

EUROPEAN INITIATIVES FOR RURAL DEVELOPMENT

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Forty years have passed since the establishment of the European Community and its Common Agricultural Policy (CAP). Since then the productivity in agriculture has steadily increased and the supply of the European market have been ensured together with the increase of the average standard of living of the European farmers. Nevertheless the CAP implementation has also accumulated problems in the European agriculture mainly related to the budget constraint, the income distribution, the quality of the agricultural products and the environment which encouraged the unequal development of the regions of the Union. The complaints of high input prices of the agricultural products processed in the EU processing plants were also coupled with the deterioration of the relations of the European Union with its international trade partners. Although the structural policy established as a second pillar of CAP, has never actually attracted any special attention or any substantial proportion of funds from the EU budget. Consciousness for "rationalization" of CAP started quite early with the well-known "Man-sholt Plan" which however has never materialized. In the following years, although the need for reform of

ABSTRACT

The structural problems of the European agriculture have attracted little attention during the most of the period that the CAP has been implemented. The need of policy measures to be taken appears in the re-organization of the structural funds of 1988. Since then the Community Initiatives Leader II and I are implemented in the agricultural sector, introducing at the same time a new approach to the structural problems of the Union. It is recognized that farmers could earn their income from other sources than farming itself. The 1992 reform of the CAP, lowering the price support of agricultural products and treating the agricultural income, ever encouraged the developing in the agricultural region activities other than agriculture. A distinctive characteristic of Leader I and II, Initiatives is that the development strategy is planned in the local level taking into account that actions taken by the economic units should be part of a plan of integrated local development. Nevertheless, from the data presented in this paper, it appears that investment in agrotourism has attracted the majority of the E.U funds, since most of the Local Action Groups (LAGs) gave the priority to business plans on agrotourism.

RÉSUMÉ

Les problèmes structurels de l'agriculture européenne n'ont pas attiré une grande attention pour la plupart de la période de mise en application de la PAC. La nécessité de prendre des mesures de politique s'identifie avec la réorganisation des fonds structurels de 1988. Depuis cette époque, les Initiatives Communautaires Leades II et I ont été appliquées dans le secteur agricole, en introduisant à la fois une nouvelle approche aux problèmes structurels de l'Union. On sait bien que les agriculteurs pourraient gagner un revenu autre que celui provenant de l'agriculture. La réforme de la PAC de 1992, par la baisse du prix de soutien des produits agricoles et agissant sur le revenu agricole, a encouragé, dans les régions agricoles, le développement d'activités autres que celles agricoles. Une marque distinctive particulière des initiatives de Leader I et II est le fait que le stratégie de développement est planifiée au niveau local tenant compte du fait que les actions entreprises par les unités économiques devraient faire partie d'un plan de développement local intégré. Néanmoins, se basant sur les données présentées dans cet article, il semble que les investissements dans l'agritourisme ont attiré la majeure partie des fonds de l'UE, car la plupart des Groupes d'Action Local (GAL) ont privilégié les plans commerciaux sur l'agritourisme.

CAP was more than profound and the measures taken to address the problems of over-production proved relative insufficient, no serious attempts for CAP reform took place until 1992. Some elements though of structural policy appear instead in EC Directives 59/75, 60/75, and 61/75, where socio-economic problems of the rural population are for the first time addressed.

The reform of Structural Funds of 1988, institutionalizing the Community Initiatives, has introduced a new notion of integrated agricultural development. Following the Uruguay Round and the last GATT Agreement, the European Community adopts the Commission Proposals for its CAP reform of 1992 (C. Saunders, 1994). By reducing the level of support of the agricultural markets, the policy attempts to strike a balance between the price support and the structural development of the rural areas. Both the European Union Initiatives

and the reformed CAP policy introduce a more balanced rural development for the regions of the Union. Less favored agricultural and remote hilly and mountainous areas are eligible for funding in order to maintain their structure and positively contribute to the local economy.

