

Mapping Cooperative Systems and Sustainable Rural Development



Initial Results from the EU Project
“Cooperative business and innovative rural development:
Synergies between commercial and academic partners”
(C-BIRD)



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Introduction

Cooperative movement worldwide reveals crucial for accumulating sectoral development, economic growth, sustainability and social well-being. Although these opportunities are already widely acknowledged, still there is a significant gap between the expected results and identifying the most appropriate ways whereby institutions, society and economic environment can revive cooperative mindset and collaborative action. The growing motivation to embrace cooperative approach as a powerful expression of the social resistance and as a source of economic prosperity, has further the necessity to re-consider and re-shape traditional thinking towards collective action.

In order to identify not only the most promising regulatory mechanisms and financial preferences to stimulate cooperative initiatives, but also the possible ways to transform the cooperative sector into a new, dynamic and competitive-based system, the present research will focus on the developmental patterns and specific conditions that operationalize the cooperative concept in Bulgaria, Italy, Spain, Ireland and Serbia – the five countries involved in the **“Cooperative Business and Innovative Rural Development: Synergies between Commercial and Academic Partners”** – the C-BIRD project.

This theoretical report is about understanding the critical elements of the institutional system, knowledge mechanisms and policy instruments in terms of their specific features, constraints and capabilities. Four inter-linked components will be considered as important part of the process: rural development actors and the relationships emerging at institutional and civil level; cooperative and business environment factors and specific constraints; enabling institutional support (incl. local authorities, community support) and sources for positive change, and finally economic, social environmental trends.

The analysis intends to build a conceptual framework for comprehending and analyzing the cooperative business and its institutional environment specific for each country profile; and to share as well the knowledge about the role of the various actors involved in stimulating and promoting cooperativism.

From the Authors



Chapter 1: BULGARIA

Introduction

Rural areas in Bulgaria represent 81,4% of the country territory and accommodate close to 39% of country population, characterized by its economic and social heterogeneity, and are largely dependent and highly sensitive to external linkages with the urban areas¹. The recent statistics from 2012 show that predominantly rural regions (NUTS 3) account for 54% of country's territory and 35% of its population. According to the national definition rural areas are identified at municipal level and include in total 231 municipalities (87,5%). The National Spatial Urban Model identifies 36 agglomeration areas consisting of an urban centre and its surrounding areas. Within their boundaries are included 53 rural municipalities, which have better human resource potential and business development opportunities based on efficient integration with urban centres. Nevertheless the majority of the rural municipalities – 178 are located outside the growth poles of the largest and medium-sized cities in Bulgaria. These municipalities account for 58% of rural population and 70% of the rural territory. The remoteness from large urban centres results in low-population density, constraints on socio-economic development, higher population decline, less-educated labour force, poor physical infrastructure and higher unemployment rates.

Population

For the period 2007-2012 the decrease trend in the number and the density of the population in the rural areas continues, and the risk of depopulation becomes more evident and with more damaging effects. Population density¹ of the rural areas is 32.1 people/km² and is twice lower than the average for the country (66.4 people/km²). The data in the Rural Development Plan for 2007-2013 shows that in 2004 the population density was 35.8 people/km², which represents a trend of decrease from Population Census in 2001 – 37.4 people/km². Negative demographic processes are more acute in the rural areas and cause worsening of the age and education structure of rural population. The share of population in working age (15-64 y.o.) was 58.5% compared to 64.5% in urban areas. For the same period the population decreases with 8%, which as percentage is significantly higher than the country's average – 5%. Close to 70% of this decrease is caused by the negative birth rate, while the remaining 30% is due to migration. The decline in population numbers for predominantly rural regions is recorded to be -9.9 per thousand (Table 1).



Table 1 Population in predominantly rural regions

	Population, 1 st January 2012	Crude rate of population change, 2011
	(1000)	(per 1000 habitants)
EU-27*	112061.9	:
Bulgaria	2748.4	-9.9

Source: Eurostat (online data codes: demo_r_gind3 and demo_r_d3avg)

Regarding the education structure, the share of population with tertiary (8.8%), or secondary education (36.5%) in the rural areas is significantly lower than in the urban areas: 24.5% and 43.3% respectively.

Rural economy

For the period 2007-2011 the NSI data on the construction, investment and retail sales confirmed the disparities between rural and urban areas in terms of density of enterprises, which is about two times higher in urban areas. There are regional disparities in economic development and the state of municipalities in rural areas. The most favored are 18 municipalities (8% of the total) whose economic structure is dominated by tourism (sea and mountain), with relatively well-developed industry and/ or located around a prominent center of development. The deepest socio-economic problems are identified in 16 municipalities (7% of the total), which are affected by the negative demographic, economic and social factors and processes. These municipalities are located in different parts of the country, but the majority is from the North-West Region (NUTS 2). The rest 197 municipalities have various resources for development, and each has its strengths. Among them is recognized a group of 66 municipalities that have a relatively high level of development.

The Eurostat data indicates that in 2012 the tertiary sector had the leading importance in economic structure when it generated 63.2% of GVA and provided 54.8% of employment. The biggest GVA share is produced in the predominantly urban areas (40.2%) and the biggest employment share is generated in the intermediate areas (42.2%).



Table 2. Economy structure per major sectors and types of regions in 2012²

	Total Mln. Employed (euro)	Primary sector	Secondary sector	Tertiary sector	Predominantly rural	Intermediate	Predominantly urban
GVA	34 074	6.4%	30.4%	63.2%	24.5% *	35.4% *	40.2%*
Employment	3.282	19.4%	25.7%	54.8%	33.0%**	42.2%**	24.8%**
Labour productivity (euro per employed)	10 382.4	3 417.6	12 253.6	11973.1	6 135.2	6 828.3	12 707.4

* Data for 2010

** Data for 2009

Primary sector creates the highest share of the value added and employment in the rural areas – 11% of the value added and 32% of the employment. The development of the non-agricultural activities is hampered by the poor investment climate, higher investment risk and costs, low level of incomes, insufficient public infrastructure, etc. Industrial sector creates 37% of the value added and 27% of the employment in the rural areas. In many of the regions, industry is poorly integrated with the local economics and is more or less sustained by the low price of the labour. Underdeveloped are the sectors of the economy that add value to the produced primary products and use other local resources. The service sector generates close to one half of the value added in rural areas (52%) and contributes up to 40% of the employment level. Prevailing share have public services, trade, tourism and transport.

Labour productivity and employment rate

The high share of agriculture in GVA and employment is due to underdevelopment and weak investment activity in other economic sectors. A comparison between the number of enterprises and the rate of employment in rural areas (according to the national definition) at the national level also indicates that the rural economy is poorly diversified.



Table 3 Entrepreneurial structure and employment rate in non-financial sector in rural areas.

Indicators	Rural areas ¹			Rural areas/national level %		
	2007 ²	2010	2011	2007 ²	2010	2011
Number of enterprises in the non-financial sector (thousand)	44,50	56,87	57,50	15,7%	15,5%	15,7%
Number of employees in nonfinancial sector (thousand) ³	304,90	299,71	303,78	14,3%	14,4%	14,7%
Net revenues from sales of non-financial sector (million BGN)	18,19	20,16	24,61	9,9%	10,7%	11,8%
Total number of industrial enterprise (thousand) ⁴	6,18	6,61	6,66	20,1%	19,6%	19,8%
Number of employees in industrial enterprises (thousand) ⁵	154,27	132,69	136,20	20,7%	21,6%	22,1%
Production of industrial enterprises (million BGN)	10,16	11,81	14,70	19,4%	22,6%	24,2%

Source: EUROSTAT

Predominantly rural areas are obviously lagging behind in labour productivity and adding value; they provide jobs to 33% of the employed but generate under 25% of the GVA. This, together with the higher unemployment rates explains:

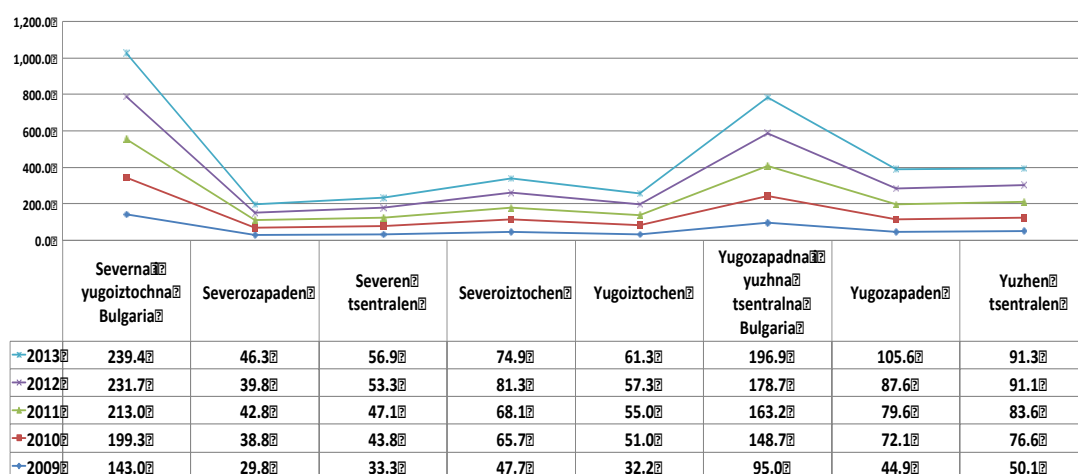
- The lower purchasing power of the rural population at 27.8% (EU27 = 100), at an average for the country 46%²;
- The higher poverty rates in the rural areas 57.7% compared to 49.1% on the average for Bulgaria³.

Rural economy in general is seriously affected by the recession. The level of employment in the age group of 20-64 decreased up to 60%, while the unemployment increased up to 14.4% in 2012. The difference between the employment rate in predominantly rural regions and predominantly urban regions was particularly high in Bulgaria - 12.8 percentage difference.

According to EUROSTAT data in 2011 on predominantly rural areas³ of Bulgaria, youth (15-24 y.o.) unemployment reached 30.1% compared to the average 27.9% for Bulgaria and 22.7% for the EU-27. The widest gap between unemployment rates in the different types of regions were recorded in Bulgaria.



Graph 1 Unemployment levels per regions



Source: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

The country has one of the highest shares of the population at risk of poverty or exclusion as defined by the Europe 2020 strategy.

Figure 1 People at risk of poverty or social exclusion



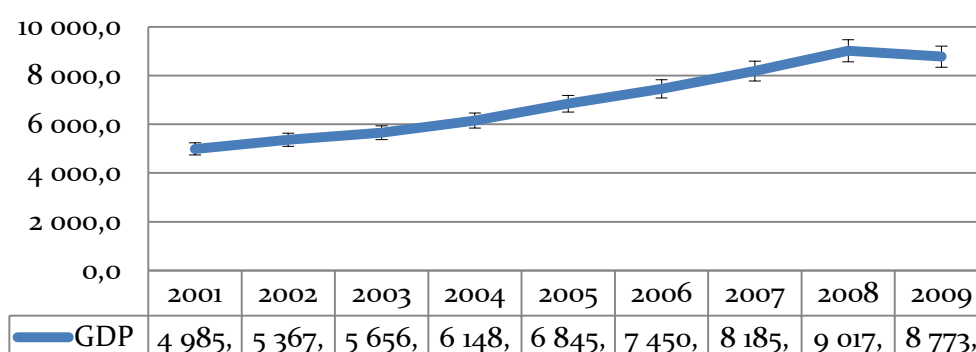
Source:

http://epp.eurostat.ec.europa.eu/tgm/web/_svg/Eurostat_Map_t2020_50_13162801279_tmp.pdf

Economic development in rural regions in Bulgaria, measured in GDP per capita is one of the lowest at the European level or 29% of the average GDP.



Graph 2 GPD in predominantly rural regions (mln. Euros)



Source: EUROSTAT

Bulgaria is among the 4 Member-states (Greece, Estonia, Bulgaria and Romania) that have reported declines of 35– 38 % in the agricultural labour input. The highest contributions of agriculture, forestry and fisheries to value added in predominantly rural regions were recorded in Bulgaria (11.2 %).

Table 4 Change trend in agricultural labour input

	Total agricultural labour input (1000 annual work units)				Change 2005-2012 (%)
	2005	2010	2011	2012	
EU-28	12865.2	10586.1	10359.5	10332.2	-19.7
Bulgaria	626.4	406.5	406.5	406.5	-35.1

Source: Agriculture, forestry and fishery statistics, EUROSTAT, 2013

The problems identified

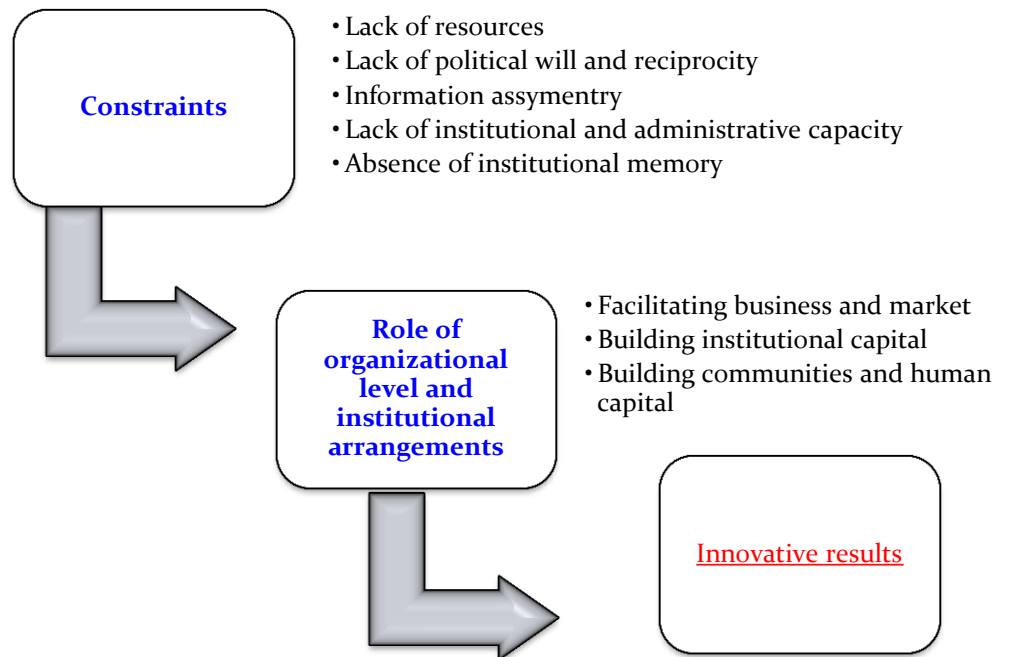
It is worth emphasizing the extent to which debates about rural development are often preoccupied with the operation of public policy and neglect the consideration of wider market trends and business and corporate strategies. Of course, this does not necessarily mean to discard the current policy framework and the dominance of the CAP as key factors in influencing macro and micro-level management decisions, shaping environmental and other rural development interests.

The main constraints that hamper sustainability of rural areas and the stable growth of rural development include a lack of resources (financial social, informational), a lack of sufficient political will to see and admit real problems, a lack of leverage, and a lack of institutional and administrative capacity. The following missing components contribute to the negative indicators and future trends in development of rural communities:

- weak connection between key elements of the institutional system and weak internal controllability over critical processes, as they are being re-configured;

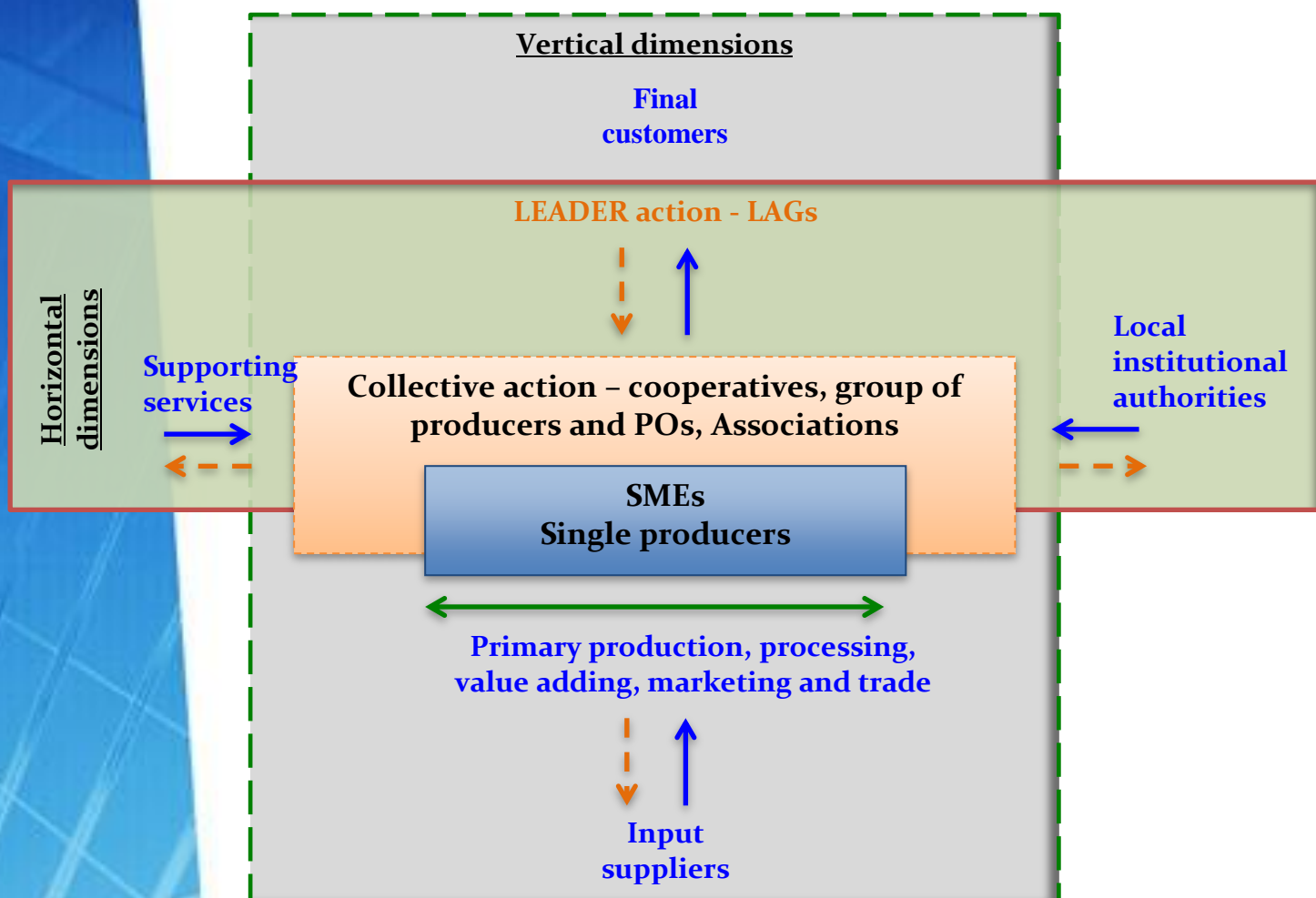


- broad definition and measures to contribute to a new 'state of stability' for the system and, according to this, a new potential to use; and
- need for a new configuration of key variables and processes crystallizes and reinforces itself





Mapping of rural areas in Bulgaria





Government policy

Since 1990s series of incremental steps to reform rural and agricultural policies in Bulgaria, with the purpose to prepare the economy and institutions for the country's full-membership in the European Union (EU) have been undertaken. However, serious concerns remain about the limited scope of policy reform and the continued difficulties in resolving the various economic, social and environmental problems experienced in Bulgaria's rural areas. The effect searched through reforms was not only to increase total output but also to provide for stable productivity growth and cost optimization at microeconomic level. Reforms undertaken aimed at significant changes at production-level and were performed simultaneously and supported by development of commercial and public institutions. Unfortunately none of these partial attempts was possible in the absence of market-based institutions and policy.

