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DEVELOPMENT MODEL? AN ASSESSMENT  
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The author assumes full responsibility for the accuracy of this paper as well as for the opinions expressed therein.

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**TOWARDS A NEW EUROPEAN RURAL DEVELOPMENT MODEL? AN  
ASSESSMENT OF THE EU'S RURAL DEVELOPMENT REGULATION  
IN GREECE<sup>♦</sup>**

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This paper attempts to examine if the Rural Development Regulation (RDR), adopted by the Commission in 1999 and hailed as the CAP's second pillar, introduces a new approach in rural development policy making, which implies the merging of rural development with regional policy. To this purpose, the Regulation's application in Greece – an Objective 1 region, with a large and structurally weak farm sector - is assessed. The adopted methodology includes an analysis of all instruments through which the Regulation is applied, the basic one being the 2000-06 Community Support Framework (CSF), whose targets, actions and sources of financing are compared to programmes of previous periods. The efficiency in implementing the Regulation is assessed on the basis of an ex-ante analysis of the current CSF and of a number of structural constraints (e.g. financial, administrative and legal) that have traditionally characterized the implementation of such programmes in Greece. Finally a brief assessment of the role that the major political agents in the agricultural policy-making can play in the promotion of the new rural policy approach is attempted. The conclusions point to the increased chances for efficient implementation of the regulation through the introduction of the new philosophy in the Greek rural policy-making. The possible negative effects on this development due to pressures exerted by the new members on the EU budget will probably be offset by the recent reforms proposed by the Commission for a simpler and more coherent rural development programming and management.

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## **1. Introduction: Rural as regional development strategies in the European integration process**

A significant part of lagging regions in the EU coincide with rural regions and a number of studies reveal increasing income disparities between, on the one hand, rural and non-rural areas, and, on the other, among ‘dynamic’ (growing) and ‘non-dynamic’ (declining) rural areas. Several reasons have contributed to this development: the increased integration of the rural locality into the global economy, which has exposed rural areas to international competition; the diminished importance of ‘agriculture’ in many rural areas and the increased importance of tertiary activities, leading to the transformation of rural space; the EU’s Common Agricultural Policy (CAP), which with its emphasis on prices policy has so far rather negatively contributed to the general objective of regional equity. The narrowing of the income gap among regions should then greatly depend on a *rural development policy*, which would inevitably form an important element of regional policy<sup>1</sup>. Such considerations have dictated changes in agricultural policy, with an enlarged role and a new conception of rural development, which reflects current regional policy directions (Camagni, 1992; Townroe, 1993). The new EU policy model, approved by the Commission in early 1999 as part of the Agenda 2000 package of CAP reforms: (a) stresses the link between agriculture, ‘rurality’ and territory, by introducing a ‘territorial’ (integrated) as opposed to a ‘sectoral’ approach to agricultural policy making; (b) is increasingly focused and tailored to the diversity of conditions in the EU regions, by using flexible forms of aids, in a ‘transparent’ way, to mobilize endogenous resources and self-sustaining forms of local development (Baldock et al., 2001; Caraveli, 2000; Saraceno, 1994).

The main instrument for the implementation of the new rural policy approach is the Rural Development Regulation (RDR), adopted in the 1999 reforms as the main legal framework for rural development measures in the EU and hailed as the CAP’s ‘second pillar’. This paper attempts to examine the RDR’s contribution to the adoption of the new rural policy model by examining the Regulation’s implementation in Greece. Greece has been chosen due to its particular structural and regional problems, which make it a good study-case within this context: The country as a whole is an objective 1 region with a

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<sup>1</sup> Regional policy, which became part of the Community’s constitutional framework in the Single European Act (1986, Article 130a-e) in combination with the objective of economic and social cohesion, is defined as

relatively large and structurally weak farm sector, a high proportion of LFAs (Less-Favoured Areas) and substantial regional differences.

The main question to be answered is to what extent the RDR's objectives, which represent the new rural policy model, are incorporated in the agricultural policy making in Greece? It can be assumed that if a typical Southern European country, like Greece, implements the Regulation efficiently, the new policy approach will be successful and widely accepted in Europe.

The second section of the paper briefly refers to the methodology used to approach the main question the paper attempts to answer. The third section gives a general overview of the RDR's emergence, scope, objectives and measures and refers generally to its role in the merging of rural development with regional policy. The fourth part examines the Regulation's application in Greece, by analyzing the measures adopted and the instruments used to channel funds to the various objectives; the current policy framework is compared to that of previous periods, so that its chances of success can be assessed. The fifth part draws the conclusions and refers to recent policy developments.

## **2. Methodological approach**

To answer the major question posed in this paper - if the RDR's implementation in Greece will lead to the adoption of the new EU rural policy model - a presentation of all instruments through which the regulation is applied follows the detailed description of its content. The basic instrument is the 2000-06 Community Support Framework (CSF), whose targets, actions and sources of financing are compared to programmes of previous programming periods. The other two instruments are the Rural Development Programming Document (RDPD), which consists of the 4 accompanying measures of the CAP, and the Leader + initiative. The relevant statistical data on these programmes is presented and analyzed. The efficiency of the Regulation's implementation is assessed on the basis of an ex-ante analysis of the current CSF, which is compared to ex-post analyses of past programmes, and of a number of constraints that have traditionally characterized the implementation of such programmes in Greece. Finally a brief assessment on the role that the major political actors in the agricultural policy-making can play in the promotion of the new rural policy approach is attempted.

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an exercise designed "to increase output and incomes, in absolute and/or relative terms, in areas believed to be operating below their true potential" (Nevin, 1990).

### 3. General overview of the Rural Development Regulation

In this section, a brief description of the steps that have led to the adoption of the RDR is followed by the presentation of its overall targets, tools of implementation and the ways of financing. The general aim is to emphasize the new philosophy, with the elements of regional policy, introduced by the regulation in the agricultural policy-making.

#### *3.1 Agenda 2000 proposals and the Rural Development Regulation*

The 1997 discussions for the reform of the CAP, within the framework of Agenda 2000, revealed the necessity of a European policy on rural development, which would complete market reforms (Commission of the EC, 2001a,b). This was the outcome of mounting income inequalities on a regional scale (a substantial part of which concerned rural regions), obviously accentuated after the enlargements of the EC during the 1980s and the inclusion of three southern European states (Greece in 1981, Spain and Portugal in 1986) - which led to the 1988 and 1993 reforms of the Structural Funds – as well as of the perspective of a further rise in such disparities due to the forthcoming enlargement towards Central and Eastern European countries.

In 1988 the major reform of the Structural Funds<sup>2</sup>, designed to strengthen regional and rural development in the EU, aimed at combining the three Funds (EAGGF<sup>3</sup>, European Social Fund and European Regional Development Fund) in regionally targeted and coordinated programmes<sup>4</sup>. Alongside the main Structural Fund programmes, the community also established a large number of smaller ‘Initiatives’ for particular purposes. Of these, the Leader Initiative was set up on the basis of the ‘endogenous’ development philosophy, which underlined the whole reform process, to promote ‘integrated’ and ‘innovative’ approaches to rural development at local community level.

