

CAP Rural Development Policy in the Nordic Countries:

What can we learn about implementation and coherence?

Gunnar Lindberg, Andrew Copus, Moa Hedström and Liisa Perjo

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Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

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Stockholm, Sweden, 2012

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Executive summary

1. Background and Objectives

This report has been written as preparation for a workshop, to be held at Nordregio in Stockholm on May 7th 2012. The workshop is intended as an opportunity to discuss issues raised by the ongoing preparations for the new EU policy programming period, beginning in 2014. More specifically the focus will be upon the process of compiling Partnership Contracts, within the context of the Common Strategic Framework. These arrangements, which are proposed within the draft ‘Common Provisions’ Regulation (COM 2011 615 final), imply a greater degree of interaction and mutual understanding between practitioners responsible for regional and rural policy than characterises the current implementation structures in many EU Member States. This is because it requires an integrated and strategic plan to be prepared, showing how interventions supported by the different European funds work together in a coordinated way to achieve the EU 2020 objective of “smart sustainable and inclusive growth”. It also requires the involvement of regional and local stakeholders, and will put in place a set of specific targets, and associated sanctions in case of under-achievement.

This report (and the planned workshop) is aimed at policy makers and practitioners who are familiar with Cohesion policy (funded by ERDF¹ and ESF²), but who may know less about the Rural Development Programmes (RDPs) which are funded by the EAFRD³, and form Pillar 2 of the CAP⁴. It aims first to inform about the current RDPs in the Nordic Member States (MS), and second to stimulate consideration of the potential for greater ‘coherence’ between the RDPs and Cohesion Policy.

The principal sources on which the report is based are:

- The programme documents and mid-term evaluations of the RDPs.

- Findings from a Seventh Framework project, RuDI⁵, in which Nordregio was a partner.
- The draft regulations published by DG Regio in October 2011.

2. Key Characteristics of Current Nordic RDPs

The second pillar accounts for a minority of CAP expenditure, averaging about a fifth across the EU, but rising to 35% in Finland and 25% in Sweden. By contrast Denmark has the smallest proportion of CAP expenditure allocated to Pillar 2 of any EU MS, at about 5%.

Across the EU Cohesion policy budget for the current period is roughly four times larger than that of Pillar 2. However this relationship varies considerably, depending upon eligibility for the three Cohesion policy objectives (convergence, regional competitiveness and attractiveness, and territorial cooperation). In all three Nordic MS, Pillar 2 funding is larger than that of Cohesion policy. The most extreme relationship is in Finland, where the RDP budget is four times the size of that of Cohesion policy.

In Denmark RDP funding is roughly equally split between three sources; the EAFRD (35%), ‘National’ public expenditure (34%), and private match funding (31%). In Finland the EAFRD share falls to 27%, private match funding to 15%, and national public expenditure (mainly through Less Favoured Area [LFA] measures) reaches 58%. The Swedish budget lies between these two extremes. On average the Nordic RDPs derive 70% of their budgets from national sources, a significantly higher proportion than the average across the EU27 (57%).

The Nordic RDPs account for almost 7% of the total EU 27 Pillar 2 budget. Comparisons of the ‘intensity’ of support (whether according to agricultural area, employment, or various measures of the economic scale of farming industries) are surprisingly difficult, due to definitional differences between EU MS. However, broadly speaking, it

¹ European Regional Development Fund.

² European Social Fund.

³ European Agricultural Fund for Rural Development.

⁴ Common Agricultural Policy.

⁵ (Assessing the impact of rural development policies (incl. LEADER) - EU Framework 7 Programme Project no. 213034.

appears that Finland has one of the highest levels of Pillar 2 expenditure in the EU. Sweden is also above the EU 27 average, whilst Denmark seems to have a much lower intensity of support. There are also considerable regional variations in 'intensity' within the Nordic MS.

Out of the 45 measures specified by the Regulation, Denmark has implemented 29, Finland (mainland) 25, Sweden 23 and Åland 13. The EU average is 29. Across the EU there is a clear relationship between the size of programme (in budget terms) and the number of measures implemented. According to this relationship, we would expect both Finland and Sweden to have more diverse programmes than they have.

The Nordic RDPs, (in common with the UK, Ireland, Austria and the Czech Republic) have a strong emphasis upon agri-environment measures, and (in the case of Finland) LFA payments. The agri-environmental focus is illustrated by the fact that nearly 40% of the Swedish RDP budget is allocated to measure 214. In Finland and Denmark the proportion is about 30%. Only UK and Ireland concentrate a higher proportion of their budget in this measure.

Most of the rest of the EU MS have a stronger emphasis upon farm investments to support the competitiveness of the primary sector. Furthermore many EU MS (for example Germany) also have a much stronger emphasis upon 'wider rural development' through measures in Axis 3.

3. Issues raised by the Mid-Term Evaluations

The Mid-Term evaluations of each of the four Nordic RDPs (Finland and Åland have separate programmes) were examined, together with that of Scotland, (representing a programme with similar focus and objectives, but an unusual mode of implementation).

Recurrent themes in the mid-term evaluations of the Nordic RDPs may be summed up in the following five points:

1. The justification or 'intervention logic' of capital investment measures was questioned, on the grounds of lack of evidence of market failure. Although it was acknowledged that strictly speaking there may have been a considerable amount of 'deadweight', it was also argued that intervention accelerated and increased the scale of investment.
2. Direct employment impacts are very difficult to measure accurately. The estimates varied

considerably between the evaluations, probably due to different assumptions and methodologies. There was some evidence that support for the processing sector, and other rural industries generated employment more readily than investments in farm businesses.

3. All the evaluations made the point that interventions directed at the farming sector might nevertheless bring wider benefits to the rural society and economy. However this depends upon the extent to which farming becomes multifunctional, and linkages develop with economic activities which can reap the indirect benefits. For example leisure and recreation enterprises may valorise the public goods paid for by agri-environment measures. However it may also be advisable, in future, to provide support to enhance the local community's capacity to initiate such activities.
4. It is therefore encouraging that several of the evaluations note the indirect/qualitative benefits of the RDPs, especially the LEADER schemes, in terms of enhancing local human capital and community capacity for endogenous development.
5. The evaluators observed a widespread concern for simplification of the RDPs, both in terms of administration ('paperwork') and (perhaps surprisingly) the number of measures available. The explanation for the latter perhaps lies in a degree of perceived fragmentation, an absence of synergy between different measures. The Scottish implementation, through integrated 'Rural Development Contracts' was an attempt to overcome this issue. Unfortunately this approach added a range of administrative complexities of its own, and by tying the contracts to land ownership effectively excluded non-farmer beneficiaries.

4. The Rationale for Rural Development Interventions

In this section of the report we consider three questions:

- (i) What common strengths and weaknesses, or opportunities and constraints characterise the rural economy and society, and what does this suggest in terms of appropriate policy responses?
- (ii) What guidance can the theoretical literature give us about when and how policy should intervene in market or social processes?

- (iii) What does the literature (both policy and academic) tell us about changing styles of rural policy?

The RuDI project classified the common rural development constraints in four categories:

- **Structural**, (both in terms of the need to diversify the economy, and in terms of the need to sustain or reinforce community structures).
- **Locational**, (remoteness, sparsity, lack of agglomerative economies, poor access to services).
- **Social**, -(demographic ageing, social exclusion, poverty, labour market issues).
- **Environment and landscape**, - (loss of biodiversity, pollution, water management, forest fires, climate change impacts).

Clearly some of these are less relevant in the Nordic context, but it is nevertheless a helpful reminder of the breadth of issues which are considered (within the academic community at least) legitimate concerns for rural development policy.

Another perspective on the point of departure for the scope of rural policy is the current preference for building upon opportunities and potentials, as opposed to compensating for disadvantage or handicap. According to this view rural economies and communities need to respond to global trends by finding new ways to exploit their 'territorial capital'. These local assets, which tend to be immobile, include physical, environmental and 'built' resources, but it is also extremely important to appreciate the value of less tangible social and cultural potentials.

The second theme, the theoretical perspectives on the justification for public intervention, includes a range of complex arguments which can only be listed here. The interested reader is referred to the main report for further detail.

Remuneration for public goods, and the closely related argument about compensation for externalities, have become rather prominent in the European discourse on rural development in recent years. Compensation for higher transaction costs and the need for infrastructural improvements in rural areas are both arguments which directly address the locational constraints noted above. The infant industry argument considers the costs associated with economic restructuring. The concept of 'territorial equivalence', the right of citizens to certain basic services and living standards, irrespective of where they choose to live, could be seen as a specific aspect of social inclusion.

It is a common motivation for interventions to support services of general interest in rural areas.

In terms of changing styles of rural policy (which are of course responses to changing rural contexts and demands) these can be summed up in terms of:

- A shift from sectoral to territorial approaches, moving away from the primary sector as the key driver of the rural economy, and recognising the full breadth of opportunities and constraints reviewed above.
- The recognition of the need to integrate different strands of rural development in order to enhance impacts through synergy. This is a key concept in relation to the EU concept of policy coherence which is the focus of the final sections of this report.
- The increasing popularity of 'neo-endogenous' or 'place-based' approaches, which are devised and implemented by local actors, building upon local territorial capital, but with support and guidance from national or regional agencies.
- Closely associated with the latter is an increasing emphasis upon the concept of 'multi-level governance'.

All these aspects have been incorporated into the OECD's 'New Rural Paradigm' which in many respects provides a worthy goal in terms of rural policy design and implementation.

5. What is Coherence?

Given the similarity of the English words it is important to be clear about the difference between **Cohesion**, which is the overarching policy goal of balanced, inclusive and equitable development, and **Coherence**, which is a term describing the relationship between two or more policies, where they work in a harmonious way which avoids wasteful duplications or conflicts, and perhaps results in additional synergistic impacts.

Some experts distinguish 'consistency' as a more limited absence of overlaps and conflict between interventions, from 'coherence', where there is a more systematic integration of policies which generates synergy. Others distinguish 'vertical' coherence (between interventions implemented by different levels of governance, such as national, regional or local), and 'horizontal' coherence, (between different forms of intervention at the same level of governance). When considering broad, heterogeneous policies, such as the CAP, or even Pillar 2 alone, it is possible to consider 'internal' coherence. At all these levels it is possible to define coherence either in terms of content (e.g.

between RDP measures) or in 'behavioural' terms of practical implementation.

In the context of this report, considering the current RDPs, and the planning of future RDPs in the Nordic MS, horizontal and internal coherence are inevitably in the foreground, since they can be studied through policy documentation. However, in practice vertical coherence is very important, indeed it is (as noted below) required by the draft regulations.

6. Potential for Coherence between CAP Pillar 2 and Cohesion Policy.

A longstanding and high profile debate (in Brussels circles) about the rather sensitive question, 'which DG should be responsible for rural development policy', explains the importance currently attached to the concept of 'coherence', it being seen as a *quid pro quo* for maintaining the status quo. Within this context coherence is generally understood to relate specifically to the relationship between CAP Pillar 2 and Cohesion Policy.

It may be argued that the current relationship between the these two EU policies reflects a gradual process of separation since the Agenda 2000 reforms ended the multi-fund Objective 5b and Objective 6 programmes. Later, in 2005 Pillar 2 acquired its own fund, the EAFRD, and the current RDPs, beginning in 2007, discontinued targeting of resources on regions designated under the convergence objective.

However, given the political interest in the issue it is rather disappointing that the academic and policy literature provides a relatively meagre body of evidence regarding the degree to which the two policies interact. The handful of ESPON and Framework projects which have touched on this issue are fairly unanimous that CAP Pillar 1 distributes income support payments to farmers in a manner which is generally 'inconsistent' with Cohesion policy objectives. The view of Pillar 2 is more mixed: Whilst the standard structure of RDP programme documents includes an explicit requirement to consider consistency (i.e. to avoid overlaps with Cohesion policy), it is fair to say that there is nevertheless considerable scope to strengthen the synergies between the two EU policies.

Turning to the Nordic RDPs more specifically, it is clear that the focus upon agri-environment, and the relatively modest investment in Axis 3 measures means that the Pillar 2 programmes' contribution to cohesion objectives is rather indirect. There appears to be considerable

scope for more direct contributions, for example by switching more support to develop rural communities' capacity to exploit the public goods delivered by farmers.

The Finnish Rural Committee has made a substantial contribution to integration and synergies between policies impacting upon rural areas. In Sweden the 2005 National Strategy for Rural Development, and the Fund Coordination Group provide governance capacity to improve coherence in rural policy. Furthermore a degree of regional implementation in the Swedish programme has brought some responsiveness to differing regional priorities, though perhaps constrained by the strong focus on agri-environment within the national programme.

The Scottish integrated implementation through Rural Development Contracts has delivered a degree of 'internal coherence' within Pillar 2, but at the same time, through restricting the applicability of most measures to the holders of farmland, has 'ring fenced' the SRDP from meaningful interaction with Cohesion policy in Scotland.

7. Opportunities presented by the Partnership Contract process

There appear to be two principal opportunities to increase coherence within the design and implementation of Nordic RDPs for the new funding period, commencing in 2014. The first of these is the formulation of the Partnership Contracts which are intended to integrate the national Pillar 2 and Cohesion Policy programmes to the EU Commission's Common Strategic Framework (CSF). The second takes the form of the proposed 'Community-led multi-fund local development' initiatives. The first is the main focus of the upcoming Nordic Working Group Workshop, the second is briefly described in section 4.2 of the report, but need not detain us here.

The CSF will present the objectives of the four EU development funds, which will be designed to ensure that national and regional programme contribute towards EU 2020 goals. Each MS (or region) will be required to produce a Partnership Contract which translates these objectives into specific targets, with associated 'conditionalities' and procedures for monitoring and evaluation.

The significance of the CSF and the Partnership Contracts lies in their potential to transform the separate 'silo' nature of the individual CSF Funds into a more integrated strategy, focused upon EU2020 objectives. The Regulation has been

taken as an opportunity not only to create a network of links between the CSF Funds and EU2020 objectives, but also to push forward both the principles of integrated development (as distinct from sectoral approaches), and multi-level governance. Thus the Partnership Contracts will be required to set out in detail how the CSF programmes will be coordinated to ensure an integrated approach. The partners to the agreement will not simply be the EU Commission and the MS government, the participation of regional and local public authorities, 'economic and social partners', 'bodies representing civil society', environmental and social inclusion 'ngo's is also required. These partners are also required to be involved in the 'preparation, implementation, monitoring and evaluation' of the CSF programmes.

The timetable envisaged by the Commission is rather daunting: The CSF is intended to be agreed and adopted by the end of 2012. Partnership Contracts and CSF programmes are envisaged to be agreed *within three months* of the adoption of the CSF.

The CSF and Partnership Contract framework raises a host questions for the Nordic MS, some of them being strategic/political, others are more practical/bureaucratic implementation issues. Most of these need to be considered and (widely) discussed in a rather short timescale. Foremost among the strategic questions would be:

(i) Which stakeholders should be formally included in the procedure for negotiating the Partnership Contract?

(ii) The regulation states that within more developed regions and countries the Partnership

Contract and Programmes should focus on a narrower range of objectives and key actions. How should these be identified?

The more bureaucratic issues relate to adapting existing delivery structures and putting into place monitoring and evaluation arrangements (including those which will be urgently required to fulfil 'ex ante conditionality').

In fact how these rather pressing questions are addressed seems likely to have a profound influence over whether the 2014-20 CSF Fund programmes for the Nordic Countries achieve a genuine advance in terms of what could be termed 'multi-level coherence', (i.e. coherence at all levels of governance, not just within the Partnership Contract at the national government level, and the Community-led Local Development in the local context). Furthermore such a change will necessitate a very substantial effort to disseminate information in 'multi-fund' packages – rather than using the well-established discrete and separate channels (e.g. urban/regional v rural). It will call for at least some practitioners to become 'CSF renaissance men' rather than specialists in a single strand of EU policy.

These are very substantial challenges. They provide the rationale for issuing this report at this time, in an attempt to provide a means for regional policy practitioners to familiarise themselves with the background to the EAFRD policy structures and programmes, both for the period which is drawing to a close, and the one which will begin in January 2014.

1. Introduction

This report is intended as an input to the preparations for the new Cohesion Policy and CAP Rural Development programming period, which is scheduled to begin in January 2014. The draft legislation, which is currently the subject of scrutiny by the European Council and Parliament, requires a greater degree of coordination (known as ‘coherence’) between Regional and Rural Development policies, and this implies a higher level of interaction and mutual understanding between the two policy communities.

EU Rural Development; Pillar 2 + ?

Rural development is increasingly viewed as a broad concept where different challenges, solutions, actors, geographical scales and policies apply depending on where we are, and who we are. There are many definitions of what is rural, and there are as many categorisations of what the challenges are. Rural includes the urban fringe, forest areas, mountains, archipelagos and isolated islands. The issues range through social, economic and environmental. Theories about endogenous development compete with other theories about centrally driven growth.

Although its roots stretch back to the mid 1970s, the Second Pillar of the CAP was first presented as a separate policy structure in 2000. Both its contents and its position within the EU funding system have been, and are, recurrently debated; not least every seventh year when the programme is renewed. In this way the policy structures undergo a slow evolution. The renewal process is currently underway for the new Regulations and Programmes to be implemented in 2014. Actors from all over Europe have been engaged in a debate over its future, and draft regulations were published in October 2011.

A fundamental issue in this debate concerns the degree of impact that the CAP, as a policy primarily aimed at agriculture, can be expected have in developing the wider rural community and economy. Agricultural policy has certainly evolved and broadened in recent years, (as we will describe below). Today the second pillar of the CAP is concerned with economic diversification, local development (Leader), remuneration for environmental public goods, and compensation for

disadvantage (Less Favoured Areas – LFA). Nevertheless, (income) support for the agricultural sector still accounts for the bulk of CAP spending in both Pillar I and II., and in order to ensure that the EU2020 objectives of ‘smart, sustainable and inclusive growth’ (EC 2010a), and the new Treaty commitment to Territorial Cohesion are fully addressed in rural areas it seems very important that Cohesion Policy is also engaged.

EU rural and regional policies already have many points of contact. With different measures but partly common objectives, they are tools in the community’s quest for development of the entire EU. This is evident both in current Rural Development Policy and in the ongoing European debate on the future of this policy. The importance of coherence between the two policies is highlighted in the public debates and in Commission documents, including the draft legislation for the 2014-20 period.

It is therefore important that actors outside of the agricultural policy community understand how the second pillar is designed, how the programmes are implemented, and what impacts they have. This can help to facilitate the dialog between different interests in rural development and can hopefully improve coherence in the future programming periods.

Therefore, this document is written for regional and rural development actors who do not currently have a detailed or up-to-date knowledge of the CAP, but who are nevertheless interested in getting to know EU rural development policy and the potential for development that it brings.

Learning from Past Experience

To facilitate targeted and evidence-driven development of the next generation of the national rural development programmes, lessons from previous program periods are developed through regular evaluations. Each EU Member State commissions experts to carry out *ex ante*, *mid-term* and *ex post* evaluations of their RDP’s.

In order to synthesise the lessons learned in the Nordic countries and to highlight the territorial rural development components, this report presents experiences from four mid-term evaluations. These relate to the three Nordic EU countries of

Denmark, Finland and Sweden, and to the autonomous region of Åland. To create possibilities for further learning experiences and to illustrate a rather different way of implementing Pillar 2, an account of the evaluation of Scottish RDP is added.

These reviews have focused on those parts of Pillar II which address broader territorial rural development in a direct manner. Measures targeting the protection and promotion of the environment and related amenities (environmental public goods) have not been considered. Whilst it is acknowledged that there are indirect socio-economic impacts from these types of measures, in the interests of clarity and brevity these are not considered further in this report.

The Focus and Structure of this Report

There are, of course, many ways in which the broader rural development impact of CAP Pillar II programmes during the next programme period might be increased. This report will consider just three of these:

- (i) To learn from the recommendations made by the authors of the most recent (mid-term) evaluations of the 2006-13 programmes.
- (ii) To compare experiences between the Nordic EU Member States (and similar administrations, such as Scotland), in order to better understand the different national approaches, and to learn from each other's good practice.
- (iii) To increase the 'coherence' between CAP Pillar 2 programmes and those aspects of Cohesion Policy programmes which impact on rural areas. This is particularly important within the context of the proposed new Common Strategic Framework and Partnership Contracts.

The first objective of this report is thus to compare and reflect upon experiences of RDPs in the three Nordic EU member states, in Åland, and in Scotland. This reflection will focus on the promotion of economic diversification and social robustness in rural areas. In a second step the outcomes of this exercise will be reflected upon in the light of the next programming period and the need for coherence between regional and rural development policies and programmes.

In considering the evaluations the following questions will be addressed:

- What is the background and structure of the EU Rural Development Policy?
- What measures are included in the different programmes?
- What are the differences in thematic implementation between the Nordic countries and compared to the rest of the EU?
- Which elements have been the most successful in the implementation, in regard to promotion of economic diversification and social robustness?
- Which elements have been the least successful?
- How are these successes and less successful results explained?
- What can the countries and the regions learn from each other's experiences?
- How can these lessons be used to promote coherence between future regional and rural development interventions?

The report starts with an outline of the RD policy and its position within the different EU policies targeting rural development. A brief overview of the structure of the policy in different EU countries is also provided in this chapter. Establishing a degree of independence from programme specific terminology and in order to connect its interventions with broader development themes, the measures are divided into four groups; Primary Sector Competitiveness, Agri-Environment and Forestry, Human Capital and Local Capacity and Wider Rural Development.

In the following chapter the programmes in Denmark, Finland, Åland, Sweden and Scotland are presented (based on the mid-term evaluations). The contents of the programmes are described. Results and recommendations from the evaluators are presented.

The final two chapters focus upon the concept of coherence, first in relation to current programmes, and then considering the implications of the draft regulations, the challenges they present, and the implied challenges of the coming months.

2. EU Rural Development Policy

2.1 Regional and Rural development in the EU

While Rural Development Policy is the only EU support for social, economic and environmental development targeted exclusively on rural areas, businesses and communities in the countryside may benefit from a number of different EU funds and programmes. The most important of these are encompassed by the term ‘Cohesion Policy’, which (in broad terms) are intended to promote balanced development of regions, and to assist regions which are lagging behind. In this chapter the main features of these two policies will be sketched out.

CAP Pillar 2

The EU has a long history of supporting farmers through the CAP, but in last two programming periods an a concern for the general development of the countryside has been added. This has been associated with the distinction of two separate ‘pillars’; Pillar I incorporating direct income support for farmers, and market support for agricultural products, and Pillar II comprising rural development policy. The latter is still delivered mainly to farmers, but now includes some more ‘territorial’ forms of intervention addressing the

needs of the wider rural economy and society.

Overall, almost 80 % of the CAP budget for 2007-2013, is allocated to the first pillar. However the balance varies considerably between the Member States, Pillar II generally receiving a larger share in the New Member States (Figure 1).

In the current programming period from 2007 to 2013 the second pillar is structured around four ‘themes’:

- Axis I: Improving the competitiveness of the agricultural and forestry sector
- Axis II: Improving the environment and the countryside
- Axis III: Improving the quality of life in rural areas and encouraging diversification of the rural economy
- Axis IV: The Leader approach (local development strategies and public-private partnerships).

Although Member States have some discretion regarding design and implementation of the component measures, the common European framework has to deal with significant diversity in rural resource endowments, infrastructures, social and cultural histories, and wide disparities in levels of prosperity and quality of life. Further, the framework operates alongside not only the mixture of EU regional policy shown in Figure 2 (below), but also Member States’ own policies, which all impact on rural economic and social wellbeing.

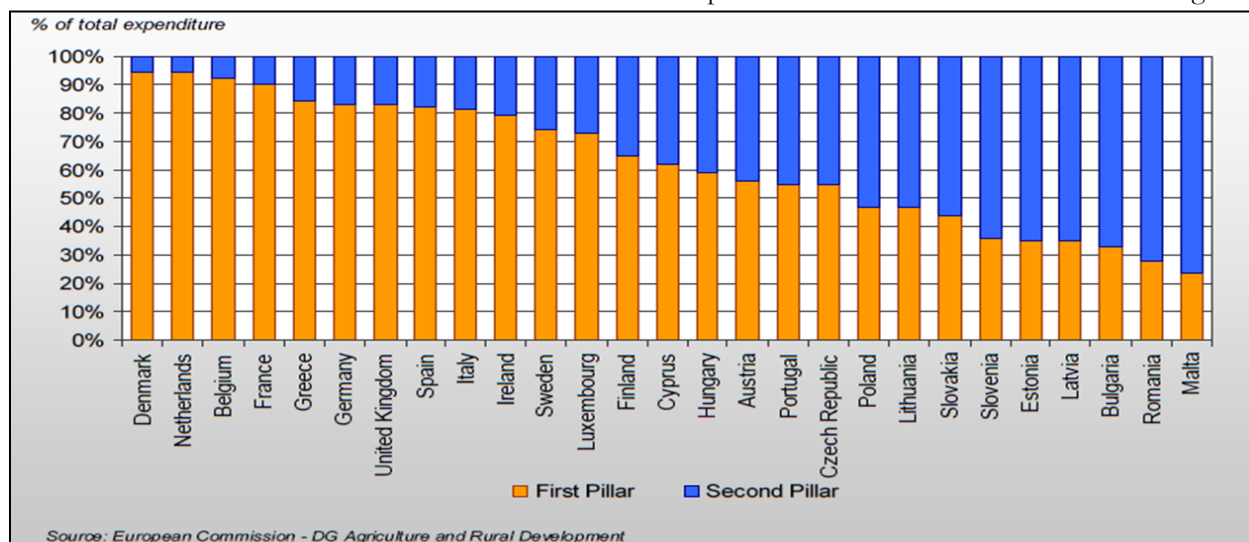


Figure 1: CAP Expenditure by Member State and Pillar

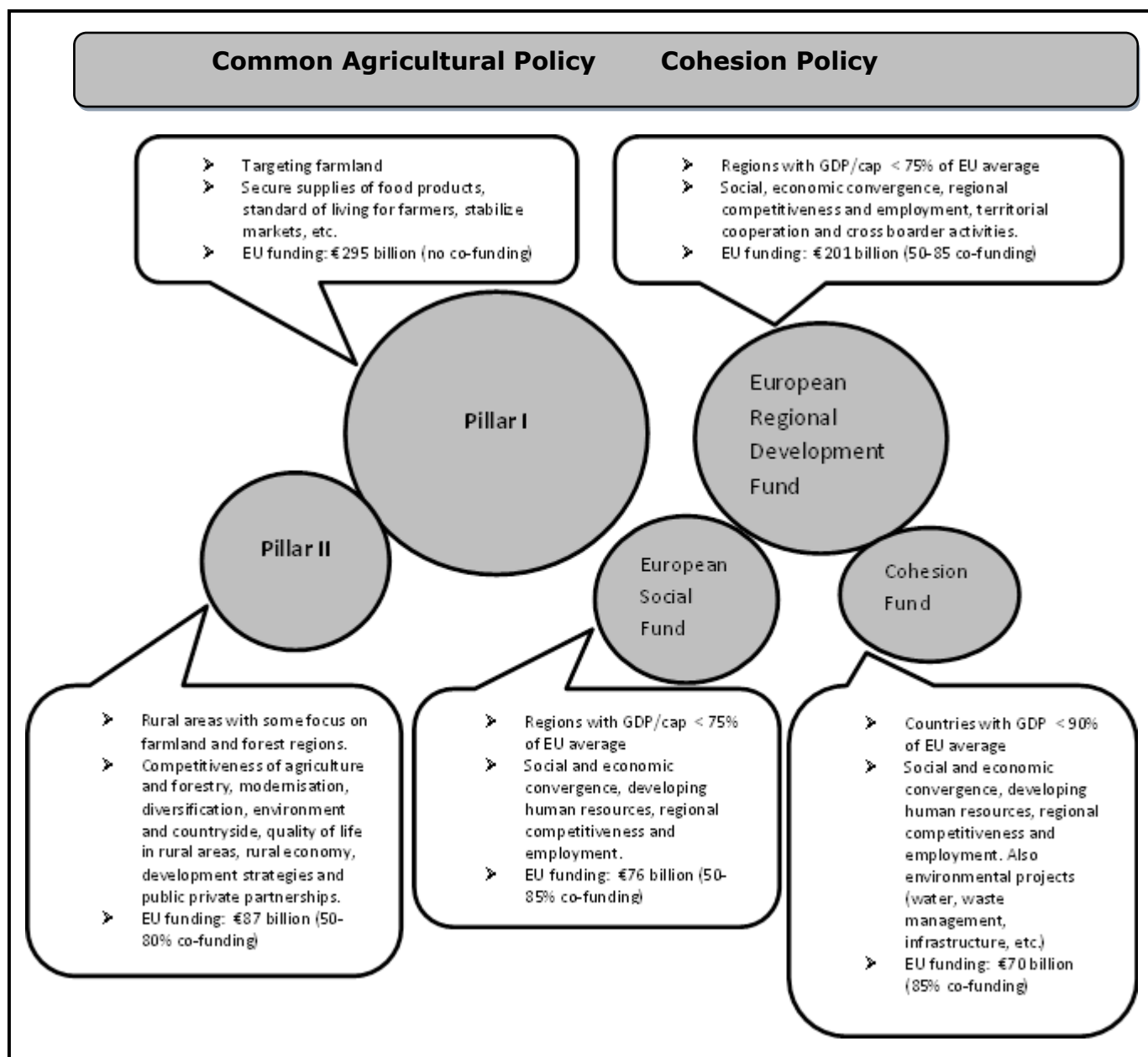


Figure 2: CAP and Cohesion policy in the EU

Note: Circles indicate the approximate relative economic size of the different funds, during the 2007-13 period.

