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Focusing Rural Development in Central and Eastern European Countries

Forgács, Csaba

Abstract

Discussion of rural development (RD) in the EU started in 1968 and some two decades later Agenda 2000 institutionalised RD policy. After a brief history of RD, Agenda 2000 and the SAPARD programme are discussed. The main body of the paper deals with Rural Development measures of Central and Eastern European countries (CEECs) with special regard to 2007-2013. It is concluded there is no clear relationship between farm structure and choosing rural development policy concept in CEECs for 2007-2013.

Keywords

Rural development, National Rural Development Strategic Plan, CEE, SAPARD, LEADER.

Introduction

This paper investigates the rural development programmes of the EU-8+2 (EU members of Central and Eastern European countries, CEECs) and is structured in the following way. Firstly, a review of rural development in CEECs will be given. Secondly, the goals of CEECs’ rural development programmes and rural development measures by Axis for 2007-2013 will be discussed in detail. The paper ends with conclusions.

Rural development up to 2006

In this section we overview the roots of rural development in Central and Eastern Europe (CEE) up to 2006 in order to have a better understanding of rural development policy issues for 2007-2013 in ten CEE new EU Member States.

History of rural development policy in the EU and CEECs

The first element of the Common Agricultural Policy (CAP) was put into practice in 1962 but the issue of rural development came into the picture years later. The first real statement on the future of rural areas, released by the European Commission in 1988 (COM (88) 501) mentioned that rural areas in Europe are rather different regarding their historical background, future development possibilities and their use of traditional rural development policies (The Future of European Countryside). Explicit discussion of rural development took place between 1988 and 1999 and Agenda 2000 institutionalised rural development policy (Delgado and Ramos, 2002). In the literature two important aspects of rural development are identified: the so-called agricultural aspect and the territorial aspect. In discussions over the years it has never been clear whether rural policies were being developed because of the specific problems of rural areas (as territorial policies) or because of the specific problems arising from the need to reform the CAP (as sectoral policies) (Saraceno, 2004). As a result of the intensive discussions on rural policies in the 1990s the Cork Declaration identified ten important points for future development and underlined the importance of raising public aware-
ness of starting new rural development policies, making rural areas more attractive for people to live and work in, emphasising the need for co-operation and playing an active role in promoting sustainable rural development in an international context (Cork Declaration, 1996).

Based on the CAP a Common Agriculture and Rural Policy for Europe (CARPE) was developed (Buckwell report, 1997). Its suggestions pushed the CAP away from being a sectorial policy for agriculture to becoming part of a set of territorial policies for rural areas. The report proposed a significant shift in budget allocation with a strong reduction in market support and compensation payments, and with an increasing budget share in rural development incentives and environmental and cultural landscape payments over the period 1990-2008. Such significant structural changes in budget allocation have never been achieved.

Agenda 2000 was a turning point by institutionalising rural development, regarding the latter as the second pillar of the CAP. Between 2000 and 2006 there were two measures supporting rural development: modulation, which allowed a budget transfer from Pillar 1 to Pillar 2 in the EU-15 countries, and some new measures related to rural development concerning the environment, plant health, animal welfare etc. One of the measures is related to investments in agricultural holdings and making agriculture more competitive especially at global level. Also a substantial portion of the budget was to be allocated to human resource development. All EU-27 countries have had problems with the high average age of farmers. Thus there is a need to support young farmers to enter farming, to help old people to quit farming and pass farms on to younger people, and the improvement of human resources. More resources were needed for training, vocational training and educating farmers. Another part of these measures related to less-favoured areas with strong environmental restrictions. People living in such areas also needed support. Rationalisation of processing and marketing focused on having products of high added value and a better marketing system to make these products better available for consumers than before. The ecological aspect and the social functions of forests became better understood and were emphasised. The budget of Agenda 2000 still contained a small amount for rural development however; it was a new element.

SAPARD and National Rural Development Plans in CEECs (2004-2006)

The period 2000-2006 consists of two sub-periods: the three years before and the three years after the accession of the CEE countries.

SAPARD programme for EU-8+2 countries

SAPARD (Special Accession Program of Agriculture and Rural Development) was established by Council Regulation 1268/1999 in June 1999 and was part of Agenda 2000. It was initiated by the European Community for the New Member States. This programme focused on agricultural structural adjustment and rural development issues and aimed to help the ten CEE countries to make a smoother structural development and in the adaptation of the acquis communautaire.

