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The role of local framework conditions for the adoption of rural development policy: An example of diversification, tourism development and village renewal in Brandenburg, Germany

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ABSTRACT

Rural regions with limited levels of diversification of the primary sector, including agri-tourism, integration of processing and distribution activities or quality production, are often characterised by an underdeveloped exploitation of regional potentialities. Within this framework, axis 3 of the EU rural development (RD) policy seeks to valorise regional assets with the aim of enhancing living standards and economic diversification and competitiveness. The policy measures, however, are unevenly taken up across the region, and little is known about the role of territorial factors in terms of how they affect the adoption levels of the measures. To analyse the relationship between the territorial conditions and the implementation pattern, an econometric analysis was conducted within 410 municipalities inside the German Federal State of Brandenburg. Extensive grassland management, working places, exurbanisation, ecologically valuable habitats and other socio-economic factors affecting expenditure levels were identified as relevant factors for policy adoption. Here, a clear political targeting can be assumed when considering the measure of "village renewal". It is concluded that RD policy exhibits a significant local distinctiveness, which results from complex multi-level strategic decision-making at EU-, regional-, and individual-participant level. This, in turn, is also influenced by the local framework situation.

1. Introduction: rural development programme, axis 3 and the role of farmers' participation

With the introduction of the Agenda 2000 reforms (EC, 1999), rural development was established in the European Union as the so-called second pillar of the Common Agricultural Policy (CAP). It aims at widening the focus from individual farmer support to sustainably developing the rural area as a whole. Based on Council Regulations 1257/1999 and 1698/2005, it was implemented via individual rural development plans (RDP) in the different Member States at national or regional level during the funding periods of 2000–2006 and 2007–2013. In addition to improving the competitiveness of the primary sector and protecting the environment and countryside, several measures were introduced as the third axis of the rural development programme that aimed to enhance the quality of life in rural areas and to encourage the diversification of economic activity. In light of a post-productivist and multi-functional development paradigm, diversification and agri-tourism strategies were originally designed for small farming enterprises and families. Their goal was to broaden income bases, generate employment, compensate for decreasing revenues acquired from traditional agriculture, enable the effective utilisation of farm resources (Bowler et al., 1996), improve the rural area's capacity to provide goods and services demanded by the wider society, and to invest in the livelihoods of those residents in rural areas (e.g. Robinson, 2004).

Axis 3 consists of three modules aimed at (i) sustainable economic development, which includes the diversification of farm holdings and rural tourism promotion; (ii) life quality and viability of the rural community; and (iii) the acquisition of specific skills. According to the European Evaluation Network for Rural Development (ENRD, 2010), this part of rural development makes an important contribution to the quality-of-life objectives with regard to the socio-cultural, environmental and economic services. ENRD concludes that there is a strong overlap of these dimensions within the various concepts of well-being (Council of Europe, 2008).

The main measures in terms of funding are the measures 311 (diversification), 313 (encouraging tourism activities) and 322

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(village renewal). In another form and composition, these aspects will also play an important role in the new CAP period 2013–2020 (COM, 2011). However, as for the whole of the second pillar, as well as for axis 3, the achievement of policy objectives relies on the willingness of farmers and other rural stakeholders to participate. This is particularly relevant, since parts of the actual costs need to be co-financed by the beneficiary of the funding, depending on the specific measure involved. Therefore, the degree to which a measure is implemented is highly dependent on the individual decision-making process of the potential recipient, which is based on a set of internal and external factors within the context of the given business environment. Potential recipients of axis 3 measures range from farmers, farm households and rural individuals to legal and administrative entities, e.g. municipalities. Whereas, in terms of capital and labour endowment, the internal factors refer to the individual situation as well as to the intrinsic value system and motivations to follow a certain strategic pathway (Bartolini and Viaggi, 2013), external factors represent the circumstances that the economic agents face, which can range from a global scale (e.g. commodity and input market prices) to a regional and local scale, e.g. the local farming community, the socio-economic background of the rural areas as well as the landscape conditions (Robinson, 2004). As we will show below, there are numerous studies about the role of these external conditions on the adoption of agri-environmental policies. In contrast, only little is known about their effect on axis 3 rural development (RD) measures. Since supporting farm diversification or encouraging rural tourism involves valorising prevailing territorial assets (such as the natural capital or the proximity to urban areas), determining how these assets actually impact on the decision to participate in and co-finance such measures is essential for effective policy design.

