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**COMMISSION STAFF WORKING DOCUMENT**

**A VIEW ON EMPLOYMENT, GROWTH AND INNOVATION IN RURAL AREAS**

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Document drawn up on the basis of the Study on Employment, Growth and Innovation in Rural Areas (SEGIRA) and the background information collected in the context of this study, carried out for the European Commission (Directorate-General for Agriculture and Rural Development) and finalised in 2010. Neither the European Commission nor any person acting on behalf of the Commission may be held responsible for the use that may be made of the information contained in this publication. The European Commission cannot be held responsible if this information is incomplete or inaccurate.

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‘In-house’ contributor: Nivelin NOEV (DG AGRI/G1)  
Data provision: Unit L2 (DG AGRI) and SEGIRA (2010)

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## COMMISSION STAFF WORKING DOCUMENT

### ‘A VIEW ON EMPLOYMENT, GROWTH AND INNOVATION IN RURAL AREAS’

#### EXECUTIVE SUMMARY

- In December 2006 the Commission adopted its Communication to the Council and the European Parliament on ‘Employment in rural areas: closing the jobs gap’ [COM(2006) 857 final of 21.12.2006]. The Communication recognised the presence of significant challenges for employment in rural areas in Europe and called for the jobs divide between rural and urban areas to be eliminated.
- The conclusions of the ‘Agriculture and Fisheries’ Council of March 2007<sup>1</sup> in the context of the discussion on that Communication confirmed the important role of EU rural development policy under the CAP for increasing employment in rural areas and underlined that the creation and preservation of jobs and employment must be one of the priority objectives of rural development programmes. In its conclusions, the Council requested the Commission ‘*to further examine the employment situation in rural areas and to deliver an updated report on employment in rural areas focusing specifically on youth employment, women, and the situation in rural areas as a whole*’.
- This staff working document responds to the Council’s request for an updated report on employment in rural areas. It gives a factual background based also on statistical and empirical evidence collected in the framework of the SEGIRA (2010) study via case-study work and the gathering of good practices. Special attention is paid to women and young people in rural areas, as well as to local initiatives, cooperation, partnership approaches, and local business development. It is a complementary document to the Impact Assessment report on the reform of the CAP.
- In recent years, and especially after the start of the financial and economic crisis in 2008, the EU has encountered serious difficulties in sustaining its annual growth and employment rates, as many businesses were affected and unemployment rose quickly. The most recent macro-economic data show that the EU27 employment rate fell in the last 3 years (from 70.4% in 2008 to 68.6% in 2010). Employment rates for women continue to be much lower than for men and unemployment among young people aged 15-24 remains significant and above the 20% threshold level for the first half of 2011.
- Similar statistical trends can be observed for rural regions, which cover 57% of the EU territory and 24% of the EU population. Employment rates in rural regions increased by 2008, but following the economic crisis they have started to decline, reaching 62.5% in 2010 — a level that is still far below the 75% target level of the EU under Europe2020. The rural-urban jobs gap, which is still evident, was almost constant in 2006-2010.
- By the end of 2008 unemployment rate developments were positive for rural regions, but since 2004 a wider difference between urban and rural regions started to appear. This difference reached 2 percentage points (pp) in 2008. In 2009, the initial impact of the economic crisis, however, has been strongly felt everywhere, but most significantly in urban regions where urban unemployment levels increased by almost 3 pp. The increase was of a smaller magnitude for rural regions (2 pp), thus reducing the rural-urban

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<sup>1</sup> 2790<sup>th</sup> Council meeting ‘Agriculture and Fisheries’, 19 March 2007, 7085/07 (Presse 47), C/07/47.

unemployment gap by 1 pp. The return of the rural unemployment rate back to the 2006 level of 9.1% is quite worrying.

- EU12 countries have seen a steady and permanent decrease in unemployment in their rural regions, especially after the accession in 2004. This trend was cancelled in 2009 when the unemployment rates for both, EU12 and EU15, started to rise. Female unemployment is generally higher, especially in rural regions where over the last 15 years there has been no progress in narrowing existing gaps with male unemployment. By the start of the economic crisis and since 2004, unemployment rates for young people in rural regions have been in decline, although their situation has been still unfavourable.
- In agriculture, a significant loss in the number of jobs is observed throughout the EU, accounting for 2.8 million in the last decade, with the highest losses noted in EU12 countries. The decline in primary sector employment across the three different types of regions in the EU (urban, intermediate and rural) is also significant. Young farmers are declining in number and part-time family farming continues to dominate European agriculture.
- Compared to urban population growth, population growth in rural regions continues to be extremely limited. In the last decade only 15.6% of the overall EU population increase was observed in rural regions (equalling some 3.3 million people). However, demographic trends are opposite in EU15 and EU12 rural regions, with new Member States losing rural population and EU15 attracting newcomers. The loss of rural population in EU12 equalled 1.2 million people in 2000-2008, which places further concerns about the situation of women and young people there.
- At the same time, over the last decade rural regions witnessed a significant decline in the share of primary activities in Gross Value Added (GVA). The total number of farms dropped, but on average, EU farms grew in economic terms. Trends still diverged between EU12 and EU15, with semi-subsistence farming nonetheless playing a substantial role in EU12 and often accounting for more than half or even two-thirds of all farms in a given Member State. Farmers' income diversification is typical for about one third of all EU farms, with a positive trend noted in EU12.
- The average economic farm size (expressed in Economic Size Units, ESU) increased by 5.9% in the EU, with rural regions experiencing the highest growth (6.7%). However, farms in urban areas continue to be twice as strong economically as those in rural regions. Diverging trends in farm development between EU12 and EU15 continue to be noted, with semi-subsistence farming still playing a substantial role in EU12, and often accounting for more than half, or even two-thirds, of all farms in a given Member State.
- The tertiary sector is by now the major driver of growth, but its share in GVA in rural regions is far below those in urban regions. The tertiary sector remains the largest of the three sectors in terms of employment share in rural regions. At the same time growth in employment in the tertiary sector accounts for much of the loss of primary sector employment. Considerable differences between EU-15 and EU-12 countries are noticeable as well as between southern and northern EU Member States. Measured in absolute terms, the urban-rural gap in GDP has remained significant, and it actually increased in the last decade.
- From the economic and social point of view, the most important sectors in rural areas are agriculture, tourism, forestry and fishery. These are followed by construction and

manufacturing. In recent years, there has been significant process in rural areas in the setting up of many renewable energy plants, along with a generally positive perception of the role of renewable energy in rural life. In the case of the latter, environmental and climate change aspects should always be taken into consideration.

- The most important drivers for rural growth are: the *natural resources and environmental quality* of rural areas; the diverse *sectoral structure of the economy* and the *quality of life* in rural areas. The major barriers are: negative *demographic trends* and *loss of young people in rural areas*; the presence of *monosectoral economies*; poor or *lack of decent infrastructure*, and related to it low levels of *accessibility*, as well as quality of and *access to broadband*; *low levels of skills*, knowledge, entrepreneurship and innovation; and *undeveloped social and institutional capital*.
- The initial impact of the economic and financial crisis on rural economies is mixed, but the crisis has left its mark on growth and employment patterns almost everywhere. The greatest losses have been in regions where the secondary sector is a leading one, i.e. where a strong industrial and construction basis has underpinned regional development in the pre-crisis years. The situation has been particularly critical in rural areas that have suffered from a combination of exceptional circumstances because of the simultaneous closure of local plants accompanied by removal of industrial production from the area.
- Seasonal employment patterns, volumes of production, sales revenues and marketing strategies have also been affected by the crisis. There have been significant concerns among local governance and business structures about lower consumer' spending and the business environment in general. Jobs in the public sector have been put under pressure, often accompanied by significant lay offs of labour force. In rural settlements, many vacant premises available for retail have been reported.
- At local level, the importance of young people and women in rural regions is increasing and gaining recognition. However, empirical findings are rather mixed and raise a number of concerns, especially with respect to the readiness of policy makers to open up the business potential of rural women and to provide young people with economic incentives to remain in rural areas. National schemes providing active support to local activities are not widespread, especially when it comes to farmers and their involvement in rural social life.
- The case studies also reveal that while certain specific types of support are provided for young people under the rural development programmes as well as other EU-funded instruments, initiatives not funded by EU funds are mostly found in EU15 countries, albeit with a rather limited scope and coverage. There are special concerns regarding young people about to enter the labour market for the first time, as they do not have the capital (or access to it) required for investing in their own business, nor are there many job opportunities in their local community. There is also a shortage of skilled project managers.
- In many cases local initiatives try to bring out synergies between various sectors and local amenities to create further prospects for the local economy. In almost all studied cases these are backed by networking among local economic players to boost the performance of local businesses. Workshops on innovation and development are held regularly in some regions, although their geographical coverage is limited. There have also been other

initiatives, such as training courses for innovative activities and the hosting of events for exchanging innovative ideas.

- The analysis of the EAFRD good practices shows that projects which integrate several sectors and which build upon a strategic concept for local development bring enormous growth in rural areas. This success is largely based on strong, well-designed public-private or business partnerships and detailed planning. In fact, business planning turns out to be a crucial element, even for stand-alone investments by farmers and rural businesses. Moreover, networking among project developers and local and regional partners seems to be vital for the sustainability of many activities. Environmental and climate-related positive impacts could also be flagged as value added created by investment projects. Many of them take a careful and environmentally-friendly approach, building on the natural resources of rural areas, or ensuring that the investment enhances the environmental and climate performance of the rural/farming business.
- The projects' analysis shows that the transfer of knowledge and skills upgrade for rural business development is best achieved when 3 major conditions are present, namely: (i) a well defined targeted group; (ii) a well structured training programme, often divided into different phases (or types of training) depending on the stage of development of the businesses or persons targeted; (iii) a flexible and demand-oriented project development. In addition, combining group activities with individual follow-ups has proved to be a successful working model.
- Value added in the upgrade of skills is also gained through flexible formulation of topics and training contexts, taking into account feedback from participants and the needs that they express; by flexible organization of individual events as weekend seminars, lecture evenings or weekly events; by networking with local companies, institutions and working groups, which could also result in specific requests for training programmes. Linking information activities with education, mentorship and guidance turns to be a successful concept for strengthening rural and female entrepreneurship, and for the building of sustainable networks which survive beyond the end of the EAFRD funded projects.
- The analysis of the good practices has also shown that in some rural areas attention is paid to the needs and demands of the youngest members of the rural population. The provision of specific inter-active, needs-oriented and flexibly formulated training based on co-operation with schools and local organizations appears necessary in developing children's and young people's individual capacities and life skills. In this context, encouraging team work and capacity for leadership roles is extremely important. There is a considerable demand in rural areas for such projects and there is a significant scope for such projects to cover more rural areas and be applied across the whole EU.



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### ‘A VIEW ON EMPLOYMENT, GROWTH AND INNOVATION IN RURAL AREAS’

#### 1. INTRODUCTION

In December 2006 the Commission adopted its Communication to the Council and the European Parliament on ‘Employment in rural areas: closing the jobs gap’.<sup>2</sup> The Communication identified the significant challenges for employment in rural areas in Europe and called for closing the jobs divide between rural and urban areas. This should be achieved through multi-sectoral, area-based approaches based on partnerships going beyond agriculture, the agri-food industry and farm tourism. Within this process, particular emphasis should be placed on the EU rural development policy under the Common Agricultural Policy (CAP), but all other available EU and national funding should also be taken into consideration.

In the context of the discussion on that Communication, the conclusions of the ‘Agriculture and Fisheries’ Council of March 2007<sup>3</sup> confirmed the important role of EU rural development policy under the CAP for increasing employment in rural areas, underlining that the creation and preservation of jobs and employment must be one of the priority objectives of rural development programmes. In its conclusions, the Council requested the Commission ‘*to further examine the employment situation in rural areas and to deliver an updated report on employment in rural areas focusing specifically on youth employment, women, and the situation in rural areas as a whole*’.

The Council also stressed the need to develop the CAP’s second pillar further as a key instrument to accompany the CAP reform, the accelerated restructuring of agriculture as well as the implementation of the Lisbon and Gothenburg strategies in the light of the new region-specific challenges in regions with different socio-economic structures, thus laying the foundations for an overall improvement in rural living conditions. It also considered that it was crucial to develop adequate family-friendly infrastructure within reasonable distances of places of residence and work in order to encourage women and young people to remain in rural areas.

In the years following that discussion, the EU faced tremendous changes in its economic development, borne out by the continuing financial and economic crisis. In response to the emerging challenges, priorities and needs, the Commission adopted its *Europe2020 strategy*,<sup>4</sup> developing flagship strategic guidelines for smart, sustainable and inclusive growth.<sup>5</sup> It proposed the new multiannual financial framework for the period 2014-2020<sup>6</sup> and adopted the legislative packages for the post-2013 EU instruments in shared management supporting rural

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<sup>2</sup> COM(2006) 857 final, 21.12.2006 and SEC(2006) 1772, 21.12.2006 available at:

[http://ec.europa.eu/agriculture/rurdev/employment/index\\_en.htm](http://ec.europa.eu/agriculture/rurdev/employment/index_en.htm).

<sup>3</sup> 2790<sup>th</sup> Council meeting ‘Agriculture and Fisheries’, 19 March 2007, 7085/07 (Presse 47), C/07/47.

<sup>4</sup> Information and documents available at: [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm).

<sup>5</sup> Available at: [http://ec.europa.eu/europe2020/tools/flagship-initiatives/index\\_en.htm](http://ec.europa.eu/europe2020/tools/flagship-initiatives/index_en.htm).

<sup>6</sup> COM(2011) 500 final, 29.6.2011 and its annexes; Documents and information available here: <http://ec.europa.eu/budget/reform/>.

areas' development.<sup>7</sup> At the same time, EU rural development policy, under the European Agricultural Fund for Rural Development (EAFRD), was given a significant policy and financial boost in the wake of the Health-Check of the CAP and the European Economic Recovery Plan<sup>8</sup> and in particular its Recovery Package,<sup>9</sup> highlighting the importance of intervention under rural development policy for achieving the growth and sustainability objectives of the EU. In its Communication 'CAP towards 2020',<sup>10</sup> the Commission again underlined its commitment to continue supporting and maintaining viable rural communities, for whom farming is an important economic activity, alongside its support for facing the challenges of food security as well as the environment and climate change adaptation and mitigation. Farming creates local employment and provides options for further effective policy responses aimed at achieving the social and territorial cohesion of rural areas.

In the light of these policy developments, and in response to the Council's request for an updated report on employment in rural areas, in 2009 the Commission launched a call for a study on employment, growth and innovation in rural areas (SEGIRA). Its findings were to be used as a background document for the preparation of the requested report. The study was carried out in 2010 and finalised in December of the same year. SEGIRA<sup>11</sup> was the first study to base its analysis on the newly introduced definition of rural areas. It was also the first study to analyse CAP expenditure patterns across the EU.

This staff working paper gives a factual background based on statistical<sup>12</sup> and empirical evidence collected in the framework of the SEGIRA (2010) study via case-study work and the gathering of good practices<sup>13</sup>. It is a complementary document to the Impact Assessment report on the reform of the CAP<sup>14</sup> and could serve as input to the current debate on the future of Europe, particularly the rural development policy proposals for post-2013 in relation mostly to the Union's priorities for rural development 1, 2, 3 and 6. The working paper pays special attention to women and young people in rural areas as well as to local initiatives, cooperation, partnership approaches and local business development. The document also discusses growth barriers and drivers in rural areas. It gives an overview of the key sectors in rural areas and their recent development as well as the initial impact of the economic crisis on businesses at local level. A separate chapter looks into the value added of EAFRD support to innovative areas such as renewable energy, tourism, skills, young farmers and agricultural development, rural business and rural women's entrepreneurship stimulation, collective trade behaviour, food processing and short supply chains.

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<sup>7</sup> See COM(2011) 615 final, 06.10.2011 and COM(2011) 627 final, 12.10.2011 for the EAFRD, COM(2011) 614 final, 06.10.2011 for the ERDF and COM(2011) 607 final, 06.10.2011 for the ESF.

<sup>8</sup> COM(2008) 800 final, 26.11.2008.

<sup>9</sup> COM(2009) 36 final, 28.01.2009 and COM(2009) 38 final, 28.01.2009.

<sup>10</sup> COM(2010) 672 final, 18.12.2010.

<sup>11</sup> The final report from the SEGIRA study is available at:

[http://ec.europa.eu/agriculture/analysis/external/employment/index\\_en.htm](http://ec.europa.eu/agriculture/analysis/external/employment/index_en.htm).

<sup>12</sup> The statistical analysis in this report covers only the beginning of the most critical period during which the EU was hardest hit by the economic crisis (i.e. by end of 2008-2009). This is due to the use of the lowest level of analysis (NUTS3 level), which is the only level that captures rurality in the EU correctly. Moreover, the data is collected with quite a significant time delay compared with data at NUTS1 or NUTS2 level. In specific cases data for 2010 was available and respectively was used.

<sup>13</sup> As part of the SEGIRA study, 80 examples of good practices were gathered with detailed content. The good practices with the highest relevance to jobs and growth in rural areas are analysed in Section 6.

<sup>14</sup> SEC(2011) 1153 final/2, 20.10.2011. The report is available at:

[http://ec.europa.eu/agriculture/analysis/perspec/cap-2020/index\\_en.htm#ia](http://ec.europa.eu/agriculture/analysis/perspec/cap-2020/index_en.htm#ia)

## **2. KEY FINDINGS**

### **2.1. Statistical analysis**

#### **Remark on data**

In recent years, and especially after the start of the financial and economic crisis in 2008, the EU has encountered serious difficulties in sustaining its annual growth and employment rates. Many businesses have been affected and unemployment has risen quickly. The most recent macro-economic data show that the EU27 employment rate has fallen in the last 3 years — from 70.4% in 2008 to 68.6% in 2010. Quarterly GDP growth in 2010 showed some positive signs, but remains below 1% for the Union (0.8% in Q1-2011). Employment rates for women continue to be much lower than those for men (61.9% vs 74.9% for Q1-2011). Unemployment among young people aged 15-24 remains significant and above the 20% threshold level for the first half of 2011.<sup>15</sup>

While macro-level data is widely available and shows general economic developments in the EU, data at the lower NUTS3 level (necessary for capturing rurality<sup>16</sup> in the EU) is collected with a time lag that means that very recent statistical analysis cannot feature in this report. However, where possible, data for 2009 and 2010 has been used.

#### **Rural territory**

Rural regions cover 57% of the EU territory and 24% of the EU population. Together with intermediate regions they comprise 91% of the EU territory and 59% of the total EU population. Across the EU, the dimensions of the rural-urban territorial vary — from countries with an explicitly defined rural character (such as Ireland, Sweden, Finland, etc.) to Member States that tend to be more urbanised (such as the Benelux countries, Malta). Population density in rural regions remains the lowest.

#### **Employment in rural regions, agriculture and the agri-food industry**

The ‘rural jobs gap’,<sup>17</sup> which was defined by the Commission in its 2006 Communication on growth and jobs in rural areas, has widened significantly in the wake of quite positive developments in 2003-2005. In 2010 this gap (between urban and rural regions) was 2.9% and it is rather constant within the period 2006-2010. The initial impact of the financial and economic crisis can be felt already and since 2008 employment rates<sup>18</sup> (15-64 years) are declining in all regions. Rural regions’ employment rate of 62.5% (in 2010) is still far below the 75% target level of the EU under Europe2020.<sup>19</sup>

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<sup>15</sup> Eurostat (2011).

<sup>16</sup> See Annex A for the applied definition of rural regions. The wording ‘rural region’ is used only in the statistical analysis. The discussion later in the document focuses on rural areas. In principle, a region could contain rural, urban and mixed areas depending on its territorial development status.

<sup>17</sup> Across the EU25, in the period 1996-2001, the employment rate increased by 3.6% in predominantly urban areas compared to 1.9% in predominantly rural areas, suggesting a widening of the urban-rural employment gap (European Commission, 2006).

<sup>18</sup> The employment rate is measured as the total number of employed people divided by the total working age population aged 15-64.

<sup>19</sup> It is to be noted that this employment target is for people aged between 20 and 64.

At the same time, the EU12 rate remains below the EU15-level by nearly 6 percentage points (pp) (64.9% in EU15 vs 58.5% for EU12 in 2010). In the period 2005-2010, employment rates in rural regions decreased in both areas. Similar were the trends in the majority of Member States, with the exception of Germany, Poland and Austria where the rural employment rate increased by 4.9 pp, 4.1 pp and 3.3 pp, respectively, from 2005 to 2010.

In agriculture, there was a significant loss in the number of jobs throughout the Union (2.8 million in the period 2001-2009), with the highest rates noted in EU12 countries. In 2009, the combined agricultural and food sector accounted for 16.8 million jobs (7.6% of total employment) in the EU27.

The agricultural labour force (measured in AWU<sup>20</sup>) is decreasing with a rate of around 2.0% per year between 1995 and 2007 in EU15. It now stands at 11.7 million AWU for the EU, of which less than one million corresponds to non-regular workers. In the EU there are almost 6 million self-employed people in the primary sector (agriculture, forestry and fishing) with a share of 54% of self employment in the primary sector in 2010 (for those aged above 15).<sup>21</sup>

The Irish, Swedish, Polish and the Dutch agricultural sectors saw the smallest decline in labour intensity<sup>22</sup> measured as a percentage loss, while the sharpest decreases were to be found in southern EU countries (except Spain).

In EU27 as a whole, the decline in primary sector employment was from 9.7% in 2000 to 5.4% in 2009. The latter figure corresponds to 12.1 million persons employed in the primary sector. The decline is about twice higher in EU12 than in EU15 rural and intermediate regions. A decline could be observed also in all EU countries (except Bulgaria and the Netherlands) with changes being more pronounced in the years before 2004 for most of the Member States.

The tertiary sector remains the largest of the three sectors in terms of employment share in rural regions (57% in 2008). The highest levels of tertiary employment are observed in the rural regions of Belgium (72.7%), Sweden (70.3%), Denmark (68.6%) and France (68.5%). In EU12 rural regions the average share of tertiary employment is much lower, about two-thirds of that for the EU15 rural regions. Growth in employment in the tertiary sector accounts for much of the loss of primary sector employment.

The food industry performed relatively well in terms of employment in southern EU countries, such as Greece, Portugal, Italy and Spain. The highest concentration of food industry employees was noted in France, Germany and the UK<sup>23</sup>, accompanied by a decline in terms of the number of employees. A trend towards concentration in the food sector was also observed as the number of local units declined.<sup>24</sup> In EU12 the food sector continues to experience difficulties.

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<sup>20</sup> AWU — annual work unit, corresponds to the work performed by one person who is in full time employment on an agricultural holding.

<sup>21</sup> The highest rates of self-employment are found in Portugal, Ireland, Luxembourg, Greece and Poland (more than 70% in all cases).

<sup>22</sup> Measured as AWU per ha per rural NUTS3 region.

<sup>23</sup> The available data for EU12 countries is limited and reliable at NUTS2-level only for Slovakia, Hungary, Poland and Romania. For the first three countries, the food sector performed badly with a high negative growth typical of the three indicators. In Romania, despite the slight increase in the number of employees, local food industry units declined as well.

<sup>24</sup> SEGIRA (2010).

## **Farming and semi-subsistence issues**

In 2007 there were 13.7 million agricultural holdings in the EU — 5.6 million in EU15 and more than 8 million in EU12. In the 2005-2007 period the number of EU farms declined by 7%. Farms in rural regions experienced the lowest percentage decline (- 6.3%), but the largest loss in number (0.48 million, from 7.6 million to 7.1 million), as most EU farms (55%) are located in rural regions. The largest losses of farms were recorded in EU12, where the overall number fell by 6% compared to the 2% decline in EU15. The greatest declines in EU15 were observed in Denmark and Portugal, while in EU12 they were observed in Bulgaria, Hungary and Latvia.

Diverging trends between EU12 and EU15 continued to be noted, with semi-subsistence farming<sup>25</sup> still playing a substantial role in EU12,<sup>26</sup> often accounting for more than half, or even two-thirds, of all farms in a given Member State. Data shows, for example, that the concentration of small farms in EU12 rural regions is much higher than in EU15 rural regions (respectively 61.4 % vs 19.3% of all farms). Farms that fall within this group could to a large extent trigger further important structural changes in EU agriculture.

The average economic farm size (expressed in Economic Size Units, ESU) increased by 5.9% in the EU, with rural regions experiencing the highest growth (6.7%). However, farms in urban areas continue to be twice as strong economically as those in rural regions (43.4 ESU vs 20.8 ESU respectively). The lowest average economic farm sizes are in Romania (0.98 ESU), Bulgaria (2.05 ESU) and Lithuania (2.53 ESU). There may well be a further economic consolidation of the farm sector in EU12 countries, where in principle farms in rural regions have increased the average agricultural areas utilised.

## **Young farmers, part-time farming and skills in agriculture**

EU agriculture continues to be largely based on family farms. In 2007 more than 80% of the labour force came from the farm holder's family<sup>27</sup> and 12% of the labour force was made up of regularly employed workers.<sup>28</sup> Moreover, only 15% of family farm managers in the EU had a working time in agriculture equivalent to a full-time job. This share is about three times higher in EU15 (25%) compared to EU12 (9%). Diversification of farmers' income is typical for about one third of all EU farms, with opposing trends in EU12 and EU15, extremely positive in the former and quite negative in the latter.

Rural regions have the highest ratio of young farmers (those aged below 35 years)<sup>29</sup> to older farmers (aged 55 years or more) and in EU12 their proportion is declining faster than in EU15. In intermediate regions the situation is worse, with older farmers being approximately

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<sup>25</sup> Farms below 1 ESU.

<sup>26</sup> In Bulgaria, Slovakia, Romania and Hungary, more than 70% of farms are still below 1 ESU. In the rural regions of Romania and Lithuania, the share of these farms even increased over the period 2005-2007.

<sup>27</sup> The importance of family farming across the world has been recently recognised in the context of the 'Family farming world conference: feeding the world, caring for the earth', held in Bilbao (ES), 5-7 October 2011. <http://www.ruralforum.net/ffwconference/default.asp?id=en>

Moreover, in 2010-2012 a UN campaign was launched for the International year of Family Farming. More information can be found here: <http://www.familyfarmingcampaign.net/default.asp?id=en>.

<sup>28</sup> Seasonal employment remains an area where more research efforts are needed to build up knowledge about the availability of seasonal labour for agriculture and the impact it has on the farming sector, schemes for finding/hiring seasonal labour, migration and social inclusion issues, seasonal labour's skills development, etc.

<sup>29</sup> In rural development young farmers are those aged below 40 years. However, statistical data is collected in a different way (i.e. below 35 years old) which does not capture the full share of farmers aged below 40 years.

10 times more than younger farmers. Poland, the Czech Republic, Finland, Belgium and France have the youngest farming societies.

In 2005, about 29.3% of EU farm managers had basic or full agricultural training, with farmers in rural regions accounting for the lowest share (26.4%).<sup>30</sup> The lowest levels are registered in the southern EU countries such as Bulgaria (5.4%), Greece (6.3%), Romania (7.6%), Spain (9.2%), Portugal (11.2%), and Italy (12.8%).

### **Unemployment in rural regions**

Unemployment trends in 2000-2008 were quite positive for rural regions, but since 2004 a bigger difference between urban and rural regions started to appear. This difference has increased up to 2 pp in 2008 and the *loss of momentum* in rural regions for solving unemployment problems was quite substantial. The initial impact of the economic crisis, however, has been strongly felt already in 2009, especially in urban regions. It increased the unemployment rate for all regions, but with 1 pp more in urban regions compared to rural regions, thus reducing the urban-rural unemployment gap to 1 pp. In 2009, the unemployment rate in EU rural regions returned to its 2006 level of 9.1%.

The 2004 accession of EU12 had a positive impact on EU12 rural unemployment until 2009 when the rate increased significantly. The latter was also the case for EU15 rural unemployment rate.

In the last 15 years no progress has been made, however, in reducing existing differences (of about 3.5 pp) between female and male unemployment in rural regions, despite the fact that the average drop in all types of regions since 2004 has been more or less equal for both categories. A further stagnation since 2006 could be observed. For women,<sup>31</sup> the gap between female unemployment rates in urban and rural regions remains constant over time, at approximately 4 pp (11% in rural regions as against 7% in urban regions in 2008). For men, this gap was almost non-existent in 2008. Female unemployment in EU12 rural regions is lower than female unemployment in EU15 rural regions — a gap that started to increase after 2007. Remarkable declines were observed in Finland and Greece (of the EU15 countries) and in Poland, Slovakia and Lithuania (of the EU12 countries).

Young people aged between 15 and 25 years are probably the most vulnerable group as they are the group entering the labour market for the first time. The SEGIRA estimates show that unemployment rates for young people in rural regions have been in decline since 2004, when an equilibrium point was reached. Since then, the situation for that group of young people has become less favourable.

### **Women, young people and demographic developments in rural regions**

Population growth in rural regions continues to be extremely limited compared to urban population growth. Only 15.6% of the new population could be seen in rural regions,

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<sup>30</sup> Data only available for year 2005.

<sup>31</sup> In 2007 in its Resolution 62/136 of 18 December 2007, established by the General Assembly, the United Nations announced that 15 October each year would be named the International Day of Rural Women: <http://www.un.org/en/events/ruralwomensday/>.

amounting to just 3.3 million people settling in rural regions over the period 2000-2008.<sup>32</sup> The negative net migration in EU12 rural regions is a particular concern as about 1.2 million people have left in just 8 years (a decline of 2.8% compared to 2000). On the contrary, in EU15 rural regions newcomers reached 4.5 million in 2008 accounting for a population increase of 6.4% compared to 2000.

The average share of women in the total EU population is around 51% and has been declining in the last decade. However, the share of women in rural regions is lower than in urban or intermediate regions, and this difference has been widening since 2007, with the decline in rural regions starting to appear in 2005. *In 2009, the 0.8% difference between urban and rural regions is the largest ever in the last decade.*

**However, the situation of women and young people in rural demography has not improved in recent years. It has in fact deteriorated.** The statistical analysis revealed that the loss of (young) people from rural areas and negative demographic changes are still present, which is a major weakness. Rural regions experienced the highest loss of youth in the period 2002-2009. While there is a decline in the proportion of young people for all regional types, the difference between urban and rural regions is becoming larger, especially after 2007. This is mostly the result of demographic developments in the EU12 countries. Combined with the declining number of people living in rural areas and the relatively sluggish population growth in rural regions in general, there are real concerns about the potential for generational renewal in rural regions.

Between Member States the variations are even more pronounced. In 2008, the countries with the highest share of young people in their rural regions were Ireland (21.6%), Denmark (18.6%), the Netherlands (18.1%), Belgium (18%), France (17.7%) and the UK (17.6%). The lowest figures for young people within the total population living in rural regions are to be found in the southern part of the EU led by Italy (13.3%), Bulgaria (13.6%), Portugal (13.7%) and Spain (13.9%).

### **Rural economic structure**

According to DG AGRI estimates, the primary sector in EU27 reached around €199.8 billion of value added in 2008 and accounted for 1.8% of total GVA. In 2008, the primary sector's share of total rural GVA in rural regions was 4.5% and in intermediate regions it was 2.3% of total intermediate GVA. Over the last decade, the declining share of primary activities has mostly affected rural regions. In all regions the decline over the period 2000-2008 was about 35% - 40% from the 2000 levels. The primary sector still accounts for a larger proportion of GVA in EU12 than in EU15 — with the absolute share of EU12 double that of EU15 (8.3% vs 3.9% in 2008) — but its contribution to GVA in both areas is in decline; and while in EU15 it could be claimed that there was stabilisation over the three-year period 2006-2008, the economic changes in EU12 caused a loss of almost one third of the primary sector's importance in GVA.

In fact, only a few countries make up the driving force behind these rather drastic changes, and these are the countries where agricultural employment and farms' concentration have been the highest in Europe in the last decade. Significantly, by 2008 none of the Member States managed to maintain the same share of primary activities in GVA as they had in 2002.

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<sup>32</sup> For the most recent analysis on general demographic trends in the EU, see the latest Demography report 2010 available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/population/documents/Tab/report.pdf>.

In EU12, for example, the trend is driven by the changes in Bulgaria and Romania. In EU15, Greece and Spain have been the biggest ‘contributors’, with quite a noticeable loss in Portugal too.

In contrast to primary activities, the shares of the secondary and tertiary sectors in GVA steadily increased over the period 2000-2008, confirming the previous findings from 2006. Rural regions experienced the highest growth, but only because of a lower starting point. **The absolute gap between urban and rural regions in terms of tertiary sector share in GVA has never been reduced.**

The same holds for **the GDP rural-urban gap, which has remained significant in absolute terms, and has actually increased in the last decade.** Rural regions consistently had the lowest GDP/capita levels<sup>33</sup> and the gap in absolute terms between urban and rural regions increased in 2000-2008 by € 2,500 pps/cap. According to SEGIRA (2010), it almost doubled between 1995 and 2007.

Rural GDP growth levels in 2000-2007 were effectively cancelled out by the economic crisis in 2008, when they remained at zero levels, thus the same GDP level as in 2007 has been maintained. **The GDP growth was especially pronounced in EU12 countries, where, on average, urban growth levels have been much higher than rural growth rates since accession in 2004.** In EU15 growth in rural and urban regions has been rather similar, with rural growth slightly ahead in the last 2-3 years (before the start of the economic crisis). In general, EU accession has made a positive contribution to economic development in EU12, although the cohesion objectives for some rural regions in the EU have not been achieved.<sup>34</sup>

## 2.2. Drivers and barriers of growth and employment in rural areas

The case study work done in the context of the SEGIRA study identified the major drivers and barriers in relation to growth and employment at local level.<sup>35</sup> In total, 15 NUTS3 case-study surveys were carried out covering 10 rural regions and 5 intermediate regions with a rural character.<sup>36</sup> Not surprisingly, drivers and barriers in relation to rural growth and employment are often inter-linked: the lack of development of a factor or condition causes negative impacts on the rural environment while its positive expansion brings growth and prosperity.

A common opinion expressed during the case-study work is that national policies must cover rural problems in a more coherent and targeted manner. Often the lack of focus leads to loss of resources and of social, cultural and environmental capital, driving rural exodus and causing a deterioration of rural life and the rural economic situation.

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<sup>33</sup> GDP/capita is even overestimated, because GDP data is collected at the household level rather than at the place where economic value is created (i.e. the place of work).

<sup>34</sup> For the most recent cohesion developments in the EU, see the 5<sup>th</sup> Cohesion report available at: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/pdf/5cr\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/pdf/5cr_en.pdf).

<sup>35</sup> This section draws on the information collected by the external consultant in the framework of the Study on Employment, Growth and Innovation in Rural Areas (SEGIRA). The European Commission cannot be held responsible for any incomplete or inaccurate information.

<sup>36</sup> The regions surveyed by SEGIRA are: Oberkärnten (AT), Tielt (BE), Dobrich (BG), Vysocina (CZ), North-West Mecklenburg (DE), Kesk-Eesti (EE), Toledo (ES), Lappi (FI), Puy de Dome (FR), Komárom-Esztergom (HU), South-West (IE), Olbia-Tempio (IT), Pulawski (PL), Västernorrland (SE) and Inverness (UK). These regions mirror to a large extent the diversity of rural areas found by the clustering exercise conducted by SEGIRA (see annex C).



The most important drivers for growth in rural areas were found to be the *natural resources and environmental quality* of these areas,<sup>37</sup> the diverse *sectoral structure of the economy* and the (level of) *quality of life*. The major barriers are attributed to: negative *demographic trends and loss of young people*; *monosectoral economies*; poor, or *lack of, infrastructure*, and related to it low levels of *accessibility*, as well as quality of, and *access to, broadband*; *low levels of skills, knowledge, entrepreneurship and innovation*; and *undeveloped social and institutional capital*.

In its case-study findings SEGIRA confirms that in many rural areas *natural resources and environmental quality* are considered to be of particular importance and are treated as the most important drivers of rural (long term) growth and as a valuable legacy. The maintenance of this environmental quality (and in this context the enhancing of the climate potential) is regarded as a key factor for the future prosperity of those areas and for raising the quality of life. The trend to base and attract economic activities on local natural resources, confirming the endogenous direction of rural development in the last decade, is evident everywhere.

Preserving cultural heritage and maintaining traditions, in the context of well-sustained nature, are the backbone of the *rural quality of life*. Despite the general imbalance in the distribution of wealth between rural and urban areas, and the frequent deficit in the provision of social services in rural areas, the existence of an impressive cultural (and natural) heritage, which needs to be maintained and preserved, culminates in a win-win policy and sound business decisions. For the majority of rural areas, however, this quality of life is not enough to keep young people or to counteract the process of an ageing population. Indeed, in many rural areas this driver may be seen as more of an ‘inhibitor’ of growth to the extent that it attracts more economically inactive retirees than it retains/attracts young people contributing actively to economic growth. There are particular concerns for remote rural areas and areas with lower economic standards.

The importance attached to the *structure and composition* of rural economies reflects their diversity and is a consequence of the scale of diversification from and within the land-based sectors (agriculture, forestry), a major feature of rural development over recent decades. The case studies suggest that the successful development of a diverse economy is actually the result of a combination of factors such as: the endogenous development of the local industrial sector; the presence of strong local entrepreneurship (skills, international networks, ability to adapt and to take risks); the presence of innovative businesses with an international reputation; strong local networks and local monitoring of the development process of the (rural) area — all this combined with relative social stability and successfully established relationships between employers and workers. However, the sectoral structure of many rural economies remains limited to agriculture, which is a cause for concern with respect to their future general competitiveness and viability.

As regards *infrastructure and accessibility*, for those rural areas which are relatively accessible via road, rail and airport infrastructure, the combination of a rural quality of life and ease of access to urban areas/markets amounts to a double benefit. The lack of a decent transport infrastructure, however, combined with long distances to workplaces is a significant demotivating factor for the commuting rural work force, especially in economically weak regions. This leads to a waste of resources and time, to high transportation costs, and respectively to a lower quality of life. This is further aggravated by the lack, or low quality of, access to drinking water and water supply systems, sewerage systems, energy and gas supply

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<sup>37</sup> One may argue that rural areas' climate change mitigation and adaptation potential is interlinked with natural resources and environmental quality.

systems, etc. As the demand for services in various forms is different within regions and the opportunity to provide these services varies, local and flexible service solutions are needed to solve problems. Lack of broadband infrastructure,<sup>38</sup> or its poor quality, has emerged as another infrastructural obstacle, especially in rural areas where attempts have been made to redirect traditional economies towards innovative and knowledge-based businesses. At the same time, efforts by national and local authorities to cope with these problems have been highlighted, even if such initiatives are still not widespread at local level.<sup>39</sup>

The most important barriers to growth and employment in rural areas are the negative *demographic trends* and the associated with them *loss of young people*. The departure of young people from rural areas, combined with a general trend towards an ageing population, exacerbated by retirement to the countryside for a higher quality of life, indicates a continuing and potentially worsening demographic and labour picture for rural areas and their economies. At the same time, migration could provide an opportunity for an influx of new ideas and concepts, the subsequent challenge being to strengthen tolerance towards an open, multicultural local society.

SEGIRA's case-study work confirmed the rural '*brain drain*' issue — a market failure that has been widely recognised by many local, national and European policy makers. Young as well as highly educated people leave rural regions mainly because of a lack of employment opportunities and educational options, with fewer skilled workers available for local industries, thus compounding the current jobs-skills mismatch at local level. This loss significantly reduces entrepreneurship levels in rural areas and shuts down the impetus towards new and innovative business (and social) concepts. It also affects the viability of most rural communities as young people and families move on. Conversely, an ageing population brings new challenges in relation to service delivery, accessibility and social inclusion. For some rural areas in the west of the EU, however, inward migration from EU12 countries has offset to some extent the loss of young working people, particularly for poorly paid and seasonal employment in the agriculture, tourism and construction sectors.

Various forecasting estimates collected by SEGIRA show that in the future the population will be concentrated around accessible places close to urban areas, further deepening the regional demographic imbalance, as well as bringing potential marketing difficulties. In general, an ageing population combined with the absence of a real generation exchange and low levels of economic activity call into question the survival of many small communities in the medium to long term.

A lack of sufficient *skills in rural areas*, apart from those in primary and some tertiary activities (such as agriculture, landscape maintenance, forestry, handicraft and tourism), has been flagged everywhere as an issue of concern and a barrier to rural growth. Moreover, the lack of well targeted training, adapted to the needs of the local area, the absence of entrepreneurship courses and guidance backed by start-up capital, and the dearth of lifelong learning options all push down levels of entrepreneurship and innovation in rural areas and bring rural economies into a vicious circle. In addition, the social and economic structure

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<sup>38</sup> Data from the Digital Agenda Scoreboard<sup>38</sup> also reveals that rural areas in the EU have, on average, a broadband coverage of 82.4% of the rural population against an EU average of 95.3%. For more details, see: [http://ec.europa.eu/information\\_society/digital-agenda/scoreboard/index\\_en.htm](http://ec.europa.eu/information_society/digital-agenda/scoreboard/index_en.htm)

<sup>39</sup> In the context of the European Economic Recovery Plan, in 2009-2010 Member States injected about €360 million into their rural development programmes (under the EAFRD) to support the laying out of broadband infrastructure in rural areas. See IP/10/102 of 29.01.2010.

limits entrepreneurship capacity in rural areas, especially in monosectoral economies or in less economically developed regions. Insufficient levels of business networking and lack of coordination among sciences, research and employers have a further impact on labour potential, leading to a decline of young management. Programmes offering education and labour opportunities to young people are rare. The introduction of transferable cross-sectoral skills is a strategic choice that should not be neglected.

The case-study work showed also that there is a mismatch in local labour markets almost everywhere. This has been made worse by the significant lay off of labour following the current economic crisis. The acquired education, skills and experience of the workforce in rural areas are often not in accordance with the rapidly changing needs of the labour market. On the one hand, there are very few employment opportunities for highly educated people in rural areas. On the other hand, closures of specialised factories have laid off specialised labour for which demand in the respective rural areas has been almost zero. This has been combined with the offload of a high number of low-educated and low-skilled workers from the sectors hardest hit by the crisis, so that the rural labour market has become unable to absorb them given the current difficult economic conditions and the seasonality in the major sectors dominating the rural economies.

Entrepreneurship levels in rural regions are further limited by fear of the red tape involved in administrative procedures and requirements, difficulties in accessing business start-up credits and cultural traditions and perceptions. Unemployed women and jobless people at an age close to retirement (e.g. above 45-50 years) are challenged by the lack of work as well as the presence of undeclared work in rural areas.

The existence of strong *social and institutional capital* is regarded as a reason for success and an 'asset' without which the future of rural areas is inconceivable. In areas where local public-private relationships are weak and where communication and cooperation between businesses, society and local authorities are not enhanced, social and institutional capital is considered to be lacking and to be a field where future policy interventions should focus.

The forms of social capital developed and sustained in rural areas differ according to the historical and cultural backgrounds of the regions and their economies. The success, however, of the public-private partnerships and cooperation, including their initiatives, depends strongly on the commitment of the participating parties. Funding possibilities (EU, national, local) also play a significant role, especially in the current crisis. The success is also evident when there is a clear leadership, both at regional and local level, development of a collective identity with a strategic orientation, cultural understanding and social stability. Transparency and predictability are also relevant pieces of the social capital jigsaw.

### **2.3. The initial impact of the economic crisis**

The impact of the economic and financial crisis on rural economies is mixed, but the crisis has left its mark on growth and employment patterns almost everywhere. It has affected not only the jobs in rural areas, but also seasonal employment patterns, production volumes, sales revenues and marketing strategies and options, and has raised significant concerns among local governance and business structures related to lower consumer spending and the business environment in general. Jobs in the public sector have come under pressure and in certain cases lay offs of labour from local public offices have also been noticed. In rural settlements, there are reports of many vacant premises available for retail. Unemployment is much higher among young people than among those of average working age or even the elderly.

The biggest losses have been experienced in regions where the secondary sector is at the fore, i.e. where a strong industrial and construction basis has underpinned regional development in the pre-crisis years. The situation has been especially critical in certain areas that have suffered from a combination of exceptional circumstances with the simultaneous closure of several plants accompanied by the disappearance of industrial production from the area.

In areas that are rather remote or a long way from industrial centres, the evidence suggests that the effects of the crisis have certainly been felt, but less severely. In small towns and villages, the crisis did not change much, particularly in places dominated by family-run businesses exploiting local amenities or to do with the household. The same holds for rural areas where export-orientation is not a significant growth element.

A reduction in banks' lending activities has affected not only private entities, but also the budgets of local authorities, reducing their investment potential in local infrastructure and public services. Municipalities' budgets have suffered from a decrease in the revenues generated by local taxes, combined with cuts from national budgets and sometimes this has also affected public-private partnership initiatives.

To cope with the situation, apart from closure and restructuring processes companies have opted to reduce production volumes, decrease working hours or offer compulsory leave to their workforce. There have also been salary reductions, especially in the most affected sectors such as construction.

However, despite the significant effects of the economic crisis on rural business development, new enterprises have continued to be set up in rural areas. This has offset only to a small extent the closures and job losses. Apart from the renewable energy and agri-food sectors, where most of the newly established enterprises are to be found, jobs have been created, for example, in the health and social care sector, and in the manufacturing of food and medical equipment.

Support to help cope with the economic crisis consisted of a range of initiatives of varying scope and intervention levels, generally adjusted to national needs. The case study work has revealed the need for appropriate coordination mechanisms to address growth challenges at the regional scale, building on already established regional partnerships and long-term strategies. However, the procedures in place have been reiterative measures to support entrepreneurship, among others. Often they have not been accompanied by other complementary measures, such as making credit lines available to local businesses in rural areas. The gravity of the crisis has also influenced local political and administrative spheres. In an uncertain socio-economic context the decisions taken have been more prudent and less risky, rather than courageous and innovative.

The case-study work showed that there is a need for much more research on the impact of the economic crisis on rural businesses and rural economies. National or regional authorities should develop more concrete and step-by-step strategies with the support of research institutions to help rural areas better target their development and recover from the economic crisis.

#### **2.4. Local initiatives and their potential for the rural economy**

Little knowledge is available at EU level on the extent to which local initiatives contribute to rural social and business development. In many cases local initiatives seek to bring out synergies between various sectors and local amenities to create further prospects for the local

economy, nearly always supported by networking of local economic players with a view to boosting the performance of local businesses.<sup>40</sup> The empirical findings, however, are rather mixed and raise a number of important issues, especially with respect to the readiness of (local) policy makers to take full account of women's potential and provide economic incentives to young people to remain in rural areas.