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<sup>2</sup> The Structural Funds are the major mechanism for regional policy implementation in the EU, through funding investments in long-term development projects (Michie and Fitzgerald, 1997).

<sup>3</sup> European Agricultural Guidance and Guarantee Fund, of which the Guarantee part finances the implementation of the CAP markets policy and the Guidance part finances structural measures within the framework of the CAP. The EAGGF Guidance is one of the three EU Structural Funds, the other two being the ERDF (European Regional Development Fund) and the ESF (European Social Fund).

<sup>4</sup> As a result, the *agricultural structures policy* became part of the other structural policies, while part of the ‘rural development measures’ were financed from the other Structural Funds. This policy - initially funded through the Guidance Section of the EAGGF - was incorporated into the CAP from the 1960s onward in order to assist the workings of the common market through a process of ‘agricultural modernisation’. In the 1970s, it incorporated a social dimension, with the inclusion of measures for early retirement and young farmer schemes (the 1972 Directives), as well as a regional dimension, with measures dealing with compensation for farming in LFAs (the 1975 Directive) to cope with the issue of disadvantaged and lagging regions (Tracy, 1997; Caraveli, 1998; Baldock et al., 2001).

In 1993 the second major reform of the Structural Funds involved greater concentration of funds in regionally targeted programmes, while the ‘Cork Declaration’, in 1996, emphasized the need for an expanded rural development programme for ‘building an integrated rural policy’, based on “the economic differentiation of the rural economy<sup>5</sup>, environmental sustainability and a single and coherent programming in the country-side” (Psaltopoulos, 2004).

The Commission’s *Agenda 2000* proposed in July 1997, and agreed in March 1999, included such a programme in the form of the Rural Development Regulation (Reg.1257/99), which aimed at further strengthening the regional dimension of the CAP introduced by the 1988 and 1993 reforms of the Structural Funds. Through this measure, which was hailed as the CAP’s ‘second pillar’ rural development became the ‘vanguard’ of European policy, as part of the policy model to be accepted in Central and Eastern European Countries - CEECs (Commission of the EC, 2000, 2001).

One of the important changes introduced by *Agenda 2000* was the new role proposed for the Guarantee section of the EAGGF, which took over the responsibility for a number of measures previously financed by the Guidance section. Already in the CAP reform of 1992, certain ‘accompanying measures’ were co-financed by the Guarantee section, with EU financing 75% of the cost of accompanying measures in Objective 1 regions and 50% in other regions (Caraveli, 1998; Marsh, 1999).

The increased importance of rural development in agricultural policy was clearly reflected in the mid-term review of the CAP reform in 2002, as well as in the latest and more ‘fundamental’, reform in June 2003– through the introduction of full or partial decoupling of support from production<sup>6</sup> and a progressive reduction of aids with a transfer of savings to the second pillar (a process known as ‘modulation’), together with cross-compliance<sup>7</sup> to encourage environmental protection (Commission of the EC, 2002c; Psaltopoulos, 2004; Thomson and Psaltopoulos, 2004).

The new version of ‘rural development’, which is in accordance with EU agricultural, regional, cohesion and accession policy, clearly differs from previous notions of this policy.

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<sup>5</sup> The term refers to the creation of additional to farming to economic activities.

<sup>6</sup> This was accomplished by replacing the bulk of production-linked and, hence, production-incentive subsidies by the Single Farm Payment (SFP) scheme, which does not require specific farm output or even specific farm input use such as headage or arable area payments (Thomson, 2004)

<sup>7</sup> Under this scheme, support will be granted if certain environmental standards are attached to the SFP.

### *3.2 Scope/objectives of the RDR and integration of rural development into regional policy*

Article 1 of the RDR describes its regional character in the general scope, as follows (Commission of the EC, 1999): (a) the regulation establishes the framework for Community support for sustainable rural development; (b) rural development measures shall accompany and complement other instruments of the Common Agricultural Policy; (c) rural development measures shall (i) be integrated into the measures promoting the development and structural adjustment of the regions whose development is lagging behind (Objective 1 regions) and (ii) accompany the measures supporting the economic and social conversion of the areas facing structural difficulties (Objective 2 regions), taking into account the specific targets of Community support specified in Regulation (EC) No. 1260/99.

The three basic elements of the Regulation's scope are centered on the following objectives, which reflect the more integrated/territorial, as opposed to a sectoral, approach to agricultural policy and the need for adapting to local particularities (Commission of the EC, 2001a):

- The *multifunctionality of agriculture*, i.e. its varied role over and above the production of foodstuffs.
- A *multisectoral and integrated* approach to the rural economy in order to: diversify activities, create new sources of income and employment and protect the natural environment and rural heritage.
- *Flexible aids* for rural development, in response to the diversity of the Community rural areas, based on subsidiarity and promoting decentralisation and consultation at regional, local and partnership level (an approach known as 'bottom-up').
- *Transparency* in drawing up and managing programmes, based on simplified and more accessible legislation.

### *3.3 Rural Development Measures*

To promote the multifunctional and multisectoral approach to rural development, the RDR measures combine revenue oriented funding and capital investment support. The former includes aid for young farmers and the 3 accompanying measures of the 1992 Reform, i.e., early retirement, agro-environment measures and farmland afforestation, which have been broadened to include support for LFAs. The latter targets investment in agricultural holdings, training of farmers, marketing & processing of farm products, other forestry

measures and rural diversification under Article 33 (Baldock et al., 2001; Commission of the EC, 1999).

Although both sets of measures aim at raising farm incomes, the former is revenue oriented to the extent of compensation for income losses. This set also includes measures that increase the viability of farm holdings (through, for example, increases in the average farm size and farm investments, as well as improvements in the age structure of farm holders), while maintaining the environment and the countryside (including forest resources). The latter set of measures aims at the improvement of farm incomes, by raising the sector's competitiveness, through the diversification of farm activities and the qualitative re-orientation of production (e.g. by applying the proper farm practices and improving the marketing channels).

### *3.4 Financing and Programming*

All rural development measures are co-financed by the European Commission via the EAGGF. The article 35 of the Regulation states that Community support for the four accompanying measures will continue to be co-financed by the EAGGF-Guarantee Section throughout the Community. Community support for other rural development measures shall be co-financed by: (i) the EAGGF-Guidance Section in the areas covered by Objective 1, (ii) the EAGGF-Guarantee Section in all other areas. Leader projects will be funded from the EAGGF-Guidance throughout the EU.

However, as it is shown in Table 1, funding for rural development remains to be only around 10% of total CAP expenditure for the whole period of 2000-2006. An increase in co-financing of agri-environment by 10 percent is proposed in the Mid-term review, but the overall budgetary scope of Pillar 2 is still severely limited both by the restricted extend of modulation and the pressures of national co-financing.

