

Rural Development in the European Union: Lessons for Pennsylvania



THE CENTER FOR

Rural Pennsylvania

A Legislative Agency of the Pennsylvania General Assembly



Rural Development in the European Union: Lessons for Pennsylvania

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The Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy within the Pennsylvania General Assembly. It was created in 1987 under Act 16, the Rural Revitalization Act, to promote and sustain the vitality of Pennsylvania's rural and small communities.

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Introduction

Why Look Abroad?

Rural areas in the European Union (EU) and Pennsylvania are facing many of the same challenges. These include slow growing and aging populations, trouble retaining educated youth, and job loss due to rural economies dominated by one or two industries.

Pennsylvania and the EU are both exploring methods to support rural economies outside of the traditional sectors while respecting the principles of their respective common markets and doing so with limited funding. Similarities between EU and Pennsylvania rural policies may increase due to reforms required by recent negotiations in the World Trade Organization and the accession of eight largely agrarian economies in central and eastern Europe that will significantly reduce agricultural subsidies in the EU, and subsequently the historical method of rural support.

To examine the similarities and differences in the challenges facing rural communities and policy makers in the EU and Pennsylvania, the Center for Rural Pennsylvania

analyzed the demographic and economic conditions in the EU and compared them to those in Pennsylvania. The Center also examined responses to these challenges, which may help Pennsylvania take a fresh look at governmental responses to common rural issues.

What is the European Union?

The European Union is an international entity formally created by the Maastricht Treaty in 1993. The EU consists of 15 original and 10 newer member states¹. Two nations, Romania and Bulgaria, will enter in 2007. Currently Turkey is the only candidate country.

The EU was the culmination of 50 years of economic and political integration on the continent. The economic base of the EU's powers are formed through three fundamental treaties that ceded member states' sovereignty to the European Community (EC), the European Atomic Energy Community (EURATOM), and the European Coal and Steel Community (ECSC).

Member States of the European Union

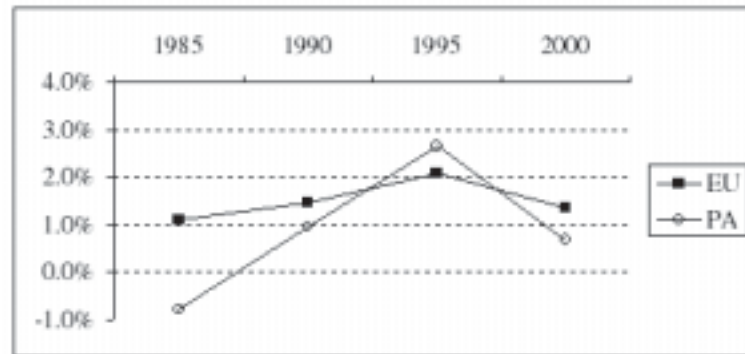


¹ As of February 2005, the 25 member states are Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Demographic and Economic Conditions in the European Union: A Comparison to Pennsylvania

The member states of the European Union share many similarities with Pennsylvania as rural areas in each face decreasing and aging populations, significant changes in the landscape of the countryside due to sprawl-like development, and the concentration of farmland into a decreasing number of farms. Although similarities exist between Pennsylvania and the EU, the problems facing rural communities are not uniform across these territories and between regions and even within regions.²

Change in Population in the EU and Pennsylvania



Sources: Eurostat and the U.S. Census Bureau

Demographics

The rate of population growth in the EU has been slow and is decreasing. Between 1985 and 2000 the population grew by 5 percent. Pennsylvania experienced a similar trend during the 1990s with a growth rate of 4.3 percent. Low fertility rates were part of the reason for this slow population growth. In 2000, the total fertility rate in the EU was 1.53 and in Pennsylvania was 1.82.

Population density increases as population grows and land area remains constant. In 2000, density in the EU exceeded 300 persons per square mile. Similarly, Pennsylvania's population density reached 274 persons per square mile the same year.

As populations in both the EU and Pennsylvania are living longer, the proportion of older citizens is increasing. In the EU, people age 65 and older account for more than 16 percent of the total population, while those under age 15 represent nearly 17 percent of the population. Pennsylvania's population structure is similar as those 65 and older account for nearly 16 percent of the population, and 19 percent are under age 15. Aging baby boomers will change the age structure of the populations in both the EU and Pennsylvania.

The population structure of the EU has changed with the accession of younger member states in the summer of 2004. However, data is not yet available for this expanded EU and it is expected that this rejuvenating effect will be short-lived as these new member states develop and begin to experience similar population trends as the pre-accession members.

² Data in this section represent the EU before the 2004 accession of 10 new member states. Those states share characteristics that differ from the other 15 and could therefore affect the statistics presented in this section.

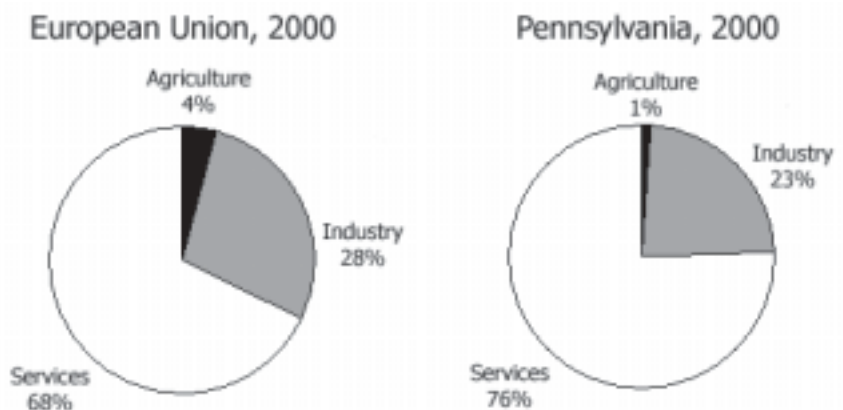
Economy

The structure of the workforce in the EU and Pennsylvania differ only slightly. In the EU, the service sector accounts for 68 percent of the workforce, industry accounts for 28 percent, and agriculture for 4 percent. In Pennsylvania, 76 percent work in services and 23 percent in industry, while agriculture makes up 1 percent of the total workforce.