The 1992 reform was also fundamental in realigning the CAP strategy towards ecological awareness and environmental protection, while at the same time attempts were made to deal with the problem of depopulation and the concerns expressed about the social fabric of rural areas. Encouraging local employment initiatives

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and improving the infrastructures of the rural areas were seen as key factors for the revitalization of the rural economy (Commission of EC, 1996). Farmers are also seen as the guards of the environment and it is also recognized that they should be able to earn their income from other sources than the farming itself (Directive 268/75).

Nevertheless, CAP still remains diffuse and complex, while pressures for further reform come from both internal and external factors, namely budget constraints, prospects for enlargement and obligations of the Union towards its GATT commitments (Agra Europe, 1996). Technological improvement could still be the objective in less developed agricultural areas, provided that the society is prepared to bare the cost of the conservation of the countryside. On the other hand concentration of farming in favorable farming areas will threaten rural areas for depopulation, and decrease the number of farmers. New niche markets will also develop as farmers respond to sophisticated consumer tastes in favor of products of origin, traditional, organic and quality products (Commission EC, 1996). These developments will gradually lead agricultural policy to a more coherent rural policy with links between agriculture and rural development with respect of rural heritage and environment.

According to the latest President J. Santer "Agenda 2000" package of July 1997, including the review of CAP, further reform is suggested, with major changes in Structural Funds too. On rural policy the integration of the agri-environmental dimension supports farmers' plans for low input more environmentally friendly agricultural practices, merged with support for areas of "high nature value". Less Favored Areas (LFAs) scheme supplements the accompanying measures of CAP, all financed by the EAGGF. In spite of the Agriculture Commissioner F. Fisher pronouncement, for CAP to move towards the "integrated rural policy", aid to the regions would be reduced to cover less EU population. UK welcomed the Santer Proposals, while COPA largest EU group of farmers the proposal as unacceptable.

THE COMMUNITY INITIATIVES: A MODEL OF A REAL EUROPEAN UNION POLICY

The reform of the structural funds in 1988 introduced an important innovation, which refers to the capability of the Commission to take the initiative of proposals in the member states known as Community Initiatives (C.I.). The Community Initiatives projects promote actions of special interest for the Community which are not included in the national development plans of the member states (Commission of EC, 1993).

Through the E.I.s the Community comes into a substantial contact with the member states, at a regional level,

and is capable of facing the problems that threaten its citizens' standard of living, with flexibility. The E.I.s also ensure the possibilities for the promotion of co-operation among countries and the gathering of know-how in sectors of common interest, as well as innovation.

The twelve different E.I.s, during the period 1989-1993, were focused on five subjects:

- Co-operation and networks among regions, borders and countries,
- Rural development,
- Areas especially distant from the center,
- Employment and development of labor force,
- Management of industrial changes.

In the framework on the Green Book deliberations, the Commission corresponding to several members' concerns, added two more subjects to the first five:

- Development of urban districts that are facing particular problems,
- Re-organization of the fishery sector.

As a result this new approach an increased number of 13 Community Initiatives were adopted, some of which are completely new, whereas the rest expanded and developed in order to include actions already proposed. The Community budget allocated to these Initiatives is 13.450 million ECU (at 1994 prices), 8.300 million Ecu of these refer to areas concerning the 1st Objective (Commission of EC, 1994).

THE EUROPEAN UNION LEADER I INITIATIVE

Concerning the topic of rural development, in 1991 the Commission action focused on the adoption and application of the Community Initiative Leader I, as a supplement of the national operational programs of all member states expanded for a period of three years.

The topic of rural development is of great significance for the European countries as it is for many other countries, one of the reasons being its confrontation with the search of an identity. The main challenge is found in the need for modernizing rural areas, because even though agriculture still remains a central factor in these areas it is not the only one factor anymore. The differentiation of activities in the countryside is the main result of its development. As a result, rural development is not a branch of the agricultural or social policy. On the contrary, it must be considered as a policy that is built on a basis, equal opportunities and an integrated approach. It is a new policy approach for development that will benefit all rural areas and the local population it is expected be closely involved. Improving competitiveness and viability of rural areas take precedence. Apart from limited economic interests, cultural and ecological resources must be included, by incorporating human ingenuity on topics concerning development

and economic variety.