**Table 1. CAP Expenditure in 2000-2006 (billion Euro, 1999 prices)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>TOTAL</b>
<b>Total CAP</b>	40.9	42.8	43.9	43.8	42.8	41.9	41.7	297.7
(a) Of which markets	36.6	38.5	39.6	39.4	38.4	37.6	37.3	267.4
(b) Rural development*	4.3	4.3	4.3	4.3	4.4	4.4	4.4	30.4

\*Including accompanying measures and rural development initiatives outside Objective 1 programmes previously funded by the EAGGF-Guidance section.

Source: European Commission.



Yet, the arrangements for programming and implementing the policy through the operation of the Structural Fund programmes represent a new policy model: First, the new regulation expands the range of EAGGF to ‘multifunctional’ activities, so far the object of other Structural Funds (e.g. the ERDF); second, the regulation is implemented through seven-year Rural Development Plans (covering the period of 2000-2006), drawn up by Member States ‘at the most appropriate geographical level’, which include agro-environmental measures as well as ‘development’ measures and reflect greater flexibility and transparency in funding; third all rural development, forestry and agro-environmental measures are to be integrated within a *single plan*, reflecting the integrated approach to rural development<sup>8</sup>.

#### 4. Implementation of the RDR in Greece

To assess the relevance of the Regulation to the Greek case, a brief overview of the particularities of Greek rural areas and the farm sector should precede the analysis of its implementation.

##### 4.1 Current state and problems of the Greek farm sector and rural areas

The Greek farm sector is placed in a disadvantaged position vis-à-vis the rest of EU countries, as far as its structural and production characteristics are concerned (Caraveli, 1998, 2000; Greek Ministry of Agriculture, 2001). Yet important developments have taken place over the past 4-5 decades, which have substantially transformed the character of rural areas.

The *share of agriculture* in GDP, total employment and exports is, respectively, around 8%, 17% and 30%, whereas the corresponding magnitudes for the EU average are about 3%, 5.5% and 10%, correspondingly. Employment in the primary sector in Greece has decreased substantially in the whole post-war period, mainly as a result of the internal and external migration of the '60s and '70s, which has led to the decline or even complete abandonment of many rural areas in mountainous and island regions (Iliopoulou, 2005).

Furthermore, the Greek agricultural sector is, characterised by a number of *natural and structural weaknesses*: a mountainous nature of land and many small islands; frequent and

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<sup>8</sup> The Commission will appraise the *proposed plans* and, on the basis of these plans, it will approve rural development *Programming Documents*, within 6 months after the submission of the plans. The accompanying measures are part of the horizontal programming, as they are applied throughout the Community, at the geographical level deemed most appropriate by each Member State. Programming involves the establishment of priorities for structural interventions and the definition of areas eligible under Objectives 1 and 2 of the Structural Funds.

prolonged drought; small and fragmented farms of an average size of 4.3 ha, compared with an EU average of 18.2 ha; a large proportion of Less Favoured Areas (LFAs)<sup>9</sup>, covering 83% of total Utilised Agricultural Area (UAA), compared with an EU average of 55%. These characteristics together with the low educational level and the old age of farmers (55% of all owners are over the age of 55), as well as with low share of agriculture in fixed capital formation, result in low average productivity and low per capita income of the farm sector compared to the EU average.

However, significant variations exist among the different rural regions of Greece, as structural weaknesses and poor economic performance in general tend to be prominent in mountainous and semi-mountainous regions. In such regions, the lack of infrastructure (e.g. lack of electricity, poor or non-existent agricultural advisory services, etc.), in combination with human abandonment, eliminates the opportunities for private investment. Handicapped or declining regions (in demographic, economic and social terms) coincide with “dynamic” rural regions, where intensive, gainful, agricultural activity, as well as proximity to urban centres, have led to substantial rises in incomes and a satisfactory degree of integration with the national and international economy<sup>10</sup>. This development has characterized the Greek countryside from the '80s onward and has followed the country's accession to the EC. In fact, part of the inequalities is considered to result from the non-rational distribution of CAP support between products and regions<sup>11</sup>. Furthermore, in the dynamic agricultural areas, there has been an “acceleration of the construction of infrastructure since 1989 through structural funds” (Iliopoulou, 2005).

The above developments are followed by changes in the *pattern of farm production*. Such changes – the outcome of both deliberate farm policies and market demand - reveal an increase in the importance of highly protected crops, e.g. industrial crops, such as cotton, sugar beet, maize, but also intensively produced tree crops, with a gradual shift in emphasis away from traditional Mediterranean-type crops. Yet, Greek agricultural production lacks quality and faces an inadequate processing and marketing sector, resulting in reduced competitiveness, mainly reflected in the increasingly negative balance

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<sup>9</sup> Such areas, covered by Directive 75/268/EEC, are mostly found on mountainous communes of the mainland and the islands.

<sup>10</sup> Some regions, mainly in coastal areas or near urban centers, have a GDP per capita above the national average, whereas others are among the poorest EU regions.

<sup>11</sup> The adoption of the CAP since 1981 onward increased, through its price support mechanism, *geographic inequalities*, by inducing further concentration of the population in the most efficient regions. This development has caused both *social and environmental problems*, stemming from intensification of production methods in the plains and abandonment of mountainous areas.

of trade in agri-food products since accession to the EU in 1981. The sector's orientation towards crop<sup>12</sup>, rather than animal products, favoured by natural and structural conditions typical of Mediterranean countries, is traditionally considered as one more structural weakness.

Tertiary activities (services but mainly tourism) are increasingly becoming an alternative to agriculture source to supplement farm incomes, and in most Greek regions they have developed to the extent of becoming the dominant activity. Tourism activities dominate in islands, where the agricultural potential is very poor, but are also present in the dynamic agricultural regions. Food manufacturing activity is also found to a lesser degree in many rural areas, while greater concentration is observed near the major urban centres, Athens and Thessaloniki. Employment in the food industry is also "quite high in some agricultural regions (Larissa and Imathia), while the lowest values are found in mountainous, island and other remote areas, such as Evritania" in Central Greece (Iliopoulou, 2005). Thus, rural development does not depend solely on the primary sector, as it is the outcome of a variety of economic activities.

The changing functions of rural areas imply penetration of the "urban way of life" in all areas. This further means that "the traditional dichotomy between the city and the region, or between urban and rural areas, characteristic of the Greek territory" in past decades, no longer exists, as it "gave its way to more complex spatial patterns"(Ibid).

Clearly, Greek rural areas need an integrated rural development policy, which: (a) takes into consideration changes in spatial patterns and the particular needs of each region; (b) addresses all sectors, rather than focusing on agriculture only; (c) encourages the development of products and services (basically small-scale economic activities) suitable to the particular bio-structural conditions of the declining regions, to support local population and incomes and facilitate their integration into the global economy. The new policy approach to rural development, incorporated in the RDR, appears to be the most appropriate one to face the development and viability needs of the Greek rural space.

