Structural Change in Agriculture and Rural Livelihoods

Priority Area
"Sustainable management of Europe's natural resources"

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DELIVERABLE 9.4

"Best practice lessons in managing the rural and agricultural transition following EU membership"

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Structural Change in Agriculture and Rural Livelihoods

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Abstract

This deliverable presents examples of good practice from selected regions in the established EU Member States (EU15). It aims at a deeper understanding of previous transitions, learning lessons for managing rural development. Findings are verified using a policy Delphi approach. It also evaluates the barriers to implementing these lessons in the New Member States (NMS). It draws on two stages of work. The first phase centred on case studies of five regions in the EU15 that have undergone, at least in some respects, successful rural development post-accession. The case study regions are: The Borders, Midlands and Western Region (Ireland) (Hubbard and Ward, 2008), Navarra (Spain) (Iraizoz, 2007), Tyrol (Austria) (Hubbard and Kaufmann, 2008), Skåne (Sweden) (Copus and Knobblock, 2007) and Altmark (Germany) (Wolz and Reinsberg, 2007). The period covered for regional analysis is from the time of accession of each member state (i.e. Ireland 1973, Spain 1986, the new German Bundesländer 1990, Austria and Sweden 1995) up to 2006. The case studies involved desk-research and (face-to-face and telephone) interviews with 39 experts across the five countries. Lessons of best practice in implementing rural development were drawn from interviews and supporting documentation. The importance of creating appropriate national and regional structures to implement EU funded projects, capacity building, decentralisation, social capital and networking, human capital and the role of "institutional memory" were identified as important themes. In the second phase of the analysis, the lessons drawn were verified and refined using a policy Delphi exercise, which involved a systematic collation and analysis of expert judgments from both EU15 and NMS[2]. The involvement of experts from the latter countries allows for an assessment of whether lessons drawn from the EU15 can be transferred easily to the NMS.

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Executive Summary

This deliverable analyses lessons of best practice for managing agricultural and rural development in both established and new Member States. It draws on two stages of work. The first phase centred on case studies of five regions in established Member States (EU15) that have undergone, at least in some respects, successful rural development post-accession. The case study regions are: The Borders, Midlands and Western Region (Ireland) (Hubbard and Ward, 2008), Navarra (Spain) (Iraizoz, 2007), Tyrol (Austria) (Hubbard and Kaufmann, 2008), Skåne (Sweden) (Copus and Knobblock, 2007) and Altmark (Germany) (Wolz and Reinsberg, 2007). The case studies involved desk-research and (face-to-face and telephone) interviews with 39 experts across the five countries.

In the second phase of the analysis, the lessons drawn were verified and refined using a policy Delphi exercise. This involved experts interviewed in the first phase plus others from the New Member States (NMS). The inclusion of experts from the latter countries allows for an assessment of whether lessons drawn from established Member States can be transferred easily to the NMS.

The first phase of EU15 case studies highlighted the importance of creating appropriate national and regional structures to implement EU funded projects, capacity building, decentralisation, social capital and networking, human capital and the role of "institutional memory".

The Policy Delphi exercise focused on four issues (a) the importance of possible factors stimulating rural economic development in the respondent's region since EU accession, (b) lessons of best practice for implementing rural development policy, (c) preferences for the allocation of funds under CAP Pillar 2, and (d) attractiveness of possible future reforms of the CAP.

Experts included in Policy Delphi exercise rated infrastructure development as the most significant factor influencing the development of rural areas. The other most important factors are CAP Pillar 1 direct payments, CAP Pillar 2 and national economic growth. NMS experts consider CAP Pillar 1 direct payments as the most important factor that influences rural development. In contrast, EU15 experts rated "local initiative and small businesses" as the most important factor.

Experts were asked to record the extent to which they agree or disagree with a set of propositions on managing rural development, derived from the first phase of the research. Experts in the EU15 verify that responsibilities for planning and implementation should be decentralised to the regional level, the design and implementation of rural policy should be based on a territorial approach, there should be a better balanced distribution of funds between agricultural and non-

agricultural measures, and rural development policy should be embedded within a clear regional strategy. A considerable share of rural funds should be invested in human capital through education and training in rural areas, and local stakeholders and regional authorities should be involved in the development and implementation of projects (e.g. LEADER). Participation of local entrepreneurs in the rural development process should be encouraged. NMS experts strongly endorse the notion that “rural development policy should be embedded within a clear regional strategy”.

Experts were asked to imagine that they could control the allocation of funds under CAP Pillar 2 for their particular region. The results show a clear preference of experts from the NMS for more ‘farm-centric’ measures as opposed to those promoted under LEADER, an initiative which is very novel in these countries. It could be the lack of experience with LEADER-style programmes and ‘fear of the unknown’ that influenced NMS experts to allocate significantly less to such programmes than their EU15 counterparts.

