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Agricultural and Rural Transformation in Europe

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List of abbreviations

| | |
|---------|---|
| BMW | Border, Midland and Western region (Ireland) |
| CAP | EU Common Agricultural Policy |
| CEE | Central and Eastern Europe |
| CF | Cohesion Fund |
| CLLD | Community-Led Local Development |
| CP | Cohesion Policy |
| CSF | Common Strategic Framework |
| EAFRD | European Agricultural Fund for Rural Development |
| EAGF | European Agricultural Guarantee Fund |
| EAGGF | European Agricultural Guidance and Guarantee Fund |
| EC | European Community |
| ECSC | European Coal and Steel Community |
| ED | Electoral Division |
| EEC | European Economic Community |
| EMA | European Model of Agriculture |
| EMFF | European Maritime and Fisheries Fund |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| ESIF | European Structural and Investment Funds |
| ESPON | European Spatial Planning Observation Network |
| EU | The European Union |
| EU-15 | Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom |
| EU-25 | EU-15 + Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia |
| EU-27 | EU-25 + Bulgaria, Romania |
| EU-28 | EU-27 + Croatia |
| EU-N12 | Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia – also referred to as NMS |
| Euratom | European Atomic Energy Community |
| FDI | Foreign Direct Investment |
| FIP | Farm Improvement Programme |

| | |
|--------|--|
| GDP | Gross Domestic Product |
| GVA | Gross value added |
| ICT | Information and Communication Technology |
| IMF | International Monetary Fund |
| IPA | Instrument for Pre-Accession Assistance |
| ILDC | Integrated Local Development Companies |
| IT | Institute of Technology (Ireland) |
| LAG | Local Action Groups |
| LAU | Local Administrative Units (1, 2) |
| LEADER | (French: Liaison entre actions de développement de l'économie rurale) - Links between actions for the development of the rural economy |
| NERA | (Spanish: Proyecto Nueva Estrategia Rural para Andalucía) |
| NMS | New Member States (Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia) – also referred to as EU-N12 |
| NUTS | Nomenclature of Territorial Units for Statistics (1, 2, 3) |
| OECD | Organization for Economic Co-operation and Development |
| OP | Operational Programmes |
| PRODER | Spanish: (Development and Economic Diversification Operation Programme for Rural Areas) |
| RDP | Rural Development Programme |
| RSS | Rural Social Scheme |
| SAPARD | Special Pre-Accession Programme for Agriculture and Rural Development |
| S&E | South & East region (Ireland) |
| SGI | Services of general interest |
| SLF | Sustainable Livelihoods Framework |
| TRDI | Temporary Rural Development Instrument |
| UAA | Utilised Agricultural Area |
| USA | United States of America |
| WTO | World Trade Organization |

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1. Background, objectives and approach of the report

Agricultural and rural transformation indicates a long-term change process regarding social and economic aspects, in which the primary sector becomes less significant compared to the secondary and tertiary sector. Underlying causes are of economic, ecological, social and political nature. Mostly transformation processes are caused through an interrelation of factors influencing each other.

In many developing and emerging countries transformation in rural regions is already a reality. On the one hand, this may entail a variety of opportunities (e.g. relating to economic development, poverty reduction and modernization); on the other hand, a transformation process being out of control and progressing too fast might impair existing distribution conflicts, e.g. in relation to jobs, housing or social and economic infrastructure. The policy level is thus confronted with mediating and accompanying the process. It is of great importance to tap the full potentials and to prevent the decline of structurally weak regions.

The aim of the study is to illuminate agricultural and rural transformation, identifying selected approaches and concepts. Exogenous and endogenous factors and their interplay in change processes, the effects and policy responses will be illustrated on the basis of three sample regions in Europe. Finally, the European policy framework and corresponding instruments accompanying agricultural and rural transformation will be illustrated and evaluated.

On behalf of the German Ministry for Economic Cooperation and Development (BMZ), the sector project 'Rural Development' aims at ameliorating concepts and instruments of the German development cooperation regarding poverty reduction, promotion of sustainable development in rural areas. In this context, rural transformation and its effects on people living in rural areas becomes more and more important.

The study is based entirely on existing literature, and online information. In addition statistical data originating from the Worldbank, OECD, Eurostat and the three case study countries have been explored. The analysis of rural transformation processes however requires coverage of a broad range of indicators and their interrelations, which are highly context-specific. Thus the reliance only on secondary data and meta-level statistics somewhat limits the analytical depth. Furthermore, long-term-series for important indicators are often not available or not at the desired level of disaggregation.

2. Concepts of rural transformation

This chapter provides an overview of the definitions used in the context of rural and agricultural transformation and a brief overview of theoretical and analytical approaches. Furthermore the chapter introduces the classification of rural areas as it is applied within the European Union and illustrates the diversity of rural areas in Europe using two typologies developed within the ESPON¹ programme.

2.1. Definitions of rural and agricultural transformation

A variety of terms with diverse connotations is used to describe change processes in rural areas. Most works referring to the term '**structural change**' take the neo-classical economic development perspective describing the shift away from a leading primary sector to secondary and tertiary sector. Similarly **structural transformation**, a term used more frequently by international (development) institutions including banks, focuses on the changes of economic importance of the different sectors. Since the 1970s terms like '**rural transformation**' or 'rural change' became more frequent in scientific literature expanding the perspectives including aspects of livelihoods improvement and poverty eradication. More recently and much less prominent is the use of '**regional**' or '**rural transition**', where the term transition refers to political transition from socialist or communist to democratic rules.

Theories and models of **structural change** in relation to economic growth have developed since the 1950s, mainly following the neoclassical microeconomic paradigm. In most definition attempts, structural change refers to 'the shifts from one sector to another (mainly from agriculture to industry and services)' (UNIDO 2013). The analytical models assess 'the factor mobility between sectors, implying that production factors will move to where their remuneration is highest' (Buchenrieder 2007). However, as these models assume total factor mobility their explanatory strength is somewhat limited.

Structural change is understood as a continuous process; however, it becomes most evident at drastic caesuras. Furthermore, Buchenrieder (2007) points out 'that structural change as a whole is a complex phenomenon. There is no single comprehensive theory of structural change which integrates driving factors and interactions between them in a consistent framework' (Buchenrieder 2007). Besides, 'there are critical distributional effects. There will be winners and losers and it is not always clear who will be on which side. Whatever the effects of structural change are and how they are to be judged, it is necessary to understand what drives changes, and how is it induced' (Buchenrieder 2007).

Rural structural change is underlying the effects of a general structural change that 'touches upon all parts of a system' (Buchenrieder 2007). The report on 'Investment Priorities for Rural Development' (OECD 2006) reflects that further differentiation is needed as rural regions include more than only agriculture, but also 'emerging sectors include tourism, manufacturing and energy production among others'. Due to the systemic nature of the phenomenon in terms of influencing factors, processes and their effects, the application of linear cause-and-effect relations would be too simplistic. Rural areas are said to be 'going through significant structural change'

¹ ESPON stands for 'European Observation Network for Territorial Development and Cohesion' and refers to a number of research programmes.

and ‘the pace of change seems to be increasing’ (Buchenrieder 2007). Despite these trends, OECD countries still spend about 225 billion € in farm subsidies, 60% of which is price support (OECD 2006).

Agricultural structural change has to be linked to multiple dimensions, too, such as the degree of specialization and diversification, respectively, the degree of outsourcing labour or the number of farms (Mann 2003). Buchenrieder (2007) characterises structural change in agriculture by assuming ‘constant changes in the deployment of the production factors of labour (including human capital), land and financial capital’. The increasing importance of other factors such as social capital (e.g. in the form of social networks) is being acknowledged (Buchenrieder 2007). Enforcing the complexity of the analysis within the European context is the fact that agricultural structures facing ‘very different realities on the ground, due to diversity in farm size, socio-economic environment, production methods, climatic conditions, land use, topography, etc.’ (European Union 2011).

These insights into the specificities of rural and agricultural change illustrate that the mere application of the neo-classical economics model of analysis is not sufficient to capture the complexity of change processes. There are different models focussing on sociological, institutional or human capital aspects aiming at analysing rural transformation, many of which are overlapping. Still, the explanatory strengths of these models are lying mainly in the thematic area they are targeting at and thus have some limitations. ‘Nevertheless, together they provide an explanation of the complex mechanisms of structural change’ (Buchenrieder 2007). In the study at hand, we define rural transformation as a continuous and complex long-term change process driven by exogenous and multiple and interrelated endogenous factors, and leading to major shifts in the functionality of the rural regime. As a consequence of the above--described limitations of individual theoretical frameworks, this report is structured using a combination of analytical elements (also determined by the availability of literature and data): It applies to some extent the capital assets framework for the description of rural areas, and uses the multi-level perspective for assessment of dynamics. I.e. exogenous influences are identified (in section 3.1), which are important factors affecting rural transformation, but are themselves not influenced by changes and effects in rural areas. They usually refer to global trends or events of worldwide impacts. The study introduces three so-called meta-narratives of rural transformation which have been identified in the EDORA project (Copus et al. 2011a) and which present overarching themes of rural transformation in Europe. In more detail six dominating rural change processes are illustrating the typical rural transformations observed across Europe. Analysis of these processes provides a comprehensive overview by covering the economic, social and environmental dimensions.

Another methodological question in understanding rural transformation relates to the territorial dimension. As changes are a continuous process, they are best explained by showing differences in time. In addition, differences within and between regions or countries are best described by carefully selecting reference points. From a European perspective the EU averages are often referred to, however, as differences are significant between old and new Member States, these are often presented as additional references (EU-15 and EU-N12). National averages and averages of rural (as opposed to urban) areas are in addition used where suitable to illustrate changes and differences.

2.2. Diversity of rural areas in Europe

In Europe a variety of typologies dealing with the characterization of rural areas has emerged mostly for NUTS 3² level regions. As they serve different purposes, we distinguish between typologies that classify which areas are considered rural, and typologies that are being constructed to further describe the different characteristics of a rural area.

The EU applies a typology of rural areas which distinguishes between predominantly rural, intermediate and predominantly urban regions. Another commonly applied classification is the extended OECD regional typology, consisting of five categories (predominantly urban, intermediate close to a city, intermediate remote, predominantly rural close to a city, predominantly rural remote). It is built on indicators for density, size of urban centres and accessibility (OECD 2011; Ruiz et al. 2011). On the basis of the OECD typology the EU has brought forward a new extended urban-rural typology³ in 2010 that relies on population grids (and not on the Local Administrative Unit level 2 – LAU 2⁴). It classifies NUTS 3 regions into predominantly urban/urban regions, intermediate regions and predominantly rural regions/rural regions (European Union 2013) (see Figure 10 in the Annex).

On the basis of the urban-rural typology used by the EU, predominantly rural areas in 2010 had a territorial share of 52% (EU-27). 23% of the EU's population lived in rural areas, whereas 35% in intermediate and 42% in urban regions. Significant differences exist between the old Member States (EU-15) and the new Member States (EU-N12) (see section 4 for explanation of EU). In the EU-15 only 18% of the population are living in predominately rural areas whereas 40% of the population in the EU-N12 (see Figure 11). The differences are even more considerable when it comes to Gross Value Added (GVA) and employment share: predominantly rural areas account for 16% of GVA in the EU-27, and for 14% in the EU-15, but for 40% of GVA in the EU-N12. Likewise predominantly rural areas account for 17% of the employment in EU-15, but for 36% in the EU-N12 (European Union 2013; European Commission 2014b).

Two typologies – namely the EU-LUPA and the EDORA typologies – are useful to reveal the diversity of rural areas across Europe.

EU-LUPA 'defines six Land Use Functions (LUFs) that summarise the public goods and services that are provided by a particular combination of land-uses and socio-economic factors' (Meredith and SalasOlmedo without year):(1) Provision of work, (2) provision of leisure and recreation, (3) provision of food and energy, (4) provision of housing and transport and energy infrastructure, (5) provision of abiotic resources, (6) provision of biotic resources. These functions have been derived

²The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU for the purpose of collection, development and harmonisation of European regional statistics, Socio-economic analyses of the regions; and framing of EU regional policies. <http://ec.europa.eu/eurostat/web/nuts>

³ Classified grid cells of 1 km² with at least 5000 inhabitants and a population density of at least 300 are considered urban. The typology takes into account NUTS classification and population grid (both 2006). Regions with less than 20% share of rural population are classified as predominantly urban; as intermediate with 20%-50% rural population; regions with more than 50% are called predominantly rural. City sizes in predominantly rural regions (more than 200,000 inhabitants determine intermediate) and intermediate regions (more than 500 000 inhabitants determine predominantly urban) are considered, too (European Commission 2013b).

⁴ The system of Local Administrative Units (LAUs) has been set up by Eurostat to meet the demand for statistics at local level. It is compatible with NUTS and has two levels .

from a combination of socio-economic dimensions with land cover composition and land cover changes. The outcomes of the EU-LUPA project⁵ indicate that:

- Rural landscapes shaped by agricultural activities are dominating the EU territory. A north-south divide is evident in terms of vegetation patterns as well as land use intensity. The latter is highest in North-West Europe and lowest in Scandinavia. The majority of land is categorized as ‘Rural Forest’ (32.4%) and ‘Arable land in predominantly rural areas’ (22.36%). ‘Pastures, agricultural mosaics and mixed forest in predominantly rural areas’ are making up another 21.6% of the land. Other categories such as ‘Sparse vegetation, wetlands, water bodies and snow or arctic conditions’ (7%) or ‘Pastures and agricultural mosaics in peri-urban areas’(3.2%) cover much smaller areas.
- As far as prevalent urban areas are concerned, there are only a few concentrations (e.g. London, Paris, in high-density parts of Germany and Belgium), reflecting that expectedly highly urbanised regions, such as coasts, are still strongly influenced by their rural parts and/or their hinterland (see Figure 12 in the Annex) (EU-LUPA 2014). Urban cores and metropolitan areas are dominant for an average of 3.2% of the land in Europe; suburban residential and economic areas are dominant for an average of 3.31%.

The application of the typology provides also insights into the dynamics of land use functions:

- Major patterns of land use extensification took place in the Eastern part of Europe, above all in Poland, the Czech Republic and Hungary. A possible driver is the conversion of crop areas into grassland, mostly supported by national subsidies. Furthermore, the EU-LUPA project found increased suburbanization and lacking subsidies for dwellings.
- Intensification patterns can be seen in Western countries, such as The Netherlands, Belgium, Spain and Portugal, but also Croatia. Ownership reforms, land tenure and the growth of urban areas are possible drivers of intensification patterns; in the case of coastal regions, possibly tourism could be a driver (EU-LUPA 2014).

The EDORA typologies were developed with the aim to inform European policy design and implementation for non-urban areas and thus improve assessment of future perspectives and their policy implications. EDORA combines three typologies with underlying macro-scale patterns that include various interwoven aspects like population density, accessibility, migration, access to services, GVA, employment, or performance (see Figure 13, Figure 14, Figure 15, and Figure 16 in the Annex). At a macro-regional scale (Copus et al. 2011a), the EDORA model derives the generalised observation that:

- Regions in which the primary sector plays a major role in the local economy are mainly concentrated in an arc stretching around the eastern and southern edges of the EU27.
- The rest of the European space is characterised by a patchwork of three types of rural area, Consumption Countryside, Diversified (Secondary) and Diversified (Private

⁵ The European Land Use Project (EU-LUPA) was carried out within the ESPON framework with the European Observation Network for Territorial Development and Cohesion being in charge. The main aims of the project were (1) to create a methodology for the analysis of the EU regions’ land use patterns, (2) to enhance knowledge regarding the recent land use changes integrating socio-economic and environmental protection aspects, and (3) the identification of challenges and remediation with regard to land use changes in different regions as well as giving recommendations EU-LUPA 2014.

Services). Of these the last seems to be to some extent associated with the most accessible areas.

- Broadly speaking there is a tendency for the Agrarian regions to be relatively low performers, showing many of the characteristics of the process of socio-economic 'Depletion'. The Diversified (Secondary) regions also tend to be relatively poor performers, perhaps because they are dependent upon declining manufacturing industries.

The Consumption Countryside regions and the Diversified (Private Services) group are both high performers, and likely to continue to 'accumulate' in the immediate future. The application of the EU-LUPA and EDORA typologies to rural areas in Europe illustrates well the diversity of characteristics of rural areas, and the different change processes that led to particular characteristics. Although these models help to generalise on the basis of quantified indicators, they are not suitable to describe the complex interrelation between factors affecting and aspects being affected by rural transformation.

3. Rural transformation in Europe

The difficulties of constructing a comprehensive analytical framework for rural transformation have been outlined before. To overcome these difficulties Copus et al. (2011a) defined three so-called meta-narratives which summarise the main observed processes of rural transformation in Europe: the rural-urban, the agric-centric, and globalisation narratives. These narratives provide a helpful synopsis of the diversity of rural change processes. The meta-narrative of **Globalisation** emphasises the implications of increasing “connexity”⁶ and global trade liberalisation. These include the spatial segmentation of labour markets, whereby some rural areas have labour markets dominated by low status and poorly paid jobs, whilst urban and peri-urban areas attract higher status well-paid employment. The **Rural-Urban** meta-narrative draws together various story lines relating to migration, rural urban relationships, access to services of general interest (SGI), agglomeration (or its absence). It highlights the cumulative causation process which drives the differentiation of, and disparities between, accessible and remote/sparsely populated rural regions. The **Agri-Centric**-narrative assumes that the agricultural sector has become multifunctional and diversified, providing the countryside with public goods and new activities, such as tourism and food processing. Agricultural policy supports this development by promoting modernization of the agricultural sector and rural non-farm economic activities and by responding to the implications of the transformation of rural areas. However, as a result, there are two different ways in which regions have developed termed para-productivism and peri-productivism (Copus et al. 2011a) which together constitute what Crowley et al. (2008) call the European Model of Agriculture. In this understanding para-productivist agriculture continues the technological pathway of maintaining competitiveness by increasing economic output; characterised by larger farm sizes in more fertile regions, increasing specialisation, and less or no dependency on off-farm income. Peri-productivist agriculture are to be found more on the margins of productivity, exploring to a larger extent multifunctional pathways and are more off-farm and support depending.

3.1. Exogenous influences on rural change in Europe

The number of indicators and their multi-layered combination used in the construction of rural typologies as described in section 2.2 illustrate the difficulties to capture the diverse characteristics of European rural areas, going beyond economic indicators. In our understanding rural transformation has to capture all processes and effects that concern the functioning of rural areas. In order to reveal the most relevant processes, it is helpful to identify factors that influence rural transformation but are themselves not influenced by rural transformation in a direct way. These are referred to as exogenous influences or macro-factors. Literature on rural transformation agrees that these factors are globalisation and trade liberalization, demographic change and political transformation (towards democracy) (Copus and Dax; Buchenrieder 2007, Copus et al. 2011a, 2011b).

The overarching theme of **globalisation** has become evident in many facets of economic and social developments and is a recurrent issue due to its acceleration and geographical range. Globalisation on the one hand indicates an increasing interconnectedness of economic and social

⁶ A term conveying the increasing interconnectedness, over greater geographical distances, of many aspects of everyday life, (work, consumer activity, recreation and leisure), business and economic activity, governance, and so on.

activities. Thus, ‘the strength of linkages/relationships to sources of information, innovation, and business opportunities can, other things being equal, become more important than geographical location or proximity to resources’ (Copus et al. 2011a). On the other hand, liberalisation of global trade is commonly linked to globalisation. Labour markets are characterised by spatial segmentation with some of the rural areas being dominated by low status jobs in contrast to rather well-paid jobs in more urban areas. To compete within the globalised system, rural regions inter alia depend on the participation of ‘the more profitable elements of globalised economic activities’, avoiding ‘flexible’ secondary segment employment which tend to be exploitive in that they are characterised by e.g. low wages, poor conditions, and high labour turnover. (Copus et al. 2011a). Facing these developments, it becomes obvious why many holdings in rural areas particularly in the New Member States have become particularly vulnerable to global competition (Copus et al. 2011a).

In the context of rural and agricultural transformation, it is inevitable to focus on **economic growth** as part of globalisation and trade liberalisation tendencies. Underlying this trend is ‘the concept of spatial division of labour, between rural areas in Europe and competing low-cost regions (both rural and urban) in emerging developing countries’ – a process that has started at least over 150 years ago (Copus et al. 2011a).

Overall positive growth has marked developments in Europe in the past 20 years, although there are substantial regional differences. Underlying this positive development is a shift towards a growing importance of the secondary and particularly the tertiary sector. From 1991 to 2013 the tertiary sector share of the GDP in Europe increased from 66% to 74%, whereas the secondary sector⁷ accounted for 31.6% in 1991 and 24.3% in 2013. The share of the primary sector fell from 2.6% to 1.7% (see Table 9 in the Annex). In comparison with developing and emerging economies Europe can be said to have completed this shift, but still substantial differences remain in the regions.

It has to be noted that the global economic crisis starting in 2007 marked a turn in development trends, which started to affect the European economy in 2008. The crisis definitely plays an important role for recent development trends in many European Countries, affecting rural and urban areas alike, e.g. it has affected labour markets and influenced migration patterns to a certain extent. However, due to the rather recent occurrence, it is not possible to judge whether those effects will be persisting as longer-term structural changes, or whether these are being reversed or directed towards different development trajectories within a short timeframe. Thus, the economic crisis is not considered a driver of rural change (yet) (Möllers et al. 2011).

Demographic change has a considerable impact on rural transformation as the development of a population has effects on a region’s socio-economic development. In most parts of Europe birth rates are at a low level with the death rates remaining stable, so that the population declines naturally. On the one hand, the ageing of population is a major component of demographic change that entails several socio-economic impacts for any region. In most of Europe’s regions, population is ageing, meaning that the share of over 60-year-olds increases due to a rising life expectancy. On the other hand, the aspect of reproduction has to be kept in mind when analysing a region’s demographic development. Especially peripheral rural areas suffer from low reproduction potentials, indicating that women in fertile ages are lacking. A further critical issue

⁷ It comprises value added in mining, manufacturing (also reported as a separate subgroup), construction, electricity, water, and gas.

in this respect is the share of active population (20-64 years): Although the share throughout the EU-27 has increased from 68.6% (2000) to 71.2% in 2011 (Eurostat 2014b), an overall increase does not necessarily imply an increase in all kinds of regions and types of areas. At the moment, no significant overall trend can be identified (see Figure 17 in the Annex) (Eurostat 2014a). A more differentiated look at the situation in predominantly rural areas reveals that shares vary from less than 10% (United Kingdom and Spain) up to over 70% like in the case of Ireland (Eurostat 2013). Further population losses might therefore have serious impacts on regions with already low shares. A particularly relevant issue in this respect that influences not only demographic, but also socio-economic patterns is **migration**. As changes in migration patterns are more interrelated with other changes from local to global level, it is not considered an exogenous factor, but will be further dealt with in subsection.

Political transformation processes from socialist and communist regimes towards democracy have taken place throughout Europe, and have in many cases marked the initiation of accession to the European Economic Union or later the European Union. Early examples of this are Spain, which restored democracy with the approval of the new Spanish Constitution of 1978; and Portugal, which went through a longer process of transition in the late 1970s and early 1980s. However, political transformation in relation to rural change is now mainly discussed in the light of transition of Eastern European countries, where it marked the beginning of a new phase of EU accession, affecting issues such as labour division and industry locations and, in general, bringing along a broader diversity. Most importantly, land reforms entailing private property rights and the acknowledgement of the farm as a legal entity characterised transition. As a result, a significant restructuring of farms in agriculture took place in the light of the transformation processes as central planning was abolished, government intervention became less intense, markets for factors of production were created and labour adjustments in the agricultural sector took place. (Buchenrieder 2007). The **collapse of communism** in the Central and Eastern European (CEE) states can thus be considered as a major exogenous driver within EU rural transformation (Krieger-Boden 2008). CEE countries started to profit from foreign direct investments in the 1990s which preconditioned a successful transition in the direction of market oriented economies, providing them with new technologies, know-how and financial resources (Krieger-Boden 2008).

The European Union (EU) was created in 1993, replacing the European Community (EC) which, in turn, had emerged from the European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (Euratom) in 1967. The EU has to date seen seven geographic enlargements, bringing it to a total of currently 28 member states. Among the most important enlargements in terms of their impact on rural transformation was the 5th enlargement which entailed the above mentioned accession of Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Czech Republic, Slovakia, Slovenia in May 2004; as well as Romania and Bulgaria in January 2007.

These are commonly referred to as 'New Member States' (NMS) or EU-N12 in short⁸. Taking a closer look at the NMS, an increase in regional inequalities could be observed since the 1990s. Compared to the EU-15 average, Eastern European countries have developed an increasingly different industrial structure, indicating a 'defensive structural change taking place in their

⁸ The 28th country Croatia has only recently accessed the EU and is not often covered in long term analysis or statistical data.

productive base' (Krieger-Boden 2008). Central European countries, on the other hand, have been showing increasingly similar industrial structures to EU-15, suggesting the importance of proximity to the EU core. In general, structural change develops fastest in less advanced countries and 'specialization levels are moderate and declining' in many regions due to losses in the industrial sector (Krieger-Boden 2008). Some regions, however, managed to develop their services and manufacturing sectors.

3.2. Processes of change in rural Europe

Taking a broader view to describe rural change processes in economic, social, political and environmental terms it is necessary to reflect on reality in the rural regions of Europe. Regarding rural regions in Europe it becomes evident that particularly six transformation processes are relevant:

- Shifting structure of economic activities;
- Increasing polarization of agricultural structures ;
- Increasing importance of rural migration;
- Increasing importance/multiplicity of rural-urban linkages;
- Changing role and function of land;
- Increasing role of tourism and recreation.

In most rural areas several of those processes will play a significant role simultaneously, and the emergence of one could be followed by another in a longer time period. Likewise some of these are fostered by the same exogenous and endogenous factors. Still, in order to capture the complexity of change processes, and cause-effect relationships the six processes are used to structure this section.

Shifting structure of economic activities

From 1995 to 2010, predominantly rural areas in the EU-27 had the lowest share of GDP per capita (in relation to the EU average) with 66-70%, whereas intermediate regions accounted for 85-88% and predominantly urban regions 104-125%. A rather important fact that is not obvious at first sight is that in the EU-N12 the gap between predominantly urban and predominantly rural and intermediate, respectively, has grown over the years. In 2005 the predominantly urban regions accounted for 86% GDP per capita in relation to the EU average, in 2010 it was 103%. In predominantly rural and intermediate regions the shares increased, too, yet much slower: from 39% and 48% in 2005 to 44% and 55% in 2010 (European Commission 2013a).

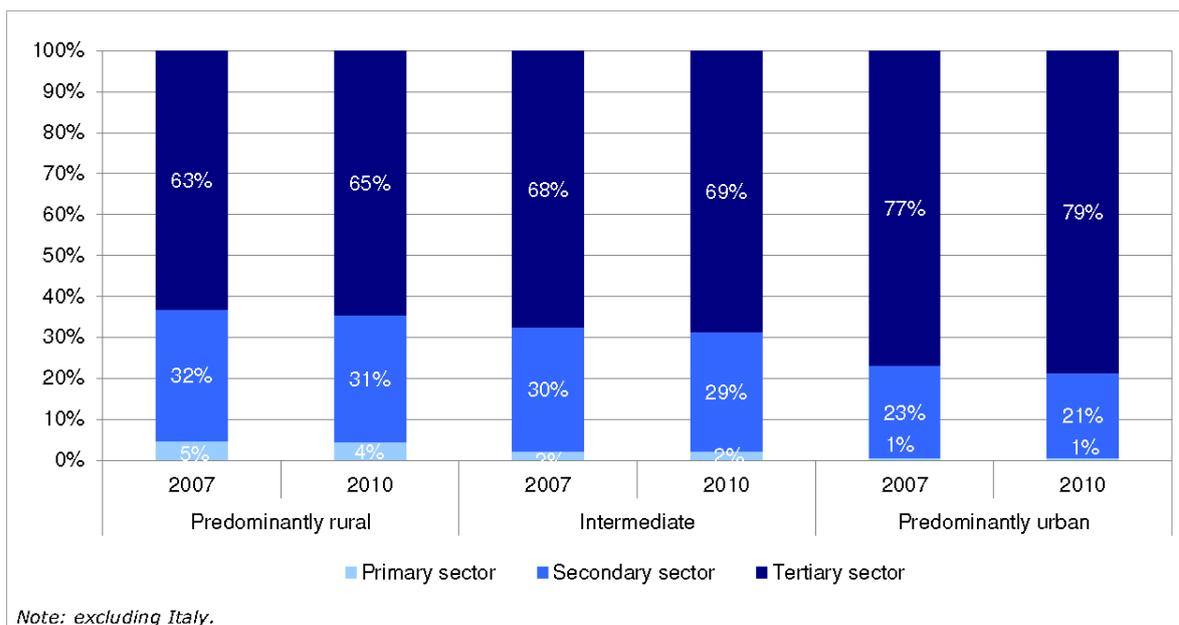


Figure 1 Structure of the economy in the EU-27, 2007 and 2010. (Source: European Union 2013)

The structure of the economy indicates that in predominantly rural areas the primary sector accounted for 5% of Gross Value Added in 2007 and 4% in 2010, whereas the secondary sector made up 32% and 31%, respectively, and the tertiary sector 63% and 65%, respectively (EU-27).

Table 1 Structure of the economy (% GVA by branch) - Member State values (Source: (European Union 2013)

| | Rural | | | Intermediate | | | Urban | | | |
|---|----------------|------------------|-----------------|----------------|------------------|-----------------|----------------|------------------|-----------------|----------|
| | Primary sector | Secondary sector | Tertiary sector | Primary sector | Secondary sector | Tertiary sector | Primary sector | Secondary sector | Tertiary sector | |
| Structure of the economy (% GVA by branch) - 2010 - NUTS 3 | | | | | | | | | | |
| EU-27 | 4.4 | 30.9 | 64.6 | 2.2 | 29.1 | 68.7 | 0.5 | 20.8 | 78.6 | excl. IT |
| EU-15 | 3.9 | 29.4 | 66.7 | 2.0 | 28.2 | 69.9 | 0.5 | 20.5 | 79.0 | excl. IT |
| EU-N12 | 7.2 | 38.8 | 54.1 | 3.6 | 37.6 | 58.8 | 0.8 | 25.9 | 73.3 | |
| Change in the structure of the economy (in % points) - 2007 to 2010 - NUTS 3 | | | | | | | | | | |
| EU-27 | -0.2 | -1.3 | 1.5 | -0.1 | -1.1 | 1.2 | 0.0 | -1.7 | 1.7 | excl. IT |
| EU-15 | -0.1 | -1.8 | 1.9 | -0.1 | -1.3 | 1.4 | 0.0 | -1.8 | 1.8 | excl. IT |
| EU-N12 | -1.1 | 0.9 | 0.2 | 0.3 | 0.0 | 0.3 | -0.1 | -0.4 | 0.5 | |

Compared to EU-15 and EU-N12 countries, sector shares vary significantly. Predominantly rural areas in 2010 accounted for 4% in EU-15 and 7% in EU-N12, whereas the secondary sector accounted for 29% and 39%, respectively. Thus, the tertiary sector (67%) in the EU-15 is stronger than in EU-N12 (54%). In general, the tertiary sector profits from losses in the secondary sector in most countries, which might be due to the economic crisis. A considerable change between the two sectors has become obvious for example in Ireland, where the secondary sector lost 6.7% and the tertiary sector gained 6.6% (European Union 2013).

Increasing polarization of agricultural structures

In their 2011 Report on Rural Development in the EU the authors state 'a constant decrease in the number of farms and farm-related jobs' (p. 21) between the 1970s and 2007, regardless of which reference area. A change in production factors has taken place, such as an increasing mechanization and decreasing amount of workers. The utilised agricultural area remained relatively stable (European Union 2011, 2013). The decline rate in farm numbers appear to having been affected by the economic crisis: between 2005 and 2010 especially the Southern part of the EU (EL, ES, IT, CY, MT, PT) that was supposedly most affected by economic crisis had the lowest decline rate. Possibly this is due to a lack of job alternatives and a reliance on the own farm

As a result of the just mentioned facts the size of the farms within the EU has increased. In the EU-15, for example, the average size has grown from 17.4 to 22 ha (1995 – 2007); in the EU-27 it increased from 11.5 to 12.6 ha in the period from 2003 to 2007.

