



Does EU rural expenditure correspond to regional development needs?



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ABSTRACT

The EU offers a complex system of rural development interventions as part of its Common Agricultural Policy. A Common Monitoring and Evaluation Framework (CMEF) has been developed for the programming period 2007–2013 in response to challenges faced with the evaluation of rural development measures in earlier programming periods.

Statistical and multivariate analysis of CMEF baseline (regional characteristics) and input (expenditure) indicator data at the NUTS2 subdivision level is used to compare four typical expenditure allocation patterns (Competitiveness, Environment, Rural Viability, Equal Spending) in terms of associated regional characteristics and development trends.

The results suggest expenditure priorities are generally in line with regional needs and that there are some positive development trends, for example higher increase of agricultural labour productivity in the Competitiveness Group, while for environmental topics the level of data required remains unsatisfactory for trend assessment. 17% of the regions have a budget allocation pattern deviating from other regions with similar characteristics, which could indicate ineffective priority setting. Consistent CMEF data over multiple programming periods would be desirable to support the relationships found and to facilitate time series analysis, but this seems questionable given that the European Commission has discontinued the CMEF in 2014 with further adaptations for the 2014–2020 programming period underway.

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1. Introduction

The European Union (EU) sustainable development strategy emphasizes the need for a cost-effective implementation of political measures especially in a situation of decreasing absolute public funds as a result of the EU enlargement (COM, 2001, 2006b). Cost-effectiveness is also relevant for funding programs for rural areas based on the Council Regulations 1257/1999 and 1698/2005 implemented through rural development plans (RDPs) in the EU member states.

In addition to market interventions, such as taxes, export subsidies or quotas, and direct income transfers, pillar one of the European Common Agricultural Policy (CAP), rural development (RD) is a core element of the CAP and is implemented in a more targeted and programmed approach compared to the other CAP

measures. The RD policy has a set of defined objectives, within which sit a suite of more detailed rural development measures (Table 1), the focus is on achieving specific outcomes, with detailed criteria for their use. Based on the principle of subsidiarity, Member States are given the flexibility to select RD measures, to fit national or regional circumstances. RD measures are grouped into thematic “axes” according to their overarching objectives:

- improving the competitiveness of the agricultural and forestry sectors (axis 1),
- improving the environment and the countryside (axis 2),
- improving the quality of life in rural areas (axis 3), and
- the LEADER¹ approach (axis 4), enabling bottom-up community initiatives.

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¹ French abbreviation for Liaison Entre Actions de Développement de l'Economie Rurale, an EU initiative to support rural development projects with a focus on creating networks and supporting cooperation among different actors and which are managed by Local Action Groups (LAGs)

Table 1
Overview of the rural -development interventions in the EU (period 2007–2013).

Axis 1 Competitiveness	Axis 2 Environment	Axis 3 Rural viability	Axis 4 LEADER
(111) Vocational training and information actions	(211) Natural handicap payments to farmers in mountain areas	(311) Diversification into non-agricultural activities	(411) Implementing local development strategies. Competitiveness
(112) Setting up of young farmers	(212) Payments to farmers in areas with handicaps, other than mountain areas	(312) Support for business creation and development	(412) Implementing local development strategies. Environment/land
(113) Early retirement	(213) Natura 2000 payments and payments. linked to Directive 2000/60/EC	(313) Encouragement of tourism activities	(413) Implementing local development strategies. Quality of life
(114) Use of advisory services	(214) Agri-environment payments	(321) Basic services for the economy and rural population	(421) Implementing cooperation projects
(115) Setting up of management, relief and advisory services	(215) Animal welfare payments	(322) Village renewal and development	(431) Running the local action group, acquiring skills and animation
(121) Modernisation of agricultural holdings	(216) Non-productive investments	(323) Conservation and upgrading of the rural heritage	
(122) Improvement of the economic value of forests	(221) First afforestation of agricultural land	(331) Training and information	
(123) Adding value to agricultural and forestry products	(222) First establishment of agroforestry systems	(341) Skills acquisition, animation.	
(124) Cooperation for development of new products	(223) First afforestation of non-agricultural land		
(125) Infrastructure related to the development and adaptation	(224) Natura 2000 payments		
(126) Restoring agricultural production potential	(225) Forest-environment payments		
(131) Meeting standards based on Community legislation	(226) Restoring forestry potential and introducing prevention		
(132) Participation of farmers in food quality schemes	(227) Non-productive investments		
(133) Information and promotion activities			
(141) Semi-subsistence farming			
(142) Producer groups			