Finally as part of the Policy Delphi exercise, experts rated the attractiveness of different CAP reform options. Overall, “a reduction of expenditure on CAP Pillar 1 by 20%, money from which is transferred to Pillar 2” was perceived as the most attractive option. However there was no strong support for any particular choice. The option of “no change of current structure and funds devoted to it” is unattractive for experts from EU15 but is significantly more attractive to NMS experts. Overall both groups of experts appear reluctant to endorse major changes in the CAP. However, some experts from the EU15 seek a more flexible and market oriented policy that goes beyond the division of funds between agricultural and rural measures.

SCARLED Consortium

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CONTENT

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1 INTRODUCTION

The Common Agricultural Policy (CAP) continues to account for more than 45% of EU expenditure and is an example of deep integration at the European level. It is both a regulatory and redistributive policy, which has undergone a series of reforms, adjusting it from a purely sectorial focus to embracing partially a wider, territorial rural development approach. As a result, the CAP currently includes a very wide variety of measures, ranging from direct payments to farmers to grants for community development and the LEADER approach.

This working paper analyses lessons of best practice for managing agricultural and rural development in both established and new Member States. It draws on two stages of work. The first phase centred on case studies of five regions in established Member States (EU15) that have undergone, at least in some respects, successful rural development post-accession. The case study regions are: The Borders, Midlands and Western Region (Ireland) (Hubbard and Ward, 2008), Navarra (Spain) (Iraizoz, 2007), Tyrol (Austria) (Hubbard and Kaufmann, 2008), Skåne (Sweden) (Copus and Knobblock, 2007) and Altmark (Germany) (Wolz and Reinsberg, 2007). The case studies involved desk-research and (face-to-face and telephone) interviews with 39 experts across the five countries. Lessons of best practice in implementing rural development were drawn from interviews and supporting documentation. The importance of creating appropriate national and regional structures to implement EU funded projects, capacity building, decentralisation, social capital and networking, human capital and the role of "institutional memory" were identified as important themes[1].

In the second phase of the analysis, the lessons drawn were verified and refined using a policy Delphi exercise. The policy Delphi method involves the systematic collation and analysis of expert judgments on a particular topic (Turoff, 1970). In this case this involved experts interviewed in the first phase plus others from the New Member States (NMS). The involvement of experts from the latter countries allows for an assessment of whether lessons drawn from established Member States can be transferred easily to the NMS.

The report is organized as follows. The next section discusses the lessons of best practice identified from the case studies of successful agricultural and rural transition in the EU15. This is followed by a discussion of the policy Delphi approach and its application to verify and refine lessons drawn from the first phase of the analysis. The ensuring section reviews the results of the policy Delphi. Attention is paid to differences in the perspectives of EU15 and NMS experts. The conclusion focuses on the implications for future agricultural and rural policy in an enlarged EU.

[1] For more information see Hubbard, C and Gorton, M (2009). Best practice lessons in managing the rural and agricultural transitions following EU membership, Deliverable 9.1, Scarled Project.

2 LESSONS OF BEST PRACTICE FROM THE EU15

The Borders, Midlands and Western (BMW) Region of Ireland, Navarra in Spain, Tyrol, Austria, Skåne in Sweden and Altmark in Eastern Germany were selected because of their ability to offer 'successful' experiences of rural transition following accession to the EU. Specifically, the research focused on patterns of transition, evaluating to what extent they fit with competing models of rural development. The case studies drew on desk-research and (face-to-face and telephone) interviews with 39 experts across the five countries.

The case study evidence reveals that the economic performance of the regions has been closely tied to that of their respective nation state. The success or otherwise in local rural development should be understood in the particular context of the national performance of each Member State. However, while external factors are important determinants, no region's trajectory has been due solely to exogenous factors. Similarly no region has been insulated from national/global trends or grown entirely due to internal, endogenous factors. There is therefore little evidence of purely *exogenous* or *endogenous development*. Rather it is the combination of both internal (endogenous) and external (exogenous) factors and their interplay which drives the development of these regions. This combination of endogenous and exogenous forces is consistent with neo-endogenous development theories.

In all cases, EU membership, particularly the CAP and the Structural and Cohesion Funds led to agricultural restructuring and significant socio-economic change in rural areas. However, the level and nature of change has varied from country to country according to their own specific economic, social, political and cultural conditions.

Undoubtedly, the CAP remains critical. CAP Pillar 1 measures, such as price support and direct payments, remain important, and in general they account for the largest share of the EU funds allocated for agriculture. It is clear that price support and market interventions measures were more important before the adoption of the MacSharry reform in 1992 and countries such as Ireland and Spain, benefited fully from these measures. The introduction of compensatory (later on direct) payments shifted the balance within Pillar 1, and they have become the most important component of farm income across countries and regions. The significance of direct payments is unquestionable particularly for small-scale producers which depend largely on these subsidies. However, there are differences in the distribution of direct payments by farm types and size across countries and regions and thus not all farmers benefit to the same extent.