Para-productivism and **peri-productivism** are both present in rural Europe, with the former referring to large-scaled agriculture, characterised by efficiency through technology, labour productivity and competition; the latter describing small-scale farms showing diversification patterns, at times providing several activities and functions. In the light of these facts, a 'duality of the farm sector' Baum (2008) can be observed, especially in the case of the New Member States. In numbers, farms with less than 5ha dominated in CEE countries in 2000 with 82% of the holdings, whereas large-scale farms with over 50ha only made up 1%. Some countries are characterised by high fragmentation of land as a result of privatization, thus a great number of small-scale family farms emerged. This is especially the case for Bulgaria, Hungary, Latvia, Romania and Slovakia. In order to stay competitive in the long run, small farms need to adapt in terms of income development. For many farm holders, a mix of farm and non-farm incomes, commonly referred to as (employment) diversification, is indispensable. In all European Member States, part-time farming is of great importance. The 1999/2000 Farm Structure Survey in Europe found that around three-quarters of sole holders 'worked part-time on their holding, and 26% had another activity as their main employment. The situation where the holder manager had another gainful activity as a main occupation was most prevalent especially in Sweden (43% of sole holders), Germany (39%) and Denmark (34%), and least common in the Benelux group of countries (12-14%}'. {European Communities 2003 #236}. There are studies declaring high rates in part-time farming as a first step towards increasing farm exits; other studies indicate that part-time farming may contribute to a stabilised employment structure (Baum 2008).

As far as the age structure among farmers in the EU is concerned, there are major discrepancies between countries and regions. However, a general trend of an ageing farming population can be noted (European Union 2011). In most CEE countries that are characterised by small-scale farm structures, non-farm incomes make a remarkable contribution to the total household incomes.

The role of **food supply chains** has become more and more important. Especially in the NMS retail structure has changed and supply chains are mainly characterised by vertical integration. Smaller farms will have to adapt by new ways of marketing their products, such as joining local supply chains or vertical integration. Moreover, value adding activities come into consideration, such as gastronomy or the application of quality labels and standards (Möllers et al. 2011).

In light of the perspectives for rural areas in the EU with special regard to the food industry DG AGRI released a note indicating that an 'ongoing long-term process of structural adjustment of EU agriculture will continue mainly due to the productivity gains supported by technological

progress and to the overall economic pressures: the volume of labour will decrease with an increase of average size of farms as area devoted to agriculture should diminish slowly. Adjustment of EU food-industry will also continue following productivity gains' (European Commission 2007b).

Increasing importance of rural migration

As migration processes influence both total fertility rates as well as age and gender structures, they influence the population development substantially, which in turn has effects on the general structure and development of a rural region. **Counter-urbanisation**, which will be discussed later on, is the dominant migratory flow in more accessible areas. Its effects can be both positive and negative. The well-known 'rural exodus' has continued in sparsely populated and remote regions of Europe, accelerating the ageing of population (Copus et al. 2011a). Extensive **international migration** has taken place in the case of the New Member States due to lower wage levels than in the EU-15.

The movement's impacts are selective, at times affecting residual populations to a considerable extent. Important aspects to be considered are whether the movements are permanent or temporary and how the remaining ties to the home region look like (e.g. remittances) (Copus et al. 2011a). In the future, the Eastern border of the EU might be particularly affected: 'Strong migratory currents leading to critical population situation may occur in some rural areas where marginalisation occurs' (European Commission 2007b). Net migration rates indeed show a negative rate (-1.9‰ in 2011) in predominantly rural regions in the EU-N12. An extreme in this respect was Lithuania: being hit by the economic crisis to a considerable extent, out-migration in all kinds of regions began to increase and was highest in rural and intermediate areas in 2011 among all member states. Migratory movements in rural areas in Spain and Ireland are worth mentioning, too: changes in their net migration rate (from 2007 to 2011) made up -16.8‰ and -21.7‰, respectively. Also induced by the crisis, people that had immigrated the preceding years again left these countries (European Union 2013).

In her paper, Baum (2008) deals with the demographic development in rural areas of New Member States in CEE. Most countries, except Cyprus and Malta, have a declining population in rural regions as a result of declining fertility rates (which in part are even lower than fertility rates in urban areas) and migration processes. However, Baum highlights that regional differences have become more obvious. There are some areas that have a positive population development, such as sub-urban areas that are next to agglomerations that are probably profiting from in-migration. There are also tendencies of migration from peripheral rural areas to agglomerations or capital regions. In general, migration processes within the regions of CEE are lower than in EU-15. Again, many factors are possibly interlinked with this fact, such as a lack of employment opportunities, financial constraints, and housing-market situation and a lack of or insufficient education. Compared to Western Europe, no counter-urbanization is observed; yet, suburbanization processes in areas next to large cities takes place (Baum 2008). Baum further refers to evidence that social networks and the prospect of self-provision can attract people from urban areas during transition who deal with increased living costs and unemployment.

Increasing importance/multiplicity of rural-urban linkages

The 'rural system' is not independent from the 'urban system' and these linkages are becoming more important. The relationship between urban and rural areas has been changing insofar as the importance and multiplicity of rural-urban linkages has increased. With the so-called urban-rural

shift that took place during the last quarter of the 20th century rural areas are seen as new markets, areas with cheap labour and with better living conditions.⁹ The shift entails the process of **counter-urbanisation**, where migration from urban to rural areas takes place and whereas immigrants bring along 'higher educational assets and better social contacts that make them better able to find employment elsewhere or to start business locally' (Copus et al. 2011b).

The importance of economic linkages between rural and urban areas as a driving power behind economic development was already mentioned above. The aspect of **economic growth** is crucial as it is seen to drive changes in the structure of the primary sector due to uneven growth rates within the different sectors. Although services appear to having been the main driver of economic growth during the past decades, growth has also been dependent on the increased productivity in the agricultural sector, inducing a shift in employment structures. Further aspects linked to this development are changes in consumer demands as well as ways of purchasing goods (Buchenrieder 2007). To a substantial extent, economic development is dependent on interlinkages, in particular between urban and rural areas. Important aspects are spatial distribution and strength of economic linkages as well as a balance between in- and output linkages. Incomes already flowing into the area and the generation and containment of new incomes are highly dependent on this balance (Copus et al. 2011b).

In some areas where employment opportunities are lacking, impending a 'rural exodus', the possibility of **commuting** might be a compensation. With ameliorations in transportation and infrastructure, distances can be overcome more easily, better connecting rural population to urban centres or even inducing part of the urban population to move to rural areas due to e.g. cheaper housing. Economic benefits could arise from higher levels of commuting, depending on the commuter households' spending patterns. Local employment in rural areas might be beneficial for containing income, as it is often the case that the place of residence is not necessarily the place of household consumption. On the other hand, if policy support helps increasing employment opportunities, commuting might as well take place the other way around, bringing along at most minor advantages for rural economy (Copus et al. 2011b).

The case of service access and provision can be another determining factor in respect to urban-rural linkages. Changes in provision can either be an effect or a cause of broader change processes. Service access and provision not only influence the economic dimension, but, inevitably the social dimension, (in terms of income and growth), too. Human and social capital, community facilities, educational and health benefits as well as a sense of community can be built by the development of local services. A lack of services in rural regions in the worst case can lead to exclusion and deprivation patterns, however, strongly depending on how distant the next urban centre providing services is. Peri-urban rural areas, for example, profit from the proximity of urban services; at the same time, they profit from urban population using rural services (Copus et al. 2011b). On the one hand, access to services is influenced by planning patterns or, like in the case of some small towns, existing infrastructure, such as supermarkets, might anchor additional services. High quality services in market towns are likely to attract by-passing counterurbanites, even if larger urban centres are near (Copus et al. 2011b).

⁹ See Table 7 in the Annex for a detailed description of types of urban-rural interactions, and their impacts on rural areas.

Changing role and function of land

Along with structural changes the agricultural sector has undergone functional changes, – and so has land. Literature indicates an increased multifunctionality and diversification, entailing a ‘move away from food and fibre production as the sole focus of farming’ (Copus et al. 2011a). Among these new functions and activities are tourism, recreation and food processing. Several policies that are supporting this development will be discussed later on. However, also issues such as intensified production, e.g. in respect of bio-mass, product differentiation and niche-marketing have become more relevant and act as strategies to sustain income from production.

The growing demand for **sustainable products** has been influencing European agriculture, entailing major developments in food and non-food production. An increasing demand for high quality products can be observed throughout many countries within the EU, especially for certified and **organic** products, due to income growth, urbanisation and diversification of diets (European Commission 2007b). The share of agricultural area under organic farming in 2011 accounted for 5.5%, with Spain, Italy, Germany and France being the main contributors. Looking at the New Member States an upward trend becomes obvious: starting at a lower level, countries such as Bulgaria and Poland show considerable growth rates (40% and 30%) in their organic area. In addition, newer Member States also show a higher dynamic when it comes to organic areas in conversion (European Union 2013).

In the context of land use, also renewable energies have become a pressing issue during the past years, in particular the case biomass production. As Table 11 in the Annex illustrates, the share of Utilised Agricultural Area (UAA) devoted to energy and biomass crops in Europe increased from 0.8% (2004) to 3.4% (2011). In 2007, Germany and France had the largest amounts of UAA devoted to energy and biomass crops in absolute terms (European Union 2013).

Table 12 in the Annex, referring to other profitable activities of agricultural holdings, indicates that in EU-27 the production of renewable energies makes up 18.7% of activities except for agricultural production. On the one hand, biomass production can offer an alternative income source for agricultural producers. On the other hand, especially in terms of required surface area, the production of non-food crops will compete with food crops. However, not only UAA will be concerned, land consumption will also increase due to the construction of biomass plants (or other renewable energy projects in rural regions, such as wind turbines) and appropriate infrastructure (European Commission 2007b; Copus et al. 2011b).

The importance of ‘**Consumption Countryside**’ – a term developed in the late 1990s used to describe the move towards multifunctional agriculture, the provision of countryside public goods and diversification into activities such as food processing, recreation and tourism – has been mentioned before (see section 2.2). Consumption countryside describes regions with an average share of GVA in agriculture that is no longer above the EU average share of GVA, ‘but in which (indicators suggest) countryside and environment public goods still play a strong role in the economy’ (Copus et al. 2011a). Activities relating to leisure and tourism thus have become a significant part of the rural economy, reflecting the multifunctionality of rural areas (Copus et al. 2011a).

Abandonment of agricultural activities can occur where areas are less favoured (LFA) for different reasons. Three categories differentiate LFAs: Either the area is too mountainous, entailing shorter growing seasons and steepness; or the area is affected by specific handicaps, such as the need for

continuing farming due to the conservation or improvement of the environment; or, finally, poor land or decreasing population primarily depending on agriculture impeding productive agriculture. The latter (referred to as 'other' LFA) had the largest share in the EU-27 with 34% of total UAA. These areas account for 52.8% (of total UAA) in the United Kingdom, 73.5% in Latvia and 95.3% in Luxembourg (European Union 2013).

Increasing role of rural tourism and recreation

The development of rural tourism is seen as a main aspect of rural transformation and reflects a wider diversification process in economy. Although quantitative data is lacking, it can be assumed that tourism in rural areas has grown constantly during the past years compared to employment in agricultural production. In 2010, tourism made up 12.5% among other profitable activities for agricultural holdings in the EU-27 (see

Table 12 in the Annex). In most Member States shares are below that average, however, in some countries like the United Kingdom and Italy tourism accounts for 26.7% and 23.5%, respectively (see

Table 12 in the Annex) (Copus et al. 2011a).

Being based on natural and cultural assets, tourism and recreation activities may render additional income and contribute to a new appreciation of regional products and customs. Among the determining factors of successful rural tourism is, again, the development of infrastructure in the respective area. There has to be a certain amount of cultural capital and heritage in order to develop viable tourism. In addition, the choice of how to practice agriculture - peri- or para-productivist - would be an important aspect. Finally, landscape attractiveness and environmental conditions have considerable impacts. Facing environmental changes, especially climate change, rural activities such as tourism might become more important in the future for some rural areas, mainly in Southern and Eastern states of Europe where options for farming might be narrowed (Copus et al. 2011b).

On the contrary, the experience of authentic rural landscapes as a growing trend is increasingly difficult to preserve under the influences of counter-urbanization, modernisation in agriculture and standardisation as a result of globalisation. As a 'secondary segment' it often provides additional income, however, mostly its impact is rather limited as it is subject to seasonal influences and thus employment insecurities. Besides, it is often characterised by predominantly female workforce, low wages and lower educational levels. With regard to the environmental dimension, the question of how to develop tourism in a sustainable way arises (Copus et al. 2011b).

4. The European policy response to rural transformation

The European Community addresses aspects of rural transformation mainly through the Common Agricultural Policy (CAP) and the Regional Policy, also referred to as Cohesion Policy (CP). Several funds are set up to deliver these policies: the European Agricultural Fund for Rural Development (EAFRD) is delivered as part of the CAP, while Regional Policy is delivered through the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF). Together with the European Maritime and Fisheries Fund (EMFF) they make up the European Structural and Investment Funds (ESIF). Common regulations for all ESI funds have been developed to establish clear linkages to the Europe 2020 strategy. Europe 2020 is the European 10-year growth strategy which was launched in 2010. Chapter 4 focuses on these instruments and selected measures within the two policy areas.

The CAP and Regional Policy are the most important EU-level policy fields as measured by budget (see Figure 18 in the Annex) (Fritz and Sinabell 2006). In the 2007-2013 funding period, expenditures under the budget category related to the **CAP** (heading 2: preservation and management of natural resources) amounted to 385,226 million Euro (ca. 45% of the EU budget's grand total of 863,929 million Euro); among heading 2 expenditures, 'market-related expenditures and direct aids' (mostly for agriculture markets) covered the largest share (ca. 34% related to total EU budget), followed by 'rural development' covering ca. 9% of the total EU budget. During the same period, expenditures related to **Regional Policy** (heading 1b: cohesion for growth and employment) amounted to 290,824 million Euro (ca. 34% of the total EU budget); among heading 1b expenditures, the structural funds covered the largest share (ca. 28% of the total EU budget) (European Commission 2014a)¹⁰. Regarding the development of Regional Policy's budget, there had been an increase over the decades which is stated to be due to EU enlargements which went along with greater divergence as regions and countries with differing framework conditions entered the EU area, calling for more intensive efforts into Regional Policy interventions (Fritz and Sinabell 2006).

The fact that sectoral (CAP) and territorial (CP) policies are simultaneously addressing aspects relevant for rural transformation is a challenge for all policy levels. EU Member States are establishing National Strategy Plans to ensure coordination among Regional Policy's structural funds and the CAP's European Agricultural Fund for Rural Development (EAFRD) (European Commission 2012). Looking at the development of the CAP and Regional Policy, substantial shifts over time become apparent as expressions of paradigm changes. Sections 4.1 and 4.2 shed light on the objectives of the CAP and Regional Policy respectively, provide information on the funding period of 2007-2013, as well as illuminate earlier funding periods and policy shifts over time as a response to the various dimensions of rural transformation.

To understand European policy making and implementation it is essential to introduce the three decision-making principles of **conferral**, **proportionality**, and **subsidiarity**¹¹. The idea is to ensure that policy interventions are made at the appropriate level 'in the areas of competences shared between the EU and the Member States', whether European, national or local. At this, 'the EU may

¹⁰ See

Figure 20 in the Annex for an overview of heading 1b expenditures by Member States in 2013.

¹¹ as laid down in Article 5 of the Treaty on European Union (1992) and reinforced by the Lisbon Treaty (2007)

only intervene if it is able to act more effectively than Member States'. **Conferral** means that EU-level competences are confined to those laid down in EU Treaties; **proportionality** is to certify that the ways of realizing the Treaties' objectives are adequate. In their interaction the three principles determine the EU's and Member States' scope of decision-making and action, with the overall objective to be close to citizens. The three principles are subject to monitoring mechanisms, and compliance may be enforced by legal action, by the Committee of the Regions or by national parliaments. (European Commission 2010d; Novak 2014)

4.1. The Common Agricultural Policy of the European Union

The current EU CAP encompasses joint market frameworks (CAP's 'first pillar') and the development of rural areas ('second pillar'). The foundations of the policy date back to the Treaties of Rome (1957) that already contained its broad objectives, the CAP mechanisms entering into force in 1962.¹² Basic principles include market unity (ensuring the functioning of the domestic commodity market), community preference (creating barriers for foreign agricultural products), and solidarity (financing policy instruments for regulating prices and amounts of products as well as export subsidies from the joint EU budget). The agricultural policy has been focused on structures, markets and allocation since its establishment. Over time, the emphasis on individual CAP objectives shifted, whereby the effectiveness and adequacy of the measures has been subject to contestation throughout the policy's history. (Fritz and Sinabell 2006)

Due to its more comprehensive scope with regard to rural development and its corresponding relevance to rural transformation, the following section focuses on the CAP's 'second pillar'.

The European Agricultural Fund for Rural Development (EAFRD) and related programmes in the funding period 2007-2013

Council Regulation (EC) No 1290/2005 introduced a new framework of financing the CAP for the funding period 2007-2013. (European Commission 2009b) At this, the European Agricultural Guarantee Fund (EAGF) covers direct payments to farmers and market support, while the European Agricultural Fund for Rural Development (EAFRD) adopts a wider, more integrated approach to supporting rural areas. At the level of the Member States (MS), the targets associated with the EAFRD are implemented via regional, respectively national Rural Development Programmes (RDP), encompassing measures in four target axes, complementing 'national, regional and local actions, which contribute to Community priorities': (1) Improving the competitiveness of the agricultural and forestry sector, (2) Improving the environment and the countryside, (3) Improving the quality of life in rural areas and diversification of the rural economy, and (4) LEADER¹³ (European Commission 2012). LEADER is a 'territorial' approach to rural development based on the participation and active engagement in Local Action Groups (LAG)¹⁴. While previously part of Regional Policy instruments (see below), as of the 2007-2013 funding period, LEADER has been 'mainstreamed' by being implemented within the scope of the

¹³ Links between actions for the development of the rural economy [French meaning: Liaison entre actions de développement de l'économie rurale]

¹⁴ LEADER has been described in detail in the study by Gehrlein, U.; and P. Süß 2011. European. Rural. Good. Institutional design of territorial development approaches in Germany. Rural Territorial Development. Gesellschaft für Internationale Zusammenarbeit (GIZ). Eschborn.

EAFRD's rural development programmes. In order to fulfil its 'potential to integrate local needs and solutions' the implementation of LEADER approach has been widened to enable 'support by other (than EAFRD) EU funds (called multi-funded approach). In this multi-fund context, the LEADER approach will be referred to as 'Community-Led Local Development' (CLLD)' (European Commission without year a).

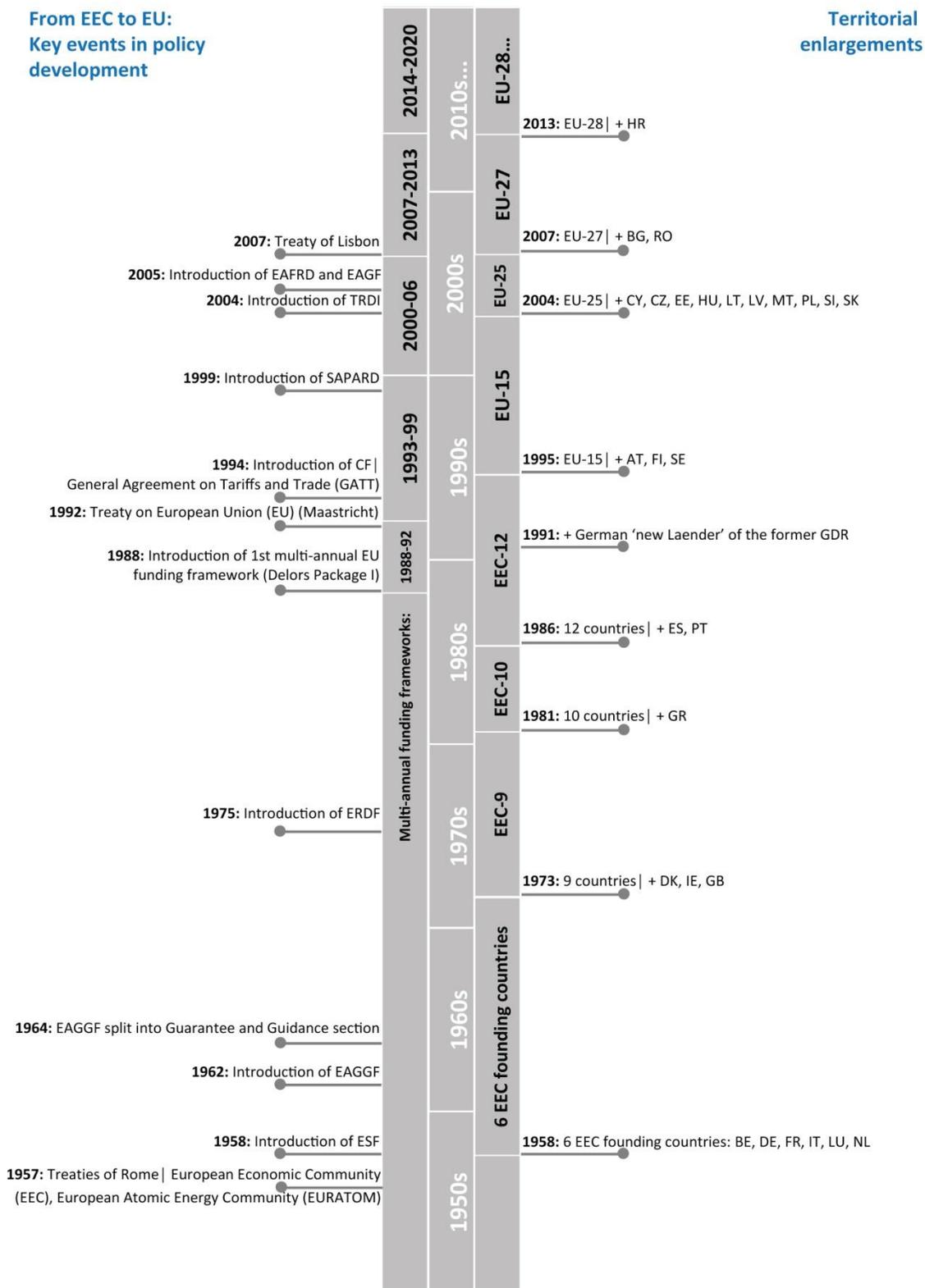


Figure 2 Key events in policy development and enlargements since 1957. (Source: authors, based on European Commission 2009a; European Commission 2013a) (diagram based on an unpublished draft by Lukas Zagata)

In the period of 2000-2006, the CAP had been implemented through the European Agricultural Guidance and Guarantee Fund (EAGGF), whereby the guarantee section provided market-related support¹⁵ (OECD 2013). Specific instruments tailored to new MS during this funding period include (1) the Temporary Rural Development Instrument (TRDI) using funds from the EAGGF's guarantee section (2004-2006) (European Commission without year b), the Special Pre-Accession Programme for Agriculture and Rural Development (SAPARD) (European Commission 2007a), and (3) the Instrument for Pre-Accession Assistance (IPA).

Policy shifts as a response to the impacts of rural transformation over time

The CAP's original objectives as formulated in 1957 centred on increased productivity and labour efficiency, affordable food supply, favourable living conditions of the agricultural population, and ensuring EU agriculture's competitiveness in international markets. These objectives have largely remained valid to date, in spite of various reforms implemented over the decades (see below), and are realised via the 'first pillar' of the CAP (Fritz and Sinabell 2006; European Commission 2010a).

Figure 3 provides an overview of the various historical phases with their overall objectives, which changed from an initial food security priority to competitiveness, sustainability and cohesion to policy efficiency. Milestones include:

- **1968:** The first CAP reform initially aimed at a strategic reorientation towards accelerating 'structural change' of the agricultural sector and supporting larger and more efficient farms. While these objectives were not realised, a system of market interventions was developed in order to counterbalance overproduction caused by the structure of the agricultural sector (Fritz and Sinabell 2006).
- **1988:** A range of reform measures was agreed on by the European Council, amongst others delimiting the CAP's share of the total EU budget (Fritz and Sinabell 2006).
- **1992 MacSharry reform:** Price supports for cereals and beef were reduced, and set-aside of agricultural land was implemented. This was compensated for by direct payments to farmers as the most important instrument in financial terms. Accompanying measures on extensification, afforestation and early retirement were introduced, and environmental issues were included (Bundesministerium für Ernährung und Landwirtschaft 2014).
- **Agenda 2000:** Since 2000, funding beyond mere agro-market regulations is being provided within a 'second pillar'. This means that rural development as a whole is being addressed. Measures refer to the provision of public goods, and maintenance of cultural landscape in less-favoured areas, farm modernization, innovation and diversification (Fritz and Sinabell 2006; Margarian 2013). Margarian (2013) differentiates between 'argumentative adaptations' of the CAP and actual structural changes to the policy. The former is explained as a response to increasing pressure from society (e.g. environmentalist movement) and specific organizations (such as WTO) against the background of decreasing macro-economic relevance and the negative impacts of intensive agriculture. The establishment of a 'second pillar' and the decoupling of direct payments from production are named as the most relevant examples of the latter since the end-1990s. However, the author underlines that the sectoral focus of funding remains strong – with the agricultural budget still accounting for a large share of total EU funds, and a focus on multifunctional agriculture instead of cross-sectoral funding (Margarian 2013).

¹⁵ The EAGGF's *guidance* section was part of the structural funds and was targeted at rural development measures within the framework of Objective 1 activities and the EU rural development initiative LEADER+ (see below).

- **2003 reform:** Direct payments were decoupled from production (i.e. the direct payments introduced in 1992 were abolished), and cross-compliance was reinforced (payments were based on the maintenance of good agricultural practice and ecological condition).
- **2008 Health Check:** Further cuts in direct payments were implemented, support was shifted to the fields of climate change, renewable energy, biodiversity, water management, research/innovation, and dairy cattle husbandry via CAP's 'second pillar'.
- **Post-2013 reform:** A stronger focus was put on the provision of environmental public goods / services to society, and a 'greening' component of direct payments was introduced (Fritz and Sinabell 2006; Bundesministerium für Ernährung und Landwirtschaft 2014).

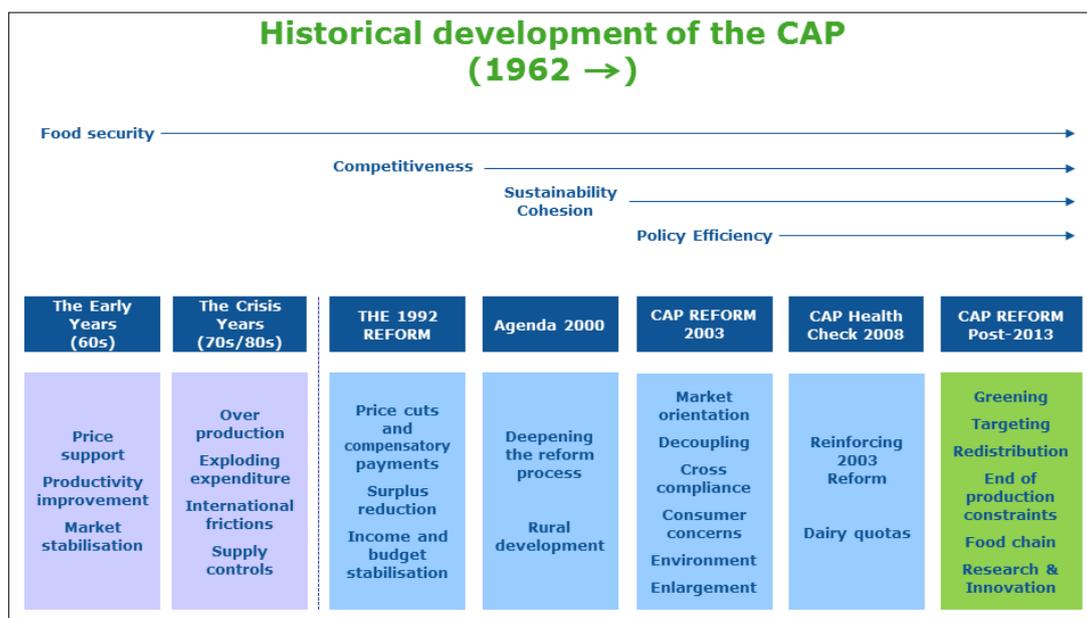


Figure 3 Historical development of the Common Agricultural Policy (Source: European Commission 2015a)

Between 1980 and 2000, CAP expenditures accounted for more than half of the total joint EU budget. While direct payments (from 2005 on: monetary claims) increased, the agricultural budget's share as a whole decreased. (Fritz and Sinabell 2006) CAP reforms went along with EU enlargements that impacted on the agricultural budget. Notably, the eastern enlargement of 2007 entailed a significant increase in agricultural labour force as main beneficiaries of the CAP. While 'first-pillar' support is fully covered by EU funding, national co-financing rates for 'second-pillar' funding vary between 50% or 25%, depending on Member States' economic situation (Fritz and Sinabell 2006) (see Figure 19 in the Annex for an overview of 'heading 2' expenditures by Member States in 2013).

4.2. The Regional or Cohesion Policy of the European Union

The EU Regional Policy – encompassing regional, structural and social dimensions – follows the overall objective of ensuring **economic and social cohesion** (Bundesministerium für Bildung und Forschung 2013): "This is achieved by supporting the development and structural adjustment of regional economies, including the conversion of declining industrial regions." (European Commission 2010b)

The newly aligned policy objectives as of the funding period of 2007-2013 included:

- 1 **Convergence** (in terms of aligning Member States' economic, budgetary and monetary policy (Bergmann 2012)) is targeted at the modernization and diversification of economic structures in those EU MS and regions lagging behind most in development.¹⁶
- 2 **Regional competitiveness and employment** is directed at improving the situation of regions other than those lagging behind.¹⁷
- 3 **European territorial cooperation** supports cross-border, -national and -regional activities.¹⁸

Of the three objectives, 'convergence' as well as 'regional competitiveness and employment' can be regarded as most relevant with regard to the impacts of rural transformation. As expenditures related to the first and third objectives are to a considerable degree linked with the priorities of the Lisbon Strategy for growth and jobs (2000-2010) and the Europe 2020 Strategy for 'smart, sustainable and inclusive growth', Regional Policy flanks the related objectives with a focus on research, development and innovation (Bundesministerium für Bildung und Forschung 2013).

The European Regional Development Fund (ERDF), the European Social Fund (ESF) and related programmes in the funding period 2007-2013

The objectives of Regional Policy are mainly implemented through two structural funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF), as well as the Cohesion Fund (CF). At this, the ERDF is the main instrument, contributing to all three objectives, while the ESF focuses on the first and second objective and the CF on convergence only. ERDF and ESF support is available throughout the EU; while CF funds are confined to MS with a GDP per capita of less than 90% of the EU average (see Figure 4). (Bundesministerium für Bildung und Forschung 2013) When the CF was first established in 1994, beneficiary countries included Greece, Ireland, Portugal, and Spain (Fritz and Sinabell 2006).

The ERDF co-finances in particular:

- **Infrastructure**, especially related to research and innovation, telecommunications, environment, energy and transport
- **Direct support of business-oriented investments** targeted at creating sustainable jobs (especially in small and medium-sized enterprises)
- **Financial support instruments** (such as risk asset ratio and regional development funds) facilitating regional and local development as well as rural-urban cooperation
- **Technical support measures**

While the ESF's funding priorities (co-financing) are education and employment, the CF's focus is basic infrastructure in the fields of environment, transport and renewable energy. (Bundesministerium für Bildung und Forschung 2013)

At the level of the MS, the targets associated with the funds are implemented via regional, respectively national Operational Programmes (OP).

