



**TWG2 – Linkages between agriculture and the wider rural  
economy**

**Analysis of programme management framework and  
projects in selected regions**

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*Connecting Rural Europe*

## THEMATIC WORKING GROUP No 2

### LINKAGES BETWEEN AGRICULTURE AND THE WIDER RURAL ECONOMY

Thematic Working Group (TWG) started its activity in March 2009.

The activities of the working group have aimed at identifying and describing the relationships and potential synergies and/or conflicts between agriculture and the rural economy in various types of EU rural areas. This work has involved:

- developing a better understanding of the economic relationships between agriculture and rural economy at the local level, including the multifunctional contribution of agriculture;
- identifying the key factors that determine the potential of regions and localities – economic, human resource, natural endowment, competition over resources – and classifying those where policy support can be most effective;
- screening policy programmes at national, regional and local level in order to assess their coherence and consistency regarding agriculture and rural development;
- assessing the contribution of current policies and institutional arrangements to successful outcomes – positive aspects, difficulties and obstacles;
- presenting the main findings that could be relevant for the development of current and future policy on agriculture and rural development.

The focus is on the current programming period (2007-2013), while taking account of relevant previous programming experience. Primary attention is given to EU Rural Development support (EAFRD) nevertheless the significance of other EU funded programmes, national, regional and local programmes and other private funding sources is also taken into account.

The activity of the group was undertaken in 4 steps.

**Step 1** involved the *selection of a set of 18 NUTS3 level rural areas* from across the EU, designed to ensure as representative and comprehensive as possible coverage of various types of rural areas, including those with various levels of agricultural activity and development, as well as differences in location, geography and economic development.

**Step 2** involved a study of *how agriculture contributes to the way rural economies work* through three separate, but coordinated, activities: comparisons of the available economic and social data on structures and trends for the selected NUTS3 regions; input-output analyses of the relationship between agriculture and other sectors within the local regions; the collection of more qualitative data about such factors as the nature and capacity of the regions under analysis through questionnaire-based surveys undertaken by national experts.

**Steps 3 and 4** involved an the in-depth investigation of six of the 18 selected regions, particularly focused on the importance of the impact of various institutional and financial factors in enhancing or inhibiting the potential for local agriculture to assist and support economic development in the region.

An important part of this phase of the analysis has been the identification of relevant projects (when possible from the current programming period) that can demonstrate the synergies achieved between agriculture and the wider rural economy and how current RDP measures (and possibly other funding sources) have been able to promote and enhance such linkages. The case studies have been used to support the recommendations made in the final report and also to form part of the "EN RD project Database".

## Table of Contents

|       |   |    |
|-------|---|----|
| 1     | Introduction .....  | 8  |
| 2     | Methodology .....   | 9  |
| 3     | Rural development policies and institutional arrangements ..... | 11 |
| 4     | Case study experiences .....                                    | 15 |
| 4.1   | Positive aspects .....  | 15 |
| 4.1.1 | Food processing .....   | 15 |
| 4.1.2 | Specialist foods, branding and marketing .....                  | 17 |
| 4.1.3 | Tourism .....   | 18 |
| 4.1.4 | Energy and environment .....                                    | 20 |
| 4.2   | Difficulties encountered .....                                  | 21 |
| 4.2.1 | Food processing .....   | 21 |
| 4.2.2 | Specialist foods, branding and marketing .....                  | 22 |
| 4.2.3 | Tourism .....   | 23 |
| 4.2.4 | Energy and environment .....                                    | 24 |
| 4.3   | Overview of case study evidence .....                           | 24 |
| 5     | Summary and conclusions .....                                   | 28 |

## Executive Summary

This report considers the effectiveness with which the EAFRD 2007-2013 rural development programme is being implemented, in terms of strengthening the linkages between agriculture and rural development, based on evidence from six NUTS3 case study regions.

### Findings: RDP Programming

The NSPs, RDPs and other funding related documents applicable in each region were reviewed with respect to:

- coherence between national, regional and local level policy goals;
- coherence between various goals, the chosen policy axis, and eligible measures;
- complementarity between rural development policies and other funding programmes.

Overall, programmes at different levels in the Member States do refer to some extent to the importance of re-enforcing the links between agriculture and rural development in their presentations of policy. However, they are far from consistent in the ways they do so, and more detailed analysis reveals that:-

- Re-enforcing the linkages between agriculture and the wider rural economy is not significantly embedded in the majority of RDPs examined.
- Similar objectives are pursued under different axes regarding linkages between agriculture and other sectors. In some cases the same objective are pursued under different axes with different measures, and in others different objectives are pursued with similar measures. While this is not necessarily a problem in itself, it does not facilitate coherence of priorities and measures.
- There is little complementarity between the EAFRD interventions and activities undertaken with the support of other funding sources (both EU and national). This is a general observation, but of particular importance in relation to multifaceted actions such as those designed to enhance synergies between agriculture and other sectors.
- The structure and nature of institutional arrangements vary greatly between Member States. Some appear to ensure consistency and efficiency in planning and delivery but others (highly centralised systems and complex systems with limited co-ordination) do not.

This evidence is of concern from a policy perspective since it does not reveal any consistent pattern of: a) recognition of the importance of the actual and potential links between agriculture and the rest of the rural economy or; b) that such actual and potential linkages will be pursued effectively and consistently.

### Findings: RDP Implementation

To deepen the analysis, a series of case study projects were carried out. Findings indicate:

- A wide range of projects are being developed that create or promote linkages, despite the apparent policy and institutional weaknesses.

- When policy incoherence is combined with unhelpful institutional arrangements, the costs can be high in terms of the additional efforts that have to be made by project promoters, delays in obtaining agreements and payments, etc., and the results can, in consequence, be sub-optimal.
- In practice, it is local people who are the main drivers in building linkages in these rural economies, given that the social and economic relationships are generally both stronger and closer, and the economic options more limited or constrained, than they are in urbanised areas.
- Linkages between primary agriculture, food processing, tourism and trade (both on and off farm, large and small scale) tend to be the most important linkages.
- There are many positive examples of local people willing to work to improve their economic and social environment as individual farm owners or entrepreneurs, or through formal or informal social and business networks that can inform and support their initiatives, and which reflect their collective interests, whether commercial or otherwise.
- In all cases, it seems, such actors are particularly well aware of the potential impact of their actions on the local economy as well as on themselves, but are clearly encouraged or discouraged in taking initiatives by the policy criteria or local institutional arrangements in place, as well as the extent to which advice and support is available.