Unfortunately, the second pillar of CAP has brought neither new resources nor a new model in rural development policy. The latter was manifested in the conflict of two opposing principles. The general rhetoric focused on decentralisation, projecting fundamental change in rural development including sustainability, active participation of local action groups, bottom up approach etc. (Nemes, 2007).
Under SAPARD, 34.7% of the budget was allocated to improving *processing and marketing* of agricultural and fishery products of CEECs in order to have more value added goods and to make them available for the consumers on the markets. Another 33.1% was devoted to the *development and improvement of rural infrastructure* which is in poor shape in CEECs. Only 18% of the budget focused on *investments in agricultural holdings* and increasing competitiveness. Environmental considerations gained 10.3% of the budget in different fields such as diversifying the economic activities in rural areas, renovating villages, improving water resource management and promoting forestry. Under the SAPARD programme it was shown that national programmes gave priority to increasing competitiveness of large farms and the processing industry. Also, the majority of SAPARD funds were oriented to agricultural production, processing and investments in large farms and infrastructure with a goal of preparing large farms for the market economy competition in the enlarged EU.

Concerning rural development issues one cannot neglect the LEADER programme. LEADER was launched in 1991, followed by LEADER 2 (1994-99) and LEADER+ (2000-2006). For the 2007-13 programming period, LEADER is no longer be a separate programme but is integrated (‘mainstreamed’) in all national/regional rural development programmes. LEADER has brought a *new method of development* where people who are really affected in the countryside can be more involved in rural development. The cooperation between local people and local agents had to improve. There were seven key features laid down by the programme. Setting up *integrated territorial development strategies* was very demanding especially for those agents who had never worked with such programmes. The second was to use the *bottom up approach* so starting from the ground and asking those who are really affected to be involved. Supporting this involvement an *encouragement of cooperation* between the local partners was given. Further tasks included using *decentralised management* (local public private partnership), promoting cooperation and *networking*, facilitating *innovation* and executing *integrated and multi-sector actions*. People in rural areas have to understand their own situation and they have to find their own way to move forward (LEADER, 2007d).

**Implementation of SAPARD (2000-2006)**

Looking at the implementation of SAPARD a brief analysis of programmes in Estonia, Slovenia, Poland and Romania will be given.

The *Estonian* rural development programme funded large investments in agricultural holdings similar to other CEECs. These countries wanted to allocate more money to this area because they were afraid of the increasing competition after the EU Eastward enlargement. They also wanted to improve food processing by making new investments to produce more value-added products.

*Slovenia* practically followed the same line as Estonia did though giving more specific support to areas of meat and milk production, processing and marketing with the aim of becoming competitive in these industries after EU accession (Slovenia, 2000).

In *Poland* 45.0% of public expenditure was planned to support processing and marketing while 20.9% went to investments on farms. Some 30% of the budget was targeted to priority 2. Within the latter, 16.8% was allocated for realisation and 13.6% supported economic diversification. Agri-environmental measures, vocational training and technical assistance were marginal areas. Poland realised that the country could improve its competitiveness by stabilising farms and producing more value added food products backed by good marketing practice (Poland, 2000).
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**Romania’s SAPARD (2000-2006)** budget accounted for EUR 2.083 million of which public expenditure amounted to 70% and of which 37.2% went to farm investments (14.1%), diversification (9.3%) and forestry (9.4%). As a single measure infrastructure development had a higher amount from the budget. The budget gave priority: (1) to meet EU standards in agricultural policy, food safety and consumer protection, animal health and welfare, plant health and environmental protection; (2) to implement environmental protection programmes through the Nitrates Directive, NATURA 2000 and the Environmental Impact Directive; (3) to achieve the sustainable development of agriculture (Romania, 2000).

**National Rural Development Plans (2004-2006)**

Concerning rural development programmes the European Commission (EC) proposed for 2004-2006 to build to the maximum extent on the experience gained with the implementing bodies set up under SAPARD. In order to optimise the use of available sources the European Community suggested flexible instruments building on SAPARD and adaptation to the needs of the new Member States. Each new Member State was asked to set up a temporary rural development instrument. The latter was financed by the EAGGF Guarantee Section and managed on the basis of specific transitional rules. Guidelines were set up for the switch from SAPARD to post-accession rural development instruments (2004-2006) to help the administrative, financial and programming transition (Temporary Rural Development Instruments). The Temporary Rural Development Instrument (TRDI) covered the following specific rural development measures:

- semi-subsistence farms undergoing restructuring,
- producer groups,
- compliance with Community standards,
- technical assistance and
- complements to direct payments.

In addition to these measures new Member States could also benefit from a LEADER-type measure to be funded by the EAGGF Guidance section. The cases of Hungary and Slovakia (2004-2006) will be briefly discussed.