¹⁶ This concerned 84 beneficiary regions (NUTS 2) in 17 MS; 16 regions were eligible as 'phasing-in' regions (Fritz and Sinabell 2006).

¹⁷ All regions not subject to convergence are eligible; 'phasing-out regions' were eligible due to their previous status as Objective-1 areas (Fritz and Sinabell 2006).

¹⁸ This concerned transnational cooperation areas throughout the EU (Fritz and Sinabell 2006).

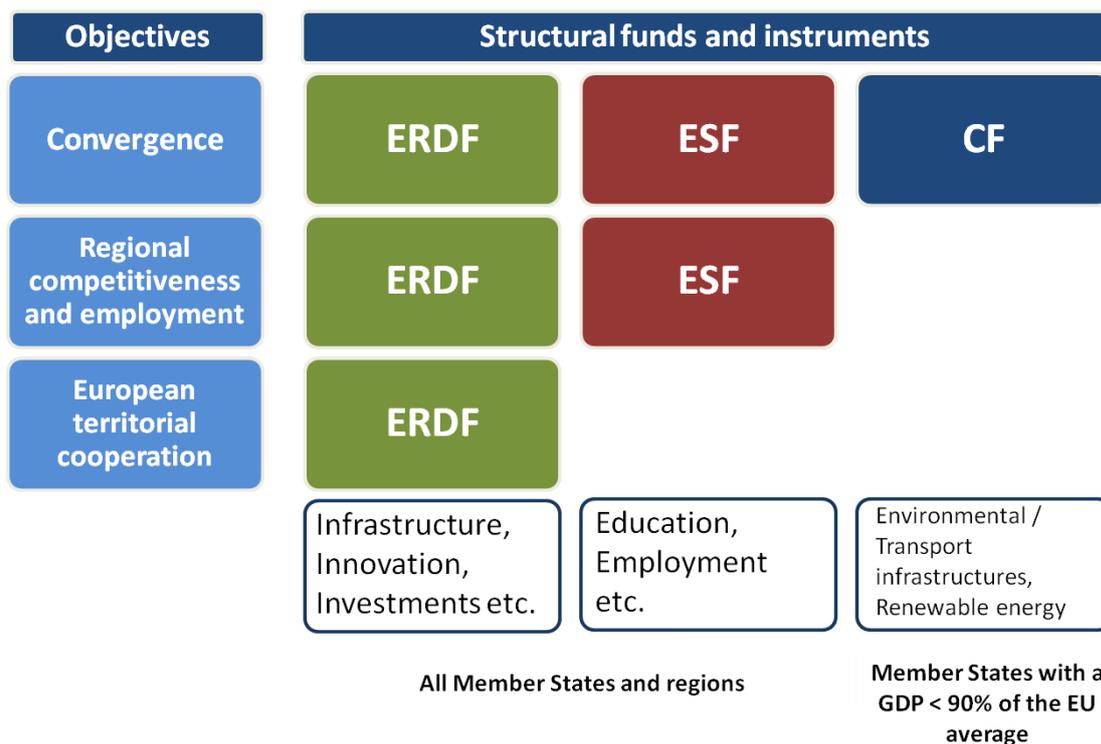


Figure 4 Objectives of EU Regional Policy (Source: (Bundesministerium für Bildung und Forschung 2013))

Policy shifts as a response to the impacts of rural transformation over time

Like the CAP, the ERDF (introduced in 1975) and ESF (introduced in 1957) look back at a variety of changes throughout their long history (European Commission 2008). Established in conjunction with the Treaty of Rome and focused on job creation and spatial/labour mobility within the EU, between 1971 and 2006, the ESF underwent adaptations to the overall framework of EU structural policy. (Bundesministerium für Arbeit und Soziales 2015) The establishment of the ERDF followed the first EU enlargement taking place in 1973, with Great Britain, Ireland and Denmark as new MS.

The broad objective of Regional Policy is to support MS and regions with a lower income level to approach the Union's average, in order to steer structural adaptation processes and accelerate economic growth, but also to ensure that MS benefit from the common market. (Fritz and Sinabell 2006)

Although there had been no explicit reference to Regional Policy in the Treaties of Rome (1957), the objective of an economic union and the levelling of regional economic disparities between regions and countries had been an element of the preamble. Shortly after, the first structural funds – the ESF (1958) and the EAGGF (1962) were set up. At this, the EAGGF's guidance section includes among its objectives the development of rural areas. Cohesion as an overarching European policy field gained importance in the course of EU enlargements during subsequent decades. With the accession of Great Britain, Ireland and Denmark (1973), Greece (1981) as well as Spain and Portugal (1986) the number of regions lagging behind in the EU area grew (e.g., in particular British economically backward industrial areas). These growing challenges necessitated regional-level policy action. Consequently, in 1975 the ERDF had been established, with major reforms implemented in 1984. Changes entailed, amongst others, a stronger coordination with other European policies, an emphasis on funding programmes instead of projects, and a cross-

national agenda. (Fritz and Sinabell 2006) The Single European Act of 1986, aimed at institutional reform in preparation of the EU enlargement in the same year (see above) (European Commission 2015b), and the Maastricht Treaty on European Union of 1992 were important milestones towards European market integration. In this context, Regional Policy's relevance grew as a means of counterbalancing the increased competition going along with a single market, in order to allow for the interests of economically weaker EU countries and regions. Another important reform was implemented with the first multi-annual framework of 1988-1993 (the so-called 'Delors Package I'¹⁹), when the share of structural funds among the total EU expenditures was considerably increased. Furthermore, a significant reallocation of funding took place, from Italy, France, Great Britain and Ireland as the former main beneficiaries towards greater support of Greece, Portugal and Spain. (Fritz and Sinabell 2006; Milicevic 2015)

Within the course of the 1988 reform, the activities of the structural funds (ESF, ERDF, EAGGF guidance section) were associated with the following five priority objectives, with a budgetary focus on the first:

- **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind
- **Objective 2:** converting regions seriously affected by industrial decline
- **Objective 3:** combating long-term unemployment
- **Objective 4:** facilitating the occupational integration of young people
- **Objective 5:** (a) speeding up the adjustment of agricultural structures and (b) promoting the development of rural areas (European Commission 2008)

Following the 1988 reform, the principles of co-financing and partnership gave the regions a role as actors, not only beneficiaries. This called for adequate institutional structures at below-national levels, and coordination of EU, national and regional policies. LEADER constituted a new approach to rural development introduced in this context (Fritz and Sinabell 2006).

The onset of the funding period of 1993-1999 ('Delors Package II') marked the establishment of the CF in 1994. During the funding period, the above-named five initial objectives were subject to adaptations (merging, additions) following the changing needs of the Union. For instance, after the EU accession of Austria, Finland and Sweden in 1995, the objectives were amended as to allow for the needs of the latter two countries' sparse population by introducing a new **Objective 6** (development and structural adjustment of regions with an extremely low population density) (Fritz and Sinabell 2006).

Within the Agenda 2000 period (2000-2006), structural funds were amended as to increase the efficiency of the policy's instruments, and to make provisions for the major eastern EU enlargement of 2004. The new Member States were provided an interim support bridging the phase until their full integration in 2007, amongst others via the SAPARD instrument which is targeted at agricultural financing. Regarding rural development, LEADER+ was being implemented during the period. (Fritz and Sinabell 2006) The objectives were reduced to three: **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind; **Objective 2:** supporting the economic and social conversion of areas facing structural difficulties; **Objective 3:** supporting the adaptation and modernization of policies and systems of education, training and employment (European Commission 2008).

¹⁹ named after Jacques Delors, president of the European Commission from 1985 to 1995

The funding period of 2007-2013 brought the following central changes as compared to the previous period: More emphasis was put on funding for economic growth and employment in line with the amended Lisbon Strategy. Furthermore, the three objectives of Regional Policy were again amended, continuing to be implemented through the three structural funds of the ESF, ERDF and CF (Fritz and Sinabell 2006).

4.3. Relevance of policy instruments and measures within the context of rural transformation

Regarding the six central processes associated with rural transformation as described in section 3.2, in the context of the study at hand it is not possible to provide an assessment of policy's impact on all of them. In general, it can be stated that in principle those instruments taking a more integrated rural development approach – instead of solely focusing on agriculture as an individual sector appear better suited to address the challenges associated with rural transformation (see section 6.2). The following sections provide an appraisal with regard to selected dimensions of rural transformation (see also section 6.1 for an assessment of policy instruments' effect on the key processes of rural transformation).

Common Agricultural Policy

Of relevance regarding the **shifting structure of economic activities**, Margarian (2013) differentiates between a policy logic of (a) sectoral stabilization and (b) targeted support of economic transformation. The author argues that the CAP – in spite of the establishment of its 'second pillar' in support of rural development as a whole – has a strong agro-sectoral focus that is regarded obsolete as rural economies are increasingly diversifying. She therefore questions the logic of funding individual farms, production territories and production types of a sector that is losing in economic importance. This 'simplistic sectoral policy approach' might rather reduce economic dynamic from her point of view, not allowing for the 'complex interdependencies between the development of the various sectors'²⁰, revealing that 'our knowledge on the course and determining factors of rural transformation is actually limited'.²¹ This complexity and a time delay between policy implementation and the surfacing of its impact makes a clear assessment of the policy's effectiveness and efficiency difficult. The author challenges the logic of agriculture as the central sector of rural economies that neglects the creation of income alternatives. Accordingly, she advocates a support regardless of sector and tailored to selected regions with the objective of safeguarding equal living conditions (Margarian 2013). This is also echoed by other authors who conclude that the CAP is not tailored to fostering a more comprehensive rural development (Buchenrieder and Möllers 2009).

From Margarian's point of view, in order to counteract **rural out-migration**, policy should compensate for lacking innovation potential in regions shaped by traditional sectors such as farming by infrastructure programmes and a supportive institutional framework, especially focussed on 'social capabilities'²². This is based on the notion that economic transformation often leads to migration of labour force to other regions that are characterised by more innovative

²⁰ The author differentiates between positive and negative mutual influence between agriculture and other sectors, i.e. decline/improvement in one sector leading to decline/improvement in other sectors.

²¹ author's translation of Margarian (2013), p.57ff.

²² Fagerberg, Jan (1994): Technology and international differences in growth rates. In: Journal of Economic Literature, Jg.32, H.3, pp.1147-1175; as quoted by Margarian (2013), p.62.

sectors rather than to labour force seeking alternative jobs in new sectors within the region. At this, the author underlines that there is a lack of knowledge on how to best support rural economies in a more knowledge-based development (Margarian 2013).

Regional Policy

Although rural development and agriculture are not largely in focus of the EU Regional Policy, the related fields of intervention nonetheless concern rural areas and the agricultural sector within an overall context (European Commission 2012).

As underlined by some authors, by the beginning of the 2007-2013 funding period there had been no consensus reached among researchers to which extent the objective of regional convergence among European regions had been achieved, nor in how far this is a clear effect of Regional Policy. However, positive views have outweighed the fears that the single market might exacerbate economic disparities between European regions (Fritz and Sinabell 2006). Effectiveness and efficiency of Regional Policy in terms of reducing regional disparities and creating EU-level value-added thus remains disputed, in spite of its successes (Bachtler et al. 2013). From their analysis of 15 case study regions throughout the EU since 1989, the authors conclude that Regional Policy programmes were overall effective, however to varying degree depending on time period, thematic field and the regions concerned. At this, 'short-term effectiveness appears to be higher for large-scale physical infrastructure, environmental improvements and local business and innovation infrastructure. Regions had difficulty with areas such as **structural adjustment**²³, business support, innovation and community development which required strategies, systems and capacity. [...] Regions also had difficulties over **structural adjustment** in getting the right balance of support for traditional sectors and emphasis on new activities as well as anticipating the consequences of this balance for targets attached to the objectives' (Bachtler et al. 2013).

²³ bold type by authors

5. Scenarios of rural transformation in Europe

Regional case studies aim to illustrate typical transformation pathways and policy responses of rural transformation in Europe, to overcome the difficulties in establishing generalizations about influencing factors, their interdependencies and effects caused by the complexity of rural transformation processes. Three regions in Bulgaria, Spain and Ireland were chosen to provide insights into three different typical rural transformation processes; within different, but typical European contexts constituted by varying physical, social, economic and institutional conditions. Table 2 gives an overview of main characteristics of the selected regions and illustrate that they differ substantially in size, population, land use and economic structures by applying the rural typologies of EU-LUPA and EDORA (see 2.2 for further explanations). As the European policy framework has major implication for rural transformation it is important to note that the three countries have accessed the EU at different points in time: Ireland has become a member of the European Community in 1973; Spain in 1986 and Bulgaria in 2007.

Table 2 Case studies characteristics

| | Region | Panagyurishte-Velingrad (Bulgaria) | Córdoba (Spain) | Border, Midland and Western (Ireland) |
|----------------|--------------------------------|------------------------------------|---------------------------------|--|
| | Territorial unit | 6 LAU 1 regions | NUTS 3 | NUTS 2 |
| | area | 2,531.5 km ² | 1,377.1 km ² | 33,252.3 km ² |
| | Population | 115,000 | 799,402 | 1,166,500 |
| | Density | 51 | 58.53 | 35.08 |
| EU-LUPA | Regional land use types | Diverse rural forest coverage | Diverse land use in rural areas | Rural mix dominated by pastures with some arable |
| | Rural – Urban typology | intermediate close to a city | Intermediate remote | Predominantly rural close to a city and Predominantly remote |
| EDORA | Structural type | Agrarian | Agrarian | Consumption countryside |
| | Performance (A – D) | Depleting | Below average | Accumulating |

In all regions rural transformation included changes to the economic structures²⁴, and all included changes to agricultural structures as well– though to varying degrees and in different ways. The Border, Midland and Western Region (BMW) of Ireland illustrates changes to the agricultural sector and rural areas in an economy which has experienced a radical shift from a largely primary sector based to a tertiary sector based economy. The Córdoba province in Spain is an example of agricultural specialization into olive oil production alongside diversification of the rural economy resulting among other in counter-urbanization. Transformation in the Panagyurishte-Velingrad region in Bulgaria has taken place most recently as a consequence of the political transition from the late 1990s onwards. The case illustrates the difficulties in adapting to a market economy and a largely changed policy framework, with some positive outcomes in the development of the tourism sector but also still deficient availability of services of general interest, and the situation particularly for small and subsistence farmers.

²⁴ The consequences of the financial and economic crisis in 2007/2008 are being felt in all regions, introducing a new period of transformation processes. These processes are not in the focus of this study as the impacts of the crisis are yet to be evaluated.

5.1. Panagyurishte-Velingrad, Bulgaria

The case study on the Panagyurishte-Velingrad region located in central Bulgaria focuses on the time span between the late 1980s and 2013. The most prominent processes of rural transformation in the region are the increasing polarization of agricultural structures; the increasing importance and multiplicity of rural-urban linkages; and the increasing role of tourism and recreation.

Characterizing the case study region

Panagyurishte-Velingrad is a rural region in the administrative district of Pazardzhik in central Bulgaria (planning district Yuzhen tsentralen) encompassing six municipalities, namely Belovo, Velingrad, Lesichovo, Panagyurishte, Septemvri and Strelcha²⁵. According to the EU classification the region is classified as a predominantly rural region with population densities in the six municipalities between 20.9 and 72.1 inhabitants/km² (average of 45). With 57% of the region's territory considered mountainous areas, the dominant land uses are forest (almost 60%) and agriculture (almost 35%) (see Figure 21 in the Annex).

The region has two main towns, Panagyurishte and Velingrad, located at a distance of 80 to 130 km to the capital city of Sofia and Plovdiv, the second largest city in the country. In total the region encompasses 69 settlements, including seven towns. Despite the proximity to urban centres the region is facing major demographic changes resulting in unfavourable age structures and low education levels (only 9% of the population having higher, 41% secondary education, and 50% of residents having primary education) (LMA 2006; PMA 2013; VMA 2013; BMA 2014; SMA 2014; StMA 2014). Out-migration has been slowing down between 2002 and 2013 but still results in losses of 0.4% of the total population annually (see Figure 22).

The region's economy generates 1.5% of the national GDP and has a leading position in several economic fields and sub-sectors of national importance. It is the largest and leading region for open pit mining and processing of copper ores, the main centre for spa and recreational tourism, and the biggest producer of rose and rose oil in the country. Moreover, it is among the regions with the most favourable conditions for viticulture, and a rich cultural-historical heritage (LMA 2006; PMA 2013; VMA 2013; BMA 2014; SMA 2014; StMA 2014).

The sectoral composition in terms of GVA in 2013 indicates a domination of the industry (in the whole Pazardzhik district) and service sectors. Agriculture and forestry only account for 8.5% of the regional GVA; however, this is higher than the Bulgarian average of just over 5% (see Table 3).

²⁵ There is limited data available at a disaggregation level of LAU1, thus for some indicators NUTS3 level (Pazardzhik district) data is provided instead. The Pazardzhik district is composed of a total of 11 municipalities and covers an area of 4,457km², thus the Panagyurishte-Velingrad region covers about half of the district area.

Table 3 Economic sector structure for Pazardzhik district 2013 (Source: National Statistics Institute 2014).

| | GVA | | Employees | |
|-------------------------------------|--------------|------------|----------------|------------|
| | Mio levs | % | Persons (1000) | % |
| Agriculture & Forestry | 148 | 8.5 | 3,329 | 5.6 |
| Industry* incl. construction | 865 | 49.6 | 22,533 | 37.7 |
| Services | 731 | 41.9 | 32,043 | 53.5 |
| Total | 1,744 | 100 | 59,845 | 100 |

* Values don't add up everywhere as they are not available for employment in the mining and quarrying, and the electricity, gas, steam and air conditioning supply industries.

Natural conditions for agriculture are quite favourable with fertile soils and a moderate continental climate. However, poor irrigation systems make crop production highly weather dependent; and a large share of agricultural land remains unutilised (almost 12% in Pazardzhik district in 2013). Main agricultural land uses are arable land (71% of UAA, 66% of holdings) and permanent grassland (15% of UAA and 34% of holdings). Crop production is dominated by cereals (41% of UAA, 20% of holdings), non-food crops, potatoes, hops and perennial crops (orchards and vineyards). Currently, large-scale crop production prevails, while at the same time, there are functioning mixed crop-vegetable and forest-based extensive livestock farming systems (LMA 2006; PMA 2013; VMA 2013; BMA 2014; SMA 2014; StMA 2014). Still, the vast majority of farms are small and medium-size, which is reflected in a rather small average of 2.4 ha per holding (compared to the Bulgarian average of 14.2ha per holding). Kitchen gardens and vegetable production in small greenhouses of less than 0.5 ha are very common, managed mostly by residents but some also by weekend commuters. There are only few agricultural cooperatives which were founded after the transition to a market economy, some of them actually continuing to use land, machineries, and buildings from previous state cooperatives.

Livestock farming is well developed in the Panagyurishte-Velingrad region due to the presence of large grassland areas. According to the regional strategic documents, approximately 90% of the livestock farms breed only a few animals (2-3 cows and/or 4-5 sheep). Their production is mainly for their own consumption and only a small part is sold to milk processing companies or directly (Local Action Group - Panagyurishte, Strlecha and Lesichovo 2011; MIG Belovo, September, Velingrad 2011). There is also interest in organic farming, the process of conversion having been started by some of the regional farmers. There is a remarkable increase in bee-keeping.

The region has a number of protected areas, as well as many natural and tourist resources with a potential for utilization. The town of Velingrad is a major tourist centre well-known for its mineral waters. Mountain ranges in the region are preferred places for recreation, sports and cultural activities (MIG Belovo, September, Velingrad 2011; VMA 2013).

Exogenous influences on rural transformation

From the historical point of view the Bulgarian society has experienced a lot of contradictory **political changes** within a short period of time. During the 1950s industrialization and urbanization became important development goals, and agricultural production was reorganised in large state farms, however small-scale subsistence-oriented farms were still maintained. People moved from villages into towns, with the urbanization rate rising from below 40% in 1960 to 66% in 1989 (Worldbank Databank). At the beginning of 1990s the process of **transformation** from a

centrally planned economy to a market economy started. Huge changes (privatization, agriculture and industry restructuring and liquidation) occurred in all sectors and all spheres of people's life, also in the study region. In 1997 Bulgaria established a currency board, which, up to the present, pegs the Lev to the Deutsche Mark and since 2002 to the Euro.]. In 1995 Bulgaria submitted its application for **EU membership**, in 2000 accession negotiations were opened and at the end of 2004 they were concluded and Bulgaria became EU member in 2007. With this, numerous changes commenced and were implemented, such as the adaptation of legislation and administration or ensuring proper implementation and functioning of EU policies. For rural areas, the most important EU policy field is the CAP with the implementation of Rural Development Programmes (RDPs), and the Special Pre-Accession Programme for Agriculture and Rural Development (SAPARD – a program to help Central and Eastern European countries in adjusting rural structures and in implementing CAP regulations). Some of these changes and the way they were implemented are important and still influence development of rural areas. The most important ones are: a radical land reform, leading to a high fragmentation of land, which still limits the possibilities of farm enlargement; the liquidation of former cooperatives, distributing land and non-land assets, including livestock, to former owners; and the abolishment of the strong state control of farm prices and foreign trade with agricultural and food products.

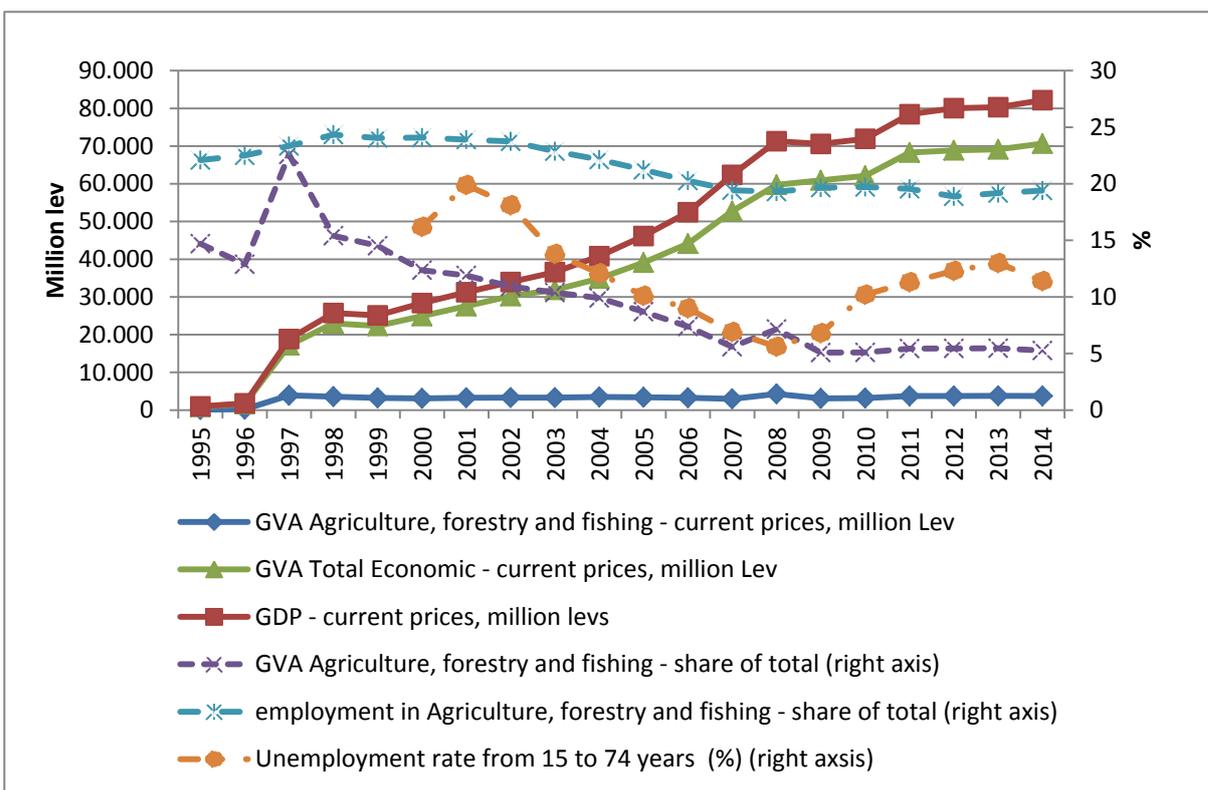
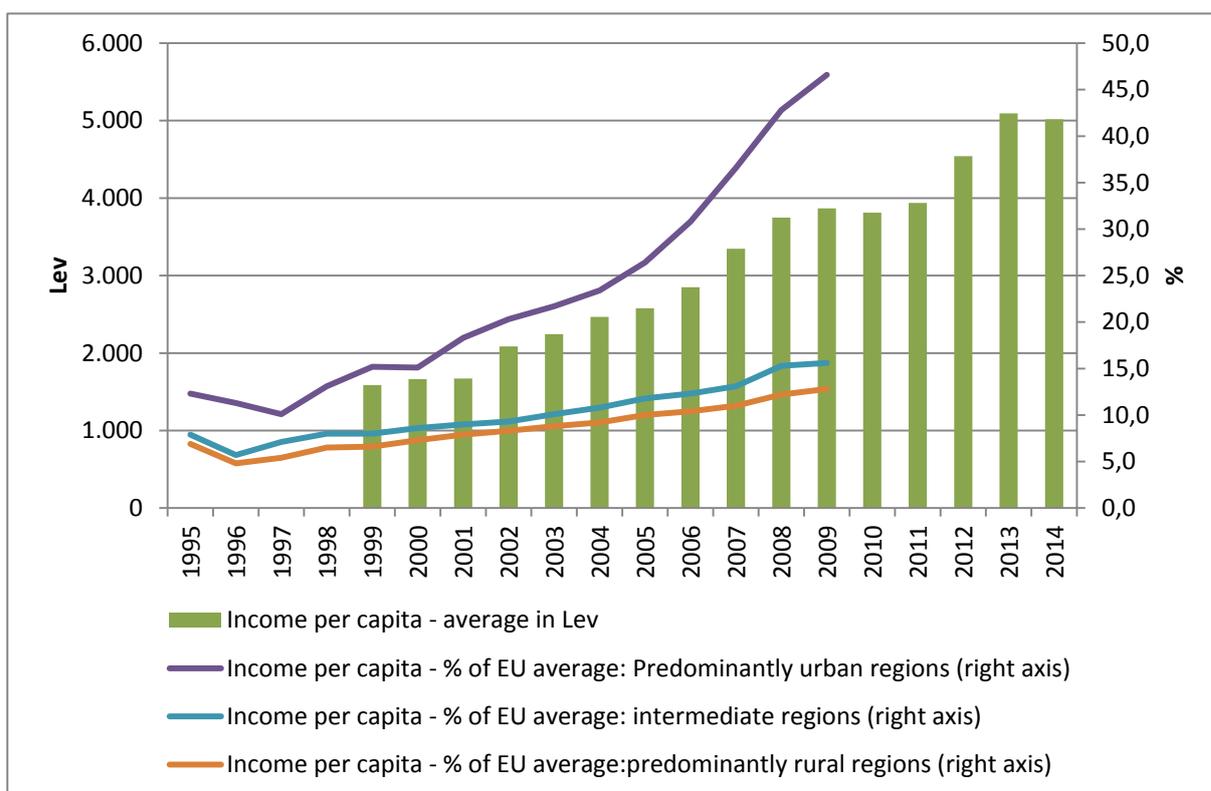


Figure 5 Macro-economic and agricultural indicators for Bulgaria 1995 to 2014. Sources: Eurostat, National Staistical Institute.

Before the **recent economic crisis** starting in 2008 the overall **economic situation** in the country and in rural areas had significantly improved, manifested e.g. in the increase in average household income from 4,416 lev in 1999 to 12,163 lev in 2014 (see Figure 6), the overall decrease of unemployment from 16.2% in 2000 to 5.6% in 2008, or the general increase of the GVA (see figure 5). At present the whole country is facing a particularly difficult situation: economic instability, high levels of unemployment (13% in 2013), bankruptcy of the fourth biggest bank, and decrease of the foreign investments. Also, political instability during the past three years (five governments

and three parliaments alternating) has not yet been overcome and continues to influence all aspects of life, deepening the economic insecurity. In the study region, the crisis is affecting local businesses, especially enterprises with export activities. The crisis has been forcing local companies to take measures for personnel optimization, resulting in an increase of the unemployment rate from 5.3% in 2008 to 18.3% in 2012 (all of Pazardzhik region). Since 2014, there has been a positive trend regarding employment in the private sector and enhancement of entrepreneurship activities. Some of the employed and unemployed persons become self-employed in different sectors of the economy. In this regard within the region the agricultural sector has an advantage: many entrepreneurs start and develop family farms (Local Action Group - Panagyurishte, Strlecha and Lesichovo 2011; MIG Belovo, September, Velingrad 2011).

Figure 6 Income per capita in total lev and as percentage of EU-27 average for rural and urban areas 1995 to 2014. Sources: National Statistics Institute, EUROSTAT.



Demographic change: In the country as a whole, the deterioration of the population's age structure combined with emigration (especially of the active population and young people) is a factor that also affects the study region. Many of the unemployed are either without the necessary qualifications, or are not flexible enough to work in another field of employment. This is a very important migration factor, in addition to regional differences in working conditions and wages that stimulate further outmigration from small communities, mainly to towns outside the region and abroad (see Figure 23 in the Annex). Part of the migration is for education, training and self-fulfilment in larger centres, as many young people do not return after graduation. In the region and its municipalities the aging of the population also affects the redistribution of labour resources across age groups, with an expected significant overall reduction of labour resources: the regional coefficients of demographic replacement are similar to those in the country, i.e. for every person leaving working age, only 0.63 are entering working age (LMA 2006; VMA 2013; BMA 2014; SMA 2014; StMA 2014).

Processes of rural transformation and their effects

The transformation process in rural areas can be broken down into three phases: before 1989 collectivisation of agriculture, between 1990 to 2006 transformation towards a market economy, and past 2007 – EU accession and the economic crisis.

Before 1989

Collectivisation of agriculture was the major process influencing rural areas in the period since World War II, reaching a peak when the government consolidated farms into agri-industrial complexes (AKP) in the 1970s. In 1977, there were only 177 complexes in the whole country, with some covering more than 100,000 ha. This process resulted in production decrease (see Figure 24 in the Annex) which led the government to partly break down these complexes into smaller ones, and in 1982 there were 269 AKPs with an average size of 16,000ha. Policies had focussed on intensification of livestock and the diversification into fruit production, which resulted in major land use changes during that period. Alongside the larger-scale production, many households in rural areas maintained a personal plot (as a lease of state-owned land) of about 0.3ha for personal consumption and selling of the surplus. At times of reduced agricultural outputs, personal plots produced up to 25% of the total agricultural output (in 1982) and covering 14% of all agricultural land (in 1987). (Meurs 2008, Curtis 1992). With 38% a relatively high share of the population lived in rural areas in 1980; the share decreased to 34% by 1989 (Worldbank Database).

1990s - 2007

With the transformation towards a market economy starting in 1990, the situation deteriorated: the land reform in which property rights on land were returned to families, resulted in land fragmentation. In the Panagyurishte-Velingrad region, there are numerous small land parcels owned by people without farming experience or who are no longer engaged in farming. This as well as the breaking-up of corporate farms (in general capital-intensive) into small family farms led to a reduction of average yields and decreasing **gross agricultural output** (see Figure 24 in the Annex).²⁶ The situation was aggravated by increased input prices, decreased output prices, a non-functioning market economy, a lack of farmers' market orientation and knowledge and culminated during the deep economic crisis of Bulgaria in 1996-97. The situation improved in the following years, but agricultural output was still far from the pre-reform levels and farms' competitiveness was at a low level compared to EU farms, additionally worsened by trade liberalization, loss of markets and lacking capacity to develop new ones, and a lack of consecutive policy in the sector in respect to the national and regional characteristics. Until the mid-1990s, on national level **employment in agriculture** remained high in absolute terms and even increased in relative terms due to the decline in industrial employment after 1990: see Figure 5. However, with the crisis of 1996, agricultural employment declined sharply and since then remains on a lower level (Worldbank 2015). In the Pazardzhik District, employment in agriculture, forestry and fishing fell from 76,000 in the year 2000 to less than 30,000 in the year 2004 (Table 5).