Unemployment rates have been somewhat comparable in the EU and Pennsylvania in recent years, although the EU consistently has higher rates. Leading the EU's decrease in unemployment between 1996 and 2001 was growth in the information sector of the economy. Currently, computer use is required for more than half of the jobs in the EU.

The rural landscape in both Pennsylvania and the EU is dominated physically by agriculture. Farms and forested land account for more than 75 percent of the EU's land area and of Pennsylvania's. Even though agriculture represents a shrinking share of economic activity in rural areas, its interrelationship with the other sectors in rural areas plays a valuable role in rural development.

Employment by Sector



Sources: Eurostat and U.S. Census Bureau

Some agricultural issues that both places have in common are aging farmers, fewer farms and increasing farm size, and farmers working off-farm jobs. For example, about one in four farmers in both areas is at least 65 years old, and there is a growing trend for one or more farm family members to earn incomes off the farm.

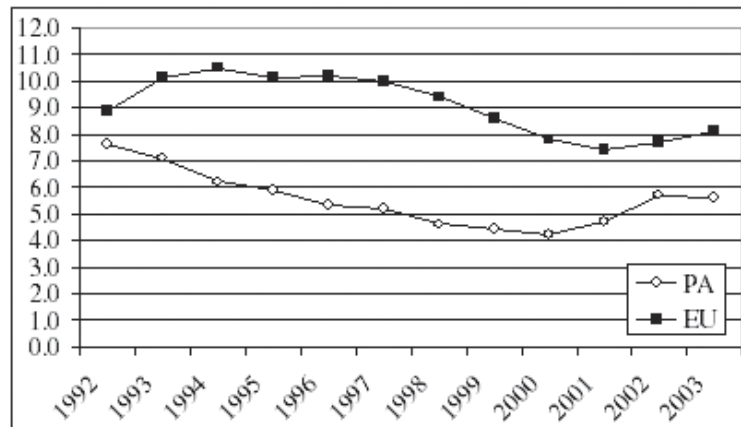
In the EU, 20 percent of the farms account for 80 percent of the production in the market. In both the EU and in Pennsylvania, the number of farms has been decreasing while the number of acres per farm has been increasing. In the EU, the number of farms decreased 20 percent between 1990 and 2000 while the total area of arable land changed very little over the same period (1.8 percent). In Pennsylvania, the number of farms has dropped almost 12 percent between 1987 and 1997 and the number of acres in farming dropped 9 percent over the same period.

Trends in the Rural European Union

The characteristics of the EU's rural areas are difficult to generalize. Even so, researchers studying rural areas in the EU have noted population and economic trends, many similar to those that are occurring in Pennsylvania. For example, much like parts of Pennsylvania, rural areas in the EU are more likely to be losing population than gaining population. The rural EU is experiencing out-migration driven by economic opportunities in rural and urban growth centers. Rural depopulation is most pronounced in locations isolated from economic centers. Young people are among the most likely to leave these rural areas and, once they depart, the remaining population becomes older and less economically vibrant.

The maintenance of rural populations is growing dependent on immigration from more urbanized areas. Rural communities experiencing population growth are usually those in commuting belts on the urban-rural interface. As urban populations move out of the cities, the influx of outside

Unemployment Rates in the EU and Pennsylvania 1992 – 2003



Sources: Eurostat and U.S. Census Bureau

populations into rural areas has led to great social and political changes in traditionally rural communities.

One benefit of growth in rural areas within the commuting zones of economic centers is the higher incomes relative to more isolated rural communities. In the EU, individual rural incomes outside the commuting belt are generally lower than those in more urbanized areas. Thus, the Gross Domestic Product (GDP) per capita in rural areas of various EU nations is between 8 percent and 30 percent of their respective member states' rate.

Economic growth in accessible rural areas is generally spurred through increases in service employment. The service sector is increasingly important in these areas, but its share of the rural economy differs between member states. Service jobs account for 42 percent of the workforce in Greece, nearly 65 percent in Germany, 72 percent in France, and 82 percent in Sweden. Public services, including

healthcare and tourism, have been some of the major growth areas.

Tourism is a major source of growth in some rural regions and in some areas has dominated employment increases. However in Austria, where the rural landscape is driving tourism growth, the resulting development and sprawl is threatening this important asset. Although the seasonality of the tourism industry remains a problem, in some rural areas tourism has raised the incomes of local populations to parity with urban populations.

Overall, rural regions in the EU have experienced a net increase in employment. Job growth in rural areas is due in part to decentralization of industry and the creation and expansion of small businesses. However, unemployment remains a problem for some rural areas. However, in some of the EU's more developed nations, like the United Kingdom, unemployment is lower in rural locations than in urban areas.

Average Farm Size in the United States, Pennsylvania and the EU, 2001

	United States	Pennsylvania	European Union
Average Farm Size in Acres	436	133	46

Sources: Eurostat and National Agricultural Statistics Service

The European Union and Rural Development

The European Community (EC) governs throughout the economic arena, where EU law is superior to a member state's laws, should the bodies of law ever conflict. This structure is similar to the principle of federalism in the United States³.

The authority to create policies affecting rural development is included within the powers of the EC treaty. The EU's focus on non-agricultural rural development began in 1992, when pressure to decrease agricultural subsidies grew due to World Trade Organization negotiations and the planned accession of eight eastern European nations whose populations are predominantly rural.

Subsidy reform was followed by the Cork Declaration of 1996 that set an overarching framework for rural development in the Union. (See Appendix 1 on page 19.)

The Cork Declaration focused on sustainable rural development; decentralization of policy administration; increases of partnerships between public, private and volunteer sectors; encouragement of bottom-up approaches to rural development; a greater emphasis on the diversification of rural economies; and a shift from subsidizing failing industries to strategic investment in new, more successful activities. As a result of Cork, two EC programs that provide rural development funding streams were reformed to promote the health of rural regions both on and off the farm. An explanation of these two programs follows.

Rural Development Funding Streams

Funding for EU rural development programs is supplied from revenue from the EU's general fund, which is generated from taxes on the sales of goods, from a percentage of member states' GNP, and from duties and tariffs. The two main avenues of rural development funding are the Common Agricultural Policy and Structural Funds.