CAP Pillar 2 measures, particularly agri-environmental schemes and Less Favoured Areas (LFAs) compensatory payments, are important for most of the countries and selected regions, as they also support farm income. In Austria and Sweden, the implementation of the agri-environmental programmes is extremely significant and they were considered as the most appropriate instruments following EU accession.

Interestingly, the analysis highlights the importance of the Community Initiative Programmes, particularly LEADER. Although, very limited funds were allocated for this Programme, in all countries and regional case studies, LEADER became popular and well received by most local communities. Its popularity led to countries such as Spain and Germany creating similar national programmes (e.g. PRODER in Spain and Active Regions in Germany).

Overall, it can be concluded that although policy measures are extremely important there is not one, single determining factor for rural change but a combination of internal and external driving forces (including effective policies) which, for success, also depend on a favourable macro-economic environment. Table 1 summarises specific country level policy and administrative lessons.

Table 1 Policy Framework and Administrative Lessons

Ireland and BMW	▪ Creation of appropriate structures and institutions, to attract EU funds ▪ design and deliver appropriate National Development Plans & "*deliver what you say you will do*" ▪ a strong, sustainable and responsible capacity building ▪ a clear regional strategy to which the government to be committed but which to ensure a *balanced* development at the regional level ▪ decentralisation of responsibilities and a broader involvement of local communities need to be fostered & encouraged
Spain & Navarra	▪ design and implementation of rural development measures should be based on a *territorial and integrated* approach with funds' allocation based on *needs* of rural areas ▪ larger implication of regional & local authorities & other local actors in the design & implementation of RDP ▪ development of innovative initiatives & the intensification of participation of local entrepreneurs in the rural development process ▪ the need to invest in social capital – networking ▪ improvement of infrastructure, particularly transport and IT ▪ investing in human capital through education and training

Sweden & Skåne	▪ devolved (RD) programming & implementation – a more flexible, regionalised framework allows more creative inputs from local actors ▪ integration of RD in the broader national policy context - "policy culture and traditions" ▪ a balance between RD measures in order to ensure a more integrated rural development ▪ the need to build into social capacity through a "bottom –up" involvement of local actors so to respond to regional variations
Austria & Tyrol	▪ the implementation of an integrated territorial approach … pluriactivity & the preservation of traditions, environment & cultural landscape are central for rural-agricultural development ▪ the need for a successfully facilitating administration … which should start with a professional collaboration between the national ministries & regional authorities ▪ the role of an "institutional memory" based on trust, openness and professional attitude to facilitate a successful integrated regional and RD ▪ involvement of both local stakeholders (bottom-up) and regional authorities (top-down) to develop & implement projects within programmes like LEADER and national / regional development plans ▪ a dual education system (agriculture & one additional profession) & continuing training of farmers
New German Bundesländer & Altmark	▪ investing in social capital (networking) and a high local commitment & a partnership between authorities (government, social partners, NGOs)at different administrative levels for joint policy development ▪ how to attract (public) funds and understand/fulfill the (administrative) requirements of funders

Ireland and BMW

The creation of appropriate EU structures and institutions which act in accordance with the interests of the country and are able to attract EU funds was seen as essential by the Irish experts. Additionally, the design and delivery of the National Development Plans are also very important - "*deliver what you say you will do*". To accomplish this requires strong, sustainable and responsible capacity building. The need for a clear regional strategy, particularly for a balanced development at the regional level, to which the government is committed to, is also considered as very important. The lack of an earlier regional policy in Ireland was perceived by most experts as a missed opportunity for balanced regional development which led to a “weak urban hierarchy” and a “very weak planning system”. Moreover, decentralisation of responsibilities and a broader involvement of local communities at the regional and local levels need to be fostered and encouraged.

Spain and Navarra

The design and implementation of rural development measures, according to Spanish experts, should be based on a *territorial & integrated* approach. The allocation of funds should be based on an assessment of *needs* by each rural area and focused towards those areas which are most in need. Better territorial targeting will address specific problems and reduce the gap between lagging and leading rural areas. This seems to be very important as most rural development policy measures are oriented towards the agricultural sector, with diversification largely restricted to the promotion of rural tourism and marketing of agricultural products. The wider involvement of regional and local authorities and other local actors in the design and implementation of Rural Development Programmes is preferable. Spanish experts believe that the lack of involvement of the rural population in the decision-making process impedes rural development. This is linked with the need to invest in social capital (networking) and human capital (at the local level) through education and training.

Sweden and Skåne

In line with interviewees in Ireland and Spain, Swedish experts believed that a more devolved, regionalised but flexible Rural Development framework allows for more creative inputs from local actors. This relates to the need to build into the implementation arrangements the facility to respond to regional variations in rural fortunes, preferably through a “bottom-up” involvement of the local representative organisations (e.g. LEADER-like approaches). This may not be easy where social capacity is less well developed, which leads to the importance of investing in social capital. An inflexible, horizontal, sectoral approach is unlikely to be effective in the medium-long term. The integration of rural development in the broader national policy context was perceived as critical for ensuring long term strategy. In shaping rural policy in Sweden, an (urban) societal view of the role of agriculture, perceiving the countryside’s / farms’ function as the provider of (environmental) public goods has been critical.

