

Comparative analysis of EU Rural Development Policy in Central and Eastern European Countries and the Netherlands

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In this study a comparative analysis of the implementation of EU Rural Development Policy (second pillar of the CAP) in the Central and Eastern European Countries (CEECs) and the Netherlands is made. The aim is to identify themes where cooperation between the Netherlands and CEECs could be established. As a first step, the rural development situation in the countries is analysed and compared, mainly by means of data analysis and literature study. Then, the Rural Development Plans are compared, and finally the study touches upon the supervision and implementation of rural development policy. Cooperation between the Netherlands and the CEECs in the field of EU Rural Development Policy seems to be most likely in the field of agri-environmental measures.

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Preface

Since their accession on 1 May 2004, the Central and Eastern European (CEE) members of the EU also have to implement the EU Rural Development Policy as laid down in Council Regulation (EC) No 1257/1999. For this purpose, the new Member States developed Rural Development Plans for the period 2004-2006. Furthermore, they are participating in the discussions about EU Rural Development Policy between 2007 and 2013. The fact that the concept of rural development is relatively new for most of the CEE Member States may create opportunities for the Dutch government to assist the CEE Member States with the implementation of rural development policy.

For this reason the Ministry of Agriculture, Nature and Food Quality has requested LEI to identify themes where cooperation between the Netherlands and the Central and Eastern European Countries with regard to EU Rural Development Policy could be established. This report is the result of that undertaking.

Ida Terluin (project leader), Petra Berkhout and Pim Roza conducted the study, supported by Marcel Betgen and Frans Godeschalk (data processing and GIS analysis in chapter 2). The research was supervised by a steering committee comprising of staff members of the Ministry of Agriculture, Nature and Food Quality: Henk Massink (chair), Corné van Alphen, Michel Boom, Sharief Mohamed and Monique Remmers. LEI highly appreciated the generous contribution and support of the members of the steering committee.



Dr. J.C. Blom
Director General, LEI B.V.

Summary

With the accession of eight Central and Eastern European Countries (CEECs) to the EU, the heterogeneity of the socio-economic situation in rural areas in the EU increased considerably. In this study it is tried to get some more insight in the socio-economic situation of rural areas in the CEECs and in their selection of rural development measures from the menu of the second pillar of the CAP in order to enhance rural development. For this purpose we have defined three 'work packages': (1) comparative analysis of socio-economic indicators in rural areas in the CEECs; (2) comparative analysis of the selection of rural development measures of the second pillar of the CAP in the CEECs; and (3) comparative analysis of supervision and implementation of rural development policy in the CEECs.

The Dutch Ministry of Agriculture, Nature and Food Quality already assisted several CEECs in designing rural development policy in the pre-accession phase and would like to sustain these relations. The insights gained in this study may serve to contribute to the identification of themes for future cooperation between selected CEECs and the Netherlands in EU rural development policies. In order to streamline this search, we designed a list of possible themes in mutual consultation with the steering committee of the study. These themes include agri-environmental measures, rural areas under urban pressure, innovation and chain cooperation, vision on the RDR and vision on future development of EU rural development policy.

Comparative analysis of the rural development situation

The comparative analysis of the rural development situation in the CEECs and the Netherlands (socio-economic indicators) is described in chapter 2. It can be concluded that there are large differences between the Netherlands and the CEECs. Especially the average population density is much higher in the Netherlands (380 inh/km² as against 100 inh/km² in the CEECs). The share of agriculture in total employment is very small in the Netherlands (3%), while in some CEECs this amounts to 18% (in Romania it is even 36%). Other indicators like average farm size and farm intensity further show that the CEECs are still in a process of agricultural restructuring. However, there are large differences between the CEECs in terms of progress of this restructuring.

In chapter 2 a number of other themes are also explored: the food processing industry, land abandonment and urban pressure in rural areas. The food processing industry in the CEECs is undergoing a process of privatisation and rationalisation, with a key role for foreign direct investments. However, the modernisation of the food industry will take time, e.g. with regard to meeting the EU standards regarding food quality and food safety. Innovation and chain cooperation will, however, be crucial. Abandonment of agricultural land is another issue to be addressed within rural development policy, in order to prevent loss of biodiversity and valuable landscape elements. Urban pressure can be described as the pressure of new residents, new economic activities, new infrastructure and tourists on

rural landscapes. Since the degree of rurality is rather high in the CEECs, urban pressure will probably be limited in most CEECs.

Implementation of EU rural development policy

Chapter 3 describes the implementation of EU rural development policy in the CEECs and the Netherlands. For each country the coverage of the Rural Development Plan (RDP), the current situation in rural areas, the strategy and objectives of the RDP, the measures and the budget are discussed. Rural development measures in the CEECs are implemented through the RDPs and through the EU structural policy (Sectoral Operational Programmes (SOPs) and Single Programming Documents (SPDs)). All RDPs focus on two priorities: economic development of rural areas and environmental protection. It can be concluded that the Less Favoured Areas measure, the agri-environment measure and temporary measures such as complements to direct payments of the first pillar are the most important measures in terms of RDP budget for most CEECs. Measures under axis 1, such as investments in agricultural holdings and improving of marketing and processing of agricultural products are usually mainly financed by the SOP/SPDs. The total budget for rural development measures in the CEECs for the period 2004-2006 amounts to 10.6 billion euro (including RDP, SOP and SPD), of which Poland uses almost 50%. Since agri-environmental issues are a main concern in the Netherlands and many CEECs, a brief comparative analysis of the implementation of the agri-environment measure has been included. From this it can be concluded that there are large differences in the interpretation and implementation of this measure. Nevertheless, it is most likely that there are opportunities for cooperation with the Netherlands in the area of agri-environment.

The supervision and implementation of rural development policy (chapter 4) shows more similarities than the contents of the RDPs. This is because of the guidelines provided by the EU in Regulation (EC) 1257/1999, which more or less determine the structure of the implementation. The preparation, consultation, implementation and monitoring are successively discussed for each CEEC and the Netherlands. It is difficult to compare the supervision and implementation among the countries, since there are large differences in the structure of public administration. However, in all countries the Ministry of Agriculture is responsible for the implementation of EU rural development policy.

Opportunities for further cooperation between the Netherlands and the CEECs

In the last chapter first a conclusion is given of the comparative analyses made in the three work packages. Then the opportunities for further cooperation between the Netherlands and the CEECs are explored. In this respect five themes are discussed. Firstly, with regard to agri-environmental issues cooperation is possible, especially in the field of sustainable water management, where the Netherlands has enormous experience. Secondly, with regard to urban pressure cooperation is less likely, since the gravity of this problem is limited in the CEECs. Thirdly, cooperation in the field of innovation and chain cooperation seems basically a case for the private sector, rather than the Dutch government.

The other two themes for cooperation deal with the view of the CEECs on rural development policy in the short term (2007-2013) and long term (beyond 2013). In the short term the CEECs want to focus their rural development programmes on restructuring of the primary sector and the processing industry, so largely on the economic component

of rural development policy. In the long term there may probably be more attention for environmental issues. Finally, with regard to cooperation on the long term view on rural development, the importance of the agricultural sector for the rural economy in terms of employment and output will remain an important dividing line between the old and the new Member States. It is likely that Member States with a relative large agricultural sector tend to focus on rural development linked to the agricultural sector, while Member States with a small agricultural sector tend to approach rural development as an integrated policy involving all sectors and actors in the rural economy.

1. Introduction

With the accession of eight Central and Eastern European Countries (CEECs) to the EU, the heterogeneity of the socio-economic situation in rural areas in the EU increased considerably. Disparities do not only exist between the CEECs on the one hand and the EU-15 on the other hand, but also within the group of CEECs large differences can be perceived. If applicable, development of rural areas could be supported by the menu of rural development measures of the second pillar of the CAP. In order to be eligible for such support, all CEECs have made a Rural Development Plan (RDP) for 2004-2006.

In this study it is tried to get some more insight in the socio-economic situation of rural areas in the CEECs and in their selection of rural development measures from the menu of the second pillar of the CAP in order to enhance rural development. For this purpose, the following work packages will be addressed:

1. Comparative analysis of socio-economic indicators of rural areas in the CEECs

In this work package, it is tried to find socio-economic indicators for the regions in the CEECs. When such indicators are not available, we use data at national level. In order to assess differences and similarities in rural areas between the CEECs and the Netherlands, we will also include some socio-economic indicators for the Dutch regions. When statistical indicators are lacking, we use qualitative descriptions. Successively, we focus on economic development, agricultural structures and food industry, land abandonment and urban pressure. This work package serves to identify the main rural development problems in the CEECs.

2. Comparative analysis of the selection of the rural development measures of the second pillar of the CAP in the CEECs

In this work package we compare the selected rural development measures in the RDPs of the CEECs. As many parts of the CEECs are eligible for Objective 1 and 2, rural development measures in the Sectoral Operational Programs or the Single Programming Documents are also taken into account.

3. Comparative analysis of the supervision and implementation of rural development policy in the CEECs

In this work package specific attention is paid to bottom-up processes in the supervision and implementation of the RDPs.

The insights gained in this study may serve to contribute to the identification of themes for future cooperation between selected CEECs and the Netherlands in EU rural development policies. In order to streamline this search, we designed a list of possible themes in mutual consultation with the supervising committee of the study. These themes include agri-environmental measures, rural areas under urban pressure, innovation and

chain cooperation, vision on the RDR and vision on future development of EU rural development policy.

Structure of the report

The plan of this report is as follows. In chapter 2 an analysis of the rural development situation in the CEECs and the Netherlands is made. Successively, attention is paid to socio-economic indicators, the food industry, land abandonment and rural areas under urban pressure. In chapter 3, the Rural Development Programmes in the CEECs and the Netherlands are discussed. As part of the rural development measures of the second pillar of the CAP are implemented through Sectoral Operational Programs or the Single Programming Documents, these will also be taken into account. In chapter 4 the focus is on the supervision and implementation of EU rural development policy in the CEECs and the Netherlands. In Chapter 5 some concluding remarks are made.

2. Comparative analysis of the rural development situation in the CEECs and the Netherlands

2.1 Introduction

In this chapter the rural development situation in the CEECs and the Netherlands will be addressed in order to illustrate the rural development problems. Section 2.2 provides an analysis of socio-economic indicators. Section 2.3 presents an overview of the main characteristics of the food processing industry in the CEECs. Section 2.4 deals with the issue of land abandonment and finally section 2.5 touches upon the theme of urban pressure in rural areas, which is a major rural issue in the Netherlands.

2.2 Socio-economic situation in the CEECs and the Netherlands: some indicators

The socio-economic situation in the eight new CEE Member States differs widely from the Netherlands. In this section we discuss a number of socio-economic indicators which illustrate this gap. In addition, the socio-economic situation within the CEECs is far from homogeneous. Differences in socio-economic indicators within the CEECs are also elaborated in this section.

Population density in the Netherlands much higher

Within the group of CEECs, Poland covers about half of the area and population (about 38 million inh.) (table 2.1). Hungary and the Czech Republic are at the second place with respect to area and population (about 10 million inh.). All other CEECs have 5 million or less inhabitants. Although the total area in only Estonia, Slovenia and the Slovak Republic is smaller or more or less similar to that in the Netherlands, the size of the Dutch population (16 million inh.) is relatively high. Hence, population density in the Netherlands is much higher than in the CEECs.

GDP/capita in the Netherlands much higher

In all CEECs, GDP/capita is below that in the Netherlands (table 2.1). Within the CEECs, GDP/capita is highest in Slovenia: about three quarters of the Dutch level. GDP/capita in Hungary, the Czech Republic and the Slovak Republic are about half the Dutch level and that in the Baltic States and Poland about one third. Especially the capital regions in the CEECs have a much higher GDP/capita than the other regions (figure 2.1).

Table 2.1 Socio-economic indicators of the EU-25 plus Bulgaria and Romania

	Area 2003, (1000 km ²)	Inh. 2003 (mio.)	Pop. density, 2003 (inhabitants /km ²)	GDP/cap. 2002 (in PPS)	GDP/cap. 2002 (in PPS, EU-15 = 100)	Share agriculture in total employment, 2002 (in %)	Value of agr. production, 2002 (bn. Euro)
Bulgaria	111	7,9	71	5940	25	11	3,7
Romania	238	21,8	92	6080	25	38	10,7
<i>Ten NMS</i>							
Cyprus	9	0,8	89	17360	72	5	0,4
Czech Republic	79	10,2	129	15280	64	5	3,2
Estonia	45	1,4	31	10020	42	6	0,4
Hungary	93	10,2	110	13420	56	5	5,7
Latvia	65	2,3	35	8460	35	15	0,5
Lithuania	65	3,5	54	9410	39	19	1,1
Malta	0	0,4	n.a.	11720 ^{a)}	49	5	0,1
Poland	313	38,2	122	9550	40	18	15,0
Slovak Republic	49	5,4	110	11340	47	6	1,5
Slovenia	20	2,0	100	17710	74	8	1,0
Total NMS	738	74,3	101	9660*	40	13	28,9
Netherlands	42	16,1	383	25260	105	3	20,7
EU-15	3242	379,0	117	24060	100	4	290,5

a) 1999.

Source: Eurostat NewCronos Regio Database.

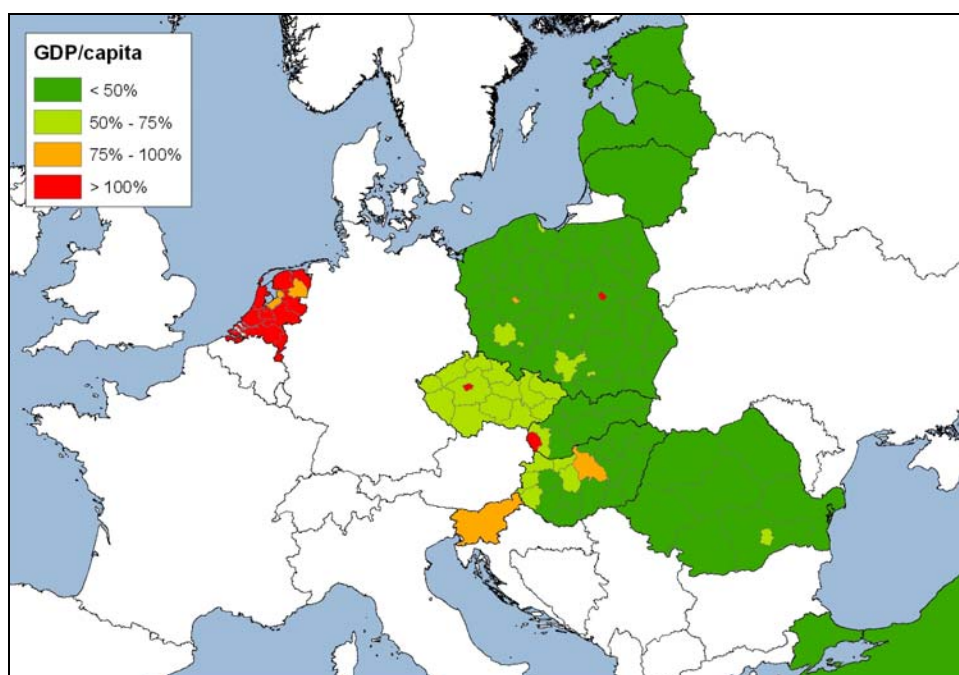


Figure 2.1 GDP/capita in CEEC regions and the Netherlands a), 2002 (in PPS; EU25=100)

a) For regional level: see table A.1.

Source: Own calculations based on Eurostat, Newcronos.

Rural typology of regions

In order to take socio-economic differences between higher and lower densely populated regions into account, it is useful to apply a rural typology of regions. A main question in designing a typology of regions refers to the appropriate size of the regional unit. For analyses of socio-economic development, it could be argued that a labour market area reflects a useful size. A labour market area covers an area in which the larger part of the population lives and works. A next step in designing a typology of regions is to use units for which data are available. Statistical data is commonly collected for administrative units, whose borders do not always coincide with the borders of labour market areas. Within the EU-25, a hierarchy of administrative units has been designed, varying from the national level (usually referred to as NUTS 1) to the municipality level (usually referred to as NUTS 5). The difficulty in the NUTS classification is that the size of, for instance a NUTS 2 region, is not the same in each country, but that it may differ substantially among countries. Therefore, it makes sense in international comparisons in which regions of about the same size are required, to use NUTS 2 regions for the one country and NUTS 3 regions for another country. Although we acknowledge that the borders of a labour market area do not always coincide with the borders of administrative units, for pragmatic reasons we will use administrative regions in our typology of regions. We have tried to select administrative regions, which reflect more or less the size of a functional labour market area, as our regional unit for the rural typology. This means that the NUTS 2 level is used for some countries (i.e. the Netherlands) and the NUTS 3 level for others.

The above outlined approach of a regional typology, based on a mix of NUTS 2 and NUTS 3 regions, is most optimal to use in analyses of socio-economic development. However, due to lack of data this most optimal situation can often not be achieved. In such cases, second best solutions are aimed at. Simultaneously, the use of different regional units may cause confusion. In this study too, we will use different regional units, mainly due to the fact that harmonised regional data for the CEECs are rather in its infancies and are not available at all for a number of indicators. As far as possible, we will indicate which regional units we use in each table.

OECD rural typology

The OECD rural typology, which is derived from population density, is often used in socio-economic analyses of rural and urban regions. It distinguishes three types of regions: predominantly rural, intermediate rural and predominantly urban regions (OECD, 1996) and is for the EU-countries based on a mix of NUTS 2 and NUTS 3 regions (figure 2.2). This typology is nowadays often applied by the EU, with one main difference: the EU only uses NUTS 3 regions. The use of smaller regions in this rural typology tends to result in a higher frequency of either predominantly rural or predominantly urban regions, as a low/high population size is related to a smaller area. For example, the use of NUTS 2 regions for the Netherlands (12 provinces) in the OECD typology does not yield a predominantly rural region, whereas the use of NUTS 3 regions for the Netherlands (40 COROP regions) in the Eurostat typology results in one predominantly rural region.