The application of the Leader Initiative able to create value added, employment and new solutions adapted to its own framework follows this direction, as it promotes the dynamics of modernization for the survival of rural areas.

Leader I (Steichen, René, 1994) was developed as a "model" program intended to display the validity of an approach of rural development based on local integrated development initiatives bringing together all the interested parties (members) of a specific area. Leader I has also encouraged also experimentation with innovative approaches that were based on the development of endogenous resources and on the participation of local businesses and local population targeted at the promotion of the business spirit and the local reaction towards degradation.

The Leader I Initiative aimed also at pointing out the importance of direct support of collective rural development initiatives which the same local communities take charge of. Its innovative character lies on the chosen methodological approach that is based on:

- programming and management by the local agencies,
- taking advantage of the endogenous capacities,
- the completion of projects and the displaying character that is attained with the networking of local groups that are part of the program.

The program provided assistance to the Regional/Local Action Groups (LAGs) formed by both public or/and private parties that plan, collectively, a development strategy and implement measures for a certain limited rural area. In every member-state, an intermediate organization was granted a subsidy from the three European structural funds and was responsible to channel the support towards several Local Action Groups (LAG), whose identity and business plans were approved by the Commission. The implementation of Leader I, was undoubtedly a great success, showing in fact that it corresponded effectively to the expectations of the rural world (Commission of EC, 1993).

According to the Commission of the EC (1995) the basic characteristics of the Leader I Initiative are given below:

- The Leader zones are homogeneous and of a limited size.
- The Leader program is based on the active participation of the local population, businesses, unions and other collective bodies. The Leader Initiative is based on the local initiative, and the ability of the local economic agencies and local population to take joint action in creating a development plan that will suit the zone in question.
- The motivation and encouragement of local agencies, and the provision of technical assistance and training are a preface for the specification of these actions,

which will lead to initiatives and innovations that will have lasting results.

— The Leader plan has been developed and encouraged by a Local Action Group (LAG) that brings together partners of local development such as private and public agencies, businesses and their unions.

— Every LAG plans and implements a development strategy adapted to the characteristics of the area, in the framework of a multi-sector approach.

— This development strategy is laid down in a business plan; its contents are the subject of the Leader agreement between LAG and the national responsible body for the management of the program.

— Finally, a European network, that gathers all the Leader business plans, is responsible to facilitate the exchange and transfer of experience among the rural population of the Community.

After the invitation to tender of Leader I more than 500 LAGs submitted proposals from which a number of 217 were chosen to implement their program (Anonymous, 1992).

Leader I covers 217 rural areas situated either in Community regions "whose development is lagging behind" (so-called Objective 1 regions) or in "priority rural areas" (so-called Objective 5b areas) where a clear need exists for local development support measures.

In Objective 1 regions Leader areas embrace 23.17% of the total surface area of these regions, representing only 9.28% of its population (Anonymous 1992). Leader areas are therefore less densely populated than the remainder of areas in Objective 1 regions. Average population density is in fact around 32 inhabitants/km, compared with around 80 inhabitants/km for these regions as a whole.

In Objective 5b regions, Leader covers 38% of surface area and 26.3% of population. Average population density, at 30 inhabitants/km, is again below the average of 43 inhabitants/km for Objective 5b areas overall (Anonymous, 1992).

Leader reflects the geographical diversity of Europe. It extended from North to the South, covering both plains and mountains, in mainland and islands, all the rural cultures and traditions which make up Europe's common heritage. However, Leader areas are much more numerous in the south of Europe where around 150 LAGs out of 217 are based (Anonymous, 1992).

The total budget of Leader I was 1155 millions Ecu, 442 millions of which (38.7%) were funded by the EU budget, 347 millions (31.5%) by the member-states and 366 millions (29.8%) by the involvement of local economic operators.

The community's contribution is about 44% in Objective 1 regions and 30% in Objective 5b regions. The proportion of public funding earmarked at the level of the Member States is 30%, but rises to 40% in Objective 5b areas and falls to 23% in Objective 1 regions. Private

funding constitutes a little over 30% of Leader financing. Leader Has Thus brought together Community, national, regional and local financing levels and public and private funding.