Cohesion Policy

The purpose of the Cohesion policy is to contribute to the Lisbon and Gothenburg objectives for growth, jobs and sustainable development⁶ by promoting cohesion across the EU-territory and improving the use of all available resources.

During the current programming period (2007-2013) the overarching objectives of the Cohesion policy are:

- *Convergence*: to help the least-developed Member States and regions catch up more quickly with the EU average by improving conditions for growth and employment. ‘Convergence regions’ are defined as those with a GDP per capita less than 75% of the EU27 average.
- *Regional competitiveness and attractiveness* of regions: to strengthen the competitiveness, employment and attractiveness of all other regions.
- *Territorial cooperation*: to strengthen cross-border, transnational and inter-regional cooperation

The programmes of Denmark, Finland, and Sweden are all under the second and third objectives. The Itä-Suomi region formerly qualified for a Convergence programme, but since its GDP per capita rose above the 75% threshold it has a temporary “phasing in” status. Most of Scotland is designated under the Competitiveness objective. However the Highlands and Islands has “Phasing out” Convergence status, because, at the beginning of the period it had a GDP per capita *below* 75% of the EU15 average, but *above* 75% of the EU25 average.

EU Cohesion policy is carried out via three funds; the Regional (ERDF), Social (ESF) and Cohesion (CF) funds. The total budget for the programming period 2007-2013 is EUR 347 billion, or about 90% of the total CAP budget for the same years.

The Nordic countries and Scotland are allocated support for ERDF and the ESF programmes. The CF is aimed at Member States whose Gross National Income (GNI) is less than 90% of the Community average and can thus not be used in the Nordic Member States or the UK.

The priorities for investment funding through the ERDF include infrastructure, innovation, and environmental protection. The ESF is focused on employment, and the main areas of focus are improving access and participation in the labour market, adaptability of people and firms, social inclusion and reducing discrimination.

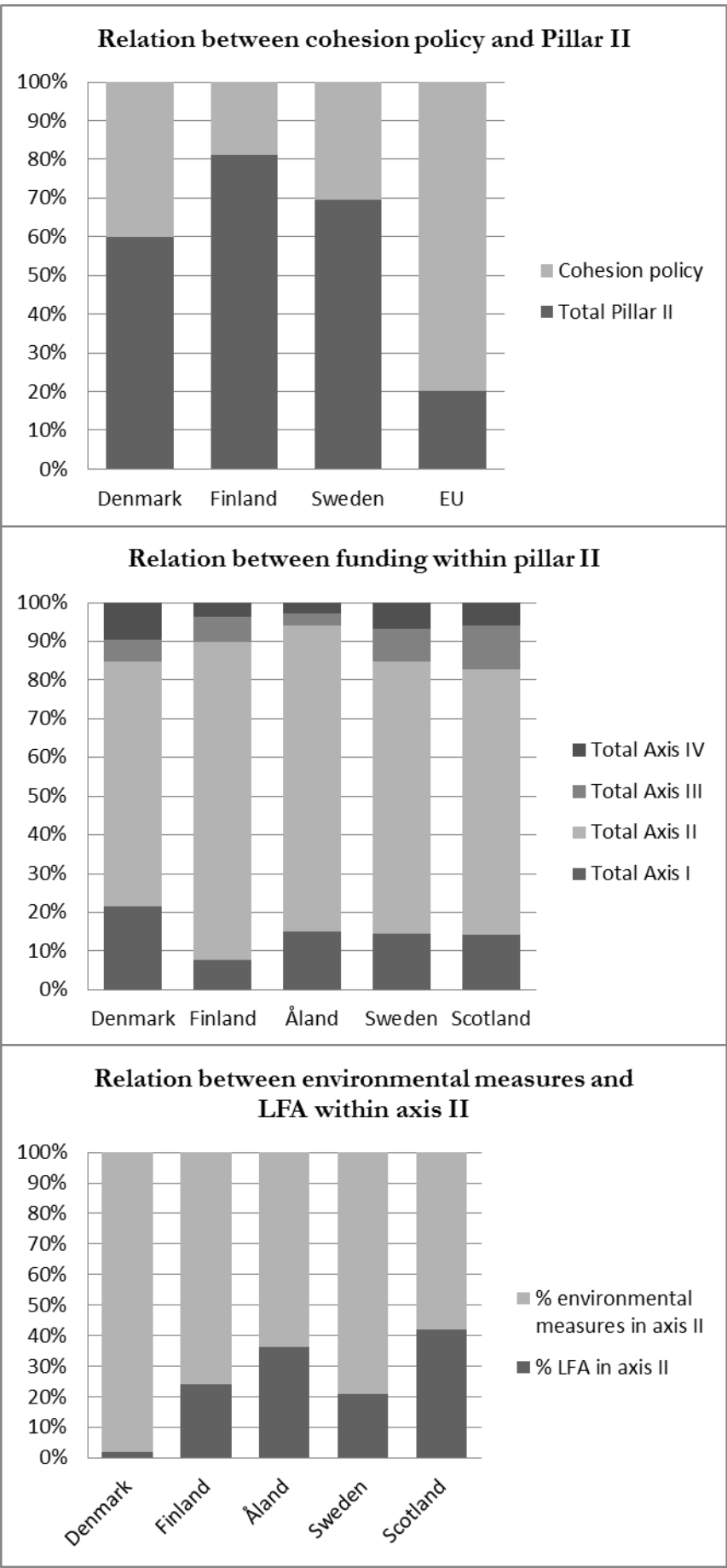
The Relative Importance of CAP Pillar II and Cohesion Policy.

Figure 2 shows the relative size of the CAP and Cohesion policy across Europe as a whole. It is interesting to note, however that the picture is somewhat different in the Nordic countries, where CAP Pillar II expenditure (in the current programming period) is larger than that of Cohesion Policy. Figure 3a indicates that in Sweden and Finland, Rural Development expenditure accounts for 80% and 70% of expenditure respectively. In Denmark too, Pillar II spending is substantially larger than that under the Cohesion Fund, but the ratio is less extreme.

Figures 3b and 3c show that much of the Pillar II support in the Nordic countries takes the form of environmental payments (within Axis 2). In Sweden and Finland, Less Favoured Area payments also play an important role in Axis 2.

⁶ For the new programming period, beginning in 2014, the Lisbon and Gothenburg objectives are superseded by the EU2020 objectives of ‘smart sustainable and inclusive growth’.

Figure 3: Cohesion and Pillar II Budgets in the Nordic Countries (2006-13).



(a) The Relation between Cohesion Policy and Pillar II

In Finland and Sweden the incidence of Pillar II is 70 and 80 percent whereas in the EU the corresponding figure is only 20 percent. Denmark has less LFA and therefore Pillar II and Cohesion policy is more evenly financed.

(b) Funding shares by Axes within Pillar II

In all Nordic countries the second pillar is primarily made up of axis II measures, i.e. environmental payments and LFA.

(c) The Relationship between Environmental Measures and LFA within Axis 2

In all Nordic countries, even more so in Denmark, the second pillar is dominated by environmental measures. On Åland LFA is somewhat more important, but still only represents 36 percent of axis II.

2.2 The evolution of EU Rural Development Policy

When the common agricultural policy of the EU (CAP) was initiated in post-war Europe over 50 years ago rural areas were primarily seen as food producers and their problems were connected to marginality as they were perceived as distant (not simply geographically, but also technically, economically and culturally), from the urban centres. Rural development was seen as an exogenous process “driven from outside”. Hence rural policy was designed to improve efficiency in agricultural production, develop the infrastructure and increase mobility in labour and capital.

However, both the economy of the countryside and the concept of rural development have changed over time. The role of agriculture in the rural economy has been transformed, leading to changed expectations, new activities and new products. At the same time rural development came to be seen as a process that was self-driven, and rooted in the specific culture and history of a place. As a consequence the concept and paradigm of rural development has evolved. Increasingly the focus is upon local resources and potentials, and on development as an endogenous process.⁷ Nevertheless the mobilising local capacity and resources is often difficult without exogenous advice and financial/technical support, resulting in the widespread acceptance of the hybrid notion of “neo-endogenous development” (Ray 2001).

Territorial regions of different size are now seen as entities where development is taking place; they have come to be seen as players in the European economy (Ibid). Their development potential depends on both their capacity to utilise the specific assets of the region; including natural and human capital, institutions, culture and infrastructure, and upon their ability to attract and make use of external inputs such as investments, EU support, and connections to actors outside of the region. Rural areas are thus no longer considered the passive receivers of development support but rather as active players in the competition for economic growth (Ray 2006). This

change has been associated, in many EU countries, with a shift to more decentralized governance, in which the state increasingly takes a managerial role, and with a move away from sectoral (agricultural) policies towards territorial approaches benefitting the wider rural economy and society (Ibid).

Nevertheless, the CAP, which originated as direct support to agricultural production, has always maintained a strong sectoral focus. In 1968 the visionary Mansholt Plan (European Commission) established modernisation of farm structures as a complement to agricultural market support. From that embryonic beginning emerged what has become known as the Second Pillar of the CAP. After this the policy was slowly broadened. In the 1970s, support for upland and other less favoured farming areas was introduced; in the 1980s, initiatives to control farm output and support farm incomes were first supplemented by measures which aimed to mitigate the environmental degradation resulting from intensified agriculture. The MacSharry reforms of 1992 extended the agri-environment programme, and added extensification and forestry measures (although these were kept distinct); and at more or less the same time, the Leader experiment and Structural Funds programmes – specifically the Objective 5b programme – addressed broader rural problems. Prior to the most recent and ongoing reforms to this largest element of EU budgetary expenditure, the *Agenda 2000* legislative framework revised the objectives of overall policy to include improved market orientation of agriculture, food safety and security, income stabilisation by redistributing aid from commodity support to other measures, improving income and employment, and greater economic and social cohesion.

⁷ Ibid.

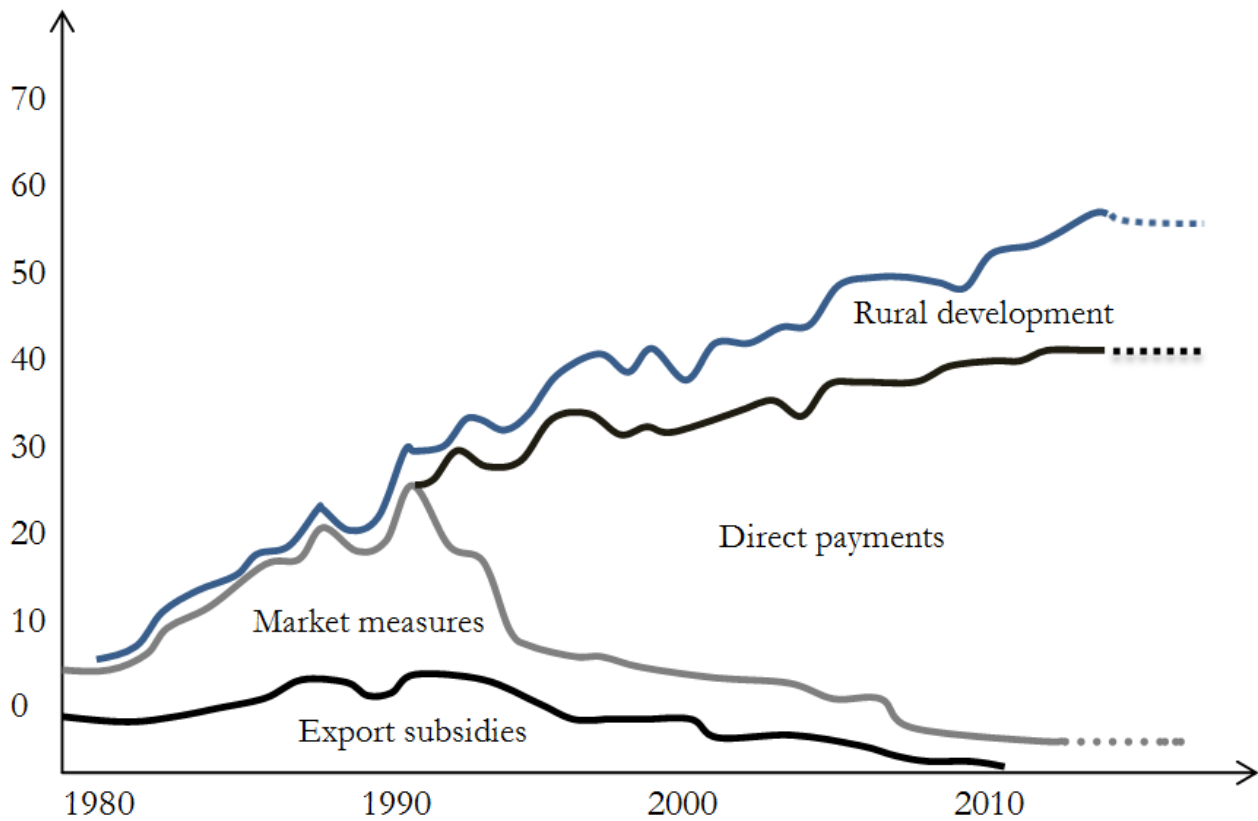


Figure 4: The path of the EU CAP expenditure 1980-2020 (in current prices).

Note: Proposed budget for post 2014 shown as dashed lines.

Source: EC (2011)

The impact of the reform process since 2000 has so far resulted in modest shifts away from direct production support for farming and forestry towards the wider rural economy. Saraceno (2004) notes that, although the elements of Pillar II became legislatively consolidated and better resourced in the 2000-2006 programming period, they remained complex in design and by no means coherent: “rural policy of today is the result of successive additions of measures with different

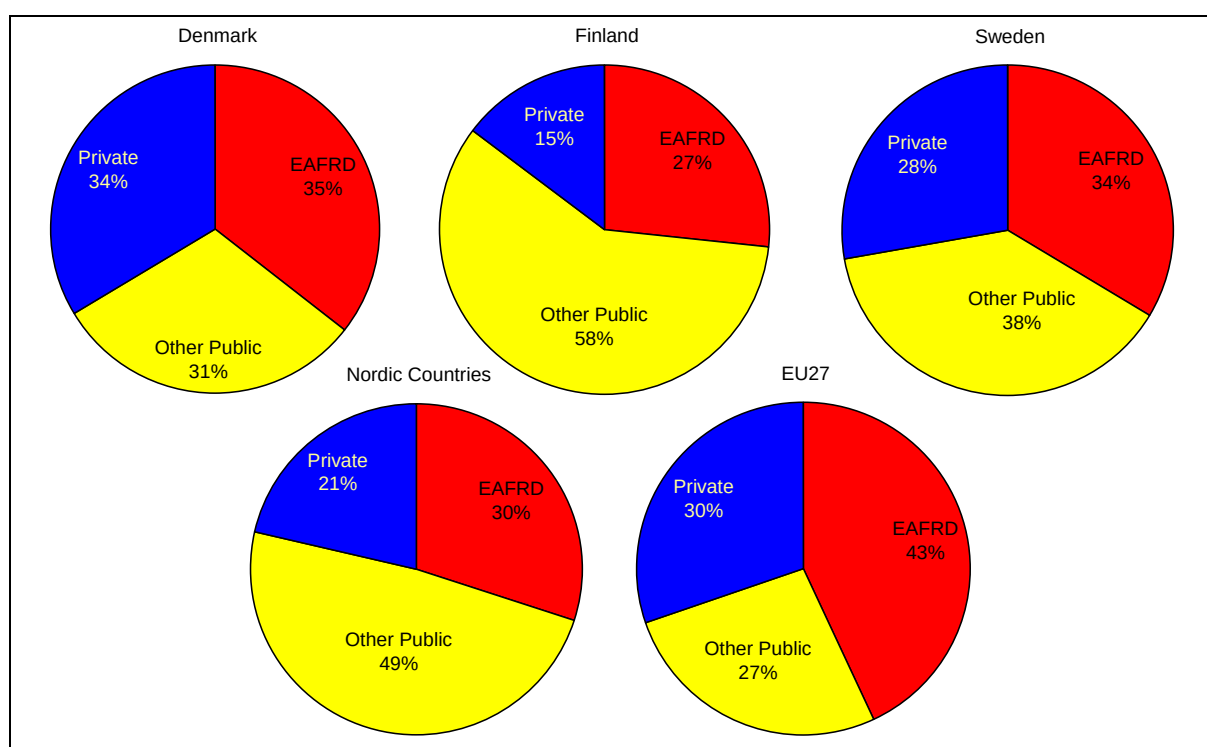
rationales” (*ibid.*, 8). This is a consequence of attempting to address both sectoral (structural needs of the agricultural sector) and territorial (multi-sectoral, integrated approach) issues at once. As shown in Figure 4, Pillar II expenditures (in blue) have evolved substantially over the past two decades, complementing the broader changes in the CAP which have attempted to address issues of budgetary control, trade conflicts, and adverse environmental impacts.

2.3 The Current Nordic Pillar II Programme Budgets

Pillar II rural development programmes are funded from three sources; the EAFRD, other public funding (i.e. national public expenditure) and private match funding. The proportions of funding from these three sources in a Member State depends upon the mix of measures implemented. Some measures are 100% EAFRD funded, others (notably the Less Favoured Area measures) require co-funding from Member State sources, whilst capital investment measures require match funding from the beneficiary. During the 2006-13 period 43% of the expenditure of all 27 Member States is budgeted to come from the EAFRD, 27% from

‘other public’ sources, and 30% from private match funding.

Within the Nordic Member States the total planned expenditure amounts to a little over €14,500m, which is almost 7% of the EU total (Table 1). Of this total Nordic RDP budget just 30% is derived from EAFRD, almost 49% from national (public) sources, and 21% from private match funding (Figure 5). Clearly this is not typical of the EU as a whole, the main Nordic specificity being the much larger share of ‘other public’ funding. The graphs for the individual countries (Figure 5) reveal that Sweden and Denmark are fairly close to the EU27 funding profile, but that Finland’s profile is exceptionally strong in terms of ‘other public’ funding. This seems to be mainly due to the unusually strong emphasis upon Less Favoured Area schemes.



Source: Rudi project.

Figure 5: Sources of (planned) funding for the Nordic Pillar II Programmes 2006-13

The “intensity” of rural development expenditure may be estimated in a variety of ways, per hectare, per holding, per unit of farm labour, or per unit of “economic size”. Each of these has its own advantages and disadvantages. Comparative analysis carried out by the RuDI project showed that one of the main difficulties was in obtaining truly comparable denominators. This raises questions

particularly in relation to the per hectare and per holding ratios mapped in Figure 6. The intensity ratios for each of the Nordic countries are shown in Table 1. The figure’s for Finland indicate a higher intensity of expenditure than for the other Nordic Member States. The per holding and per hectare ratios are partly a reflection of different structural and land quality/intensity characteristics. The ratios

for expenditure per full-time farm worker (AWU) and 'economic size unit' are probably more meaningful. All the Nordic Member States have a higher ratio of expenditure to full-time worker than the EU27 average. In Sweden the level is more than four times higher, in Finland it is more than five times higher. This may of course reflect a more efficient use of labour in the farming sector (rather than a higher rate of expenditure). The ratio of

expenditure to economic size units (an approximation to the income generating capacity of the sector) again shows Finland as the more intensive user of Pillar II funds, with a ratio more than three times the EU27 average. Sweden's ratio is a little over twice the European average. Denmark's is very much lower, only about 25% of the average.

Table 1: The Scale and Intensity of CAP Pillar II (Planned) Expenditure 2006-13

	Planned Expenditure 2006-13 (€m)	% of EU Total	€ per Holding	€ per Ha.	€ per AWU	€ per ESU
Denmark	1,250	0.59	28,024	0.47	22,385	350
Finland	7,855	3.70	115,124	3.43	108,509	4,761
Sweden	5,433	2.56	74,831	1.74	82,991	3,030
Nordic	14,539	6.86	78,393	1.80	75,051	2,071
EU	212,015	100.00	15,475	1.23	18,132	1,373

Source: Rudi project.

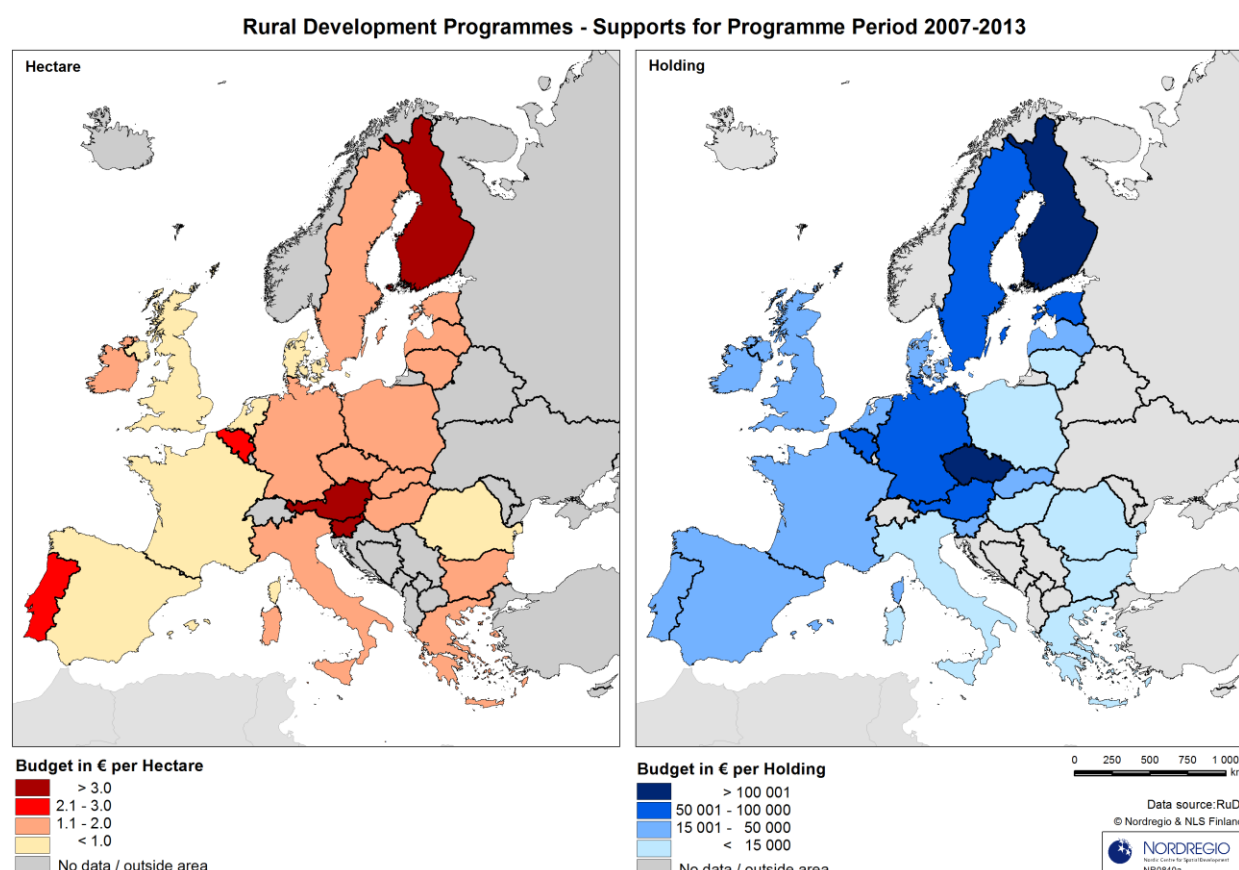


Figure 6: Planned RDP Expenditure 2006-13 per Hectare and Per Holding

Levels of rural development support intensity also vary considerably from region to region, reflecting, amongst other things, different profiles across the measures. In order to illustrate this CAP and RDP support allocated to agricultural land and companies (holdings) in Sweden for 2009 are

mapped in Figure 7 (below). It is evident that total CAP support per farm is intensive in some southern counties whereas RDP spending (driven by LFA spending) is high in northern counties.

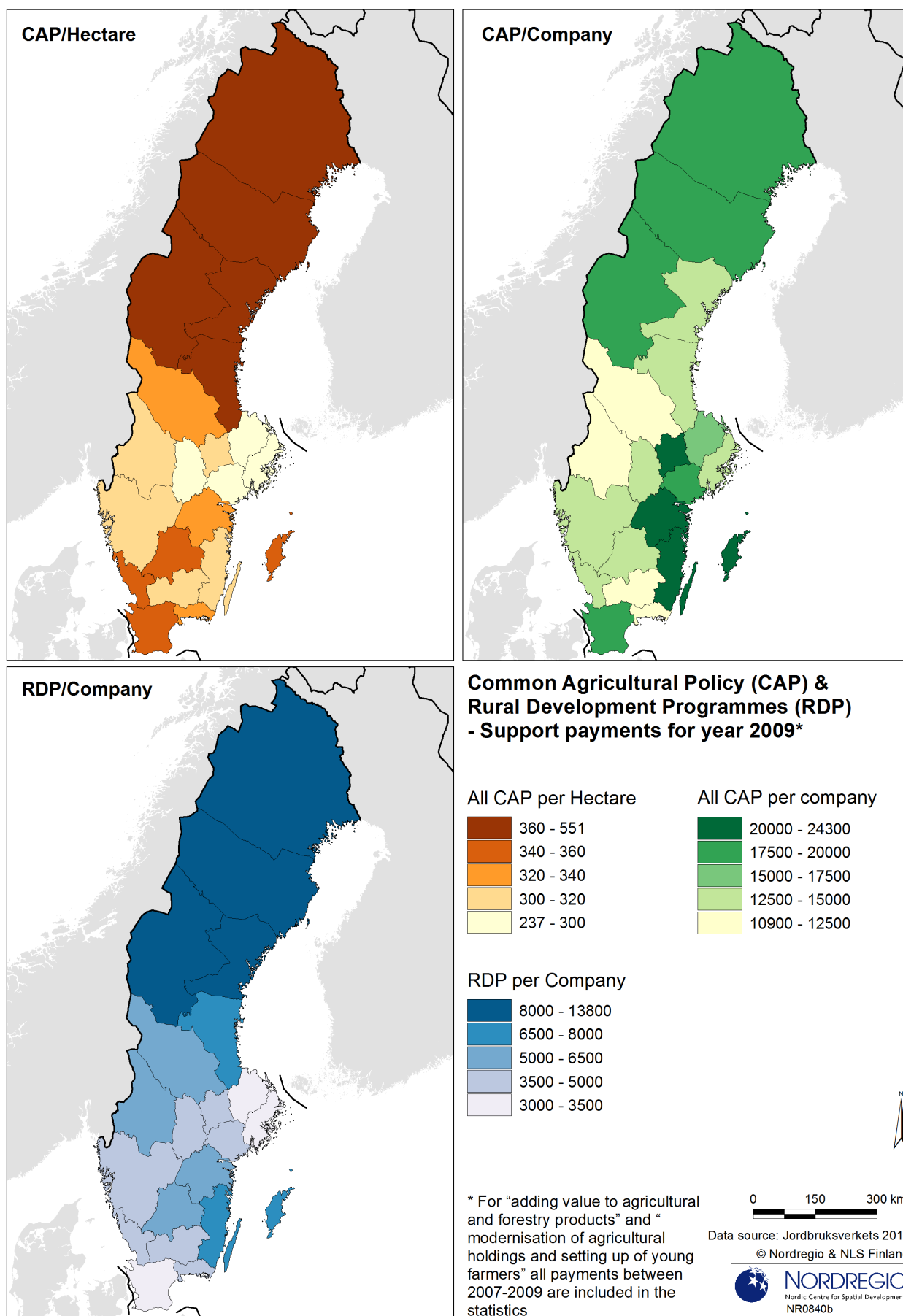


Figure 7: CAP and RDP intensity across Sweden.

