

TERMS OF REFERENCE

ESPON Project 2.1.3: THE TERRITORIAL IMPACT OF CAP AND RURAL DEVELOPMENT POLICY (2002-04)

(o) Political challenges for the ESPON projects

The Second Report on Economic and Social Cohesion, published in January 2001, presented for the first time a third territorial dimension of the cohesion (beside the economic and social cohesion), which calls for a better co-ordination of territorially relevant decisions. Stressing the persistence of territorial disparities within the Union, the report stated the need for a cohesion policy not limited to the less developed areas as well as the need to promote a more balanced and more sustainable development of the European territory.

The Second Cohesion Report represents in that respect a follow up of the European Spatial Development Perspective (ESDP), adopted at ministerial level in May 1999, calling for a better balance and polycentric development of the European territory.

The projects launched under the ESPON programme shall follow an integrated approach and, seen together, cover a wide range of issues, such as:

- Identifying the **decisive factors relevant for a more polycentric European territory**; accessibility of a wide range of services in the context of enlargement; integration of wider transnational spaces; promotion of dynamic urban growth centres; linking peripheral and disadvantaged areas with those centres; etc.
- Developing **territorial indicators and typologies** capable of identifying and measuring development trends as well as monitoring the political aim of a better balanced and polycentric EU territory
- Developing **tools supporting diagnoses of principal structural difficulties as well as potentialities**, such as disparities within cities and regenerating deprived urban areas; structural adjustment and diversification of rural areas; strategic alliances between neighbouring cities at transnational, national and regional scale; new partnerships between rural and urban areas; potential support from infrastructure networks in the field of transport, telecommunication, energy; etc.
- Investigating **territorial impacts of sectoral and structural policies** in order to enhance synergy and well-co-ordinated decisions relevant for territorial development within policy fields such as Structural Funds, agriculture, transport, environment,

research and development; developing methods for measuring the territorial impact of sectoral and structural policies; etc.

- Developing **integrated tools in support of a balanced and polycentric territorial development**; approaches to enhance the potential of cities as drivers of regional development, new tools for integrated urban-rural development and planning, etc.

With the results of all the ESPON projects, the Commission and the Member States expect in particular to have at their disposal: **a diagnosis of the principal territorial trends** at EU scale as well as the difficulties and potentialities within the European territory as a whole; **a cartographic picture of the major territorial disparities** and of their respective intensity; a number of **territorial indicators and typologies assisting a setting of European priorities** for a balanced and polycentric enlarged European territory; some **integrated tools and appropriate instruments** (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) to improve the spatial co-ordination of sector policies.

In this respect, the ESPON projects will serve as a strong scientific basis for the propositions of the Commission in the Third Report on Cohesion, at the end of 2003, in view of the reform of post-2007 Structural Funds.

i) Relation to the ESPON 2006 Programme

The priorities describing the work-programme of the ESPON 2006 Programme are structured in four strands:

1. **Thematic projects** on the major spatial developments on the background of typologies of regions, and the situation of cities.
2. **Policy impact projects** on the spatial impact of Community sector policies and Member States' spatial development policy on types of regions with a focus on the institutional inter-linkages between the governmental levels and instrumental dimension of policies
3. **Co-ordinating and territorial cross-thematic projects** represent a key component of the programme. These projects evaluate the results of the other projects towards integrated results such as indicator systems and data, typologies of territories, spatial development scenarios. The cross section projects help to thematically co-ordinate the whole programme and add value to the results and to fill gaps, which are unavoidable when different themes are dealt with in different projects.
4. **Scientific briefing and networking** in order to explore the synergies between the national and EU source for research and research capacities.

This project belongs to the second strand and therefore holds a key position for the elaboration of the whole programme by the preparation of the common ground for the investigation of the effects of sector policies on the spatial structure in Europe. Therefore a strong co-ordination with the all other projects in particular with the other project in the same strand on the methodological aspects of the impact analysis, with the relevant

thematic projects on territorial trends under the first strand and with the coordinating and cross-thematic under priority three is required as well as with the Co-ordination Unit.

ii) Thematic scope and context

The (Common) Agricultural Policy (CAP) faces particular demands in the light of recent developments. Most prominent are: reforms of the support system, the consequences of enlargement, agriculture increasingly deals with the production of non-food goods, the changing role of farmers' society towards landscape conservation and environmental management. Recent developments in the meat sector call for less intensive meat production, and a trend towards more organic and sustainable agriculture is foreseeable.