#### *4.2 Implementation of the regulation and national rural development policy strategy*

Traditionally, policies for rural development stress the importance of agricultural activity and the infrastructure supporting it. This was evident in former Community Support

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<sup>12</sup> The ratio of crop to livestock products is equal to 67:33, as against an EU average of 49:51.

Frameworks<sup>13</sup> (CSFs), in particular the ones of programming periods 1989-93 and 1994-99, in which the *operational programme* “Agriculture” was the main tool for rural development (Iliopoulou, 2005). The implementation of the RDR in Greece takes place mainly through the 3<sup>rd</sup> CSF (2000-06), which differs from former programmes as its strategic targets reflect the new policy approach. These are: (a) the improvement in the competitiveness of Greek agriculture; (b) the sustainable and integrated development of the countryside, to restore its social and economic functions; (c) the maintenance and improvement of the environment and natural resources (Commission of the EU, 1999; Greek Ministry of Agriculture, 2001). Clearly, the programme incorporates a more regional approach, as two of its targets focus on territorial aspects (targets b and c), aiming at the overall ‘rural regeneration’, while one (target a) still focuses on competitiveness.

The 3<sup>rd</sup> CSF then is generally expected to contribute to the adoption of the new policy model through interventions that directly address rural development problems (i.e., create alternative sources of income to retain the local population). These include the promotion of activities, like leisure, tourism and environmental protection - as the basis for local economic development strategies - which reflect the ‘multifunctional’ and ‘multisectoral’ character of the farm sector, in the new philosophy. The programme is also expected to contribute to ‘an increase in competitiveness’ through actions leading to the modernization of the farm sector, for example by improving its structural characteristics (e.g. increasing the average farm size of holdings). Furthermore, the 3<sup>rd</sup> CSF has been designed within the general framework of regional policy, implemented through the granting of economic aids and incentives, while interventions, like the ones in previous CSFs, have both a regional and a national component, with the former operating in a manner complementary and co-operative to the latter. However, in past CSFs, rural development goals were served only by the Regional Operational Programmes (ROPs)<sup>14</sup>, which included actions focused on integrated local development.

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<sup>13</sup>Regional development programmes, jointly designed by the Member States and the Commission, receiving an important financial contribution - around 75% of the programme’s total cost - from EU Structural Funds (Tondl, 2001).

<sup>14</sup> The 13 *Regional Operational Programmes* (ROPs) correspond to the 13 programming regions (NUTS II) of Greece. Three groups of islands, Ionian islands, Northern Aegean, Southern Aegean, and one big island, Crete, are part of these regions, constituting 1,9%, 1,8%, 2,8% and 5,5% of total population, respectively.

### 4.3 Types of interventions

Besides the CSF, the Regulation 1257/99 is implemented through the Leader+ Initiative and the Rural Development Programming Document (RDPD), which consists of the 4 accompanying measures of the CAP - see section 3.3. All interventions aim at the achievement of the objectives stated in section 3.2. The relative importance of each programme in the total cost of implementing the Regulation in Greece is presented in Table 2.

The Greek part of the CSF consists of the three operational programmes shown in Table 2. In terms of costs, the regional component of the CSF, represented by the ROPs, is greater than the national one, represented by the other two *operational programmes*. The share of ROPs (38.7%) is also the highest of all programmes. The regional component is complemented by the Leader+ Initiative, which has a more territorial focus than previous Leader programmes, as it is applied to LFAs and is implemented through local programmes, managed by local action groups. The ‘regional’ and ‘national’ components (operational programmes 1 and 3 of Table 2) have the same priorities and measures, which means that actions not covered by the national component will be implemented through the ROPs.

**Table 2. Implementation of the Rural Development Regulation in Greece: Breakdown of Costs by Type of Programme. Cumulative Costs for the Programming Period 2000-2006**

<b>Programmes</b>	<b>Total cost (million Euros, current prices)</b>	<b>Share of each programme in general total cost (%)</b>
<b>I. CSF 2000-06</b>		
1.Operational Programme “Rural Development- Reconstruction of the Country-side”	3,010.2	29.6
2.Operational Programme “Fisheries”	499.7	4.9
3. Regional Operational Programmes	3,934.1	38.7
<b>Total CSF</b>	<b>7,444</b>	<b>73.2</b>
<b>II. Rural Development Programming Document</b>	<b>2,686.4</b>	<b>26.4</b>
<b>III. Leader +</b>	<b>392.6</b>	<b>3.9</b>
<b>General Total</b>	<b>(I+II+III) 10,523</b>	

Source: 1.Greek Ministry of Agriculture, 2001. CSF: 2000-2006; *Operational Programmes*; Leader C.I. 2000-2006.

2.European Commission, 2001. Own calculations.

The ROPs are also strengthened by the rural development measures of priority 7 of the 1<sup>st</sup> operational programme (see Table 3). This priority has a ‘regional’ character, being designed for the protection of economically and socially sensitive areas and the reduction of regional imbalances. It is thus implemented in 40 selected areas; these are the most deprived in the country, which include a number of small islands and mountainous areas. Although it contains several measures concerning agricultural production (e.g. management of water resources and marketing of high quality agricultural products), most of its actions contribute to the retaining of population through the mobilisation of ‘endogenous’ resources – i.e. local investments – in diversifying agricultural production towards new products and agricultural employment towards agri-tourism and manufacturing. Actions include the provision of technical infrastructure and of basic social services for the rural population, as well as the preservation of the cultural heritage (Iliopoulou, 2005 and Ministry of Rural Development and Food, 2005). Given their territorial focus, both the ROPs and actions of priority 7 are managed by the local authorities of each region.

The ‘Fisheries’ Programme is aimed at strengthening the sector’s competitiveness, through the creation of viable units, improvements in product quality, stabilisation of supply and the rational utilisation of water resources, the ultimate target being the encouragement of local development.

**Table 3. Greek Operational Programme “Rural Development-Reconstruction of the Country-Side”: 2000-2006**

<b>Priorities</b>	<b>Total cost (million Euro- current prices)</b>	<b>Share (%)</b>
<u>Priority 1</u> Integrated intervention at farm holding level	826.9	27.5
<u>Priority 2</u> Interventions at the level of processing and marketing of farm products	871.7	30.0
<u>Priority 3</u> Improvement of the age structure of farm population	291.2	9.7
<u>Priority 4</u> Improvement in support mechanisms and information of the agricultural population through new technologies	81.2	2.7
<u>Priority 5</u> Interventions in agricultural production	37.1	1.2
<u>Priority 6</u> Development and protection of natural resources and the environment	294.6	9.8
<u>Priority 7</u> Rural Development programmes	582.0	19.3
<b>Total cost of the programme</b>	<b>3010.2</b>	<b>100.0</b>

Source: Greek Ministry of Agriculture, 2001. *Operational Programme “Rural Development-Reconstruction of the Countryside”*. Own calculations.

