

# N.07 Encouraging diversification of the rural economy

## Introduction:

One of the objectives of rural development policy, as laid out in the Community strategic guidelines for the programming period 2007-2013, is to improve the quality of life in rural areas and encourage diversification of the rural economy.

In this respect a significant part of the resources of the Rural Development Programmes (RDPs) are devoted to contribute to the overarching priority of the creation of employment opportunities in rural areas in non-agricultural activities and services.



## Identifying the needs

Rural areas face particular challenges as regards growth, jobs and sustainability. Europe's rural areas according to the OECD definition, which is based on population density, account for 92 % of EU territory. Furthermore, 19 % of the EU's population lives in predominantly rural areas and 37% in significantly rural regions. European rural areas are extremely diverse, ranging from remote rural areas suffering from de-population and decline, to peri-urban areas under increasing pressure from urban centres.

In rural areas, per capita income is around a third less compared to non rural areas, employment rates for women are lower and the service sector is less developed. Lack of opportunities, communication and training infrastructure are also a particular problem for remote rural areas and especially for women and young people.

At the same time, rural areas offer real opportunities in terms of their potential for growth in new sectors, the provision of rural amenities and tourism, their attractiveness as a place in which to live and work and their role as a reservoir of natural resources and highly valued landscapes. In this context, rural development policy offers a range of possibilities to support diversification which is necessary for growth, employment and sustainable development in rural areas, and thereby contributes to a better territorial balance, both in economic and social terms. The objective of diversification is also to maintain or increase the income of the farm households.

## The interventions at "a glance"

Rural development policy supports members of farm households who *diversify into non-agricultural activities*. There are different categories of non-agricultural activities that can be supported, for instance: service activities (such as bed and breakfast; education and social activities on farms); craft activities (such as pottery and production of local products), and; trade activities (such as the creation of stores attached to farms, where artisan products are sold directly to the customer).

*Support for business creation and development* is provided to existing micro-enterprises or to persons who plan to set up new micro-enterprises in non-agricultural businesses. This can help to promote entrepreneurship and develop the economic structure in rural areas, thus contributing to the creation of employment opportunities.

Tourism is a major growth sector in many rural areas, creates new employment opportunities and increases the overall attractiveness of the rural area. Rural development policy actively encourages

### Relevant RDP measures

- ❖ Measure 311 – Diversification into non-agricultural activities
- ❖ Measure 312 – Support for business creation and development
- ❖ Measure 313 – Encouragement of tourism activities
- ❖ Measure 331 (*Contributing indirectly*) – Training and information measure for economic actors operating in the fields covered by axis 3
- ❖ Axis 4 (*Contributing indirectly*) – Implementing local development strategies (Leader)

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tourism activities through supporting small-scale infrastructure such as: information centres and sign posting of tourist sites; recreational infrastructure offering access to natural areas; small capacity accommodation and; the development and/or marketing of tourism services relating to rural tourism.

However, the successful implementation of these measures also requires training in new and adapted skills for the economic actors in the rural areas. To this end, support is provided for *training and information for the economic actors operating in the fields*<sup>1</sup> covered by axis 3<sup>2</sup> of the rural development policy. The supported training activities include training in ICT skills, training and coaching of starters of a micro-business in a rural area, training young people in traditional rural skills to tap into demand for tourism, recreation, environmental services and quality products, management training for farmers diversifying into non-agricultural activities.

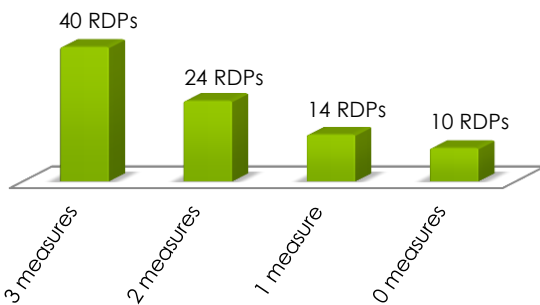
### The contribution of Leader to the diversification of the rural economy

The Leader axis (axis 4) also contributes to the diversification of rural economy. Leader projects support bottom-up rural development priorities, such as business competitiveness, environmental sustainability, economic diversification and quality of life. Local development strategies (part of the Leader approach) often aim at creating new jobs in non-agricultural activities.

### Target groups

The target groups of these interventions are members of farm households, micro enterprises as defined in the Commission Recommendation 2003/361/EC (i.e. less than 10 workers and less than €2 million of turnover), and the population in rural areas in general.

**Diversification supporting measures:  
Number of measures implemented in the  
88 RDPs**

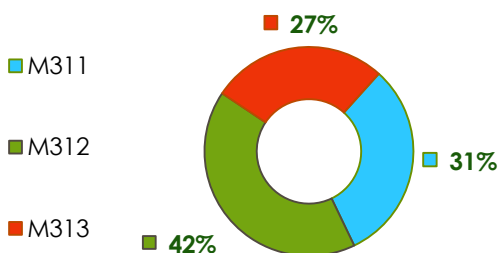


### Selection of measures in the Member States

According to their needs and priorities, as identified in their National Strategy Plans, the Member States have decided to implement combinations of the previously described measures to support the diversification of the rural economy.

As shown in the figure on the left, almost half of RDPs have applied all three directly contributing measures. 38 of the RDPs have activated one or two of these measures. 10 RDPs did not activate any of the aforementioned measures.