The changing policy will also affect the land use pattern and, therefore, the development potential of rural areas. The CAP already took first steps away from a regulating price system and quantities towards its "rural development" chapter (importance of the agro-environmental measures and measures for the less-favoured areas, and impact of rural development in terms of population maintenance for example) with improved links into the EU Structural Policy. The need for better co-ordination between agriculture and environmental policies is strongly emerging.

The mentioned development trends influencing agricultural production and policy do not affect all regions in the same way. A territorial impact analysis should identify territorial patterns of those regions at risk and with best potentials. This should also consider approaches towards ecological networks and the preservation of natural areas. Scenario approaches with territorial reference may help to understand the consequences of (implemented or not) policy changes.

Projects should also take into account the effects of national policies; in the case of agriculture, national policies and the national implementation of the Community policy will play a key role in the agricultural land use.

The concept of multi-functionality has been widely adopted as the new paradigm of EU Agricultural Policy. However, measurement and realisation of related issues is not well advanced and heavily contested between different interest groups, and among opponent countries in the WTO negotiation process.

A clearer assessment of the spatial dimensions of land use by agriculture (and forestry) and its relevance for rural/regional development might provide new perspectives for structural development of agriculture and regional integration. This seems particularly important for the large amount of less-favoured areas, and especially the mountain areas, in the EU-15 and candidate countries.

The change in the orientation of EU Agricultural Policy towards the integration of environmental concerns and consumer aspects, and a comprehensive assessment of the positive aspects provided by low input farming systems for landscape management,

environmental performance, consumer demands and the viability of peripheral areas could be an important element against marginalisation processes.

Concerning the environment, the need for better co-ordination between the agricultural policy and the environment policy should be highlighted. Overlapping with the policies addressed under the following measure 2.2. has to be taken into account.

iii) General objectives

- a) To develop methods for the territorial impact assessment of sectoral policies;
- b) To develop territorial indicators, typologies and concepts and establishing a database and map-making facilities and to sustain the project by empirical, statistical and/or data analysis;
- c) To analysis of the territorial trends, potentials and problems deriving from the policy, at different scales, and in different parts of an enlarged European territory;
- d) To show the influence of sector policies on spatial development at relevant scales;
- e) To show the interplay between EU and sub-EU spatial policies and best examples for implementation;
- f) To recommend further policy developments in support of territorial cohesion and a polycentric and better balanced EU territory;
- g) To find appropriate instruments to improve the spatial co-ordination of EU sector policies and the ESDP;
- h) To consider the provisions made and to provide input for the achievement of the horizontal projects under priority 3.

In the efforts to meet these objectives the project shall make best use of existing research and relevant studies.

iv) Primary research questions

- Identification, gathering of existing and proposition of new indicators and data and map-making methods to measure and to display the state, trends and impacts of the developments referred to above. Compilation of national studies with European focus;
- Operationalisation of the policy options developed in the ESDP relevant for a territorial impact analysis of the CAP; and development of a methodology for the impact analysis on the EU scale;
- Conceptualisation and elaboration of a territorial impact analysis of CAP with special consideration of the variety of rural areas in Europe in terms of environmental and climate conditions, population density, employment and farm structure, accessibility, peripherality, degree of intensive farming.
 - What spatial effects are expected in terms of addressing present and future problems of rural areas?
 - How far does the CAP affects the concept of a polycentric development, and which further spatial effects are emerging?

- What kind of resources is available at EU level in order to conduct the CAP? Does the necessary co-ordination with national policies take place?

v) Expected results and timetable

The research undertaken during the interim reports is supposed mainly to work on the data available at the national statistical offices, Eurostat and other national and European institutions, and normally be based on existing administrative units. From 2003 until August 2004, the research should complement the missing territorial/regional data and complement tools and territorial indicators if possible beyond the NUTS classification and the NUTS 3 level.