2.4 2006-13 Programme priorities and focus

In order to better understand the way the second pillar of the CAP is implemented in the Nordic Member States, and the way in which the programmes can contribute to wider rural development, it will be helpful to consider the measure and budget profiles of the Nordic countries' 2006-13 programmes.

Broad Thematic Priorities

There are 45 measures to choose from within the Rural Development Regulation (1698/2005) and these have been classified in a variety of ways. The most familiar of these is the 4 "Axes" of the Strategic Guidelines. What is less well known is that the Commission had previously experimented with various other typologies. These were considered in the context of the RuDi project, particularly as an aid to determining the overall 'thematic' orientation of different Member State programmes. This led to the adoption of a simple fourfold 'thematic' classification of measures:

- A.** Primary Sector Competitiveness
- B.** Agri-Environment and Forestry
- C.** Human Capital and Local Capacity
- D.** Wider Rural Development

The measures which constitute these groups are set out in Table 2 (overleaf).

The distribution of spending allocated to the four themes in the across the EU27 in general, and in Nordic Member States programmes in particular,

is depicted in Figure 8. Across the EU 27 as a whole almost 40% of all Pillar 2 budget is allocated to measures within the Primary Sector Competitiveness theme (A). One third is assigned to the Agri-Environment and Forestry (B). Human Capital and Local Capacity (C) account for almost 15% of the budget, and Wider Rural Development (D) for almost 13%. If we compare these shares with the Nordic countries' programmes it is evident that the implementation of measures within theme A is much below the EU average whereas measures within theme B are much more prominent. Implementation within theme C seems to be in line with the European implementation theme D is consistently below the EU average.

One of the clear messages from the RuDi project was that the Nordic countries, together with the UK, Ireland the Czech Republic and Austria, focus heavily on implementing agri-environmental measures (Theme B). Åland's programme is perhaps the most striking example of this approach.

By way of context, it is worth noting that all but two of the remaining EU Member States had Pillar II budgets which focussed much more strongly on Theme A (Primary Sector Competitiveness.) The profile for Germany (included in Figure 8) is a good illustration of this. What is also notable about the German budget profile is the relatively large share allocated to Theme D (Wider Rural Development.)

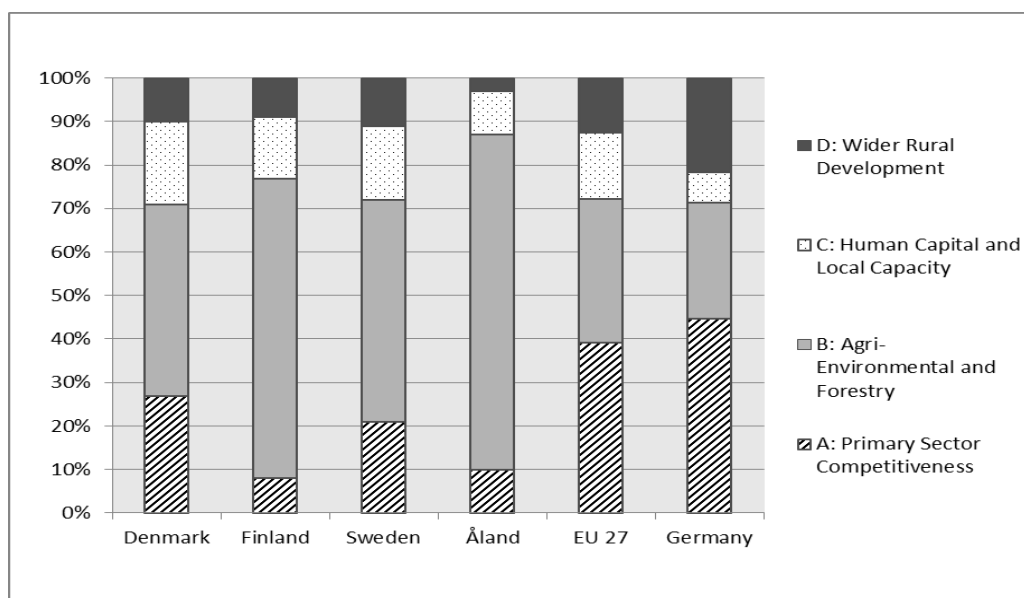


Figure 8: Thematic budget profiles of the Pillar II programmes of the Nordic Member States.

Table 2: The four rural development themes.

↓ Measure	→ Group	A. Primary Sector Competitiveness	B. Agri-Environment and Forestry	C. Human Capital and Local Capacity	D. Wider Rural Development
111 Training and information				X	
112 Establishment of young farmers				X	
113 Early retirement				X	
114 Use of advisory services				X	
115 Setting up farm management, relief and advisory services.				X	
121 Modernisation of agricultural holdings		X			
122 Improving the economic value of forests		X			
123 Increasing the value of agricultural and forestry products		X			
124 Cooperation on developing new products, processes and technologies		X			
125 Infrastructure improvement and development		X			
126 Restoration of agricultural production		X			
131 Meeting standards temporary support		X			
132 Participation of farmers in food quality schemes		X			
133 Support for producer groups for information and marketing activities		X			
211 Natural handicap payments in mountain areas (LFA)			X		
212 Payment to farmers in less-favoured areas			X		
214 Agri-environment payments			X		
215 Animal welfare payments			X		
216 Support for non-productive investments			X		
221 First afforestation of agricultural land			X		
222 Agroforestry establishment			X		
223 First afforestation of non-agricultural land			X		
224 Natura 2000 forest areas			X		
225 Forest environment			X		
226 Restoring forestry potential			X		
227 Support for non-productive investments			X		
311 Diversification into non-agricultural activities					X
312 Support for the creation and development of microenterprises					X
313 Promotion of tourism					X
321 Basic services for economy and population					X
322 Village renewal and development					X
323 Conservation and upgrading of the rural heritage					X
331 Training and information measure				X	
341 Skills acquisition and information measures with regards to local strategies				X	
411 LEADER Axis 1				X	
412 LEADER Axis 2				X	
413 LEADER Axis 3				X	
421 Transnational/international cooperation				X	
431 Operating expenses for local action groups				X	
511 Technical assistance				X	

Relatively Focused Programmes

The budget (measure) profiles reproduced in Appendix 1 show that Denmark has implemented 29 measures, Finland (mainland) 25, Sweden 23, Åland 13 and Scotland 30. The EU27 average is 29 (EU15 30, NMS12 27). Thus, two of the Nordic programmes are notably more focused than most other EU MS, even among the New Members.

Figure 9 shows that among the 27 EU MS there is a broad relationship between the size of RDP programme budget and the number of measures implemented. Smaller programmes tend to have fewer measures, and *vice versa*. The explanation probably lies in administrative capacity, and a reluctance to cut a smaller amount of support into too many small measures. It is interesting to note that whilst Denmark is close to 'the curve'

both Finland and Sweden (in particular) are below it. In other words, they have implemented a number of measures usually associated with a rather smaller budget.

In Denmark and Finland about 30% of the budget has been allocated to a single measure (214, agri-environment). In Sweden this measure accounts for very nearly 40% of the RDP budget. Across Europe only the UK and Ireland allocate a higher percentage of their budget to measure 214 (both over 40%).

The Åland RDP is particularly focused: Limited administrative resources have resulted in a programme based upon structures already in place, and less than half the average number of measures are implemented, mainly within axis II.

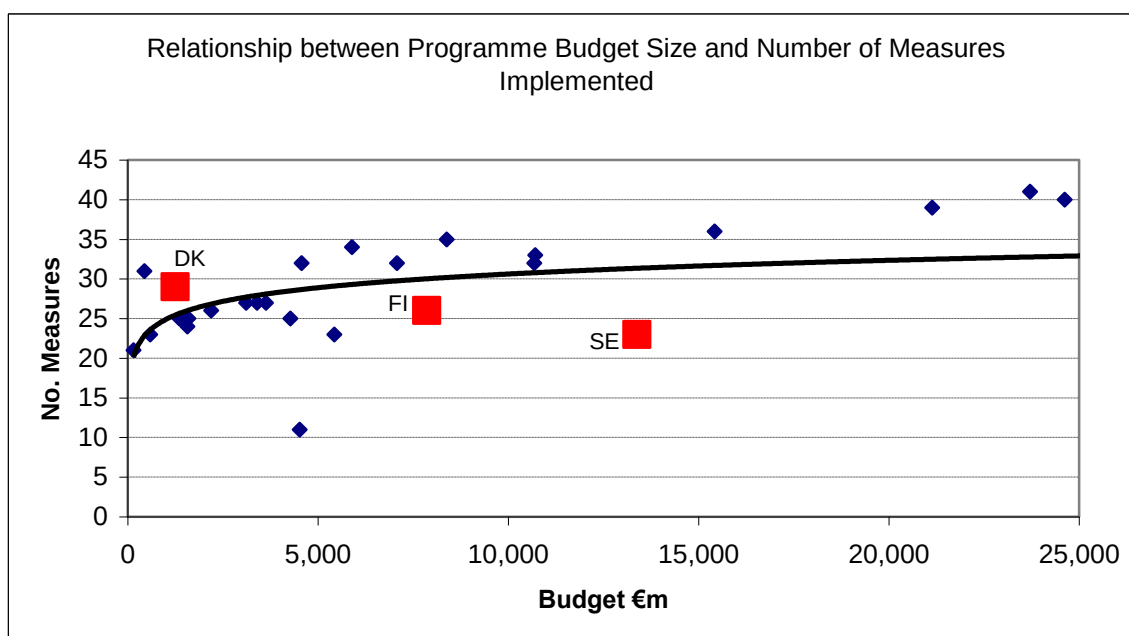


Figure 9: The Relationship between Programme Budget Size and Number of Measures Implemented.

2.5 Reflecting on the Rationale for Rural Development Policy

This section considers, in general terms, what is termed in the Pillar II context, the various 'intervention logics' of rural development policy. It is inevitable that there will be a degree of 'path dependence' and inertia in policy design and implementation structures. However, the debate over the new programmes for the 2014-20 period is a valuable opportunity to stand back and to reconsider the underlying logic of intervention to support development in rural areas. This will also provide background which will make some of the evaluators arguments, presented in Section 3, more meaningful.

The justification for rural development policy (in general) can be considered at various different levels, and from different perspectives. This chapter structures its discussion around three questions:

- (iv) What common strengths and weaknesses, or opportunities and constraints characterise the rural economy and society, and what does this suggest in terms of appropriate policy responses?
- (v) What guidance can the theoretical literature give us about when and how policy should intervene in market or social processes?
- (vi) What does the literature (both policy and academic) tell us about changing styles of rural policy?

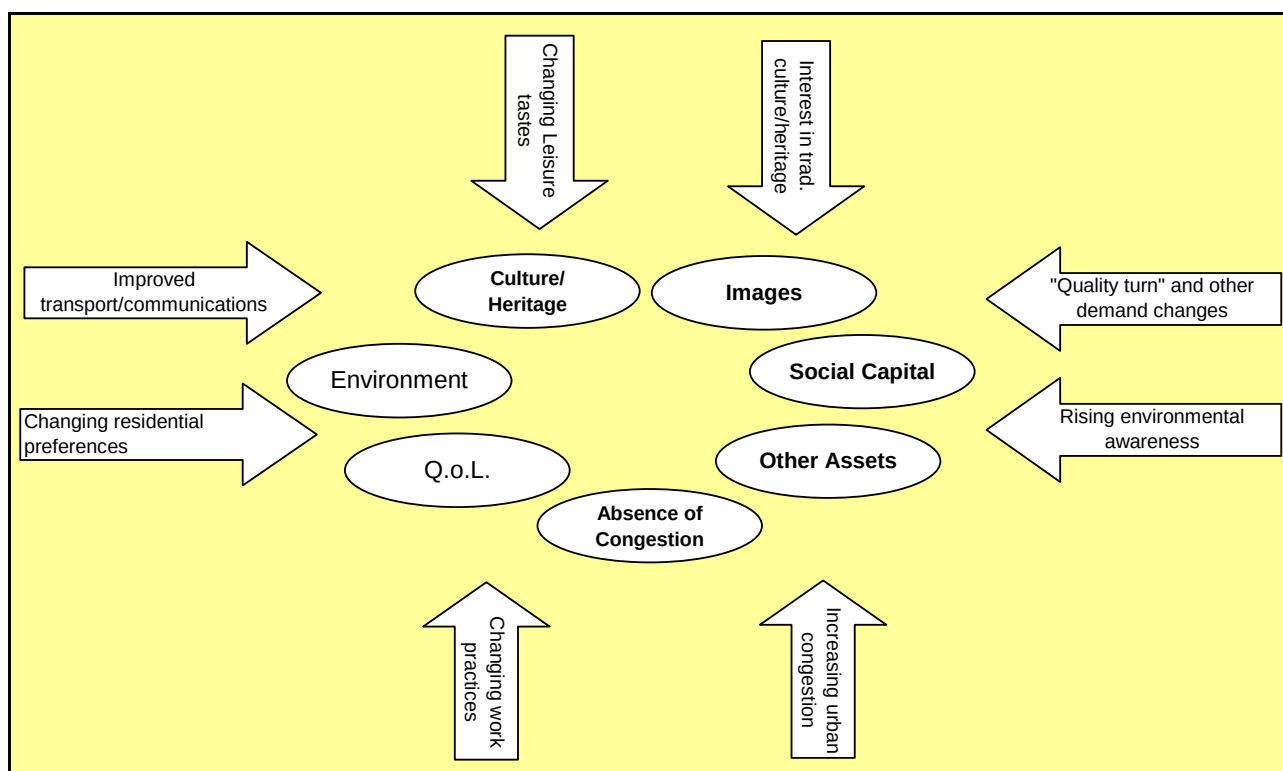


Figure 10: Rural territorial assets and exogenous forces for change.

Source: RuDI Working paper 1.2 (Copus and Dax 2010 p17)

Rural Opportunities and Constraints

One of the key conclusions of a recent ESPON project on development opportunities for European rural areas (EDORA) was that the 'performance' of rural areas (broadly defined

including, for example economic prosperity, quality of life, community vitality etc) is determined by the interaction of a range of globalised/exogenous processes of change with the local endowment of 'territorial capital'. The latter is composed of a wide range of assets, (physical, environmental, economic,

human, social etc) which are relatively immobile; and tied to the local area (Copus et al 2010b, Copus and Hörnström 2011). According to this view the proper focus of rural development policy is upon the constraints and opportunities associated with this array of territorial assets.

The RuDI project classified the common rural development constraints as follows:

- (i) “Structural constraints (dependence upon agriculture, the need for farm structural change, human capital and marketing issues).
- (ii) Locational constraints – remoteness, sparsity, and associated issues, such as absence of agglomerative advantages, poor access to services.
- (iii) Social issues – demographic ageing, social exclusion, poverty, labour market issues.
- (iv) Environment and landscape issues, such as loss of biodiversity, pollution, water shortages, forest fires, climate change impacts.” (Copus and Dax 2010 p.iv).

The above typology is of course not the only way to classify issues which are relevant to rural development policy, and unfortunately it is not possible to describe them individually here, the important point is that it illustrates the breadth and range concerns. It is immediately evident that some of these are addressed by CAP Pillar 2, others have been recognised as valid ‘targets’ for Cohesion Policy. A substantial proportion have yet to be adequately represented in either.

However, it is increasingly recognised that rural development policy should not focus exclusively upon compensating for disadvantages, but should seek to facilitate the exploitation of rural opportunities or potentials. Examples of these include environmental quality, quality of life, the absence of congestion, community spirit and social capital. (Figure 10).

Again, as with the constraints above, this very brief summary of the range of rural potentials is far from adequate, however it is simply intended to prompt reflection on the extent to which EU Rural Development Programmes and Cohesion Policy in the Nordic Member States are responding to the existing opportunities in a comprehensive or balanced way.

What kind of Rural Development interventions should the state (or EU) pay for?

As a basic principle, interventions should be justified in terms of a response to some kind of market failure or societal concern. It is important to distinguish these broad motivations, at the aggregate level, from the considerations which determine the eligibility of an individual investment, which will also need to satisfy value for money, viability, local environmental impact, health and safety criteria etc. The account which follows is again intended to stimulate reflection on the principles underlying Nordic rural development policy. No claims are made about being comprehensive. We will begin with arguments which are generally advanced in support of sectoral forms of intervention, moving on later to consider some of the theoretical justifications for broader development, to meet the needs of the rural economy and society as a whole.

(i) Remuneration for public goods

Non-commodity outputs such as attractive landscapes, biodiversity, food safety, gene pool preservation, traditional cultural artefacts, land use or settlement patterns, are generally produced jointly with conventional agricultural food and fibre products. Public goods are defined in terms of excludability and rivalry. Excludability is defined by the existence of property rights with respect to the good. Rivalry describes how much a person's consumption of a product affects another person's consumption of that same good. A perfect public good must be non-excludable and experience no rivalry in consumption. The opposite is true of conventional “marketable” goods.

Under-provision of public goods is a common justification for state intervention. It occurs where it is difficult or impossible for traditional markets to emerge. This is generally because it is difficult to charge for a particular type of goods or services, or to exclude anyone from consuming them for free. Nevertheless there is usually a ‘socially efficient’ level for provision of such goods, and this is the starting point for a rationale for the state to use public funds to remunerate private actors who provide them.

The public goods argument has recently been widely employed to justify CAP expenditure under both Pillar 1 and Pillar 2 (Cooper et al 2009): “Environmental and cultural assets generated through agriculture have the characteristics of public goods that will not be delivered through markets. Some public goods are a by-product of agricultural activity, others are services provided by

farmers as an extra effort. In view of ensuring the provision of public goods associated with agricultural land use, policy measures are needed to incentivise farmers to opt for the type of land management that delivers the best outcome..." (EC 2009).

(ii) Compensation for externalities

An externality is defined as an economic activity, or some type of transaction, that affects a third party, without the effect on third parties affecting the price. Hence, the activity is performed without taking into account all the consequences, for instance without paying for emissions or use of certain resources. A negative externality has an adverse effect on third parties but will not be mitigated unless there are extra incentives for doing so. A positive externality has a positive effect on third parties, but these positive effects may not be as large as society requires since they are not stimulated by the market.

Externalities thus arise when an individual does not bear the full cost of their activity, or does not receive part of the benefits, arising from their activity. In the case of agricultural and rural policies the emissions in the form of smell, sound, visual impacts, nitrogen leakage or carbon emissions are examples of possible negative externalities. Positive externalities might also be visual amenities, smell, animal welfare etc., but also biodiversity and other environmental services. There is thus a degree of 'overlap' with public goods.

Market failures associated with externalities provide a justification for some of the measures within Axis 2, particularly those relating to agricultural pollution, and animal welfare.

(iii) Compensation for transaction costs

Transaction costs theory underlies interventions designed to compensate farmers and other businesses in remote or inaccessible areas.

Transaction costs are associated with (i) gathering and processing information to make decisions, (ii) negotiating and administering contracts, and (iii) monitoring and enforcing contracts, i.e. control costs (Bjuggren 1985 and Dahlman 1979). Examples could include the costs of overcoming distances, to communicate, to negotiate, to participate in policy mechanisms, finding labour, etc. Transaction costs might be higher in some regions, for specific activities or due to other geographical, social, or economic problems. If this is something that limits the possibilities for firms to become successful and the total benefit of having these firms are higher than the costs for reducing transaction costs, or for providing services which

are limited due to transaction costs, then there is a scope for policy intervention.

(iv) Responding to imperfect capital markets

Imperfections that limit the way capital markets function and the way capital and producers interact are problematic because they limit the possibility for firms to expand or to start up. There are of course 'non-imperfect' reasons why firms cannot find capital, and these cannot not be justifications for public interventions. Non-viable firms or bad ideas should not be invested in. But there are some problems which can lead to genuine market failures and which therefore limit the possibility for some firms to invest. Those with capital might not have full information about the firms and activities that are seeking funding; whether they have the capacity to pay back their debt and/or whether they are willing to pay. This might be a problem for new types of activities or activities which have previously not been borrowing from private banks. For instance, for a long time farms borrowed from the state and the way capital is built into a farm operation was not familiar to private banks. Also, the way farms are organized, with one or few owners might be viewed as risky by banks. The lender needs to trust the borrower to commit and to pay back his/her debt, otherwise a third party is required to enforce or underwrite the contract. This is where there can be scope for government intervention; if (for example) there is a need for restructuring of the farm sector and this requires capital. In this situation the state can either lend the capital or provide guarantees to private banks. This argument underlies the investment measures in Axis I. The imperfect capital markets theory is closely related to the infant industry argument (below).

(v) Responding to asymmetric information issues

When some actors on a market have more information about themselves, their intentions or the products they sell, than the rest of the participants, a situation emerges which is termed 'asymmetric information'. It may be a market for job seekers and employers, or between buyers and sellers of products.

'Moral hazard' is a well known example of the consequences of asymmetric information. It occurs when the activity of one actor (the agent) cannot be observed another (the principal), but where the activity of the agent still affects the utility or wellbeing of the principal. This situation is termed a 'hidden action problem'. Similarly, 'hidden information' about the quality of goods, firms, or individuals, may lead to 'adverse selection problems'.

Asymmetric information of all types can limit the performance of markets and therefore there is scope for public intervention if the transaction costs for solving these problems are too high for private actors. The logic here is the same as for e.g. transaction costs. If there are public interventions which can make sure that markets function well, and the benefits of such policies are higher than the costs of them, then there is scope for public intervention.

Asymmetric information arguments provide the basis for interventions to support quality and marketing initiatives, such as measures 132 and 133.

(vi) The Infant Industry argument

The infant industry argument is based on the assumption that newly established industries tend to lack the 'critical mass' for international competition. This is seen as a justification for 'pump priming' support to nurture the industry until it is able 'to stand on its own two feet'. This argument has sometimes justified barriers to free trade, or public support to new and emerging industries. But it can also be used to justify support to an industry in transition, or more specifically, for diversification of the agricultural sector.

The argument would be that the industry is going through a period of restructuring and that diversification activities will eventually emerge, but that support will enable such activities to become profitable more quickly. Some of the Axis 3 measures would be examples of this kind of intervention.

The counter-argument is of course that the agricultural sector has absorbed support for almost a century and could not be considered an infant industry.

(vii) Infrastructure improvement

Infrastructure improvement is closely related to transaction costs arguments since costs for production and sales increase if roads, internet connections, etc. are not developed and efficient. If housing is not available for attracting labour, or if public transportation does not enable commuting, it might not even be possible to operate in certain regions. Therefore supporting the development of infrastructure has often been a target for rural policies since it lowers some barriers to firms operating or households living in rural areas.

(viii) Compensation for the absence of agglomeration advantages, supporting accessibility and connectivity

Agglomeration advantages, otherwise known as 'external economies of scale' are of course a

fundamental building block of economic geography, regional science, regional policy and spatial planning. The 'sparsity' of the rural economy has long been recognised as a constraint to the business activity and entrepreneurship in the countryside. In the past this has justified growth pole policies, although these are not considered to have been very successful (Copus 2012a). More recently spatial planners have advocated urban-rural cooperation, principally as a means of reconciling governance structures with changing functional geographies (Copus 2012b).

It may be, however, that both of these 'intervention logics' have been 'overtaken by events'. There is an increasing body of evidence that rural businesses are able to overcome the absence of agglomeration advantages by developing business networks which give them both 'local embeddedness' and global connections. This is associated with both resilience and capacity for innovation. The DERREG project explored this issue and recommended strengthening of 'network brokerage' activities as an appropriate policy response to support rural SMEs (Dubois et al 2011, Copus et al 2011). There are two facets to network brokerage: The first involves 'forum facilitation', bringing SMEs together for collective learning and cooperation,. The second takes the form of direct 'match making' activities, helping to forge linkages (especially international ones) for rural SMEs.

(ix) Pursuing territorial equivalence

Territorial equivalence is not an economic rationale (like most of those above) but a social more, or a cultural/political norm. Bryden et al (2008 p6) have defined the objective as follows: "to ensure that people can live where they choose and expect 'equivalent' conditions in terms of access to public, private and business services as well as livelihoods and living standards." The authors explain that the concept is a particular feature of the Nordic countries, having been enshrined in constitutional documents, and pursued through a variety of national policies. Clearly the concept has much in common with that of 'territorial cohesion' which became an overall EU objective (alongside social and Economic cohesion) through its inclusion in the Lisbon Treaty.

Territorial equivalence has been an important underlying principle for many Nordic country policies outside rural development. However it is surely relevant in the context of concerns about 'services of general interest (SGI) in rural and sparsely populated areas. Here the quest for economies of scale has been associated with a political shift in favour of greater private sector involvement. This had led to concerns that rural

residents and households do not enjoy equivalent access to services such as education, health care, retailing for everyday needs, energy and water, telecommunications and public transport.

(x) Strengthening social inclusion

In a sense, territorial equivalence could be seen as a special case of a wider principle of social inclusion. The European Commission defined social exclusion, as far back as 1992 as follows: “a phenomenon which is tending to establish within society a mechanism which excludes part of the population from economic and social life and from their share of economic prosperity....the problem is now not one of disparity between top and bottom of the social scale (up/down), but also between those comfortably placed within society, and those on the fringe (in/out).” (EC 1992 p8). More recently the Fifth Cohesion Report stressed that social exclusion is often concentrated in particular areas, especially in cities and towns. However they also acknowledge that “Such concentrations also occur in rural areas, mostly in the EU-12 where economic activity is limited and few employment opportunities outside subsistence farming exist.” (EC 2010c p184). Clearly this form of employment exclusion is less an issue in the Nordic countries. Nevertheless the concept of social exclusion is still very relevant to consideration of appropriate levels of SGI provision in rural areas, and should in this sense play a role in establishing a rationale for rural development policy.

Changing Styles of Rural Development Policy and Implementation

The evolution of ‘styles’ of rural development policy has already been touched on in Section 2.2, but a brief resumé will perhaps be helpful at this point.