#### Positive aspects (what works)?

The following factors appear to be particularly important in determining whether linkages between agriculture and the wider rural economy can be achieved:

- The opportunities and propensity to form various types of partnerships or collaboration, to cooperate and share risks/benefits
- The entrepreneurial capacity of the local rural population
- The natural advantages of the local rural economy, relevant infrastructure, and the overall strength of the wider national and regional economy
- The ease with which financial support can be accessed
- The range and capacity of institutional support services (such as extension and advisory bodies; consultancy services etc)
- The appropriateness of the range of measures and other support available

## Difficulties and obstacles

Specific obstacles to progress, especially for smaller firms, include:

- onerous procedures for applying for funding and administrative/licensing obstacles;
- infrequent commitments rather than continuous funding possibilities;
- long delays in getting agreements or receiving payments;
- lack of transparency and openness of institutions/administrative support services.

## Tentative conclusions

The evidence from the case study regions suggests the following:

- the limitations of rural development policy objectives and programmes that tend to focus on descriptions of eligible areas of action or intervention, or indicate the types of support measures for which actors can compete when promoting linkages between agriculture and the wider rural economy;
- the particular nature of initiatives that can successfully generate effective linkages between agriculture and the wider rural economy appears to require a more cross-cutting and integrated approach;
- a policy framework and programme incentive structure that is defined in terms of desirable outcomes (multiplier effects) for a particular rural area such as the creation or preservation of jobs, additional income generation, attraction of investment, enhanced productivity and value-added etc. would be more conducive to the promotion of such linkages than the current specific, and somewhat fragmented, policy framework.

In other words, if there is to be a more serious pro-active commitment to promote greater linkages between agriculture and the wider rural economy through RDPs, it is likely that some restructuring of the current policy framework will be required.

## 1 Introduction

The mandate of Thematic Working Group Two is to identify and describe the relationships and potential synergies/conflicts between agriculture and the wider rural economy. This Step 3 report reviews how rural development policies and programmes are being implemented in selected NUTs3 regions.

The focus is on the current programming period (2007-2013), while taking account of relevant previous programming experience. Primary attention is given to EU Rural Development support (EAFRD) although the significance of other EU funded programmes, national, regional and local programmes and other private funding sources is also taken into account.

Based on the evidence and experiences from the selected NUTs3 regions, the paper:

- Reports on the *policy instruments available and used* in the chosen regions
- Present findings regarding *what works and what does not* in terms of creating interaction and synergy between agricultural and non-agricultural businesses in the rural economy.

These findings are intended to contribute to Step 4 of the work, namely the development of recommendations and guidance to policy makers on how to contribute to, and develop, favourable conditions for strengthening the linkages between agriculture and the wider rural economy.

## 2 Methodology

The report is based on an in-depth analysis of the experiences of six of the 18 NUTs3 regions that were covered in the Step 2 report. The regions are:

- Matera (IT), Gers (FR) and Trikala (GR) in the Southern part of EU15
- Gwynedd (UK) and Kalmar län (SE) in the Northern part of EU15
- Somogy (HU) in EU12

They were selected to reflect the variety of economic and institutional structures and conditions across the EU, and the evidence has been supplemented by case studies in others of the 18 original regions. The detailed, questionnaire-based, enquiries have been conducted in the regions by experts familiar with the localities and their relevant national and regional systems.

Firstly, the research seeks to ascertain the extent to which the objective of strengthening the links between agriculture and the wider rural economy are adequately reflected in *the content of rural development policies* at different levels and in *the institutional arrangements* in place to implement them.

These enquiries focus on policy content and coherence in relation to:

- the Strategic Framework and linkages as set out in the *National Strategic Programmes*;
- the *Rural Development Programme* framework and linkages that apply to the region;
- the specific Rural Development Programme *Measures* that are available in the region.

Particular attention is paid to:

- the *consistency* between the strategic framework, programme and measures, and extent to which they are linked to, and *complementary* with, other programmes;
- the quality of the *institutional framework* and linkages;
- *other factors* deemed to be important for the overall effectiveness of support programmes and their implementation in the specific region.

Secondly, a series of case study investigations have been undertaken in the six areas, and elsewhere, concerning practical experiences with regard to projects that contribute to enhancing the links between agriculture and rural development. These studies cover the following main points:

- the *nature of the projects* in terms of their purpose, content, policy coherence;
- their *contribution* to strengthening the links between agriculture and the rest of the economy;
- the *scale* of the project in terms of size, time scale, coverage;
- the *beneficiaries* and supporters;
- sources of *finance*;
- direct and indirect *results and benefits*;

- the nature of any *problems* encountered.

A comparative presentation of the results of the enquiries concerning policy content and coherence, and institutional arrangements, is presented in Annex 1, at the end of this report. These results are also summarised in Section 3 of this report. The detailed case study experiences are presented in Annex 2 and are summarised in Section 4 of this report.

### 3 Rural development policies and institutional arrangements

In terms of the *references in national strategic plans to problems, needs and opportunities to enhance links between agriculture and the wider rural economy*, the main findings across the six areas covered are as follows:

In the case of *Matera*, there seems to be a satisfactory identification of the importance of links between agriculture and the wider rural economy. In *Gers*, there are fewer references but all the extracts are associated with opportunities and they are mostly explicit. In *Trikala*, there are several explicit and implicit links and mostly associated with needs although extracts on opportunities seem to be mostly implicit. Extracts in *Kalmar Ian* are few and mostly implicit, as only two needs and one opportunity are identified. References associated with *Gwynedd* are also few, while there is a good balance between those of an explicit and implicit nature. In the case of *Somogy*, references are fewer although there is a good balance between identified opportunities and needs.

In terms of *coherence between the national strategic plans and other EU or nationally funded programmes*, the findings are that:-

In the case of *Matera* there seems to be a satisfactory strategic coherence between the NSP and national/regional strategic documents. In the case of *Gers* references are few although the most important reference concerns the interaction between RDP and ERDF action. In *Trikala* there are three explicit references in the National Strategic Reference Framework 2007-2013 on the need to enhance links between agriculture and the rest of the economy. In the case of *Kalmar Ian* only one very vague reference is identified, no references are identified in the case of *Gwynedd* and references in *Somogy* mostly concern links between agriculture and tourism.

As regards the *overall contribution of programmes to the creation of interaction between agriculture and the rest of the economy*, the main findings are that:-

The links between agriculture and the wider rural economy are addressed to some extent in the National strategic plans associated with the six areas, but while the promotion of links is an important strategic aim in some areas (*Matera*, *Gers*, *Trikala*) it is much less so in others (*Kalmar Ian*, *Gwynedd*, *Somogy*). Moreover, the links are sometimes more implicit than explicit. Study areas with a tradition of decentralized policy design and delivery appear to have more targeted and explicit references.