One of the main objectives of the ESPON 2006 Programme is to focus on research with policy relevance and to contribute to the development of relevant policies. Therefore, the deliverables of the research project should be highly operational and coordinated in time, as far as possible, to fit into the relevant political agenda. The following timetable and specification of output is reflecting this objective:

September 2002 (first interim report):

- a) Consensus on indicators and necessary data after a precise analysis of the availability and comparability of data at Community level. For these analyses, the results of the study programme and the results of the ESPON projects in course, in particular under priority 3.1, should be taken into account. This task should also define the appropriate geographical level and technology required for data collection, taking into account the availability of the data. A first detailed and comprehensive list of data mainly requests for statistical and geographical data should be collected from Eurostat, the EEA and National Statistical Institutes and National Mapping Agencies.
- b) First outline of the methodology of the impact analysis and the structure of the description of the sector policy.

February 2003 (second interim report):

- c) Development of the database, indicators and map-making considering the progress of the other research projects.
- d) A second revised and extended request for further indicators should be collected from Eurostat and the EEA by the end of 2002 (the latest).
- e) Presentation of the methods for the territorial impact assessment;
- f) 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.
- g) Presentation of hypothesis on the territorial effects of relevant measures of the investigated policy.

August 2003 (third interim report):

- h) Application of the methodology, analysis of the hypothesis previously developed.

- i) Presentation of a comprehensive working report on tentative results of the research undertaken so 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);
- j) First propositions on improvement of the sector policy and the instruments,
- k) First proposition on the institutional aspects of the spatial co-ordination of EU sector policies.

August 2004 (final report):

- l) Improvement of the methodology and the analysis taking into account the results of the third interim reports of the other projects in particular with regard to the candidate countries.
- (m) Comprehensive presentation of territorial impacts related to the enlarged European Union (27 countries);
- n) Formulation of conclusions and proposition of possible thematic policy adjustments regarding the sector policy in order to avoid unintended spatial effects in relation to the ESDP and the structural Funds policy.
- o) Definition of institutional settings and instruments, which could support a better co-ordination of sector policies towards spatial concerns;
- p) Presentation of new territorial indicators and EU databases including candidate and possibly neighbouring countries
- q) Formulation of the further research necessary in the policy field.

vi) Rationale and structure

The following text has the role of shaping the mind of thinking in developing a proposal for undertaking the ESPON action 2.1.3.. The text is not meant to be exhaustive, but to serve the purpose of guiding the tenderer.

1. Elaboration of an appropriate methodology for the impact analysis/assessment

The methodology should take account of the spatial concepts developed under priority 1 and 3. The methodology should also allow indicating different level policy in order to identify the relevant actors for a better territorially coordinated policy. It should indicate, which are the access points on how to measure the territorial effects of the policy investigated.

At present we dispose of many assessment methods and models (see point vii existing access points, for some examples). The aim of this study should be to draw these existing assessment methods together (addressing their weaknesses) into a tightly focused, operational assessment tool, oriented towards the needs of decision makers.

The methodology should also allow indicating different level policy in order to identify the relevant actors for a better territorially coordinated policy.

2. Presentation of agricultural and rural development situations and trends in E.U with reference to the territorial dimensions and the governmental level responsible for the implementation of transport policy

The structured presentation of the CAP should allow identifying the relevant parameters for the territorial impact assessment for all three dimensions, the policy (contents and strategies), polity (institutions, organisations) and politics (processes) regarding particularly spatial disparities and imbalance of the EU territory.