The Law on Regional Development has been passed in 1999 to ensure and regulate regional policy and development and to create framework that plans and executes this policy. Six planning regions were established in accordance to government decree 145/27.02.2000 and the European criteria for regional structure NUTS-2. That way was created the territorial and statistical framework for regional development and the established new regions were included in programming of pre-accession funds of the EU. The regional development was represented by its five main priorities: *Priority 1* "Increase of regional and local economic initiative"; *Priority 2* "Improvement of infrastructure related to the business' development"; *Priority 3* "Development of professional abilities in support to regional and local economic initiatives and transition to information society"; *Priority 4* "Development of suburban regions"; *Priority 5* "Increase of regional role in formulating and applying policies for regional development".

There were three pre-accession instruments financed by the European Community to assist the applicant countries of Central and Eastern Europe in their pre-accession preparations: the PHARE programme; SAPARD, which provides aid for agricultural and rural development; and ISPA, which finances infrastructure projects in the fields of environment and transport. For the programming period 2000 – 2006, the second objective in the National agricultural and development plan was primarily aimed at *promotion of sustainable rural development through economic diversification of rural areas, the creation of alternative employment opportunities and rehabilitation of infrastructure for strengthening rural communities' economic and social fabric*. An example of such political initiative is the Sustainable agriculture and rural development – mountain regions project (SARD – M), which aimed at: balancing territorial development to overcome disparities; improving and utilizing human and social capital in rural areas to facilitate innovation and entrepreneurship for sustainable growth; fostering application of the best available environmental technologies and environmental management practices.



For the period 2004-2006 the EU has raised the amount of financial assistance to Bulgaria by an average of 30 per cent. The state received close to 400 million euro per year, which annually equals to 2 per cent of the national GDP.

Table 5 Absorption of the pre-accession funds (2000-2006)

Pre-Accession funds	EU funding	Contracted EU funding	Absorbed EU funding	Unused EU funding	Payments of the EU funding (%)	Contracted EU funding (%)
PHARE	1438.5	1080.3	930.1	508.4	64.7	75.1
ISPA	783.2	744	706.8	76.4	90.2	95.0
SAPARD	443.1	376.7	285.8	157.3	64.5	85.0
Total	2664.8	2201	1922.7	742.1		

Source: Bulgarian Ministry of Finance (www.minfin.bg)

By this time was concluded the agreement for the next planning period, according to which Bulgaria received 240 million euro on top of the previously announced funding of 4.4 billion euro from the European Union budget for 2007-2009. Bulgaria managed to absorb 72 percent and contracted 83 percent of available pre-accession funds, the country was allocated €2.6 billion (or about 12 ½ percent of 2007 GDP) pre-accession funds for the 2000-2006 period. The deadline for absorption of SAPARD projects was end of 2009, but it was prolonged for PHARE projects up to the end of January 2012; for some ISPA projects up to the end of 2010; and only for Danube Bridge 2 until the end of 2011. The remaining pre-accession funds resources of €0.7 billion were lost.

Until 2007 there were a number of programs to support the implementation of the Leader approach in Bulgaria and to create appropriate conditions for the approach implementation after accession to the European Union.



Table 6 Projects contributing to development of rural areas

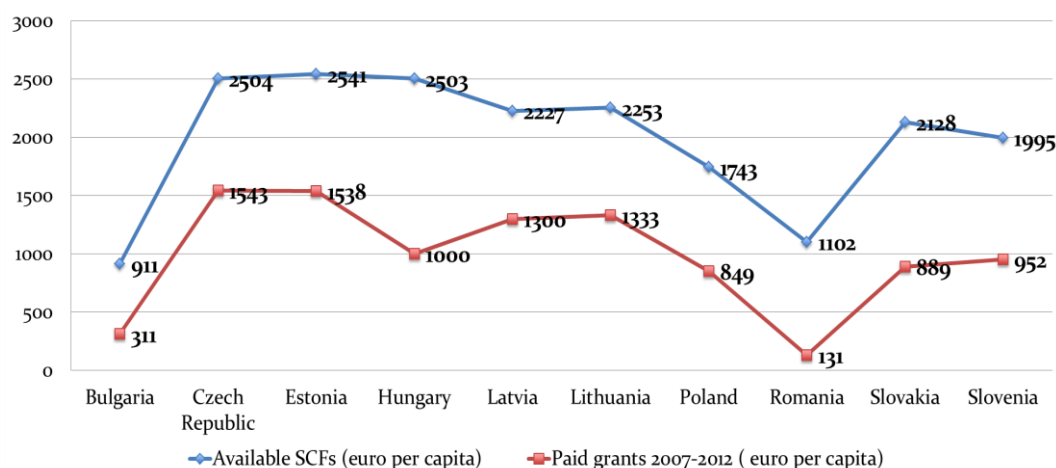
Project	Aim	Results
(1) Improvement of the efficiency of the SAPARD Task Force in MAF (1999-2000) – a Twinning Project between the Greek Ministry of Agriculture and the Ministry of Agriculture and Forestry in Bulgaria (MAFS)	<ol style="list-style-type: none"> 1. Legal, institutional and financial framework of the National Payment Agency. 2. Establishment of communication strategy for implementation of the Rural Development Plan. 3. Technical and institutional framework to implement specific measures of SAPARD program. 4. Monitoring and evaluation of SAPARD. 	<ol style="list-style-type: none"> 1. Technical assistance to two selected rural municipalities. 2. Development of local integrated development strategies. 3. Establishment of local action groups (LAG).
(2) Sustainable Rural Development (SRD) Project (2003-2005)	Preparation for the Leader program in Bulgaria.	<ol style="list-style-type: none"> 1. Eleven Local Leader Groups (LLGs) with participation of eleven pilot municipalities. 2. Municipality development plans based on the bottom-up approach. 3. Small-scale local projects. 4. Innovation and local capital. 5. Alternative employment
(3) The Rural Network and Leader (RNL) project (2006-2008)	<ol style="list-style-type: none"> 1) Raise awareness and strengthen capacity of rural communities and stakeholders for planning and using financial resources through networking, planning and implementation of local development strategies. 2) Support integrated development of rural areas. 3) Bring together local, regional or national non-profit organizations and their networks; LAGs; national and regional associations of municipalities; NGOs in the field of sustainable local and rural development. 	<ol style="list-style-type: none"> 1. Eleven pilot municipalities were geographically clustered in four inter-municipal forums, which develop integrated strategies for rural development of the involved. 2. LAGs were registered as non-profit organizations in public interest. 3. Strategic outcomes: citizen participation; job creation and improvement of living conditions; sustainable management of natural resources.
(4) Foundation for Local Government reform	Support for local bottom-up development process.	<ol style="list-style-type: none"> 1. Wide participation of all public, private and citizen stakeholders. 2. Development of Leader-like strategies.

Source: Zaimova, D. (2011) Development policy in Bulgarian rural areas: innovative solutions and capacity to address local issues, EMES, Roskilde, Denmark



After 1st of January, 2007 the implementation of the Common Agricultural Policy hold out remarkable opportunities for development of agricultural sector. At the same time policy implied observance of several requirements and conditions stipulated by its legal framework.

Graph 3 Comparative data on available and paid EU grants (2007-2012)



Source: EUROSTAT

To enhance and ensure their proper implementation the state provided for aid that referred to: 1) the existing state aid as read in Annex V of the Treaty of Accession of Bulgaria to the EU; 2) minimum aid (de minimis), provided in accordance to Commission Regulation (EC) 1860/2004 of 6th of October, 2004 on the application of Articles 87 and 88 of the European Commission (EC) Treaty to de minimis aid in the agriculture and fisheries sectors, and Commission Regulation (EC) 1535/2007 of 20th of December 2007 on the application of Articles 87 and 88 of the European Commission (EC) Treaty to de minimis aid in the sector of agricultural production; and 3) new aid schemes or individual aid, authorized by the European Commission (EC).

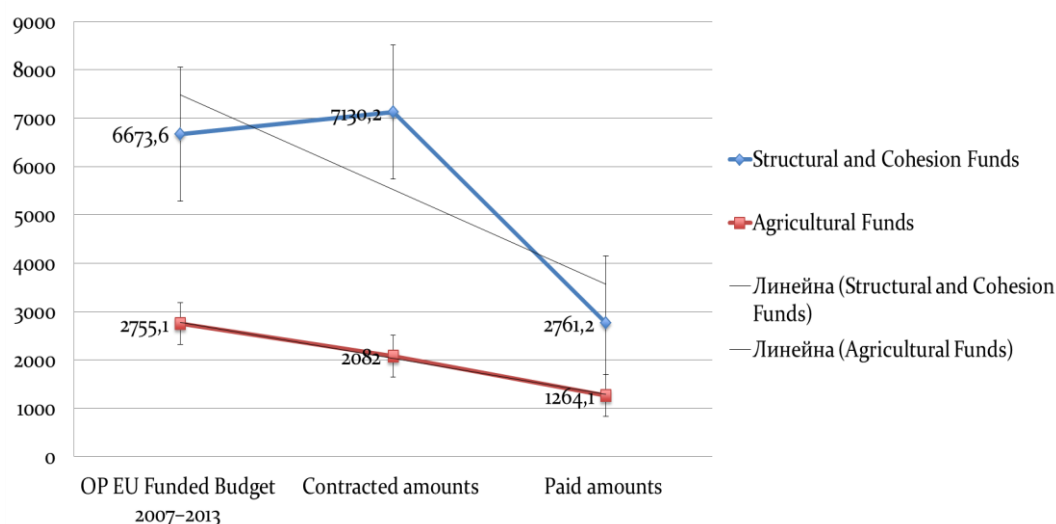
Rural Development Programme (2007-2013)

The Rural Development Program (RDP) in Bulgaria for the period 2007 – 2013 was officially approved on 19 February 2008 by Commission Decision No 755. The Agriculture State Fund – Payment Agency was appointed as the institution responsible for financial management and disbursement of funds. In 2008, 20 of these 22 measures gradually started under the Rural Development Programme and contributed to achieving the following objectives: maintenance of farming in disadvantaged areas and prevention of the abandonment of agricultural lands; countering the depopulation of disadvantaged areas; maintenance of the landscape and biodiversity; rational use, conservation and sustainable development of land and other natural resources; supporting the emergence of local action groups in rural areas; support for the acquisition of skills for the establishment and functioning of such groups at the local level; support for the process for the preparation of local development strategies; inclusion of



indigenous peoples in the development and future implementation of local development strategies.

Graph 4 SCF and Agricultural Fund in Bulgaria (2007-2012)



Source: EUROSTAT

The post-accession funds allocated to Bulgaria during the 2007–2013 programme period amount to €9.4 billion EU funding — or on average about 3.7 percent of GDP per year. The national co-financing of €2 billion was to ensure ownership and commitment to the projects by the national authorities and ranged from 15 percent for European Regional Development Fund (ERDF) and European Social Fund (ESF) to 20 percent for Cohesion Fund (CF).

The agricultural EU funds available for rural development, agriculture and fisheries sectors, excluding co-financing, amount to €2.7 billion (or about 1.1 percent of the average GDP during the 2007–2013, or slightly more than the annual contribution). The European Agricultural Fund for Rural Development, Agricultural Guarantee Fund, and the European Fishery Fund finance agricultural policies through OP Rural development and OP Fisheries Sector Development.

For measures that are directly related to diversification of the opportunities for employment in the rural areas are detached 31 per cent from the budget for Axis 3 “Quality of life in rural areas and diversification of the rural economy”.



Table 7 Purposes and instruments for enhancing rural areas' development

General purpose of Axis 3	Improvement of quality of life in rural areas and diversification of the rural community	
Sub-purposes	1. Improvement of quality of life in rural areas	2. Encouragement of diversification of employment opportunities in rural areas
Operational purposes	Improvement of accessibility and quality of the basic services and infrastructure in rural areas	Development of initiatives that create additional non-agricultural income for economy and population in rural areas.
Measures	Basic services for the economy and rural population; Village renewal and development	Diversification into non-agricultural activities; Support for the creation and development of micro-enterprises; Encouragement of tourism activities

The strategy regarding implementation of the Axis 3 did not stipulate sector limitations in terms of diversification of the economic activities. Every feasible entrepreneurial activity different from the main sector was to be supported as long as it would create new employment, develop services in rural areas or stimulate diversification of economy in rural areas. Priority was given to business initiatives that exploit new market niches and add value to local resources, such as: information technologies, innovative productions and usage of renewable energy sources. For the year 2011 15 new projects were approved on measure 312 "Support for the creation and development of micro-enterprises". The subject of invested resources was mainly related to tourist activity, equipment for tailor workshop and for polygraphic services, purchase of specialized building machinery, and investments in renewable energy resources.

Local authorities role

According to the NAMRB local authorities are responsible for the provision of 2/3 of overall public services. The municipal budgets finance the operations of 88% of the schools; 95% of kindergartens; 100% of the nurseries and the health points; 87% of the social services; 100% of the services associated with home-based social patronage; 100% of the public cleaning and hygiene services, street upkeep, street lightning, water provision and sewerage, parks and green areas; upkeep and repair of 63% of all country roads network, etc. More specifically the local authorities in the rural areas of Bulgaria⁴:

- Manage 16 089 km of local road network, 30907 km. of streets and 12540 km of other – mainly dirt roads (i.e. servicing the forestry and agriculture). Of them, only 1000 km. municipal roads and 700 km. streets were rehabilitated in the 2007-2013 period.
- They are owners and responsible for the operations of 40246 km. of water supply pipe network (22 938 km of it is located in the villages) and for the functioning of 5614 km of sewage network (of them 1134 km. are in the villages). Only 5% of the



water supply pipe network and approximately 20% of the sewage network had been rehabilitated in the current programming period;

- They are responsible for the schools of the rural areas, which are 1497. More than 70% of the rural schools have not been renovated in the last 10 years; less than 10% of the rural schools have been renovated with the support of Regional Development Programme 2007-2013.
- They are responsible for the upkeep of more than 4920 buildings and public amenities of local cultural importance (community centres, museums, theatres, libraries, etc.). They provide the cultural events of the local communities. Barely 4% of them were rehabilitated under RDP 2007-2013;
- Are responsible for the functioning of 2450 sports facilities (local stadiums, sport halls, playgrounds). Less than 6% of them were covered under RDP 2007-2013;

Just 20% of the rural settlements have access to broadband Internet; however, such access has 60% of the rural population because it is concentrated in the municipal centres.

Because of the inadequate state financing of the local budgets, the economic crisis and the policies for wide-scale layoffs in the areas of education and health, accompanied with limited EU funds (compared to the needs) in the rural areas is observed an outflow and an accelerated concentration of major public services in the municipal centres; however, even their maintenance is problematic as:

- For the period 2007-2013 more than 200 village schools were closed;
- 500 settlements in 40 municipalities are currently not serviced by a doctor – general practitioner;
- Scarce financing and bad infrastructure leave more than 760 settlements in 92 municipalities without regular daily public transport;
- No drinking water or with common restriction of drinking water provision are almost 350 settlements from 73 municipalities;
- Almost 650 rural settlements do not have shops for foodstuffs and pharmacies.

The municipalities are owners of 37% of the state agriculture lands, 9% of the forest areas and the majority of the still existing hydro-melioration infrastructure of the rural areas. The Law on irrigation associations gave the premises to transfer to municipal ownership 2257 small reservoirs, which were built in the past by the state agriculture cooperatives. At present 26 municipalities own such reservoirs, and their number varies from 2 to 30 per municipal territory. The municipalities are interested in the rehabilitation of their reservoirs as the major part of them need solid rehabilitation works, including for purposes associated with safety – to prevent disaster floods like the one in the Biser village, Harmanli municipality. The management of these assets to the best interests of the local development explain the leading role of the municipalities and their active participation in RDP's measures allowing the preservation of the natural resources.



LEADER approach and LAGs

Local government is an important factor for mobilizing the local society and for development of rural areas in Bulgaria. Close to 60 municipalities in rural areas take part in projects for integrated development, financed by the European Union and the bilateral national programs aimed at development of the capacity for planning and applying the policies for local development. In the process of structuring the development plans for the planning period 2007 – 2013, local action groups are involved into various collaborations - non-government organizations, educational and cultural institutions.

In order to encourage the interest towards the opportunities provided by the Leader approach a number of projects are initiated and supported by the government. Within the framework of these projects are established eleven Local Action groups that cover 4 per cent of the rural population, other nine LAGs were in the process of setting up. Furthermore, a support to the already established local action groups is provided by sub-measure 1: “Running the Local Action Group, acquiring skills and animating the territory for selected local action groups”. This sub-measure has the following objectives, e.g. to encourage development of strong and efficient LAGs; to ensure resources – human, technical, financial that are needed for the overall support and delivery of LAGs’ activities and strategies; to enhance awareness and skill of local people in the Leader approach and to encourage their active participation in the process of local development strategy implementation.

Horizontal and vertical integration

In general the value chain of commodities has very weak horizontal and vertical relationships. Participation of agricultural producers in groups of producers or producer organizations is very limited. The majority of producers do not have contracts for realizing their production set in advance. The schemes for direct sales, marketing of local products as well as the market infrastructure are very weak.

Cooperatives

After the liquidation of the existing in the beginning of the 90s collective production structures (1992 – 1994) most of the agricultural landowners chose to unite their land and other resources in agricultural production cooperatives. Annually were registered between 600 and 800 agricultural cooperatives and in 1998 their number amounted to 3268 with an average size of 742.5 ha and 234 member-founders. As a result the relative share of the cultivated in the cooperatives land reached 41.7%. During this period the agricultural cooperative became the main organizational structure in the Bulgarian agriculture, which constantly changes its economic significance and distribution. The main reasons for the preferring cooperative as an organizational form of production were linked with the migration of the prevailing part of the land owners to towns, with the low average size of the land property and limited possibilities of organizing a production over this property, with the economic crisis and etc.



Moreover, the Cooperative Law created an easier procedure for becoming a member of and quitting the cooperative, thus converting this form in an attractive, though temporary solution for the biggest part of the land-owners. The membership in cooperative allowed most of them to wait until the land market developed and only on a later stage to take a final decision what to do with their property.

Depending on the agro ecological and other conditions of the country in Bulgaria are applied several types of productive cooperatives:

- *cooperatives oriented towards the production of their members.* They intent to meet consumption and production needs of cooperative's members. Production infrastructure is determined according to the requests of the members at the beginning of each season and it also depends on rural community demand for products and services. In most of the cases they rely on "inherited" out-of-date machinery and infrastructure. Usually activities are financed by the cooperative members and they have no income for investments and for distribution as rent and dividends.
- *market production cooperatives, which produce competitive agricultural products with high extent of use of mechanized services.* The land and the rest of the production factors of the prevailing part of the population of the respective territory are united. These cooperatives produce mainly competitive production and are specialized in those products, which require high degree of mechanization. Currently this group of cooperatives is mainly producer of wheat, fodder crops and some technical cultures.
- *vertically integrated productive cooperatives which apart from the production of agricultural products are specialized in processing and marketing activities.* The third group of production cooperatives comprises those, which are highly market-oriented. In the majority of the cases their main line of activity is production, processing and distribution of agricultural products. Some of these cooperatives work successfully on the regional, national and even on the international markets with their own brand names and channels of distribution of the end-products.