With regard to the *focus and contribution of the rural development programmes* in developing the interaction between agriculture and the rest of the economy, the main findings are that:-

References to the need to promote links between agriculture and the wider rural economy are included in the rural development programmes in most of these six areas. In general, implicit references in the National strategic plans have become more explicit.

However, the incorporation of this objective in a coherent strategic framework is the exception rather than the rule, and it is rare to find a reference that clearly explains the contribution that re-enforced links between agriculture and the rest of the economy can make to the main rural development plan objectives. The extent to which links to rural

development policy seems to be related to, and reflected in, the distribution of RDP funds across the four Axes is far from clear, with much diversity between areas.

With regard to *rural development programme measures* explicitly or implicitly support the link between agriculture and the wider economy, the main findings are that:-

Several rural development measures support the enhancement of links between agriculture and the wider rural economy, although the number ranges from 12 in *Gers* to 19 in *Trikala*, *Somogy* and *Matera*. *Gwynedd* appears to be an exception, although several measures are identified that could support the links. Most of the measures that support the link are in Axis 1 although this role is mostly filled in *Kalmar Ian* and *Somogy* by Axis 3 measures and Axis 3 and Leader include a number of measures designed to support the links.

Measures most likely to support the enhancement of these links include: vocational training (111), the modernisation of agricultural holdings (121), adding value to agricultural and forestry products (123), infrastructure related to agriculture and forestry (125), agri-environmental payments (214) and almost all measures of Axes 3 and 4. The identification of Axis 1 as the most 'popular' tool for enhancing the links is not always reflected in financial expenditure - in three of the areas covered, most RDP funds are directed towards Axis 2. However, this can also be attributed to the larger number of measures in Axis 1 compared to those on Axes 2, 3 and 4.

In terms of the *consistency between the strategic framework (NSP), the RDP, and the choice of RDP measures*, the following points can be made:-

In *Matera*, there appears to be a high level of consistency regarding linkages, with a coherent strategic framework and specific and rather targeted policy objectives in place. In *Gers* there is also a high degree of consistency in the extent to which the need to enhance the links between agriculture and the wider rural economy is recognised in the NSP, RDP and relevant measures. In *Trikala*, texts concerning the links between agriculture and the wider rural economy are consistent between the NSP and the RDP, but the consistency with measures is much weaker.

In *Kalmar Ian*, the three documents associated with rural development policy are consistent in promoting sustainable development but poorly related to the need to enhance the links between agriculture and the wider rural economy. A similar inconsistency exists in *Gwynedd*. In both the NSP and RDP, the enhancement of links is promoted through Axes 2, 3 and 4 but the majority of measures to this end are specific to Axis 1. As far as *Somogy* is concerned, there seems to be an inconsistency between the NSP, on one hand (which favours on-farm diversification) and the RDP and measures which puts much more emphasis on Axis 3.

In terms of the *complementarity between the three rural development programme documents and other EU or nationally-funded programmes*, in terms of links, the need to promote synergies appears to have been taken into account in other EU or nationally-funded programmes in limited cases:-

In *Matera* there appears to be a very satisfactory level of complementarity between the work of the RDP and activities supported by other Structural Funds (mainly ERDF, ESFO). In *Gers*, three EU and nationally-funded programmes include references to the need to

enhance the links between farming and the wider rural economy. In *Trikala*, the enhancement of links between agriculture and the wider rural economy appears to be of little or no concern to policy makers with only vague and marginal references in Operational Programme.

In *Kalmar lan*, only two references are identified with respect to Local Development Programmes, these being in relation to commercial services and entrepreneurship. In *Gwynedd*, there seems to be a complementarity between RDP action to enhance the links between agriculture and the wider rural economy and other programmes, although there may also be some overlaps. In the case of *Somogy* there are few references to links between agriculture and the wider rural economy in other development programmes, apart from programmes addressing linkages between tourism and the rest of the economy, and infrastructure priorities.

In terms of *the effects of the distribution of responsibilities between institutions regarding the promotion of greater interaction and synergy* between agricultural and non-agricultural businesses in the rural economy, the following issues are examined:

- the *responsibilities of different authorities* engaged in CAP Pillar 1 and 2 support, rural enterprise support, agricultural extension/farm advisory services, and other local development initiatives;
- the *existence of conflicts of interest* between institutions (local, regional, national) and the presence, or not, of administrative arrangements aimed at overcoming any such conflicts;
- any *taxation incentives or disincentives* to the promotion of agricultural diversification;
- any *other administrative or institutional constraints* that (potentially) hinder the enhancement of links between agriculture and the wider rural economy.

The main findings in these respects are as follows:-

The institutional map of *Matera* seems particularly effective and well-coordinated, based on simple, clearly-defined, and decentralized responsibilities. In France, Pillar 1 and 2 policies are designed, implemented and monitored first at the national level (Ministry of Agriculture and Fisheries) and second, at the regional level. In the case of *Gers*, the Midi-Pyrenees Regional Council promotes development action in ways that emphasize the need to enhance links. In *Trikala* the rural policy institutional arrangements involve numerous administrative bodies with a national payments agency specific to EAFRD funds. The design of Pillar 2 programmes is the responsibility of the Ministry of Rural Development and Food, while the implementation of programmes and projects is shared.

In *Kalmar lan* the rural policy institutional arrangements appear complex with institutions responsible for the implementation of the CAP at both the national (Board of Agriculture) and regional (County Administrative Board) levels, with the latter also responsible for rural enterprise support. County Councils are also active in both the programming and operational levels. The institutional framework in *Gwynedd* seems simple, effective and well-coordinated. The Welsh Assembly Government is responsible for Pillar 1 and 2 and also for rural enterprise support and farm extension. The management of different types of specific projects is devolved in appropriate ways to

local authorities, statutory bodies and NGOs, reflecting their respective interests and responsibilities.

As regards *Somogy*, the Ministry of Agriculture and Rural Development is the implementing body for Pillar 1 and 2, with one payments agency (MVH) for both CAP Pillars. Several institutions are responsible for agricultural extension and farm advisory systems, and LAGs and local RD agencies are active in local initiatives mostly specific to Axis 4. Concerns are expressed about the effectiveness of this system, particularly regarding the centralised management of projects and delays in project evaluation and payments.

The overall conclusion regarding institutional arrangements is that there appear to be major differences in the clarity, simplicity and, eventually, appropriateness of institutional arrangements in place to support and promote rural development and, that, in terms of potential conflicts of interest between institutions (local, regional, national), such overlaps are evident in *Trikala*, *Kalmar Ian* and *Somogy*. Even if administrative arrangements are in place to reconcile interests, these are likely to be complex and inefficient.