In **Hungary** the efficiency indicator of agricultural production amounted to 33.4% of the EU average. Thus the National Rural Development Plan aimed to improve efficiency of production through assisting a transition towards optimal utilisation of land (agri-environment, less favoured areas and afforestation). A substantial amount of money was spent on rural development between 2004 and 2006. The environmental scheme was strong and approximately 1.5 million ha of land was involved in the programme (Hungary, 2005). One of the difficulties was that the organic products produced under the scheme sometimes could not be marketed even at the price of conventional products.

The case of **Slovakia** shows the money spent on the sectorial operational programme on agricultural production is less than the money devoted for rural development. The second pillar of the CAP was quite strong in this country. Funds spent on rural development programmes were double that of the money spent on the first pillar. The priority of support of sustainable rural development covered five different areas including the adjustment and development in rural areas, forestry and fisheries, training and technical assistance (Slovakia, 2004).
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General issues in CEECs

Looking at the rural development measures in CEECs with dual farm structure ( Forgacs, 2002) there are some similarities and some differences. Generally, there is no significant difference between the EU-8+2 countries in the resource allocation frame of the two funds mentioned above. This is because the goals, conditions and to some extent the heritage and problems of CEECs are similar and the activities focused on similar tasks in the selected countries. Similar actions were taken under the same measures in the different countries with some exceptions. Slovenia spent more funds on the soft measures than on other fields, such as training, education, research and development and networking. In Hungary a strong focus was given to agro-environmental issues. The structure of the funds supporting rural development was as follows: most of the money was spent from the European Regional Development Fund with the European Social Fund in second place. The EAGGF was the third biggest contributor with still a significant amount while the FIFG had only a small share (Iglói, 2006).

Rural Development National Strategic Plan (RDNSP) in CEECs (2007-2013)

In 2002 the EC proposed to work out a new generation of rural development programmes. It was decided that a single fund would support rural development programmes (Council regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development, EAFRD) (Council regulation, 2005). A decision by the Council was made on 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) (2006/144/EC) (Council regulation, 2006).

One of the main questions was how to centre a policy more around the territorial instead of the sectorial line and how these two have to be integrated serving the future of the European Union in the 2007–2013 budget period. The Second European rural development meeting, held in Salzburg (Salzburg, 2003a), set up some principles for future development. For example, people living in the countryside should be comfortable and all economic, social, cultural values of the countries have to be preserved. The competitive aspect of agriculture was also underlined. Rural development policy should apply in all areas in the enlarged EU and not only in some regions within the Community. It was emphasised that the whole system should be simpler and more understandable for all those affected. The new rural development policy is one funding and programming instrument so everybody can become familiar with the rules. People do not have to look for different channels where funds are available for the same area. The programme should focus more on EU priorities which was not always the case previously. Emphasis was given to control, evaluation and reporting and a clearer division of responsibilities between the Member States and the EU or the EC. It underlined the need for strengthening the bottom up approach, to make Local Action Groups more active and to force people to set up a more lively cooperation in the local and regional areas in order to change the way of life in the region.

There are three objectives focused on as (a) increasing competitiveness of farms and the forestry sector through support for restructuring, modernisation and quality production. In other words there is a need for restructuring agriculture and modernising farms and focusing on quality production rather than quantity; (b) there is a need to protect the environment and the countryside; (c) addressing the quality of the life in rural areas which, in many cases, have many problems. Many people in different regions have a low standard of living and are struggling to overcome serious difficulties. The simplification of the whole system was reflected in the fact that the previous two sources of finance, three systems for financial management and controls and five types of programming were replaced by only one. Concerning the budget of rural development between 2007 and 2013 there is
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an increase of some 25% in real terms so within the EU budget more money is being allocated for rural development because of its more important role in the future.

**EU Frame for Rural Development Policy**

The essential rules governing rural development policy for the period 2007 to 2013, as well as the policy measures available to Member States and regions, were set out in council Regulation (EC) No. 1698/2005. Under this Regulation, rural development policy for 2007 to 2013 is focused on three themes (thematic axes) as (1) improving the competitiveness of the agricultural and forestry sector; (2) improving the environment and the countryside and (3) improving the quality of life in rural areas and encouraging diversification of the rural economy. In order to ensure a balanced approach to policy, Member States are obliged to spread their rural development funding between all three of these thematic axes.

A further requirement is that some of the funding must support projects based on experience with the LEADER Community Initiatives. The “LEADER approach” to rural development involves highly individual projects designed and executed by local partnerships to address specific local problems. Every Member State must set out a rural development programme specifying what funding will be spent on what measures in the planned period. For 2007 to 2013 a greater emphasis is placed on a coherent strategy for rural development across the EU to be achieved through the use of National Strategy Plans which must be based on EU Strategic Guidelines (Council regulation, 2005).