Common Agricultural Policy

The Common Agricultural Policy (CAP) has evolved significantly in recent years due to internal and external pressures. Originally, the CAP was designed to ensure food security and fair prices for farmers and consumers. Since the 1997 reforms, known as Agenda 2000, the CAP has a two-pillar structure, the first of which is supplying agricultural subsidies. Under Agenda 2000, EU member states could reduce payments to larger farms and redirect the savings to rural development. In 2003, the CAP was further reformed to require reductions in payments for large farms with most of the savings going to rural development.

The second pillar, entitled Rural Development Regula-



tion (RDR), is concerned with the following non-production agricultural policies:

- land improvement;
- reparcelling;
- setting up farm relief and farm management services;
- marketing quality agricultural products;
- basic services for the rural economy and population;
- renovating and developing villages and protecting and conserving the rural heritage;
- diversifying agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes;
- agricultural water resources management;
- developing and improving infrastructure connected with the development of agriculture;
- encouraging tourist and craft activities;
- protecting the environment in connection with agriculture, forestry and landscape conservation, improving animal welfare, restoring agricultural production potential damaged by natural disasters, and introducing appropriate prevention instruments; and
- financial engineering.

Funding from the CAP is supplied to member states in block grants. Member states are responsible for fund distribution, which is to be carried out at the lowest level of government possible. CAP accomplishes this by providing a menu of policy options from which member states may choose; agri-environmental provisions are the only obligatory provision contained in the CAP.

Proposed annual budgets for CAP from 2000 through 2006 were between about 40 and 44 million Euros⁴, with RDR comprising about 10 percent each year. The 2003 CAP reform emphasized the EU's renewed commitment to rural

³ Open market principles operate under principles similar to the U.S.'s commerce clause. The provisions ensure the free flow of transportation, goods and people between member states. Conflicts in this body of law are decided first at the national level, but ultimately by the European Court of Justice, comparable to the U.S. Supreme Court in this sphere, and decisions are binding on the member states.

⁴ In April 2005, 1 Euro = \$1.31 U.S.

development, as introduced in Agenda 2000, by increasing the rural development budget substantially. Rural development funds have traditionally accounted for only 10 to 11 percent of the CAP budget but will be allowed to double through decreased agricultural subsidies and specific rural development funds granted by the EU or member states.

Structural Funds

The European Union's Structural Funds (SF) consist of the European Regional Development Fund, the European Social Fund, the European Agricultural Guidance and Guarantee Fund, and the Financial Instrument for Fisheries Guidance. Together, these funds are intended to help increase economic and social cohesion between member states, and constitute an important instrument for reducing regional imbalances and differences in economic development. SFs provide monies to member states for development in regions that are in need of economic and infrastructure improvements to be competitive in the common market.

For the period 2000 to 2006, the EU has allocated 195 billion Euros in Structural Funds, approximately one third of the total EU budget.

The types of programs available for a region are dictated by how its needs meet the following three EU objectives:

Objective 1 promotes the development and structural adjustment of regions whose development is lagging behind, such as those whose per capita GDP is less than 75 percent of the EU average. It also covers the most remote regions and the areas with low population density. Two-thirds of SF operations concentrate on Objective 1, and almost 20 percent of the EU's total population is affected by measures taken under this objective.

How the European Union Defines Rural

Defining rural in the EU is mainly left to the member states for their own policy purposes. These national definitions usually measure rurality by population density, agricultural patterns, or population change. Neither in Europe nor in the United States is there a universal or perfect definition of rural; however, there are two definitions that can be useful in describing rural and urban regions in the EU.

Eurostat, the Statistical Office for the European Communities, uses the following classifications for European regions:

- **Densely populated zones** – First, a group of contiguous municipalities must have a total population density exceeding 1,295 people per square mile (500 per square kilometer). Second, the total population of the contiguous municipalities must exceed 50,000 inhabitants.
- **Intermediate zones** – First, a group of municipalities, each of which has a population density of 259 persons per square mile (100 per square kilometer), cannot be a part of a densely populated zone. Second, the total population must be equal to or greater than 50,000 persons or the area must be adjacent to a densely populated zone.
- **Sparsely populated zones** – Groups of municipalities not classified as either densely populated or intermediate.

The Organization for Economic Cooperation and Development* (OECD) uses a combination of population density and settlement patterns to identify the rurality of a local community or larger region. At the local level, a community is considered rural when population density is below 389 persons per square mile (150 per square kilometer).

At the regional level, three different classifications are used:

- **Predominately rural regions** – More than 50 percent of the population lives in rural communities as defined above.
- **Significantly rural regions** – 15 to 50 percent of the population lives in rural communities.
- **Predominately urban regions** – Less than 15 percent of the population lives in rural communities.

How the Center for Rural Pennsylvania Defines Rural

The Center for Rural Pennsylvania defines rural areas based on their population density. A county or school district is rural when its population density is less than the statewide figure of 274 persons per square mile. Counties and school districts with 274 or more persons per square mile are considered urban.

A municipality is rural when its population density is less than 274 persons per square mile or the municipality's total population is less than 2,500 unless more than 50 percent of the population lives in an urbanized area, as defined by the U.S. Census Bureau. All other municipalities are considered urban.

* The OECD focuses on the development of more efficient governance and market economies. Members include most EU member states, the United States, and other developed nations, such as Canada, Australia, and Japan.

Objective 2 contributes to the economic and social conversion of regions in structural difficulties that are not eligible under Objective 1. It focuses on areas facing the need for economic diversification. Overall it covers:

- Areas undergoing economic change. These areas must have the following three conditions: an unemployment rate higher than the EC rate; industrial employment as an equal or greater share of total employment than the EC average; and industrial employment that has been falling constantly for several years.
- Declining rural areas. These areas must have the following two conditions: a population density of less than 259 people per square mile (100 per km² or sparsely settled) or agricultural employment as a share of total employment at least double the EC average; and an unemployment rate above the EC average or a decline in population since 1985.
- Depressed areas dependent on fisheries.
- Urban areas in difficulty.

Objective 2 covers no more than 18 percent of the EU's population.

Objective 3 gathers together all the measures for human resource development outside the regions eligible for Objective 1. Its goal is to modernize education and training policy and systems and to promote employment.

Member states distribute SF money at their discretion to qualified regions or localities within their territory. Structural Funds do not supply all of the funding necessary for these projects; the member state must supply matching funds. Member states receiving money from the SF are required to show that it is supplementing existing spending and not replacing it.

