

**THE TERRITORIAL IMPACT OF
CAP AND RURAL DEVELOPMENT POLICY**

ESPON project 2.1.3

**A Submission to the ESPON Coordination Unit
by
The Arkleton Centre for Rural Development Research,
University of Aberdeen,
Scotland**

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1. INTRODUCTION AND INTERPRETATION OF THE BRIEF

INTRODUCTION

- 1.1. Understanding the territorial impacts of sectoral and structural policies is essential to the formulation of imaginative, effective and sustainable spatial planning. The Arkleton Centre for Rural Development Research, University of Aberdeen, is delighted to submit this tender for the research project on the territorial impact of CAP and rural development policy. The tender has been prepared in response to the Terms of Reference: ESPON Action 2.1.3.
- 1.2. To meet the requirements of the specification, we have brought together a skilled and experienced team of pan-European experts, comprising:
 - Arkleton Centre for Rural Development Research, University of Aberdeen (Scotland, UK)
 - Bundesanstalt fuer Bergbauernfragen (Federal Institute for Less-Favoured and Mountainous Areas) (Austria)
 - Institute of Spatial Planning, University of Dortmund (Germany)
 - National Institute for Regional and Spatial Analysis (Ireland)
 - Nordregio (Sweden)
 - Departamento de Economía y Ciencias Sociales Agrarias, City University of Madrid (Spain)
 - Department of Agricultural Economics and Rural Development, Budapest University of Economic Sciences and Public Administration (Hungary)
- 1.3. The lead partner will be the Arkleton Centre, who will also be responsible for coordinating and managing the project. Professor Mark Shucksmith, Co-Director of the Arkleton Centre, would formally lead the team, in close collaboration with Professor Ken Thomson, Dr Deb Roberts and (as a sub-contractor) Dr Andrew Copus. The Arkleton Centre has extensive experience of coordinating and managing EU projects.

INTERPRETATION OF THE BRIEF

- 1.4. The Second Report on Economic and Social Cohesion (January 2001) developed a third, territorial, dimension to EU cohesion, beyond the existing economic and social dimensions. The report called for cohesion policy to promote a more balanced and more sustainable development of the European territory, in line with the European Spatial Development Perspective (ESDP). As part of this, it identified the need for further work on the territorial impacts of sectoral and structural policies, of which one of the most important (in budgetary and symbolic terms) is agricultural and rural development policy.
- 1.5. The Common Agricultural Policy (CAP) faces a number of internal and

external challenges. According to the EU Commission (1998) internal challenges include: the risks of growing surpluses returning; budgetary constraints; consumer interests; the need to revitalise rural economies; environmental concerns; and the need to simplify and decentralise decision-making. The external challenges include: EU enlargement; the new round of World Trade Organisation (WTO) negotiations; and the need to compete in global markets. Accordingly the Agenda 2000 reforms were agreed in 1999. Their main thrust is to reduce support prices, and to partially compensate farmers through further direct payments. The principal cuts agreed related to cereals (-15%), beef (-20%), and dairy products (-10% from 2005), and further cuts in support are likely to follow the next WTO round. As noted in the Second Cohesion Report, *"the impact of the CAP – or at least the first pillar – on cohesion is linked to the large redistribution of income among European citizens stemming from transfers between social groups, sectors, regions and member States. The current shift from price support to direct payments implies a shift in transfer flows."*

- 1.6. To accompany the reforms, a new Rural Development Regulation was agreed as the second pillar of the CAP in that it foresees a shift in agricultural policy from market support towards structural spending to enable multifunctional agriculture and rural development. The regulation provides for spending for three main purposes:
- the creation of a stronger, more competitive agriculture and forestry industry;
 - creating a living countryside, through increased competitiveness and an improved quality of life;
 - maintaining the environment and preserving Europe's unique rural heritage.

It is for member states to propose the breakdown of expenditure between these various headings and measures, and considerable discretion is given to member states in implementation. This package of reforms, together with the prospect of more far-reaching reforms to follow as the WTO negotiations proceed, forms the context for farmers' actions over the next few years.

- 1.7. The ESDP noted that these reforms may promote a more diversified approach to agriculture and a more integrated policy approach to rural areas in general. It suggested that peripheral rural regions with sparse populations are sometimes better placed to retain their rural character, particularly where they are remote from cities. The natural and cultural assets of these areas might form the basis for regeneration initiatives, and spatial planning is important in preventing the potential detrimental aspects of such development (ESDP 1998).
- 1.8. These trends influencing agricultural production and policy do not affect all regions in the same way. Preliminary analysis presented in the Second Cohesion Report shows that *"the effect of the CAP is negative in the least prosperous regions, which account for around 20% of the EU population,"* but more detailed analysis remains to be done. A territorial impact analysis is

therefore required to identify territorial patterns of those regions at risk and with best potentials. This will also need to consider other aspects of multifunctionality, including landscape conservation and environmental management. A clearer assessment of the spatial dimensions of land use by agriculture (and forestry), the influence of different farming management systems (including high nature value farming systems) and its relevance for rural and regional development may contribute towards new perspectives on the structural development of agriculture and regional integration, especially for less-favoured areas.

1.9. Specifically the project entitled The Territorial Impact of CAP and Rural Development Policy comprises:

- Development of a methodology for the policy impact analysis;
- Brief description of the policy with particular references to the aspects with territorial relevance;
- Development of territorial indicators, typologies and concepts and establishing a database and map-making facilities;
- Analysis of territorial trends, potentials and problems deriving from the policy in question, at different scales, and in different parts of an enlarged European territory
- Recommendations to further policy development in support of territorial cohesion and the ESDP.