The case studies reveal that while a specific type of support is provided for young people under rural development programmes,<sup>41</sup> including LEADER, as well as other EU-funded instruments, initiatives not funded by EU funds are mostly found in EU15 countries, but still with a rather limited coverage. However, it is also obvious that national/local authorities and policy makers must turn awareness-raising campaigns into active delivery of result-driven initiatives. Special concerns remain for the group of young people about to enter the labour market for the first time, as they do not have access to the capital they require for investing in their own business, nor do they have a variety of job offers in their local community. This affects them all, irrespective of their talents, ambitions or educational background, and are the main reasons for the rural exodus. Finally, there are not many people who can run such projects and have the knowledge to do so, signalling again a case of human potential constrains in rural areas.

Out of all the initiatives, workshops and training sessions seem to be the tools most frequently used to stimulate rural women's entrepreneurship and the employment of young people in rural areas. Networking activities are also found, although rarely. Some projects involving women and young people focus mainly on the provision of temporary employment (to help them gain experience in different fields), popularising traditional handicraft among youngsters and communication between generations. Unions of women entrepreneurs have been created in some places to promote mentoring among social networks. Local projects targeting women also aimed at improving their integration in the labour market in sectors such as agricultural production, the agri-food industry, childcare services and services for other dependent people.<sup>42</sup>

The initiatives aimed at young people targeted the provision of guidance for young (business) starters and facilities (collective buildings); investments in broadband in rural schools and in start-up businesses amongst school leavers for stimulating their entrepreneurship, etc. Housing issues are sometimes also addressed under a supportive strategic approach targeted at young people looking for jobs in rural areas. Attention to young people with serious social or professional problems, including youth without diplomas or qualifications, is also paid, but such approach at local level is to be rarely found. Programs stimulating young people to gain high quality education and return to work in their region are also extremely rare.

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<sup>40</sup> In some regions there have been no local initiatives, as measures relating to women and young people have been implemented in the context of national employment and education policies and their respective instruments (qualification measures, aids for the integration of the long-term unemployed, information and marketing campaigns for young people, etc.).

<sup>41</sup> For a full reference to preferences for young people and women under each rural development programme 2007-2013, please see the following Annex of the SEGIRA study:

[http://ec.europa.eu/agriculture/analysis/external/employment/women-young-people\\_en.pdf](http://ec.europa.eu/agriculture/analysis/external/employment/women-young-people_en.pdf)

<sup>42</sup> SEGIRA (2010).

## **2.5. Innovation and value-added of EAFRD funded projects for jobs and growth in rural areas**

SEGIRA collected a set of 80 good practices, most of which are subject to analysis in section 6. The analysis displays common features and outcomes in a number of growth creating areas and it brings out those elements that show the innovativeness of the projects, their wider application and positive spill over effects and at the same time raise the awareness of farmers, rural businesses and local authorities that are interested in supporting entrepreneurship in the business areas discussed here.<sup>43</sup>

The analysis is done per themes and it covers the following major areas: (i) renewable energy; (ii) rural tourism; (iii) farm and rural non-agricultural business development, including agri-food industry; (iv) skills and entrepreneurship.<sup>44</sup> Special attention is paid to projects stimulating female entrepreneurship, the entry of young people into the labour market and those building knowledge on important, environmental or activity related aspects, in children and youth in rural areas. Projects providing services and professional guidance to newcomers in rural areas are also addressed. Additional elements for which information and insights have been collected cover the business planning, the application processes, the job creation effects from the projects and the projects' transferability, growth impacts of the projects on beneficiaries' performance, as well as the rationale for initiating a project proposal and the linkages that most of the projects have established between sectors, businesses, local authorities and other collaborative/networking aspects.

Overall, it can be concluded that projects which integrate several sectors and are built on a strategic concept for local development bring enormous growth in rural areas. If they are to be successful, projects should be based on a strong and well-designed public-private or business partnership and they require careful, step-by-step planning and a strong business case. Business planning is a crucial element, even for stand-alone investments by farmers and rural businesses, as it prepares the beneficiary for entering the new business field and places the decision-making process on a realistic footing. Moreover, networking between beneficiaries and local / regional partners would seem to be critical for the sustainability of the activities. A strong networking link between research and innovation would be essential for a sustainable innovation culture. Environmental and climate-related positive impacts could be pinpointed as value-added resulting from investment projects, as many of them adopt a careful and environmentally-friendly approach, build upon the natural resources of the rural areas, or ensure that the investment enhances the environmental performance of the business by reducing waste, emissions and pollution.

The upgrading and development of skills, which also stimulates entrepreneurship in rural areas and opens up the labour market and job opportunities for all people, and especially for young people and women in rural areas, is a key element that could unlock the potential of rural labour, break down the rather negative employment trends and help remedy the

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<sup>43</sup> For a more general overview of the EU priorities in research and innovation see COM(2011) 546 final, 6.10.2010 and visit also: [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm).

The projects analysed in this document show the richness of the EAFRD support and how it embraces the three dimensions of Europe2020 strategy, namely its smart, inclusive and sustainable growth orientations. Projects are often complex in implementation and their impact and value-added could go beyond a single, stand-alone contributing area.

<sup>44</sup> In its Staff working document SEC(2009) 254, 03.03.2009 accompanying COM(2009) 103 final, 03.03.2009, the Commission has already analysed the value-added and innovation aspects of the EAFRD support provided for ICT projects in rural areas. More information is available at: [http://ec.europa.eu/agriculture/rurdev/employment/ict/sec2009\\_254\\_en.pdf](http://ec.europa.eu/agriculture/rurdev/employment/ict/sec2009_254_en.pdf).

mismatch (between jobs available and skills of unemployed labour) in the local labour market.

The projects' approaches applied and supported by the EAFRD (as discussed later) are extremely diverse and rich in content, as well as being needs-oriented, and stimulating in terms of how the participants take part and define the direction that the training should take. At the same time, training organisations are now aiming to cover all age groups in rural areas — from children, through the younger generation and school-leavers to the unemployed and/or young people with poor qualifications who are looking for a job, to those who already run their own businesses and need further advice on how to develop in the future. In between these broad groups, women entrepreneurs in rural areas have their specific needs that need to be tackled, including specific sectoral training and advice or changing the job seeking culture.

The projects' analysis proves that transfer of knowledge and skills upgrade for rural business development is best achieved when 3 major conditions are present, namely: (i) a well defined targeted group; (ii) a well structured training programme, often divided into different phases (or types of training) depending on the stage of development of the businesses or persons targeted; (iii) a flexible and demand-oriented project development. In addition, combining group activities with individual follow-ups has proved to be a successful working model.

Value added is also gained through flexible formulation of topics and training contexts, taking into account feedback from participants and the needs that they express; by flexible organization of individual events as weekend seminars, lecture evenings or weekly events; by networking with local companies, institutions and working groups, which could also result in specific requests for training programmes. Linking information activities with education, mentorship and guidance is a successful concept for strengthening rural and female entrepreneurship, and the building of sustainable networks which survive beyond the end of the EU funded projects is an excellent outcome.

Educating children and youth about the area in which they live, healthy eating habits and responsible environmental behaviour are other areas that project developers have explored in an attempt for supporting the development of the rural young generation. The applied projects were based on collaboration with schools and the work under them has been driven by the young people themselves (except for children, where this has been replaced by inter-active participation). This ensures that their individual capacities and life skills are also developed. The latter is driven by team work, in particular, by building confidence, consideration of, and respect for, alternative views and options, learning how to be responsible and how to play a leadership role. In all cases, as shown by the analyses, the demand for such initiatives continues to grow based on the already achieved positive outcomes.

## **2.6. Some concluding remarks**

This staff working document is a response to the request made by the 'Agriculture and Fisheries' Council to the Commission in its March 2007 conclusions to examine further the employment situation in rural areas and to deliver an updated report on employment in rural areas focusing specifically on youth employment, women, and the situation in rural areas as a whole.

There are a number of major conclusions to be drawn from the analysis. The rural-urban gap in employment which the Commission had already noted in 2006 has widened in recent years and it remained rather constant over the period 2006-2010. The GDP rural-urban gap has also

increased. The unemployment rate rose in 2009 to more than 9%, back to its 2006 level, with rural women's unemployment rates remaining unfavourable and higher than those for men.

Population growth in rural regions continues to be extremely limited compared to urban growth, with opposing trends in EU15 and EU12 countries, reflecting the different socio-economic conditions in these territories. In this context, the exodus of rural population in EU12 is a particular concern.

There has been a significant loss in the number of jobs in agriculture throughout the Union reaching a total of 2.8 million in the last decade, with the highest rates noted in EU12 countries. This has also contributed to the permanent decline of primary activities in rural regions. Self-employment continues to be typical in the agricultural sector, alongside part-time farming activities and family farming with more than 80% of the agricultural labour force coming from the farm holder's family. There are more young farmers in rural regions, although their numbers are in decline. EU12 farmers are younger (on average) than those in EU15. Farmers' skills are yet to be fully developed with just a quarter of farmers having basic or full training, with significant differences between Member States.

Concerns about the situation of women and young people in recent years continue to be felt. While projects targeting both groups have been developed and local initiatives have made an attempt to reverse the negative situation, it seems that more is needed to pave the way for new, positive sustainable development. Obviously not enough has been done to stimulate women's and young people's entrepreneurship.

In this context, one solution might be to introduce different incentives alongside a coordinated and well-targeted approach. The provision of services guaranteeing a proper balance between work, family life and social life should be considered with a view to encouraging young families to stay in rural areas that are exposed to a strong demographic exodus or decline. Promotion campaigns and image campaigns including people who have contributed to local development could be an indirect means of motivating others to become involved in these activities. The business environment and investments must also be promoted as well as the environmental considerations related to them. Projects targeting female entrepreneurship and the inclusion of young people in the business must be further developed as well as business projects run by these two groups. Linking information activities with education, mentorship and guidance is a successful concept that could play an essential role for strengthening rural and female entrepreneurship, and for building sustainable networks.

In addition, the 'open-mindedness' of rural residents can also trigger economic development. Finding an area's unique selling points or endogenous potential does not mean isolating it from its surrounding areas. On the contrary, cooperation and networking with other regions might promote common strategies, e.g. towards infrastructure or tourism initially, which in turn are vital for a rural region. Support for local public-private partnerships can further boost local potential and transfer local initiatives up to regional and even national level. All this could bring other positive benefits, provided there is a comprehensive strategy and a well established, skilled and coordinated management approach at regional (or lower) level. It is also necessary to oversee funding possibilities and local needs. Funds must be directed into the right channels and assistance should be provided in the formulation of development strategies, application processes, implementation aspects and monitoring and evaluation activities.



Entrepreneurship in rural areas is changing as competition increases, economic pre-conditions change and the distance to new markets is being reduced. However, more vigorous efforts are needed to stimulate business development in rural areas with respect to product development, diversification and services. In this way, rural areas can become more attractive to old and new residents and to visitors and further boost the contribution of tourism, being one of the major economic activities in rural areas, to rural growth and employment. The latter could benefit from implementation of targeted actions ensuring a spread use of ICT to support innovation and facilitate the adaptation of the sector to the market developments, to encourage SME competitiveness through a more coordinated approach and with the support of existing (European) networks, to promote geographical mobility of (mostly young) workers, and to facilitate adaptation to change through cross-border cooperation and exchange of best practices.

Attention is also needed to the needs and demands of the youngest members of the rural population. The provision of specific inter-active, needs-oriented and flexibly formulated training based on collaboration with schools and local organisations is a necessity for developing their individual capacities and life skills. Team work and capacity leadership roles should be encouraged, and youth should be given the opportunity to express themselves and learn on how to create, develop and respect alternative views and ideas. There is a considerable demand in rural areas for such projects and there is a significant scope for such projects to be applied across the whole EU rural territories.

From a narrower, funding perspective, services and infrastructure development for remote and sparsely populated rural areas must be improved to make regions more attractive to new investors as well as a highly qualified work force, and to motivate local businesses to stay and develop there. There also seems to be a need for a toolbox designed to involve alternative service providers and not just the public sector. Public/private partnerships need to be encouraged and developed, although this is a political challenge, since it involves changing both attitudes and paradigms.

Areas where new business ideas, activities and jobs can be developed include: agriculture, food processing, with added-value activities related to small-scale food craftsmanship; the experience and creativity industry; renewable energy; tourism and forestry. It is important to adopt a business attitude and to foster cooperation, partnership and leadership. The development of local activities is also a governance issue, where supporting cooperation between small-scale firms and innovative service solutions is considered very important. More emphasis could be put on improving the image of rural areas as places for work and life, also based on their environmental and climate endowments. A positive attitude which highlights the benefits and value-added of local and regional projects is much more important than the typical problem-oriented approach that undermines local achievements.

It is crucial to maintain support for rural areas if differences with urban regions are to be eliminated. Complementarities and synergies between all available funding instruments must be brought to a new, higher level. This is particularly important for implementation at regional level and access to funding where the administrative burden for potential beneficiaries is low. The current coordination mechanisms in place could also be made more effective at all levels.

To facilitate these processes, the Commission, in its rural development proposal for the new programming period 2014-2020 has introduced a number of significant new elements that could boost innovation, farm and non-agricultural business development, public-private

relationships and the relationships within the agri-food chain. In particular, the EAFRD will offer support for clusters and networks in rural areas, and for innovation in the context of the European Innovation Partnership for agricultural productivity and sustainability. It has enlarged its non-agricultural business support by covering now small enterprises in rural areas alongside micro-enterprises. It has increased the training and advice possibilities, introducing also farm management exchange schemes, and it has strengthened the support for co-operation in rural areas within the (agri-food) supply chain and between public and private stakeholders. The new risk management tools are additional elements that could sustain the competitiveness of the farm businesses.

The LEADER approach, which is probably the best EU rural development initiative in the last decade, has been further re-enforced and its role in delivering win-win solutions at local level has been strengthened. Furthermore, the focus on green growth in EU policies, and the opportunities within the second pillar of the CAP in particular, can support employment, skills and knowledge transfer as well as innovation in the process of adapting agriculture to a low carbon economy and changing climate. In the view of these new elements, a special guide on the new EU rural development policy proposal (under the EAFRD) has been developed to help stakeholders and policy-makers in their assessment of the proposal and their preparation for the policy implementation after 2013.<sup>45</sup>

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<sup>45</sup> The guide is available at:  
[http://enrd.ec.europa.eu/app\\_templates/filedownload.cfm?id=FE667808-ABC1-3562-FEDB-2A3F7DB09295](http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=FE667808-ABC1-3562-FEDB-2A3F7DB09295)

### **3. THE SOCIO-ECONOMIC DEVELOPMENT OF RURAL AREAS IN THE LAST DECADE: STATISTICAL EVIDENCE**

#### **Remark on data**

In the recent years and especially after the start of the financial and economic crisis in 2008, the EU has seen serious difficulties in sustaining its annual growth and employment rates, as many businesses were affected and unemployment rose quickly. Most recent macro-economic data show that the EU27 employment rate has fallen down in the last 3 years – from 70.4% in 2008 to 68.6% in 2010. Quarterly GDP growth in 2010 showed some positive signs, but remains below 1% for the Union (0.8% in Q1-2011). Employment rates of women continue to be much lower than those for men (61.9% vs 74.9% for Q1-2011) and unemployment among youth aged 15-24 remains significant and above the 20% threshold level for the first half of 2011.<sup>46</sup>

While macro-level data is hugely available and it shows the general economic development in the EU, data at a lower NUTS3 level (which is a necessary condition for capturing rurality<sup>47</sup> in the EU) is collected with a delay that does not allow the provision of very recent statistical analysis in this report. However, where possible, data for 2009 and 2010 has been used.

#### **3.1. Rural regions in the EU**

##### **Territory**

Rural regions cover 57% of the EU territory and 24% of the EU population. Together with intermediate regions they comprise 91% of the EU territory and 59% of the total EU population (map 1, annex A).

Across the EU, the dimensions of the rural-urban territorial vary — from countries with an explicitly defined rural character (such as Ireland, Sweden, Finland, etc.) through Member States where the rural-urban dimension is characterised by the dominance of intermediate regions (e.g. Cyprus, Estonia, Slovakia) to Member States that tend to be more urbanised (such as the Benelux countries, Malta).

##### **Population density**

Population density, as measured by the ratio between (total) population and surface area (land in km<sup>2</sup>), has been relatively stable over time in all types of EU regions. The lowest density levels were observed in the first years of the 21<sup>st</sup> century.

Between the different types of regions population density differs a lot – it ranges on average 48 inhabitants per km<sup>2</sup> in the EU rural regions to 120 inhab/km<sup>2</sup> in intermediate regions, and more than 500 inhab/km<sup>2</sup> in urban regions.<sup>48</sup> Population density in EU12 rural regions is higher than in rural regions of EU15. In 2008, the highest concentration of rural population

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<sup>46</sup> See Eurostat publication, 2011, "Basic figures for the EU – Third quarter of 2011" available at: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-GL-11-003/EN/KS-GL-11-003-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GL-11-003/EN/KS-GL-11-003-EN.PDF)

<sup>47</sup> See Annex A for the applied by DG AGRI and DG REGIO for statistical purposes definition of rural regions.

<sup>48</sup> Data for year 2008.

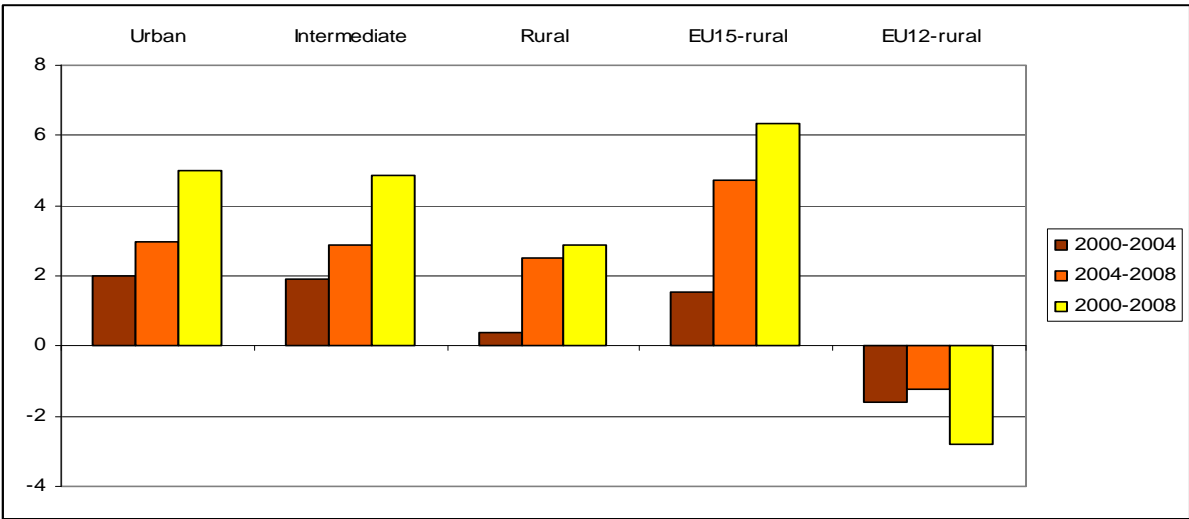
could be seen in the Netherlands<sup>49</sup> (145.9 inhab/km<sup>2</sup>), Germany (100.7), Slovakia (94.1), the Czech Republic (92.7), Italy (91.3) and Belgium (89.9). Noticeably, the lowest population densities were in Finland (9.0), Sweden (9.6), Estonia (18.1) and Latvia (22.4).

**3.2. Rural demography**

**Population growth**

Population in EU27 is increasing in general over the last decade. The SEGIRA study shows that the population growth is predominantly located in urban regions and to a lesser extent in intermediate regions. Population growth in rural regions is extremely limited and in the periods 2000-2004 and 2004-2007 it has been on average 0.1%.<sup>50</sup> Overall, in the period 2000-2008, only 15.6% of the overall population increase in the EU has been observed in rural regions accounting for just 3.3 million people. The rest of the increase has been almost equally territorially distributed between urban and intermediate regions. Opposing to each other population trend developments characterised EU15 and EU12 rural regions. EU12 rural regions lost about 1.2 million people in just 8 years (a decline of 2.8% compared to 2000), while in EU15 the number of newcomers in rural regions reached 4.5 million in 2008, 6.4% more compared to 2000.

**Figure 1. Growth of EU population by regional typology (NUTS3), 2000-2008, %**



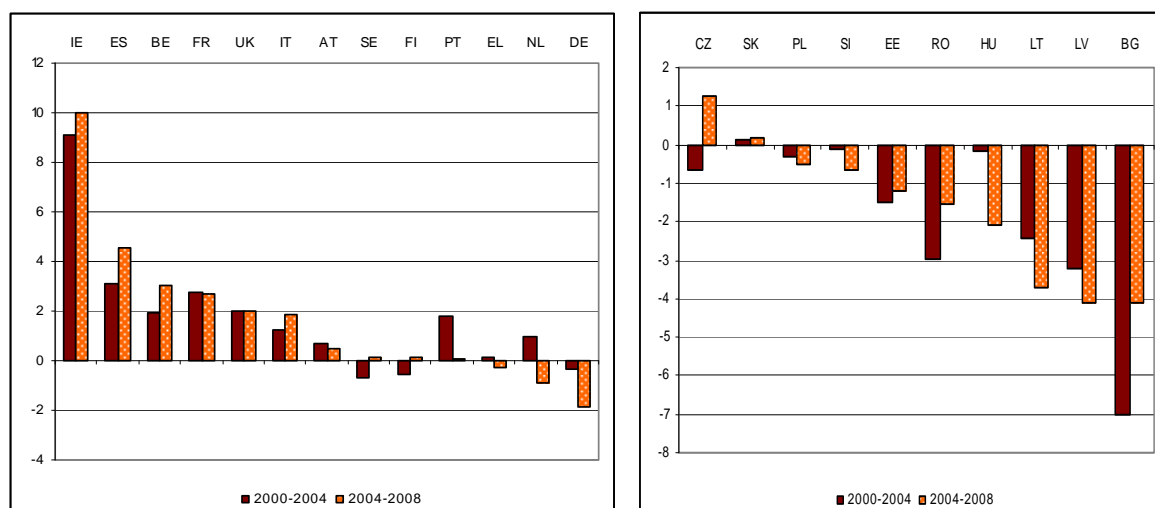
Source: DG AGRI

While population in rural regions of most of the EU15 countries increased in 2000-2008, it has decreased in most of the EU12 Member States. In the latter group, Bulgaria, Romania and Hungary have seen the highest declines. On the opposite side are Ireland, Spain, Belgium, France, Italy and the UK where rural regions continue to attract population (Figure 2).

<sup>49</sup> It has to be noted that according to the new delimitation applied by DG AGRI/DG REGIO, the Netherlands has only one region classified as "rural".

<sup>50</sup> SEGIRA (2010).

**Figure 2. Growth of population by Member State in EU15/EU12 rural regions, NUTS3, 2000-2008, %**



Source: DG AGRI (2010)

The driver behind any population growth is either the natural growth (the balance between births and deaths) or the (net) migration processes, which, in principle, account for the majority of regional population changes and also affect the natural increase. The SERA study (2005)<sup>51</sup> has given some evidence that net-migration had a dominant and positive effect on the total population change, but for a period lying a decade ago and at a higher statistical level (NUTS2). SEGIRA (2010) elaborated that analysis by looking into the most recent trends at NUTS3 level, the summary of findings for which could be found in sub-sections that follow.

### Natural growth

Natural population change represents the difference between the number of births and the number of deaths during a specified period.<sup>52</sup> The comparison of the birth and death rates by regional typology reveals that, on average, the birth rate is the highest in urban regions, whereas the death rate is the highest in rural regions.<sup>53</sup> The difference between rural and urban regions in terms of birth rates is narrower than in terms of death rates, and both birth and death rates are currently at a lower level than in 1996 for all types of regions.<sup>54</sup>

### Net migration

Net migration<sup>55</sup> in EU27 is positive and is driven by the EU15 net migration trends. At the same time, EU12 net migration is approaching zero levels.<sup>56</sup> This opposing trend between EU15 and EU12 has appeared since 2000 and given its magnitude it is difficult to expect that it will change in the forthcoming years.

<sup>51</sup> Available at: [http://ec.europa.eu/agriculture/publi/reports/ruralemployment/sera\\_report.pdf](http://ec.europa.eu/agriculture/publi/reports/ruralemployment/sera_report.pdf)

<sup>52</sup> Crude birth rate is the number of childbirths per 1.000 people per year; Crude death rate is the number of deaths per 1.000 people per year.

<sup>53</sup> SEGIRA (2010).

<sup>54</sup> For rural regions, the birth rate declined from 10% in 1996 to 9.2% in 2007, while the death rate was 11% in 2007, declining slightly from the 11.5% level in 1996. In urban regions, the respectively levels are 10% for birth rate and 9.5% for the death rate, both for 2007.

<sup>55</sup> Net migration rate is the difference of immigrants and emigrants, divided per 1.000 inhabitants.

<sup>56</sup> SEGIRA (2010).

Net migration rates differ substantially also between Member States. The Rural development statistical report (2010) shows that with the exceptions of Germany and Finland, all other EU15 countries show a positive net migration rate in 2007, with Ireland, Spain and Belgium having the highest levels. On the other hand, the majority of the EU12 countries experience a negative net migration rate, with Bulgaria, Romania and the Baltic countries being among those affected the most. Exceptions from this group are Slovenia, Slovakia and the Czech Republic where migration levels remain close to zero.

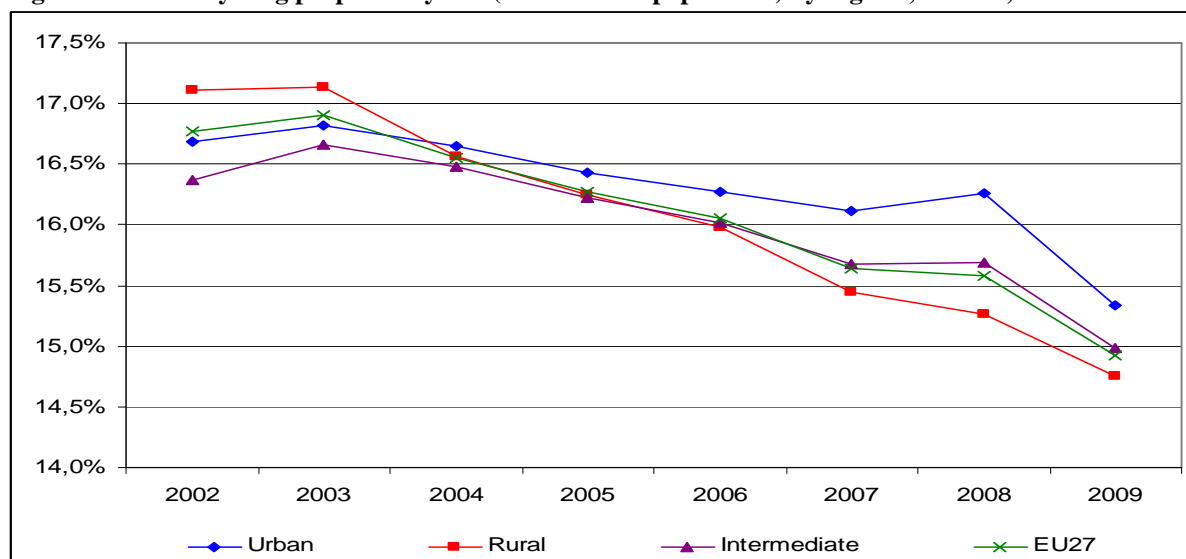
SEGIRA finds that, on average, the net migration rate in all types of EU15 regions is positive and is behind the most of the population growth over the period 2001-2006. In EU12, however, rural and intermediate regions face a negative net migration, combined with a negative natural growth, which is especially pronounced in rural regions.

### Age structure

The age structure in Europe is slowly changing and the population is becoming older in general.<sup>57</sup> In this context, a number of aspects related to young people and some specific trends typical for rural regions need to be outlined.

Recent data shows that the proportion of young people (< 15 years), which was higher in rural regions in the years before 2004, has now taken a reverse trend and the difference between urban and rural regions is becoming larger, especially after 2007 (Figure 3).

**Figure 3. Share of young people <15 years (as % of total population) by regions, NUTS3, 2002-2009**



Note: DE and UK are excluded

Source: SEGIRA (2010)

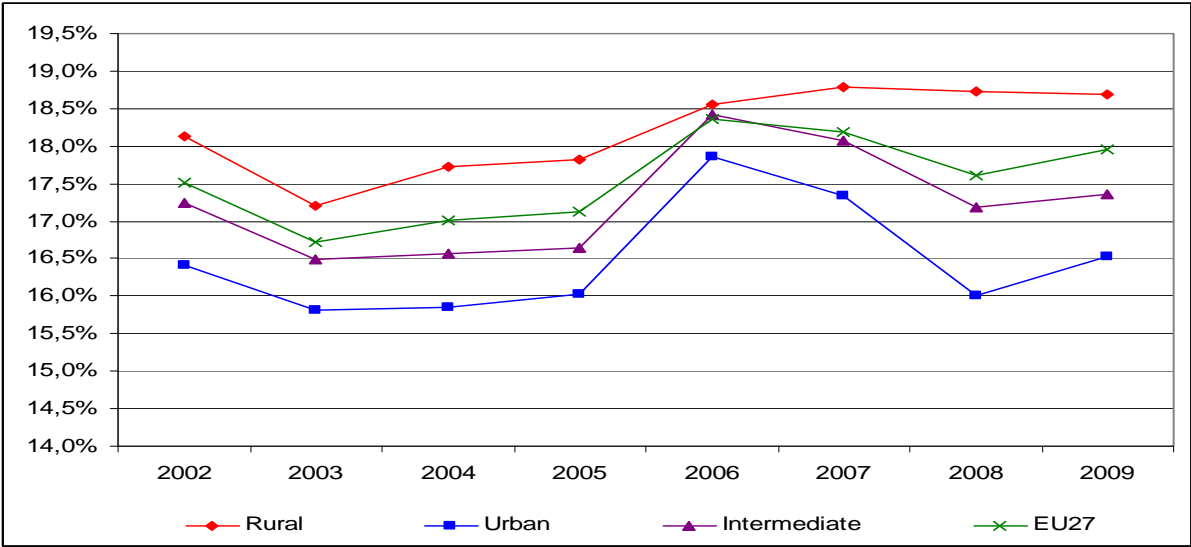
Between Member States the variations are even more pronounced. In 2008, the countries with the highest share of young people in their rural regions were Ireland (21.6%), Denmark (18.6%), the Netherlands (18.1%), Belgium (18%), France (17.7%) and the UK (17.6%). At the same time Ireland and the Netherlands have the lowest proportions of ageing population, respectively 11.3% and 9.5%.

<sup>57</sup> See the Demography report 2010 available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/population/documents/Tab/report.pdf>

The lowest figures for young people within the total population living in rural regions are to be found in the southern part of the EU led by Italy (13.3%), Bulgaria (13.6%), Portugal (13.7%) and Spain (13.9%).

The ageing population trend in EU27 depicted on Figure 4 underlines the recent gap that has appeared between rural and urban regions, especially after 2006. Ageing continues to be more pronounced in rural regions, where, in 2009, about 18.6% of the population was more than 65 years old compared to 16.5% in urban regions.

**Figure 4. Share of older people (>65 years old, as % of total population) by regional typology (NUTS3), 2002-2009**



Source: SEGIRA (2010)

Map 2 (Annex B) provide further details of demographic and age developments in Europe. It shows an ageing population in the southern parts of Europe, especially in Portugal, north-western Spain, Northern Italy and Greece as well as in some parts of Eastern Germany. The regions in Ireland, Northern Ireland, Poland, Slovakia and Cyprus can be considered as being inhabited by a comparably young population.

The proportion of population in working age (15-64 years) as % of total population shows an increasing trend by 2 percentage points (pp) on average in all types of regions in the period 2002-2009. The difference between urban and rural regions was approximately 2 pp in 2009.

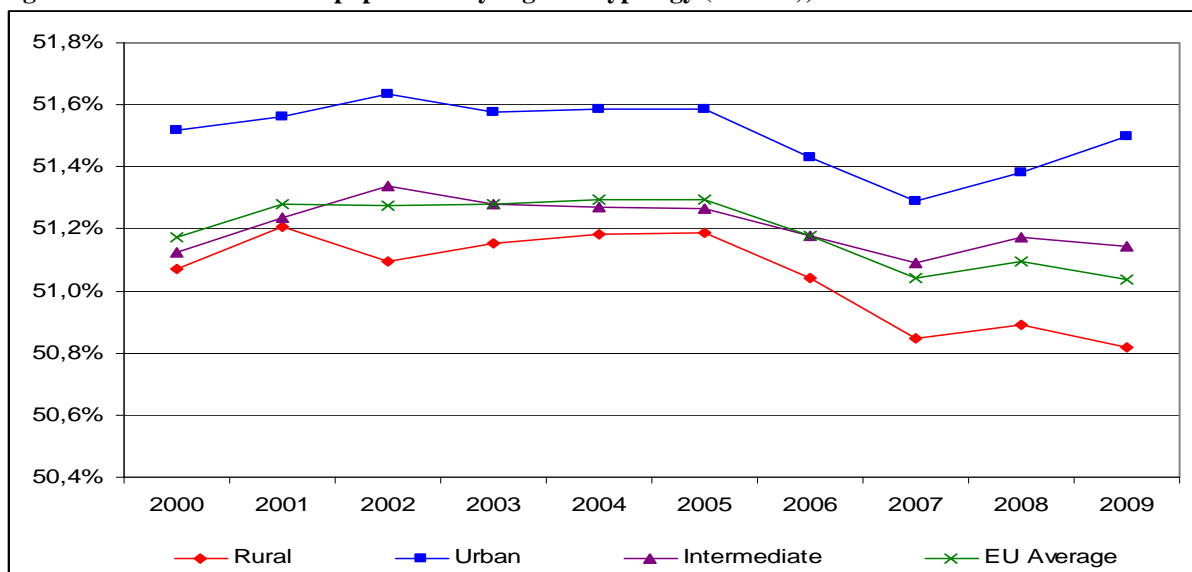
SEGIRA (2010) finds out also that the migration gains are superimposed by a death surplus in many Eastern EU countries. The migration losses are so high for certain regions that the birth surplus presented there is insufficient to reverse the population decline. At the same time, peripheral EU regions, though losing population at most, show the least problem of ageing because of a youthful demographic structure. There are also positive population developments in the coastal and mountainous regions, with the majority of Western EU rural regions still growing.

## Gender developments

Regional variations in the gender structure of the population tend to have complex inter-relationships with the age structure of the population. Both are very much influenced by past and ongoing patterns of, sometimes, selective migration.

The average share of women in the total EU population is around 51% and has been declining in the last decade. However, the share of women in rural regions is lower than in urban or intermediate regions, and this difference has been widening since 2007, with the decline in rural regions starting to appear in 2005. In 2009, the 0.8% difference between urban and rural regions is the largest ever in the last decade, by comparison with the 0.3% gap in 2004 (Figure 5).

**Figure 5. Share of women in population by regional typology (NUTS3), 2000-2009**



Source: SEGIRA (2010)

### 3.3. Rural economic structure

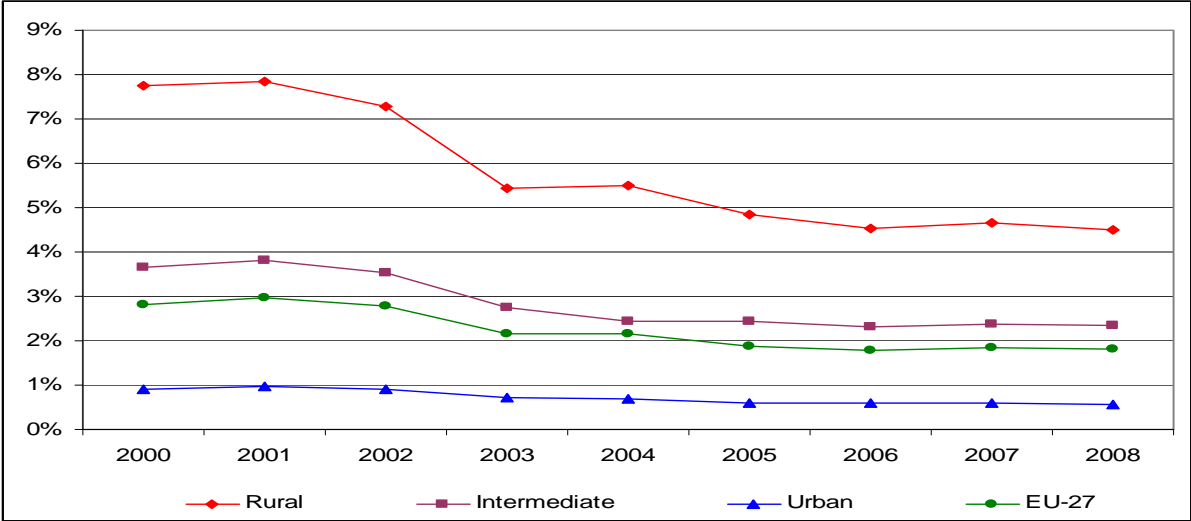
#### Share of primary sector in GVA

According to DG AGRI estimates, the primary sector in EU27 reached around € 199.8 billion of value added in 2008 and accounted for 1.8% of total GVA. In 2008, the primary sector's share of total rural GVA in rural regions was 4.5% and in intermediate regions it was 2.3% of total intermediate GVA.

Over the last decade, the declining share of primary activities has mostly affected rural regions. The drop since 1999, expressed as a difference in percentage points, has been quite significant: from 8.8% in 1999 to 4.5% - 4.6% in 2006-2008 (Figure 6). In all regions the decline over that nine-year period was about 35% - 40% from the 2000 levels (Figure 7). This steep and steady decline underlines the importance of restructuring the agricultural sectors in EU12 and the non-farm economic development of their rural regions in general. In 2006-2008 a relative stabilisation could be observed, a sign that the sector had reached a certain adjustment level.

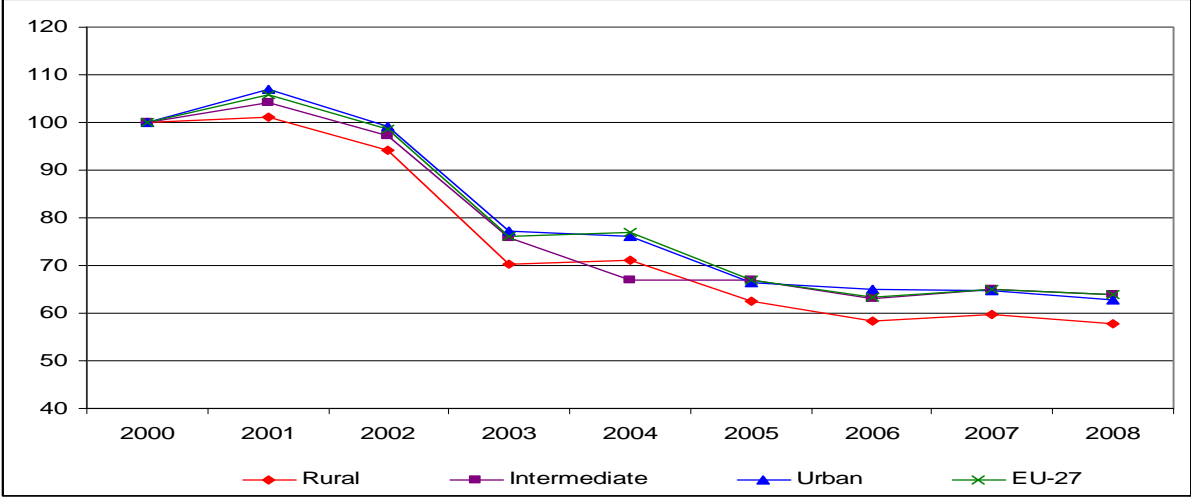


**Figure 6. Share of primary sector in GVA in the EU, by regional typology (NUTS3), 2000-2008**



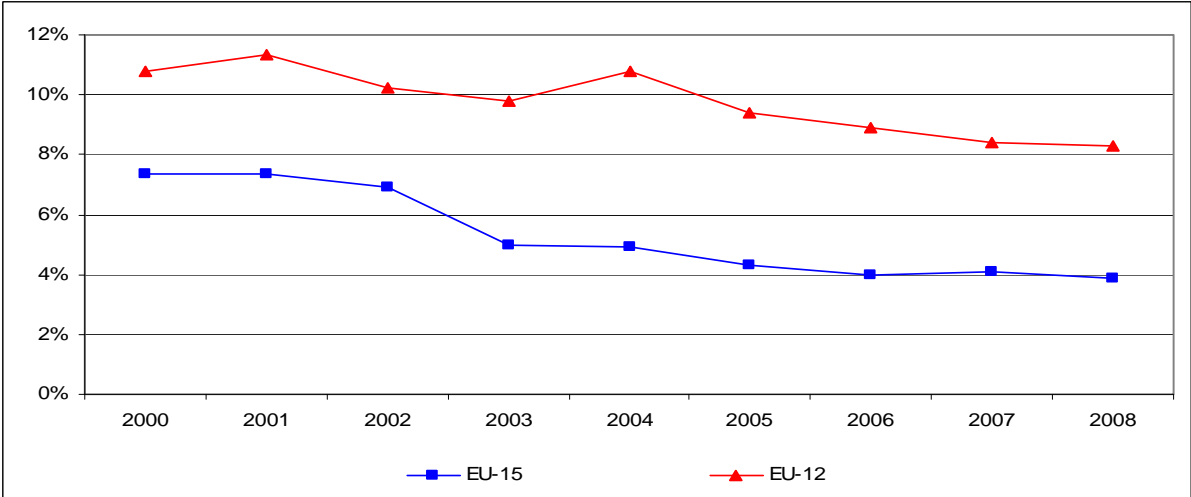
Source: DG AGRI

**Figure 7. Change in the share of primary sector in GVA in the EU, by regional typology (NUTS3), 2000-2008, 2000=100%**



Source: DG AGRI

**Figure 8. Share (%) of primary sector in GVA for rural NUTS3 regions EU15 and EU12, 2000-2008**



Source: DG AGRI

The primary sector still accounts for a larger proportion of GVA in EU12 than in EU15 — with the absolute share of EU12 double that of EU15 (8.3% vs 3.9% in 2008) — but its contribution to GVA in both areas is in decline; and while in EU15 it could be claimed that there was stabilisation over the three-year period 2006-2008, the economic changes in EU12 caused a loss of almost one third of the primary sector's importance in GVA (Figure 8).

At Member State level, the data clearly shows that in fact only a few countries make up the driving force behind these rather drastic changes, and these are the countries where agricultural employment and farms' concentration have been the highest in Europe in the last decade. Significantly, by 2008 none of the Member States managed to maintain the same share of primary activities in GVA as they had in 2002.

In EU12, for example, the trend is driven by the changes in Bulgaria and Romania. In their rural regions, the share of primary activities has declined, respectively, by 8.1 pp and 9.4 pp in the period 2002-2007. Latvia has also experienced strong negative developments with a decline of a 3.5 pp over the same period. Overall, in all EU12 countries (except Slovenia) the share of primary sector in rural GVA is above the EU27 average.

In EU15, southern European countries such as Greece and Spain have been the biggest 'contributors' towards the decline in GVA, respectively with 4.3 pp and 3.6 pp loss in the average national figures for their rural regions, with quite a noticeable loss of around 2 pp in Portugal too. The smallest changes have been in Finland and Germany.

### **Farms, farms' economic performance and semi-subsistence issues**

#### *Number of farms*

In 2007 there were 13.7 million agricultural holdings in the EU - 5.6 million in EU15 and more than 8 million in EU12. The number of agricultural holdings is decreasing at an annual rate of 2.2%, both in EU15 and in EU12.

In the 2005-2007 period the number of EU farms declined by 7%. Farms in rural regions experienced the lowest percentage decline (- 6.3%), but the largest loss in number (0.48 million, from 7.6 million to 7.1 million), as most EU farms (55%) are located in rural regions. The largest losses of farms were recorded in EU12, where the overall number fell by 6% compared to the 2% decline in EU15. The greatest declines in EU15 were observed in Denmark and Portugal, while in EU12 they were observed in Bulgaria, Hungary and Latvia. However, farms in EU12 rural regions have increased the size of the utilized by them agricultural area.

#### *Economic size*

Over the period 2005-2007 the average economic farm size (expressed in ESU<sup>58</sup>) increased by 5.9% in the EU, with rural regions experiencing the highest growth (6.7%). However, farms

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<sup>58</sup> European Size Unit, represents the economic size of farms. (1ESU=1200 € of Standard Gross Margin (SGM)). For each activity (or 'enterprise') on a farm (for example wheat production, dairy cows or the output from a vineyard), the standard gross margin (SGM) is estimated on the basis of the area used for the particular activity (or the number of heads of livestock) and a regional coefficient. The sum of all such margins derived from activities on a particular farm is its economic size, which is then expressed in European size units (by dividing the total SGM in euro by 1200, thus converting it to ESU).

in urban regions continue to be twice as strong economically as those in rural regions (43.4 ESU vs 20.8 ESU respectively). This also holds for farms located in intermediate regions.<sup>59</sup>

The average economic farm size in EU15-rural regions increased from 26 to 29 ESU between 2005 and 2007, which equals a growth of more than 10% (Table 1). Only Finland and the United Kingdom show an opposite development. In EU12, farms are on average much smaller, except in the Czech Republic, Estonia and Slovakia. The lowest average economic farm sizes are in Romania (0.98 ESU), Bulgaria (2.05 ESU) and Lithuania (2.53 ESU).

In EU12, economic farm size declined on average by 5% over the two-year period in question, reaching 5.6 ESU in 2007. A closer look, however, reveals that this is mostly the result of a major reduction in Poland. The averages for Romania and Slovakia also declined, with all other EU12 countries showing quite high growth based on a low starting point. Nevertheless, there may well be a further economic consolidation of the farm sector in EU12 countries, where in principle farms in rural regions have increased the average agricultural areas utilised.

