

VARIATIONS IN THE EMPHASIS OF RURAL DEVELOPMENT PROGRAMMES IN THE EU: THE CASES OF LITHUANIA AND SCOTLAND

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The idea for this article arose collaborating with researchers from EU countries within the 6th Framework project AGRIGRID. During the project it was noticed, that different EU countries have chosen different priorities, measures and budget allocation when preparing the National Rural Development Programmes (RDPs) for 2007–2013. The main aim of this paper is to review the implementation of rural development programmes in Lithuania and Scotland in the context of derived rural development priorities and existing key challenges of agriculture and rural areas. Following a comparison of the socio-economic indicators, strengths and weaknesses of the RDPs in both countries are explored. The results suggest that the differences in programme priorities are driven by socio-economic and bio-physical characteristics in Lithuania and Scotland. The analysis concludes with proposals for future amendments to the RDPs considering the specific circumstances and characteristics in the two case study countries.

Key words: agriculture, competitiveness, Rural Development Programme, structural change.

Introduction

The Rural Development Programmes of the EU member states and regions for the period 2007–2013 have been prepared and implemented following the provisions of the Council Regulation EC No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and further the Commission Regulation No 1974/2006 laying down detailed rules for the application of this Council Regulation (EC, 2005 and EC, 2006a). In addition, the Community Strategic Guidelines for Rural Development (2006/144/EC) outline the strategic guidelines of rural development policy under the Second Pillar of the CAP in the programming period 2007–2013, which also had to be reflected in national/regional strategies (EC, 2006b).

The strategic guidelines focus on three key areas including the agri-food economy, the environment, and the broader rural economy and population and highlight the importance of investments in people, know-how and capital in the agricultural and forestry sectors, new approaches to delivering environmental services and creating more and better jobs through diversification (EC, 2006b). While the strategic guidelines describe a rather broad vision of future rural development policy in the EU, many national rural development programmes still have a sectoral focus on agriculture (and to a lesser extent forestry) (Dax and Horvorka, 2007).

The common EU framework is reflected in similar overarching objectives of the Rural Development Programmes in EU member states, but programme priorities often vary between the different countries and regions, reflecting different challenges for, and histories of, rural areas (Dwyer et al. 2008). For example, 46% and 48% of total public expenditure in the RDPs in Hungary and Latvia is allocated to improving the competitiveness of the agriculture, forestry and food processing sectors. On the other hand, old member states such as the Finland and Ireland have allocated 82% and 79% to Axis 2 (Rural development..., 2009).

Against this background the paper aims to review the implementation of rural development programmes Lithuania and Scotland in the context of derived rural development priorities and existing key challenges of agriculture and rural areas. Following a brief outline of the applied methods, the paper starts with a comparison of key rural indicators and of the implemented RDPs in Lithuania and Scotland. Based on the review the paper discusses differences in the programme priorities and their suitability in the context of key challenges of agriculture and rural areas in Lithuania and Scotland.

Method

Comparative case study analysis is a widely used tool in rural policy analysis. For example, MacDonald et al. (2000) used European mountain case studies to assess the environmental impacts of land abandonment and potential policy responses, while Lowe et al. (2002) compared French and British rural development programmes to review different approaches to the second pillar of the Common Agricultural Policy.

In this paper we follow a similar approach by choosing two case studies to compare different approaches to implementing rural development programmes and how these reflect different key priorities in rural development policies in (smaller) Western and Eastern European countries. Rural development policy in the UK is largely focussed on public good provision and axis 2. Scotland, in particular, provides an interesting case study with 87% of the agricultural land currently qualifying for natural handicap payments. Similarly in size, in terms of population, Lithuania provides an interesting case for a smaller new Eastern European member state with a focus on agricultural modernisation and axis 1 of the Rural Development Regulation.

The review of the rural development policies in Lithuania and Scotland is divided in three main steps, which includes: comparison of key rural indicators, review of rural development measures and comparative analysis of rural development priorities.