Therefore, the main objective of this paper is to analyse these regional and local framework conditions and to investigate their influence on the implementation pattern of RD axis 3 measures. We have conducted an econometric analysis on the degree of participation in three different measures (311, 313, 322) across municipalities (NUTS4) in the RD programming area of the German Federal State of Brandenburg in order to analyse the influence of the three groups of regional determinants. In the following section, we will give an overview of the existing literature concerning the relationship of the local context from which the analytical framework is derived. We do so to identify existing knowledge gaps and to compare them with our own findings.

2. Determinants of strategic decision-making in farming

The local farming community, the rural community and its socio-economic characteristics, and lastly the landscape and biophysical conditions were the three main determinants used to understand a farm-holder's reasons for participation.

2.1. Farm-community context

The farming community, which is the commonality of the individual farmers in a certain local territory was the first factor considered to be influential in regards to the implementation of RD measures. Whether direct interaction with upstream and downstream agri-businesses in a territory should also be considered a 'farm community' cannot be answered in general terms. Roberts et al. (2013) argue that a farm household's contribution to its surrounding locality is highly context-specific and depends upon demand- (farmer purchasing, hiring and sales decisions) and supply-side factors (the number and competitiveness of local input suppliers, strength of the local labour market, presence of local marts and food processors, etc.). Research has been carried out in the field of rural sociology concerning the differences in strategic decision-making behaviour among various groups of farmers who share similar farm businesses, householder structures and values, attitudes and motivations towards agriculture (Gasson, 1973; van der Ploeg, 1994; van der Ploeg et al., 2009). This becomes particularly important when attempting to understand farm behavioural differences, since agriculture has become a heterogeneous sphere where the 'conventional' farmer is increasingly surrounded by other types of stakeholders in agriculture, such as large-scale agri-businesses, and adaptive, innovative or part-time lifestyle farmers (Shucksmith and Herrmann, 2002; Busck et al., 2008; van der Ploeg et al., 2009). This has also been observed in different farm specialisations including horticulture or livestock farming (Zasada et al., 2013).

In the context of implementing RD measures, it has been found that the economic structure and size of agricultural holdings influences the degree of participation–for example, higher afforestation rates among part-time farmers (Præstholm et al., 2006) have been detected, and the diversification among marginal (Meert et al., 2005) or tenant farms (Maye et al., 2009) is also higher. In contrast, Sonnino (2004) has shown how agri-tourism schemes favour the interests of farmers who intensively produce (and who have the necessary personnel and financial investment reserves) over the needs of small farmers. Similarly, Chaplin et al. (2004) found that corporate-farm managers mostly perceive diversification in a positive light, suggesting that it provides an opportunity to be successful in business. The authors ascribe this finding to improved education, skills and a progressive management orientation, at least when measured against the situation before accession to the Eastern European countries of Hungary, Czech Republic and Poland. Also, attitudes towards the institutional framework and transaction costs have been found to be rather influential on the performance of agri-environmental measures (Falconer, 2000; Polman and Slangen, 2008; Mettepenningen et al., 2013) as well as diversification- and farm-tourism measures (Sharpley and Vass, 2006).

2.2. Socio-economic context

Since rural development and, in particular, axis 3 measures focus on integrating the primary sector into rural areas as a whole, the socio-economic framework conditions outside agriculture (i.e. economic performance, social welfare and employment, population, demography and education, access to urban markets) can also be considered relevant locational factors that are taken into account by farmers and other eligible rural stakeholders when attempting to understand how such measures are implemented. Urban areas, for instance, represent important sources of creativity and innovation. They are also consumer markets where goods and services can be offered via diversification activities including processing, recreation and accommodation (Zasada, 2011). The same applies to the local population, their age, lifestyles and purchasing power, which influences the willingness to participate in axis 3 schemes. For example, Jongeneel et al. (2008) indicated that among other factors, a location in the densely urbanised part of the Netherlands has a significant influence on farmers' participation in activities related to tourism and nature conservation. With regards to underlying motivations, there is evidence that farmers in proximity to urban areas expect improved financial conditions if they diversify (Barbieri and Mahoney, 2009). In more remote regions, the availability of public transport has been identified as a positive determinant for farm diversification (Chaplin et al., 2004). Applying a differentiation model of urban, peri-urban and rural areas based on population density and the density of urban land use types, Lange et al. (2013) led to findings that this regional context affects a