The right to participate in the decision-making process for all cooperative members is equal despite the various ways for entering the cooperative: with land, labor and capital; with labour and capital; with land and capital; only with labor; only with capital. Data shows that prevail the number of cooperatives in whose statutory norms are included the first three possible ways for becoming a cooperative member. In four of the cooperatives existed all five possible ways for participation. Specific membership conditions existed in two of the cooperatives. In one of them members were only land-owners with capital and land, in the other participated only the people working in the cooperative with their deposited allotment capital.

Table 8 depicts the changes in the number, average size and used land by the agricultural cooperative during the last years.



Table 8 Changes in number and size of agricultural cooperatives

Years and indexes	Number of cooperatives	Used agricultural area (th.ha)	Average size (ha)	Share in used agricultural area (%)
1995	2815	2158.8	766.9	45.9
1998	3269	2427.2	760,1	40.3
2000	2405	1738.6	722.9	41.0
2003	1963	1169.3	587,0	40.0
2005	1525	890.87	584.1	32.6
2007	1115	726.3	651,3	23.8
2010	900	640.7	711,8	17.7

Source: Department "Agro statistics" Ministry of Agriculture and Forestry in Bulgaria; Census of holdings in Republic Bulgaria, 2003, 2010.

The dynamics of the statistics shows that a relationship exists between the started harmonization of agricultural policy in the sector and the reduction in the number of cooperatives. With the establishment of the State Fund "Agriculture" and the launch of a number of programs supporting investment and industry, in rural areas was increased the number of entrepreneurs in the agricultural sector. This created more opportunities for the landowners and in many areas intensified the land market and significantly increased the proportion of leased land. Gradually the landowners began to conclude contracts for leasing their land with companies and sole traders and to terminate their membership in cooperatives. The reasons refer both to the fixed rental payment offered by other organizations opposed to the relative share of the average yield in cooperatives, and the difficulties the cooperatives had when applying for programs at State Fund "Agriculture". Although some of these problems were legally settled at a later stage, a number of economically fragile cooperatives terminated their activity.

Agricultural cooperatives have failed to fully exploit the possibilities of the SAPARD program. The scheme used - to finance half of the project after its completion - strongly limited the number of cooperative candidates. In general, the value of cooperative projects is lower compared to the values of similar projects developed by limited liability companies and joint stock companies. As a result, projects implemented in agricultural cooperatives represent only 9,6% of overall SAPARD projects, and 15 projects were canceled or unpaid for various reasons.

Data shows that in 2010 were functioning only close to 27,5 % of the cooperatives existing in 1998. The relative share of the lands used by them for the entire country decreases 4 times, and for several regions – more than 10 times. It should be underlined that the decrease in number of the cooperatives was accompanied by an increase of the average size of the used land only in one of the regions.

The changes in all those indicators show that the agricultural production cooperatives have a constantly decreasing significance for Bulgarian agriculture.



Together with the external conditions linked with the transition, the reasons for the current status of the agricultural production cooperatives are due to their specificity as organizational form as well. Among them substantial significance have the members' structure, the division mechanisms, the quality of the personnel, etc.

When assessing the status and problems of the production cooperatives the unfavorable external economic, legislative and political environment should not be underestimated. Put together with the problems derived from the economic crisis and hyperinflation in the nineties, the legislative decisions put the cooperatives in a non-equal conditions compared to the others organizational structures active in the sector (sole traders, agricultural producers, etc.) in terms of financial securing, tax burden, accounting procedures etc.

Production cooperatives are organized within the National Union of Agricultural Cooperatives and have close to 240,000 members. They have opened more than 16,000 permanent jobs. Despite their declining role, they remain the main producers of cereals in the country and provide a number of social functions in agriculture.

Credit cooperatives

Credit cooperatives in Bulgaria are formed on the basis of the model of Frederick Raiffeisen and Schulze-Delitzsch. The first credit cooperative in the country was established in 1890. From the late 19th century they were the foundation of the financial and credit system, directly serving small businesses and agricultural producers. For these reasons, these structures have a significant contribution to the development of agriculture and small businesses in urban areas. Credit cooperatives in Bulgaria have a long and successful history before the 50s of the XX century, when their property was nationalized.

After 1992, with the adoption of the Law for ownership and use of agricultural land, the conditions in the agricultural sector and in small town entrepreneurship were to a great extent identical to those before 1946 and this determined the need of the development of credit cooperatives as a factor for the sustainable development of rural and urban small and medium businesses.

In 1995 started a project called "Scheme for agricultural capital fund" (ACFS), which was agreed in 1996 between the Bulgarian Government, respectively the Ministry of Agriculture and Forestry (MAF) and the European Commission under the PHARE program signed a Memorandum of Understanding under the program "Restructuring of Agriculture" between the Bulgarian Government and the EC and was approved a credit line from the EC which later was converted into a scheme for agricultural capital fund. The aim was to establish credit institutions through which to allocate these funds to farmers for production and investment needs. Due to the lack of prior macroeconomic preparation, advertising activity, adequate legislative changes and institutional support as well as the very short periods for establishing the cooperatives in the end, were created only thirty-three Credit Agricultural Cooperatives.



The Agricultural credit cooperatives encompassed between 200 and 600 members - today the number of members is more than 12 thousand people. The majority of members are agricultural producers or are closely linked to other activities performed in rural areas and small towns. The balance sheet assets of one cooperative ranged from 100 thousand euro to over 500 thousand euro.

The positive side of the operation of this scheme and the created with its help credit organizations is that they cover the territory of the country and offer specialized loans to its members for the sole purpose of crops production and/or processing of agricultural production. Thus, they help to strengthen the economic and social integration of the rural areas and assist the sustainable rural development.

Nowadays in Bulgaria are registered and function close to 2000 cooperatives with 0,5 million members and 50000 employees. In these organizations are working almost 50 percent of the people with disabilities in Bulgaria. Cooperatives, regional cooperative unions and cooperative companies are organized in four national cooperative unions.

Table 9 Cooperative network in Bulgaria

Cooperative Unions	Number of cooperatives	Cooperative members	Employees
Central Cooperative Union	795	149761	12000
National union of agricultural cooperatives	903	240000	16000
National union of worker cooperatives	251	20000	15000
National union of cooperatives for people with disabilities	124		5000

While statistics indicate for job losses and instability at national level, most of the cooperatives show stable employment rate and viability. Increase has been reported in sartorial sector (11%), in non-food industry (53%). Investment activity also registers increase of 31% for 2012. One of the strongest and most influential cooperative organizations in Bulgaria is the Central Cooperative Union (CCU). The Union represents 33 cooperative unions, which bring together 795 cooperatives with 149761 members; and nearly 12000 employees. The registered annual net income increase is 20 per cent. The assets of Central Cooperative Union are 409 million BGN and the share capital 18 million BGN. COOP retail chain stores of the Central Cooperative Union count of 794 and the regional bread production centers are 75. The serviced settlements are 2 742 and the employed people are 9 206. All this shows that the union has sustainable market positions and social responsibility.

Most recent information shows that the assets of Central Cooperative Union are about 205 million euro and the share capital 9 million euros.



The total revenue is shared between wholesale- 12 %, retail-55 %, industry- 8 %, agriculture- 7 %, forestry- 1 %, purchasing- 2 %, tourism- 1 %, services- 9 % and other- 5 %. COOP retail chain stores of the Central Cooperative Union count of 794 and the regional bread production centers are 75. The serviced settlements are 2 742 and the employed people are 9 206.

Producer groups and organizations

In 2000 the already discussed agricultural policy and promoted measures for rural development has brought to positive change in the organizational rate in the sector. Of course this effect could not be estimated equivalently for the different types of production considering that the highest percentage of established producer organizations was in the tobacco sector. In 2004 the number of these organizations was 15, mainly registered as cooperatives. The first steps in the other sectors were insecure and rather sporadic in the dairy sector are settled down five producer organizations and only one is involved in production of meat and meat products. The organizational rate and characteristics of the fruit and vegetable sector have undergone slow increase with the adoption of the new Regulation 11 from 2007 laying down specific rules on the establishment of producer organizations⁵. Six producer organizations have been registered since 2004 and among them only one has adopted cooperative organizational form, while the rest have chosen to register under the Commercial Law as limited liability companies. Every member of these organizations has a contract – either for delivery, commission or production. This contract specifies the quantity and the quality of production in accordance to the annual production and marketing plans. Producers are obliged to sale through the organization no less than 75 per cent of their production. By the time fixed by the organization, producers are obliged to transport their production (by own or organizational means of transport) to the receiving stations where the quality of their production is assessed. At this stage the property right is transferred from the producers to the organization and the risk from damaging or spoiling the production as well. Until its final sale, production is preserved in the storage and refrigerating facilities of the organization. Producers receive contracted payment for their production up to 30 days after its transportation to the receiving points of the organization. From the receivable amount are subtracted no more than 8 per cent for sorting, assembling, calibration and storage and no more than 5 per cent to cover marketing costs of production.

For 2013 there are nine newly recognized groups of producers, while the number of the functioning producer organizations is quite modest – only one in the fruit and vegetable sector for production of peaches in Sliven.

NGOs, business incubators and clusters

Back from the very start, there are four periods that could be distinguished in the development of the third sector in Bulgaria, mainly defined by the changes in legal framework and the current political situation. 19 percent of the NGOs are operating within their local communities, while 46 percent perform at regional



level. The percentage of the national NGOs is 24 and 11 percent operationalize at international level.

These organizations vary in between in terms of set priorities and objectives, specifying from a wide range of civil and professional objectives, to a more specific focus towards economic support and support to local authorities, research and work with particular target groups (Doitchinova, Zaimova, 2013). For 2009 the total number of registered NGOs is 30000, of which 22,6% have a status as organizations pursuing public benefit. The prevailing number is the one of associations – 24465, while foundations represent 17% or 5177. The so-called “chitalishta” are 3779. The rest are religious organizations and syndicate associations. Unfortunately from the abovementioned statistics as active NGOs are appointed 6000, which seriously questions their sustainability. More recent analysis reports that the number of active associations and foundations is 9009 with 1723000 members, of which 102000 are legal entities and the rest, are physical members. In 2012 there were over 35,000 NGOs registered in Bulgaria, an increase of 1,850 since 2011⁶. The business incubators are used for the promotion of entrepreneurship and local economic development through enterprise start-up, job creation and improved value-added production in Bulgaria. The concept was introduced a decade ago to promote grass-root initiatives and capitalization of the local economic development potential, with the intention to support regions in crisis to find their own solutions.

Figure 3 National business development framework



Source: <http://www.nbdn-bg.org/en/members>

An integral element of the EU PHARE programme “Introduction of a cluster approach and establishing of a Cluster Pilot Model” was the delivery of a National Clusters Strategy in Bulgaria. Nowadays the Association of business clusters is the one aimed at gathering the Bulgarian clusters and establishing national standards and traditions in clusters policy. The particular objectives in releasing these are:

- development and participation in the preparation strategies and policies, related to social and economic development of the country;



- research and maintenance of database of clusters at a national, European and international level;
- realize of projects for regional social and economic development, development of clusters, cross-border cooperation and others, funded by national, European and international programs;
- membership in national and international associations and organizations.

Figure 4 Clusters in Bulgaria



Research organizations

In Bulgaria there are 25 state-owned research institutes, 15 regional centres for applied science and experimental activities, as well as centres for scientific and technical information. The links between the research institutes and business has improved in the recent years as more, and primarily large, agricultural holdings and food industry enterprises turn to the research institutes for specific information and advice. The research institutes also activated their role related to the transfer of scientific knowledge by managing demonstration fields, organising information days and seminars. So far, however, the long-term co-operation projects are limited in number and there is a limited coverage of the medium-sized companies and agricultural holdings. There are 5 universities and colleges in Bulgaria offering post secondary education in agriculture, forestry and the food industry. MAF supports 98 vocational schools - agricultural (72), forestry (14), food, and wine and tobacco technologies (12). Training for adults is provided by universities, part of the vocational schools, vocational training centres managed by branch associations, private companies, as well as by the Centre for Vocational Training within the National Centre for Agrarian Science.

Rural development programme (2014-2020)

The rural development programme for the next programming period 2014-2020 is built upon six thematic priorities and fifteen priority areas aimed at programme interventions, innovations and transfer of knowledge, etc.

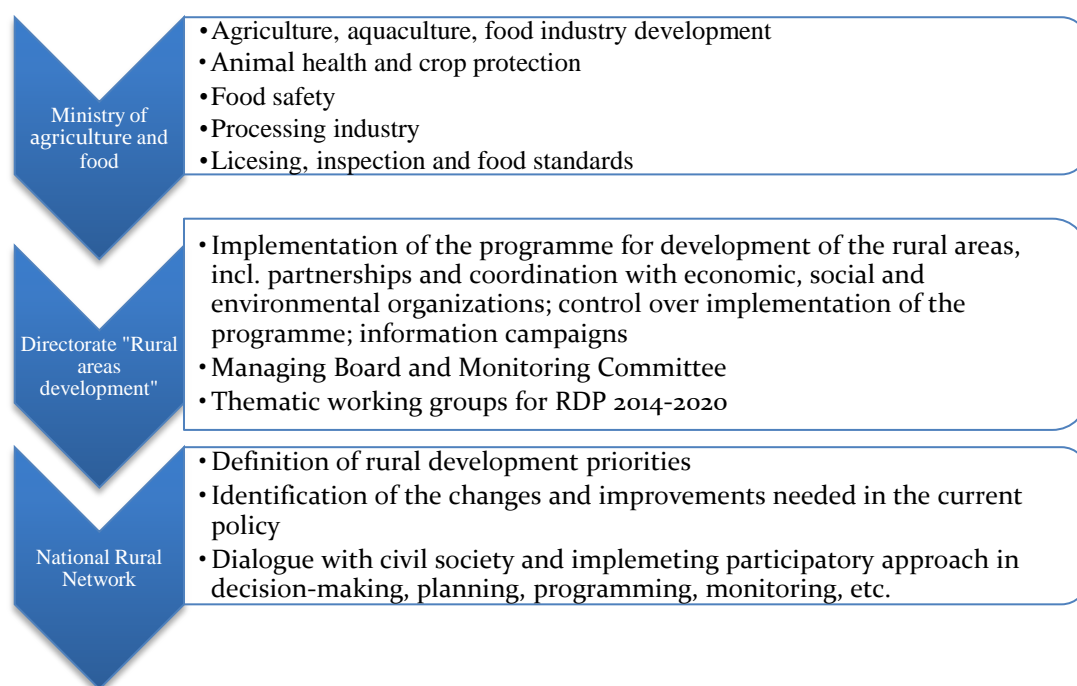


Table 8 Development priorities of the two programme periods

RD 2007-2013	RD 2014-2020
Competitiveness	Stimuli for transfer of knowledge and innovation in the field of agriculture and forestry in rural areas
Improvement of environment and natural resources	Competitiveness and viability of any type of agricultural activities and business units
Improvement of quality of life and diversification	Organization along the value chain and risk management
LEADER – Local Action Groups (LAGs)	Sustaining ecosystems
	Efficiency in utilizing natural resources and low carbon sustainable economy
	Social inclusion, poverty alleviation and economic development of rural areas

To strengthen rural development as well as the adoption of measures for promoting better and more equitable integration of the rural sectors with the rest of the national economy a better understanding is needed in terms of institutional responsibilities and priority fields.

Figure 2 Relationships among national and local authorities



Source: http://enrd.ec.europa.eu/enrd-static/general-info/faq/rd-regulation/bg/rd-regulation_bg.html#endr



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¹ All data for population size and structure are from Population Census 2011, unless explicitly specified otherwise.

² Source: EUROSTAT

³ According to the typology at NUTS 3 level for predominantly rural, intermediate and predominantly urban areas from 2010, 15 from Bulgarian districts are classified as predominantly rural, 12 as intermediate and 1 as predominantly urban area: Sofia city.

⁴ As in RDP 2007-2013 definition and territorial scope.

⁵ Regulation 11 from 15.05.2007 for the terms and order in recognition of organizations of fruit and vegetables producers and their associations and for the terms and order in alteration of approved operational programs, SG 42/ 29.05.2007

⁶ Doitchinova, J., D. Zaimova (2013) "The third sector importance: General perspectives and analysis for Bulgaria", CIRIEC WP13/01, ISSN: 2070-8289



Chapter 2: TRENTINO, ITALY

Introduction

In Italy, the rural areas represent over 90% of the national land area and contribute to the national value added with about 50%. In these areas the development has strong links with local culture, traditions and natural assets, but the agriculture sector still plays the major role, providing different services in the field of environment (land management, biodiversity, etc.) and amenities (landscape, countryside for leisure, etc.). Agriculture provides also inputs that support a number of successful economic activities, such as the food industry, even though, since 1990, the surface of land used by primary activities has been in decline.

The manufacturing sector represents the most important sector in Italy and it is also an important part of economy of the rural areas. Where these areas are connected to small and medium sized cities, the concentration of firms took the form of *Industrial Districts* (Beccattini 1975, 1979, 1998)

Finally, another important economic sector based on local assets of the rural areas is tourism, thanks to the rich endowment of coast, plain and mountains the provide numerous tourism opportunities.

The performance of the rural areas varies across Italy and the regions located in the mountainous areas (such as Trentino), and in some southern areas, have consistent development problems.

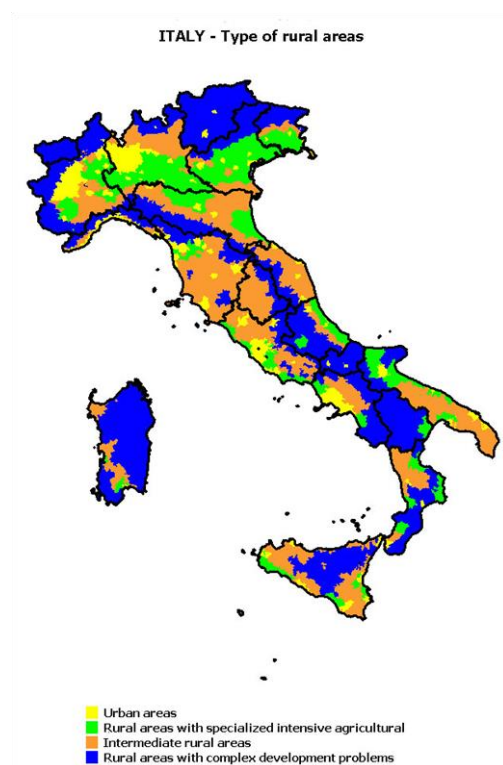
Generally, speaking, the main problems regarding the supply of services like education and public health care services. Even if the population ageing is a national trend, the concentration of inhabitants aged over 65 years in rural areas is higher and this goes hand in hand with depopulation. This is leading up in some rural areas to the closure of public services, which in some cases are replaced by the emergence of private services, often run as a cooperative.

In Italy, the policies to support rural development depend on both EU Regional and Agricultural policies. Two documents (mandated by the new EU legislative frameworks) guide rural policy development: the National Strategy Plan (NSP), produced by the Ministry of Agriculture (MoA), which covers the operation of new RDPs under the second pillar of CAP, and the National Strategic Framework (NSF), produced by the Ministry of Economic Development (MoED). The NSP defines the national strategy for the agro-industrial sector and rural areas as a whole. The NSF reflects the EU regional policy and its aim is to improve the conditions of rural areas in order to facilitate the development of agribusiness, other economic activities, and the attractiveness of rural areas through the diversification of the economy and improvement of quality of life.



Nevertheless, the rural development policies are mostly designed and implemented by regional governments, within the NSP and NSF frameworks. The 19 Regions and 2 autonomous provinces of Trento and Bolzano manage legislative and administrative powers, particularly in the fields of agriculture, commerce, public health, tourism, and public works.