²⁶ It should be mentioned that up until 2003 there was an increase in the total number of farms but the cultivated area remained relatively constant.

Table 4 Main indicators of agricultural structures for Bulgaria 2003, 2010 and 2013. Source: Ministry of Agriculture and Food Database.

| General Indicators | 2003 | 2010 | 2013 |
|---|-------------|-------------|-------------|
| Agricultural holdings (number) | 665,548 | 370,222 | 254,142 |
| Agricultural holdings and units with collectively used common land for grazing animals | n.a. | 370,486 | 254,406 |
| Utilized Agricultural Area of agricultural holdings (ha) | 2,904,479.6 | 3,616,964.7 | 3,794,910.5 |
| Total Utilized Agricultural Area (common land incl.) (ha) | n.a. | 4,475,528.1 | 4,650,936 |
| Livestock units | n.a. | 1,149,736.7 | 1,024,911 |
| Labour input - AWU | n.a. | 406,519 | 320,231 |
| Standard outputs of agricultural holdings (1000 Euro) | n.a. | 2,458,263 | 3,259,209 |
| Standard outputs - total (1000 Euro) | n.a. | 2,536,666 | 3,334,062 |

Since 2007 – EU accession

Macro-economic indicators of Bulgaria indicate an overall improvement since accession to the EU, e.g. in terms of employment, GDP and the purchasing power of the population. However, rural areas faced a large outmigration particularly in the years following accession – leaving them with an education structure more unfavourable for economic development. Households in the report an increased **income level** of 63% of the monthly salary but it is mainly due to the increase of payments received by staff of the state/municipality administration and extractive industries. The lowest levels of salaries are in agriculture, tourism and the trade sectors where the income is 30-35% lower than the regional average. In the region, the main source of household income is wage (40% of the income) but the share of income from pensions and from subsistence farming activities is still high, respectively 21% and 19% (LMA 2006; PMA 2013; VMA 2013; BMA 2014; SMA 2014; StMA 2014).

Surveys of the structure of agricultural holdings conducted in 2003 and 2010 show that the **number of holdings** decreased in the region which is in line with recent trends. This process is accompanied by an increasing average farm size and a decrease in the number of persons employed in the agricultural sector in the region (see Table 5) (Republic of Bulgaria 2003, 2010). In terms of farm size 87% of the farms cultivated less than 2ha (in 2010) which is only 20% of the total UAA in the region. Only 65 holdings cultivating more than 50 ha (0.53% of the holdings, 52% of the total regional UAA) which compared to 2003 is an increase of 62% in this holding size class. This indicates a change in development trends, towards higher productivity and improving competitiveness of regional agriculture. However, the **farms' financial performance** is at a low level: there are limited funds for investments in new equipment and for proper technology and agronomic techniques such as irrigation systems, the latter thus being in a poor state. This seriously reduces the efficiency of the businesses and results in reduced (labour) productivity and low competitiveness. In livestock breeding a reduction in animal numbers as well as poor conditions of the production buildings and continued deterioration of breed selection and yields is observed (Local Action Group - Panagyurishte, Strlecha and Lesichovo 2011; MIG Belovo, September, Velingrad 2011). Over the mentioned period, some changes of the legal status of the

farm holdings can also be observed: a decline in the number of cooperatives, re-distribution of land among the different legal types, and a substantial increase in the land used by farms registered as companies.

Table 5 Structural data for the agricultural sector in Pazardzhik district and Panagyurishte-Velingrad region 2003 and 2013.

| | Pazardzhik | | | Panagyurishte-Velingrad | | |
|--|------------|----------|-------------|-------------------------|----------|-------------|
| | 2003 | 2010 | Change in % | 2003 | 2010 | Change in % |
| Agricultural holdings (number) | 33,189 | 21,404 | -35.51 | 18,060 | 12,125 | -32.86 |
| Utilized Agricultural Area (ha) | 46,198.3 | 57,704.2 | 24.91 | 210560 | 227066.3 | 7.84 |
| average farm size (ha) | 1.39 | 2.7 | 93.68 | 1.17 | 1.9 | 60.62 |
| total labour force in agriculture (persons) | 64,660 | 41,073 | -36.48 | 33,223 | 22,228 | -33.09 |
| <i>non-family</i> | 1,526 | 1,613 | 5.70 | 503 | 423 | -15.90 |
| <i>family</i> | 22,218 | 18,943 | -14.74 | 11,626 | 10,074 | -13.35 |
| <i>sole or major occupation</i> | 42,442 | 22,130 | -47.86 | 21,597 | 12,154 | -43.72 |

Small farmers often refuse cooperation with others, as a result of unfruitful and unpleasant experiences with past (socialist) **cooperatives**, leaving out the associated opportunities, such as increased market power, economies of scale, better possibilities for processing etc. Even in cases when it would be necessary to create local organizations to assist people in dealing with the increasingly complex legal and normative environment (special measure under RDP 2007-2013), this is met with distrust and scepticism.

On the whole, it can be concluded that the **agricultural sector** is not optimally developed in the study region. Therefore, farmers are unable to buy and use modern equipment that would reduce their costs and would contribute to an increased income from production. In addition, after EU accession, quality standards of the Union are applied, posing a burden for small and medium-sized farms. Thus, the level of production declined and led to the orientation of most farms towards the 'grey' sector of economy.

EU policies and measures for **environmental protection** create additional pressures not only for agriculture but also for other businesses concerning ecological requirements, protection of biodiversity and nature conservation. One of the main challenges is posed by the copper ore industry which is a main employer and plays a crucial role not only for the local, but also the national economy. The mining industry accounts for 78-80% of the total production (as measured by GVA), and for 65-70% of the net sales in the Panagyurishte municipality (PMA 2013). Despite the fact that the companies are certified and work in compliance with the three major international standards (quality management, environmental protection, occupational safety and health), the risk for nature and humans remains.

The region of Panagyurishte - Velingrad has the capacity and resources to develop its **tourism** sector. There has been an increase in demand due to globalization and reduced restrictions to travel to Bulgaria. Furthermore, the improved economic situation (bank system development, affordable credits) along with pre-accession and accession funds have allowed entrepreneurs to realise their ideas during the past 10-15 years. The beginning of this development can be dated

back to after the crisis of 1996-97. There is a positive trend in the number of overnight stays in the regional municipalities (increased by one third during the last five years) as well as accommodation capacity (PMA 2013; VMA 2013). In general, the tourism sector together with the supplementary and complementary activities is important for the regional economy, and it is even strategic for Velingrad. The municipality is implementing a Strategy for Sustainable Tourism Development inhibiting large-scale and unsustainable developments and actively encouraging tourism based on cultural and natural heritage.

Policy reaction and effectiveness of the policy interventions

Rural transformation processes in Bulgaria have been strongly linked to political regime changes; in particular the late 1980s to 1990s; and subsequent reforms in many policy areas. In the preparation for accession to the EU the SAPARD programme (as part of the Instrument for Structural Policies for Pre-Accession, ISPA) was introduced for the period from 2000-2006, with the objective to 'solving priorities and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.' Bulgaria defined its own objectives as '...achieving sustainable low-inflationary economic growth as a major precondition for the generation of higher income and improvement of living conditions and standard with a view to Bulgaria's future integration into the EU social and economic area'. Under the programme 327 million Euro were spend in Bulgaria (absorption of 73.6% of available budget) until 2009 (Metis 2013). Since accession in 2007 the Rural Development Programme (2007-2013) of the EAFRD as well as the Operational Programmes (OP) of the European Structural Funds (ERDF, ESF and CF) offer the main policy instruments responding to issues of rural transformation. The OP for Regional Development, OP for Environment, OP for Competitiveness and OP for Human Resources Development were most important in terms of regional development and funds' absorption. (LMA 2006; PMA 2013; VMA 2013; BMA 2014; SMA 2014; StMA 2014). Overall, Bulgaria was allocated a total budget of 6.7 billion Euro for EU funded programmes in the period 2007-2013 (without CAP), however only 3.6 billion Euro were paid as grants in total. This low absorption rate is a major point of criticism hampering the effectiveness of available EU budget for structural and cohesion programmes (Paliova 2014).

The OP for Competitiveness is addressing the **shifting structures of economic activities** in rural areas. In the region several enterprises have received support for investments in modern tangible and intangible assets, aiming at improvement of their business performance and expanding their operations. Furthermore, support was provided for the development of business support infrastructure (in the Panagyurishte municipality, an industrial park and centre for the provision of services for businesses have been set up), as well as business networking and clustering (two clusters involving entities from mining and manufacturing are functioning and aiming at an increased competitiveness of the local economy). Many beneficiaries report an improved competitiveness and are satisfied with achieved results; however, there are overall concerns that the programme lacks 'preliminary analysis of the changes in the external environment and the attitudes and the actual needs of target groups' representatives during the procedure programming stage. The main risk voiced by the beneficiaries was securing funding for financing the projects. (Managing Authority of Operational Programme 2013) Rural **employment** is tackled by the OP for Human Resources Development, supporting the leading employers in the region through projects for the improvement of the productivity and adaptability of their employees as well as for education and training. However, small enterprises did not have the capacity to prepare projects and apply under any of the measures of both OPs. At this, national

implementation and administrative and legal frameworks are among the main obstacles mentioned by the entrepreneurs, as learned from personal consultation. The implementation of policy measures regarding the OP appear to be inappropriate or at least not effective. Although there is no official evaluation report on the programme's implementation at national level, measures do not have led to better and increased employment at regional level.

The **transformation of the agricultural sector** within the Panagyurishte and Velingrad region – as in the country as a whole – has to a great extent been driven by the introduction of numerous new regulations regarding agricultural practice as part of Bulgaria's EU membership. The biggest impact is exerted by the introduction of the Single Area Payment Scheme (SAPS). Prior to EU accession, there had been extremely limited agricultural support, and the majority of farmers in the region did not benefit from it. The requirements, restrictions and benefits associated with the SAPS payment (e.g. the standard of Good Agricultural and Environmental Condition – GAEC) are influencing farmers' management and investment decisions. There is no regional-level data about the farms' income structure available, but in personal consultation it was found that there are no big discrepancies with national-level data. In Bulgaria, farms specialised in the cultivation of field crops currently have the highest average net income, followed by farms specialised in breeding grazing animals. The lowest net income is prevalent among farms specialised in pig and poultry breeding. The share of subsidies in net income also varies depending on the specialization of holdings, but it is higher in the arable sector, reaching over 70% of the income. Concluding from the above, the policy measures (mainly SAPS) led to a decrease in the number of farms and to an increase of their average size. These 'growing' farms are more market-oriented, invest in long-term assets, have a long-term vision and continue improving their effectiveness and competitiveness.

In animal husbandry, the sanitary and veterinary requirements such as moving livestock sheds outside villages, minimum area per animal in sheds, separate facilities for milk cooling and storage are all inducing changes to local practice – all aiming at sustainability of the agricultural sector. Often this also means subsistence livestock breeders' abandonment of activities. The closure of the local milk collection points due to the new veterinary requirements also contributes to the discontinuation of small-scale animal breeding (Local Action Group - Panagyurishte, Strlecha and Lesichovo 2011; MIG Belovo, September, Velingrad 2011).

The EU CAP, respectively the RDP 2007-2013, strongly influences farmers, namely through measures and mechanisms of regulation, driving them to produce higher-quality products, to be more competitive and disciplined, not to cultivate the land unsustainably, to comply with environmental protection, to work within deadlines etc. The existing regulations of the EU Quality policy aimed at encouraging and protecting traditional/specialty products/food have a positive effect on the study region where one product was registered as Protected Designation of Origin (PDO). Other policy instruments such as investment support for farm modernisation or diversification have had less impact – due to the fact that absorption rates are very low.

In the area, a strong community body representing the interests of farmers is still missing despite the implementation of EAFRD measure 142, 'Establishment of producer organizations'. In the 2007-2013 period, only one organization had been approved under the measure in the whole country. With a few exceptions of government-initiated farmer groups, farmers represent themselves in negotiations with buyers, which make it almost impossible to achieve good contract conditions. The unequal distribution of power across the agri-food chain is very distinct in the region, processors and retailers playing a dominant role and making the rules (in particular

regarding prices). The above-mentioned problem is not addressed by any policy measure or instrument in Bulgaria as a whole. Even the national legislation cannot guarantee more favourable rules for agricultural producers. Other problems that were addressed by different policies, e.g. the 'Setting up of Young Farmers' (measure 112 under EAFRD) which provided support to regional young farmers were neither effective.

The functioning of the municipal administrations is regulated by regional development policy. As a result, all of the municipalities had a development plan for the 2007-2013 period. The main aim of these plans was to outline the direction and ensure integration of municipal development for the period which was important for an effective implementation of the EU and national policies at regional level. Additionally, all municipalities initiated the establishment of Local Action Groups under the Leader programme and have developed **Local Development Strategies**, approved by the Ministry of Agriculture and Food. Overall, the creation of the LAGs instigated a very positive start of community development and stakeholder involvement. It would be crucial to continue these activities because due to administrative obstacles the time span between strategy submission and the actual financing is very long as the planned budgets are not reliable to the new situation (Local Action Group - Panagyurishte, Strlecha and Lesichovo 2011; MIG Belovo, September, Velingrad 2011).

Tourism is clearly seen as a priority area for policy support, based on the acknowledged tourism potentials but also on the identified weaknesses of one-sided and single-market dependant tourism. Support in Bulgaria is granted through the OP Regional Development under Objective 3 'Increasing the potential of regional tourism for development and marketing of sustainable, diverse, and region-specific tourism products of higher added value', as well as through measure 313 'Encouragement of tourism activities ' of the EAFRD-funded RDP. However, by 2011 no projects had been finalized under Objective 3 (OP); under measure 313 (RDP) a total of 171 projects with public funding of 11.9 million Euro were supported in all of rural Bulgaria up to August 2013.

In summary, the EU Common Agricultural Policy has been a major driver in the restructuring of the agricultural sector, as has been the full policy package implemented alongside EU accession for the overall Bulgarian economy. SAPS is designed in favour of large-scale intensive farms specialised in crop production and farmers in regions like the ones studied with specific geographic conditions experience difficulties to acquire support. Other investment and support measures offered under the EAFRD have hardly been implemented, thus set targets were not met. However, projects implemented with other support measures have been judged as successful by beneficiaries. Low absorption rates caused by high administrative requirements, issues with securing finances, as well as insufficient communication are other factors hampering uptake of projects. Furthermore, the lack of coordination between policies financed by different structural funds at national level does not allow proper planning at regional level, e.g. the various periods for project calls are not harmonised, and there have been cases in which road construction was financed before the reconstruction of water pipelines which led to a financial loss.

5.2. Córdoba, Andalusia, Spain

The case study on the Spanish Córdoba province focuses on the time period between the late 1980s and 2014. At this, the development from an agricultural economic focus in the late 1980s towards greater economic diversification by the turn of the Millennium and onward to a downturn owed to the economic crisis of 2008 is highlighted. This corresponds to a ‘shifting structure of economic activities’ as one of the six key processes of rural transformation introduced in section 3.2.

Characterizing the case study region

Córdoba is a Spanish province (NUTS 3) located in the south of the Iberian Peninsula, in the north-central part of the Autonomous Community of Andalusia (NUTS 2). It has a total surface area of 1,377,131ha, representing 2.7% of the total area of Spain and 15.8% of Andalusia. In 2011, it had 799,402 inhabitants (Instituto Nacional de Estadística 2011) with a population density of 58.5 inhabitants/km², lower than the Spanish average (93.17 inhabitants/km²). A characteristic of the productive sector’s structure is the importance of the agricultural sector and the industrial sector linked to agri-food. In 2012, the agricultural sector in Córdoba represented 5.9% of the province’s total Gross Value Added (GVA), while this meant 4.4% in Andalusia and 2.5% in Spain (see Table 6).

Table 6 Economic Sector structure for Córdoba, Andalusia and Spain in 2012 (%) (Source: (Instituto Nacional de Estadística 2012).

| Economic Sector | Córdoba | | Andalucía | | Spain | |
|---------------------|------------|------------|------------|------------|------------|------------|
| | GVA | Employment | GVA | Employment | GVA | Employment |
| Agriculture | 5.9 | 10.3 | 4.4 | 7.4 | 2.5 | 4.2 |
| Industry | 15.4 | 13.6 | 12.8 | 8.9 | 17.4 | 12.8 |
| Construction | 10.8 | 8.0 | 9.1 | 6.4 | 8.6 | 6.4 |
| Services | 67.8 | 68.1 | 73.7 | 77.4 | 71.6 | 76.6 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

From the point of view of employment, the sector’s importance is even more pronounced since in the province it represents 10.3% of the total employees as compared to 7.4% at regional level and 4.2% nationally. Social capital is well developed as there is a large and heterogeneous associative network encompassing, amongst others, cooperatives, unions, irrigation communities, professional organizations, and rural development groups.

According to the OECD criteria, the province of Córdoba as a whole is considered as an intermediate region (see 2.2). The territory is comprised of the metropolitan area of the city of Córdoba (considered as urban area) and seven rural districts²⁷, each managed by a Local Action Group (LAG). Thus, rural areas represent 90% of the province’s total area and are home to 59% of the population.

The province is mainly divided into three geographic zones that correspond to the three major geographical structures that make up the relief of Andalusia and which have been decisive in the socio-economic and demographic configuration of the territory: i) Sierra Morena in the north, where the rural districts of Pedroches, Valle del Alto Guadiato and Sierra Morena Cordobesa are located; ii) the Guadalquivir valley in the centre, where the districts of Medio Guadalquivir,

²⁷ The boundaries of these districts coincide with the territorial scope of the rural development programmes.

Campiña Sur and Guadajoz-Campiña Este are settled; and iii) the Cordilleras Béticas in the south, where the district of Subbética Cordobesa is located .

The districts located in the north, with a high natural capital, have traditionally been characterised by weak connection to the province capital and to other urban cores (due to the absence of transport infrastructures such as railways and lack of access to motorways), and by demographic problems associated with aging and depopulation. However, the relevance of livestock breeding and the use of endogenous resources and their transformation has led to a major food industry with quality products such as Iberian ham, milk and dairy products (Sánchez-Zamora 2014).

On the other hand, the central and southern districts present a major demographic potential and good rural-urban balance. They are characterised mainly by the importance of the agricultural sector and agri-food industry, in which olive-growing and the production of olive oil acquire great relevance (Sánchez-Zamora 2014). These districts, together with the neighbouring province of Jaén, are the main olive-growing areas of Andalusia and the world²⁸. In fact, one of the most remarkable features of the evolution of agrarian and rural structure of these districts in recent years has been the expansion of olive groves.

It is therefore a province with diverse and heterogeneous rural areas that in the last 30 years has been part of an intensive development process which has led to changes in its structure and different territorial effects. One of the main processes of transformation in these territories has to do with the modification the structure of its productive sector underwent. Since the late 1980s, the traditional importance of agriculture as the main activity has given way progressively to the incorporation of new sectors that have allowed an increase in the diversification of the rural economy. Thus, from 2000 onward, in the context of the real estate boom experienced in Spain, construction was enshrined as the fastest-growing sector in economic terms and regarding employment generation. However, with the impact of the crisis in 2008, the structure of the productive sector saw a new turnaround, and with a gradual domination by the service sector in rural areas, agriculture became a 'refuge' sector, increasing the number of active farmers (many of them young) and absorbing unemployed in rural areas.

Exogenous influences on rural transformation

The significant transformations that agriculture and rural areas of Córdoba have been experiencing in the past 30 years, are the result of the province's own internal dynamics, but also of the momentum created by socioeconomic, cultural and political changes, that also occur at the national, European and international level.

Among the relevant processes that, to varying extent, have determined the transformation of rural areas and their strategies for integration into the global economy, the following can be named:

- 1. Institutional changes.** The entry of Spain into the EU in 1986 has been, without doubt, one of the main drivers of modernization and socioeconomic transformation of the Spanish rural environment. The reform of the Structural Funds in 1988 and, more specifically, the implementation of the Community initiative LEADER in 1991,

²⁸ This region accounts for approximately 60% of the national and 30% of the world's olive-growing areas. Andalucía at present concentrates almost 80% of the national production of olive oil, representing 42% of EU production.

- represented the first Rural Development Policy in the Spanish case. This Community initiative resulted in a significant decentralization of the State in agricultural and rural matters for the benefit of regional governments, contributing to the creation of Local Action Groups (LAG). The continuity of this Community initiative as well as the implementation and subsequent reforms of other common policies influencing rural environment (CAP and Regional Policy) have contributed decisively to the processes of transformation in these territories.
2. **The processes of globalization.** The globalization of the economy and the increasing spread of new information and communication technologies over the last decade make rural territories more accessible spaces, but at the same time make them more vulnerable to external competition, pushing them to a continuous readjustment to the prevailing logic, whose keys to success factors are directly related to the ability to incorporate and develop innovations. Currently, almost all of the rural population of the Córdoba province has internet access.
 3. **Social changes.** The opening of the rural environment to the outside world and the emergence of new sectors and activities, whether linked to agriculture or not, have led to the emergence of a new social context where new patterns of behaviour and relationship between territorial actors emerge. Thus, in this new century, the rural society in Andalusia has become more complex, economically and socially, with greater internal differentiation and a greater diversity of employment. This has a significant effect on local life, by reducing the power of landowners and encouraging the growth of new elites (such as the neo-rural movement) (Moyano 2005).
 4. **Cultural changes.** Since the late 1990s, there has been a new cultural context in the rural society of Southern Europe. On the one hand, this is characterised by a revaluing of the countryside, according to criteria which have more to do with quality of life and sustainability than with production; on the other hand, it is characterised by a revitalization of 'the local' as a central framework of reference for the whole population (Moyano 2005).
 5. **Economic Crisis.** The current economic crisis is one of the main exogenous factors that are determining the different recent territorial dynamics in rural areas (Sánchez-Zamora et al. 2014a). Although the impact on rural economies differs from area to area, there is no doubt about its deteriorating effect regarding growth patterns and rural employment of most of the territories (European Commission 2010c). This crisis, whose beginning dates back to 2008, although it is a financial and economic crisis of generalised character at European level, in the Spanish case – and particularly in Andalusia – presents features that make it different. Here, it is not only an economic and financial crisis but also a structural one, complex and expected to be extensive in time.

Processes of rural transformation in the Córdoba province and their effects

To understand the main processes of transformation that have occurred in recent decades in the rural areas of the Córdoba province, it is necessary to analyze three different stages: i) the first stage covers the period from the late 1980s until 2000, when Spain became part of the EU and the first results were obtained after the implementation of the first Community initiatives; ii) the second stage covers the period between 2000 and 2008, an economic expansion period more or less homogeneous for most of European territories and in which rural development was

incorporated as the second pillar of the CAP; iii) the third stage covers the period between 2008 and 2014, when the economic crisis caused significant impact on the economy of rural areas.

Rural transformation processes and their effects in the late 1980s-2000

An important aspect to consider in this period is that despite diversification given after the implementation of the first LEADER and PRODER²⁹ programmes, agriculture remains a key sector for the whole economy in the rural districts of Córdoba (in 1986 it represents 12.3% of GVA and 20% of total employment). The central and southern districts of the province have followed a local development model similar to so-called 'agglomerations' (Colletis et al. 1999), facilitating the installation of diverse economic activities. However, the importance of agriculture for these districts (in particular olive growing) is reflected in their Strategic Plans designed for rural development. For example, in the strategic plan of the Guadajoz-Campiña Este district, axis 4 ('Revaluation of agricultural and forestry productive potential') contains the following lines:

- E4C: Support for marketing olive oil and other food products
- E4D: Improvement of commercial infrastructures
- E4E: Support for organic farming

In the case of the Subbética Cordobesa district, where olives are the main crop (occupying 95% of the UAA in this region), two of the strategic axes of the development plan are:

- Axis 1: Environment. Promoting environmentally friendly production techniques (integrated production of olive-growing)
- Axis 4: Agricultural and livestock sector. Restructuring of olive-growing: specific action to improve the competitiveness of olive-growing

This development model has been supported largely by the strategic location of the districts very close to urban cores and well-communicating with the provincial capitals. The main territorial effects reflect good results regarding the capacity to tie population and an increase in the employment rate.

The northern regions of the province have followed a process of 'specialization' of livestock-breeding products (milk and meat), i.e. a model of local development that can be identified as 'development by product' and posing certain comparative advantages in the area. Thus, an endogenous resource has become the backbone of the rural development strategy. An important handicap for the development of these territories has been its traditional peripheral and isolated location in relation to the centres of activity. The territorial effects in these districts reveal the presence of serious demographic problems (in some districts there have been losses of up to 12% of the population between 1990 and 2000) and the highest unemployment rates in the province. The demographic problems linked to the northern part of the province in the period between 1990 and 2000 mainly include the following issues: There was a loss of 6.43% of the population, while the southern part of the province experienced a population growth rate of plus 6.87%, and the total average of the province was plus 1.17%. Moreover, the population density in the north (15.73 inhabitants/km²) was lower than that of the southern part (74.42 inhabitants/km²) and the total average of the province (49.27 inhabitants/km²). The share of population aged 64 and older

²⁹ Nationwide programme for the development and economic diversification of rural areas through the implementation of the LEADER approach

in the northern part (21.61%) was higher than that of the south (17.26%) and the average of the province (19.13%). At the same time, the percentage of people aged 20 and younger was lower in the north (23.53%) than in the southern part (25.78%) and the province as a whole (24.82%). Finally, the share of economically non-active population – children and the elderly – in relation to the potentially economically active population aged 20-64 was higher in the north (82.34%) than in the south (75.61%) and in the province as a whole (78.49%). (Instituto Nacional de Estadística 1990, 2000)

Rural transformation processes and their effects in 2000-2008

During this economic expansion period a key element to be highlighted is the increase of economic diversification in the rural districts. In the province of Córdoba, the agricultural sector's contribution to GVA was strongly reduced (from 9.8% in 2000 to 5.7% in 2008) towards an increase in the importance of the service sector, but especially in the construction sector, whose contribution to GVA has increased by 4.8% during the period.

Although this increase of diversification has been extensive in all territories, the central and southern districts have been more sensitive to this fact, presenting in some cases increases of up to 192% in the construction index³⁰. In the central and southern districts, the territorial effects during the period analyzed include an increase of population (in some districts of up to 9%), an increase in average net income per capita, and an unchanged unemployment rate. Regarding the northern districts, a focus on strengthening an agri-food industry of a cooperative nature and on the improvement of roads and highways enabled them to intensify their relationship to urban centres. This has resulted in a smaller population loss as compared with the previous period, an increase in net per capita income and a decrease in the unemployment rate.

During this period, both the diversification of the rural economy (linked mainly to the construction sector) and the cooperative nature of the companies have contributed to the promotion of successful territorial dynamics (Sánchez-Zamora et al. 2014a).

Rural transformation processes and their effects in 2008-2014

This period is characterised by the impact of the crisis on the economies of rural territories and by a strong downturn in the construction sector. In the province of Córdoba the contribution of this sector to GVA has been reduced by 4.2%, while the service and agricultural sectors are the ones which have been reinforced the most.

Following the crisis, in the rural districts of the Córdoba province the unemployment rate has increased considerably (up to 11% in all of the territories) and has significantly decreased the level of average net income per capita (by up to 20% in some of the regions). The districts that have suffered from the effects of the crisis most are those that have given greater importance to the construction sector. Although this sector has been one of the engines of the economy in the economic expansion period in Spain during the last decade, since the bursting of the speculative 'bubble' an alarming loss of jobs has occurred, making it the sector most vulnerable to the current crisis.

Some research conducted in these territories suggests that the population's high level of education and ease of ICT accessibility and use, institutional capacity and governance, the

³⁰ This index represents the business tax rate corresponding to the construction sector's economic activity weighted by population (adimensional).

presence of young farmers and public support to agriculture via the CAP, are factors that have determined the momentum of resilient territorial dynamics against the economic crisis (Sánchez-Zamora et al. 2014b, 2014a).

Policy reaction and effectiveness of the policy interventions

The analysis of public policies influencing rural territories and their relation to the processes of transformation is addressed according to the three time periods considered above.

During the period from the late 1980s until 2000, the following Community initiatives were implemented: LEADER I (1991-1993) in some municipalities in the district of Subbética, LEADER II (1994-1999) in the northern districts of the province, and the Operational Programme PRODER (1994-1999) in the central and southern districts. Most of the activities implemented in the Andalusian territory were linked to the diversification of the economy through rural tourism. However, rural districts of Córdoba, due to their strong agricultural orientation, invested in activities linked to enhancing the value and marketing of agricultural production and the promotion of small businesses, craft activities and services. Thus each LAG had an average budget of approximately 7 million Euro. The main results of the implementation of these programmes (LEADER, LEADER II and PRODER) in the territory demonstrate the effectiveness of the initiatives. These results include the following (Esparcia 2006; Ministerio de Medio Ambiente y Medio Rural y Marino 2011):

- Significant growth of private investment, which exceeded almost a quarter of the initial estimates of investment (45% of public aid and 55% of private investment).
- They have been a factor of democratization in the territories.
- They have fostered the emergence and/or consolidation of leadership in the social, economic and political fabric.
- They have been a platform for learning and training of managers and technicians in rural development.
- They have fostered the ability of management and business decision making.
- They have allowed advances in the culture of the territorial approach.

During this period, one of the triggering factors of change in the agrarian structure, and therefore in the overall rural one, was the production support of the CAP, specifically concerning the production of olive oil. In the case of olive groves of the central and southern districts of Córdoba an increase by almost 35% in the Utilised Agricultural Area (UAA) draws attention. In general terms, in this period an increase in the number of olive farms in the districts and in the average size of farms can be observed (Ceña and Gallardo 2006).

In the second stage of analysis, between 2000 and 2008, the Community initiative LEADER + (2000-2006) was implemented in the northern districts of the province, and the Operational Programme PRODER-A (2000-2006) in all rural districts of Córdoba and Andalusia (Axis 7: Agriculture and Rural Development, forms the Endogenous Development Programme of Rural Zones of Andalusia). The main activities developed were linked to enhancing the value of local and agricultural products, rural tourism and enhancement of natural and cultural heritage, and the use of ICT. The development of projects related to these activities has resulted in the following (Sánchez-Zamora 2014):

- An increasing number of signs of territorial quality of food products (it has increased from 30 quality schemes in 2000 to 106 in 2008).

- An increase of the tourist index³¹ from 7.27 in 2000 to 14.65 in 2008.
- An increase in the percentage of surface considered within the Natura 2000 network (from 20.62% in 2000 to 24.33% in 2008).
- An increase of 7.12% in ICT accessibility and use was achieved in the period 2000-2008.

Thus, the results illustrate the effectiveness of policies and initiatives implemented in rural areas of the province of Córdoba.

Regional Policy and Structural Funds have played an important role as they have contributed to improved telecommunications and roads (including the AVE train³²). This As a consequence the connection and dynamism of the central and southern districts with other centres of development have increased and the traditional isolation of the northern districts has been reduced by encouraging the establishment of new industries and services. Furthermore funds have contributed to the development of service infrastructure like health and education facilities, thereby improving public access to main basic services.

During the period between 2008 and 2014, various policies and initiatives for rural development have been implemented in the districts of Córdoba. With the launch of European Rural Development Policy (2007-2013) financed by the EAFRD, the Programme for Sustainable Rural Development of Andalusia (2007-2013) was established. The main measures and activities developed in the districts of Córdoba were intended to increase the value of agricultural products and the modernization of farms, the installation of young farmers, agro-environment aid, improving the quality of life in rural areas, and diversification of the rural economy.