Austria and Tyrol

The implementation of an integrated territorial approach is the first lesson which can be drawn from Tyrol, whereby pluriactivity and the preservation of traditions and environment are considered the core for rural-agricultural development. An integrated approach has the potential to create synergies between different policy areas and facilitate interactions with other industries. The implementation of an integrated, territorial approach requires a facilitating governance structure, which should began with a professional collaboration between the national ministries and the regional authorities to elaborate integrated, focused, and pragmatic national and regional development plans. In the delivery of programmes and measures, it often paid off to combine administration with responsibility for content and to avoid parallel structures in the localities wherever possible. The creation of "institutional memory" through the retention of key persons in administration and the relevant stakeholders in the sub-regions and localities based on trust, openness and professional attitude to facilitate a successful integrated regional and rural development is believed (in the Austrian experts' view) as vital. Moreover as in the other case studies, at the regional level, the involvement of both local stakeholders (bottom–up) and regional authorities (top-down) to develop and implement projects (e.g. within initiatives like LEADER) and deliver programmes laid down in national and regional development plans is important. In Tyrol, lessons were learnt e.g. from the LEADER approach, where initially, the development was too much bottom-up, which resulted to some unnecessary duplication between localities.

New German Bundesländer and Altmark

Although the Altmark region has its own particularities as is the only region within the five selected case studies that belongs to a former ex-communist regime there are still some lessons to be learnt since the country's reunification. Indeed, rural areas within the region and East Germany as a whole did not benefit immediately from the reunification as harsh economic conditions led to a sharp decline of (particularly young) population, which left rural areas in search for better employment opportunities. However, the region tried to build on its strengths. Amongst these, social capital, i.e. the partnership between authorities (government, social partners, NGOs) of different administrative levels, was seen as an important asset and a beneficial tool in the development of rural policy. Although networks developed informally immediately after reunification, they strengthened after 1994 when two districts of the region agreed to collaborate in drafting a joint regional development concept. The concept sought to build on indigenous resources and create regional development priorities, and promote Altmark as a regional brand. Since then, all regional activities are based on collaborative discussion, planning and agreement and overall it is believed that this approach should be fruitful in the long-term. There is also a strong "regional identity". However, in order to achieve success in the region it is important to learn how to attract (public) funds and understand and fulfill the (administrative) requirements of funders.

Overall it can be concluded that there is no unique model for managing rural transition. There is no single determining factor of a region's economic trajectory. Rather the latter depends on the interplay between internal and external driving forces. The combination of various endogenous and exogenous forces is consistent with the neo-endogenous development theory, but much of the economic development of these rural regions is not necessarily in line with the spirit of the theory. This requires policies to enhance local (institutional) capacity and actors' participation, to mobilise internal resources and cope with the external forces, best meeting local needs. The dynamic and meaningful participation of local actors in local and external networking is of utmost importance. Making the most of EU membership requires an understanding of funding systems and retention of such knowledge - “institutional memory”. Linked to this is the setting up of appropriate EU structures and institutions which act in accordance with the interests of the region and are able to attract the EU funds.

3 POLICY DELPHI METHODOLOGY[2]

Turoff (1970, p.149) defines the Delphi method as a technique for the "systematic solicitation and collation of informed judgments on a particular topic". There are four key features of the Delphi approach: respondents are experts in a particular field, responses are anonymous, data collection proceeds as a series of rounds (iterative process), and feedback on the views of others is provided to participants. Sampling is purposeful, selecting those informed about, and specialised on, the particular field in question.

The policy Delphi approach explores a matter of political interest or consequence to identify significant policy relevant variables and contextual parameters and explore the impact, consequences and acceptability of particular options (Novakowski and Wellar, 2008). It may be particularly useful where model-based statistical methods are impractical due to an absence of appropriate historical/socio-economic data (Fink *et al.* 1991; Powell, 2003), and thus 'where some form of human judgmental input is necessary' (Rowe and Wright 1999, p.354). Given the interest in understanding success factors for managing agricultural and rural transition, the policy Delphi approach was considered as appropriate. This technique has been applied widely in the social sciences but, notwithstanding some notable exceptions (Ilbery *et al.,* 2004; Cunha and Swinbank, 2009), rarely used in the fields of rural development and agricultural policy.