The 7 priorities of the 1<sup>st</sup> national operational programme and their relative weights in total cost are presented in Table 3. It is clear that the bulk of resources (both public and private) are directed to those interventions that deal with the long-run structural problems of the sector (priorities 1 and 2, followed by 3 and 6), as well as those that deal directly with rural development (priority 7). It is important to note that most priorities (and measures) address a combination of problems described in 3.1, with the exception of priority 3, which addresses only one structural problem, that of the small and fragmented farm holdings.

Interventions within the framework of priorities 1 and 2, like in priority 7, aim at mobilising private investments in actions that diversify production, modernise marketing & processing units and create alternative sources of employment and income<sup>15</sup> (e.g. agri-tourism or agri-business), so that declining trends in investment in the farm sector can be suspended or reversed. Significant private investments in farm holdings will also take place through the ROPs. Priority 5 includes actions concerning the application of integrated methods and genetic livestock improvement, which can significantly contribute to the use of environmentally friendly production techniques and, therefore, to the possibility of re-directing production to new products, enhancing the sector's competitiveness. Even though all priorities, directly or indirectly, assist rural development, interventions within priorities 4 and 6, can be considered as directly supporting rural development measures of priority 7. If the share of costs of these three priorities is added, the total share of rural development interventions in total cost increases to 31.8, which is the highest of all other priorities in the programme. The more spatial/territorial and 'integrated' character of the new policy is then reflected in: (i) the 1<sup>st</sup> operational programme's title "*Rural Development-Reconstruction of the Countryside*"<sup>16</sup>; (ii) the relatively large percentage of total cost occupied by interventions directly supporting rural development; (iii) the use of 'integrated actions', within the framework of both ROPs and priority 7, in selected local zones, with the greatest problems in all areas (not just in the farm sector).

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<sup>15</sup> Off-farm income can be calculated from Eurostat (*Farm Structure Surveys*) data, as the share of "Holders with another main gainful activity" in "Total holders". This share is found to be 22, 4 % for Greece, which is close to both the average for the other cohesion countries and to the EU average (23.2%).

<sup>16</sup> This, in combination with the change in the name of the former Ministry of Agriculture into "Ministry of Rural Development and Food" reflects the increased importance of rural development in the agricultural policy making in Greece.

The Rural Development Programming Document (RDPD) – the new horizontal programme, covering all rural areas – complements the other programmes in strengthening the competitiveness of agriculture, protection of the environment and promoting the sustainable and integrated development of rural areas, further strengthening the rural/regional character of the new policy. Its four *priorities for action* correspond to the four accompanying measures, the relative weights of which in the total expenditure of the programme appear in Table 4.

Priorities 2, 3 and 4 can be considered as rural development interventions, which all together account for a relatively large proportion of the programme's cost. If all costs concerning interventions directly affecting rural development in all programmes are added (including Leader costs), then the cost for 'rural development' far exceeds that for 'agricultural structures' (5,849.3 as against 4,159.9 m. euros). The share of 'rural development' in total costs would increase further with the inclusion of 'fisheries'. The breakdown of costs into the three components of expenditure on agriculture is given in Table 5, where it is compared to the corresponding figures of the previous CSFs.

**Table 4. Greek Rural Development Programming Document 2000-06: Financial Breakdown by Priority (in million Euro)**

<i>Priorities</i>		<i>Total public expenditure</i>	<i>Share in total cost (%)</i>
1	Early retirement	1150.0	42.8
2	Compensatory allowances	955.9	35.6
3	Agri-environmental measures	400.1	14.9
4	Afforestation of agricultural land	165.4	6.2
5	Evaluation	15.0	0.6
<b>TOTAL*</b>		<b>2686.4</b>	<b>100.0</b>

\* Including continuation of ongoing measures and evaluation.

Source: European Commission, 2001.



**Table 5. Breakdown of Costs for Agriculture and Rural Development in the Three Programming Periods in Greece**

Breakdown of expenditure on Agricultural Development	Community Support Frameworks 2000-2006					
	Programming periods					
	1989-1993		1994-1999		2000-2006	
	Total cost	Share in total expenditure for agriculture	Total cost	Share in general total cost	Total cost	Share in general total cost
(million ECU, 1994 prices) Annual Mean	(%)	(million ECU, 1994 prices) Annual Mean	(%)	(million Euro, current prices)	(%)	
Agricultural Structures	342	38.3	350	31.6	4,157.9**	40.9
Rural Development	519	58.1	589	53.3	5,849.3***	55.6
Fisheries*	33	3.7	166	15.8	499.7	4.9
Total for agricultural structures, rural development and fisheries	894	100.0	1105	100.0	10,506.9	100.0

\* No private sector contribution is available.

\*\* Includes funding from RDPD.

\*\*\* Includes funding from RDPD and Leader.

Source: 1. European Commission. *Greece: Community Support Frameworks 1994-99, 2000-06.*

2. Tables 2, 3 and 4. Own calculations.

#### 4.4 Funding

The structure of funding for the implementation of the RDR reflects its 'regional' character: the greatest part of funds come from the EU Structural Funds, complemented by national funds, but also by inflows from the EAGGF-Guarantee. This is due to the application of the RDPD, which is co-financed by this Fund (by 37%) and the Greek State (by 63%). The involvement of EAGGF-Guarantee implies an increase in the share of the Greek public sector and a decrease in the share of the private sector in the third programming period. The EAGGF-Guidance section is the main financial instrument of both the national and regional components of the CSF, as well as of Leader, while the FIG (Financial Instrument for Fisheries Guidance)<sup>17</sup> is the main financial instrument of the 'Fisheries Programme' (contributing by 42.2% to total costs of this programme).

Table 6 shows the breakdown of EU funding in the different funds in the current and previous programming periods. Clearly, a re-allocation of resources between the different funds has taken place, with the relative importance of ERDF increasing between the two

<sup>17</sup> This instrument has in the past been largely concentrated on fleet modernisation and vessel decommissioning, but since Agenda 2000 there has been a new potential for the fund to support rural

periods and the share of EAGGF – Guidance, as well as of total Structural Funds, decreasing (due to the involvement of EAGGF-Guarantee<sup>18</sup>).