In a first step key rural indicators such as size of rural population and rural land use data will be compared to provide an overview of the characteristics of rural areas in Lithuania and Scotland. In a second step, this is followed by a review of the implementation of the rural development programmes identifying commonalities and differences in the budget allocation between the four axes and the various measures and how these reflect the key rural indicators in both countries and their programme

objectives. The key indicators for comparison differ according the objective of the axis (table 1). In the third step, agricultural and rural development priorities are derived and a comparative analysis of their suitability in the context of the key challenges in agriculture and rural areas in both countries is carried out.

Results

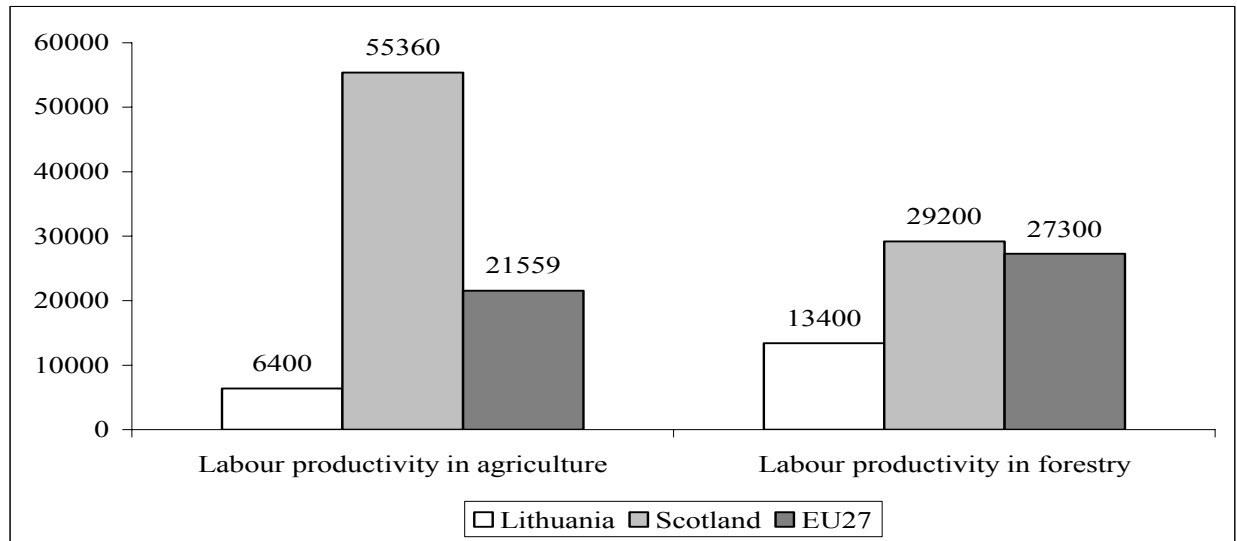
Situation in rural areas. Rural areas in Lithuania and in Scotland are important in terms of the share of territory. Rural areas occupy 97 and 98%, respectively. However, the population in rural areas is significantly larger in Lithuania (33%) compared to Scotland (19%). The share of GVA in the primary sector in Lithuania (4,3%) shows that rural areas are important in terms of income. Primary sectors play a less important role in Scotland (2%).

Population densities vary greatly in Lithuania between rural areas with a density of only 17 inhabitants/km² and 1318 inhabitants/km² urban areas. Similarly, the population density in Scotland is much lower in rural areas (16 inhabitants/km²) compared to an overall average of 65 inhabitants/km² (Scottish Executive, 2007). Those indicators reflect greater employment opportunities in urban areas especially in Lithuania.

The demography situation shows that there is problem due to age structure: the share of population between 15 and 64 years old is higher in urban areas in both countries and the proportion of old people (65 years old and more) is slightly higher in rural areas; in particular the population in remote rural areas in Scotland has an older age profile compared to other Scottish regions (Scottish Executive, 2007). Attracting younger people through a range of investment and diversification support measures to rural areas can provide an approach to alleviate the problem.

There are differences between the countries in the GDP per capita in PPS. In Lithuania this indicator equals to 15,4 thou. PPS, while in the UK it is 29,4 thou. PPS. Comparing the values to the EU-27 average, Lithuania reached 61% of the EU-27 level in 2008, while the GDP per capita in PPS in the UK is 17% higher than at EU-27 level and almost twice as high as in Lithuania. The main reason why these variations appear is the differences in labour productivity between the countries (figure 1).