Chart 1 Types of urban and rural areas in Italy



Source: National Rural Networks (2014)

The Autonomous Province of Trento

The Autonomous Province of Trento can claim a truly unique historic and cultural identity, codified in the form of a special institutional autonomy granted after the Second World War (1946) in a specific agreement signed by Italy and Austria.

Thanks to its autonomy, the Province of Trento manages directly legislative, administrative and financial jurisdiction in fundamental areas, including education, health, industrial policy, transport, the University and tourism. This means that political economic decisions are made rapidly, based on the specific characteristics of the area and with the objective to plan and promote its own development. Moreover, the financial resources and wealth produced remain within Trentino and the Province manages 90% of direct and indirect income collected within its administrative border.

Generally speaking, Trentino has a dynamic economy; open to innovation and increasingly also to foreign markets.



The economic fabric of Trentino is based mainly on small and medium-sized businesses (around 39,000 active enterprises, almost 1 for every 10 inhabitants) organized within a network and united by a long-standing tradition of cooperative societies.

At industrial level, Trentino is characterized by a relatively diversified system in terms of the types of products realized and the levels of specialization.

Trentino's economic system has a high level of excellence in terms of innovation and market quality in many areas of production (ICT, food and agriculture, sustainable building and woodworking).

Table 1 Main aspect of the Province of Trento (2013)

	Trentino	Italy
Per capita GDP in PPS	€ 29 677,77	€ 25 928,12
Employment rate	65,50%	56,80%
Unemployment rate	6,20%	10,70%
Unemployment rate for young people (aged 15-24)	20,50%	35,50%
Activity rate	70,20%	63,70%

Source: Statistical Service of the Province 2010

Rural areas in Trentino

The Autonomous Province of Trento (partitioned in 16 'Comunità di Valle' – Valley Communities and 217 municipalities) is considered entirely mountainous, with limited flat land areas at the end of the valley and it is made up of numerous populated areas of small and very small size, with populations often below 1000 inhabitants. More than 70% of the province surface lies above 1,000 meters altitude, but only the 6.3% of the population lives over 1,000 meters). This means that more than 50% of the population lives in the 34 municipalities at the bottom of the valley or below 400 meters (which means that 50% of the population is concentrated on a territory that represents only 15.2% of the total surface of the province).

Rural areas **in Trentino** represent 97.5% of the province territory and accommodate close to 78% of province population. In Italy the national territory has been classified according to the methodology set up in the national strategy into 4 typologies: (A) urban areas, (B) rural areas with intensive and specialized agriculture, (C) intermediate rural areas, (D) rural areas with development gaps. The territory of the Autonomous Province of Trento is classified under two of the four typologies: typology (A) 'urban areas', which include the municipality of Trento, with surface area of 157.92 km² and 730 inhabitants/km², and typology (D) 'rural areas with development gaps' for the remaining territory, with surface area of 6054.08 km² and 64 inhabitants/km².

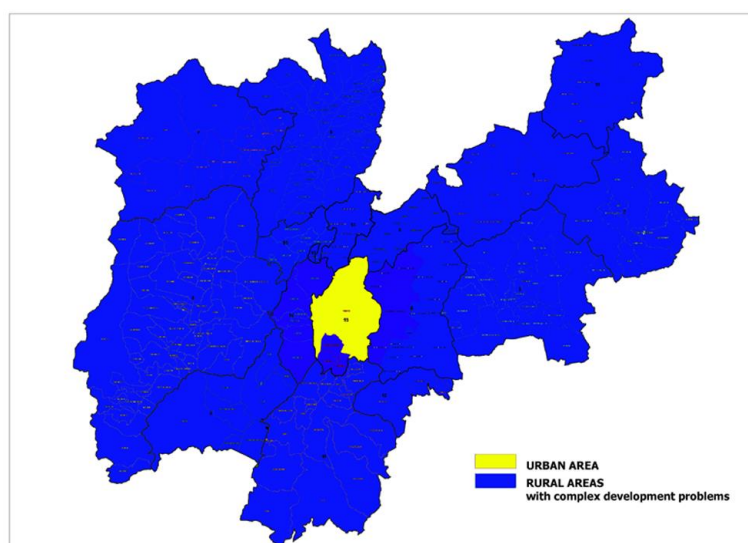


Table 2 Population in the Autonomous Province of Trento (2013)

	Surface	Inhabitans	%
Province of Trento	6 212 kmq	533 394	
Municipality of Trento	157.92 kmq	115 368	22%
Rural areas	6 054.08 kmq	418 026	78%

Source: Statistical Service of the Province 2010

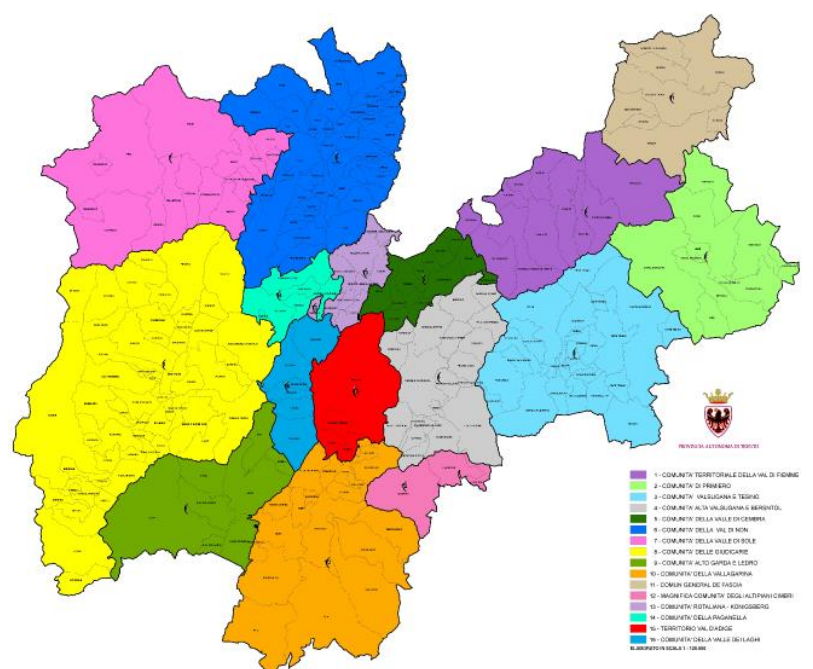
Chart 2 Urban and rural areas in Trentino



Source: National Rural Networks (2014)



Chart 3 Community of Valley



Source: Autonomous Province of Trento (2014)

Population

According to Eurostat (2012) the population of the province counts 533.394 unities, with an increase from 1971 to 2012 (+23%) although with diversified rates according to the zones: +12% in the areas below 400 mt; +13% between 400 mt and 600 mt; +6% above 600 mt.

This distribution of the settlements throughout the territory and at different altitudes makes more serious the social economic discomfort for the local population. Often in some of these municipalities, the basic services cannot be guaranteed.

The population is composed of 15.3% from young people under 15 years; 19.7% from people with more than 65 years old; and 65% from population in working age (15-64 years old). The demographical structure is increased in the last years mainly due to a high rate of migration (+10% in the period 2001-2012).

The employment rate of population in working age (65.5%) is higher than the national average (56.8%) as well the percentage of employed males (76%) is higher than the percentage of employed females (61%). Unemployment rate (6.1%) and young unemployment rate (21%) are low and much lower than the national average. Self-employment is quite developed in rural areas, with 8390 self-employed people and 39,500 in total. However, employment in rural areas is much lower than the province and national average.



57.19% of the adult population (25-64 years old) of the province had a complete education (upper-secondary and superior).

Economic profile of the Province of Trento

In 2011 the GDP/capita was 29,700 Euro (while the national average was 26,000 Euro). Since the entire Province territory is defined as mainly rural, the GVA produced in the Province should be considered as produced in rural areas, but agriculture is not the main sector.

An important role in the economy of the province is played by the tourist sector (both summer and winter tourism). According to the statistical department of the province, in the last 10 years (2003-2013) the tourist numbers are increased considerably (+13% during the summertime and +11% during the wintertime). In general, infrastructures for **tourism** are highly developed compared to the rest of the country and are mainly located in rural areas with a strong development of rural tourist, and with tourism infrastructure indicator of 153,591 accommodation units available. For this reason tourism represents an important income-integrating activity especially in marginalized areas. This strategic sector is strongly supported by the local administration through financing, infrastructure development and training of the workers of the sector.

Table 3 Economy structure per major sectors (2011)

	Total	Primary sector	Secondary sector	Tertiary sector
GVA	13 238.8 (EUR million)	3%	25.3%	71.7%
Employment	230.7 (1000 persons)	3.9%	26.9%	69.2%
Labour productivity (EUR/person)	60 697.3	43 759.1	56 150	63 514.8

Source: Statistical Service of the Province 2010

Agricultural Sector

The added value of the agricultural sector in the Province is 3% compared to 25% of industry and 72% of the services sector.

In 2010, the total agricultural area was 408,870 Ha, while the utilized agricultural area was 137,220 Ha. The total number of holdings was 16,450 with an average size UAA of 8.3 Ha. In terms of agricultural holdings size, 63.5% of holdings have less than 2 Ha of UAA; 29.5% of holdings have between 2 and 9.9 Ha; 4.4% of holdings have between 10 and 29.9 Ha; 2.6% of holdings have more than 30 Ha.

Therefore, agricultural farms in the Province are typically small both in dimension and financially.



This condition had a negative influence on the productive structure and it involves remarkable problems in terms of organizational and economic management of the firms. The solution was found in the diffusion by decades of an extremely efficient cooperatives system. The cooperative system has allowed the aggregation of the production and it has offered assistance in the phases of first production, packaging, marketing and distribution of the products. In Trentino, 80% of UAA are in fee; 12% are rented and the remainder 8% is in loan of free use. The agricultural sector is therefore dominated by small property held in cooperative form.

Table 4 Total agricultural holding, Utilized Agricultural Area and Total Agricultural Surface in Trentino (2000 and 2010) and variation in Trentino, North-East and Italy (2000 and 2010)

	2000	2010	Trentino	North-East	Italy
			Var (%)		
Holding	28 307	16 450	-42%	-31,4	-32,4
UAA	146 729,57	137 219,17	-6,5%	-6,1	-2,5
S.A.T.¹	430 545,87	408 863,63	-5%	-11,6	-9

¹ S.A.T., Total Agricultural Surface = UAA – unused agricultural surface.

Source: Statistical Service of the Province 2010

Table 5 Average dimension of the firm in hectares according to the Utilized Agricultural Area and Total Agricultural Surface in Trentino, North-East and Italy. Years 2000 and 2010

	UAA (average)			S.A.T. (average)		
	2000	2010	Var (%)	2000	2010	Var (%)
Trentino	5,2	8,3	60,1	15,2	24,9	63,8
North-East	7,2	9,8	36,9	10,9	14	28,8
Italy	5,5	7,9	44,2	7,8	10,5	34,6

Source: Statistical Service of the Province 2010

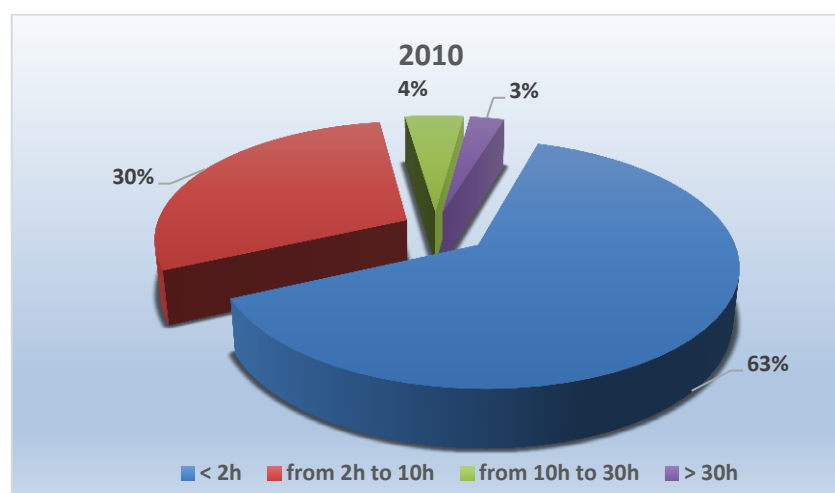


Table 6 Number of agricultural holding by size (2010)

N. holding/Farm size	2010	%
<2 Ha	10 440	63.5
2-4.9 Ha	3 560	21.6
5-9.9 Ha	1 300	7.9
10-19.9 Ha	540	3.3
20-29.9 Ha	190	1.2
30-49.9 Ha	160	1.0
50-99.9 Ha	80	0.5
>100 Ha	180	1.1
Total	16 450	100

Source: Statistical Service of the Province 2010

Chart 4 Percentage of the holding sorted by class of Utilized Agricultural Area in Trentino (2010)

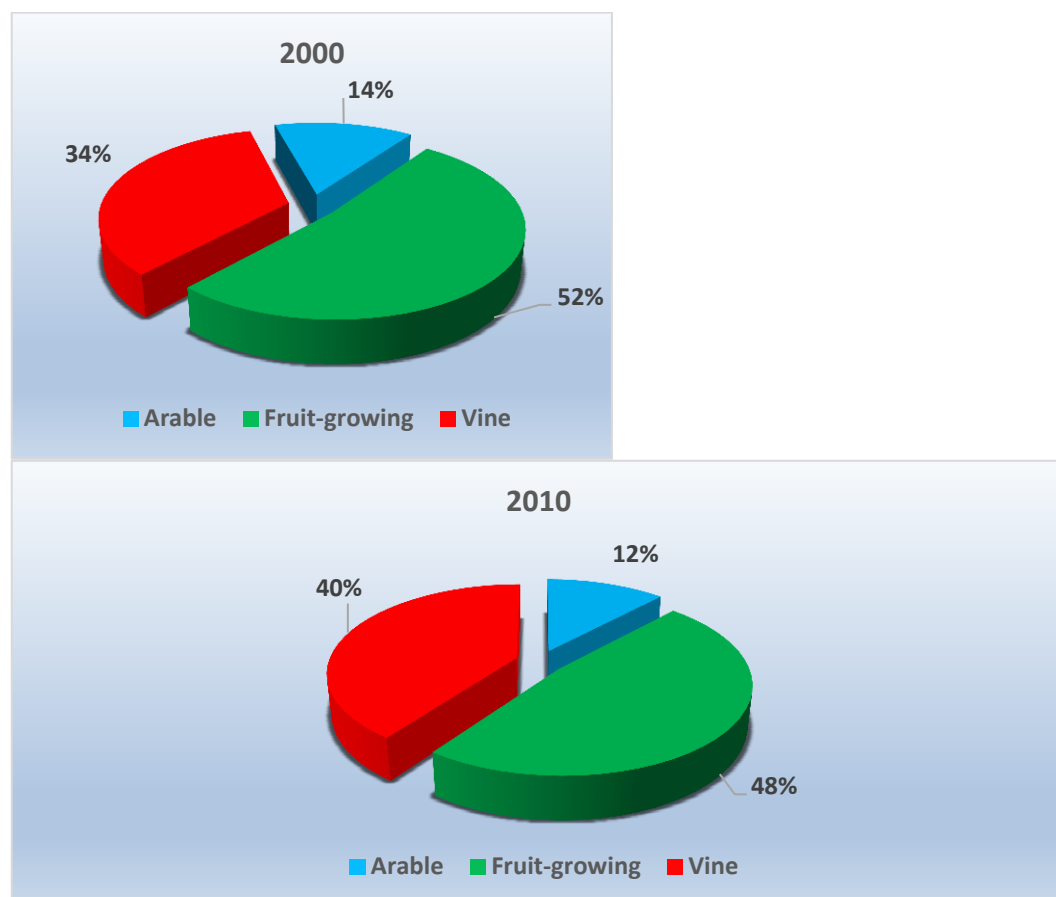


Source: Statistical Service of the Province 2010

Regarding the use of the land, the agriculture of the Trentino has its strength in the permanent cultivations (22.267 hectares, the 17% of the UAA), typically vine and apple tree, that are in the valley bottom and in the hill. The livestock sector is the second component of the Province agriculture, especially in the mountainous areas where the production of other crops is not possible, with remarkable extensions of lawns and grazing land (109.111 hectares, 81% of the UAA). Finally, another sector with a relative importance in the provincial context is the arable land (3.568 hectares, 2% of the UAA).



Chart 5 Percentage of the surface sorted by main cultivations in Trentino (2010)



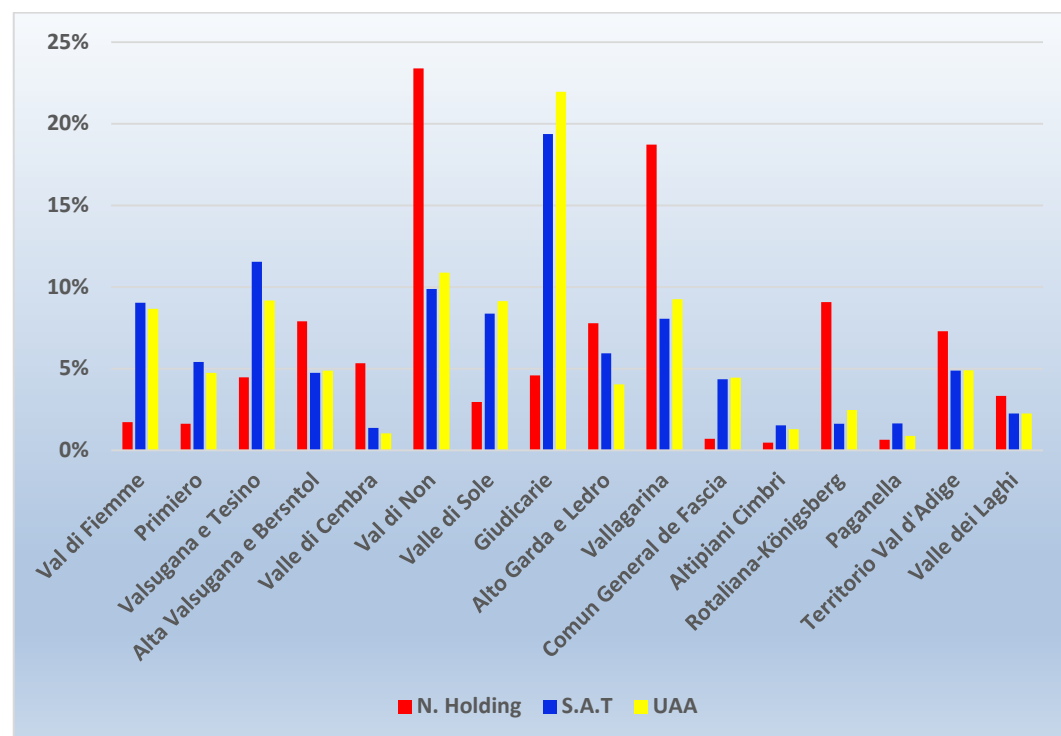
Source: Statistical Service of the Province 2010

The greatest part of the agricultural firms are located in 'Val di Non' (23% of the firms and 11% of the UAA) and in 'Vallagarina' (19% of the firms and 9% of the UAA). These two 'valley communities' are followed by 'Alta Valsugana & Bersntol' (8% of the firms and 5% of the UAA). In all these territories, nevertheless, the average dimension of the firms is very small (4 hectares).

Agricultural firms with bigger dimension are located in 'Community General de Fascia' (53 hectares; 1% of the firms and 4% of the UAA), in 'Val di Fiemme' (with an average of 43 hectares; 2% of the firms and 9% of the UAA) and 'Giudicarie' (40 hectares; 5% of the firms and 22% of the UAA), where livestock are more spread. The different dimension of the holdings reflects that dualism that characterizes the agriculture sector in the province: on one hand, an intensive agriculture well specialized but extremely fragmented, strictly connected with the fruit and grape growing sector. On the other hand, an extensive agriculture, tied up mainly to the livestock sector.