**Main directions of RNDSPs in CEECs**

Due to the accession treaties of the EU-8+2, in comparison with farms of the EU-15, financial resources available for farms in CEE Member States under Pillar 1 are strongly limited. For these countries, quotas fixed at lower levels than the potential are a tough requirement for agricultural farms in the region. EU financial support for rural development can partly counterbalance such disadvantage and may encourage new Member States to make more efforts to implement a rural development policy resulting in a more balanced development of the rural economy. It is a question of great importance how CEE Member States can manage this transition towards establishing a dynamic and healthy rural economy and to offer more jobs for those having lost their jobs because of quota limits. The question can be asked: can rural development measures offer sufficient new work places for those people pushed out from farming and, what kind of implementation of rural development policy will best serve this important goal? From this point of view successful rural development is not only an opportunity for the countries concerned but at the same time it is a challenge for them. Countries have to fix in their national RDNSP those measures, and later on, in projects which really can give a good injection in rural areas especially with agricultural character. First experiences of implemented RD projects in new Member States gave a warning indicating such investments can be regarded as medicine for high level rural unemployment only in a small share. RD measures have not and could not be a solution for the problem of a high level of rural unemployment.

In this section we investigate the main goals and development directions of RNDSP of CEECs for 2007-2013.² RNDSP plans have been worked out by the Member States following the guidelines given by the EU. National plans have to be based on the national strategic plan. The plan should support prosperous people in a sustainable countryside. Based on their current situation analyses

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² Analysis based on EU published information. In analysing budget of Axis 1, 2, 3 and LEADER are considered. Technical assistance and, complements to direct payments for Bulgaria and Romania are not covered.
countries put together draft version of their plan for negotiation with the EU. These proposals were discussed and finally accepted by EU between July 2007 and May 2008. The EU gives a significant contribution to rural development programmes for CEE through EAFRD. Member States have the possibility to choose a single National Rural Development Plan or several regional RDPs (Tietz and Grajewski, 2009). Looking at EAFRD financial support, one third of the total EU contribution to rural development goes to EU-8 new Member States of which 48.8% is allocated to convergence. Within the latter about half of EU supports has been allocated to Poland, 14-15% to Hungary and 10-11% to Czech Republic. Funds provided are stable over time enabling countries to carry out a balanced development strategy (EU, 2006). After the EU accession of Romania and Bulgaria in 2007 altogether EUR 45,432.3 million of public expenditure will be used for RD in EU-8+2 with EU support of EUR 35,256.5 million from EAFRD (77.6%)3 (Table 1, 2).

Table 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Total public expenditure by Axis, in € million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Axis 1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1,204.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>840.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>347.6</td>
</tr>
<tr>
<td>Hungary</td>
<td>2,366.4</td>
</tr>
<tr>
<td>Latvia</td>
<td>649.0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>930.2</td>
</tr>
<tr>
<td>Poland</td>
<td>7,187.5</td>
</tr>
<tr>
<td>Romania</td>
<td>3,967.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>835.4</td>
</tr>
<tr>
<td>Slovenia</td>
<td>399.0</td>
</tr>
<tr>
<td>Total (EU-8+2)</td>
<td>18,727.3</td>
</tr>
</tbody>
</table>

Source: Own composition from EU data

The National Rural Development Network (NRDN) has been set up in all countries concerned in order to facilitate and manage the execution of the NRDSP of the country. The European Network for Rural Development was established in order to exchange experience of rural development between Member States and help by transmitting good practice to those are lagging.

Looking at the major goals of CEECs in RDPs it is the competitiveness issue, Axis 1. The EU-8+2 made increasing competitiveness of agriculture the most important goal. This is so because, on average, they are well behind in investments and feel that in the EU their farms have to be strengthened economically otherwise they will not be able to compete on international or even on national markets. The low labour productivity should be increased and more investments are needed to use modern technologies to reduce per unit production costs. If the farms are not prepared for competition then more and more of them will lose their markets and be forced to quit farming. That is why under the rural development measures to establish a more efficient farming is one of the key issues in CEECs. Among major goals, competitiveness became a priority in most of the countries.

3 Complements to direct payments for Bulgaria and Romania and, technical assistance are not included. The latter amounts to EUR 1,231.4 million.
Besides competitiveness, sustainable management of natural resources (Slovenia) and sustainable development and the protection of natural values and biodiversity (Hungary) can be mentioned. In the RDNSP of Romania where labour engaged in agriculture is rather high facilitating the movement of labour out of agriculture into other sectors, and ensuring adequate economic and social conditions for the rural population were targeted. Some CEECs formulated their overall aim of their rural development programme by mentioning all three pillars as equally important for society. Slovenia emphasises that the three pillars are the measures to establish sustainable rural development.