Labour productivity in agriculture in Lithuania is 3,3 times lower compared to the EU-27 average and 8,7 times lower than in Scotland. The main reasons are comparatively low yields and old technologies. Interestingly, the difference in labour productivity in forestry between Lithuania and the EU-27 average is smaller compared to agriculture. It reaches 51% lower than the EU-27 average and 54% lower than in Scotland.



Source: Based on *Lietuvos žemės ir maisto ūkis 2008, 2009*; Eurostat, 2009.

Figure 1. Labour productivity in agriculture and forestry in 2007, EUR/AWU

In Lithuania the primary sector (agriculture, hunting and forestry) represents an important part of the economy in terms of employment. The share of employees engaged in agriculture and related activities in total number of employees is 6.7%. In Scotland, employment in agriculture is about 2% of the total workforce and agriculture and forestry together employ about 3% of the total workforce (Scottish Executive, 2009). It should be noted that the mentioned indicator varies in EU member states from 1% in United Kingdom to 30% in Romania (Rural development..., 2009).

The value added indicator is the second indicator which shows an importance of the primary sector in whole economy. Share of agriculture and related activities in gross value added was accounted for 3.8% in Lithuania in 2008. This indicator is significantly lower for Scotland and amounts to 1%.

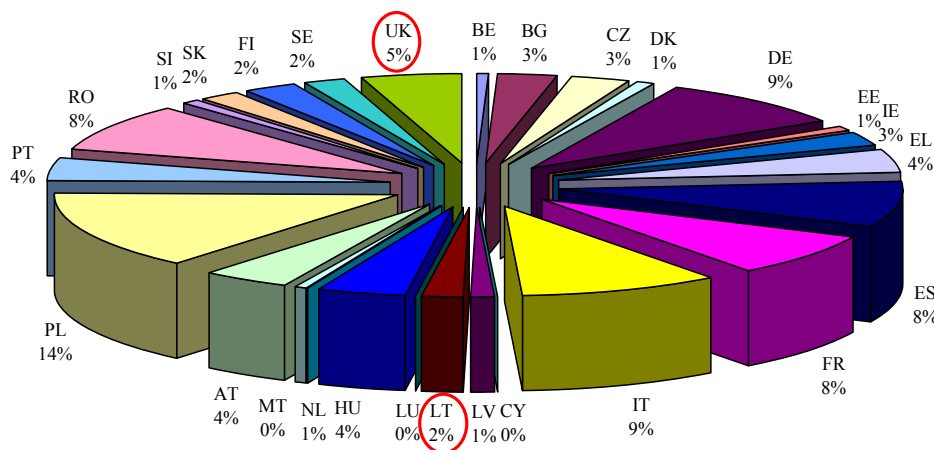
The importance of primary sector in Lithuania is declining. Between 2004 and 2008, its share diminished by 8,5 percentage points in terms of employment and by 0,2 percentage points in terms of value added. In Scotland gross value added in the agricultural sector increased consistently during the period of 1999 to 2004, then dropped sharply from £1 billion to £0,6 billion in 2005 due to the change from subsidies to direct payment and then to some extent recovered to £0,8 billion in 2008 (Scottish Executive, 2009).

In Scotland, employment in agriculture fell from 70160 employees in 1998 to 64700 employees in 2008, mainly due to decrease in working occupiers and regular staff (Scottish Executive, 2008). More significant changes took place in Lithuania. Essential structural changes in employment took place in rural areas of Lithuania. The share of rural population employed in the primary sector within the recent five years (2004–2008) decreased more than by half, and accounted in 2008 for 24.3%. Most of rural population were employed in agriculture, hunting, forestry and fisheries before 2006, but since then the primary sector was dislodged to the second place, and

from 2008 – to the last place, giving priority to the sector of services. In 2008 almost one half of rural inhabitants (47.7%) were employed in the tertiary sector. Cardinal changes in the structure of employment during a short period of time require for a particular attention in the future in coordinating support to farmers and other rural inhabitants, moreover that the average monthly disposable income of agricultural workers per one member of the household were rapidly increasing and since 2006 exceeded the income not only of other rural inhabitants, but also the income of urban inhabitants (Lietuvos kaimo..., 2009).