**Breakdown per measure of the  
programmed total public expenditure for  
2007-2013 supporting diversification  
(EU 27)**



### Financial support

Among the EU diversification of rural economy is supported by a budget<sup>3</sup> of €6.88 billion of which €4.61 billion is the contribution of the European Agricultural Fund for Rural Development (EAFRD). The accompanying figure provides a breakdown of the programmed total public expenditure for this objective per measure at EU 27 level.

This allocation accounts for 4% of the programmed total public expenditure for rural development of €154 billion for the period 2007-2013 at EU 27 level.

<sup>1</sup> On farm diversification to non-agricultural activities; support for micro-enterprises; rural tourism; basic services; village renewal; conservation and upgrading of the rural heritage (natural and cultural)

<sup>2</sup> Enhancing the quality of life in rural areas and promoting diversification of economic activities.

<sup>3</sup> Programmed total public expenditure for 2007-2013 for the three directly contributing measures.

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## Financial implementation progress

In terms of financial implementation up to 2011, the three directly contributing measures have been implemented in various degrees. By 2011, almost €1.7 billion or 25% of the programmed total public expenditure, - €6.88 billion, had been dispersed in the Member States supporting investments in the diversification of rural economy (including business creation and tourism development). On measure 311, 30% of its programmed total public expenditure has been used, while on measures 312 and 313, respectively 22% and 24% of their allocated budgets respectively has been dispersed.

## Physical outputs (2007 – 2009)

The progress achieved in supporting the diversification of rural economy can also be assessed by the outputs achieved up to 2009 with regard to member states where data are available. Across the EU, almost 5 000 beneficiaries were supported in their diversification into non-agricultural activities, and the total volume of investment (public and private) realised by 2009 was some €586 million. The most important investment areas include renewable energy production, tourism and other types of activities (such as childcare provision).

Through the 'business creation and development' measure some 3 680 micro-enterprises were supported across the EU, through a total public expenditure of €97 million. Among the applications, some 3 100 concerned micro-enterprise development, and some 2 000 micro-enterprise creation.

In each of the fields of development and marketing of rural tourism services, and recreational infrastructure (offering access to natural areas, small-capacity accommodation, etc.) some 1 600 new tourism activities were supported. Small scale infrastructure funding supported almost 700 new activities. The total volume of investment (public and private) realised by 2009 for the support for all these activities was €333 million.

### Child day-care on a dairy farm in a peri-urban locality of the Netherlands

(RDP measure 311)

EAFRD support was used by a family owned dairy farm in the Netherlands with the objectives: to find a practical solution to organise their own family life; to diversify the income base of the farm; to create employment in their area; and to improve the link between the urban and rural environments through developing their farm for children as a place to develop and grow.

The main activities of this project were to plan, finance, build and manage the establishment of day care facilities.

Professional advisory and development services were used to generate farm diversification ideas, and consultants were also contracted to assist with the application.

Today the service caters for pre-schoolers and up to 70 children in after-school care, providing employment for twenty-eight people.

The benefits of this project include: connecting the urban and rural environments; stimulating the interest of children in agriculture, nature and the environment and; diversifying the business and providing investment capital for the dairy enterprise.

The total cost of the investment was €974 000 of which €44 000 was the EAFRD contribution.



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### Manufacturing of briquettes in Latvia

(RDP measure 312)

The EAFRD supported a company in the firewood business with a long-standing clientele to diversify its business by creating a new manufacturing line for processing wood waste and introducing the production of briquettes.

The objective of this project was to diversify the source of income and expand the business by creating a line for the processing of wood waste and other organic materials.

The project activities included the procurement of equipment; preparation and renovation of the building site; setting aside financial reserves, forecasting price dynamics; selection, recruitment and training of staff; installation and checking of equipment; and preparation of the site for commissioning.

The diversification of the business had already a positive outcome with three more full-time and six additional part-time jobs being created today.

The total cost of the investment was €116 000 of which €38 000 was the EAFRD contribution.



Source of the data:

- Programmed expenditures 2007-2013: RDP budget allocation following Health Check revision (December 2011)
- Expenditures 2007-2011: DG AGRI
- Output indicators: monitoring tables submitted by Managing Authorities along with the 2008, 2009 and 2010 Annual Progress Reports. Data referring to programming years 2007 to 2009. Only commitments made from year 2007 onwards are considered.
- Output targets 2007-2013: DG AGRI
- Community strategic guidelines for rural development (programming period 2007 to 2013)  
[http://ec.europa.eu/agriculture/rurdev/leg/index\\_en.htm](http://ec.europa.eu/agriculture/rurdev/leg/index_en.htm)
- Common Monitoring and Evaluation Framework (CMEF) [http://ec.europa.eu/agriculture/rurdev/eval/index\\_en.htm](http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm)
- ENRD Projects Database [http://enrd.ec.europa.eu/projects/en/projects\\_home.ctm](http://enrd.ec.europa.eu/projects/en/projects_home.ctm)

### Eco-farm development in Hungary

(RDP measure 313)

This project funded the development of a farm which has been involved in organic farming since 1999 and operating as an open farm for professionals since 2004.

The farm has been a multi-use space hosting research projects, interested professionals, individuals and groups and programmes for local public schools. Due to the growing number of visitors, the farm needed modernisation.

Key activities included the construction of a new 50m<sup>2</sup> agricultural exhibition building; the construction of a new 60m<sup>2</sup> apiary made of traditional materials and techniques in order to teach students about beekeeping.

The project helped to diversify the farm's activities, created jobs for the whole family and helped to keeping young people in the local area.

The total cost of the investment was €145 000 of which some €67 000 was the EAFRD contribution.