1.10. Below national level, the territorial impact of agricultural and rural development policies has largely been neglected by researchers, and the need for an innovative policy response is becoming ever more pressing. We consider that the team we have brought together for this research project comprises the requisite skills and experience to provide such a response. In particular, this Trans National Project Team offers:

- Territorial coverage: from Scotland and Sweden in the North to Spain in the South, and from Ireland in the West to Hungary in the East.
- Disciplines: leading experts in agricultural economics, rural development, spatial planning, environmental policy, data analysis, applications of GIS, and policy evaluation.
- Skills: Our team includes experts with considerable experience and ability in all of the tasks required for this project.
- Experience of working together: Our long experience in working together in previous international projects is especially noteworthy.

STRUCTURE OF THE SUBMISSION

1.11. The remainder of this submission is divided into five principal sections, as follows:

- The study team
- Information regarding conditions of exclusion and selection criteria
- Relevant experience
- Method of approach
- Time inputs, costs and work programme.

3. INFORMATION REGARDING CONDITIONS OF EXCLUSION AND SELECTION CRITERIA

NB – A LETTER FROM THE UNIVERSITY OF ABERDEEN’S RESEARCH FINANCE MANAGER IS GIVEN IN APPENDIX 2. THE STATEMENT CONFIRMS THAT THE UNIVERSITY IS NOT IN ONE OF THE SITUATIONS OUTLINED IN SECTION 12 [EXCLUSION OF TENDERERS] AND IT ALSO MEETS THE POINTS RAISED IN SECTION 13 [SELECTION CRITERIA].

INFORMATION REGARDING CONDITIONS OF EXCLUSION

Evidence of enrolment in professional or business register

- 3.1. The University of Aberdeen is a registered business.

Certification

- 3.2. The call for tender also requires certification from the social security body indicating that the company has paid their contributions; certification indicating that they have paid their taxes and dues in accordance with the legal provisions of the country in which they are established; and certification from the competent authority indicating that they are not involved in proceedings relating to bankruptcy, judicial settlement, liquidation or composition with creditors. As a public body, the University of Aberdeen is exempt from this requirement.

INFORMATION REGARDING SELECTION CRITERIA

Precise identification of the tenderer

- 3.3. The University of Aberdeen was founded in 1495. Its registered office is University of Aberdeen, Regent Walk, Old Aberdeen, AB24 3FX, tel: 01224 272121. The registered business number is SCO13683. The VAT number is 267329044. As an ancient established university it has a long history of intellectual endeavour and scholarship.

Financial capacity

- 3.4. The University of Aberdeen is a non-profit-making academic institution. As a public body it is exempt from the certification required under s.12 of the call. The University has held, and currently holds, numerous EU contracts.
- 3.5. Our total income has grown from £107 million in 1998/99, to £109 million in 1999/2000 and £114.5 million in 2000/01. Evidence of a sound financial situation is demonstrated by details of the University’s accounts for the past three financial years, included as Appendix 2.

Technical capacity

- 3.6. The University of Aberdeen is one of the top 20 universities in the UK, according to The Time’s latest assessment. It is a research-led university which scored highly in the UK’s recent national research assessment exercise. The Arkleton Centre for Rural Development Research is widely regarded as a leading international centre of expertise on rural development. More than six EU

Framework 4 and 5 projects have been coordinated by Arkleton staff and associates in the last few years.

- 3.7. The University has all the extensive technical and IT equipment, software, library facilities and other infrastructure that one would expect of a major university.
- 3.8. Average weekly professional staff numbers (full-time equivalents) at the University of Aberdeen are in the order of 1,624, with 1,264 members of admin/support staff (2000/01 figures).
- 3.9. The University of Aberdeen and its partners have extensive technical and IT equipment. This covers word processing, database and spreadsheet capabilities, and also Computer Aided Design (CAD) and Geographical Information System (GIS) facilities, such as Mapinfo and ARCVIEW, as well as other packages for report production and presentation of graphics.
- 3.10. All staff involved in this project are fluent in written and spoken English. The Arkleton Centre has coordinated a large number of international projects through which they have developed a reliable system of project organisation and a competent project implementation, management and control structure.
- 3.11. The management of this project will involve three important elements:
 - **First**, each partner will be responsible for the conduct of the tasks allocated to them and set out below. Each team has at least one senior researcher with appropriate qualifications, previous research and research management experience, and experience in trans-national research. Each team will have a sub-contract with the Coordinator who will be the main contractor. The partners and advisors will meet together four times during the course of the project to assist methodological and analytical techniques, and exchange findings. The Coordinator and his team will be present at these meetings which will provide the means of reviewing progress and dealing with financial matters.
 - **Second**, the partners will form a Management Group, to be chaired by the Coordinator. This Management Group will have an advisory function, and will hold meetings at the start of the project and every subsequent six months throughout its duration to develop and agree specific elements in the methodology and analysis, as well as advising the Coordinator about any practical problems emerging.
 - **Third**, the Coordinator, who will have overall responsibility for project management on the one hand and overall research design, coordination, and comparative analysis on the other. The Coordinator's team includes a Project Administrator, with normal secretarial and accounting backup to assist with the management of the project. The Coordinator has extensive experience of coordinating EU and other international projects, including PAYPIRD (7 countries, FP4, 580,000euro) and RESTRIM (6 countries, FP5, 1.16meuro).

3.12. The means of integrating these three elements comprises:-

(a) contractual relations (which will reflect the model sub-contract supplied, and which will specify tasks, timetables, payment schedules, and penalties for non-delivery of tasks according to the timetable);

(b) personal relations (which have already been established between the participants over several years work);

(c) regular meetings of the Management Group on four occasions, involving all partners;

(d) regular contact by electronic mail, and use of the mailbase system to keep track of group electronic exchanges, both using the Internet as a common communications protocol. It is also envisaged that the project will establish its own World Wide Web pages;

(e) other forms of regular communication including telephone, teleconferencing, fax, mail.

This structure is based on the past experience of the coordinator in European projects.

Professional capacity

3.13. A description of the project team, including the numbers of persons included in the team and the type of expertise to be provided by each team member is outlined above. Further information about the team is provided in Appendix 1 .