- Aims, principal measures of the policy;
- Qualitative analysis of the interactions between CAP and other community policies;
- Interactions with regional policy: measures encouraging adaptation and development of rural areas; CAP accompanying measures for less-favoured areas (see point 5 in detail)
- Interactions with environmental policy: CAP accompanying measures such as agri-environmental measures and compensatory allowances for less-favoured areas (mountains) (see point 5 in detail),
- The major challenges of the enlargement

At first the aims, principal measures of the policy must be described. The major challenges of the enlargement play a key role in this measure. Furthermore, the description of the policy instrument is particularly important in the field of agriculture where very controversial processes such as intensification are also driven by policy independent factors such as technology. If these policies are not properly described, e.g. the study becomes meaningless compare the situation of a tobacco farmer in Greece, a cereals farmer in the Parisian basin, a Welsh sheep producer, or a German sugar beet grower. The policy mix in all situations is very different. There is the need to describe policy at the same level as the policy outcomes. The link of the description of the policy with policy outcomes is very important; otherwise the study will just become a description of the agricultural situation in a number of different regions. This would have, of course, implications for territorial development policy, but it would not answer the question of the territorial impact of the CAP.

A practical solution would appear either to try and bring in a dimension of policy description through indicators linked to expenditure on different types of policy (each type of direct payment, each type of rural development measure and the level of market support) or alternatively to have a case study approach.

It is obvious that the objectives of the CAP are mentioned in the Treaty, art 33. (with appropriate indicators). Therefore, the main challenge in improving the CAP's contribution to achieve a more balanced territorial development is ensuring the best balance between CAP, territorial and cohesion objectives. All in all, this seems to be the major scope for improvement.

3. Data, spatial concepts and indicators

3.1. Territorial typologies

3.1.1. CAP and rural development typologies

Which kind of typologies of regions with regard to CAP and rural development policies and the agricultural activities are appropriate for the further investigations? Strong links exist with the ESPON project on urban-rural relations (1.1.2.), where relevant typologies are set up as well.

3.1.2. Relation to other important territorial typologies

Territorial and regional disparities, contributions of research policy to the European Spatial Development Perspective: The project should provide an in-depth analysis of territorial and regional disparities in agriculture. Further the contribution of research policy to the following spatial planning objectives laid down in the ESDP (not exhaustive, the project under measure 3.1. will provide further spatial typologies) should be examined:

3.1.3. Polycentrism

Polycentric Spatial Development and a New Urban-Rural Relationship: With the intention of fostering polycentric and balanced spatial development in the EU, the diversification of the rural economy, especially in structurally weak areas, also includes new approaches for the agricultural and rural development policy leading to extra-regional links and networks.

3.1.4. CAP and cohesion

All reports repeatedly point out the importance of structural change for lagging agricultural regions. Which kind of typologies describes those regions, which are the important indicators?, which ones describe more successful regions and which spatial features characterise those regions?

3.2. Indicators and data collection

The project should quantify the territorial and regional disparities in research within the 15 Member States as well as for the 12 candidate countries. The collection of data for the basic indicators should take place on the NUTS III level (non exhaustive list)¹.

¹ Where harmonised (Eurostat) data sources don't provide the data for the indicators at the appropriate geographical level, the consultant will have to examine national and possibly regional data sources to try to complete the data sets. The collection of these data should be done in co-ordination with data collection provided by the contractant/s of ESPON works under priority 4.

3.2.1. Description and quantification of the variables characterising CAP and rural development policy,

The contractor should make an in-depth analysis of this sector in particular of spatial disparities and imbalance of the E.U territory (including the candidate countries): productions, farm structures, demography, creation of jobs, share of agricultural employment, etc.

Using the indicators presented below as an indicative list², statistical and geographic data should be collected and analyses. Data should be collected at the lowest possible geographic level (ideally NUTS 3 and below). There is a need for more detailed data than NUTS 3 particularly in areas with very low population density. The data should cover candidate countries as well as the 15 members states.