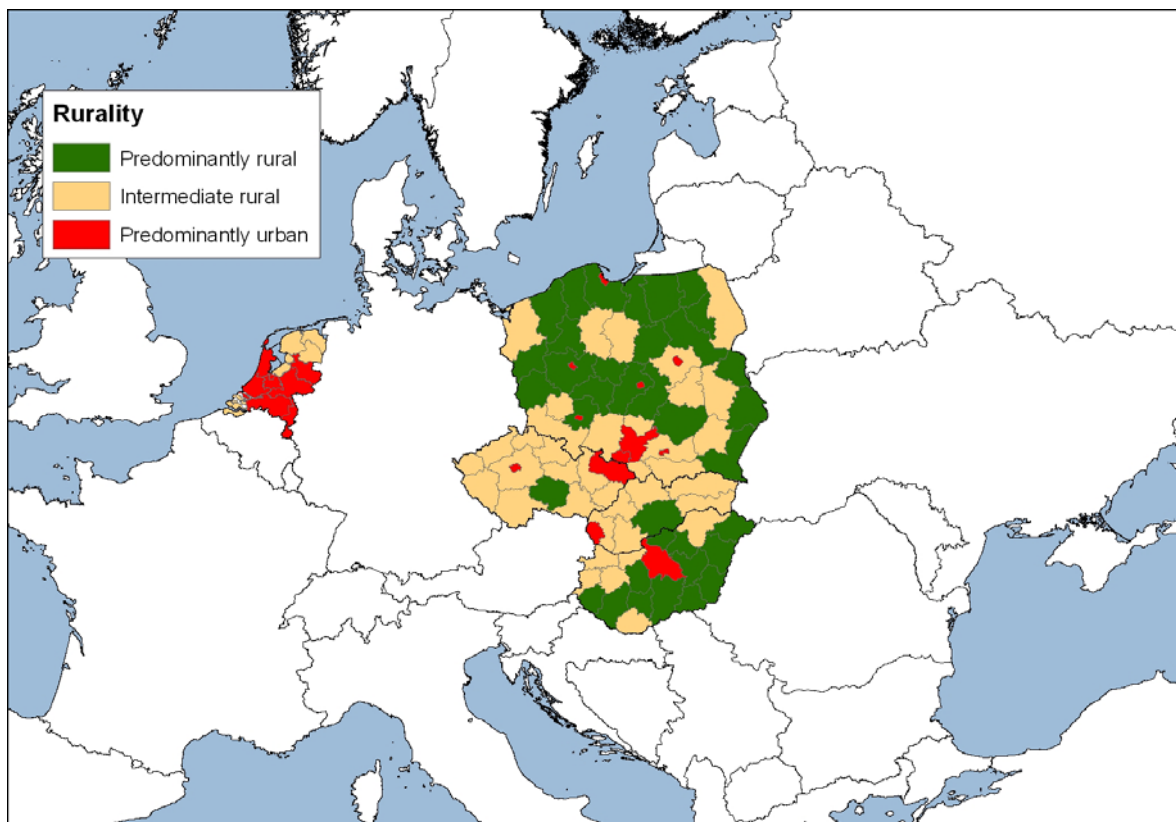


Figure 2.2 OECD typology of rural and urban regions in OECD Member States a

a) As not all CEECs are yet a member of the OECD, the OECD typology still has not been designed for all CEECs. The typology used by the EU is not yet available in the mapping software of LEI.

Source: Own adaptation of the OECD Territorial Database.

According to the Eurostat typology of regions, about one-fifth of the EU-25 population resides in the most rural regions and over one-third in the intermediate rural regions (table 2.2). Together they occupy over 90% of the land area of the EU, leaving less than 10% of the land area for the population in the predominantly urban regions. This

pattern varies among countries. Apart from Latvia and Estonia, the share of population in urban regions in CEECs is far below the EU-25 average, and in Lithuania even no urban regions can be distinguished. On the other hand, especially the share of population residing in predominantly rural regions is considerably above the EU-25 average in most CEECs, the Czech and Slovak Republics and Estonia being the exceptions. In the Netherlands, 80% of the population resides in predominantly urban regions, 17% in intermediate rural regions, and 2% in predominantly rural regions. These shares reflect quite large differences in the degree of rurality within the group of CEECs and between the CEECs and the Netherlands.

Table 2.2 *Share of population and land area in rural and urban regions in the CEECs and the Netherlands (based on NUTS 3 regions), 1999-2001 (as % of national total)*

	Predominantly rural regions		Intermediate rural regions		Predominantly urban regions	
	Population	Area	Population	Area	Population	Area
Czech Republic	10	18	78	81	12	1
Estonia	16	47	50	47	35	6
Hungary	44	61	38	39	18	1
Latvia	30	51	30	44	41	5
Lithuania	100	100	a)	a)	a)	a)
Poland	43	63	32	34	26	3
Slovak Republic	27	38	62	58	11	4
Slovenia	58	70	42	30	-	-
The Netherlands	2	5	17	38	81	57
EU-15	16	57	36	34	49	9
EU-25	19	56	39	36	43	8

a) denotes that the group does not exist.

Source: EC (2004).

Employment growth

In the years 1996-2003, employment decreased in most CEECs, except for Croatia, Hungary and Slovenia (table 2.3). In the Czech Republic and Hungary, employment growth in the predominantly and intermediate rural regions developed more positively than in the predominantly urban regions, whereas the opposite was the case in Poland and the Slovak Republic. In the Netherlands, employment growth in the intermediate rural regions exceeded that in the predominantly urban regions. The level of unemployment rates shows rather large differences among countries. It is about 20% in Poland and the Slovak Republic, between 10 and 15% in Bulgaria, Croatia, Latvia and Lithuania and less than 10% in the Czech Republic, Hungary, Romania and Slovenia. In Hungary, Poland and the Slovak Republic, unemployment rates in predominantly and intermediate rural regions are considerably higher than those in the predominantly urban regions. However, in the Czech Republic, the highest unemployment rate is found in the capital region.

Table 2.3 Total employment growth (% p.a.) and unemployment rates (% of labour force) in regions in the CEECs and the Netherlands a)

Country	Period	Predominantly rural regions		Intermediate rural regions		Predominantly urban regions		National	
		Empl. growth	Unempl. rate	Empl. growth	Unempl. rate	Empl. growth	Unempl. rate	Empl. growth	Unempl. rate
Bulgaria	1997-2002							-1.2	14
Croatia	2002-2003							1.1	14
Czech Republic	1998-2003	-0.6	5	-0.5	7	-0.8	9	-0.6	8
Estonia	1997-2002							-1.2	10
Hungary	1996-2001	1.5	7	1.2	7	0.9	4	1.2	6
Latvia	1997-2002							-0.9	11
Lithuania	1997-2002							-3.3	12
Netherlands	1999-2003	b)	b)	2.3	4	1.5	4	1.7	4
Poland	1998-2002	-5.9	21	-1.1	21	-1.0	15	-4.7	20
Romania	1999-2003							-3.7	7
Slovak Republic	1997-2002	-1.9	24	-1.3	18	0.9	7	-1.0	18
Slovenia	1997-2002							0.9	7

a) For regional level: see table A.1.

b) type of region does not exist in the country.

Source: Own calculations based on Eurostat; for Hungary: OECD Territorial Database.

Share agricultural employment in the Netherlands much lower

The average share of agriculture in total employment in 1996-2003¹ in the CEECs varies from 5-11% in Estonia, Hungary, Slovenia, the Czech Republic and the Slovak Republic to 13-18% in Latvia, Lithuania, Poland and Croatia, and even more in Bulgaria and Romania (table 2.4), indicating that the agricultural sector in the first group of countries is in a more advanced stage of economic transition than that in the other countries. On the whole, the share of agriculture in total employment in the predominantly and intermediate rural regions is much higher than that in the predominantly urban regions. The share of agriculture in total employment in the Netherlands amounted to about 3% in 2002. The share of the industrial sector in total employment in the CEECs exceeds that of the Netherlands, while the share of the services sector is smaller.

Population stabilised or declined

During the period 1998-2003 (for Poland 2000-2003), population slightly decreased in most of the CEECs, except for Hungary, Poland, the Slovak Republic and Slovenia, where population stabilised (table 2.5). Population declined especially in the predominantly urban regions, whereas it remained rather stable in the predominantly and intermediate rural regions.

¹ For specific period per country, see table.

Table 2.4 Sectoral composition of employment in the CEECs regions and the Netherlands (% of total employment) a)

	Period	Predominantly rural regions			Intermediate rural regions			Predominantly urban regions			National		
		Agr.	Ind.	Serv.	Agr.	Ind.	Serv.	Agr.	Ind.	Serv.	Agr.	Ind.	Serv.
Bulgaria	1997-2002										26	28	46
Croatia	2002-2003										17	30	53
Czech Republic	1998-2003	10	45	45	5	42	54	1	30	69	4	39	57
Estonia	1997-2002										7	31	62
Hungary	1996-2001	10	35	55	6	38	56	2	25	73	7	33	61
Latvia	1997-2002										13	26	61
Lithuania	1997-2002										18	27	55
Netherlands	1999-2003				4	21	71	3	19	75	3	19	74
Poland	1998-2002	27	28	45	22	29	50	2	30	68	18	29	53
Romania	1999-2003										36	30	34
Slovak Republic	1997-2002	7	33	60	6	37	57	1	23	75	5	34	61
Slovenia	1997-2002										11	37	51

a) For regional level: see table A.1.

Source: Own calculations based on Eurostat.

Table 2.5 Population (2003), population density (2003) and population growth (1998-2003, Poland: 2000-2003) in the CEECs regions and the Netherlands a)

	Predominantly rural regions			Intermediate rural regions			Predominantly urban regions			National		
	Pop. (*1000)	Pop. density (inh/km ²)	Pop. growth (% p.a.)	Pop. (*1000)	Pop. density (inh/km ²)	Pop. growth (% p.a.)	Pop. (*1000)	Pop. density (inh/km ²)	Pop. growth (% p.a.)	Pop. (*1000)	Pop. density (inh/km ²)	Pop. growth (% p.a.)
Bulgaria										7,824	70	-1.1
Czech Republic	518	76	-0.2	7,264	113	-0.1	2,425	411	-0.5	10,207	132	-0.2
Estonia										1,354	31	-0.5
Hungary	4,766	79	0.1	2,536	98	0.1	2,827	409	-0.2	10,130	109	0.0
Latvia										2,325	37	-0.7
Lithuania										3,454	53	-0.5
Netherlands				2,431	211	1.0	13,794	620	0.6	16,225	480	0.7
Poland	14,401		0.0	15,058		0.0	8,736		-0.3	38,195	123 ^{b)}	-0.1
Romania										21,742	91	-0.7
Slovak Republic	660	70	-0.1	4,120	110	0.1	600	292	-0.6	5,380	110	0.0
Slovenia										1,996	99	0.1

a) For regional level: see table A.1; b) 1998.

Source: Own calculations based on Eurostat.

Land cover agriculture varies from one third to three quarters

Due to country specific physical endowments, the share of the country's area used for agriculture may show rather large differences. Whereas on average about half of the land area in the EU-25 is used for agriculture, this share varies from one third in Slovenia to about three quarters in Hungary and the Netherlands (table 2.6). As a result, shares of forestry area also largely differ among countries: from 10-20% in Hungary and the Netherlands to over 60% in Slovenia. The share of natural area is moderate in all countries and amounts to a few percents or less.

Table 2.6 *Land cover (% of land area) a)*

	Agriculture	Forestry	Natural area
Czech Republic	59.1	34.6	0.1
Estonia	50.7	43.8	2.9
Hungary	72	20.5	0.8
Latvia	44.2	50.1	2.5
Lithuania	62.2	31.9	0.9
Poland	65.3	29.7	0.5
Slovak Republic	50.5	43.1	0.4
Slovenia	34.1	61.2	1.6
Netherlands	74.5	10.8	1.2
EU-15	51.8	38.1	4.2
EU-25	49.5	41	3.7

a) Measured as the sum of total land area plus 50% of the area of inland water bodies.

Source: EC (2004).

Dual farm structure

With the exception of the Czech Republic and the Slovak Republic, the average farm size in ha in the CEECs is rather small compared to the Dutch average farm size of 20 ha (table 2.7). The share of small farms less than 5 ha in total varies from over 40% in Latvia and the Czech Republic to over 90% in the Slovak Republic and Hungary. On the whole, a large part of these farms can be characterised as self-subsistence farms. Many of them offer only part time employment opportunities, implying that substantial underemployment in agriculture may be assumed. Apart from the Czech Republic and Poland, the share of farms with over 50 ha in total amounts to only a few percents. However, these few big farms cultivate a considerable share of agricultural land, varying from 8% in Slovenia to over 90% in the Czech and Slovak Republics.

Table 2.7 Average size of all farms and share of small and large farms in total land cultivated by country, 2000/2001

Country	Number of farms	Average farm size (ha)	Share of number of farms below 5 ha (%)	Share of cultivated land in size group below 5 ha (%)	Share of number of farms above 50 ha (%)	Share of cultivated land in size group above 50 ha (%)
Czech Republic	36600	100	43	1	16	93
Estonia	68900	12	64	9	3	56
Hungary	960400	4	95	18	1	64
Latvia	180300	12	42	9	3	31
Lithuania	606000	4	55	31	3	11
Poland	1885700	8	56	16	6	25
Slovak Republic	69200	31	92	2	3	96
Slovenia	86400	6	62	46	2	8
Bulgaria	774100	4	97	19	1	75
Romania	4515700	2	93	58	0	19
Total CEECs		5		27		38
Netherlands (2000)	102000	20				

Source: IAMO and Country experts of the Network of Independent Agricultural Experts in the CEE Candidate Countries (2004).

In order to get some insight into regional differences in the farm structure, for some CEECs data can be used from the Farm Structure Survey 2003 (table A.2). However, these data refer often to NUTS 2 levels, and are still not available for Poland.¹ Since threshold levels for the size of farms have been used in the Farm Structure Survey, the total number of farms is smaller than that according to table 2.7. Especially in the Czech Republic and Poland the average number of ha per farm rather vary among regions, while in Hungary and the Slovak Republic regional differences in the average number of ha per farm are rather moderate. The intensity of farming, measured as standard gross margins (SGM) per ha in the CEECs is moderate and much lower than the Dutch level. The share of part-time farm holders in total is in most CEECs 80% or more, except for the Czech Republic, where this share amounts to about 60% (table A.3). This lower share of part-time farm holders probably relates to the rather large average farm size in this country. Within countries, the share of part-time farm holders hardly varies among regions. This feature is also common in the EU-15: the tendency to work part-time on farms is determined by national conditions instead of by regional conditions. In most CEECs, farms are run by family labour; only in the Czech Republic and the Slovak Republic with relatively large farm sizes, paid labourers supply a substantial labour input. In the Baltic States, about 40-45% of the farm holders are female. In the other CEECs this is about 20-25%, which is comparable to the EU-15 average.

¹ We could obtain some data from the Polish Statistical Office.

2.3 Food processing industry in the CEECs

In a number of countries the food and beverages industry was - prior to the fall of the communist regimes - an important element in the economy, measured in the value of production of the food and beverages industry. During the early years of transition, in the beginning of the nineties, the food processing industry in the CEECs experienced a drastic decline in output, due to the falling agricultural production. Recently the countries are recovering from this decline; privatisation, modernisation and foreign investments are to stimulate growth of the food industries. The accession to the EU has brought new challenges to the CEECs. While access to finance for reinvestment and modernisation remains limited to a small number of enterprises, the *acquis communautaire* has presented high standards for food quality and food safety (sanitary and phytosanitary measures). These new standards may become a threat during the ongoing recovery process. Enterprises without access to (foreign) investments might fail to keep up with the EU standards. Eventually this will have consequences for the primary sector and thus for the rural areas.

In this section the current situation of the food processing industries in the CEECs will be outlined. First the recent developments in the food industries in the CEEC-8 will be discussed, followed by a short description of the structure of the food industries. Then the state of play of the process of privatisation will be examined, as well as the destination of foreign (and national investments). The state of play regarding EU standards will also be discussed.

Recent developments¹

Restructuring of the food industry is still an ongoing process in most CEECs. Especially the transition from many small companies to a few larger enterprises is creating a split between the small local companies and the new formed enterprises. Only the last group of companies is able to fulfil the high food quality and sanitary demands and compete on the EU market. This rationalisation process has been accelerated in the Baltic States, where the economic crisis in Russia - traditionally the most important market for the Baltic States - forced the food industry to focus on the EU market.

Although the countries realise that the restructuring and rationalisation process is necessary in order to compete on the long term, it is accompanied with declining employment levels. Until 2000, in all countries (except for the Slovak Republic) output in the food industry was growing fast, while its employment declined (except for Slovenia) (table 2.8).

¹ All figures used in the tables and in this section of the report should be treated with caution. Due to differences in definitions used, figures are not always comparable.

Table 2.8 *Output and employment changes in the food industries of the CEECs, 1995-2000*

	Period	Output change, measured in euro (%)	Employment change (%)
Czech Republic	1995-1999	16.9	-4.4
Estonia	1995-1999	12.6	-19.2
Hungary	1995-1999	35.0	-5.8
Latvia	-	n.a.	n.a.
Lithuania	1995-1999	52.4	-26.6
Poland	1995-2000	66.4	-2.5
Slovak Republic	1995-1999	-0.8	-1.8
Slovenia	1997-2000	n.a.	4.1

Source: IAMO (2003).

More recent figures suggest that employment is still on a downward trend in most CEECs, with the exception of Estonia. In this country employment rose by 6.4% in 2002-2003 (CIAA, 2005). The figures on turnover are more diverse, in some countries the turnover of the food and beverages industry has increased, for example in Hungary and Latvia. In the Czech Republic, Estonia, Poland and Slovenia turnover fell. The growth rates differ markedly between the countries. In Hungary turnover grew by 14.4%, in Poland turnover decreased by 8.5% (CIAA, 2005).

In terms of economic importance, on average the food industry accounted for 4.0% of GDP in the CEECs in 2000, ranging from 2.8% in Estonia and Slovenia to 6.5% in Hungary. The share of the food industry in total employment was 3.2% (ranging from 2.2% in the Slovak Republic to 5.0% in Poland). The shares of the food industry in total manufacturing vary more between the new Member States, ranging from 11.1% in Slovenia to 31.6% in Latvia (table 2.9). For comparison, in the Netherlands the share of the food industry in total value added was 3.2% in 2003; the share in total employment was 1.7%. The share of the food industry in the value added of total industry is 26.6%.