Advocacy of **territorial** rather than **sectoral** rural development policy has continued over at least

a quarter of a century. Progress has been very slow with respect to EU policy. Indeed the Agenda 2000 reforms can in some senses be viewed as a step back, the multi-fund and integrated Objective 5b programmes being abandoned in favour of greater separation of CAP rural development and Cohesion Policy in the pursuit of ‘simplification’. Axis 3 continues to account for a small budget share in almost all Member States.

An important trend in recent years has been the increasing popularity of ‘**neo-endogenous**’ or ‘**place-based**’ approaches, which emphasize the need to adapt to local contexts, build upon local potential, and foster local capacity, whilst at the same time recognising the value of sharing good practice widely, and bringing in external expertise or resources where necessary and appropriate. Closely linked to neo-endogenous approaches is the recognition that rural policy is not solely concerned with compensation for disadvantage (through subsidies), but with supporting the realisation of potential (through investment).

Another principle which is now widely accepted is the **integration** of a range of different interventions to form a coherent programme. It is widely accepted that the impact of the integrated programme will be greater than the sum of the separate measures.

A closely related concept is that of ‘**multi-level governance**’. Good coordination and an appropriate sharing of decision making and responsibility between national, regional and local, and sectoral actors is also believed to enhance the impact of rural development policy.

All the above aspects were combined in the very influential 2006 OECD publication “**The New Rural Paradigm**” (OECD 2006). The main features of the New Rural Paradigm are summarised in Table 3.

Table 3: The New Rural Paradigm

	Old Approach	New Approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex. Rural tourism, manufacturing, ICT Industry etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD 2006, Table 0.1 p15

3 Implementation and experiences of RD measures in the Nordic countries

3.1 Introduction

This chapter introduces the programmes of the Nordic EU member states Denmark, Finland and Sweden, as well as for Åland. Each programme is described, and some issues of implementation and administration discussed. The findings of each country's mid-term evaluation, and the recommendations made by the evaluators are summarised. Finally the Scottish programme is introduced, illustrating that a program with similar content (in terms of measures) can be implemented in a somewhat different way.

The final section of this chapter draws out some common issues raised by the mid-term evaluations of the five programmes. These include consideration of,

- the justification for adopted forms of intervention, and the scale of 'deadweight',
- the relative levels of 'hard' employment impacts,
- indirect 'spillover' impacts
- soft human and social capital impacts, and,
- scope for improving integration and synergy within the programmes.

Before introducing the five programmes and their evaluations it will perhaps be helpful to provide a brief overview of the 'Common Monitoring and Evaluation Framework' (CMEF) which has been produced by DG Agriculture to guide the evaluators and structure their reports.

The objectives of the Mid Term Evaluations are set out in Regulation 1974/2006, Article 86 as follows:

- “- to examine the degree of utilisation of resources, the effectiveness and efficiency of the programming of the EAFRD, its socio-economic impact and its impact on the Community priorities;
- to cover the goals of the programme and aim to draw lessons concerning rural development policy;
- to identify the factors which contributed to the success or failure of the programmes'

implementation, including as regards sustainability, and identify best practice". EC (2010d) p4.

It is important to appreciate the fact that strict guidelines for these evaluations are both a reflection of the rather sophisticated 'intervention logic' (incorporating a hierarchy of objectives, outputs, results impacts and effects, together with associated indicators) and a consequence of the Commission's intention to aggregate the findings of all the RDP evaluations to assess EU-level impacts and effects.

Full details of the CMEF instructions may be found at the Commission's website⁸ and a critical assessment in Huelemeyer and, Schiller, (2010). Key elements of the CMEF methodology are a set of standard indicators, and a set of more than 150 'standard questions'. The majority of the latter are specific to one of the four axes. Nineteen are 'horizontal', or applicable to the programme as a whole.

In reading the evaluations it quickly becomes clear that the sophisticated and 'buttoned down' CMEF methodology was, of necessity, on many occasions replaced by a more pragmatic approach. This was often because programme administrative systems were not keeping up, and therefore unable to provide hard quantitative data, even for such basic items as the total expenditure disbursed, or the number of beneficiaries. Impact indicators, such as the number of jobs created or 'safeguarded' were often based upon sample surveys of beneficiaries. In the case of Sweden additional econometric analysis was carried out. The potential for differing definitions and methodologies means that comparisons between the 'quantitative' impacts of the five RDPs discussed below should be very cautious.

⁸ http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm

3.2 Experiences from Denmark

About the programme

The Danish RDP 2007-2013 covers the whole country, although the geographical demarcation of the programme's LEADER initiative delimits its implementation to specific rural districts. The programme was designed to widen the scope of the previous, in which agriculture was strongly emphasised, and to focus to a greater extent on broader development of rural areas. (Kahila, P., Hedström, M. 2009) The overall objectives of the RDP 2007-20013 are:

- Stronger competitive force in the food and forestry sector
- Varied landscapes, rich nature and clean environment, including water quality
- More entrepreneurs and local jobs in the rural areas
- Attractive living conditions in the rural areas contributing to a strong cohesive force between rural and urban areas

The main emphasis under Axis I is to boost competitiveness in the agricultural, forestry and food sectors by developing and investing in innovative solutions, which convert new ideas into value. Utilisation of knowledge is therefore combined with investments in physical capital. The emphasis in this axis in financial terms is on physical investments and application of the new knowledge. Of the total programme budget 30% is allocated for measures under Axis I.

The second axis of the programme is to improve the environment and landscape. This is primarily pursued through a significant effort to establish wetlands, extensive river valleys, and border strips along lakes and streams and promotion of organic agriculture. Secondly, objectives are pursued in respect of environmentally friendly agriculture and forestry.

The objectives for the activities under Axis III are primarily related to maintaining or creating increased employment and attractive living conditions for the population in rural areas. The measures are equally divided between the targeted initiatives to create jobs and more general measures that improve living conditions in rural areas.

Under Axis IV the objectives aimed at increased employment, providing attractive living conditions and improving the countryside and environment are pursued using the Leader method.

The broad principle of the approach is to ensure a high level of local influence. The Danish government claims that Denmark is the EU country where the LAGs have been provided with the most central formal role in implementing the RDP (2007-2013) (Ministry of the Interior and Health 2007, p.19). Of these, 7 % is to be implemented through Axis III measures and 1 % is expected to be implemented through measures under Axis I.

The RDP includes 830.000.000 Euro in public funding divided between the four axes. With regard to the typology introduced in the previous chapter, the budget of pillar II is distributed as follows:

A: Primary Sector Competitiveness	27%
B: Agri-Environmental and Forestry	44%
C: Human Capital and Local Capacity	19%
D: Wider Rural Development	10 %

(Copus 2010)

Institutional context and implementation

In Denmark, the Ministry of the Interior and Health is in charge of rural development and policy on behalf of the government (Tanvig 2007). The Ministry also hosts the national, Rural Community Fund financing instrument. The Ministry of Food, Agriculture and Fisheries is responsible for EU-financed activities in rural areas. This includes the implementation of activities under the second pillar of the CAP as well as LEADER activities. However, the Danish Food industry Agency (FIA) has been accredited the role of managing and paying authority. The policy-tasks and handling of applications under the Rural Development Program also involves the Forestry- and Nature agency (The Ministry of Environment), which is handling the forestry measures under axis II.

The Danish development approach in rural areas has traditionally mostly been sectoral, but national support measures for the development of small rural communities have also existed. At the same time the regional policy and balanced distribution of welfare services has diminished structural problems in the post-productivist countryside. However, there is now a new approach to the regional policy and the welfare state where the support of growing urban centres and promotion of innovative capacity and

competitiveness has increased in importance and regional disparities and the viability of the countryside no longer hold the same position. (Moxnes Steineke, J., Kahila, P. 2009)

The Danish RDP is a key document in terms of promoting rural development. In fact, a number of national experts described the RDP as the only strategic document committed to specific regional development issues in Denmark in 2009. (However with the national administration reform put into action in 2007 the municipalities are obliged to design rural development plans) (Moxnes Steineke, J., Kahila, P. 2009) According to the programme (The Danish Rural Development Programme 2007-2013) the RDP is to, along with other common fund instruments, contribute to the achievement of the EU's Gothenburg objective on sustainability and the re-launched Lisbon strategy for growth and employment. The programmes are at the same time also to contribute jointly to implementing the Danish government's globalization strategy and the RDP is not least to support the implementation of the Danish Green Growth strategy. The RDP plays several roles in this context. In terms of growth and employment on a sustainable basis, the programme specifically contributes to the food and forestry sectors while the broader effort to create good framework conditions which foster innovation, acquisition and sharing of knowledge, new technology and entrepreneurship is supported by the European Regional Development Fund and European Social Fund. The rural development programme additionally has a special local aim where, in contrast to the general framework-creating initiatives under the Social Fund and the Regional Development Fund, there is a deliberate and practical focus on selected geographical areas, with a need to support local development potential.

Programme results

The following section is based mainly on the MTE of the programme for 2007-2013 (Sammenfattende rapport vedrørende Midtvejsevaluering af Det Danske Landdistriktsprogram 2007-2013 for perioden 2007-2009). This evaluation is based on a mix of quantitative and qualitative studies comprising of e.g. analysis of statistics, desktop research, surveys as well as interviews with administrators as well as stakeholders and focus group interviews with LAG coordinators and heads of LAG boards.

The previous programme carried out between 2000 and 2006 has been criticized for being designed as a 'long list of independent operations rather than coherent policy' (Tanvig

2007) and for not including sufficiently broad aspects of rural development policy. According to the evaluations it did not succeed to attain proper coherence and additionality in the implementation of the measures. (Kahila, P., Hedström, M. 2009) The MTE of the ongoing Danish programme on the other hand concludes that the current RDP is more coherent and integrated, both internally within the axes and across the axes. This is regarded as due to both the design of the individual measures and the combinations/integration of measures as well as to the role of the Leader approach in programme implementation. In addition the MTE concludes that the measures are relevant and the intervention logic still valid seeing as the needs and problems of Danish rural areas addressed by the RDP has remained the same since the programme was prepared in 2006.

During the first half of the current programming period the results of the RDP has in general reached the set targets in regard to number of projects and contracts granted and amount of funding allocated to these. In addition the activities funded are regarded as viable in the sense that they to a large extent will produce long term positive effects, not least thanks to the Leader method which has generated a higher and more sustainable local commitment and responsibility.

According to the MTE the programme has further contributed to economic growth in Danish rural regions. Leader has contributed to mobilizing human and financial resources that presumably otherwise wouldn't have been active, value added has increased in the agricultural sector and the productivity in agriculture and food has also increased. In regard to programme objectives a satisfactory number of new jobs have also been created but the expectations in this regard, especially under axis I and III, are seen as modest.

On the other hand the evaluators conclude that despite the positive results in comparison to programme targets the RDP 2007-2013 has not changed the development tendencies and not reduced the rural-urban imbalances of Denmark.

The overall programme efficiency is assessed to be acceptable but improvable; the deadweight has increased slightly (to 30%) from the previous programme. The administration of the programme is further regarded as overall appropriate by the MTE evaluators while the room for improvements in the monitoring system is highlighted.

The first axis of the Danish RDP 2007-2013 is divided into three themes in the programme; Business development scheme for farmers, Business development schemes for the processing sector and

Quality food products. The axis thus contains activities supporting both the competitiveness of the primary sector and the accumulation of human capital (see groups in figure 2).

The implementation of axis I has in large lead to the results initially targeted. The measures contribute to the use of new technology, more innovation intense investments, increase in added value and productivity and increased knowledge of high quality (organic) products. However, the contribution towards increased demand for labour is limited and so far potential effects on the demand for high quality organic products have not been assessed. New jobs are created to a higher degree by measures supporting the processing sector than farming. The value of the results of the measures related to the input of resources is also higher in the case of the development scheme for the processing sector than support to farmers. In the former the result is also better than in the 2000-2006 program (considered to be a result of higher level of new technology and innovation).

According to the MTE 2007-2009 the evaluations of the previous programme showed a high level of deadweight connected to the investment support. A decrease can be seen but the level is still high in the current programme. Now the processing sector experiences an increase in value added while agricultural businesses supported see a decrease. In large the support did though contribute to the investments being larger and carried out earlier than what would have been the case without the support.

Regarding viability results from supported measures in Business development scheme for farmers and Business development scheme for the processing sector lives on after project implementation. Initiatives to support quality food products on the other hand is mainly designed as information campaigns and according to experiences of the evaluators such information schemes result in short term effects while it is resource consuming to keep the results after the project is finished. Hence the viability of these information and marketing initiatives can be questioned if they are not followed by new initiatives.

Axis III of the current Danish RDP has in the programme been divided into three themes; Measures to create jobs, Measures to support development of quality of life and Children and youth support. The two first both go under the group D: Wider rural development in our grouping in figure 2. The last one, as well as some support under development of quality of life is considered

to contribute to group C: Human capital and Local capacity.

The measures under axis III are all found to be relevant on the background of the situation in rural areas. They are also found to be closely connected to the other axes both in regard to content and implementation. The number of projects supported is well above targeted level, the level of funding allocated to projects is high and so is the achievement of objectives within the projects.

The axis is seen to have resulted in the creation of new jobs in a very satisfactory way. It has also contributed to maintaining jobs, albeit a significantly lower number than targeted in the local development strategies. A conclusion of the evaluators is though that the number of new jobs created could be even higher if projects were larger and had higher level of novelty.

The objective on diversification in non-rural activities hasn't been reached in the same degree but in contrast many new micro-firms, creating new possibilities for income for the dwellers in the local communities, have been started. The number of tourists has also increased. In the creation of both new jobs and improved quality of life the funding is seen to have a considerable leverage effect due to the co-financing. The MTE evaluators further see some deadweight in the projects funded by axis III measures as well. These are regarded as connected to the capacity of LAGs to choose projects and the wide focus of the measure covering both job creation and quality of life.

Overall, it's believed, that the measures have contributed positively to the promotion of improved living conditions in the rural areas and making the areas more attractive for immigrants. The quality of life measures contribute to developing social networks and unity in the local areas. Regarding the measures to support children and youth the results are however not conclusive but the implementation of the projects seems to build networks and unity which in turn does contribute to the quality of life among young. In addition the results are viewed as viable due to the Leader method that ensures local anchoring of the projects and in the strive for creation of new jobs the networks built between citizens, the municipality and the business sector plays a central role in the long term development as it can help overcome existing barriers in the society. The evaluators further conclude that the value of the results in relation to the inputs to a high degree increases with advice and guidance to project applicants.

Notwithstanding the positive results the evaluators do conclude that, based on the MTE it is not possible to estimate whether the measures of axis III have contributed to preventing the decrease in economic and social conditions that rural areas suffer from. It is further stated that with the overall budget of the axis in mind this is not very likely.

The evaluators are however positive towards the Leader method implementation enabled by the fourth axis of the programme. When compared to the thematic grouping of measures presented in Chapter 2 one can say that this axis is fully focusing on development of human capital and local capacity. And judging by the MTE the method has contributed to both improvement of social and institutional capacity as well as mobilization of human resources. The Leader approach does also seem to bring positive effects due to the networking and cooperation that the work results in and it generates a higher and more sustainable local commitment and responsibility than rest of programme. In addition Leader has contributed to mobilizing physical and financial resources and the Leader funding is used as co-financing in larger and more long term projects.

According to the MTE the projects granted funding follows the content of the local development strategies well, but a number of LAGs are interested in renewing their strategies to include new knowledge learned in the first years of implementation and make the strategies more ambitious. Currently a tendency among LAGs, the managing authority and stakeholders to turn to more multifunctional and transverse projects instead of smaller ad-hoc projects, which to a larger extent contribute to the overall objectives of axis I or II, or larger and more business oriented projects for example in cooperation with other LAGs is seen by the evaluators.

The cooperation between different LAGs as well as between the LAGs and municipalities is highlighted in the MTE. The former is appreciated by Leader actors and is seen to bring inspiration. There is however a need for increased knowledge sharing on best practices between the LAGs. Regarding the latter some scepticism was initially seen from the municipalities but today the cooperation is in general well-functioning and a number of municipalities do e.g. co-finance salaries of coordinators. There is a risk though that there is a too close fusion between municipalities and LAGs resulting in the LAG losing its status as a parallel democratic body.

When looking at the type of people engaged in Leader work a pattern similar to other groups of

volunteers can be seen; men around 50 years old dominate while families with children are hard to attract. The composition of the LAGs has not changed markedly since the start of the period.

The MTE further shows that with the exception of the heavy administrative burden connected to the Leader method coordinators, chairmen and staff in the managing authority are pleased with Leader. The strive for local engagement and decentralized commitment in the development projects now realized though the Leader method does however make the implementation complex and in some ways counterproductive. The evaluators regard the Danish implementation of Leader as rewarding but do none the less see a need for a simplification of the administrative process surrounding the method.

Evaluators recommendations for changes

It is recommended to continue the considerations regarding the content of the future common rural development policy, and of the next Danish programme from 2014 - 2020. Particularly relevant would be to consider how the conclusions from the Danish programme development since 2000 regarding the interaction between innovation, public goods and business development in the rural areas can be transformed into a common European practice in a new rural policy, where focus is on efficiency.

It is further recommended to establish a preparatory intersectoral workgroup or dialogue-forum to work on improved future intersectoral cooperation and coordination including the possibilities for giving the Leader-method a supporting role in the work towards increased coherence.

Increased efforts to pursue possible synergies between programmes, axes and measures (not least in regard to axis II) are also suggested. According to the evaluators more positive effects can be achieved in a number of cases by more targeted and integrated local efforts, than by conducting isolated projects. It is further suggested that one way of doing this could be to redesign the application procedure, making it easier to apply for support to locally integrated projects where several measures, both from the RDP and other programmes, can be combined.

A need for improved monitoring is further highlighted. Suggestions include e.g. a better use of IT systems due to electronic registration of data from application forms, reports etc. The electronic possibilities for this are already present, and better

use of them would lead to an improvement of the monitoring system as well as an improvement in efficiency. Quantification of value of public goods, more detailed deadweight analysis (to be able to count the deadweight more exactly research on the value of public goods is needed), develop a concept for counterfactual analysis regarding business development schemes in axis I and include this work in the ongoing annual evaluation of measures are also highlighted.

In regard to axis I the following recommendations are made:

- Continue focus on development projects with significant potentials regarding: public goods (environment, working conditions, sustainability, climate etc.), high innovation content, but with enhanced focus on a balanced risk profile with payback times of over 3 years and up to 6 years. The latter is assumed to decrease deadweight and continue the trend of larger and earlier investments. It might also further improve the economic results of the programme.
- Develop a concept for counterfactual analysis of the efforts under the measures supporting agricultural holdings as well as the processing sector in cooperation with relevant research institutes, and include this work in the ongoing annual evaluation of the measure.
- In connection to the support to quality of foods the measures within the theme is not fully implemented and could thus be made more use of. Rethink an enhanced recruiting of firms and products to other measures than the organic measures, in particularly the measures regarding PDO and/or PGI. Thus the tendency in the market in favor of local products can be used, see the success of New Nordic Food.

In regard to axis III (and when relevant the implementation through Leader) the following recommendations are made:

- Measures supporting the creation of new jobs and attractive living conditions should focus on conducting larger projects with higher novelty content through enhanced cooperation among the LAG's regarding implementation of business development projects and increased involvement of other relevant stakeholders such as the regional authorities (the so called Growth Forums etc.)

- It is recommended to strengthen the effort in accordance to competence development/capacity building of LAG-coordinators to make them better capable of giving advice and guidance on business projects, and so achieving projects of a higher quality with more direct effects in accordance to establishing of new jobs. The competence development could increase the coordinators knowledge on business development in general, and their knowledge to other funding opportunities on national and European level.
- It would further be positive to increase the cooperation and exchange of experiences between the LAGs since learning and inspiration from good examples among other groups in regard to for instance creating network relations between action groups and businesses, could lead to an increase in the number of projects.
- Continue focus on effects in the follow up of the projects but systematize the registration and follow up of these.
- The relevance of the children and youth measures could be questioned and a decision whether the measure should continue to exist or be redesigned is needed. Increase in information and communication is needed to improve the implementation of the measure.

In regard to axis IV the following recommendations are made:

- The local development strategies need to be reviewed and quantified targets potentially be adjusted. The current strategies vary very much in shape and realism (e.g. quantification of targets), and it is recommended, if the Network centre entered and took the responsibility of follow up on the experiences collected so far regarding content and realism, quantification of goals, prioritizing of focus areas etc. The need for adjustments of local development strategies seems to be greater among the LAGs being more experienced.
- Aim to reduce the administrative bureaucracy and consider how the current administration model can be made more versatile.

3.3 Experiences from Finland

About the programme

The Rural Development Programme for Mainland Finland covers the entire state of Finland except for the Åland Islands. In short, the programme aims to “preserve a viable and active countryside, improve the state of the environment and promote the sustainable use of renewable resources”. Three key areas prioritised in the implementation of the objectives are 1) practising agriculture and forestry in a way that is sustainable both ecologically and economically and that is ethically acceptable, 2) favouring and furthering the competitiveness of businesses, new enterprises and networking in order to contribute to the diversification of the rural economy and 3) reinforcing local initiatives and activities. (MTE 2007-2013)

Axis 1 of the RDP concentrates on improving the productivity and competitiveness of the agricultural and forestry sectors and preventing the deterioration of the age structure by promoting succession of farms. Axis 1 also aims to promote the diversification of forms of practising agriculture and farming. (RDP for Mainland Finland 2007-2013) Important themes under Axis 1 are related to supporting skills, formation and implementation of innovation and business growth. (Kahila, P. 2008) 8% of the total programme public costs is used for measures under Axis 1. (Kahila, P. 2009)

In Axis 2, the focus is on improving the environment and the countryside. Maintaining valuable open agricultural landscapes, meadows and pastures is prioritized as well as reducing the environmental load from agriculture by promoting environmentally friendly production methods. Supporting greenhouse gas reduction and preserving biodiversity are also significant themes. (RDP 2007-2013) 82% of the total programme public costs is used for measures under Axis 2. (Kahila, P. 2009)

Axis 3 strives for diversifying the rural economy and improving the quality of life in rural areas. It aims to slow down the decrease of population of rural areas and improve the employment. Further, it aims to increase the number of enterprises and jobs, and especially to create opportunities for women and young people. Axis 3 also focuses on promoting innovation and product development, as well as improving the

capacities and skills in rural areas. Improving the quality of life and the attractiveness of the rural areas as places of residence and leisure is also prioritised. In order to ensure the local perspective in rural development, the LAGs are given a central role in achieving the objectives of Axis 3 (RDP 2007-2013). Axis 3 includes more measures promoting the viability of countryside while the measures under Axes 1 and 2 concentrate more on sustaining development. 7% of the total programme public costs is used for measures under Axis 3 (Kahila, P. 2009).

Axis 4 is based on prioritizing local needs and bottom-up principles. The Leader approach is applied in the whole country and in all axes of the programme. It aims to bring together and activate new people and actors in rural development, to strengthen local rural communities and improve opportunities for participation and influence. It also aims to develop cooperation and networks between different actors at different levels, and increase cooperation between the civic society and the public administration. (RDP 2007-2013) 4 % of the total programme public costs is used for measures under Axis 4 (Kahila, P. 2009).

The total funding of the programme is €626.000.000. With regard to the typology introduced in chapter 2, the budget of the Finnish RDP for 2007-2013 is distributed as follows:

A: Primary Sector Competitiveness	8%
B: Agri-Environmental and Forestry	69%
C: Human Capital and Local Capacity	14%
D: Wider Rural Development	9%

(Copus 2010)

The primary sector (groups A and B) is allocated 77% of the public funds while the measures for Human Capital and Local Capacity (group C) are allocated 14% and the Wider Rural Development is allocated 9% of the funds. Compared to other Nordic countries, Finland implements considerably fewer measures under the group A and allocates substantially smaller share of funds to it. In Finland, rural policy has traditionally been concentrated on agricultural policy and Finland is one of the member states in European Union allocating the least funding to Axis 3 and the most funding to Axis 2. The share of Axis 1 is lower in Finland than in other member states. Conflicts between the

priorities of agricultural and rural development policies lie behind this allocation of funds.

Institutional context and implementation

Finland is one of the most rural countries of the European Union and the Finnish rural policy has long traditions dating back about 25 years. The objectives of rural development are defined in the Finnish Rural Development Strategy and implemented through the Rural Development Programme for Mainland Finland and the Rural Development Programme for the Åland Islands. The Ministry of Agriculture and Forestry is in charge of the administration of rural policy and the rural departments of the Employment and Development Centres, LAGs, municipal development authorities and Regional Environment Centres are responsible for the implementation. (Kahila, P. 2009)

There is also a Rural Network that engages the various authorities in order to distribute information on the possibilities and results of the programme. Furthermore a Rural Policy Committee placed under the Ministry of Agriculture and Forestry promotes the cooperation of administrative sectors in different themes regarding rural policy issues and synchronises aspects of sectoral policies and government policy that impact rural areas. The Rural Policy Committee is highly valued and has an important role in implementing rural policy in order to improve the prerequisites for living in rural areas. It has, for example, played a significant role in mainstreaming the Leader method. However, within the Ministry of Agriculture and Forestry, rural policy has to confront problems and tensions while competing of priorities with agricultural policy but the Rural Policy Committee has succeeded in achieving a strong position for it. Lower priority of rural development measures compared to agri-environmental support can still be noted. (Kahila, P. 2008, Kahila, P. 2009)

Participation and local involvement are central to Finnish rural policy and voluntary 'bottom-up' movements have had an important influence on rural policy on local level. The Leader method was introduced in Finland in 1995 and from the beginning the LAG boards have been required to share the board seats equally between municipal representatives, local associations of enterprises and local residents. The tripartite system has succeeded in attachment of grassroots actors and cross-administrative methods to the development work. Also the organisation of the

programme preparation and the RDP design process are based on participation of diverse actors and institutions. The interactive strategy on preparing the RDP was evaluated as good and especially as a suitable way to get input from the regions. Information was all the time circulated in the regions among the stakeholders and general knowledge of the programme appeared to be high compared to other member states. (Kahila, P. 2009)

The Finnish rural policy is divided into 'broad' and 'narrow' rural policy. The 'broad' rural policy is mainly applied by the Rural Policy Committee on national level. It is concerned with guaranteeing that rural areas are considered in the implementation of sectoral policies and with modifying different programmes to advance the significance of rural areas. The 'narrow' rural policy refers to policies at local level and consists of various projects and development measures to promote rural development. The RDP is the most significant tool of the 'narrow' rural policy and the merging of the 'narrow' rural policy and the agricultural policy into one single document in the current RDP has revealed the conflicts between the priorities of the 'narrow' policy and the agricultural policy. (Kahila, P. 2008, Kahila, P. 2009)

During the current programme period, there have been six programmes for Mainland Finland in addition to the RDP. The national cohesion strategy is implemented through four regionally implemented programmes financed from the European Regional Development Fund (ERDF) and one national programme which has also regional parts and which is financed from the European Social Fund (ESF). Furthermore, the Finnish programme for fisheries industries is implementing the national fisheries strategy and financed from the European Fisheries Fund (ESF). The regional ERDF programmes in Finland focus on improving the conditions for competitive and innovative enterprising, internationalisation of enterprises, networking and promoting balanced regional development. The ESF programmes aim to improve employment and competence, develop the working life and promote entrepreneurship. The division of tasks and procedures is negotiated between authorities in the regions and written agreements are produced in order to secure fair and equal treatments of applicants and to prevent overlapping funding. In the RDP it is highlighted that the regional objectives and priorities of the other programmes differ between regions which means that strict principles for division of tasks should not be presented at the national level. Issues regarding the division of tasks is monitored during

the programme period and specified if needed. (RDP 2007-2013)

Programme results

The following summary is entirely based on programme results presented in the mid-term evaluation of the Rural Development Programme 2007-2013 for Mainland Finland.