The main variables to be considered (not exclusive) are the following:

a) Agricultural land use and livestock:

- Share of Average Utilised Agriculture Area (UAA) from total area
- Indicators of agricultural land use : proportion of arable land, permanent grassland and pastures, permanent cultures, fallow land
- Average Utilised Agriculture Area (UAA) per holding
- Number of heads of livestock or number of heads of Livestock Units (LSU) per holding

b) Farm structures and farm labour force

- Average Economic Size of the holding : ratio of Standard Gross Margin (SGM), expressed in European Size Unit (ESU), by number of holdings
- Agricultural Income: Farm Net Value Added (FNVA) per Annual Working Unit (AWU)
- Productivity: ratio of SGM expressed in ESU, related to total labour force expressed in AWU
- Average number of AWU by 100ha
- Average number of AWU per holding

² Where harmonised (Eurostat) data sources don't provide the data for the indicators at the appropriate geographical level, the consultant will have to examine national and possibly regional data sources to try to complete the data sets. Where appropriate, the data gathering will also include spatial analysis to derive indicators from different layers of geographic information (functional areas, metropolitan areas). The collection of this data should be done in co-ordination with data collection provided by the Transnational Project Groups of ESPON works under priority 1.

3.2.2. Quantification and analysis of the objectives of the CAP and rural development policy in relation with a balanced territorial (and regional) development

The project should examine and evaluate the effects of CAP and rural development policy on the following variables (not exclusive) using spatial typologies developed and provided in the ESPON programme under priority 1 and 3:

a) Agricultural employment ::

- absolute agricultural employment and share of agricultural employment
- evolution of the share of agricultural employment
- proportion of young farmers in the agricultural sector (younger than 35 years)
- evolution of the proportion of young farmers
- proportion of old farmers in the agricultural sector (older than 65 years)
- evolution of the proportion of old farmers

b) Diversification of farm incomes:

- dependence on agricultural sector
- tourism employment and share of tourism employment
- evolution of the share of tourism employment
- evolution of employment in the environmental sector and landscape protection
- activities in small and medium-sized cities (handicrafts, creation of SMEs, IT dependency, etc.)

c) Sustainability of land use

- intensity of land use for agricultural production
- environmental effects of farming
- quality of buildings
- quality of landscapes

d) Others

4. Analysing the effects of the CAP and the rural development policy

Quantification and analysis of the effects of the CAP and rural development policy on the territorial balance and the regional development

Evaluation of the effects of CAP and rural development policy on the balanced territorial development and regional disparities and also the effects on viability of rural communities. Methodology of Territorial Impact Assessment (TIA) should be tested.

Variables to be used (not exclusive) are the following ³:

³ Where harmonised (Eurostat) data sources don't provide the data for the indicators at the appropriate geographical level, the consultant will have to examine national and possibly regional data sources to try to complete the data sets. The collection of this data should be done in co-ordination with data collection provided by the contractant/s of ESPON works under priority 4.

a) Demographic indicators

- population density
- share of population younger than 20 years
- share of population older than 60 years
- evolution of the population (average annual change over previous x (5 to 10) years)

b) Regional economic strength :

- Growth Domestic Product (GDP) per inhabitant in Purchasing Power Parity (PPP)
- evolution of GDP per inhabitant
- Unemployment rate
- evolution of unemployment rate
- GDP/occupied person (productivity)

c) Social cohesion indicators :

- distribution of incomes : ratio income received by the highest earning 20% and the lowest 20%
- jobless households : share of households in which no member is employed

d) Others :

- access to services :
- equal opportunities
- distance towards main urban areas
- degree of exchange with close urban areas
- ecological effects

5. Interaction with other territorially relevant policies

5.1. Structural Funds Policy

The Agricultural policy could be refocused towards a rural development policy with regard to the enlargement. The rural development part of the policy is already incorporated in the coordinated Structural Funds approach. Mismatches in the aims and the instruments between pricing system and other measure of the CAP on the one hand and the regional policy on the other hand need to be highlighted. Proposals should also be made on how this mismatch could be adjusted.

5.2. Environmental policy

The reform of the agricultural policy also calls for the stronger combination of tasks of the environmental policy and agricultural policy. Income of farmers may include more and more elements deriving from their tasks such as the maintenance and protection of nature and landscape rather than from farming in the narrow sense, in particular in areas with geographical disadvantages. Where are contradictions between these policies where is mutual support expected with a territorial perspective?

5.3. Other territorially relevant policies

Which other policies are of concern in the context of a spatial approach for the agricultural policy?