At this stage, it is also important to note the development of the 'Proyecto Nueva Estrategia Rural para Andalucía' (NERA – a rural development strategy based on a reflection process on socio-economic development and needs in all districts of the region). Through this project, which has been led by LAG with regional and provincial coordination, a system of participation of the entire population and of all economic sectors in the territory has been established. This strategy has resulted in an increase of organizational capacity and governance of rural districts, and the coexistence of two intervention models with different logics: one that responds to the guidelines set by the EU and another one developed bottom-up by actors of the territory themselves.

Another important issue in rural policy during this period is the establishment and implementation of Ley 45/2007 (Rural Sustainable Development Act 2007). This Act is to regulate and establish measures to promote the sustainable development of Spanish rural environment.

In general, it can be said that policies and initiatives implemented in the rural districts analysed have been responding to the needs of rural areas and have made a number of important achievements among which stand out: the radical change in administration's attitude in terms of a greater understanding and better addressing the problems of rural areas; a commitment to the 'rural' and the launching of joint, endogenous, articulated and innovative strategies; job creation and consolidation of companies; provision of equipment and infrastructure and the mobilization of a considerable amount of financial resources (public, private, exogenous and endogenous).

³¹ Number of overnight lodgings provided by hotels and similar establishments weighted by population (% per 1000 people)

³² Spanish high-speed train

However, much remains to be done. The study area are now facing new challenges highlighting the need to implement new instruments that articulate the impetus to achieve cohesion, development and vitality of its rural areas. Rural development is not only achieved through the policies that have been implemented so far, but it depends on factors that are related to the scope of various public policies (rural, agricultural and territorial). This implies the need for coordination and complementarity among the five funds' Common Strategic Framework (CSF) for the new programming period 2014-2020.

5.3. Border Midland and Western Region, Ireland

This case study on the Border, Midland and Western (BMW) region in the Republic of Ireland provides an example of a rural region in an economy which experienced a massive shift of economic activities as it moved towards a tertiary sector-based economy. These developments between the mid-1990s and 2007 earned the country the nickname ‘Celtic tiger’.

Rural socio-economic changes in the BMW region must be understood in the context of the changing Irish economy. Ireland experienced large-scale out-migration in the 1950s and the 1980s and significant in-migration since the 1990s. The country joined the European Union (then the European Economic Community – EEC) in January 1973. Following the accession, annual economic growth averaged 4% between 1974 and 1985, though this was accompanied by relatively high rates of inflation and unemployment. Ireland was particularly hit by the oil crises of 1973 and 1979. Economic trends began to improve from 1987 on and accelerated from the mid-1990s. GDP growth rates reached almost 10% between 1995 and 2000 (only 2.8% for the EU-15). As Hubbard and Ward (2008) state, this ‘boom was primarily ... a result of high levels on inward investment in high-tech industries and in services, and as a result of favourable (corporate) tax rates. Rates of employment increased significantly, and unemployment dropped. In 2005, labour productivity, measured as GDP per person employed, was the second highest in the EU-27’ (Hubbard and Ward 2008).

Characterizing the case study region

The Border Midland and Western region is one of two NUTS2-regions in Ireland, the other one being the South & East (S&E) region. According to the EU classification (see section 2.2) the sparsely populated BMW region (38.5 inhabitants/km²) is classified as predominantly rural, with agricultural areas dominating in terms of land use pattern (66% in 2000) (Government of Ireland 2001). A vast majority of Ireland’s less-favoured areas – so-called Disadvantaged Areas – is located within the BMW region (Department of Agriculture, Food and the Marine 2012).

68% of the BMW population lives in agglomerations with less than 1,500 people, compared to the national average of 41%. Population is widely dispersed and the only major urban centre is Galway, one of the fastest growing cities in Ireland (Government of Ireland 2001). The BMW region has six smaller towns (population 10,000 to 15,000) (Border, Midland and Western Regional Assembly 2011).

The sectoral composition of employment in 2010 indicates a domination of the service sector (70.2%), followed by industry and construction (22.9%) and agriculture, forestry and fishing (6.9%). In an overall comparison with the S&E region, the BMW economy is lower skilled (fewer employers, managers and high skilled workers). In terms of manual skills, semi-skilled and own account workers and farmers though, the BMW region is better off (Kilcommons 2012b).

The sectoral contribution of the BMW region to the national GDP was between 17-20% in the past decade. The contribution of agriculture to GVA in the BMW region has declined from over 8% to under 5% between 2000 and 2012. This reflects the general national trend; however the decline in the BMW regional was much faster than in the S&E region. In relative terms, agriculture is still much more important in BMW than in S&E, with its share even rising after the 2008 crisis (Central Statistics Office 2015, see also in the Annex).

With regard to the economic viability of traditional Irish farms, on-farm diversification is an important and recurring topic. Especially when it comes to transformation processes of

agriculture, the BMW region is often compared to the S&E region as the disparities between the regions are most interesting. They are mostly owed to the BMW region's poorer soils, smaller farm sizes, enterprise mix, unfavourable age structure and its relatively high dependency on off-farm work (Border, Midland and Western Regional Assembly 2013). In 2005, 53% of Irish farms were located in the BMW region. Farm sizes in BMW with an average of 27ha are much smaller as compared to S&E region (37.5ha). In terms of national output, the BMW region is only dominant in the sheep sector; all other agricultural sectors are dominated by the S&E region. The structural weakness of agriculture in the BMW region is also reflected in the net subsidies accounting for up to 130% of agricultural income (DAFM 2013, Table G9).

Regarding so-called higher-order activities, the BMW region is engaged mostly in medical technology, which is seen as a growth pole, especially the area around Galway. Besides that, processed chemicals and materials, computer and communication hardware as well as software and communication services are of importance. The Institute of Technology (IT) and the University of Galway are expected to 'have a crucial role to play in the endeavour to escape the damage caused by the recession and the persistent low-skills equilibrium in the BMW Region' (Border, Midland and Western Regional Assembly 2011). Apart from that, tourism is also an asset of the region (Kilcommons 2012b).

The BMW region comprises four of the five designated major farming zones, mainly overlapping with the zones 1a, b and c that include most of Ireland's aforementioned LFAs. Zone 1a is characterised by uplands, commonage and a number of SAC (Special Areas of Conservation), peat bogs and extensive agriculture, categorised as 'nature value farmland', rather unattractive for production but more attractive for holiday homes due to its remoteness. Many farm holders in this zone pursue agriculture as their sole occupation, even though farming potential is low. This may be due to elderly farm household structure, lacking successors or lacking access to alternative employment (Crowley et al. 2008). Zone 1b can be described as rather weak in structural terms, being highly subsidised, whereas 1c comprises stronger agricultural areas with more intensive production systems, higher mechanization and better functional linkages with Dublin. In zone 2a younger farmers (<45 years), full-time-farming, labour-intensive farming and high levels of mechanization are prevalent. Non-farm economy, however, is strongly influencing the area, as indicate declines in farmland per Electoral Division (ED).

Exogenous influences on rural transformation

Two major exogenous drivers for rural transformation in Ireland can be identified: the accession to the EU (then EEC) in 1973, and the ICT boom developing at the end of the 1990s. For the agricultural sector the impact of EU accession has been more important. Factors contributing to the profound transformation of the Irish economy were the massive international investment into the Irish ICT sectors from the late 1980s onwards, a reduction of corporate taxes and the high EU subsidies for structural development. Other beneficial factors for the economic development were the well-educated labour force with English as the first language, and a time advantage against the major investing economy – the USA. A reinforcing effect of this transformation process was the construction boom, although finally leading to an investment bubble that collapsed as a consequence of the economic crisis in 2007. In terms of social and cultural change, a growing inclusion of rural areas in media and communication systems as well as translocal networks of domestic and international migrants and rising educational levels can be interpreted as both indicators as well as causes for further structural change. Figure 7 illustrates some drivers and major economic development trends on the national level.

Processes of rural transformation in the BMW region and their effects

These global and national processes as well as internal factors and dynamics have contributed to changes observable in several dimensions and on several scales: in the *economic dimension*, shifts in the sectoral composition of economy and employment are documented on national and regional levels; on farm or enterprise level a decline of farm numbers and an increase of average farm size, a growing share of non-agricultural income of farm owners, a growing factor productivity and increased vertical organization of value chains can be shown. In the *social dimension*, structural change manifests in demographic development and especially migration trends, and in the *political dimension* in the changes of institutional structures and political organization. All of these factors do interact with and influence each other, and it is difficult to establish simple causal relations between them.

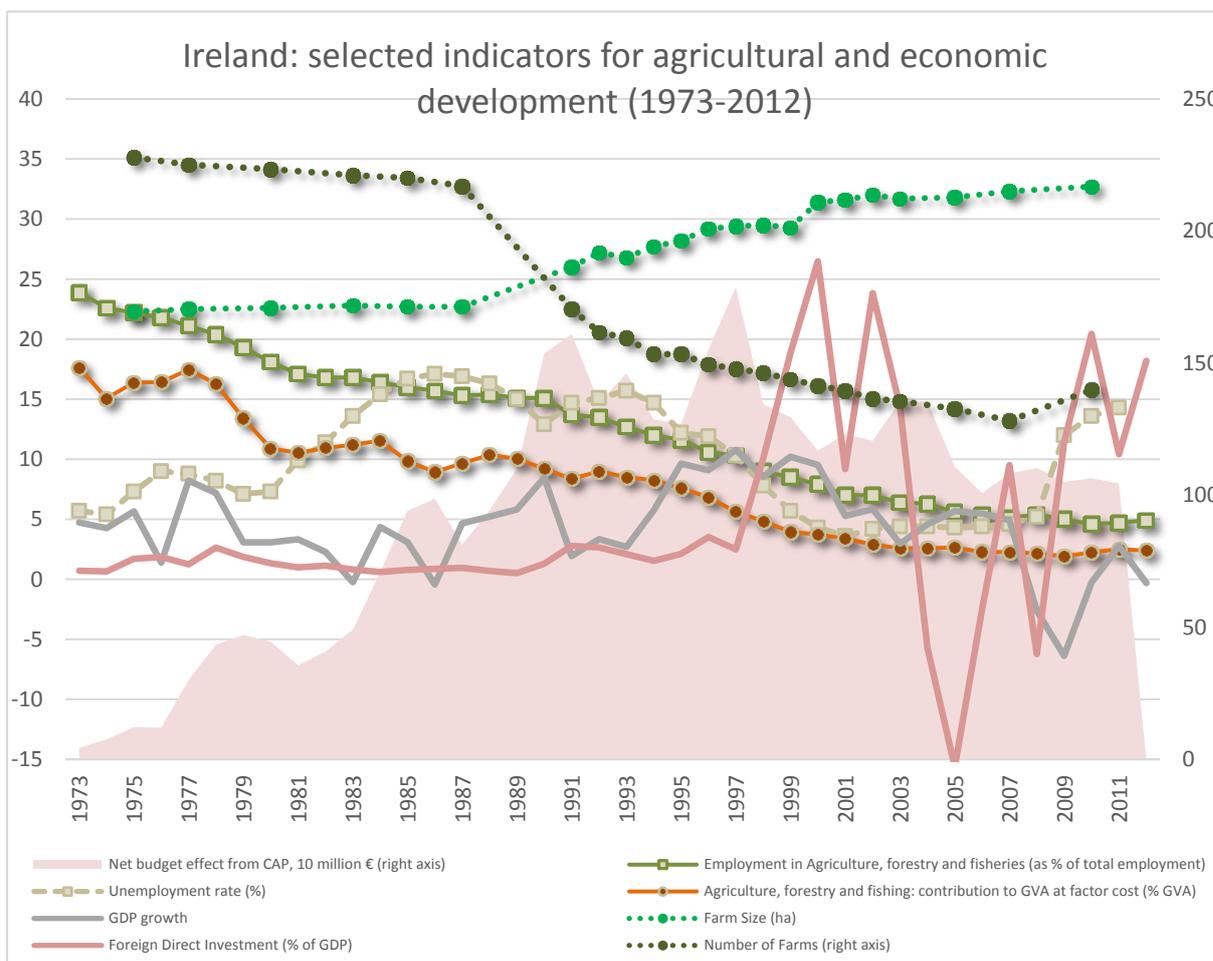


Figure 7 Selected Indicator for agricultural and economic development (1973-2012)(Sources: CSO 2012; DAFM 2013; UNCTAD 2013, CSO 2014b, 2014a; Worldbank 2015)

According to the major events and driving forces stated above (in 5.3.b), four phases can be roughly distinguished:

- the time before EU accession in 1973,
- the time from 1973 until the early 1990s, after EU accession;
- the time from the 1990s until 2008 when the ITC boom fostered strong economic growth;
- the time since 2008, after the economic crisis.

Before 1973

Agriculture's contribution to economy and employment was declining since the 1950s, but especially during the economically successful 1960s: the number of persons employed in agriculture halved from almost 500,000 to around 250,000 until 1973 (Central Statistics Office 2015). Aiming to achieve agriculture self-sufficiency, state interventionist measures were oriented towards higher agricultural productivity. State support and radical changes in policies (e.g. trade liberalization and opening of the economy for Foreign Direct Investment - FDI) of the 1960s had also significant effects on the development of agriculture. Technological progress and an increasing use of farm inputs increased land productivity and reduced the need for agricultural labour force.

1973 – 1990s

Following EU-accession, the BMW region, as well as Ireland in total, experienced a further decline in **agricultural share of GVA** and employment and at the same time a further increase of farm productivity. The role of agriculture decreased also due to the fact that the substantial manufacturing and service industries in the BMW region have only weak connections to agriculture (Buchenrieder and Möllers 2009). Immediately after EU accession in 1973, Ireland's agriculture prospered, especially due to rising prices as a consequence of improved access to the European markets and subsidies. This changed during the economic recession in the 1980s (Hubbard and Ward 2008).

According to the National Economic and Social Council (NESC), most of the total **employment** growth during the 1970s took place in territories that are now part of the S&E region. By contrast, in the same time span total employment in the nowadays BMW region declined mainly due to dropping agricultural employment levels. (Hubbard and Ward 2008). Between 1986 and 1996, regional employment increased by 15% as compared to a national-level growth by 20%. The emergence of new non-agricultural jobs in the construction sector and in commercial, retail and manufacturing as well as improvements in infrastructure also contributed to an increase in non-agricultural income in the rural areas.

Between 1960s and 1980s Ireland experienced a phase of moderate **agricultural restructuring**, with the transformation of traditionally mixed farms linked to local markets into high-output farms linked to the national and especially European markets. Among the significant processes of transformation in agriculture are declining farm numbers entailing a general change in farm characteristics such as farm size and diversification of farm income opportunities. Figure 2 shows a constant decline in **total farm numbers** until the mid-1980s, followed by a rather sharp cut in numbers between 1987 and 1991, when especially smaller farms were going out of business after the hardship of the 1980s recession (Hubbard and Ward 2008)³³. The EU accession increased also the need for vertical integration of farms, associated with a globalised agri-industrial system.

Demographic development was also influenced and influencing changes particularly in rural areas: during the recession of the 1980s, outmigration from BMW due to lacking regional job opportunities had been high, however later on, especially since the mid-1990s the region

³³ This is also partly due to statistical reasons, as from 1991 on very small farms with less than 1 hectare were not counted anymore (DAFM 2013, Note 3)

benefitted from Ireland's economic growth with considerable in-migration (Hubbard and Ward 2008).

1990s – 2007

The time since the 1990s was characterised by an improvement of the overall economy, increasing inflow of FDI and structural funding through the EU's CAP. Economic growth was generally high, ranging steadily around 10% between 1995 and 2000 on national level. The high growth in services and industry was especially due to the availability of high-skilled labour that attracted investment from abroad. As an effect, the share of **agriculture in GVA** declined from almost 10% in 1990 to 4% in 2000 (Central Statistics Office 2012, 2014b). Also the local rural economies were diversifying: from 1991 to 1996, for a single job lost in agriculture, in other sectors about 4.5 new jobs emerged (Hubbard and Ward 2008). However for farmers the lower educational level posed a barrier for off-farm jobs: in 2000 only 3% of farmers had third-level education, compared to 36% in the general average population. In the 1990s EU transfers averaged 1.4 billion € annually, compared to 720 million € in the 1980s (DAFM 2013, Table N5). From 1992 to 2002, **total employment** in the study region increased by 46.1%, with significant growth especially in the service sector (72%) and in industry and construction (59.8%), while employment in agriculture declined by 26%. Additional jobs in the fields of education, health, professional services, local administration, and recreation were created in particular since 2002 (Hubbard and Ward 2008).

During the 1990s, **farm numbers** decreased with a higher tempo than in the 1970s and 1980s, from 170.000 in 1991 to 128 in 2007, while average **farm size** grew from 26 to 32ha (DAFM 2013, Table L2). Farm size in the BMW region increased between 1991 and 2005 by about 30%, compared to only 17% in the South & East region. A major factor that influenced the increasing farm sizes particularly in the 1990s were local policies (Crowley et al. 2008). During the 2000s, the decline of farm numbers and the increase of farm sizes slowed down, with farm numbers declining by 10% in the 2000s compared to 17% in the 1990s.

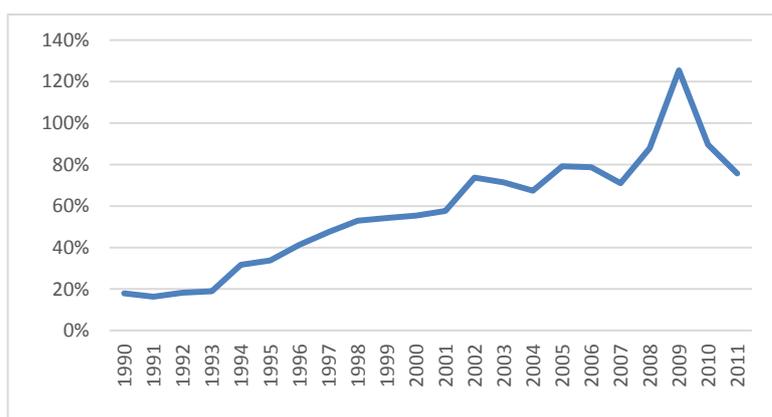


Figure 8 Subsidies as % of Operating Surplus of Farms, National Level, 1990-2011 (Source: DAFM 2013, Table G7)

Farm income has considerably **diversified** in the BMW region: in 1991, 70% of farms had agriculture as sole occupation, whereas in 2007 it was only 53%. 'Currently, in one out of three farms in BMW the holder has agriculture as a subsidiary occupation or is not engaged at all in farm work' (Hubbard and Ward 2008). 20% of reported farms engage in tourism, which is the most frequent subsidiary activity (Hubbard and Ward 2008). By 2000, non-farming or off-farm income (48%) was higher than income from farming (44%) (Crowley et al. 2008).

An **intensification** of Irish agriculture in all kinds of farming systems took place between 1991 and 2000, in particular among ‘indoor and intensive enterprises’ (Crowley et al. 2008). At the same time **subsidies** became more and more important, indicated by their share in operating surplus rising from 20% to almost 80% (and even rising up to over 120% during the time of the economic crisis) between 1990 and 2011 (see **Fehler! Ungültiger Eigenverweis auf Textmarke.**). Hubbard and Ward (2008) attest the Irish farms an ‘unconditional reliance’ and “almost total income dependence” on EU supporting payments (ibid. p 34).

Between 1991- 2002 the BMW region experienced a **population growth** (against the background of economic growth) by over 11%. This increased even further in the period from 2002 to 2012, when the population in BMW grew by almost 20% to 1.24 Mio. As an effect of this, **household sizes** decreased and a rise in single households fostered a greater demand for housing. Still, growing areas were mainly scattered around urban centres (counter-urbanization), while the population in remote areas continued to decline (Hubbard and Ward 2008). In reference to the risen housing demands as a result of demographic change and population growth it is worth mentioning that house completions in Ireland doubled between 1993 and 2001.

The rapid economic growth and related population increase lead to an **expansion of urban and peri-urban areas** at a faster pace than in any other EU member state: Ireland’s urban land cover expanded at an annual rate of 3.1% during the 1990s. Between 1990 and 2000, 80 % of this increase came from conversion of pasture and mixed farmland due to the expansion of commuter belts, particularly around Dublin (Crowley et al. 2008).

Economic Crisis 2008

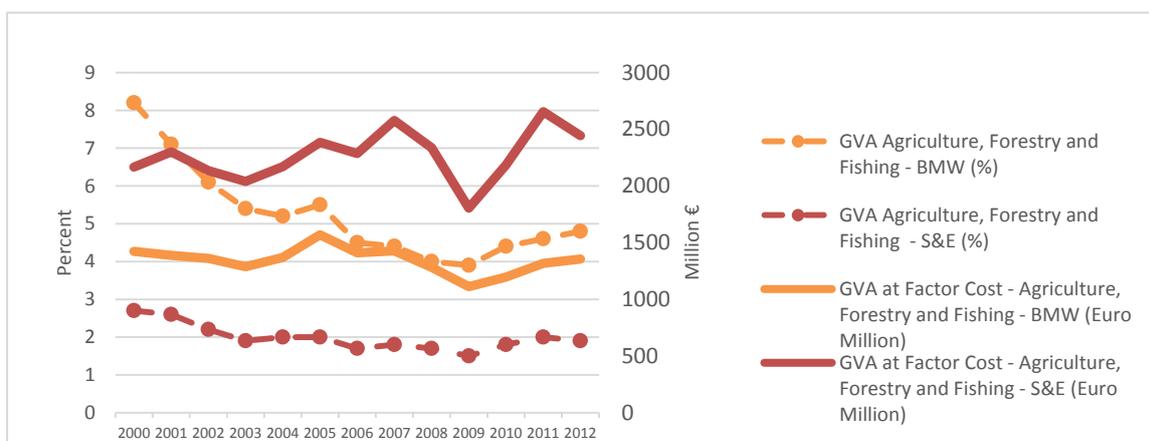


Figure 9 Contribution of Agriculture, Forestry and Fishing to Regional GVA (2000-2012) (Source: CSO 2015b)

A range of socio-economic indicators reflect the extent to which the economic and financial crisis of 2008 hit the BMW region, with especially the construction sector badly hit. Unemployment rates have risen from around 5% in the early 2000s to above 10% in 2010 and 12.1% in 2013 (Eurostat 2014c) and economic activities generally fell. Besides, emigration rates in 2010 were the highest since 1989 (Kilcommons 2012a).

The crisis has also hit the rural areas and especially the agricultural sector, both in absolute and in relative terms: from 2007 to 2009 **agricultural output in terms of GVA** at factor prices declined by 22% in the BMW region and by 30% in the S&E region. When expressed as decline at basic prices output, the decrease is even higher for the same period: 47% for the BMW and 44% for the S&E region, respectively – showing the compensating effects of subsidies. The absolute as well as

relative growth of agriculture's share in GVA between 2010 and 2012 indicates a relatively quick recovery from the crisis (see Figure 9), being reflected also in the high growth rates in that period.

Combined with the industrial sectors of food, beverages and tobacco processing and manufacturing, the agri-food industry contributed to 6.3% of GVA, 7.7% of national employment and 10% of Ireland's exports in 2010. When the low import dependency and the low rate of capital repatriation in the sector are taken into account, the agri-food sector's contribution to net earnings through exports was 35% in 2005 (Riordan 2008) and 25% in 2010 (Teagasc 2015). Carey and O'Donoghue (2013) have thus termed the 'agri-food sector as a key driver of economic recovery in post property bubble Ireland' (p. 1).

Table 7 Farm Numbers by Size Category, 1975-2010 (Selected Years) in thousands³⁴ (Source: (DAFM 2013)

| Year | Total Family Farms | Total Farms | <5 ha | 5-10 ha | 10-20 ha | 20-30 ha | 30-50 ha | 50-100 ha | >= 100 ha |
|--------------------|--------------------|-------------|-------|---------|----------|----------|----------|-----------|-----------|
| 1975 | | 227.9 | 34.4 | 37.7 | 70.6 | 35.8 | 29.8 | 15.9 | 3.7 |
| 1980 | | 223.4 | 34.0 | 35.4 | 67.7 | 36.3 | 30.3 | 16.0 | 3.7 |
| 1985 | | 220.1 | 35.2 | 34.7 | 63.8 | 36.9 | 29.9 | 15.9 | 3.7 |
| 1991 | 169.9 | 170.6 | 19.2 | 24.1 | 48.3 | 31.0 | 28.4 | 15.7 | 3.9 |
| 1995 | 153.0 | 153.4 | 14.8 | 20.5 | 40.6 | 29.1 | 28.1 | 16.1 | 4.1 |
| 2000 | 141.3 | 141.5 | 11.7 | 16.7 | 34.3 | 25.0 | 29.6 | 19.5 | 4.6 |
| 2005 | 132.5 | 132.7 | 9.2 | 18.5 | 30.1 | 22.5 | 28.7 | 19.6 | 4.0 |
| 2007 | 128.1 | 128.2 | 8.4 | 16.2 | 30.5 | 24.1 | 26.3 | 18.2 | 4.5 |
| 2010 ³⁵ | 139.6 | 139.9 | 2.3 | 23.1 | 33.6 | 24.7 | 30.7 | 20.8 | 4.7 |

Policy reaction and effectiveness of the policy interventions

Before EU accession in 1973, Ireland as a whole had been agriculture-dependent and rather poor. EU subsidies were used for building a highly modern economy over the years. The **CAP** constituted a major factor attracting the country to the EU (The Heritage Council 1999; Hubbard and Ward 2008), farmers immediately benefitting from the policy through higher producer prices (Hubbard and Ward 2008). CAP payments increasingly gained importance as a component of farm incomes over time: while constituting a share of only 5% of total farm income between 1973 and 1979, they accounted for 98% in 2006. After EU accession, measures used to support change in the agricultural sector and wider rural development included e.g. farm modernization schemes, early retirement and vocational training supports (Hubbard and Gorton 2009).

As a specific feature of Irish rural development policy, the **LEADER** programme is implemented countrywide, being delivered by Integrated Local Development Companies (ILDC) contracted as Local Action Groups (LAGs). In order to ensure the programme's relevance in terms of empowerment and participation, Maye et al. underline the importance of facilitating local decision-making and LAGs' room for manoeuvre. These issues were subject to concern related to

³⁴Until the 1991 Census, the CSO recorded all farms over 1 acre. From 1991 onwards, only farms over 1 hectare (2.471 acres) are recorded

³⁵No explanations for the risen farm numbers in 2010 could be found. It might relate to the Agricultural census of 2010, which probably provided more accurate results.

LEADER ‘mainstreaming’ (see chapter 4) (Maye et al. 2010). The mid-term evaluation of the **Irish RDP 2007-2013** views the outcomes of Axis 3 measures as well as LEADER (Axis 4) less favourably due to a delay in implementation and small share of only 4% of available budget having been used. However, it can be looked back at ‘established strengths of the Irish LEADER network and its considerable practical experience in “bottom-up”, integrated and sustainable rural development’ (p.215). (Indecon 2010) LEADER groups, amongst other actors, are also in charge of managing the Rural Social Scheme (RSS) at the local level, which had been introduced already in 2004 to support low-income farmers and fishers (Fitzpatrick Associates 2008).

Regarding the RDP’s impact – notably the Farm Improvement Scheme (Axis 1 measure 121) – on the process of ‘**increasing polarization of agricultural structures**’ as one of the two main transformation processes in the BMW region, the mid-term evaluation of the Irish RDP 2007-2013 concludes that it ‘is ... difficult to identify the independent impacts of the scheme over a range of other factors such as ... the ability to increase farm holding size’ (p.5). Neither can a clear impact on farm sizes be attributed to Young Farmers’ Installation Aid (Axis 1 measure 112)³⁶ or the Early Retirement Scheme (Axis 1 measure 113). (Indecon 2010) As for ‘**rural migration patterns**’ as the other main process identified in the study region, there is no detailed assessment of related policy impact available, either. However, the programme is stated to have made an overall contribution to the objective of ‘reversing the trend of migration from rural to urban areas’, e.g. through enhancing the rural environment, tourism infrastructure, job opportunities, and maintaining farms ‘which might have dissipated’ (p.5) and rural communities ‘which might have ... dispersed’ (p.5). (Indecon 2010)

The **Irish RDP for the 2000-2006 funding period** included four measures that had already been implemented during the period of 1994-1999: (1) Early Retirement; (2) Rural Environmental Protection Scheme (REPS) as the largest measure; (3) Compensatory Allowances as the second-largest measure; (4) Afforestation. As described for the EAFRD measures named above, the Irish 2000-2006 RDP’s ex-post evaluation states for the Early Retirement Scheme that it is difficult to assess and differentiate its direct individual impact on **farm sizes** etc. from other influencing factors. It is, however, underlined that the scheme can be regarded not to ‘drive the change but to facilitate it more quickly, acting upon social and cultural factors operating perhaps against market trends’ (p.69). There is no direct impact on rural migration stated, but rather a broader contribution to rural sustainability. (Fitzpatrick Associates 2008)

In the **funding period of 1994-1999**, important milestones of agricultural policy implementation in Ireland as a whole included (The Heritage Council 1999):

- **1994:** Introduction of the Rural Environment Protection Scheme (REPS) under EEC Regulation 2078/92, marking ‘a major turning point in Irish agriculture policy’ (p.8)
- Launch of the **Irish Operational Programme** for Agriculture, Rural Development and Forestry **1994-1999** (including: Control of Farmyard Pollution Scheme, Farm Improvement Programme, Compensatory Headage Scheme, Agri-Tourism Scheme)
- **1995:** Launch of the LEADER II programme (targeting e.g. rural tourism; agricultural, forestry and fisheries products; rural environment and living conditions); renewal of the Agri-tourism Scheme to include rural inhabitants as providers, and to cover old farm buildings for tourism purposes
- **1997:** Launch of the Irish Sustainable Development Strategy, including a programme on sustainable agriculture

³⁶ Distribution of beneficiaries was lopsided, with fewer farmers supported in BMW than in the economically stronger S&E region.

Regarding the ‘**increasing polarization of agricultural structures**’, as mentioned above in section ‘Processes of rural transformation and their effects’, especially during the 1990s, agricultural policy measures constituted an important influencing factor regarding farm sizes (Crowley et al. 2008).

Within the framework of **EU Regional Policy**, the National Strategic Reference Framework (NSRF 2007-2013) regulates investments by the ERDF and ESF (Irish Department of Finance 2015). In the **2007-2013 funding period**, the BMW region was eligible for ‘Phasing-in’ support, while the ‘Competitiveness and Employment Objective’ was being pursued only in the other Irish regions. (European Commission 2006; Northern & Western Regional Assembly 2015) The **BMW Regional Operational Programme 2007-2013** covered three priorities³⁷, of which **Priority 2 (Environment and Risk Prevention)** – sustainable development of urban and rural areas and the protection and enhancement of the urban and rural environment – appears of the highest relevance for the topic of the report at hand. At the same time, this was the priority performing weakest at the time of the OP’s mid-term evaluation, with less than 25% of its financial resources used. (Central Expenditure Evaluation Unit 2010, European Commission 2015c, 2015d, 2015d)

Changes in the Irish economy within the context of the crisis starting in 2008 were responded to by shifts in national-level funding priorities, which created a new yardstick also for the regional level: decreasing investment in roads, housing and health, and agriculture, and increasing investment in public transport, environmental services, education, and enterprise (Central Expenditure Evaluation Unit 2010).

Between **2000 and 2006**, BMW had been ‘Objective 1’ region, its OP’s financial support also being derived from EAGGF guarantee and the Financial Instrument for Fisheries Guidance (FIFG) (Border, Midland and Western Regional Assembly 2000; European Commission 2006). Of the four priority areas covered³⁸, **Priority 3 (Agriculture and Rural Development)** aimed at enhancing primary agriculture’s competitiveness, creating alternative diversification-based farmers’ income sources, supporting environmentally sustainable production, and fostering rural development via local-level communities (European Commission 2015c). At this, in BMW ‘where the farm structures are particularly poor and many smaller farms do not have the capacity to support full time farming, Measures designed to support the development of off-farm income and agricultural diversification will be particularly important’ (p.63). Regarding the coordination of various schemes, it is underlined that LEADER+ groups were involved in the Area Based Rural Development Initiative (within Priority 3 – see above). (Border, Midland and Western Regional Assembly 2000) The division into the two NUTS 2 regions of BMW and S&E was first established for this funding period, with the two OPs aiming at reducing economic disparities between the regions. While this gap actually narrowed, according to the ex-post evaluation this cannot be clearly ascribed to policy support. (Applica-Ismeri Europa-wiiw Consortium without year)

In the **funding period of 1994-1999**, important aspects of **Regional Policy** implementation in Ireland as a whole included (Miller 2013): Like in the 1989-1993 period, Ireland was eligible as Objective 1 region *countrywide*. ERDF, ESF and EAGGF *guidance* resources increased

³⁷ Furthermore, these were: Priority 1: Innovation, ICT and the Knowledge Economy; Priority 3: Urban Development and Secondary Transport Networks.