In this context, the most common complaints concerning administrative or institutional constraints to the enhancement of links between agriculture and the wider rural economy relate to delays in programme implementation (*Matera*, *Trikala*), delays in financing and bureaucracy (*Trikala*), delays in project approval (*Trikala*, *Kalmar Ian*), a shortage of personnel in relevant institutions (*Gwynedd*) and an inappropriate targeting of actions in the case of diversification measures (*Somogy*). A distinguishing feature of *Gers* appears to be the existence of a contractual commitment between central and regional governments on the financing of rural development projects.

## 4 Case study experiences

The case studies seek to identify the extent to which these policies and institutional arrangements are, or are not, resulting in *successful and appropriate projects* being launched on the ground, with particular attention given to identifying 'what works' and 'what does not work'.

In terms of 'what works and what does not', there is an inevitable tendency to address rural development from a top-down perspective given that the framework of European policy objectives, guidelines, funding arrangements that is in place seeks to (a) provide a degree of coherence and consistency in terms of the type and scale of financial support available and (b) encourage types of developments and activities that are considered to be most likely to improve economic performance and social welfare and equality in rural areas.

Problems can arise, however, in so far as this framework is based on misconceptions of what determines success in practice, or if the systems in place in the Member States at various levels, fail to measure up to what is required, and thwart or distort the efforts of actors to achieve results on the ground.

Hence this analysis also focuses on identifying such factors as:

- the key *development drivers* within local economies and communities;
- the *relative importance of different economic, social and other factors* that can influence outcomes;
- changes needed in order for rural development policy and institutional arrangements to become *more coherent and supportive* of successful outcomes.

All of the following projects have benefited from public funding support, and all are considered to have been successful by their promoters (for more details see specific case study boxes). The first section considers those aspects of the case studies that are most significant in terms of positive results ('what works') - while the second section addresses difficulties encountered / obstacles that had to be overcome.

### 4.1 Positive aspects

The case studies all address similar issues: their overall purpose; the initiators; the main beneficiaries; the degree of policy coherence; sources of funding; the main results; the problems involved, are as set out in detail in files in Annex.

For presentational purposes in this section, the case studies are grouped and presented under four broad descriptive headings: food processing; specialist foods, branding and marketing; tourism; energy and the environment.

#### 4.1.1 Food processing

- *Vysocina, Czech Republic - Eco-slaughterhouse*

The project involved building a modern bio-slaughter-house on a local farm to meet demand for bio-meat and bio-meat products and to comply with concerns about animal welfare. As such it is the first in the region and is coherent with strategic aims of the national rural

development policy. Backward linkages include buying local pigs and beef-cattle and forward linkages concentrate mainly on sales to supermarkets in big cities and local shops and restaurants in the region.

*Positive outcome:* growing sales are meeting the owner's business expectations.

- *Gers, France, Food processing*

The project contributes to the improvement of the local food supply chain. It supports farmers to take more control over the process - from the production of grain to feed their dairy cattle, to the sale of the finished dairy products to local consumers. Its main goal is production of fine homemade cheese and thus satisfying the area market's demand for "buying/eating local" a unique product. Forward links have been established with the local food industry and trade; the farm sells their products to the local markets and few supermarket chains. Furthermore, the project aims at keeping the value-added at the farm by avoiding selling the milk to the cooperative or industrial milk company.

*Positive outcome:* Positive response from consumers and other local actors. Other positive outcomes have been the creation of new products, the increase of farm incomes, the contribution on changing local consumers' habits and inspiring other farmers

- *Rottal-Inn, Germany, high quality milk production*

The project involves establishing a dairy unit to produce and sell high quality milk. In addition the project aims also at increasing milk consumptions especially among students and some vending machines have been installed in local schools. The project contributes to establish links with other local actors, such as restaurant and local shops. It is connected to the local and regional development strategy which aims at supporting agricultural production and processing in the region by promoting further income possibilities for farmers. The project is supported by the 2007-2013 RDP for Bavaria.

*Positive outcome:* Positive response from consumers and other local actors. The project has just been implemented and the beneficiary expects to have further positive developments, such as an increase on the volume of sales, in the near future.

- *Trikala, Greece, Meat processing*

This project involved the establishment of a modern processing and packaging plant for sausages made of local pork meat, with the aim of linking local agricultural production with further processing, in line with the area's strategic objectives and the Leader+ programme of the local LAG.

*Positive outcome:* Most of the production goes into the local economy (retail shops and wholesalers, including organic private labels) with continuously rising sales.

- *Trikala, Greece, Wine making*

The project involved the establishment of a modern wine-making unit using local grapes and was started by an investor involved in a family vine farm. The project is coherent with strategic aims of the region and local rural development policy, using local agricultural production to increase links to processing.

*Positive outcome:* The project has created five full-time and seven seasonal jobs with increasing sales, despite the recession.

- *Kalmar, Sweden, Dairy plant*

The project involves establishing a local dairy processing unit to offer farmers better prices for milk and related branded products. The project is connected to strategies both on local and regional level aimed at providing a more diversified working life in rural areas. The project was supported by the University of Kalmar which helped to develop and design work-packages, and by main trade chains Coop and ICA who buy the products. Both the local and regional business advisory centres supported the project.

*Positive outcome:* The company now employs 20 people, processing milk from five different local farms, and producing 20 different local products.

- *Scotland, United Kingdom, Island Rural Centre*

The Tiree Rural Centre is a community-led initiative on an island off the west coast of Scotland, partly designated for nature conservation, with a population of under 800. A major objective was to create a multi-functional centre through which local producers can market their livestock. It has proved successful with five agricultural sales a year. The Tiree Rural Development Company, which promoted the project, also runs various spin-off tourist activities.

*Positive outcome:* The centre is self-sustaining through income from the mart, offices, meeting spaces and tearoom.

#### 4.1.2 Specialist foods, branding and marketing

- *Waldviertel, Austria, Sales and marketing of potatoes*

The project was intended to position the region with the agricultural leading product 'organic potato'. Its main objectives were establishing links between the agricultural sector, the local food industry, trade and the gastronomy and lodging sector, and to develop a marketing concept as a potato growing region including all of the above sectors.

*Positive outcome:* Introducing new products, widening the scope of product market (internet sales, sales to large customers, farm-gate sales, new product development, cookbook, holiday guide, etc.), creating new jobs, protecting environment

- *Gers, France, 'House of garlic' ('Maison d'ail')*

The project is an example of how farmers have taken control over the whole production chain — from the production of garlic on the farm to the direct sales to consumers. The owners decided to create the House of Garlic, a museum land devoted to all aspects of garlic. The main sectors involved are agricultural production (garlic), food processing, trade and tourism. The goal in launching this tourist facility was to attract customers to purchase garlic and other local products (foie gras, confit, duck with prunes, etc), thereby avoiding selling them through other market channels. Backward links relate to the purchase of ducks from neighbouring farms which are transformed into food products to be commercialised.