3.14. A list of services provided relevant to the content of the contract and experience in projects elaborated in international consortia and networks is provided below under Relevant Experience.

Assurance of no conflict of interest

3.15. The study team declares that it has no direct or indirect interest of a type or scale such as to jeopardise its independence in carrying out the tasks entrusted to the team in performance of the contract covered by the call for tenders.

Insurance and assurance

3.16. The University of Aberdeen has professional indemnity insurance and public liability insurance cover.

3.17. The University of Aberdeen strives to produce high quality work at all times and operates internal quality assurance procedures. The high quality of its research output has been recognised in the recent UK-wide research assessment exercise.

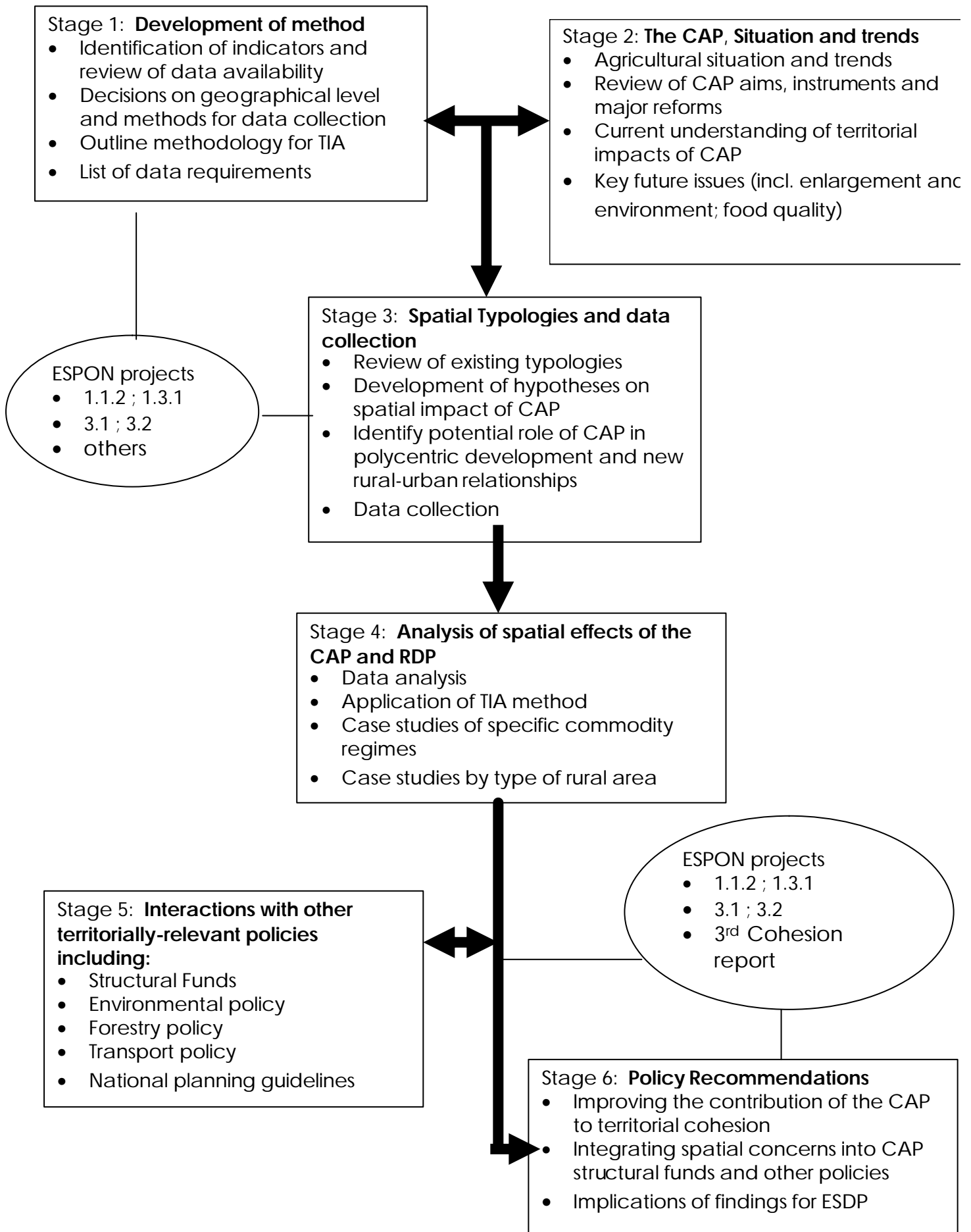
3.18. The University of Aberdeen is an equal opportunities employer. It has appropriate policies on Health and Safety, staff discipline and grievances.

5. METHOD OF APPROACH

OVERALL FRAMEWORK

- 5.1. The overall framework for the methodological approach is largely specified by the tender documentation. Specifications for the method are set in the terms of reference, defining the framework, scope and outline of the project. This includes in particular,
- the thematic scope and context for the project,
 - the general objectives to be addressed, i.e. to deepen the understanding of territorial impacts of CAP through the provision of a standardised data base and an analysis of territorial trends covering all the EU territory (and differentiating developments according to thematic requirements),
 - an organisational framework for the project (timetable and milestones) which should lead to the input for the 3rd Cohesion Report,
 - and basic description on the required quantification of indicators (set of main variables proposed, grouped around the headings agricultural land use and livestock, farm structures and labour force, agricultural employment, diversification of farm incomes, sustainability of land use, and socio-economic indicators on demography regional economy, social cohesion and various other additional indicators) and differentiation of areas (using typologies of regions to be analysed).
- 5.2. The following diagram on the stages of the project summarises the framework, addresses also the interactions with other territorial-relevant policies, and leads in the last stage of the project to the provision of policy recommendations.