³⁸ Furthermore, these were: Priority 1: Local Infrastructure; Priority 2: Local Enterprise Development (incl. tourism); Priority 4: Social Inclusion and Childcare.

significantly as compared to the 1989-1993 period; in addition, the CF provided support for transport and environment projects. There were nine OPs implemented on the following priorities: productive sector, economic infrastructure, human resources, and local urban and rural development. As in the 1989-1993 period, a region-specific programme design and implementation was limited regarding the structural funds. However, eight Regional Authorities established in 1994 meant a step towards strengthening the role of Irish regions.

Overall conclusions

With regard to policy's effectiveness in addressing the dimensions of rural transformation, Hubbard and Gorton summarize the following lessons on BMW as a result of a cross-national study on EU case study regions (Hubbard and Gorton 2009; Möllers et al. 2011): The presence of **'appropriate EU structures and institutions'** has enabled the region to successfully acquire EU funds. The region has also demonstrated the importance of **coordination between the national and regional levels**. For instance, this concerns the design and implementation of appropriate National Development Plans, while at the same time ensuring a **'clear regional strategy'** committed to by national government. With regard to ensuring a **'balanced development at the regional-level'**, the representation of rural areas in the parliament is named as beneficial. A **'strong, sustainable and responsible capacity building'** at the regional level is a related success factor identified, associated with the need to foster **'decentralization of responsibilities'** and **'broader involvement'** of local- and regional-level communities (Möllers et al. 2011).

The BMW region is named as a positive example of "successful" experiences of rural transition following accession to the EU', having undergone a noteworthy development. However, as is underlined, 'it is crucial that 'success' in local rural development be understood in the particular context of the performance of the Member State' (Buchenrieder and Möllers 2009).

6. Conclusions on the policy response to rural transformation

As a preamble to this section, it has to be emphasised, that the European policy framework has major impacts on rural transformation in the European Member States. Many of the strategic developments, policies and instruments are highly path-dependent and strongly related to the diverse framework conditions in the Union.

6.1. Relevant policy instruments and their effects on the dimensions of rural transformation

Regarding the relevance of policy instruments and measures for the dimensions of rural transformation (as introduced in section 3.2), a range of relevant approaches are summarized below. Some of them have accelerated the transformation process with partly disputed outcomes (e.g. as regards the development of farm size structures), others have successfully counteracted negative impacts of agricultural and rural transformation. At this, it should be considered that 'success' needs as well to be contextualized according to the specific national and regional framework conditions (Buchenrieder and Möllers 2009).

Shifting structure of economic activities

The shifting sectoral configuration of rural economies constitutes an overarching process that is present in all three case study regions, the processes referred to below being intertwined. The development of the rural economy, balancing well particularly changes to agriculture (but also other fields of primary production) with advances in the secondary and tertiary sectors, is a continuous challenge. In that respect non-agricultural developments are benefitting from education and entrepreneurial skills, in connection with the availability of capital (in the Irish case, Foreign Direct Investments).

Increasing polarization of agricultural structures / changing role and function of land

While the **CAP** is being criticised by various authors for an essentially narrow sectoral focus (despite the establishment of the 'second pillar'), its relevance for safeguarding viable farming is assessed to be high. This applies to all three case study regions analysed (see chapter 5). Notably in the Irish case study region, farmers significantly benefitted from CAP payments immediately after Ireland's EU accession in 1973, the CAP being a significant factor attracting the country to the Union. In the Spanish case study region, from the late 1980s until 2000, CAP production support had been a decisive factor influencing changes in the configuration of the agricultural sector and rural regions as a whole. The implementation of the CAP can be regarded to be at the root of an increasing number and average size of farms in the region.

Although the EAFRD's **Farm Improvement Scheme** is being named as a potential approach in the context of farm size structures, e.g. in the case of Ireland the mid-term evaluation of the national RDP 2007-2013 states that the individual contribution of the measure is difficult to isolate from additional influencing factors. The same applies to **Young Farmers' Installation Aid** and the **Early Retirement Scheme**. Similarly, impacts on the polarization process are not clearly attributed to measures delivered within the framework of the Irish RDP 2000-2006, although their utility for accompanying the development is agreed. During the 1990s, agricultural policy measures are stated to have exerted considerable influence on the direction of farm size patterns in the BMW case study region.

Institutional change within the framework of EU accession has been substantial in all three regions studied, the regional and national framework conditions widely differing between the

cases. As some authors underline, adequate structures and institutions are a precondition to successfully acquiring EU funds (Hubbard and Gorton 2009; Möllers et al. 2011). For instance, Bulgaria's accession to the EU in 2007 induced significant change in agricultural practices. At this, the introduction of the **Single Area Payment Scheme (SAPS)** had considerable impact, leading to decreasing farm numbers and increasing average size, as the scheme tailored to large-scale intensive farms (meaning that support was difficult to obtain by the farm types typical of the study region).

For the **diversification of farm holdings** into non-agricultural areas, industries or services that link non-agricultural economic development with the creation of additional or alternative non-agricultural employment in rural areas are important, and thus should be fostered. Direct payments have been essential to maintain many agricultural holdings, and particularly family farms in Europe, but they have also contributed substantially to the benefits of larger-scale agricultural enterprises. Following the need to compete on markets, to meet EU production standards and quality requirements, agricultural investment schemes have added to the trend of increasing indebtedness of agricultural holdings. Farm succession as another major issue in at least some European countries could not be sufficiently addressed by policy measures; it appears that besides financial aspects also issues of quality of life and social esteem of farming have to be addressed.

Increasing importance of rural migration / increasing role of tourism and recreation

The Rural Development Programmes of Ireland in the periods 2000-2006 and 2007-2013 have been stated to overall contribute to the objective of counteracting outmigration from rural to urban areas, e.g. in terms of maintaining farms and rural communities which would otherwise not have been viable. At this, a relation to the rural tourism sector becomes apparent. The Irish Operational Programme for Agriculture, Rural Development and Forestry 1994-1999 had included an **Agri-Tourism Scheme**, which was expanded to cover rural inhabitants as providers of tourism offers, and old farm buildings for related purposes in 1995. Relating to the Spanish case study region, particularly in the 2000-2006 funding period, **LEADER+** and **PRODER-A** contributed to significantly realizing potentials in the tourism sector. Also in the Bulgarian case study region, EU policies proved relevant for tourism offers in the ecological and cultural fields. At this, EU policies are complemented by counterparts at lower levels, e.g. a Municipal Strategy for Sustainable Tourism Development in the Bulgarian case study region.

Increasing importance/multiplicity of rural-urban linkages

Also rural-urban connections (for example in form of functional relations between producers and consumers as a result of increasing demand for high-quality agricultural products) are necessary to convey the beneficial developments taking place in urban areas to rural areas.

The BMW region being eligible for 'Phasing-in' support under the **EU Regional Policy** during the 2007-2013 funding period, the Regional OP's most relevant element regarding rural-urban linkages appears to be **Priority 2 (Environment and Risk Prevention)**. It aimed at a sustainable development of urban and rural areas, and the protection and enhancement of the urban and rural environment. Local urban and rural development had already been in focus during earlier funding periods. In the Spanish case study region, regional-level policy and the structural funds played an important role especially between 2000 and 2008, where they helped reduce remoteness by improving rural-urban connections, e.g. through telecommunications and transport infrastructure.

Integrated rural development and local participation

The **LEADER** programme constitutes a scheme that has proved a successful instrument for fostering rural development for all three case study regions. 'Mainstreaming' into EAFRD RDPs went along with concerns that the approach's original characteristics, i.e. LAGs' room for manoeuvre and local decision-making, might be diluted. Ireland due to its countrywide LEADER implementation constitutes a special case, the LEADER network looking back at substantial experience in integrated, bottom-up rural development practice. Furthermore, LEADER groups are among the actors in charge of managing the **Rural Social Scheme (RSS)** at the local level, providing income support for the agricultural and fisheries sectors. They had also been involved in the **Area Based Rural Development Initiative** under the BMW region's OP 2000-2006 in the context of **Regional Policy**. In Spain, LEADER introduction in 1991 represented the first rural development policy approach. It is stated to have considerably contributed to strengthening the regional level, and to have – together with further CAP and regional-level policy measures – vitally supported rural transformation in positive ways in beneficiary regions. At the level of the Spanish case study region, LEADER together with **PRODER**, has facilitated – amongst others – political participation, fostered economic decision-making capacities of local actors, and furthered the acknowledgement of territorial approaches. Likewise, for the Bulgarian case study region LEADER's importance for community development and stakeholder involvement is highlighted. This is in line with the recommendation voiced by various authors to foster regional-level capacity building, a delegation of responsibilities to the regional level, and stronger involvement of local- and regional-level communities (Hubbard and Gorton 2009; Möllers et al. 2011).

Integrated Rural Development approaches like LEADER are a good example addressing the complexity of rural transformation at a locally embedded territorial level as could be learned from the positive example of BMW in Ireland. Also the Bulgarian case illustrates the potentials of LEADER to develop local capacities and strategies in still deficient areas. As Gehrlein et al. (2011), conclude, a key factor for successful integrated development is to build on the endogenous potentials and opportunities of a region. However, local strategies need to focus on those areas where there is a local ability and competency to act, and to leave other areas to national interventions (e.g. in the area of health and education). Institutional capacities at the local (and the administrative level) need to be sufficient to match the decision-making power granted by local development approaches. Finally, people with their individual qualifications and status are the key factor for successful implementation of these approaches on regional and local level and to assist local level actors.

6.2. Policy gaps and limitations in addressing negative effects of rural transformation

Due to its close relation to an agrarian model of rural development and associated narrow sectoral focus, various authors consider the **CAP** to be currently unsuited for promoting a more integrated rural and territorial development (e.g. Buchenrieder and Möllers 2009; Margarian 2013). Against the background of this criticism, the mainstreaming of the **LEADER** programme through integration in the Member States' EAFRD RDPs – as of the 2007-2013 period – is considered to contribute to a more integrated rural development. (Hubbard and Ward 2008) While the approach is widely regarded as being based on an endogenous rural development model, an adequate arrangement of local as well as external resources is seen as a success factor (Buchenrieder and Möllers 2009).

There is less pronounced criticism of **Regional Policy** being voiced, however, some authors point out that there is no clear consensus among researchers as to the achievement of the regional convergence objective. Neither can the existing degree of convergence among European regions be clearly attributed to the policy. On the other hand, favourable perspectives with regard to the single market are stated to prevail.

The effectiveness of **Regional Policy** with regard to rural transformation also needs to be seen through the lens of rural development being only a partial field addressed. Under the **ERDF**, for instance, regional development funds address regional and local development, and rural-urban cooperation. The **EAGGF's guidance** section – including among its objectives the development of rural areas – had provided support for rural development measures in '**Objective 1**' regions and within LEADER+. In the course of reform of the structural funds (**ESF, ERDF, EAGGF guidance** section) in 1988, priority **Objective 5** was introduced, aimed at accelerating the adjustment of agricultural structures and facilitating the development of rural areas. Furthermore, **LEADER** was introduced as a novel approach to rural development.

Overall, as a result of the three case studies, there is a need for better **coordination and complementarity** between the various policies. For instance, this refers to policies financed by structural funds which are regarded not to allow for an adequate harmonization between national- and regional-level planning.

From a cross-national comparative analysis of transformation in the agricultural sector and rural transformation, Hubbard and Gorton draw the broader conclusion that due to interplay of diverse dynamics (instead of a single influencing factor), no general model for managing agricultural and rural transformation can be proposed. At this, a combination of region-internal and -external factors is in effect. Accordingly, neither an endogenous nor an exogenous regional development theory proves fully appropriate. (Hubbard and Gorton 2009)

The European policy framework is an example of a highly complex governance system that has proven effective under the condition that strategic orientation, coordination and implementation mechanisms are well functioning. The recent major land use changes towards production of biomass – widely declared as a chief opportunity for agriculture and rural areas – is a negative example of the potential effects of policies which have not been sufficiently assessed ex ante regarding their potential impacts and which lack sufficient coordination with other policies.

7. Summary

This study was conducted for the sector project 'Rural Development' which on behalf of the German Ministry for Economic Cooperation and Development (BMZ) aims at ameliorating concepts and instruments of the German development cooperation regarding poverty reduction, promotion of sustainable development in rural areas. The objective of the study is to illuminate agricultural and rural transformation, identifying selected approaches and concepts. Exogenous and endogenous factors and their interplay in change processes, the effects and policy responses will be illustrated on the basis of three sample regions in Europe.

It provides an overview of the definitions used in the context of rural and agricultural transformation and a brief overview of theoretical and analytical approaches (Chapter 2). It concludes that the mere application of the neo-classical economics model of analysis is not sufficient to capture the complexity of change processes. Other explanatory models are overlapping and not mutually exclusive; and together they provide an explanation of the complex mechanisms of rural transformation. The chapter also introduces the EU and OECD classifications of rural areas, and illustrates the diversity of rural areas in Europe.

In absence of a widely acknowledged definition and the lack of a comprehensive analytical framework for rural transformation, this study understands rural transformation as a continuous and complex process driven by exogenous and multiple and interrelated endogenous factors leading to major changes to the functions of the rural regime (Chapter 3). In Europe major exogenous factors are globalization combined with economic growth, demographic change, and political transformation processes. To illustrate the different rural and agricultural transformations in Europe and to describe the mutually influencing endogenous factors, six typical pathways are described:

- (1) The **shifting structure of economic activities** shows that although the share of GVA of the primary sector of the GDP has continuously decreased, the agricultural sector still plays an important role, especially in predominantly rural areas. Gains of the tertiary sector are mainly explained by losses in the secondary sector.
- (2) The **increasing polarization of agricultural structures** results in a duality in the farm sector particularly in the CEE countries, where on the one hand farmers are strategically increasing sizes focussing on technology-based, competition-oriented and high labour productivity of farms (termed para-productivist); on the other hand small-scale farms are showing diversification patterns, at times providing several activities and functions such as high levels of off-farm employment and reliance on subsidies and welfare payments, (referred to as peri-productivist).
- (3) The **increasing importance of rural migration** illustrates patterns of counter-urbanization dominant in more accessible areas with both positive and negative effects, but also a continuing rural exodus in less accessible or economically weak rural areas. International migration from CEE countries to EU-15 countries is a further aspect covered under this theme.
- (4) An **increasing importance/multiplicity of rural-urban linkages** is shaping rural areas as economic linkages in form of labour and consumption patterns are intensifying. Commuting strengthens these linkages; it has been facilitated by transport improvements and economic benefits. Changes in provision of services in rural areas can either be an

- effect or a cause of broader change processes; their access and provision not only influences the economic dimension, but, inevitably the social dimension.
- (5) A **changing role and function of land** is evident in setting policy objectives and in the resulting changes in land use towards multifunctional agriculture, sustainable and organic products, but also towards renewable energies leading to competing interests in food provision and biomass production. The share of what is called ‘consumption countryside’ is increasing, describing the move towards multifunctional agriculture, the provision of countryside public goods and diversification into activities such as food processing, recreation and tourism. Simultaneously, however, land abandonment in less-favoured areas is occurring.
 - (6) A substantial proportion of the shift from primary to tertiary sector in terms of GVA can be attributed to an **increasing role of tourism and recreation**, particularly in Southern European Countries. Its growth has been constant in recent years. The development of rural tourism is depending on several factors such as infrastructure, cultural capital and heritage. However, the experience of authentic rural landscapes as a growing trend is increasingly difficult to preserve under the influences of counter-urbanization, modernization in agriculture and standardization as a result of globalization.

The response of the two most relevant European policy fields – the Common Agricultural Policy (CAP) and Regional (or Cohesion) Policy to the above-named processes can partly be traced back across several decades. Along with several reforms of both policies, the instruments and measures have changed, some of which are presented exemplarily in Chapter 4. Both the CAP and Regional Policy are especially relevant with regard to rural transformation as well as to change in the agricultural sector, and constitute the two EU policy fields with the highest budget shares (e.g. in the 2007-2013 funding period, the related budget items (1b/cohesion: Regional Policy, 2/natural resources: CAP) accounted for 670,050 million Euro, almost 80% of the total EU budget). The focus of the CAP on structures, markets and allocation has remained since its establishment in 1957; with changing emphasis on individual objectives. Recently, the policy’s scope has widened towards a more integrated rural development support as of the funding period 2007-2013. The overall objectives of Regional Policy centre on ensuring economic and social cohesion, and are mainly implemented through the structural funds of the European Regional Development Fund (ERDF, since 1975), European Social Fund (ESF, since 1957), as well as the Cohesion Fund (CF, since 1994). Territorial enlargements have played an important role regarding Regional Policy changes, allowing for new Member States’ specific conditions.

Three regional case studies are developed to elaborate typical rural transformation processes, policy responses and effects: the Panagyurishte-Velingrad region in Bulgaria, the Córdoba province of Spain, and the Border Midland and Western (BMW) region of Ireland (Chapter 5). The Irish case illustrates changes to the agricultural sector and rural areas in an economy which has experienced a radical shift from a largely primary-sector-based to a tertiary-sector-based economy. Córdoba is an example of a region with agricultural specialization into olive oil production alongside diversification of the rural economy resulting, amongst other things, in counter-urbanization. The Bulgarian case represents transformation resulting from a recent transition to the market economy and the country’s accession to the EU. It describes some positive outcomes in the development of the tourism sector but also still deficient availability of services of general interest, and difficult situations particularly for small and subsistence farmers.

In order to draw conclusions on successful policy instruments and their effects on the dimensions of rural transformation (Chapter 6), 'success' needs to be contextualised according to national and regional conditions. Regarding the individual processes of rural transformation described in Chapter 3, the shifting structure of economic activities (1) constitutes an overarching process. For the increasing polarization of agricultural structures (2) as well as the changing role and function of land (5), CAP payments are of high relevance for safeguarding viable farming and rural areas, e.g. through supporting diversification into rural tourism. There is also a relation to changes in farm structures (including size) and farm numbers, e.g. an increase in olive farms and average farm size in the Spanish case study region, or a decreasing farm number and increasing average size in Bulgaria. While the concrete impact of specific measures cannot be clearly identified due to other influencing factors, it can be stated that institutional change going along with EU accession has been a substantial factor in all three case study regions presented in Chapter 5 (for instance, in the Spanish case study after EU accession the Leader initiative is stated to have favourably contributed to the decentralization of responsibilities in the fields of agriculture and rural development). For the processes of increasing importance of rural migration (3) and the increasing role of tourism and recreation (6), the LEADER programme – a territorial RD approach anchored in local actors' participation – has proved to be beneficial by enhancing tourism infrastructure and thus contributing to the objective of counteracting rural outmigration; LEADER is assessed as a successful instrument for fostering integrated rural development in all three case study regions (Chapter 5). Regarding the increasing importance/multiplicity of rural-urban linkages (4), Regional Policy has e.g. led to a reduction of remoteness by improving rural-urban connections (e.g. through telecommunications and transport infrastructure).

As a broad conclusion on rural transformation, it can be stated that there is an interplay of diverse dynamics, and a combination of region-internal and -external influencing factors in effect. Accordingly, it is not possible to propose a universally valid model of managing agricultural and rural transformation. Policy gaps in addressing negative effects of rural transformation (such as closing-down of family farms or rural outmigration) relate to criticism directed at the CAP, namely that it neglects a more integrated rural/territorial development in favour of a narrow sectoral focus. Against this background, approaches such as LEADER – contributing to a integrated rural development instead of focusing on an individual sector – appear all the more relevant. Although RD and agriculture are not largely in Regional Policy's focus, they are covered by specific priority fields. The policy's effectiveness and efficiency in terms of reducing regional disparities remain disputed: there is no clear consensus among researchers in how far the objective of regional convergence has been reached, nor to which degree this is the effect of the policy; the single market, however, is assessed mostly positive. As an overall conclusion, there is a need for improved coordination between various thematic policy fields and policy levels in order to ensure they are well harmonized and do not obstruct one another's success.

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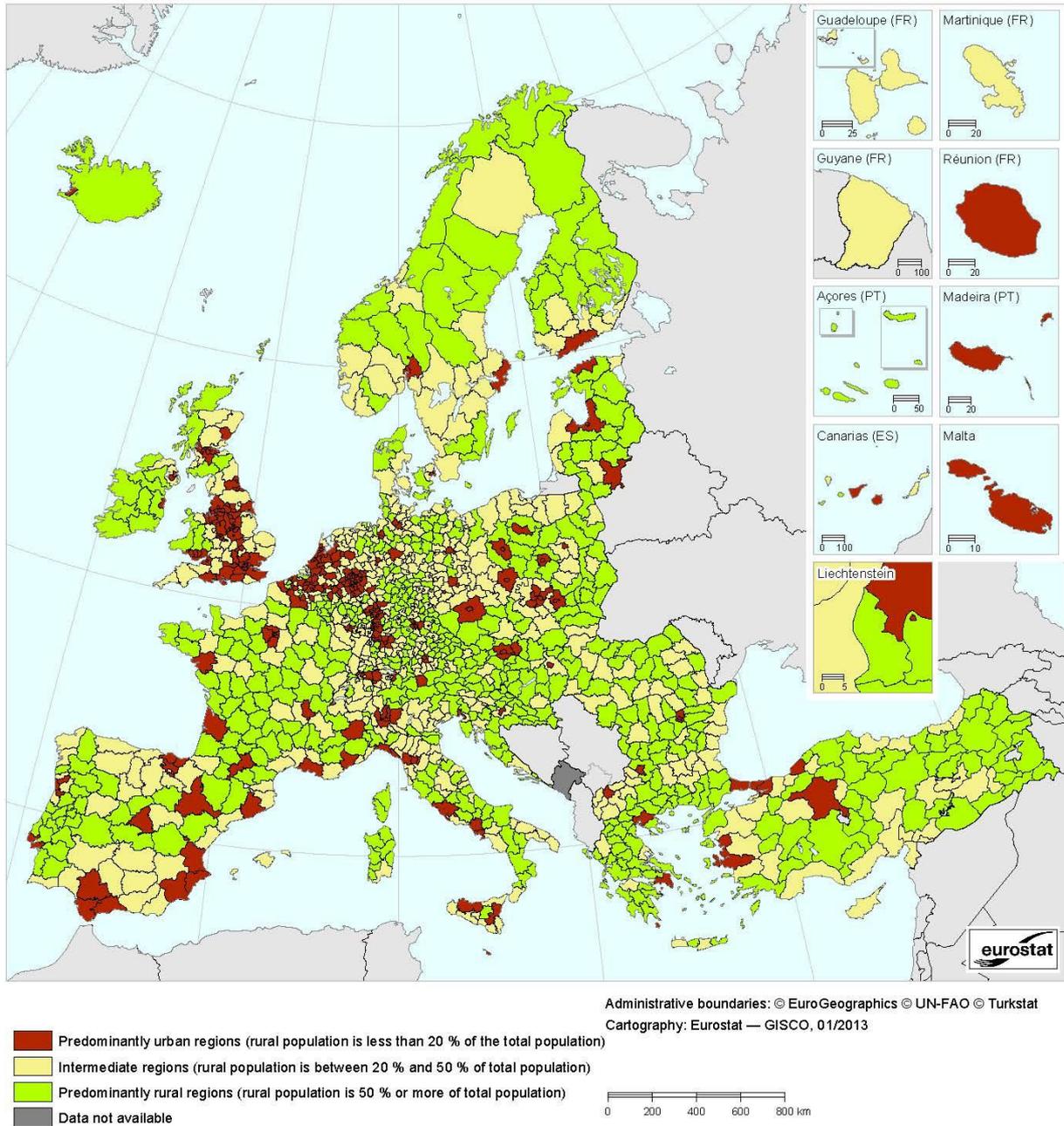
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Annex

Urban-rural typology for NUTS level 3 regions (*)



(*) Based on population grid from 2006 and NUTS 2010.

Source: Eurostat, JRC, EFGS, REGIO-GIS

Figure 10 Urban-rural typology for NUTS level 3 regions

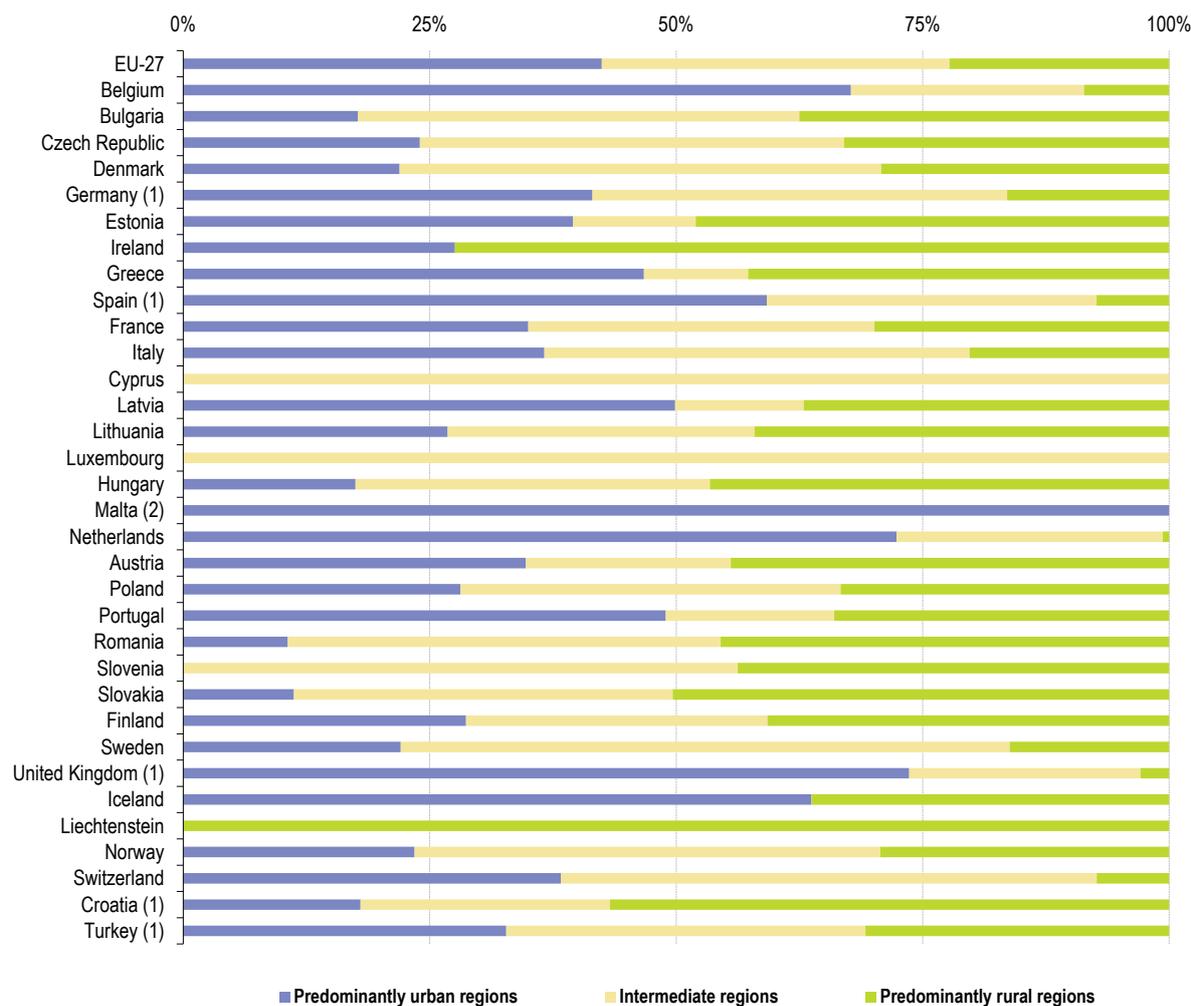


Figure 11 Population structure by rural-urban typology 2012 (Source: Eurostat statistical yearbook 2014)

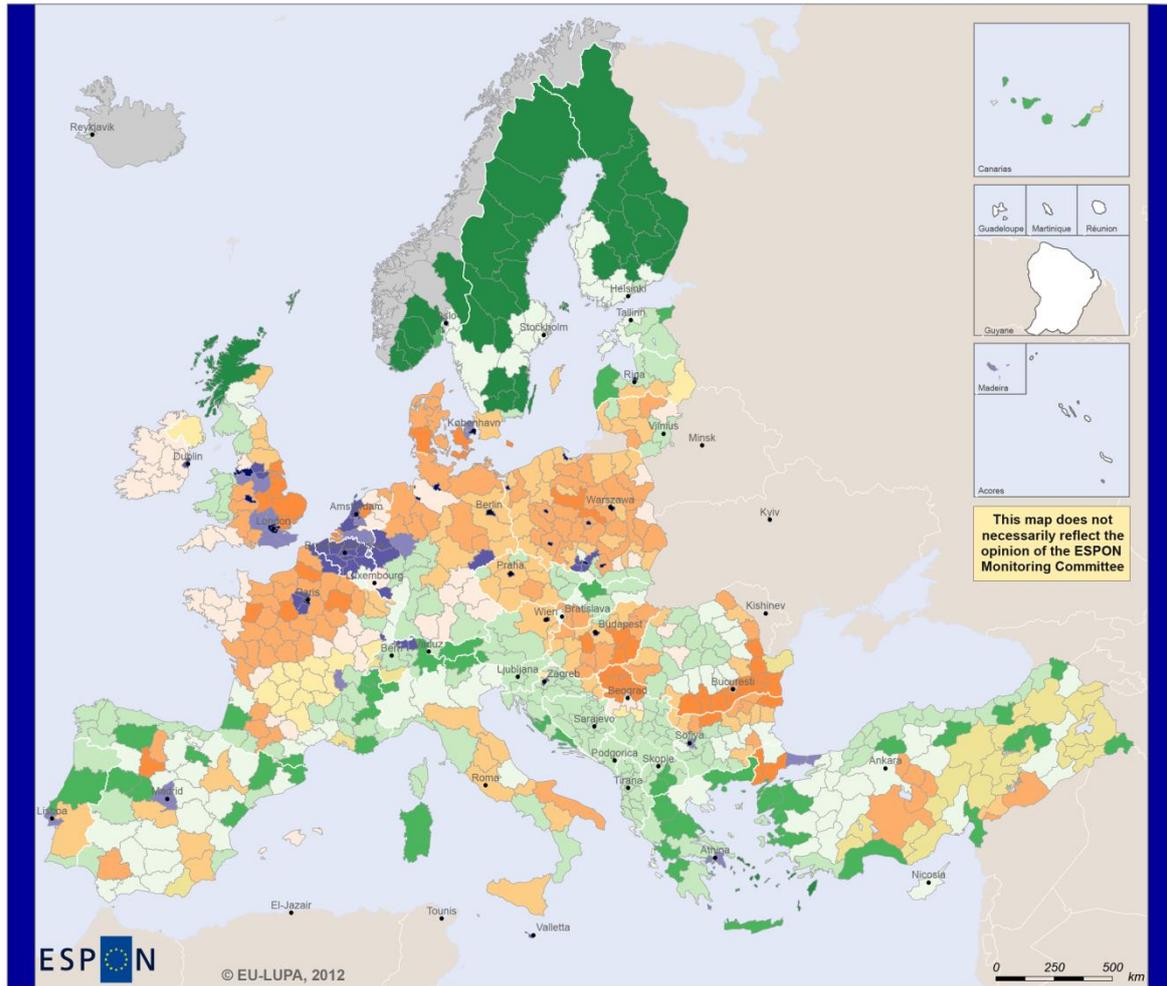
Table 8 Gross value added in rural regions, 2010 (% share of total value added) – (Source: Eurostat statistical yearbook 2014)

| | Agriculture, forestry and fisheries | Industry | Construction | Services | Rural region with the highest share of value added in agriculture, forestry and fisheries | Rural region with the highest share of value added in services |
|-----------|-------------------------------------|----------|--------------|----------|---|--|
| EU-27 (¹) | 4.4 | 23.8 | 7.1 | 64.7 | Silistra (BG325) | Evrytania (EL243) |
| BE | 3.2 | 16.7 | 8.2 | 71.9 | Arr. Diksmuide (BE252) | Arr. Philippeville (BE353) |
| BG | 11.2 | 31.1 | 5.7 | 52.0 | Silistra (BG325) | Vidin (BG311) |
| CZ | 2.8 | 36.3 | 8.1 | 52.8 | Kraj Vysočina (CZ063) | Olomoucký kraj (CZ071) |
| DK | 3.2 | 17.6 | 6.2 | 73.1 | Vestjylland (DK041) | Bornholm (DK014) |
| DE | 2.4 | 28.6 | 6.6 | 62.4 | Rügen (DE80H) | Suhl, Kreisfreie Stadt (DEG04) |
| EE | 8.2 | 24.3 | 7.3 | 60.2 | Kesk-Eesti (EE006) | Lõuna-Eesti (EE008) |
| IE | 2.4 | 32.6 | 2.3 | 62.6 | South-East (IE024) | Midland (IE012) |
| EL | 7.4 | 17.4 | 4.6 | 70.6 | Pella (EL124) | Evrytania (EL243) |
| ES | 7.1 | 16.6 | 14.0 | 62.2 | Cuenca (ES423) | La Gomera (ES706) |
| FR | 4.2 | 16.5 | 7.3 | 72.0 | Lozère (FR814) | Corse-du-Sud (FR831) |
| HR | 9.1 | 23.8 | 7.7 | 59.4 | Virovitičko-podravka županija (HR048) | Zadarska županija (HR033) |
| IT | - | - | - | - | - | - |
| CY | - | - | - | - | - | - |
| LV | 11.0 | 23.6 | 5.5 | 59.8 | Zemgale (LV009) | Latgale (LV005) |
| LT | 7.1 | 28.6 | 7.0 | 57.3 | Marijampolės apskritis (LT004) | Tauragės apskritis (LT007) |
| LU | - | - | - | - | - | - |
| HU | 6.5 | 34.4 | 4.9 | 54.2 | Békés (HU332) | Somogy (HU232) |
| MT | - | - | - | - | - | - |
| NL | 3.1 | 46.2 | 5.5 | 45.2 | Zeeuwsch-Vlaanderen (NL341) | Zeeuwsch-Vlaanderen (NL341) |
| AT | 3.3 | 27.1 | 8.7 | 60.9 | Weinviertel (AT125) | Tiroler Oberland (AT334) |
| PL | 8.5 | 26.9 | 8.3 | 56.3 | Ostrołęcko-siedlecki (PL122) | Przemyski (PL324) |
| PT | 5.6 | 21.1 | 6.5 | 66.8 | Baixo Alentejo (PT184) | Região Autónoma dos Açores (PT200) |
| RO | 11.0 | 34.1 | 8.3 | 46.5 | Ialomița (RO315) | Călărași (RO312) |
| SI | 4.1 | 29.3 | 7.2 | 59.4 | Notranjsko-kraška (SI018) | Podravska (SI012) |
| SK | 4.7 | 31.3 | 9.5 | 54.5 | Banskobystrický kraj (SK032) | Banskobystrický kraj (SK032) |
| FI | 5.6 | 24.2 | 7.4 | 62.8 | Etelä-Savo (FI1D1) | Åland (FI200) |
| SE | 4.5 | 26.9 | 5.3 | 63.3 | Jämtlands län (SE322) | Götlands län (SE214) |
| UK | 3.1 | 18.5 | 8.9 | 69.5 | Herefordshire, County of (UKG11) | Eilean Siar (Western Isles) (UKM64) |
| NO | 4.0 | 16.6 | 7.2 | 54.6 | Finmark (NO073) | Troms (NO072) |

(¹) Excluding Italy.