The allocation of the budget among the seven categories of measures of the business plans submitted by the local groups completely outlines the features of Leader I program (**figure 1**).

Specifically, the dominating measure was that of rural tourism which attracted up to 41% of the total finance, followed by the measures concerning Small and Medium Enterprises and craft as well as the manufacturing and processing of agricultural products, each of which came up to 16% of the total finance.

There is a clear tendency in Objective 1 regions, to allocate more resources of their budget on Rural Tourism, 44,94%, compared to regions of Objective 5b where the corresponding figure is 38,90% (**figure 2**). Small and Medium enterprises attracted less funding, 14,57%, in Objective 1 regions, in relation to 18,08% of regions of Objective 2. Training as well as LAG operation attracted more funding, 6,27% and 6,84% in Objective 1 regions, in relation to 5,71% and 3,88% of Objective 2 regions (Anonymous, 1992).

This differentiation between the two categories of the regions was expected since in the regions concerning the 1st Objective, agriculture is the dominating activity and tourism seems to be the most accessible "passage" to diversity, through which the development of local resources is attempted. Whereas in the regions of Objective 5b, which presents greater economic diversity, emphasis is mostly given to SMEs, as well as to the technical assistance which is necessary for the success of every type of development activities.

From a number of 217 local Leader I programs, 71 of

them have allocated more than 50% of their expenditures on tourism (Anonymous, 1993). The range of finance spent on rural tourism, as a percentage of the business plan, varies from 3-95%. Six LAGs out of 217 spent more than 80% of their budget on agrotourism, whereas, on the other hand twenty six groups spent less than 20%. This percentage was greater for the regions of the Objective 1 (45%) rather than for the areas of Objective 5b (39%) and showed intense diversity among the member-states. In particular, it topped 50% in Belgium, Germany, Spain and Portugal and was less than 35% in Italy, Denmark and Holland.

Measures in favour of SMEs and the craft industry take up over 25% of the budget, 34 cases in both Objectives regions. This orientation is found most predominantly in the 5b areas of France and Italy.

The orientation "Exploitation of Agricultural Products" count 38 out of 217 projects and it is strongly represented in Greece (11 Leader projects).

Total expenditure on "Support to rural development and training" takes up over 20% of the budget. Emphasis is placed on situation diagnosis, activity preparation and the exploitation of human resources.

FROM LEADER I TO LEADER II

Leader I, success led the Community to decide its continuation adopting Leader II, right after the end of the three years period of implementation of Leader I. Leader II was not adopted simply as a natural continuation of Leader I. It was rather its supplement and extension with the addition of new characteristics such as innovation, capability and transferability of its actions. Thus, the suggested actions in the framework of Leader

II must be innovative, transferable and be of displaying character. This also implies the display of coherence and novelty in relation to the mechanism of rural development under the Community Support Framework (CSF). Finally, the rural innovative programs must be accessible not only to LAG, as in Leader I, but also to other collective bodies, based in rural areas and involved in innovation and technology transfer actions in the framework of local development approach.

In addition to the innovative rural development programs, which are the most important for Leader II, two new orientations are also included that did not exist in Leader I. The new program supported the abilities of the local population and