Chart 6 Percentage of holding, Utilized Agricultural Area and Total Agricultural Surface in Trentino, shared by 'Comunità di Valle' (2010)

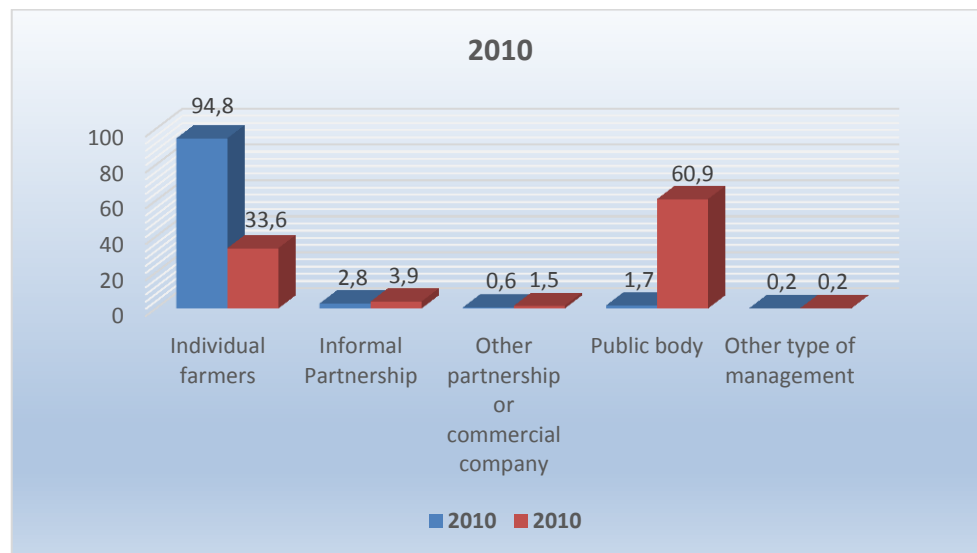


Source: Statistical Service of the Province 2010

In the province of Trento the people involved in the agricultural activity and livestock during the 2010 are 64,507 (-15% from 2000) for a total of 3.742.482 days (-11.6% from 2000). Among these, only a smaller quota of these people is however exclusively devoted to the agricultural activity. The agriculture sector in the province is characterized by a strong presence of part-time farmers and a lot of people result primarily employed in other economic sectors. From 2001, the number of part-time farmers has passed the number of full-time farmers and it is in that category that we can find people belonging to the high age group (over 50 years old).

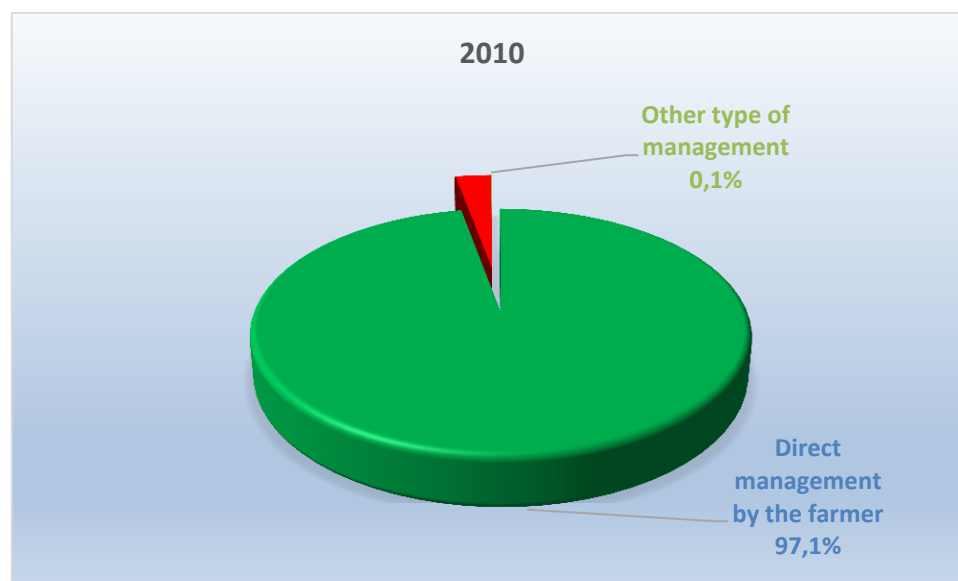


Chart 7 Percentage of holding and Utilized Agricultural Area in Trentino, shared by legal form (2010)



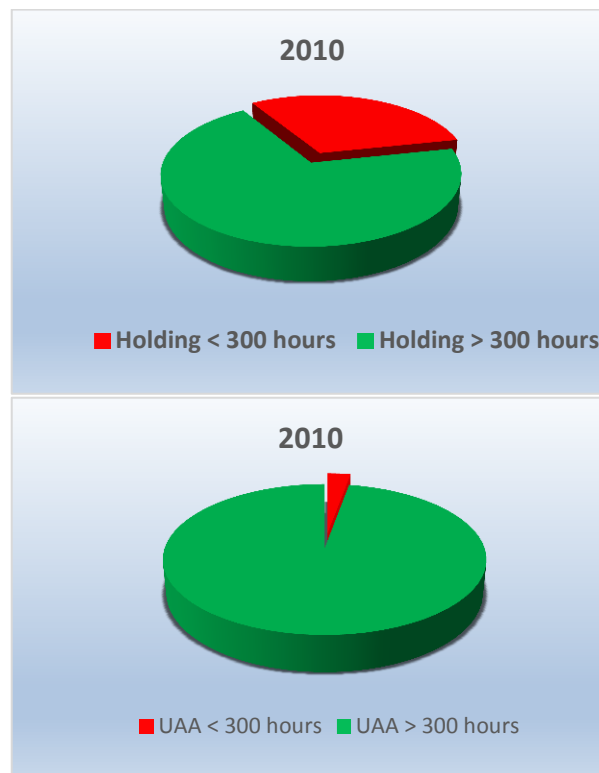
Source: Statistical Service of the Province 2010

Chart 8 Percentage of holding in Trentino shared by type of management (2010)



Source: Statistical Service of the Province 2010

Chart 9 Percentage of holding and Utilized Agricultural Area in Trentino shared by working hours (2010)



Source: Statistical Service of the Province 2010

Agricultural output (GSP) in the Province reached 698.4 million EUR in the year 2010 (95% attribute to the agricultural sector and 5% to the forestry sector). The most important branches of the agricultural sector are fruit growing (33% of the total agricultural production), livestock (17%) and grape growing (15%). The first transformation of the product (fruit, grape, dairy) made by Consortium, Winery and Dairy Cooperatives) represent an important and high percentage (25.4%) of the total GSP.

Apple production alone contributes with 82% of the GSP of the fruit farming industry of the Province. Small and soft fruit production (strawberries, cherries, etc.) is the next significant production in the economy of the Province, accounting for about 10.9% of the fruit farming industry in the Province of Trento.

The organic farms are 418 (69 breeding livestock) and they represent the 2.5% of the agricultural farms in the province.

In 10 years the organic farms are doubled and their surface is tripled. In 2010, the cultivated surface with biological method is 1,618 hectares (1.2% of the UAA). Despite this substantial growth the Province of Trento shows a delay compared with Italy (2.7% for the firms and 6.1% for the UAA). This is connected with the different typology of cultivation.



Table 7 Distribution of organic farms

	N. of Holdings			Hectares		
	2000	2010	Var (%)	2000	2010	Var (%)
Holdings	180	418	132,2	520,15	1 614,47	211,1
Arable land	-	-	-	79,38	127,61	60,8
Woody Agriculture	-	-	-	193,37	652,54	237,5
Permanent crops and grazing land	-	-	-	247,4	838,32	238,9

Source: Statistical Service of the Province 2010

Tourism and rural areas

The relationship among agriculture, environment and tourism in Trentino present may different and complexes aspects on which the provincial policies are rely on in order to promote both the local agricultural and food products and the image of the landscape based on the agriculture.

Tourism and tourist facilities in Trentino represent a major opportunity not only for the extraordinary environmental of the Dolomites, but also for economic, commercial and investment opportunities linked to the arrival of 5 million visitors each year, 40% of whom are foreigners. It is for this reasons that, as mentioned before, tourism represent an important income-integrating activity in rural areas and this important sector for the whole province has been strongly supported by the local administration through the years. In the last decade, the provincial tourist politics has relied a lot on the match between agriculture and tourism stimulating short supply chain and on the promotion of the quality of the rural hospitality. The aim of the Province has been to promote and to develop of a sustainable tourism (i.e. incentivizing a human presence of low impact and more compared to the environment); to improve the standards of life of the rural areas and the quality of the offered services.

Thanks to European funds the Province fulfilled some project in order to refurbish typical and historical rural houses tied up to the pastoral tradition, commended them with extra-agricultural activity.

During the 2000-2006 programming period, regarding the **LEADER** program, only 1 LAG was selected: the territory covered by Leader+ was the 'Alta e Bassa Valsugana', and 3.06% of the population.

With the new Provincial Rural Development policy, the **LEADER** instrument will be used for developing new projects aimed to the increase the promotion of the tourism and its bonds with the agriculture and the environment especially in the rural areas where the tourism is less developed.



Cooperatives system

In Trentino, thanks to its unique historical and geographical background and the social and economic difficulties experienced by local population (the research for common answers to specific needs and requirements that cannot be dealt with individually), has been possible to develop a build a solid cooperative movement. The cooperatives system in Trentino has a long history and its origins were deeply affected by the cultural heritage and economic innovations carried out within the Austria-Hungarian Empire² (Leonardi 1982, Leonardi 1996). One of the most important figure of the cooperative movement in Trentino was Lorenzo Guetti, a local farmers and the priest. In 1890, he set up the first consumer cooperatives (called Cooperative Family) and in 1892, he established the first Rural Bank. In 1895, Lorenzo Guetti became the first president of the first coordinating organization of the Trentino cooperative movement called "Federation of Cooperatives Operating in the Italian Part of the Province" (Leonardi 1996, Leonardi 1982, Giacomoni 1980, Giacomoni, Tommasi 1999, lanes, 2003).

Two other important historical landmark has influenced the evolution of the Trentino cooperative movement also. In 1919 (after World War I), when Trentino passed from the Austro-Hungarian Empire to Italy, and in 1947 (after World War II), when the Autonomous region of Trentino Alto-Adige³ was created with autonomous legislative power over many key areas (industry, agriculture, handicraft, water management, and tourism). The development of the Trentino cooperative movements has been always recognized and sustained by the Autonomous Province. Thanks to their autonomous administrative and legislative competences over its territory, the Province provide different benefits and facilities for the cooperatives operating in various different sectors (agriculture, construction, trade, commerce, services, social, etc.).

Nowadays, the cooperatives system still playing an important and fundamental role in the socio-economic development of the whole province and the widespread presence of cooperative societies throughout the Province makes Trentino a genuine 'cooperative district' (Cattinelli 2007, PAT 2011) with few analogies around the world. With a population of half million inhabitants, the province counts over 227 thousand members of cooperatives. This means that in 2 families on 3 are involved in the cooperative system. In Trentino, cooperatives work in the following sectors: agricultural, consumer and retail, credit, labor, services, social (type A and type B⁴) and housing. The last four categories (LSSA) are very heterogeneous and reflect the dynamism of the cooperation movement in the last 20 years.

Co-operatives vary greatly in size, scope, and operational focus and in all the economic sectors they have formed *Consortium of second degree*. The consortia are society among cooperatives that coordinating and integrating the activity of the cooperatives. They offer services to the cooperatives and run different activities: strategic sectorial marketing, promotion of the efficiency and the organization in the cooperatives, presence in the organized great distribution at national level, foreign market penetration, etc. As we have seen before, in the agricultural sector,



the cooperative system plays a fundamental role in the aggregation of the production and helps small farmers in to overcome their dimensional problems. In the same way, thanks to their activities, the consortium produced tangible advantages for the single cooperatives, allowing the cooperatives to overcome the limits imposed by the small dimensions and to face with success the various referenced markets.

Table 8 Cooperatives in Trentino (2004/2013)

	Number of cooperatives				Active members			
	2004	2008	2010	2013	2004	2008	2010	2013
Firs Level Coops	506	523	517	508	199 947	256 015	273 753	289 069
Agriculture	70	68	68	69	18 982	17 749	17 167	15 414
Consumer & retail	86	84	80	80	64 170	85 278	96 491	108 933
Credit	50	47	46	43	93 886	113 603	120 352	125 153
LSSA	279	292	294	289	19 443	23 596	24 070	24 370
Other	21	32	29	27	3 466	15 789	15 673	15 199
Central and Second Level Coops	22	20	22	25	n.d.	5 847	7 078	10 153
Total	528	543	539	533	199 947	261 862	280 831	299 222

Source: FTC (2013)

In Trentino almost all the cooperatives and the consortium are reunited under a federation called **Federazione Trentina della Cooperazione** (FTC) that represents the cooperative system and it promotes the interest of the cooperatives. The Federation is the only representative subject of the local cooperative movement and it is the fusion of two different representative subjects: the Federazione Trentina affiliated to Confcooperative and the Lega Trentina affiliated to Legacoop. The Federation is playing a fundamental role of defining the strategic framework that allowed the growth of the co-operatives and the consortia.

The turnover of Trentino cooperative movement, which guarantees stable employment to about 20,000 people, is 2 billion euro, while overall assets amount to 2.4 billion euro. The statistics illustrate the extent of the phenomenon: the market share of cooperative society businesses in the agriculture sector is almost 90%, while it stands at 65% in the credit sector ('Casse Rurali'), and 38% in terms of consumption ('Famiglie Cooperative'). The total assets of cooperative movement are around 2.6 million euro.

The cooperative system is connected to other local organizations whose work in different fields of interest, from finance to insurance, from mutual to associations and voluntary sector, like for instance Promocoop and Cooperfidi. **Promocoop Trentina s.p.a.** is a non-profit organization that manages the mutual fund the Cooperative Movement Trentino.



The fund's resources are used to the promotion and development (through targeted funding) of new business initiatives and cooperative. **Cooperfidi**, founded in 1980 by the local Federation of Cooperatives, works of facilitating access to credit of the members of the federation and to coordinate the relationship with the banks. Since 1998, it is also open to the entire agricultural sector, including sole traders.

Table 9 Some data about the 'Cooperazione Trentina' (2013)

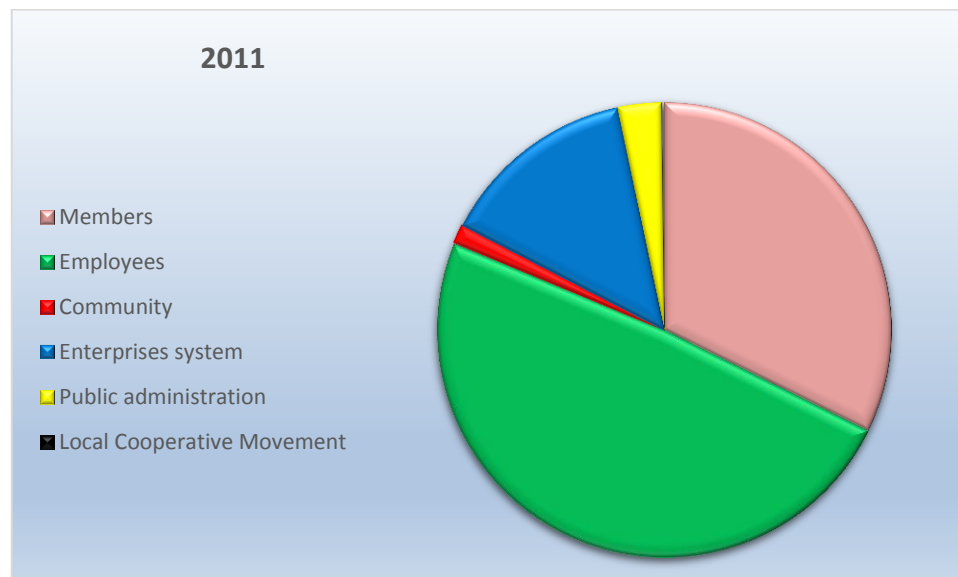
	Credit	Agricultural	Consumer	Social	Labor and Services	Housing
Local market share	65%	90%	38%			
N. of cooperatives	60	91	81	90	166	40
n. of branches	380		394			
N. of consortium	1	7	1		1	
N. of members	133 624	20 702	100 471	5 700	22 000	3 000 ¹
N. of employee	2 921	2 110	2 779	3 350	7 500	
Added value (2011)	366 120 592	532 819 168	115 754 858	106 882 285	166 716 095	-344 860
Added value (2011) %	28.07	40.85	8.87	8.19	12.78	-0.03

¹ Families who live in a houses built by cooperative

Source: FTC (2014)



Chart 10 Percentage distribution of the added value distributed by thirty cooperation (2011)



Source: FTC (2014)

Regarding the agricultural sector, the agricultural cooperatives in Trentino show a positive performance thanks to their vertical integration and concentration (economies of scale). The first level cooperatives have a direct link between members and provide advice, resources, technical and financial support to the small farmers. The consortia (second level cooperatives), created at the end of the eighties, develop marketing functions and relations with the value chain, organizing their strategic goals in order to increase market shares in final product markets. Generally speaking, the consortia focus their marketing strategy on quality factors, helping their members to improve the quality of their product and to innovate increasing the use of sustainable production techniques.

Agricultural cooperatives works in three main different markets: fruits, wine and dairy products.

In the sub-sector of **fruits**, the most widespread production is apple (460 thousand tons in 2013), followed by other fruits such as small and soft fruits (strawberries, raspberries, blackberries, blackcurrants, redcurrants, cherries), plums, and kiwis (6 thousand in 2013). Apple represent the most important production of Trentino and the main important cooperatives are *Melinda* and *La Trentina* (both second level cooperatives). Regarding the other fruit productions, *Sant'Orsola* is a cooperative of first level specialized in small and soft fruits. All three cooperatives belong to the APOT (*Associazione Produttori Ortofrutticoli Trentini*), a third level cooperative organization that coordinates the entire fruit and vegetable sector of the province.



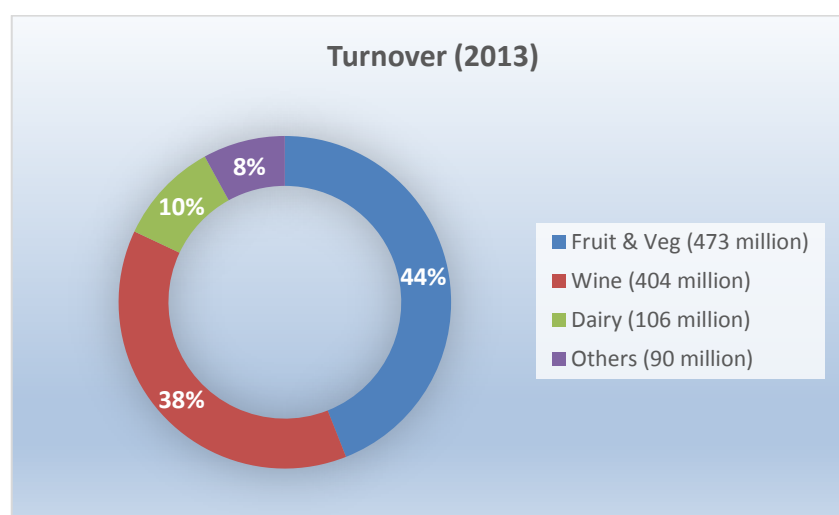
In the **wine** sub-sector, the cooperatives are playing an important role at a global level with a total turnover of € 404 million. More than 75% of its production is exported in Europe and in more than 46 foreign markets (included US). The main important actors are *Mezzocorona* (a first level cooperative, with a turnover of 163 million in 2013), *CAVIT* (a second level cooperative, with a turnover of 153 million in 2013) and *La-Vis* (a first level cooperative, with a turnover of 85 million in 2013).