Based on the lessons drawn from the case studies, a Delphi questionnaire was devised and pre-tested extensively. The final version of the questionnaire consists of four sections, evaluating: (a) the importance of possible factors stimulating rural economic development in the respondent's region since EU accession, (b) lessons of best practice for implementing rural development policy, (c) preferences for the allocation of funds under CAP Pillar 2, and (d) attractiveness of possible future reforms of the CAP. Each section consisted of closed and open ended questions, whereby respondents could add comments and observations. Interviewees from the initial case studies were asked to complete the Delphi questionnaire. Thirty five responses were received. To evaluate whether experts in the new Member States possess similar attitudes to managing agricultural and rural development and draw comparable lessons of best practice, a matched sample of respondents was sought. Forty five experts from five new Member States (Bulgaria, Hungary, Poland, Romania and Slovenia) participated. In a second round of the Delphi, respondents received a summary of findings from the first wave and had the opportunity to alter their responses based on the collective feedback. Data collection (first and second rounds) occurred in 2009/10.

[2] For a detailed description of Policy Delphi see Hubbard, C and Gorton, M (2009) "Best practice lessons in managing the rural and agricultural transition following EU membership", Deliverable 9.1, Scarled Project.

4 POLICY DELPHI RESULTS: VERIFICATION AND REFINEMENT OF LESSONS

4.1 Factors affecting rural development in your country/region

Experts were asked to rate on a scale from 1 to 5 (where 1 = not important at all and 5 = very important) the importance of a set of potential factors that has influenced economic development of rural areas in their country/region since EU accession. The factors emerged from the EU15 case studies. Table 2 reports the mean scores for the total sample as well as the respective figures for experts from EU15 and the New Member States (NMS) respectively. Cases of statistically significant differences between EU15 and NMS experts are noted (using an F-test).

Table 2 Importance of factors influencing rural development in rural areas according to experts

	EU15	NMS	Mean for Total sample	F-test
	Mean	Mean		
Infrastructure development	3.97	4.07	4.03	
CAP Pillar 1: direct payments	3.66	4.11	3.91	
National economic growth	3.77	4.00	3.90	
CAP Pillar 2	3.83	3.96	3.90	
Local Initiative and small businesses	4.06	3.76	3.89	
Quality of labour force	3.86	3.84	3.85	
Demographic change (e.g. migration, ageing)	3.69	3.70	3.70	
Regional strategy	3.74	3.51	3.61	**
Social capital (networking/cooperation)	3.80	3.47	3.61	
Access to the EU Single Market	3.51	3.40	3.45	*
Economic growth in country's main urban areas	3.17	3.61	3.42	***
Natural (resources) endowment	3.37	3.44	3.41	
CAP Pillar 1: market support	3.34	3.44	3.40	
Attractiveness of environment and countryside	3.60	3.22	3.39	**
Globalisation and knowledge economy	3.14	3.11	3.13	**
Foreign Direct Investment	2.74	3.40	3.11	

* Significant at 10% level, ** Significant at 5% level, *** Significant at 1% level

Overall, infrastructure development is perceived to be the most significant factor influencing the development of rural areas. The other most important factors are CAP Pillar 1 direct payments, CAP Pillar 2 and national economic growth. NMS experts consider that, with a score of 4.11, CAP Pillar 1 direct payments are the most important factor that influences rural development. In contrast, EU15 experts rated “local initiative and small businesses” as the most important factor (with a score of 4.06). ‘Foreign direct investment’ and ‘Agricultural research and development' scored the lowest means, e.g. 2.74 for EU15 and 2.86 for NMS. Only five factors present statistically significant differences: 'Economic growth in country's main urban areas', 'Regional strategy', 'Globalisation and knowledge economy', 'Attractiveness of environment and countryside' and 'Access to the EU Single Market'. Amongst these statements the 'Economic growth in country's main urban areas', and 'Attractiveness of environment and countryside' are noteworthy. For the former, NMS experts scored 3.61 as opposed to 3.17 for EU15, whereas for the latter EU15 experts scored 3.60 as opposed to 3.22 for NMS. Regional strategy was also rated higher (3.74) by EU15 than NMS (3.51).

Overall, for the entire sample, no factor scored less than 3. This means that all the factors identified in the first stage of the research were accepted by experts from the NMS as at least of moderate importance for the development of rural areas. Notably across all factors is, however, the importance of 'infrastructure development'.

4.2 Lessons of best practice for implementing rural development policy

Experts were asked to record the extent to which they agree or disagree with a set of propositions on managing rural development. Answers were given on a five point scale (1= strongly disagree, 5 = strongly agree). Table 3 reports the mean scores for the total sample and the respective figures for EU15 and NMS experts. If scores of 4 or over indicate agreement, experts in the EU15 verify that responsibilities for planning and implementation should be decentralised to the regional level, the design and implementation of rural policy should be based on a territorial approach, there should be a better balanced distribution of funds between agricultural and non-agricultural measures, and rural development policy should be embedded within a clear regional strategy. A considerable share of rural funds should be invested in human capital through education and training in rural areas and local stakeholders and regional authorities should be involved in the development and implementation of projects (e.g. LEADER). Participation of local entrepreneurs in the rural development process should be encouraged.