**Priorities of rural development in CEECs**

The EU-8+2 will use 41.2% of the total RD programmes for Axis 1. A little over one third (34.2%) is allocated to Axis 2 and one fifth (20.4%) will support improvement of quality of life and diversification (Axis 3). LEADER has 4.2% of the total rural development budget.

**Table 2**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total public expenditure, %</th>
<th>RD from EAFRD, %</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Axis 1</td>
<td>Axis 2</td>
<td>Axis 3</td>
<td>Leader</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>100</td>
<td>32.8</td>
<td>21.7</td>
<td>23.9</td>
<td>2.1</td>
<td>80.5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>100</td>
<td>17.5</td>
<td>43.2</td>
<td>13.3</td>
<td>3.9</td>
<td>77.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>100</td>
<td>29.4</td>
<td>30.2</td>
<td>10.1</td>
<td>7.7</td>
<td>77.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>100</td>
<td>34.3</td>
<td>25.2</td>
<td>10.0</td>
<td>4.2</td>
<td>73.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>100</td>
<td>37.3</td>
<td>22.4</td>
<td>14.9</td>
<td>2.0</td>
<td>76.6</td>
</tr>
<tr>
<td>Lithuania</td>
<td>100</td>
<td>32.2</td>
<td>30.4</td>
<td>9.5</td>
<td>5.1</td>
<td>77.2</td>
</tr>
<tr>
<td>Poland</td>
<td>100</td>
<td>31.8</td>
<td>26.2</td>
<td>15.2</td>
<td>3.7</td>
<td>76.9</td>
</tr>
<tr>
<td>Romania</td>
<td>100</td>
<td>35.4</td>
<td>21.0</td>
<td>22.1</td>
<td>2.1</td>
<td>80.6</td>
</tr>
<tr>
<td>Slovakia</td>
<td>100</td>
<td>24.7</td>
<td>39.2</td>
<td>10.6</td>
<td>2.4</td>
<td>76.9</td>
</tr>
<tr>
<td>Slovenia</td>
<td>100</td>
<td>26.0</td>
<td>40.8</td>
<td>8.6</td>
<td>2.3</td>
<td>77.7</td>
</tr>
<tr>
<td>Total (EU 8+2)</td>
<td>100</td>
<td>31.3</td>
<td>27.4</td>
<td>15.6</td>
<td>3.3</td>
<td>77.6</td>
</tr>
</tbody>
</table>

Source: Own composition from EU data

**Axis 1: Improving the Competitiveness of the Agricultural and Forestry Sector**

The ten CEE countries will allocate EUR 18.7 billion for new investments and modernisation of agricultural production. In seven of ten countries Axis 1 has the highest share in the total RD budget. This share is especially high in Latvia (47.7%) and Hungary (45.9%). Czech Republic, Slovakia and Slovenia regard their farm structure stable and competitive enough and allocate less money in relative terms to support new investments to increase competitiveness. These three countries have a more stable farm structure which is already able to compete on food markets having moderate support level. Several CEE countries in RD programmes emphasise the importance of further development of human capital. Skills and management capacity will be improved through support for vocational training and the provision of farm advisory and extension services. More countries want to improve infrastructure creating better facilities for farms in storing and distributing agricultural products. Concerning added value, practically all ten countries focus on producing more high added value products meeting consumer needs. Measures shall contribute towards raising
the productivity of the agri-food and forestry sector, improving the innovation level, production specialisation and level of professional agricultural activity by considering the principles of sustainable management.

**Hungary** supports farm and production restructuring and investments in primary and secondary production, infrastructure and for age restructuring, training and information activities including the use of advisory services. **Latvia** targeted modernisation of agricultural holdings, increasing added value to agricultural and forestry products and support semi-subsistence farming. **Bulgaria** will mainly allocate financial resources to modernisation of physical assets and production factors in the agricultural, forestry and food processing sectors in order to improve productivity. Other fields targeted by RD programmes are: investments for compliance with Community standards on farm or by food processing enterprises; adjustments in farming structures by encouraging setting up by young farmers and development of viable market-based businesses by semi-subsistence farmers and improvement of human potential by giving support for training and advisory services in agriculture and forestry. **Lithuania** intends to support early retirement, setting-up of young farmers, to restructure semi-subsistence farms and to improve forest and agriculture related infrastructure. **Poland** focuses on improvement of cooperation and concentration of supply chains and processing. **Czech Republic** is aiming at creating a strong agri-food industry and dynamic agri-food environment, to modernise agricultural holdings and to introduce innovations. Furthermore, the funds should be used to increase the quality of products, to extend training and advisory services and to reduce the average age of workers in agriculture. The focus in **Slovakia** has been to increase the modernisation, innovation and efficiency of the agricultural, food and forestry sector; furthermore, deepening knowledge and improving the professional overview in the sector. **Slovenia** wants to improve qualifications and to strengthen the human potential in agriculture and forestry and will introduce measures to restructure the physical capital in agriculture and forestry as well as enhancing innovation. In addition it would like to improve the quality of agricultural production and products. All these measures shall contribute towards raising the productivity, specialisation and innovation.