**Table 1. Average economic farm size in rural NUTS3 regions<sup>60</sup>, 2005-2007**

EU15	2005	2007	Growth (ESU)	Growth (%)	EU12	2005	2007	Growth (ESU)	Growth (%)
BE	62,0	66,1	4,1	6,6	BG	1,5	2,05	0,5	32,3
DK	70,5	83,1	12,6	17,8	CZ	40,4	45,92	5,55	13,7
ES	20,1	20,6	0,5	2,4	EE	5,0	7,97	3	60,4
FI	25,1	24,3	-0,8	-3,1	HU	2,8	3,43	0,65	23,4
FR	46,8	49,7	2,8	6,1	LT	2,2	2,53	0,34	15,5
EL	6,6	7,2	0,6	9,1	LV	2,2	3,13	0,9	40,4
IE	20,9	21,4	0,5	2,4	PL	8,4	4,82	-3,56	-42,5
IT	15,3	20,0	4,7	30,6	RO	1,1	0,98	-0,13	-11,7
NL	66,9	72,8	5,9	8,8	SI	4,1	4,97	0,88	21,5
PT	7,2	7,2	0,0	0,0	SK	8,0	7,68	-0,35	-4,4
SE	15,7	15,7	0,0	-0,1					
UK	27,2	26,0	-1,2	-4,3					
<b>EU15</b>	<b>26,0</b>	<b>28,8</b>	<b>2,7</b>	<b>10,5</b>	<b>EU12</b>	<b>5,94</b>	<b>5,65</b>	<b>-0,29</b>	<b>-4,9</b>
<b>EU27</b>	<b>19,5</b>	<b>20,8</b>	<b>1,3</b>	<b>6,7</b>					

Source: SEGIRA (2010)

### *Semi-subsistence farming*

Semi-subsistence farming<sup>61</sup> (SSF) deserves special attention as the farms that fall within this group could to a large extent trigger further structural changes in EU agriculture. To respond to this challenge, in 2010 the Commission organised a big European event on semi-subsistence farming in the framework of the European Network on Rural Development, where

<sup>59</sup> However, this data needs to be interpreted with caution as the geographical situation of the holding is defined by the geographical situation of the headquarters of the holding. (Meta) data on the Farm Structure Survey does not give any more information, but it is possible for some (economically) big farms to have their headquarters in urban regions while the farm itself is located in an intermediate and/or rural region. This might be an explanation for the large difference between the average economic farm size of urban regions compared to that of intermediate and rural regions. For example, in Latvia in 2007 there were 80.8 ESU in urban regions compared to 3.90 ESU and 3.13 ESU in intermediate and rural regions respectively. The average economic farm size of the Latvian NUTS3 regions is calculated on a basis of at least 14 000 farms per NUTS3.

<sup>60</sup> Data missing for AT, DE, CY and MT.

<sup>61</sup> As defined by DG AGRI — farms below 1 ESU.

all aspects relating to definitions, competitiveness, access to markets, future options, weaknesses and strong points were discussed.<sup>62</sup>

However, a number of statistical trends need to be outlined here, as the majority of EU12 farms fall in the semi-subsistence group and this discussion affects to a large extent small-scale farmers in general. The concentration of semi-subsistence farms in EU12 rural regions is much higher than in EU15 rural regions (respectively 61.4% vs 19.3% of all farms, see table 2). The main reasons for this sharp distinction are land reform and land market development. The share of semi-subsistence farms actually increased over the period 2005-2007 (Figure 9). The number of farms below 1 ESU in urban and intermediate regions of EU15 also increased.

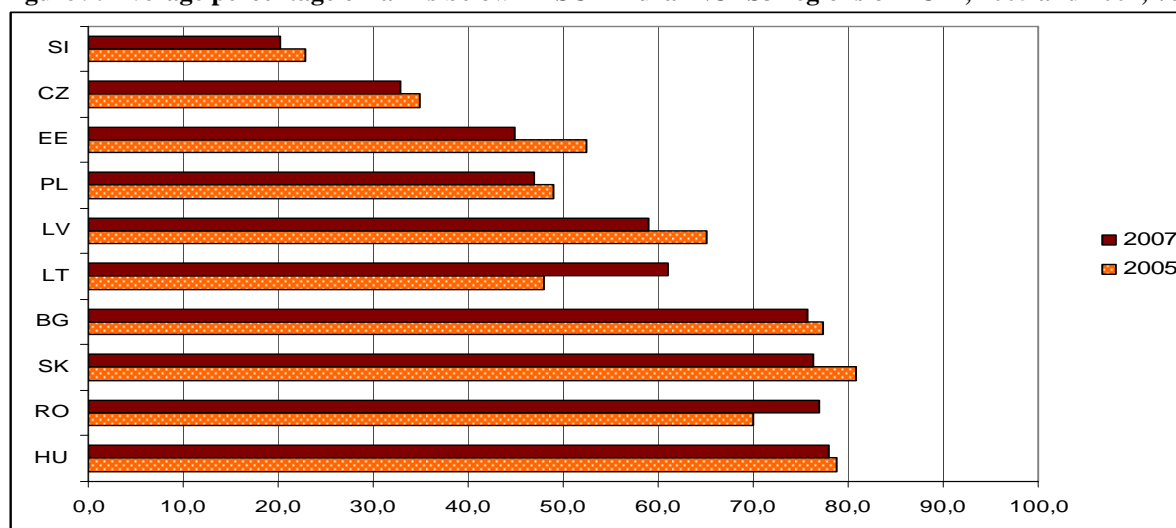
The trend in EU12 urban regions is strongly influenced by the changes occurring in Latvia where SSF have declined from 85% in 2005 to 32% in 2007. In all other EU12 countries as well as in EU15 the share of SSF in urban regions has increased, where it has reached almost 30% of all farms located there. In Bulgaria, Slovakia, Romania and Hungary, more than 70% of farms are still below 1 ESU. In the rural regions of Romania and Lithuania, the share of these farms even increased over the two-year period in question.

**Table 2. Percentage of farms below 1 ESU in EU12 and EU15 by regional typology (NUTS3), 2005-2007**

Countries	Type of region	2005	2007	Change 2005-2007 (percentage point)
EU12	Urban	63,5	56,7	-6,8
	Intermediate	62,5	61,7	-0,8
	Rural	59,9	61,4	1,5
	<b>Total EU12</b>	<b>61,2</b>	<b>60,9</b>	-0,3
EU15	Urban	25,8	29,7	3,9
	Intermediate	18,3	20,8	2,5
	Rural	18,7	19,3	0,6
	<b>Total EU15</b>	<b>21,2</b>	<b>23,7</b>	2,5

Source: SEGIRA (2010)

**Figure 9. Average percentage of farms below 1 ESU in rural NUTS3 regions of EU12, 2005 and 2007, %**



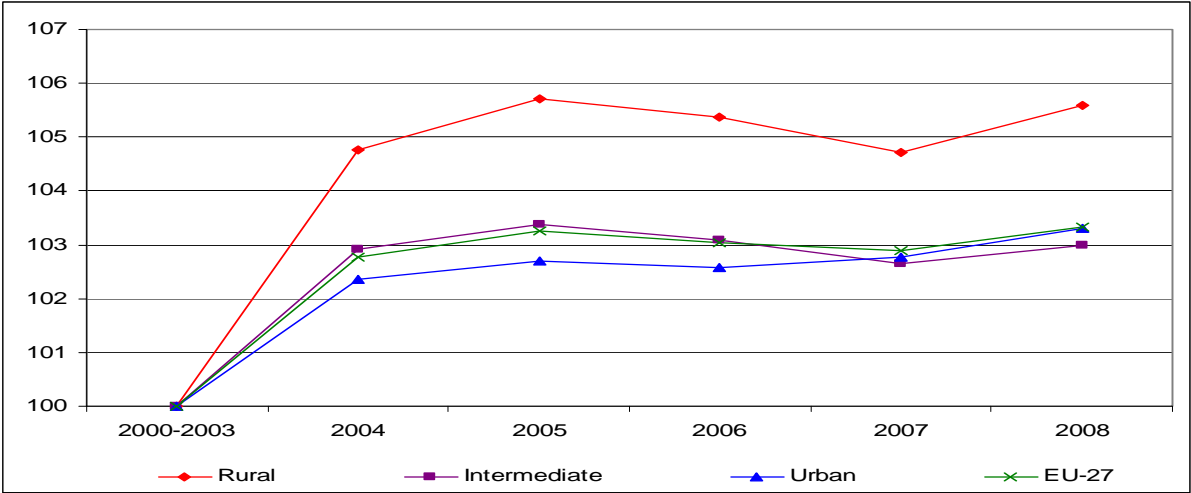
Source: SEGIRA (2010)

<sup>62</sup> More information on semi-subsistence farming in the EU from the policy point of view and on the abovementioned seminar can be found here: [http://enrd.ec.europa.eu/en-rd-events-and-meetings/enrd-seminars/semi-subsistence-seminar/en/semi-subsistence-seminar\\_home\\_en.cfm](http://enrd.ec.europa.eu/en-rd-events-and-meetings/enrd-seminars/semi-subsistence-seminar/en/semi-subsistence-seminar_home_en.cfm).

### Share of secondary and tertiary sectors in GVA

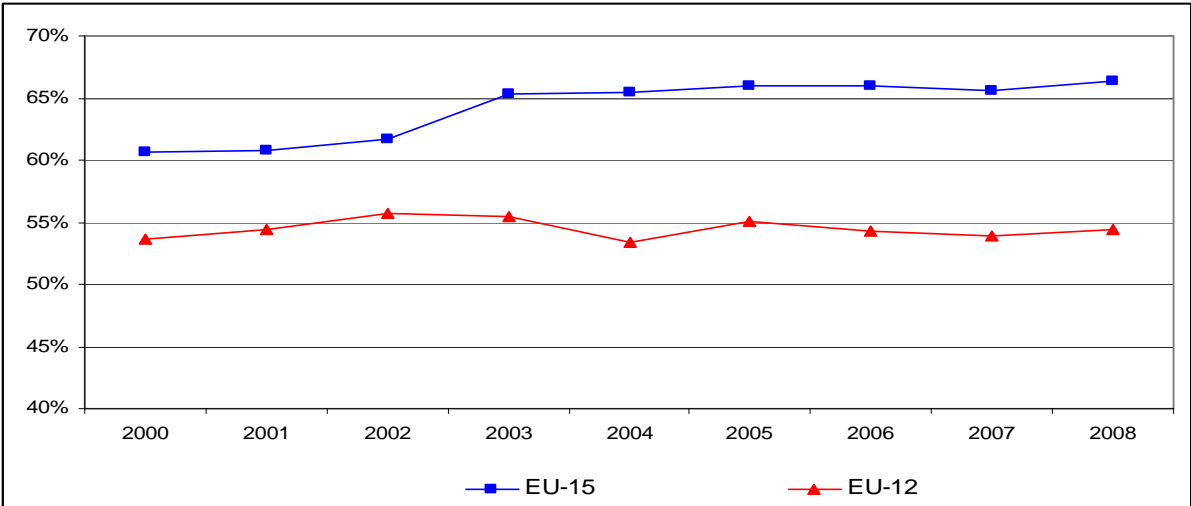
In contrast to primary activities, the shares of the secondary and tertiary sectors in GVA steadily increased over the period 2000-2008, confirming the previous findings from 2006.<sup>63</sup> Tertiary share in GVA is growing with more or less the same pace in all regions. In 2008 the share of the tertiary sector in rural regions accounted for about 64% of GVA, while in urban regions it reached the 78% threshold. **The absolute gap between both areas has never been reduced.** Since 2003 the growth of the share of the tertiary sector in rural GVA is not that pronounced and it fluctuates around the 64% threshold level. However, compared to the 2000-2003 rural regions experienced the highest growth in tertiary sector in GVA, sometimes twice as high as in urban and intermediate areas (although only because of a lower starting point – see Figure 10).

**Figure 10. Change in the share of tertiary sector in GVA by regional typology (NUTS3), 2000-2008, av. 2000-2003 = 100, %**



Source: DG AGRI

**Figure 11. Share of tertiary sector in GVA for rural NUTS3 regions EU15 vs EU12, 2000-2008, %**



Source: DG AGRI

<sup>63</sup> See COM(2006) 857 final of 21.12.2006

A closer look at the changes experienced by each Member State over the period 2000-2008 shows that the tertiary sector's share of GVA in rural regions of the EU Member States varies considerably and develops in opposite directions even for neighbouring countries. The same applies to EU15 and EU12 rural trends. While there has been a slight increase for EU15 since 2003 (reaching 66% in 2008) the figure remains unstable, fluctuating around the 55% threshold level for EU12 (Figure 11).

In EU15 the largest proportion of GVA was in the tertiary sector in rural regions in Belgium (71.8%), France (71.5%) and Greece (70.6%). In all EU12 countries the level was below the EU27 average and even below the 60% threshold level, except for Latvia (67.9%) where the GVA-shift between tertiary and primary sector is clear as well as for Estonia (61.1%). The lowest figures in the Union were for the rural regions of Slovakia (50.3%), Bulgaria (50.5%) and Romania (50.5%), which is almost 40% to 50% below the leading countries.

Ireland experienced the largest increase in the contribution of the tertiary sector to rural GVA over the 2000-2008 period (13.4 pp difference). Lower, but yet significant increase could also be observed in Greece (by 8.2 pp) and Portugal (by 5.9 pp). Exactly the opposite trends were developing in the Netherlands (by - 4.9 pp), Slovakia (by - 3.9 pp) and Bulgaria (by - 3.6 pp). These countries showed also the highest increase in secondary activities over the period 2000-2008 (e.g. Bulgaria by 8.1 pp; the Netherlands by 5.6 pp; Slovakia by 3.9 pp).

### 3.4. GDP

As a general trend, and not unexpectedly, GDP in pps per capita increased steadily in all regions (urban, intermediate, and rural) over the period 2000-2008. This was considered a positive trend following the accession of EU12 countries, the achievement of territorial cohesion across the Union being one of its major aims. However, rural regions consistently had the lowest GDP/capita levels<sup>64</sup> (Figure 12) and **the gap in absolute terms between urban and rural regions actually increased in 2000-2008 by €2500 pps/cap. According to SEGIRA (2010), it almost doubled between 1995 and 2007.**

A closer look at the underlying trend shows that the average annual GDP (pps/capita) growth has actually been higher in rural regions since 2000 (except in 2005), but still not enough to bring about substantial catching-up effects and close the gap, as rural starting levels are quite low (Figures 13 and 14). Since 2006, growth levels higher than in 2000 have been recorded for rural regions. These were effectively cancelled out by the economic crisis in 2008 (Figures 14 and 15) when growth levels were zero. Thus the same GDP level as in 2007 has been maintained.

**GDP growth is especially pronounced in EU12 countries, where, on average, urban growth levels have been much higher than rural growth rates since accession in 2004.** In EU15 growth in rural and urban regions has been rather similar, with rural growth slightly ahead in the last 2-3 years (Figure 16).

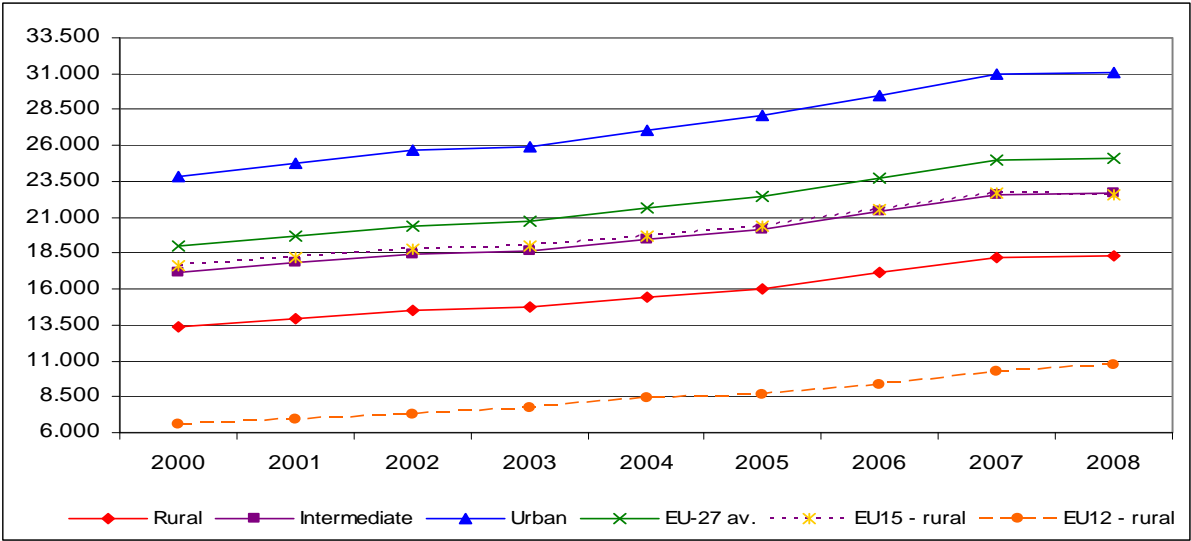
The difference in the growth rates between the EU urban and rural regions that appears in 2006-2008 (Figure 13) is the largest over the period 1996-2007. With yet unknown full

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<sup>64</sup> GDP/capita is even overestimated, because GDP data is compiled at the household level rather than at the place where economic value is created (i.e. the place of work). More information could be found here: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_SDDS/EN/nama\\_esms.htm](http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/nama_esms.htm)

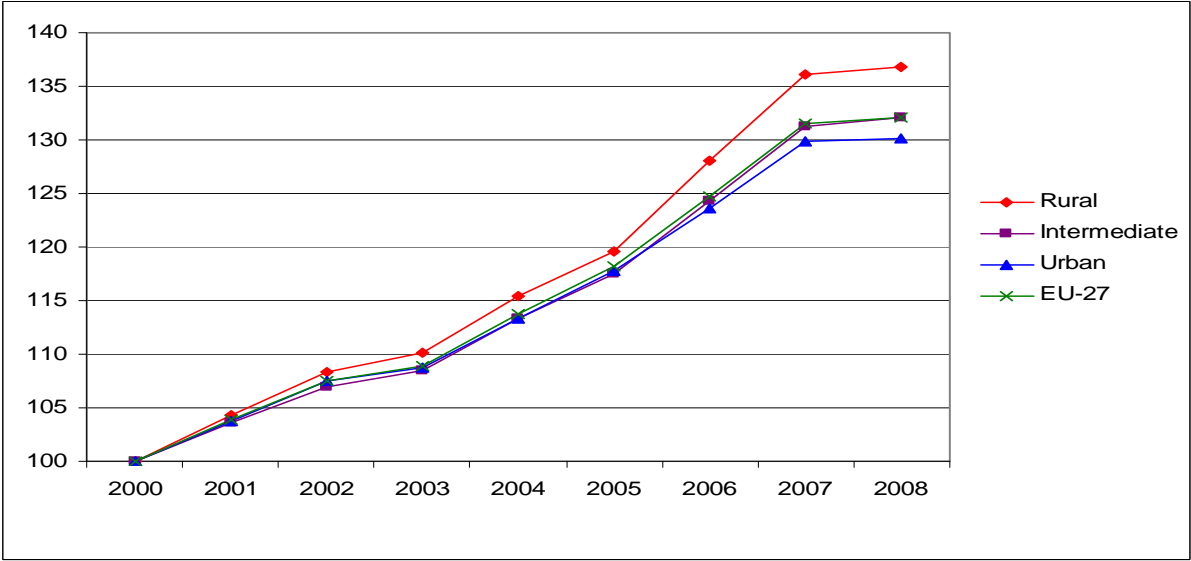
impact of the economic crisis, a significant ‘catching- up’ process maybe needed for possible reduction of the existing GDP gap.

**Figure 12. GDP at current market prices (PPS/cap) in EU27 by regional typology (NUTS3), 2000-2008**



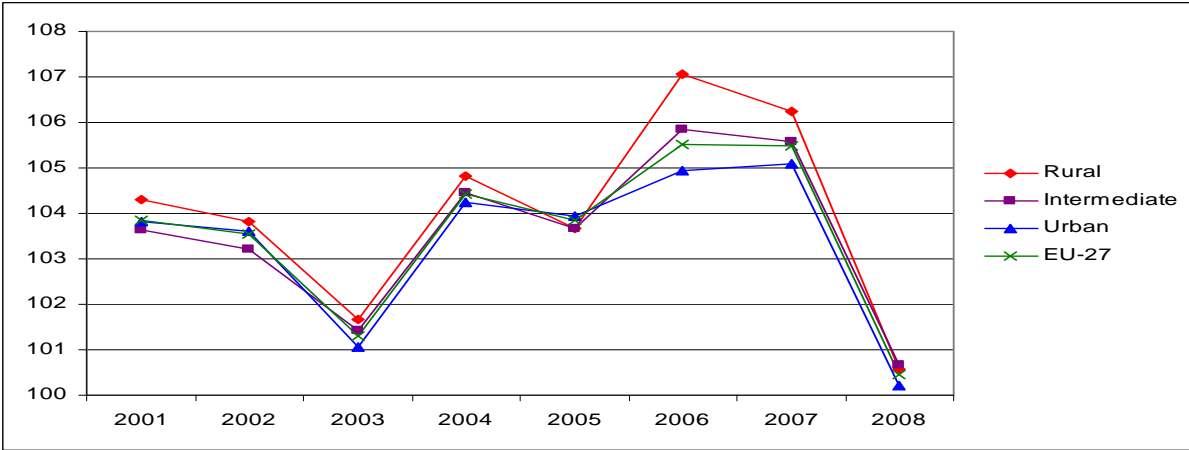
Source: DG AGRI

**Figure 13. Change in GDP per capita per regional typology (NUTS3), 2000-2008, year 2000 = 100**



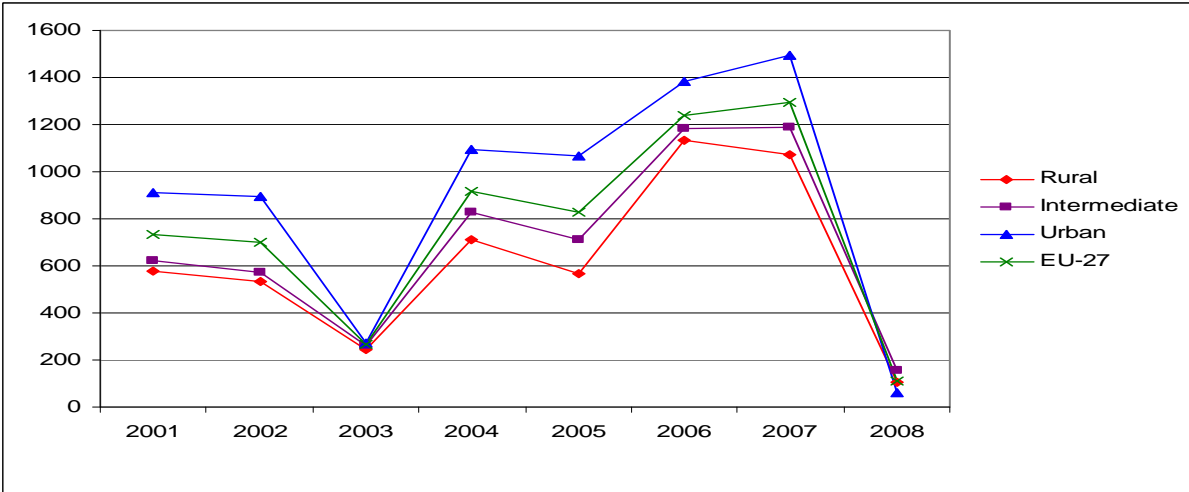
Source: DG AGRI

**Figure 14. Annual growth of GDP at current market prices (PPS/cap) in EU27 by regional typology (NUTS3), 2001-2008, previous year = 100%**



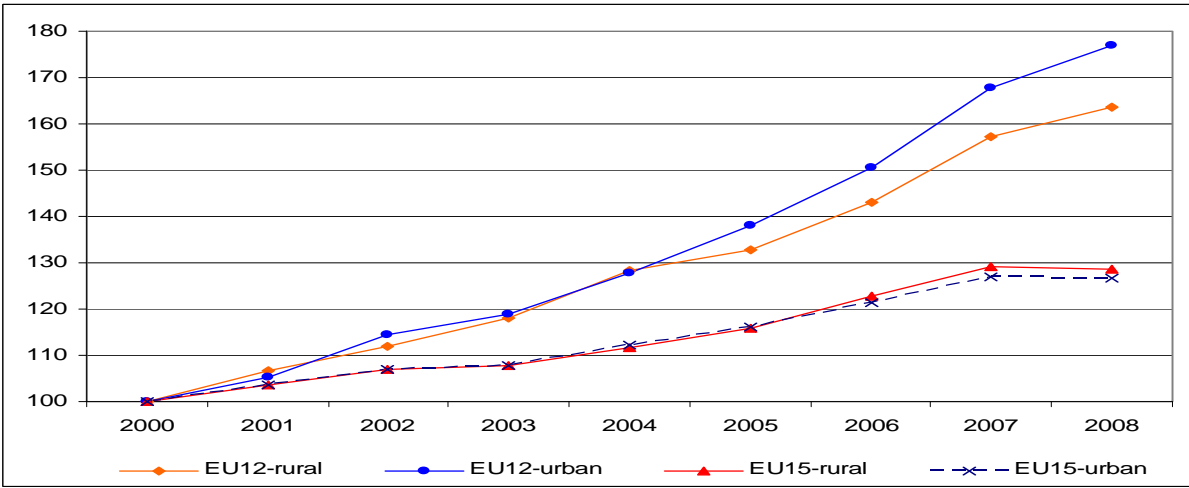
Source: DG AGRI

**Figure 15. Annual GDP growth in absolute value, euro per capita (difference between two consecutive years), 2000-2008,**



Source: DG AGRI

**Figure 16. GDP growth in EU12/EU15 regions, year 2000=100, %**



Source: DG AGRI



Another important conclusion to be drawn is that development in rural regions' has been much more stable and consistent over the last 15 years in EU15 than in EU12. At the same time, the pace of GDP increase in EU12 has been remarkable since 2005 (65% vs 29% for the respective EU12 and EU15 rural regions). This is particularly true of Slovakia, Poland and the Czech Republic, where the difference in growth before and after 2004 is substantial.<sup>65</sup> This may suggest that, in general, EU accession has made a positive contribution to economic development in EU12, although the cohesion objectives for rural regions in the EU have not been achieved.

Map 3 (see Annex B) illustrates the gross domestic product in purchasing power parity per capita in 2008 and confirms the already clear east-west divide in the EU. EU12 countries have a low level of purchasing power, while the Central European Belt, from Scandinavia, through western Germany and Benelux to Austria and northern Italy, shows very high levels of this indicator. The same can be said for Ireland, north-western Spain and parts of the UK and France. Only the UK, Ireland, Hungary and Slovenia recorded slower growth after 2004.<sup>66</sup>

### 3.5. Employment in rural regions

In the period 2000-2010 employment rates<sup>67</sup> (15-64 years) in the EU increased, including in rural regions. This was particularly the case in the years after 2003. When the economic crisis hit Europe (2008), the trend was towards a permanent positive rise. However, **the 'rural jobs gap',<sup>68</sup> which was defined by the Commission in its 2006 Communication on growth and jobs in rural regions, has widened again significantly in the wake of quite positive developments in 2003-2005.**

The absolute increase in between 2000 and 2010 is 3 pp for urban and rural regions. In 2010, the gap between these regions was 2.9 pp and rural regions have not been able to catch up (Figure 17). Moreover, intermediate regions performed better than rural regions. Rural regions' employment rate of 62.5% (in 2010) is still far below the 75% target level of the EU under Europe2020.<sup>69</sup>

In 2010, the employment rate in the EU rural regions reached the employment rate level for urban regions in 2000 (i.e. 62.5%). At the same time, the EU urban employment rate increased up to 68% in 2008 followed by a decline down to 65% as a consequence of the economic crisis. Intermediate regions performed better as well as they have better indicators by approximately 2% since 2005. This may just mean that it is unlikely that there will be changes that could eliminate this difference in the short-term. In other words, the response

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<sup>65</sup> SEGIRA (2010); Latvia and Romania are not compared for lack of data.

<sup>66</sup> SEGIRA (2010); From the situation of GDP in rural areas it is clear that the distinction between urban and rural regions is less marked than the East-West divide. The underlying problem behind this phenomenon is the statistical collection of GDP data, which takes place at the household level rather than at the place where economic value is created (i.e. the place of work). As households are far more territorially dispersed than jobs (especially in urban hinterlands), the territorial distribution of economic performance appears along the settlement structures. There is also increasing GDP per capita performance in rural areas around urban centres and along traffic corridors.

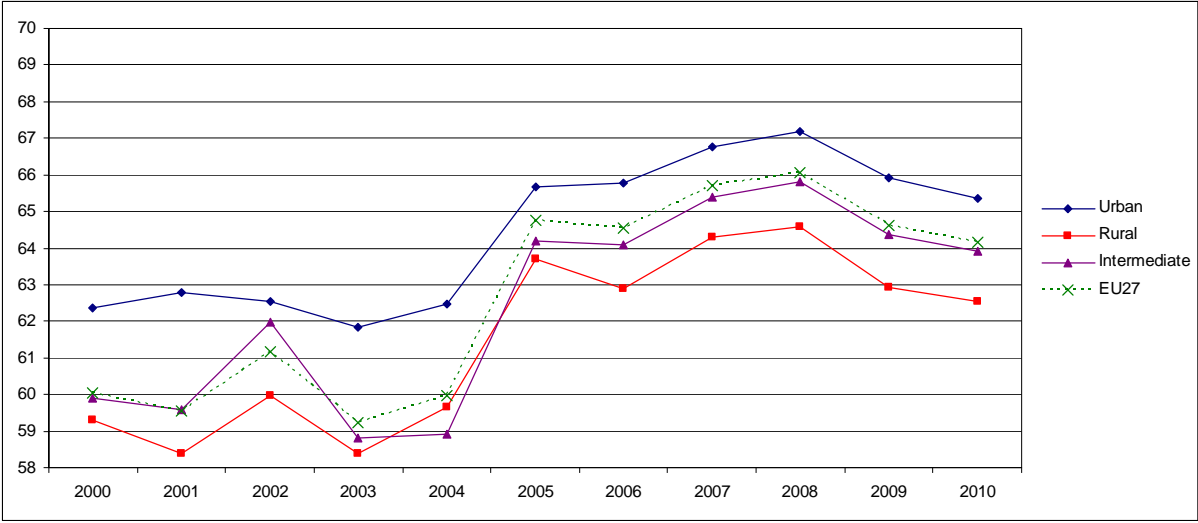
<sup>67</sup> The employment rate is measured as the total number of employed people divided by the total working age population aged 15-64.

<sup>68</sup> Across the EU25, in the period 1996-2001, the employment rate increased by 3.6% in predominantly urban areas compared to 1.9% in predominantly rural areas, suggesting a widening of the urban-rural employment gap (European Commission, 2006).

<sup>69</sup> It is to be noted that this employment target is for people aged between 20 and 64.

from rural regions is timely. It is more of a medium- to long-term issue. The delays caused by the current economic crisis are unpredictable, which questions further the catching-up process.

**Figure 17. Employment rate (%) in EU27 by regional typology (NUTS3), 2000-2010**



Source: SEGIRA (2010) for 2000-2004 and DG AGRI for 2005-2010

Comparing EU12 and EU15, the data shows that in the period 2005-2010, employment rates in rural regions decreased in both areas (twice as high in EU12 than in EU15), with the EU12 rate remaining below the EU15-level by nearly 6 pp (64.9% in EU15 vs 58.5% for EU12 in 2010).

At Member State level, in almost half of the EU countries trends are quite worrying. In Germany, Poland and Austria the rural employment rate increased by 4.9 pp, 4.1 pp and 3.3 pp respectively from 2005 to 2010, which is a rare positive development. There has been significant reductions in countries such as Ireland (- 7.8 pp), Lithuania (- 5.6 pp), Denmark (- 4.1 pp), Spain (- 4.1 pp) and Latvia (- 3.5 pp). In 2010, rural employment rates were still low, especially in the rural regions of Hungary (53.9%), Italy (56.2%), Lithuania (56.2%), Spain (56.6%) and Bulgaria (57.0%). Five other countries (Romania, Slovakia, Ireland, Greece and Slovakia) also have employment rates below the 60% threshold. The highest rural employment rates are to be seen in the Netherlands (74%), Germany, Austria, Denmark (all around 73%) and Sweden (71.5%).

**Employment in agriculture**

The combined agricultural and food sector accounted for 16.8 million jobs (7.6% of total employment) in the EU27 in 2009 (most of the activities in the food sector depend on the production of the primary sector).<sup>70</sup> The agri-food sector is relatively more important in EU12, particularly with respect to employment in the primary sector in rural regions.<sup>71</sup> Overall, there was a significant loss in the number of jobs throughout the Union (2.8 million in the period 2001-2009), with the highest rates noted in EU12 countries.

<sup>70</sup> Given the lack of regional statistical data for the agri-food sector, it is defined here as the combination of the primary sector (branch A: agriculture, hunting, fishing and forestry) and the food industry (branch DA: manufacture of food products; beverages and tobacco).

<sup>71</sup> Source: National accounts, Eurostat.

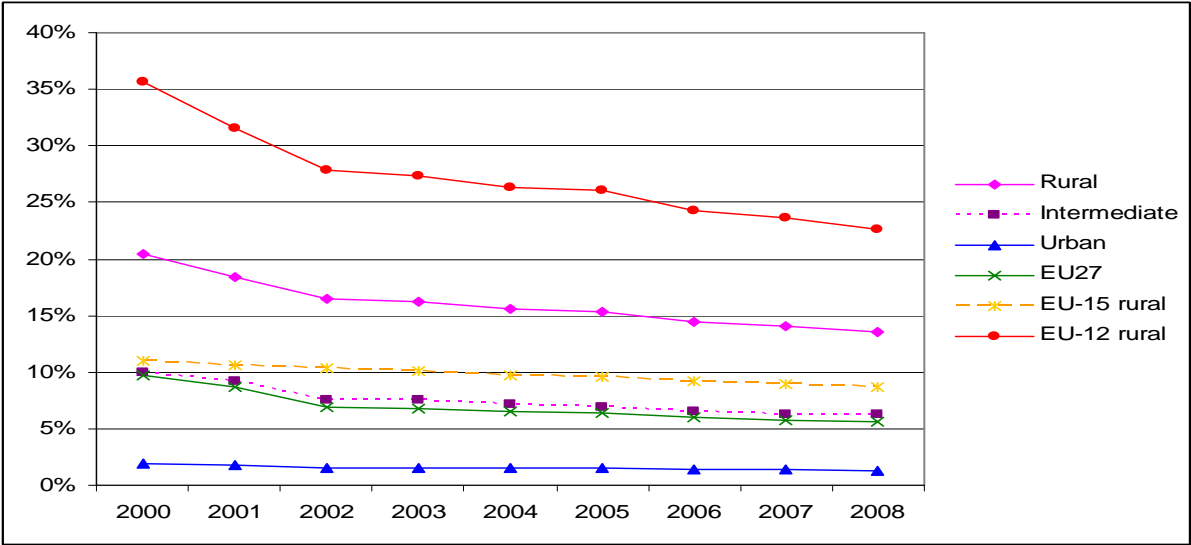
In the EU there are almost 6 million self-employed people in the primary sector (agriculture, forestry and fishing) with a share of 54% of self employment in the primary sector in 2010 (for those aged above 15).<sup>72</sup> There was a decrease in the agricultural labour force of around 2.0% per year between 1995 and 2007 in EU15. It now stands at 11.7 million AWU<sup>73</sup> for the EU, of which less than one million corresponds to non-regular workers.

**Share of primary sector in employment**

The largest proportion of employment in the primary sector appears in rural regions, followed by intermediate and urban regions. There was a significant decline in primary sector employment across the three different regional types over the period 2000-2008, about twice higher in EU12 than in EU15 rural and in intermediate regions (Figure 18). In urban regions the share remains rather low throughout the whole period. In EU27 as a whole, the decline was from 9.7% in 2000 to 5.4% in 2009.<sup>74</sup> The latter figure corresponds to 12.1 million persons employed in the primary sector.

In 2008, primary sector employment accounted for 13.6% of all employment in rural regions, which is about 33% below the 2000 level of 20.4%, but still fairly high when compared to 6.2% and 1.3% of primary employment in intermediate and urban regions respectively.

**Figure 18. Share of primary sector in employment by regional typology (NUTS3), 1999-2008**



Source: DG AGRI

The share of the primary sector in total employment in rural regions has always been higher in EU12 than in EU15, but there is a progressive decline in the EU12 share in the last decade.

<sup>72</sup> The highest rates of self-employment are found in Portugal, Ireland, Luxembourg, Greece and Poland (more than 70% in all cases).

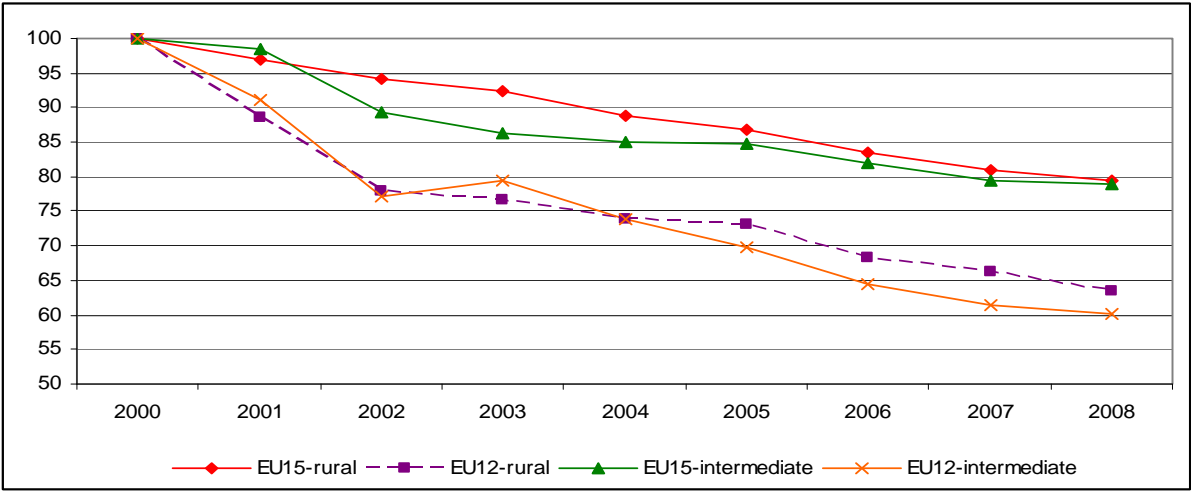
<sup>73</sup> AWU — annual work unit, corresponds to the work performed by one person who is in full time employment on an agricultural holding.

<sup>74</sup> The data for 2009 at NUTS3 level, showing the distinction between the different types of regions, is not yet available. The share of the primary sector in total employment of rural regions has always been higher in EU12 than in EU15, but over the last decade there was a gradual decline in the EU12 share while EU15 levels remained quite stable at around the 10% threshold level. The losses in EU12 primary employment shares were quite heavy — from 35.6% in 2000 to 22.7% in 2008, almost 13pp (or about one-third of the value), as opposed to a 2.3pp loss for EU15. This decline also shows the impact of the restructuring of the EU12 agricultural sector on the availability of rural labour.

The EU15 level remains quite stable and around the 10% threshold level. The losses in the EU12 primary employment shares are quite strong – from 35.6% in 2000 to some 22.7% in 2008, i.e. by almost 13 pp (or about one-third of the value), contrary to just 2.3 pp loss for EU15. This decline shows also the impact of the restructuring of the agricultural sector in EU12 on rural labour availability.

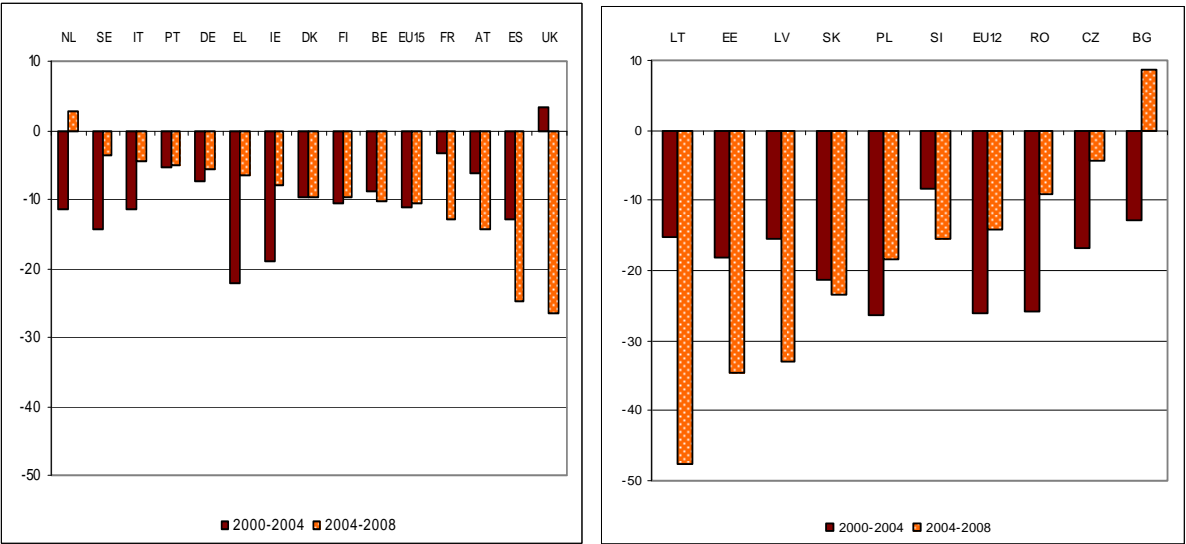
The decline in labour availability in agriculture could be clearly seen from Figure 19 where EU12 rural and intermediate regions show a loss of about 35-40% compared to the levels from 2000. The decline in EU15 rural and intermediate regions is twice smaller, by only 20%.

**Figure 19. Change in the share of primary employment in EU12/EU15 rural and intermediate regions, 2000-2008, 2000=100, %**



Source: DG AGRI

**Figure 20. Change of share of primary sector in employment per Member State in rural NUTS3 regions, before and after 2004, 2000-2008**



Source: DG AGRI

The importance of primary sector activities varies across Member States and between periods, but in 2004-2008, in all countries (except Bulgaria and the Netherlands), it has been declining (a normal process in the light of restructuring and technological developments). However, there are quite diverging trends between Member States in the two observed periods (Figure

20). In most of the Member States changes were more pronounced in the years before 2004. However, in France, Spain, Austria, the UK, Belgium and the Baltic countries, the negative trend was stronger in the period 2004-2008.

In EU15, the proportion of the primary sector in rural employment is quite high in Greece (23.2%) and Portugal (21.9%) and around the EU12 average (22.7%). In EU12, the importance of the primary sector in terms of employment is particularly marked in the rural regions of Romania (38.1%), Bulgaria (28.6%) and Poland (25.9%). Slovakia and Estonia have the lowest shares of primary employment in EU12, respectively 4.9% and 7.5%. Only Sweden, Germany and Denmark have lower levels. This data and its trend reveal that the restructuring processes are far from being finalized in many EU12 countries and that the permanent lay off of labour from agriculture (including self-employed farmers) is to continue.

### *Agricultural labour force*

Average employment in agriculture in rural regions declined in almost all Member States between 2005 and 2007, the exceptions being Spain, Italy, Poland and the UK.<sup>75</sup> This was accompanied by a decline in labour intensiveness<sup>76</sup> in all countries (except for ES and UK). In the EU, average employment in rural regions decreased by 4.8% while labour intensiveness declined by 7.9% in 2005-2007. Average employment per ha in agriculture in rural NUTS3 regions is approximately 3 times higher in EU12 compared to EU15 (table 3).

**Table 3. Average employment (AWU)/average area (ha) in agriculture in rural NUTS3 regions, 2005-2007**

<b>EU15</b>	<b>AWU/ha (2005)</b>	<b>AWU/ha (2007)</b>	<b>Change (AWU/ha)</b>	<b>Change (%)</b>	<b>EU12</b>	<b>AWU/ha (2005)</b>	<b>AWU/ha (2007)</b>	<b>Change (AWU/ha)</b>	<b>Change (%)</b>
BE	32,7	31,2	-1,5	-4,6	BG	291,5	188,4	-103,1	-35,4
DK	20,7	19,3	-1,4	-6,8	CZ	42,9	39,2	-3,7	-8,6
ES	28,4	30,0	1,6	5,6	EE	43,2	34,6	-8,6	-19,9
FI	40,9	34,7	-6,2	-15,2	HU	104,1	92,4	-11,7	-11,2
FR	25,8	24,1	-1,7	-6,6	LT	73,9	63,4	-10,5	-14,2
EL	145,7	135,0	-10,7	-7,3	LV	84,4	61,3	-23,1	-27,4
IE	36,1	35,7	-0,4	-1,1	PL	153,5	146,7	-6,8	-4,4
IT	87,4	n.a.	n.a.	n.a.	RO	188,7	168,9	-19,8	-10,5
NL	38,2	36,7	-1,5	-3,9	SI	194,8	173,4	-21,4	-11,0
PT	85,2	73,3	-11,9	-14,0	SK	52,3	45,6	-6,7	-12,8
SE	25,0	24,3	-0,7	-2,8					
UK	14,2	17,7	3,5	24,6					
<b>EU15</b>	<b>43,7</b>	<b>40,5</b>	<b>-3,2</b>	<b>-7,3</b>	<b>EU12</b>	<b>143,2</b>	<b>127,4</b>	<b>-15,8</b>	<b>-11,0</b>
<b>EU27</b>	<b>78,0</b>	<b>71,8</b>	<b>-6,2</b>	<b>-7,9</b>					

Source: SEGIRA (2010) and DG AGRI estimates

At Member State level, the Irish, Swedish, Polish and the Dutch agricultural sectors saw the smallest decline in labour intensity measured as a percentage loss, while the sharpest decreases were to be found in southern EU countries (except Spain).

<sup>75</sup> SEGIRA (2010).

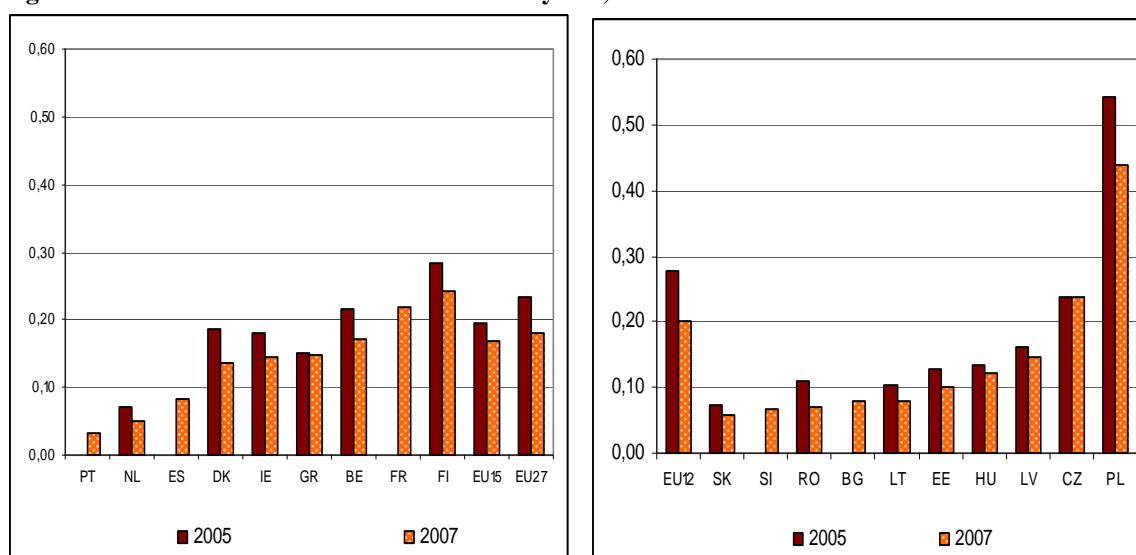
<sup>76</sup> Measured as AWU per ha per rural NUTS3 region.