Finally, another important agricultural sub-sector is represented by the **dairy** production, with an annual turnover of € 106 million. Among this, the main important is the production of cheese and the consortia *Trentingrana* is specialized in the production and marketing of hard cheese, known as *Grana Trentino*. The consortia was established in 1973 and today it handles the majority of Trentino cheese and cream sales with an annual turnover of € 56 million. Another consortium, *Trento Latte*, created in 1949, handles all milk produced in the province not processed into cheese, with an overall turnover of € 50 million.

Table 10 Data of the three main type of production of the agricultural cooperative (2013)

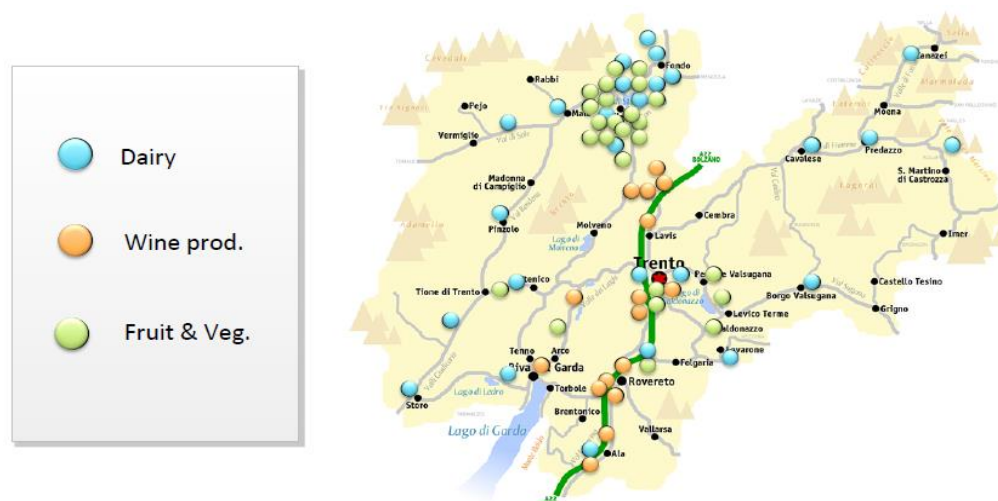
	N. of coops	Members	Employees	Turnover (million)	Investment (million)	Financial debt (million)
Fruit & Veg coops	32	7 132	1 423	473	293	123
Wine coops	19	7 188	942	404	392	279
Dairy coops	18	903	344	106	46	45
Total	69	15 233	2 709	983	731	447

Chart 11 Percentage of the turnover of the type of production of the agricultural cooperative (2013)



Source: FTC (2014)

Chart 12 Geographical distribution of the three main type of production of the agricultural cooperative (2013)



Source: FTC (2014)

¹ Each farm has on average an extension of 1.5 hectares.

² The Autonomous Province of Trento was part of the Austria-Hungarian Empire until 1919. The Austria-Hungarian government played an important role in the development of the agricultural sector and fostering the cooperative movement. First, in 1874, it financed the creation of a secondary school aimed at develop agricultural research, the Istituto Agrario e Stazione Sperimentale in S. Michele all'Adige (the Edmund Mach Foundation, since 2008). Second, in 1881, the Tyrolean Diet favored the establishment of the Provincial Agriculture Council aimed at supporting the rationalization and modernization of the agricultural sector.

³ In 1972, the Trentino Alto Adige Region was divided into the Autonomous Provinces of Trento and Bolzano and the administrative political role of the two autonomous provinces was recognized by a decentralized institutional structure that it is unique in Italy.

⁴ Social cooperative type A manage health and social services and education, sport and recreation. Social cooperative type B perform activities (agricultural, industrial, commercial or service) aimed at providing employment for disadvantaged people.



Chart 13 – Maps of exportation



Source: FTC (2013)



Research Centers

In terms of research and development strategies, the Autonomous Province of Trento pursues a policy of increasing investment, constant modernization, growth and international openness with hard determination.

The public investment in R&D activities in both the public and private sector (businesses, research institutes and non-profit-making institutions), almost 190 million euro a year, represent 2% of provincial GDP (Istat, 2010), and it is higher than the national average (1%). This result is reached through two provincial law (LP 14/05 related to research and LP 6/99 related to business incentives for companies) and other specific programs for R&D activities. Thanks to this high investment, the Province has become an important focal point for international research networks in many different areas.

In the Province there are more than 20 public and private research institutes¹ with more than 2,500 researchers, with 6 people working in the field of R&D per 1,000 residents (as compared to the Italian average of 3.7 per 1,000).

The innovation in agricultural sector is guaranteed by historically research center that conduct studies on agriculture, nutrition and environment and that they constantly operate in very close contact with the agricultural world fostering the development of the specialized agriculture in the territory.

One of the most important organization that conducts research and training in rural areas both at local and national level is the Edmund Mach Foundation. Since 2008, the Foundation has continued the activities of the historic San Michele all'Adige Agrarian Institute, founded in 1874, in order to promotes and carries out research, education and training activities, scientific experiments, as well as providing technical assistance and extensions services to companies.

Over the years, the Mach Foundation has attained important milestones at national and international level in training, research and technology transfer in the agricultural, food and environmental sectors, contributing to the diffusion of knowledge in agricultural engineering, viticulture and oenological studies.

Through these activities the aim of the Mach Foundation is to promote cultural and socio-economic development in the agricultural sector and agro-alimentary systems, with particular regard for the environment and the safeguard of the territory of the Trentino region.

Nowadays it makes up a full-scale rural center of 14 hectares with greenhouses, laboratories, classrooms, offices and 70 hectares of arable land in the municipality of San Michele all'Adige (16km from Trento).

The Mach Foundation is composed by:

- a 'Study and Training Centre' attended by more than 1,000 students from all over Italy;



- a 'Research and Innovation Centre' exclusively dedicated to sustainable agriculture and the conservation of biodiversity;
- a 'Technology Transfer Centre' that conducts applied research and experimentation, offering advice and support to businesses in the agricultural, forestry and environmental sectors;
- a 'Farm' that is involved in production and transformation process, providing also support for teaching and research activities;
- a 'Library' specialized in agricultural and food science, applied biology, forestry and environmental sciences.

Its most important results include decoding of the vine genome (specifically Pinot Nero) in 2007, the apple genome for the Golden Delicious variety in 2010, and the wild strawberry genome in 2011.

Unions, Associations and Incubators

Even of the important role played by the cooperative movement in the Province of Trento exist also other types of organization that play a role into promote the development of the whole territory.

In the agricultural sector, these include **Coldiretti** (the largest organization of farmers at national and European level) that include other association; **CIA** (Italian Farmers Confederation) that include '**Donne in campo**' (association of female farmers); **AGIA** (Association of Young Agricultural Entrepreneurs) and others association; **Confagricoltura** (General Confederation of Italian Agriculture); **Fedagri** (National Federation of Agricultural and Agri-Food Cooperatives) that it is included at provincial level inside of the Cooperazione Trentina. These associations are organized on a national, regional and local level.

In other sector, there are organizations such as the **Chamber of Commerce**, **Confindustria** (association representing manufacturing and service companies in Italy), **Confartigianato** (Craft Professionals and Small Enterprises Association). All of these provide support for SMEs and entrepreneurs.

Moreover, in order to support and fosters the sustainable development of the «Trentino system», in the province there are other organization both public and private. These include:

- **Trentino Sviluppo**, a province's development agency specialized in supporting the growth of entrepreneurship and the capacity for innovation in many different sectors, from Mechanics and mechatronics to Renewable energy and energy efficiency, to Alpine technology and articles for the mountains to more general Tourism and tourist facilities;
- **Progetto Manifattura**, incubator specialized in green economy;
- **Habitech**, incubator for green-businesses, energy, environment and sustainable mobility;



- **Trento RISE**, incubator specialized in ICT operating in many different areas such as Cyber-physical Systems, Health & Wellbeing, Intelligent Mobility and Transportation Systems or Smart Energy Systems;
- **Trentino Social Tank**, incubator operating in the welfare & wellbeing sector;
- **Natourism**, incubator specialized in tourism and environment;
- **Fies Core**, incubator for start-up in creative and cultural sector;
- **Impact Hub**, incubator specialized in innovation and social enterprises.

Most of these organizations are located in Rovereto and Trento, but they work in the entire province in order to foster the capabilities of the different rural areas of Trentino to improve their social-economic development.

Nonprofit association

The ability to promote cohesion and develop social networks in Trentino is also demonstrated through the high numbers of associations and volunteer organizations (linked also to the cooperative movement) with more than 5,000 associations and between 40,000 and 50,000 volunteers. This wealth of associations and volunteers (and cooperation) plays an important role in reducing the depopulation of rural areas as they are able to operate in all the main fields of public life (e.g. assisting the elderly, supporting mothers and children, health, civil defense and environmental protection, education and training, sport and culture, tourism and care of the mountain environment).

Government bodies

In Italy exist various levels of governance, each with their own competences. If we exclude the National level, that sets out national framework also regarding rural development through two main bodies, the 'Ministry of Agriculture, Food and Forestry' and the 'National Rural Network', we should take into account the others four levels (regional, provincial, community, municipality level).

While in all other regions in Italy the **Regional governments** are responsible for the administration of national and EU subsidies and funds, the Trentino-Alto Adige Region (that include two autonomous provinces: Trento and Bolzano) has less administrative power. The most important public bodies are the Autonomous Provinces³. The **Autonomous Provinces of Trento** has jurisdiction of urban centers and rural areas and manage directly legislative, administrative and financial jurisdiction in all areas, including education, health, industrial policy, transport, the University and tourism. Moreover, the Province manage directly also national and EU subsidies and funds.

At a bottom level than the provincial, there are the **Local governments** (municipalities) that have jurisdiction of their urban or rural centers and **Community governments** (Comunità di Valle). These types of bodies have been set up in 2006 in order to carry out the functions of the municipalities to be exercised in a partnership according to the law LP 16 June 2006, n. 3.



The Communities are local public bodies in associative structure made mandatory by the municipalities included in each identified area. They have jurisdiction of their urban or rural areas and they act as a sort of 'joining link' between municipalities and the Province.

Rural development program (2014-2020)

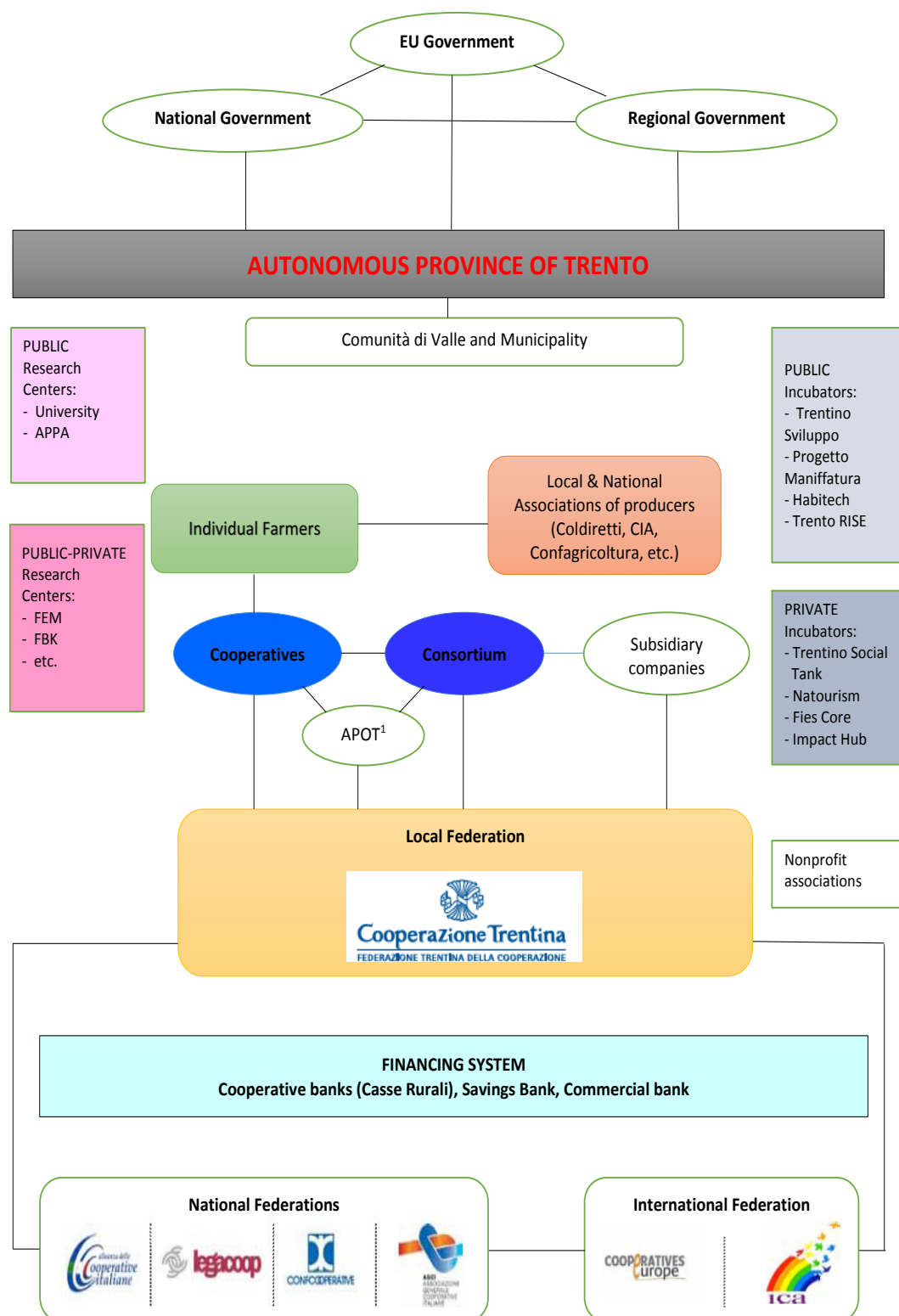
The rural development programme for the period 2014-2020 is built upon six thematic priorities and eighteen focus area, achievable through twenty measures.

Following the six priorities the Province of Trento has realized an operational program aims to:

- stimulate the competitiveness of the agricultural and forestry sector;
- ensure the sustainable management of natural resources and climate action;
- achieve a balanced territorial development of rural economies and communities, including the creation and retention of jobs.

To achieve the objectives of the six priorities the Province has been proposed the activation of 12 measures with a total amount of 301 million euro of public expenditure co-financed by the European Union, the State and the Province to us in the period 2015-2020.

The new Rural Development Program 2014-2020 has been notified to the European Commission on 22 July for the negotiation phase. The document is still under the evaluation of the Commission.





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¹ E.g. the Edmund Mach Foundation (FEM), the Provincial Agency for Environmental Protection (APPA), the Bruno Kessler Foundation (FBK), the European Research Institute on Cooperative and Social Enterprises (EURICSE), the Research Institute for the Evaluation of Public Policies (IRVAPP), the Regional Institute for Social Studies and Research (IRSRS), etc.

² The Farm consists of a wine cellar, a distillery and about 120 hectares of land cultivated with grapevines and apple trees.

³ On the contrary, in the other Italian regions the province are less administrative power and it is for this reason that the National Government is discussing in these days the idea of reducing the number of provinces.

Chapter 3: Almería, SPAIN

Introduction

The area under study is the province of Almería in South East Spain. This area demonstrates the importance of diversity of rural development strategies based on the social, economic, historical and geographic specificities of the area. Figure 1 - Province of Almería: Rural Development Groups and Intensive Agriculture demonstrates the fact that there are 2 very different approaches to rural development, depending on whether there is intensive agricultural or more traditional agricultural/tourism activity. It is important to take into account this fundamental difference in economic and production realities and thus the implications for policies, institutional actors and economic and social strategies.

Figure 1 Province of Almería: Rural Development Groups and Intensive Agriculture



It should be noted that another important economic sector in Almería is tourism. Again, there are two very different approaches to tourism in the province. The “sun and sea” tourism along the Mediterranean coast is comprised of built up areas with large hotels and tourist complexes owned by national or international companies. In contrast, rural tourism, which is located in the small towns of the



interior or small villages along the coast, is in sharp contrast to the former strategy and is more intricately tied to regional and EU rural development policy.

The stone and marble industry is also an important economic sector in the area of Macael (see above in the region of Almanzora), and is held mainly in the hands of a family business which has grown to be a successful multi-national, Cosentino. (While not dealt with herein, the company is of interest for researchers in light of growth processes and infrastructure needs of a large multinational which has maintained its main office in an isolated rural area and maintained rural employment and invested in R&D).

Our mapping process attempts to highlight both differences and synergies in the processes of development of the various actors and sectors. We have not merged them all into one map, since separate maps are clearer to understand at first glance. Under the heading of Intensive Agriculture we set out the various actors and the relationships between them in such activity. However, many of these actors are also involved in the section in non-intensive agricultural and tourism although their role may be different, and as such will only be described in the first part.

Intensive Agriculture

What is now an intensive agricultural area has particularly harsh conditions and scarce natural resources. In the 1950s it was coupled with lack of infrastructure, absent institutions and rapid external transformations. Its development demonstrates the role of collective action (credit and agricultural cooperatives and various entities) and the role of technology (private level) in building the institutional environment necessary for a highly productive, quality driven, intensive F&V agricultural area which still remains predominantly in the hands of small holder family farmers (13,500 in number). Farmers, whose average landholding is 1.8 hectares, are members of agricultural cooperatives and other forms of collective and shareholder owned producer organisations. The auction structure also continues to play a role.

Almería is the top F&V growing province in Spain, representing over 50% of the national total and the largest cooperative vegetable growing area in Europe (29,000 ha). The agricultural sector provides direct employment to more than 40,000 workers annually. In 2013, agricultural production increased to 2.5 million tons with a turnover of 1.8 million Euros. The level of total subsidies received as a percentage of turnover has been consistently below 2%, in sharp contrast to more traditional and extensive farming areas. Approximately 70% of the produce is exported, providing 35% of Europe's F&V and resulting in trade surpluses. Almería is an example of an "agro-industrial district" or cluster. More than 250 complementary or auxiliary businesses, both cooperative and investor owned have been created with a turnover of more than 1,000 million Euros. This cluster contributes 43% of the provincial GDP. Equally important is the equitable distribution of wealth generated in the region, which had a Gini index value of .292 (2008) as against a Spanish national value of .321. As a percentage of total value



added, agriculture represented 10.7% in contrast to 2.8% for Spain and 1.8% for Europe (Eurostat, 2010).

The development of Almería occurred in a relatively short period of time (spanning both a brutal and inefficient dictatorship and the transition into democracy) in an arid area lacking infrastructure, transportation and education. In the 1950s and 1960s Almería was known for its abject poverty and in terms of GDP per capita in 1955, it ranked last (less than 50% of the Spanish average) in an already poor Spain suffering from the autarky imposed by Franco. During the early 1950s unsustainable government initiatives supplied a few hundred hectares with water by virtue of small gasoline pumps as scarce electricity precluded much more. However, in 1956 crops were planted with abysmal results as the subterranean waters were quite saline and not particularly suited for cultivation.