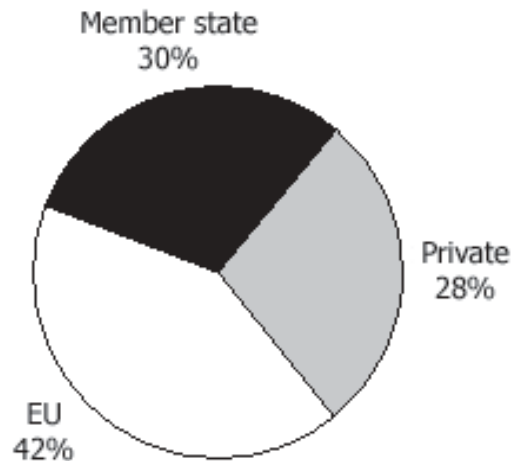
Major Rural Development Programs

Community Initiatives

Community Initiatives serve as an innovation laboratory for programs that, if successful, may be mainstreamed and institutionalized in one of the existing Structural Funds. The following three Community Initiatives operating for the 2000-2006 term account for 5 percent of the SF budget:

- INTERREG III is designed to encourage inter-regional and transnational cooperation. One program under this initiative is ROADEX, which involves the Highlands of Scotland, Finland and Norway and encourages the exchange of knowledge and working methods on winter maintenance and construction of roads.
- URBAN II is designed to promote the revitalization of urban areas within the EU. The goal is to create strategies for sustainable economic, social and environmental development in disadvantaged urban areas.
- EQUAL is designed to discover new, innovative methods of combating discrimination in EU labor markets.

LEADER Plus Funding Sources, 2000-2006



Source: European Commission

LEADER

LEADER⁵ started out as a Community Initiative in 1991. It has gone through two budgetary phases and is presently in its third phase as an independent program. Now called LEADER Plus, the program is designed to promote the bottom-up development of rural economies.

LEADER Plus is currently funded with more than \$6 million of EU funds and is supplemented with funds from member states, private companies, and individuals. Programs in Objective 1 regions may receive a maximum of 75 percent of their funding from the EU, whereas other areas are limited to half the cost.

The emphasis of LEADER Plus is to promote innovative and integrated territorial development strategies and provide support for cooperation between rural territories within and among member states. The program requires the formation of Local Action Groups (LAG) to bring together community stakeholders to design and implement integrated development programs. Then, projects are submitted to the LAG from the community and are approved if they further the priorities chosen.

The key aspects of the LEADER Plus program are: transnational cooperation between LAG; integrated financial management procedures; area-based and bottom-up approach to rural problems; and emphasis on innovation and integration in development techniques.

⁵ LEADER is an acronym for the French title meaning Links Between Actions for the Development of the Rural Economy.

Case Studies of Rural Development in the European Union

For a deeper exploration of rural development actions in the EU, the Center for Rural Pennsylvania also examined three case studies. Case study sites were selected based upon information availability and geographical representation.

Rural Proofing in the East Midlands, United Kingdom

The English countryside is a mixture of large metropolitan centers, small villages, and farmland. England, one of four countries that make up the United Kingdom, contains 49.3 million of the UK's 60.1 million people. Despite England's high population density of 979 people per square mile, 25 percent of the population lives in rural areas.

Agriculture is a minor player in the English economy, accounting for only 1 percent of the country's GDP, employing 4 percent of the rural workforce, yet using 70 percent of the land. Farmers have struggled in recent years with incomes dropping 60 percent since 1995.

Despite the decrease in the importance of agriculture, the population of England's rural communities continues to increase. Between 1971 and 1996, the population of rural areas grew by 24 percent, four times as much as England as a whole. The expanding population and changing agriculture practices in these rural communities has placed increased pressures on the habitat, biodiversity and water quality in these areas.

The East Midlands consists of a five county area in close proximity to London. The region is a mixture of coastlines, marshes and forests. Demographically, the East Midlands looks much like England as a whole. Its population of more than 4 million has a population density of 692 persons per square mile. Population densities of the five counties range from 225 to 896 persons per square mile. The region's rural population is growing, increasing 7.6 percent since 1981. Economically, agriculture makes up 1.3 percent of the workforce as compared to the 20 percent in manufacturing and 24 percent in distribution and hospitality industries.

The United Kingdom at a Glance



Geography:	
Capital	London
Climate	Mild and temperate
Area	93,000 sq. mi.
People:	
Population	60.1 million
Population Density	646 persons/sq. mi.
Annual Growth Rate	0.3 percent
Economy:	
GDP per Capita	\$25,300
Unemployment Rate	5.1 percent
Government Structure:	
	Constitutional Monarchy
Rural UK:	
Rural Area	87 percent
Population in Rural Areas	20 percent

(East Midlands in gray)

Sources: U.S. Department of State and European Commission

Rural Proofing

Due to the relatively small rural population in comparison with England's dominant urban areas, many rural citizens felt that their voices were not being heard during the development or implementation of policy. The dissatisfaction of rural citizens culminated in 2000 in a policy paper *Our Countryside: A Fair Deal for Rural England*. One of the recommendations of this document was to "rural proof" governmental policies.

Rural proofing requires that policymakers consider: (1) if the policy could affect rural areas, (2) what impacts could potentially occur, and (3) what improvements could be made to tailor the policy to circumstances in rural communities. To accomplish these steps, the Countryside Agency created a policymaker's checklist consisting of 15 major questions. (See Appendix 2 on page 21 for the checklist.) The Countryside Agency is the governmental body responsible for monitoring the progress of rural proofing and has published an annual report on rural proofing since this concept's inception in 2000.

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In *Rural Proofing in 2003/2004*, the Countryside Agency reported that after a slow start of implementing rural proofing in governmental ministries, most had incorporated it into their policymaking process by 2004. The Department for Environment, Food and Rural Affairs has incorporated rural proofing into their data collection systems. Data currently collected at this agency includes a geographical tag for government to measure the impact of a given policy on rural areas. Rural proofing in the Treasury was introduced into the biennial spending review process by requiring agencies to consider the rural impact of their projects.

Rural proofing is also required by all eight regions of England. To address each region's unique needs, the regions are responsible for implementing and applying their own rural proofing methods. governmental offices for the regions differ from their national counterpart because their department structure is not as rigid. In addition, governmental offices generally do not deliver policy directly to the people, but rather work with regional and local partners to accomplish policy goals.