STAGES OF THE PROJECT



- 5.3. The project team is made up of four core partners who will undertake the bulk of the work in the six phases of the project. As described in Section 2 each partner has a clear role within the project. In addition, the project team includes three special advisors selected so as to ensure the work takes into account the very different situations and key issues associated with the CAP and spatial development from across the EU.
- 5.4. The Project co-ordinator, project directors and senior representatives of the core will attend a total of five meetings with the Steering Group of the Project. The first meeting of the Steering Group will take place at the start of the research study (the Inception Meeting). The purpose of the Inception Meeting will be to agree the exact scope of the research project, based on a Scoping Report to be prepared by the Core Team. It is anticipated that this meeting will take place in August 2002.
- 5.5. It is also envisaged that members of the Core Team will meet the Co-ordination Unit at this stage in the project, and ideally representatives from the teams involved in other relevant ESPON Projects. This would allow the opportunity to consider areas of potential overlap in research, and synergies between projects.
- 5.6. As the project outputs emerge, the study team will pay particular attention towards informing those involved in preparing the 3rd Report on Social & Economic Cohesion of our interim findings. It is vital that the territorial impacts of alternative means of developing the CAP and rural development policy are seen as part of the process of building cohesion. Our findings will also feed into the implementation of initiatives like NorVision and Spatial Vision for NW Europe, as well as national and regional strategies for spatial planning - e.g. in relation to housing land, farmland protection, green belts, etc. We will also liaise closely with other ESPON teams, notably 1.1.2, 1.3.1, 3.1 and 3.2.

INTRODUCTION TO PROPOSED METHODS

- 5.7. Agriculture is the major land use in the European Union, and by far the largest recipient of EU budget funds and regulatory attention. The farming sector therefore occupies a special place in any consideration of policy impact, especially from a spatial viewpoint. Moreover, the scope, role and nature of "rural development" deserve special attention if policy in this field is to be successfully implemented alongside the CAP and in light of ESDP concepts. Each of these two aspects is discussed briefly below.

The Common Agricultural Policy (CAP)

- 5.8. The first explicit spatial dimension to the CAP was created by the Less Favoured Area Directives 72/159-161 which recognised the special characteristics and needs of certain wide regions of the European Community (of Nine, after 1973). However, the regional and territorial effects of the core

horizontal CAP measures of market and price support continued (Commission, 1981), in some cases regulated by marketing quotas.

- 5.9. As reported in the Second Report on Economic and Social Cohesion (pp. xvi-xvii), the level of support to agriculture is currently greatest in the higher (but not in the highest) and middle-income regions. i.e. in the 2nd to 6th deciles in terms of GDP per head. Farming in some high-income regions (e.g. pig and poultry production) receives little or no support, while that in poorer regions is often low due to small farm sizes and low livestock densities. Support has increased in relation to the numbers employed in all regions, largely due to a fall in employment, but its distribution has not been radically changed by the 1992 reforms.

In terms of EU enlargement, the accession countries have adopted a more or less protectionist policy stance, in some cases after an initial period of liberalisation.

- 5.10. The geographical impact of the CAP depends upon a combination of forces - technological, social and economic as well as policy-related effects. These operate in a highly heterogeneous rural land space which surrounds urban communities of widely different sizes and (to a lesser extent) demands. The major components determining differential agricultural spatial impacts seem to be (a) faster-developing technical opportunities in certain crop sectors compared to those in grazing livestock sectors, (b) concentration of processing facilities, and (c) improved transport infrastructure. As stated in the tender document, it is vital that the Territorial Impact Assessment methods developed and applied in the project can separate out the policy effects from other independent factors associated with agricultural change.

Rural Development Policy

- 5.11. Taken broadly, "rural development policy" is government action directed towards changing the socio-economic structure and nature of rural areas. Potentially, this involves a vast array of interventions related to both private and public activities, primarily related to income and employment levels. Almost all agencies and levels of government would be involved in this interpretation. Alternatively, the "rural development" or "second pillar" aspect of the CAP is currently primarily directed - in addition to LFA-type expenditures - at (a) farm-related enterprises (such as food processing and marketing) and (b) the agri-environment, or farming's impact on land, water, wildlife and landscape. From this viewpoint, the main relevant government agencies and EU directorates - in addition to traditional agricultural departments - are environmental and regional in nature. Recently, these government units have often been combined, particularly at lower (sub-national) levels. For this ESPON project, the second or narrower of these interpretations will be adopted, with links to wider areas of state action - especially transport - where appropriate.
- 5.12. As noted above, the work will be undertaken in six main phases. These are now elaborated.

STAGE 1: DEVELOPMENT OF METHOD

- 5.13. Stage 1 of the project involves three key tasks: the development of a method for assessing the territorial impacts of the CAP, a review of data availability and finally decisions in relation to geographical scale of analysis and data methods.
- 5.14. The spatial measurement of agriculture as a land use or, alternatively, as a socio-economic activity, is not simple. There are many reasons for this, including:
- the distinction between land cover (observable via one-off ground-level or air/satellite measurement) and land use (observable only via a close sequence of land operations, sometimes including interviews with operators). This distinction "is fundamental though often ignored or forgotten" (Eurostat, 2000, p. 13)
 - the increasing importance of long-distance travel, both by farmers but also to deliver farm inputs (e.g. feed) and outputs (crops and livestock). This is paralleled by the growth of the Single Market for agricultural and food products.
 - the high and increasing importance of part-time farming and off-farm income, which obscures the fundamental economics of agriculture as household support. In this context, the fact that the main EU-wide economic survey of farm businesses, the FADN/RICA system, focuses solely on full-time farm businesses will have to be taken into account.
 - issues associated with the actual management of agricultural land. While owner-occupation plus owner-management is common, a land-rental (tenancy) arrangement divorces ownership, with its long-term implications, from decision-making over farming activities. Moreover, the increasing prevalence of contractual and agri-service arrangements in farming introduces a further divide between "the farm", "the farmer" and those who actually carry out the manual or professional operations.
- 5.15. The Eurostat NUTS system is based on administrative regions at a number of levels. These regions are generally based on an "urban" centre possessing a "rural" hinterland which contains most of the agricultural land use and socio-economic activity of the NUTS region. While some of these regions are fairly homogeneous from an agricultural point of view, many are not, ranging from fertile soils lying near the urban centre or along a river, to poorer portions in higher or more remote parts. This is especially true in more mountainous countries.