## Young farmers and ageing of the agricultural labour force

The ageing of the EU population is a matter of general concern for Europe. The estimates in the previous sub-sections showed the negative demographic trends in rural regions. In this context, The decreasing number of young people in the agricultural sector can create specific difficulties for generational renewal (European Commission, 2006), and raises concerns regarding the loss of valuable skills and knowledge as older, more experienced, farmers leave the sector and are not replaced.

The data indicates that rural regions have the highest ratio of younger farmers (those aged below 35 years)<sup>77</sup> to older farmers (aged 55 years or more). The greatest decline in this ratio, however, was between 2005 and 2007 (from 0.23 in 2005 to 0.18 in 2007). In intermediate regions the situation is worse, with old farmers being approximately 10 times more than young farmers. Farmers are generally younger in EU12 than in EU15 (ratio of 0.20 vs 0.17 in 2007, respectively), but the ratio declines faster for EU12 (from 0.28 to 0.20) than in EU15, illustrating that the farmer population is ageing across the EU27 and at a faster rate in EU12. At Member State level, Poland, the Czech Republic, Finland, Belgium and France have the youngest farming societies (Figure 21).

Figure 21. Ratio of farmers <35 to farmers >55 years, 2005 vs 2007



Source: SEGIRA (2010) based on FSS data

## Skills of the agricultural labor force

Qualifications and skills form an essential element of an agricultural job holder's performance. Although in agriculture many skills are learned on the ground and by experience, formal education and pre-qualification can still play a significant role in helping farmers make the right business decisions.

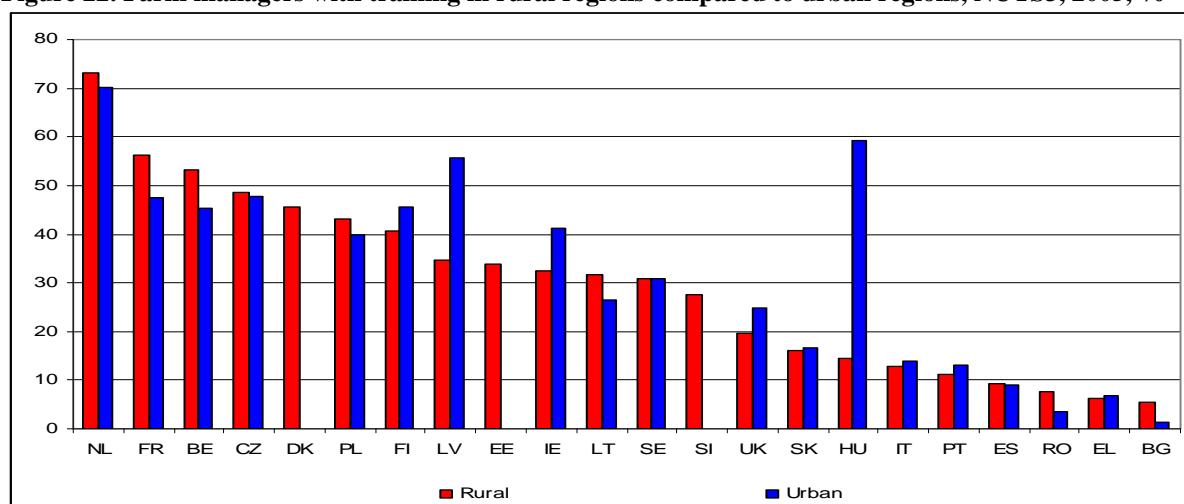
In 2005, about 29.3% of EU farm managers had basic or full agricultural training, with farmers in rural regions accounting for the lowest share (26.4%) and those in urban areas for the highest (34.5%).<sup>78</sup> On average, levels of training are higher in rural regions of EU15 than

<sup>77</sup> In rural development young farmers are those aged below 40 years. However, statistical data is collected in a different way (i.e. below 35 years old) which does not capture the share of farmers aged below 40 years.

<sup>78</sup> Data only available for year 2005.

in EU12 (27.6% vs 23.8 % respectively, Figure 22). Amongst the EU15 countries, the Netherlands<sup>79</sup> has in its rural regions the highest proportion of managers with basic/full training (73%) followed by France (56.2), Belgium (53.1%) and Denmark (45.5%). In EU12, leaders are the Czech Republic (48.7%), Poland (43%) and the Baltic countries (32-34%). The lowest levels are registered in the southern EU countries such as Bulgaria (5.4%), Greece (6.3%), Spain (9.2%), Portugal (11.2%), Italy (12.8%) and Romania (7.6%).

**Figure 22. Farm managers with training in rural regions compared to urban regions, NUTS3, 2005, %**



Source: SEGIRA (2010)

## Part-time farming and seasonal employment in agriculture

### *Part-time farming*

The importance of part-time farming is reflected in a number of indicators, the main one being the labour force used per holding. According to the most recent data (from 2007), about 55% of farms in the EU require less than one annual work unit. With the increase in labour productivity, the average labour force requirement per farm remains fairly stable at around 1 AWU, despite the increase in the average farm size, and more labour-intensive activities such as horticulture and dairy, which accounted for increasing employment per farm in recent years.

EU agriculture continues to be largely based on family farms. In 2007 more than 80% of the labour force came from the farm holder's family, and 12% of the labour force was made up of regularly employed workers.

However, a high proportion of workers are not occupied full-time in agriculture: around 33% of the family and regular workers<sup>80</sup> in the EU are working less than half time in agriculture and only 37% of them have full-time jobs. In 2007 only 15% of family farm managers in the EU had a working time in agriculture equivalent to a full-time job. This share is higher in the case of the EU-15 countries (25%) and lower in the case of EU12 (9%). Nonetheless, 63% of family farm managers continue to have no gainful activity other than agriculture.

<sup>79</sup> The Netherlands has only one rural region and therefore data of the Netherlands should be treated with care.

<sup>80</sup> It is interesting to note that the number of sole holders as a percentage of the total number of regular workers in agriculture decreases as the physical size of the farm increases. The highest share of sole workers is found among holdings of less than 2 hectares (60%), whereas holdings of more than 100 hectares present the lowest share (18%).

### ***Seasonal employment***

The Commission, in its proposal for a Directive on the conditions of entry and residence of third-country nationals for the purpose of seasonal employment<sup>81</sup> recognised that EU economies face a structural need for seasonal work for which labour from within the EU is expected to become less and less available. As regards future skills shortages in the EU, traditional sectors will continue to play an important role and the structural need for low-skilled and low-qualified workers is likely to continue expanding. Sectors of the economy that are characterised by a strong presence of seasonal workers — most notably agriculture, horticulture and tourism — are repeatedly identified as the sectors most prone to work undertaken by third-country nationals who are staying illegally.

In agriculture, seasonal employment plays a crucial role. Its dimensions vary according to the agricultural sub-sector, farm size, internal labour, social policies, etc. In its 2006 Communication on growth and jobs in rural regions the Commission acknowledged the lack of information on this subject and at the same time its significance (reaching more than 5 million seasonal employees per year). It has also estimated<sup>82</sup> that up to 100,000 seasonal workers from countries outside the European Union come to work in the Member States each year. This remains an area where more research efforts are needed to build up knowledge about the availability of seasonal labour for agriculture, schemes for finding/hiring seasonal labour, migration and social inclusion issues, seasonal labour's skills development, etc.

### **Employment in the agri-food sector**

Although the availability of detailed statistical information at NUTS3 level on the food industry sector remains an issue, a number of general conclusions can still be outlined on the basis of three indicators<sup>83</sup> (at NUTS2 level, which is, however, insufficient to claim correct presentation of rural regions).

In the period 2003-2007 the food sector has been a stable industrial sector in EU15: a small growth in the number of people employed and in the share of the sector in total manufacturing employment could be noticed. However, the number of local units has decreased, which may suggest that there has been a trend of employment concentration in the same period.<sup>84</sup>

The food industry performed relatively well in terms of employment in southern EU countries, such as Greece, Portugal, Italy and Spain. However, a decline in terms of the number of employees was recorded in Finland, Austria, the UK and France.

The available data for EU12 countries is limited and reliable at NUTS2-level only for Slovakia, Hungary, Poland and Romania. For the first three countries, the food sector performed badly with a high negative growth typical of the three indicators. In Romania, despite the slight increase in the number of employees, local food industry units declined as well. The highest concentration of food industry employees was noted in France, Germany and the UK.

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<sup>81</sup> See COM(2010) 379 final, 13.7.2010.

<sup>82</sup> Impact assessment for the proposal for a Directive on the conditions of entry and residence of third-country nationals for the purpose of seasonal employment - SEC(2010) 888, 13.7.2010.

<sup>83</sup> Number of people employed in the food sector; Number of local units in the food sector; and Share of the food sector in total manufacturing.

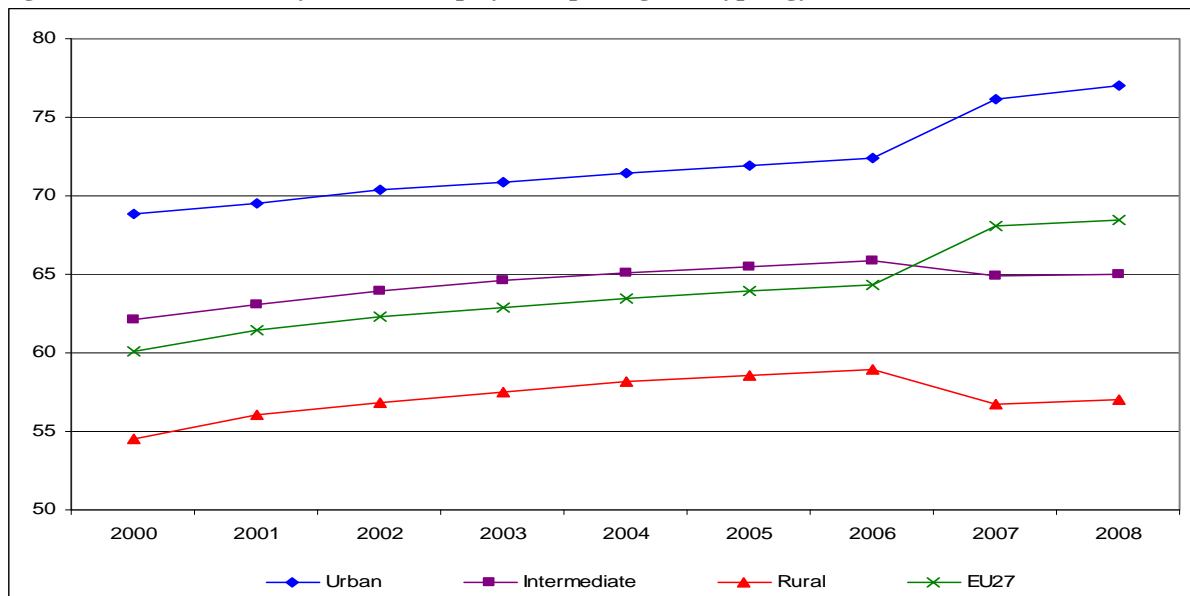
<sup>84</sup> SEGIRA (2010).



## Non-agricultural labour force in rural regions

The tertiary sector is by far the largest of the three sectors in terms of employment share. As expected, it is particularly dominant in urban and intermediate regions, accounting for more than 68% of employment in 2008 in the EU (Figure 23). It is also the leading employment sector in rural regions (57% in 2008). Growth in employment in the tertiary sector accounts for much of the loss of primary sector employment.

**Figure 23. Share of tertiary sector in employment per regional typology in the EU (NUTS3), 2000-2008**



Source: SEGIRA (2010) for 2000-2006 and DG AGRI for 2007-2008

There has been almost equal growth in the tertiary sector's share of employment in the rural regions of EU15 and EU12 over the period 2000-2008 (by 5 pp for both), reaching 63.9% and 45.0% respectively in 2008, with a specific slow down as from 2006. In 2008, the highest levels of tertiary employment are observed in the rural regions of Belgium (73.1%), Sweden (69.5%), Denmark (69.0%) and France (68.7%).

Significant differences could also be seen between rural tertiary employment in northern and southern EU countries, with the low rates of tertiary employment typical for southern Europe (Romania with 32.6%, Bulgaria with 40.7%, Slovenia with 45.5%, etc.). In EU12 in general (except Slovakia), tertiary employment in rural regions is extremely low, compared to urban areas and even to EU15 rural regions. Thus, the concentration of services in big cities continues to be an issue.

In countries where primary sector employment is high, tertiary employment is less significant, especially in EU12 countries (Poland, Romania, Bulgaria), and vice versa (Hungary and the Czech Republic). In Estonia and Greece, however, the increase in the share of the tertiary sector in employment is combined with a decrease in the share of the tertiary sector in GVA. This may indicate a productivity problem for these economies, as GVA per employee is not growing.<sup>85</sup>

<sup>85</sup> SEGIRA (2010).

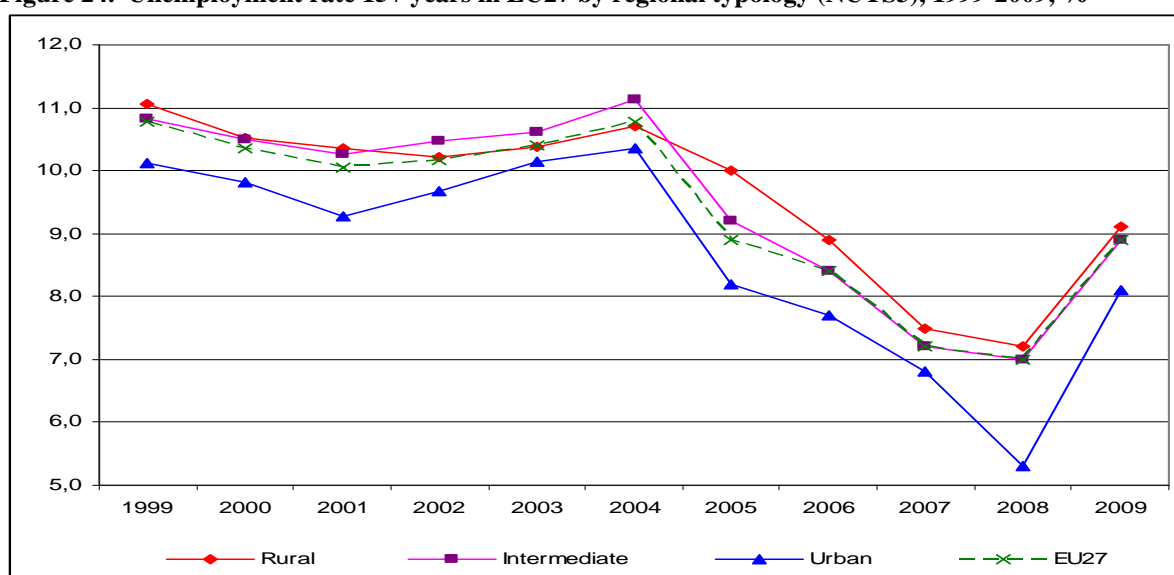
### 3.6. Unemployment

In the EU, the unemployment rate reached 10% in 2010, the highest level since 2005, accounting for 23 million unemployed persons, 1.6 million more than in 2009.<sup>86</sup> In 2009 there were approximately 4.9 million unemployed people in the EU rural regions, which is 9% of the total active population there. Intermediate regions had a similar unemployment rate and almost 7 million unemployed people. Urban regions presented the largest absolute number of unemployed people (9 million) but the lowest proportion of the total active population (8%).<sup>87</sup>

#### Unemployment in rural regions

Unemployment trends in 2000-2008 were quite positive for rural regions. However, since 2004, when average unemployment for all types of region was around 10.3% - 10.8%, a difference between urban and rural regions started to appear. This difference has increased up to 2 pp in 2008 (Figure 24). The *loss of momentum* in rural regions for solving unemployment problems was quite substantial. The initial impact of the economic crisis, however, has been strongly felt in urban regions and in 2009 it increased the unemployment levels there by almost 3 pp, while for rural regions the increase was of a smaller magnitude (2 pp), thus reducing the rural-urban unemployment gap by 1 pp. The return to the 2005-2006 unemployment levels is quite worrying and further deteriorations could be expected.

Figure 24. Unemployment rate 15+ years in EU27 by regional typology (NUTS3), 1999-2009, %



Source: SEGIRA study (2010) for 1999-2004 and DG AGRI for 2005-2009.

Note: The downturn trend since 2005 is also found by SEGIRA (by 2008 when its analysis ends). Updated data for 2005-2009 has been provided here.

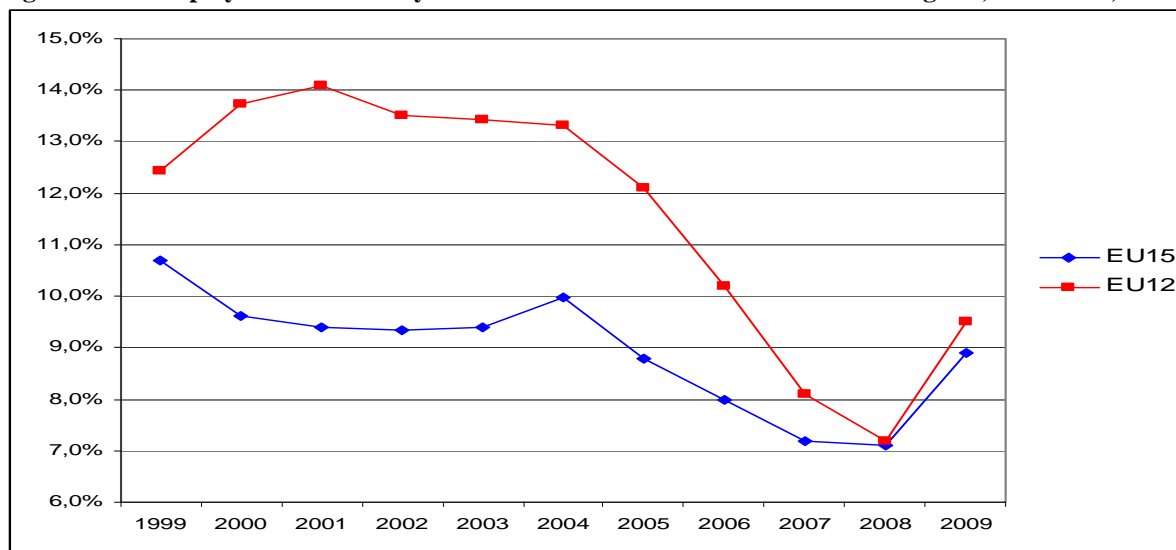
EU12 countries have seen a steady and permanent decrease in unemployment in their rural regions, especially after the 2004 accession. In 2008 the average EU12 rural unemployment rate equalled that of EU15 rural average rate of 7% for a first time. However, following the

<sup>86</sup> Based on National accounts source; For Regional accounts only data for 2009 is available.

<sup>87</sup> Source: DG AGRI.

start of the economic crisis, rural unemployment levels jumped for both areas and in 2009 they were above the 9% threshold level (Figure 25).<sup>88</sup>

**Figure 25. Unemployment rates 15+ years in EU15 and EU12 for rural NUTS3 regions, 1999-2009, %**



Source: SEGIRA study (2010) for 1999-2004 and DG AGRI for 2005-2009.

Note: The downturn trend since 2005 is also found by SEGIRA (by 2008 when its analysis ends). Updated data for 2005-2009 has been provided here.

In 2005-2008 the largest declines were observed in the rural regions of Poland (- 10 pp), Slovakia (- 7.2 pp), Bulgaria (- 5.5 pp), Germany (- 3.7) and Lithuania (- 3.0 pp).

### Unemployment of women in rural regions

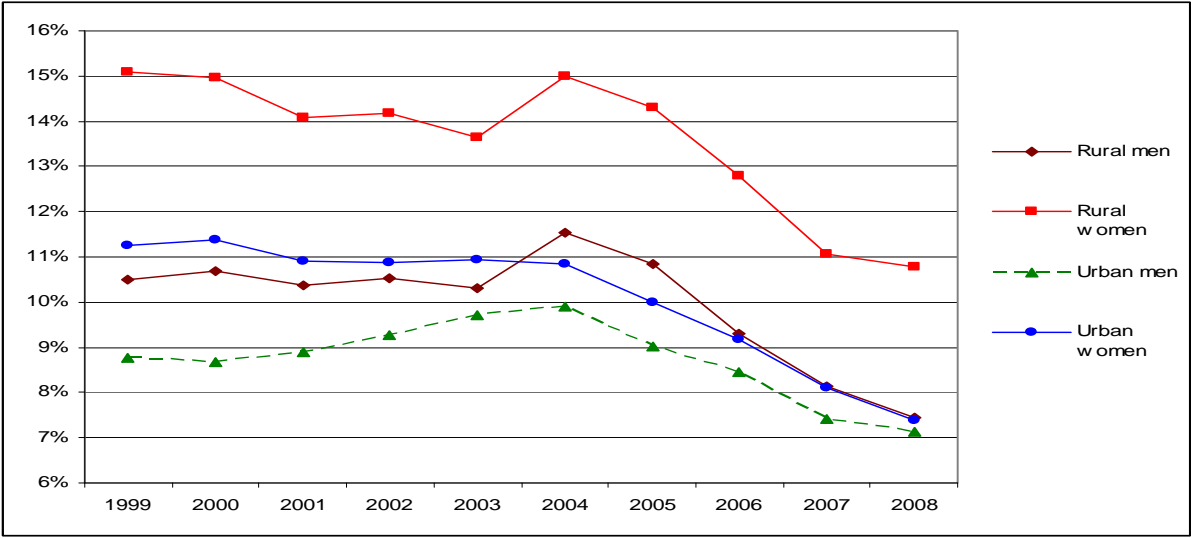
**Unemployment is generally higher for women than men, especially in rural regions, where no progress has been made in the last 15 years in reducing existing differences,** despite the fact that the average drop in all types of regions since 2004 (and by end of 2008) has been more or less equal for both categories.

For women, the gap between female unemployment rates in urban and rural regions remains constant over time, at approximately 4 pp (11% in rural regions as against 7% in urban regions in 2008).<sup>89</sup> For men, this gap was almost non-existent in 2008 given that it had been narrowed down from 2-3 pp in 2004-2005 to as low as approximately 1 pp in 2008. It is worth noting that female unemployment in urban areas has been changing in the same way as male unemployment rates, especially after 2004 (Figure 26). For rural regions, although the gap has slightly narrowed by 2004, there is still a significant difference of about 3.5 pp between female unemployment and male unemployment. Moreover there has been further stagnation since 2006.

<sup>88</sup> The lack of more recent data at NUTS3 level makes it impossible for the moment to capture the impacts of the economic crisis on rural areas' employment performance, although the increasing trend since 2008 is clear. Sufficient macro-economic evidence exists on the negative impact of the crisis; see Eurostat news and publications for more details at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>.

<sup>89</sup> Data for year 2009 was not available at the time of this publication.

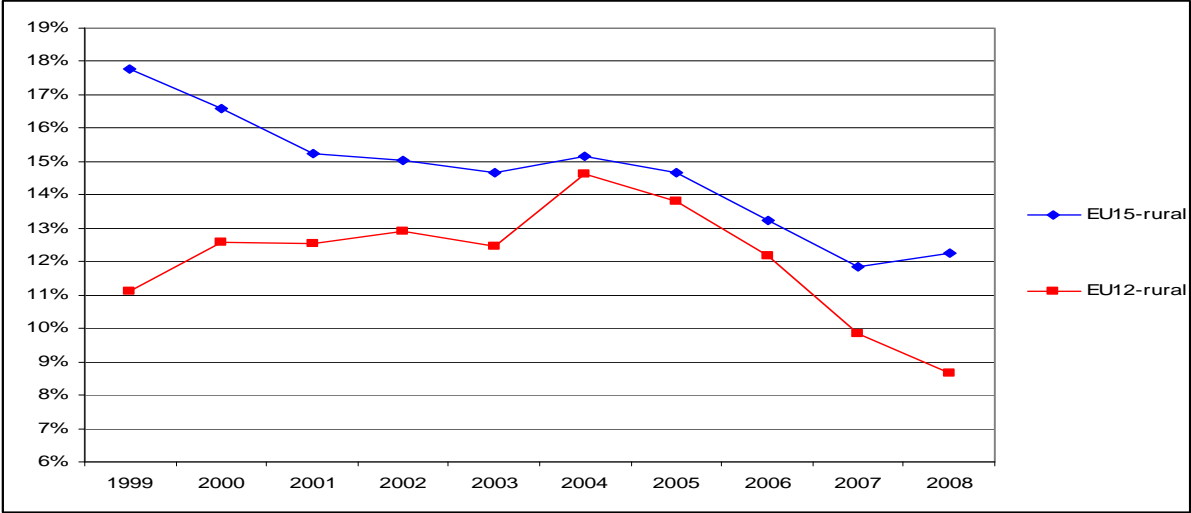
**Figure 26. Unemployment rate (%) men 15+ years and women 15+ years, by regional typology (NUTS3), 1999-2008, %**



Source: SEGIRA study (2010)

Female unemployment in EU12 rural regions is lower than female unemployment in EU15 rural regions — a gap that started to increase after 2007. From a very different starting point in 1999 (approximately 18% female unemployment in EU15 rural regions and 11% in EU12 rural regions), the difference between the two narrowed by 2004 only to widen again significantly, and especially since 2007 (Figure 27).

**Figure 27. Female unemployment rate (%) in EU15 and EU12 rural regions, (NUTS3), 1999-2008, %**



Source: SEGIRA study (2010)

A comparison between MS shows that in 2004-2008 large decreases in rural male unemployment rates were typical for Finland, Poland, Slovakia and Bulgaria. On the contrary, a limited number of Member States saw increased rural male unemployment rates in 2001-2004 and 2004-2008 (e.g. Spain). In EU12 rural regions male unemployment rates have significantly declined since 2004 (by 4.6 pp compared to less than 1 pp in EU15). Estonia, Latvia and Slovakia are among the countries where male rural unemployment rates have been steadily reduced in the last decade.

Between 2001 and 2004 the female unemployment rate improved in almost half of the Member States. In the period 2004-2008 this trend continued, except in Hungary and Romania where rose. The average decline for EU15 countries over this period was 3.2 pp, compared to 6.4 pp in EU12. Remarkable declines were observed in Finland and Greece (of the EU15 countries) and in Poland, Slovakia and Lithuania (of the EU12 countries). However, this is still far from enough to close down the gap between women and men in rural labour markets.

## **Youth unemployment**

The future of young people in rural regions and the labour options offered to them continue to be a focal point in rural development. There is no doubt that the most vulnerable group is the one aged between 15 and 25 years (i.e. the group of young people that are entering the labour market for the first time). The SEGIRA estimates for this part of the labour force show that unemployment rates for young people in rural regions have been in decline since 2004, when an equilibrium point was reached. While the difference between both age groups is smaller in rural than in urban regions (as a general trend), in rural regions there has been a trend towards a slightly increasing unemployment difference between these groups since 2004, which means that the situation for those aged between 15 and 25 is less favourable. In 2008, in EU12 countries unemployment of those aged 15 years and more was 7.7% as against 6.7% for those aged 25 years and more.<sup>90</sup>

### **3.7. Farm income diversification**

Farm diversification into non-agricultural activities is one of the most important ways for ensuring a rather stable, and independent from agricultural markets and prices, farm household income. It boosts employment possibilities for part-time farmers and especially for their family members, creates spill-over effects in the field of employment, and brings sustainable utilization of natural resources for non-agricultural purposes.

In 2007, the share of EU farmers with other gainful activities was 33.5% of all farmers. Farms located in intermediate regions were the most diversifying (35.9%). However, a decline in all types of regions (on average) could be observed in 2005-2007, which is driven by the relatively significant withdrawal of diversifying activities in five countries: Italy (- 8 pp, or reduction of the rate by more than 20%), France (- 3.5 pp), Denmark (- 3.1 pp), Romania (- 2.6 pp) and the UK (- 2.3 pp). To certain extent, this trend is also linked to the process of farms closure, especially in Romania. Importantly, in all other EU12 countries (except Hungary), an increase in the number of diversifying farmers is observed. The highest growth in percentage points could be seen in Slovenia (4.8 pp), Lithuania (4.3 pp) and Bulgaria (3.8 pp). Remarkably, about 79% of the Slovenian farmers in rural regions are diversifying their agricultural activities (in 2007). Such high percentage could be also observed in Sweden (70%). In Denmark and Ireland the proportion is also high, above the 45% threshold. Still low remain the diversification levels in Belgium (below 20%) as well as in Greece, France, Portugal and Italy (below 30%). Interesting differences appear also between the rural regions of EU15 and EU12, which are underlined by the changes at MS level — in EU15 this share declined to less than 30%, while in EU12 it has increased to approximately 41%.

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<sup>90</sup> Data for year 2009 was not available at the time of this publication.

## 4. RURAL GROWTH AND EMPLOYMENT: CASE STUDY EVIDENCE

This section builds on the case study work done in the context of the SEGIRA study. In total, 15 NUTS3 case-study surveys were carried out covering 10 rural regions and 5 intermediate regions with a rural character.<sup>91</sup> The major questions answered by the case-study work are outlined in Box 4.1.

### Box 4.1 Major issues addressed by the case-study work under SEGIRA

The key focus for the analysis of the case studies covered:

- Identification of measures operational in rural areas which contribute directly to employment and growth
- Identification of sectoral trends and developments characterising the regions, including agriculture and food-industry
- Identification of supportive policy environments and their outcomes and impacts
- Identification of successful interventions, their outcomes and impacts
- Identification of market failures and the reasons behind these
- Identification of major drivers and barriers for growth
- Identification of the impact of the economic crisis on local employment and growth

Results are summarised in sections covering the developments in key sectors in rural regions as they were revealed by the case-study work; the drivers of and barriers to rural growth and employment; the impact of the economic crisis on local businesses; and local initiatives targeting entrepreneurship and rural business development, with a specific focus on women and young people.<sup>92</sup>

### 4.1. Key economic sectors in rural areas

Agriculture, tourism and agri-food industry are the three major economic sectors on which rural areas' growth and sustainability is based according to the case-study findings of SEGIRA. They confirm the important role that these three, often inter-linked, economic sectors have for rural areas' development and the need for policy attention to their problems.

In all surveyed rural areas there was a strong recognition of the high value attached to their natural capital (e.g. soils, landscape, high-nature value sites, etc.) above all else, linking back to their strong heritage in agricultural production. In a more contemporary sense, tourism has also been constructed upon the value of the landscapes and region's natural capital with a strong theme of 'green' tourism running through many of the areas.<sup>93</sup>

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<sup>91</sup> The regions that have been surveyed by SEGIRA are: Oberkärnten (AT), Tielt (BE), Dobrich (BG), Vysocina (CZ), North-West Mecklenburg (DE), Kesk-Eesti (EE), Toledo (ES), Lappi (FI), Puy de Dome (FR), Komárom-Esztergom (HU), South-West (IE), Olbia-Tempio (IT), Pulawski (PL), Västernorrland (SE), Inverness (the UK). These regions mirror to a large extent the diversity of rural areas found by the clustering exercise conducted by SEGIRA. The criteria to select regions could be found in the final report of the study.

<sup>92</sup> This section draws on the information collected by the external consultant in the framework of the Study on Employment, Growth and Innovation in Rural Areas (SEGIRA). The European Commission can not be held responsible if this information is incomplete or inaccurate.

<sup>93</sup> SEGIRA (2010).

The case-study research showed also that rural areas that tend to be mono-sectoral economies experience the hardest transitional development and have the biggest difficulties in overcoming economic crises. At the same time, strategic approaches incorporating top-down policy orientations with bottom-up local development strategies (such as LEADER<sup>94</sup>) have proven to be successful in delivering the best solutions for rural regions.

### ***Agriculture***

Agriculture is historically and culturally strongly associated with the regional territorial development. It is powerfully connected with the land, with the self sufficiency in food production and processing, and it is often the major, if not the only, provider of employment in small towns and villages where there are virtually no other employment options for local people. The importance of safeguarding agriculture and the rural livelihood is even greater when factors such as an open countryside, environment, tourism and living conditions are taken into consideration.

Agriculture is regarded as a key sector across all surveyed by SEGIRA rural areas, some of which are actually exclusively dependant on agricultural activities.<sup>95</sup> The sector has experienced tremendous structural changes over the last decade, but production levels have been maintained or even improved. Farms have become fewer, labour has been laid off<sup>96</sup> thus reducing the share of agriculture in local employment<sup>97</sup>, average farm sizes have increased, larger businesses have started to operate more successfully, while small farms are still facing difficulties in sustaining their profitability and access the markets. High-mountain farming, a vital element of the regional identity and of the rural tourism concepts, is still cost-intensive, fragmented, and in need of policy support in order to be maintained and to continue providing public benefits. In mountain areas, ageing of the farm population is also a substantial issue.

Strong agricultural sector and viable rural areas mean also opportunities to live on small scale agricultural and forestry activities such as various kinds of handicrafts, the production of food from local products, etc. In this way, a basis for positive spill-over effects linked to depopulation, skills acquisition, entrepreneurship, etc. could be established. However, the case-study evidence suggests that small-scale farmers have actually been most affected in recent years. The various market crises and the low (in general) market prices for agricultural production are among the impacting negatively factors. Small farmers continue to experience

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<sup>94</sup> LEADER is an outstanding policy delivery approach in rural development (EAFRD) over the last decade. More information on the most recent discussions on it and its delivery mechanism, could be found here:

[http://enrd.ec.europa.eu/rural-development-policy/leader/en/leader\\_en.cfm](http://enrd.ec.europa.eu/rural-development-policy/leader/en/leader_en.cfm)

<sup>95</sup> For example, in the Pulawski region (PL) approximately 36% of the population works in the agricultural industry; in the Spanish region of Toledo, in municipalities with population below 500 inhabitants, employment in primary sector covers almost a third of the total active population.

<sup>96</sup> In 2004, in the Kesk-Eesti region (EE), 5.8 % of the population was engaged in agriculture, forestry and fishing, while in 2009 the proportion was only 4%. In Lappi (FI) the number of farms has decreased alarmingly in the recent decade, but farm sizes have grown significantly. In Tielit (BE) the employment in the primary sector has declined in 2003-2007 by 5%. In 2000-2008 the number of persons employed in the agricultural sector in North-West Mecklenburg (DE) was down by 10%. In Västernorrland (SE), the number of companies halved and the share of agricultural employment declined by two thirds over the last two decades. In the same region, the number of dairy companies decreased by over 80%, but by a far-reaching streamlining and rationalization processes the actual milk production has remained unchanged. In Oberkärnten (AT), where agriculture is also important, the decline in the number of jobs has lead to a decrease of employment in agriculture from 7.4% in 1991 to 5.9% in 2001.

<sup>97</sup> Certain limited case-study evidence suggests that in some rural parts (e.g. Scotland, UK) there is an increase in the time-part, seasonal and casual jobs related to agriculture. However, more research is needed on the role that part-time farmers play for the local industrial and service development.

problems related to earnings and sustainable income reflected by the lack of easy access to markets and consumers.

Although small-scale farming is often associated with local lifestyles, in certain agricultural sub-sectors it has disappeared from the regional economic map. For example, in the Tielt region (BE), small-scale sugar beet farmers have sold out their quota and only big farms have continued to be operational. This has been enhanced by the closure of local food processors. In the Swedish case-study region, increased competition (e.g. in dairy farming) has led to a decrease in the number of farms and to impairing the prerequisites for carrying out small-scale farming.

Direct marketing of agricultural products is one way in which the previously mentioned difficulties have been solved (or at least diminished). The trend towards a growing share of market oriented small farms and/or direct marketing via farm shops is noticed almost everywhere. While the success of this often depends on the farmers' own initiative (e.g. intensity of marketing and pro-active behaviour in finding customers), these initiatives obviously guarantee a more sustainable farm economic development.

Short supply chains alongside consumption, use and promotion of local products are new trends for many rural regions, and in particular in EU12. In the western parts of the EU it is more widespread, but yet to a marginal extent. In some cases (e.g. region Puy de Dome, FR) these initiatives are encouraged through LEADER and local 'syndicat d'initiatives' outlets, promoting tourism and local producers. Integration of agriculture into the tourism sector is crucial for reaping the benefits of the direct marketing approach. The on-farm preparation of the products for direct sale (such as washing, slicing/processing, packaging, etc.) is also gaining importance as it facilitates the farmers' access to the local supermarket chains.

Vertical integration in the food supply chain and the contract relationships between farmers and processors are other alternatives for farmers to guarantee their incomes and access to markets. This can cover whole agricultural sub-sectors in given regions. For example, in the Tielt region (BE), farmers fattening pigs have contracts with the local compound feed factory and with the slaughterhouse. In the vegetable production, quasi 100% of the farmers produce for the local processing enterprises specializing in deep-frozen and (to a lesser extent) canned vegetable production.<sup>98</sup> Negotiations of prices between the farmers' union and the union of the vegetable processing industries, which take place before harvesting (and sometimes even before sowing) is one element that characterizes such relationships<sup>99</sup>. The agreed prices could be lower than those offered to farmers without contracts, but some of the production inputs (e.g. seeds) or technology used by the contracted farmers is delivered by the processing industry. If low prices could be said to be a downside of this approach, it offers at the same time a rather smooth elimination of market and price risks and ensures certain degree of short- to medium- term security for the farm.<sup>100</sup>

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<sup>98</sup> Nowadays the region counts for 15 processing companies. Some of those firms had a huge growth and went international. For example, "ARDO" started in Ardoie and opened branches in most of the European countries and in China. The total Flemish production of deep-frozen vegetables is between 850 - 900 000 tons annually, which is about 25% of the total EU production. About 70% of the production of deep-frozen vegetables comes from the Province of West-Flanders. The Tielt region accounts approximately for 25% of the production of West-Flanders.

<sup>99</sup> Except in the case of carrots and celeriac where mostly a vegetable trader as an intermediary is displayed.

<sup>100</sup> Most of the contracts are with duration from one to several years.



A niche market with growing potential is the production of bio food products, including organic agricultural production. The organic production gained importance due to a rise in the healthy food awareness by the consumers, and in particular, due to the growing demand for organic products in tourism centres. Organic farms are being established also by small family entrepreneurs as in the case of the Vysocina region (CZ). In Scotland (the UK) farming has changed quite rapidly with a growth in high-value organic produce over recent years. However, this development has been impeded by two factors, namely (i) the difficulties for farmers to produce organic products in a cost-effective way due to the strong competition of conventional low price products (especially relevant for new organic farms), and (ii) the risk that the consumers' demand can fall away quickly affected also by economic crises and income declines.

While in agriculture, specialisation in niche products and bio-production could be a novelty, farm diversification further opens up the gate towards farm sustainability. A general trend over the last decade towards increasing farm diversification in non-agricultural activities has been observed in almost all surveyed areas. Stimulated by EU funding and falling incomes from primary production, there has been a steep rise in non-agricultural entrepreneurship in the farming sector, from agro-tourism and various on-farm diversification activities, to added value produce and innovative land use. The most successful cases combine different activities and areas with initial attention paid to complementary activities; e.g. in Kesk-Eesti (EE) farms offering agro-tourism, also specialise in ecological food, utilise ecological heating options, etc. Within the group of farm diversification activities, renewable energy production is an outstanding sector that has been identified as a major driver of farm (income) growth by adding value to farms' agricultural activities. Farm diversification in the renewable energy sector, however, may also lead to a change and concentration of production, and of agricultural land use, respectively, to a more profitable one (e.g. maize and rapeseed for bio-energy production).

New concepts are being developed for finding new income possibilities, especially for small farmers. This triggers the complementarity in the labour market and makes farmers multifunctional, often holding 2 or 3 jobs and running completely different from each other businesses, which, however, are based on the utilisation of the same assets.

What is also observed is that farmers in given areas have suffered from natural disasters that have erased almost the whole agricultural growth potential (e.g. in the district of Krasnik (PL) the whole soft fruits plantations were destroyed following the floods in May-June 2010). At the same time, the economic crisis has affected agriculture, although it has not been that substantial or clearly visible at local level (see further). It has been actually stronger when it has been combined with market crises (respectively negative price developments) that have pushed down the agricultural profitability. In Vysocina (CZ), for example, the animal production (i.e. pigs, poultry, cattle) has substantially decreased in the recent years (e.g. in 2008-2009 pig production declined by about 45-50%). Despite this, and as a general trend in most of the rural areas, market prices for agricultural land have seen an (enormous) increase as well as the interest of non-agricultural investors to buy agricultural land has expanded.

## *Tourism*

Tourism,<sup>101</sup> which is often the largest employing sector, is identified as the second key economic sector in rural areas. Its importance is especially pronounced in coastal or upland/mountainous areas, and/or areas where there is a form of protective land use designation in place (such as, for example, National Parks).<sup>102</sup> It is also the sector that provides unique opportunity for integration of many other economic activities such as agriculture, food-industry, fishery and forestry, and a sector that builds up on excellent environmental conditions, rich local cultural rural heritage and traditions, high quality local agricultural production and foodstuff, and rural hospitality.

Contrary to agriculture and fishery rural tourism is steadily progressing in recent years. Growth in the sector is widespread (see examples in Box 4.2 and map 4, Annex B). It is also stimulated through funding (EU, national, regional, private) of predominantly small eco- and agro- tourism projects and indirectly inspired by agriculture through the maintenance of the landscapes and their high scenic value. Importantly, the growth in the tourism sector has compensated (at least partly) the losses of jobs in the primary sector.

The seasonality in the tourism sector, however, is a phenomenon that continues to be relevant for rural areas. Local employees in the tourism sector are also often active in the primary sector and therefore complementing periods of low tourism activity with work in the primary sector's high seasons, and vice versa. This ensures relatively stable household incomes and possibilities for avoiding the poverty trap. However, the seasonality in the tourism offer creates difficulties for local economies, especially when the annual tourism cycle is not developed. The latter sets the challenge of offering full annual employment in tourism outside the summer and winter seasons<sup>103</sup> in places where a wave-like employment structure throughout the year (with high unemployment rates during spring and autumn and lower unemployment rises in summer and winter) could be observed. Taking also into account that in many rural areas significant part of the tourism labour force is based on external to the region labour, strategic and comprehensive (policy) measures are therefore needed to close down existing divergences and raise social welfare in rural areas.

Rural tourism is developing in spite of the serious competition with other types of tourism offers such as mass coastal tourism, city breaks, etc. Health/wellness rural tourism is becoming an increasing profitable stream and there is clearly observed trend in primary agricultural production and the food industry towards the delivery of bio-products, convenience and wellness food, and the elaboration of niche markets. Outdoor sports are also a key growth tourism area building upon the rural area's reputation for high quality countryside.

Agro-tourism is often based on the restructuring of rural farm buildings for touristic use, which strengthens the local economic and social structures, encourages the demographic trends in rural areas and protects the rural heritage. Direct marketing of agricultural products by farmers has also an impact on the local attractiveness and regional promotion.

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<sup>101</sup> For more details on the EU tourism policy framework see the Communication from the European Commission "Europe, the world's No1 tourist destination – a new political framework for tourism in Europe": COM(2010) 352/3 final, 30.06.2010.

<sup>102</sup> SEGIRA (2010).

<sup>103</sup> The discussion here does not touch upon mass tourism places and resorts.

A tendency in the last decade towards increased number of service providers in rural areas offering self catering, bed and breakfast, farm tourism, camping, etc., has been noted, with larger hotels initiatives being in decline. On the islands, where coastal tourism is relatively well developed, new forms of integrated tourism supply have been registered. Their main aim is to help the inland territories, which are often depopulated and with poor accessibility and economic performance, benefit from the coastal tourist flows. The establishment of links with the coastal dynamics through an economic dialogue based on new forms of tourism, the support for the local handicrafts activities and the investment decisions of retired people for buying and restoring rural buildings, is one possible way for solving out the innerlands' economic stagnation.

Recently, an emphasis is being placed on traditional local festivals, where local products are given more visibility.<sup>104</sup> Local areas matched national efforts with marketing and events to attract new tourists.

Smart local, regional and national planning policy appears necessary to preserve the local heritage and ensure future attractiveness for tourism with natural and cultural conditions being an impetus for its stimulation. The sector needs further consolidation (for instance, by improving quality standards); promotion of tourism infrastructure which also offers opportunities for recreational activities during the off-season periods; visibility to high level local products in restaurants, hotels and local food chains; development of tourism along with the creative and cultural industries, etc. Its permanent growth and economic development raises the demand for high level and quality services, and calls for a modern market, which confronts the profile of the rather conservative workforce and consumers in rural areas.

There is also a scope for strengthening the institutional capital in rural areas in relation to the tourism offers. Such experience already has been gained, for example, under LEADER in relation to promotion of the tourist sector and of cultural activities and initiatives to protect the local cultural heritage (e.g. Pulawski region, PL; Toledo, ES, etc.).

#### **Box 4.2 Case-study evidence for the experienced growth in tourism at local level in recent years**

##### ***Growth in the local rural tourism sector (examples)***

- In the region of Lappi (FI), a relatively remote rural area, the sector has developed substantially over the last decade - it has experienced a growth of 5% and is now providing employment for about 13% of the regional population.
- In the region of Oberkärnten (AT) the employed in tourism have grown by 14% for a decade (1997-2007).
- In the Pulawski region (PL), for just one year (2007 to 2008), a 25% rise in the number of tourists spending at least one night in the collective tourist accommodation establishments has been recorded.
- In the region of Iverness (UK), the wholesale, hotels & restaurants is the biggest employer with 31% of the total workforce.
- In the region of Mecklenburg-Vorpomen (DE), in 2008, the tourism industry reached with 27.5 million overnight stays a new record. Some 130,000 people are employed directly or are indirectly involved in the sector.

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<sup>104</sup> For example, in Scotland, the "Year of Homecoming" in 2009, celebrating the 250<sup>th</sup> anniversary of Robert Burns, was supported and promoted strongly by the Scottish Government as a "gathering of the clans" event – bringing in the Scottish Diasporas (e.g. Canadians, Australians, etc.). Source: SEGIRA (2010).