**Table 6. Breakdown of EU Funding for the Total of Agriculture, Rural Development and Fisheries in Two Programming Periods in Greece**

	Programming periods			
	1994-1999		2000-2006	
	Total	Share <sup>a</sup>	Total <sup>c</sup>	Share <sup>c</sup>
	(million ECU, 1994 prices)	(%)	(million Euro, current prices)	(%)
1. Structural Funds				
ERDF	253.5	6.1	1632.2	15.5
EAGGF-Guidance	1800	43.6 <sup>b</sup>	2443.2 <sup>d</sup>	23.2
FIFG	130	3.1	211.1	2.0
2. EAGGF-Guarantee			993.4	9.4

a. Share in total funds for agriculture, rural development and fisheries in the CSF.

b. This share will increase if sums for Leader II are included

c. Includes funding for Leader and RDPD.

d. Includes sums for Leader.

e. Share in total funds for the implementation of the RDR (see Table 2).

Source: 1. European Commission. *Greece: Community Support Frameworks 1994-99, 2000-06.*

2. Table 2. Own calculations.

#### 4.5 Efficiency and constraints in achieving the objectives

Relating specific objectives to expected or achieved results generally assesses the efficiency in the implementation of structural programmes. In an ex-ante evaluation of the CSF 2000-06, conducted by the Ministry of National Economy<sup>19</sup>, the efficiency in achieving the general targets described in 4.2 is examined on the basis of four specific objectives - a combination of the increase in the sector's competitiveness and the regeneration of the whole countryside<sup>20</sup> - which reflect the new 'multisectoral', 'multifunctional', 'integrated' and 'decentralised' approach to agricultural policy making.

First, the increase in competitiveness will be achieved through a restructuring of production towards differentiated, 'quality' products, with a geographic designation of origin. Such products are usually traditional products, e.g., as wine, olives, olive oil,

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development in coastal areas traditionally dependent on fishing. It remains to be seen whether, in the future, FIFG will assume more prominence in rural development (Baldock et al., 2001).

<sup>18</sup> It should be noted that the sums from EAGGF-Guarantee (which participates only in the funding of the RDPD) for rural development correspond to just 14 % of the sums directed to the operation of agricultural markets in Greece. The involvement of this Fund leads to the increased share of total EU funds.

<sup>19</sup> Ministry of National Economy (2001), Evaluation of Community Support Framework 2000-06.

<sup>20</sup> Three objectives concern the improvement in: (a) the balance of trade of agricultural products; (b) the age structure and reversal of abandonment trends; (c) the quality of the natural environment. The fourth objective aims at the support for integrated rural development. They will be achieved through actions in priorities: 1, 2, 4, 5, 7 for (a); 1, 2, 3, 7 for (b); 6 for (c); 4 and 7 for (d).

currants, cheese<sup>21</sup>, organic products (mainly olive oil & olives, followed by vine, citrus and cotton, the main industrial crop)<sup>22</sup>, but also agro-tourism products with a ‘certificate of quality’<sup>23</sup>, the promotion of which in export, ‘niche’, markets of the EU or the world is expected to improve the agricultural balance of trade in year 2006 and could give Greece an absolute (location and competitive) advantage in particular products or services. These actions have been estimated to result in the increase of the areas with organic cultivations by 20% between 1999 and 2006. Organic farms are generally more labour-intensive than conventional farms; they can therefore contribute to the promotion of rural employment by keeping in business small farms, which would otherwise not be able to cope with global competition. As organic farms are concentrated in southern and central Greece (due to the prevalence of olive production in these regions), the aim is to achieve a more even distribution of biological cultivations, concentrating around ecologically important areas of the country (Smissen, 2005).

Second, the regeneration of the countryside involves actions for integrated rural development and environmental sustainability. These include the maintenance of the population in selected rural regions (mainly LFAs) by promoting alternative, off-farm, income sources, e.g., crafts and agro-tourism, and direct interventions for the improvement of the natural environment (e.g. the modernization of irrigation networks, the retaining of surface waters, etc.). Such actions are anticipated to bring about a 1.4% increase in farm employment in LFAs in the year 2006. Agro-tourism activities were already promoted in the first two Leader programmes (I and II)<sup>24</sup> in high nature value mountainous areas (part of the NATURA 2000 project) of the Peloponese and Thessaly<sup>25</sup>.

An increase in employment in a number of areas is also expected to result from the promotion of the agro-food sector: for example, a 4% employment increase and a 2.6%

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<sup>21</sup>Examples include special kinds of cheese, named after the places where they are produced, e.g. Naxos, Crete or Metsovo and the ‘Lesvos olive oil’ – all products of ‘protected geographic designation’ already sold at local and European markets (note: Naxos, Crete and Lesvos are islands of the Aegean sea, and Metsovo, a city in Ipiros, the poorest mountainous region).

<sup>22</sup>Methods of organic products (e.g., olive oil) production are not very different from extensive, rainfed, conventional cultivations. Although organic farms in Greece represent only 2% of the total in the EU, organic farming has made impressive progress since the adoption of Reg(EEC)2092/91. Demand for organic olive oil, especially from Messinian Mani, is quite high in European markets and there are currently attempts to promote the product to the other side of the Atlantic (Louloudis, 2001).

<sup>23</sup>Such products are the services offered by lodgings with a registered mark, owned by farmers in mountainous and semi-mountainous areas, where recreation involves activities related to and respecting the cultural heritage of the rural space. The development of such products implies finding new, unexploited, touristic sites of exceptional natural and/or architectural beauty.

<sup>24</sup>The greatest proportion of LEADER I and II programmes, implemented by the 52 ‘development companies’ - corresponding to each of the 52 ‘nomoi’ (the smallest administrative regional division of Greece) – was absorbed by activities related to rural tourism.

<sup>25</sup>Two of the 13 regions of Greece.

increase in gross value added in the agro-food industry are estimated to result from a 7.5% increase in gross fixed capital formation in this industry, in the year 2006. Total actions of the national programme are expected to result to 20,000 new positions overall and a 20% increase in income of all assisted holdings. Finally, actions within the fisheries programme should bring about a 10% employment increase in the fisheries sector.

On the other hand, within the framework of the general strategy for the sector's structural adjustment and modernization, the share of the farm sector as a whole in the economy, in terms of both Gross Agricultural Product and employment is anticipated to be smaller in the year 2006, contributing to a marginal increase in the average farm size (from 4.3 to 5.0 hectares). This should be the outcome of actions within priorities 1 to 5.

However, two substantial constraints in the implementation of CSFs in Greece must be mentioned: The first constraint is inadequate funding, which limited the success of the 1989-93 and in 1994-99 CSFs, despite the positive results in some critical areas (e.g. jobs preserved or created, farmers benefiting from early retirement schemes, young people entering farming, and the restructuring of cultivations), shown by the ex-post evaluation in these two programming periods. Inadequate funding has also been assessed as a major problem in the current programming period, giving rise to the 'poor' quantitative results, in relation to the extent and acuteness of the problems related to rural regeneration, discussed above<sup>26</sup>.