- 5.16. It seems central that the data set for this project is built on a European wide scale, but should be geographically differentiated so as to allow sufficient analysis on the regional level. In general, this tends to be best captured by data on NUTS III level. Moreover, in some specific cases it might be appropriate to apply a lower geographical level, to address variation of territorial developments at an even lower scale. For example this might be relevant for mountain areas, less-favoured areas or islands and coastal situations where agricultural situation may change within very short distances and requires in-depth analysis for the establishment of homogenous areas (e.g. demarcation of less-favoured areas approach).
- 5.17. In other, more core, areas of EU agriculture, especially those where there are land-use conflicts between long-established crop and grassland farming on the one hand, and construction developments of houses, roads, commercial buildings and/or tourism facilities on the other, it will be necessary to evaluate these pressures by use of appropriate studies and data, e.g. those on land allocation (planning) decisions, and on environmental issues such as the balance of agricultural and urban pollution. In this way, a balanced approach to EU cohesion in relation to agriculture will be taken, with equivalent attention both to areas where the CAP has attempted to maintain a viable agriculture in default of other alternatives, and to areas where agriculture is under "modern" pressures. measures and Rural Development Programmes data and analysis.
- 5.18. The geographical coverage of the Core Team and Advisory Group will ensure that the research will have sufficient coverage to delivery a comprehensive contribution to the EU territory, including candidate countries.
- 5.19. Preparation of a comprehensive list of statistical and geographical data, the sources of these data and their availability and appropriateness for considering the territorial impact of CAP and rural development policies. This will include a consideration of issues of how the data is represented graphically, and the various mapping implications will also be explored. It is intended that GIS will feature prominently in the presentation and analysis of data, a field in which both Aberdeen and Dortmund have extensive experience. A key issue will be the compatibility of datasets between different States, and indeed between different areas within States. It will be important to ensure that any subsequent data analysis and formulation of policy responses are derived from consistency of data coverage and indicators.
- 5.20. As mentioned in the terms of reference, the project will almost certainly encounter difficulties in data provision at a lower geographical scale, especially in areas of low population density. The identification of relevant indicators will therefore be limited by data contents and availability and might be arranged, as with the OECD work on Rural Indicators, around a core set of indicators and in a second phase including more detailed indicators and data analysis.
- 5.21. Potential data sources are currently being collated by the ESPON Data Navigator project. We would envisage using the emerging results of the Data

Navigator project as one starting point in our investigation of data for this project. Another would be the SPESP.

5.22. The call for proposals included a useful list of potential data requirements under the headings:

- agricultural land use and livestock
- farm structures and farm labour force
- agricultural employment
- diversification of farm incomes
- sustainability of land use
- demographic indicators
- regional economic strength
- social cohesion indicators
- others

These will be used as a starting point for the data assessment exercise.

5.23. Members of the proposed study team have considerable experience in the collation and analysis of data at different spatial levels across Europe from previous research, and have drawn on a variety of datasets to develop typologies of rural areas. They also have experience of collecting information from Eurostat, the EEA as well as National Statistical Institutes and Mapping agencies. An additional aspect of the data scoping exercise will be the identification and integration of other relevant projects, in particular, the cross-section projects within ESPON.

5.24. It is envisaged that collaboration with appropriate other ESPON study teams will help inform the development of the TIA which needs to take account of:

- spatial concepts developed in Priorities 1 (i.e. thematic projects, e.g. 1.1.2 urban-rural relations); and 3 (co-ordinating cross-thematic projects, i.e. integrated tools for ESDP and spatial scenarios etc.)
- different territorial/policy levels, e.g. the national envelopes and modulation features of the CAP, or more generally subsidiarity (Rabinowicz et al. 2001) in its applications
- the spatial concepts developed in Priorities 1 and 3

Further details of initial thoughts about an appropriate TIA method are given in stage 4 below.

- 5.25. Output from stage 1 of the project will be a First Interim Report which includes a review of data availability and comparability; definition of the appropriate level and technology required for data collection; a list of data requirements from Eurostat, the EEA and national statistical institutes and mapping agencies; an identification of gaps in existing data sources; and an initial presentation of the method for assessing the territorial impacts of the CAP

STAGE 2: AGRICULTURAL AND RURAL DEVELOPMENT SITUATION AND TRENDS

- 5.26. Stage 2 of the project involves four key tasks: an analysis of the situation and trends in relation to agriculture and rural development across Europe; a structural analysis of the CAP focussing on its territorial dimensions; a review of existing understanding of the spatial effects of the CAP and finally the identification of key future issues associated with agricultural and territorial development, including the challenges associated with enlargement. This phase of the project will provide key background information for subsequent stages of the project.

- 5.27. A structured analysis of the CAP will be prepared considering the nature of the policy, the way it is implemented, processes governing changes and reform, and spatial disparities and imbalances in its implementation across the EU territory. Focussing on its territorial dimensions, It will consider the following aspects:

- Aims, principal policy mechanisms and how these have evolved through time.

- Qualitative analysis of interactions with other community policies for example, the Common Fisheries policy, structural policies, and transport policy (which will be used to feed into stage 5 of the project)

- The growth in agri-environmental measures and how these interact with environmental policy

- The emergence of the second pillar of the CAP and current use of modulation by member states.

- Key emergent issues including the current round of World trade negotiations, emerging environmental issues and new environmental framework directives such as the Water Framework directive, and the substantial challenges of EU enlargement.