### ***Tourism offers in selected rural areas (examples)***

- In Oberkärnten (AT) there are four 'Tourism Regions' which offer a large spectrum of activities for tourists such as skiing, water sports, (mountain) hiking, national park, spa/wellness; cultural attractions/festivals, etc.;
- In Northwest-Mecklenburg (DE), the coastline of the Baltic Sea offers interesting opportunities for hiking, bicycling and or horse riding, natural tourism, health/wellness tourism;
- In Puy de Dome (FR), heritage tourism industry is also important as well as the development of green tourism and sports associated with the high quality natural environment such as kayaking, climbing, walking, Nordic skiing, spa, etc.;
- In Västernorrland (SE), based on the natural and cultural environment, the hospitality industry is being developed - high coast and inland valleys tourism based on natural experiences, hunting, fishing, dining experiences and activities related to the natural and cultural environments and county's long-standing traditions.
- In the Aviemore area (the UK), tourism is healthy around the salmon fishing industry on the River Spey in particular, and also around winter sports based at Aviemore and the Cairngorm National Park.

### ***Integrated tourism development (example) - The South West region (Ireland)***

Environmentally and physically the region is very attractive for tourists - the region has an excellent range of hotels and other visitor facilities. In addition, whilst connectivity by road and rail is generally poor to the rest of Ireland, the region is served by 3 airports providing links to the rest of the UK and continental Europe.

Fáilte Ireland's South-West strategy aims to increase the number of holiday visitors who come to the region to 2.8 million and to increase tourism revenue to €1.4 billion by 2010. The strategy outlines priorities and goals for the region around four themes:

- Nature-based activities from walking to adventure;
- Cork city as a major urban destination;
- Maritime heritage & coastal holiday experiences;
- Rural culture and country pursuits.

The region has a number of valuable natural and cultural assets that support the tourism industry. It also benefits from its reputation for quality food, with global brand names such as Kerry Foods, Clonakilty Pudding, and a range of high quality restaurants and locations including Ballymaloe House, Sheen Falls Hotel and the Kinsale Good Food Circle. The Fuchsia brand is a quality regional brand for food, tourism and craft from West Cork and almost 200 local businesses are currently approved to use the logo and take part in a marketing and development programme with West Cork LEADER Co-Op.

The Marine Institute published an investment strategy for the Water Based Tourism and Leisure Sector in Ireland 2000-2006, and undertook a comprehensive audit of water based tourism and leisure products for the country. The 'activity scores', based on a range of factors including natural resources, facilities, internal and external infrastructures, tourist accommodation etc., give Kerry and Cork a high rating. This was followed by publication of a Marine Leisure Infrastructure Strategy for the West Cork area in January 2008.

The West Cork Enterprise Board has been working with the West Cork Marine and Tourism Collaborative Cluster to further develop the sector. The significant potential for the development of additional marina facilities to accommodate local and visiting yachts is seen as future option for development supported by the regional location (within a relatively short cruising distance of major sailing centres in the south of England and northern France) and the beautiful nature of its coastlines.

Source: SEGIRA (2010) case-study findings

## *Agri-food industry*

The case-study work under SEGIRA identified the agri-food industry as the third important economic sector in rural regions. It is vertically inter-linked with agriculture and tourism, although not everywhere. Agri-food industry seems far more dominant in intermediate and those areas that are close to cities (and respectively to city markets). It is seen as less prevalent in mountainous (where normally small-scale, family type of processing exists), afforested and protected areas. However, its economic importance for mountainous areas is undisputable.

The food-industry dynamics has changed significantly in recent years, transitioning from being largely production-led, to now being led by market demands.<sup>105</sup> As well as the growing demand for health enhancing functional foods, the aspects of standards, quality and traceability have become of paramount importance. Branding and labeling are essential as consumers look for products they can trust. The increasing focus by leading retailers and manufacturers on the issue of sustainability results in more environmentally friendly requirements set for their suppliers. Retailers are also consolidating and there is evidence of moves to international structures and centralized procurement.

The importance of the food sector could easily be illustrated by the case of Ireland where it has the highest proportion of Irish Economic Expenditure (IEE) in terms of salaries, third party services and materials than any other agency supported sector.<sup>106</sup>

Despite its importance food industry undergoes structural changes at local level that have not remained unnoticed. In Komárom region (HU), for example, the food industry was the second most developed industrial sector, but it has lost twice of its importance in recent years (from 15% share in 2002 to 8.6% share in 2007) with falling production capacities (40% by 2007). In the South-West region (IE), the employed in the sector have declined by almost 1,000 in the last decade and in the dairy industry small-scale independent co-operatives are increasingly being taken over and assimilated into large organisations. In the Pulawski region (PL) a small decline in the number of processors could be observed (from 433 in 2005 to 407 in 2009) with bigger companies taking over their place (e.g. Hortex Ryki in the city of Ryki, one of the biggest producers of frozen food in Poland). The latter is seen from local policy makers, however, as a step forward for the regional economy as it brings reputation, economies of scale, employment and potential higher growth and incomes in the region. Larger-scale food processing has also been 'labelled' more successful in Kesk-Eesti (EE).

Some case-study evidence suggests that the sector runs to very tight margins. Increasing efficiencies and productivity are key objectives which translate into a continuous move towards more economies of scale and scope. A reliance on national (and EU) support is also seen as a potential pillar in the industry's development. The latter, for example, could be illustrated by the case of North-West Mecklenburg (DE) where food processors have received from 1990 to 2008 approximately €366 million funding under the Joint Agreement for the Improvement of Regional Economic Structures. In 2008, in the context of the market structure policy, eight projects with an investment volume of €27.2 million have been supported through the provision of €9.5 million of funding provided by the EU, the German federal

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<sup>105</sup> For a complete overview of the food supply chain issues and policy perspectives, see COM(2009) 591 final, 28.10.2009 on "Better functioning food supply chain in Europe" and its respective annexes.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0591:FIN:EN:PDF>

<sup>106</sup> This does not take into account corporation tax payments.

government and the government of the region. National support, but of a rather different form (low duty levels), is also a typical instrument that is sometimes used (e.g. the case of the Scotch whisky industry).

Food industry has a significant employment impact on rural areas going beyond the seasonal character of agriculture and tourism. However, in certain places it has been noticed that the strong demographic changes affect negatively the potential markets for food products, an impact that cannot be compensated by the growing demand of the tourism sector. This forces food processing enterprises to intensify their export oriented production and adopt new marketing strategies.

In this context, and also given the rather severe competition in the industry, niche markets, development of new products and new marketing strategies have become a strategic development approach for many food processors in recent years. All these have been encompassed by innovation and invention and often were building on local values. In Kesk-Eesti (EE), for example, organic food is gradually becoming more important with small enterprises in particular having different new initiatives regarding bio-food production. In Toldeo (ES), the high-quality of the production, in particular the wine and olive oil with registered designation of origin, has been the key behind the success of the industry alongside the changes in the sale and distribution systems. In Puy de Dome (FR), the water extraction and bottling industry based at Volvic, which is a considerable employer and exporter of a local product globally, has continued to grow in recent years based also on newly developed products (e.g. flavoured waters). In the Komárom area (HU), some R&D activities and the production of special food products is under planning.

Without any doubt, the regional specialization in agriculture to great extent determines the product mix of the food processors. Interesting case is the food processing situation in the South-West region (IE) where the sector, employing directly over 7,400 people in approximately 170 firms, is dominated by companies that are involved in dairy and beef processing, with a small number of the larger players involved in ingredients, and many small producers serving niche markets. Adding value via the brand image of the region ('green and clean') is increasingly important. At the same time, a recent research by Bord Bia<sup>107</sup> highlighted significant potential market opportunities for the Irish dairy sector in the hard or semi-hard cheese area as well as specialized dairy ingredients that satisfy the market demand for healthy and nutritional products.

The business flexibility of the food industry (contrary to primary production activities) in a combination with relatively stable business structures, turnover and balanced levels of employment throughout the year, has given food processors an option for surviving the negative impacts of the current economic crisis (contrary to sectors such as construction, and its complementary industries, for example). SEGIRA, for example, provides evidence for business creation in that sector in the last few years. A meat processing plant of Rakvere opened a new branch department in Lääne-Virumaa (EE) lately, and in Raplamaa (EE) a new processed foods factory was opened in October 2009 creating about 100 new jobs in the area. In 2010, the Irish agri-food and drink exports increased by 11% to approximately €7.9 billion, of which dairy exports rose by 17% to €2.3 billion.<sup>108</sup> The latter success, however, remains vulnerable to the ageing of farmers, especially in mountainous and coastal areas, despite the fact that the Irish dairy industry remains strong and the network of co-operatives supporting/servicing the agricultural sector is still a significant employer.

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<sup>107</sup> The Irish Food Board established in 1994 by an act of the Irish parliament.

<sup>108</sup> Bord Bia factsheet, 2011. More information is available on: <http://www.bordbia.ie/Pages/Default.aspx>

The development of the food industry at local level has also seen a push-up by the tourism sector as more and more food processors, especially micro- and small-sized ones, are becoming part of the regional tourism concepts via different tours and trails as well as by focusing on product valorisation and local brand images. Healthy eating campaigns at national and local levels have helped in the growth of interest in local and organic produce.

Integration of the agri-food supply in the tourist supply could be a key option for prosperous and stable future development at local level, especially in those rural areas where this is not yet achieved. In this way, the viability and sustainability of the regional rural economy could be ensured. This may require the set-up of sufficiently well organized production structures and elimination of existing market failures linked to huge fragmentation of the local food supply, lack of constant supply, lack of common market orientation and products' homogeneity, as well as burdened/limited (or no) access to local markets, hotel chains and restaurant sector.

### ***Renewable energy***

Renewable energy sector has emerged from the survey results as the fastest growing sector in rural areas in recent years, despite the economic crisis. It is recognised by local policy makers as the sector with the highest growth and development potential for the near future.

The reasons underlying its development are different – from national legislative provisions (e.g. the German renewable energy law) and national/EU financial support<sup>109</sup> to public-private initiatives (e.g. in Scotland, UK) and farmers' investments (see Section 6). The results achieved are quite impressive, sustainable and thus promising for the future.

Green energy - wind, wave, solar, geo-thermal, biomass sourced, etc., has a great potential for rural areas with suitable nature and climate conditions. On the energy side there is a number of industries looking at biogas extraction and power station development associated with it.<sup>110</sup> The utilization of agricultural waste, especially in cases where an excess of residues could be observed, is another valuable option with additional environmental benefits created by the prevention of depositing these into the environment.

Renewable energy industry has been recognized as strategically important, for example, in Ireland, for meeting carbon reduction targets. The survey work showed that a number of schemes are already in place, such as Tarbert Wind Farm (Tarbert, Co. Kerry); Carriganimma Wind Farm (Carriganimma, Macroom, Co. Cork); Barna Wind Farm (Terelton, Co. Cork); Lough Guitane Hydro-Electric Scheme (Killarney, Co. Kerry); Hags Glen Hydropower Scheme (Beaufort, Co. Kerry). In Scotland (UK), new businesses similar to Voith Wavegen in Inverness and the European Marine Energy Centre connected to the region at Orkney are becoming established. Significant number of onshore wind farms has also been set-up (see Box 4.3 for brief description of the Scottish wind energy case). However, it is currently

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<sup>109</sup> The EU supports the development of the renewable energy sector in many ways. In rural development, for example, it has become a major challenge identified under the Health-Check of the CAP. Its future in rural areas has been supported by additional funds amounting to € 275 million injected in the rural development programmes of Member States in 2009/2010 following the Health-Check of the CAP and under the European Economic Recovery Plan (see IP/10/102 of 29.1.2010).

<sup>110</sup> It must be noted that such practices should constitute an environmentally friendly approach and not be dangerous for the human health and local environment.

considered that there is much higher potential for wind, wave and hydro generation as well as potential for community level involvement in asset ownership and management.

Further prospective offered by renewable energies has been depicted in the province of Toledo (ES). Located in the region of Castilla-La Mancha, which is the second region in Spain in wind energy production (amounting to some 37% of the total wind energy produced in the country), it has witnessed the set up of three wind energy plants (out of the total fifty-five plants installed everywhere in the region). In Vysocina (CZ) about twenty biogas stations have been made operational and a plant for the production of pallets from biomass has been built in the countryside recently. Similar investments in biogas plants were also observed in the North-West Mecklenburg region (DE).

Other examples could be given with solar and energy wood investments. In the North-West Mecklenburg region (DE), the solar centre in the Lübbow-Krassow region, which has started its activities in 2005, has set a target of sourcing 100% of its energy supply from renewable energy by 2030 with an aim to demonstrate the feasibility of RES technologies and its headquarters for solar research. In Puy de Dome (FR), two new production facilities for production of energy from wood pellets recently settled in Livradois and in the Combrailles (Herment and Arlanc) supported by the development of a business park on some 40 ha (with an objective to be extended to 200 ha) focusing on renewable energy, green construction, and innovative products with wood.

#### **Box 4.3 Renewable energy - the case of Scotland (brief summary)**

Scotland is the windiest country in Europe, the Highlands and Islands have Britain's most efficient wind regimes for turbines and is seeing significant new investment. Nearly 350 onshore wind turbines are currently operating in the wider Highlands and Islands area (31% of Scotland's total and 12,7% of the UK total) with 486MW capacity (26% of Scotland's total and 12.5% of the UK total). These can power nearly 340.000 average households. Onshore wind installed generation capacity in Scotland, at 1.88GW, currently makes up about half of the country's 3.58 GW renewable capability, and also about half of the UK's 4GW onshore wind capacity.

In addition, the world's first deepwater offshore wind project is operating close by the Moray Firth Zone, some 15 miles off Caithness, in 45 meters of water. The £29million private/public Talisman Beatrice Windfarm demonstrator project has seen the design, construction, installation and operation of two, 5 megawatt turbines, the world's tallest at 234.5 meters from seabed to blade tip. Linked by subsea cable to the nearby Beatrice Alpha platform, they are generating 30% of the Beatrice Alpha oil platform's 14MW daily electricity requirement. Isleburn, a locally-based full-service engineering company and part of the Global Energy Group assembled the turbines at Nigg, an industrial facility formerly famous for producing platforms for the oil and gas industry.

Source: SEGIRA (2010) case-study findings

#### ***Other sectors***

##### ***Forestry***

The role and importance of the forestry sector is indisputable, especially in rural areas. In the recent decade its economic contribution to local economic development and rural growth has been increasing and more importantly, it is now widely recognised (e.g. year 2011 has been announced by the UN as International Year of Forests). Forestry is a sector that remains associated mostly with the environmental heritage, but the case study work reveals its actual economic importance for rural areas.<sup>111</sup> For example, in Oberkärnten (AT) about 5,100

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<sup>111</sup> More on the general role that forest play and the EU support for forests could be found in the EU Forest Action Plan which was adopted on 15 June 2006. It builds on the report on implementation of the EU



holdings used to operate with woodland and in 2007, in the region of Carinthia, about 37% of the total GVA of primary activities (equalling to some €132.8 million) was attributed to forestry. Forests accounted in that region for almost 60% of the total regional area.

While this is just one example of many more that were found (e.g. in Puy de Dome, FR; Lappi, FI; etc.), the forestry sector is important for both public and private investors as well as for (local) policy-makers. Land use activities dominate the employment side of the sector, and it has a substantial contribution to renewable energy growth. In recent years, it has faced an increasing pressure from global competition, especially large-scale producers. Small scale wood firms in the case-study regions, however, appear to have been successful along all levels of the value chain.

### ***Fishery***

The fishing industry is another typical sector for the economies of the coastal regions. It is at present a sector on a cross-road, with noticeable loss of value and significantly difficult development path over the past decade triggered by structural changes and downturns, but still constituting an income source for many rural households and local communes.<sup>112</sup> Examples of positive developments are rare, though still present such as in the West South region in Ireland where the fresh fish domestic market is growing by 27% annually, and the region benefits from its coastline and range of existing companies. The economic crisis has affected, however, the sector. For example, in the case of Loksa Shipyard (situated close to the border of Lääne-Virumaa, EE) more than 500 employees have been dismissed in 2010.

In some areas (e.g. Northwest-Mecklenburg region, DE) the loss of value in the fishery sector in recent years is expected to be stopped and recovered partly through new initiatives such as the set up of a strategy for the fishery development and the establishment of a local action group (following the LEADER examples under the rural development policy), expected to be financed by the European Fisheries Fund (EEF). In addition, a trans-national relationship has been established with Estonia. All this is intended to compensate for the deteriorating former important ship building industry (WADAN shipyards), which affects considerably the employment in this sector in the region.

Post-fishing economies are also in a process of development such as in the Iverness region (the UK) where the industry has shrank back over the past two decades. Workers displaced from the fishing industry in the Moray Firth have been able to move to the oil extraction industry working out of Aberdeen without moving away from the region. The huge decline in fishing on the coast has been accompanied by some diversification into, for example, tourism which has enabled towns like Lossiemouth and Nairn to survive. Harbours have now been converted into marinas. At the same time shipbuilders are diversifying production from fishing boats into lifeboats. Fish processing, however, has virtually disappeared through centralisation to Fraserburgh and other places, but the north east coastline onto the Moray Firth still retains a strong fishing industry around Buckie.

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Forestry Strategy and consequent conclusions by the Council. For details see COM(2006) 302 of 15.6.2006 or visit: [http://ec.europa.eu/agriculture/fore/action\\_plan/index\\_en.htm](http://ec.europa.eu/agriculture/fore/action_plan/index_en.htm)

<sup>112</sup> In 2011, the Commission has launched a reform of the Common Fisheries Policy acknowledging the significant economic and social problems that have encompassed the sector's development. More on the reform could be found here: [http://ec.europa.eu/fisheries/reform/index\\_en.htm](http://ec.europa.eu/fisheries/reform/index_en.htm)

## 4.2. Drivers and barriers of growth and employment in rural areas

SEGIRA identified the major drivers and barriers in relation to growth and employment at local level. Not surprisingly, drivers and barriers in relation to rural growth and employment are often inter-linked: the lack of development of a factor or condition causes negative impacts on the rural environment while its positive expansion brings growth and prosperity. The major findings are outlined here.

A common opinion expressed during the case-study work is that national policies must cover rural problems in a more coherent and targeted manner. The lack of focus leads to loss of resources and of social, cultural and environmental capital, leading to rural exodus and a deterioration of rural life and the rural economic situation.

The most important drivers for growth in recent rural areas are the *natural resources and environmental quality* of these areas, the diverse *sectoral structure of the economy* and the (level of) *quality of life*. The major barriers are attributed to: *negative demographic trends and loss of young people; monosectoral economies; poor, or lack of, infrastructure*, and related to it low levels of *accessibility* as well as quality of, and *access to, broadband; low levels of skills, knowledge, entrepreneurship and innovation; and undeveloped social and institutional capital*.

### *Natural resources and environmental quality*

In the theory, environmental capital plays a key role in encouraging or limiting economic growth and development, and there is increasing recognition of the importance of maintaining and ‘commodifying’ the rural environment for rural development. It is suggested that the quality of the environment can have a direct influence on the level of economic growth of a rural area.<sup>113</sup>

In its case-study findings SEGIRA confirms that in many rural regions *natural resources and environmental quality* are considered to be of particular importance and are treated as the most important drivers of rural (long-term) growth and as a valuable legacy. This applies in particular to tourism and the visitor economy sector, where environmental quality is held as paramount for attracting visitors and persuading them to stay and keep local economies growing. The maintenance of this environmental quality (and in this context the enhancing of the climate potential) is regarded as a key factor for the future prosperity of those regions and for raising the quality of life. Another aspect highlighted is the trend to base and attract economic activities on local natural resources, confirming the endogenous direction of rural development in the last decade. Natural resources and the high quality of the environment also provide a basis for the agricultural sector to produce high quality products and there are strong interconnections between these two elements. Agriculture's delivery of (public) goods affects environmental quality and the climate, and vice-versa. Adding value and caring for the environment and the climate, as well as supporting strong movements towards biomass and natural resource utilisation for energy production, keeping in mind environmental and climate change aspects, is another characteristic underlining these relationships.

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<sup>113</sup> SEGIRA (2010).

### ***Quality of life and cultural capital***

The case studies clearly show that the *quality of life* offered by rural areas and the *cultural capital* often associated with ‘rural life’ is crucial for attracting footloose entrepreneurs and industry. It is also a strong motivational factor for people to stay in their rural communities. While quality of life depends strongly on the availability and quality of the social and health services as well as educational opportunities, outdoor sport and recreational infrastructure are other key elements that have been outlined as contributing to a region's reputation for high quality countryside. Diversification activities, especially by farmers, have additional value-added in stimulating the service development in rural areas.<sup>114</sup>

Preserving cultural heritage and maintaining traditions, in the context of well-sustained nature, are the backbone of the rural quality of life. Despite the general imbalance in the distribution of wealth between rural and urban areas, and the frequent deficit in the provision of social services in rural areas, the existence of an impressive cultural (and natural) heritage, which needs to be maintained and preserved, culminates in a win-win policy and sound business decisions. For the majority of rural areas, however, this quality of life is not enough to keep young people or to counteract the process of an ageing population. Indeed, in many rural areas this driver may be seen as more of an ‘inhibitor’ of growth to the extent that it attracts more economically inactive retirees than it retains/attracts younger people contributing actively to economic growth. There are particular concerns for remote rural areas and areas with lower economic standards.

### ***The structure/composition of the local economy***

Many of the rural economies examined by SEGIRA demonstrated a wide range of sectors at regional level. The economic drivers are mostly tourism, agriculture, food and drink, but also other sectors such as construction, energy and services.

The case studies suggest that the successful development of a diverse economy is actually the result of a combination of factors. For example, in Tielt (BE) the success is due to the presence of endogenous development of the industrial sector, strong local entrepreneurship (skills, international networks, ability to adapt and to take risks), innovative businesses with international reputation, presence of strong local networks and local control on development process of the region (i.e. self-regulation), all this covered by relative social stability and established relationships between employers and workers. In South West Ireland progress is due to a strong traditional dairy agricultural sector supported by international processing companies, alongside new emerging industries in the new rural economy sectors of information technology and renewable energy. Other examples include Toledo (ES) where the agri-food industry, forestry and local crafts are all based upon local land-based resources; and Oberkärnten (AT) with its strong focus upon land-based tourism including skiing, hiking, water sports, alongside permanent pasture land for livestock, which in addition to the economic and environmental benefits prevents the rural exodus.

However, the sectoral structure of many rural economies remains limited to agriculture (or concentrated around one or two traditional rural sectors), which is a significant cause for

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<sup>114</sup> The Commission has proposed to continue its support for service and business development in rural areas under the EAFRD in the new programming period. It has also proposed diversification support for farmers to be made available to all farmers in the EU, no matter their location (in the current period only farmers diversifying in rural areas could benefit from such support).

concern with respect to the future competitiveness and viability of rural areas. The relatively slow pace of change in the composition of rural economies aggravates the problems. Rural growth and development is hindered also by cases of failed manufacturing activities in cities that affect rural suppliers, combined with a lack of research facilities and a highly educated work force.

Restricted business opportunities have a particularly negative impact on remote rural areas, which are far away from the nearest urban centres and where infrastructure is not well developed (see next sub-section). In such economies, one person holding multiple jobs (up to 4-5) is considered normal and while this may help to sustain household incomes, it does not favour the establishment or development of an innovative, specialised and knowledge-based rural economy.

### ***Infrastructure and accessibility***

As regards *infrastructure and accessibility*, for those areas which are relatively accessible via road, rail and airport infrastructure, the combination of a rural quality of life and ease of access to urban areas/markets amounts to a double benefit.<sup>115</sup> In easily accessible areas the human potential of rural areas is clear, with positive net migration stimulating local labour market development (e.g. the case of Tielt, BE). As a general rule, intermediate areas (e.g. those studied in Ireland, Hungary, Belgium) have such flexible form of accessibility.

Poor infrastructure leads to market failures linked to the marketing of local products (agricultural, food processing or others) and high transportation costs, which is a particular burden for the predominant number of micro- or small-scale producers operating in rural areas. Isolated accommodation and poor access also affect the delivery of public (transport) services, which on its own exacerbates the rural exodus.

For example, in Oberkärnten (AT), the share of people commuting to their work place outside the region is estimated to be in the range of 30-45% of the working population. In some remote villages of the region this share reaches 80%. Similar is also the situation in the case-study region of North West-Mecklenburg (DE), where about 60% of all 45 thousand employees that are subject to social insurance contributions and were registered at the local employment agency (as of May 2010),<sup>116</sup> are commuters, working either in other districts in Mecklenburg-Pomerania (MVP) or in neighbouring federal states.

Often the geography of the region makes it difficult to create a high level (transport) infrastructure. In mountain areas, for example, such options are very limited, involving high costs for sustaining existing transport connections (especially when profitability is almost equal to zero or re-payment of investments lasts much longer) as well as for maintenance and reconstruction. The latter seems to be a specific obstacle for less well off municipalities that cannot afford huge investments in infrastructure.

The diversity of rural areas and the fact that even within regions, homogeneity may not be taken for granted is illustrated even in regions where massive infrastructural improvements have taken place in the last decade (e.g. the region of Puy de Dome, FR). There, communities connected to the main urban economic centres of Clermont Ferrand in the south, Montluçon

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<sup>115</sup> The Commission has proposed to continue its support for infrastructure in rural areas under the EAFRD in the new programming period.

<sup>116</sup> Including men and women with a job but excluding those self-employed.

in the north and Vichy in the east, are considered to benefit from drivers relating to accessibility, quality of life and environmental quality, while more remote areas within the same region, but located in the uplands of the Massif Central, suffer from the very opposite with poor accessibility being key to hindering growth. Such scarce internal links were also noticed in other areas such as in Vysocina (CZ), Oberkärnten (AT), Keskk-Eesti (EE), Sardinia (IT), Iverness (the UK), etc.

The presence of poor infrastructure leads to market failures linked to marketing of local products (agricultural, food processing or others) and high transportation costs, which is a burden especially for the predominant number of micro- or small-scale producers. Isolated living places and their poor access burden also the delivery of public (transport) services, which on its own exacerbates the rural exodus.

This is further aggravated by the lack, or low quality of, access to drinking water and water supply systems, sewerage systems, energy and gas supply systems, etc. For example, in the province of Lublin (PL) only 67.3% of the rural households are connected to water supply systems compared to 93.6% of those in the cities; the proportion as regards the sewage systems is 11.5% vs 85.4%, respectively, and in the case of gas systems it is 12% vs. 68%.<sup>117</sup> Recreational infrastructures are also not well developed.

While concentration of infrastructure and services in cities is still noticeable in many regions, pressure on spatial planning in rural areas is observed. This is driven for a number of reasons including the lack of options for setting up in industrial areas of companies that deal with excavation activities, processing of waste material, bio-fermentation.

The availability of services varies considerably between areas and regions. As the demand for services in various forms is different within regions and the opportunity to provide these services varies, local and flexible service solutions are needed to solve problems.

### ***Demographic evolutions and loss of young people***

The most important barriers to growth and employment in rural areas are the negative *demographic trends and the loss of young people*. The loss of young people from rural areas leads also to increasing presence of an elderly population. The demographic effect is further reinforced by poor infrastructure and accessibility. This creates additional growth limits underpinned by the frequently encountered monosectoral structure of rural economies.

The departure of young people from rural areas, combined with a general trend towards an ageing population, exacerbated by retirement to the countryside for a higher quality of life, indicates a continuing and potentially worsening demographic and labour picture for rural areas and their economies. At the same time, migration could provide an opportunity for an influx of new ideas and concepts, the subsequent challenge being to strengthen tolerance towards an open, multicultural local society.

In some of the Western European rural areas inward migration from EU12 countries has somewhat balanced the loss of young people, particularly for poorly paid and seasonal

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<sup>117</sup> More evidence on the demand for basic service infrastructure in rural regions could be found in the SWOT analyses and ex-ante evaluations of the Rural development programmes for programming period 2007-2013.

employment in the agriculture, tourism and construction sectors.<sup>118</sup> For example, in Toledo (ES) immigrant population has grown significantly: from 2,738 people in 1996 to 40,527 in 2006; a growth resulting from incoming migration flows from the neighbouring region of Madrid (53%), foreigners (43%), and from other parts of Spain (4%), dominated by young people below 34 years of age. In Ireland (South-West region) similar positive increase of the population has been noticed with influx of Polish and Lithuanian economic migrants that have provided a significant amount of unskilled and semi-skilled labour.<sup>119</sup> At the same time, coastal regions with population growth (e.g. Sardegna, IT) witnessed also uneven territorial distribution of the population with progressive abandonment of inland territories due to better served coastal areas, characterised also by better production structures, services and infrastructures. In isolated rural areas (e.g. in Puy de Dome, FR), however, the newcomers are mainly people of age close to retirement. The increase of the ageing population in rural areas demands new types of service delivery and accessibility, and calls for social inclusion.

Various demographic forecasting estimates show what is expected to happen in certain rural regions. In general, an increasing ageing population combined with an absence of a real generation exchange and low levels of economic activities questions the survival of many small communities in medium to long term. Concentration of population is forecasted to be around accessible areas close to urban cities further deepening the regional demographic imbalance and giving rise to potential marketing difficulties.

For example, demographic forecasting studies for the region of Castilla la Mancha (ES) state that 240 municipalities out of the 914 in total will disappear by 2030 due to depopulation. In Lapland (FI) according to the prognosis from Finland Statistics the population is at risk to decrease by up to 15% by 2040 compared to 2009.

In other rural areas, however, the opposite trend is expected to be present. The population in the city of Iverness (the UK) is forecasted to grow by approximately 40% over the next two decades. In another forecast (by the national institute of the statistics INSEE, FR), in Puy de Dome, the department will see a growth of 9% of its population by 2031, but this population growth will be very uneven across the area and much more moderate in rural areas (average of + 4%-5%) with great disparities across the rural areas. Only the parts that are more accessible to Clermont-Ferrand or other urban centres in the region are expected to benefit from this growth. At the same time, the number of people aged above 80 years is believed to increase significantly across the region in the next twenty years. The latter is expected to be more pronounced in rural areas, and especially in mountainous areas.

In a different forecast, for the German case-study region of North-West Mecklenburg, the employable population aged above 50+ is expected to increase in the next 10 years by 43%. Within the next 5 years the negative impact of migration is to be felt dramatically. The group of employees aged 15 – 65 will decline by 20% in the next decade and by then, a third of those will be older than 55 years. If in the medium term every third to fourth workplaces

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<sup>118</sup> A reversal of this trend characterising Polish migrants to the UK and IE may be now occurring since 2009 as noted in the Polish case-study, however, based only on some anecdotal evidence.

<sup>119</sup> The population of Inverness, Nairn, Badenoch and Strathspey in 2001 was 89,410, by 6.7% more than in 1991. This is partly driven by the in-migration of people from outwith the wider Highlands and Islands area, attracted by relatively low property prices and perceived quality of life, and in-migration of people from within the Highlands and Islands, attracted by economic opportunities. The area has also seen a significant influx of Eastern European migrant workers moving in to take over low paid manual jobs, which provided construction and tourism sectors with cheap labour.

available at the moment would not be filled by the existing employees, in the long term this will be the case with every second workplace.

### *The ‘brain drain’ market failure*

SEGIRA's case-study work confirmed the rural ‘*brain drain*’ issue — a market failure that has been widely recognised by many local, national and European policy makers. Young as well as highly educated people leave rural areas mainly because of a lack of employment opportunities and educational options, with fewer skilled workers available for local industries, thus compounding the current jobs-skills mismatch at local level. This loss significantly reduces entrepreneurship levels in rural areas and shuts down the impetus towards new and innovative business (and social) concepts. It also affects the viability of most rural communities. Conversely, an ageing population brings new challenges in relation to service delivery, accessibility and social inclusion.

The difficulties created by the negative demographic trends could already be seen, for example, in the North-West Mecklenburg region (DE) where the number of applicants for places for apprenticeship<sup>120</sup> in 2009 was down by 24% compared to the previous year, and the number of places for apprenticeship that have not been filled in has increased by 12.6%. Because of the intense out-migration in the region less and less young people are available for apprenticeships, which reduces the availability of qualified and skilled workers for the local industries. Such shortages of skilled and highly educated workers are also a problem in the region of Tielt (BE) where industrial companies that are expanding their activities beyond the local markets (in order to operate internationally) were forced to search for staff members from abroad.

### ***Skills, knowledge, entrepreneurship and innovation***

A lack of sufficient skills in rural areas, apart from those in primary and some tertiary activities (such as agriculture, landscape maintenance, forestry, handicraft and tourism), has been flagged everywhere as an issue of concern and a barrier to growth. Moreover, the lack of well targeted training, adapted to the needs of the region, the absence of entrepreneurship courses and guidance backed by start-up capital, and the dearth of lifelong learning options all push down levels of entrepreneurship and innovation in rural regions and bring rural economies into a vicious circle.<sup>121</sup> In addition, the social and economic structure limits entrepreneurship capacity in rural areas, especially in monosectoral economies or in less economically developed regions. Insufficient levels of business networking and lack of coordination among sciences, research and employers have a further impact on labour potential, leading to a decline of young management in rural regions.

Programmes offering education and labour opportunities to young people (for studying abroad and coming back to work in their region), are rare, although they could generate direct positive impacts.

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<sup>120</sup> See Annex E for a detailed description of the definition of apprenticeship.

<sup>121</sup> In an attempt to support innovation in rural areas, the Commission has proposed the setting up of an European Innovation Partnership for agricultural productivity and sustainability. In this context, operational groups under the EIP could also receive EAFRD support for developing innovative projects.

The introduction of transferable cross-sectoral skills is a strategic choice that should not be neglected.<sup>122</sup> While such skills are often generated by the diversification of the economy and the arrival of new sectors that are based on, or closely linked to, other existing non-agricultural activities, it is also necessary to promote and stimulate these at regional and local level. The knowledge transfer provided in the integration of low carbon technologies into a future climate smart agriculture is one such example. With the growing importance of the tertiary sector, and tourism in particular, as well as of knowledge based services (including in relation climate change mitigation and adaptation) lifelong learning becomes a crucial path of the education system. In this framework, local campaigns to motivate people to take up lifelong learning activities and understand their benefits may be a good starting option.<sup>123</sup>

The limited skills and professional qualifications of the workforce in rural regions discourage innovative and highly profiled companies considering setting up in the region, as they have difficulties in recruiting the required labour for their activities.<sup>124</sup> The limited presence of such companies in rural areas blocks the return of highly educated people there (unless retired) or triggers the exodus of such people from rural regions because they cannot find decent jobs.<sup>125</sup> At the same time, as there are few opportunities for young people to receive a good higher education in rural regions, they tend to leave permanently for urban centres. Moreover, in some areas the attractive employment opportunities offered by the construction and construction-related sectors during the economic expansion before 2007 resulted in a high number of early-school leavers, which further undermined the labour market situation.

Consequently, there is a mismatch in local labour markets almost everywhere. This has been made worse by the significant lay off of labour following the current economic crisis. The acquired education, skills and experience of the workforce in rural areas are often not in accordance with the rapidly changing needs of the labour market. On the one hand, there are very few employment opportunities for highly educated people in rural regions. On the other hand, closures of specialised factories have laid off specialised labour for which demand in the respective rural areas has been almost zero (see Annex C for the impact of the economic crisis). This has been combined with the offload of a high number of low-educated and low-skilled workers from the sectors hardest hit by the crisis (e.g. construction and related services), so that the rural labour market has become unable to absorb them given the current difficult economic conditions and the seasonality in the major sectors dominating the rural economies. More research would be needed to better understand the process of (smooth) transitions from a part-time agriculture based rural economy to an integration of innovative businesses in other sectors.

Entrepreneurship levels in rural regions are further limited by fear of the red tape involved in administrative procedures and requirements, difficulties in accessing business start-up credits

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<sup>122</sup> The Europe 2020 flagship initiative 'An Agenda for new skills and jobs: A European contribution towards full employment' is available at: <http://ec.europa.eu/social/main.jsp?langId=en&catId=958>. See also COM(2010) 682 final, 23.11.2010.

<sup>123</sup> In the context of education and training, the Council and the Commission adopted on 20 December 2011 a draft Joint Report on 'Education and Training in a smart, sustainable and inclusive Europe', on the implementation of the Strategic Framework for European Cooperation in education and training ('ET2020'): [http://ec.europa.eu/education/lifelong-learning-policy/progress-reports\\_en.htm](http://ec.europa.eu/education/lifelong-learning-policy/progress-reports_en.htm)

<sup>124</sup> Certain evidence has been given that newly setting up companies try to recruit labour from outside the region, especially when there is no specialized training for the labour in the host region that responds to their specialized demands.

<sup>125</sup> This hides, however, also a risk for new bio-economy related activities to valorise biomass for bio-refinery or bio-energy.



and cultural traditions and perceptions.<sup>126</sup> In specific cases (e.g. Toledo, ES), unemployed women tend not to register with the public employment services due to age issues combined with cultural resistance to change and mobility. This puts them in a very unfavourable situation, especially in cases of long-term unemployment or unemployment at an age close to retirement (e.g. above 45-50 years). Finally, the presence of undeclared work in rural regions is an additional factor with a negative impact on the skills' development of the local workforce.

### ***Social and institutional capital***

Social and institutional capital may imply different processes, organisations or institutions, or could be understood as the cooperation and effectiveness of local institutions or arrangements for local activities, including the creation and operation of local-level public-private partnerships and networks. It has a role in determining the socio-economic development of rural regions and it is often seen as playing a key role in enhancing the benefits of investments in other forms of capital.<sup>127</sup>

For all the regions surveyed, with the emphasis in rural development put on local development actions and a local strategic governance approach in the last decade (especially under LEADER), the building up of social and institutional capital has become of paramount importance. In EU12 countries, following the latest accessions, this has been regarded as a new and much needed approach to making local economies and societies function more efficiently.

The presence of strong social and institutional capital is regarded as a reason for success and an 'asset' without which the future of rural regions is inconceivable. In areas where local public-private relationships are weak and where communication and cooperation between businesses, society and local authorities are not enhanced, social and institutional capital is considered to be lacking and to be a field where future policy interventions should focus.<sup>128</sup>

The forms of social capital<sup>129</sup> developed and sustained in rural areas differ according to the historical and cultural backgrounds of the regions and their economies. In the West South region (IE), for example, communities tend to attract and retain rural population also because of the well developed partnerships and a civic society. It has been outlined that in Ireland, traditionally, and in Cork & Kerry in particular, institutional networks are very strong and have the capacity to drive local/rural development. These networks have developed around farmers in particular, but also have been stimulated by Town Councils (the second tier of

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<sup>126</sup> Apart from the ongoing EAFRD support for business development in rural areas, which in the next period is proposed to be extended to cover small non-agricultural enterprises as well, it is also proposed that the EAFRD provide support for clusters, networks and all forms of public-private partnerships. The latter is also of importance for the development of strong social and institutional capital in rural areas.

<sup>127</sup> SEGIRA (2010).

<sup>128</sup> See COM(2010) 758 final, 16.12.2010 on "The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion" for a general discussion on the EU priorities in the field of social issues. More information on the Europe 2020 flagship on poverty and social inclusion is available here: <http://ec.europa.eu/social/main.jsp?catId=961&langId=en>

<sup>129</sup> The new EU social protection and social inclusion flagship is available at:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=750>

The major elements of the renewed EU social agenda can be found here:

<http://ec.europa.eu/social/main.jsp?catId=547>.

local government in Ireland), sports clubs (football, gaelic football, golf, rugby) and even the church. This has been recognised and facilitated by the policy.

In Scotland (the UK), all the territory is covered by the integrated approach to community and local planning adopted in 2008. The ambition of the Scottish Government in establishing their National Performance Framework was to orchestrate a transition to an outcome-based approach with delivery partners, thereby leaving government to focus upon strategic leadership, direction and priorities. Towards this end a process known as Single Outcome Agreements (SOA) has been put in place between national and local government, via Community Planning Partnerships, according to which a menu of 52 locally relevant indicators has been developed. Councils may pick and choose from this set of indicators to reflect their particular circumstances, including rurality.

While these two cases show the presence of an extremely well developed and quite sophisticated local integrated approach, simpler setting, but yet successful, has been put in place in other regions.

In Puy de Dome (FR) important associations with older and new public-private partnerships are being created, in particular around LEADER initiatives such as the 'SCOT Combrailles 6000' initiative, which searched to attract 6,000 new residents to the most remote rural parts of the region by 2020. In Tielt (BE) local networks and self-regulation, including good relations between employers and employees, have been regarded as a reason behind the progressive and successful local development. In Lapland (FI) and in its rural communities the main factor for success that has been pointed out was the ability for cooperation and creation of successful partnerships, both public-private as well as business-to-business, especially in a situation characterized by scarce human resources. In Västernorrland (SE) the work to support the efforts of smaller companies and individual organizations through the establishment of local partnerships has seen the setting up of local partnerships in each municipality with the purpose of identifying the local conditions and needs of individual input at corporate or association level.

The same perception about local governance and its role in providing the conditions for economic growth and employment in rural regions is characterizing also Toledo (ES). The close relationships with local authorities (municipalities, LAGs, groups of municipalities, etc), the active participation of civil society organisations and, in particular, of citizens in rural towns, are determined as key driving factors that affect growth and employment in rural areas in a positive way, under the presence of a strong local support from local authorities and the existence of a public-private partnerships.

In a different setting, and for the purpose of preventing workers' exodus from rural areas, successful cooperation has been set up between, for example, different enterprises and local administrations in Kesk-Eesti (EE). For example, in 2003, SA Järvamaa Arenduskeskus (foundation Järva county development centre) was established by Järva county local authorities' union in order to support among other things the development of the county's enterprises, mainly by providing consulting. Similar organisations have been created also in other counties to provide training, partner search events as well as information on financial support by various programmes, etc. This co-operation was further tightened by the completion of several projects in 2005-2010 among regional unions for disabled people and local authorities, with which a better access to special services for this group of the population has been ensured. In Kesk-Eesti (EE), another infrastructural cooperation project has been

developed by counties and LAGs to build up infrastructure and enliven an important cross-road area (Mäo).

In Vysocina (CZ), in a more restrictive manner, complementary actions, such as agricultural tourism, construction of biogas stations and cooperation with municipalities (especially when resolving local land affairs) have become stimulating factors for rural development.

The forms of social capital developed and sustained in rural areas differ according to the historical and cultural backgrounds of the regions and their economies. The success, however, of the public-private partnerships and cooperation, including their initiatives, depends strongly on the commitment of the participating parties. Funding possibilities (EU, national, local) also play a significant role, especially in the current crisis. What also matters for successful implementation is clear leadership, both at regional and local level, the development of a collective identity with a strategic orientation, cultural understanding and social stability. Transparency and predictability are also relevant pieces of the social capital jigsaw.

### ***Access to broadband and its quality***

Lack of broadband infrastructure, or its poor quality, has been reported as an obstacle, especially in rural areas where attempts have been made to redirect traditional economies towards innovative and knowledge-based businesses.<sup>130</sup> Lack of broadband, its slow roll-out or poor access to it (and associated with it higher prices) has hindered business development, substantially reducing access to quality services (public, commercial, etc.) and limiting new opportunities for service provision, innovation, and increase in productivity. Such broadband deficits have been observed in Toledo (ES), South-West (IE), Iverness (the UK), Västernorrland (SE), etc.

The lack of broadband or its poor quality, for example, in the case of South-West region (IE), has caused some large, successful firms to move away from the region and has hindered growth in small indigenous businesses in rural areas. Information Technology is yet a small but growing sector in the Limerick area, but this is hampered by poor broadband accessibility across the region outside of the main urban areas. In Iverness (the UK) investments in broadband into rural schools, stimulated directly by central government intervention, have been important in opening new opportunities for growing entrepreneurship amongst young people, but at the same time broadband has not reached rural businesses, thus its lack turning into a barrier to growth outside of the main urban area of Inverness. Slow roll out, though positively evolving in recent years, has been noted also in Västernorrland (SE) where its expansion is perceived as almost an imperative need for fostering the development of conditions for the living environment and entrepreneurship.

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<sup>130</sup> Similar findings were made in the context of ‘A study on the development of the information society in structural and rural development policies’ which found that rural areas tend to suffer low coverage, poor quality and high prices of broadband services with respect to urban areas. The study also highlights that the lack of private investment in broadband and next generation access (NGA) networks outside large urban areas represents a threat to the economic and social development of rural areas and less developed regions. See: [http://ec.europa.eu/information\\_society/newsroom/cf/item-detail-dae.cfm?item\\_id=7613](http://ec.europa.eu/information_society/newsroom/cf/item-detail-dae.cfm?item_id=7613)

At the same time, efforts by national and local authorities to cope with these problems have been highlighted, even if such initiatives are still not widespread at local level.<sup>131</sup> In Puy de Dome (FR) big efforts from the regional council have been made to provide access to broadband almost everywhere including rural remote areas and by now almost 95% of the region is covered. Suitable solutions are currently being sought for the 5% left which are all in the Massif Central and very remote rural areas. Objectives are evolving with aims focusing on the delivery of high-speed broadband, which should facilitate the businesses operating in the area. Similar positive development has also been outlined in Sardegna (IT).

Given the aforementioned developments and shortcomings, EU rural areas are very likely to suffer most from the 2<sup>nd</sup> generation digital divide arising with the setting of EU2020 targets on penetration and coverage of Next Generation Services within the Digital Agenda for Europe. For coping with that a number of activities may be needed alongside the investment support, such as the adoption of suitable investment models based on both fixed and wireless access, and support for demand for ICT and for measures aimed at increasing capacity to plan, manage and implement broadband actions among the rural authorities.<sup>132</sup>

### *Other market failures*

A number of other market failures in the rural labour market and in relation to rural growth were also identified. These, however, remain region-specific.

In South-West region (IE) the *special planning policy* is being regarded as a huge barrier in the development of rural areas. The national spatial strategy is considered to be primarily urban focused, and regionally interpreted in the same way in rural towns. Other market failures that were listed are rather consequences of the economic crisis. Examples include the lack of capital to finance investments (Kesk-Eesti (EE), Lappi (FI)), reduced access to bank credits (Toledo, ES), and increased unemployment levels (Toledo, ES; Lappi, FI; South West, IE; Inverness & Nairn and Moray, Badenoch & Strathspey, the UK). Agricultural price related concerns were also raised in the region of Vysocina (CZ). Missing linkages between research and development is another aspect pointed out in North-West Mecklenburg (DE). Limited capacity for promoting innovation and knowledge-based activities has been mentioned in the Spanish Toledo case-study alongside difficulties in grouping or merging local businesses for ensuring their sustainability.

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<sup>131</sup> In the context of the European Economic Recovery Plan, in 2009-2010 Member States injected about €360 million into their rural development programmes (under the EAFRD) to support the laying out of broadband infrastructure in rural areas. See IP/10/102 of 29.01.2010.

In addition, on 10.02.2011, with the support of the European network for rural development, DG AGRI organised an event on 'ICT and Rural Areas: Building the Knowledge Society at Grassroots Level' where all issues relevant to rural development ICT were addressed. More information on this event can be found at: [http://enrd.ec.europa.eu/en-rd-events-and-meetings/en-rd-events/en/ict-and-rural-areas\\_en.cfm](http://enrd.ec.europa.eu/en-rd-events-and-meetings/en-rd-events/en/ict-and-rural-areas_en.cfm)  
The EU Digital agenda flagship is available at: [http://ec.europa.eu/information\\_society/digital-agenda/index\\_en.htm](http://ec.europa.eu/information_society/digital-agenda/index_en.htm).