More recent figures about the share in GDP are not readily available. In general it can be said that the food and beverages industry has shown less growth than other economic sectors (IKB, 2004). The importance of the food and beverages industry for the national economy is therefore declining.

Table 2.9 *Shares of the food industry in GDP, total employment and manufacturing output, 2000*

	Share in GDP (%)	Share in total employment (%)	Share in manufacturing output (%)
Czech Republic	3.6	2.6	13.0
Estonia	2.8	3.5	17.4
Hungary	6.5	3.2	13.8
Latvia	4.1	2.6	31.6
Lithuania	5.6	4.1	26.9
Poland	3.9	5.0	18.7
Slovak Republic	2.9	2.2	11.4
Slovenia	2.8	2.3	11.1
CEEC 8 average	4.0	3.2	18.0

Source: IAMO (2003).

Structure of the food industries

The structure of the food industry in the CEECs shows some variation, but in general the picture for each of the eight countries is the same. The four most important sectors in terms of output shares are the 'other foods' sector (average share of 21%), the meat processing sector (18%), the dairy industry (18%) and the beverages sector (17%). Furthermore in the Baltic States, the fish industry is an important sector as well with an average share of 14% (table 2.10).

Table 2.10 Output shares in the food industry, 2000) a) (%)

	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak Rep.	Slovenia	CEEC 8
Meat	20.5	15.4	25.3	13.8	11.3	21.0	20.1	19.5	18.4
Fish	0.4	15.5	0.1	12.2	5.5	2.1	1.5	8.3	5.7
Fruit & veg.	3.0	n.a.	8.3	5.6	0.7	8.6	1.7	9.3	5.3
Oils	4.7	n.a.	4.5	n.i.	0.6	2.8	5.4	1.8	3.3
Dairy	16.1	26.1	12.6	19.8	25.9	15.6	15.6	14.4	18.3
Grain mill	3.4	0.5	7.2	5.8	3.8	3.3	6.2	4.4	4.3
Animal feed	7.9	2.5	7.1	2.2	8.9	6.1	6.8	1.4	5.4
Other foods	23.6	20.7	16.8	23.9	19.0	20.9	22.4	20.1	20.9
Beverages	20.4	19.4	13.9	16.6	17.6	14.3	20.4	15.8	17.3
Tobacco	n.i.	n.i.	4.2	n.i.	6.7	5.2	n.i.	5.0	5.3

a) More recent figures on the output shares are not available.

Source: IAMO (2003)

Note: n.i. = not included; n.a. = not available.

Privatisation

Before 1989, all enterprises in the CEECS were state-owned. In the beginning of the 1990s processes of privatisation were started in all the CEECs and although different methods were adopted in each country, there are some common features. Small enterprises were privatised by being sold to the highest bidder, while large enterprises were turned into stock companies. In the last case, shares were transferred to different owners, including enterprise managers and employees. Especially in Estonia and Hungary, the privatisation process was accompanied by the sale of enterprises or shares to foreign investors, resulting in a 60% share of foreign investors in total private ownership in Hungary in 1998. On the other hand, participation of foreign investors in privatisation in the Czech Republic remains limited, since privatisation preceded attempts to attract foreign investors.

In any case, each country has made considerable progress in the privatisation process. In most countries the process can be said to have been completed, although there are some countries and sectors where state-owned enterprises still have a large share, for instance, the sugar processing and spirit industry in Poland. In the Czech Republic there are, however, three state-owned companies left.

Foreign (and national) investments

The food industries of the CEECs have proved to be very attractive to foreign investors, when compared to other sectors and foreign investments has been a very important catalyst

of growth in the food industry. In Poland, for example, 12% of total foreign investment was directed at the food sector. In general foreign direct investments (FDI) were directed at high value added branches (chocolates industry, spirits production), branches with significant export potential (brewing), sugar processing industries, as well as branches with a clear market leader (meat and dairy sector). Because of this strategy, foreign investments were lacking in the labour-intensive fish sector in the Baltic states. On the other hand, national investments were often aimed at improving hygiene, quality and environmental standards.

According to IKB (2004) the pattern of investments is changing. Previously the big multinationals were the leading businesses with regard to investment, the past years however the importance of medium-sized foreign investors is growing. Consequently, the average amount invested is dropping.

EU standards

Lastly, meeting the EU requirements regarding food quality and food safety seems a difficult task for some CEECs. Although most countries have adjusted their national legislation to bring it in line with the *acquis communautaire*, enforcement and control of the rules leave much to be desired in some countries. According to IAMO (2003) control of for instance health rules regarding production and processing of dairy and meat products is not really effective in the Slovak Republic and Slovenia. The report judges more favourably on the Baltic States.

Investments by Western companies have played an important part in the adjustment process of the food industries. Many companies have implemented their own set of standards with regard to food safety, these standards are sometimes more stringent than the EU rules. In the end this could prove to be inefficient, as two parallel quality systems appear (Van Berkum, 2004). It should be noted that this also occurs in the EU-15.

Non-compliance with EU rules will - on the longer term - force a number of enterprises out of business as they are no longer allowed to market their food in the EU. For example, Latvia has 699 companies involved in processing products of plant and animal origin. Only 18 of them are entitled to export to the EU, 52 were in a transitional period (RDP - Latvia). It is needless to say that the implementation of the *acquis communautaire* will speed up the process of modernisation and the expansion of the enterprises.

The role of supermarkets

Another factor that will be of influence on the structure of the agri-food sector is the changing supermarket sector. Modernisation of this sector - from state-run shops and cooperatives to privately owned shops - has already resulted in a greater diversity of retailers. A number of them are foreign-owned and operate on an international level. According to Dries et al. (2004) leading supermarket chains impose high private standards on suppliers, among other reasons to distinguish themselves from local shops and markets. Not all farmers - in case of for instance fresh fruit and vegetables - and not all processing companies will be able to fulfil these requirements; this will also speed up the process of restructuring.

Innovation and vertical coordination

Vertical coordination concerns the relationships between farms with input suppliers and/or processors. These relationships can take different forms and the degree of vertical coordination and/or integration varies among sectors. However, in general it can be said that in almost every agricultural (sub)sector there is some form of vertical integration due to the interdependency of farmers and processors. Well known is the strong link between farmers and the processing industry in the dairy and sugar sector, due to the necessity to rapidly process the fresh product. Contracting is an example of (strong) vertical integration and quite common in a number of sectors in Dutch agribusiness. The contractor pays a fixed price for the output produced by the farmer- which is set in advance - and takes over the price risks. Sometimes the contractor supplies the farmer with the inputs needed (or prescribes the inputs that may be used), for instance feed.

It is more difficult to give a definition of innovation. One possible definition is any change in the farm system that is beneficial to the farm. These changes can be related to the product, for instance the creation of a new breed, or to the management of the farm. For example, a change in the management of the farm or in the way the produce is marketed can be regarded as an innovation as well.

It turns out to be very difficult to find information on innovation and vertical coordination in the CEECs. The information is not easily available and fragmented, especially with regard to innovation. On vertical coordination a little more is known, due to several case studies undertaken in a number of CEECs. The general picture is that foreign direct investments (by multinationals) play a key role in the process of restructuring and modernization. Combined with for instance credit facilities and technical and management assistance farms can adapt their farming systems to the new demands set by the EU or the processors.

Swinnen (2004) gives a number of examples of (foreign) investors, usually processors, which are forced to vertically integrate to ensure continuous supply of the right quality. Especially in the dairy, oilseeds and sugar sector investments by companies from Western Europe (like Danone, Sudzucker and Danisco) have played an important role in the modernization of farms through providing financial assistance. As was already mentioned in section 2.2, supermarkets play a role in this as well, through the requirements they impose on the products they buy. This reflects directly on the farmers in case of fresh products like fruit and vegetables. In the case of processed products, the supermarkets indirectly influence the farming business.

According to Frohberg (2005), a number of food companies in the CEECs have the latest technologies and are able to fully profit from economies of scale. These companies could modernise thanks to foreign capital.

From a study of the meat sector in four countries (Poland, Hungary, the Czech Republic and the Slovak Republic) it follows there is a varying degree of concentration of the meat processing industry (Frohberg, 2005). In the Slovak Republic 60% of industry output is produced by the largest firms in the industry, fairly high if compared to Poland where the degree of concentration is only 10%. For the new Member States in general quality control and hygiene conditions in the meat industry must be improved in order to be able to export to the EU-15 (Frohberg, 2005).

2.4 Land abandonment

The transition process in the CEECs during the 1990s from collective or state farming to market-oriented farming was accompanied by major changes in the structure of the agricultural sector. Farms and farmlands were privatised and the new formed farms needed time to adjust to this new situation. In this transition process changes in land use might occur, especially in the case of marginal land. On the whole, agricultural marginalisation can be considered to be a process, driven by a combination of social, economic, political and environmental factors, by which certain areas of farmland cease to be viable under an existing land use and socio-economic structure (Baldock et al., 1996). Responses to marginalisation vary and may include a change from one agricultural land use to another, a change to a more extensive farming system, a contraction of the farming system with a more intensive use of the better land and abandonment of poorer parcels, restructuring of farm holdings by scale enlargement, complete farm abandonment, and transformation of agricultural land into building plots. Marginalisation may occur at different scales, ranging from the individual parcel level, farm holding level, local level to regional level.

Land abandonment - as one possible outcome of marginalisation - leads to changes in vegetation and landscape; in the long term most of the land would turn into forest or steppe like grassland if left unmanaged (Van Dijk et al., 2005). Land abandonment may be permanent or transitional; the latter often as a result of not yet completed land reforms. From an ecological point of view, land abandonment of high nature value (HNV) farmland has a number of negative impacts, such as a decrease in species, loss of small scale mosaics of land use, loss of local breeds of livestock or varieties of crops and an increased fire risk in forests where grazing areas act as a firebreak (Van Dijk et al., 2005).

Due to inadequacies in the land use statistics, it is difficult to grasp the magnitude of current land abandonment in the CEECs. In table 2.11 we show some figures on abandoned semi-natural grasslands and abandoned agricultural area within important bird areas. It should be noted that there could be some overlap between these figures. On the whole, about 2-2.5 million ha seems to be abandoned in the ten CEE countries, which is about the size of the total agricultural area in use in the Netherlands. However, related to total land area in the CEECs, the share of abandoned land amounts to a few percents or less. It is highest in Hungary, Poland, the Slovak Republic and Slovenia and lowest in Latvia.

Table 2.11 Estimation of abandoned land in the CEECs, about 2000

	Semi-natural grasslands (in ha) (1)	Abandoned semi-natural grasslands (in ha) (2)	(2) As % of (1)	Agricultural area with important bird areas (in ha) (3)	Abandoned agricultural area with important bird areas (in ha) (4)	(4) As % of (3)	Total land area (in ha) (5)	(2) As % of (5)	(4) As % of (5)
Czech Republic	550,000	82,500	15	11,300	5,650	50	7,900,000	1.0	0.1
Estonia	90,000	54,000	60	26,900	14,795	55	4,500,000	1.2	0.3
Hungary	850,000	85,000	10	706,900	353,450	50	9,300,000	0.9	3.8
Latvia	17,323	10,394	60	24,300	6,075	25	6,500,000	0.2	0.1
Lithuania	167,933	100,760	60	28,600	8,580	30	6,500,000	1.6	0.1
Poland	1,955,000	1,000,000	51	511,300	153,390	30	31,300,000	3.2	0.5
Slovak Republic	294,900	38,337	13	226,100	146,965	65	4,900,000	0.8	3.0
Slovenia	268,402	40,260	15	65,000	35,750	55	2,000,000	2.0	1.8
Bulgaria	444,436	66,665	15	229,400	20,646	9	11,100,000	0.6	0.2
Romania	2,332,739	349,911	15	72,800	5,824	8	23,800,000	1.5	0.0
Total	6,970,733	1,827,827	26	1,902,600	751,125	39	107,800,000	1.7	0.7

Source: Columns 1-6 from Van Dijk et al. (2005); Column 7 from Eurostat, New Cronos; Column 8 and 9 own calculations.

Current abandonment in the CEECs may be a transitional phase in the process of restructuring. In the early years of abandonment this process may be relatively easy to reverse with appropriate management (Van Dijk et al., 2005). In order to prevent a loss of biodiversity and landscape characteristics, abandoned lands require agricultural management for their restoration and continued existence. The decisions of the Gothenburg European Council to halt the decline in biodiversity are, amongst other decisions, translated in the CAP. Van Dijk et al. (2005) refer to a number of options for the CEECs to maintain or restore agricultural management of marginal agricultural land. These include:

- a. the farm payments of the first pillar of the CAP ask that the land is in good agricultural and environmental condition (GAEC);
- b. investments aimed at improving agricultural production of the second pillar of the CAP;
- c. setting up of young farmers;
- d. agri-environmental measures;
- e. LFA and Natura 2000 payments;
- f. land improvement and protection of environment in connection with agriculture;
- g. LEADER, especially to promote integrated socio-economic programs, in which additional off-farm income sources for farm households are generated.

2.5 Urban pressure on rural areas

In the Netherlands there are concerns on rural areas under urban pressure. The term 'urban pressure' could be used to denote the pressure of both new residents, new economic activities, new transport infrastructure and tourists on rural landscapes. New residents claim rural space for housing - either for first or second homes - whereas new economic activities need rural space for business sites. New transport infrastructure implies a demand for space too and may fragment the countryside. Depending on their activities, tourists and daily visitors may also put spatial claims on the landscape. Due to these spatial claims, urban pressure may be a threat for the quality, quantity and identity of the rural landscapes. However, the arrival of new residents and tourists also implies an increase in purchasing power for goods and services related to the rural landscape, such as landscape and nature management, hiking and biking tracks, regional products, restaurants, hotels and other rural heritage (Overbeek and Terluin, 2006). In this section, first some socio-economic indicators in predominantly urban regions in the CEECs are discussed. As a next step, perceptions of urban pressure on rural areas are explored.

Socio-economic situation in predominantly urban regions

On the whole, population density in the CEECs is much lower than that in the Netherlands (table 2.1). The area covered by predominantly urban regions in the CEECs amounts to only 6% or less of total land area against 57% in the Netherlands (table 2.2). These figures reveal already that urban pressure can be expected to be rather limited in the CEECs. From the rather scarce information on socio-economic development in the predominantly urban regions in the CEECs, which is limited to the Czech Republic, Poland, Hungary and the Slovak Republic, no uniform picture arises. Whereas employment growth in the predominantly urban regions in Poland and the Slovak Republic exceeds that in the predominantly rural and intermediate regions, the opposite is true for the Czech Republic and Hungary. In addition, unemployment rates follow the same pattern, but then in a reversed order (table 2.3). The share of the agricultural sector in total employment in the predominantly urban regions amounts to only 1-2%, which is even lower than the share of agriculture in total employment in the predominantly urban regions of the Netherlands (table 2.4). During the last couple of years, population declined in the predominantly urban regions in the CEECs (table 2.5). In the Czech and Slovak Republic, the average ha per farm and intensity per ha in the predominantly urban regions is above the national average, whereas in the capital region in Hungary both farm size and intensity per ha is close to the national average (table A.2). Finally, the share of part-time farm holders in the capital region in the Czech Republic is rather low and the amount of paid labour input per holding quite high (14 fte) compared to the national average, whereas these figures in the capital region in Hungary are close to the average. In the Slovak Republic the share of part-time farm holders in the capital regions is also close to the national average, but the amount of paid labour per farm holding is above the national average.

Perceptions of urban pressure on rural areas are divers

In a recent study, the perceptions of urban pressure on a selected number of rural areas across Europe were analysed (Overbeek and Terluin, 2006). This study included five

countries: Hungary, the Netherlands, Finland, France and Spain. In each country, two case study regions were selected: a rural area under urban pressure from a nearby metropolis and a rural area under pressure from a nearby mass tourist area. In Hungary the focus was on the Western Budapest agglomeration and the Balaton Lake area; in the Netherlands on Oost Zuid-Holland and the Zeeuwse Eilanden. In interviews, actors were asked on their perception of urban pressure on these case study areas (table 2.12).

It appeared that divergent perceptions of urban pressure on the case study regions can be found. First of all, this was related to the location of the interviewees: residing inside the case study region or outside the region. Moreover, the groups of internal actors and external actors are far from homogeneous in their composition. For example, a main distinction in the group of internal actors refers to 'have always lived in the region' or 'be a newcomer'. On the whole, when asked about their perception of urban pressure, internal actors often refer to the danger of becoming overruled by the main cities and to shortcomings in the extent to which newcomers and tourists adapt to rural life. In addition, other perceptions of urban pressure were also perceived among internal actors. Quite a number of internal actors had positive perceptions of urban pressure, related to the arrival of new consumers and new taxpayers and to the sources of income due to the sale of building plots. Negative perceptions are especially common among newcomers, who want to maintain the status quo after they have settled in the region. This could be characterised as a NIMRUR (not in my rural area) attitude. Finally, negative perceptions prevail among those internal actors who consider urban pressure as a threat for the rural landscape.

Within the group of external actors of the Hungarian case study regions, positive perceptions on urban pressure were often associated with opportunities to build houses in rural areas, thereby solving housing problems in bigger cities and providing money and infrastructure for rural areas. In fact, urban pressure is considered to boost economic development of the rather backward rural areas. Negative perceptions of external actors of the Hungarian case study regions and the Dutch case study region of Oost Zuid-Holland were related to threats for the rural landscape. This perception is especially popular among young people and green action groups. Finally, in the case of the Dutch Zeeuwse Eilanden we found that external actors perceived urban pressure on this area as 'no issue'. When we compare the internal and external actors' perceptions of urban pressure on the case study regions, it is striking that these perceptions are the same for the Hungarian case study regions, but differ for the Dutch case study regions.

Table 2.12 Perception of urban pressure on the case study regions by internal and external actors

		Internal actors	External actors
Hungary	Western Budapest agglomeration	Positive and negative	Positive and negative
	Balaton Lake area	Positive and negative	Positive and negative
The Netherlands	Oost Zuid-Holland	Positive and negative	Negative
	Zeeuwse Eilanden	Positive and negative	No issue

Source: Overbeek and Terluin (2006).