The mid-term evaluation is structured around seven themes (structural and competitiveness impacts, income impacts, market impacts, environment and welfare impacts, socioeconomic impacts, employment impacts and programme implementation and administration) which will also be presented in the following section. The evaluation is based on rich data and the expertise of the evaluators. 20 evaluation discussions constitute the most significant single source data of the evaluation. 15 discussions collected the views of e.g. farmers and rural enterprisers, LAGs, regional administration and various civic organisations. Five discussions were held with national administrative and professional bodies, e.g. the Ministry of Agriculture and Forestry, the Ministry of Employment and the Economy, the Agency of Rural Affairs and The Rural Network Unit. In all, 189 persons expressed their views in these discussions and five electronic surveys were carried out in addition to the discussions.

The evaluators state that the biggest problems in the programme have been its complicated structure and the massive bureaucracy related to it. They highlight the difficulties in explorative developing and flexible action caused by the complicated bureaucracy. Other main shortcomings have been the loss of potential actors and actions and problems in setting up large projects. The problems with large bureaucracy and inflexibility will be further described in the section regarding the implementation and the administration of the programme.

The structural and competitive impacts of the programme have been various and for example the measure directed at setting up of young farmers is considered successful. The most significant positive results of the aid for non-agricultural investments have been the increased competitiveness of the existing production and expanded markets. The development projects have had positive impacts on operating environment, cooperation, networking, leisure and recreation, and infrastructure.

Even though all the measures of the programme are based on income transfers, the

evaluators note that most of them only compensate for part of the costs incurred, for example in the case of the agri-environmental payments. The Compensatory Allowance for LFAs has had a positive impact and a significant role in farm incomes but the level of compensation is not sufficient and an extensive national subsidy system is needed. 62% of those financed under non-agricultural investment measures have succeeded in increasing their business profits ("income") but the evaluators state that it is mostly because of their low initial level. 19% of the financed have reached their target level.

According to the MTE, the most important of the impacts on production and the markets has been provided by the Compensatory Allowance. The MTE shows that half of the farmers would reduce or quit their production without the aid. However, the evaluators state that organic farming has been influenced more by the market than by the aid. Other measures have had the expected impacts and 35% of the financed non-agricultural actors have adopted new products. Overall, there are no unfavourable market impacts observed in the evaluation.

There have been several positive environment and welfare impacts resulting from the programme. The MTE shows that agricultural and non-agricultural investment aids have contributed to increased implementation of environmentally friendly technologies, reduced need for transportation, increased utilization of existing infrastructure and improved landscape management. The impact on direct pollution has been less notable whereas the impacts on the environment especially in the field of energy economy have been significant. Various development projects related to Axes 1, 3 and 4 have also improved the welfare of the inhabitants through several channels (e.g. employment, environment, services and social fabric). Implementing measures related to training, information and development contributes widely to the quality of life and the competitiveness of the rural areas and raises the level of environmental awareness.

In Finland, socioeconomic development has followed the common trend of remote areas suffering from out-migration. Based on the evaluation surveys, there have been various measures contributing to positive development in remote areas and increasing the vitality of the countryside. The measures have had, for example, positive impacts on cooperation and networking and the quality of the environment. Positive impacts on socioeconomic development are brought by

measures for example improving competitiveness (e.g. investment aids), supporting new businesses (e.g. aid directed to enterprises) or improving the attractiveness of the countryside as a place to live (e.g. Leader). The evaluators emphasize the significant role that the Leader method has had in activating local inhabitants and enterprises and producing positive impacts on the demographics of the countryside. The Leader method is considered the most efficient tool in reinforcing the development potential of each rural area.

The evaluation discussions described in the MTE show that the programme has had several positive effects on employment and, for example, microenterprises. During the discussions it was stressed that one of the most significant strengths of the programme has been that it has succeeded in making the countryside more attractive place to live which has also had a positive impact on new enterprises and employment in the countryside. The setting up aid of young farmers has contributed to succession of about 500 farms and the aid for agricultural holdings has corresponded to about 600 jobs. Other investment aids have corresponded to about 1500 jobs and non-agricultural investments aids have created about 700 jobs and preserved about 1300 jobs. The aid has had the most significant effect on microenterprises where about 600 jobs have been created and 900 jobs have been preserved. However, it is further stated that most of the jobs created and preserved have been traditional jobs for men and they do not contribute to correcting the demographic structure of the Finnish countryside. The programme has also been successful in the diversification of the rural economy and the most significant branches that have been boosted by it are tourism, bio-energy, food processing, horse management, metal product industry and nursing services.

The evaluators emphasize that issues concerning programme implementation and administration were given most of the attention in the evaluation discussions and that the overall complicated nature of the programme and its extensive bureaucracy were regarded as significant problems. It was perceived that the problems with the large bureaucracy were partly caused by the large number of measures and aid schemes and the complex structure of the programme (even though the Finnish programme implements fewer measures than most other MS). In the evaluation discussions it was stated that the bureaucracy shifts attention from the actual development work and weakens the predictability of the administration.

In the evaluation discussions, the programme was also criticised for the lack of leadership and for

a culture based on non-confidence and suspicion. The rural development strategy was regarded unnecessary as it presents same things as the RDP and the EU guidelines of the strategy did not contribute to anything but extended bureaucracy. The evaluators felt that the complicated nature of the programme makes it very difficult to provide articulate information about it and the large number of different measures – aid schemes combinations contribute to making the programme inaccessible for the target group and difficult to understand. However, the evaluators regard that the Rural Network has managed to enhance the provision of information among the target groups.

Further problems with administration and bureaucracy have been long delays in the approval process in the start-up of the implementation of the new programme and modifying the inflexible programme. The implementation of the measures shows a varying rate of progress and some measures have been adopted widely while others have had few applications. One of the problems highlighted in the MTE is that there are more than 200 indicators in the Regulation 1974/2006. The validity of the indicators has been varied and the data for the indicators has been hard to find and strongly delayed. The evaluators further state that the evaluation questions set by the Commission and national authorities are often overlapping.

The LAGs are regarded as successful in the construction of social capital in various dimensions except for reducing exclusion. The inhabitants of the regions where the Leader method was applied see the Leader groups as important participation forums. The inhabitants further consider LAGs as important actors in the development of their region. Areas where the LAGs see that they have gained their greatest successes are e.g. activating different actors, raising awareness, promoting cooperation between actors and acquiring more important role in the development work. During the current program period, the LAGs have established their role as central and special parts of rural development.

Evaluators recommendations for changes

The recommendations are based entirely on the Finnish Mid-Term Evaluation. The most significant recommendations presented in the MTE are related to simplifying the structure of the programme and increasing its flexibility. New procedures need to be introduced in order to improve flexibility and to reduce bureaucracy. The programme should be simple enough to make it possible to approve and

to implement projects within a reasonable time frame and it is also noted that the simplification of the programme is needed in order to make it more accessible for the target groups. Further, the evaluators suggest introducing national systems of indicators and evaluation questions. They also recommend adjusting the axes system to relate to the key renewal processes in the countryside. It is suggested that the programme should be simplified, for example by reducing the number of measures and dividing the programme into two separate parts. New procedures to increase flexibility should be found and modifying the programme during the programme period should be made easier and less bureaucratic in order to make the programme flexible to e.g. business cycles.

In the MTE, it is stated that it would be enough if the programme consisted of 11 measures and each measure included only one aid scheme in most cases. Adjusting the axes to the key renewal processes would also be a way to simplify the programme. The new axes should be 1) business ingredients, 2) business start-up, 3) business development and 4) basic prerequisites for rural business and inhabitation. In the ideal situation, each Axis would include one to six measures. The new Axis 1 could include a training and information measure and a new measure aimed at innovation and development. Axis 2 could consist of a start-up aid and Axis 3 could include an investment aid measure and a business development measure. Axis 4 could consist of natural handicap payments, environment payments, animal welfare payments, rural development projects, rural infrastructure projects and Leader. According to the evaluators, the new simplified system would enable the programme to direct the activities of the administrators, developers and entrepreneurs in a more logical manner. It would also make the programme easier to understand and to manage and administrate.

In order to make the administration of the programme more effective, the evaluators suggest that it should be divided into two parts. The horizontal part would consist of “subsidizing” measures that are implemented in the whole country and that are simple enough to be applied and processed electronically. The other part is regional and would include “development” measures that would be based on local or regional strategies. In managing this part of the programme the regions and the LAGs would have more freedom and more responsibilities.

Regarding the vast number of indicators, the evaluators recommend that the Member States should set up national systems of indicators and the number of common indicators should be reduced. Further the evaluation questions should be replaced by seven questions reflecting the themes of the evaluation report. It would give the Member States the possibility to focus on issues of national importance and the European Commission could introduce a separate evaluation in order to collect comparable data across the Member States.

The evaluators recommend prioritising investment aids among various aid schemes. Since investment aids are directed to new enterprises, they have direct impacts on employment. Creating new jobs always requires investments and the evaluators further emphasize how those investments can often also have indirect strong and positive impacts on the environment and the competitiveness of a region. The evaluators also note that some measures have been adopted widely while others have had very few applications. They highlight the importance of being able to reallocate funds between measures.

The evaluators suggest that the roles of the LAGs and the Rural Network need to be clarified. They emphasise the important role that activation-based development work led by Leader plays in the rural regions suffering from biased age-structure and outmigration. In the areas suffering from loss of population, the role of the LAGs needs to be strengthened and clarified. The LAGs should be given more freedom and responsibility e.g. by means of a global grant model which would enable the LAGs to fund specific small development projects directly. It is also stated that adequate resources for the basic activities of the LAGs need to be secured. Further the overlapping activities of the LAGs and the Centres for Economic Development, Transport and the Environment needs to be given up in order to achieve administrative efficiency. The Centres for Economic Development, Transport and the Environment should be made responsible for the management of aids for enterprises while the LAGs should be given better opportunities to concentrate on activating enterprises and inhabitants. According to the evaluation discussions, there is also a vast number of conflicting expectations towards the Rural Network and the evaluators note that its role needs to be clarified. The Rural Network should be given a specific role either in the management and the feedback system or in training and information and the “sales promotion” of the programme.

3.4 Experiences from Åland

About the programme

The overall objective of rural development policies on Åland is that rural areas and islands will remain attractive places of residence and for businesses in spite of structural changes and shifts in traditional agriculture. Also, the landscape should retain the traditional characteristics which have evolved over time due to agricultural production. The Government believes that the agricultural production, combined with food processing, will continue to be an important industry in the countryside if diversified rural enterprises and competitive farming can be developed based on high quality products and a sustainable use of natural resources. The ambitions of the agricultural and rural development policy can be summarised as:

- Sustainability and competitiveness in the food and forestry sector
- Maintenance of open landscapes and sustained and developed biodiversity
- More entrepreneurs and local jobs in the rural areas
- Attractive living conditions in the rural areas and the archipelago, with a wide variety of income possibilities
- Development of a competitive and market oriented ecological production
- Development of a competitive and market oriented food processing industry

The measures chosen for the implementation of the program on Åland to reach these overall ambitions are the same as in the other Nordic countries, however, as will be shown below, only a limited amount of measures have been implemented up to date.⁹

Most of the measures within axis I have been present in one form or another during previous program periods, and measures within the current program period have mainly been targeting earlier participants with a good knowledge about the program. Information to new participants has been in the form of internet pages and leaflets.

Measures within axis III are believed to be administratively demanding to implement and the

intention has been to coordinate these measures with other rural development programs in order to improve coherence. The administration on Åland do have previous experiences in working more broadly with rural development issues besides agriculture, therefore axis III could benefit from interaction with the new Leader group. There is currently one Leader area on Åland and the LAG group covers the entire island and its population. The group was established in 2006 and it is the government on Åland (not mainland Finland) which is responsible for the controls and payments to Leader projects on Åland. Since 2009 one person is employed to administer the group and develop the Leader approach on Åland. In the previous program (2000-2006) Leader was not implemented on Åland and this might explain the fact that no activities have been implemented up until 2010 in the current program either.

Åland has had a long tradition of measures within axis II, focusing on the environmental and landscape features of agricultural production, these (212, 214 and 216) have all been implemented in the current program. However, only the following measures have been implemented within axis I, III and IV on Åland at the point of the half time evaluation of the 2007-2013 programme:

Axis I: 111 (Training and information), 112 (Establishment of young farmers), 121 (Modernisation of agricultural holdings); (measure 123 (Increasing the value of agricultural and forestry products) had only two applicants).

Axis III: 311 (Diversification into non-agricultural activities) only two applicants, 312 (Support for the creation and development of microenterprises), 341 (Skills acquisition and information measures with regards to local strategies); (measure 322 (village renewal) had one applicant but the project has not started).

Axis IV: 431 (running the local action group).

With regard to the typology introduced in chapter 2 the implementation on Åland of pillar two is distributed as follows:

A: Primary Sector Competitiveness	10%
B: Agri-Environmental and Forestry	77%
C: Human Capital and Local Capacity	10%
D: Wider Rural Development	3 %

This clearly shows the emphasis on support for agri-environmental measures, these make up 77% of the program as all of these are to be found

⁹ On Åland the following measures are available in the RDP for 2007-2013. **Axis I:** 111, 112, 121, 123, 124. **Axis II:** 212, 214, 216. **Axis III:** 311, 312, 313, 321, 322, 323, 331, 341. **Axis IV:** 41, 421, 431.

within category B. This can be understood given the lack of implementation of measures within axis I, II and IV.

Institutional context and implementation

The Finish agency of rural affairs is the financier of the program in Finland (and on Åland) but some tasks in relation to management of the program has been transferred to Åland. Specifically Finland is responsible for pillar I (the single farm payment) whereas Åland is responsible for pillar II. The Department for Trade and Industry is the responsible unit for the program on Åland. Within the Trade and Industry department the Agricultural section and the Administrative section has the responsibility for the program. The department of finance is responsible for some of the actual payments within the program.

One of the key issues discovered within the evaluation was the limited budget allocation for management and administration costs due to the limited availability of technical assistance. The fact that Åland's Rural Development Programme is relatively small implies that the amount of funding that must be allocated to information, management, monitoring and reporting is proportionately higher than in larger programmes. Therefore, these reduced economies of scale increase vulnerabilities as management and program development is ultimately dependent on the commitment of a few people. Issues relating to managerial and administrative deficiencies were observed in criticisms over long lag time between approval of funding and the receipt of payment; as well as the lack of information to prospective project applicants. In particular, this applies to new measures of the programme that were not previously in place. For example, the Leader method applied in Axis IV is new in Åland and has taken time to develop administration procedures. In contrast, actions towards improving competitiveness in the agricultural and forestry sector are based on established partnerships that have developed efficient routines for facilitating the application process over time.

When it comes to policy coherence, some of the most important interactions with other programs on Åland are within the areas of cohesion policy and fishery policy. For the period covered by the current RDP the administration on Åland has developed a structural plan for the fishery sector, two programs within the frameworks of regional competitiveness and employment and one program

within the theme of cross-border cooperation. These different programs are financed by different funds but they cover the exact same geographical area and have potential thematic similarities. For instance, policies targeting fisheries also have components of building competence in businesses development and target the sustainable use of environmental resources. Regional funds overlap with the RDP in that both aims at improving the structure of Åland economy towards more value added processes and more knowledge intensive products and production processes.

Programme results

Since Åland's Rural Development Programme is still in its early stages, it is too early to assess the possible effects it will have on rural development. The focus of the mid-term evaluation was on program implementation, funding allocation, monitoring of output and result indicators, expected results within the different axes and proposals to address identified problems and deficiencies. Findings are based on a combination of literature reviews, indicator monitoring and interviews with beneficiaries and the programme organization.

Axis I: In December 2009 when the indicators were reviewed, more than half of the axis I budget of € 8.5 million was allocated to specific development projects. However, there was a clear imbalance within the axis, where the majority of funding was directed towards Measures 121 (16 farms) and 123 (only two applicants but 50 % of budget), while the number of activities funded in Measures 111 (education and information) and Measure 112 (6 young farmers) were more limited. The Regional Government also directed € 1.7 million in national investment support to farmers between 2007 and September of 2010 for interventions similar to those covered by Measure 121. This is in contrast to Measure 124 (cooperation for the development of new products, processes and technologies in the agriculture and food sector and in the forestry sector) which received no applications from potential beneficiaries; hence no funding had been used by the time of indicator monitoring. Hence, there is a clear focus in axis I on Åland towards typology A rather than typology C.

In terms of output as well as result indicators, the evaluation shows how the number of participants in funded training courses, the number of young farmers receiving start-up funding, the number of farms receiving support for modernization and the number of companies receiving aid for increasing the value added to their

agricultural and forestry products make up for about 15-20 percent of the aims. In contrast funding allocated to beneficiaries in Measures 121 and 123 make up between 43 and 48 percent of the total budget of the respective measures. This implies that a few projects have received a bulk of the funding. In the case of Measure 123, this is explained by the fact that two major projects affecting a large number of companies have received support.

The interviewees have generally described positive feelings toward their outlook for the future of the programme. Specifically, they have already noticed benefits in terms of education, new technologies and investments directed towards improving animal health, product quality and working environment (Measures 111, 121 and 123). At the same time, there is some doubt about the preliminary effect of start-up aid for young farmers, especially regarding the aim to promote a lasting establishment of farmers of both sexes. This is primarily due to the fact that no women have applied for any support. There is also concern that some of the funds have been allocated to individuals who do not intend to conduct business effectively in the long term; thereby hampering the ability for other, more legitimate young farmers, to develop their business. Lastly, while it is always difficult to separate the true effects of the various support mechanisms, some beneficiaries also considered that they would have made the same investments/business decisions regardless of whether or not start up aid was available.

Axis III: consists of eight measures that are to contribute to expanded revenue opportunities, increased entrepreneurship and improved living conditions in rural areas. Of these, three measures have been implemented by the Regional Government; two of which target the private sector while one is directed towards the competency development for Leader actors. The overall budget for these measures is approximately € 1.7 million. At the beginning of 2010 a bulk of the funding for Measure 341 had been allocated along with roughly half of the funding for Measure 312. However, only two projects in the tourism sector had been allocated for Measure 311. These measures are what make up the 3% of typology D for Åland, and this is primarily support for microenterprises. However, thus far funding has only been directed towards the further development of existing micro enterprises and not to the establishment of new businesses. There have been some criticisms to date on the regional efforts to implement Measure 311 and there are plans for improved information awareness

in collaboration with the Regional Fund; particularly to attract female beneficiaries.

Axis IV: The ambition of Axis IV is to strengthen local engagement in the implementation of rural development measures by adopting the Leader methodology. The axis includes three steps: Measure 413, which consists of the five measures of Axis III, Measure 421 (promoting collaboration) and Measure 431 (running the local action group LAG). By the beginning of 2010, funding allocation within the € 1.6 million budget had only been directed toward Measure 431. This is primarily due to the fact that the Leader methodology is new to rural development strategies on Åland and it has taken time to establish the necessary administration. Thus, while no concrete results to report for Axis IV are available there are high hopes that Leader will provide an impactful structure for fostering rural development on the island.

Evaluators recommendations for changes

There are two main reflections from the evaluators. First, there is quite a clear priority on directing support toward the agricultural sector within the programme. Considering that there have been previous debates over preferential support of agriculture activities compared to other rural activities, there is a need to consider if the current priorities are intentional and if so, to develop a clear rationale. Second, there is a danger of re-allocating funds between various measures and axes within the implementation phase. Since it takes time to develop relationships with potential beneficiaries there is a high risk existing beneficiaries will be able to disproportionately steer the direction of funding. Based on these issues, the need for strategic redeployment of funds within the programme could be considered.

Based on the mid-term evaluation the evaluators conclude that there is good potential for generating local employment through economic diversification. While establishing the Leader methodology has taken time there is good prospect that it can complement other platforms, priorities and discussions within the development of Åland's rural policies. Furthermore, there are potentials for improving quality of life through economic diversification. Efforts promoting economic diversification within the programme have been implemented; however, they have been geared towards established companies rather than towards the establishment of new businesses.

One advantage of Åland's small implementation organization is that there are close contacts between employees and a good knowledge of ongoing initiatives in other EU programmes. This improves the potential for funding collaborations with other programmes such as the European Regional Structural Fund regarding diversification of farm activities with particular focus on women. To ensure consistency in the programme and to increase exchanges of experience between the individual axes joint workshops on the intervention logic and strategic choices within the programmes was implemented during autumn 2010. To ensure coherence, such initiatives could be recurring.

The possibilities for support for diversification activities have been worse than those for investment within traditional agriculture. Activities to inform about the program has been criticised by rural development stakeholders. There are suggestions to improve the information geared towards measure 311 (Diversification into non-agricultural activities) by linking this activity closer to the regional funds. Activities within measure 312 are seen as positive for the wider rural development as they create employment opportunities, can help in making activities more competitive and can attract tourism to the regions which could create synergies (rural multipliers) with other activities. One problem which has been highlighted in respect to measure 312 is the long time period between the payments, to simplify for small micro-enterprises one suggestion is to shorten the time between payments because the liquidity in such firms are often crucial, especially in starting up new activities.

To improve the uptake within measure 124 the evaluators suggests an increase in activities towards information, networking and developing

inspirational projects. As the administration is lacking in the interaction with these stakeholders there is a scope for developing cross-sectoral arenas for interaction. The Leader activities that are starting up could be one such base for improving such interactions and to promote information about funding for cooperation for the development of new products, processes and technologies in the agriculture and food sector and in the forestry sector.

As already mentioned, there is a problem when funds are transferred within the program due to demand rather than based on strategic decisions. On Åland this has meant that the possibilities for the program to contribute to a "wider" rural development have decreased as more funding has been geared towards farming. To strengthen the administrative organisation and improve the possibilities for strategic work the evaluators suggests to:

- Improve and extend the internal cooperation and coordination between different programs targeting rural areas within Åland and the autonomous administration.
- Increase the communicative activities towards actors and stakeholders active within the activities where measures have not been implemented within the first part of the program period.
- Make use of Leader as a platform for developing a long term vision and strategy for rural development.
- Start a dialogue about possible conflicts and synergies between axis and measures within the program. (synergies in ecological production to sustain income and improve the environment; and possible conflicts in traditional farming between productivity and employment).

3.5 Experiences from Sweden

About the programme

The overall objective of Swedish regional development policy is to have well-functioning and sustainable local and regional labour markets and good levels of societal service throughout the country. The policy is very broadly based with measures and coordination in virtually all policy areas, sub-programmes such as Regional Growth Programmes and Regional Development Plans (RUPs) are created for each region. EU Structural Funds are also a significant factor for the policy, providing funding to many rural development projects. The aim for the Swedish governmental policy for rural areas is to have an ecologically, economically, and socially sustainable rural development. The objectives include sustainable production of food, employment in rural areas, taking account of regional distinctiveness, and sustainable growth. Natural and cultural values of the landscape are to be protected, and negative impact on the environment is to be minimised.

In Sweden the second pillar of the CAP was originally implemented through the Environmental and Rural Development Programme (ERDP) for 2000-2006. This had two separate 'priorities'. Priority I (the larger share of the budget) focused on agri-environment interventions, whilst Priority II dealt with (mostly sectoral) rural development..

For the 2007-2013 the program is termed the Rural Development Program (RDP) and is implemented according to four axes. Even though the name has changed and the program is now somewhat wider when it comes to rural development the main part of the funding which is allocated during this period is still agri-environmental payments. As in other countries the new program is made up of the four axes. Axis 2 is the old environmental schemes of priority I (previous period) and axis 4 includes the LEADER program which has been incorporated into pillar two. Axis 1 and 3 make up the rural development schemes formerly included in priority II. Axis 1 is targeted towards agriculture and food production whereas axis 3 focuses on other actors and activities in rural areas. With regard to the typology introduced in chapter 2, the implementation in Sweden of the second pillar is distributed as follows:

A: Primary Sector Competitiveness	21%
B: Agri-Environmental and Forestry	51%

C: Human Capital and Local Capacity	17%
D: Wider Rural Development	11 %

(Copus 2010)

As previously mentioned, most of pillar two funding is allocated to agri-environmental measures which mainly targets the agricultural sector and farmers who can choose to participate in these schemes. These measures belong to all categories A, B and C since many of the measures in A and B are targeting investments and training within this area. But mainly, funding is allocated to the conservation measures which can be found within category B and makes up 51 per cent of the funding in Sweden. Only 11 per cent can be considered as targeting a wider rural development perspective within category D. However, the (wider) rural development dimension of the agri-environmental schemes has always been acknowledged in Sweden. A major motive, already from the introduction of similar schemes in the previous program, has been to sustain employment and develop farm pluractivity, especially in densely populated regions (ERDP 2000-2006). Although Pillar II spending is seen by many to be too narrowly focused on the farm sector to have any wider rural development effects, many stakeholder still perceive them as having both direct and indirect employment impacts (Mattas et al., 2011). In peripheral areas farmers are able to continue farming as a result of Pillar II funding and as such the on farm employment is sustained. Furthermore, Pillar II spending has wider indirect effect as other rural enterprises can build on public goods provided by farming. Tourism and local food production are direct activities that benefit from these ERDP measures. In un-official evaluations (e.g. Mattas et al., 2011) stakeholders also mention the positive effect on living conditions, both for those already residing in these areas, as well as for attracting new residents. Decoupling of spending in Pillar I is considered to reduce on farm labour as farmers seek activities off the farms. Pillar II spending is seen to counteract this negative trend but in a wider rural development context funding is perceived to be too small.

Institutional context and implementation

The national rural development policy is mainly under the responsibility of the Ministry for Rural

Affairs and the Ministry of Industry, Employment and Communications. Two of the most important state agencies and boards working with rural issues are the Swedish Board of Agriculture and the new Swedish Agency for Economic and Regional Growth (formerly partly the Swedish National Rural Development Agency). The responsibility for the implementation, planning, administration and monitoring of ERDP is given to the Swedish Board of Agriculture. The County Administrative Boards have the corresponding responsibilities at the regional level. An attempt to capture the overall institutional structure that delivers rural development in Sweden is presented in Figure 11, which underlines the complex nature of rural development policies today and also serves to illustrate the complex nature of evaluating the RDP (note: some institutions have changed their name since this diagram was produced in 2007).

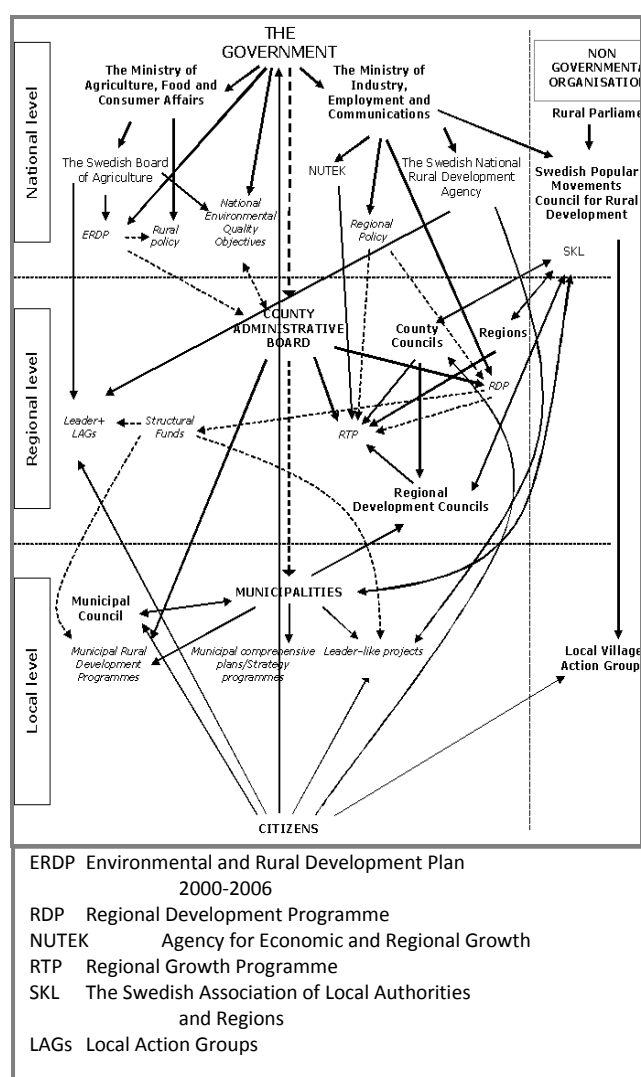


Figure 11: The structure delivering rural development in Sweden

Source: Ikonen and Knoblock, (2007)

Even though the RDP is a national programme, administration of the program and decisions on payments in almost all schemes are made by the Agricultural Units at the County Administrative Boards. After approval at the Board of Agriculture the payments are then made to the recipients. In the current programming period each Swedish county and the Sami parliament have been responsible for developing their own implementation strategy (within the overall framework of the National Plan), and for distribution of funding between different measures. The implementation strategies are to be used as a basis for planning, selection and decisions relating to support for applicable operations in axes I and III, to support for measure 214 and 227 under axis II, and to the application of Leader.