Table 3 Agreement with statements regarding rural development policy

	EU15	NMS	Sample mean	F-test
Responsibilities for planning and implementation should be decentralised to the regional level	4.14	3.91	4.01	
Design and implementation of rural policy should be based on a territorial approach	4.46	4.07	4.24	**
Rural development policy should ensure a more balanced distribution of funds between agricultural and non-agricultural measures	4.26	3.56	3.87	***
New national structures and institutions capable of attracting, administering and monitoring EU funds should be created.	2.26	2.73	2.53	*
New regional structures and institutions capable of attracting, administering and monitoring EU funds should be created.	2.97	3.14	3.06	
Rural development policy should be embedded within a clear regional strategy	4.66	4.22	4.41	**
Capacity building is weak in my region and should be enhanced at all levels	3.34	3.64	3.51	
A lack of social interaction /networking constrains rural development in my region; social capital should thus be improved at all levels	3.26	3.89	3.61	***
A considerable share of rural funds should be invested in human capital through education and training in rural areas	4.03	3.91	3.96	
Local stakeholders and regional authorities should be involved to develop and implement projects, such as with LEADER	4.51	4.02	4.24	**
Participation of local entrepreneurs in the rural development process should be encouraged	4.74	4.18	4.43	***

* significant at 10% level, ** significant at 5% level, *** significant at 1% level

With the exception of four statements, there are statistically significant differences in the ratings of experts from the NMS and EU15. The exceptions are: the decentralisation of responsibilities for planning and implementation at the regional level; the creation of regional structures and institutions capable to attract, administer and monitor EU funds; enhancement of capacity building; and investment in human capital through education and training in rural areas. For these statements it can be concluded that there is no significant differences in the pattern of responses. These results may be unsurprising given that during the interviews with experts from the EU15 these statements came out clearly as being important. Moreover, even in countries such as Ireland there appears to be room from improvement, as one Irish expert commented "*Ireland does not have a well-developed regional administrative structure; existing structures have limited powers/roles and need to be restructured/reformed*" (Irish Expert 7, Regional Policy Officer).

Amongst the statements for which there are statistically significant differences between the two groups of experts, the scores for "rural development policy should ensure a more balanced distribution of funds between agricultural and non-agricultural measures" and "a lack of social interaction /networking constrains rural development in my region; social capital should thus be improved at all levels" are noteworthy. For the first statement, NMS experts scored much lower (3.56) than those from EU15 (4.26). For the second statement, it is the other way around, 3.89 for NMS and 3.26 for EU15. Regarding the first statement, one expert from Poland commented:

"Distribution of funds (between agric and non-agric measures) should be adjusted to the needs of people and thus in accordance with regional strategy. Once we agree that the decisions should be made at regional level there is no clear answer whether it should be more or less balanced. It should simply be the outcome of local conditions" (Polish expert 10, Academic/Researcher).

"Participation of local entrepreneurs in the rural development process should be encouraged" scored highly for both groups, particularly for the EU15 (4.74 – the highest mean).

"I perceive local entrepreneurs as equally important local stakeholders as any other rural inhabitants…. Moreover, participation in rural development process of local entrepreneurs should be a natural course of events if we really talk about rural development…. Finally, irrespective of anyone's participation in the rural development process (whatever we mean by this), it should be voluntary. Otherwise it will not bring any good" (Polish Expert 10, Academic).

NMS experts strongly endorse the notion that "rural development policy should be embedded within a clear regional strategy". The scoring for these statements highlights the importance of both local participation and a clear regional strategy, and the findings are in line with the lessons that emerged from the interviews.
Interestingly, the lowest scores allocated by both NMS and EU15 experts were for the creation of "new *national* structures and institutions capable of attracting, administering and monitoring EU funds" and the creation of "new *regional* structures and institutions capable of attracting, administering and monitoring EU funds". This is rather surprising given that during the interviews, particularly with experts from Ireland, Austria and Germany, this emerged as an important lesson. Overall, it can be concluded that with the exception of these two lessons, mean scores were well above 3. This implies that although there may be differences in emphasis between the NMS and EU15 experts, overall they 'agree' or 'strongly agree' with the lessons identified in the first stage of the research.

4.3 Division of Second Pillar Funds

Experts were asked to imagine that they could control the allocation of funds under CAP Pillar 2 for their particular region. Table 4 details the average percentage of the total amount of funds allocated to each axis, along with the respective figures for EU15 and NMS experts only.