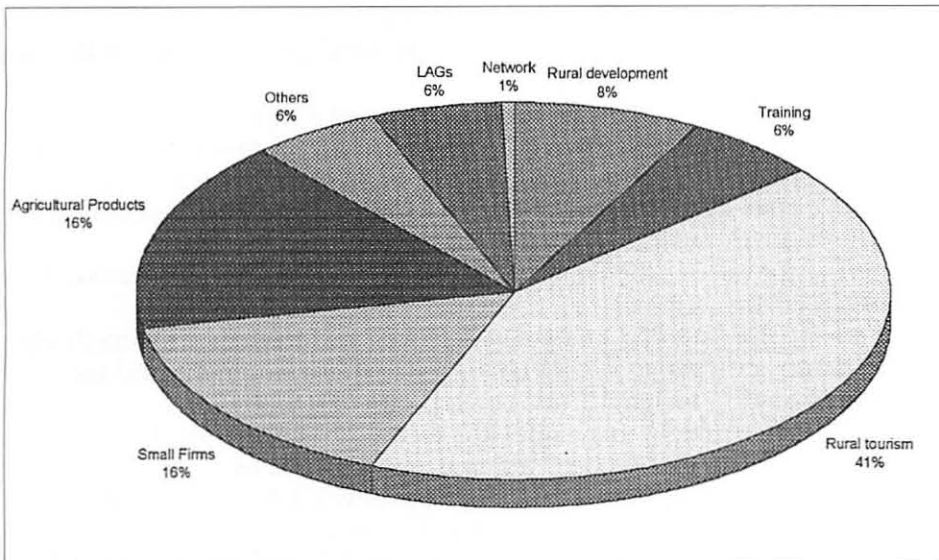


Figure 1 - Leader I - Financement by measure.

Source: Commission des Communautés Européennes, 1991A: "Initiatives Communautaires: Panorama Leader", Luxembourg: O.P.O.C.E.

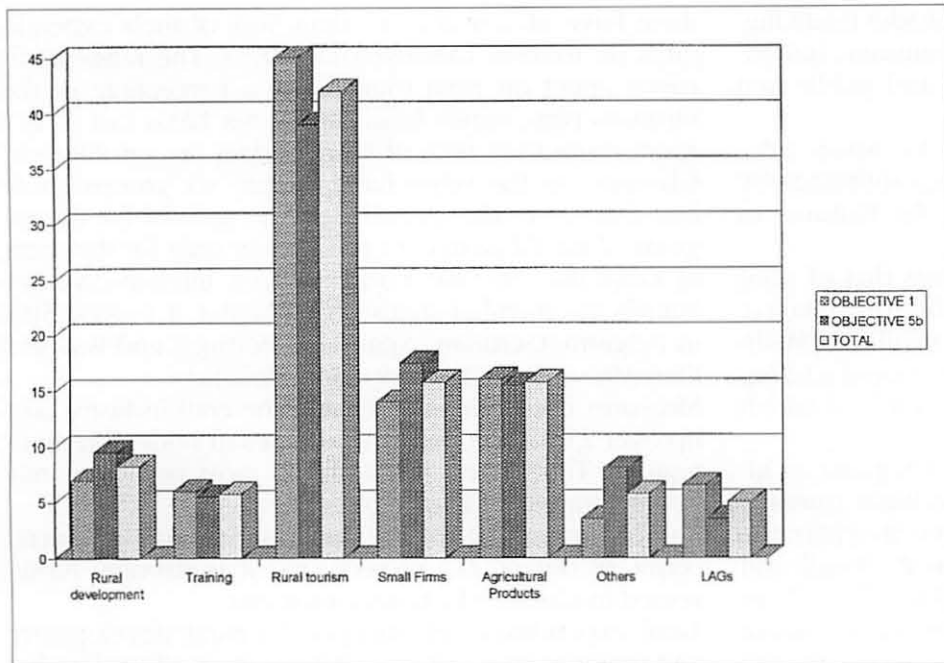


Figure 2 - Leader I - Categories of measures by objective.
Source: Anonymous, 1992: "A first illustration of Leader Program" *Leader Magazine* n. 2, 1992.

its representatives in order the poorest rural areas to be able to plan and implement strategies of local integrated development. Rural areas in different member-states are also offered, by Leader II, the possibility to plan, in common and implement european co-operation programs together with other participants in the European Network of Rural Development (ENRD). A variety of organizations and bodies involved in rural development can also participate in the European Network of Rural Development. These organizations are expected to work together, under the same conditions towards the common aim of rural development. The activities of the network have also been expanded. There is also a decentralization of all the initiatives' procedures with the exception of those that are related to the network. As a result, the main decisions of management and the related actions are taken at regional and local level. Innovation is a basic concept of Leader II. The partners participate in this program should ensure the innovative character of the actions to be supported. The innovative character of the suggested actions is estimated according to innovation itself and its differentiation in relation to the rural development program supported by the CSF in the same area. This evaluation takes also into account the characteristics of the area, because it is obvious that innovation does not have the same significance among the poor and in the wealthier rural areas of the member-states. In short, innovation in the framework of Leader II means (Vuarin P, Rodriquez M., 1994):

