures in axis 3 and in particular the extension of the LEADER method to all axes; the development of different kind of integrated sectoral and territorial projects; mechanisms for the coordination of rural development measures; the development of various forms of Territorial Land Contracts that bring together measures from various axes; strategies for emerging sectors such as biofuels, biotechnologies; and the new measures mentioned above

The first four of these themes have strong implications for the governance of rural areas and it can be seen that many of the operating principles of LEADER (different types of partnership, integration, the participation and co-responsibility of actors etc) appear in different forms. They have all been covered in this report.

Given the resources and time limits on this project it was necessary to allow the national experts to select the examples from the RDP which seemed the most appropriate to them: the majority of the experts chose to focus on the mainstreaming of LEADER. A detailed description is included in the report. This was the case for Spain (Andalucía), Austria, Germany, Ireland, Finland and Poland.

The results of the analysis are very rich. Most of the experts have good awareness of the situation of the LEADER initiative in their country and were able analyse how key elements of the programme have moved forwards. They were also able to carry out a personal analysis, complemented by information provided by the people responsible in the competent authorities, regarding the workings of the future mainstreaming of LEADER.

The other examples chosen cover three more of the innovations identified in the first stage of the project, but are more diverse and more difficult to compare. They have been classified according to different categories as shown in the table in point 3.2 of the report. This concerned Italy, Portugal, Scotland and Romania.

### **The limitations of the innovations covered**

It is not claimed that the chosen examples from the different countries represent all the types of innovation which could be introduced in the RDP. It was not possible to carry out an exhaustive inventory and it is difficult at this stage to say exactly in which sectors or actions innovation has taken place. Clearly, the mainstreaming of LEADER is new in itself and its integration with the different axes

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<sup>28</sup> Austria, France, Denmark, Finland, Netherlands, Poland, Portugal and the Czech Republic. The information was based on provisional Rural Development Programmes.

gives the authorities and stakeholders a certain latitude for creativity in terms of organisation and content.

The examples from part two of the study point to the need for better organisation in the rural development to increase the efficiency of the implementation of actions which meet the needs of rural areas. There are undoubtedly examples of innovation in certain privileged areas, such as:

- In axis 1, in the emerging sectors such as the production of energy from agricultural produce and the development of biofuel and biodiesel, even in biotechnology. As mentioned, examples also point to new arrangements such as the establishment of advice services for farmers or animal well-being.

Agriculture remains at the heart of the programmes and agricultural beneficiaries form the majority of the potential beneficiaries. In the new CAP framework, there is a greater freedom for new forms of organisation, particularly in the form of public-private partnerships

- In axis 2, in the way Natura 2000 zones are to be organised. These will occupy an important place in rural development programmes for the first time in terms of their implementation in disadvantaged areas, their management, the participation of farmers and other agents etc.
- In axis 3, on quality of life and diversification in rural areas, a new axis, going beyond the actions foreseen in the preceding period by article 33 of Regulation 1257/1999 on rural development

It is also clear that the innovations in the NMS are not the same as in the other Member States, even though the Polish expert chose the example of LEADER. Mainstreaming is still not widely developed since LEADER is still new and experience of its content and organisation is limited. However, the NMS are benefiting from the experiences of the other MS and are thus able to avoid certain pitfalls and mistakes. When they can, they are able to choose the most appropriate forms of organisation for their context from those that have proved themselves to be successful.

### **What lessons can be learned from the selected examples of innovation?**

The mainstreaming of LEADER opens up the possibility of strengthening and extending the LEADER approach in various ways:

- Through a wider intervention of the groups, especially in sectors where they were not previously active, such as agriculture or the agro-environment
- The budget is increased considerably - more than doubling in cases - in all MS studied except for Finland where there was a slight reduction.
- Axis 3 remains the privileged area of action for LEADER. For this reason, the last two axes were grouped together in many RDPs and the MS authorities expect an active presence of LEADER groups in this axis.

Mainstreaming enables the extension of LEADER partnerships, in particular to farmers, since the LAGs will be able to act in axis 1 in many MS - exceptions include Portugal, Ireland and Poland. It can also better bring in environmental actors.

This extension of the field could lead the LAGs to become broadly participative development agencies for the application of different public policies. They would thus manage public funds, not only from LEADER, but also from other Community programmes as the report clearly shows.

Following the Synthesis of the Intermediate Evaluation of LEADER, the report provides examples of three complementary forms of mainstreaming : "strategic merging" – where LEADER can become a pathfinder, incubator or niche specialist for specific areas of intervention "full mainstreaming" where LEADER becomes a central instrument for the delivery of mainstream rural and local development. Both of these options require a great deal of top down legitimacy and support. In the last option "local customisation", LEADER groups act as local development agencies packaging the flows of funds into their areas to the bests of their potential without such a strong top down mandate.



However, the extension of the scope of LEADER also involves several **risks**:

- The weight of the farmers risks unbalancing the partnerships and refocusing the groups' work onto agriculture. This would not only involve measures in the "short circuits" of quality products - where LEADER is already active - but also in agro-food networks. This could have the advantage of consolidating the position of the groups, but it is not clear that they could be very effective in this field or what the real function of their actions as an economic body would be.
- The exploitation of the LAGs by the administration and the authorities responsible for the programmes. It is clear that in certain MS, the authorities are neither comfortable with nor used to undertaking actions of the type covered by axis 3. They could then use the groups as purely as intermediaries between themselves and the potential beneficiaries, which risks losing the original purpose of the groups, their autonomy and their ways of working based on the principles of LEADER.
- The excessive bureaucracy imposed on the management LAGs, as highlighted in most of the experts' reports. Since managing public funds is becoming increasingly complicated the LAGs might spend more time involved in financial procedures. This would help to take some of the strain from the public administration, but would also move the LAGs away from their base.