**Axis 2: Improving the environment and the countryside**

Under Axis 2, EU-8+2 countries will use a budget of EUR 15,542.7 (34.2%) to achieve significant development in a wide range of areas such as sustainable management of agricultural and forest land; enhancing biodiversity; protection of the quality of surface and ground water sources; protecting less-favoured areas and NATURA territories; environmentally friendly practices; soil and water protection; maintaining sustainable farming in mountain and other disadvantaged areas; improving the quality of underground and ground waters; preservation of favourable environmental conditions and reduction of hazards.

The share of funds within rural development allocated to Axis 2 is the highest in **Czech Republic** (54.1%), **Slovenia** (51%) and **Slovakia** (49.5%). The rural development policies in these countries are very much in line with the EU approach namely they spend most of the budget in the area where the EU has the highest minimum guideline (25%). Although farm structure differs very much between **Czech Republic** and **Slovakia** on the one side and **Slovenia** on the other, it is still regarded as such not needed to be a priority to improve competitiveness of farms as the latter are better prepared for working under market forces than in other CEE Member States. Instead, environmental issues and improving the countryside is more focused in providing financial support from EAFRD. In these three countries the strategic approach of protecting the environment and the rural economy was given priority over improving competitiveness of the agricultural and forestry sector.
Romania, Bulgaria and Latvia allocated 25.6-27.9% of their rural development budget for Axis 2, while in four countries (Poland, Hungary, Estonia and Lithuania) this Axis amounts to around one third (32.7% up to 38.0%) of the budget.

**Czech Republic** placed the focus of Axis 2 on the protection of the quality of surface and ground water sources through measures focusing on erosion control and suitable use of agricultural land, and promotion of environmentally friendly farming methods leading to biodiversity. In addition, targeted areas are as follows: protecting suitable farming systems to preserve rural landscape, the environment on agricultural land and in forest areas of high nature value, and the use of renewable energy sources through the existing forestry potential and through the possibilities of its expansion and the preservation of the positive functions of forests. **Slovenia** allocates significant resources to the utilisation and the preservation of favourable environmental conditions, reduction of hazards due to locally intensive farming, to preserve agricultural activity in less favoured areas and to preventing soil erosion in certain areas. **Slovakia** plans to enhance biodiversity in rural areas and agriculture and forestry systems of high natural value. Maintaining and improving the quality of underground and ground waters are also a priority. The third element of major support is maintaining and enhancing the quality of agricultural and forest soil and mitigation of the impacts of climatic changes.

**Romania** wants to maintain sustainable farming in mountain and other disadvantaged areas in order to maintain the environment, prevent land abandonment and address problems such as soil erosion. In addition, it wants to maintain and enhance the environmental benefits generated by traditional extensive farming systems in High Nature Value ecosystems such as the Carpathian mountains and Transylvania. In **Bulgaria** overall priority goes to increasing the sustainable management of agricultural and forest land. Specific priorities are: (a) conservation of biodiversity and High Nature Value Farmlands, (b) development of organic farming, (c) improvement of water and soil quality, (d) development of sustainable land and forestry management practices for example to fight soil erosion in mountainous areas and (e) to extend and improve forest resources making positive contribution in the climate change context. **Latvia** indicates payments for three areas as (a) agri-environmental programmes, (b) farmers in areas with handicaps other than mountain areas and (c) Natura 2000.

In the remaining four countries the budget share used for Axis 2 amounts to 38% of total public expenditure in **Lithuania** and 37.7% in **Estonia**, while **Poland** and **Hungary** use lower shares (32.7 and 32.8% respectively). **Estonia** concentrates its support on agri-environmental support, support for less-favoured areas and Natura 2000 support for agricultural land. **Lithuania** has targeted three areas for protection: (a) environmentally friendly practices (23.4% of the total per axis), (b) preservation of biodiversity and high nature value landscapes (Natura 2000 and LFA, 59.7%) and (c) combating climate change (16.9%). **Lithuania** also aims to combat climate change through rational use of available land resources (LFA payments, Natura 2000), in particular abandoned agricultural land not used for agriculture as well as sustainable forestry development through afforestation, restoration of damaged forests and forest environment as well as Natura 2000 payments. Environmentally friendly practices will be complemented by the landscape stewardship, protection of water bodies, supporting rare breeds and development of organic farming. In **Poland** the budget will contribute to protection of biodiversity, environmental protection including soil and water protection and an increase in forest cover. The objectives of Axis 2 in **Hungary** will be realised through the following main actions: (1) support for agri-environment, forest-environment and Natura 2000 territories, (2) support for LFAs and (3) support for forestry.
Focusing Rural Development in Central and Eastern European Countries