- implementation of something that does not exist in a region, or the sector,
- establish something new that is not done by others

(mainly in the sector of other programs that are subsidized by national or European agencies),
— to organize things and manage them in a way that ensures a stable structure and continuation in the relevant environment, which will also take into consideration the social infrastructure, the employment and the environment.

Leader II goals are (Anonymous, 1992):

- to ensure the continuation of Leader I, supporting rural development initiatives,
- to support innovative actions with demonstrative and transferable characteristics, that point to new directions for rural development,
- to multiply the exchange of experience and the know-how transfer, through a European Network of Rural Development,
- to support programs of inter-

country co-operation originated from local bodies of rural areas.

A BRIEF PROFILE OF LEADER II

Leader II funding was more than tripled in relation to Leader I, attracting 1400 millions Ecu from the European Union Funds, compared to 450 millions Ecu in Leader I. The increase of funds granted to Leader II, had as a result the expansion of geographical area covered. In certain member-states, the initiative covered almost the total of the rural areas.

The actions funded are divided among the following four measures:

- Measure A- Acquisition of skills

It is a preface for the planning of innovation programs concerning rural development and it refers, according to priority, to the zones where the practice of local development itself constitutes an innovation.

- Measure B- Rural Development Innovative Programs

Strong innovative features towards either the method or their content characterize these programs and they can include a set of very differentiated actions. These actions may refer to: technical support in development, professional training, the support of rural tourism, the support of SMEs in local development and marketing of agricultural, forest and fishing products, and the preservation and improvement of the environment and the surrounding area.

- Measure C- Transnational Co-operation

The elaboration and implementation of joint plans by groups and other local factors that belong to at least two member-states is also facilitated.

— Measure D-European Network of Rural Development

Leader II, is organized around a European network of Rural Development, which serves as a mean of constant exchange of experience and know-how for all interested parties. The "Observation Station on Innovation and Rural Development" is also funded by measure D.

Spain has the biggest number of beneficiaries (127), closely followed by Germany (119) and France (116). Among the other countries the number of beneficiaries varies from sixty in Italy to two in Luxembourg. The total finance under Leader II, according to Info Leader (1997), tops the amount of 4 billion Ecu, 39 percent of which is financed by the Community, 27 percent by national budget, while 34 percent is the own contribution of the economic agencies. There is a clear upwards trend in the own contribution of the developing agencies of Leader II, in relation to Leader I. While the total EU percentage distribution remains the same, the national contribution is respectively decreased.

The analysis of data in the **figure 3** shows that the countries of the South are net beneficiaries in both