In 2004, East Midlands Governmental Office reported many important projects that were influenced by their commitment to rural proofing. The projects affected ranged from broadband service to anti-drug programs for young people.

Policy options for rural proofing

- **Broadband** – The governmental office created an information technology committee to determine the broadband service accessibility in rural areas. Sub-regional partnerships were also created, each with a manager specifically monitoring broadband issues. The resulting Broadband Delivery Plan for the region addressed the specific needs of the sub-regions, especially any correlations linking lagging rural districts with the absence of broadband technology. The result of this focus on rural broadband accessibility was the creation of a pilot program evaluating the feasibility of two-way satellite connection hubs for those areas not accessible by the conventional broadband cables and wires. Once the feasibility is assessed, these hubs will be employed through the Remote Area Broadband Inclusion Trial to bring broadband to the more remote portions of the East Midlands.
- **Local transportation plans** – As part of a Department of Transportation mandate, the governmental office was required to address accessibility to mass transit in rural areas while creating Local Transportation Plans. Plans for bus service in rural areas must, by 2010, increase by one-third the proportion of households in rural areas within a 10-minute walk of hourly bus service. Annual progress reports are required to report on the progress of the programs toward reducing social exclusion and rural isolation.
- **Young people** – The governmental office established a regional forum for children and young people that emphasized the rural dimension of the issue. LEADER Plus proposals within the region were required to address rural issues as a key part of their focus on women and young people in 2000. The governmental office has also included rural youth in their evaluation and creation of programs that include health and crime. As a result, rural proofing was introduced into the planning for Drug Action Teams operating in the region. In the future, rural communities will be included in the performance targets and planning for operations in the region.

Finland at a Glance



Geography:	
Capital	Helsinki
Climate	Northern Temperate
Area	130,160 sq. mi.
People:	
Population	5.2 million
Population Density	40 persons/sq. mi.
Annual Growth Rate	0.3 percent
Economy:	
GDP per Capita	\$27,300
Unemployment Rate	10.5 percent
Government Structure: Constitutional Republic	
Rural Finland:	
Rural Area	94 percent
Population in Rural Areas	40 percent

(Lapland in gray)

Sources: U.S. Department of State and European Commission

Nature Based Tourism in Lapland, Finland

Finland is the most rural nation in the EU. Although it covers an area larger than New England, its population is only 5.2 million at a population density of 40 persons per square mile. The province of Lapland is in the region of Northern Finland, the most rural portion of an already rural nation.

Although Northern Finland accounts for 7 percent of Finland's population, the population is scattered with a density of only seven people per square mile. The low population density qualifies Northern Finland for Objective 1 status for EU rural development funding. The major city in the region and the provincial capital, Rovaniemi, has a population of 36,000.

The population and economy of Northern Finland have been contracting in recent years. An estimated 17,000 people have moved out of the region to seek employment in the more prosperous south. Large portions of those leaving were well-educated young people; this exodus of educated people resulted in this region ranking as the lowest educated region in Finland. The population is also aging rapidly, and public services are being strained as the tax base continually shrinks. Prospects for growth in the region remain questionable as deaths exceed births and young people continue to leave.

Economically, the region is reeling from restructuring in the primary industries: timber, foodstuffs, tourism, and engineering. The public sector is a major employer in Northern Finland, where 61 percent of the jobs are in services and more than half of these are in the public sector. Processing, or manufacturing, accounts for 23 percent of jobs, and agriculture and forestry account for 14 percent.

Animal agriculture is the dominant form of agriculture in the region. In Lapland Province, 2,000 families rely on reindeer farming as their main source of income.

Tourism in Finland

Due to its small native population, Finland relies heavily on foreign tourists to support the tourism industry. Especially important to this sector are tourists from Sweden, Russia, and Germany. Nationwide, 3 percent of the workforce is employed by tourism. However, seasonality presents serious obstacles to the reliance on tourism as a main source of income because the two months of summer are followed by a long winter.

The Finnish Tourist Board, a part of the Finnish Ministry of Trade and Industry, manages tourism in Finland. EU programs are an important part of tourism development in this country through programs such as INTERREG and LEADER. The Finnish government has also been involved in tourist development through an inventory of cultural assets and planning routes for a national hiking trail system.

The tourist board has worked to provide an efficient portal to access tourist opportunities in the nation and to reduce redundancies in marketing among providers. Tourist offices operate in 12 nations throughout the world and information is available to tourists in multiple languages. Through the tourist board's website, users can access regional and local tourist boards to make travel arrangements.

In Lapland, sparse population and large areas of governmentally protected natural habitats have led to the development of nature-based tourism in the province. The Finnish Tourist Board channels potential visitors to public and private tourism operators in the province.

Policy options for promoting nature-based tourism

- By using national parks and the nationally provided web portal, tourism providers can reach a much wider customer base than would be possible by marketing individually.

In Lapland, sparse population and large areas of governmentally protected natural habitats have led to the development of nature-based tourism in the province.

- International cooperation and promotion can also broaden the customer base. This method is employed by the Nordkalottleden Trail, created by the tourism agencies of Norway, Sweden and Finland. The trail is promoted on Finland's hiking trail website, on the website for the local wilderness area, and in a hiking promotion brochure published by the Finnish Tourism Board.
- Branching out from agriculture into agritourism can employ Structural Funds targeted to promote business activity, rural development, expertise, and employment. The hope is that the programs will create a more diversified and prosperous rural economy.

France at a Glance



Geography:	
Capital	Paris
Climate	Temperate
Area	220,668 sq. mi.
People:	
Population	59.3 million
Population Density	269 persons/sq. mi.
Annual Growth Rate	0.37 percent
Economy:	
GDP per Capita	\$27,200
Unemployment Rate	8.7 percent
Government Structure:	
	Republic
Rural France:	
Rural Area	92 percent
Population in Rural Areas	22 percent

(Champagne-Ardennes in gray)
 Sources: U.S. Department of State and European Commission

Economic Diversification in Champagne-Ardennes, France

The Champagne-Ardennes region in northeastern France covers more than 66,000 square miles and borders Paris to the west and Belgium to the north. Although famous for its wine, the region also was home to many factories and mills during the past two centuries. The region was economically prosperous until structural changes in the primary industries of agriculture and manufacturing caused employment and business loss.