The second constraint concerns administrative and bureaucratic restrictions reflected in the ability to absorb funds<sup>27</sup> and legal obstacles. On the one hand, regional authorities in Greece, only established in the late 1980s, lack the experience to transform the CSF priorities into coherent policies. Greek administrative practices, often characterised by political clientelism, seriously reduce the economic outcome of these programmes (Tondl, 2001). On the other hand, legal constraints, such as inheritance laws dating back to the 1950s, equally distributing the land among heirs, make the application of measures to increase the average size of farms difficult. Such obstacles reduce "transparency in drawing up and managing programmes", one basic objective of RDR, and make the implementation of any kind of structural programmes problematic.

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<sup>26</sup>The problem is aggravated by the fact that a substantial part of the programme's resources will be used to cover obligations of the previous CSF. However, if the evaluation included the impact of all programmes, in addition to the CSF, the results would improve.

<sup>27</sup>The degree of realization of priority 7 (the most important priority for rural development) appears to be very low (around 3%) for many of its actions (Iliopoulou, 2005 and Ministry of Rural Development and Food, 2005).

It is generally accepted that the current programme introduces a new philosophy in the Greek agricultural policy making. This, among others, is based on comparisons with the previous CSF: the 1994-99 CSF was considered successful by EU criteria (both in terms of funds' absorption and in terms of achievements in 'natural' and 'economic' targets, with an average rate of success around 80%). However, it lacked the 'territorial' and 'integrated' focus, which characterises the current CSF - reflected in both the programme's targets and objectives and the distribution of funds among priorities. This should set the basis for a satisfactory degree of success in the current period.

#### *4.6 The role of political actors in agricultural policy making*

It is generally accepted that "on all issues in the EU policy-making system, the degree of domestic policy coordination is of crucial importance for the articulation of coherent national positions leading to a comprehensive negotiating strategy" (Blavoukos, 2003). From this respect, a note on the power balance between the major political actors and interest groups in agricultural policy making in Greece is imperative, as these factors can play a significant role in the adoption of the new rural development policy model.

The three major agents in the formation of Greek agricultural policy are the State (through the Ministry of Agriculture), the state-controlled Agricultural Bank of Greece (ATE), until recently the sole provider of credit to farmers, and the Agricultural Cooperatives (ACOs). The latter's main representative body, the PASEGES (General Confederation of Agricultural Cooperative Unions), is considered as the major farmers' union, representing the interests of farmers in Brussels. Two other farmers' unions, GESASE and SYDASE, are connected with the major political parties in Greece.

Due to the particular type of parliamentary democracy imposed in post-war Greece, which led to a specific pattern of public policy debate, the involvement of organized groups or social actors (e.g. the ACOs) in the policy-making process has been generally limited by the suffocating involvement of the state (Blavoukos, 2003; Patronis, 2006). The reasons for this phenomenon date back to the inter-war period and even earlier, when state intervention in the agricultural sector intensified, mainly as a result of adverse international conditions, which had a particularly negative impact on farm production (Patronis, 2006). This was reflected in the establishment of extremely centralized state organizations for the concentration and management of domestic agricultural production. Within this environment, the agricultural policy-making developed a centralized character, being basically implemented by the Ministry of Agriculture, the ATE and the Organizations for Concentration & Management of farm production, while agricultural

cooperatives retained a secondary and marginal role (acting as simple providers of short-term credit to farmers).

The “pro-farmers rhetoric” of the socialist government in the '80s created new conditions that increased the power of cooperatives as far as issues of agricultural policy were concerned (Ibid). In this period, state intervention in the agricultural sector increased further, due to the distribution of subsidies to farmers and the general implementation of the EU agricultural policy measures through state organizations. A unified system of state involvement in the formation of agricultural policy appeared through the articulation of “the ACOs, the ATE, the farmers’ unions and the state bureaucracy” into one actor in the policy-making process (Ibid). Analysts referred to this system as ‘state corporatism’, while they defined agricultural cooperatives as ‘centres of clientelist relations’ (Ibid and Blavoukos, 2003).

The structural and operational disabilities of agricultural cooperatives remained unaffected by the changes characterizing the decade of the 1990s, reflected in the shift towards greater economic liberalization and the further integration in the EU. Thus, their dependence upon the state and their limited productive role reinforced the involvement of political parties in their functioning (Patronis, 2006).

The preceding analysis has revealed that the major actors in the Greek agricultural policy-making scene are not ready to adopt and implement the latest policy developments concerning rural areas at the EU level, i.e., to facilitate the adoption of the new rural policy model. This is aggravated by the fact that a number of farmers benefiting from agricultural subsidies oppose the changes stemming from the reformed CAP and virtually demand the continuation of the protectionist character of agricultural policy<sup>28</sup> (Ibid).

Yet, the significance of the social role of ACOs in rural areas of Greece is unquestionable and, in this sense, their function for pursuing the rural development objectives of the reformed CAP – expressed in the RDR – is vital. As the greatest number of these organizations is located in villages, their role in the mobilization of local resources, i.e., in promoting the ‘bottom-up’ approach is particularly important. This includes the promotion of the new ‘rhetoric’ and terminology, which forms part of the new policy and is

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<sup>28</sup> The mobilizations of the Greek cotton producers in 1996 and in more recent years are a characteristic example of this attitude: in these periods, the Greek cotton production exceeded the allocated quota, which brought financial penalties, but also social unrest among producers, who used a number of militant ways of protest, including blockades in national highways. The constant crisis situation that emerged had negative spillover effects to other sectors of the agricultural economy. It should be noted that cotton producers have been among the best protected sections of the farming population in Greece, representing around 6% of farmers, but receiving 45% of the total CAP funds. This means that their bargaining power is quite high (Blavoukos, 2003).

expressed in the goals, objectives and measures of the various programmes through which the RDR is implemented. In other words, the disengagement of cooperatives from the state will significantly contribute to the adoption and promotion of the new rural policy model.

## **5. Summary, conclusions and further policy considerations**

Recent developments in EU agricultural policy point to the fact that ‘rural development’ is likely to constitute an increasingly important element of this policy. The new European ‘rural development model’ introduces a new policy approach, which leads to the integration of rural development with regional policy. In particular, the new model:

- ❖ Introduces an integrated (as opposed to a sectoral) approach to the rural economy, while it recognizes the diversity of conditions among different regions;
- ❖ Promotes multifunctionality and diversification of activities in rural areas, assisting the integration of the local to the global economy;
- ❖ Promotes the ‘endogenous development’ approach through ‘bottom-up’ and ‘partnerships’ (recognizing at the same time the significance of ‘exogenous’ factors);
- ❖ Promotes economic and social cohesion through regional development, as well as the incorporation of environmental elements into agricultural structures policy.

The RDR, now considered as the CAP’s ‘second pillar’, is undoubtedly the most important instrument for assisting the adoption of the new rural policy model. Its implementation in Greece, the whole of which is an Objective 1 region (and one with the most severe structural problems among cohesion countries, where most lagging regions coincide with rural regions), can serve as a good example to examine this argument.