As regards the future EAFRD support, the Commission has proposed to maintain its full support to broadband and ICT in rural areas.

<sup>132</sup> In December 2011 the European Commission has published an EU guide on investment models for public authorities investing EU funds in broadband and NGA infrastructure with a view to assist good planning of these measures by relevant public authorities:

[http://ec.europa.eu/information\\_society/newsroom/cf/document.cfm?action=display&doc\\_id=889](http://ec.europa.eu/information_society/newsroom/cf/document.cfm?action=display&doc_id=889)

### 4.3. The economic crisis

#### *The initial impact of the crisis*

The initial impact of the economic and financial crisis<sup>133</sup> on rural economies is mixed, but the crisis has left its mark on growth and employment patterns almost everywhere. It has affected not only the number of jobs available or fully occupied in rural areas, but also seasonal employment patterns, sales revenues, production volumes and marketing strategies, and has raised significant concerns among local governance and business structures related to lower consumer spending and the business environment in general. Jobs in the public sector have come under pressure and in certain cases lay offs of labour from local public offices have also been noticed. In rural settlements, there are reports of many vacant premises available for retail.

The biggest losses have been experienced in regions where the secondary sector is at the fore, i.e. where a strong industrial and construction basis has underpinned regional development in the pre-crisis years. Traditionally farmers have turned to the construction industry to supplement their income and its decline since the recession has hit rural economies relatively hard. Lesser negative effects were observed in local economies predominated by agriculture<sup>134</sup> with a non-diversified economic structure.<sup>135</sup> Tourism in rural areas has come up against some difficulties, but overall has managed to sustain relatively stable local tourism and financial flows, especially in places where seasonal variation in the tourism offer has been eliminated.<sup>136</sup> The local foods industry also managed to perform relatively well and in a number of rural regions no significant crisis effects have been reported.

For example, in the Hungarian region Komárom, about 5,300 employees have lost their jobs after a cut-back in the supplier chain of a global telecommunication manufacturer (Nokia) and a restructuring in the plant of a foreign auto-mobile producer (Suzuki). Additional employment problems have been created following a reduction of the workplaces in an electronic manufacturer. In a period of just one year, the regional industrial production volume has seen a decrease of about 15% (from 630 billion HUF in 2009 Q1 to 546 billion HUF in 2010 Q1). Another example shows the loss of nearly 380 jobs in the Estonian region of Kesk-Eesti because of the closure of just three factories (for picture frames production, paper production and itiplast production).

The situation has been especially critical in certain areas that have suffered from a combination of exceptional circumstances with the simultaneous closure of several plants accompanied by the disappearance of industrial production from the area (e.g. Tamsalu in Lääne-Virumaa, EE). The negative impacts in that area have been augmented following the

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<sup>133</sup> For more details on the nature of the crisis, see European Economy 7/2009: [http://ec.europa.eu/economy\\_finance/publications/publication15887\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication15887_en.pdf).

<sup>134</sup> For example, in Mecklenburg-Vorpomen (DE) the gross value of the agricultural sector (including fisheries and forestry) in 2009 was € 843 million, which was an increase of 11%, compared to 2008, and with an increased sectors proportion in the overall regional economic performance by 2.6%.

<sup>135</sup> Some anecdotal evidence has suggested that large-scale agricultural firms are the ones which are suffering the most the effects of the crisis, because they are presumably the most indebted. This has not been supported by any further evidence.

<sup>136</sup> For example, the tourism industry in Mecklenburg-Vorpomen reached in 2008 about 27.5 million overnight stays, which is a new record. See also the discussion on Tourism sector in section 4.1.

additional lay-off of more than 500 employees by the Loksa Shipyard (situated close to the border of Lääne-Virumaa) in 2010, which saw commuting rural workers lose their jobs.

In Toledo (ES), workers involved in construction were reduced by 12,000 and those involved in industrial production declined by 14,000 in just two years (2008-2010). Business closure in the construction sector accounted for about half of all closed companies in 2008-2009 (29 out of 69), followed by the industrial and energy sectors (19 out of 69). In the South-West region (IE) about half of the people seeking currently a job are former construction workers.

The experienced negative growth by the construction and industrial sectors has caused severe difficulties for complementary to them industrial and service activities. It has also affected temporary workforce – for example, in Puy de Dome (FR), the temporary employment was down by 40% in just one year (2008-2009) with a slight improvement starting to appear only at the end of 2009. At the same time, newly set industrial parks (e.g. the industrial park of Tapa in Lääne-Virumaa, EE) could not find enough industrial enterprises to use all their space and facilities.

All these negative developments have caused an increase in the unemployment rates. In Komarom (HU), the unemployment rate has risen by 50% for just a year to reach 9.9% in 2010 Q1. In Olbia-Tempio (IT) female unemployment went up from 13% in 2008 to 20.7% in 2009, with male unemployment rate rising by 50% as well (from 6.3% in 2008 to 9.9% in 2009). In South West Ireland unemployment has increased by 10 percentage points since the economic turndown, from 3% in the years before 2009 up to 13% in 2010. In the Kraski sub-region (PL) difficulties experienced by the largest company located there has been the major cause for the increase of the unemployment rate from 14.1% in 2008 to 16.4% in 2009.

In a number of regions, unemployment is much higher among young people than among those of average working age or even the elderly. For example, in Tielt (BE) data collected shows that female unemployment of those aged below 25 years is 8.4%, while the average regional female unemployment rate is 4.8% (February 2009). Women of age above 50 years are also in a relatively difficult job search situation, while almost no changes have been observed in the age group of 25-50 years. Overall, the increase of the unemployment rates has been by 40-50% for the two age-groups (below 25 and above 50 years), both for men and women. This raises in addition concerns for the potential future rural poverty levels as workers in age groups close to retirement have found it hard to keep their jobs and have decent income levels (that could also guarantee them sufficiently high financial pension rights).

A reduction in banks' lending activities has affected not only private entities, but also the budgets of local authorities, reducing their investment potential in local infrastructure and public services (AT case). Municipalities' budgets have suffered from a decrease in the revenues generated by local taxes (HU case), combined with cuts from national budgets (CZ case) and sometimes this has also affected public-private partnership initiatives (AT case).

In areas that are rather remote or a long way from industrial centres, the evidence suggests that the effects of the crisis have certainly been felt, but less severely. In these areas, export-oriented industries were the most affected, also as a result of the difficulties experienced by their sub-contractors. In small towns and villages, the crisis did not change much, particularly in places dominated by family-run businesses exploiting local amenities or to do with the household. The same holds for rural areas where export-orientation is not a significant growth element.

To cope with the situation, apart from closure and restructuring processes companies have opted to reduce production volumes, decrease working hours or offer compulsory leave to their workforce. There have also been salary reductions, especially in the most affected sectors such as construction.

### *New business development in rural areas*

Despite the momentous effect of the economic crisis on rural business development, the setting-up of new enterprises has continued to take place in rural areas. However, this has not fully compensated all closures and jobs losses in the last years.

Overall, a diversified regional economic structure is a factor that plays a role in its recovery after the crisis. Apart from renewable energy and agri-food sector, the biggest creation of jobs is to be found in the health- and social sectors. New market niches and employment opportunities have been noted in delivering social services in rural areas and/ or small towns, especially care services to children and other dependent people (elderly, people with disabilities, etc.).

Other case-study evidence shows that new manufacturing plants have been built in the food and medical equipment industry (e.g. in North-West Mecklenburg, DE a plant for the production of reagents for medical laboratory technology (2008), frozen fish products plant (2009), and an instant coffee plant (2010)) alongside with a titanium transformation unit set in Puy de Dome, FR, for an amount of about €47 million, (2009)) which has created some 120 new jobs. In some cases, anecdotal evidence for companies (especially export-oriented) hiring additional staff members has also been given.

### *Examples of support provided to regions affected by the crisis*

This sub-section briefly sheds light on what regional and national authorities in the case-study regions have undertaken to help rural businesses and economies. It gives an orientation on where efforts have been placed in some countries. Support to help cope with the economic crisis consisted mostly of a range of initiatives of varying scope and intervention levels, generally adjusted to national needs.

One way of mitigating the effects of the unemployment crisis has been to provide training courses (supported, for example, by national funds) on general subjects such as language and computer skills, specific occupational courses and job counselling for the unemployed (in Vysocina, CZ). At regional level, support has sometimes been offered to small and medium enterprises for the maintenance of work places.

In Lappi (FI), special interventions like in Kemijärvi, where a big wood factory went out of business and support for SME development was given, have achieved relatively good results. Mainly on national level, and in order to curb regional unemployment, funding has been made available earlier than scheduled for development projects for supporting local entrepreneurship and quick measures like infrastructure investments and building projects.

To some extent, the crisis has revealed the need for appropriate co-ordination mechanisms to address growth challenges at the regional scale, building on already established regional partnerships and long-term strategies. In Sweden, a system of 'regional co-ordinators' was introduced in two regions in early 2008 and was extended to all counties when the crisis hit

the country in fall 2008. The regional co-ordinators were the county governors and the political leaders of the county councils or regional co-ordination bodies. Their mission was to report regularly to the government on their county's situation, identify the need for government intervention (primarily in the areas of education and labour market policies) and co-ordinate policies at the county level. The aim was to facilitate and strengthen the co-ordination of local, regional and national actors, policies and resources, at a scale which national policy-makers considered essential for dealing with the crisis.

However, the procedures in place have been reiterative measures to support entrepreneurship, among others. Often they have not been accompanied by other complementary measures, such as making credit lines available to local businesses in rural areas. The gravity of the crisis has also influenced local political and administrative spheres. In an uncertain socio-economic context the decisions taken have been more prudent and less risky, rather than more courageous and innovative.

### ***Studies and strategies in relation to the negative impact of the economic crisis***

In the course of its case-study work SEGIRA has collected information on the policy/research documents available at local level (or transmitted to local businesses and authorities) and prepared by national or research organisations, or any other party, covering aspects of the economic crisis and the way forward.<sup>137</sup> In almost half of the regions, respondents found it difficult to name a strategic document which addressed the negative situation which had emerged and proposed short- to medium-term solutions, let alone coherent and complete strategic guidelines. Any analyses carried out in the cases that have come to light have mostly been done by universities. It is a matter of concern that the problems of rural areas have not been specifically addressed in the analyses for which information has been collected.

The 'Vysočina Region Strategy for the Economic Crisis Period' (done and approved by the assembly in 2009) has delivered the following major recommendations aimed at:

- preparation of a more focused budget in the coming years;
- promotion of a more efficient utilisation of available funds – preference towards projects bringing immediate to short-term impacts on employment;
- emphasising the need for a gradual change of economic and employment structure of the region towards other sectors, such as energy;
- supporting enterprises that provide stable and attractive working places and contribute significantly to the regional production;
- restructuring of Fund of Vysocina towards measures stimulating not only maintaining but extending the current production and working places.

In Estonia, at national level ('Regional GDP and Local Development', 2009), it has been identified that there is a need of setting up competence centres to impact on the economic activities of SME-s in clusters; that more support should be given to enterprises together with investment banks and funds to enhance their export capability; and that necessary infrastructure should be established for attracting foreign investments — all this under the

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<sup>137</sup> At EU level, a detailed overview of recovery measures undertaken by Member States was presented in Occasional papers 51 / July 2009 available at: [http://ec.europa.eu/economy\\_finance/publications/publication15666\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication15666_en.pdf).



general vision that private sector partners should be more deeply involved into local development (via supporting programmes).

Also for Estonia, a university research study on ‘Forecast for the Changes of the Economical Structure of the Regions of Estonia’ recommended that there is a need of:

- finalisation of the public administration reform: add together smaller local municipalities to achieve greater impact of local actions;
- set up of tele-working systems for public sector to provide jobs in rural areas;
- improve critical infrastructure (aero- and sea connections);
- give preference to the development of some sectors under the auspices of public and education institutions that will give clear development directions to counties;
- use competence networks to establish a support scheme on major needs of the enterprises;
- improve access to EU funding for SME-s as well as provide for more flexibility in using ESF training support schemes and give more retraining focus on ESF support.

In Scotland (UK) a six-point action plan from the Scottish Government was announced in 2008 to address the recession through a series of measures including:

- brining forward capital spend projects;
- reducing burdens on the private sector;
- attracting new visitors;
- refocusing all government activity on economic outcomes;
- simplifying the planning system;
- reducing fuel poverty, i.e. investing in measures to reduce the number of households which are inadequately heated as a result of either affordability or as a result of lack of supply (particularly relevant in remoter rural communities and farmsteads).

In Hungary, a study on the economic crisis ‘The geography of the economic and financial crisis in Hungary’ (by the Eötvös Loránt Scientific University), which has been part of an integrated research managed by GVI (Institute for Economic and Enterprise Research) about the impacts of the crisis on regional level has statistically analysed the changes of unemployment of micro-regions.

Further to that, two research studies<sup>138</sup> in Ireland (of which one done by the National Rural Network) conclude that the situation in agriculture is being exacerbated by the current economic recession, particularly in relation to part-time farmers, but also in relation to reducing the ability, or at least the willingness, of farmers to engage in innovative activities (diversification). Difficult access to funding due to administrative burdens such as long lasting application processes has also been addressed.

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<sup>138</sup> *The Impact of the Recession on Agriculture*: Rural Economy Research Centre, Teagasc, January 2010 and *Recession and Rural Services*, Irish Rural Link Report for the National Rural Network - December 2009.

While these are just glimpses from probably a much larger number of studies that could potentially be available for rural communes and business managers,<sup>139</sup> it is evident that there is a need for much more research on the impact of the economic crisis on rural businesses. It is also necessary for these documents to address the situation in rural areas. Moreover, national or regional authorities should develop more concrete and step-by-step strategies with the support of research institutions to help rural areas better target their development and recover from the economic crisis.

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<sup>139</sup> SEGIRA also discovered 2 research studies for the French case-study region, one of which without focusing on rural areas. These are *Panorama de la situation de la région Auvergne dans la crise économique et financière*: (University of Auvergne, 2010); and *"La crise et le marché de l'emploi en Auvergne"* (Insee Auvergne Les Dossiers n° 27 - Juin 2010)

## 5. LOCAL INITIATIVES AND THEIR POTENTIAL FOR THE RURAL ECONOMY

One aspect, considered as a horizontal priority for rural development policy but about which there is little knowledge available at EU level, is the extent to which local initiatives contribute to rural social and business development. This section aims to fill part of this gap by focusing on initiatives aimed at women and young people in rural areas and providing examples of other activities that have increased local value and contributed to rural areas' development.

### 5.1. Local actions for rural socio-economic co-operation

In many cases local initiatives seek to bring out synergies between various sectors and local amenities to create further prospects for the local economy, nearly always supported by networking of local economic players with a view to boosting the performance of local businesses.

In Oberkarnten (AT), a project titled 'Genussregion', which focuses on fish, bacon and beef regional production, aimed at fostering the co-operation in the food supply chain between local and regional hotels, restaurants and supermarkets. Another initiative in the same area (Carinthia, AT) has focused on the creation of chains of economic value added by re-enforcing the co-operation between the timber manufacturing businesses. This was supported by the economic development agency Carinthia - an association to support co-operation of small and medium enterprises within the region as well as with neighbouring regions (e.g. in Slovenia or Italy).

Clustering and networking of local economic actors play essential role in boosting local business performance.

In Oberkärnten (AT), for example, in the energy sector, a cluster was created to support innovative energy solutions. In addition, a 'job pool', which allows companies to recruit regional workers, especially regional trainees, was also established. In Vysocina (CZ), the Fund of Vysocina provides resources supporting small and medium sized enterprises at a local level in their efforts to maintain work places in the current economic situation. The revival of the rural areas, in general, involves local authorities, the co-operation of which is essential for the success of such initiatives. This is also confirmed by other examples such as the created winter centre in the area of Levi (Lappi, FI) or the existing local partnerships between small businesses and individual organizations (with an aim for providing an excellent insight into local conditions and needs of individual input on corporate or association level) in each municipality of the Västernorrland region (SE).

There are not many national schemes which actively support local activities, especially when it comes to farmers and their involvement in rural social life. One such initiative, however, is the Rural Social Scheme<sup>140</sup> in Ireland, introduced in 2004. Under this scheme, farmers and farm workers are given up to 19 hours of work per week via the LEADER network on nine

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<sup>140</sup> For more information, see: <https://www.pobal.ie/Funding%20Programmes/rss/rss/Publications/>.

different areas, the main objective being to help stabilise their fluctuating incomes (see Box 5.1). The lack of social stigma attached to the scheme has made it very popular.

In a different context, but still at national level, the Czech Republic supports the promotion of food specialities produced by small and medium enterprises. Under a general national action plan, implemented individually, regions can benefit and increase the reputation of their local foodstuff products prepared according to local traditions and production quality. In the region of Vysocina, for example, there were 21 firms presenting 54 local products under this plan.

There is also a trend towards the promotion of (high) mountain farming with image campaigns branding products of (high) mountain farming as organic and of high quality. Nationally recognised environmental sites (e.g. national parks) play an additional symbolic role in such promotional activities. Workshops on innovation and development are held regularly in some regions, although geographical coverage is limited. There have also been other initiatives, such as training courses for innovative activities, hosting events for exchange of innovative ideas, etc.

#### **Box 5.1 The Rural Social Scheme (RSS) in Ireland**

The Rural Social Scheme (RSS) was introduced in 2004 whereby farmers/farm workers are given up to 19 hours work per week via the LEADER network, to enable more stable income levels. This has proved to be quite significant in stabilizing the declining levels of on-farm incomes with 7 areas of work offered, e.g. maintenance of Rights of Way, services to the elderly – for example insulating houses, house repairs, meals on wheels, etc. This scheme has grown from a pilot stage and nowadays it is even thought to attract interest for extension from a rural development context into urban areas.

The aims of the RSS are to provide:

- Income support to low income farmers and fishermen who are in receipt of specified, primarily, long-term social welfare payments;
- Certain services of benefit to rural communities by harnessing the skills and talents available among low-income farmers and fishermen;

Participants in the RSS work 19.5 hours per week and the scheme is administered in a farmer/fishermen friendly manner. Participants can work their hours in a flexible way, e.g. week on - week off, subject to the requirements of the project they are working on. The work undertaken by participants on the scheme falls into the following broad categories:

- Projects relating to maintenance and enhancement of way-marked ways, agreed walks, bog roads, etc.;
- Energy conservation work for the elderly and less well off;
- Village and countryside enhancement projects;
- Social care and care of the elderly, community after-school and community pre-schooling support groups;
- Environmental maintenance work - maintenance and caretaking of
- Community and sporting facilities;
- Projects relating to not for profit cultural and heritage centers;

Any other appropriate community-based projects may also be included during the course of the scheme.

Source: SEGIRA (2010) case-study findings

## 5.2. Local actions for young people and women

The importance of young people and women in rural areas is on the increase and gaining recognition at all levels. It is often considered to be a horizontal priority across countries and regions (and in strategic documents developed by national and regional authorities). SEGIRA looked into the existing in the case-study regions local rural initiatives, both top-down and bottom-up, targeting these two groups of the population.<sup>141</sup> The empirical findings, however, are rather mixed and raise a number of important issues, especially with respect to the readiness of (local) policy makers to take full account of women's potential and provide economic incentives to young people (such as access to decent quality job and educational opportunities) to remain in rural areas.

The case studies reveal that while a specific type of support is provided for young people under rural development programmes,<sup>142</sup> including LEADER, as well as other EU-funded instruments, initiatives not funded by EU funds are mostly found in EU15 countries, but still with a rather limited coverage (for EAFRD funded projects see Section 6). However, it is also obvious that national/local authorities and policy makers must turn awareness-raising campaigns into real socio-economic projects by means of different initiatives. Special concerns are raised for young people about to enter the labour market for the first time, as they do not have access to the capital they require for investing in their own business, nor do they have a variety of job offers in their local community. This affects them all, irrespective of their talents, ambitions or educational background, and is one of the main reasons for the rural exodus. Finally, there are not many people who can run such projects and have the knowledge to do so. Thus, this is again a case of human potential being constrained in rural areas.

The initiatives discovered by SEGIRA are of a different character, sometimes national programmes, sometimes local initiatives or a scheme/project supported by EU funding. However, they all show that with vision and dedication achievements are possible. Out of all the initiatives, workshops and training sessions seem to be the tools most frequently used to stimulate rural women's entrepreneurship and the employment of young people in rural areas. In the region of Oberkärnten (AT), for example, a workshop on social issues concerning women has been offered. An important project in the same area is the so-called 'Dorfservice' (village service) — a low threshold organisation that works as a kind of a social network offering support to the elderly, families and single parents. Women on maternity leave are also targeted by specific initiatives (the 'Betriebshilfe' project). In Västernorrland (SE) in 2010, for example, female entrepreneurs were directed to the 'National programme promoting women's entrepreneurship' managed by the County administrative board as a follow up of the regional objective of strengthening efforts to identify female entrepreneurs in rural areas.

Networking activities are also found, although more rarely. In the Tielt region (BE) a knowledge network providing training, advice and networking for rural SME's in the region has been set up (with EAFRD support) under the Union of entrepreneurs, the promoter of the

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<sup>141</sup> In some regions there have been no local initiatives, as measures relating to women and young people have been implemented in the context of national employment and education policies and their respective instruments (qualification measures, aids for the integration of the long-term unemployed, information and marketing campaigns for young people, etc.).

<sup>142</sup> For a full reference to preferences for young people and women under each rural development programme 2007-2013, please see the following Annex of the SEGIRA study:  
[http://ec.europa.eu/agriculture/analysis/external/employment/women-young-people\\_en.pdf](http://ec.europa.eu/agriculture/analysis/external/employment/women-young-people_en.pdf).

network, and with the backing of the Flemish regional and local (West-Flanders) governments. Business women's networks are being supported through LEADER, for example in the region of Inverness (Scotland, UK). This has identified new employment opportunities for women in self employment, primarily through extending childcare services. Other active projects that target after-school child-care services and educational infrastructure (adaptive schools) have been found in Tielt, (BE) and in Visocina (CZ ). Another example of a specifically targeted initiative is the LEADER Creche Programme, which has been running since 2007 in the Irish South-West region and now employs over 100 women. The Austrian 'Dorfservice' project in Oberkärnten created 11 workplaces providing care for the elderly and social work for families. More than 100 volunteers are involved in these projects, working on enhancing the quality of life in the region.

In Kesk-Eesti (EE) projects involving women and young people focus mainly on the provision of temporary employment (to help them gain experience in the field of culture and events, for example,), popularising traditional handicraft among youngsters (via handicraft camps) and communication between generations (involving young people). Also, unions of women entrepreneurs have been created in the region and elsewhere in Estonia to promote mentoring among social networks.<sup>143</sup> An additional emphasis on female entrepreneurship has been introduced through two EU-funded projects (one following the other) aimed at creating a structure to support female entrepreneurship and women's active participation in the business environment. These also included mentoring and exchange of experience and good practice.

In this context, there have been a number of initiatives aimed at young people, such as Action for starters 'Midwest Gateway', a project of the Province of West-Flanders providing guidance for young (business) starters and facilities (collective buildings). The importance of getting infrastructure in place to attract young people back to the region and enabling semi-skilled labour to develop (in the agricultural sector) via training programmes is also reflected in the south-west region of Ireland, where a particularly strong emphasis is placed on developing young entrepreneurs by mentoring, for example, via the LEADER Young Entrepreneur Programme, which has been running since 2007. In Inverness and Badenoch (Scotland, UK) investment in broadband in rural schools<sup>144</sup> has been decisive in opening up new opportunities for growing entrepreneurship amongst young people. At the same time, investment in start-up businesses amongst school leavers has been supported by LEADER<sup>145</sup> and by Highlands and Islands Enterprise. As a result, the business start-up rate for the region (4.9 per 1000 population in 2004) is higher than for the wider Highlands area and for Scotland as a whole. In addition, housing issues are sometimes addressed under a supportive strategic approach targeted at young people looking for jobs in rural areas (Västernorrland, SE).

In Oberkärnten (AT) young people have been involved in regional development in an original way. Following a project involving Slovenian and Italian partners, about 50 young people started working on the question 'What should rural areas look like if they are to be attractive to young people?' The aim of the project was to provide input for future policies to prevent youth unemployment and to create an image to enable young people to identify themselves with the region. The output is a computer game that simulates such areas.

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<sup>143</sup> SEGIRA (2010).

<sup>144</sup> Stimulated directly by a central government intervention.

<sup>145</sup> Under Leader, but in another study area (Olbia-Tempio, IT), for example, the LAG model has been adapted. Calls for tender are to be launched shortly focusing on women and young people's employment. Disadvantaged people are also to be addressed.

In Spain, PRODER<sup>146</sup> projects and initiatives had a strong focus on the employment of women and young people. They aimed at improving the integration of women in the labour market in sectors such as agricultural production, the agri-food industry, childcare services and services for other dependent people (the elderly, people with disabilities, etc.). As regards national and regional initiatives specifically focused on the employment of women and young people, a multitude of strategies, programmes and initiatives are promoted at all levels (national, regional and local). This approach is not often met in the other parts of the European Union.

An interesting project has been developed by the Auvergne regional Council called ‘Second-Chance’ School (E2C).<sup>147</sup> It accepts young people with serious social or professional problems, aged between 18 and 30 years and without diplomas or qualifications. The major objectives are to: (i) allow the acquisition of basic knowledge and skills necessary for integration of the person in the workplace; (ii) develop participants’ social, behavioural, and cultural skills; and (iii) support to young people in defining their personal career plan, based on alternating school/company; (iv) assist in the professional integration into employment and/or training and follow this integration out of the school. This initiative, which is part of a larger scheme applied in France, has achieved to support 441 young people in the region of Auvergne in 2009, of which 64% have received a direct access to employment or entry into a degree program or a qualification at the end of their stay in the school.

The ‘Master and back’ programme (Olbia-Tempo, IT), which offers education and labour opportunities to young people, who can study abroad and then come back to work in their region, complements the list of good examples. In Tielt (BE) the Regional Economic and Social Consultation Committee (RESOC) stimulates entrepreneurship of young people through different kind of projects (see Box 5.2). Sometimes, additional support is provided by local authorities also for the recruitment of disadvantaged people (e.g. Puy de Dôme, FR; Tielt, BE).

Concluding, as compared to interventions focussing on the employment of women, the situation concerning initiatives targeting the employment of young people is rather more complex as the policy is not as consolidated as the gender and equality policy. It is therefore of paramount importance to address the needs and creating the conditions to offer young people more attractive future opportunities in rural areas (social services, employment opportunities, leisure, sports, etc) involving the public and private sectors and at the same time to diversify the employment prospects for rural women beyond the social service and educational sectors.

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146 Following the LEADER experience in 1991-1994, Spain decided to expand this initiative to rural areas beyond those eligible under LEADER. The PRODER Programme (Spanish acronym for ‘Development and Economic Diversification Operation Programme for Rural Areas’) was thus established in 1996 as a national rural development programme designed and implemented following the approach applied by LEADER. PRODER I Programme grew up out of the application of the Inter-regional Community Support Framework for Objective 1 Regions within the Spanish State (Royal Decree 206/1996 dated 9 February 1996). Two PRODER programmes have been implemented so far: PRODER I (1995-1999) and PRODER II (2000-2006). PRODER programme was financed by community funds (EAGGF Guidance section and ERDF), national funds and private funds. There are no PRODER programmes in the current programming period 2007-2013.

The main difference between LEADER and PRODER was that LEADER is an EU programme, whereas the PRODER I Programme was limited in its scope of action to the Spanish Autonomous Communities. Both programmes were though very similar, for instance: (1) They were both aimed at promoting rural development; (2) They were both locally-based with local partners responsible for setting them up and implementing them; and (3) They both pursued a model of development which was not based exclusively on agricultural activities.

<sup>147</sup> For further information see : <http://www.e2c-auvergne.fr/index.htm>.

### **Box 5.2 Examples of EU funded projects in Tielt (Belgium) focusing on women and youth**

#### **‘Thought 4 food’ Objective 2 project:**

The project covers the province of West-Flanders. It is a partnership between the Province of West-Flanders, RESOC (Regional Economic and Social Consultation Committee), City of Roeselare (next to Arr. Tielt), Katho Higschool and the Food Industry. It consists of 3 pillars, one of which focuses on youth:

- (1) Agro-food platform to reinforce and strengthen the food sector (agricultural production, processing industry and distribution);
- (2) Improving spatial quality around food companies (together with Flemish Land Agency);
- (3) ‘House of Food’: interactive centre for sensibilisation and education of the population about the food sector in the province of West-Flanders with the following objectives:
  - Improvement of the image of the food sector (not old fashioned)
  - Focus on the innovation in the sector
  - Information and stimulation of young people to education or employment in food sector.

#### **Rural Entrepreneurial Activity for Disadvantaged Youth (READY) programme**

European programme for young unemployed people (18-25) who are thinking of starting up a small business in a rural area (Lead Partner: Carlow Development Agency, Ireland, 6 other European partners. For Belgium: Resoc Midden-West Vlaanderen)

#### **Network of knowledge for rural SME’s in the region**

LEADER project funded by the EAFRD in LAG Tielts Plateau focusing on ‘Network of knowledge’ (training, advice and networking) for rural SME’s in the region with strong attention paid to starting SME’s.

Source: SEGIRA (2010) case-study findings



## 6. INNOVATION AND VALUE-ADDED OF EAFRD FUNDED PROJECTS FOR JOBS AND GROWTH IN RURAL AREAS

SEGIRA has compiled a set of 80 good practices, most of which are analysed in this section.<sup>148</sup> The aim of the analysis is to present innovative ideas, common features and the outcomes of good practices<sup>149</sup>, their wider application and positive spill-over effects, while at the same time raising the awareness of farmers, rural businesses and local authorities interested in supporting entrepreneurship in the business areas discussed here.<sup>150</sup>

The analysis is broken down by themes. Within each theme attention is paid to the development of business plans, the application processes, job creation effects, value-added and transferability, with a particular focus on the rationale for initiating a project proposal, as well as on the linkages it establishes between sectors, businesses, local authorities and other collaborative/network aspects.<sup>151</sup> It has to be noted that often projects have multi-sectoral dimension and/or target various businesses and groups, thus creating complex delivery of impacts and value-added. For that reason, these impacts and value-added are presented in a separate sub-section of each of the discussed project fields/areas. The impact of the SAPARD programme in EU10 is presented in Annex D.

### 6.1. Renewable energy

Renewable energy has received particular attention in recent years as a policy field following the Health-Check of the CAP and the EERP, as well as numerous attempts by the EU to reduce global emissions of CO<sub>2</sub> and lead Europe into a more sustainable path of development based largely on the utilisation of its natural resources. The Europe2020 agenda has also set clear targets for the coming years, aimed at reducing emissions and increasing energy efficiency by 20%.<sup>152</sup> In this context, agriculture and forestry play a special role and, as we will see later on, there is enormous scope for the innovativeness of renewable energy projects, with potential positive spill-over effects towards other industries, services, the environment and local rural territories/population.

The analysis here is based on good practices that have been developed in the last two programming periods in ten different MS. The divergence of territorial coverage is testament to the fact that all EU rural areas are already facing up to the new challenge with responsive action. Projects are mostly from the current period and are developed as part of the farm

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<sup>148</sup> This section draws on the information collected by the external consultant in the framework of the Study on Employment, Growth and Innovation in Rural Areas (SEGIRA). The European Commission cannot be held responsible if this information is incomplete or inaccurate.

<sup>149</sup> For an overall overview on open innovation in the European companies in view of Europe2020, and in particular on the performance effects of open innovation and on the determinants of open innovation practices, please see the INNO-GRIPS report from 2011 available at:

<http://www.proinno-europe.eu/inno-grips-ii/workshop/exploring-potential-open-innovation-eu-2020-strategy-comprehensive-insight-tr>

<sup>150</sup> The Innovation Union flagship defines the EU major steps and challenges for boosting innovation in the EU, see COM(2010) 546 final of 6.10.2010 and visit also:

[http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=keydocs](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=keydocs)

<sup>151</sup> For an overview of previously collected good practices, see SEGIRA (2010) Final report, pages 251-256, available at: [http://ec.europa.eu/agriculture/analysis/external/employment/full-text\\_en.pdf](http://ec.europa.eu/agriculture/analysis/external/employment/full-text_en.pdf)

<sup>152</sup> On the resource-efficient Flagship under Europe2020, see COM(2011) 21 final, 26.1.2011 and visit also: [http://ec.europa.eu/resource-efficient-europe/index\\_en.htm](http://ec.europa.eu/resource-efficient-europe/index_en.htm)

diversification measure, the measure on modernisation of agricultural holdings, micro-enterprise development in rural areas and LEADER. The LEADER projects are devoted in particular to the strategic development of an entire rural area and/or settlement. The total expenditure under the projects amounts to some € 11.4 million. Not surprisingly, two of the good practices are award winning projects, which further strengthens their innovative character.

#### *What triggers the projects?*

The reasons for investing in renewable energy can be summarized in two groups – on the one hand, and as far as agricultural holdings are concerned, replacing on-farm heating and energy systems with systems based on renewable resources brings greater efficiency and reduces production costs. On the other hand, it also makes farmers independent of oil and gas prices, thus leaving a higher margin for profit generation. To a great extent this is the triggering factor behind the energy efficiency upgrade that many agricultural holdings have been undertaking in recent years.

Other stimuli for starting renewable energy projects include the possibility for agricultural waste to be utilised and thereby generate additional income. The decisions to start up such projects are especially prominent in remote or less economically developed rural areas, where unemployment rates or structural disadvantages are rather high, and where often a large share of the rural population are seeking jobs outside the area, which leads to local out-migration. This presents farmers with a dilemma, given that their continued existence on the market will depend on how far they decide to diversify. The projects that we have analysed prove that investments in renewable energy bring a substantial additional income, create permanent jobs and are conducive to the upgrading of knowledge.

#### *The need for business planning*

For most of the renewable energy projects described here, the business plan has been developed by a consultancy agency or by hired external specialists. In the few remaining cases, the beneficiary has had the necessary engineering and technical education to develop its own idea into a viable business proposal. Use of consultancy and advisory services is a vital necessity for those who are investing for the first time in renewable energy projects, regardless of the project's size. In most cases, project developers have never previously invested in projects with such high financial value.

Most of the projects cover completely new field of operation for the farmers, who find business entry difficult; nor is it easy to predict future financial flows. Therefore, the preparatory work plays a crucial role for projects of this type. As part of this preparation, co-operation with all local actors operating in this field (or networking with them) is very important, as well as ensuring access to the (electricity) distribution grid. Compliance with the specific energy market regulations is also necessary, and this requires significant efforts on the part of the farmers to upgrade their knowledge of how this sector functions and how far they can go with their investments. Moreover, their decisions may have often been preceded by a significant amount of research and information gathering, before a final decision can be made on the scope and size of the investment.

The Austrian 'Energy Vision Murau' project is an excellent example of the importance of independent consultancy and supervision, and especially in a process of implementation of a widely developed local strategy touching upon an entire local

energy network of actors and supply systems. Thanks to the support of the EAFRD, unbiased and sustainable setting up of a network of actors has been ensured alongside the development of a gradual socio-technical support model. This has also helped to reinforce the bottom-up approach in the development of the projects. As a result, stable constellations and vibrant dynamics have been introduced and maintained within the network, with the result that it is self-sustaining and self-organising. This set-up provides the foundation which ensures that the long-term investments of all partners involved fit into a coherent framework.

### *Application process*<sup>153</sup>

In the majority of the cases project developers admit that the application process has been rather long, thereby creating an impression of burdensome bureaucracy, protracted processes and difficult discussions. Although the application process has taken 8 months on average, there have been particular cases where the administration has delayed the approval process due to the lack of knowledge on the market regulations. While this is normal where new fields are involved and requires technical time, an application time of 12 months, and sometimes as long as 15 months, is far too long when it comes to putting innovative ideas into practice. It also places potential beneficiaries in a difficult situation as market prices change, because any such change has an immediate effect on their business plans, financial returns and profitability. There is clearly a scope for improving the handling of files and for taking early decisions that enable entrepreneurs to invest in time.

The need for high level reporting and monitoring, as well as sound financial accountability, has been mentioned as an inevitable part of project development. However, for projects that are smaller both in size and in relation to the EU funding support requirements, this has been regarded as a very demanding process.

### *Innovation, new ideas and transferability*

The area covered by the good practices is quite diverse – ranging from solar tiles and panels, biogas stations and energy heating (e.g. in horticulture, fruit & vegetables, etc.) to a whole rural area and/or settlements being self-sufficient in renewable energy. Between those two extremes we also find projects that target not only total self-supply with renewable energy (at farm and local level), but also the dissemination of knowledge on how to build such schemes and apply them successfully.

Most of these projects have been so successful that they have led to the start-up of new related projects or the extension of the current ones, covering new areas or leading to the production and utilisation of a new input. At the same time, by-products are also being well utilised. The extension to public services and provision of goods for the rural population (such as heat, electricity, employment, etc.) is essential.

Investments in these projects have also created linkages and networking between the investing companies and other businesses, at both national and international level. This is extremely important when it comes to the sustainability of business development, output markets, exchange of experience, professional support and advice, as well as easier ways of identifying new trends and developments in the sector.

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<sup>153</sup> Here it is considered as the time from submission of the application until the signature of the contract with the selected beneficiary.

In particular, there is an interesting example from Sweden which involves a number of farm households investing in small-scale energy facilities and biogas production, combined with networking elements between partners, research and evaluation, as well as documentation of a model to be followed by others across the whole country, that is worth mentioning ('Biogas Bralanda'). The project – which has been developed in this programming period – activates potential at several levels. It first designs the model for biogas production in the area, followed by the creation of an organisational structure embracing all individual rural enterprises that are involved in the scheme (about 25 farms in total) in order to generate greater public benefits. The plans cover investments in energy production facilities on farm, the construction of biogas pipelines to establish the connection and a plan for the disposal of the biogas. All of this involves the formation of three new companies and the establishment of a model to be followed by other interested investors. In addition, the project builds a broad range of skills and knowledge on biogas production from cattle, swine and chicken manure; it also establishes market entry for these companies and their production and sets up a demonstration plant as an initial step towards innovation and knowledge sharing.

Interestingly enough, some projects are developed by family (farm) businesses, thereby providing further evidence that innovation is for everyone and everywhere as long as people are able to embrace the idea and turn it into a valuable high-level product. Initial lack of experience may seem frightening, but in reality is not a major burden when people are committed. All of these cases can be reproduced in regions where the renewable energy potential is not yet being utilised.

#### *Job creation, value added and economic growth*

The impacts of the projects differ according to their size, application and the context in which they have been implemented. Newly created jobs are filled by local people who are living in a radius of 20-30 km from the place of investment. Part-time jobs have been created alongside full-time jobs, to deal with a sometimes unexpected need for more labour than was originally planned.

For example, in the 'Energy Vision Murau' project (AT), where EAFRD funding was used to set up and run a network of actors, the aim of the collaborative initiative was to provide complete (100%) renewable energy sustainability and, since it started in 2003, investments have led to the creation of two biomass CHP plants (district heating and electricity production), four biomass micro-nets, 24 small-scale district heating plants, some 500 additional new biomass heating systems in the private sector and about 2,000 m<sup>2</sup> of solar collectors (for a total investment already exceeding €15 million). As a result, the total thermal output of all biomass heating plans amounts to more than 20,000 kW, the electricity produced by the small-scale hydro power plants exceeds the regional consumption by 40% (thus creating conditions for further exports and income generation) and the share of biomass in the total heat consumption of the district has risen by 30%, from 47% in 2001 to 63% in 2009 (This is a remarkable joint effort which shows the extent to which collaboration and proper utilisation of all available funding possibilities can bring positive value added for an entire rural community).

In Estonia, the construction of a bio-ethanol plant has created 8 full time-jobs and 10 part-time jobs, which were not initially planned. In Germany, two full-time jobs were created in

the context of a bio-energy village project, while in Hungary a solar panel project has brought 18 full-time jobs. In Sweden, in a context of learning model on energy, some eight full time jobs are to be created on average per year, with five already filled during the implementation of the project. In addition, energy projects create temporary jobs during the implementation phases of the projects, for example in construction.

In order to sustain quality jobs and high-level performance, there is often a need for staff training. For example, the construction of the bio-ethanol plant (EE) has led to the provision of two learning opportunities in an area where skilled labour for distillation processes has been lacking. In Germany, as part of a bio-energy village project, 14 guides were trained to inform visitors about the village and the techniques applied.

The positive environmental effects of such projects are also indisputable. The opportunity to use agricultural, waste deserves particular attention, especially where there is an excess of residues. This covers, for example, agricultural products and residues (including sugar beet and vegetables), manure of different types (e.g. cattle, swine and chicken), crops for decomposition purposes (e.g. grass) as well as slaughterhouse waste and waste from the processing of vegetables. Sometimes, even waste cooking oil from restaurants is used to produce bio-diesel for on-farm use, and another example is the potential for converting waste packaging from farms into briquettes for wood-fuel boilers (provided that emissions and efficiency requirements are met). The use of agricultural waste reduces pollutant emissions; the utilisation of by-products such as heat saves the needless burning of oil or coal, and has a direct impact on climate change by reducing CO<sub>2</sub>-emissions. In some cases, leftovers from fermentation are given to neighbouring farmers to feed their livestock, which provides an added environmental and economic benefit. Such projects also bring into use abandoned or fallow land, or are easy to set up in the yards of company sites, thereby not involving any additional use of space outside the farms.

#### *Financial and other aspects*

The EAFRD and national/regional authorities have provided a total amount of €3.6 million in funding for the various phases of these projects and their implementation, which accounts for about 32% of the total expenditure. The public support rate (as a % of total expenditure) ranges between 15% and 58%, although the bulk lies in the range of 30-40%. While environmentally-friendly investments, including solar panels and tiles, support for project design and small infrastructural works account for no more than €200,000 to €400 000 in total per project, projects to build up new biogas stations and plants can run up to €3 million, or even more. Networking initiatives that link rural settlements into a whole sustainable chain, combined with the relevant infrastructural investments, require even larger amounts, which can be in excess of €10 million.

## **6.2. Rural tourism, economic integration and local partnerships**

Tourism remains the major economic sector delivering most of the growth and jobs in rural areas.<sup>154</sup> Regardless of location, there is potential for tourism in almost every rural area where environmental quality is ensured and where a pro-active population and local authorities are operating.

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<sup>154</sup> A recent analysis by the CoA on the value-added of EU projects on tourism supported under the ERDF is available at: <http://eca.europa.eu/portal/pls/portal/docs/1/8662762.PDF>

The analysis here seeks to demonstrate the impacts and transferability that could be generated, even at small-scale level, without claiming to cover all areas of tourism where EAFRD funding could be deployed, and actually being put to use. It also underlines the existing potential for business integration and local area cooperation in a context of tourism initiatives.

#### *What triggers the projects?*

In most cases of good practice, rural tourism projects have been developed in areas where a downturn in economic performance has been observed, or in underdeveloped (and sometimes remote) areas. EU funding has also been used in well developed tourist regions, where the sector had been experiencing rather negative growth in the years prior to the projects being launched. As regards agri-tourism, difficulties in farm development and the instability of agricultural incomes have encouraged investment in such diversification activities.

An example is the ‘VulkanBike’ (DE) project which was initiated when hiking tourism — which was the major tourism field in the region — was showing signs of economic decline. In another example, in the region where the ‘Almenland’ (AT) project has been developed, an overall decline in tourism has been observed which was triggered by a decrease in the number of overnight stays, the very weak financial situation of the local communities, small-scale and fragmented agriculture, a large number of commuters (about 46%) and a large deficit in the regional balance of trade.

#### *The need for business planning*

Business plans have proved necessary, not only in the case of integrated approaches and/or offers, but also when investments have been focused on areas with rather diverse natural terrain which are difficult to access. In all the cases discussed here it has been emphasized that planners should not underestimate the considerable amount of time and the commitment that has to be put into project management.

However, by contrast with the renewable energy sector, and given the fact that many of the tourism projects are developed under LEADER (i.e. by public-private partnerships involving local authorities), consultancy has not been often used for the preparation of business proposals. In reality, the local authorities have been extremely helpful in taking applications forward and working on their quality and content. In a few cases, the project developers had used their previous knowledge in order to prepare the business plan, and where external support has been used this has been only in cases when application forms had to be completed with specific data (e.g. financial data and/or specific financial forms). Such consultancy, however, has not been necessary in the cases where the Paying Agencies prepared and made available guidelines, and the content of the application forms has been very clearly set out.

The factor that has proved to be the most complicated and time-consuming is the need for project developers to identify the right partners and to set up properly functioning partnerships, especially in projects under an integrated approach which cover several economic sectors or spread across an inter-linked investment and development area. This has actually been declared to be an essential factor for the success of all such projects.

#### *Application process*

As in the case of renewable energy, the application processes have been different from one MS to another, but it has taken more than 8-9 months on average to gain approval for the

project proposals submitted. In only three cases has this period been as short as 2-3 months; in the main, it has taken 9 to 12 months for Paying Agencies to declare projects eligible and sign contracts with beneficiaries, although there was one isolated case in which it took two years to finalise all the details. The average period for approving applications and granting beneficiaries with the right to invest can actually be as long as a whole season (or even two) in tourism, which represents a wasted business opportunity. In some cases, the time for developing the project on the ground has been actually less than the time spent waiting for it to be approved for EU funding. Here, again, there is huge scope for improving procedures and file handling at MS or regional level in the interests of efficiency.

In those cases where the public authorities have been closely or fully involved in project development, there have been no difficulties as regards submitting the proposals in the correct form. Although the guidelines devised by Paying Agencies on how to complete the application forms have been made available only in limited cases, they have nevertheless proved most useful for those who apply for support. This is also due to the fact that beneficiaries often consider the information to be quite complicated.

#### *Innovation, new ideas and transferability*

The innovative and transferable aspects of this group of projects, which is fairly small but nevertheless of significant local importance, are manifold.

In projects that bring together different producers and individual local economic players for the delivery of a single, high-value, tourism offer, the basic underlying strategy is fairly straightforward — it consists of bundling all local individual producers and service providers and helping them to develop a professional and demand-oriented marketing strategy. The implementation of such a strategy normally needs to be backed up by the setting up of organisational structures (with clear financial responsibilities), which seek to develop a clear concept for economic sustainability. In this context, the major aspect which makes such initiatives transferable and sustainable is the development of a branding that aims towards high standards.