The region has a population of more than 1.3 million people at a population density of 137 persons per square mile. Almost 65 percent of the people in this region live in towns and cities, compared with 77 percent in the nation as a whole. Since 1975, restructuring in the region resulted in the loss of population and out-migration. Out-migration has been substantial, with 40,000 young people between the ages of 20 and 29 leaving the region between 1982 and 1990. Many out-migrants move to large neighboring cities, such as Paris.

Population loss is likely to remain a problem as the region is projected to lose 75,000 more people between 1996 and 2020. The remaining population in the region is also growing older. The proportion of the population 65 years of age or older increased almost 3 percentage points during the 1990s.

Economically, farming and manufacturing still dominate the region's industries, exceeding the national average for these industries. Information services are underrepresented in the area, possibly a result of a lack of a major metropolitan area in the region. Unemployment has decreased to 9.5 percent in 2000 since peaking at roughly 13 percent between 1995 and 1997. The region's economy still remains vulnerable after restructuring because it continues to rely heavily on manufacturing and agriculture.

New business formation in the Champagne-Ardennes region ranks among the lowest in France. Although there are few small businesses, larger businesses operate branches in the area to take advantage of an inexpensive labor market.

Reversing the economic trends in Champagne-Ardennes

Rural development in Champagne-Ardennes is focused on halting out-migration, creating jobs in the region's small towns, and reducing the infrastructure costs to provide more sparsely populated areas with more accessible transportation and service opportunities. The EU and national governments are heavily invested in the region's redevelopment. The region qualified for Objective 2 Structural Funds from 2000 to 2006. The LEADER program has also operated in the region since its inception in 1992 and has focused on cultural projects for young people, maintenance of open areas, landscaping, crafts, and improving skills to foster international cooperation.

Rural development in Champagne-Ardennes is focused on halting out-migration, creating jobs in the region's small towns, and reducing the infrastructure costs to provide more sparsely populated areas with more accessible transportation and service opportunities.

Policy options for economic diversification

- Job skills training – To become a link from the academic to the business world, the Higher Technical Training Institute of one local university provides intermediate and more advanced degrees to students in specialized areas, such as engineering. The institute was created to promote local entrepreneurship in 1994. Working with another local university, the Institute has helped develop business incubator programs providing businesses with access to expert knowledge.
- Community development – A local action group worked with regional authorities to help prevent out-migration from the most rural villages and to attract people to settle in the region. Money was directed to the project as part of the LEADER II program and funded rehabilitation of rural villages' service infrastructure. The improvements made during the LEADER II program have increased the attractiveness of these communities to a wider population in the hopes of attracting an increasing number of people to the area and building more partners for future development efforts.
- Trade shows – An annual textile manufacturers show in Troyes helps support the local textile economy by helping to encourage specialization among textile manufacturers.

Conclusion

Pennsylvania is not alone in its efforts to improve the lives of its rural citizens. In some ways, the challenges facing rural areas in the EU mirror those facing Pennsylvania: slow or negative population growth, trouble retaining young people, and shrinking governmental budgets to address these important problems. At the same time, rural areas play an important role in both Pennsylvania and the EU.

Lessons for Pennsylvania

The following is a list of policy decisions in the EU and their relevance to Pennsylvania.

- *Bottom-up Development:* In the EU, member states and regional and local governments are the most important actors in maintaining rural communities. Partnership creation between stakeholders in the private and public sectors is an important characteristic to rural development in the EU, especially the LEADER program. Pennsylvania already uses this method for certain programs, and the EU may provide examples of how this methodology may be expanded to other areas, such as agritourism and small business creation.

- *Rural Proofing:* Requiring policymakers and agencies to consider the impact of their actions on rural areas, defined as “rural proofing,” is an important method to ensure that rural issues are not overlooked. This type of policy is used in Pennsylvania to measure the potential environmental impact of a proposed program or project, and the idea could be expanded to help ensure that the rural voice is heard before state and local governments take action.

- *Sharing Innovation:* An important piece of the LEADER program is the information sharing between local action groups so that best practices may be shared among communities. Pennsylvania could include information sharing as part of its existing statewide programs so that new programs may benefit from the know-how of established methods.

- *Entrepreneurship:* Rural economies in both Pennsylvania and the EU depend heavily on the success of small businesses. Pennsylvania can look to the EU for additional methods of teaching and encouraging entrepreneurship and supporting small businesses in rural communities.

- *Preserving the Rural Landscape:* The EU invests in the protection of the rural landscape in part to provide tourism destinations for its nations’ urban populations. In Pennsylvania, policy makers could consider strengthening incentives to protect green space surrounding rural communities to help preserve their rural character, which may otherwise be threatened by economic distress and urban expansion.

- *Local Decision Making:* To address rural development issues, the EU is devolving decision making to the local

and regional levels. For Pennsylvania, with our numerous municipalities, the EU may provide more examples of regional and local governments and agencies making efficient and effective decisions that positively impact their regions.

This list is not exhaustive, but it does provide illustrations of other governments’ priorities and responses to common problems in rural areas. Some of these recommendations are not new, but taking a fresh look at persistent challenges can provide Pennsylvania with inspiration to make its rural communities successful today and for years to come.

Issues for Further Research

Due to the evolution of political and economic conditions in the EU, continued research on the development of rural policy will provide a better understanding of these programs and subsequent results. Some issues and programs that warrant closer examination include:

- The EU’s role in encouraging the development of entrepreneurship and the expansion of existing small businesses in rural areas.

- The long-term impact of the LEADER program in rural communities and its ability to develop social capital, including the mechanisms for project creation and approval.

- The economic costs and social benefits of rural proofing in England and other nations where similar programs exist, such as Canada’s “rural lens.”

When conducting research on rural development in the EU, language barriers cannot be discounted. Although EU documents must be published in all of the 20 official languages in the EU, national and local information is mostly in that nation’s native language. Sources in English exist, but do not provide a complete picture of what is occurring at the local level in some nations. Exploring rural development in non-English speaking nations of the EU would provide a wealth of information on diverse socioeconomic conditions.

