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Studies in Agricultural Economics

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Foreword

The invited articles published in this issue of *Studies in Agricultural Economics* address the important theme of ‘The Role of Cohesion Policy in Rural Development’. All were first presented at the conference entitled ‘What Future for Cohesion Policy? – An Academic and Policy Debate’ held on 16-18 March 2011 in Bled, Slovenia.

The conference was co-organised by the Directorate-General for Regional Policy (European Commission), the Regional Studies Association and the Government Office for Local Self-Government and Regional Policy, Slovenia. It took place at a key point in the cohesion policy calendar – immediately following the publication of the Fifth Cohesion Report¹ and close to the time when the European Union (EU) was expected to publish its proposals for the post-2013 financial perspective.

Central to the debates on the future of the policy are the following themes:

- Policy goals, including the contribution to Europe 2020;
- The interpretation of territorial cohesion;
- The spatial coverage of the policy;
- Policy performance and effectiveness;
- The efficiency of governance structures and implementation arrangements;
- The relationship between Cohesion Policy and other EU structural policies such as Rural Development.

Amongst these themes, the latter is of particular significance to readers of *Studies in Agricultural Economics*. The Fifth Cohesion Report explicitly states (p.273) that ‘Rural areas are a key element in any strategy for sustainability and territorial balance’ and notes that ‘rural regions often share particular strengths and assets, on which Cohesion Policy can build’. Large sections of the Report are devoted to discussing rural issues.

The conference provided a forum for the first international academic debate on the Fifth Cohesion Report between regional studies researchers and senior officials from the European institutions. It also provided an opportunity to take stock of recent research on Structural and Cohesion Funds and for discussion of the above themes. The seven papers selected for this thematic issue of *Studies in Agricultural Economics* explore several aspects of the relationship between Cohesion Policy and Rural Development.

Recognising that rural change is multifaceted, Copus, Schucksmith, Dax and Meredith propose that Cohesion Policy for rural areas after 2013 should combine carefully targeted horizontal programmes with neo-endogenous local development approaches. They stress that with increasing connectivity geographical proximity (such as local urban-rural interactions) is becoming less important than ‘organised proximity’. In line with this, Knippschild demonstrates, using several examples, that supra-regional coalitions are emerging in the EU which can cross national borders. But these can be observed more often in western than in central

and eastern Europe, where coalition building and strategy development still face severe problems. Across the EU, the question of delineating the respective cooperation areas is a major challenge. Using migration, an issue of major importance to rural areas, as an illustration, Ladias, Hasanagas and Papadopoulou suggest the quantitative network approach as a tool for this purpose. This could allow policy making to better address real issues, by being less constrained by administrative or historical boundaries.

Fieldsend notes that there is no simple definition of rural employment but that a sustainable approach to exploiting natural capital, together with the development of the other capitals (human, social, physical and financial) of the territory via a place-based (i.e. territorial policy) approach, can create jobs and encourage working age people either to stay in, or relocate to, rural areas. This demands a closer alignment of rural and regional funding. An example of this is funding for broadband Internet access. Fekó, Sass and Nagy show that, in this respect, disparities between rural and areas are still huge (especially in the New Member States) and recommend that Structural Funds should be used to stimulate the development of superfast broadband networks in rural areas of the EU. However, Michalewska-Pawlak observes that ‘rural development’ in the EU is presently dominated by the agriculture approach, and that the social, cultural, service aspects of rural development are marginalised. The challenge posed by rural areas to Cohesion Policy after 2014 can only be met by including a separate rural development programme within Structural Funds.

Finally, Montresor, Pecci and Pontarollo attempt to quantify whether regional and rural policy and funding are effective in promoting economic growth and foster the process of convergence of EU regions. Using a methodology based on the Solovian model, they show that both CAP funding and Structural Funds have had a positive impact on regional convergence.

Studies in Agricultural Economics would particularly like to thank Sally Hardy, Chief Executive of the Regional Studies Association, for her cooperation in allowing these seven papers of relevance to rural development to be brought to the attention of a wider audience.

Andrew Fieldsend
Budapest, September 2011

¹ EC (2010): Investing in Europe’s future: Fifth report on economic, social and territorial cohesion. Brussel: European Commission.

Book review

Andrew F. FIELDSEND and Julie M. BOONE

A Practical Guide to Stimulating Entrepreneurship in Rural Areas*

* Essex County Council 2007. 68 pp.

The Interreg IIC project 'PRAXIS – Making Rural Entrepreneurship Work' published a handbook entitled 'A Practical Guide to Stimulating Entrepreneurship in Rural Areas', also known as the PRAXIS Rural Entrepreneurship Toolkit. The target groups for the toolkit include rural development practitioners (such as regional and economic development agencies), policy and decision makers at local, regional and national level, non-governmental organisations, academic institutions and training organisations, and organisations representing businesses (such as chambers of commerce).

The toolkit is structured into nine sections, of which section 1 is the introduction. Section 2 defines the target groups for the toolkit, whilst section 3 includes definitions of 'rural development', 'sustainable development', 'rural', 'rural economy' and 'entrepreneurship'. Section 4 stresses that the best approach to stimulating rural entrepreneurship will depend on the circumstances in the region. The main body of the toolkit, however, is sections 5 (Good practice in promoting rural entrepreneurship) and 6 (Integrated list of policy recommendations), the preparation of which drew on work carried out by partners during the PRAXIS project. Completing the toolkit are sections 7 (Sources of European funding), 8 (Contact details of the 13 PRAXIS partners) and 9 (A list of other European projects relevant to rural entrepreneurship).