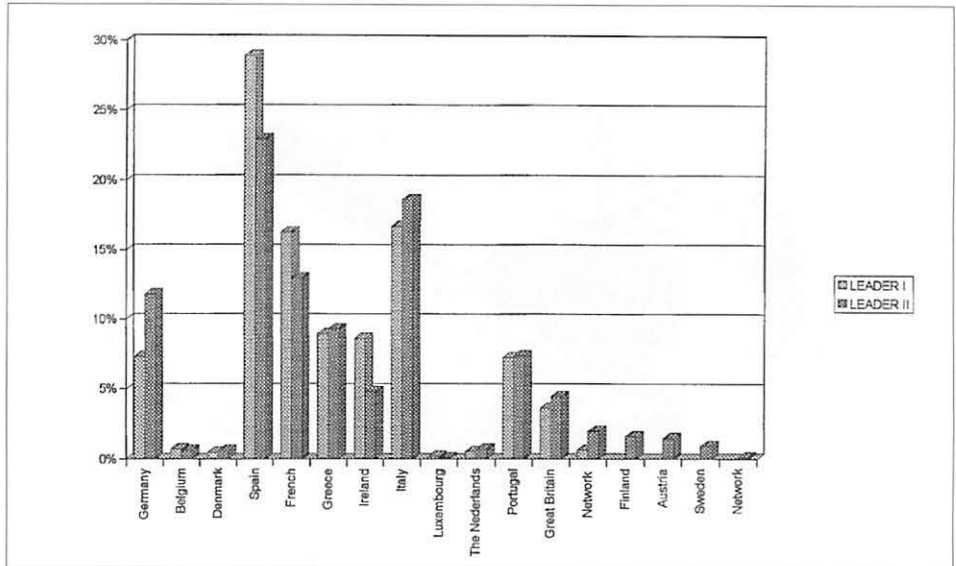


Figure 3 - Total expenditure of Leader I and II by country. Source: Commission des Communautés Européennes, 1991A: "Initiatives Communautaires. Panorama Leader". Luxembourg: O.P.O.C.E., 30p., and Info Leader II, 1996: "The Leader after the allocation of the budget of Community Initiatives", No 42, June 1996.

Leader II and I Initiatives. All countries, with the exception of Ireland, raised their percentage contribution in Leader II expenditure, while Germany and Italy, followed by Spain and Greece seem to be benefited more in allocation of resources of Leader II. In the framework of the national and regional programs of Leader II, the allocation of funds among the four estimated measures, as well as the corresponding figures of Greek Leader appears on **figure 4** (Speed, 1995). From the analysis of this figure it appears that Rural Innovation Programs attract the majority of funding both the European and the Greek Leader programs. The Greek program in particular is mainly emphasized on the innovation programs at the expense of transnational co-operation and the acquisition of skills. The measure "Acquisition of Skills" was mostly utilised in Finland and Spain so as to prepare the groups participate in the measure "Rural Innovation Programs". In other areas, this measure is generally applied for supporting various actions in order to provide technical assistance and training. In their majority, the Rural Innovation Programs are implemented by LAGs. "Other collective bodies" were scarcely involved, with the exception of Northern Ireland and certain German and Austrian regions. The partial analysis of the actions of the Greek program (Speed, 1995), as it is showed in **figure 5**, showed that the majority of

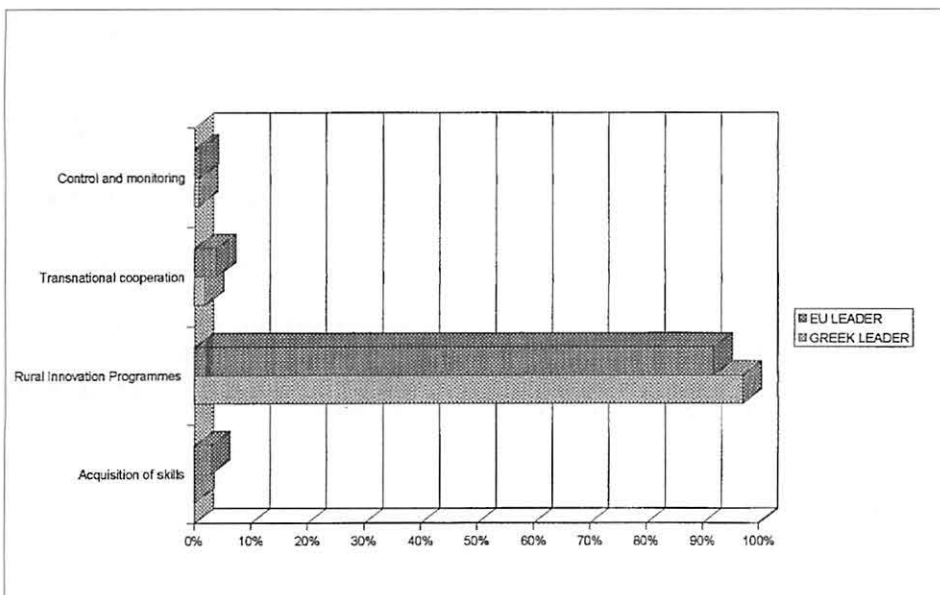


Figure 4 - Breakdown of the EU and Greek Leader II budget. Source: Speed, 1995: "Prior appraisal for Community Initiative Leader II. Draft final report", Athens, June, 1995, and Info Leader II, 1997A: "Second report on the implementation of Leader II", n. 51, May 1997.