Pennsylvania has much to learn from countries across the Atlantic, just as they have much to learn from Pennsylvania. Community development and local control are the hallmarks of rural development in both Pennsylvania and the EU. Looking at common rural issues from a comparative perspective will provide insights that may not otherwise be available. In addition, encouraging information exchange on rural development between policymakers and researchers in Pennsylvania and the European Union will benefit both with a new look at common problems.

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Appendix 1: The Cork Declaration

The European Conference on Rural Development

Having met at Cork, Ireland from 7th to 9th November, 1996

Aware that rural areas - which are the home of a quarter of the population and account for more than 80 percent of the territory of the European Union - are characterized by a unique cultural, economic and social fabric, an extraordinary patchwork of activities, and a great variety of landscapes (forests and farmland, unspoiled natural sites, villages and small towns, regional centers, small industries);

Believing that rural areas and their inhabitants are a real asset to the European Union, and have the capacity to be competitive;

Mindful that by far the largest part of rural Europe is covered by agricultural land and forests, which have a strong influence on the character of European landscapes, and that agriculture is and must remain a major interface between people and the environment, and that farmers have a duty as stewards of many of the natural resources of the countryside;

Recalling that agriculture and forestry are no longer predominant in Europe's economies; that their relative economic weight continues to decline, and that, consequently, rural development must address all socio-economic sectors in the countryside;

Conscious that European citizens pay growing attention to the quality of life in general, and to questions of quality, health, safety, personal development and leisure in particular, and that rural areas are in a unique position to respond to these interests, and offer grounds for a genuine, modern development model of quality;

Recognizing that the Common Agricultural Policy will have to adapt to new realities and challenges in terms of consumer demand and preferences, international trade developments, and the EU's next enlargement; that the shift from price support to direct support will continue; that the CAP and the agricultural sector will have to adjust accordingly, and that farmers must be helped in the adjustment process, and be given clear indicators for the future;

Expecting that the justification for the compensatory payments of the 1992 CAP reforms will be increasingly challenged;

Persuaded that the concept of public financial support for rural development, harmonized with the appropriate management of natural resources and the maintenance and enhancement of biodiversity and cultural landscapes, is increasingly gaining acceptance;

Recognizing that, while successive reforms of the Common Agricultural Policy and European rural development policies have improved transparency and effectiveness, a number of inconsistencies and overlaps have developed and legal complexity has grown;

Determined to promote, in all possible ways, local capacity building for sustainable development in rural areas, and, in particular, private and community-based initiatives which are well integrated into global markets;

Announces the following ten point rural development program for the European Union:

Point 1 - Rural Preference

Sustainable rural development must be put at the top of the agenda of the European Union, and become the fundamental principle which underpins all rural policy in the immediate future and after enlargement. This aims at reversing rural out-migration, combating poverty, stimulating employment and equality of opportunity, and responding to growing requests for more quality, health, safety, personal development and leisure, and improving rural well-being. The need to preserve and improve the quality of the rural environment must be integrated into all Community policies that relate to rural development. There must be a fairer balance of public spending, infrastructure investments and educational, health and communications services between rural and urban areas. A growing share of available resources should be used for promoting rural development and securing environmental objectives.

Point 2 - Integrated Approach

Rural development policy must be multi-disciplinary in concept, and multi-sectoral in application, with a clear territorial dimension. It must apply to all rural areas in the Union, respecting the concentration principle through the differentiation of co-financing for those areas which are more in need. It must be based on an integrated approach, encompassing within the same legal and policy framework: agricultural adjustment and development, economic diversification - notably small and medium scale industries and rural services - the management of natural resources, the enhancement of environmental functions, and the promotion of culture, tourism and recreation.

Point 3 - Diversification

Support for diversification of economic and social activity must focus on providing the framework for self-sustaining private and community-based initiatives: investment, technical assistance, business services, adequate infrastructure, education, training, integrating advances in information technology, strengthening the role of small towns as integral parts

of rural areas and key development factors, and promoting the development of viable rural communities and renewal of villages.

Point 4 - Sustainability

Policies should promote rural development which sustains the quality and amenity of Europe's rural landscapes (natural resources, biodiversity and cultural identity), so that their use by today's generation does not prejudice the options for future generations. In our local actions, we must be aware of our global responsibilities.

Point 5 - Subsidiarity

Given the diversity of the Union's rural areas, rural development policy must follow the principle of subsidiarity. It must be as decentralized as possible and based on partnership and co-operation between all levels concerned (local, regional, national and European). The emphasis must be on participation and a 'bottom up' approach, which harnesses the creativity and solidarity of rural communities. Rural development must be local and community-driven within a coherent European framework.

Point 6 - Simplification

Rural development policy, notably in its agricultural component, needs to undergo radical simplification in legislation. Whilst there should be no renationalization of the CAP, there must be greater coherence of what is presently done through many separate channels, a limitation of EU law on general rules and procedures, more subsidiarity in decisions, decentralization of policy implementation and more flexibility overall.

Point 7 - Programming

The application of rural development programs must be based on coherent and transparent procedures, and integrated into one single program for rural development for each region, and a single mechanism for sustainable and rural development.

Point 8 - Finance

The use of local financial resources must be encouraged to promote local rural development projects. More encouragement must be given to using financial engineering in rural credit techniques in order to mobilize better the synergies between public and private funding, reduce financial constraints on small and medium size enterprises, promote productive investment, and diversify rural economies. Greater participation by the banking sector (public and private) and other fiscal intermediaries must be encouraged.

Point 9 - Management

The administrative capacity and effectiveness of regional and local governments and community-based groups must be enhanced, where necessary, through the provision of technical assistance, training, better communications, partnership and the sharing of research, information and exchange of experience through networking between regions and between rural communities throughout Europe.

Point 10 - Evaluation and Research

Monitoring, evaluation and beneficiary assessment will need to be reinforced in order to ensure transparency of procedures, guarantee the good use of public money, stimulate research and innovation, and enable an informed public debate. Stakeholders must not only be consulted in the design and implementation, but involved in monitoring and evaluation.

Conclusion

We, the participants at the European Conference on Rural Development assembled in Cork, urge Europe's policy-makers:

- to raise public awareness about the importance of making a new start in rural development policy;
- to make rural areas more attractive to people to live and work in, and become centers of a more meaningful life for a growing diversity of people of all ages;
- to support this ten-point program and co-operate as partners in the fulfillment of each and every one of the goals, which are embodied in this declaration.
- to play an active role in promoting sustainable rural development in an international context.