*Positive outcome:* The implementation of this project allowed the owner to create one of the most famous agro-tourism destination in Gers, increasing at the same time the value of the products and the farm income.

- *Hohenlohe, Germany, Producing and marketing bread*

The project is designed to process and market bakery products made of own grown organic ancient crops (emmer and einkorn wheat). This includes investment in the on-farm bakery and a café/restaurant. Since the project is realized stepwise, the actual investment concerns the purchasing of a unit for crop treatment and the enlarging of the restaurant facilities. The project also serves as a good example of combining primary production, processing and marketing (forward-linkage).

*Positive outcome:* The services offered and the quality of the products have been appreciated by the local consumers and the linkages with neighbour farms have been intensified.

- *Somogy, Hungary, Specialist sheep breeding*

This project, managed by an academic/part-time farmer, applies his established skills and environmentally-friendly techniques to the breeding and sale of specialised species of animals, notably sheep. The project contributes to the protection of the local natural heritage by breeding species that are in rapid decline, while achieving commercial success.

*Positive outcome:* The farm brings new ideas into the area even though there is some scepticism among other farmers about specific aspects of his methods i.e. not providing stabling for sheep in cold weather, and the risk of free-ranging animals being stolen.

- *Matera, Italy, Trade-marking local lamb*

The project has involved the establishment of a local micro-manufacturing base bringing together 20 farmers in order to support the production and sales of a certified trade-marked quality product of lamb in an area where traditional production is no longer commercially viable. Support for the creation and registration of the trademark brand 'Lamb Dolomiti Lucana' has come from all members of the LAG, all 16 communes in the Basilicata region, plus associations, trade unions and NGOs.

*Positive outcome:* 70% of the new farmers are young in an area that is losing population.

- *Kalmar, Sweden, Promoting local food*

The project is based around major regional and national fairs, whose purpose is to increase sales from local, artisanal, food producers, by promoting the origin, identity and tradition of their products, and to encourage the creation of new businesses. Some 60 producers from the region participated in the 2009 national fair in Stockholm, which attracted 100,000 visitors. Backward linkages to primary agricultural production are strong, as are forward linkages to tourism and hotels and catering.

*Positive outcome:* This joint venture brings together the Rural Economy and Agriculture Society, the Cooperative Development Agencies and the Farmers Union of the five counties

### 4.1.3 Tourism

- *Gers, France, agricultural production and agri-tourism ('Ferme du Mounet')*

The project promotes a model of integrated agricultural production combined with agri-tourism. The owners decided to diversify their agricultural production (mainly cereals) by adding ducks and geese. Duck breeding, food product processing and tourism are the main agricultural sub-sectors involved. The other local sector involved is tourism. The project has no forward links with the local food industry and trade sector as all the products are sold directly on-site. The Ferme du Mounet is part of the "Bienvenue à la Ferme" ("Welcome to

the Farm") network. This tourism initiative encourages tourists to visit the department, stopping at farms which welcome tourists with an "open door" policy

*Positive outcome:* The quality agricultural model promoted and realised by this farm is self-sustaining and economically viable. In addition it promotes high quality agricultural products and contributes to attract tourists.

- *Trikala, Greece, Traditional hotel in Kalabaka*

This project involved the establishment of a small hotel near a well-known tourist area given the declining income from agriculture. The project is in line with the objective of the Regional Development framework especially with regard to tourism.

*Positive outcome:* Despite the impact of the economic downturn, the owner is happy with the occupancy rates, attracting clients from the major urban centres.

- *Trikala, Greece, Traditional hotel in Aspropotamos*

The project established a traditional small hotel near the well known and tourist area of Aspropotamos. Everything that is served in the hotel comes either from the owner's own production or exclusively from local farms. The project is linked to local agriculture rather indirectly, through the food processing and trade sectors of the local economy. The hotel's traditional restaurant uses local farm products and there is a small shop which sells local food products to customers.

*Positive outcome:* The hotel offers high quality services and which does not only refer to accommodation but also includes specific services and activities for gastronomy tourists and nature lovers. The economic results have been very positive and the unit gross revenue has been raising since the project started.

- *Somogy, Hungary, Eco-fishing*

The project aims to set up an eco-tourism and fishing tourism facility near a commercial fishing lake. The recreational centre also aims to enhance the knowledge of tourists about the local natural environment in an area that already has existing attractions including a local 'strudel baking' festival. The project is fully in line with the LAG local development strategy.

*Positive outcome:* The project is due to get off-the-ground this spring, 2010, after initial delays.

- *Kalmar, Sweden, Bird-watching*

This modestly funded project involves some 200 farms in Sweden, of which 7 are in Kalmar. It involves providing advice to farms on ways of protecting birdlife in order to improve the environment and encourage tourism through organized trips for bird-watchers, based on a successful UK model.

*Positive outcome:* The project has been successful in attracting interest and support from farmers, and advisory services are now being developed in order to encourage partnerships.

- *Kalmar, Sweden, Cultural tourism*

The purpose of the project is to create an annual opera festival, using the tourist potential of Öland, and to organise in the future a cultural week, involving not only the opera, but also theatre and dance. The culture week aims at developing new

products within culture tourism and at improving the links with other local sectors, such as food processing. The project is coherent with the national, regional and local strategies aiming at developing new business and job opportunities in rural areas.

*Positive outcome:* The project received a strong support from private and public stakeholders in the region. It has been successfully in contributing to create a strong partnership a local level for the organisations of the future festivals and for the development of the links with other sectors.

#### 4.1.4 Energy and environment

- *Vysocina, Czech Republic – Biogas in Desov*

The project has involved building a modern bio-gas station to transform agricultural materials into biogas and electrical and thermal energy. The owner of the farm decided to diversify his economic activities and income in line with the strategic aims of the rural development policy at the national level in an area where maize growing and pigs breeding are the main agricultural sub-sectors.

*Positive outcome:* The project is seen as an inspiration to other local farmers who are said to have been slow to see the benefits of diversification.

- *Vysocina, Czech Republic – Biogas in Humpolec*

The project has involved the establishment of a modern composting facility to dispose of biodegradable municipal waste. The project is coherent with strategic aims of the region and also meets Czech and EU legislative requirements. The farm is focused on ecological agriculture and agri-business education, and other local sectors involved include transport, services (ad hoc maintenance) and trade.

*Positive outcome:* The project meets the ecological aspirations of the municipality, while diversifying agricultural activities towards non-agricultural ones.