These dangers can be avoided, but this will depend on certain **conditions**:

- The choice of partners is key, particularly in the context of larger partnerships which engage in broader actions. It will be important to balance the different inputs so that no partner dominates the others and to carry out actions in proportion to the interests of all the partners in the group. The report provides examples of the measures taken by different Member States to strengthen this aspect
- The capacity of the group to define a strategy at local level setting out both actions and allocated resources, which are covered in detail in the report. This would mean that the direction of the group would be defined in the context of the partnership. Once again the report provides examples of promising strategies in the Member States studied.
- The reduction of bureaucracy, although it is difficult to avoid it completely - especially if the MS do not simplify their procedures or give the necessary autonomy to the LAGs. The report recommends a series of detailed measures by which the MS could improve the organisation of their financing arrangements to avoid pushing the groups into debt and allow them greater management autonomy.

By strengthening these and other aspects (like the appropriateness of the territory) the report shows how it is possible to extend some positive aspects of the LEADER method to other measures of the RDR. Most countries concentrate LEADER action heavily on axis three although some of the countries studied have measures in the other two axes. There is clearly a great potential for extending the LEADER method in those countries with high expenditure on the diversification and quality of life of rural areas. There are some but not so many examples of LEADER partnerships being used systematically to coordinate other community and national programmes at a local level. Given the still relatively small size of axis 3, this leads to questions about what other mechanisms are being used to ensure synergy between EU and national policies for rural areas.

In this context, it is still too soon to say how the Rural Development Networks foreseen by the Regulation - which should integrate the different groups and partners - are going to be organised. The trend seem to be for an organisation which covers different administrative levels: from local to national, where each of the different types of networks will have their place and will define their level of competence. The regional and national authorities have allocated funds to this effect. As for the transnational networks, the way in which they will function and their relation to the national networks has not yet been well defined. However, the strength of the national networks, as proved in LEADER+, should continue to play a key role.

It is clear that the importance and focus given to the mainstreaming of LEADER will be different according to the different national contexts. In those MS where local development has a higher priority

land where the LAGs have been working well, the groups may well become central in the development and implementation of broad local strategies. This will help to maintain the underlying principles of LEADER as set out in regulation 1698/2005. In the other countries, the groups could find it more difficult to assert themselves and to play this role. They will be more tightly bound to the authorities and the way in which the RDPs are managed. .

### **Innovations in the forms of integrated organisation**

It is difficult to make a synthesis of this collection of innovative experiences proposed in the RDP's. The common objective is to assure improved project management and achieve greater efficiency in the application of certain RDP measures. It has become clear that simply adding a series of individual projects presented by promoters is not a good method for achieving common objectives for target areas. Most of the innovations in this field imply changes in the governance of rural areas and a greater degree of private-public partnership and co-responsibility in forms of association from the actors involved. Many bring in one or more of the same operational principles of LEADER although there is not necessarily any causal link.

### **Territorial integration**

One can see that the innovations identified in the integrated territorial projects can be divided into two types of project: those focused on protected areas - Natura 2000 - which facilitate the management of these kinds of spaces; and those looking more generally at territorial strategies. Both forms of organisation require the involvement of stakeholders, however the initiative remains with the competent authorities. These define the framework in which the integrated territorial plans operate and establish individual contracts with local stakeholders. In such cases, LEADER has often been able to provide references for the types of partnership used.

### **Economic (sectoral) integration and networks**

Member States with a low level of vertical integration tend to experience a series of obstacles in the development of a competitive in agriculture and forestry sector. These problems create barriers for farmers who want to sell all their produce and for individual enterprises in sectors where investment needs to be programmed and coordinated. This is particularly true with regard to infrastructure and the redeployment of activities to respond to change.

So integrated sectoral action plans attempts to meet the need to concentrate strategic actions in networks of actors. This means above all networks with a high potential for development and which have not reached the required level of competitiveness. The proposals usually involve doing this with the support of the administration by optimising endogenous resources and opportunities and by mobilising the different stakeholders of the network from the top to the bottom of the food chain.

With these conditions it is easier to introduce technological innovations and to focus on better quality products. These actions have a formative effect on the territory, on its social and economic development, on the growth of exports and employment. They also meet a series of administrative and technical requirements, which justifies distinguishing this operational instrument from others.

This applies to the Portuguese and Italian examples (the latter applies the concept of integration vertically and horizontally at the same time). In the Italian region of Campania, integrated projects also focus on certain themes such as water management and renewable energy. In Portugal, the focus is to be found on the forestry sector, which is crucial not just because of its geographical spread, but also its economic importance and the role it plays in environmental affairs.

In Romania, instruments have been developed to allow the huge numbers of subsistence farmers in the country to attain a level of viability which allows them to become commercial farmers. The Romanian authorities chose to regroup the individual measures in the regulation and to adapt them to their specific context. They prioritise support for the preparation of projects and technical assistance. They also had to design measures to respond to the co-funding requirements of the new support mechanisms for farmers to open up the necessary funding to them.

These different experiences must be seen in the light of the national context and the different characteristics of the rural areas where they are applied. Most of them involve a significant level of participation of local stakeholders, different social and economic establishments, different levels of administration, and different social strata. Without these networks, the activities carried out would remain limited and most would be undertaken by the administration or other public bodies. They would devote the majority of their actions on the development of infrastructure, the cost and utility of which has often been called into question. The new methods introduced with the development of the territorial approach, vertical integration and partnerships should enable greater effectiveness in the use of public and Community funding.