Source: Eurostat (online data code: nama_r_e3vab95r2)

Characteristics of land use, 1990-2006



Canarias

Guadeloupe Martinique Réunion

Guyane

Madeira Açores

This map does not necessarily reflect the opinion of the ESPON Monitoring Committee

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Regional level: NUTS 2/3
Source: Nordregio, 2012
Origin of data: EEA, 2011
© EuroGeographics Association for administrative boundaries

Regional land use types

- Urban cores and metropolitan areas
- Suburban areas
- Suburban or peri-urban areas
- Arable land in peri-urban and rural areas
- Arable land and pastures in predominantly rural areas
- Rural arable land with permanent crops and some forest
- Rural mix dominated by pastures with some arable land
- Rural pastures and complex cultivation patterns
- Diverse land use in rural areas
- Diverse rural forest coverage*
- Arid mixed forest
- Rural forest
- Sparse vegetation with some forest and pasture
- Sparsely vegetated areas
- No data

* With dispersed areas of permanent crops, pastures and arable land

Figure 12 EU-LUPA Typology of land use (EU-LUPA 2012) Characteristic of land use

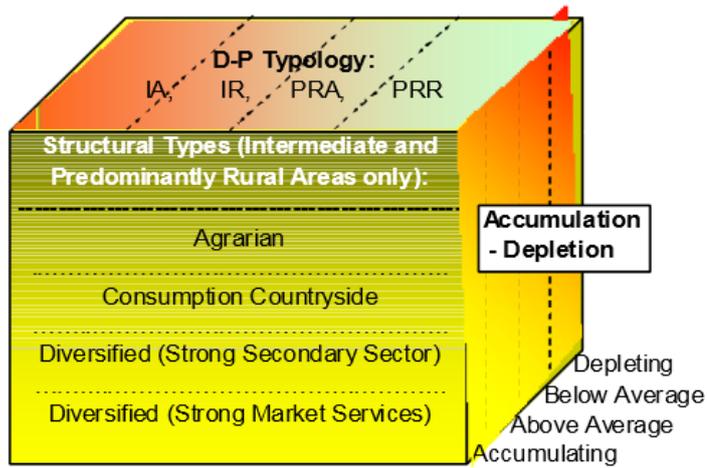


Figure 3: The EDORA Cube – a 3 dimensional framework for analysis

Note: IA = Intermediate Accessible, IR = Intermediate Remote
 PRA= Predominantly Rural Accessible PRR = Predominantly Rural Remote

Figure 13 The EDORA Cube (Source: Copus 2011a)

Dijkstra-Poelman Urban-Rural Typology 2011

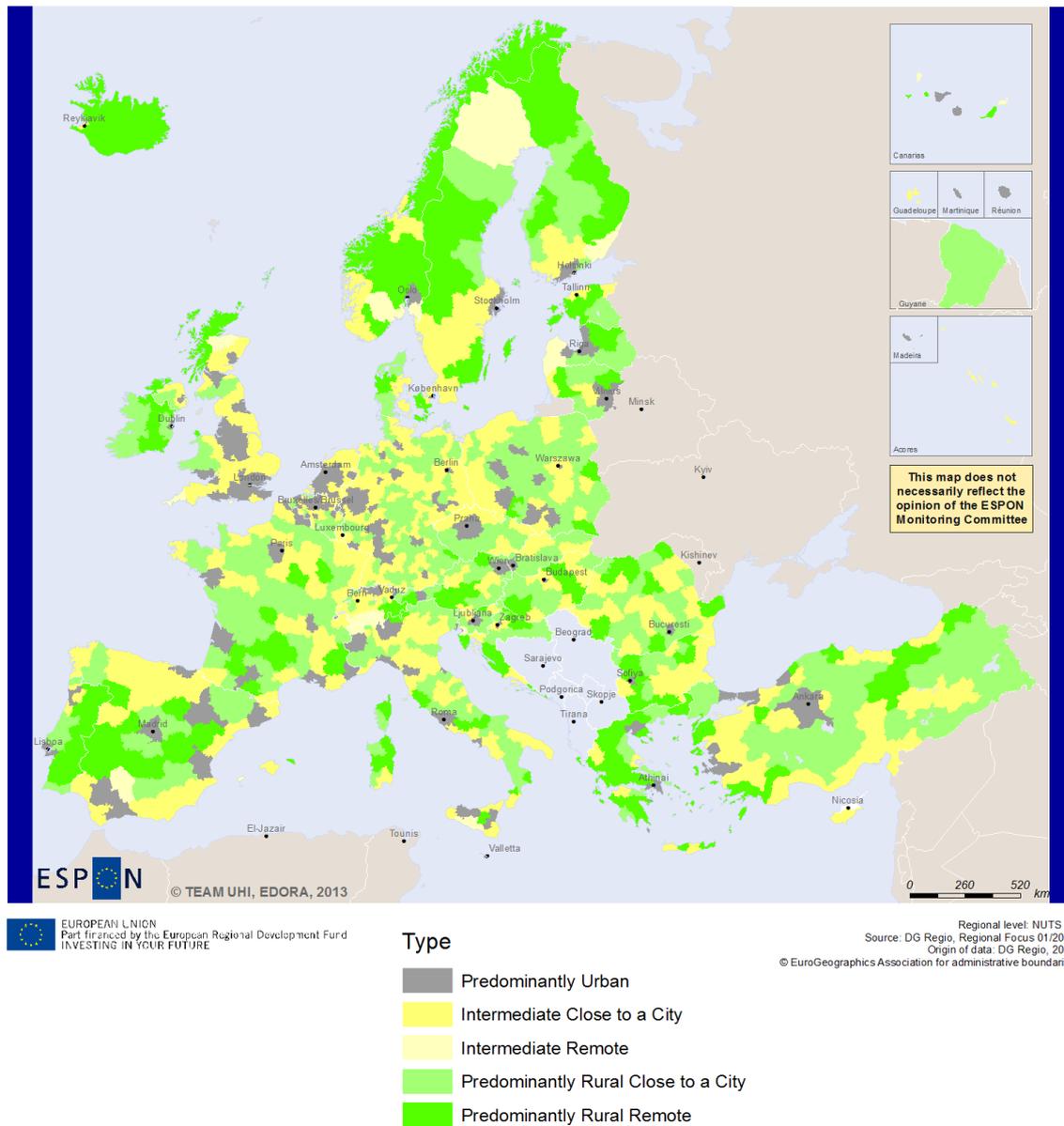


Figure 14 Map of the EDORA Rurality/accessibility' (D-P)-typology (Source: Copus 2011a)

The structural typology of rural regions

Structural types (Intermediate and predominantly rural regions), 1990–2006

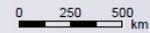
- agrarian
- consumption countryside
- secondary sector
- private services sector
- predominantly urban
- no data

Regional level: NUTS 3 (2006)
 Source: ESPON database, 2014
 Origin of data:
 ESPON EDORA, 2010
 © UMS RIATE or administrative boundaries

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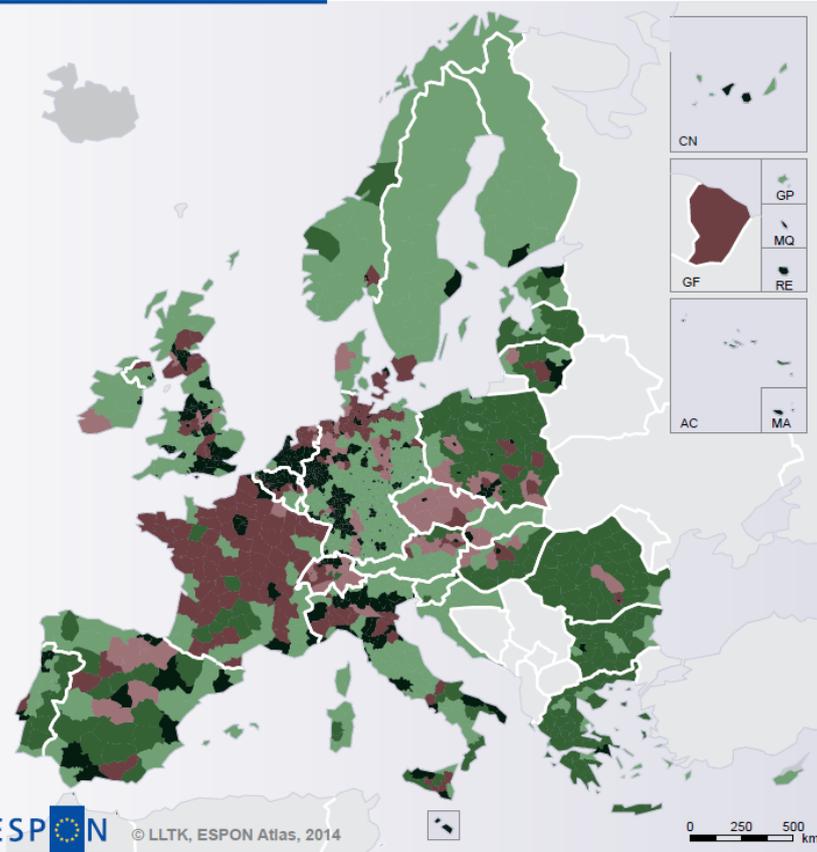


Figure 15 Map of EDORA Structural typology (Source (Schmidt-Seiwert 2014 // 2014)

EDORA Performance Typology 2013

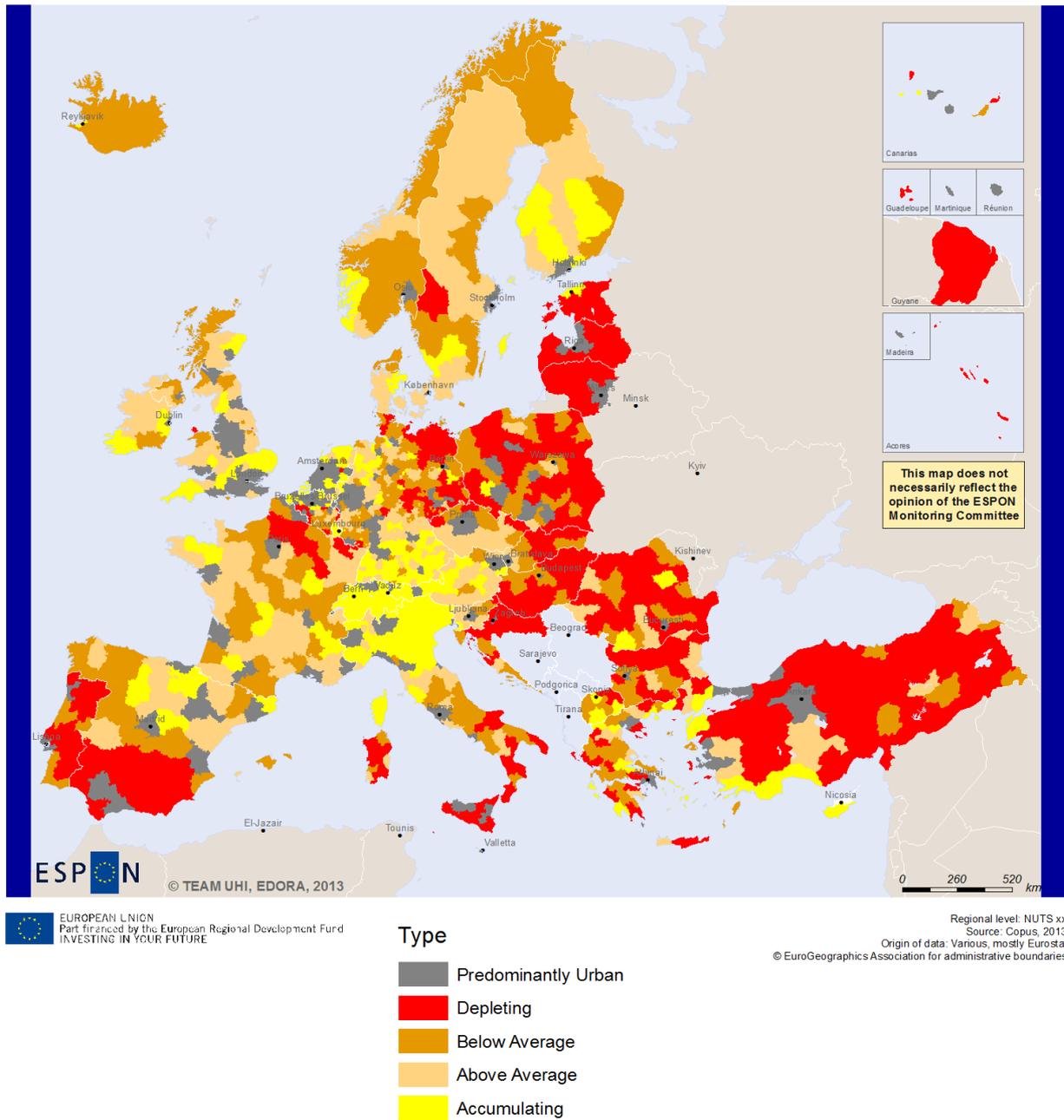
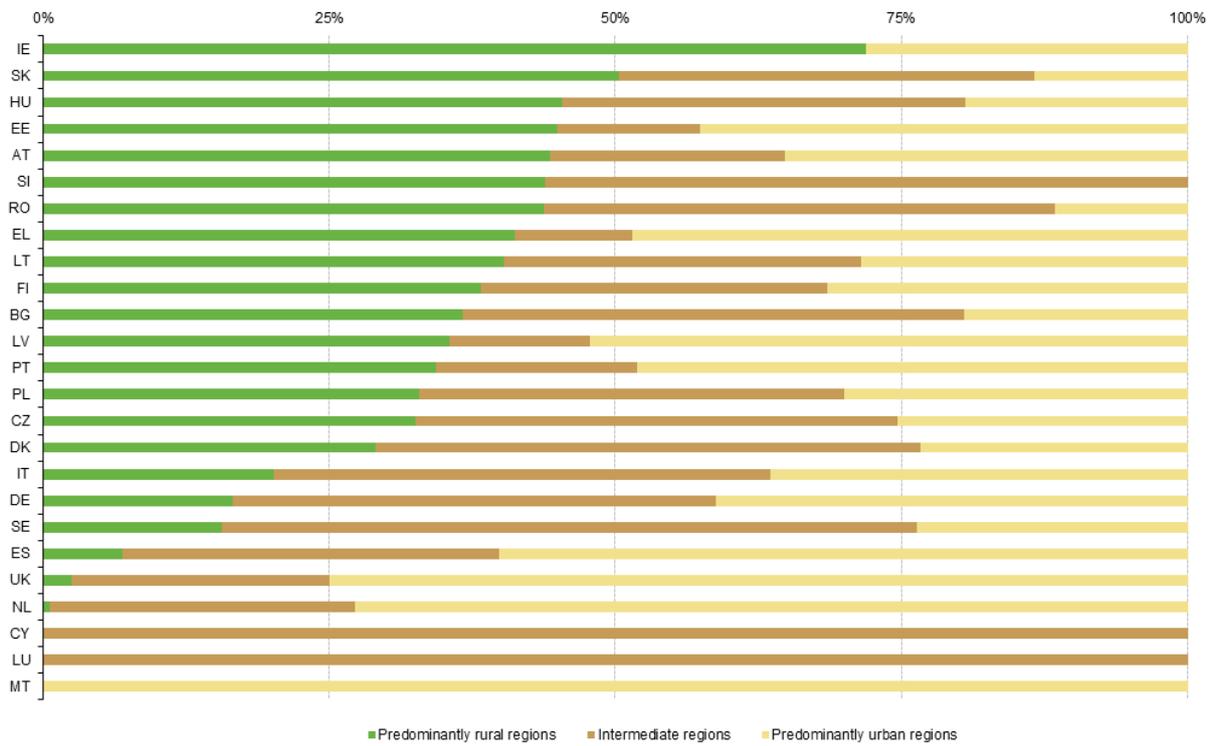


Figure 16 Map of the EDORA Performance typology 2013 (Source: Copus 2011a)



(*) Belgium, France and Croatia, not available; Germany, 2010.
 Source: Eurostat (online data codes: urt_lfp3pop and lfst_r_lfp3pop)

Figure 17 Economically active population, persons age 25 and over by urban-rural typology, 2011 (Source: Eurostat statistical yearbook 2014)

Expenditure by Member State in 2013 (million EUR)

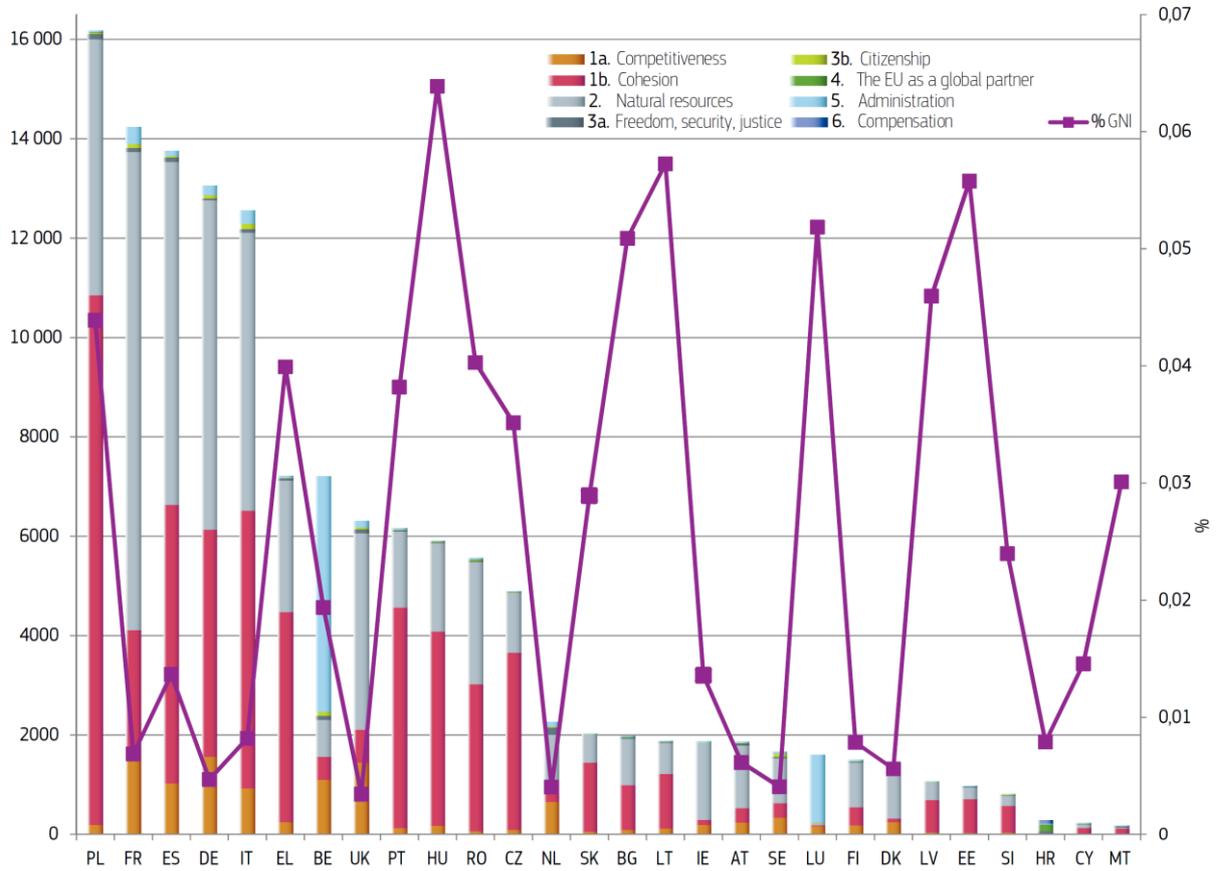


Figure 18 Expenditures by headings and Member States (2013) (Source: European Commission 2014a)

Table 9 Value added of the agricultural, industry and Services etc. sectors in % of GDP for selected European countries and selected years 1970 to 2013 (Source: Eurostat)

| Country Name | sector value added in % of GDP | 1970 | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2011 | 2012 | 2013 |
|-----------------|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Bulgaria | Agriculture | | | 14.61 | 11.92 | 17.03 | 14.70 | 12.36 | 8.69 | 5.10 | 5.44 | 5.44 | 5.47 |
| | Industry | | | 54.49 | 62.82 | 49.20 | 28.37 | 25.36 | 28.80 | 27.78 | 30.01 | 30.09 | 27.94 |
| | Services etc. | | | 30.90 | 25.25 | 33.78 | 56.94 | 62.28 | 62.52 | 67.12 | 64.56 | 64.47 | 66.60 |
| Denmark | Agriculture | | | | | 3.78 | 3.29 | 2.50 | 1.35 | 1.40 | 1.53 | 1.79 | 1.36 |
| | Industry | | | | | 26.13 | 25.52 | 27.46 | 26.20 | 22.77 | 23.36 | 23.11 | 22.85 |
| | Services etc. | | | | | 70.09 | 71.19 | 70.05 | 72.45 | 75.82 | 75.10 | 75.10 | 75.78 |
| Finland | Agriculture | | 10.77 | 9.59 | 7.80 | 6.21 | 4.33 | 3.38 | 2.61 | 2.73 | 2.73 | 2.64 | 2.68 |
| | Industry | | 38.99 | 38.06 | 35.07 | 33.61 | 33.65 | 36.16 | 33.54 | 29.97 | 28.89 | 27.15 | 26.87 |
| | Services etc. | | 50.25 | 52.35 | 57.13 | 60.19 | 62.01 | 60.46 | 63.85 | 67.30 | 68.38 | 70.21 | 70.45 |
| France | Agriculture | 7.52 | 5.40 | 4.06 | 3.76 | 3.50 | 2.73 | 2.34 | 1.87 | 1.78 | 1.84 | 1.85 | 1.69 |
| | Industry | 32.54 | 31.68 | 30.70 | 28.38 | 26.91 | 24.52 | 23.34 | 21.51 | 19.60 | 19.83 | 19.95 | 19.82 |
| | Services etc. | 59.94 | 62.91 | 65.24 | 67.86 | 69.59 | 72.75 | 74.32 | 76.62 | 78.62 | 78.33 | 78.19 | 78.49 |
| Germany | Agriculture | | | | | | 1.07 | 1.08 | 0.78 | 0.74 | 0.81 | 0.87 | 0.86 |
| | Industry | | | | | | 32.73 | 30.76 | 29.26 | 30.00 | 30.46 | 30.68 | 30.71 |
| | Services etc. | | | | | | 66.20 | 68.16 | 69.96 | 69.26 | 68.74 | 68.44 | 68.43 |
| Ireland | Agriculture | | | | | | 6.42 | 3.01 | 1.34 | 1.27 | 1.55 | 1.50 | 1.56 |
| | Industry | | | | | | 31.90 | 35.36 | 33.00 | 26.37 | 27.51 | 27.02 | 24.10 |
| | Services etc. | | | | | | 61.68 | 61.63 | 65.67 | 72.36 | 70.94 | 71.48 | 74.34 |
| Italy | Agriculture | | | | | 3.46 | 3.28 | 2.85 | 2.25 | 1.97 | 2.10 | 2.18 | 2.31 |
| | Industry | | | | | 30.63 | 29.10 | 27.13 | 25.82 | 24.35 | 24.19 | 23.59 | 23.27 |
| | Services etc. | | | | | 65.90 | 67.63 | 70.02 | 71.94 | 73.68 | 73.72 | 74.22 | 74.42 |
| Latvia | Agriculture | | | 11.85 | 21.63 | 21.90 | 9.08 | 4.60 | 3.97 | 4.14 | | | |
| | Industry | | | 50.92 | 43.19 | 46.15 | 30.35 | 23.57 | 21.58 | 21.81 | | | |
| | Services etc. | | | 37.23 | 35.18 | 31.95 | 60.57 | 71.83 | 74.46 | 74.05 | | | |

continued

| Country Name | sector value added in % of GDP | 1970 | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2011 | 2012 | 2013 |
|------------------------|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Netherlands | Agriculture | 5.55 | 4.65 | 3.70 | 4.05 | 4.31 | 3.39 | 2.49 | 2.03 | 1.91 | 1.67 | 1.78 | 1.97 |
| | Industry | 37.01 | 34.15 | 32.68 | 32.90 | 28.94 | 26.94 | 25.36 | 23.62 | 22.14 | 22.39 | 22.30 | 22.16 |
| | Services etc. | 57.44 | 61.21 | 63.62 | 63.05 | 66.75 | 69.67 | 72.15 | 74.36 | 75.96 | 75.94 | 75.92 | 75.88 |
| Poland | Agriculture | | | | | | 5.29 | 3.30 | 3.31 | 2.96 | 3.26 | 3.21 | 3.30 |
| | Industry | | | | | | 37.41 | 32.81 | 32.08 | 32.95 | 33.73 | 32.85 | 33.25 |
| | Services etc. | | | | | | 57.30 | 63.89 | 64.61 | 64.09 | 63.00 | 63.93 | 63.45 |
| Slovak Republic | Agriculture | | | | | | 5.63 | 4.42 | 3.57 | 2.82 | 3.40 | 3.56 | 4.04 |
| | Industry | | | | | | 36.82 | 36.07 | 36.14 | 35.49 | 35.67 | 35.29 | 33.23 |
| | Services etc. | | | | | | 57.54 | 59.51 | 60.30 | 61.68 | 60.93 | 61.15 | 62.73 |
| Slovenia | Agriculture | | | | | | 4.29 | 3.31 | 2.60 | 1.98 | 2.29 | 2.20 | 2.14 |
| | Industry | | | | | | 34.70 | 35.01 | 34.08 | 30.61 | 30.91 | 31.69 | 32.02 |
| | Services etc. | | | | | | 61.01 | 61.68 | 63.32 | 67.41 | 66.81 | 66.11 | 65.85 |
| Spain | Agriculture | | | | | | 4.21 | 4.12 | 3.03 | 2.55 | 2.46 | 2.44 | 2.77 |
| | Industry | | | | | | 30.67 | 30.74 | 30.43 | 26.01 | 24.93 | 23.52 | 23.34 |
| | Services etc. | | | | | | 65.12 | 65.14 | 66.54 | 71.44 | 72.61 | 74.04 | 73.89 |
| United Kingdom | Agriculture | | | | | 1.44 | 1.50 | 0.88 | 0.62 | 0.68 | 0.64 | 0.68 | 0.65 |
| | Industry | | | | | 31.41 | 29.89 | 26.94 | 23.04 | 20.65 | 20.97 | 20.46 | 20.19 |
| | Services etc. | | | | | 67.15 | 68.61 | 72.18 | 76.33 | 78.68 | 78.39 | 78.87 | 79.16 |