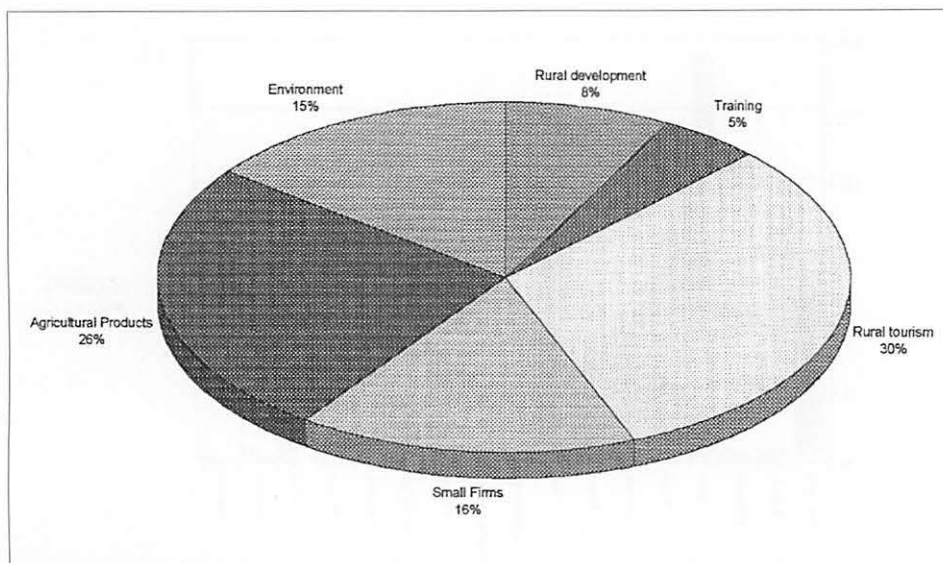


Figure 5 - Leader II breakdown of the national rural innovation programmes (measure B1).
Source: SPEED, 1995: "Prior appraisal for Community Initiative Leader II. Draft final report", Athens, June, 1995.

the funds are allocated in rural tourism (31,5%) followed by the local development and marketing of agricultural, forest and fishery products (25,6%).

CONCLUSIONS

Even though the reform of the structural policy of 1988, followed by the CAP reform at 1992 seem to point to the right direction, the past experience shows that there is no ready-made solution yet. The solutions are connected to specific places and to very specific conditions each time. The nature and the extent of the rural needs encourage a significant reform related to the priorities of allocation of expenditure provided that they will be channeled to more specific goals with more emphasis given on the involvement of the rural population in its own development planning. Nowadays, an increased consciousness of the importance of rural areas and a political will to ensure the quality of living in these areas is evident throughout Europe. The unequal development at a sub-regional level induces increased concern and calls for action to be taken by the European Union. EU Initiatives are capable of supporting effective institutions, able to receive subsidies and to act in a legal framework at a local level. Leader seems to be the best mean for the solution of the common problems of European rural areas. By utilizing the combined action of the structural funds a great progress, will shortly be ascertain, in favor of rural communities. Rural tourism, with its triple function as to generate income and employment, to maintain and develop the existing infrastructure, and its stimulation of exchange and collaboration between rural and urban environment becomes a powerful mean of development for the rural areas of

Europe. Not to mention its significant multiplying effects on direct investment. As a consequence of this, in many countries of Northern and Central Europe, since the 1950's and in the countries of the South, since the 1970's, rural tourism was considered as a strategy for the future. However, it should not be overlooked that Leader is not a program of tourist development, but a program of rural development at the local level. The investment in tourism, in the framework of Leader, must be seen in connection with the integrated development at a local level. Rural tourism alone does not provide a panacea, nor does it provide the solution to the problems of social marginalization of many rural areas. So, what it is pursued as an integrated rural development policy should also take into account all the aspects of rural areas, starting from the farm all the way to Internet. ●

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