The Swedish programme budget has also been divided between the counties and the Sami parliament in accordance with certain indicators measuring factors such as extent of agricultural business, share of population in rural areas, sparsely populated areas and size of population on islands with no fixed link to the mainland. One of the main objectives of increasing the role of regional authorities in the implementation of the RDP was to prepare the ground for a coordination of the RDP actions with the priorities of the Regional Development Plans (RDPs), which are the responsibility of the regional authorities. Even though rural development policies in Sweden mainly are national and/or regional, municipalities can choose to work with rural development on a local level. However, their financial resources to do so are limited since funding through e.g. the RDP is strategically and practically handled by the counties.

Programme results

As we saw above, the main part of the RDP funding is directed towards agri-environmental measures and to agricultural holdings. This restricts the possibilities to achieve any substantial interaction with other programs focusing on development of rural areas and rural based firms in general. This is an overall result of both the recent half-time evaluation and previous evaluations of the ERDP. One interesting observation in the half-time evaluation however is that RDP payments seem to have favoured low income municipalities, and as such the program might have a wider rural development impact in the long run with convergence of municipalities; if the impact of the support is positive. The statistical investigation of whether or not the RDP has created any new jobs or stimulated economic growth showed that no new

jobs were created. However, the program seems to have contributed to some economic growth and the employment share in agriculture seems to have increased in regions with much RDP payments.

Focusing on more specific measures within the Swedish RDP the half-time evaluators applied a range of methods to analyse the impact of program spending. In the case of support for modernisation of agricultural holdings and adding value to agricultural and forestry products the evaluation found, using counterfactual analysis (using matched control groups), that the effects are very limited. In the case of processing grants too, there was nothing to indicate that the investments actually generated by the grants had increased the quality of agricultural and forestry products.

The support for cooperation for the development of new products was found by the evaluator to be frequently granted to activities where public support cannot be regarded as justified. For example, grants were awarded to minor marketing drives that should have been funded by private means. However, it is important to emphasise that this support has the potential to contribute to the desired effects if it can be used in a more appropriate way in the future, e.g. by being awarded to activities that are characterised by high transaction costs or that are difficult to start up on a small scale. Hence the evaluators emphasise that this type of support might crowd out private investments, financed by commercial banks, but that there might be situations where market failure or transaction costs motivate public intervention if the purpose of the new firms are also seen within a wider RD perspective.

The support for infrastructure is considered by the evaluator to be one of the few measures within axis 1 that exclusively aims to cover a need where there is not a functioning market, and is therefore considered to have the most justifiable intervention logic. The evaluator has come to the conclusion that the support has helped restructure the infrastructure in the agriculture and forestry sector. However it is more difficult to prove that the restructuring carried out has been important for the competitiveness of the sector. The evaluators reflect on the fact that it is not reasonable to believe that the type of projects carried out, the majority of which have dealt with improving roads, will lead to measurable effects on the economic results of the participating businesses.

In the current and previous program period it was the case that much of the funding has been allocated to start-up, investment and processing grants, which have been questioned in a number of

evaluations as not being effective and showing results. In order to fully realise the potential of the resources to contribute to a strong and competitive agricultural sector, the evaluators ask for a larger share of the support to go to capacity building measures so that the knowledge base, local capacity and resourcefulness in rural areas increases. For example, vocational training would have a greater effect if the funding were to be used e.g. for more comprehensive training activities. In addition, cooperation support has the potential to have greater effect if it can be better marketed and if it is awarded to activities where public intervention is truly justified. Support for investment can only be justified in cases where the activity aims to produce collective goods or goods with great positive external effects for which there is no functioning market, since it is difficult to prevent those who have not paid for the goods from consuming them. There can be other factors hampering business in rural areas in general (e.g. high transaction costs due to long distances to the market). However, this problem is not solved through supporting investment in production by rural businesses. Rather, it is a question of support for infrastructure of different types (for example access to broadband, better transport network, etc.). The measure Basic services is intended to support solutions at local level for service problems in rural areas and to support local culture and recreation. However, this funding does not appear to have reached the relevant actors for developing such solutions to any major degree.

As regards the analyses of projects carried out within the framework of the measure Village renewal and development, the picture appears somewhat brighter. Admittedly only a few projects have been carried out, and here too the contribution to quality of life, attractiveness and economic and social development has been limited. However, the aim of the measure is to contribute to village renewal and as regards the funds granted, the evaluator came to the conclusion that these may have had a certain impact on optimism, participation and social interaction in rural areas. The measure is considered to have the potential to be important for the quality of life in rural areas in the future, but this would require the activities carried out within the measure to be extended and to be more comprehensive.

The objective of measure 341 (in axis 3) was to support the creation of LAGs, the formation of LEADER areas and the development of local strategies. The measure contributed to the creation of 63 LEADER areas, which cover practically all rural areas in Sweden. The evaluators found that it

is not uncommon for LAG members to be poorly acquainted with the LEADER approach and the group's local strategy, which they were often not involved in formulating. Also, the funding model for LEADER has resulted in the areas having widely different economic circumstances for carrying out their activities. One suggestion brought forward is that LEADER areas should be formed on the basis of development related criteria and only then receive centrally allocated base resources in relation to the criteria.

The question on how LEADER has contributed to better governance in rural areas is answered partly by an analysis of how the partnerships are functioning, their legitimacy and work. As with the analysis of measure 341, the evaluation showed that there are certain shortcomings, but there is much to indicate that the partnerships have good scope to improve governance. As regards the vertical aspect of better governance, i.e. the administrative context within which the LAGs operate, the analysis shows counterproductive effects. An administrative process, detailed reporting requirements and tools that are not suited to the activities attract comment. The widespread feeling of being mistrusted by authorities risks hampering the implementation of the political objectives and undermining social trust in the activities. As regards the contribution to the priorities in Axis 1, 2 and 3, it appears to have been difficult to develop projects within Axis 1 and 2, which may be partly due to the mobilising character of Axis 3 being important at the beginning of the programme, but also to the sectorial approach in Axis 1 being difficult to fit into LEADER.

Evaluators recommendations for changes

One of the most important issues raised by the Swedish evaluators is that support to private investments should only be implemented if (rural) capital markets are failing. They conclude that this seems not to be the case as the investment support appears to have replaced private investment to a large extent, i.e. crowding out has occurred where private banks could have operated instead.

Diversification support, business creation support and tourism support seem to assume that it is farm businesses that must diversify their activities in order for the rural economy to be developed. This applies to measures 312 and 313 too, which should be directed more towards also developing other types of activities. First, farm businesses make up a very limited proportion of society's economy. Second, objectives such as increased employment

opportunities and better quality of life in rural areas could be achieved just as well by more specialist farm businesses. Therefore it is in fact the growth in all businesses in rural areas that can contribute to achieving the objectives.

The evaluator recommends that the balance between funds devoted to direct investment support to farms/firms/projects and to funds spent on capacity building, economic and social, should be changed to the advantage of the latter. Several measures (diversification, business creation, tourism) have similar objectives and operate in a similar way. The evaluator suggests that those measures should be combined into one and offered to all types of rural firms. Furthermore, on the theoretical grounds, there is no reason to separate these measures from the support to farm business and investment in processing.

The borderline between projects belonging to Axis 3 and to Axis 4 is blurred. It is unclear whether the subdivision within axis 3 is effective. It is also unclear whether it is effective to distinguish them from the matters covered by LEADER. The evaluator therefore suggests that support to basic services and to village renewal should be moved to Axis 4.

Some specific recommendations made by the evaluators of the Swedish RDP are that:

- Investment and processing grants should be restricted to apply to investments in collective goods or investments with positive external effects, e.g. investments in animal welfare or the environment. Also investments for production of raw materials for biofuel and biofuel production.
- Cooperation support has been granted to activities that could have been carried out without public funding. In the future, an activity's need for public support should be investigated more closely before support is granted.
- Cooperation support and infrastructure support both have a very low degree of uptake. It is therefore strongly recommended that these forms of support be better marketed so that knowledge of their existence increases among possible applicants.
- Measures 311, 312 and 313 should be combined into a single measure that is directed at all businesses in rural areas with the aim of stimulating growth of sustainable development that would not take place to a satisfactory extent through only private initiative. Also, there is no reason to separate 311, 312 and 313 from the support for investments in farm

businesses and investments in processing of agricultural and forestry products in Axis 1.

- Measures 321, 322 and 323, which can be regarded as capacity building for economic and social development in rural areas, should be given a greater share of the budget. For example, redistribution can be made from activities within measures 311, 312, 313.
- Measures 321, 322 and 323 needs to be utilised considerably better if their potential is to be realised. This will require precise definition of the objectives and greater management by objectives of project activities. In addition, knowledge about the measures needs to be increased.
- By transferring measures 321 and 322 to Axis 4, overlaps with Axis 4 could be avoided. Measure 322 already overlaps to a great extent with LEADER. Transferring measure 321 to Axis 4 would increase the local embedding of project activities and allow municipalities to be engaged in realisation of the objectives of the measures to a higher degree.
- The parts of measure 323 that deal with the conservation and upgrading of the rural heritage should be transferred to Axis 2, since there is no reason to provide support for investment in natural environments in different axes.
- It is suggested that the administrative system should be more characterised by management by objectives and LAGs given increased responsibility for project administration, with the Swedish Board of Agriculture as the single administrative authority.
- At the same time, models for exchanges between LAGs and regionally relevant development bodies should be drawn up.
- Additional recommendations to increase the contribution of LEADER to mobilising the endogenous developmental potential of rural areas are to: 1) reintroduce a focus on innovation; 2) allow LAG to work with business support; and 3) allow LAG to cooperate with actors associated with major conurbations.
- The evaluation suggests that in the long run means for measure 431 *Running the local action group, acquiring skills and animating the territory* partly should be allocated per LAG and not in proportion to projects means in measures 411, 412 and 413, and 421. In the long run it is also suggested that the part of the budget possible to use for cooperation in 421 should be increased. Interregional project may also be integrated in measure 411, 412 and 413.

3.6 Experiences from Scotland

Experiences from Scotland

Before describing the Scottish Rural Development Programme 2007-13 (the SRDP) it is perhaps helpful to highlight some of the contextual differences which should be kept in mind when making comparisons with the Nordic RDPs. Whilst there are many basic cultural, social and geographical similarities, there are also some important differences which should be kept in mind when interpreting the findings of the Mid-Term Evaluation (MTE). These include:

- A much smaller proportion of land under forestry (17%) and larger proportion under agriculture (80%). However only 10% of this is arable land, the rest being ‘rough grazing’ with very low productivity.
- A longer history of EU membership (from 1973), and therefore, in some respects, stronger inertia in terms of rural policy design (CAP Pillar 2 is still widely regarded as “farmer’s money”). UK accession was associated with a key turning point in the history of EU rural development – the introduction of the first Mountains and Less Favoured Areas (LFA) Directive, the descendent of which still dominates the SRDP.
- For historical reasons the UK receives one of the smallest allocations of Pillar 2 funding (in relation to the scale of the farming industry) of any EU Member State. This in part explains the relatively high level of ‘modulation’ (transfer of funding from Pillar 1 to Pillar 2). As a result of this the 2007-13 programme is roughly three times larger than the previous SRDP.
- A regional, rather than national (i.e. UK) programme (rather like the Åland programme). The management of the RDP (together with Cohesion Policy) is one of the powers devolved to the Scottish Government in Edinburgh.
- Wider rural and regional development policy within Scotland is also devolved to the Scottish Government. However Scotland has no real equivalent to the Nordic municipality-level in terms of local social and economic development activity¹⁰. The “Enterprise

Network” developed during the 1990s, and which to some extent formerly addressed the issue of ‘wider rural development’, now has much reduced funding and a reduced presence across the Scottish regions and countryside.

About the Programme

The 2007-13 SRDP has five principal objectives:

- Improved business viability
- Enhanced biodiversity and landscape
- Improved water quality
- Tackling climate change
- Thriving rural communities.

The Programme document points to two underlying principles: “*The first is sustainability, whereby measures achieve complementary outcomes – whether social, economic or environmental – and avoid net damage to the cultural and historic environment. The second is the need to correct for market failure and deliver outcomes that are for the benefit of rural communities and the wider population. Based on these principles, the SRDP will deliver wide-ranging benefits across each Axis through the provision of “public goods”, one-off investments to improve business viability and encourage restructuring, and investments in the infrastructure and human capital of rural communities.*” (Scottish Government 2008 p62-3)

In comparison with the previous programme the 2007-13 SRDP could be described as *broader*, more *integrated*, and more *regional* in its implementation.

The 2007-13 SRDP is a **broader** programme, in the sense that the substantial increase in funds has allowed the current programme to ‘absorb’ a number of activities which were previously carried out by separate nationally funded schemes. In some senses, however, as we shall explain below, the

¹⁰ Although the 32 Scottish ‘Unitary Authorities’ include some of the largest in Europe (in population terms) they have limited tax raising powers (through a property tax), and receive the majority of their funding from the national (UK) exchequer.

The latter allocates a ‘block grant’ to the Scottish Government, who in turn distribute it to local government according to a (needs) formula. Their function is predominantly to administer services (education, roads, waste collection etc) according to national rules.

programme is still narrower in focus than those of some other EU Member States.

The 2007-13 SRDP is strongly integrated, in the sense that most of the 29 measures are delivered through two multi-measure schemes, which together with the Pillar 1 Single Farm Payments, constitute what are known as “Rural Development Contracts” (RDCs). RDCs are agreements between the Scottish Government and individual land holders which set out the support offered and the associated compliance conditions¹¹. The structure and implementation of the RDCs are explained in more detail in the following section. Outside the RDC framework the SRDP also supports LEADER and 5 other independent ‘schemes’.

The Scottish LEADER programme currently supports 20 LAGs, covering 95% of the rural area of the country. These deliver measures 341, 411, 412, 413, 421, and 431 through one of five thematic strategies specified by the Scottish Government. These are:

1. Progressive rural economies (11 LAGs)
2. Revitalising rural communities (15 LAGs)
3. New markets and products (1 LAG)
4. Conservation of the rural environment (3 LAGs)
5. Rural community capacity (3 LAGs)

Apart from LEADER, most of the other 5 ‘schemes’ within the SRDP deliver a single measures, they are:

1. The Crofting Counties Agricultural Grant Scheme (**CCAGS**), which delivers measure 121 within areas which are particularly ‘fragile’ and where the small farms have been protected by special legislation for more than a century.
2. The Less Favoured Areas Support Scheme (**LFASS**) delivering measure 212.
3. The Skills Development Scheme (**SDS**) delivering measure 111.
4. The Food Processing Marketing and Cooperation Scheme (**FPMC**), delivering measures 123/124.
5. Challenge Fund (**CF**), based upon 227 and 321, but (perhaps surprisingly) focused upon forestry management for recreational public goods.

The Mid-Term Evaluation explains that “*The SRDP has been designed to represent an integrated approach to agricultural and rural development to encourage applicants to connect their businesses and farm development activities better to the wider regional and national objectives, and to achieve more balanced economic, social and environmental outcomes.*” (Scottish Government 2010 p63).

Apart from the LEADER dimension, the regionalised implementation of the SRDP takes the form of 11 Regional Proposal Assessment Committees (RPACS) which have responsibility for assessing and administering applications for RDCs within their region. These committees are led by Scottish Government Rural and Environment Directorate (SGRED) staff, but include in their membership representatives of other regional stakeholders, such as the Forestry Commission, and the Enterprise Agencies. In addition SGRED maintains a network of offices across rural Scotland which act as a point of contact for applicants and beneficiaries for all SRDP schemes.

Institutional context and implementation

The SRDP is administered by the Scottish Government Rural and Environment Directorate (SGRED), whilst payments to farmers are handled by a specialised body, the Scottish Rural Payments Agency. A variety of other stakeholders, both local and national (Scottish) participate in the RPACs, the LEADER LAGs, and in the committees which assess the claims for the five independent schemes. In this way there has been a conscious effort to incorporate both regional and non-agricultural perspectives in the administration of the scheme.

The most innovative (and complex) aspect of implementation in the SRDP relates to the RDCs, and it will perhaps be helpful to provide some further detail at this point. RDCs are subdivided into 3 ‘tiers’ (Figure 12):

Tier 1 relates to the (Pillar 1) Single Farm Payments, and the associated good farming practice conditions. These payments are ‘non-competitive’, all farmers receive them on the basis that they are land holders and have met minimum standards of good practice.

Tier 2, known as Land Management Options (LMO) is also ‘non-competitive’. Eligibility is related to land holding. Each farmer is allocated an allowance, depending on how many hectares of land he/she holds¹², which may be ‘spent’ on a combination of options (from a range of 33). These options are based upon 14 of the measures specified in the Rural Development Regulation, (6 from Axis 1, 5 from Axis 2 and 3 from Axis 3). Payments under the LMO scheme are relatively small, but their importance lies in the fact that all land holders receive them.

¹¹ The principle is broadly similar to the French Contrat Territorial d’Exploitation (CTE).

¹² The allocation is ‘skewed’ towards smaller land holders, larger holders get a smaller allowance per hectare.

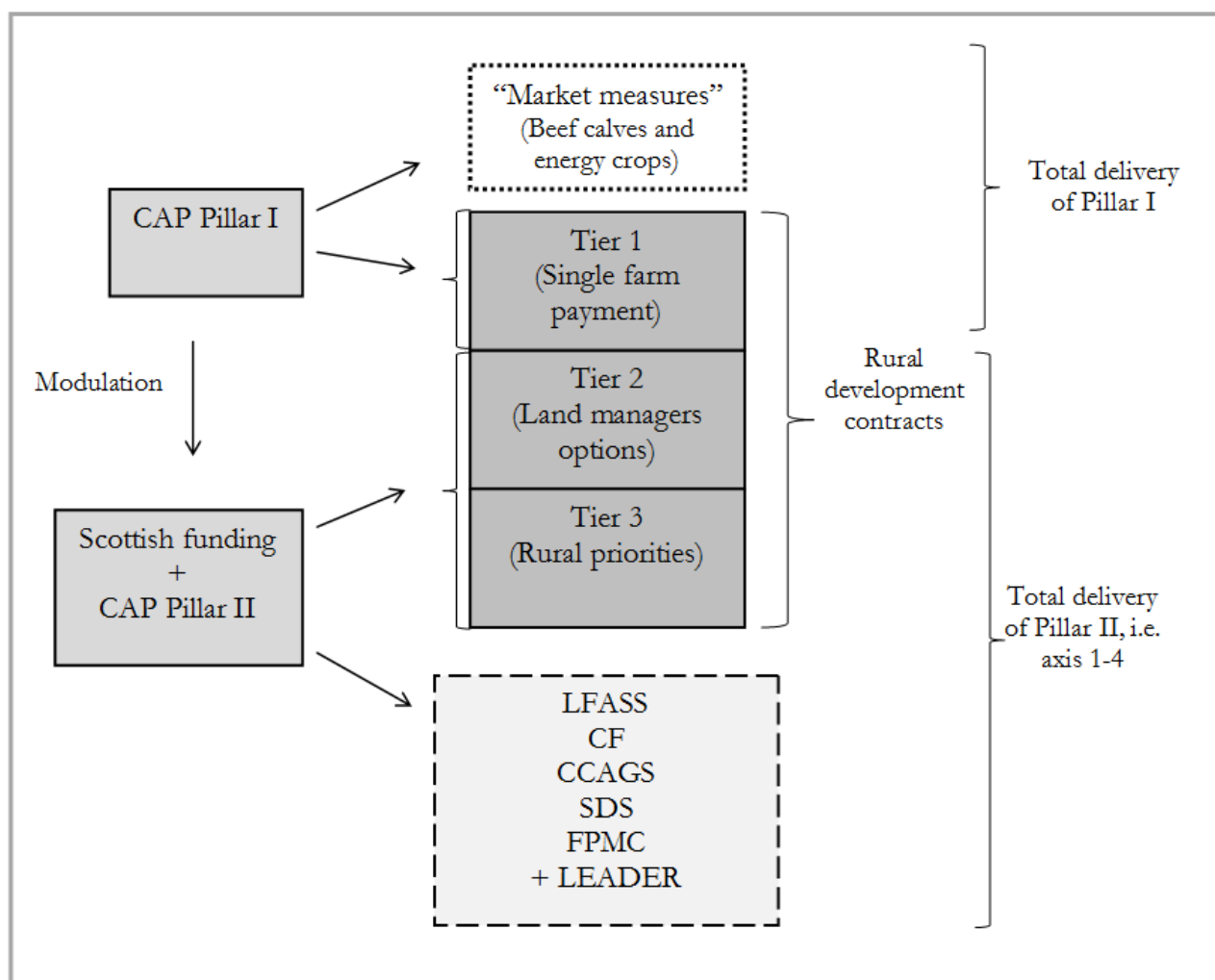


Figure 12: The implementation structure of the SRDP

Tier 3 is known as the Rural Priorities scheme (RP). This scheme is competitive – land holders must apply for funding. In this case there are 31 ‘priorities’ in 9 groups, deriving their legitimacy from 8 measures each from Axis 1 and 2, and 5 measures from Axis 3. Applications are made online, and assessed in terms of the ‘outcomes’ they are likely to deliver. This is the basis for the SGRED claim that the SRDP is “*outcome driven*”.

Programme results

The difficulty of assembling up-to-date, comparable and complete monitoring data at a relatively early stage in implementation, meant that the SRDP mid-term evaluation depended quite heavily upon sample surveys of beneficiaries, interviews with a range of stakeholders, and (in the case of LEADER) case studies. Despite the complexities associated with the delivery structure, the Common Monitoring and Evaluation Framework (CMEF) approach was followed closely.

Take Up Rates

Across the SRDP the average commitment to spend at June 2010 was 38%. Axis 2 was slightly more advanced (42%), whilst Axis 3 was below 30% and LEADER even further behind at less than 20%. These figures must be judged in the light of the fact that the programme was not fully operational until June 2008. Commitment rates for individual measures has been very variable. Three groups of measures were identified, those which seemed likely to reach or exceed their budget, those which were performing fairly well, and those which were seriously ‘behind profile’. The ‘quick absorption’ measures have been traditional capital investment schemes, such as 121 (modernisation of agricultural holdings), and pre-existing schemes for which set-up costs were low, such as the LFA and agri-environment schemes. In Axis 3 two small measures (323, rural heritage conservation, and 311, diversification) have performed relatively well in this respect. At the other end of the spectrum, training (111, 331) setting up young farmers (112), infrastructure related to development (125), support for non-productive investments (216), and animal

welfare (215) measures have so far committed minimal amounts.

Data on actual spend rates (as a proportion of commitment) were fragmentary, but the impression is that the ratio is highest in Axis 2 (close to 100%) but much lower elsewhere, at around 20%.

Economic Impacts and Value for Money

The number of jobs created or safeguarded by five schemes (CCAGS, FPMC, LFASS, LMO and RP) were estimated from the responses to the surveys of beneficiaries. This suggested that, in total, almost 14,000 jobs had been created (1,850) or safeguarded (11,550). The largest numbers were associated with LFASS (9,650) and FPMC (2,100). An estimated £510m of GVA (Gross Value Added) was created (£71.4m) or safeguarded (£440m), with the LFASS accounting for more than 70% of this.

In terms of return on investment a different pattern emerged, with the LMO scheme representing the best value for money, each £1 of expenditure being associated with £55.80 of GVA. The FPMC had the second highest return at £25.50. The LFASS had a much lower return, at only £5.90.

Deadweight varied between measures. Generally speaking 20-30% of the funded activities would have gone ahead without support, in the case of a few measures the proportion was 50% or more.

Satisfaction among Beneficiaries and Stakeholders

Feedback from beneficiaries and stakeholders regarding the application procedure and administration of the schemes was generally positive. The principal exception to this was the Rural Priorities scheme (Tier 3 of the RDCs). Here there was a substantial degree of dissatisfaction relating to the complexity of the online application process. About three-quarters of applicants were not confident of completing the application themselves, and employed a consultant for part or all of the process. Indeed this issue had already been identified by an evaluation during the first year of the scheme (Cook 2009), and as a result some simplification was carried out.

A second issue concerns the regionalised implementation. Whilst the intention and concept is appreciated, most of the stakeholders agreed that the RPACs did not fulfil their potential. This has partly been due to the absence of regionalised budgets or targets, and partly to shortage of administrative resources and insufficient training/experience of local officers. Inadequate staffing has meant that the majority of applications

have been assessed on the basis of a national scoring system only, regional discretion being exercised in a minority of cases.

Evaluators recommendations for changes

The evaluators generated a rather long list of recommendations, some of which are of local interest only. This summary will highlight aspects relating to the more innovative aspects of the programme together with those which may be of more interest in a Nordic context:

- The evaluators clearly appreciated the innovative nature of the programme design (especially the emphasis upon integration and outcomes). However they detected a range of issues in terms of delivery and implementation, mainly due to inadequate resources and lack of development time. IT aspects were singled out as not reflecting the ambition of the programme design, and hampering its effectiveness.
- Menu-driven approaches are not necessarily the most efficient way to ensure that the Programme addresses key strategic priorities. *“Despite the design intention of a strategic and outcome driven approach, much of the SRDP (particularly RP and LMO) is perceived to be input rather than outcome driven, partly because beneficiaries do not always think in terms of outcomes....The Scottish Government should consider whether more directly targeted approaches focused directly on addressing needs related to the strategic priorities may represent a more effective way to achieve selected priority outcomes...”* (Scottish Government 2010 p139.)
- The link between the intervention logic, the evidence base, and (‘meaningful’) programme targets should be specified more concretely, and *‘rigorously evaluated at the ex-ante stage’* (Ibid p139). This would be all the more important if (as anticipated) programme resources would be more limited in the future.
- Variable take-up rates should result in an ongoing reassessment of measure/scheme implementation, in order to solve the issues hindering implementation of the underperforming aspects of the programme.
- Assessment of applications should take account of what had been learned from the evaluation about additionality and deadweight.
- Widespread concern regarding the effectiveness of the SRDP in meeting environmental objectives. Here it was cautioned that continuation of farming activity (the main argument for the LFASS support) was not a

sufficiently sophisticated objective. Consideration should be given to landscape or catchment scale objectives, which are not necessarily achieved by farm-level interventions.

- Whilst welcoming the RPAC regionalised implementation structure, the evaluators noted a number of shortcomings. Prominent among these was the lack of genuine regional prioritisation, which was hampered by inadequate information and a natural motivation for regional committees to try to maximise access to all measures, rather than prioritise. Genuine regional budgeting and strategic planning should be the objective. This would probably necessitate a review of the RPAC region boundaries.
- The evaluators argued for a more sophisticated approach to evaluating RP applications, in which assessment of individual market failure and additionality conditions should be considered. Regional intervention rates should be considered.