The creation of an identity by means of regional branding requires the selection of ‘lead’ products and ‘lead’ projects, which should have regional significance, based, for example, on the region’s history, landscape, local products, social or cultural heritage. As part of this aspect, it is essential to identify the most appropriate ‘lead’ partners and companies and to create relationships based on fair and ‘watertight’ contracts.<sup>155</sup> In this way professional development and marketing structures, which involve the major partners, can be built in.

The setting of standards and their follow-up is another innovative element that deserves to be underlined. While these standards are intrinsic to the project and by extension to the local rural area, the commitment from all of those involved in following these standards guarantees the sustainability of the tourism offer and the project itself. In the ‘Almenland’ project (AT), for example, 21 partners involved in the local community of restaurants, inns and hotels have developed a joint branding and have agreed on three different categories of offer, which specify the number of fresh dishes that must be prepared each day based on the regional specialities and the ALMO quality meat programme. This has also been accompanied by

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<sup>155</sup> (For example, in the "Almenland" project (AT), a partnership was created between the LAG, the tourism association and Schirnhofner (a regional producer of delicacies) for the purposes of marketing. Farmers and tourism providers are also grouped under the "Bregenzerwald" project, AT; a project partnership has also been created within local communities under the "VulkanBike" project, DE).

relevant training for the staff working in the inns and restaurants involved in the production of regional specialities, including the related agricultural activities. In another example from Austria, the ‘Bregenzerwald’ project aimed at creating a common regional identity based on the showcasing of regional cheese products, by providing a platform for presentations, lectures, tasting, marketplaces, exchange of knowledge, etc.

When it comes to the setting of local quality standards — which are of a rather different nature in the sense that they are content-driven — it has been possible to determine quality levels in order to measure the projects' outcome on the basis of the actual experience of the professionals who have been asked to utilise and test the facilities. One such fairly innovative approach is the ‘VulkanBike’ project (DE), which has used local professional mountain bikers to test and evaluate the mountain bike trails that have been created under the project. These local professionals were also used to assess tourists’ needs and to provide training for mountain bike guides.

Creating integrated projects has also helped in the setting up of marketing and media partnerships, as well as in building new joint ventures with institutions such as tourism associations, slow food international, etc. (e.g. ‘Almeland’ project, AT). There is also evidence of farmers networking with other businesses, including via such projects (such as the ‘Bregenzerwald’ project, AT). Depending on the type of tourism offer it is possible to imagine networks being set up, for example, between bike-friendly guesthouses and restaurants, as well as between project partners, local communities and specific users of the projects' outcomes (such as the ‘VulkanBike’ project, DE). In another case, project developers have developed close co-operation and informal partnerships with domestic and foreign breeders of horses for tourism purposes (one example being the ‘Stebnicka Huta farmstead’ project in Slovakia).

Innovation is important, even for small businesses in remote areas. This is borne out by the ‘Aaro vineyard’ project (DK). The idea for this project came from a visit paid by a farmer to a colleague who had been running this kind of activity. As a result, the farmer created a vineyard on the island of Aaro, and tourists have been attracted by the farmer’s quality products and the organised events (e.g. wine tasting). Apart from being a rather unusual place for growing grapes (due to its northerly location), it also serves as an excellent example of how entrepreneurs who have not previously been involved in farming can start operating in agriculture based on the idea of direct marketing, local quality production and provision of tourism services in a search for ways of improving their quality of life.

The setting up of tourism centres is a traditional local small-scale activity, which has been widely supported by the EAFRD over the past decade. In one such example — namely the Polish ‘Wielgie Milickie’ project — the sustainability of this newly created centre has been ensured not only by its ownership (local public authorities), but also through the relatively limited but rich infrastructure which enables visitors to the Valley of Barycz to stop, rest or stay the night and/or eat bread traditionally baked in the original bread oven located in the centre. It has also been used to hold training courses for the local population, as it also serves as a meeting place for local residents.

#### *Job creation, value added and economic growth*

Tourism projects are one of the most jobs-driven types of projects that are developed in rural areas. The sector has a unique advantage in that it brings both direct and indirect employment effects to the related industries, suppliers and services. The integration that it brings,



especially for projects developed under LEADER, creates outstanding added value for the EAFRD support provided in the past decade. The possibility to base projects on quality local assets, such as high-quality local agricultural products, locally-grown food, nature, cultural traditions, etc., further enhances the value-added that comes from supporting such initiatives. This adds to the region's reputation, raises income levels, sustains traditional farming activities that would otherwise be exposed to extreme pressures and might be lost, and creates a significant local economic value by also linking businesses from a range of different fields.

In the context of such integrated projects ('Almeland', AT, etc.) for example, some 550 farmers have already signed a partnership agreement with the marketing developing company which initiated the project, thereby ensuring a steady supply of quality meat. The company feeds this supply into two main marketing channels: its own supermarket chain and the exclusive supplier of meat products for the Almenlandwirte. Overall, during the period 2000-2007, based on some 50 projects developed in the whole region for supporting the regional brand system (and investing more than €20 million), about 240 new (full or part-time) jobs have been created and 900 farms have been secured; the regional slaughterhouse has been safeguarded; more than 20 local companies have been founded with an annual revenue of some €15 million; the ALMO programme managed to generate €6.3 million annually for the contracted farms and €5 million for stables; some 20 restaurants are ensuring the programme's gastronomy standards and around 170 high-quality guesthouses have been kept in business, while there are around 65 companies who are members of the Almeland business organization. Even though this is a tremendous result from the efforts put in by the local businesses and authorities over a number of years, it underlines the level of commitment that is needed in order to ensure a sustainable development for local communities based on their local amenities.

Under a similar initiative ('Bregenzerwald AT'), although on a smaller scale, the tourism project safeguards the method of farming and the jobs of 1,200 farming families and 90 alpine dairies, including about 180 partners from different sectors that take part in the collaborative work. In addition, the local regional food festival 'Genusstage' was attended by 2,100 visitors in 2009.

The dedicated bike-tourism project 'VulkanBike' (DE), for example, has brought 25 tourist partner organisations certified as 'mountain-bike friendly businesses', created 5 GPS stations and two part-time workstations, with the number of day visitors expected to increase by some 54,258 and the number of overnight stays in the region by 8,516. It has also resulted in the training of 6 mountain bike guides and has stimulated the promotion of the regional tourism bike-offer by means of maps, guides, flyers and other advertising materials to enhance visibility, including an internet website.

Projects could also lead to the introduction of good practice codes (e.g. for rearing cattle in the 'Almeland' project, AT) combined with subsequent qualification and offers of training for farmers and tourism service providers in the area.

Investments in a fairly small infrastructures, such as farm tourism centres, can also have a revitalising effect and make people more active, as was seen in the case of the Polish project 'Building farm tourism centre' in Wielgie Milickie.

The value-added of setting up networks between strategic (regional) partners and businesses lies in the possibilities for post-project maintenance of what has been created with support from the EU and in the further development and marketing activities. The creation of intra-

communal communication networks facilitates the decision making process that is internal to the project and provides updated information to all parties involved in implementing it.

The development of a complete product and the delivery of a quality service which is safeguarded by putting in place all of the elements relevant to its functioning is crucial for the sustainability of the respective tourism project. The ‘VulkanBike’ project (DE) is a good example: this involves 750 km of mountain trails which have been carefully developed to protect the unique landscape, thereby also benefiting from inter-active route guidance and route design through a web-based tool developed for that particular project, full GPS coverage, computer information stations and GPS rentals, a trail technology course, backed up by maps, designated motto tourist routes and start-up marketing support. Diversified offers within the general offer (e.g. specifically aimed at beginners or broken down by theme) provide further value-added.

#### *Financial and other aspects*

The rural tourism projects on which the analysis in this sub-section is based amount to a total expenditure of some €7.6 million. While some stand-alone initiatives do not require significant financial support, it is evident that the comprehensive development of tourism in a given rural area calls for a thorough and well structured approach, often requiring funding from various sources within a relatively long period of up to 10 years or more. Strong local business and social networking and co-operation with local authorities are essential if such initiatives are to be successful.

### **6.3. Skills, training and entrepreneurship stimulation**

The upgrading and development of skills, which also stimulates entrepreneurship in rural areas and opens up the labour market and job opportunities for all people, and especially for young people and women in rural areas, is a key element that could unlock the potential of rural labour, break down the rather negative employment trends and help remedy the mismatch (between jobs available and skills of unemployed labour) in the local labour market.

This section summarizes the main aspects of the skills-related projects funded by the EAFRD (for a total expenditure of some €5.1 million) which are being applied and are included in the SEGIRA set of good practices. As the analysis will show, the approaches applied are extremely diverse and rich in content, as well as being needs-oriented, and stimulating in terms of how the participants take part and define the direction that the training should take. At the same time, training organisations are now aiming to cover all age groups, from children, through the younger generation and school-leavers to the unemployed and/or young people with poor qualifications who are looking for a job, to those who already run their own businesses and need further advice on how to develop in the future. In between these broad groups, there are other groups — such as women entrepreneurs in rural areas — that have specific needs to be tackled. This includes specific sectoral training and advice, e.g. in the field of agriculture, forestry and food processing, and it is even linked to environmental education for children and youth. In all cases, as we will show, the demand for such initiatives continues to grow also based on positive outcomes.

### *What triggers the projects?*

The projects discussed here have come into being mostly as a result of the socio-economic conditions in the rural areas and the needs of the groups of people and businesses that are targeted. In many regions young people need advice about how to enter professional life and the skills to run their own businesses. Women want decent job opportunities and work outside their homes and/or farms. Children demand creativity, while entrepreneurs need to be in touch with the latest business developments in order to maintain the quality of their work and professionalism. However, the drivers behind the development of many of the training and advice projects are the policy makers, who are often local authorities and LAGs. The frequent changes in regulatory and market priorities actually have the effect of maintaining the strong demand for training and advice initiatives of this kind.

In this context, the needs of small farmers are often underestimated. In such situations, the role played by the public authorities is crucial. Experience shows that small-scale farmers typically do not rely on external consultants for guidance, and very often do not search for assistance when confronted with problems. Difficulties in understanding complex legislation can also be an issue for some of them. This, combined with the frequent lack of human and financial resources for coping with compound issues such as those related to food security and hygiene, or modern business management and accounting, has created a base that requires vast amounts of support in the form of training and advice. The fact that small-scale farmers often do not want to discuss their problems, and that they are afraid of the governing/inspection agencies, also suggests that the public authorities need to intervene in the skills market and to address the existing gaps in the skills provision of small farms.

### *The need for business planning*

Training projects - although they do not necessarily involve investments in physical assets - are also widely developed on the basis of business plans. In almost every case no external support has been used for the development of the business plans under the observed projects. When such projects are developed by LAGs, and when local public authorities are involved, all the necessary competences for completing the documents and for building up strategies are there. On the other hand, project developers have sought cooperation with external partners for developing the training schedules/plans, which has proved decisive for the success of these projects. Such partnerships, often led by LAGs, have included business associations, trade and/or crafts chambers, chambers of agriculture, schools administrations, crafts associations, representatives of communal economic development organisations, and other relevant institutions, and have been maintained throughout the entire duration of the project, thereby guaranteeing additional flexibility and up-to-date exchange of knowledge and information on recent developments that are important for the training programme.

### *Application process*

Application processes have run smoothly. Unlike the investment type of projects, the time for approving training projects, especially by LAGs, has generally been 2-3 months, and sometimes even less. In exceptional cases, when training plans have covered a wide range of educational and skills upgrade initiatives (even within a certain target group or field of work), more time has been needed for approving applications – up to 9 months in most of the cases. The rapid handling of training applications has enabled project developers to put their ideas into practice without delays and has facilitated access to labour markets for the targeted groups.

*Innovation, new ideas and transferability*

***Business tailored training and advice***

The transfer of knowledge and skills upgrade for rural business development is best achieved when three major conditions are present, namely:

- (i) a well defined targeted group;
- (ii) a well structured training programme, often divided into different phases (or types of training) depending on the stage of development of the businesses or persons targeted;
- (iii) flexible and demand-oriented project development.

In addition, combining group activities with individual follow-ups has proved to be a successful working model.

For example, the ‘Diepholz’ project (DE) has identified three major training needs to be tackled, namely the setting-up of new businesses, structural improvements (in already running businesses) and vocational education of young people leading to qualified professional training and successful integration at work (see Box 6.1).

Two other projects focused on women and female entrepreneurship also developed a well structured approach. The ‘Grogrund’ project (SE) distinguished between four stages in the professional business development of women and has offered the following to its female participants: (i) idea seminars (for women interested in starting a business, but still at a conceptual level); (ii) mentoring (for women already running a business or for those who need business plan development in order to make their ideas a reality); (iii) education within the field of business knowledge (for women who wish to expand their business); and (iv) individual follow-up of participants in mentoring groups and individual counselling. A similar approach has also been followed in the ‘Competence workshop for women in rural areas’ project (DE) where a distinction has been made between women who would like to start up a business, re-enter professional life or who were already entrepreneurs but would like to structure their work more effectively. The women in this project were also grouped in a network, which helped in the exchange of experience and in establishing business contacts.

Changing the job seeking culture among women in rural areas is also an issue that needs to be tackled, as in the case of the Spanish ‘Equality from the base’ project. Here, a key element has been overcoming information limitations, with participants receiving advice about the importance of having a driving licence, information technologies, and actual work opportunities in the areas of local economies where there is a demand for labour, such as health-care, tourism, etc. In this way, the existing mismatches between jobs offered and skills available in the labour market are also largely eliminated. A further objective in this project has been to encourage the establishment and strengthening of networks of organisations working with women, as well as coordination and mediation with institutions and agents who work in (and for) the rural area targeted.

For the projects where training is centred on a single stand-alone theme (e.g. entry of women into the labour market, environmental education, improving farmers’ management skills, etc.)

the success of the projects has been determined by the presence of extensive frameworks covering all relevant aspects, including the provision and coordination of relevant information.

**Box 6.1 The specific factors that determine the LEADER ‘Wirtschaftsoffensive Diepholzer Moorniederung’ project (DE) as a good practice**

**Structure of the project**

**1) Setting up of new businesses**

Networking services, seminars, coaching, information services, development of manuals ‘Do it yourself’, economic expert pools development, competitions for young entrepreneurs, advice on business succession and problem identification and recommendations for trouble-shooting during consolidation phase.

**2) Structural improvements:**

- Development of a phase model to initiate cooperation associations for trade in the region.
- Assistance for external advisory services for SME in order to promote ICT
- Development of a concept for economic and agricultural advisory services

**3) Vocational education**

- Seminars ‘etiquette and good manners for apprentices’
- Introduction of price for new ways in apprenticeship, exemplary companies and initiatives
- Career fair and exchange forum for vocational education in rural areas
- Setting up of student companies to bring entrepreneurial spirit into schools

**Content of the project**

**Network compass**

For a better overview of the available information and consulting services a network compass has been developed in a clear presentation giving details of the existing consulting services offered by all network partners.

**Seminars for business start-ups**

The network partners offer (beyond of the funding period of the project) practical support for any new business initiative, including the provision of specialists

**Coaching**

For difficulties that arise after the establishment of a new business, coaching of personnel was offered and well receipt as part of the advisory service. Coaching was especially important during the consolidation phases of new enterprises.

**Founder meetings and information services**

During founder meetings, successful businesses could present their strategies and give advice for the start of a new business. A new feature in these meeting was the idea to give young entrepreneurs the opportunity to present their business and thus, enhance communication and create dialogues between young entrepreneurs and people that were interested in starting a new business.

**Manuals (‘Do it yourself’)**

With a loose-leaf (regularly updated) manual, a guide for business starters is now available that gives an overview of all important issues and questions that should be taken into account and with checklists helping to create a solid foundation for any new business. In addition, relevant development programmes and funding opportunities are attached.

**Pool of experts**

Former professionals, managers and entrepreneurs give their support and advice at affordable fees to new businesses and young entrepreneurs in the consolidation phase to answer specific questions.

**Start-up phase (Seminars und advisory services)**

In order to avoid as much business start-up failures as possible, an advisory service was established especially for the first years after establishment. In seminars, typical mistakes of newly established businesses were demonstrated and analysed and ways to prevent or adjust problems were presented and discussed.

**Prize for young entrepreneurs**

The district has honoured successful and innovative young entrepreneurs also as incentive for other business starters to compete and be more efficient.

**Business succession**

There is no standard solution for the succession of an enterprise as this depends on several criteria. The aim of the project is to identify these and to find an individual tailor-made transfer or acquisition solution. This has been realised with the assistance of external experts.

**Development of agricultural and economic advisory services**

A special concept in form of an advisory manual was developed in cooperation with the chamber of agriculture and the communal economic development association. Advisory services of both organisations were linked and the quality of advice could be increased significantly especially for those seeking advice from the field of agriculture.

**Seminars on etiquette and good manners for apprentices**

The frequently expressed criticism by training providers training and customers about the social behaviour of apprentices was taken as an opportunity to launch a series of seminars specifically targeted to address etiquette and good manners.

**Career fair / exchange forum for vocational education**

The career / job fair is an opportunity for students and school-leavers but also other interested parties to identify possibilities for employment and / or alternatives.

**Establishment of student companies**

With the support for the establishment of student companies has been found that a significant effect and motivation can be achieved. The company manager is usually a student or a group of students and teachers take the role of the facilitators and supporters. The motivation is so strong that students continue to work voluntarily even during holidays. In cooperation with the Diaconia Freistatt, this form of teaching has also been implemented in primary and special schools.

Source: SEGIRA (2010)

As far as farmers are concerned, training and advice play a vital role in improving their performance and increasing their knowledge of various working practices, methodologies and non-agricultural issues, including compliance with EU legislation.

In the 'HACCP craftsmen and farmers' project (BE), the public authorities have made efforts to improve farmers' compliance with the national rules on food security and hygiene. Although the training provider was a specialized organisation, it is actually the role of the regional authorities that has been crucial in moving this project forward. Moreover, it has been developed in complementarity with other projects (see next subsection for more details), which ensures synergies and cumulates the effects that can be achieved. This project in particular has focused on advisory and consultancy services to small farmers by developing purpose-built control systems and implementation on a case-by-case basis. All of the work has been based on the implementation of the HACCP methods and an adaptive traceability system (for hygiene purposes). What has made this project a success is the multi-disciplinary nature of the support provided, together with the accumulation of knowledge in various areas, such as the scientific, technical and legal fields; while this has made the project complex, it has become at the same time more appropriate and relevant in its activities. The broad partnership and close coordination and monitoring by the regional public authorities, and — last, but not least — the fact that the project was directly related to the identified needs, has in turn improved its delivery.

In the Latvian project ‘Vocational training 2005-2006’, where the aim was to improve the skills level and knowledge of farmers and others engaged in agricultural activities (veterinary medicine, hygiene standards, economic management, organic farming, animal stock assessment and monitoring, traditional farming, etc.), as well as to prepare forest owners for the application of forestry management practices with a view to enhancing the economic, ecological and social functions of forests, value added has been achieved by applying theoretical training, always accompanied by practical training and sharing of the experience in best farms and processing plants, and through the creation of a learning control system, with the aim of ensuring that good learning results are achieved. The project also succeeded in attracting high-profile teachers, and handouts and guidance materials that the farmers needed for their everyday tasks were also prepared. As in other projects, support from the public authorities has been essential for carrying out the project.

The EAFRD also supports the setting up of LAGs and the training of those who are to become partners in these groups. Capacity building projects, which are also not particularly expensive, create the necessary basis for a properly functioning and effective public-private partnership that is able to reap the benefits of its efficiencies (e.g. the ‘Strategy for the lake district – the integration of 9 rural communities’, PL).

### ***Training and educational activities for youth and children***

The projects that fall into this category have one thing in common: namely, an approach based on the fact that collaboration with schools has been ensured and the work under the projects has been driven by the young people themselves (except for children, where this is replaced by inter-active participation). This ensures that their individual capacities and life skills are also developed. This is driven by team work, in particular, by building confidence, consideration of, and respect for, alternative views and options, learning how to be responsible and how to play a leadership role. Additional impact has been achieved, for example, in the ‘Diepholz’ project (DE), through the setting up of a network entitled ‘Initiative for development of craft in Diepholz’, which offers advice to school-leavers on the prospects for training and future employment.

The types of activities differ according to the scope of the projects. For example, the ‘Diepholz’ project (DE), as well as setting up the aforementioned network, has launched a campaign to attract additional providers of training and education for young management personnel; it has initiated the setting-up of student companies in co-operation with schools where a student(s) is the company manager and teachers play the role of facilitators and supporters; it has also run a series of seminars. The ‘Entrepreneurship-network for young people’ project (FI), which is also based on co-operation with schools, has presented information seminars, carried out company visits, run a business idea competition, set up an entrepreneur's club and course, and provided personal guidance and supervision for young people in Ahtari (FI). In addition, young people were encouraged to make their own products and to sell them at the local bazaar, in the market square, and in a souvenir & handicraft shop. The project has also supported business start-ups and has helped in the signing of preliminary cooperation agreements between young people and companies.

A more creative and age-related approach has been applied in the trans-national LEADER project ‘Creative use of digital media’ (IE) where the training of young people aged 14-21 which has focused on the production of short films/DVDs under two core themes — the participants' perception and reality of living in their home places, and a day in the life of that

particular place. A key part of this project has been the exchange of methodologies and experience between the LAG areas through exchanges of training personnel and experiences, ideas and opinions of young people, using ‘live links’ and DVD/film footage. Young people were given the opportunity to decide which issues they wanted to be explored, develop the story lines, determine the format of how this story is presented (e.g. as a TV magazine style broadcast, a short play/drama), do the filming, manage the production and supervise editing, while the LAGs were given the necessary training and technical support to enable them take on this responsibility.

Educating young children about the area in which they live, healthy eating habits and responsible environmental behaviour are other areas that project developers have explored, especially for children aged 6-11. While children at this age are not supposed to be (and are not) business-oriented, stimulating their creativity, interest and enthusiasm by introducing them to specific inter-active fun games (training) with an educational effect that capture their attention and make them pro-active is essential for developing their positive perceptions about the area they live in and the world around them. In this context, the ‘Foodskool’ project (IE) has developed an interactive website and CD-Rom to awaken children's natural curiosity to investigate, explore and experiment with the growing of food and food production that is all around them, and particularly in the place where they live by using a simple ‘what-who-where’ approach to discovery, and placing content very much in the context of local community profiles, such as farmers and fishermen. It is also aimed at teaching children to explore and understand food labels, looking beyond the colours of packaging and catchy advertising.

In another interesting example, the ‘Eco-story Vreckica’ project (SI), children of pre-school age and those in the first years of primary education were taught about positive attitudes towards nature and its protection through a healthy way of living focusing on waste separation issues and the harmful effect on the environment of using bags made of PVC. The project combined creativity with education, as the children were allowed to use new PVC bags for drawing objects and creating their own unique masterpieces instead of using them for waste collection (i.e. replacing them with paper or cloth bags). Additional activities included preparing books with an ecological content for children, reading and story-telling, making puppets and putting on a puppet show. Grandparents were also involved.

In a more targeted way, but still original, an ecological village providing environmental education (in the Umbria region, IT) has been founded with the support of the EAFRD (under LEADER). The creation of the so-called ‘Panta rei centre for environmental education’ aims to offer a wide range of services targeted at users who feel the need to experiment with different ways of living, building, producing and consuming that are compatible and in harmony with the environment. Aimed at promoting an alternative way of living to environmental concerns in terms of nature, and the use and exploitation of natural resources, this programme also provides educational activities dedicated to schools, training and tourism.

#### *Job creation, value added and economic growth*

In the context of skills-related projects, attendances of training courses is one indicator, although a purely quantitative one, which can show to what extent the subjects covered by the projects have been of interest and how highly they were rated. In the projects targeting women, it is evident that the demand has been very high — more than 1,000 female participants (with more than 750 hours of training) in the ‘Competence workshop for women



in rural areas' (DE), and some 383 women taking part in the 'Grogrund' project (SE). The same case could be made for the projects targeting young people, school-leavers and even children. More than 200 young people in the final years of their education submitted entrepreneurship studies as part of a business idea competition in the 'Entrepreneurship-network for young people' project (FI); four schools co-operated in the trans-national 'Foodskool' project (IE), etc. In a different context, in the 'Ecological village for environmental education' (Umbria region, IT) over 10,000 people are recorded as visiting the place annually — most of whom are young people (school visits). New business start-ups are also the result of successful training and guidance (e.g. 40 new business start-ups in the 'Diepholz' project, DE).

The interest shown by farmers has also been significant, despite the rather small scale of the projects: 179 businesses have been helped or have taken part in collaborative activity, of which 114 reached the final stage in the 'HACCP craftsmen and farmers' project (BE). More than 2,400 short-term actions also took place, as well as 100 information and awareness actions, which had significant effects for the small farmers who participated in terms of maintaining their jobs. In the 'Management and marketing guidance' project (BE), around 107 guidance missions and 319 actions have been made. In the Latvian 'Vocational training 2005-2006' project, in its agriculture module, a total of 366 groups were organised with a total of 8,598 participants, while in the forestry module there were 25 groups with 489 participants trained.

These results should not be seen in isolation from all other outcomes developed under skills related projects. Box 6.2 contains an example of such complex implementation impacts in the 'Grogrund' project (SE).

**Box 6.2 Results from the 'Grogrund' project supported by the EAFRD, Sweden**

- 70% of the participants in the mentoring and training groups have started or continued businesses in the countryside during the two years in which the project has been active
- 12 mentoring groups have been established throughout the region where the project took place, with 76 participants in total
- 10 mentors are active, providing professional practice guidance
- Business advice and purchasing advice has been offered in collaboration with other actors (amounting to 43 sessions)
- Four idea seminars have been held with a total of 165 participants
- Out of a total of 70 women active in the mentoring programme, 60 became involved full time in businesses by the end of 2010
- Out of a total of 54 women taking part in the programme for business expansion, 32 were full time businesses by end of 2010
- Support is provided to 45 women taking part in the network that has been set up
- Total number of participants: 383 women
- In general those participating in the project have become more secure in their role as entrepreneurs and better prepared for employment

Source: SEGIRA (2010)

While some projects have measurable key outputs, others concentrate on developing (technical) skills and knowledge, especially in young people, which are impossible to assess, but have a tremendous impact on those who receive them. In this context, the 'Creative use of digital media' project (IE) has delivered a training guide to all of the practices developed and involved in the process; has delivered skills in all aspects of film production; has provided a life-long learning experience for young people; has led to an exchange of technical expertise and the delivery of two methodologies; has provided exchange visits, and has produced three DVDs, one of which is a training footage DVD – all materials being shown and distributed by public events and within the rural area. There have also been unexpected but positive spin-

offs from this project. The delivery of a week-long programme of activity actually created a new atmosphere in the area: the community asked to see the complete footage of the film shot by young people, which resulted in a ‘Premiere’ night. Over a six-week period, an old cinema in Ballitore (IE) that had been closed for 40 years was refurbished by the community (using their own resources) to host the ‘Premiere’ night, and live video links were set up in local pubs. Films of local life in past decades were shown, and local people were interviewed about their past experience by the young generation. Lastly, the entire media output was then archived in the South West Regional Film Archive for the benefit of future generations.

Further collaborations could also be highlighted as knock-on effects from the development of these projects. For example, the ‘Foodskool’ project (IE) has provided the blueprint for further collaboration between safe food and West Cork LEADER, who have since commissioned an interactive CD-rom, entitled ‘Taste Buds’, which is a combination of two resources and included a pilot in five primary schools across Ireland. Moreover, the ‘Foodskool’ programme is now being rolled out by Primary School teachers in an attempt by local schools to inculcate healthy eating habits and manners in their young students, and an idea for transferring this experience to Northern Ireland is underway.

The ‘Eco-story Vreckica’ project (SI) was a success, involving around 900 children from the areas of Makole, Poljane and Slovenska Bistrica, at a total cost of just €24,000.

Applying projects in synergy with other similar initiatives can bring additional value-added. This means that a comprehensive and well coordinated approach needs to be in place, as demonstrated by the ‘HACCP craftsmen and farmers’ project (BE). This project was put in place in conjunction with four other projects focusing on (i) security procedures for farmers, (ii) strengthening the centre of quality expertise (focusing on hygiene), (iii) technical and technological assistance to producers and processors of milk products, and (iv) adding value in milk production by changing over to qualitatively diversified traditional handicraft productions, all of which are subsidised at regional level (Wallonia, BE) and coordinated<sup>156</sup> and monitored by the regional authorities. These projects have focused on different territorial areas and have had different themes, with support from a range of EU funding resources. Complemented by information and awareness campaigns, the multi-level value-added has been further consolidated.

Value added is also gained through flexible formulation of topics and training contexts, taking into account feedback from participants and the needs that they express; by flexible organization of individual events as weekend seminars, lecture evenings or weekly events; by networking with local companies, institutions and working groups, which could also result in specific requests for training programmes. Linking information activities with education, mentorship and guidance is a successful concept for strengthening rural and female entrepreneurship, and the building of sustainable networks which survive beyond the end of the EU funded projects is an excellent outcome. Digital production of training materials and course events is another added value ensuring the transferability and application of innovative ideas in other EU rural areas.

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<sup>156</sup> For the purpose of effective coordination, a special unit including representative associations of farmers has been created at regional level by the Walloon regional government. This unit had a meeting every 6 weeks with all project partners and every three months the partners were invited to a monitoring committee meeting (chaired by the Walloon region). This approach has been further strengthened by adding result indicators to the list of output indicators.

Last but not least, EU support is sometimes provided for projects that give advice to their target groups free of charge, although this often remains invisible for the general public. The provision of such services free of charge is extremely important for those who cannot afford it but would still like to improve their business performance. This is particularly relevant for (small-scale) farmers, who may wish to diversify their agricultural activities (e.g. service guidance in management and marketing) or for the unemployed (including women) and young people entering professional life.

#### *Financial and other aspects*

Finding appropriate funding appears to be an issue, as availability of pre-financing for training and skills seems limited. This has meant that projects must either be developed in separate funding phases (which also requires changes in implementation, such as the 'Competence workshops for women in rural areas' project, DE) or be re-assessed as territorial coverage and launched on a smaller territorial scale (such as in the 'Equality from the base' project, ES, where the initial idea of covering 25 villages has been abandoned due to insufficient funding). Such financial limitations should not normally be a major hurdle, as these types of projects have an intangible value-added and significant impact, while at the same time requiring only relatively small amounts of funding compared to other types of projects. However, the financial capabilities of the training institutions remain in general weak. More emphasis and priority on such initiatives should be placed.

The Belgian 'HACCP craftsmen and farmers' training project has also been faced with cuts to its budget, once the EU funding support has been over. In order to secure the sustainable running of the initiative, the projects' objectives had to be re-defined, the geographical coverage had to be re-thought, visibility had to be increased, costs had to be reduced and better coordination had to be put in place. Furthermore, a minimum fee of 5% of the costs has been levied on all participants in order to create a greater feeling of responsibility among the beneficiaries of the advisory support, and also for budgetary reasons.

Training projects could also generate net revenue in the form of participation fees, although this is not often the case, as the groups targeted are those that genuinely need conceptual support in order to re-enter or improve their business/professional life and thereby improve their financial situation. Many of the beneficiaries (young people, children, small farmers, unemployed women, etc.) cannot afford such activities, which means that public (including EU) support is vital in order to achieve a positive development of the labour market.

#### **6.4. Farm / rural business development, food processing and food supply chains**

The EAFRD supports a very wide range of investments in agriculture, food processing and rural business development. Many of these involve an element of growth and job creation in that they stimulate businesses to improve their performance, gain better market positions and enter new markets, stabilise already existing activities and expand into new ones, as well as providing healthier and higher quality products. What is less well known, however, is that the support for rural business development is not just a stand-alone support for investments in companies as such — it goes far beyond that obvious activity and often takes a relatively proactive approach targeted, for example, at stimulating new businesses and appropriate business accommodation in the rural area.

This sub-section will look at a number of cases where agricultural, food processing and rural business development have been stimulated. It will also touch upon the efforts at project level to create short supply chains, better linkages between (agricultural) producers and consumers, and direct sales issues.

#### *What triggers the projects?*

It is no surprise that the majority of the projects are driven by the companies' need to remain in the market and improve their competitiveness. It also goes without saying that this has a bearing on the changes in applied production practices and techniques, the need to replace outdated facilities, equipment and buildings with new, modern ones (which also provides a boost to the environmental performance of the business) or the creation of brand new businesses; the need for jobs and work which also covers the setting up of new businesses; the lack of economic diversity in the local, rural economy where access to skilled labour is difficult; etc.

#### *The need for business planning*

The practice has shown that everyone who invests in their own business needs to plan their activities. This is regarded as an important step in anticipating possible milestones and difficulties, which also allows the potential beneficiary to fully understand the environment that the new investment will bring and the resources that will be needed for its exploitation, including investment costs, as well as for repayment of any loans and the recovery of amounts invested. This is especially true for projects that go beyond a stand-alone investment in a single type of machinery or technology, or projects that are part of a more complex investment process (i.e. they are just one stage in the process). Moreover, business plans are often required by implementing bodies for ensuring the viability of the investment and for projects selection reasons.

Consultancy is used in cases where new activities are to be started and/or entirely new technological approaches are to be developed, or when young people with less experience in business planning decide to enter agriculture or any other rural business. However, for many projects, such consultancy has not been used and proposals have been developed by the beneficiaries.

It is important to mention that, when it comes to projects designed to stimulate business entry in rural areas, co-operation with the relevant actors and institutions such as chambers of commerce, associations, etc., representing local businesses has been an important basis for developing the content of the projects. Often, the development of business entry assistance projects is driven by the lack of appropriate instruments at regional or lower level to address the issues and questions related to entrepreneurship and business set-ups in the particular rural area.

#### *Application process*

Beneficiaries consider that the application processes in the various Member States are complex and often take too long, especially when relatively large investment projects are involved. It takes around 9 to 12 months to get such a project approved, but the length of time differs for different types of investment, and in some cases it can take up to 2 years before certain payments are made (e.g. for the setting up of young farmers).

The longer periods needed for the approval and signing of projects seem reasonable, as implementing bodies and institutions often need to check, rank and select the applications, and also ensure sufficient time for the submission of application forms and proposals. The time delay is also due to the amount of documentation required, which in many cases could equal several hundred pages. However, approvals of investment projects lasting more than a year seem rather protracted and burdensome to putting innovative ideas into practice, and also impede the rapid and economically oriented development of business. More support in terms of guidance is needed, as well as an improvement in the communication between implementing bodies / institutions and beneficiaries.

### *Innovation, new ideas and transferability*

This section will be divided into several sub-sections. It starts with a description of agricultural support, followed by food processing activities, short supply chains and general business stimulation in rural areas. The division makes it easier to present the innovative ideas and approaches that are applied in practice and supported by the EAFRD.

### ***Agriculture***

The EAFRD scheme for *setting up of young farmers* provides young people aged up to 40 with the financing to start an agricultural business. Amounts are currently limited to a maximum of €70,000 per beneficiary, with maximum thresholds introduced per MS according to their socio-economic situation (i.e. in MSs with a lower income level, the support level is lowered accordingly). In EU15 this support is often used by the new generation to take over the holdings of their predecessors, while in EU12 it is accepted as a typical start-up support, because such relationships between generations are not yet present in agriculture.

The good examples in SEGIRA of the setting up of young farmers, although from only a few countries (e.g. Bulgaria, Hungary, Lithuania), clearly demonstrate the innovative approach adopted by Member States and the fairly complex implementation, which is often accompanied by taking part in training events and by investing in physical assets. In this way, a coherent and rather complete start of the agricultural business is ensured. For example, in one of the cases in Bulgaria (the village of Gorsko Slivovo) where a young farmer set up a cattle/livestock farm, the support has been made subject to a requirement to obtain a professional qualification in the field of agriculture by attending 150 hours of education under the EAFRD training scheme, plus achieving compliance with the EU standards regarding veterinary requirements, hygiene conditions, safety and working conditions, etc., and also supported by investment in physical assets. The use of advisory services has also been seen as a way forward towards compliance with all Community standards and application of environmentally friendly agricultural practices. Agricultural training covers a range of aspects such as agricultural management and practices, basic conservation issues, environmental components and safeguards, etc. A combination of a physical and human capital upgrade and modern technological development is likely to bring substantial benefits for agricultural economies.

The support provided for *(setting up) producer groups* could also play an important role in protecting agricultural activities in areas that are exposed to strong competitive pressures both from outside and within the EU due to dispersed production, outdated production practices and techniques, low production quality, lack of market power for selling local products outside the local area, etc. One excellent example is the project ‘Strengthening the local production chain’ (Valle Crati, Calabria, IT), developed under LEADER, where an effort is

being made to revitalise the fig industry by dealing with problems in the production chain. The key to the success of the project is the utilisation of a range of EU funds (including rural development funding) to develop a strong, territorially focused and integrated project; careful identification of the problems across the whole territory, combined with the setting up of partnerships (economic and social) and networks (among interested traders, partnerships and institutions), creating further value-added by making use of opportunities developed under trans-national and international initiatives launched by the LAG and related to the promotion of the local products.

*General agricultural development* enhanced by new investments in technology and capacity, which is based on a clear entrepreneurship strategy, taking into account internal and external factors and their optimisation such as natural conditions, existing production basis, reconstruction possibilities and utilisation of current buildings, all combined with the tradition, knowledge and skills of the employed labour, and the management abilities of farmers guarantee success and brings growth to farms and rural areas. Newly introduced technologies or new building materials conserve energy, water, reduce pollution, increase animal welfare, etc., and also achieve significant environmental benefits.

The development of different, but complementary, projects and their combined effect throughout the years on the farm's performance and farmer's household income, bring significant value-added to rural economies. Apart from acquiring a knowledge of EU rules and proper control over the business projects, which has a positive impact on project implementation (including selection of suppliers and sub-contractors), farmers diversify their activities, provide a wider range of services to the local economy and consolidate their leading role in rural areas. One such example is the 'Model farm for rural development' project (Bacs-Kiskun, HU) where a female poultry farmer, after starting her agricultural activities, has used funding from SAPARD (2002-2004) and EAFRD (2004-2006) to supplement her initial agricultural activity by diversifying into agri-tourism and riding-school activities. After finalising the previous projects and stabilising her income, the farmer has focused on the technical upgrading of the basic, initial agricultural activity by creating new stock-yards to double the capacity of the farm and purchasing the new technological equipment necessary for the new stock-houses, which also increased the number of jobs available on the farm.

Last, but not least, *bringing agricultural research close to the farm society* is an important aspect which deserves attention. One such example is the Finnish 'AGRO Living Lab' project, where the main tasks were to develop methods of studying user needs or to evaluate the usability of technologies in agriculture and forestry. The aim of the project is to improve the usability and added value of agricultural and forestry machines for end users; promote living lab activities on smart technologies in agriculture and forestry at international level, and encourage the agricultural and forestry industry to co-operate with users and consider users' needs at an early stage in the product development processes. The impulse behind all of this is the fact that user-driven innovation is seen as being increasingly important for business success in both the public and private sectors.

### ***Stimulation of non-agricultural rural businesses and socio-economic inclusion***

Rural non-agricultural business activities are mostly carried out by micro- and small-enterprises. As we have already discussed a range of such activities in the renewable energy and tourism sub-sections, we will focus here instead on the efforts made in certain rural areas on *attracting and accommodating new non-agricultural businesses*. We will also present the case of an integrated LEADER project from Hungary, where extensive support has been

provided to boost local economic growth, local sustainable employment and the upgrading of rural labour skills.

There is a pressing need to *stimulate business entry* in rural areas, and in remote, sparsely populated and/or mountainous rural areas, where there are no central public services to facilitate new businesses and provide the necessary information and guidance to newly incoming individuals/businesses. Integration of newcomers (social and economic) into the local economy, traditions and culture is also an important aspect that requires attention. In a medium to long-term perspective, retaining local entrepreneurs in the rural areas is just as important as bringing in and integrating new ones.

There are two French projects that serve as excellent examples of how such initiatives could be stimulated, sustained and run on a long-term basis in rural areas. Both projects, although they have different objectives and territorial scope, have proved successful in achieving their objectives. The instrument developed under the ‘Residence for entrepreneurs’ project (Auvergne, FR) enables entrepreneurs who want to create a new activity or take over an existing one to be accompanied and guided throughout the process for a limited amount of time (i.e. long enough to help the entrepreneur to become settled in his/her business), but not more than 3 years after setting up. A monthly allowance can also be granted to accompany such guidance. There are two different types of initiative: one for entrepreneurs outside the Auvergne region who have all of their travel and housing costs covered, and are assigned a personally appointed local advisor (guiding person) to guide them through the whole process. Another instrument is open to all entrepreneurs (including local ones) and supports projects that need further study and analysis (e.g. market studies, feasibility studies, etc.). The period of support lasts from 2 to 12 months; the entrepreneurs receive a guaranteed fixed monthly salary and are expected to be employed full-time in their project; two other persons are appointed to provide guidance, and a task force follows up their activities. A vital service to be provided to the entrepreneur is introducing them to the local networks with the responsible agency that has partnerships with all of the economic, social and territorial actors in the region (chamber of commerce, chamber of agriculture, training centres, banks, hospitals, etc.). All these local services are accompanied by an active marketing and promotion strategy on the part of the responsible agency outside the Auvergne region – in neighbouring regions and in other countries (via thematic conferences, job days, chambers of commerce, etc.). The latter is also typical feature of the ‘Espaces Seronais’ project (Seronais, FR) and, along with partnerships and networking, is acknowledged as its most important feature.

The innovative nature of the ‘Residence for entrepreneurs’ project (Auvergne, FR) is also to be found in its selection and implementation procedures. Issues such as the social value added of the project, strengthening of and/or complementarity with key sectors in the region, and the potential improvement in the future attractiveness of the region as a result of the project are taken into account when choosing the projects to be funded. Moreover, flexibility and rapid response form the basis of the support – the local agency responds to all types of questions, mostly within 48 hours, and the agency is flexible as regards the duration of the support, the share of costs covered and the types of projects supported.

Business integration is just as important as the social integration of new rural residents. In the ‘Espaces Seronais’ project (Seronais, FR), a separate unit focuses on the integration of individuals who are facing difficulties (such as newcomers who are unemployed and/or individuals with few qualifications, etc.). Their work is accomplished when jobs are found for the individuals and, while this is not an easy task, the attention paid to newcomers and the opportunities that they can provide are essential. The latter requires a customized approach

that leads to tailor-made solutions, paying attention to the strengths and weaknesses of each individual.

Two other ways of stimulating business in rural areas which are discussed here cover aspects such as stimulating female employment in non-traditional ways and developing on-site activities to accommodate rural businesses, expansion to include new ones and better integration of the food supply chain. Box 6.3 gives an example of ways in which LEADER could stimulate local business development in an integrated manner.

The aim of the 'Enterprise setting-up' project (province Cadiz, ES) was to create an enterprise for the pre-installation of automotive parts where the jobs were to be given to women rather than to men (as the type of work in this field is traditionally done by men). While enthusiasm for the project has been sufficiently high, its success has actually been based on the very good collaboration between the beneficiary, the facilitating body and the institutions involved in the project; the clear commitment for support on the part of the local authorities and the sustainability of the jobs created was analysed in advance as part of a feasibility study. Provision of additional technical consultancy services and business plan viability has ensured the sustainability of the company that has been newly set up. Additional support has been also received from local institutions and agencies and this has contributed to the financial stability of the project and implementation of all of its features (preliminary work, infrastructure, facilities, training, skills, quality, etc.).

A similar project promoting female entrepreneurship and employment in rural areas is the Lithuanian project 'Micro-enterprise set-up for processing of organic products' (Kelme, LT). It is a joint effort between farmers and the district to promote and develop organic farming and processing in the Kelme district. Apart from the physical investment in the processing factory and facilities, the project also created a network of small organic farmers (24 contracts), a processing enterprise and consumers; it ensured jobs for women which accounted for more than 80% of the jobs in the business; arranged marketing through the network 'Organic goods straight to homes' (thus shortening the food supply chain) and also provided training on organic farming and processing to its female employees. It also created an awareness of the broader community towards an environmentally friendly style of life. Last but not least, the enterprise is run by a community group, which ensures sustainability in its local strategic objectives and close relationships with the end-users.

The 'Kendal' project (Cumbria, UK) is an initiative that is receiving more and more attention in rural areas and has the potential to breath new life into local economies. This project, in its content, is one of a series of projects for a site development that re-arranges traditional farm buildings to provide workshop units for mainly food related businesses, such as meat cutting and processing, cheese distribution, bakery, liqueurs, sandwich making, a local radio station, a farm shop and storage facilities. This project has acted as a catalyst for further expansion and more ambitious proposals with an even greater impact on the rural economy, and it has demonstrated how groups of farmers and producers can collaborate effectively in the food supply chain. It brought a network of farmers and small food businesses closer to the consumers and has strengthened relationships in the local food supply chain. It has been so successful that the local companies have felt the need to expand, which has resulted in another EAFRD-funded project to build a new meat cutting plant in a more traditional style, followed up by a re-allocation of the hub and a tenfold increase of the processing capacity, again supported by the EAFRD (all this over a period of ten years starting in 1999-2000). These structural changes led to a recent idea to build an Environmental Technology Park adjacent to



the hub, which is designed to provide 20,000 m<sup>2</sup> of work space for companies involved in the fields of renewable energy generation and recycling, as well as those in the food, farming and tourism industries, which is planned to be developed as a public-private partnership at a cost of some £24m.

**Box 6.3 Example of the project ‘We are living on our own’, Baranya County, Hungary**

Local Action Group set up in 2005 including 10 south Baranya settlements, 5 civil organisations, 5 entrepreneurs and a private person.

ESAFRD funding for management of the local development strategy and so-called ‘seed’ projects that contribute to the achievement of the local development strategy.

Immediate objectives of the local development strategy:

- Creation of new workplaces/jobs and safeguarding existing ones;
- Creation of sustainable, new income generating opportunities and promotion of local products;
- Establishing of a viable local community, improving co-operation, partnership and organisation;
- Development of human resources;

Projects in the following fields have been supported:

- Investments in the creation of new workplaces in order to improve the employment of women and young people:
  - Investments into transport development aiming at better access to workplaces;
  - Investments related to the processing of by-products from viticulture;
- Knowledge and partnership:
  - Education, training and development of training material;
  - Publications aiming at improving entrepreneurship;
  - Partnership building initiatives and data base of project ideas;
- Protecting and nursing of local values:
  - Marketing of local products in order to establish their market position;
  - Research and promotion of local values

Results/outcomes/impacts:

- 2 call for proposals launched (seed fund), 36 proposals submitted of which 22 proposals granted;
- 3 passenger busses purchased to support population’s access to workplaces;
- 4 new plants set up: compost plant in Magyrbóly; compost plant in Lippó; grape seed extruding plant in Magyrbóly; distiller in Magyrbóly;
- 24 new workplaces established (in long run to reach 50 new workplaces).
- 4 training delivered - 35 trainees successfully completed training requirements and received certification;
- publications in 5 topics (legal, public administration, environmental sustainability, introduction of the technology of processing by-products of viticulture);
- 5 public fora organized.