Appendix 2: Rural Proofing - Policymakers' Checklist

Source: Countryside Agency. Rural Proofing in 2003/2004: A Report to Government by the Countryside Agency. Wetherby, UK: Countryside Agency Publications, July 2004.

Consider all the questions below to help establish whether your initiative is likely to encounter the challenges presented by rural circumstances. Some potential solutions are indicated to help you consider appropriate adjustments.

1. Will the policy affect the availability of public and private services? Might it encourage closure or centralization and will this have a disproportionate effect in rural areas where services are already limited? How will it affect the Rural Service Standards for key services published in the Rural White Paper (and updated in August 2002)?

Rural solutions: improve transport/accessibility to compensate for the centralization of services; encourage alternative funding streams for threatened rural services; provide additional funding to rural outlets to maintain service standards.

2. Is the policy to be delivered through existing service outlets, such as schools, banks and GP surgeries? How will you ensure rural residents can access services in areas where outlets are few and far between?

Rural solutions: use mobile and outreach services; use ICT to avoid the need to visit outlets; share premises or staff with other service providers to maintain or create a rural outlet ("joint provision").

3. Will the cost of delivery be higher in rural areas where clients are more widely dispersed or economies of scale are harder to achieve? Will longer travel times or distances to clients add to the cost of service provision? Will services need to be run out of smaller outlets, so losing economies of scale?

Rural solutions: allow for higher unit delivery costs in funding formulae (e.g. a "sparsity" factor) or when specifying cost-efficiency criteria; encourage joint provision to reduce costs.

4. Will the policy affect travel needs or the ease and cost of travel? Will the impact be different in sparsely populated or remote rural areas, where typically journey times are longer, public transport is poor, there are higher levels of car dependency and travel options are limited or expensive, especially for low income groups?

Rural solutions: reduce the need to travel by using mobile services, local delivery or telephone/internet; ease travel by co-ordinating or improving transport links (e.g. additional services, demand responsive transport, community transport/community car schemes, taxi vouchers); alleviate the costs of travel by subsidizing services or individuals (remembering that there may be no public transport service between many locations).

5. Does the policy rely on communicating information to clients? How will clients access information in rural areas, where there are fewer (formal) places to obtain advice and information?

Rural solutions: be flexible and use the networks that do exist e.g. post offices, village halls; link up with other information providers; use local radio and newspapers; provide mobile advisers; use information technology (remembering that some groups, such as older people, use ICT less).

6. Is the policy to be delivered by the private sector or through a public-private partnership? Will the smaller and scattered population in rural areas provide a sufficient market to attract the private sector? Will there be similar opportunities for choice and competition? Does the private sector in rural areas have the capacity to deliver?

Rural solutions: consider the use of regulation, including universal service obligations; set rural delivery targets; draw up contracts which prevent cherry picking of the most profitable (urban) markets; encourage commercial providers with incentives; offset higher rural costs (e.g. through rate relief).

7. Does the policy rely on infrastructure (e.g. broadband ICT, main roads, utilities) for delivery? How will the policy work in rural areas, where the existing infrastructure is typically weaker (e.g. roads, electricity grid), some infrastructure doesn't exist (e.g. cable TV, mains gas) and upgrading of infrastructure may be difficult or expensive?

Rural solutions: consider using regulation or licenses to encourage the development of improved infrastructure; encourage or co-ordinate demand to make supply viable; use the public sector's collective demand to stimulate supply; provide alternative means of accessing the service.

8. Will the policy impact on rural businesses, including the self-employed? Will it have a different effect on smaller businesses (which employ a greater proportion of the workforce in rural areas) or those sectors which are typically more significant in rural areas – farming and construction? Will the higher proportion of self-employed people in rural areas

be affected by the policy (including women running part-time businesses)?

Rural solutions: ensure the needs of small businesses are specifically addressed; take support, advice and training out to businesses; where possible avoid regulatory or other burdens that will disproportionately affect small firms.

9. Will the policy have a particular impact on land-based industries and, therefore, on rural economies and environments? How will the policy affect the agricultural sector and the mining, extraction and water industries, which have a particular importance in many rural areas? Will there be a knock-on effect on the environment (given that 70 percent of the land is farmed)? Conversely, if the policy affects the environment, what are the implications for businesses based on natural resources such as tourism, leisure, renewable energy and food production?

Rural solutions: identify “win-win” solutions which deliver economic and environmental benefits (e.g. promoting local supply chains, especially between food producers and consumers); consider incentives for environmentally-friendly practices; allow for and encourage a diverse range of rural enterprises.

10. Will the policy affect those on low wages or in part-time or seasonal employment? For those who work in rural areas, wages tend to be lower on average and a higher proportion of the workforce are engaged in part-time or seasonal employment. Will your proposal affect wage levels or people’s access to quality employment? Will it affect the type of businesses that tend to pay low wages or offer seasonal/part-time work (e.g. agriculture, tourism)?

Rural solutions: check the effects of your proposal against other (especially welfare) policies to ensure that the transition between wages/benefits and employment/unemployment is sufficiently flexible and supportive; consider measures to improve the choice of work (e.g. increasing skills, improving local childcare, improving transport to work).

11. Is the policy to be targeted at the disadvantaged? How will it target rural disadvantage, which is not usually concentrated in neighborhoods? Do the indicators to be used for identifying need measure deprivation issues that are particular rural features (e.g. access to services, access to job opportunities, low earnings and housing affordability)?

Rural solutions: use small-area statistics to identify pockets of deprivation; adjust the indicators or their weighting to accommodate both urban and rural aspects of deprivation; designate larger areas for targeting, to pick up scattered disadvantage; target population groups rather than areas.

12. Will the policy rely on local institutions for delivery? Will the policy be as effective in rural areas, where private, public and voluntary sector organizations tend to be smaller and have less capacity to build partnerships? If funds or services are to be allocated via a bidding process, will small organizations be able to compete fairly?

Rural solutions: provide specific support for capacity building; allow longer timescales for bidding; simplify the bidding process; allow an increased level of public or voluntary sector input to compensate for the possibility of limited

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