- Simplified, entry-level schemes, with lower transaction costs, should be offered to smaller farmers.
- Further integration between Tier 1 (Single Farm Payments) and Tiers 2-3 (LMO and RP) in the context of more holistic business planning might enhance the capacity to take account of both deadweight and environmental implications.
- LEADER LAGS should be encouraged to carry out more systematic monitoring of economic, social and quality of life benefits.
- Financial reporting procedures for LEADER should be streamlined where possible.
- Monitoring and the provision of evaluation data should be given a higher priority in the SRDP administration. The measurement of administration and delivery costs was a particular issue.

3.7 Common themes from the evaluations

Intervention logic and deadweight

The logic behind some of the investment support is questioned in several of the evaluations, some arguing that perhaps the funds could be put to better use in other types of measures. If there is no market failure in the financial markets then these investment grants could be used for infrastructure instead to improve the situation for rural entrepreneurs more widely, also outside of farming. In Sweden the evaluators suspected substantial 'dead weight' associated with investment support. In Denmark this issue is acknowledged but the benefits of the programme are nevertheless strongly appreciated. It is argued that the support means earlier and larger investments than would otherwise have been the case. Many new micro-firms, creating new possibilities for income for the dwellers in the local communities, have been started. The co-financing funding is regarded as having a considerable leverage effect, both creating new jobs and improving quality of life. The number of tourists has also increased.

Direct Employment Impacts

It is striking that there is a substantial difference in how the evaluators in the four countries perceived the wider impacts of the RDPs in creating or maintaining employment and stimulating economic growth. In Sweden, based on an econometric study, the judgement is that no jobs have been directly created by the RDP, but that the program may have had a small positive impact on economic development. In Finland it is believed that the aid for agricultural holdings has generated about 600 jobs. Other investment aids have created about 1500 jobs and non-agricultural investments aids have resulted in about 700 new jobs and preserved about 1300 jobs. The aid has had the most significant effect on microenterprises where about 600 jobs have been created and 900 jobs have been preserved. In Denmark the creation of jobs is regarded as satisfactory with over 700 new jobs due to measures in Axis 1 and 3 alone. It is stated that new jobs are created to a higher degree by measures supporting the processing sector than farming. In Scotland it was estimated that 1,850 jobs had been created but that over 11,000 had been safeguarded.

Comparisons of these raw job creation/retention figures between the programmes

are not very valid, for a variety of reasons. The most fundamental is that they refer to rural populations and farming industries which vary considerably in size. Secondly there are significant differences in the estimation methodologies used. Finally it is not clear that there is a common concept of 'safeguarding' employment, between evaluators, or between programme administrations and beneficiaries.

Sectoral approaches may deliver indirect impacts and multiplier effects

In all the Nordic countries most of the support, particularly in axes I and II, but also within axis III, is targeted towards the agricultural sector. If this sector-specific nature of rural development policy is accepted as given, the degree to which 'spillover' benefits spread through rural areas as a whole, will be dependent upon the degree of multi-functionality and local 'embeddedness' of the farming sector.

Both programme content and style of implementation are important in this respect. More specifically it depends upon which measures are included in the RDP. In the current Nordic programmes, much of the available funding is directed towards agriculture through environmental contracts and investment support. The critical question is whether the "linkages" between agriculture and local activities and actors are strong enough for this to stimulate wider rural development.

Environmental supports may thus serve as a base for activities which "internalize", or integrate public goods (such as the open countryside) into economic activity. Such support is probably needed in the short term to ensure public good provision. However, if the main target is to stimulate wider rural development, it may be more effective to gradually switch to support that facilitates internalization or remuneration for public goods more directly (such as skills development, infrastructure, development of tourism, investment and support for diversification). This kind of intervention is already seen as relatively successful by the Swedish program's mid-term evaluation. The range of environmental, landscape and cultural values is relatively large, and although not all rural residents can sustain a business based on them, it is one way in which support for farmers can deliver wider benefits to rural areas.

Thus the Swedish evaluators recommend that the balance between funds should be changed to the

advantage of social and economic capacity building. Several measures (diversification, business creation, tourism) have similar objectives and operate in a similar way. These could be offered more broadly to different types of enterprises that try to work with public and private goods and create value in rural areas. An increasing focus on the Leader in could help to stimulate a growing interaction between agriculture and local development and to ensure synergies and develop new activities.

The Danish evaluators argue that the interaction between innovation, public goods and business development in the rural areas is fundamental to the future of European rural policy.

'Soft' Impacts – Human and Social Capital and LEADER

According to all the evaluations important positive impacts have achieved in terms of increased cooperation and networking, the encouragement of entrepreneurship and development of small firms. The supports to building competence and skills are generally seen as a success and tourism and the production of bio-energy have also been boosted by the programme in some regions (notably Finland).

According to the Danish evaluation Leader has contributed to mobilizing human and financial resources that presumably otherwise wouldn't have been active, value added has increased in the agricultural sector and the productivity in agriculture and food has also increased. In Finland the significant role that the Leader method has had in activating local inhabitants and enterprises, and producing positive impacts on the demographics of the countryside, is emphasised. The Leader method is considered the *most efficient tool in reinforcing the development potential of each rural area*.

Similarly, the Swedish evaluators suggested that the administrative system should be more characterised by management by objectives and LAGs given increased responsibility for project administration, with the Swedish Board of Agriculture as the single administrative authority.

However the same evaluators raise some concerns about shortcomings in the implementation of Leader in Sweden. They found that often the members of the LAG are poorly acquainted with the LEADER approach and the group's local strategy. In fact, the members of the LAG are not always included in the process for formulating these strategies.

In terms of the content of the work done by the Leader groups, and their financial resources, one suggestion is that LEADER areas should be formed

on the basis of development related criteria and only then receive centrally allocated base resources in relation to those criteria. This is in line with an overall recommendation to adjust the axes system to relate to the key renewal processes in the countryside.

Simplification and Synergy

In all three Nordic MS the evaluators drew attention to the fact that the RDPs are perceived as complex, with too many separate measures creating administrative burdens, and confusing/deterring applicants. It is a little surprising perhaps that the Nordic programmes, which actually implement fewer measures than many RDPs elsewhere in the EU should still be regarded as unnecessarily complex.

The evaluators' solution is to combine measures, but at the same time to open up the resulting broader interventions to beneficiaries from across the rural economy (not just farmers). For example, the Swedish evaluators suggest that "measures 311, 312 and 313 should be combined into a single measure that is directed at all businesses in rural areas with the aim of stimulating growth of sustainable development that would not take place to a satisfactory extent through only private initiative. Also, there is no reason to separate 311, 312 and 313 from the support for investments in farm businesses and investments in processing of agricultural and forestry products in Axis 1."

Increased integration between programmes, axes and measures is recommended by several of the evaluations. More positive impacts could be achieved by more targeted (localised), and integrated projects, than by separate interventions. It is suggested by the evaluations that one way of improving synergies could be to redesign the application procedure, making it easier to apply for support to locally integrated projects where several measures, both from the RDP and other programmes, can be combined.

The Scottish Rural Development Contract delivery structure is in fact a rather radical response to the beneficiary perception of complexity. In effect the individual measures become 'invisible' to the recipient. Integration and synergy between measures are also to some extent ensured by the structure of the SRDP. Unfortunately, however, the system seems to add a range of administrative complexities of its own, and by tying RDCs to land ownership effectively excludes non-farmer beneficiaries.

Calls for simplification seem to have registered in Brussels, since the number of separate measures incorporated in the draft regulation for 20014-20 has been substantially reduced.

4 Coherence between CAP Pillar II and Cohesion Policy.

4.1 What exactly is Coherence?

Before beginning this chapter it will perhaps be helpful to stress the need for care in distinguishing the two very similar English words, Cohesion and Coherence. Both of these are used here in a specific technical sense:

Cohesion is the objective of ‘cohesion policy’, i.e. equality of opportunity, reducing social exclusion, economic disparities or poverty etc. It is sometimes divided into social, economic and territorial cohesion.

Coherence has become a technical term describing compatibility, an absence of overlap/conflict, or the presence of positive synergies, between different aspects of EU policy.

Coherence and Consistency

The term coherence is commonly used in policy discourse but there are many definitions of what this term actually means. A similar concept of consistency is often used interchangeably, but according to some authors there is a hierarchical difference between them. According to den Hertog and Strob (2011) there is some consensus towards this latter approach where consistency is defined as simply the absence of contradictions. That is, the term carries no positive meaning in the sense of strengthening policy impact. Coherence on the other hand should be interpreted as the situation where different policy actively work together, strengthen each other and achieve common overarching goals. There is a vein about coherence that signals some systematic approach to policy design and administrative implementation. Hence, consistency is understood as making sure that policies are not actively contradicting each other whereas coherence is about creating synergies and adding value. According to Hertog and Strob (2011) consistency could be viewed as a necessary but not sufficient condition for coherence.

Vertical and Horizontal and Internal Coherence

The concept of coherence can be further discussed based on in what setting we are analysing policies, e.g. against other policies targeting the same problem or goal, or against any other policies applied by the same or other administrative bodies. For instance, horizontal coherence is described as the positive interaction between policies from the same political entity targeting the same country or regions. The opposite dimension would be vertical coherence which is described as the interaction between policies targeting the same area (problem) but implemented by different levels in the policy hierarchy. For instance policies targeting rural development applied at the EU, national, regional or municipal level can be vertically coherent. Policies from the Finnish government targeting the labour market, farmers, infrastructure, etc. can be horizontally coherent. This is the task of the Finnish Rural Policy Committee, and it is paralleled by the UK concept of ‘rural proofing’¹³.

Internal coherence encompasses consistency and coherence within a specific policy, such as the CAP. For the CAP this could be particularly interesting since there is a large distinction between the support implemented through the first and second pillar.

Finally there should be some distinction between coherence in “content” and “implementation” of a policy. This first involves such issues as what the actual content of the policy leads to. The later deals with the question of how the policy is actively implemented, who can apply, does it stimulate cooperation and integration with other policy measures?

¹³ <http://www.defra.gov.uk/corporate/about/how/policy-guidance/rural-proofing/>

Coherence and CAP Pillar 2

The first question that must be asked in thinking about coherence is what other policies or activities we are talking about and what possible common goals that can be addressed. The most obvious interaction for CAP Pillar 2 is with Cohesion Policy and with different types of environmental policies. There are also national policies addressing the same rural challenges and issues. Likewise, environmental policies can be diverse, with directives and policies at different administrative levels. Areas of overlap include support within Axis 2 for reducing nitrogen leakage, to promote ecological production, to protect biodiversity and for sustainable forestry. Pillar 2 is also likely to interact with physical planning and municipal services.

In analysing the ways in which rural development policies can exploit synergies and complementarities with other EU policies to promote growth, employment and cohesion, it is important to ensure complementarity with the Structural Funds, i.e. Cohesion Policy.

The ESPON 2.1.3 project states in relation to economic development and population trends in rural areas that there is a need for a greater complementarity between agricultural policy measures and policies for broader regional development. These should also focus on the specific conditions of the regions, i.e. more challenge (or problem) oriented programming. This ESPON project analysed the overall territorial impacts of the CAP in relation to the objectives of the European Spatial Development Plan (ESDP) and found that “in aggregate the CAP works against the ESDP objectives of balanced territorial development and does not support the objectives of economic and social cohesion”. The main critique is that the CAP favours core/accessible areas rather than periphery. Reasons mentioned for the CAP impacts not being consistent with ESDP objectives are: lack of time for planning; complex administrative procedures; and limited incentives for countries to rethink and redesign their existing policies. However, it is believed that the current system with direct payments is more consistent with cohesion than the previous market price schemes. Some market based support remains, and this tends to support stronger regions more than weak. Also, Pillar two offers a strong potential for integration with other policies but has not, according to the ESPON project been utilised to its full potential. This is due to the sector specific focus present also in this pillar, and the lack of a territorial focus. It is also argued that Pillar 2 environmental measures are actually used more in prosperous regions and these have therefore not really supported the objectives of the ESDP either. LFA support, which could have a potential to drive cohesion, has (due to

the link with livestock) mostly benefitted northern regions where farmers have higher incomes. In southern regions where livestock densities are lower, fewer farmers are eligible.

With respect to what other programs can contribute to the successful development of the agricultural sector and the rural areas the CAP-IRE project (2011) found that networks, business partners, associations and informal connections are important for farmers when they make their decisions about developing their farms or exiting farming due to market and policy conditions. Governance capacity, and social capital, seem to become more important as farmers are more and more exposed to world markets, risk, policy uncertainty and new types of markets (consumer-producer relationships). Integrating Cohesion policies and CAP could be one way to develop such networks and can be one way to promote rural and regional development even by the way programs are implemented.

One of the main messages of the CAP-IRE project was to pay more attention to the measures targeting innovation and entrepreneurship. Also, more attention should be paid towards accounting for regional differences in the way the policy is designed and implemented. More targeted or designed measures might be necessary in areas where farm abandonment is acute, but also with respect to self-selection measures in environmental contract and rural development to improve efficiency.

There is a discussion in the above mentioned ESPON project (2.1.3) about the less tangible or soft factors which make up an important component for the tangible factors to work. For policy to function and stimulate a use of resources (natural, human, and capital) in a sustainable development, these less tangible resources should also be stimulated. Leader is one example of a policy that builds territorial capital, ability to use other hard policy, i.e. funding for other types of investment or activity. The extent to which different types of policy stimulate such soft factors, and thus improve the capacity of the region/society, can be considered as one form of coherence as well. For instance, if a Cohesion Policy scheme focusing on knowledge acquisition and increased human capital in a region improves the ability of the farmer/community/other groups to take up and do something good with CAP support, then in a sense, this is coherence between this policy and the CAP.

The SASSPO project (Kuokkanen and Vihinen, 2006) discussed the contribution of the CAP to the general objectives of the EU, these being defined by the various Treaties and recently in the Lisbon Strategy. It is acknowledged that the research and evaluations of the CAP has been rather sectoral and

focused on the impact of the policy itself, rather than studying the relationships and integration of the CAP and other European programs. Coherence between the CAP and other EU policies and objectives can be framed in the context of economic growth, employment, a social agenda and environmental sustainability. More generally, coherence can be related to the extent to which various policies and programs contribute to cohesion and sustainable development. Kuokkanen and Vihinen question the extent to which the CAP contributes to cohesion, even on its own, given the fact that large farms benefit from the CAP many times more than smaller farms. However, they go on to argue that price support transfers money from rich regions to poorer regions (where farmers make up a larger share of the population), and that this is one way in which the policy contributes to economic cohesion, but not in direct coherence with other cohesion policies. Furthermore, they suggest that the fact that agriculture extends across the entire EU territory can be seen as evidence for some territorial cohesion impact as it is a cross-European policy which directly affects all rural areas.

The ways in which the CAP can contribute to cohesion in the future is reflected upon in the third report on Economic and Social Cohesion which determine that the national and regional design of direct payments, and the objectives attached to such transfers, will ultimately determine the extent of cohesion achieved.

Potential for Cohesion within the Nordic RDPs

It is evident, by even a casual reading of the purposes of the Nordic RDPs, that these in many ways 'overlap' with Cohesion Policy and that there are many ways in which synergies and coordination could improve the common impacts of these policies. At the same time some analysis of what the second pillar of the CAP includes in these countries (Figure 8, Appendix 1) underlines predominance of Axis 2, and especially agri-environmental payments. One critical question to ask is therefore: To what extent can any coherence be expected between such schemes and cohesion policies? This is a dual question in the sense that we need to reflect upon the general possibility for sector specific agri-environmental payments have any potential to do so, and the specific question to what extent different ways of implementing such schemes can promote cohesion. The content of the policy can obviously be changed, but since there are many environmental motives for contracts in Axis 2 these are based on environmental considerations rather than rural development objectives. The possibility for cohesion would seem to be greater in designing the

way these policies are implemented, who can apply, and in the way they can contribute to other activities in the areas where they are applied.

There is no doubt that schemes developed for primarily environmental or amenity based purposes can have positive impacts on rural development. For instance, if open and attractive landscapes, with a high level of biodiversity, are seen as attractive places for living or recreation, then there is consistency between policies at least. If such landscapes are the foundation for tourist enterprises or if the availability of specific (e.g. regional or ecological) food products facilitate value adding and sales, maybe through firms developed using investment support, then we could talk about coherence between policies in creating economic activity and employment.

Besides the environmental payments there are also measures which evidently offer a more direct possibility for cohesion. Many investments under Axis 3 directly target the same goals as cohesion policy. These address issues such as infrastructure, demographics (e.g. support for young farmers), village renewal and support for micro enterprises. Even if these schemes are not implemented by a common programming document they are promoting the same type of development as cohesion policies. But, drawing on all Nordic evaluation, the way these measures stimulate regional (rural) development would probably be improved if they were open for more actors and if larger and longer term projects could be designed based on all funds.

In Sweden, a strategy was devised in 2005 to determine the direction of the Rural Development Program 2007-2013. This "National Strategy for Rural Development" discussed the national and regional challenges in Sweden and the priorities and strategies in relation to the four axes. Part of this strategy also touches upon the linkages to regional development policies. The general objective of all policies in this area is said to be competitiveness and employment; through innovative milieu, entrepreneurship, knowledge, availability and strategic cooperation. Specific focus should be on sparsely populated areas in the north and on the large urban areas. The strategy explicitly aims to develop the cooperation between European Cohesion Policy, labour market policies and the national regional development policies. The purpose is also to improve the communication and cooperation between actors at various geographical scales and at different institutions. It is specified that the focus of the Cohesion Funds will be on competitiveness and employment, more generally. By contrast CAP Pillar 2 will focus on the intrinsic resources in the rural areas, the natural resources and the agrarian based firms and micro companies that utilise these resources. It is acknowledged that the

second pillar is much more focused compared with Cohesion Policy. Synergies are envisaged in the relation to entrepreneurship, sustainable growth and innovations in rural areas. Policies interact in the quest for employment and competitiveness in Axis 3 which is more broadly defined than the rest of the axes. To envisage interaction more directly, in for instance Axis 1, is more difficult as this part of the policy is clearly more sectoral. To the extent that many of the Axis 2 schemes target protection of the environment, they interact with other types of national and EU programs. The strategy acknowledges these interactions between Axis 2 and environmental policy. It is stated that agri-environmental schemes are in line with environmental policy in the Union and in Sweden. Areas mentioned are the Water Framework Directive, land management, climate change, pesticides, bioenergy production strategies, biodiversity action plans, etc. Most of this discussion is in terms of both consistency and coherence, but it is quite “fuzzy” and primarily framed towards consistency.

Within Axis 3 it is seen as crucial to make sure that programs don’t overlap and that resources are put to best use and that synergies are stimulated. However, the focus seems to be on making sure that funding don’t overlap and that for instance knowledge acquisition is limited to agricultural firms and other firms with a rural focus.

To improve coherence, a group was developed in Sweden at the start of the program period (2007) to deal with overarching strategic issues and to develop routines for a common application procedure. The existence of this, “Fund Coordination Group”, shows at least a concern for consistency. However the Group was not mentioned by the mid-term evaluation.

One of the CMEF standard questions asks if the RDP has contributed to an integrated strategy for rural development. The Swedish evaluation indicates that the program gives good possibilities and is also actively used for such integration, specifically using the Leader approach. Leader also seems to support horizontal coordination among municipalities, which are otherwise not involved. The final words however are that it seems to be very difficult to integrate the sectoral focus of the CAP with the Cohesion Policy and that there is a great risk that the program rather creates a boundary between the activities taking place in rural areas.

In the Danish evaluation the same CMEF question is also interpreted in terms of consistency, rather than coherence. The evaluators state that the programs are developed so that the division between

them are clear and that there exist no overlap between interventions.

While the design of the different Nordic, and Scottish, Rural Development Programmes could be regarded as quite similar in terms of budget allocation the implementation of the programmes differ considerably. The Nordic programmes (as in most other MS) are presented/delivered to potential beneficiaries within the four axes and constituent themes and individual measures.

By contrast, in the Scottish RDP the four axis structure is not visible to the beneficiaries. A substantial proportion of Pillar 2 measures are effectively delivered to farmers alongside the single farm payment of CAP Pillar I within the context of Rural Development Contracts (RDC). As we have already seen this may be viewed as more internally coherent and integrated *within the context of the CAP*, but does not contribute to horizontal Coherence with Cohesion Policy. Indeed by making it harder for non-farmers to benefit from Pillar 2 it prevents overlap (i.e ensures consistency), but possibly at the expense of more fundamental integration/synergy.

In Finland, coherence between measures in rural areas is the responsibility of the national Rural Committee. Their focus, wider rural development, goes beyond farming and they highlight the coordination between different support measures and policies benefitting rural areas.

In Sweden the managing authority chose instead to strengthen the role of the regional level in the implementation of the programme as a means of improving coherence. Thus the county boards and the Sami parliament have been tasked with developing regional rural development strategies connected to the broader Regional Development Programmes. The counties have also been allocated programme funding based on the rural development strategies together with criteria. A challenge highlighted in the mid-term evaluation has been the division of labour and the cooperation between the LAGs and the programme bodies at regional level. The evaluators recommended more exchange of information between the two.

The Swedish evaluators also note that the programme’s strong focus on the agricultural sector and environmental measures results in a need for an integrated approach to the development of rural areas to go beyond the focus of the RDP. Difficulties in integrating the different regional development initiatives with the RDP have been seen in the current programming period, and according to the evaluators the programme thus risks contributing to segregation rather than to an integration of the diversity of activities characterizing today’s rural areas.

In Åland the small implementation organization as well as the comparatively limited number of other actors involved in the various support schemes directed at rural areas enables a certain level of coordination. Thus contacts are established between the managing authorities of the rural and regional development initiatives. Nonetheless the managing authority of the RDP has seen some challenges developing the channels needed for implementing the parts of the programmes not directed to farmers. The limited resources available for implementing a small programme like Åland's in combination with the history of focusing on support

to farmers within the managing authority of the RDP, and the close relationship of the EU rural policy with the agricultural, has made reaching out to a wider array of beneficiaries more resource consuming and challenging.

Perhaps there is some scope for using Leader as an institution that can integrate both cohesion policy and CAP pillar II. Some evaluators call for a programming based more on identification of specific problems in rural areas and using LAG groups to prioritize funding based on idiosyncratic knowledge, rather than opening up for (primarily farmers) to apply for any measures within a national program.

4.2 Opportunities within the Draft Regulations for Improving Coherence between CAP Pillar 2 and Cohesion Policy, from 2014.

There seems to be a strong demand, both from rural residents/business people and from the expert evaluators of the 2007-13 programmes, for more coherence, or at least consistency, between CAP Pillar II and Cohesion Policy, as the two EU policies which have the most impact upon rural areas. This section highlights the main opportunities for increasing coherence which are, so far, evident in the draft regulations which form the basis for current negotiations between the EU Commission, Council and Parliament.

The two opportunities for increased coherence occupy opposite poles of the governance spectrum: the first relating to strategic priorities at the highest levels, between the Commission and the Member States, whilst the second relates to local implementation. There is a danger, of course that coherence will not be actively pursued within the intervening levels of policy implementation.

The first of these two routes to greater coherence is provided by the proposed **Common Strategic Framework** (CSF) and **Partnership Contracts**. These were first outlined in the Fifth Cohesion Report (2006 pxxiv), and have subsequently “fleshed out” in the draft legislative proposals of October 2011 (specifically in the draft “Common Provisions Regulation” COM(2011) 615 final). The CSF will present a set of common objectives, derived principally from the Europe 2020 strategy, which all the EU development funds¹⁴ (the EAFRD, European Regional Development Fund [ERDF], the European Social Fund [ESF], the Cohesion Fund and the European Maritime and Fisheries Fund [EMFF]) will pursue.

The Partnership Contracts will be agreements between the Member States and the Commission which translate CSF objectives and targets into national ones. They will also specify the ‘conditionalities’ attached to EU funding and the procedures for monitoring and evaluation.

The timetable for developing this structure is tight: A draft CSF is expected in January 2012.

Agreement on, and adoption of, the CSF is envisaged by the end of 2012. Partnership Contracts and Operational Programmes are expected to be agreed within three months of the adoption of the CSF. This implies that much of the planning and negotiations within the individual MS will have to take place in parallel with the discussion (within the Council and European Parliament) of the CSF. Given the required involvement in the Partnership Contract negotiation of a wide range of stakeholders (see below) this has a daunting aspect in terms of the need for communication and transparency.

The potential significance of the CSF and the Partnership Contracts is underlined by a careful reading of the Draft Common Provisions Regulation. Here it becomes clear that these structures could (depending upon the ‘fine print’ outcomes of the current negotiations) transform the separate ‘silo’ nature of the individual CSF Funds into a more integrated strategy, focused upon EU2020 objectives. The Regulation has been taken as an opportunity not only to create a network of links between the CSF Funds and EU2020 objectives, but also to push forward both the principles of *integrated development* (as distinct from sectoral approaches), and *multi-level governance*.

Thus Article 11 of the Regulation explains that the CSF will specify thematic objectives and key actions for the CSF Funds. It will also specify “*coordination mechanisms among the CSF Funds*”, and “*mechanisms for ensuring the coherence and consistency of the programming of the CSF Funds...*”

Article 14 describes how the Partnership Contracts should contribute to “*...an integrated approach to territorial development supported by the CSF Funds, setting out:*

(i) *the mechanisms at national and regional level that ensure coordination between the CSF Funds and other Union and national funding instruments and with the EIB;*

(ii) *the arrangements to ensure an integrated approach to the use of the CSF Funds for the territorial development of urban, rural, coastal and fisheries areas and areas with particular territorial features,...*”

¹⁴ These are referred to throughout the draft legislation as the ‘CSF Funds’.

The multi-level governance principle is woven in throughout the Regulation, but most starkly in Article 5:

“1. For the Partnership Contract and each programme respectively, a Member State shall organise a partnership with the following partners:

- (a) competent regional, local, urban and other public authorities;*
- (b) economic and social partners; and*
- (c) bodies representing civil society, including environmental partners, nongovernmental organisations, and bodies responsible for promoting equality and non-discrimination.*

2. In accordance with the multi-level governance approach, the partners shall be involved by Member States in the preparation of Partnership Contracts and progress reports and in the preparation, implementation, monitoring and evaluation of programmes. The partners shall participate in the monitoring committees for programmes....

...4. At least once a year, for each CSF Fund, the Commission shall consult the organisations which represent the partners at Union level on the implementation of support from the CSF Funds.”

Such an approach probably represents the best current practice. However there is perhaps a danger that having it set out as a legal requirement in this way may be interpreted in some quarters as implying sidelining or bypassing MS authorities, and forcibly devolving influence to regional, local or sectoral stakeholders.

At the other end of the multi-level governance scale Article 28 sets out the arrangements for **“Community-led multi-fund local development”**. These initiatives will be direct descendents of LEADER and the less well-known URBACT and Fisheries Fund local neo-endogenous approaches. They are described as follows:

- “(a) focused on specific sub-regional territories;*
- (b) community-led, by local action groups composed of representatives of public and private local socio-economic interests...;*
- (c) carried out through integrated and multi-sectoral area-based local development strategies;*
- (d) designed taking into consideration local needs and potential, and include innovative features in the local context, networking and, where appropriate, cooperation.”*

Although these local development programmes may involve more than one of the CSF Funds, each will have a designated “lead fund”. It is understood

that the ambition of the Commission is that most of the EU territory will be covered by such programmes.

The CSF and Partnership Contract framework raises a host questions for the Nordic MS, some of them being strategic/political, others are more practical/bureaucratic implementation issues. Most of these need to be considered and (widely) discussed in a rather short timescale. Foremost among the strategic questions would be:

- (i) Which stakeholders should be formally included in the procedure for negotiating the Partnership Contract?
- (ii) The regulation states that within more developed regions and countries a the Partnership Contract and Programmes should focus on a narrower range of objectives and key actions. How should these be identified?