The presentation will draw on the substantial agricultural policy expertise of members of the study team. It will also ensure that the very different perspectives of the CAP of Member States are taken into consideration.

5.28. In relation to the analysis of the agricultural situation and trends, features will be analysed and described from 1980, with particular attention to observable effects due to:

(i) CAP adoption by accessions since that date, and

(ii) major changes in the CAP, e.g. the introduction of milk quotas in 1984, the creation of a Single European Market by 1992, and the CAP reforms started in 1993, and

(iii) technological changes which drive processes such as intensification.

Account will be taken of exchange-rate movements and other important agri-economic events, e.g. livestock disease outbreaks.

A particular emphasis will be placed on identifying the links between policies and policy outcomes, for example through indicators linked to expenditure. This will also be pursued through case studies in stage 4. The effects of regional and transport policy will be analysed by identifying major TEN and similar developments, and seeking regional effects for the affected regions.

5.29. Existing understanding of the spatial effects of the CAP, will draw on several existing sources of information including, in particular, the ESDP and the 2nd Cohesion Report which provides both a chapter on CAP assessment and regional typologies structuring the EU territory. These will be summarized and integrated into the development of hypotheses on spatial impacts of CAP in stage 3 of the project. Relevant previous studies will also be used in stage 2 to help define and screen potential trends. Amongst other aspects it will be important to look at results of EU-projects on the situation in Accession countries, integration of environmental concerns into mountain agriculture (commissioned by DG Environment), projects on the marginalisation of agricultural structure, particularly in South of Europe, mountain areas development, LFA analysis, and studies on the implementation of agri-environmental measures. It will also be important to make use of current studies on the situation of islands, and on mountain development (in preparation), both commissioned by DG Regio.

5.30. Output from this stage of the study will be a report detailing the current situation and trends in the EU and accession countries with reference to the territorial dimensions and the government level responsible. This will allow identification of the relevant parameters for the territorial impact assessment for all three dimensions – policy, polity and politics. The aims and principal measures of the policies will be described, together with qualitative analysis of their interactions with regional and environmental policies, and the major challenges of EU enlargement. A crucial issue is the balance between CAP, territorial and cohesion objectives.

STAGE 3: DEVELOPMENT OF TERRITORIAL INDICATORS, TYPOLOGIES AND CONCEPTS

5.31. Stage 3 of the project involves four principal tasks: a review of existing typologies of rural areas; the development of hypotheses on the spatial impact of the CAP; identification of the potential role of the CAP in polycentric development and new rural-urban relationships; and data collection. Early in this stage, a second revised request for further indicators will be made to Eurostat and the EEA (by the end of 2002).

5.32. Several typologies for rural regions have been proposed, e.g. by the European Commission (Rural World), OECD, INSEE/INRA (see Council of Europe, 1999, pp. 140-1), etc. Some of these are related to urban centres, others not. Some use a small number of simple numerical indicators (e.g. population density), others use a multivariate approach, while some employ a more qualitative approach.

Given the rising importance of indicators for both agriculture and the environment generally (e.g. OECD, 2000, 2001), it is proposed to employ a cluster or factor-analysis approach to identify distinctive types of territories from an agricultural point of view. Cross-fertilisation is expected with the typological approach being developed by the urban-rural ESPON project 1.1.2. Additionally, it may be of interest to focus on "regional polycentrism" (several towns within a region, rather than a single major centre; cf. Northern Italy) as a possibly more promising approach to a healthy agri-food system, e.g. via local food network

5.33. A range of agricultural, rural, environmental and structural indicators are available (e.g. CEC, OECD), and some may be particularly suitable from the point of view of balanced territorial development across Europe. These will be reviewed and assessed in relation to data availability as well as relevance to territorial criteria.

5.34. The CAP has led to a number of forms of change to agricultural land use. These changes are often discrete and spatially (e.g. regionally) distinct. They include (adapted from JNCC, 2002):

- intensification, e.g. increased use of fertilisers, livestock feed and livestock numbers
- specialisation, both in certain crop (e.g. cereals, oilseeds, protein crops) and livestock enterprises (e.g. dairy), and within farms (often for reasons of management simplification)
- marginalisation, especially in areas of low-quality land, although similar phenomena of part-time farming and diversification can be observed in areas attractive to higher-income workers and retirees

- abandonment (sometimes to forestry), in regions where a combination of low farming incomes and lack of social and other services have made agriculture non-viable.

5.15 As suggested in the tender documentation, considerable data on agriculture already exists from routine market, structural and business surveys. Not all of this data is mutually compatible (e.g. inclusion/exclusion of small farms), nor is it always available in regional form, but efforts have been made in this area, and approximation/re-allocation is certainly possible. Further, EU applicant countries have already made great progress in gathering and supplying equivalent data during the pre-accession period. This data includes land use data (crop areas, livestock numbers, etc.), market data (prices, supplies, etc.) and policy data (subsidy payments, quota levels, etc.). With reference to the three groups of variables given in para. 3.2.2 of the Terms of Reference, the following comments and suggestions are made:

- Agricultural employment: old farmers may usefully be categorised into (i) those who have farmed in the area for all or most of their lives, and (ii) those who have taken up farming – usually as a part-time activity – at a late stage in their lives

- Farm Income diversification: Hill (2000) has carried out several analyses of farm and non-farm incomes (including wealth changes) of agricultural households at EU level, and account must be taken of this aspect, in order to understand farm survivability

- Sustainability of land use: important other aspects include water pollution (e.g. nitrate zones), and also the prospects for non-food (biomass, bioenergy) use of farm land.