For each of seven issues related to rural entrepreneurship the toolkit provides two examples of good practice from across the EU and a case study of an entrepreneur who has benefited from such good practice. The issues are as follows:

- Communication – effective rural partnerships
- Strategy – regional and local and sustainable rural development strategies
- Support – Innovation support through sharing good practice

- Awareness – Promoting the correct understanding of entrepreneurship in rural areas
- Funding – maximisation of the use of European funding including alignment with core funding
- Customer focus – creating an environment in which rural entrepreneurship can flourish
- Education – creating an entrepreneurial mindset

The toolkit presents 17 policy recommendations aimed at promoting rural entrepreneurship, cross-referenced to the issues listed above. The recommendations cover topics such as simplifying bureaucracy, developing support services for businesses, encouraging links between higher education and industry, formulating rural strategies and encouraging good local governance. The toolkit should ensure that the accumulated experience of the PRAXIS project will have a sustainable, long-term impact on stimulating rural entrepreneurship across the EU.

This is a valuable introduction to European rural development in general, and specifically to awakening the entrepreneurial spirit in areas which, in the wake of momentous changes to agricultural policy, badly need it to maintain prosperity, population and culture. It is erudite without being stuffy, and the many case studies help to bring the text to life and show clearly the potential impact of thoughtful policy, effectively implemented.

Copies of A Practical Guide to Stimulating Entrepreneurship in Rural Areas can be obtained free of charge by emailing studies@aki.gov.hu.

Reviewed by: Martyn F. Warren, University of Exeter, Exeter, UK. m.f.warren@exeter.ac.uk

Abstracts of AKI publications

The results of AKI's research work are presented in detail in a series of Hungarian language publications. English language abstracts are reproduced below. The publications may be downloaded from the AKI website (www.aki.gov.hu) or requested in printed form from aki@aki.gov.hu.

MERKEL Krisztina and TÓTH Kristóf

Taxation of agriculture, with special regard to private farms

Published February 2011

The study investigates the legal background of agricultural taxation in Hungary and performs calculations for detecting any anomalies deriving from the taxing peculiarities of the private farms. It also presents the agricultural tax systems of the individual EU Member States with the purpose of drawing conclusions therefrom concerning the Hungarian system. In its calculations, the study relies partly

on international data and partly on the database of the APEH (Hungarian Tax Authority). In the last part, the study puts forward suggestions divided into two categories. The first category includes taxation schemes that require minor modifications, while the other group includes taxation methods requiring considerable transformation of the existing system.

KEMÉNY Gábor, VARGA Tibor and colleagues

Problems and further development possibilities of the Hungarian agricultural insurance system

Published March 2011

The study is divided into two main parts: the first investigates the problems of the Hungarian agricultural insurance system and the second reviews the possible take-off points of the system. The study identifies the low number of insurable weather hazards, the low penetration rate, the farmers' low inclination to premium assumption, increasing climatic hazards and the tough competition amongst insurers as the principal problems of the current system. These causes together have led to a situation that some insurers have contemplated their withdrawal from the Hungarian market, thus imperil-

ling even the maintenance of the current low level of risk management. Intervention by the state has been identified by the study as a take-off point from this situation, and this could be executed in two ways: firstly, the current damage mitigation system would have to be transformed into an all-risk system and, secondly, an insurance premium supporting scheme would have to be launched, where the state would specify the insurance of hazards until now not insured (such as drought, internal water, flood and spring frost) in exchange for premium supports.

JUHÁSZ Anikó and WAGNER Hartmut

Effects on foreign trade of German hard-discounters' global expansion

Published May 2011

In our study we have demonstrated the existence of a direct relationship between the international expansion of the German owned discount chains (Aldi and Lidl) and the simultaneous and continuous improvement of the food industrial foreign trade balance of Germany on their target

markets. According to our calculations, a sales revenue increase of the discount chains in the order of EUR 100 million generated a growth of the German food industry's imports of roundly EUR 75 million in the average of the 15 selected target markets.

BIRÓ Szabolcs, KAPRONCZAI István and colleagues

Water use and irrigation development in Hungarian agriculture

Published May 2011

One of the greatest challenges of agricultural commodity production in Hungary is the country's exposure to the growing weather extremes that might become a restricting factor of Hungary's agricultural competitiveness. Presently, the main function of the agricultural water use and irrigation development consists in enhancing yield security and improving quality, i.e. preventing damage due to extreme weather conditions. Our research has evaluated domestic agricultural water management, water use and irrigation

principally from the point of view of agricultural production, but simultaneously in a wide overview, considering also the economic, environmental and social aspects, for preventing water from becoming a factor restricting the efficiency of production. Our research shows that rational extension of the irrigated areas could contribute to increasing Hungary's market share. Fragmented land structure and, in irrigation development, the lack of strong state involvement may be identified as the main impediments.

POTORI Norbert, POPP József and colleagues

Production of biomass for energy generation in Hungary

Published August 2011

Our study focuses on the current situation and on the opportunities for the production and energetic utilisation of biomass in Hungary. The scope is unequivocally determined by our commitments made as a Member State of the European Union and by the current market conditions. The quantity of biomass required for the fulfilment of the goals set is

already available. Implementation of biogas power plants is motivated by injection of the upgraded biogas into the natural gas-grid and by waste management considerations. Additional ethanol production and vegetable oil esterification capacities would be required for the satisfaction of the internal market's demand for biofuels from domestic sources.

Studies in Agricultural Economics

Information for authors

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