The preceding analysis provides sufficient evidence to show that the Regulation introduces the new approach and philosophy to the Greek rural policymaking, as:

- Particular emphasis is given to the strengthening of economically and socially lagging areas in all instruments, through which the RDR is implemented (the major one being the CSF). This is reflected both in targets and objectives (which either directly or indirectly target rural development) and the distribution of funds among interventions, whether these are revenue oriented measures (e.g., income allowances to L.F.A.s) or capital investment support (e.g., measures encouraging the mobilisation of local,

private, investments and leading to the creation of new jobs). The major new element is the implementation of the interventions through ‘integrated actions’ in selected local zones. This more territorial focus of interventions, which incorporates an important environmental dimension, differentiates substantially the current policy approach from that of previous periods.

- The EU structural funds continue to be the major source of funding for the interventions, but a re-allocation of resources among the different funds appears to have taken place in the current programming period, with the relative importance of ERDF increasing and that of EAGGF – Guidance, decreasing (due to the involvement of EAGGF-Guarantee), reflecting the more regional character of the new policy.
- The results of the ex-ante evaluation of the current CSF show that the programme will achieve a number of specific targets of strategic importance for sustainable rural and regional development, in which past programmes have failed. These include the diversification of production towards ‘quality’, products, destined to ‘niche’ markets, and the increased mobilization of local resources, through a ‘bottom-up’ approach. However, the persistence of administrative and legal obstacles reduces transparency in managing the programme and the degree of efficient implementation. Obstacles are also posed by the state domination of all actors engaged in the agricultural policy-making process.

Prospects for regional and rural development policy in the current decade will be determined by the parallel processes of increased integration and enlargement to the East, as well as the next round of CAP reform, due in 2006. Enlargement towards Central and Eastern European countries will require additional funds for extending the CAP price support to the new members. With the prospect “of less than 100% receipt of direct payments until 2013 and the possibility that many of their producers might fail the cross compliance test and receive nothing”, the new member states “are likely as a group to re-open the Copenhagen deal on direct payments”, which “will throw them into direct conflict with the agreed limits of the agricultural budget” (Rollo, 2006). If the EU-15 loses receipts from the direct payments, the southern European farmers, especially those in LFAs, will find themselves under pressure. The last enlargement has furthermore increased regional disparities in the Union and reduced the EU GDP average. The significance of cohesion policy should then increase, which implies further strengthening and integration of regional and rural development policies. With the upcoming of the 2007-13 budget perspectives drawing close, the Commission has proposed redirecting cohesion policy towards economic growth (Lisbon strategy) and sustainable development



(Gothenburg strategy). Given, however, that “the new member states have on average bigger agricultural population, quasi-subsistence farm holdings and poorer rural infrastructure than the EU-15” (Ibid), it is quite likely that they will use structural (and modulation) funds for ‘modernizing’ their farm sectors, as well as the processing and marketing sector of their agro-food chain, rather than for environmental or social purposes (Thomson, 2004; Thomson & Roberts, 2004). It is also likely that they will exert pressure “for more direct budget support for rural infrastructure” (Rollo, 2006). It is possible that a number of Greek areas, where per capita GDP has already reached 70% of the EU average, will be excluded from Objective 1 assistance. All these factors might imply a substantial reduction in overall flows from the Structural Funds<sup>29</sup> in Greece (and perhaps other Mediterranean countries like Spain and Portugal), and, at the same time, a weakening of the approach and philosophy introduced by the new European rural policy model and expressed in the RDR.

On the other hand, the expected growth of income in the new entrants, in the course of their integration with the EU, in combination with their reduced output since the 1991-92 reforms<sup>30</sup>, will possibly stimulate the existing trade links and complementarities in agricultural production between these countries and Greece (Baltas, 2001a,b). For Greece, this will imply an expanded market for its fruit and vegetables, including a number of new differentiated, quality products, thus further boosting rural development, in the sense explained before<sup>31</sup>. This outcome should, however, be expected only if the higher growth rates in the new member countries offset the reduction in consumers’ real incomes, resulting from the substantial increases in producer prices, due to the CAP price support<sup>32</sup> (Baltas, 2001a,b)

The next round of CAP reform will involve a further shift in emphasis towards rural development with a transfer of funds from the first to the second pillar. The Commission’s

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<sup>29</sup>Furthermore, given that the budget for rural development does not rise significantly over the 2007-13 period, any cuts of the overall EU budget would mean further pressure on pillar 2.

<sup>30</sup>The reforms of 1990-1992, designed to transform the CEECs from centrally planned to market economies, led to the fall in the demand for food, thus for food production. Despite the recovery of 1993-94, mainly in crop production, agricultural production in most of these countries is still below pre-transition levels (Baltas, 2001a,b).

<sup>31</sup>Analysts have also referred to the increased “agglomeration of capital in the agro-food sector, with a large penetration of foreign capital and the emergence of large domestic groups as leading regional players in markets of the Balkans and the CEECs” (Blavoukos, 2003). Problems might arise when Bulgaria, Romania and potentially Turkey become full members of the EU, given the similarities in the agricultural production structure of these countries with that of Greece (Ibid).

<sup>32</sup>The CAP induced price rises are expected to lead to large supply responses in the CEECs, mainly in sugar, milk and meat, and thus to increase the EU surplus in these products. This also means that agricultural exports of these products would rise and so would the degree of import protection (Baltas, 2001a,b). As these products are not competitive to Greek farm production, this development should not be considered as a threat for the Greek farm sector’s development.

proposal for a new Rural Development Regulation, with a Single Fund for rural development measures<sup>33</sup>, adopted on 14 July 2004<sup>34</sup>, clearly reflects the need for a simpler and more coherent approach to rural development programming, which will encourage the above trend (Thomson & Roberts, 2004). Most of the existing rural development measures are retained in the new Regulation, but they are now grouped into three priority axes (improving the competitiveness of agriculture and forestry; land management; diversification and quality of life), which is a step in bringing together a wide range of such measures under a common programming framework. A fourth axis introduces possibilities for locally based bottom-up approaches to rural development, based on Leader experiences. The new Regulation also puts increased emphasis on agro-environmental measures and includes the intention of making such measures obligatory. It is generally believed that “the new programming period provides a unique opportunity to refocus support from the new rural development fund on growth, jobs and sustainability” (Commission of the EC, 05). It remains to be seen, whether this development will further open the way for the adoption of the new Agricultural Model in Greece and other Southern Member countries, offsetting the possible negative effects from enlargement. The role of the major Greek agents in the formulation of agricultural policy seems to be instrumental in this context.

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<sup>33</sup>It is proposed that FEOGA should be split in two separate funds: FEAGA, which will finance markets’ policy, and FEADER (European Agricultural Fund for Rural Development), which will be the new legal instrument for rural development policy and will not operate through the CSFs. It is expected that FEADER will come into force in 2007.

<sup>34</sup> This proposal reflects the conclusions of the Salzburg Conference in November 2003.

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