6. Orientations for policy recommendations

A particular attention should be paid to issues arising from the principle of subsidiarity. In addition, it would be important to include strategies and preparations towards EU policies undertaken by candidate countries into this study.

6.1. Improvement of the contribution of CAP and rural development policy to territorial cohesion

In the light of the results of the above analysis, improvement of a territorial dimension of CAP and rural development policy (conditions, level of intervention, type of measures, etc.) should be proposed in support of polycentrism and territorial balance.

These propositions should aim to a better viability of rural communities, a reduction of agricultural and rural disparities on the EU territory, a better relationship between rural and urban areas, in particular small and medium-sized cities in rural territories.

6.2. Proposals towards Structural Funds Policy

A stronger interaction of rural development aims with the objectives of cohesion should be investigated. In particular, regional policy should also take into account market support and direct payments, since these play a very important role in the use of land outside urbanised areas, particularly in marginal areas.

Methodologies for a better integration of the CAP and spatial development and planning concerns into Structural Funds regional programmes should be addressed.

Guidelines for an implementation of Territorial Impact Assessment of rural development policy at regional level (regional development bodies, spatial planning institutions, practitioners, etc.) should be investigated.

6.3. The ESDP and CAP/rural development policy

The ESDP makes reference to the CAP in particular with regard to the rural development. All relevant ESDP policy options should be addressed and evaluated in this context.

Of particular importance is the following: Which adjustments, amendments and extensions of the policy orientations and aims of the ESDP could be proposed on the background of the findings of the project? How could a further territorial differentiation of ESDP aims and objectives look like?

In addition, reference should be made to the current transnational areas under Interreg III B.

6.4. Proposals for a better integration and coordination of CAP with other policies relevant for territorial development

Proposals should be made for improving policy coordination and a system in support of integrated decision-making and implementation, which could improve coherence between rural development policy and other interacting policies.

Particularly, a substantive work has been done on the regional impact on the environment of the CAP and rural development. The project should include this important dimension.

vii) Existing access points

The access points listed below can serve the purpose of providing the tenderer useful information for preparing a proposal. It is by no means meant to be exhaustive, but only as information that can be helpful in tracing additional useful background information.

The SPESP addressed the question of agricultural land use in three studies, which have already been cited: the land use, natural assets and cultural assets (landscapes), which used GISCO data, partly on very low grid level. The mentioned and investigated indicators are not all available yet but the results of these studies have helped to build up a base to study the spatial effects of the land use and land occupation. The human resource side is strongly related to indicators on the economic and demographic structure of the regions. Indicators were addressed in the studies on social integration and economic strength but these must be considered on a lower NUTS level such as NUTS 2 and 4.

Further access points are:

European Commission 2001: Agriculture, Environment, Rural Development: Facts and figures – a challenge for agriculture⁴;

European Commission (2001): From land cover to landscape diversity in the EU;⁵

Buckwell-Report (1999): Towards a Common Agricultural and Rural Policy for Europe – Report of an Expert group.⁶

In addition, the Commission has already strengthened their activities towards the integration of environmental and agricultural observers, which would provide starting points for a territorial analysis.⁷

⁴ <http://europa.eu.int/comm/envir/report/en>

⁵ <http://europa.eu.int/comm/agriculture/publi/landscape/index.htm>.

⁶ http://europa.eu.int/comm/dg6/publi/buck_en.htm.

Moreover, the Commission prepared two Communications on Agri-environmental indicators. 26.1.2000 Com (2000) 20 final: Integration of environmental concerns into CAP.

The new Commission's/Eurostat's Initiative on Environmental European Spatial Data Infrastructure (E-ESDI) can also considerably contribute.

Finally, an ESPON Data Navigator creating an overview, a handbook, giving information on principal data sources, contact points etc, is under elaboration. The Data Navigator is expected to cover, in principle, all countries in an enlarged European Union as well as neighbouring countries. The Data Navigator is scheduled to be finalised by August 2002.

⁷ COM (2000)20: Indicators for the integration of environmental issues in the Common Agricultural policy (own translation of German title), and COM (2001)144: Statistical information requirements for the surveillance of the integration of environmental demands in the Common agriculture policy