- *Gers, France, Agro-forestry*

The project's goal was to reintroduce tree and hedge rows in the 'middle' of agricultural fields. By optimising the benefits from the biological interactions created when trees and/or shrubs are deliberately combined with crops and/or livestock, the NGO "Arbre & Paysage 32" assisted farmers in developing agro-forestry in the Gers agricultural production model. An agro-forestry plot allows a real financial gain per hectare that in turn affects grain yields and livestock. Trees and hedges are no longer seen as merely part of the landscape but as a local resource.

*Positive outcome:* Increasing productivity and incomes of agro-forestry sector, preserving nature and biodiversity, providing alternative energy source (wood) for local commune; enhancing collaboration between farmers, cooperatives and entrepreneurs

- *Somogy, Hungary, Bio-gas*

The project involves building a large biogas plant based on solid and liquid manure sourced locally. In a second phase, a bio-ethanol plant will be added. The project promoter owners were searching new opportunities to complement income from livestock farming. The project is in line with the national aspiration of making better use of agricultural products in bio-energy production, reflected in the commitment to buy bio-energy output at a fixed price.

*Positive outcome:* The plant is due to begin operations in April 2010.

- *Kalmar, Sweden, Renewable Energy*

The purpose of this modestly-funded project is to encourage farmers to become more energy efficient and to produce renewable energy (from biogas, small scale hydro, wind turbine) on their farms. There is considerable interest from the Farmers Union, who see new businesses opportunities for farmers, and the project is coherent with national and regional RD strategies.

*Positive outcome:* Five business development groups have started up, four new businesses have been started and some 20 exhibitions and seminars were successfully organized, reflecting the interest being shown by farmers and other businesses.

## 4.2 Difficulties encountered

The above case studies cover a variety of activities, in very different economic and social situations, but they have one thing in common – they all appear to have been launched or supported by local farmers, working on their own, or together, and they are all judged to have been successful.

However, their establishment has not been without difficulties, and the following section sets out some of the problems they have faced. Some of these problems are clearly related to specific national situations, but they should also be read as typical of the types of difficulties initiators may face in any Member State when seeking to do what they are so often encouraged to do – namely diversify their activities and sources of income into ways that remain related to agriculture while strengthening the local rural economies.

### 4.2.1 Food processing

- *Vysocina, Czech Republic, Eco slaughterhouse*

The farmer has had an idea to build a slaughter-house since the end of the nineties when he received the building licence. However due to many legislative changes the project had to be changed several times and the cost of investments increased significantly. Finally, the farmer hired the special agency to prepare an investment proposal.

- *Gers, France, Food processing*

The investment in the cheese factory unit was quite high, requiring farmers to increase their production to realise a return on this investment. Besides the challenge of finding new marketing channels, the biggest problem the farmers are facing is the low price of milk. In addition, in order to keep the quality label, the farmer cannot process milk coming from other farms, precluding the possibility of cooperation with other farms of the region.

- *Rottal-Inn, Germany, high quality milk production*

There were two types of problems: institutional and those related to regulatory framework. As milk processing in Germany is only allowed for dairies, the investor had to apply for a permit to establish an on-farm dairy and thereby observe all regulations of the German Food Law. Problems occurred because local personnel of the agricultural and regional administrations did not have a detailed knowledge of the regulations.

- *Trikala, Greece, Meat processing*

One of the most difficult parts of the process was seen to be in obtaining the necessary permits from various civil service departments, including from the Archaeological Commission and the Forestry Service. In this context, the LEADER capital subsidization process was also considered to be highly bureaucratic.

- *Trikala, Greece, wine making*

In the first phase of the project, cooperation with the local authorities (who issue licences) and the local LAG was satisfactory, although the public electricity service was slow to provide services. In the second stage the owner faced cash flow problems due to delays by the regional administration in inspecting the site, and still awaits a final payment.

- *Kalmar, Sweden, Dairy Plant*

The main problem was related to funding, due to the difficulties in obtaining loans on the open market for establishing new business activities in rural areas.

- *Scotland, Island Rural Centre*

The biggest problems concerned funding, and the challenge of convincing the government of the importance of addressing the connections between the economy and environment of the island.

#### 4.2.2 Specialist foods, branding and marketing

- *Waldviertel, Austria, Sales and marketing of potatoes*

Problems occurring were related to people (intensive discussions were necessary to motivate them), institutions (difficulties in convincing institution of the importance of the project for the region's development) and funding (unstable in long-term perspective, too low membership, municipalities withdrawing from the project).

- *Gers, France, 'House of garlic' ('Maison d'ail')*

The main challenge in launching the Maison de l'ail was diversifying into a new sector as tourism without prior experience, and then learning the rules of the tourism industry. Another problem has been the strain on the personal lifestyles of the farmers in accepting a constant stream of tourists to their property – the owners never close their shop during the year, and are always available when customers arrive on the farm.

- *Hohenlohe, Germany, Producing and marketing bread*

The main problem was institutional. Since the project was funded by two different funds, two administrations were responsible, and they did not always agree on how the project should be implemented.

- *Somogy, Hungary, Specialist sheep breeding*

The number of checks and controls by various authorities are seen as extensive and disproportionate. Furthermore, a number of pieces of national legislations limit the local sale of produce, and others make it difficult to produce and sell game meat. Unfortunately, funding applications can only be submitted every fifth year. Furthermore, opportunities to

apply for funding under Axis 3 are limited because these are conditional on the beneficiary having less than 50% of their revenue from agricultural production.

- *Matera, Italy, Trademark lamb*

The first challenge was to address the scepticism of individualistic farmers and organisations with deep rooted ideas, and poor attitudes towards co-operation, and transform individual interests into common interests. Other difficulties related to the territorial jurisdiction of the local LAG which was resolved thanks to the intervention of the Basilicata region partner, who reached an agreement with other LAGs.

- *Kalmar, Sweden, Promoting local food*

The problems were mostly related to getting the regional funding in place, since the target group of businesses (mainly micro enterprises) did not have their own financial means to participate in the event in Stockholm. It is felt that a more sustainable source of financing has to be found, especially in order to continue follow-up activities.

#### 4.2.3 Tourism

- *Gers, France, agricultural production and agri-tourism ('Ferme du Mounet')*

The Ferme du Mounet has not faced major problems. However, the owners think that the process for EU funding should be simpler and the grants easier to obtain. Publicity should be developed around the EU funding programme to ensure a wider use of it.

- *Trikala, Greece, Traditional hotel in Kalabaka*

The most difficult part of the process concerned obtaining permits from various civil services including the archaeological commission and the forestry service, with the permit granting process taking three years. Support from local institutions and the municipality was low and many banks refused to advance loans even though the project had been selected for support.