Review of rural development programmes. After the accession to the EU in 2004, new possibilities appeared for Lithuania to increase the quality of live in the farming sector and rural areas and to decrease differences to EU old member states. European rural development policy focused on a coherent and sustainable framework for the future of a competitive agriculture sector and viable rural areas.

The share of total EAFRD support by member state was estimated from 96.2 billion euros for rural development over the period 2007–2013. The largest share is allocated to Poland (14%), Italy and Germany (equally – 9%). The main reasons why support differs among the countries are as follows: territory occupied by agriculture and forestry, population density and gap in income.



Source: EC (2009)

Figure 2. Breakdown by EU-27 Member State of Community support for rural development for 2007–2013.

In our target countries – Lithuania and Scotland – this indicator is 2%. Support in the UK as a whole amounts to 5% of total EAFRD budget. However UAA in Lithuania is half the area compared to Scotland. Thereby the support is about twice as much per UAA hectare.

Programmes objectives both in Lithuania and Scotland are stated according to RDR (EC) No 1698/2005. They are related to improving the competitiveness of agri-food and forestry sectors as well as creating possibilities for diversification of economic activities, the quality of life in rural areas meanwhile enhancing the human, environmental and other countryside values and improving the quality of life in rural areas (Rural..., 2007; Scotland..., 2007).

While the objectives are similar there are clear differences in the budget allocation between the axes, suggesting different programme priorities between Lithuania and Scotland.

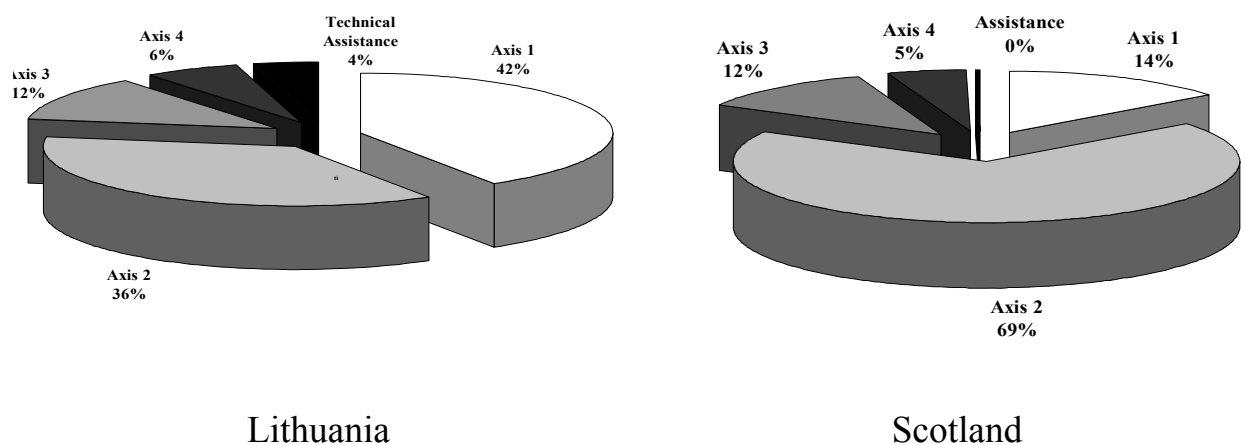


Figure 2. Budget allocation between axes for 2007–2013 in the Lithuanian and Scottish RDPs.

Sources: *Rural Development Programme for Lithuania 2007–2013*; *Scottish Executive (2007)*.

The focus of the Lithuanian RDP is on Axis 1. Axis 1 accounts for 42% of the total budget. The main purpose is to increase competitiveness through modernisation of agricultural holdings, training, food quality schemes, adding value to agricultural and forestry products. A smaller share, but still more than one third of the budget, is allocated to Axis 2 in Lithuania. The largest parts of the budget for Axis 2 are allocated to the organic farming support scheme and natural handicap payments. Comparatively high support payments for both measures only partly pay dividends and satisfy society expectations because of scarce organic production and/or unfocused use of financial support in LFAs.