The more bureaucratic issues relate to adapting existing delivery structures and putting into place monitoring and evaluation arrangements (including those which will be urgently required to fulfil ‘ex ante conditionality’).

In fact how these rather pressing questions are addressed seems likely to have a profound influence over whether the 2014-20 CSF Fund programmes for the Nordic Countries achieve a genuine advance in terms of what could be termed ‘multi-level coherence’, (i.e. coherence at all levels of governance, not just within the Partnership Contract at the national government level, and the Community-led Local Development in the local context). Furthermore such a change will necessitate a very substantial effort to disseminate information in ‘multi-fund’ packages – rather than using the well-established discrete and separate channels (e.g. urban/regional v rural). It will call for at least some practitioners to become ‘CSF renaissance men’ rather than specialists in a single strand of EU policy.

These are very substantial challenges, as the experiences of the Scottish Government in their attempt to convert Agricultural Policy into integrated Rural Policy in the early years after devolution in 1999 (Jordan and Halpin 2006) show. It may be that the Finnish model of “broad” and “narrow” rural policy, overseen by a Rural Policy Committee (Vihinen 2007), is a more realistic approach. In a very real sense these challenges provide the rationale for issuing this report at this time, in an attempt to provide a means for regional policy practitioners to familiarise themselves with the background to the EAFRD policy structures and programmes, both for the period which is drawing to a close, and the one which will begin in January 2014.

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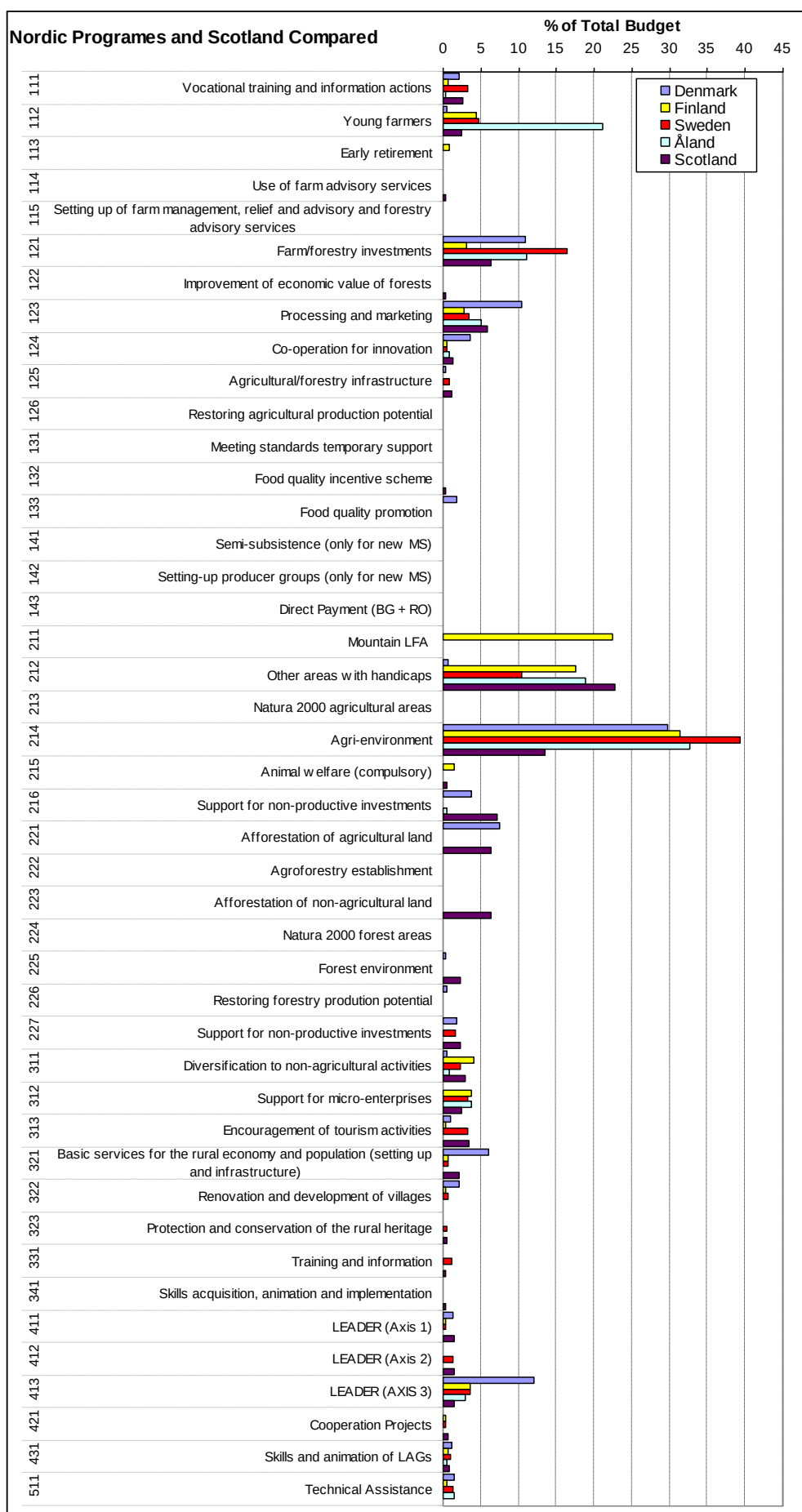
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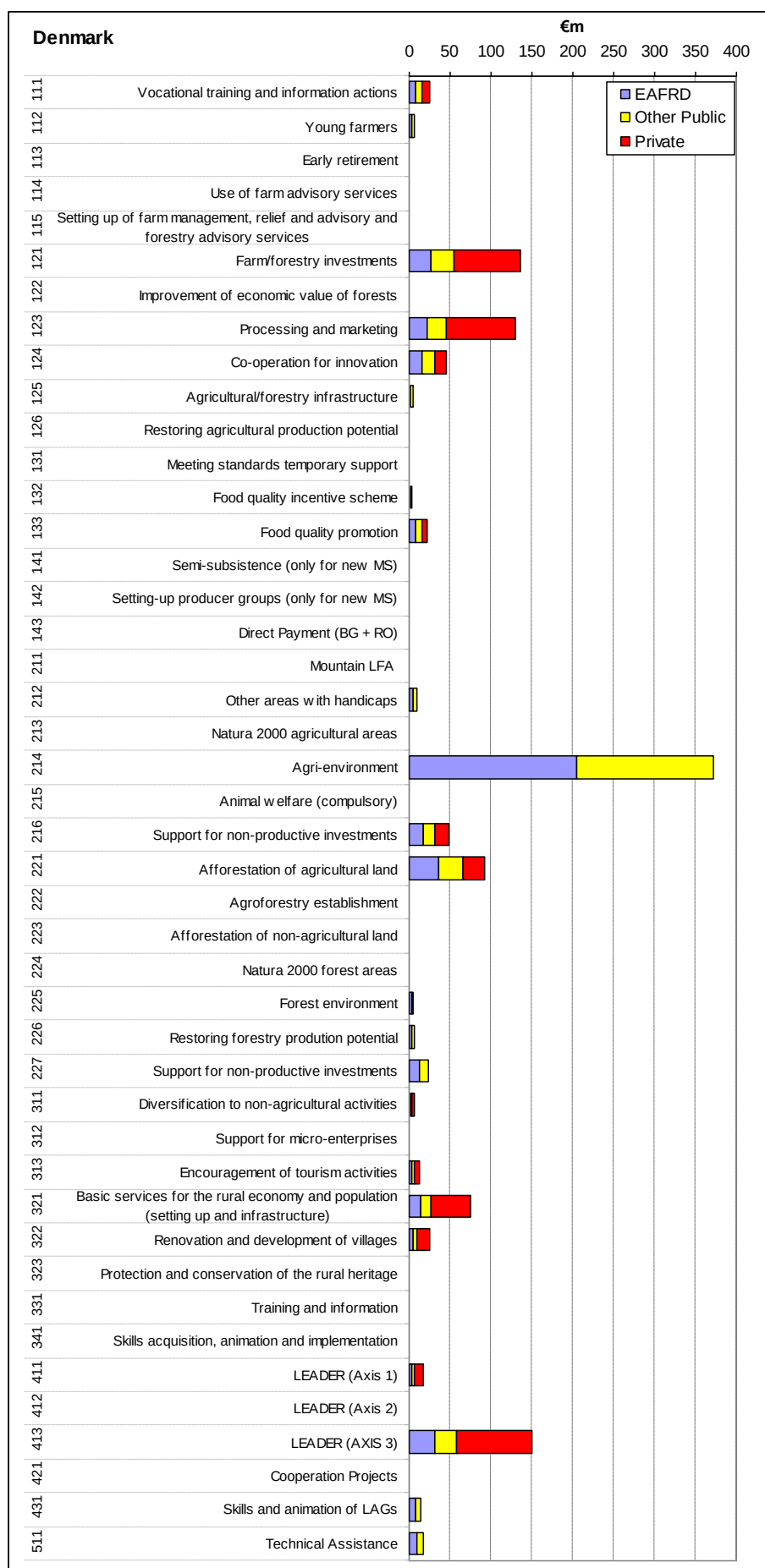
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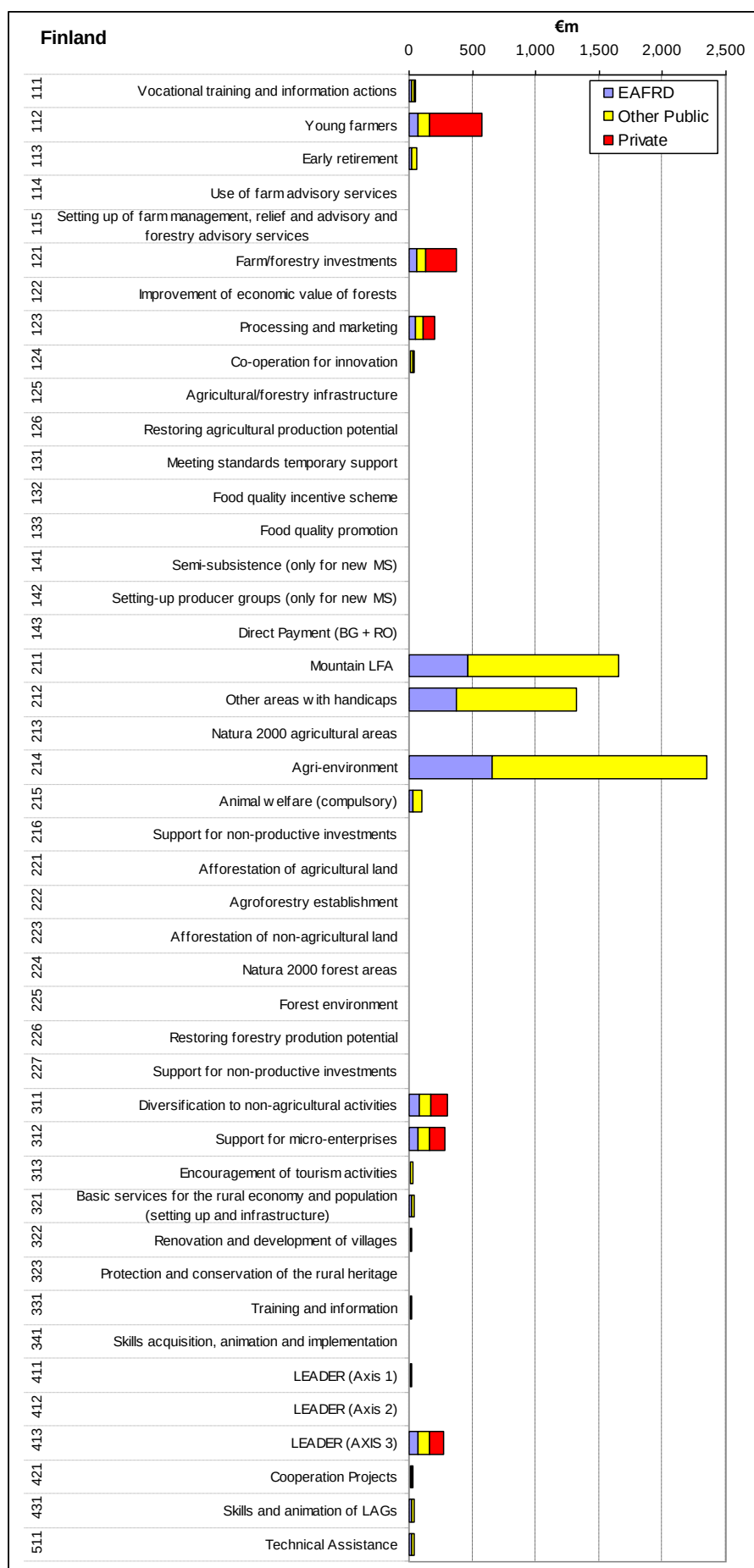
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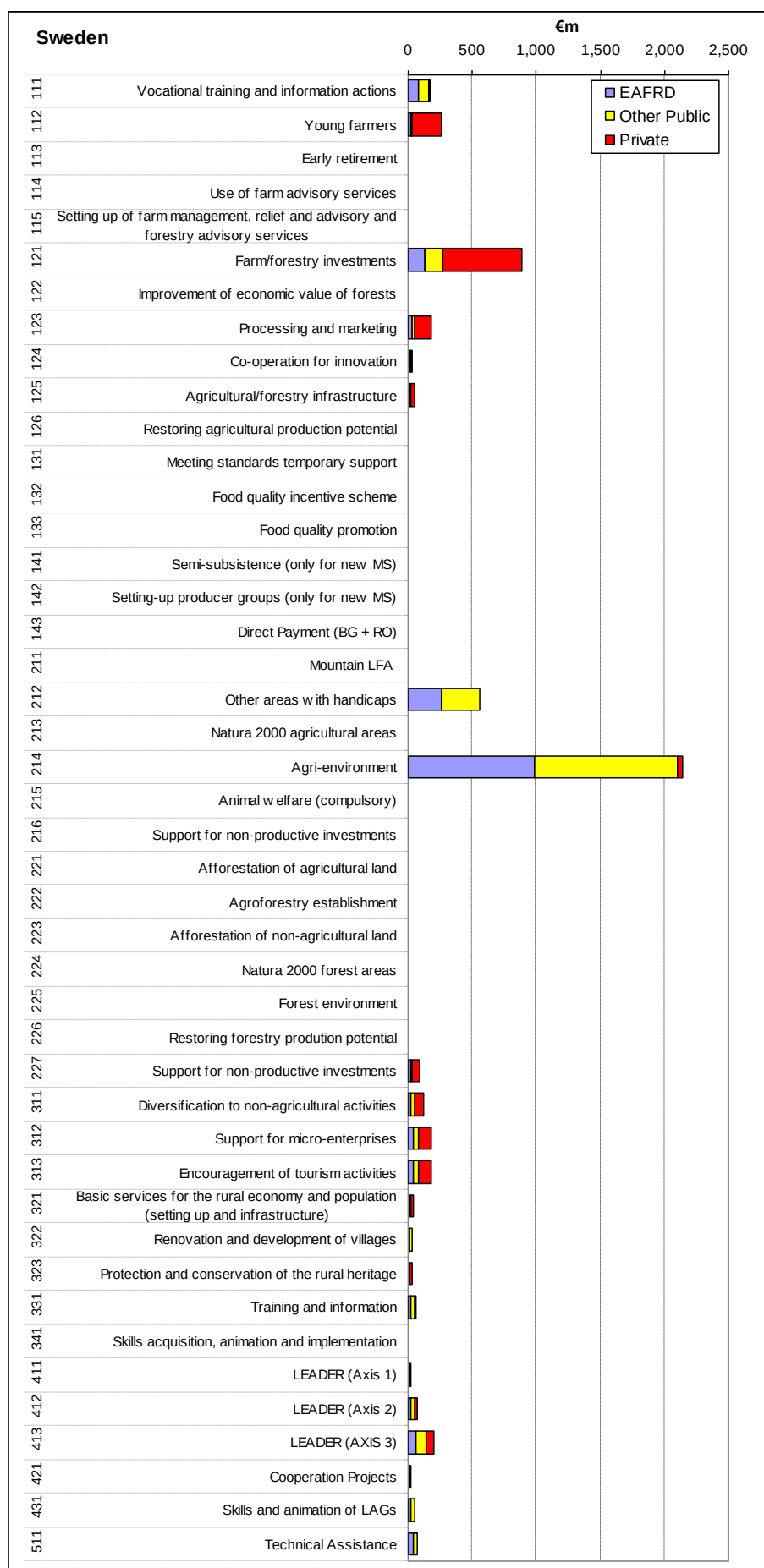
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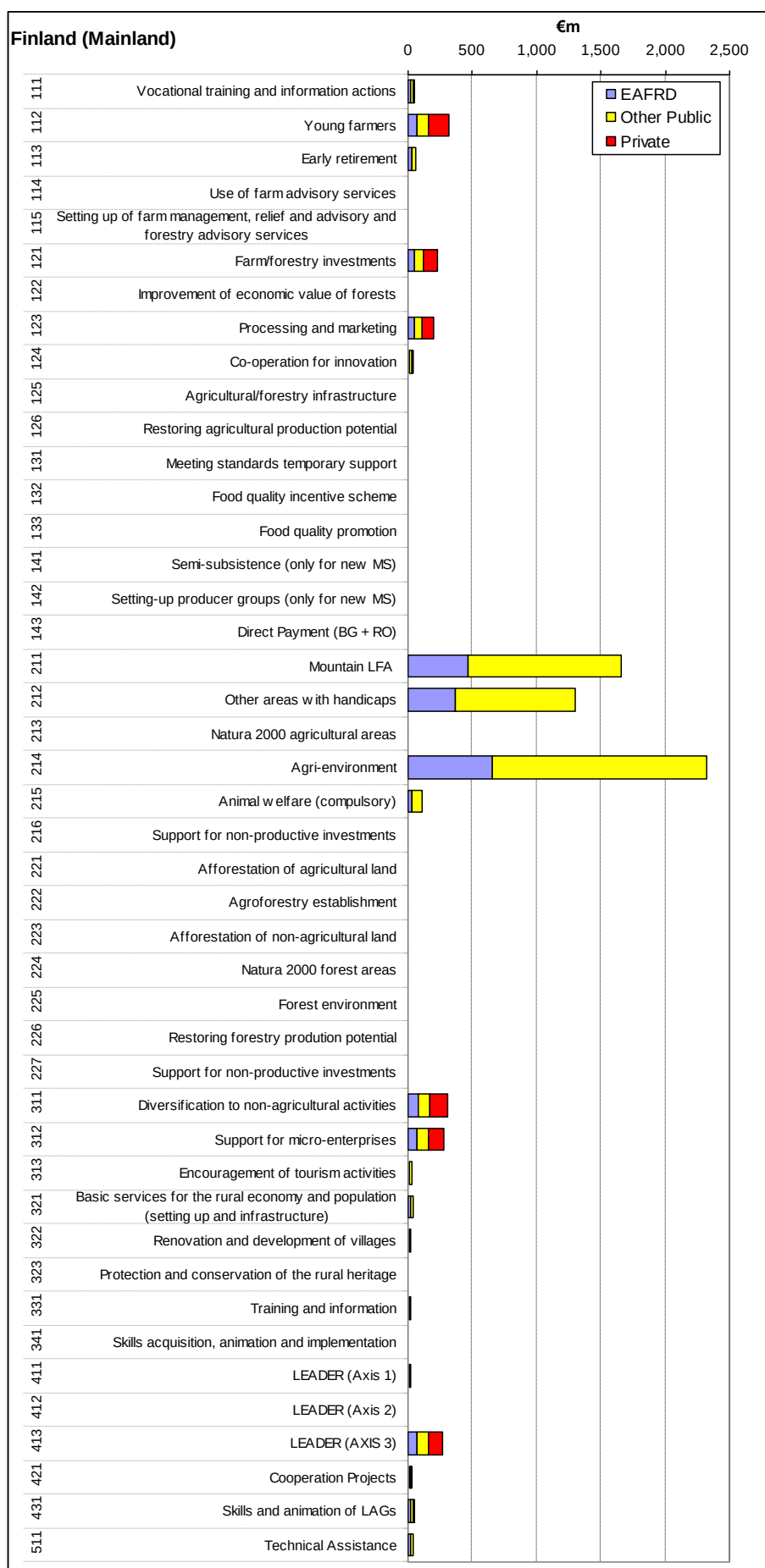
Appendix 1: RDP Measure Profiles

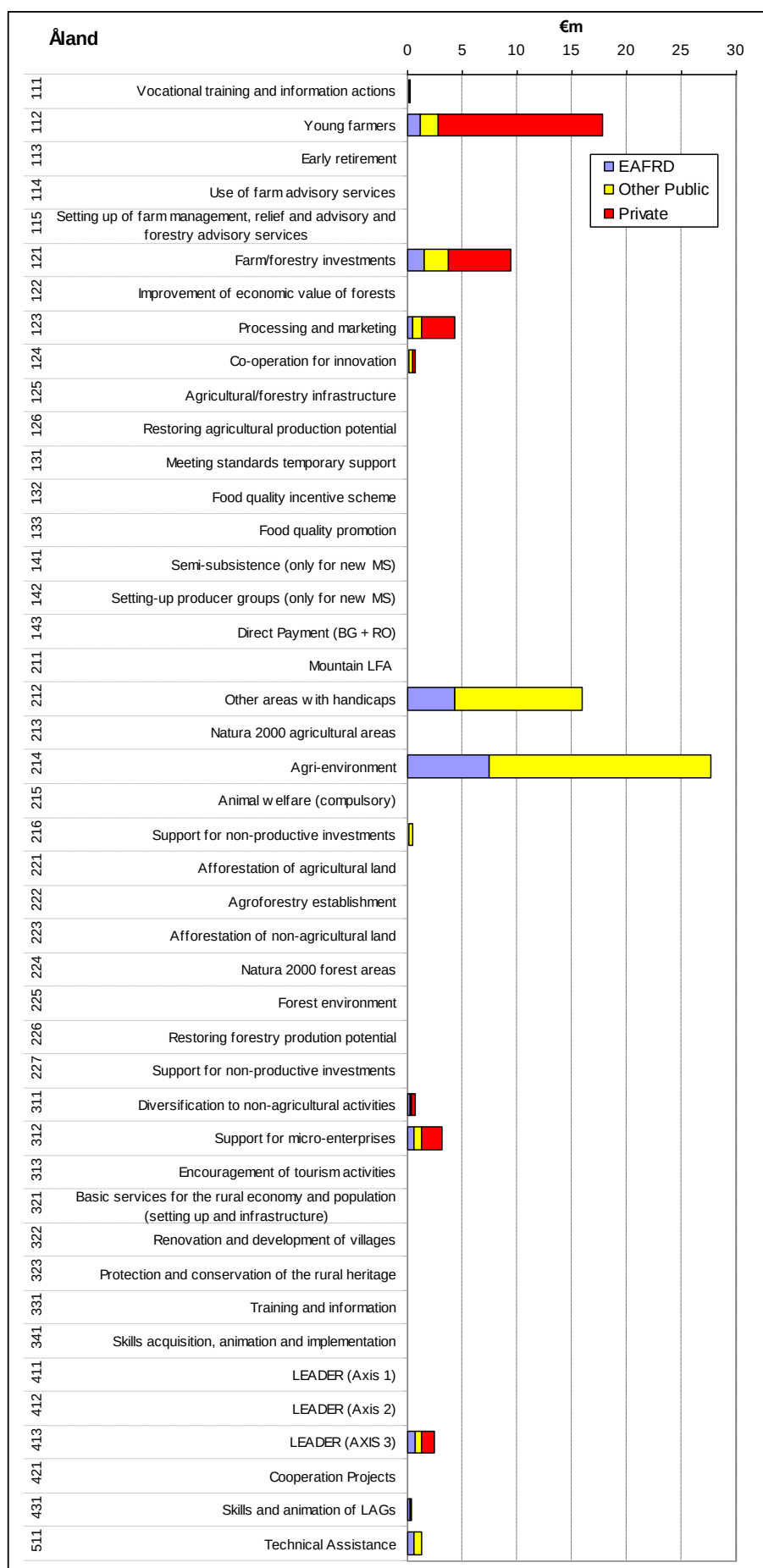


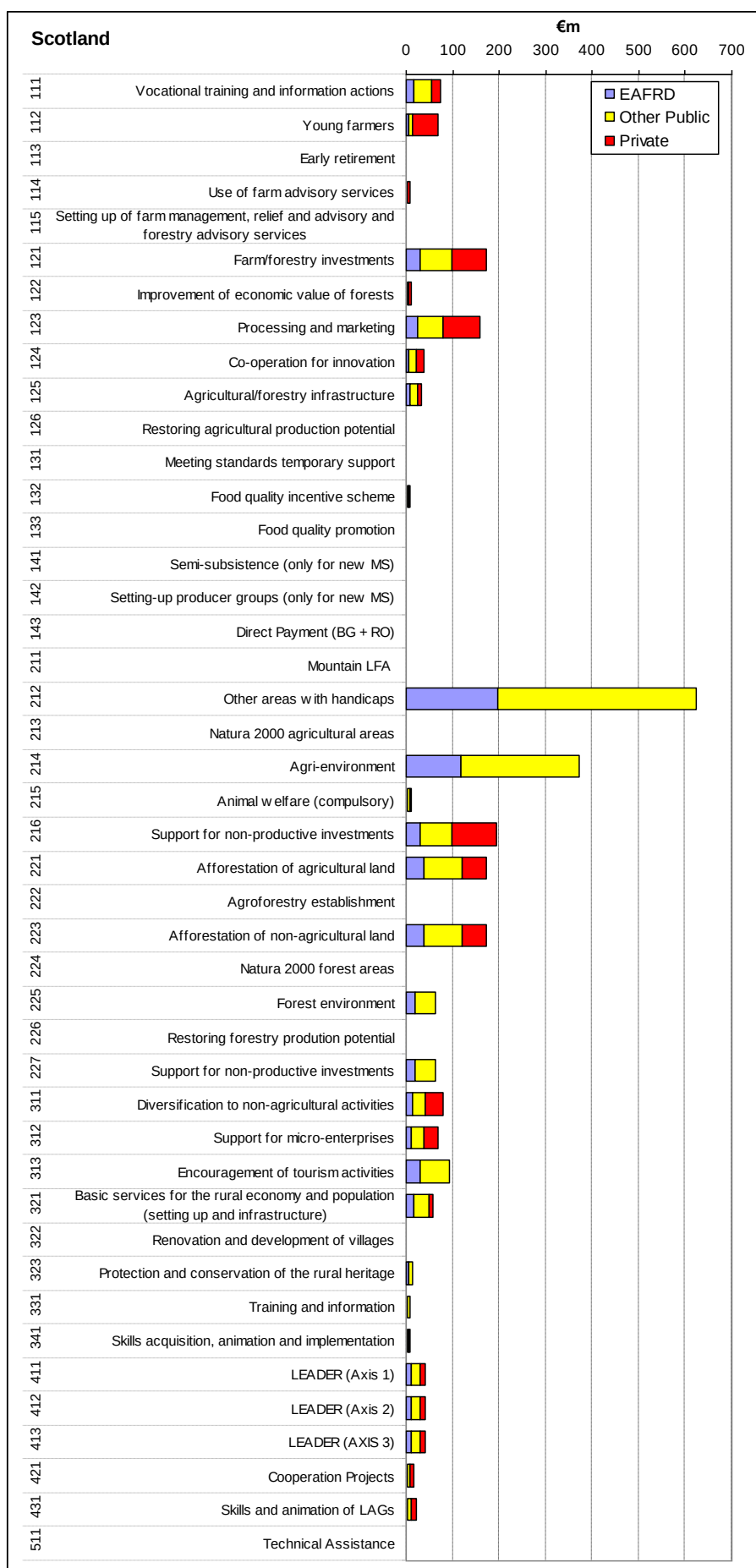














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