For the other CEECs no comparable information of the perception of urban pressure on rural areas is available. However, it is likely that given the transition process in all these

countries, the perception of urban pressure by internal and external actors does not differ substantially from that in Hungary: urban pressure is both perceived positively as it may boost economic development in rural areas, and negatively as it may affect the quality of the rural landscape. Moreover, it should be noted that in the Spanish case study regions, which were rather lagging in economic development, urban pressure was also perceived as both positive and negative (Overbeek and Terluin, 2006).

Urban pressure in the Western Budapest agglomeration mainly consists of a demand for cheap and roomy houses by people who are employed in Budapest. A considerable amount of agricultural land changed into building plots for residences. The sale of agricultural land provides a welcome source of income for the local population. The agricultural sector shrinks rapidly, and the major part of the population is now employed in the services sector. Tensions exist between the local population and newcomers on the future development of the area: expansion of residential areas versus maintaining the rural idyll. In the Balaton Lake area urban pressure is mainly made up of a demand for second houses by middle class Hungarian families and to a smaller extent by foreigners. They spend weekends and holidays in their second homes, which usually have a small kitchen garden for self-subsistence agricultural production. This type of tourism boosts transport infrastructure and supports services such as shops, but also exerts pressure on the prices of real estate, which restricts the opportunities for the local people to buy real estate. This results in tensions with the local population. Other conflicts arise with regard to foreigners, who do not pay taxes. In addition, the mass tourism along the lake side threatens the rural landscape.

3. Rural development programmes in the CEECs and the Netherlands

3.1 Introduction

In this chapter, we will first discuss the general organisation of the programming of rural development in the European Union (section 3.2), followed by an overview of the programming of rural development measures in the eight separate CEECs, either through the Rural Development Plan or through Sectoral Operational Programmes and Single Programming Documents (section 3.3). Section 3.4 deals with the implementation of the only obligatory rural development measure in the RDPs, the agri-environment measure. During this study agri-environment has been identified as an important area where cooperation between the Netherlands and the new Member States could be established. All CEECs have to implement this measure, while the Netherlands also has reserved a large portion of its rural development budget for this measure. For each of the new Member States the implementation of this measure will be shortly discussed. In the final section a synthesis of the rural development programs in the CEECs will be given, followed by a discussion on the new Member States' view on the new rural development regulation. It can be concluded that the view of the CEECs regarding rural development is quite similar to the view of the 'old' Member States.

3.2 Programming of rural development in the European Union

Regulation (EC) 1257/1999 lays down the general principles and the administrative and financial provisions on support for rural development. This regulation intended to simplify the fairly complex administrative rules that existed previous to this new regulation and integrated a number of regulations into one. The regulation was amended by regulation 1783/2003. With the amendment, a number of new measures were added to the regulation, for instance the possibility to support farmers to adapt to demanding standards in the area of for example environment or animal welfare.

The measures for rural development that are supported by the EU are the same for the EU-15 (the 'old' Member States) and the EU-10 (the new Member States). There is one exception to this rule. The last measure of article 33, financial engineering, is not available in the new Member States.

The European Agricultural Guidance and Guarantee Fund is the Fund that co-finances the rural development measures. It consists of two sections, Guidance and Guarantee. Both Funds have their own financial systems, which differ distinctly. In principle, all rural development measures of Regulation (EC) 1257/1999 are financed by the Guarantee section. However, in regions covered by Objective 1 of the Structural Funds, all measures are financed by the Guidance section, except for the agri-environment measures, early retirement, less-favoured areas and afforestation of farmland. The

Guarantee section finances these four accompanying measures throughout the EU, including Objective 1 areas.

The Community LEADER+ Initiative is financed by Guidance, throughout the Union. This differentiation in financing also affects the programming of measures. According to Regulation (EC) 1257/1999, rural development measures financed by the Guidance section shall form part of the programming for Objective 1 regions (either an Operational Program (OP) or a Single Programming Document (SPD)). All other measures - that is the agri-environment measures, early retirement, less-favoured areas and afforestation of farmland - shall be part of a rural development plan (RDP). Objective 2 regions may choose whether or not rural development measures form part of the programming for objective 2 regions (SPD) or form part of their rural development plan. This flexibility in programming for objective 2 regions does however not apply to the agri-environment measures, early retirement, less-favoured areas and afforestation of farmland. These measures must form part of a rural development plan. For regions not covered by objective 1 or 2 all rural development measures form part of a rural development plan (table 3.1).

Given the above, it is necessary to include the programming documents for objective 1 and 2 in the analysis of the measures for rural development implemented in case a country has objective 1 and/or 2 regions.

Table 3.1 Overview of the different programming and financing rules

Area	Programming	Financing
<i>Objective 1</i>		
Agri-environment, early retirement, afforestation and LFA	RDP	Guarantee
All other rural development measures	SPD or OP	Guidance
LEADER		Guidance
<i>Objective 2</i>		
Agri-environment, early retirement, afforestation and LFA	RDP	Guarantee
All other rural development measures	RDP or SPD	Guidance
LEADER		Guidance
<i>Non-designated areas</i>		
All measures	RDP	Guarantee
LEADER		Guidance

3.3 Rural development policy in the eight CEECs and the Netherlands

3.3.1 Czech Republic

Coverage

The Rural Development Plan 2004-2006 for the Czech Republic covers the entire territory of the country, with the exception of Prague. The country is divided into eight NUTS-2 regions, of which seven are classified as Objective 1 regions. Only Prague is classified as an Objective 2 region. Although the seven Objective 1 regions have different levels of development, they all require a systematic application of rural development policy.

The RDP has been integrated with the Operational Programme (OP) Rural Development and Multifunctional Agriculture (part of the Community Support Framework), which covers the same territory as the RDP and to which Structural Funds are allocated. Both plans implement rural development measures from Regulation (EC) 1257/1999. Next to the RDP and the OP there is the national Rural Renewal Programme, which falls under the responsibility of the Ministry for Regional Development. This programme is not in contradiction with the RDP and the OP.

Current situation in rural areas

The RDP formulates several strengths and weaknesses of the current situation. The strengths are:

- diversified agricultural production (most farms have a combined crop and livestock production) as a basis for income stability;
- adequate employment in agriculture relative to its economic importance (the situation is coming close to that in developed countries);
- tradition of agricultural land management even in less-favoured conditions;
- interest of farmers in afforestation: a traditional symbiosis of farming and forestry and a tradition of cultural forestry (technologies, planning);
- low labour costs (agricultural wages amount to about 75% of the national average).

The weaknesses are:

- great differences in the profitability of farms;
- fragmented structure of land ownership; land consolidation has been slow due to high transaction costs associated with the identification of parcels in the field during reparcelling;
- unfavourable age structure of farmers and low influx of young and capable entrepreneurs and workers into agriculture;
- shortage of start-up capital for the co-ordination of market activities;
- shortage of finance to invest in anti-erosion measures;
- low cattle numbers to provide for landscape maintenance;
- farmers are not adequately organised to facilitate the marketing of their products.

Strategy

In reaction to these weaknesses the Czech Republic has formulated a strategy whereby it

'aims to mitigate the differences in farm profitability in less-favoured areas that result from natural conditions, to improve the unfavourable age structure of farmers, to reduce the share of arable land in the total agricultural land area and to provide to a sufficient extent for the farming of agricultural land in conformity with the principles of Good Farming Practice'.

For this reason six strategic objectives and eighteen operational objectives have been formulated.

Objectives and measures

For each strategic objective of the RDP one rural development measure is selected:

- to preserve farming in less-favoured areas, to improve the income situation of farmers, especially in the less-favoured areas and to act against their migration from the less-favoured areas (less-favoured areas);
- to maintain and protect the environment (with an emphasis on the water component) and cultural landscape (agri-environment);
- to improve the structure of agricultural workforce (in terms of age and education) (early retirement);
- alternative use of agricultural land primarily through afforestation (afforestation);
- setting up producer groups for the marketing of products (producer groups);
- support for renewable environmentally friendly energy sources (technical assistance).

Additionally, the OP Rural Development and Multifunctional Agriculture contains the following rural development measures:

- investments in agricultural holdings;
- improving processing and marketing of agricultural products;
- forestry;
- promoting the adaptation and development of rural areas;
- vocational training;
- technical assistance.

Budget

Total costs of the RDP during the period 2004-2006 will be €678.5 million. The funding for the rural development measures under the RDP will only come from public sources, of which the European Union will contribute 80% (€542.8 million). This EU-funding is entirely provided by the EAGGF Guarantee Section. The remaining 20% will be provided by the national government. The costs of the OP Rural Development and Multifunctional Agriculture will be €250.6 million.

3.3.2 Estonia

Coverage

The Rural Development Plan 2004 - 2006 for Estonia is a horizontal plan and covers the entire Republic of Estonia. The RDP should be seen in relation to the Single Programming Document (SPD). The SPD contributes - with 8 measures - to the general goal of the RDP

to support a regionally balanced functioning of rural areas. The RDP does not mention any measures that are only funded nationally. The RDP nor the SPD give any information about rural development measures at a national level, prior to the implementation of the RDP and SPD.

The entire area of Estonia is designated as an Objective 1 area.

Current situation

The RDP summarises the current rural development situation as follows:

- reduced employment rate in the agricultural sector, a high structural unemployment rate;
- rural areas are unattractive for people in terms of work and self-actualisation;
- large migration of younger and more educated people from rural to urban areas in the 1990s has impaired the development potential of rural areas and reduced the availability of skilled work force and the quality of work force;
- rural areas are characterised by sparse population and high average age, low purchasing power, closed local communities, and asocialisation in some places;
- the relative share of agriculture in the national economy, employment and land use has been reduced, which has resulted in great changes in the landscape; abandoned lands are overgrowing.

Objectives

As mentioned, the general goal of the RDP is to support a regionally balanced functioning of rural areas. The strategic objectives of the Estonian RDP are as follows:

- to increase agricultural producers' interest in sustainable use of environment, including introduction of more environmentally friendly technologies and techniques, maintaining biological diversity and natural landscapes;
- to bring agricultural production into accordance with the environmental standards of the Community;
- to alleviate farmers' financial burden of reorganisation connected with joining EU, increase their economic viability and ability to invest;
- to slow down decreasing agricultural employment rate;
- to advance competitiveness of micro enterprises and balance the effect of area-based subsidies favouring large-scale producers;
- to maintain land use in less favoured areas and areas with environmental restrictions at least on the level prior to accession and decrease the area of abandoned agricultural land;
- to raise farmers awareness in the field of economy and environmental protection.

Measures

The RDP lists six measures to be implemented which - in combination with the measures implemented through the SPD - should address the problems rural areas are faced with.

The measures are:

- support for less-favoured areas;
- agri-environmental support;
- support for afforestation of agricultural land;

- support for semi-subsistence farms undergoing restructuring;
- support for meeting standards;
- technical assistance.

Under the SPD the following measures will be implemented:

- investment in agricultural holdings;
- investment support for improving processing and marketing of agricultural products; diversification of economic activities in rural areas;
- integrated land improvement;
- renovation and development of villages;
- local initiative based development Projects - LEADER;
- forestry;
- support for setting up and provision of farm advisory and extension services.

Budget

The allocation of the financial resources over the different measures is shown in Annex 2. All financing takes place at a national level. County-governments and local governments are not involved in financing of the measures. The total budget for the RDP amounts to €188,16 million. The EU co-financing rate is 80%. The estimated total budget for the SPD is €78,7 million. The average EU co-financing rate is 72%.

3.3.3 Hungary

Coverage

The National Rural Development Plan (NRDP) of Hungary 2004-2006 covers the entire territory of the country. The whole country is classified as Objective 1 area. Next to the NRDP there is the Agriculture and Rural Development Operational Programme (ARDOP) financed under the EAGGF Guidance Section and the Financial Instrument for Fisheries Guidance (FIFG). Next to the two co-funded programmes there are the National Agri-environment Programme and the National Afforestation Programme. The objectives and measures of these two national programmes are in line with the agri-environmental measures and the afforestation measures of the RDP (and ARDOP).

Current situation in rural areas

The NRDP of Hungary formulates strengths and weaknesses in the fields of agriculture structure and forestry, environment and landscape, and population and labour market in rural areas. The weaknesses are:

- part of the agricultural areas suffer from unfavourable site conditions; significant proportion of abandoned land;
- the farming structure is not in line with the features of cultivated areas;
- land ownership and land use structures differ significantly;
- significant degree of self-subsistence farming economically not viable;
- a technological lag regarding plant cultivation and animal husbandry, a lag in EU product quality, food safety, environmental protection, animal welfare and hygienic standards;

- low efficiency of the agricultural activities;
- agricultural income is lower than national and industrial average;
- low degree of producer organisation, fragmentation of agri-business;
- relatively low level of forest cover;
- a significant proportion of cultivated areas are at the risk of drought, flooding and inland inundation;
- changing (increasingly intensive) farming methods, strong specialisation;
- cessation of cultivation in some areas, low rate utilisation of grasslands within agricultural areas, high rate of weed penetration;
- soil degradation processes (erosion, acidification, alkalinisation, compaction), negative nutrient balance, lack of environmentally sensitive nutrient management;
- environmental risks due to the outdated technology of animal husbandry sites, unsolved situations in manure processing;
- farmers have little knowledge of environment-friendly methods, deficient environment consciousness;
- very low economic activity;
- specialisation in the production structure with decreasing labour requirement;
- ageing population in rural areas, constrained opportunities in rural areas for employment and income earning activities;
- deficient vocational skills of farmers also due to limited training opportunities;
- the ratio of disadvantaged social groups within the population in rural areas significantly exceeds the national average.

Strategy, objectives and measures

In reaction to these weaknesses the government of Hungary has formulated a strategy, which addresses the environmental challenges, the viability and the production efficiency of farms and the strengthening of the market position of producers. The strategy has been operationalised into the following priorities and measures.

Priority A: Safeguarding and improving the conditions of the environment.

- Agri-environmental measures
- Support for meeting EU standards

Priority B: Converting the production structure to better match to ecological and market conditions.

- Afforestation of agricultural land

Priority C: Increasing the economic viability, financial conditions and market positions of producers.

- Early retirement
- Support for semi-subsistence farms undergoing restructuring
- Support for producer groups

Priority D: Maintaining and improving agricultural activities providing additional income and job opportunities for farmers on areas with weaker production structures.

- Support for less-favoured areas

Furthermore the NRDP has a budget for technical assistance and projects approved under SAPARD.

Through the ARDOP the following rural development measures are implemented:

- assistance to Investments in Agriculture;
- setting Up of Young Farmers;
- assistance to Vocational Training and Retraining;
- improvement of Processing and Marketing of Agricultural Products;
- expansion of Rural Income Earning Opportunities;
- development and Improvement of Infrastructure Connected with Agriculture;
- renovation and Development of Villages and Protection and Conservation of Rural Heritage;
- LEADER+ measures;
- technical Assistance.

Budget

Total costs of the RDP during the period 2004-2006 will be €754.1 million, of which the European Union will contribute 80% (or €602.3 million). This EU-funding is entirely provided by the EAGGF Guarantee Section. No additional private contributions will be made, so the remaining 20% of the budget will be brought up by the Hungarian government. The budget of the ARDOP for the period 2004-2006 is €417.1 million.

3.3.4 Latvia

Coverage

The Rural Development Plan (RDP) 2004-2006 is applicable at national level, there are no regional subdocuments.

The RDP should be seen in relation with the Single Programming Document (SPD) and the nationally funded measures to promote rural development. The entire territory of Latvia is designated as an Objective 1 area.

Current situation in rural areas

According to the RDP, the problems hindering the development of the countryside and the agricultural sector are as follows:

- critically low density of population in rural areas, which continues to decrease and threatens the rural population and renders social and economic infrastructure more expensive;
- low productivity, efficiency and incomes in agricultural production due to additional cost incurred by reason of agro-climatic conditions, fragmented production and outdated machinery and technology;
- low incomes for investment and rising the welfare standard in rural areas;
- insufficient experience and knowledge in agricultural and non-agricultural business development and business management;

- environmental, animal welfare, hygiene and occupational safety standards not observed in the most part of farms, which either limits the competitiveness of farmers or causes the discontinuation of agricultural production;
- high unemployment rate and limited employment opportunities besides agricultural activity, as the result of which the incomes of rural residents and the maintenance of the Latvian rural landscape becomes largely dependent upon agricultural production;
- degradation of biotopes, landscapes and agricultural land of the EU and local importance, diminution of populations as the result of non-utilisation of agricultural land.

Objectives

In April 2002 the Rural Problem Solving and Rural Development Concept was approved by the Latvian Cabinet. This Concept was the start of work aimed at formulating a new rural development policy, in line with, among other things, the accession to the EU. The Concept defines the strategic objectives of the national policy for rural development. These are as follows:

- promoting a dynamic development of rural economy, thus ensuring the increase in the level of welfare of rural population;
- maintaining a population of rural areas and ensuring the availability of various social infrastructure services in rural areas equivalent to the level available in towns;
- ensuring a sustainable and efficient utilisation of rural resources by maintaining and preserving a tended and biologically diverse rural environment and landscape for the future generations.

Based on these objectives and the key problems and opportunities of rural development Latvia has defined six strategic areas for financial support. They are:

- diversification of rural economy;
- improvement of structures of agricultural holdings;
- improvement of animal welfare;
- hygiene and product quality;
- improvement of product quality and increasing sales;
- preservation of biodiversity and improvement of rural landscape, preservation of rural habitation.

A number of these objectives have been included in the SPD. The implementation of the RDP has two priorities:

- development of efficient, flexible and sustainable rural economy;
- preservation of biologically diverse rural environment.

The implementation of the RDP is aimed at increasing the level of income of farms, developing and increasing the production efficiency at farms, meeting the environmental standards, diversifying the economic activities and incomes in rural areas and preserving of rural population.

Measures

In the RDP six measures are included aimed at the agricultural sector and the rural areas. These are:

- early retirement;
- support for producer groups;
- support for semi-subsistence farms;
- meeting standards;
- agri-environment;
- less favoured areas with environmental restrictions;
- technical assistance.

In the SPD another seven measures are included. These are:

- investments in agricultural holdings;
- setting up of young farmers;
- improvement of processing and marketing of agricultural products;
- promotion of adaptation and development of rural areas;
- forestry development;
- LEADER+ type measure;
- training.