**Axis 3: Quality of Life and Diversification**

In many rural areas of CEECs the standard of living is low and the quality of life should be improved in order to slow down migration. Axis 3 helps not only to increase the quality of life, but also to establish a more balanced rural economy by strengthening diversification. EUR 9,251.5 million will be available for measures under Axis 3 of which 76.5% comes from EAFRD and having a share of 20.4% of the total rural development budget.

Measures in CEECs will be taken both on the demand and the supply side. The satisfaction of people with quality of life demands sufficient income. So it is an important task to provide rural people with higher incomes. It makes necessary to create new jobs for unemployed people on the one side and to increase wages/salaries for employed people on the other. The latter can be derived by diversifying the rural economy, to take advantage of multifunctional agriculture, while new investments may bring results in job creation. In a number of rural areas it is very important to retain population which also means development in infrastructure in a broader sense such as education, health care, transportation, cultural life etc. There is a need for a wider variety of services and especially basic services and to create an economic environment attractive for the establishment of rural micro-enterprises. Rural tourism has developed very much in certain areas but there are still many opportunities left to be explored. The more the local resources can be realised through different activities the better the chance for the rural region to maintain attractiveness of rural life especially for those living in these areas for decades. Once job opportunities and income level are reasonable then people prefer to stay rather than to migrate, and to run their own business there instead of moving to local towns. CEECs designated different areas where measures can contribute to a better quality of life.

In EU CEECs 20.4% of total rural development resources will be allocated to Axis 3. There are only two countries namely Bulgaria (27.1%) and Romania (24.8%) where the share of Axis 3 within the total budget is close or even above one quarter of the budget. In five countries the budget share is rather low, namely Slovenia (11.4%), Lithuania (12.2%), Estonia (12.8%), Hungary (13.4%) and Slovakia (14%). Poland, Latvia and Czech Republic spend more on Axis 3 i.e. 19.9%, 19.1% and 17.5% respectively.

Axis 3 in Bulgaria will seek to address the poor quality and accessibility of basic services and infrastructure in rural areas as an important pre-condition for economic growth and retaining population in the rural areas. It will also tackle the lack of job opportunities and high dependency on agriculture by supporting diversification into non-agricultural activities and the creation and development of rural micro-enterprises. Within the RDP 27.1% of resources are allocated to Axis 3 (EUR 878 million of public expenditure). Of these resources, 69% will target improvement of quality of life and 31% – diversification of job opportunities. In Romania the diversification of the rural economy and job creation will be encouraged through support for micro-enterprises and tourist facilities and attractions. Village renewal and development will also be a priority. The strategic plan encourages communities to submit integrated projects covering a range of physical and social infrastructure elements to improve village life.

Poland wants to achieve significant progress in improvement of living standards. Due to the latter the plan facilitates to access to services. To make rural life more attractive, improvement of infrastructure in rural areas is also a priority. Support for entrepreneurship and the creation of jobs outside agriculture are also important parts of the rural development strategy. Latvia also focuses on improving basic services and will support micro-enterprises and diversification into non-agricultural activities. Czech Republic allocates EUR 635 million for Axis 3. The programme aims to create employment opportunities and provide higher incomes for the rural population through the devel-
opment and diversification of activities in rural areas and promotion of rural tourism. Significant resources will be spent on use of renewable energy sources. The aims are to improve the facilities and appearance of villages and public areas and to strengthen the population’s sense of identity with the local environment and rural heritage. Axis 3 should provide for the development of rural infrastructure with the objective of encouraging the development of small and medium-sized enterprises, and to improve the village environment and contribute to a higher level of education and employment of the rural population through the development of advisory services and training. The importance of use of information and communication technologies is also emphasised in the plan.