Source: SEGIRA (2010)

***Food processing and food supply chains***

Food processing investments take various forms and have multi-functional purposes, which often lead to environmental benefits. When these are concentrated within a particular company, they can lead, for example, to an improvement in the quality of the production (e.g. ‘The Fur play rabbit farm’ project, MT), the diversity of the products on offer (e.g. ‘Micro-enterprise set-up for processing of organic products’ project, LT), improvement of the employment opportunities in the factory (‘Kolarovo mill’ project, SK) and lead to an overall

improvement in economic activity, including meeting high-level EU standards. Support for general processing development could also lead to internationalisation in the marketing of the production (e.g. the 'Bonduelle' project, PT). It can often lead to follow-up projects, thereby further increasing processing capacities and strengthening the companies' market positions.

In the 'Kolarovo mill' project (SK), for example, a state-of-the-art grain storage and processing plant has been built with EU funds, which were used in particular for increasing the grain storage capacity, expanded and improved grinding capacity and packaging technology and special transportation vehicles. Although the investment content of this project was fairly standard, it had a knock-on effect on the local network of grain producers who are now able to market their production locally, and on bakeries and also individuals who have been able to find jobs. The overall vision of the project was developed thanks to innovation – following a visit to another EU area where similar businesses have experienced similar marketing changes.

Creating platforms for food industry enterprises is another innovative way to stimulate the development of food processing. The project entitled 'Own taste' (Voru county, EE) has focused on this activity, with the aim of acquiring experience and contacts, as well as guidance on organising food processing collaboration via such a platform. In addition, the project held a number of seminars and working groups on related topics, dissemination of information about the trademark that was the subject of promotion, publication of an information leaflet to introduce the local food producers, as well as conducting research to map the small food producers in the county; all of this was achieved with a very small amount of EU support of some €14,000.

In this context, the study of food supply chain relationships<sup>157</sup> and situations is important in terms of boosting local economies. This was confirmed by the case-study project in Bourgogne and Franche-Comte (FR), where six case-studies describing the setting up of short food supply chains were carried out. It has led to the production of a practical guide for those regional development agencies and local governments who want to stimulate and develop short food supply chains in their own regions. Moreover, one national and two regional seminars have been held, and the guide produced has been disseminated via the internet and in hard-copy publications. The partnership that was set up with the Professional Training Centre for promotion of agriculture in Montmorot has also helped in the successful completion of this project. As an outcome, apart from the original innovative idea and its dissemination, the institution that developed the project has gained experience, enabling it to become a provider of consultancy services too.

#### *Job creation, value added and economic growth*

Significant growth and jobs creation has been achieved by the EU-funded projects described in this sub-section. Each project has its own specific features, but the results are very impressive.

The setting up of young farmers does not create many new jobs, as farming activities are developed by the young farmer, rarely with support from other household members. Increased seasonal employment seems to have a more relevant impact, but the main value-added of the support comes not only from the generation renewal in agriculture, but also in the economic

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<sup>157</sup> For food supply chain relationships see also the analysis in section "Tourism, economic integration and local partnerships" in this Annex.

growth that new farms have to achieve for the first five years after setting up. In addition, compliance with EU legislation and standards is ensured, thereby guaranteeing the quality of the production and the proper environmental performance of the holding.

The support for producer groups in agriculture brings together a huge number of farmers, many of them small scale, and provides them with new marketing opportunities. The project entitled ‘Strengthening the local production chain’ (Valle Crati, Calabria, IT), for example, has created a consortium of 120 operators (farmers and processors) which is still functioning. In addition, it has set up an integrated production plan which finances the use of more than 300 ha for growing figs, has been awarded a PDO label (protected designation of origin quality label), has opened up marketing options leading to internationalization and has led to a proposal for a second phase focusing on enhancing the commercialization and dissemination of products.

General agricultural technology development also creates growth and jobs., For example, a cattle farm development project in Romania (Ialomita county) has not only created two new stables for 380 cows each, but has also integrated milking and related activities with new technologies, supporting the production and use of energy from alternative resources (solar panels for hot water and photovoltaic panels for lighting) for the first time on the farm. It has also delivered environmental benefits, as some 10,000 cubic m/s of manure will be used for fertilizing land, and both new and old employees will receive additional training on the farm site.

In another cattle farm development project (Kalna Dambrani, LV), in addition to a threefold increase in the size of the cattle herd (to 350 head), EAFRD funding has helped in significantly improving the milk quality, with somatic cells down from 254,000 to 118,000; a manure container has been built that protects nature from pollution; a storage house built with only environmentally friendly materials has further improved the quality of grain in the winter periods. Similar benefits could be seen in another Latvian cattle farm project (farm ‘Vecsiljani’), where new buildings for cattle (for 400 calves and 256 dairy cows) have been funded, together with two slurry storage units with a 5,000 m<sup>3</sup> capacity to reduce nitrogen evaporation in atmosphere and ground water pollution, which had been a problem. The outcome expected equals 17% increase in milk production and the creation of two additional jobs. At another farm — on this occasion a poultry breeding project in the Vaslui county (RO) where an ecological water treatment plant for domestic waste water and for water for washing the halls was set up, and where non-toxic waste is to be collected and stored on concrete platforms — not only veterinary and sanitary standards have been met, but an additional 28 new jobs have also been created and both business turnover and production volume have increased.

It is also worth highlighting impacts from other agricultural projects. In a project developed in Malta (Gozo), focused on the growing of vegetables using modern hydroponic techniques, a fertigation<sup>158</sup> system has been introduced, as well as the use of growing culverts by which the farmer succeeded in rationalizing the use of fertilisers up to the optimum crop balance level and also managed to set up a process for the recycling and re-use of the water used on the farm. The investment also led to drastic reduction in production costs, thereby making the whole business viable and environmentally friendly. It has also led to a 5% increase in

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<sup>158</sup> Fertigation is the application of fertilizers, soil amendments, or other water soluble products through an irrigation system

turnover, reduced use of pesticides, more varied production and improved quality and quantity of the vegetables produced.

Support for business accommodation for new entrepreneurs also has a substantial impact on local economies. For example, the ‘Residence for entrepreneurs’ project (Auvergne, FR), has successfully supported 146 entrepreneurs in total from outside the Auvergne region, and 39 entrepreneurs have also received further study analysis, with an additional 78 projects now in the pipeline. The ‘Kendal’ project (UK) has created 50 new jobs (twice the expected number) and has increased business turnover by almost 3.5 times the expected amount. It has also led a local sourcing contract being signed with a supermarket chain supplying 80 different local food brands in 12 stores, with an additional supply guaranteed for 100 local hotels and restaurants.

Food processing investments also create growth and jobs. The ‘Fur play rabbit farm’ project (MT) has led to an increase in profits of almost 60% as a result of the value added of the meat produced; it has also created jobs (an increase of 100 man hours for manual work), and has had environmental benefits in the form of the treatment of effluent from the slaughterhouse and the processing plant.

The ‘Kolarovo mill’ (SK) project has led to an improvement in working conditions, a raising of product quality, the application of environmentally friendly technologies, improved levels of hygiene, a 40% increase in the volume of production, a 57% improvement in the added value generated by employees and an increase in the production capacity per employee from 1800t/year to around 3000t/year, in addition to creating six new jobs.

The platform for food processors under the ‘Own taste’ project (EE) has brought together 55 businesses, and 100 learning opportunities have been provided.

#### *Financial and other aspects*

The projects described here differ in size and financial value according to their technological features, but those in agriculture and food processing can easily reach a total expenditure per project of several millions of Euros, because their content is underpinned by massive technological investment. It should be noted that self-financing goes beyond the private share in funding the projects, as insurance, taxes, loan obligations, etc. could potentially increase the burden on the project developers.

While partnerships appear to play a vital and extremely important role, we should not underestimate the time that needs to be devoted to setting these up before the project is initiated. The quality of the relationships in the networks/partnerships defines not just the success of the project, but also its quality delivery and its future sustainability. Developed projects could also serve as a good starting point for beneficiaries to enter the consultancy and policy development fields.

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## ANNEXES

### Annex A

#### DG AGRI – DG REGIO rural area delimitation

The European Commission (DG AGRI / DG REGIO) has developed a new classification of the (NUTS3) regions in the EU. The new classification improves the one by the OECD, currently in use for statistical and analytical purposes, by overcoming some intrinsic limitations due to the variable size across the EU of Local Administrative Units (LAU2) and NUTS3 regions. The new classification does not introduce major changes with respect to the OECD classification, and is now in its testing phase. The new typology builds on a simple two-step approach to identify population in urban areas:

- (1) A population density threshold (300 inhabitants per km<sup>2</sup>) applied to grid cells of 1 km<sup>2</sup>
- (2) A minimum size threshold (5.000 inhabitants) applied to grouped grid cells above the density threshold

This is an approach which can uniformly be applied to all NUTS3 regions in the EU. The new typology uses the same threshold (50%) as the OECD method to define a predominantly rural region, but uses the population share of rural grid cells and not rural LAU2s. By going straight from the grid to the regional level, the distortion of the variable size of the LAU2s is circumvented and the consistency and the comparability of the results is thus reinforced.

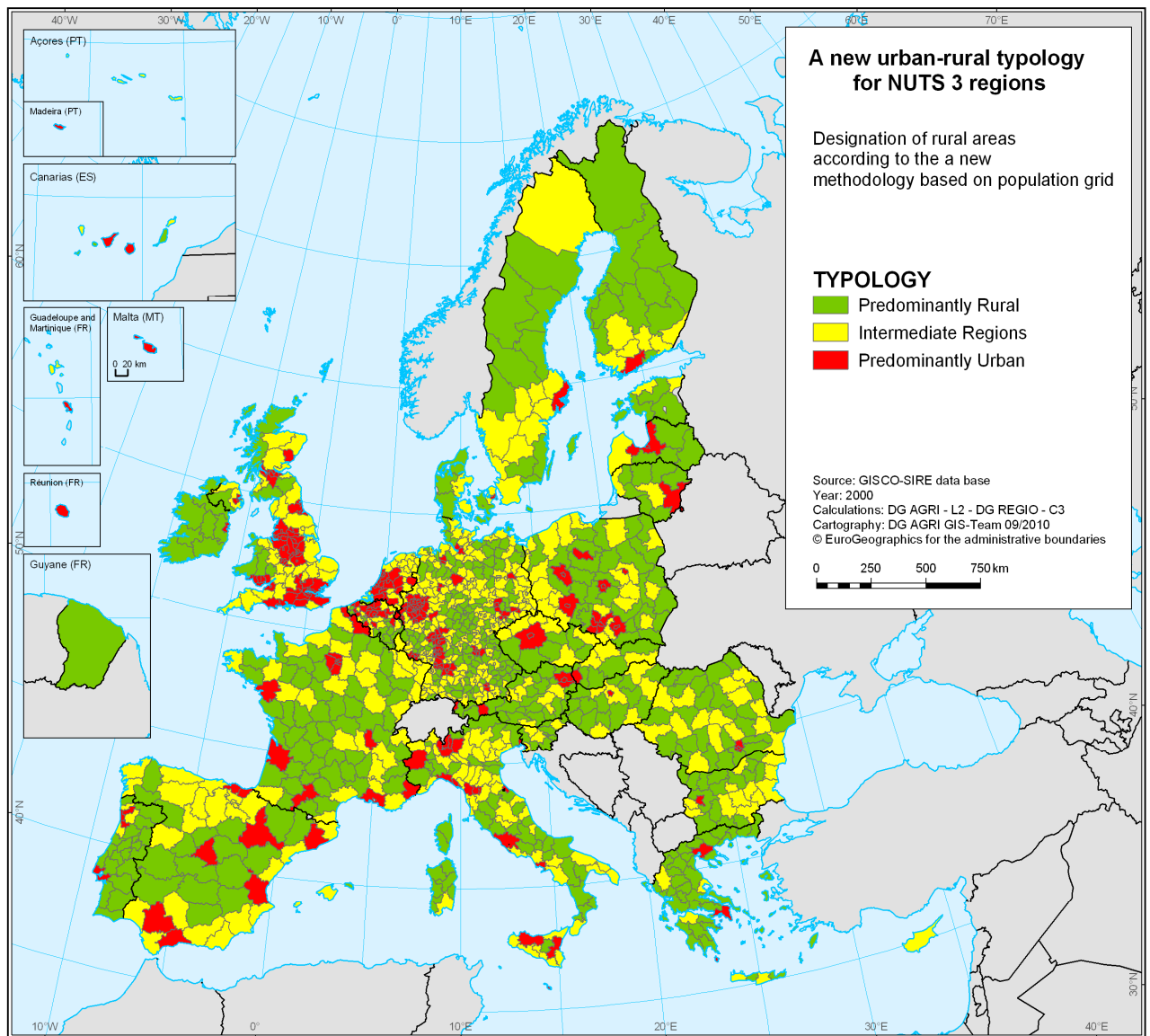
The population living in rural areas is the population living outside the urban areas identified through the method described above. To determine the population size, the grid cells are grouped based on contiguity. This methodology proposes a different approach to solve the problem of too small NUTS3 regions. It combines NUTS3 regions smaller than 500 km<sup>2</sup> with their neighbouring NUTS3 regions. Of the 1303 NUTS3 regions, 247 are smaller than 500 km<sup>2</sup>. 142 were combined with their neighbours to ensure that the grouped NUTS3 regions had a size of at least 500 km<sup>2</sup>

The approach has the benefit that it creates a more balanced distribution of population at the EU level. The new typology also changes the distribution of land area in each of the typologies, but to a lesser extent than the change of the share in population.

For Madeira, Açores and the French outermost regions, the population grid is not available. As a result, this typology uses the old OECD classification for these regions.



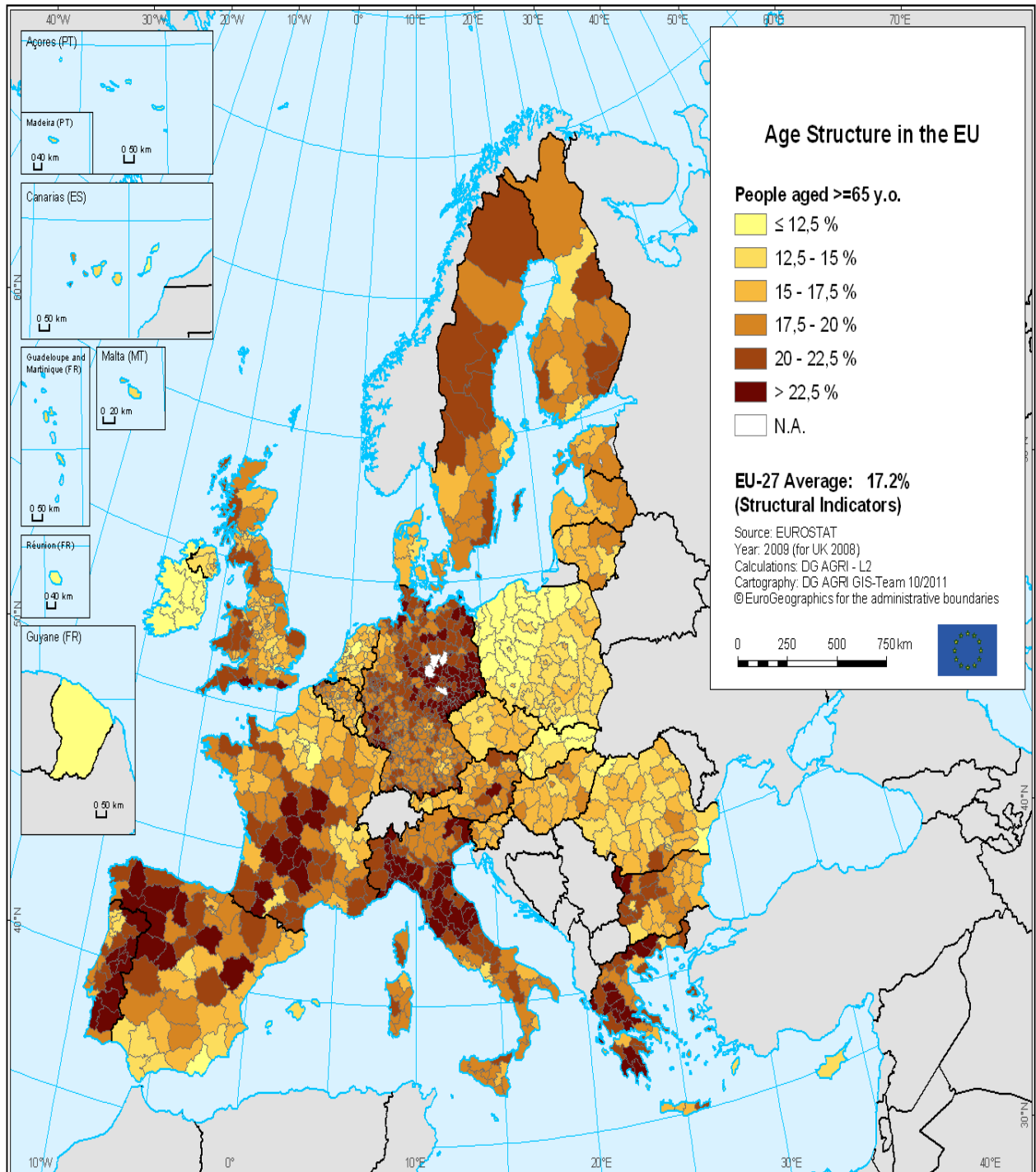
**Map 1. Urban, rural and intermediate regions at NUTS3 level in the EU**



Source: DG AGRI

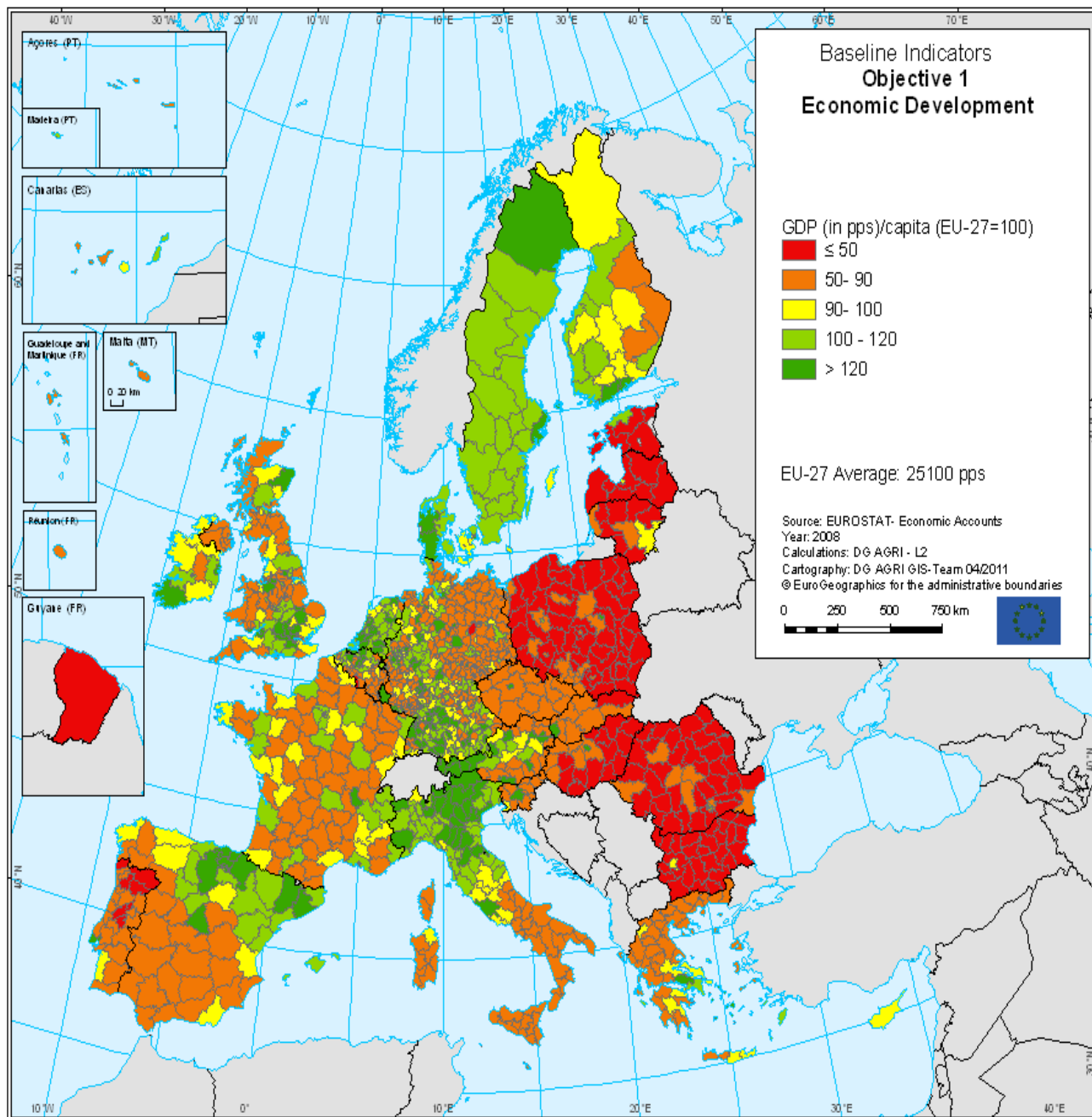
## Annex B

Map 2. Share of population aged 65+ (NUTS3) in the year 2007



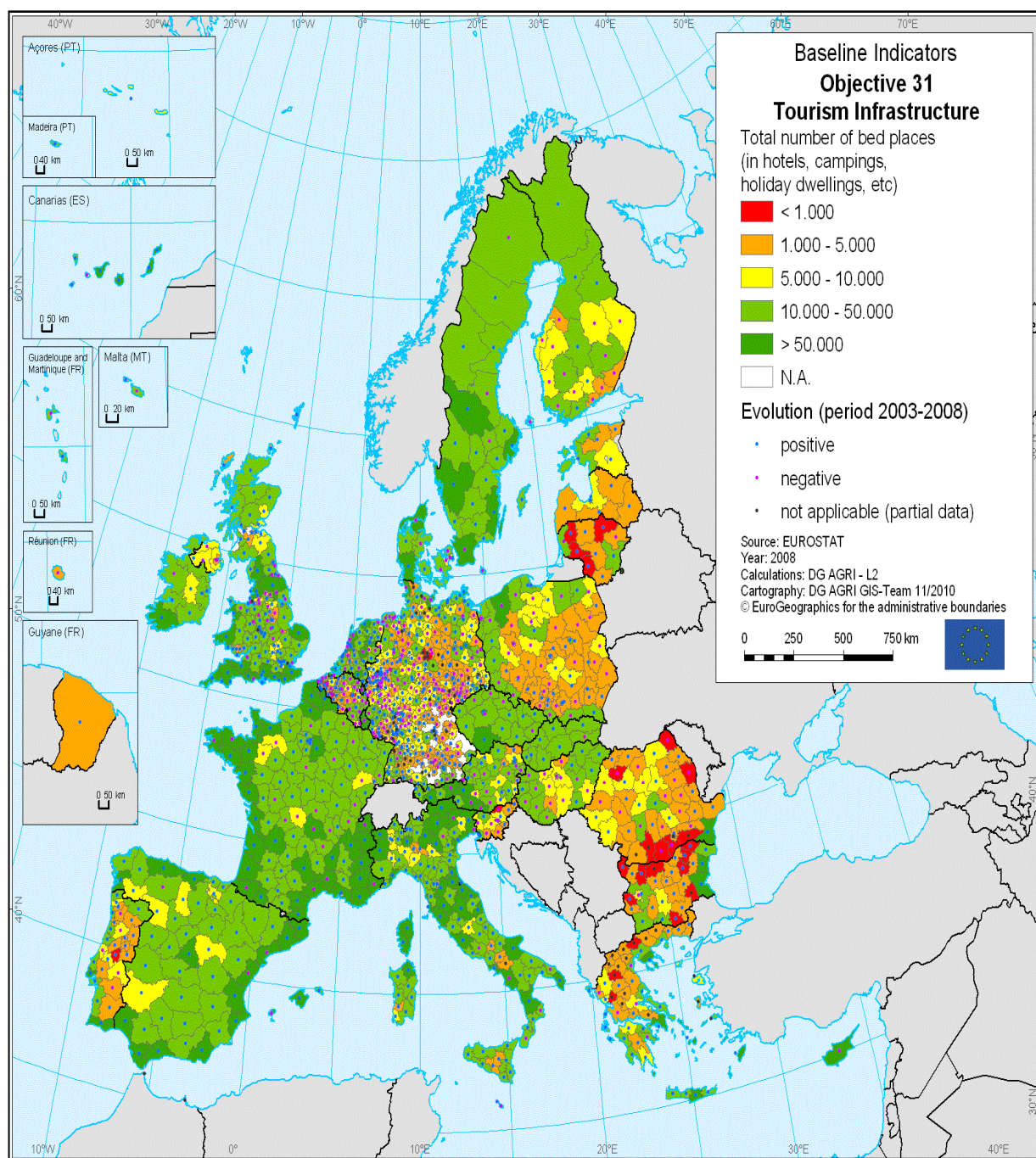
Source: DG AGRI

**Map 3. GDP per capita in the EU, NUTS3 level, 2008**



Source: DG AGRI

**Map 4. Tourism infrastructure and its development in 2003-2008, NUTS3 level**



Source: DG AGRI

## Annex C

### Types of EU rural regions

This Annex presents the results of the clustering exercise carried out by SEGIRA. The clustering was done on the basis of analysis of 27 socio-economic indicators at NUTS3 level (including their dynamics) and taking into consideration the CAP expenditure<sup>159</sup> (Pillar 1 and Pillar 2) in the current and in the previous programming periods<sup>160</sup>. The results of the clustering are displayed in Map 5 and the indicators used are listed in Enclosure III.

The clustering resulted in the grouping of the EU regions into 13 different clustering groups. From these 13 groups, six are dominated by the presence of rural regions. The inclusion of the CAP expenditure among the clustering indicators has increased the stability of the clusters and the rural divide has become quite clear. The national character of regions is only visible for Germany and Ireland - all other EU countries show a remarkable regional differentiation.

The major characteristics of the six cluster groups dominated by rural regions are the following:

#### **‘Balanced rural areas with a declining manufacturing sector’ (cluster No. 5, map 5)**

The cluster groups predominantly rural regions representing low population density and low artificial surface. These are located in France and Northern Italy (the economically better performing Italian regions), in Spain, Portugal and central Europe (parts of Austria, Hungary, the Czech Republic as well as Slovakia).

It shows an average economic performance with a stable split between the three economic sectors (primary, secondary and tertiary). The ‘balanced’ character of the cluster is given by the performance trends of the secondary sector. However, in the latest years these regions were confronted with significant economic decline, especially in the secondary sector. Employment levels as well as primary and tertiary sectors have remained relatively stable. The performance level of the tourism sector is better than the EU average.

In terms of CAP support the regions in this cluster have benefitted from an average EU rural development expenditure (€10.8/€3.4 per capita) when compared to the EU average of €14.2/€2.7. The CAP Pillar 1 funding for the cluster is higher than the EU average (€ 2.7 million per ESU compared to the EU average of €1.8 million per ESU).

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<sup>159</sup> The CAP expenditure data (both Pillar 1 and Pillar 2 of the CAP) has been included in the clustering with the rationale that if support measures are included in the regional differentiation, their support nature will give a more precise categorisation of rural regions. The mapping of the distribution of the CAP expenditure at NUTS3 level (in total and per axis) could be found in the final report of SEGIRA. For clustering results excluding the CAP expenditure, see SEGIRA (2010) final report.

<sup>160</sup> A robustness analysis has been also done by eliminating the most determining variables from the clustering. It showed that the overall split of regions within Europe seems to be robust and that it depicts the underlying socio-economic conditions. A more restricted clustering has also been performed, excluding the CAP expenditure variables. It showed stable results. The details could be found in the final report of SEGIRA.

### **‘Southern and Northern periphery, and mountains’ (cluster No. 6, map 5)**

This cluster covers regions in the Southern and Northern EU periphery — parts of Spain, Southern Italy (Mezzogiorno), parts of Greece, Scotland, Sweden and Finland as well as the Austrian Alps. The regions show relatively extreme climatic and topographic specificities such as South and North, or Alpine Climate.

The rural regions in the cluster have low population density. In terms of socio-economic conditions, the regions show an economic performance, which is lower than the EU average, with a relatively stable split of the sectors. The unemployment rates in these regions have, however, significantly decreased. The cluster is also characterized by a highly developed tourism sector supported by a strong tertiary sector. In agriculture, however, low skilled farmers are dominating.

In terms of CAP policy support, the CAP Pillar 1 expenditure is more than twice higher compared to the EU average (€3.9 million per ESU), while the CAP rural development expenditure is close to the EU average (€16.5/€1.7 per capita).

### **‘Western EU coastal and mountain areas’ (cluster No. 7, map 5)**

This cluster comprises coastal regions from Spain, France, Italy Bulgaria and Great Britain as well as parts of the Alpine arc, and the Pyrenees. The common characteristic of all these regions is obviously their topography (sea or mountains). Although the structural character of the regions points at an overall rural character (driven by the natural land cover and the population density), the regions include quite some urban agglomerations.

From economic point of view the regions that fall in this cluster have in common an outstanding tourism infrastructure and high growth rates. This leads to a strong role that the tertiary sector plays there. Agriculture has an ‘average’ role and no significant sign of switches from the primary to the tertiary sector could be observed. However the increasing population density puts a pressure on the land spatial policies.

The support from the CAP (Pillar 1) is €2.1 million per ESU, which is slightly above the EU average (€18 million per ESU). The CAP rural development support is very low for the both funding periods (€5.9/€0.6 per capita compared to the EU average of €14.2/€2.7).

### **‘Agriculturally dominated EU Eastern periphery’ (cluster No. 8, map 5)**

This cluster groups regions from Poland, Romania and some parts of Bulgaria,, which could be categorised as remote rural regions at the eastern boarder of the EU.

Due to their exposure and economic situation (very low economic performance combined with relatively high growth rates), which is much depending on agriculture those are the regions that face significant challenges. They are characterized by low skilled agricultural labour and a significant shift from primary to other sectors in recent years, especially towards tertiary employment, could be observed. Movement of population out of the regions is also noticeable. The tourism sector remains underdeveloped. As a result, the regions in this cluster have the highest share of out-migration in Europe.

The CAP rural development expenditure for the regions in the cluster is very low (€0.4 per capita compared to EU average of €2.7 per capita for the current programming period) and a funding equalling the EU average for the previous programming period (€14.2 per capita). The CAP Pillar 1 expenditure estimates have been burdened due to the change in the NUTS3 delimitation in these countries and could not be displayed,

### **‘Economically strong rural regions in new Member States’ (cluster No. 9, map 5)**

It covers large parts of the Baltic countries, parts of Eastern Poland and parts of Slovenia. The regions have low economic levels (on average), but experience relatively large economic growth in the last years (especially in the secondary sector). Agriculture has a decreasing role, however, starting from a comparably high level. The tertiary sector, including tourism, does not have yet a significant impact on the regional economic performance.

This cluster is the Eastern European equivalent to the cluster discussed after this one (i.e. cluster 15 on the map) as regards the similar CAP support levels. The CAP rural development expenditure in the previous programming period for the cluster (€43.8 per capita) is three times higher than the EU average, which underlines the important role of the CAP rural development policy in these regions.

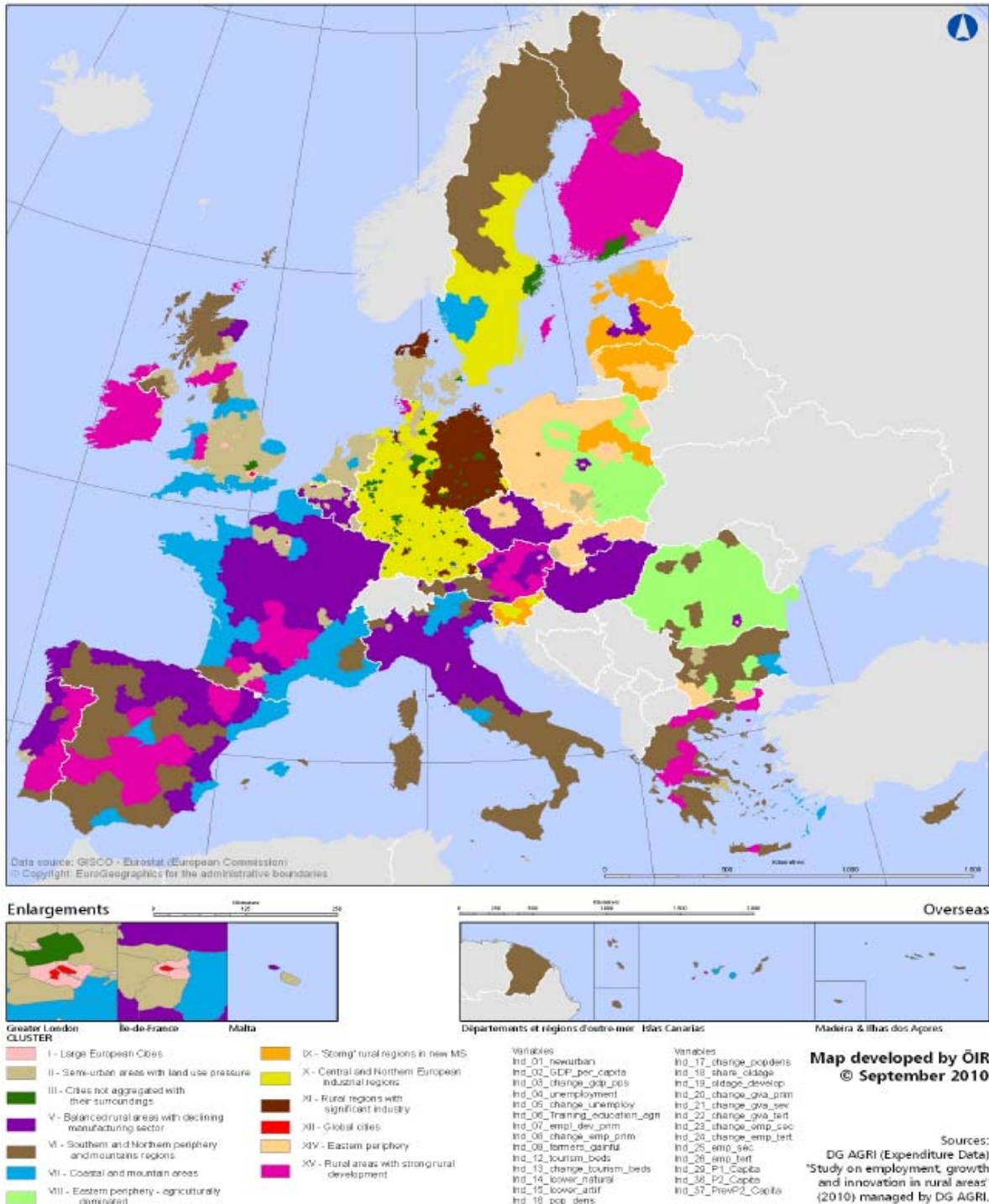
### **‘Rural regions with a strong rural development’ (cluster No. 15, map 5)**

This cluster comprises territories from across the whole EU: starting from Eastern Portugal, Central Spain and Central France to reach Austria and Greece and cover Ireland, parts of Scotland and large parts of Finland.

These territories are overall rural regions with an average economic performance (average GDP per capita and employment levels). The general trend of shift from agriculture to other economic sectors could be observed, but not to such a strong extent as in other EU regions. Farming/forestry still plays an important role in these regions, although a slight decrease is already noticeable (expressed by a share of primary sector in regional GVA below the EU average). Farmers in these regions are well trained.

The specificity of these regions is best depicted by their share of received CAP funding, which is above the average for CAP Pillar 1 expenditure (about three times higher than the EU average), and has been significantly high for CAP rural development expenditure as well (€63.6/€5.3 per capita compared to the EU average of €14.2/€2.7 ).

Map 5. EU clusters of regions



Source: SEGIRA (2010)



### Indicators used for the clustering of EU regions

Indicator	Source	Year
New urban/intermediate/rural classification	DG AGRI/DG REGIO	2010
GDP(in pps)/capita (EU-27=100)	Eurostat	Avg '04-'06
Change in GDP(in pps)/capita (EU-27=100)	Eurostat	Avg '98-'00 / Avg '04-'06
Unemployment rate (% active population)	Eurostat	2007
Change in Unemployment (% active population)	Eurostat	2000-2007
% managers with basic or full agricultural training	Eurostat	2005
Employment of primary sector (=A_B), absolute figures	Eurostat	2006
Average annual growth rate of primary sector (=A_B) in %	Eurostat	2006
% holders with other gainful activity	Eurostat	2007
Total number of bed places	Eurostat	2007
Change of total number of bed places	Eurostat	2000-2007
% area by category of land cover natural	EEA	2000
% area by category of land cover artificial	EEA	2000
Inhabitants per km <sup>2</sup>	Eurostat RS	2007
Change in Population Density	Eurostat RS	2006
Share of population 65+ on total population	Eurostat RS	2007
Change on [Share of population 65+ on total population]	Eurostat	2001-2007
% GVA in Primary sector	Eurostat	2001-2007
% GVA in Secondary sector	Eurostat	2000-2006
% GVA in Tertiary sector	Eurostat	2000-2006
Change of Employment in Secondary sector in %	Eurostat	2000-2006
Change of Employment in Tertiary sector in %	Eurostat EA	2000-2006
% Employment in Secondary sector	Eurostat EA	2006
% Employment in Tertiary sector	Eurostat EA	2006
CAP Pillar 1 expenditure per economic farm size	DG AGRI	2004-2008
CAP Pillar 2/EAGGF and TRDI expenditure per capita	DG AGRI	2000-2009
CAP Pillar 2/EAFRD (rural development) expenditure per capita	DG AGRI	2007-2009

Source: SEGIRA (2010)

## **Annex D**

### **Employment and business development in the rural areas of EU12: The impact of SAPARD in the pre-accession period**

The SAPARD support to EU12 countries was a starting and a learning point for them on how to utilise EU rural development funds (2001-2004 for EU10 and 2001-2007 for BG/RO). It also supported the institutional setting-up in these countries, which was needed for the post-accession period. This section displays some of the findings of the SAPARD ex-post evaluation study<sup>161</sup> in the context of jobs and business creation, based on the country ex-post reports on the SAPARD programme. The study was finalised in December 2010.

The study concludes that, in general, SAPARD has facilitated the positive development in creating and maintaining jobs (e.g. in CZ), and had a significant impact on employment, or on maintaining employment opportunities in rural areas (EE, HU, PL). At the same time, in some of the EU12 countries, SAPARD has been conducive only to a small extent in creating/maintaining employment opportunities – with the proportion of created/maintained positions in the overall number of employed being rather small (LV, SK). Due to increase in labour and technological efficiency, the number of employees in the agricultural sectors has been reduced in some of the benefitting countries (e.g. LT, SK) at the time when SAPARD was implemented. Structural changes also played a role in this context.

#### **Job creation**

The contribution of SAPARD to job creation has been of a different magnitude for each EU12 country. EU10 countries have managed to utilise all resources that were devoted to measures supporting off-farm investments, local infrastructure and agricultural business development. The impacts of the support vary depending on the measures that were applied. The lack of a common methodology for evaluation and monitoring at that time does not allow the conducting of an equal comparison between all EU10 countries. Despite this important shortcoming certain outcomes could still be listed.

For example in Hungary, about 12,969 new jobs were created and 72,873 jobs were maintained in the context of the whole programme. In Slovakia these figures are much lower, respectively, 376 and 2,102. In Lithuania about 1,925 employment places were created thanks to the programme.

In Estonia, according to beneficiary surveys that have been carried out, on average 2 jobs per respondent were created and the closure of 1 position per respondent has been avoided. The Slovenian ex-post evaluation mentions the decrease of employment in the food processing industry (- 19%) while an average increase of employment of in rural areas (+4%) and the agricultural sector (+16%) has been indicated.

The measure that contributed most to job creation is farm diversification into non-agricultural activities. The support under that measure helped the creation of 1,020 jobs in the Czech Republic, about 4,045 in Latvia, and 2,394 in Poland.

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<sup>161</sup>The final report of the study is available at:  
[http://ec.europa.eu/agriculture/eval/reports/sapard2010/index\\_en.htm](http://ec.europa.eu/agriculture/eval/reports/sapard2010/index_en.htm)

The European Commission cannot be held responsible for any incomplete or inaccurate information contained in the study or in the ex-post and/or annual country reports on SAPARD.

Concerning the pluri-activity of part-time farmers, the number of non-agricultural fields created or re-launched in Estonia reached 46 in 2007. In Hungary 16% of the beneficiary respondents indicated the creation of part-time jobs. Regarding the proportion of created and maintained positions as a result of supplier and income multiplier effects, they accounted, for example, for 6.3% of the jobs in Latvia.

### *Women and young people*

The reports indicate a relatively high share of female participation in the supported by SAPARD new activities. For example, in Slovakia, 47% of the newly created and 35% of the maintained jobs were taken by women, while in Hungary this proportion was 37% of all jobs, the same as in Latvia. In Lithuania, about 50% of the new jobs under the diversification support have been taken by women, while in Slovenia the number of jobs taken by women had increased by 16.7%. In Estonia, the general share of women in the workforce increased from 45.5% (2002) to 66.2 % (2006), but this increase is difficult to be devoted (entirely) to SAPARD.

The share of young people within the newly created jobs was 16% in Hungary, 26% in Latvia, and 33% in Slovakia, where also 11% of the maintained jobs were attributed to young people.

### **Access to services for the rural population**

Although information on this indicator is rather limited, with only the Latvian and Hungarian ex-post evaluations providing some data, results are quite significant. As regards the share of the population assisted directly or indirectly by SAPARD, the Latvian report indicates that 20.8% of the rural population was supported by the programme. Approaching more concrete indicators,

The national reports provide more accurate information on certain indicators. In Estonia the access of rural population to running water increased from 67% in 2001 to 77% in 2006, but access to sewerage network has remained the same (about 41%). In Hungary, 1% of the rural population has been equipped with access to sewerage purification, while 1.5% had access to better waste water services following the SAPARD support.

In Latvia — where the indicator was merged with the proportion of population having access to telephone and communications services – it reached 1.9% of the rural population. In Lithuania, 60% of the rural residential units were installed with water supply system. In Poland the number of households using water supply system has increased to 72.9% and those having sewerage system increased to 59%. In Slovenia, the average increase of the share of municipality inhabitants who are connected to a water supply system increased by 5 percentage points. In the Czech Republic, the number of people that benefitted from a waste water treatment plant built with the programme's support was 1,740.

As regards telephone and telecommunications services, the Czech report states that ICT centres with a total area of 3,009 m<sup>2</sup> were built. In total 107 PCs for general public use have been bought and 121 public internet access points have been established. In Estonia, 72 new computer-equipped premises were established and the number of people using services of public information access points increased from 9,730 in 2004 to 8,948 by the end of 2006. The population reached by IT investments in Hungary was 91,326.

As regards cultural and social services, the Hungarian report describes that 56% of the surveyed beneficiaries stated that it was SAPARD which created the possibility for operating new activities, and that outdoor and indoor developments gave rise to new cultural, community and leisure time activities.

### **Competitiveness and improved business dynamics**

Despite the limited financial support under SAPARD as well as its pre-accession nature direct effects on the business performance of the beneficiaries remain strong. For example, 88% of the surveyed beneficiaries in the Czech Republic experienced an increased competitiveness and positive impact on their economic business stability thanks to the programme. In Poland, the enterprise rate has increased from 41.3 in 2000 to 46.6 in 2005 underlining a trend towards improvement of the economic dynamics in the supported territories. In Slovakia, about 7% of the beneficiaries started new economic activities, while the rest focused on their current business. However, SAPARD seems not to have played a decisive role in Latvia, while in Hungary effects were expected mostly in small villages where infrastructural investments have taken place.

### **Sectors' Added Value**

This indicators accounted in generally for the change in added value of agricultural or processing companies in rural areas (in €). Latvia provides data of €26.3 million as a baseline value and €59.5 million as achieved value (i.e. a growth of 2.3 times) with no breakdown of values to agricultural and processing companies being made available.

In Hungary the growth value added of processing companies is 21%, while Lithuania the percentage of change regarding agricultural companies is 17 percentage points (2006 vs 1995) and 36% (2006 vs 1998). In Slovakia, the gross value added in beneficiaries' companies rose on average by 17 percentage points, while in Slovenia the overall added value increased by 54%.

## Annex E

### Apprentices — definitions and major elements

Apprenticeship is a system of training a new generation of practitioners of a skill. Most of their training is done while working for an employer who helps the apprentices learn their trade, in exchange for their continuing labour for an agreed period after they become skilled. Theoretical education may also be involved, informally via the workplace and/or by attending vocational schools while still being paid by the employer.

As employees, apprentices earn a wage and work alongside experienced staff to gain job-specific skills. Off the job, usually on a day-release basis, apprentices receive training to work towards nationally recognized qualifications.

Apprenticeships can take between one and four years to complete depending on the level of apprenticeship, the apprentices' ability and the industry sector. Apprenticeships are open to potential workers of all age groups above 16 years, no matter their previous working status.

Apprenticeships are designed with the help of the employers in the industry, so that they offer a structured programme that takes the apprentice through the skills he/she needs to do a job well. There are targets and a check during the apprenticeship's period to make sure that the employer is supporting the apprentice and that the apprentice is making a progress.

As an employee, the apprentice is in employment for most of his/her time as most training takes place on the job place. The rest usually takes place at a local educational institution or a specialised training organisation. The amount of time spent for training varies according to the apprenticeship.

In the British system, all Apprenticeships must include the following elements:

- A competencies qualification which must be achieved by the apprentice to qualify for an Apprenticeship certificate, and which is the qualification required to demonstrate competence in performing the skill, trade or occupation to which the framework relates;
- A technical knowledge qualification which is the qualification required to demonstrate achievement of the technical skills, knowledge and understanding of theoretical concepts and knowledge and understanding of the industry and its market relevant to the skill, trade or occupation to which the framework relates. Sometimes an Apprenticeship framework may have an integrated qualification which combines competence and technical knowledge elements in which each element is separately assessed;
- Either Key Skills (e.g. working in teams, problem-solving, communication and using new technology) or Functional Skills (e.g. Mathematics and English) qualifications or a GCSE with enhanced content (e.g. Mathematics and English).

Source: <http://www.apprenticeships.org.uk/> and Wikipedia: <http://www.wikipedia.org/>