The nationally funded measures are not specified in the RDP or SPD and can therefore not be included in this overview. Whether these national measures already existed before the development of the RDP and the SPD is not clear from the available documents.

Budget

Table A.4 gives the allocation of the financial resources over the different measures. All measured are financed at a national level. The total contribution of the measures financed through the RDP is estimated at €410,1 million for the period 2004-2006. The EU co-financing amounts to 80%. The budget for the financing of the measures for agriculture and rural development through the SPD is estimated at €137,9 million for the 2004-2006 period. EU co-financing is - on average - 66%.

3.3.5 Lithuania

Coverage

The Rural Development Plan 2004-2006 for Lithuania covers the entire territory of the country. There is but one RDP, no rural development plans on other institutional levels have been drawn up. All the measures, except the measure Less Favoured Areas, will be applied all over Lithuania.

The RDP should be seen in conjunction with the Single Programming Document (SPD) and the - nationally funded - Special Rural Support Programme (SRSP). The SPD covers the entire country, as all territory of Lithuania is classified as an Objective 1 area.

Current situation in rural areas

According to the SPD and the RDP the agricultural sector and the rural areas in Lithuania are characterised by the following key problems:

- small average farm size;
- low income and lack of sources of income (overdependence on agriculture);
- lack of technology both in primary production and processing sector;
- insufficient social infrastructure;
- insufficient physical infrastructure;
- threats towards the environment and cultural heritage.

Objectives

The overall objectives for rural development and agriculture - as laid down in the SPD - are to seek creation of a modern agriculture and fisheries and to mitigate negative social and economic consequences in the rural and coastal areas caused by modernisation. The overall objective of the RDP is to create 'a competitive agriculture, possibilities for diversification of activities, protection of environment'.

Measures

Under the RDP 8 measures are implemented, geared at addressing the aforementioned problems. These measures are:

- early retirement;
- less favoured areas and areas with environmental restrictions;
- agri-environment;
- afforestation of agricultural land;
- support for semi-subsistence farms undergoing restructuring;
- meeting standards;
- technical assistance;
- finally top-ups for direct payments.

Under the SPD another 10 measures are implemented, three of which related to fisheries. The measures for the agricultural sector and the rural areas are:

- investments in agricultural holdings;
- setting up of young farmers;
- improvement of processing and marketing of agricultural products;
- promotion of adaptation and development of rural areas;
- forestry development;
- LEADER+ type measure;
- training.

Finally, there are 26 measures under the SRSP, which is funded nationally. These 26 measures are listed in the RDP, but the measures are indicative and financial allocations to these measures were not presented in the RDP. The measures vary from aid for the acquisition of breeding animals to compensation for credit interest. A number of these nationally funded measures have been applied since 1992, for instance a breeding

programme. Other measures only started in 1999, for example partial compensation for insurance premiums.

Budget

The allocation of the financial resources over the different measures is shown in table A.4. All financing takes place at a national level, with co-financing by the EU.

The total budget for the RDP is €611.8 million, the rate of co-financing is 80%. The total budget for the 2004-2006 period for the SPD measures amounts to an estimated 321.1 million euro. This includes the measures for the fisheries sector. Excluding these three measures results in the amount of €297.2 million. The average EU co-financing rate is 42%.

3.3.6 Poland

Coverage

The Polish Rural Development Plan 2004-2006 covers the entire territory of Poland. However, some agri-environment measures will only be implemented in so-called priority zones. Since all regions in Poland have an Objective 1 status (including Warsaw), the RDP only contains nine measures co-financed by the EAGGF Guarantee Fund. Next to that the Sectoral Operational Programme (SOP) Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006 (part of the Community Support Framework/National Development Plan) contains a further thirteen measures co-financed from the EAGGF Guidance section. In sum the rural development policy in Poland uses twenty-two measures.

Next to the two aforementioned plans, the Polish government has also drawn up several national plans for rural development and agriculture, such as the Strategy for Rural Areas and Agriculture (1990), the Coherent Structural Policy for Rural Areas and Agricultural Development (1999), the Second National Environmental Policy (Ministry of Environment, 2000), and the National Strategy for the Protection and Sustainable Use of Biodiversity (Ministry of Environment, 2003).

Current situation in rural areas

The Polish RDP formulates a number of strengths and weaknesses to describe the current situation. The strengths are:

- ample land resources;
- multifunctional properties of agricultural holdings of mixed production;
- large settlement network and rich human resources that may be conducive to the development of non-agricultural activities;
- favourable age structure of farmers;
- low unit costs of labour and land;
- good state of the environment;
- high natural and tourist value of agricultural landscapes;
- low use of chemical inputs in agriculture;
- well-preserved biodiversity, including agricultural genetic resources;
- well-developed network of protected areas;

- extensive agricultural consultancy system and forest services;
- increasing social activity.

Weaknesses:

- high percentage of poor and acidified soils;
- high registered and hidden unemployment;
- low income of the rural population;
- fragmentation of agricultural holdings;
- low managerial skills of farmers and limited application of good agricultural practices;
- poor technical, social, transport and environmental protection infrastructure;
- poor education among the rural population;
- low level of self-organisation;
- relatively poor natural conditions for agricultural production;
- high diversification in the development of counties;
- low and declining profitability of agricultural holdings suffering from cash deficits;
- poorly developed services network in rural areas;
- lack of own capital and low interest in (lack of trust) acquisition of external capital and lack of credit capacity.

Strategy, objectives and priorities

Based on an analysis of the current situation, a definition of opportunities and risks in agriculture and rural areas and on the extent to which the objectives can be achieved by using other policies, the Polish government has defined two strategic objectives with six priorities for rural development, which also incorporate the objectives of the SOP and the National Development Plan.

- Objective 1: Enhancement of the competitiveness of the agri-food economy:
 - increasing the economic effectiveness of agricultural holdings;
 - improvement of incomes in agriculture and rural areas;
 - improvement of food safety, quality and market orientation of production.
- Objective 2: Sustainable development in rural areas:
 - multi-functionality of agriculture;
 - reduction of rural unemployment;
 - improvement of living conditions and the economic and social functions of rural areas.

Measures

The objectives and priorities will be achieved by the use of instruments from the RDP as well as the NDP and the accompanying SOPs. The measures used by the RDP are:

- early retirement;
- support for semi-subsistence farms undergoing restructuring;
- support for less-favoured areas;
- support for agri-environment and animal welfare;
- afforestation of agricultural land;
- meeting standards;

- support for agricultural producers' groups;
- technical assistance;
- complements to direct payments.

The following measures are used in the SOP:

- investment in agricultural holdings;
- setting up of young farmers;
- training;
- agriculture advisory and extension service support;
- improving processing and marketing of agricultural products;
- restoring forestry production potential damaged by natural disaster and fire and introducing appropriate prevention instruments;
- land reparation;
- rural renewal and the preservation and protection of cultural heritage;
- diversification of agricultural activities and activities close to agriculture activities to provide multiple activities or alternative incomes;
- agricultural water resources management;
- development and improvement of the infrastructure related to agriculture;
- Leader+ type measure;
- technical assistance.

Budget

Total public expenditure for the RDP during the period 2004-2006 will be €3,592.4 million. The funding for the RDP-measures will only come from public sources, of which the European Union will contribute 80% (€2,866.4 million). A total amount of €140 million is reserved for the financing of projects approved under the SAPARD programme. The total costs of the SOP are foreseen at €2,729.5 million, of which €945.4 million will be financed by the private sector and €1,192.7 million by the EAGGF Guidance section. The remaining part will be financed by the Polish government.

3.3.7 Slovak Republic

Coverage

The Rural Development Plan of the Slovak Republic 2004-2006 covers the entire territory of the country. The country can be divided into four NUTS-2 regions: Bratislava, Western the Slovak Republic, Central Slovakia and Eastern Slovakia. Except the Bratislava region (Objective 2 region) the entire country can be classified as Objective 1 region. The rural development measures from Regulation (EC) 1257/1999 are only partly accommodated in the RDP.

Next to the RDP there are three other programming documents: first there is the Sectoral Operational Programme Agriculture and Rural Development, by means of which other measures in regions falling under Objective 1 will be realised; second there is the Sectoral Operational Programme Basic Infrastructure, through which one measure of Article 33 will be realised (renovation and development of villages and protection and conservation of rural heritage); and thirdly there is the Single Programming Document

Bratislava, by means of which the same measure of Article 33 will be realised in Bratislava region.

There is also a National Conception of Rural Development, with three key priorities: development of economical activities suitable for rural (rural economy and employment), environmental protection and protection of culture fund (rural environment), and increasing of living conditions of rural population (rural living conditions).

Current situation in rural areas

The RDP formulates the following problems:

- stagnating production system of farms, characterised by antiquated and worn out buildings, obsolete equipment and facilities;
- obsolete and unreliable equipment of buildings and technologies in some sectors of food processing industry;
- lack of interest in/investments into the opportunities to raise added value in food processing;
- rather poorly developed links between the phases of production, harvesting, storage, processing and distribution within the supplier chain;
- fragmented and dispersed ownership of forests;
- illiquidity of farm entities;
- migration of people from rural areas reduces human resources in some regions and creates an unfavourable demographic structure;
- poorly developed technical and professional knowledge or rural population in general;
- poorly developed market in land and poor progress in registration of private land ownership. Unrealistically low rental fees for farmland;
- inadequately developed financial infrastructure, not adapted to specific conditions and needs of farming and food processing;
- poorly developed forms of social capital for effective management of co-operating farms;
- missing links among forestry land owners to manage this multi-functional resource;
- inadequately machine-assisted harvesting of forest products and wood processing;
- poorly developed self-governmental sector in rural areas;
- poorly developed capacities for 'bottom up' planning and implementation of local development projects in rural areas;
- inadequate links to public funds which are relevant to or influence rural areas;
- rural workforce inappropriately dependent on economic boom or depression;
- shortage of job opportunities in rural areas;
- low productivity of labour;
- strong dependence of rural population on public support;
- lack of regional holdings based on or connected to local resources;
- inadequate utilization of rural resources with a significant economic potential;
- rural areas receiving unfair shares of investments;
- inadequate provision of technical, public and social services by local governments of rural municipalities;

- poorly developed communication and transport networks among rural areas and external markets;
- isolation of remote rural populations from employment in urban areas and services;
- some rural areas and agricultural systems are not protected against floods;
- inadequate protection of forests from fires and other hazards;
- the environment is not protected against some unfavourable impacts coming from farming activities.

Strategy and objectives

In reaction to these weaknesses the government of the Slovak Republic has formulated a strategy, which has been operationalised into the following two priorities:

- development of sustainable rural economy (rural economy and employment);
- protection and improvement of rural environment (rural environment).

Measures

Priority 1:

- investment in agricultural holdings (Art. 4-7);
- training (Art. 9);
- meeting standards (Art. 21 a, b, c, d + Art. 33 l);
- improving processing and marketing of agricultural products (Art. 25-28);
- forestry (Art.29-32, except Art. 31);
- land consolidation (Reparcelling) (indent 2);
- diversification of agricultural activities (indent 7);
- support for semi-subsistence farms undergoing restructuring (Art. 33b);
- producer groups (Art. 33d);
- technical assistance (Art. 33e);
- complements to direct payments (Art. 33h).

Priority 2:

- less favoured areas and areas with environmental restrictions (Art. 13-20);
- agri-environment and animal welfare (Art. 22-24);
- afforestation of agricultural land (Art. 31).

Additional measures implemented through the Sectoral Operational Programmes:

- renovation and development of villages and protection and conservation of rural heritage;
- promoting the adaptation and development of rural areas;
- technical assistance.

Budget

Total costs of the Slovakian RDP during the period 2004-2006 will be €561.8 million, of which the European Union will contribute €397.1 million (from the EAGGF Guarantee Fund). The Slovakian government will contribute €123.6 million, whereas contributions from the private sector amount €41.2 million. The costs of the implementation of the

Sectoral Operational Programme Agriculture and Rural Development are € 466.4 million, of which the private sector contributes €210.6 million.

3.3.8 Slovenia

Coverage

The Rural Development Plan 2004-2006 of the Republic of Slovenia covers the entire territory of the country and, as the whole country is an Objective 1 area, the plan contains only accompanying measures financed from the EAGGF Guarantee section. The RDP for 2004-2006 contains five of these measures.

Furthermore the National Development Plan (NDP), as laid down in the Single Programming Document (SPD) has a section which focuses on the restructuring of agriculture and forestry (priority 3). The objectives of the agricultural paragraph of the SPD are the improvement of economic efficiency and competitiveness of agriculture and forestry, adaptation to the common markets requirements, promotion of alternative income sources in rural areas, promotion of food safety and quality, and sustainable development of forests. Under the SPD five rural development measures are implemented, financed by the EAGGF Guidance Fund. Therefore in sum the rural development policy in Slovenia uses ten measures.

Next to the RDP and the SPD there is the national funded Programme of Integrated Rural Development and Village Renovation (CRPOV), introduced in 1991. CRPOV Programmes for rural development started in 1991. Around 250 different regional projects have been supported.

Current situation in rural areas

The Slovenian RDP formulates a number of strengths and weaknesses that characterise the situation in Slovenian rural areas. The strengths are:

- diversified, attractive and mainly unpolluted rural areas;
- preserved cultural landscape and traditional farming practices;
- land owned mostly by family farms;
- increased demand for quality food and supplementary activities on farms;
- traditional attachment of Slovene farmers to their land and experience gained from it;
- growing interest for the country life;
- compliance of the legislation with *acquis*;
- establishment of necessary institutions like the AAMRD, regional development agencies, agriculture and forest services.

The weaknesses are:

- a large share of less-favoured areas;
- environmental degradation on some locations;
- small-scale farms, fragmented land;
- abandonment of agricultural production (reduced number of rural population, poor appearance of cultural landscape);
- large share of part-time farmers;

- depopulation and loss of intellectual potential in rural areas;
- efficiency gap: inefficient production structures in relation to the rest of economy;
- declining income from agricultural production;
- bad horizontal and vertical co-operation between farms.

Priorities and objectives

In order to cope with these weaknesses, the Slovenian government has defined two main policy priorities:

- Priority 1: Sustainable development of agriculture and the countryside;
- Priority 2: Economic and social restructuring of agriculture.

The strategy used to pursue these two priorities is based on the principles of competitiveness, sustainability and multifunctionality and has the following four objectives:

- contribution to income of farmers in specific areas, preservation of agricultural land through implementation of good agricultural practice, improvement of environmental functions of the LFAs (less-favoured areas and areas with environmental restrictions);
- positive impact on environment through decreasing the negative influence of agriculture of through maintaining the current state, long-time improvement of natural resources, positive effect on improvement of skills and qualifications for the implementation of sustainable agricultural practices (agri-environmental measures);
- improvement of economic situation of agricultural holdings and improvement of age structure of viable farms (early retirement);
- better awareness amongst farmers of rural development measures, improved knowledge and support to research activities (meeting standards and technical assistance).

Measures

Five measures have been selected to reach the four objectives of the RDP:

- early retirement;
- less-favoured areas and areas with environmental restrictions;
- agri-environmental measures;
- meeting standards;
- technical assistance.

Another five measures have been selected for implementation through the Single Programming Document:

- improving processing and marketing of agricultural products;
- investments in agricultural holdings;
- diversification of agricultural activities and activities close to agriculture;
- investments in forests to improve the economic and ecological value of forests;
- marketing of quality agricultural and food products.

Budget

Total public and private (co-finance for SAPARD Programme) expenditure for the accompanying measures under the RDP during the period 2004-2006 will be €355.4 million. The funding for the RDP-measures will come mainly from public sources, of which the European Union will contribute 80% (or €281.6 million). The total costs of the measures under the SPD are foreseen at €25.4 million.

3.3.9 The Netherlands

Coverage

The Rural Development Plan 2000-2006 of the Netherlands (ministerie van LNV, 2002) covers the entire territory of the country. The province of Flevoland is eligible for phasing out support of Objective 1 in the period 2000-2006. This implies that a budget of 10 million euro is available for art. 33 measures through EAGGF Guidance. For the northern part of the country there is a SPD for phasing out support of Objectives 2 and 5b; for the eastern and southern parts of the country SPDs are made in the scope of an Objective 2 status in the programming period 2000-2006.

Current situation in rural areas

According to the Dutch RDP, the decrease in agricultural activities in rural areas results in a deterioration of basic services in rural areas, which is insufficiently compensated by the other economic sectors. Forests in rural areas are mainly multifunctional: in addition to production and recreation functions, they also include ecological functions. Emerging economic activities in rural areas are recreation and tourism. Rural areas with their typical assets such as quietness, space and identity are of increasing importance for urban actors. Improvements in the environmental and natural qualities are necessary in order to compensate for the loss of environmental and landscape values during the last decades. Such improvements refer, for example, to the extension of nature areas and sustainable water management systems.

Priorities and objectives

The rural development strategy is based on two strands:

- a. restructuring the agricultural sector towards the 21st century;
- b. encouraging new incentives in rural areas in order to make it attractive for both rural and urban actors.

In order to achieve economic, social and ecological sustainability in the Dutch rural areas, an integrated approach of rural areas is necessary, in which the function of rural areas will be transformed from a production space to a multiple space for production and consumption. For this purpose, the following six objectives are formulated in the Dutch RDP:

1. development of a sustainable agriculture;
2. enhancing the quality of nature and landscape;
3. promoting sustainable water management;
4. encouraging diversification of the rural economy;

5. enhancing recreation and tourism;
6. enhancing the quality of life.

Measures

Almost all measures of the menu of the second pillar have been selected to reach the objectives of the RDP. The following 6 measures are not applied:

- setting up of young farmers (b);
- early retirement (d);
- land improvement (j);
- setting up of farm relief and farm management services (l);
- restoring agricultural production potentials damaged by natural disaster (u);
- financial engineering (v).

Budget

The total public budget for the RDP 2000-2006 amounts to 1057 million euro, of which 417 million euro (39% of total public budget) is financed by the EU.

3.4 Comparative analysis of agri-environment measures

In this section the implementation of the agri-environment measures (art. 22-24 of Council Regulation (EC) 1257/1999) will be described for the five selected countries: Czech Republic, Hungary, Lithuania, Poland and Romania. These type of measures is the only obligatory one of the Rural Development Plan, but the interpretation and implementation largely differs between the five countries. Furthermore there are differences between the countries regarding their previous experience with agri-environment measures and the importance that is attached to this specific measure, expressed in the scope and financing of the measure.