Table 4 Pillar 2 Funds allocated by Axes by Experts

% of total funds that should be allocated to a particular axis	EU15	NMS	Sample Mean	F-test
Axis 1 (improving the competitiveness of agricultural and forestry sector)	26.62	42.90	35.62	***
Axis 2 (improving the environment and countryside)	25.00	23.00	23.89	
Axis 3 (quality of life in rural areas and diversification of rural economy)	27.06	23.60	25.14	
Axis 4 (Leader)	21.91	10.14	15.14	***

*** Significant at 1% level

Table 4 highlights that the percentage of resources allocated to Axis 1 (improving the competitiveness of agricultural and forestry sector) and Axis 4 (LEADER) by the two groups of experts differ significantly. Experts from the NMS allocated the largest share (42.9) to Axis 1 and the lowest (10.1) to Axis 4 (LEADER). In contrast, experts from EU15 allocated 26.6% to Axis 1 and 21.9% to Axis 4. The results show a clear preference of experts from the NMS for more ‘farm-centric’ measures as opposed to those promoted under LEADER, an initiative which is very novel in these countries. It could be the lack of experience with Leader-style programmes and ‘fear of the unknown’ that influenced NMS experts to allocate, on average, only 10% of total Pillar 2 funds to Axis 4. However, LEADER is a cross-cutting measure and thus the share of available funds for Axis 4 could be higher than that expressed here. The shares allocated by the EU15 experts across the four axes reveal a more even distribution of funds with 27% for Axis 3 (quality of life in rural areas and diversification of rural economy), the highest share, and 21.9% for LEADER, as the lowest share. Indeed, the interviews in the selected case studies stressed the importance of LEADER and encouraged strongly the involvement of local people in the rural development process. Previous research on the five EU15 case studies also noted the popularity of LEADER as an instrument for stimulating rural development.

4.4 Attractiveness of CAP reform options

Experts were asked to assess the attractiveness of different CAP reform options. Each option was assessed on a 5 point scale (1= not attractive at all, 5 = very attractive). They were also given the opportunity to propose new options for reforming the CAP. Table 5 lists the mean scores, with options ordered from, on average, most attractive option to least attractive option.

Table 5. Mean scores for attractiveness of different CAP reform options

	EU15	NMS	Sample mean	F-test
A reduction of expenditure on CAP Pillar 1 by 20%, money from which is transferred to Pillar 2	3.54	3.11	3.30	
A replacement of current Pillar 1 instruments with payments for environmental services and food security measures	3.34	2.59	2.92	***
A substantial reduction of expenditure on CAP Pillar 1 (e.g. 80%), the money from which is transferred to Pillar 2	2.91	2.33	2.59	*
No change of current CAP structure and funds devoted to it	1.76	2.69	2.29	***
National co-financing of CAP Pillar 1 (similar to Pillar 2)	2.41	2.07	2.22	
A reduction of expenditure on CAP Pillar 1 by 20%, with no transfer of saved funds to Pillar 2	1.97	1.67	1.80	
A complete removal of both Pillar 1 and 2 (full liberalisation)	1.57	1.73	1.66	
A substantial reduction of expenditure on CAP Pillar 1 (e.g. 80%), with no transfer of saved funds to Pillar 2	1.71	1.49	1.59	

* Significant at 10% level, *** Significant at 1% level

Overall, “a reduction of expenditure on CAP Pillar 1 by 20%, money from which is transferred to Pillar 2” was perceived as the most attractive option. With three exceptions, there are no statistically significant differences between the assessments of the NMS and EU15 experts. The exceptions are: “a replacement of current Pillar 1 instruments with payments for environmental services and food security measures”, “no change of current CAP structure and funds devoted to it” and “a substantial reduction of expenditure on CAP Pillar 1 (e.g. 80%), the money from which is transferred to Pillar 2”. The first statement appears more attractive to experts from EU15 (3.34) as opposed to those in the NMS (2.59) who are rather indifferent. These figures reflect differing conceptualisations of the CAP, with experts from the EU15 placing greater importance on environment and food security issues than those from NMS. The mean score for this statement was the second highest for the EU15. The reform option of “no change of current structure and funds devoted to it” is unattractive for experts from EU15 (1.76) but is significantly more attractive to NMS experts (2.69).

None of the listed policy options was collectively ‘attractive’ or ‘very attractive’ with only one option “a reduction of expenditure on CAP Pillar 1 by 20%, money from which is transferred to Pillar 2” scoring above 3 for the entire sample. Of particular note is the unattractiveness of the last three statements in Table 7.5 (which focus on reduction of CAP Pillar 1 expenditure by 20% and 80% respectively without transfer of funds to Pillar 2 and a full liberalisation of the CAP), and for which the sample means ranged between 1.59 and 1.80. Experts from the NMS considered “a substantial reduction of expenditure on CAP Pillar 1 (e.g. 80%), with no transfer of saved funds to Pillar 2” as the least attractive option (1.49) whereas a full liberalisation of the CAP was the least preferred for EU15 experts (1.57). These figures indicate the lack of a clear preferred option for CAP reform. Overall both groups of experts appear reluctant to endorse major changes in the CAP. However, some experts from the EU15 seek a more flexible and market oriented policy that goes beyond the division of funds between agricultural and rural measures:

"I wouldn't be so fixed on rural areas. I'd rather go for micro-regions at any scale, from very rural to very urban/periurban. This would mean that there would be no pillar, but a sustainable local and regional development instrument combining structural with EAFRD funds. Environmental/landscape payments should be merged with LIFE and put under the DG ENVIR competency. What remains, is axis 1 which stays with DG AGRI, but even this could be merged with SME. There is no reason to keep the separation between farm business and all the others upright. There is also no DG for shoemakers, isn't it?" (Austrian Expert 4, Private consultant).