Almería was more or less a wasteland. People had migrated out, there was little sense of civic or cultural community and a profound distrust of basic institutions. The family (particularly amongst the lower classes) was the only trustworthy unit, in spite of being fractured, with members forced to emigrate to the North of Spain, Europe, the Americas, etc. The rudimentary technology of the plastic covered greenhouse to ward off sun and wind and whose soil consisted of a layer of sand over manure to compensate for infertile lands and lack of water, was a central innovation (“innovation” being contextual) and the start of a new farming paradigm. However, without accessible financing and a channel in which to market their product, family farmers would have remained subsistence farmers, terminally in debt and forced to work as low skilled labour for others. The establishment of a cooperative bank, which represented far more than just access to credit was a central turning point.



50 years of intensive agricultural history (starting from zero to present), while positive on balance, contained periods in which pitfalls such as overuse of pesticides; over-exploitation of aquifers; contamination of soil and water; lack of investment and improvements; failure to research, innovate, train and implement new technologies; disorganization; failure to engage the next generation; etc. Unwillingness, during certain periods, to invest sufficiently in human capital, knowledge systems, environmentally sustainable practices and technological/scientific advances caused a negative economic, environmental and social impact.



However, the collective and corrective response to these issues, whilst maintaining and strengthening the family farming structure and their productive and technical capacity is informative (Giagnocavo, et. al. 2014).



The development of Almería is also evidence of social capital being born out of collective action and economic activity (and not the other way around, where collective action depends on social capital). The characterisation of 'territory' can be reconsidered both in the context of constructed communities and the relationship to land.

Collective action, in contrast to being built upon pre-existing social capital, was a proactive force in developing economic activity and technological innovation, founding and organising institutions and networks, filling a civil society vacuum and playing a cohesive function in the construction of a community from which a stable democratic economy could be built. Cooperatives were also instrumental in the transition from basic subsistence agriculture to a sophisticated agricultural sector. While at first the agricultural activity was unsustainable, the cooperative institutions aided the transformation of intensive farms into more resource efficient and increasing environmentally sensitive enterprises. Collective structures are very involved in the research on and introduction of sustainable water use, replacement of pesticides with integrated pest management (use of "good insects" to control pests), soil improvements, planning of production, sophisticated crop management and production techniques to avoid food waste and increase efficiencies, etc.



An important issue is the role that collective entities play in extension services, ensuring that the results of scientific research are correctly applied. For example, biological, as opposed to chemical control of pests is carried out in 100% of green pepper crops and 80% of tomato.

The Almería intensive model is energy efficient and could be, with the proper institutional environment, completely self-sufficient (solar, wind, biomass, etc.). Policy uncertainty and incoherence at the national level with EU objectives has been a hinderance for SFF to fully take advantage of renewable resources in their farming activities.

Through the cooperatives, family farms are interlinked with many SMEs and multi-nationals companies, resulting in diversity of business forms. Demonstrating its resilience, the agricultural sector based on SFF, is currently the only sector in the region which is generating employment.

Key Institutions/Associated Partners

Figure 2 – Relationships within the intensive agricultural sector in Almería sets out the relationships of the various actors in the intensive agriculture in Almería. This activity is carried out in the areas as indicated above in Figure 1. In order to understand the diagram regarding intensive agriculture on the following page, we describe the most important actors below:

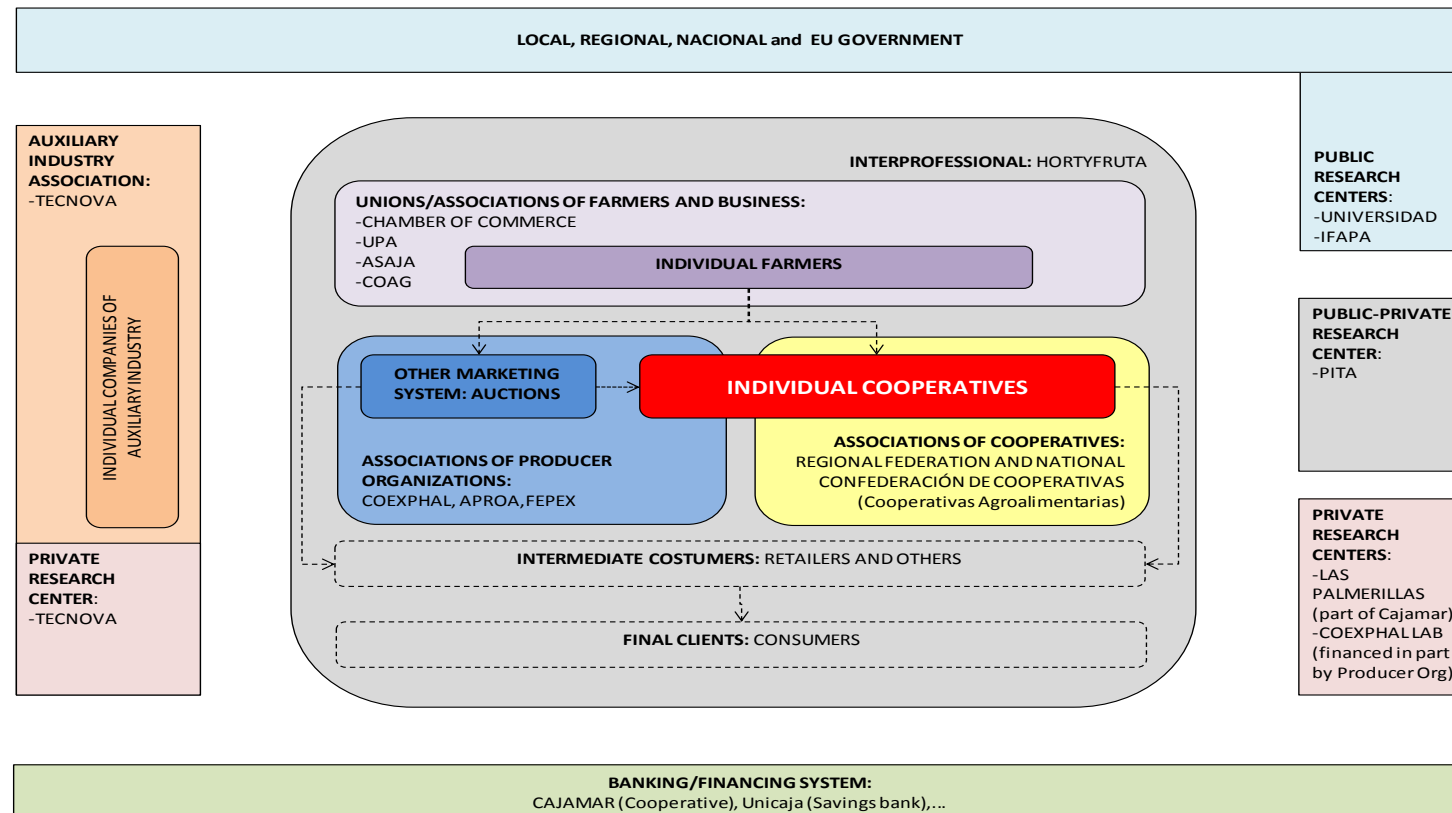
a) Cooperatives-Credit and Agricultural

First and foremost, credit and agricultural cooperatives play an important role and were fundamental in the development of Almería and the creation of a sustainable economy (Galdeano, et. al., 2013). The agricultural cooperatives are mainly marketing cooperatives, although supply cooperatives are present as well. Small holder farmers with 1.5 to 2 ha., on average, own their own land and are members of marketing cooperatives, the majority of which are recognized officially as Producer Organisations. Farmers may also market their product through non-cooperative auctions. There are some commercial relationships between cooperatives and auctions, whereby cooperatives buy from auctions when they experience a shortfall in supply from their members. 70 percent of production is exported (Galdeano, et.al. 2015).

Financing of the sector is overwhelmingly supplied by the credit cooperative Cajamar, which was in large part responsible for the establishment and setting up of the cooperative sector (Giagnocavo, et al, 2012). (This point is extremely important as the legal/economic structure of cooperatives is often faulted for being responsible for a shortage of investment and R+D.) Cajamar is the largest credit cooperative in Spain, and the 14th largest bank in the country. It was the driving force behind the success of family farms in Almería and the founding of cooperatives and literally started financing activities in the 1960s over kitchen tables in rural areas. Its growth strategies resulted in it having a wide national presence, outgrowing its local geographical scope in order to feed the capital needs not only of the family farmers and their producer organisations, but also of the growing auxiliary businesses.



Figure 2 Relationships within the intensive agricultural sector in Almería





Before the arrival of research centers and the University of Almería, the cooperative entities sponsored research and laboratory testing, ITC, as well as the production and distribution of economic, market and technical information. Cajamar provided research and knowledge transfer through the experimental farm Las Palmerillas, in the absence of other research centers until the 1990s. It should be noted that Cajamar is also very present in the non-intensive rural areas, as are a few other types of credit entities such as savings banks. The fact that credit services were and continue to be available to otherwise financially excluded areas is significant. (Recently, an umbrella entity with the legal form of a credit cooperative bank (governed by the ECB) has been created, to which Cajamar belongs.)

b) Intermediaries and clients

Both cooperatives and auctions sell their produce through intermediaries or specialised buyers to the large distributors and supermarkets (Carrefour, Tesco, Aldi, Edeka, etc.). Consumers or final clients have the potential to be actors or participants through this commercial relationship, but their influence is not realized in this case.

c) Research Centers

Public research centers include (i) IFAPA, the Research and Education Institute for Agrarian and Fisheries (Instituto de Investigación y Formación Agraria y Pesquera), which is an entity of the regional government of Andalusia (Junta de Andalucía) and (ii) the University of Almería, a public university.

Private research centers include (i) Las Palmerillas, the experimental farm of Cajamar; (ii) TECNOVA center of innovation. Although it receives some public funding, including research funds from EU/national/regional projects, the majority of its funding is derived from its private business members; and (iii) Coexphal laboratory, which was fundamental in the development and implementation of biological pest control, thus having a positive impact on the environment and competitive strategy of the sector.

A public-private initiative is PITA, the scientific technological park of Almería. Resident businesses and the regional government provide funding.

d) Unions and Associations

Agricultural unions and business associations play a role in defending common interests and providing services to their members. These include COAG (Coordinator of agricultural and livestock organisations), UPA (smallholder farmers union) and ASAJA (association of young farmers). These unions are organized on a national, regional and local level. Business associations such as the Chamber of Commerce provide support for SMEs, entrepreneurship and incubator support, although it is not a major actor in relation to intensive agriculture.



Sector Associations can be classified into horizontal (groups of commercial businesses) and vertical (including more actors in the supply/value chain) and function as a lobby and provide services to members.

Horizontal groups can be broken down into (i) those that include social economy (cooperatives and SATs) entities such as Cooperativas Agroalimentarias, which is organized on both regional (federation) and national (confederation) levels; and (ii) those that include all legal forms whether shareholder, cooperative or otherwise. An important example is COEXPHAL (Association of Producer organisations of F&V of Almería). COEXPHAL represents over 70% of the growers and almost 100% of agricultural cooperatives and is instrumental in the commercialization and marketing of product and the organization of the cooperative sector. Coexphal was created in 1977 in order to directly market products. Until such time, product from Almería was purchased by other areas in Spain and resold. Family farmers were forced to sell at the farmgate and were unable to obtain fair prices for their product and little market power until Coexphal gave them a unified presence so that SFF could more directly engage in the supply chain. COEXPHAL's role has changed over time in relation to the necessities of the cooperatives and SFF. It has a laboratory, a certification company, training departments, advisory services on EU/government actions, etc.

APROA (Association of Producer Organisations of Andalusia) and FEPEX (Spanish Association of Producer Organizations of F&V, flowers and plants). In order to be a member of APROA entities are required to be recognized as Producer Organizations with the F&V CMO of the EU CAP.

Vertical groups include (i) TECNOVA (mentioned above) and (ii) HORTYFRUTA which is an interprofessional organization of F&V of Andalusia, including all actors in the value chain, including the unions. Its mission is to aid in the efficient management of the supply/value chain and to regulate the activities of such actors involved in a defined area, which in this case is the regional level of Andalusia. The regional government recognizes its normative capacity.

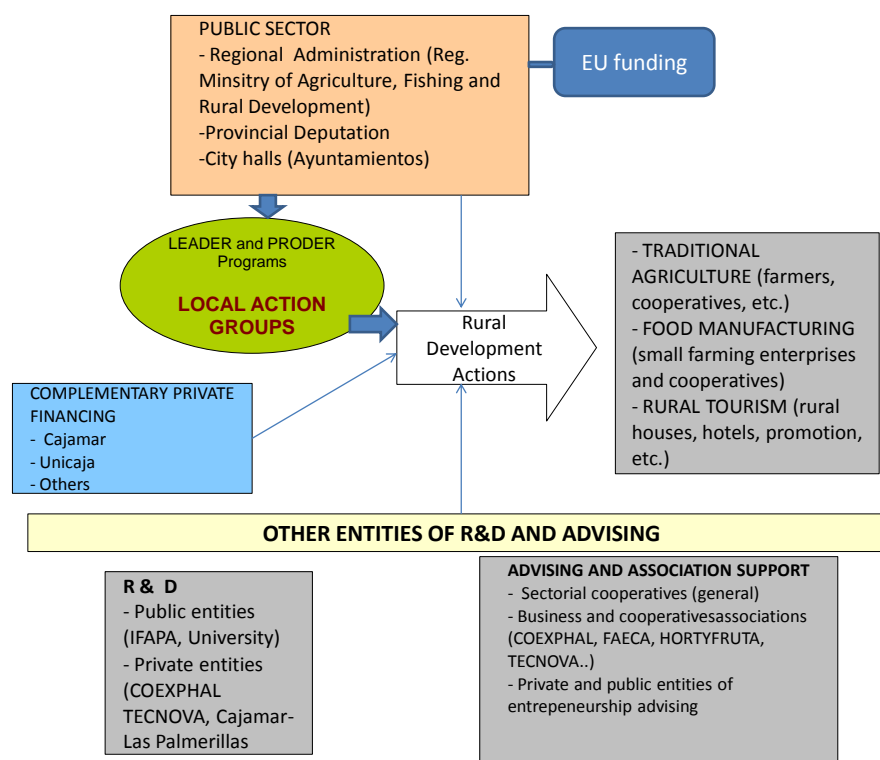
e) Administration/Government

Various levels of jurisdiction exist in Spain, each with their own competences. With respect to the actors we have set out above, we should take into account that Local governments (city halls) have jurisdiction of urban centers and rural areas. Regional governments (Junta de Andalucía) are responsible for research institutions and the administration of national and EU subsidies and funds. The national government sets out national framework laws and maintains general security. It should be noted that cooperatives are mainly set up at a regional level and that shareholder owned companies are governed by a national law.

3. Non Intensive Rural Agriculture/Tourism

Below we set out a mapping of rural development more relevant to the non-intensive agricultural, non-commercial tourism areas of the province of Almería.

Figure 3 Non-intensive rural agricultural and tourism



In viewing the mapping of non-intensive rural agriculture and tourism above, we can see that many of the same actors are involved as in the mapping of intensive agriculture: credit and agricultural cooperatives, associations and unions, public and private research centers, etc. (For this reason, they will not be described again, please see above under section 2). Of note is their more prominent role as advisors.

However, the presence and importance of Local Development Groups (LDG) and related actors implicated in Rural Development programs is the defining difference. This implies much more engagement with various levels of the public sector and the EU. Whilst the CAP F&V CMO is more relevant for producer organizations in intensive agriculture, EU policies such as LEADER and PRODER are more important in non intensive areas. Agricultural activity is part of a multi-functional approach to rural development which also includes SMEs, tourism, etc.

There are 5 Local Development Groups in the province which take the form of Rural Development Associations:

- LDG of Almanzora
- LDG of Alpujarra – Sierra Nevada Almeriense
- LDG of Filabres – Alhamilla
- LDG of Levante Almeriense
- LDG of Los Vélez



Rural Development policy directives are established by the EU Council principally through the European Agricultural Rural Development Fund. The regulation of the same is dictated by the Commission and applied directly by every Member State. The Member State decides to which regions the policy will apply and the general framework. The demarcated regions establish the lines of aid and subsidies and the beneficiaries, mainly the Andalusian regional ministry of Agriculture, Fishing and Local Development and the Almería Provincial Deputation.

The recent principal programs are: Rural Development Program of Andalusia, including the application of LEADER PLUS and LEADER-A (from 2007 until 2013), and recently the Sustainable Rural Development Program (from 2010). The latter applies to selected rural areas of Almería: Alpujarra, Filabres – Alhamilla (first level), Almanzora and Los Vélez (second level).

As mentioned above the main rural development activities are focused on:

- Traditional and ecological agriculture, farming cooperatives, livestock cooperatives, fishing cooperatives, etc.
- Primary food manufacturing, mainly through cooperatives (wine, fisheries, cheese, milk, olive oil, etc.).
- Rural tourism: rural houses, hotels, general promotion of rural areas, etc.

We can also notice that public financing plays a greater role than in intensive agriculture which is overwhelmingly financed by private cooperative funds. Savings banks also have played a larger role (although many no longer exist due to post-crisis regulatory reactions to the banking and a few spectacular failure of a certain few savings banks) due to their established social objective *raison d'être*.

A salient point in the development process, by virtue of a more pronounced public intervention, is the role of entities meant to exercise control and monitoring (which raises issues of transparency and communication between local actors).

Outstanding challenges

While Almería can serve as a reference for many areas in processes of rapid rural and economic transformations, particularly in resource poor areas with scarce social capital, challenges remain.

Almería intensive family farmers have mastered the efficient production of quality product, food safety and security and traceability. Faced with mature markets, the development of added value products, processes and practices and the ability to capture this value along the supply/value chain, needs ongoing improvement. Logistics and investment in infrastructure to reach other European and international markets in a sustainable manner is not adequately being addressed. Environmental issues particularly concerning water and energy continue to be of concern for family farms.



For the non-intensive areas of the province of Almería, leveraging synergies between agricultural and other complementary activities continues to be necessary. Capital investment has largely been met by public funds, but the shrinking public purse is a threat which needs to be addressed through innovative collective measures.

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Chapter 4: IRELAND

Introduction

The objective of this short report is to provide a brief description of co-operative and sustainable rural development in Ireland, in particular the role of agricultural co-operatives, rural-based social enterprises and LEADER Local Action Groups (LAGs).

A brief overview of rural Ireland is presented in the first part of the report. This is followed by a description of Ireland's rural social economy tradition, with a particular focus on agricultural co-operatives, rural based social enterprises and LEADER Local Action Groups (LAGs). Some observations of the challenges facing the future of these LAGs in light of recent government reform are provided in the concluding section of this brief report.