Slovakia concentrates financial resources on four areas i.e. (1) creating job opportunities in rural areas, (2) promoting training activities, (3) improving quality of life in rural areas and (4) formation of local partnerships. Hungary will take the following main actions: (1) enterprise development, (2) support for improving basic services, (3) preserving natural and cultural heritage, (4) local capacity building. Within Axis 3, 58% will be allocated to supporting diversification, micro-businesses and tourism closely linked with job creation. In addition 31% will be used for improving quality of life and 10% of funding is earmarked for training and capacity building. Estonia emphasised that 60% of this axis will be allocated to diversification of the rural economy. Lithuania formulated three main lines for rural development programmes: (1) environmentally friendly practices (23.4%), (2) preservation of biodiversity and high nature value landscapes (Natura 2000 and LFA, 59.7%) and (3) combat climate change (16.9%). Environmentally friendly practices will be complemented by landscape stewardship, protection of water bodies, supporting rare breeds and development of organic farming. The country aims to combat climate change through rational use of available land resources, in particular abandoned agricultural land not used for agriculture as well as sustainable forestry development through afforestation, restoration of damaged forests and forest environment as well as Natura 2000 payments. Slovenia aimed at improving the quality of life and encouraging economic diversification and entrepreneurship in the countryside, improvement of the unfavourable age structure and the increase of low incomes. Within Axis 3, greatest attention has been placed on measures for supporting the establishment and development of enterprises, diversification into non-agricultural activities through village renewal and development and conservation of the heritage in the countryside.

**LEADER**

In the EU-8+2 EUR 1,910.8 million will be used for LEADER amounting to 4.2% on average of the total RD budget for 2007-2013. Four countries allocated budgets well above this average figure: Estonia and Lithuania 9.3% and 6.1% respectively, while in Hungary and Poland these figures are 5.3% and 4.6%, indicating that the governments want strong involvement of different local agents in rural development using a more decentralised approach than other countries. This policy may be rooted in experience gained in implementation of previous LEADER projects. On the other hand in the case of five countries only between 2.4% and 2.9% of the budget is allocated for LEADER. Although LEADER should be used in projects of all Axes still Member States handle this approach differently.

It is also a question how Member States plan to use LEADER to support the successful implementation of RD programmes by regions. It may happen in one case that more applications under LEADER can be accepted if the budget limits for single applications are fixed. Such a limit would help to accept and finance more LEADER programmes with smaller budgets and having their influences mostly in local areas. While on the other hand if new proposals integrate a great number of settlements or regions it may result in a concentrated use of the budget and much fewer
proposals can be accepted because of large budget claims by each. In such cases the politics may have stronger influence on which proposals will be selected for financial support and which will not. Nonetheless, the LEADER programme has a potential to help rural development programmes to be more successful.

**Conclusions**

A high percentage of territories within the EU are called rural areas and this figure is even higher in Central and Eastern Europe. So the rural development issue is of great importance and plays a very important role in the rural regions in CEECs. However, the vision of the Buckwell report on the future role of RD has not been justified yet. There has been significant support for rural development in CEE countries since 2000 but more is needed. Under SAPARD mostly large farms received a substantial part of the funds, although it was not a priority.

RDNSP for 2007-2013 rural development is a great challenge and at the same time a good opportunity for EU CEE Member States to make significant steps in strengthening their rural economy. Some EUR 45 billion is available for the 2007-2013 period and can be regarded as an injection of great importance in improving rural economies. However, very much depends on the implementation of RD programs in the region. Firstly, what Axis the Member States will focus their budget on and, secondly, how efficiently financial resources will be used during implementation of the programme. The new EU policy and financing are more transparent and simplified, helping the countries concerned to absorb their indicative budgets.

EU proposals for resource allocation have resulted in different national strategic rural development policies reflecting national specificities. However, competitiveness of agricultural production has the strongest focus in most CEECs with the exception of Czech Republic, Slovakia and Slovenia where the highest budget is allocated to Axis 2.

Seven countries out of ten think that improving competitiveness of farms helps more to strengthen rural economies in long run and allocate 39.2-49.7% of the budget to Axis 1 with the lowest in Estonia and the highest in Latvia. Czech Republic, Slovakia and Slovenia give strong support to Axis 2 (49.5-54.1%, the lowest in Slovakia and the highest in Czech Republic). Bulgaria and Romania, where the standard of living is low, besides focusing on improving competitiveness, also allocate budget above one quarter to quality of life and diversification 27.6% and 29.9% respectively.

No clear relationship can be recognised between the farm structure and the budget allocation structure of the CEECs. Among countries spending more on improving competitiveness of farms one can find countries with small farms (e.g. Latvia) and large farms (Czech Republic, Slovakia). However, the question as to whether the support to increase competitiveness will go to small or large farms strongly depends on conditions set up for applicants by national authorities. It is a challenge for CEECs to use the 2007-2013 budget for rural development in a way more fitting to national preferences by taking into account their experiences gained during transition so far.
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