- *Trikala, Greece, Traditional hotel in Aspropotamos*

The main difficulties were related to the complicated bureaucratic procedures to be respected in order to obtain permits, the lack of a clear development strategy from the local institutions, very high construction costs and scarce availability of local products.

- *Somogy, Hungary, Eco-fishing*

Approval of the project was delayed by almost a year and will only now start in the spring of 2010. The management of rural development programmes in Hungary is highly centralised in which LAGs have little to say, which creates disillusion among local people initially involved in local development. It is also said that guidance documents are extremely lengthy and applications are difficult to complete without costly professional help.

- *Kalmar, Sweden, Bird-watching*

The biggest problem has been to progressively bring together two very different groups of people - farmers and bird watchers – in order to demonstrate ways in which their two interests overlap so that they can build a sustainable relationship over the years to come.

- *Kalmar, Sweden, Cultural tourism*

No specific problems were encountered.

#### 4.2.4 Energy and environment

- *Vysocina, Czech Republic, Biogas in Desov*

The main problem was related to funding from Rural Development Programme. The approved subsidy was paid when the biogas station had been finished. Therefore the owner had to finance the total amount of the investment from his own financial sources. The private agency was hired to prepare investment proposal to be in compliance with legislative requirements concerning ecological agriculture

- *Vysocina, Czech Republic, Biogas in Humpolec*

The biggest problem faced by the project promoter was to deal with protests from people living near the planned site, who were afraid of environment pollution. However, the local mayor organised a seminar which successfully convinced the potentially affected inhabitants that there was nothing to fear and that it was a sound ecological conception.

- *Gers, France, Agro-forestry*

While the interest for developing new agricultural practices based on agro-forestry was high, it was difficult for local farmers to completely change their agricultural production model. The NGO involved has been working hard to raise awareness about the benefits of this model.

- *Somogy, Hungary, Bio-gas*

Difficulties with this project were related to both licensing and finance. A large number of licences have to be obtained before a bio-gas plant can go into operation, and it is a rather time-consuming process. The project started before the economic crisis but, due to the crisis, loans to finance part of the project have become more expensive.

- *Kalmar, Sweden, Renewable energy*

The main challenge, rather than problem, in the project has been the difficulty in raising interest among farmers concerning the efficient use of energy in farms. This has been partly overcome, however, through the organisation of practical exhibitions.

### 4.3 Overview of case study evidence

In terms of positive aspects ('what works') and difficulties encountered, the evidence from the case studies provides some general and specific insights. A fundamental factor appears to be that, in practice, *local people are the basic drivers of change*. This is probably true in almost any economic area, but it would appear to be particularly important in rural economies given that the social and economic relationships are generally stronger/closer, and the economic options more limited or constrained, than they are in urbanised areas.

Local people can act to affect their environment in different ways. In some cases, project and policy initiatives and change depend primarily on *individuals*, whether these are farm or other business owners, as in the case study on *Eco-fishing tourism in Somogy*, Hungary where the initiative to diversify came from the owner of a local fish farm. Likewise, the case study concerning the establishment of a small *Hotel in Trikala* illustrates how the basic aim of the land and property owner was simply to diversify from what was perceived as declining agriculture into expanding tourism.

In other cases, such initiatives come from *formal or informal groups*, generally representing collective interests, whether these are commercial or otherwise. In all cases, however, they are likely to be particularly aware of the potential impact of their actions on their local economy as well as on themselves. Just as important, if not more so in many cases, will be the possibility to draw on myriad social networks, formal and informal, that can inform and support their initiatives.

This complexity involved in mobilising support is illustrated in the case concerning the initiative *promoting local food in Kalmar, Sweden* which was sponsored by a consortium of a rural economy and agriculture society, co-operative development agencies, and the farmers union of five counties. The need to establish wide-ranging co-operation was likewise a key element in the establishment of a modern sausage meat *processing and packaging plant to serve pork producers in an area of Trikala, Greece*, just as it was in the development of a local *Lamb trademark in Matera*, bringing together local communes, farm and related as associations, trade unions and various NGOs.

In any such initiatives, local people can be supported or discouraged by *local institutional arrangements*, and those in *Somogy, Hungary*, are described in all the cases studies as posing difficulties, especially for small businesses.

Project initiators can also benefit, or not, from the presence of specialist agencies or institutions. Their importance is illustrated in the case study on the *Dairy processing plant in Kalmar* which received technical assistance from the regional Kalmar University as well as commercial assistance from the Coop and ICA food chains, but this was also the case in relation to the *energy and environmental initiatives described in Hungary, the Czech Republic and Sweden* where a mastery of the technical and legal requirements concerning both production and connection to electricity supply networks is essential.

The extent to which local people – individually or collectively – are able to successfully obtain support for their projects and achieve their goals will, however, ultimately depend on a range of underlying factors:

- The *entrepreneurial capacity of the local population*, which is a reflection of various factors – notably the business acumen of local business leaders and the level of education and training of the local population. However the extent to which public authorities, institutions and agencies provide relevant support is also important, not least when technical issues are involved, as is increasingly the case with many environmental and energy-related projects.
- The *social capacity of the region* to mobilise actors and agencies in common cause, not least to share the risks and benefits of initiatives whose impact is widespread. Such social forces can, on occasions, be onerous and conservative, working to slow or inhibit change, but they can also be very positive, enabling and encouraging groups to act in common. This can be particularly important in areas where agriculture is an important contributor to the local economy, not least in encouraging young farmers into the sector.
- The *natural advantages of the local economy* in terms of land quality, climate, attractions, the existence of *relevant infrastructure*, together with the overall *strength of the national economy* in terms of productivity, flexibility and financial strength, are all factors that affect the capacity of a rural economy to evolve and must necessarily

be taken into account in making assessments of potential. In particular, there is generally little point in seeking to diversify into tourism in an area which lacks basic attractions.

- The *ease with which financial support can be accessed* through regional development funds in terms of application, assessment, advice, scale of funding, speed of decision appears central and is the most common and important complaint made by those interviewed in the case studies. Applications will not always be successful, but it is clearly unacceptable for them not to be informed correct, or not to receive timely payments. In the case studies, this appears to be a particular problem in some 'new' Member States.
- The *appropriateness and efficiency of the national and regional policy framework* and the range of measures available is undoubtedly a significant factor in determining the overall balance of rural development support in a region, and this is not readily visible through a selection of case studies. However, what the case studies do illustrate is the apparent capacity of project initiators to seek out funds from various corners of whatever sources of funding are available, in order to put together a viable initiative.