Peppiette (2001) describes the choices that have to be made by the new Member States when designing their agri-environment policies. They have to make choices between horizontal (general) and specific measures; between specificity and simplicity (specific/more complex measures can be better monitored, while simple measures may attract more applicants); between preservation and restoration; and on different levels of payment per ha.

An analysis of the Rural Development Plans of the different Member States shows that the Czech Republic (49%) and Hungary (41%) have reserved a relatively high share of their budget for the agri-environment measure, while Lithuania and Poland (both 10%) invest only a minor share of their budget in this measure. The reason for this lies in the relatively low importance that both governments attach to agri-environment. In its National Agricultural Rural Development Plan 2000-2006, Romania reserves only 2% of its budget for the agri-environment measure.

Below the implementation of the agri-environment measures in the five selected countries will be discussed in more detail. In all countries, in general support is provided through a compensatory allowance per hectare of agricultural land. Furthermore it is found that all five countries implement measures relating to organic farming.

Czech Republic

The Czech Republic started offering agri-environment measures to farmers in 2001 (in a national program) with (1) the conversion of arable land into grassland, (2) the maintenance of grassland by grazing and (3) organic farming. Furthermore the agri-environmental measure has been part of the SAPARD-program. The agri-environmental paragraph in the RDP 2004-2006 addresses four important themes: accelerated runoff of water from landscape, problems of soil erosion, support of ecological stability of landscape and preservation/enhancement of the biological diversity on farmed land. Four sub-measures have been designed to address the above-mentioned issues (total cost: € 203.3 million (including national public financing and private contributions): (1) organic farming sub-measure, (2) farm wide sub-measure: grassland maintenance, (3) landscape upkeep sub-measure and (4) zonal sub-measure: crop rotation in cave protection zones. The third sub-measure is again sub-divided into six schemes, which makes that the total number of sub-measures is nine.

Hungary

Since 1999/2000 Hungary has had its own National Agri-Environment Programme (NAEP), which provided the basis for the agri-environment measures in the Rural Development Plan. The RDP agri-environment measure is subdivided according to the five objectives of the plan. The five schemes are: Entry Level Schemes, Integrated Crop Management Schemes, Organic Farming Schemes, High Nature Value Area Schemes and environmental set-aside, Supplementary Agri-Environment Schemes. Next to these categories there are six different groups of measures: measures on arable land, on grassland, in permanent cultures, on wetland habitats, for livestock and supplementary agri-environment measures. The five schemes and the six groups together can be put in a matrix-model, which contains 23 measures (see RDP). Total cost of the Hungarian agri-environment programme are €307.3 million.

Lithuania

Lithuania has set a clear operational objective for the agri-environment measure: 3,000 farms with a total of 60,000 ha of arable land are to enter the agri-environment scheme. Specific objectives are: a decrease in runoff by N and a following reduction in eutrophication, decrease in temporary not used land, decrease in erosion, farmland under organic farming occupies 2% of all agricultural land. For this purpose, four schemes have been selected for implementation: protection of shore belts of surface water bodies in meadows and arable land and prevention of soil erosion, landscape stewardship scheme, organic farming scheme and rare breeds scheme. The Lithuanian government has been criticised by the Commission for its inadequate agri-environment programme. It only provides four horizontal measures, which seem not sufficient to address the environmental problems and risks of Lithuania's rural areas (IUCN, 2004). The total cost are €62.2 million.

Poland

The Polish government decided that between 2004-2006 the spatial scope of the agri-environment measure would be limited to approximately 5% of agricultural land area (1.2

million ha of agricultural land). However, according to IUCN (2004) these priority areas for implementing agri-environmental schemes leave out many important habitats and should be extended considerably. It is argued that this is mainly because the agri-environment programme received low political priority in Poland. Therefore the agri-environment measures have a very limited scope as well as financing (total cost of €348.9 million). Poland has designed seven agri-environment measures: sustainable farming, organic farming, maintenance of extensive meadows, maintenance of extensive pastures, soil and water protection, buffer zones and protection of local breeds of farm animals.

Romania

In its National Agricultural Rural Development Plan 2000-2006 (part of the SAPARD-program) Romania implements 200 pilot projects aiming at conversion to organic agriculture, the protection of areas with special bio-diversity/natural interest and maintain/improve the rural landscape and natural environment. Seven counties have been selected as pilots for the implementation of agri-environment measures. Total cost for the implementation period 2002-2006 will be €35.4 million.

The Netherlands

In the Dutch RDP 8.5% of the total public budget for 2000-2006 is reserved for agri-environmental measures. In order to prevent a further deterioration of nature and landscape values, the Dutch government tries to establish the so-called Ecological Main Structure (EHS). The EHS is planned to act as a network of nature areas of 700,000 ha, to be realised in 2018. Part of the EHS consists of agricultural land under land management by farmers. In the scope of agri-environmental measures of the RDP, farmers can get compensations for the conservation and development of nature and landscape values on agricultural land. About 40 different packages of conservation are applicable. In addition, agri-environmental measures also include a scheme for compensatory allowances for the income loss during the transition period towards organic farming. It should be noted that in other RDP measures, such as LFA and forestry, agricultural land management is also supported.

3.5 Synthesis of the Rural Development Programmes in the CEECs

Coverage

The Rural Development Plans (RDPs) of the Central and Eastern European Countries (CEECs) all but one cover the entire area of the country; the Czech Republic RDP does not apply to Prague. As the entire territory of the CEECS is designated as an Objective 1 region - except for Bratislava and Prague which are both classified as an Objective 2 region - a large number of rural development measures is included in the programming documents for the Structural Funds. This is either an Operational Programme (OP) or a Single Programming Document (SPD). The measures included in the RDPs should therefore be seen in conjunction with the measures included in the SPD or OP.

Current situation in rural areas

From the RDPs it becomes clear that there are many differences between the countries under review. These differences relate mainly to the level of the perceived problems. The type of problems in the CEECs is more or less the same and can be broadly summarised as follows:

- low income of the (ageing) rural population;
- limited employment possibilities outside agriculture (or put otherwise, a high dependence on agriculture);
- underdeveloped infrastructure in rural areas;
- large differences in the profitability of farms, a large number of farms can be described as self subsistence farms;
- low productivity of the agricultural sector;
- low or non-observance of environmental, animal welfare and hygiene standards.

This situation, partly the result of the rapid political and economic changes that have taken place over the past ten to fifteen years, has its effects on the environment as well. Land has become abandoned, or reversely, has become more intensively used; both developments can have detrimental effects on the environment, for instance, soil degradation due to erosion, loss of natural areas due to forestation, and changes in the landscape due to changing agricultural practices.

All RDPs distinguish at least two priorities. One that focuses on the economic issues and one that centres around the environmental issues. Sustainable development of the countryside is the overall objective; improving the economic efficiency and competitiveness of agriculture and forestry as well as protection and improvement of the environment are the ensuing goals.

Measures

All RDPs contain a large number of measures. If the measures possible under article 33 of Regulation (EC) 1257/1999 are not taken into account, five countries implement all measures, two countries implement all but one, one country implements all but two measures. The Slovak Republic and Estonia have not implemented a support measure to promote the setting up of young farmers. Slovenia has neither implemented a support measure to promote the setting up of young farmers nor a training measure.

The use of the measures of article 33 differs widely. All countries do however implement one or more measures of this article.

The fact that most countries have incorporated almost all measures in their RDP does not imply that all measures are implemented in the same way. There may be large differences in the scope of the measures, for instance, the type of investments that will be subsidised, the type of environmental programmes, the kind of aid given to the processing industry etcetera.

Budget

The total budget available for rural development measures in the eight CEECs for the period 2004-2006 amounts to €10.6 billion, of which two thirds is for measures of the RDPs and one third for measures of the SOP/SPDs (table 3.2). About half of this budget is

for Poland. The total budget for the Czech Republic, Hungary, Lithuania and the Slovak Republic is about one billion euro, which is roughly the same as the Dutch RDP budget for 2000-2006. Estonia, Latvia and Slovenia have a moderate budget of about €300-500 million. In all CEECs, except for the Slovak Republic, the EU contribution to the RDP budget is 80%. The EU contribution to the SOP/SPD budget fluctuates among CEECs and varies from nearly 40% in Slovenia to 75% in Hungary.

Table A.4 presents the share of each rural development measure in the RDP budget. It appears that agri-environmental measures have the largest share in the Czech Republic (49%), Estonia (30%) and Hungary (41%) and that in the other 5 CEECs the measures on LFA and areas with environmental restrictions have the largest share (varying from 24% in Lithuania to 54% in Latvia). In all CEECs except for the Czech Republic temporary measures, such as for example support for meeting standards and complements to direct payments, also absorb a substantial share of the RDP budget, varying from about 25% in the Slovak Republic and Slovenia to about 40% in Estonia, Lithuania and Poland. It should be noted that in most countries, measures under axis 1, such as investments in agricultural holdings and improving of marketing and processing of agricultural products are financed by the SOP/SPDs.

Table 3.2 Budget RDP and SOP/SPD for rural development measures in the CEECs and the Netherlands, 2004-2006

	RDP (mio euro)	Of which: Contribution EU		SOP/ SPD (mio euro)	Of which: Contribution EU		RDP + SOP/SPD (mio euro)	Of which:		
		(mio euro)	(% of total)		(mio euro)	(% of total)		RDP (% of total)	SOP/SPD (% of total)	Contribution EU (mio euro)
Netherlands a)	1057.3	417.0	39	-	-	-	1057.3	100	-	417.0
Czech Republic	678.5	542.8	80	240.3	166.6	69	918.8	74	26	709.4
Estonia	188.2	150.5	80	143.3	56.8	40	331.4	57	43	207.3
Hungary	754.2	602.3	80	417.1	312.8	75	1171.3	64	36	915.1
Latvia	410.1	328.1	80	138.0	91.3	66	548.1	75	25	419.4
Lithuania	611.9	489.5	80	198.8	135.0	68	810.7	75	25	624.5
Poland	3592.4	2866.4	80	1784.1	1192.7	67	5376.5	67	33	4059.1
Slovak Republic	561.8	397.1	71	464.5	181.2	39	1026.4	55	45	578.3
Slovenia	355.4	281.6	79	47.1	23.6	50	402.5	88	12	305.2
TOTAL CEECs	7152.4	5658.3	79	3433.2	2160.0	63	10585.7	68	32	7818.4

a) For 2000-2006.

Source: own calculations based on RDPs and SOPs/SPDs.

The view of the CEECs on the new regulation on rural development

In July 2004 the European Commission presented, among other things, a proposal for a new regulation on rural development. During the Dutch, Luxembourg and British presidency of the EU (July 2004 - December 2005), this proposal was discussed in the Council Working Groups, the Special Committee on Agriculture and the Council of Agricultural Ministers.

In order to facilitate discussions, the Dutch presidency had asked Member States to submit their comments on the Commission proposal. These *written comments* of the 10 new Member States have been carefully studied in order to form an idea of their views on the regulation on rural development. The available official reports of meetings of the Council Working Groups, the Special Committee on Agriculture and the Council of Ministers in which the regulation was discussed, were another source of relevant information.

The written comments were quite detailed. From the written comments - in combination with the reports of the meetings - it became clear that in general the views of the new Member States were quite similar to the views of the old Member States. For instance, recurring topics in the discussions in the working groups were the lack of flexibility in programming of rural development measures; the lack of simplification of the programming and implementation of the measures; the obliged minimum spending per axe; the role of LEADER and the new definition used for the less favoured areas. As can be expected, the new Member States were sometimes eager to stress their different position. This resulted in requests for extended transition periods, higher co-financing rates and the possibility to retain certain measures that were included in the SAPARD programme. Lithuania and Latvia stressed the importance of avoiding excessive investments in economically developed countries through differentiating the aid rates.

More specifically, a number of CEECs stressed the importance of including measures aimed at land consolidation and land reorganization. These are important measures to help improve the farming structure; the same goes for soil improvement. Related were the requests to support investments necessary for starting maintenance of abandoned agricultural land in high nature value areas or to include abandoned land as eligible for support even if it does not comply with GAEC rules (good agricultural and environmental conditions). Likewise there was a request to support the revitalization of abandoned agricultural land.

Another remark often made by the CEECs (as well as by a number of EU-15 Member States) was to extend the measure *adding value to primary agricultural and forestry production (article 28)* to include medium-sized enterprises as eligible for aid for as well. In the Commission proposal the aid was restricted to micro and small enterprises. Finally, a number of new Member States called for including municipalities and their associations as beneficiaries, where appropriate, for support in the second axis (land management).

4. Supervision and implementation of rural development policy in the CEECs and the Netherlands

4.1 Introduction

In this chapter we focus on the supervision and implementation of rural development policy in the CEECs. In section 4.2 the preparation of the Rural Development Plans and the consultation during the preparation will be discussed for each CEEC, followed by an overview/synthesis. Section 4.3 deals with the implementation and the monitoring of the implementation of the Rural Development Plans. This will also be discussed individually for the eight CEECs, followed by an overview/synthesis.

4.2 Preparation and consultation

Czech Republic

During preparation of the RDP (programming phase), a wide range of partners from other ministries, non-governmental organisations and research institutes were consulted. Regarding the development of the agri-environmental measures the Ministry of Environment was an important participator. Next to the consultation and involvement of partners, the Ministry of Agriculture communicated during the programming phase with a number of associations, unions and organisations. Through these organisations, the general as well as professional public has been informed about the development of the programming document and the comments received as a feed-back have been reflected in the drafting of the RDP. Most debated in the debate with these organisations were the measures for the Least Favoured Areas and the agri-environmental measure.

The Operational Programme 'Rural development and multifunctional agriculture' is prepared by the Ministry of Agriculture. During the preparation phase, a Preparatory Committee for the OP was established, made up of the officers of the Ministry of Agriculture at a central as well as regional level, and further of the representatives of other ministries and non-government organisations. Furthermore a Working Group for the OP preparation was established, made-up of the officers of technical departments of the MoA and the SAPARD Agency. The consultation process during the preparation phase of the comparable to the consultation process of the RDP and involved many actors from the different ministries, regional and local governments as well as from professional organizations.

Estonia

The RDP was prepared by the Ministry of Agriculture (MoA) with the involvement of third sector representatives and area specialists. Consultation took place with a large number of representatives of social, economic and environmental interest groups. For

instance ministries (Environment, Economic Affairs), the Estonian Chamber of Agriculture and Commerce and the Rural Development Foundation.

The SPD was elaborated by the Ministry of Finance (MoF), which acts as the Managing Authority for the implementation of the SF. However, a number of other ministries - including the MoA - were involved in the Methodological Working Group that was set up to prepare the SPD. Separate so-called Priority Working Groups were set up to elaborate the different priorities of the SPD, including a Rural Development and Agriculture Priority Working Group. This Group was chaired by the MoA.

As required by Regulation (EC) 1260/1999, the MoF has consulted with various partners, including representatives from local and county governments, from professional associations and from NGOs and foundations. The different ministry (for the four different priorities of the SPD) gathered the opinions and proposals from the official co-operation partners which were then submitted to the MoF.

Hungary

During preparation of the NRDP (programming phase), several public consultations with the relevant central, regional and local authorities, the social and economic partners and other relevant stakeholders took place. The outputs of these consultations have been taken into account during the drafting of the plan. Furthermore a continuous consultation with the involved services and partners will be ensured during the implementation of the plan through the Communication Action Plan and other actions financed by the Technical Assistance measure.

The consultation process during the preparation phase of the Operational Programme for Agriculture and Rural Development (ARDOP) is comparable to the consultation process of the RDP: many stakeholders were involved, as has been prescribed by Regulation (EC) 1260/1999. The overall preparation was organised by the Ministry of Agriculture and Rural Development.

Latvia

The RDP has been elaborated by the Ministry of Agriculture (MoA) of the Republic of Latvia in close collaboration with the European Commission, the competent institutions of Latvia and the economic and social partners at various levels. These include several ministries (of for instance Economics, Environment, Finance), environmental organisations, farmers organisations, regional and local governments as well as several research institutes.

The SPD has been drafted by the Ministry of Finance which acts as the managing Authority for the implementation of the Structural Funds. So-called Intermediate Bodies are responsible for the preparation, co-ordination and implementation of the priorities of the different funds within the SPD. The Ministry of Agriculture is therefore responsible for the priority Rural Territories, Agriculture, Forest Sector and Fisheries.

The principle of partnership, that is to involve all the interested parties in planning and implementation of development initiatives, has been applied through participation of different institutions and organizations in working groups established to elaborate the SPD. Seminars have been held as well, in the 5 planning regions of Latvia, to promote

partnership and information exchange with regional municipalities, NGOs and entrepreneurs.

Lithuania

The RDP was prepared by the Ministry of Agriculture (MoA) in dialogue with the social and economic partners. These include county administrations, farmers organisations, ministries (of for instance Environment, of Economy and of Finance) and research institutes. A draft RDP has been circulated three times to key partners in order to get their views on the document. The draft RDP was also sent to a number of institutions and organisations directly or indirectly affected by the implementation of this document. In order to design a good working agri-environmental scheme, close consultation with farmers took place.

The SPD was elaborated by the Ministry of Finance, which is designated as the Managing Authority. As with Latvia, Intermediate Bodies, including the MoA, were responsible for the relevant SPD economic sector. The MoA is therefore responsible for preparation and implementation of priority 4: Rural and Fisheries Development.

According to the SPD, Lithuania 'lacks deep traditions of partnership' (p.296). At first, partnership was primarily seen as the co-operation between the Lithuanian government and the European Commission. However, this has gradually changed. For the rural priority the MoA has co-operated with over 40 institutes and social-economic partners; these partners include for example representatives of the primary sector and the processing industry.

Poland

During the preparation of the RDP several seminars and workshops were organised where the selection of the measures to be implemented under the Plan, the likely scope of support to be granted under the different measures, the financing level, and the system of the implementing institutions were discussed. Participants in these consultations were representatives of the Ministry of Agriculture and Rural Development (MARD), the Ministry of Environment as well as other ministries, the Agency for the Restructuring and Modernisation of Agriculture, the Foundation of Assistance Programmes for Agriculture, research institutes subordinated to the MARD and of the Polish Academy of Sciences and the National Advisory Centre for Agriculture and Rural Development. Next to the official consultation process, social consultations have been held with stakeholders throughout the country after the completion of the first draft (October 2002) as well as the second draft (March 2003).