In Scotland, on the other hand, the emphasis in the Scottish RDP is on Axis 2, measures in relation to the environment and the countryside. More than two thirds of the total budget (69%) are allocated to Axis 2. However, on a closer look, a large share of the Axis 2 budget is used for natural handicap payments to support farm income in LFAs and thus not directly targeted at environmental benefits. Given

budget constraints, future designs of natural handicap payments play a critical role to achieve environmental priorities of Axis 2 in both countries (Schwarz, 2007).

Table 1. Comparison of planned total public expenditure per appropriate unit for 2007–2013 in Scottish and Lithuanian RDPs

	Indicator	Scotland	Lithuania
Axis 1	Total Public Expenditure, EUR per Farm	5999	5098
Axis 2	Total Public Expenditure, EUR per UAA hectare	285	314
Axis 3	Total Public Expenditure, EUR per Rural Inhabitant	165	247
Total	Total Public Expenditure, EUR per Rural Inhabitant	1422	2026
	Total Public Expenditure, EUR per UAA hectare	414	860

Sources: Based on Eurostat, 2009, Rural Development Programme for Lithuania 2007–2013 and Scottish Executive (2007).

Analysis of comparative indicators show, that total public expenditure per UAA in Lithuania is twice as high as in Scotland and total public expenditure per rural inhabitant is 42% higher.

More detailed analysis according to the different Axes shows that funding is more favourable for Lithuania with the exception of total public expenditure per farm for Axis 1 (table 1). It is important to notice that average farm size in Scotland is 101 ha and in Lithuania only 14,4 ha in 2008. However, 39% of holdings in Scotland are less than 5 ha, particularly in the North and West where the "crofting" system is important (Living..., 2009).

Discussion and conclusions

The comparison of the agricultural sectors and rural areas in Lithuania and Scotland shows the expected differences in structural, economical and technological development level. Lithuania has a lower labour productivity, smaller farm size and higher share of employment in agriculture and other primary sectors. However, there is evidence that structural change in the agricultural sector and rural areas is progressing. Gross value added (GVA) in agriculture, hunting and forestry increased from EUR 913,7 million (LTL 3154.8 million) in 2006 to EUR 1272.4 million (LTL 4393.4 million) in 2008. The average holding size increased by 7.7% from 2007 to 2008 and by 16.1% from 2006 to 2008. During the period of 2007–2008 the age structure of farmers in the Lithuanian sector of agriculture was also improving: the number of young farmers increased by 27.8%. In addition, essential structural changes in employment took place in rural areas of Lithuania. The share of rural population employed in the primary sector within the recent five years (2004–2008) decreased more than by half, and accounted in 2008 for 24.3%.

The importance of structural change in agriculture and rural areas in Lithuania is reflected in the RDP priorities with an emphasis on Axis 1 measures such as increasing competitiveness through modernisation of agricultural holdings, training, food quality schemes, adding value to agricultural and forestry products. This is also in line with findings from reviews of RDPs in other New Member States, which

suggest that programme priorities are generally to varying degrees characterised by relatively greater emphasis upon Axis 1 due to the need for a rapid structural change (Copus and Dax, 2009).

Agricultural systems in Scotland range from competitive intensive arable systems in the lowlands to some of the most extensive farming systems in the EU in the Scottish highlands and islands. The natural and socio-economic conditions in Scottish LFAs allow only extensive agricultural production systems such as cattle and sheep grazing and livestock rearing systems which have lower than average productivity compared to the main indices of economic performance in agriculture. The combined effect of low productivity and limited alternatives for agricultural activities has led to a high dependency on subsidies. On the other hand, the importance of upland farming for the environment and public good provision is widely recognised. The important role of LFAs and public good provision (in LFAs and general in rural areas) is reflected in the emphasis of the Scottish Rural Development Programme on Axis 2 including (in particular) LFA support, agri-environmental and forestry measures.

Both case studies, Lithuania and Scotland, seem to confirm the correlation between the socio-economic and bio-physical characteristics in rural areas and programme priorities (Dwyer, 2008). However, further in-depth analysis of the relationships between socio-economic and bio-physical characteristics in agriculture and rural areas and programme priorities is required to derive more detailed conclusions on the extent different factors influence programme priorities.