There is no real hierarchy in terms of the importance of these factors, but they can be split in three groups:

- Factors that can be addressed by the European, national and local authorities in the short term, as in particularly the ease with which financial support can be accessed and the appropriateness of the range of measures and other support available.
- Factors that can be addressed in the medium term as the support of entrepreneurial capacity of local population; the opportunities to form various types of partnerships or collaboration, to cooperate and share risks/benefits and the appropriateness and efficiency of the national and regional policy framework.
- Factors that need to be accepted in the short / medium term as the natural advantages of the local economy, the existence of infrastructure, etc.

Overall, however, the national and regional programmes and case studies do suggest that local actors and initiators appear to base their actions, firstly, on what look to be good market-oriented possibilities of raising incomes etc. and, secondly, on where and how they are most likely to be able to draw down finance in pursuit of those goals. In this respect, it is interesting to note the different ways in which ostensibly similar projects were able to obtain financial support from different sources.

It should also be noted that the reviews of programmes and institutional arrangements raise concerns that tend to be reinforced by the evidence from the case studies. In particular, the case studies tend to highlight several types of problems, particularly concerning funding.

- *Onerous procedures for applying for funding* tend to discriminate against smaller projects in favour of larger companies for whom the administrative costs will be a much smaller fraction of total cost.
- *Delays in getting agreements* and arrangements where funds are only available very infrequently rather than throughout the programming period.
- *Disproportionate* checks and controls.

- *Delays in receiving payments* which particularly penalise smaller, financially weaker, organisations.
- *Delays in obtaining licenses or permits* in a variety of areas, but notably in relation to environmental issues, natural heritage concerns, and renewable energy.
- A general *problem in obtaining funding for investing in creating collective support for initiatives* that will bring benefits for all, but which require extensive consultation and marketing to get off the ground.

A more wide-ranging concern with regard to the overall effectiveness of public funding support that is not explicitly mentioned in the case studies, but which may be significant, is the extent to which regional or local government authorities effectively chose between alternative projects, not on the basis of the overall *economic or social benefits* that they are expected to generate, but on the extent to which they *conform to pre-determined policy objectives*.

## 5 Summary and conclusions

This report considers the effectiveness with which the 2007-2013 rural development programme is being implemented in terms of strengthening the linkages between agriculture and rural development, based on evidence from six NUTS3 case study regions; Matera (Italy), Gers (France), Trikala (Greece), Gwynedd (UK), Kalmar län (Sweden) and Somogy (Hungary) with case studies drawn from other countries, notably the Czech Republic.

The NSPs, RDPs and other funding related documents applicable in each region were reviewed with respect to:

- coherence between national, regional and local level policy goals;
- coherence between these various goals, the chosen policy axis, and eligible measures;
- complementarity between rural development policies and other funding programmes.

Overall, programmes at different levels in the Member States do refer to some extent to the importance of re-enforcing the links between agriculture and rural development in their presentations of policy. However, they are far from consistent in the ways they do so, and more detailed analysis reveals that:-

- Re-enforcing the linkages between agriculture and the wider rural economy is not significantly embedded in the majority of RDPs examined.
- Similar objectives are pursued under different axes regarding linkages between agriculture and other sectors. In some cases the same objective are pursued under different axes with different measures, and in others different objectives are pursued with similar measures. While this in itself is not necessarily a problem, it does not facilitate coherence of priorities and measures.
- There is little complementarity between the EAFRD interventions and activities undertaken with the support of other funding sources (both EU and national). This is a general observation, but of particular importance in relation to multifaceted actions such as those designed to enhance synergies between agriculture and other sectors.
- The structure and nature of institutional arrangements vary greatly between Member States. Some appear to ensure consistency and efficiency in planning and delivery but others (highly centralised systems and complex systems with limited co-ordination) do not.

This evidence is of concern from a policy perspective since it does not reveal any consistent pattern of: a) recognition of the importance of the actual and potential links between agriculture and the rest of the rural economy or; b) that such actual and potential linkages will be pursued effectively and consistently.

To deepen the analysis, a series of case studies of projects were carried out. Findings indicate:-

- A wide range of successful projects are being developed that create or promote linkages between agricultural activities and other areas of the local rural economy in a variety of ways, despite the apparent policy and institutional weaknesses.

- When a lack of policy coherence is combined with unhelpful institutional arrangements, the costs can be high in terms of the additional efforts that have to be made by project promoters, delays in obtaining agreements and payments, etc., and the results can, in consequence, be sub-optimal.
- In practice, it is local people who are the main drivers in building linkages in these rural economies, given that the social and economic relationships are generally both stronger and closer, and the economic options more limited or constrained, than they are in urbanised areas.
- Linkages between primary agriculture, food processing, tourism and trade (both on and off farm, large and small scale) predominate above other types of linkages.
- There are many positive examples of local people who are willing to work to improve their economic and social environment as individual farm owners or entrepreneurs, or through a wide range of formal and informal social and business networks that can inform and support their initiatives, and which can reflect their collective interests, whether these are commercial or otherwise.
- In all cases, it seems, such actors are particularly well aware of the potential impact of their actions on the local economy as well as on themselves, but will clearly be encouraged or discouraged in taking initiatives by the policy criteria or local institutional arrangements in place, as well as the extent to which specialist advice and support is available.

The following factors appear to be particularly important in determining whether linkages between agriculture and the wider rural economy can be achieved:-

- The opportunities and propensity to form partnerships/collaboration, to cooperate and share risks/benefits which can include formal partnerships between different institutions, partnerships between individuals or companies with similar interests and concerns, local or community action group partnerships.
- The entrepreneurial capacity of the local rural population, which depend on a number of factors, including the educational background and business experience in the area, but also including previous economic, social and political history, and the extent to which private or public initiatives, or joint ventures, are seen in a positive light.
- The natural advantages of the local rural economy, the extent of relevant infrastructure, notably transport, in the area, and the overall strength of the wider national and regional economy, all of which will determine to some considerable extent the long-run potential and options for a locality, as well as the speed with which it is likely to be able to progress towards its goals.
- The ease with which financial support can be accessed by promoters of projects, notably SMEs and micro-businesses, both through commercial banking services of various kinds, as well as the variety of national and European public funds that are available.
- The range and capacity of institutional support services (such as extension and advisory bodies; consultancy services etc) as well as educational and scientific bodies (universities and institutes).

- The appropriateness of the range of measures and other support available.

Specific obstacles to progress, especially for smaller firms, include:

- onerous procedures for applying for funding and administrative/licensing obstacles;
- infrequent commitments rather than continuous funding possibilities;
- delays in getting agreements with respect to project proposals;
- delays in receiving payments for projects on which commitments have been made or which are already in progress;
- lack of transparency and openness of institutions/administrative support services in relation to applicants, especially those with limited previous experience.