The Sectoral Operation Programme Restructuring and Modernization of the Food Sector and Rural Development has been prepared by the Ministry of Agriculture and Rural Development, with consultation of different partners (ministries, regional and local government, professional organizations, NGOs, etc.).

Slovak Republic

During preparation of the RDP (programming phase), several actors were consulted. Next to all the relevant ministries, these actors were other institutions (the Statistical Office of the Slovak Republic, the Office for Public Procurement, the Office for State Aid), Social

partners (the Slovak Chamber of Agriculture and Food, the Union of agriculture cooperatives and trade associations, the Associations of forest owners) and NGOs (the Rural parliament, the Cities and municipalities association, the Slovak association of rural tourist and agro tourist, Daphne - institute of applied ecology and the Society for the protection of birds in the Slovak Republic).

In the framework of the Sectoral Operational Programme for Agriculture and Rural Development a working group for its preparation was established at the Ministry of Agriculture, and which comprised representatives of 7 self-governing regions, affected ministries (Ministry of Economy, Ministry of Environment, Ministry of Construction and Regional Development, Ministry of Finance), social partners (Slovak Agricultural and Food Chamber, Rural Parliament), tertiary sector, departmental institutions and respective sections of the Ministry of Labour. Draft versions of the SOP were regularly consulted with socio-economic partners as well as outside the working group and their comments or proposals for amendments were incorporated into the SOP where the relevant legislation enabled it.

Slovenia

During the preparation of the RDP the MAFF has organised discussions on the Draft of the RDP in order to 'organise harmonisation between different target groups'. These discussions are organised with different ministries at governmental level, with NGOs, with prospective beneficiaries and with public services.

The Government Office for Structural Policy and Regional Development coordinated the preparation of the Single Programming Document (SPD). Hereby appropriate attention has been put on the coordination and consultation with socio-economic and regional partners as well as with non-governmental organisations.

The Netherlands

The RDP was prepared by the Ministry of Agriculture in close cooperation with the twelve provinces. First, in each of the four blocks of provinces (North, East, South and West) also consultations among socio-economic partners took place. This resulted in four rural development plans for each block of provinces. These four rural plans were integrated into a draft RDP for the whole country. Then, two national consultation meetings were organised with socio-economic partners to discuss this draft. In addition, an ex-ante evaluation of the RDP has been conducted. The results of the national consultations and the ex-ante evaluation have been used in the final RDP.

Overview and synthesis

The preparation of all RDPs has taken place in consultation with a large number of organisations. Most RDPs include a long list of representatives of environmental, social and economic organisations that have been consulted during the drafting of the RDP. Some RDPs mention workshops that have been held to set the priorities for the RDP, or opinion surveys among those most involved in the development of rural areas.

4.3 Implementation and monitoring

Czech Republic

The Department of the Managing Authority will be responsible for the management of the RDP programming document and for the commissioning and coordination of evaluation and monitoring of the RDP measures. The Czech Republic will have a single Paying Agency, which will carry out administrative and payment functions, both at the central level and at the regional offices in the seven regions. Furthermore the agricultural agencies-land offices at NUTS 4 level will help the PA carrying out its functions.

Monitoring shall be carried out using specified monitoring indicators. The Department of the Managing Authority of the RDP shall draw up annual progress reports based on summarised data on progress in individual measures. No monitoring committee will be established.

The Department of the Community Support Framework of the Czech Ministry for Regional Development has been charged with the overall management of the Community Support Framework (CSF), while the different Operational Programmes are managed by various ministries. The Ministry of Agriculture is the managing authority of the Operational Programme Rural Development and Multi-Functional Agriculture. A central Monitoring System Structural Funds has been designed to monitor the implementation of the CSF, while each Operational Programme has its own Monitoring Committee.

Estonia

The MoA and the agencies within its area of administration are responsible for the implementation of the RDP measures. Units of the area of administration of the Ministry of Environment are involved in the implementation of the relevant measures. The actual day-to-day implementation of the measures is the responsibility of the Agricultural Registers and Information Board (ARIB).

The Ministry of the Environment, the Agricultural Research Centre, the Plant Production Inspectorate, the Veterinary and Food Board, the Heritage Conservation Board, regional land improvement bureaux and county environmental authorities participate in the implementation of the relevant measures within the scope of their competence.

The Agricultural and Rural Development Council (ARDC) is going to fulfil the task of the RDP Monitoring Committee. The ARDC was set up by the MoA to identify the interest of society. The Monitoring Committee is composed of representatives of government agencies, farmers, and other organisations pertaining to rural affairs. The following agencies and organisations are represented: Estonian Farmers' Federation; Estonian Private Forest Union; Estonian Cooperative Association; Ministry of Environment; Estonian Chamber of Agriculture and Commerce; Estonian Horticultural Association; Estonian Chamber of Environmental Associations; Estonian Agricultural Producers Central Union; Ministry of Finance; Estonian Organic Farming Union; Rural Development Foundation and representative of the European Commission in advisory capacity. Given the specific nature of agri-environmental support a special Agri-environment Monitoring Group was set-up under the Monitoring Committee.

For the measures included in the SPD, the MoA is the Intermediate Body that carries out functions delegated by the managing authority (the Ministry of Finance) for priority 3.

The organisation is similar to the one for the RDP-measures. However, it is not entirely clear whether the Monitoring Committee of the SPD is the same as the Monitoring Committee for the RDP.

Hungary

The Ministry of Agriculture and Rural Development of Hungary will be responsible for the elaboration and the implementation of the RDP. The management of the plan will be ensured by the Management Unit, established with the Managing Authority Department, which is also responsible for the management of the ARDOP. The Management Unit will be assisted by the Management Committee, in which representatives of the different participating institutions will be seated. Furthermore a Rural Development Committee will supervise the coordination of the two programmes (NRDP and ARDOP). Lastly the financial arrangements will be coordinated by the Agricultural and Rural Development Agency (ARDA).

Monitoring shall be carried out using specified monitoring indicators. A Monitoring Committee shall also be set up for this purpose. This committee will comprise representatives of bodies involved in the implementation of the NRDP.

The Managing Authority for the Operational Programme for Agriculture and Rural Development (ARDOP) is set up within the Department of Structural Funds of the Ministry of Agriculture and Rural Development (MARD). The Managing Authority will be assisted by a Management Committee, comprising of people from other directorates of the MARD, members of the CSF Managing Authority and representatives of other ministries.

Latvia

The MoA is responsible for the implementation of the RDP. If necessary, the Rural Development Department of the MoA shall prepare or summarise any amendments or supplements received from other organisations for submission with the Monitoring Committee and the EU Commission. The Department shall fulfil the functions of the secretariat for the Monitoring Committee of the Plan and inform both the society and the institutions involved in the implementation of the Plan about the decisions adopted by the Monitoring Committee and those by the EU Commission. The Rural Development Department of the Ministry of Agriculture shall, in the course of implementation of the Plan, retain experts for the purposes of improving the measures of the Plan and supervise the continuous monitoring of implementation of the Plan as well as be responsible for the management of funds allocated for technical assistance.

The Rural Support Service will act as Paying Agency, under the subordination of the MoA, and take care of the day-to-day implementation of the RDP.

The Monitoring Committee shall be composed of representatives of the responsible institutions involved in the implementation of the plan and those of other cooperation partners. The chairman and members are appointed and dismissed by the Cabinet of Ministers. The secretariat of the MC is taken care off by the MoA.

For the measures of the SPD the organization is the same. The MoA acts as the Intermediate Body to which the implementation of the measures is delegated by the managing Authority. It is not clear whether the monitoring committee for the RDP is the same as for the SPD.

Lithuania

The ultimate responsible authority for implementation of this Plan will be the Lithuanian Ministry of Agriculture; however, implementation of certain measures (projects or actions) might be delegated to other responsible bodies designated by the Ministry of Agriculture. The actual day-to-day implementation of the measures within the RDP is the responsibility of the National Paying Agency (NPA).

The composition of the Monitoring Committee will be approved by the order of the Minister of Agriculture and will include (but will not be limited to):

- representatives of government;
- other ministries (such as Ministry of Finance, Ministry of Environment, Ministry of Social Affairs and Labour, Ministry of Economy, Ministry of Internal Affairs, Ministry of Foreign Affairs as well as other ministries);
- a representative (or representatives) of the European Commission in his/her/their capacity of an advisor(s) to the Committee;
- local authorities, environmental (such as Lithuanian Fund for Nature) as well as other NGO's and socio-economic partners in the relevant sector and rural areas (such as meat and processor's associations, association of agricultural enterprises, Lithuanian Farmer's Union, Chamber of Agriculture and others).

In Lithuania the MoA acts as the Intermediate Body which is responsible for the implementation of the measures in the field of agriculture and fisheries. It is not clear whether the monitoring committee for the RDP is the same as for the SPD.

Poland

The Managing Authority will be the Ministry of Agriculture and Rural Development, while the Agency for the Restructuring and Modernisation of Agriculture (ARMA) will be the Paying Agency. For the monitoring of the implementation of the RDP, a Monitoring Committee has been set up; the composition of this committee has been based on the composition of the Monitoring Committee for the SAPARD Programme. The members of this committee will be representatives of the European Commission, relevant Polish ministries, regional government administration, regional authorities as well as socio-economic partners.

The Polish Ministry of Agriculture and Rural Development is the Managing Authority of the Operational Programme Restructuring and Modernisation of the Food Sector and Rural Development. A central Monitoring Committee monitors the implementation of the CSF, while the Agriculture Operational Programme has its own Monitoring Committee.

Slovak Republic

The Ministry of Agriculture of the Slovak Republic is responsible for implementation of the Rural Development Plan of the Slovak Republic 2004-2006. The responsibility for general coordination and managing of the Rural Development Plan is entrusted to the Department of Rural Development of the Ministry of Agriculture of the Slovak Republic. The finances are managed by the Agricultural Paying Agency.

Monitoring shall be carried out by a Monitoring Committee, which controls the effectiveness and quality of implementation of aid. The Monitoring Committee will be represented by a chairman and a secretary (from the Ministry of Agriculture), agents of the Ministry of Agriculture of SR, representative of other ministries (Finance, Construction and Regional Development and Environment), representative of social partners and other institutions (The Slovak Chamber of Agriculture and Food, the Union of agriculture cooperatives and trade associations, the Associations of forest owners, the Rural parliament, the District and municipalities association's agent and the third sector (the field of environment)).

The Slovakian Ministry of Agriculture (Department of Structural Policy) is the Managing Authority of the Sectoral Operational Programme Agriculture and Rural Development. The Agriculture Operational Programme has its own Monitoring Committee.

Slovenia

The Ministry of Agriculture, Forestry and Food (MAFF) has been responsible for the preparation of the RDP and is now also responsible for the monitoring and evaluation of the implementation of the RDP. The implementation of the measures will be coordinated by the Agency of the Republic of Slovenia for Agriculture Markets and Rural Development (AAMRD). The AAMRD will also be accredited Paying Agency for EAGGF Guarantee Funds. For the monitoring of the implementation of the RDP, a Monitoring Committee has been set up; the members of this committee have been nominated by the Government of the Republic of Slovenia on a proposal of the MAFF. The members are representatives of the ministries and government services, public agencies, economic and social partners and non-governmental organisations. Furthermore particular environmental bodies and organizations will be represented in the committee.

The Managing Authority of the Slovenian Single Programming Document (SPD) is established within the Government Office for Structural Policies and Regional Development (GOSP). The Ministry of Agriculture, Forestry and Food (MAFF) performs policy oriented coordination of activities supporting individual funds.

The Netherlands

The Ministry of Agriculture is responsible for the implementation and management of the RDP. For this purpose, a supervising RDP Committee (CvT POP) has been created, in which also the Ministry of Spatial Planning, the Ministry of Transport and the twelve provinces are participating. The RDP measures can be split into national measures and provincial measures. National measures are implemented at national level; provincial measures are implemented through provincial implementation programs. Payments in the scope of RDP are made by LASER and DLG. The CvT POP also acts as Monitoring Committee of the RDP.

Concluding remarks

In all countries concerned, the Ministry of Agriculture is responsible for the implementation of the RDP. The day-to-day implementation is deferred to the paying agency. The Monitoring Committee is usually set up under the auspices of the Ministry of

Agriculture and is composed of a large number of representatives of economic, social and environmental partners, partners that were also involved in the drafting of the RDP. Estonia mentions a special Agri-Environment Monitoring group, given the specific nature of agri-environmental support. The Czech Republic has not established a monitoring committee. According to article 48.3 of Regulation (EC) 1257/1999, a Member State can choose whether or not to establish a monitoring committee.

5. Concluding remarks

In this study we compared EU rural development policy in the eight new EU Member States in Central and Eastern Europe (CEECs) and the Netherlands in order to identify areas where cooperation between the Netherlands and the CEECs could be established. The Dutch Ministry of Agriculture, Nature and Food Quality already assisted several CEECs in designing rural development policy in the pre-accession phase and would like to sustain these relations. The intention of this report was therefore to define possible areas for cooperation and to select specific countries with which cooperation could be established.

For this purpose we have defined three work packages. In the first work package (chapter 2) we have made a comparative analysis of socio-economic indicators in rural areas in the CEECs. The second work package (chapter 3) consists of a comparative analysis of the selection of rural development measures of the second pillar of the CAP in the CEECs. The third work package (chapter 4) deals with the supervision and implementation of rural development policy in the CEECs.

Rural development situation in the CEECs and the Netherlands differs widely

From the analysis of the socio-economic indicators it can be concluded that the rural development situation differs widely between the Netherlands on the one hand and the CEECs on the other hand, but also within the group of CEECs. One of the most striking differences refers to population density, which amounts to 100 inh./km² in the CEECs against 380 inh./km² in the Netherlands. As a consequence the share of population living in predominantly rural and intermediate rural regions in the CEECs is much higher than that in the Netherlands: in the CEECs it varies from 59% in Lithuania to 100% in Latvia, whereas it is only 19% in the Netherlands. GDP/capita in the CEECs is far below that in the Netherlands, and with the exception of the Czech Republic, Hungary and Slovenia less than 50% of the Dutch average. Within agriculture also large differences exist: the share of agriculture in total employment in the Netherlands is 3%, whereas in the CEECs it ranges from 4% in the Czech Republic to 18% in Lithuania and Poland. Average farm size in the Netherlands (20 ha) is considerably larger than in most CEECs, except for the Czech Republic (79 ha) and Slovenia (30 ha). On the whole, farm intensity (measured as standard gross margins per ha) is much higher in the Netherlands than in the CEECs. These indicators reveal that the agricultural sector in the CEECs is still in a phase of restructuring. Nevertheless, among CEECs rather large differences in the progress of agricultural restructuring may be perceived.

Restructuring food industry takes time

Regarding the food industry, it can be concluded that vertical integration and developing an innovative agri-food sector is a process that takes time. Information about these topics is

scarce and fragmented. From the information available, it seems that foreign direct investments play a key role in the privatization and rationalisation process.

Land abandonment may be a transitional phase

According to estimates, about 2-2.5 million ha of agricultural land in the CEECs has been abandoned, which amounts to about 2-3% of total land area. This land abandonment may be a transitional phase in the process of agricultural restructuring. In the early years of abandonment this process may be relatively easy to reverse with appropriate management in order to prevent loss of biodiversity and landscape elements.

Perceptions of urban pressure on rural areas differ

The term 'urban pressure' could be used to denote the pressure of both new residents, new economic activities, new transport infrastructure and tourists on rural landscapes. The area covered by predominantly urban regions in the CEECs amounts to only 6% or less of total land area against 57% in the Netherlands. These figures reveal already that urban pressure can be expected to be rather limited in the CEECs. In addition, the perception of urban pressure rather varies among actors. It is, for example, perceived negatively as urban pressure may threaten the quality, quantity and identity of rural landscape. However, positive perceptions of urban pressure exist as well and are often related to an increase in purchasing power and incentives for economic development. From case studies in the Netherlands and Hungary it appeared that both positive and negative perceptions of urban pressure on rural areas can be identified. Nevertheless, within rural areas under urban pressure tensions may arise between original inhabitants/actors and newcomers, for example, due to rising prices for real estate.

EU rural development measures in the CEECs

Rural development measures within the scope of the second pillar of the CAP in the CEECs are implemented through Rural Development Plans (RDPs) and through Sectoral Operational Programmes (SOPs) and Single Programming Documents (SPDs) in Objective 1 and 2 regions. All RDPs distinguish at least two priorities: one that focuses on economic issues and one that centres around environmental issues. Sustainable development of the countryside is the overall objective; improving the economic efficiency and competitiveness of agriculture and forestry as well as protection and improvement of the environment are the ensuing goals. All RDPs contain a large number of measures. The total budget available for rural development measures in the eight CEECs for the period 2004-2006 amounts to 10.6 billion euro, of which two thirds is for measures of the RDPs and one third for measures of the SOPs/SPDs. About half of this budget is for Poland. The total public budget for the RDP in the Netherlands for the period 2000-2006 amounts to over 1 billion euro. Within the RDP budgets, it appears that agri-environmental measures have the largest share in the Czech Republic (49%), Estonia (30%) and Hungary (41%) and that in the other five CEECs the measures on Less Favoured Areas (LFAs) and areas with environmental restrictions have the largest share (varying from 24% in Lithuania to 54% in Latvia). In all CEECs except for the Czech Republic temporary measures, such as support for meeting standards and complements to direct payments of the first pillar, also absorb a substantial share of the RDP budget, varying from about 25% in the Slovak

Republic and Slovenia to about 40% in Estonia, Lithuania and Poland. In the interpretation of these budget shares of the RDPs, it should be taken into account that in most countries, measures under axis 1, such as investments in agricultural holdings and improving of marketing and processing of agricultural products are financed by the SOP/SPDs.