Concerning future amendments to RDPs, more attention could be paid in Lithuania to new measures, which are not implemented such as animal welfare payments and meeting standards based on Community legislation. To further support structural change and rural income diversification key areas for support are the promotion of high value added products, innovation and diversification of economic activities in LFA.

Future changes to the Scottish RDP depend strongly on the future design and role of natural handicap payments (LFASS payment in Scotland). The large share of the RDP budget for LFA support limits the funding options in other areas of the SRDP. A recent study (Schwarz, 2007) on future options of LFA support in Scotland suggested, as one of two possible principal directions, to include LFA support in Rural Development Contracts and split the funds between agri-environment measures and broader rural development measures to promote economic diversification and new income sources for rural areas. The inclusion in RDCs would provide an opportunity for a more integrated approach to land management and could potentially also provide an appropriate framework for localised management contracts at landscape level and address concerns that LFA support needs to recognise more precisely regional differences in land management requirements (Cooper, 2006). While there is some evidence from other countries that a higher initial investment in developing more localised policies and administrative structures can provide higher

benefits in the longer term, these aspects require further consideration, before more detailed conclusions can be derived.

However, even minor changes in the Programme's implementation are not possible without coordinating the changes in RDP measures with the European Commission and required time and administrative efforts to implement changes need to be taken into account.

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ES KAIMO PLĖTROS PROGRAMŲ PRIORITETŲ SKIRTUMAI: LIETUVA IR ŠKOTIJA

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Santrauka

Straipsnio idėja kilo bendradarbiaujant su ES šalių mokslininkais 6-osios Bendrosios programos projekte AGRIGRID. Vykdam projektą buvo pastebėta, kad skirtingos ES šalys 2007–2013 nacionalinėse kaimo plėtros programose (KPP) pasirinko skirtingus prioritetus, priemones ir nevienodai paskirstė lėšas. Pagrindinis šio straipsnio tikslas yra apžvelgti Lietuvos ir Škotijos KPP įgyvendinimą, akcentuojant kaimo plėtros prioritetus ir žemės ūkio ir kaimo vietovių svarbiausius iššūkius. Darbe pateikta svarbiausių socialinių ir ekonominių rodiklių analizė, Lietuvos ir Škotijos KPP stipriosios ir silpnosios pusės. Lietuvos ir Škotijos KPP yra numatyti panašūs tikslai, kurie abiejose šalyse buvo nustatomi pagal ES teisės aktus, reglamentuojančius kaimo plėtrą. Nepaisant to, minėtų programų analizė parodė, kad programų prioritetai skiriasi atsižvelgiant į socialinius, ekonominius, biologinius ir technologinius veiksniai. Tyrimo rezultate pateikti pasiūlymai ateičiai tobulinant KPP dėl skirtingos šalių situacijos ir specifinių šalių savybių.

Raktažodžiai: kaimo plėtros programa, konkurencingumas, struktūriniai pokyčiai, žemės ūkis.

РАЗЛИЧИЯ В ПРИОРИТЕТАХ ПРОГРАММЫ РАЗВИТИЯ СЕЛА В СТРАНАХ ЕВРОПЕЙСКОГО СОЮЗА: ЛИТВА И ШОТЛАНДИЯ

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Резюме

Идея статьи возникла как следствие сотрудничества с исследователями из стран ЕС, участвующими в 6-ой структуре проекта AGRIGRID. Согласно проекту, было замечено, что подготавливая Национальную Программу Развития Села (ПРС) 2007–2013, разные страны ЕС выбрали разные приоритеты, средства и распределение бюджета. Основная цель данной статьи – согласно ПРС, оценить выбранные средства и распределение финансирования в Литве и Шотландии. Оценив социально-экономические индикаторы, были выявлены сильные и слабые стороны ПРС в исследуемых странах. Анализ дополняют предложения, рассматривающие специфику страны.

Ключевые слова: конкурентоспособность, Программа Развития Села, сельское хозяйство, структурное изменение.