"*Structural funds and agricultural funds need to be aligned with each other*" (Austrian Expert 3, Academic).

"*It is extremely difficult to estimate the demand for non traded agricultural outputs, including public goods. Emphasis should be on letting agricultural returns reach their market level and use the saved funds to stimulate the economy wherever the return is best, rural or otherwise. Economic growth is the best stimulant of rural development*" (Irish Expert 3, Academic).

"It may be very attractive if … the actual funds of the CAP could be applied with more freedom by regional governments, maintaining the level of available funds" (Spanish Expert 3, Regional Policy Officer).

5 CONCLUSIONS

The Common Agricultural Policy (CAP) continues to account for more than 45% of EU expenditure and is an example of deep integration at the European level. It is both a regulatory and redistributive policy, which has undergone a series of reforms, adjusting it from a purely sectorial focus to embracing partially a wider, territorial rural development approach. As a result, the CAP currently includes a very wide variety of measures, ranging from direct payments to farmers to grants for community development and the LEADER approach.

This deliverable examined lessons of best practice for managing rural development drawing on five selected EU15 case studies. The lessons were verified and refined using a policy Delphi survey with 80 experts from both the EU15 and NMS. The key lessons of best practice identified and verified were as follows. The design and implementation of rural development policy measures should be based on a devolved, territorial but integrated approach, with funds allocated according to regional needs. This requires policies to enhance social interaction and networking (social capital) at all levels, but also to encourage investment in human capital through education and training, particularly in rural areas. A dynamic and meaningful participation of actors in intra-regional and external networking is critical. Thus institutional capacity and local actors' participation (from both private and public sectors) should be nurtured to mobilise internal resources and cope with external forces in a way in which best meets local needs. This will involve programmes such as LEADER. Making the most of EU membership requires an understanding of funding systems and the creation of appropriate national and regional structures and institutions capable of attracting, administering and monitoring EU funds. Although there are differences between experts' opinion, with two exceptions, all lessons were rated highly by both EU15 and NMS experts, meaning that in general they agreed or strongly agreed with the identified best practice lessons.

While difficulties are not unique to such states, there are significant barriers to implementing these lessons of best practice in the NMS. For instance, many NMS have struggled to set up appropriate EU structures and administrative and financial institutions capable of attracting EU funds. It is estimated that Romania between 2007 and 2009 absorbed just over 10% of the €600 million available to it[3]. Thus, capacity to absorb the available funds at national, regional and local governments must be improved otherwise there is the risk that poor Member States (such as Romania) will actually be long-term net EU contributors (Simionescu *et al.*, 2009). There is a need to improve the ability of both central and local authorities to prepare, select and implement projects, particularly encouraging the development of public-private partnerships as most EU projects require co-financing. In many NMS, local institutional capacity and actors' participation remains weak,

[3]http://www.euractiv.ro/uniunea-europeana/articles%7CdisplayArticle/articleID_19080/Fondurile-UE-atrase-in-2007-2009-circa-600-milioane-euro-putin-peste-10-din-suma-disponibila.html.

particularly in rural areas. One problem in the NMS has tended to be excessive turnover of administrative staff linked to the politicisation of the civil service. This has impeded the development of a supportive ‘institutional memory’.

The most severe implementation problems in the NMS arise with novel instruments such as LEADER. Interestingly, when experts from NMS were asked to distribute the rural development funds for their particular region across the four axes, they allocated the largest share (43%) to Axis 1 and the lowest share (10%) to Axis 4 (LEADER). This is in contrast to experts from the EU15, who preferred a more even allocation of financial resources across the four axes. Although experts from the NMS support the involvement of stakeholders and regional authorities in the development and implementation of projects such as LEADER, when it came to the allocation of funds they were less convinced of its merits. This may reflect the lack of experience in dealing with such programmes or a fear that partnerships will be dominated by local elites. For example, Furmankiewicz et al. (2010:60) consider local authorities in Poland as populated by local elites who dominate partnerships and fail to engage with other local community partners, representing a “high-risk … with regards to their abilities to make decisions on public spending”.

Overall, both EU15 and NMS experts appear reluctant to endorse major changes to the CAP. Although the sample is small and not statistically representative for each country, the research suggests that no consensus on the appropriate direction for future reform of the CAP exists. This is not a simple EU15 – NMS divide but rather within both groups there is no clear, preferred option for reform. While NMS experts are significantly happier with the current CAP and less likely to endorse a switch to payments for environmental services and food security measures, no single option for reform is strongly endorsed by either group.

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