5.35. On the basis of the findings of the project up to this point, various different hypotheses relating to the spatial impact of the CAP will be developed. These will include both hypotheses relating to the relative importance of different policy mechanisms (for example, horizontal CAP measures such as market and price support as compared to spatially targeted measures such as agri-environmental schemes), hypotheses associated with different types of agricultural enterprises (for example, intensive versus extensive farm types, heavily supported as compared to lightly supported commodities) and finally hypotheses related to different types of rural areas (focussing, for example, on the influence of the CAP in remote as compared to and peri-urban areas)

5.36. Until relatively recently, the main policy objectives of the CAP have been centred on easing the structural adjustment of a sector in long term decline, Although implicit in the Treaty of Rome, only recently has more emphasis been given to the role of farmers (and hence the CAP) in strengthening and maintaining the economic, social and environmental sustainability of rural areas. The extent to which farmers contribute to rural development will be critically assessed, drawing on the expertise of members of proposed study team and their experience in researching farm household pluriactivity and agri-environmental effects. This will then be used as a basis for identifying potential role of CAP in polycentric development and new rural-urban

relationships across several spatial dimensions: regional, super regional, inter-regional and transitional. Again, critical who this stage of the project will be dialogue with researchers in other EPSON projects, and action 1.1.2 in particular.

- 5.37. The output from this stage will be development of the database; presentation of the methods for the territorial impact assessment; definition of appropriate indicators, typologies and instruments to detect regions and territories most negatively and positively affected by the identified trends with special reference to accessibility, polycentric development, environment, urban areas, structurally weak areas, and new methodologies to consider territorial information; and presentation of hypotheses on the territorial effects of relevant measures of CAP and rural development policy. This will be reported in the second interim report.

STAGE 4: ANALYSIS OF TERRITORIAL CAP/RDP EFFECTS

- 5.38. Stage 4 of the project will involve four tasks: data analysis; application of the Territorial Impact Assessment (TIA) method; case studies of specific commodity regimes; and case studies by type of rural area. Stage 1 will have identified and sourced the data required for analysis, and this will have been collected during Stage 3. Once collected, the data will be analysed against the typology developed during Stage 3 and the TIA implemented.
- 5.39. Although at this stage the final form of the TIA method is yet to be decided, we propose that the method will involve, in the first instance, an time- series analysis considering the extent to which the following are correlated: expenditures on different policy interments, changes in agricultural and rural development key indicators, and changes in key indicators of territorial development and regional disparities. As suggested in the tender document, the latter should include demographic indicators, measures of regional economic strength, indicators of social cohesion, and environmental indicators. Drawing on the findings from stage 3 and the ongoing work of EPSON 1.1.2 they should also include indicators of the strength of urban-rural interactions.
- 5.40. Whilst this statistical analysis will provide a useful descriptive basis, the TIA will require further case study work so as to understand fully the processes by which change sin the CAP can have spatially differentiated effects. Two sets of case studies are at this stage proposed: the first selecting and comparing specific commodity regimes, the second different types of rural areas.
- 5.41. CAP commodity regimes will be compared in terms of pairs of products (or groups of products) enjoying high or low levels of market or direct support. The following table illustrates the approach; a final choice of products will be made on the basis of data availability and expert opinion.

	High CAP Support	No/Low CAP Support
Crops	Cereals, Sugar	Potatoes, Vegetables
Livestock	Dairy, Beef	Pigs, Poultry

- 5.42. A further dimension to the analysis will relate to the proximity or remoteness of similar agronomic activities (e.g. cereal growing on good soil; intensive pig production) to highly populated urban areas, taking account of communication facilities and environmental conditions (including planning control). Such comparisons will suggest which aspects of spatial diversity affect farming activity.
- 5.43. The impact of the CAP in different types of rural areas will be assessed through careful selection of six specific case study areas across Europe. The aim here is to assess the process by which the CAP either promotes or hinders balanced territorial development in for example, remote rural areas with little alternative economic activity apart from agriculture, remote areas with increasing income from " the "new rural economy" such as tourism. Peri-urban rural areas will also be compared, contrasting those for example with dynamic and lagging urban centres. In these case studies, potential synergies and conflicts between the CAP and other EU, national, regional or local policies will also be detected.
- 5.44. The outputs of this stage will include application of the TIA methodology; analysis of the hypotheses previously developed in Stage 3; presentation of a comprehensive working report on tentative results of the research undertaken thus far, giving a first analysis /diagnosis of the agricultural sector in Europe as well as the existing territorial imbalances and regional disparities in agriculture and rural development, as well as tentative results on the spatial effects at EU level and in member states in terms of the economic relocation and other spatial criteria (including databases, indicators and maps); first propositions on improvement of the sector policy and instruments; first proposition on the institutional aspects of the spatial co-ordination of EU sector policies.

STAGE 5: INTERACTION WITH OTHER POLICIES

- 5.45. In this stage of the project, compatibilities and incompatibilities between CAP/RDP measures and wider territorial objectives will be identified. There have been a number of studies of policy interactions, including the adoption of structural and environmental measures within the CAP itself (the former since the inception of the Policy, the latter since the 1980s and particularly in the 1990s).
- 5.46. This stage of the project will review this work from the spatial and territorial angle, e.g. the relationship between the "core CAP" and Objective 1 (and previously 5b and 6) regions, the maintenance (or deterioration) of territorial landscapes, water use, etc. Forestry developments will also be studied, as a possible indicator of agricultural development in areas subject to particular

territorial stress. The interactions between agricultural and rural development policy and regional and environmental policies are especially important.