For the 2014–2020 programming period six specific rural development priorities have been defined that further underpin the original axes; axis 1: Knowledge transfer, Competitiveness, Food chain; axis 2: Ecosystems, Resource efficiency; axis 3: Social inclusion, as well as cross-cutting topics, formerly horizontal topics, related to economic development (e.g. gross domestic product, employment rate).

In order to ensure that all objectives are met, there is a requirement for a minimum proportion of the RD budget (period 2007–2013) to be allocated to the single axes (10% for axes 1 and 3; 25% for axis 2; and 5% on axis 4: the LEADER program). Other key characteristics of the RD pillar are the requirement for European funds to be co-financed by the Member States, and that selected RD measures require also a proportion of private funding (e.g. 121 “Modernisation of agricultural holdings”, Table 1).

Apart from these minimum thresholds, the RD programming regions in the EU Member States are relatively free in the allocation of budget to the four axes, leaving room for regional priority setting.

The objective of this article is to analyse regional expenditure for the thematic rural development axes at the NUTS² level and assess whether the expenditure allocation resulting from priority setting adequately matches regional needs, and to identify possible cases where needs and budget priorities are inconsistent.

Regional priorities for the thematic RD axes are derived from past RD expenditure data, while regional needs are measured

² The administrative sub-divisions in the EU are referenced according to the Nomenclature of Territorial Units for Statistics (NUTS). Depending on the respective national context, NUTS2 refers, for example, to regions, provinces, or states. The population density in central Europe is much higher, resulting in smaller physical NUTS2 regions, while periphery regions, e.g. in the Northern, Southern, or Eastern Europe are often much larger. Germany, for example, has 39 NUTS2 regions (2010), while in other cases NUTS2 refers to the entire country (Cyprus, Estonia Latvia, Lithuania, Luxembourg, and Malta). Due to administrative territorial reforms taking place the number and codes of NUTS regions change slightly over the years.

through a set of objective- and context-related baseline indicators, as defined by the Common Monitoring and Evaluation Framework (CMEF, see next section). This article attempts to use the structure defined by the CMEF to analyse the development trends (change indicators) of groups of regions with a similar expenditure pattern, and examines whether they are in line with expectations, which would support that the regional RD interventions are to some extent successful.

Several reports question EU rural development measures (e.g. ECA, 2006, 2011, 2012), and the academic literature provides a number of wide ranging studies also. Studies ranging from EU-wide assessment of spatial potentials for general rural development options (van Berkel and Verburg, 2011), to selected case studies, dealing with spatial patterns and targeting of forestry (van der Horst, 2006) and agri-environment payments (Allaire et al., 2015; Desjeux et al., 2015; Uthes et al., 2010b; van der Horst, 2007; Yang et al., 2014), modernisation grants (Travnikar and Juvancic, 2013) and farm diversification (Hyttiä, 2014; Lange et al., 2012; Watts et al., 2009), as well as tourism development and village renewal (Zasada and Piorr, 2016) all contribute to assessment of EU RD measures.

RD expenditure data were used for example to develop a concept for a place-based RD approach (Zasada et al., 2015) to determine optimum budget allocations for RD measures (Schmid et al., 2010; Ziolkowska, 2009), and to analyse allocation distortions resulting from the multi-level co-financing system in the EU (Kirschke et al., 2007) as well as distributional effects (Uthes et al., 2010a). Implementation costs of RD programmes have also been analysed (Fährmann and Grajewski, 2013).

The conceptual structure provided by the CMEF has not been extensively used in the literature. No attempt has been made to link the indicator categories of the CMEF for a combined, and EU-wide analysis, which is the focus of the present article.

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