Supervision and implementation of rural development policy

The supervision and implementation of rural development policy shows much similarities among countries due to specific guidelines provided by the EU in Council Regulation (EC) 1257/1999. The preparation of all RDPs has taken place in consultation with a large number of organisations. Most RDPs include a long list of representatives of environmental, social and economic organisations that have been consulted during the drafting of the RDP. Some RDPs mention workshops that have been held to set the priorities for the RDP, or opinion surveys among those most involved in the development of rural areas. The Ministry of Agriculture is responsible for the implementation of the RDP in all countries concerned. The day-to-day implementation is deferred to the paying agency. The Monitoring Committee is usually set up under the auspices of the Ministry of Agriculture and is composed of a large number of representatives of economic, social and environmental partners, partners that were also involved in the drafting of the RDP.

Exploring future cooperation between the Netherlands and the CEECs

The insights gained in this study may serve to contribute to the identification of themes for future cooperation between selected CEECs and the Netherlands in EU rural development policies. Below we discuss which of the five explored themes for cooperation between the Netherlands and the CEECs - agri-environmental measures, rural areas under urban pressure, innovation and chain cooperation, vision on the new rural development regulation and vision on future development of EU rural development policy - is less or more promising. Our analysis did not give rise to the identification of specific CEECs, for which cooperation is most obvious. If cooperation with only a few CEECs is strived at, such a selection should be rather based on political considerations.

a. Agri-environmental measures

Agricultural land management and environmental protection are public goods; for that reason they are rather suitable for public regulation. Considering that agri-environmental issues are both a matter of concern in the CEECs and the Netherlands, cooperation in the field of agri-environmental measures could be recommended. Especially in the field of sustainable water management the Netherlands has enormous experience, which can be used to help CEECs that face similar problems.

b. Rural areas under urban pressure

Compared to the Netherlands, the CEECs have a relatively small area covered with predominantly urban regions. Hence with regard to cooperation on rural areas under urban pressure, the CEECs do not seem to be the right partners for the Netherlands.

c. Innovation and chain cooperation

Innovation and chain cooperation is basically a concern for entrepreneurs, in which the role of policy makers is rather restricted to shaping preconditions that favour innovative developments or stimulate chain cooperation. So cooperation between the Netherlands and the CEECs on this topic in the scope of rural development policy is less obvious.

d. Rural development between 2007 and 2013: the CEECs' view on the new regulation

From the analysis of the Rural Development Plans and the Sectoral Operational Programmes or Single Programming Documents it has become clear that most CEECs have focused their programmes for 2004-2006 on restructuring of the primary sector and the processing industry. However, measures that would fall under axis 2 and 3 of the new rural development regulation (Council Regulation (EC) 1698/2005) - land management and diversification of the rural economy respectively - have also received a considerable budget. Although a focus on restructuring of the primary sector is regrettable from an environmental point of view, it is also understandable from an economic point of view. However, with restructuring of the agricultural sector on track, it is to be expected that in the close future the other themes will also receive more attention. As the share of the agricultural sector in the rural economy in terms of employment will decline, rural development through the creation of non-agricultural employment will become more important. The problems with land management, an issue much put forward by environmental organizations, ask for a comprehensive approach as well.

In view of the above it is likely that the CEECs will seek an interpretation of axis 2 and 3 that best suits their problems and needs. This is not uncommon, and for a number of issues it can be expected that the goals of the CEECs will not differ much from the goals of the old Member States. As always the devil will be in the details. A few examples from the discussion on Regulation (EC) 1698/2005 might give some insight into the detailed priorities of the CEECs.

According to Regulation (EC) 1698/2005, agri-environment payments may be granted to other land managers where duly justified. So payment to non-farmers is possible, but under certain restrictions. One issue is to broaden the definition of land managers so to include, for instance, municipalities and their associations. This was put forward by the Czech Republic during the negotiations on Regulation (EC) 1698/2005, but not granted. As several countries struggle with the problem of land abandonment, it is possible that this topic will be put on the agenda again, as these countries might be seeking the help of NGOs or other institutions to take the place of farmers in land management. This is of interest for the Netherlands, as part of land management in the Netherlands is already taken care of by NGOs or state agencies. Although the motives for the use of these organizations may differ, the importance to make them eligible for subsidies is comparable.

Another issue is the definition of less favoured areas. With a relatively high percentage of less favoured areas, most CEECs are unlikely to be very supportive of the idea to bring the total less favoured area down. This is contrary to the interest of the Netherlands; if the definition of less favoured areas is very broad it will have a negative effect on the European level playing field. From this viewpoint, it deserves attention to define and implement fairly strict criteria for the delineation of less favoured areas.

A third example concerns the intention of the Commission to restrict support for investments which enhance the public amenity value to Natura 2000 areas. This has been broadened to include other areas of high nature value. This was an issue brought forward by a number of countries, including Estonia and the Czech Republic, and will benefit all CEECs as well as the old Member States.

A final example concerns axis 3; a wide definition of possible off-farm activities that can be supported in this axis can be beneficial, not only for CEECs but for the Netherlands as well. It was one of the issues raised by Poland and the Slovak Republic. This has resulted in - among others - the extension of article 56 concerning basic services for the rural economy and population to include cultural and leisure activities. Article 53 regarding support for diversification into non-agricultural activities was broadened to include the whole farm household.

e. Rural development beyond 2013

In the discussion on the new regulation for rural development several levels could be discerned. A more general level, at which items like the flexibility in programming of rural development measures and the lack of simplification were discussed; and a detailed level, at which the different articles were thoroughly examined.

At a next round of discussion in say 2010, one could imagine a number of topics to be addressed. First, with the farm payments in full operation and with ten years experience in rural development programming, one could foresee a discussion about the (financial) balance between the first and second pillar of the Common Agricultural Policy.

Second, in comparison to the programming of the structural funds, the level of detail in rural development programming is striking. The aim of rural development programming has broadened over the past years and is no longer strictly attached to the agricultural sector. This leads to the question whether the programming demands for rural development could not be less detailed and brought more in line with the programming demands for structural funds.

Thirdly, related to the previous topic, one could raise the question whether the different funds for rural development, like EFRO and ERDF, could not be amalgamated to one Fund for Rural Development. This of course requires that rural development policy is not seen as an extension of agricultural policy but rather as regional development policy that merits attention on its own.

Finally, the importance of the agricultural sector for the rural economy will remain an important dividing line between Member States. Rural areas where the agricultural sector still plays a major role in the economy (in terms of share in employment and share in output) focus their attention on rural development linked to the agricultural sector. This focus is also reflected in the European policy on rural development; the primary focus is still to support farmers while undertaking off-farm activities. In countries where the agricultural sector is still the major user of the land, but no longer the major economic contributor one can discern a different approach. The focus is slowly shifting away from rural development policy that is an extension of agricultural policy to a more integrated approach involving all economic sectors and actors in the rural area. This difference in approach is not necessarily a division between 'old' and 'new' Member States. Some old Member States, like Spain and parts of France, have similar problems as new Member

States, for instance with land abandonment. These differences will, however, colour the views of Member States on what is necessary to keep rural areas viable and might also hamper discussions about, for instance, new financial arrangements to remunerate rural services.

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Appendix 1. Tables

Table A.1 LEI classification of regions in the CEE countries in this study

Country	NUTS level	No. of distinguished regions	Predominantly rural regions	Intermediate rural regions	Predominantly urban regions
Bulgaria	2	6			
Croatia	1	1			
Czech Republic	3	14	1	11	2
Estonia	1	1			
Hungary	3	19	12	6	1
Latvia	1	1			
Lithuania	1	1			
Netherlands	2	12	0	5	7
Poland	3	45	22	15	8
Romania	2	8			
Slovak Republic	3	8			
Slovenia	1	1			
Turkey	1	1			

Table A.2 Number of farms, farm size and farm intensity in CEECs regions and the Netherlands a), 2003

	REGION		Number of farms (*1000)	Ha/farm	SGM/farm	SGM /ha
Czech Republic	CESKA REPUBLIKA		45.8	79.3	31.6	0.4
Czech Republic	Jihovýchod		14.1	52.5	25.1	0.5
Czech Republic	Jihozapad		7.1	111.0	38.1	0.3
Czech Republic	Moravskoslezsko		3.4	65.4	23.4	0.4
Czech Republic	Praha		0.1	95.4	77.5	0.8
Czech Republic	Severovýchod		7.4	76.8	31.3	0.4
Czech Republic	Severozapad		2.7	122.2	38.9	0.3
Czech Republic	Stredni Cechy		5.1	111.0	46.7	0.4
Czech Republic	Stredni Morava		5.9	69.7	26.8	0.4
Estonia	EESTI		36.9	21.6	3.7	0.2
Hungary	Del-Alfold		171.6	5.9	2.7	0.5
Hungary	Del-Dunantul		99.1	6.5	2.6	0.4
Hungary	Eszak-Alfold		179.1	5.3	2.2	0.4
Hungary	Eszak-Magyarország		107.4	4.1	1.3	0.3
Hungary	Kozep-Dunantul		71.3	6.7	2.7	0.4
Hungary	Kozep-Magyarország		61.5	5.0	1.9	0.4
Hungary	MAGYARORSZAG		773.4	5.6	2.3	0.4
Hungary	Nyugat-Dunantul		83.4	6.1	2.3	0.4
Latvia	LATVIJA		126.6	11.8	2.1	0.2
Lithuania	LIETUVA		272.1	9.2	1.6	0.2
Netherlands		Intermediate rural	23.6	33.4	90.4	2.7
Netherlands		Predominantly urban	78.0	15.9	89.4	5.6
Netherlands	DRENTHE	Intermediate rural	5.1	32.3	84.9	2.6
Netherlands	FLEVOLAND	Intermediate rural	2.4	39.5	142.6	3.6
Netherlands	FRIESLAND	Intermediate rural	7.4	31.9	90.3	2.8
Netherlands	GELDERLAND	Predominantly urban	17.6	14.4	66.0	4.6
Netherlands	GRONINGEN	Intermediate rural	4.3	38.6	88.4	2.3
Netherlands	LIMBURG (NL)	Predominantly urban	7.2	16.3	96.9	6.0
Netherlands	NEDERLAND		101.6	20.0	89.6	4.5
Netherlands	NOORD-BRABANT	Predominantly urban	18.0	15.3	89.4	5.9
Netherlands	NOORD-HOLLAND	Predominantly urban	7.4	19.1	108.9	5.7
Netherlands	OVERIJSEL	Predominantly urban	11.8	18.3	65.9	3.6
Netherlands	UTRECHT	Predominantly urban	4.0	22.3	75.8	3.4
Netherlands	ZEELAND	Intermediate rural	4.4	28.6	70.3	2.5
Netherlands	ZUID-HOLLAND	Predominantly urban	12.0	12.5	134.7	10.8
Poland	POLAND		2933.2	5.8		
Poland	Dolnośląskie		141.3	7.4		
Poland	Kujawsko-pomorskie		116.0	9.5		
Poland	Lubelskie		305.9	5.1		
Poland	Lubuskie		55.3	8.7		
Poland	Lódzkie		209.7	5.5		
Poland	Malopolskie		373.7	2.1		

Table A.2 Number of farms, farm size and farm intensity in CEECs regions and the Netherlands a), 2003
(Continued)

	REGION		Number of farms (*1000)	Ha/farm	SGM/farm	SGM /ha
Poland	Mazowieckie		369.5	6.1		
Poland	Opolskie		74.1	7.6		
Poland	Podkarpackie		311.9	2.6		
Poland	Podlaskie		120.1	9.6		
Poland	Pomorskie		76.7	11.3		
Poland	Śląskie		253.1	2.1		
Poland	Świętokrzyskie		172.3	3.7		
Poland	Warmińsko-mazurskie		80.6	14		
Poland	Wielkopolskie		202.1	9		
Poland	Zachodniopomorskie		71.0	14.3		
Slovakia	Bratislavsky kraj		2.3	36.7	11.9	0.3
Slovakia	Slovenska Republika		71.7	29.8	7.2	0.2
Slovakia	Stredne Slovensko		21.2	27.4	4.2	0.2
Slovakia	Vychodne Slovensko		19.2	33.6	4.7	0.1
Slovakia	Zapadne Slovensko		29.0	28.4	10.7	0.4
Slovenia	SLOVENIJA		77.2	6.3	4.6	0.7
Turkey	TURKIYE					

a) NUTS 2 level for all countries.

Source: Own calculations based on Eurostat FSS; for Poland: Polish Statistical Office.

Table A.3 Part time farm holders (% of total), family and paid labour per holding (in AWU) and share of female farm holders (% of total) in CEEC-regions and the Netherlands a), 2003

Country	Region		Share	Family labour	Paid labour	Share female holders
Czech Republic	Ceska Republika		65	0.8	2.8	19
Czech Republic	Jihovýchod		70	0.7	2.3	18
Czech Republic	Jihozapad		61	0.9	3.3	17
Czech Republic	Moravskoslezsko		70	0.9	2.3	27
Czech Republic	Praha		38	1.4	14.2	13
Czech Republic	Severovýchod		62	0.9	2.8	16
Czech Republic	Severozapad		53	0.9	3.2	20
Czech Republic	Stredni Cechy		60	0.9	3.2	16
Czech Republic	Stredni Morava		65	0.9	2.9	22
Estonia	Eesti		90	0.6	0.4	40
Hungary	Del-Alfold		90	0.6	0.1	25
Hungary	Del-Dunantul		96	0.6	0.2	24
Hungary	Eszak-Alfold		96	0.5	0.1	23
Hungary	Eszak-Magyarország		97	0.5	0.1	26
Hungary	Kozep-Dunantul		95	0.5	0.2	22
Hungary	Kozep-Magyarország		94	0.5	0.1	27
Hungary	Magyarország		94	0.5	0.1	24
Hungary	Nyugat-Dunantul		95	0.6	0.1	22
Latvia	Latvija		81	1.0	0.2	46
Lithuania	Lietuva		98	0.7	0.1	46
Netherlands		Intermediate rural	39	1.3	0.4	7
Netherlands		Predominantly urban	39	1.4	0.8	8
Netherlands	Drenthe	Intermediate rural	41	1.3	0.5	7
Netherlands	Flevoland	Intermediate rural	24	1.5	1.0	6
Netherlands	Friesland	Intermediate rural	38	1.3	0.3	6
Netherlands	Gelderland	Predominantly urban	44	1.3	0.4	8
Netherlands	Groningen	Intermediate rural	40	1.3	0.3	7
Netherlands	Limburg (NL)	Predominantly urban	43	1.4	0.9	11
Netherlands	Nederland		39	1.3	0.7	8
Netherlands	Noord-Brabant	Predominantly urban	40	1.3	0.6	9
Netherlands	Noord-Holland	Predominantly urban	33	1.4	1.5	6
Netherlands	Overijssel	Predominantly urban	44	1.4	0.2	10
Netherlands	Utrecht	Predominantly urban	36	1.3	0.5	8
Netherlands	Zeeland	Intermediate rural	46	1.2	0.3	9
Netherlands	Zuid-Holland	Predominantly urban	27	1.4	1.7	5
Slovakia	Bratislavsky kraj		92	0.5	1.6	26
Slovakia	Slovenska Republika		93	0.7	1.0	18
Slovakia	Stredne Slovensko		93	0.8	0.7	19
Slovakia	Vychodne Slovensko		92	0.8	0.8	17
Slovakia	Zapadne Slovensko		93	0.6	1.2	19
Slovenia	Slovenija		85	1.1	0.1	25

a) NUTS 2 level for all countries.

Source: Own calculations based on Eurostat FSS; for Poland: Polish Statistical Office.

Table A.4 Share of each measure in the budget of the RDP in the CEECs and the Netherlands, 2004-2006 (% of total budget)

	art. 1257/99	Netherlands	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak Rep.	Slovenia
4-7	a Investment in agricultural holdings	6.1%							3.3%	
8	b Setting up of young farmers									
9	c (Vocational) training	0.4%							0.0%	
10-12	d Early retirement		1.3%		2.6%	2.0%	21.2%	17.8%		3.6%
13-21	e Less favoured areas and areas with environmental restrictions	0.9%	44.9%	18.3%	10.8%	54.4%	24.0%	27.2%	43.5%	39.8%
22-24	f Agri-environment	8.5%	49.4%	30.4%	40.8%	6.2%	10.2%	9.7%	14.5%	30.6%
25-28	g Improving processing and marketing of agricultural products	0.5%								8.0%
29-32	h Afforestation of agricultural land	1.0%	3.0%	5.7%	10.6%		4.4%	2.8%	1.2%	
29-32	i Other forestry measures	5.2%								0.2%
	Article 29-32, total	6.1%								
33	j Land improvement									0.3%
33	k Reparcelling	20.2%								
33	l Setting up of farm relief and farm management services									
33	m Marketing of quality agricultural products	0.7%								
33	n Basic services for the rural economy and population	1.0%								
33	o Renovation and development of villages and protection and conservation of the rural heritage	2.8%								
33	p Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes	3.1%								0.6%
33	q Agricultural water resources management	10.2%								
33	r Development and improvement of infrastructure connected with the development of agriculture	2.6%								
33	s Encouragement for tourist and craft activities	3.2%								
33	t Protection of the environment in connection with agriculture, forestry and landscape conservation as well as the improvement of animal welfare	20.2%								
33	u Restoring agricultural production potential damaged by natural disasters									
	Article 33, total	64.1%								
	Technical assistance SOP /SPD									
	Development of local action groups (Leader+ measure)									
temporary	Support for producer groups		0.9%		4.5%	0.7%		0.7%		0.8%
temporary	Support for semi-subsistence farms undergoing restructuring			7.0%	3.2%	7.6%	5.0%	10.5%		1.2%
temporary	Support for meeting standards/compliance EC stand.			21.5%	20.0%	16.4%	11.5%	6.8%	4.4%	12.0%
temporary	Complements to direct payments			13.7%		8.9%	19.7%	19.6%	17.8%	10.7%
temporary	Technical assistance		0.5%	2.0%	5.0%	0.7%	1.0%	0.9%	2.7%	2.0%
	Obligations from previous period			1.3%	2.7%	3.2%	3.1%	3.9%	1.7%	1.3%
817/2004	w management of integrated rural development strategies by local partners									
817/2004	x implementing demanding standards									
817/2004	y use of farm advisory services									
817/2004	z participation in food quality schemes									
	Evaluations	1.0%								
	Former accompanying measures	11.7%								
	Transitory measures	0.6%								
	TOTAL RDP (mio euro)	1,057	679	188	754	410	612	3,592	562	355

1) For 2000-2006.

Source: own calculations based on RDPs.