- 5.47. The CAP has already taken “first steps” towards becoming a broader rural development policy with improved links into EU Structural Policy. The CAP could increasingly be refocused towards a rural development policy with regard to EU enlargement, as well as territorial cohesion for the existing EU member states. The CAP could thus play an important role in promoting the diversification of rural economies, especially in structurally weak areas. The rural development part of the policy is already incorporated in the coordinated Structural Funds approach. In this part of the project, compatibilities and mismatches in the aims and the instruments between CAP on the one hand and regional policy on the other will be identified and highlighted. Proposals will be made in Stage 6 as to how greater compatibility could be achieved and mismatches reduced.
- 5.48. The reform of the CAP also offers opportunities for greater synergies between environmental policy and agricultural policy. It is likely that farmers may derive an increasing proportion of their incomes from agri-environmental schemes which maintain and protect the landscape, nature and biodiversity. In this part of the project, compatibilities and contradictions between CAP and environmental policy will be identified and highlighted. Proposals will be made in Stage 6 as to how greater compatibility could be achieved and mismatches reduced.
- 5.49. Other territorially relevant policies which will be considered in terms of their interactions with CAP and rural development policy, in similar terms, include forestry, transport, and social policy. Issues of migration and labour adjustment arise, both in the accession countries in the course of enlargement and in more peripheral areas of the existing EU, and agricultural and rural policy clearly has a potentially important role in relation to these. At the same time, subsistence farming can also play an important role in maintaining agricultural and rural household income, complementing social security or, indeed, substituting for labour market measures. The CAP and rural development policy must therefore be considered as integral to several areas of EU policy in relation to enlargement.
- 5.50. The output from this stage will be identification and discussion of compatibilities and contradictions between CAP and these other territorially relevant policies. This will form the basis for the formulation of policy recommendations. These will both be incorporated into the Final Report at the end of Stage 6.

STAGE 6: POLICY RECOMMENDATIONS IN SUPPORT OF TERRITORIAL COHESION AND THE ESDP

- 5.51. In this stage of the project, building on the identification of compatibilities and incompatibilities between CAP/RDP measures and wider territorial objectives in Stage 5, suggestions will be made as to how these CAP/RDP measures might

be modified, replaced or removed in the interests of more consistent and integrated territorial development. Policy recommendations will be developed in accordance with the terms of reference.

- 5.52. As mentioned above, CAP "guidance" funds are already regarded as one of the EU's structural funds, and have been determined within multi-annual programmes. Proposals in this area will therefore consider how far measures directed at agricultural development are being successfully integrated, in determination (decision-making at national/EU level), administration (implementation at regional/local level), financing (e.g. joint funding contributions from different EU and national budgets), evaluation and (most importantly) the ultimate effects on the territorial economy and environment. Suggestions for improvements in these respects will be made, including the potentially important and regionally differentiated impact of biomass and bioenergy production.
- 5.53. Particular attention will be paid to the current implementation (and non-implementation) of the Rural Development Regulation 1257/99 and the modulation option specified in Article 4 of the 'horizontal' Regulation 1259/99. It is likely that, during the early part of the study project, there will be considerable debate over the success of these Agenda 2000 measures, and possibly modifications will be made following the Commission's 2002 Mid-Term Review of the CAP following the Agenda 2000 decisions and the ongoing progress of the WTO agricultural negotiations. It may be appropriate to develop a small number of "scenarios" in relation to future CAP development, e.g. a "broad liberalisation" scenario involving removal of most or all supply measures such as set-aside and quotas for milk and sugar, and a "broad continuation" scenario in which these features are largely maintained, especially with their regional characteristics.
- 5.54. A further aspect of rural development policy recommendations will concern their environmental aspects, e.g. conservation of territorially specific agricultural practices, biodiversity commitments following the Rio Summit, and landscape maintenance via agricultural means (as recently in Switzerland, though not an EU member or applicant state). For example, it will be for consideration whether a territorial and farm-based approach to these policy measures in support of "public goods" is most appropriate, given e.g. national/EU biodiversity commitments, which may conflict with local pressures for jobs and income.
- 5.55. Within the applicant countries in Central Europe, EU agricultural and rural development policy is already having a major influence. Most of these states have modified their market intervention measures in preparation for adoption of the *acquis*, and the introduction of SAPARD funding as a pre-accession instrument has enforced some consideration of territorial and integrated aspects of rural development. A further influence on the spatial development of the agri-food sector in accession countries is the developed of better physical communications (e.g. the TEN system) to and from the EU-15, as well as internally; these are likely to focus future investment (often with foreign investment financing) in farming and food processing along certain "corridors"

between major conurbation and trans-shipment points. In this respect, attention will be paid to relevant aspects of parallel ESPON studies.

5.56. The policy implications for the EU, national and regional policy of the approach and the implications of the case studies will be highlighted and, in particular, how the approach could be used to achieve a better balanced, enlarged European territory will be explored. The principal policy issues are likely to include:

- How measures directed at agricultural development are being successfully integrated, in determination, administration, financing, evaluation and (most importantly) the ultimate effects on the territorial economy and environment.
- The implementation of the Rural Development Regulation, and especially the modulation option.
- How to protect the environmental character and biodiversity of Europe's rural areas.
- How to ensure the CAP contributes more positively to the least prosperous regions of the EU, and how it responds to the challenge of enlargement.
- How to embrace new technology to further policy aims
- How CAP and rural development policy contributes to future patterns of regional and sub-regional development, reflecting European spatial development objectives
- How changes in CAP and rural development policy can assist economic regeneration as part of spatial development and cohesion strategies.
- How to ensure sustainable use of natural resources

5.57. This phase of the project will also allow further discussion of the implications and results from the case studies and other relevant projects under the ESPON and other programmes.

5.58. The output from this stage will be the Final Report. This will begin with an improvement of the methodology and the analysis, taking into account the results of the third interim reports of the other relevant ESPON projects, especially with regard to the candidate countries. It will contain a comprehensive presentation of territorial impacts related to the enlarged EU (all 27 countries), and a system for monitoring trends across these territories. Conclusions and concrete ideas will be developed for policy responses concerning these trends and how territorial cohesion could be better achieved through thematic policy adjustments regarding the CAP and rural development policy. Institutional settings and instruments which could support a better coordination of sector policies towards spatial concerns will be defined. New territorial indicators and EU databases, including candidate and possibly neighbouring countries, will be presented. And suggestions will be made for further research necessary in this field.

5.59. The Final Report will be submitted on 29 August 2004, and discussed with the Steering Group early in September 2004.

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