Table 10 Types and sub-types of urban-rural Interaction, based on the OECD classification (Source: Copus 2013)

| Type of Interaction | Sub-type | Key recent trends | Rural Impact (+) | Rural Impact (-) |
|--|---|---|---|--|
| 1. Demographic Linkages | (a) Urbanisation (rural-urban migration). | Still a live issue in extreme N of Europe, some NMS and Mediterranean regions. | Depopulation, demographic ageing and gender imbalance. | |
| | (b) Commuting and Counter-urbanisation. | Longer distance commuting, Commuting mixed with home working. Counter urbanisation on the dominant trend in Central and W Europe | Commuters revitalise rural communities. Potential revitalisation of accessible rural communities and economies. | Rising rural house prices, decline of rural retailing and services |
| 2. Economic transactions and innovation activity | (a) 'Central place' consumer relationships. | Commuting disrupts CP hierarchy. Increased mobility extends 'range'. Rise of internet shopping. | New purchasing opportunities, especially for car owning households with broadband access. | Decline of traditional local retailing, also loosening of CP relationships with adjacent towns. |
| | (b) Exchanges of goods and (private) services between rural SMEs and nearby cities | Polarisation between (mainstream) globalisation, translocal networks, increasing food miles and (minority) relocalisation, short supply chain etc. response. Rise in servicesector. Development of hub-based logistics. | Relocalisation, short supply chains, niche, quality etc can increase value added for rural producers. Rise in service sector reduces transport cost disadvantage. | Globalisation, translocal networking etc degrades links with local cities - value added is not retained in rural areas. Logistics hubs rarely rural. |
| | (c) Diffusion of knowledge and innovation between countryside and nearby cities | Improvements in broadband and other communications. | Access to information via the internet. | Rural areas lack R and D capacity. Inferior access to global sources of information (broadband, transport etc.). |
| 3. Delivery of public services | (a) Delivery of urban-based SGI to rural households and businesses. Also access of rural areas to urban SGI access points | Drive for efficiency and cost effectiveness (associated with privatisation) - but also rise of innovative delivery solutions. | New ICT delivery methods can reduce need for face to face delivery. | Need to achieve economies of scale means centralisation in urban hubs. |
| | (b) Public transport availability in rural areas. | Drive for efficiency and cost effectiveness (associated with privatisation). General reduction in public transport availability outside urban areas. | Car-owning households and individuals have more flexibility, more employment, retailing and leisure options. | Car-less households and individuals experience low quality of life and exclusion from opportunities. |

continued

| Type of Interaction | Sub-type | Key recent trends | Rural Impact (+) | Rural Impact (-) |
|---|--|---|---|---|
| 4. Exchanges in amenities and environmental goods | (a) Access to countryside for leisure and recreational use by urban residents. | Increasing car ownership - increasing short break tourism. Reduction in 'within hinterland' tourism and leisure - main vacation abroad. | Rural economy and labour market benefits from expenditure of urban visitors. Motivates preservation of rural culture and environment. | Degradation of environmental assets if visitor numbers are high. |
| | (b) Rural areas as sources of water supplies, carbon capture, waste treatment. | Increased interest in carbon capture. Increasing volume of waste together with stricter rules about disposal. | Some rural employment gains from management. Investment in forestry may enhance rural environment. | Environmental risks and losses. |
| | (c) Rural areas as sources of renewable energy. | Much interest, substantial long term potential, but short term risks due to market fluctuation. | Potential access to cheap energy by rural businesses. Grid improvements. Potential income opportunities for rural land owners. Some local employment opportunities. | Land use conflicts, potential environmental risks. External ownership means few benefits retained locally. Negative impact on tourism and leisure industries. |

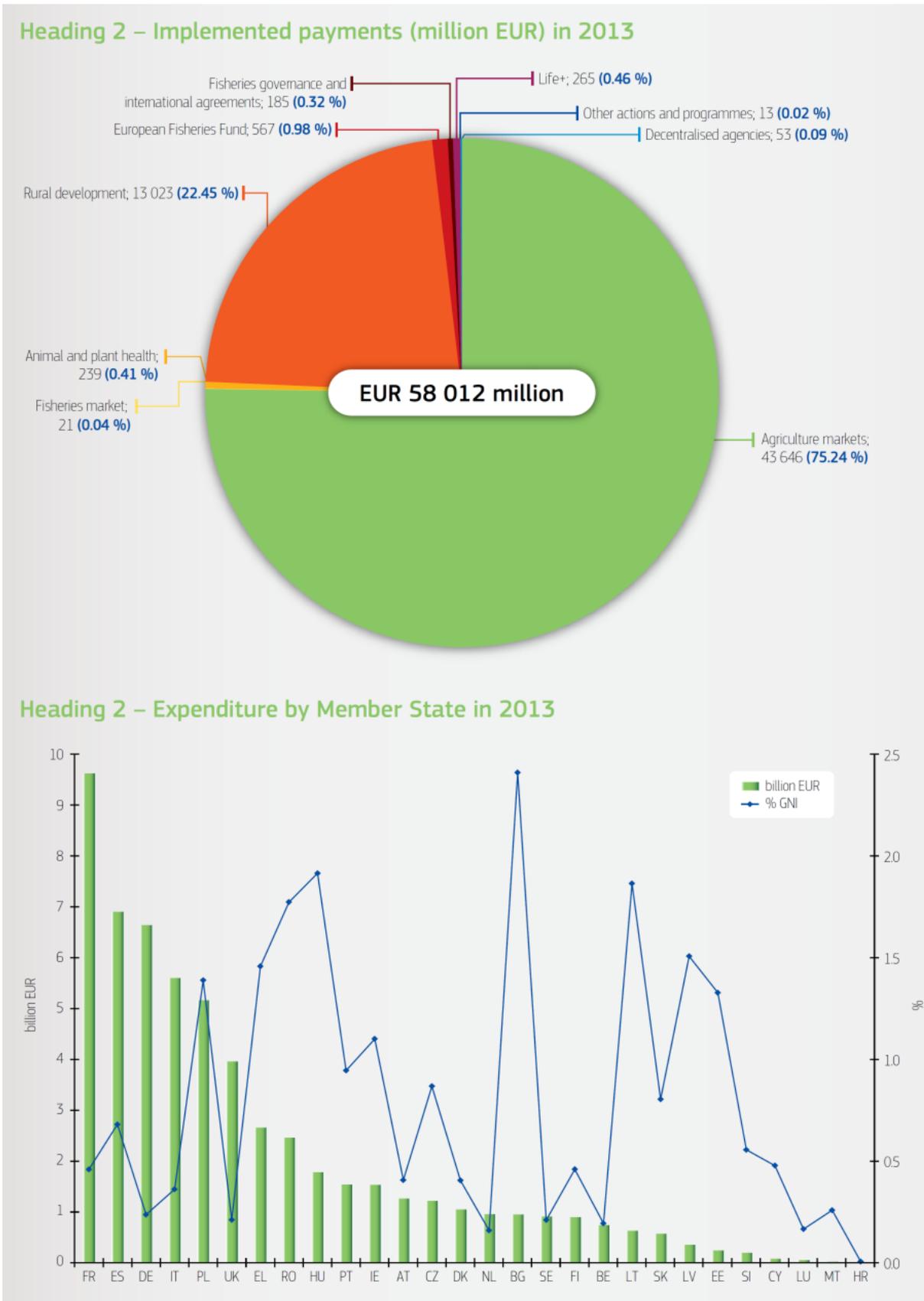


Figure 19 Implemented payments on 'Preservation and management of natural resources' by Member States (2013) (Source: European Commission 2014a)

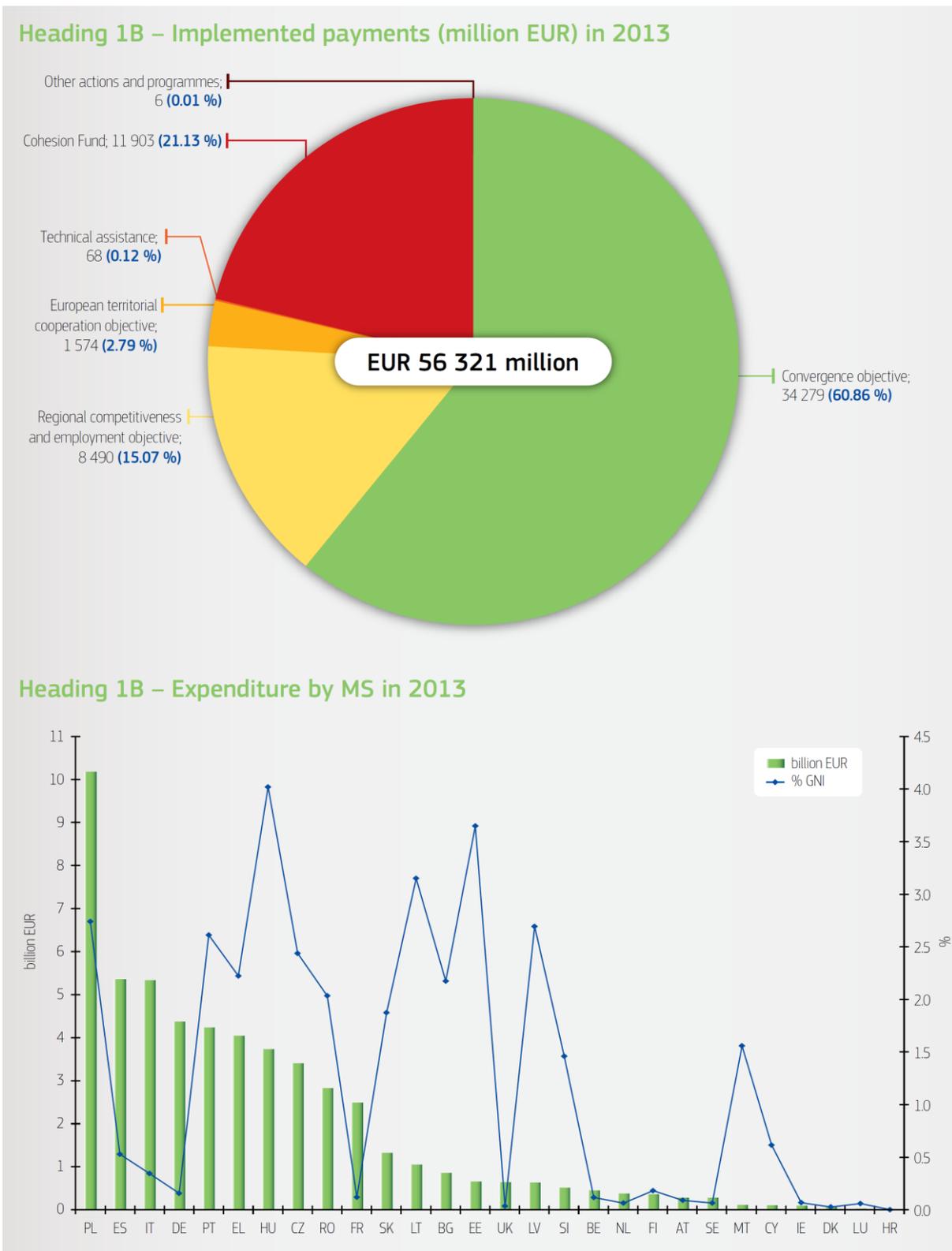


Figure 20 Implemented payments on ‘Cohesion for growth and employment’ by Member States (2013) Source: (European Commission 2014a)

Table 11 Utilised Agricultural Area devoted to energy and biomass crops in the EU-27, 2004-2011. (Source: European Union 2013)

| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| UAA devoted to energy and biomass crops (1000 ha) | 1 400 | 1 950 | 3 500 | 4 700 | 4 800 | 4 800 | 5 800 | 6 100 |
| Share of UAA devoted to energy and biomass crops (%) | 0.8 | 1.1 | 1.9 | 2.6 | 2.7 | 2.7 | 3.3 | 3.4 |

Source: DG Agriculture and Rural Development estimates based on a modelling exercise.

Table 12 Other gainful activities for agricultural holdings, 2010. (Source: Eurostat statistical yearbook 2014)

| | Holdings with other gainful activities (% of total number of holdings) | Tourism | Processing farm products | Renewable energy production | Forestry work | Wood processing | Aquaculture | Contractual work | Handicrafts | Others | |
|-----------------------|--|---------|--------------------------|-----------------------------|---------------|-----------------|-------------|------------------|-------------|-------------|--|
| | | | | | | | | | | | |
| EU-27 | 5.2 | 12.5 | 18.7 | 18.7 | : | 2.0 | 1.0 | 39.1 | 0.9 | 23.6 | |
| Belgium | 7.8 | 14.5 | 18.1 | 18.5 | 4.2 | 1.9 | 1.0 | 36.7 | 4.8 | 23.3 | |
| Bulgaria | 1.1 | 0.8 | 13.4 | 0.0 | 1.7 | 0.1 | 2.5 | 76.8 | 0.1 | 17.7 | |
| Czech Republic | 15.0 | 11.5 | 20.1 | 10.4 | 2.5 | 5.5 | 1.4 | 77.6 | 6.5 | 1.9 | |
| Denmark | 52.0 | 2.9 | 2.6 | 10.7 | 67.8 | 0.0 | 0.0 | 38.8 | 3.0 | 16.2 | |
| Germany | 30.8 | 6.6 | 16.5 | 49.4 | 18.2 | 3.6 | 0.5 | 36.0 | 0.2 | 13.3 | |
| Estonia | 13.5 | 5.7 | 17.0 | 0.5 | 19.5 | 2.9 | 0.7 | 51.4 | 0.9 | 23.5 | |
| Ireland | 9.2 | 10.0 | 2.6 | 2.2 | 34.3 | 1.5 | 0.8 | 27.7 | 0.9 | 28.1 | |
| Greece | 1.4 | 3.9 | 46.4 | 0.9 | 1.8 | 1.4 | 0.6 | 49.2 | 0.6 | 2.6 | |
| Spain | 2.1 | 15.6 | 23.6 | 11.3 | 7.9 | 0.7 | 0.3 | 25.6 | 1.2 | 21.8 | |
| France | 9.4 | 18.0 | 31.3 | 3.7 | 1.1 | 1.2 | 0.5 | 42.0 | 0.6 | 10.3 | |
| Italy | 4.7 | 23.5 | 26.0 | 11.5 | 4.6 | 1.9 | 0.2 | 25.9 | 0.3 | 34.7 | |
| Cyprus | 1.0 | 0.0 | 88.4 | 0.0 | 0.0 | 0.0 | 0.0 | 11.5 | 0.0 | 0.0 | |
| Latvia | 5.0 | 7.3 | 39.4 | 1.7 | 24.4 | 4.1 | 21.5 | 26.5 | 0.9 | 17.4 | |
| Lithuania | 0.8 | 3.4 | 43.4 | 0.2 | 2.8 | 1.9 | 0.2 | 14.3 | 2.8 | 36.1 | |
| Luxembourg | 24.1 | 18.0 | 12.1 | 31.4 | 11.5 | 7.4 | 0.0 | 60.0 | 0.0 | 18.9 | |
| Hungary | 8.2 | 6.7 | 32.2 | 1.2 | 10.1 | 0.6 | 1.7 | 73.8 | 0.1 | 48.5 | |
| Malta | 2.2 | 0.0 | 56.8 | 0.0 | 0.0 | 0.0 | 0.0 | 43.7 | 0.0 | 0.0 | |
| Netherlands | 24.6 | 9.8 | 7.4 | 20.4 | 0.0 | 0.0 | 0.2 | 22.3 | 0.0 | 60.6 | |
| Austria | 37.3 | 13.8 | 21.8 | 15.6 | 63.9 | 1.2 | 0.5 | 18.5 | 0.6 | 3.1 | |
| Poland | 3.3 | 8.8 | 13.7 | 1.1 | 1.9 | 1.3 | 12.3 | 18.9 | 0.5 | 54.3 | |
| Portugal | 5.0 | 14.2 | 17.7 | 0.0 | 50.6 | 1.7 | 0.0 | 21.5 | 0.3 | 14.2 | |
| Romania | 1.1 | 1.0 | 67.6 | 0.3 | 0.5 | 0.7 | 0.2 | 21.7 | 0.1 | 19.8 | |
| Slovenia | 16.8 | 5.2 | 22.5 | 1.3 | 67.0 | 2.9 | 0.1 | 11.7 | 0.9 | 4.9 | |
| Slovakia | 5.9 | 7.0 | 27.5 | 0.2 | 0.8 | 2.2 | 1.2 | 63.2 | 8.2 | 50.1 | |
| Finland | 26.5 | 9.7 | 6.9 | 5.9 | 6.4 | 2.5 | 0.3 | 58.6 | 1.0 | 34.7 | |
| Sweden | 33.8 | 14.4 | 10.3 | 9.3 | : | 2.4 | 0.6 | 71.3 | 1.3 | 13.6 | |
| United Kingdom | 17.5 | 26.7 | 7.6 | 3.0 | 8.5 | 2.5 | 1.7 | 55.4 | 0.6 | 24.4 | |
| Norway | 54.7 | 7.8 | 4.4 | 2.4 | 50.4 | 22.3 | : | 55.1 | 1.2 | 10.2 | |
| Switzerland | 44.5 | 10.1 | 19.7 | 10.1 | 38.2 | 13.5 | 0.1 | 38.6 | 2.5 | 50.3 | |
| Croatia | 5.9 | 16.0 | 47.1 | 0.0 | 0.0 | 11.6 | 1.3 | 40.0 | 1.7 | 4.6 | |

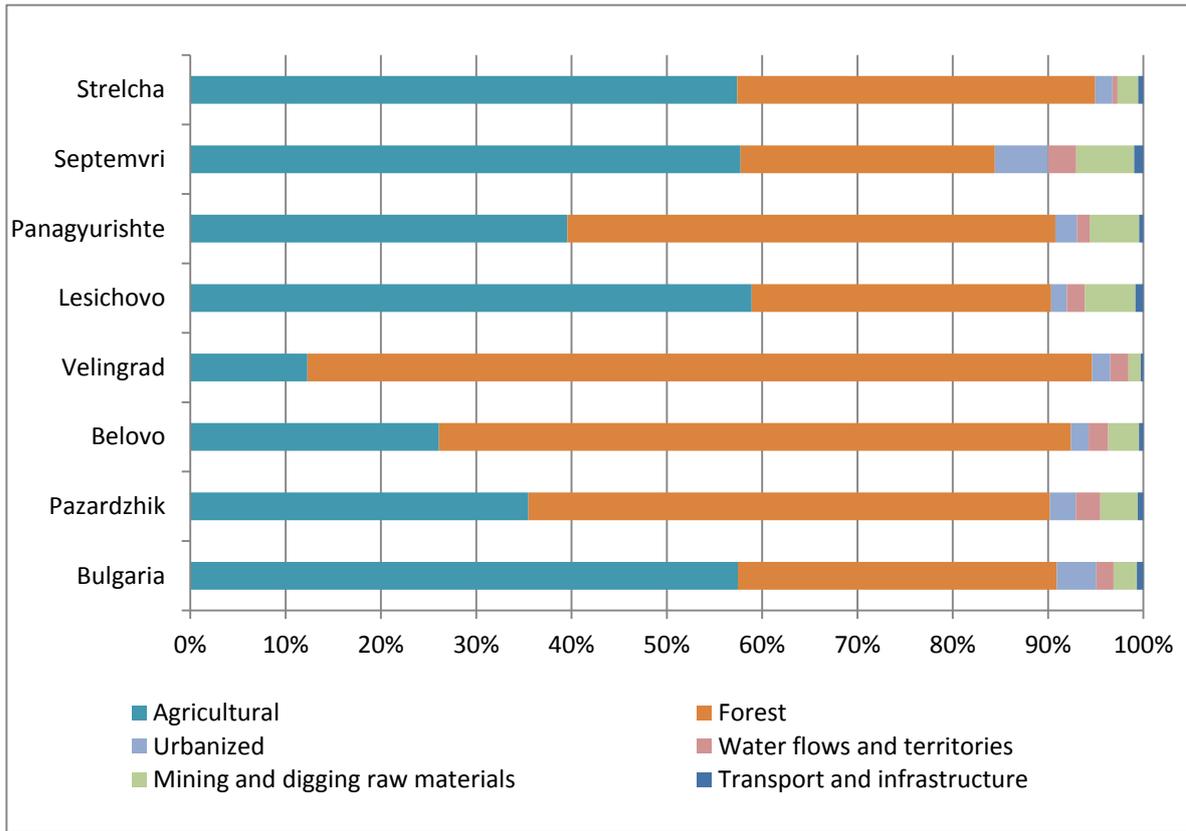


Figure 21 Land use types by municipalities in the Panagyurishte-Velingrad region (%) in 2013. Source: National Statistics Office 2014

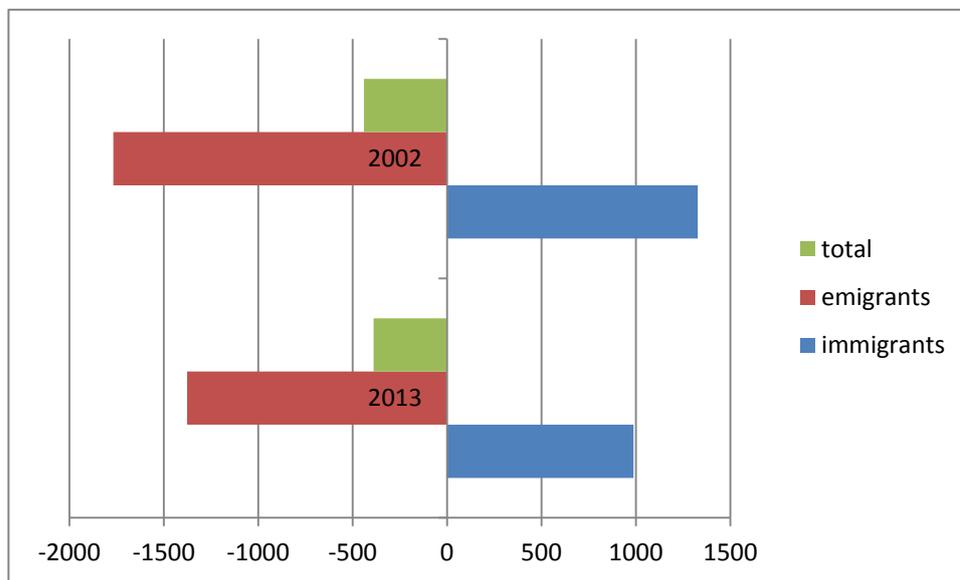


Figure 22 Migration balance in Panagyurishte-Velingrad 2002 and 2013. Sources National Statistics Institute 2014

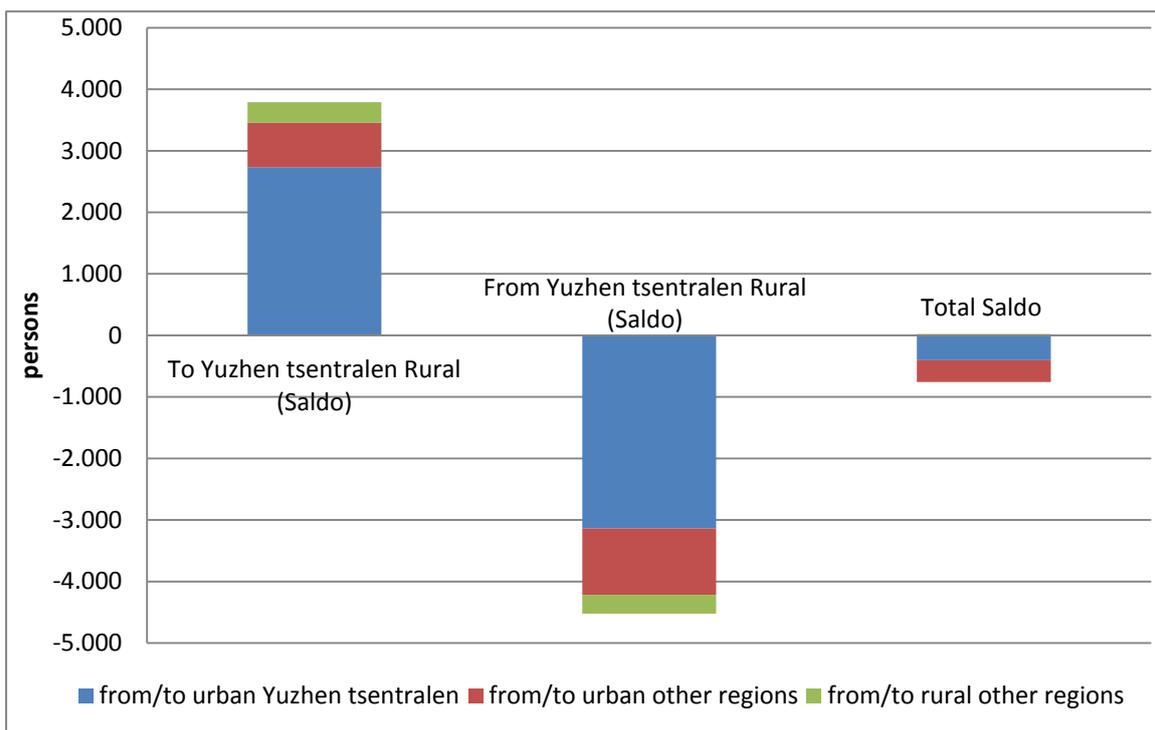


Figure 23 Migration balance of urban areas in the Yuzhen tsentralen planning region (NUTS2). Source: National Statistics Institute.

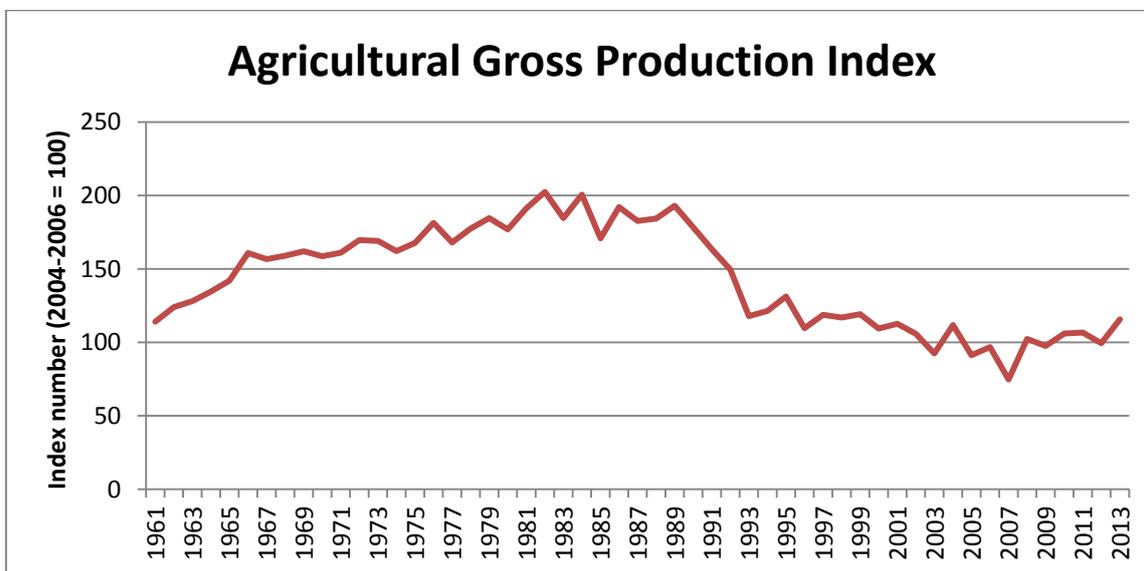


Figure 24 Agriculture Gross Production Index, years 2004-2006 = 100. Source: FAOSTAT 2015

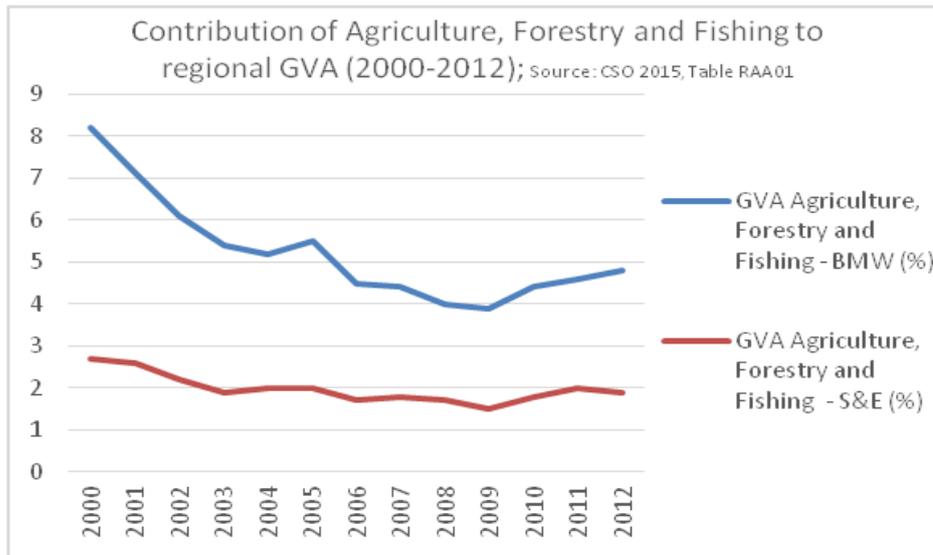


Figure 25

Figure 26 Contribution of Agriculture, Forestry and Fishing to regional GVA (2000-2012). (Source: Central Statistics Office 2015, Table RAA01)

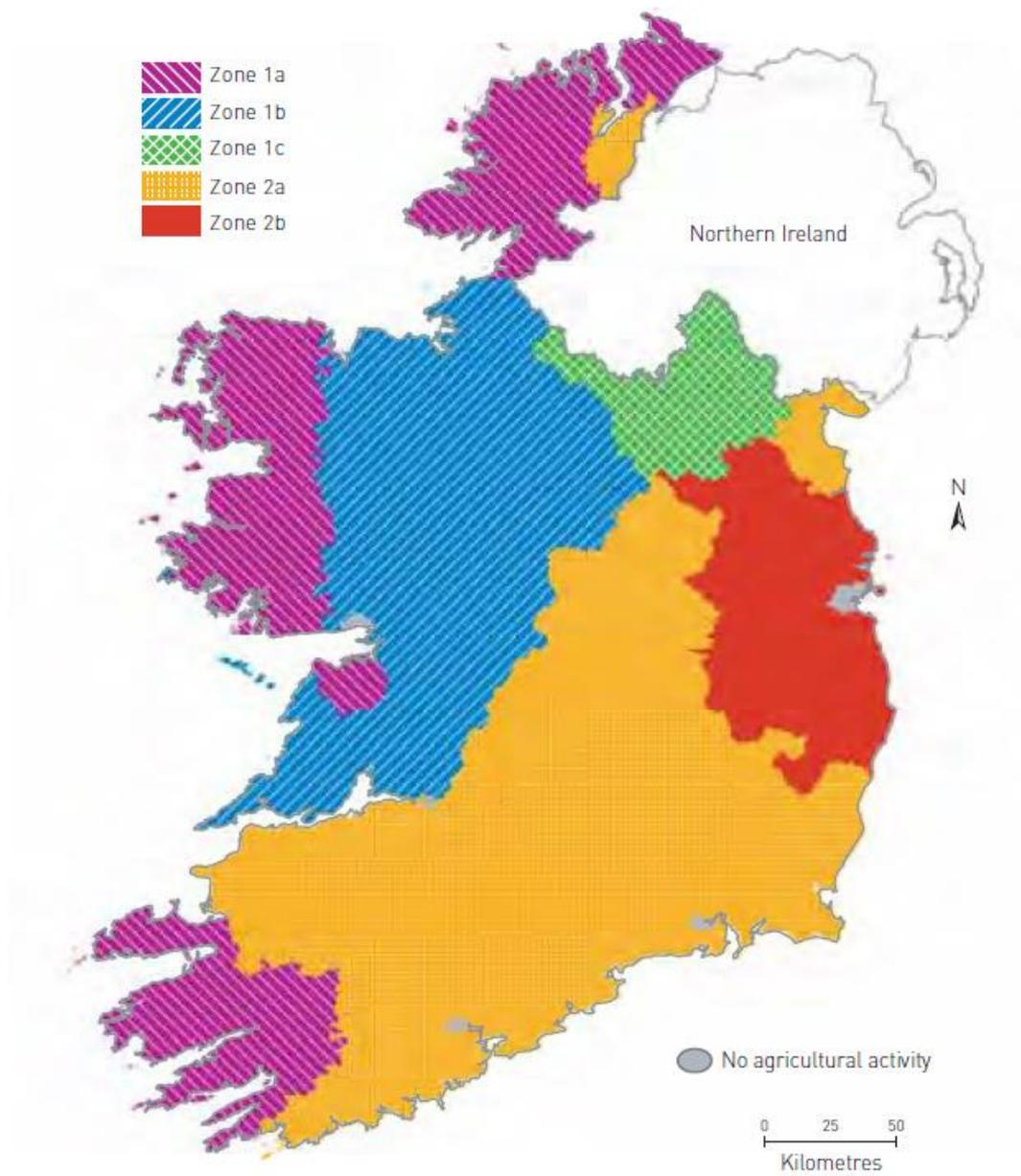


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