Rural Ireland – A Brief Overview

Ireland is described as a “comparatively rural country with between 42% and 57% of the population living in rural areas depending upon the definition of rural” (Meredith, 2007; O Donohue, 2014). By 2011, the Irish countryside was estimated to contain 73% of the total national population (Meredith, 2014). Furthermore not all Irish rural space is deemed to be the same. Walshe (2007) delineates Irish rural space as follows:

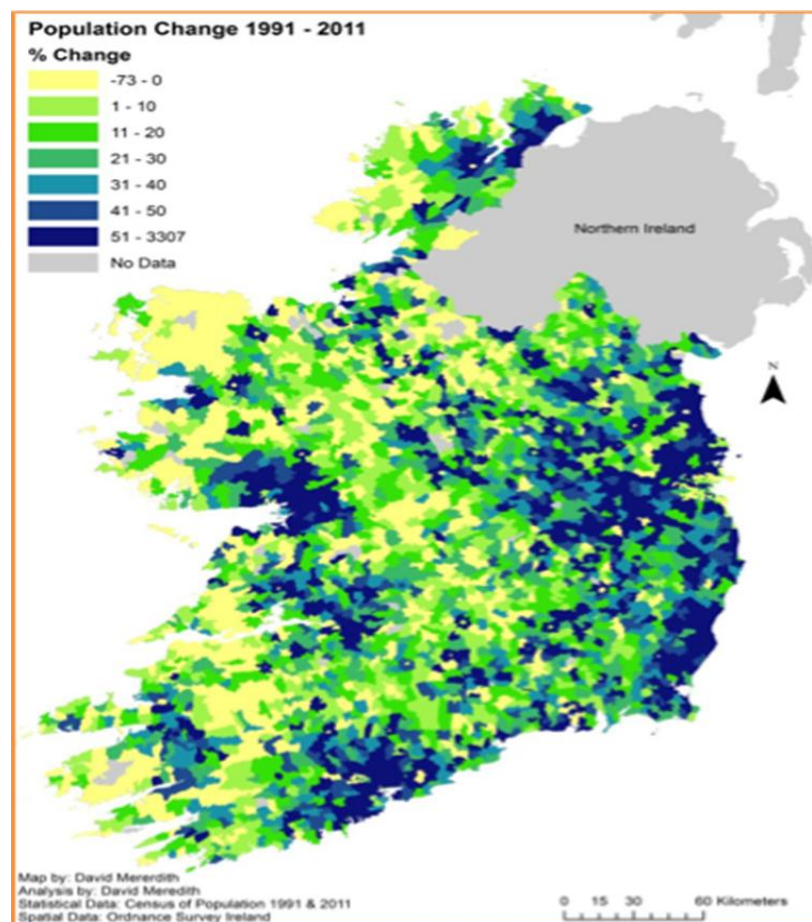
- The peri-urban areas that surround the gateway cities and towns,
- Diversifying areas, based on landscape, scenic amenities and national parks, most of which are in the West of Ireland,
- Strong agricultural areas, mainly in Leinster and East Munster,
- More vulnerable agricultural areas in West Munster, East Connaught and North Leinster,
- Peripheral and structurally weak rural areas in South West Munster, North Connaught and especially in Donegal and throughout the Border Region (Walshe, 2007; O' Keeffe, 2014).

This variation in rural space is particularly obvious in any analysis of rural population and unemployment trends since the economic crisis of mid-2000. A brief analysis of this follows.

Population Trends in Rural Ireland – A Snapshot

Meredith (2013) in his analysis of population change in the Republic of Ireland 1991-2011 highlights a 30% increase in the national population, from 3,525,609 to 4,588,198. He notes that although the population living in the countryside increased by 44% (1.8 million to 2.6 million), this change was not uniform with rural areas closest to urban areas (peri-urban areas) recording larger increases than more peripheral rural locations. See Figure 1.

Figure 1 Population Change 1991-2011



Source: CEDRA, 2013

In his analysis, Meredith (2013) confirms that rural locations adjacent/accessible to the larger towns and cities “experienced substantial and sustained growth in their populations”. These rural locations, he suggests also witnessed lower levels of unemployment and had a greater proportion of persons with higher levels of education attainment and employment in sectors including commerce and professional services, transport and communications (Meredith, 2013).

Unemployment Trends in Rural Ireland – A Snapshot

As previously noted, the Irish rural economy, up until recent times, demonstrated a reliance on traditional sectors such as natural resources (particularly farming/agriculture), construction and small scale manufacturing and the public sector sources” (O’ Donohue, 2014; Walshe and Harvey, 2013). The paucity in studies available to provide an insight in to the impacts of the economic crisis on rural locations has been highlighted by Walshe and Harvey (2013).



However they do report a ‘rapid fall in off-farm employment’ in farm households, “half of which was attributed to construction-related employment” (Walshe and Harvey, 2013). A report, recently published by Teagasc in 2014, provides an insight into some impacts, on rural Ireland, of the downturn in the Irish economy. These impacts are said to be evident in high levels of rural unemployment, out-migration and growing levels of social exclusion. It has been reported that unemployment in rural areas increased by 192% between 2006-2011 (CEDRA, 2014).

O’ Donohue (2014) argues that the challenges faced by rural areas are “substantial, ranging from poor or non-existent infrastructure; lack of employment opportunities and the distinctive needs of rural-based enterprises”. From their analysis of rural population and employments trends Meredith and Gilmartin (2014:46) conclude that there are currently two categories of rural areas, “rural areas with strong agri-food economies, rural areas that are transitioning from an agrarian based economy to increasing dependence on the services sector”. O’ Donohue (2014) suggests that rural areas have become increasingly reliant on other sources of income as agricultural has declined and a “depression in many of the sectors such as construction, retail and personal services, which had provided much needed rural employment in the recent past”. However, despite this decline, agriculture, and the agri-food sector, still plays an important role in the Irish rural economy.

Irish Agriculture – A Brief Overview

Irish Agriculture is predominantly a grass-based industry. The land area is 6.9 million hectares of which 4.2 million is used for agriculture or about 64% of total land area and 745,456 hectares for forestry or about 10.8% of total land. Approximately 80% (3.36 million ha) of agricultural area is devoted to grass (silage, hay and pasture), 11% (0.46 million ha) is in rough grazing and the remainder circa 9% (0.38 million ha) is allocated to crop production (Teagasc, 2010) (O’Shaughnessy et. al., 2012). There are approximately 128,200 family farms in Ireland, 66% of these are estimated to be less than 30 hectares and the average farm size is 32.3 hectares. While farm numbers continue to decline¹ the family farm model remains the predominant operating model, 51% of farm holders are at least 55 years and older and entry is primarily through succession (Teagasc, 2010) (O’ Shaughnessy et. al., 2013). The Irish agri-food sector has emerged in recent times as a key element of the national economic recovery. It is estimated that agri-food sector contributed about 6% of total value added in the economy and comprised about 7.5% of employment (CSO, 2013; O’ Donohue and Hennessey, 2014).

Rural areas in Ireland are not homogeneous. They exhibit a diversity of social and economic problems such as unemployment, out migration, agricultural restructuring and poverty to mention but a few. This diversity can, in some instances, be explained in terms of the relative proximity of the rural location to the larger towns and major cities. However as O’ Keeffe (2014) notes despite these challenges, rural Ireland is also “characterised by high levels of innovation, entrepreneurship and a can-do attitude”. He argues that “decades of marginalisation have prompted several rural communities to take charge of their



own development” and Ireland is characterised by a high number of community-led or bottom-up initiatives (McDonagh, 2001; Briscoe and Ward, 2005; McDonagh et al., 2009; O’ Keeffee, 2014). The objective of the next part of this brief report is to describe some of these initiatives, with a particular focus on agricultural co-operatives, rural-based social enterprises and LEADER Local Action Groups.

Irish Agricultural Co-operatives – A Brief Snapshot²

According to ICOS (Irish Co-operative Organisation Society), the total sectoral turnover for 2008 increased slightly to €12.7bn from €12.6bn in 2007 (ICOS, 2010). In particular, the dairy/multipurpose co-operatives have grown in strength over the past century and are contributing significantly to the development of an export industry. Irish agri-sector exports totaled approximately €8.9bn in 2008 (DAFF, 2010a), representing a contribution to gross domestic product of 6.6% in 2007 (DAFF, 2009).

The performance of Irish farmer co-operatives to date has led to an established presence on the global market. However, that environment faces uncertainty. Changes in the agricultural policies of the European Union, combined with structural changes at the processor and retail levels, have resulted in co-operatives adopting a range of strategic responses to addressing the changing demands of the agribusiness environment (Ward, 2007).

For instance, dairy co-ops in Ireland are currently preparing a response to the imminent lifting of EU milk quotas and increased milk output of 50% by 2020 under government policy as outlined in Food Harvest 2020 (DAFF, 2010b). This will likely see further restructuring in the sector in the coming years, including a large increase in milk processing capacity. New co-operatives of farmers in the dry-stock sector, in particular, are beginning to emerge, focusing on quality, environmental concerns and animal welfare and with a view to accessing premium markets and higher return.

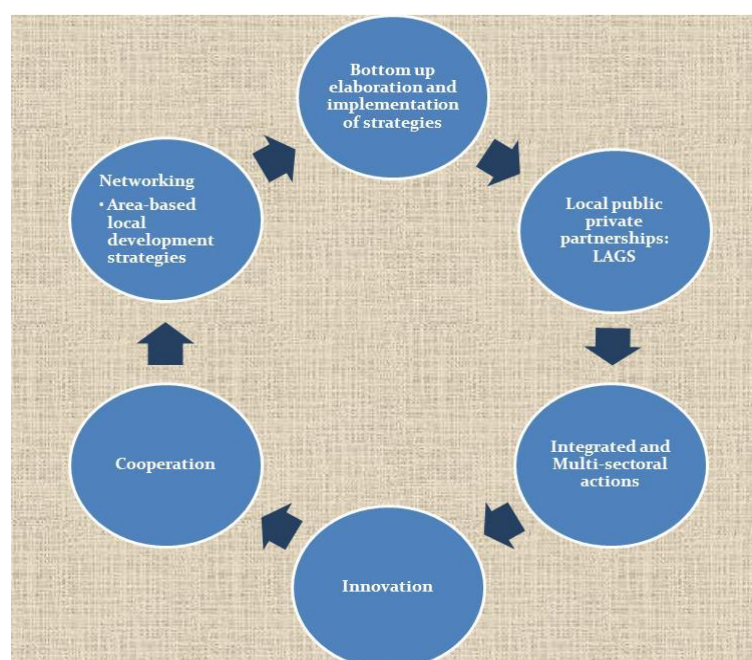
Rural based Social Enterprises – A brief Overview

In Ireland social enterprises are seen primarily as non-profit organisations driven by social objectives. Many rural-based social enterprises have emerged in the instance of market and public failure. A recent report published by the Irish National Rural Network (NRN) included a sample of five community based social enterprises engaged in the provision of rural based child and elder care, transport, retail and recreational services. The report described the success of these locally based initiatives in mobilizing and harnessing a variety of resources and fostering a sense of community spirit. These social enterprises were also shown to assist in the reduction of rural social isolation with a proven capacity to both mobilise and replenish local repositories of rural based social capital (O’ Shaughnessy and O’ Hara, 2013).

LEADER in Ireland, 1991-2013- A Brief Overview

LEADER – *Liason Entre Actions pour le Developpement d'Economie Rurale* - was launched in 1991 by the EU, designed to encourage *bottom-up development* in rural areas on a *partnership basis*. This partnership approach was aimed at making the products and services of rural areas more competitive, adding value to local production and improving the quality of life in rural areas. It was anticipated that local 'participation' would be a central element in both the design and implementation phases of the local area partnerships (Varley et al., 2009). In more recent years, LEADER has moved to the status of a methodology characterised by a number of principles which are illustrated in Figure 2.

Figure 2 LEADER Methodology



Source: ENRD, 2013, Moroney and O' Shaughnessy, 2013

In Ireland, LEADER funding is administered by local companies also known as Local Action Groups (LAGs) who distribute grants and other supports to projects within their areas. To date four LEADER programmes have been implemented in Ireland. The first of these programmes are described briefly in Table 1.



Table 1 LEADER 1992-2006 in Ireland

Programme	Duration	Description
LEADER	1992-1994	<p>Operated in 17 selected local action groups only</p> <ul style="list-style-type: none"> • Provided the opportunity for most groups to examine the potential of their areas and • Pool and co-ordinate their activities in devising and implementing an innovative local development strategy for the betterment of their communities.
LEADER II	1994-1999	<p>Extended to all Ireland's rural areas</p> <ul style="list-style-type: none"> • Emphasis on innovation and complementarity • Preservation and improvement of the environment and living conditions • Animation of individuals and local groups became a specific component of local action plans
LEADER +	2000-2006	<p>Operated in 22 areas, Rural National Programme operated in 13 areas that didn't benefit from LEADER +</p> <ul style="list-style-type: none"> • Enhance the natural and cultural heritage • Reinforcing the economic environment to create jobs • Improve the organisational abilities of communities

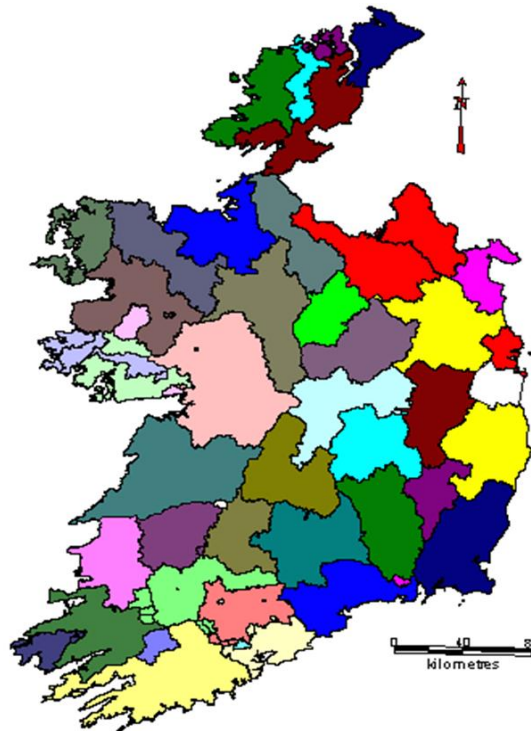
Source: Moroney and O' Shaughnessy, 2013

The success of the LEADER programme in Ireland, with its emphasis on tri-partite structures was echoed by Mosley's (2003:63) when he noted that Ireland was *endowed-pro rate to its population size more than any other European state- with a plethora of local partnerships devoted to the cause of local socio-economic development*. This endowment was linked to a *willingness to address common needs and initiate common projects and a desire to involve local communities in the process of development* (Moseley, 2003:63).

The Most Recent LEADER programme in Ireland, 2007-2013

Almost 99% of the Irish republic was under the administration of the LEADER programme in the period 2007-2013. Forty-two LAGs operated the most recent programme). Figure 2 illustrates the national territorial coverage of the LEADER programme (NRN, 2013).

Figure 3 LAGs in Ireland



A recent evaluation by *Exodea Consulting*³ and the *National Rural Network*⁴ (2013) of the 2007-2013 Irish LEADER programme highlighted the following:

- LAGs appear to be generally consistent with the established ethos of the main tenets of the LEADER approach.
- LEADER offers a continuum that has been operational in some rural areas for some twenty-two years.
- LAGs successfully operate as facilitator, mentor, analyst and co-financer to enable local communities, businesses and individuals to realise a wide range of local initiatives aimed at locally defined aspects of social and economic improvement.
- LAGs have generally adopted a community-centred approach in their strategies to encourage local engagement.
- Statutory agency representatives perceive the LAGs to occupy a unique position as quasi-state agencies characterised by meaningful interagency engagement.
- 'Subsidiarity' remains a fundamental attribute of the LEADER approach.



In addition to this, Exodea and the NRN draw the following conclusions regarding the impacts/contributions of the Irish LEADER programme to date:

- Improved the retention of services,
- Increased levels of participation of communities,
- Retention of the rural population,
- Enhanced awareness of issues of rural development amongst other agencies,
- Improved environmental awareness in communities,
- Increased level of access to service in rural communities.

Whilst other studies (O' Shaughnessy and O' Hara, 2014; Moroney, O' Reilly and O' Shaughnessy, 2013)⁵ suggest that LAGs play an important role, at the local level, in stimulating, supporting and promoting the following:

- Animation and capacity building,
- Community and economic development,
- Enterprise space/incubation units,
- Small-scale IT,
- Rural-based social enterprises,
- Short Food Supply Chains,
- Food Networks/Artesian Food Production,
- Tourism Based Products,
- Regional Branding,
- Community Run Facilities.

Conclusion - Local Government Reform, the LEADER programme and the possible threat to sustainable rural development

It is generally agreed that Ireland has been an early and enthusiastic supporter of the EU-led shift towards territorially-differentiated approaches to policy implementation in the late 1980s and early 1990s (O' Keeffe, 2013). Brown (2010) asserts that Ireland “emerges as an exemplar, Europe-wide of the use of the LEADER approach” and has “participated energetically in all phases of LEADER”. This confirms an earlier observation by Moseley et al., (2001) that Ireland had one of the strongest records in Europe of using local partnerships – including LAGs/LEADER companies – to address the challenges of rural development, while commentators such as Ahner (2004) have presented the Irish experience in promoting local development as a model that newer democracies in Central and Eastern Europe can emulate.



To date local government has played a limited role in the development of these rural based LAGS. However this is set to change. The Irish local development sector has been subject to increased scrutiny in the past five years largely as a result of the government public sector expenditure reform and rationalisation strategy (Department of Finance, 2009; Department of Public Expenditure and Reform, 2011; OECD, 2013). Local government reform, enacted in June 2014, under the Local Government Reform Act 2014 resulted in local government assuming a providing a more central coordinating role in local and community development, including local rural development.⁶

O'Keefe and Douglas (2009) argue that the main drivers in the establishment and maintenance of LEADER companies have been the community and voluntary sector on the one hand and the local business community and agricultural interests (such as producer cooperatives) on the other. They note that the latter were particularly valuable in terms of providing financial support and professional expertise to a number of the emerging LEADER groups and assisting them in formulating business plans. They contrast this with the local government sector which they argue often viewed such partnerships as a rival and assuming a local role (i.e. the disbursement of project funds) which is best placed within local government. Therefore in light of the recent local Irish government reform, which is essentially an attempt to bring local development and local government closer, there are likely to be significant implications for Irish LAGs and the community-led, territorial based development approach which they have successfully fostered for the past 21 years.



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¹ By June 2010 there was 139,829 farms in Ireland, a decline of 1.2% figures recorded in June 2000, however down "substantially from the 171,000 in 1991" (CSO Census of Agriculture, 2013; O' Donohue and Hennessey, 2014).

² This borrows heavily from Carroll, B., McCarthy, O., and O' Shaughnessy, M. (2012) "Co-operatives – What relevance now?" in Doyle, G. and Lalor, T., (eds) (2012) *Social Enterprise in Ireland – A People's Economy*, Oak Tree Press, Dublin.

³ <http://www.exodea.com>

⁴ www.nrn.ie

⁵ <http://www.nrn.ie/wp-content/uploads/2014/03/Final-Case-Social-Enterprise-in-Rural-Communities1.pdf>

<http://www.nrn.ie/wp-content/uploads/2013/06/Final-Case-Study-Short-Food-Supply-Chains-Jun-2013.pdf>

⁶ In 2012 the Irish Government published Putting People First a major programme for fundamental reform of local government.

Part 6 of the Local Government Reform Act came into effect on June 1st, 2014.



Chapter 5: SERBIA

Introduction

Serbia is one of the most rural countries in Europe. According to the census of 2012, Serbia has a population of 7,199,077. There are 150 municipalities and 24 cities, which form the basic units of local self-government. Serbia (excluding Kosovo and Metohia) is organized into 25 districts. Districts are regional centres of state authority, but have no powers of their own; they represent purely administrative divisions. In Serbia, “rural area” is defined as an area, whose main physical and geographical characteristic is the primary use of the land for agriculture and forestry. According to this definition, about 70% of Serbia can be subsumed under the category of rural areas. In these areas live about 43% of the total population.

By definition of the Organization for Economic Cooperation and Development (OECD) – “population density below 150 inhabitants per km²”, the rural area accounts for 75.1% of the country’s territory, encompassing about half of the total population (49.9%). The average population density in Serbia is about 93 inhabitants per km². In rural areas, it measures 62 inhabitants per km² and in urban areas 289 inhabitants per km². The economic structure of rural areas of Serbia is highly dependent on agriculture.

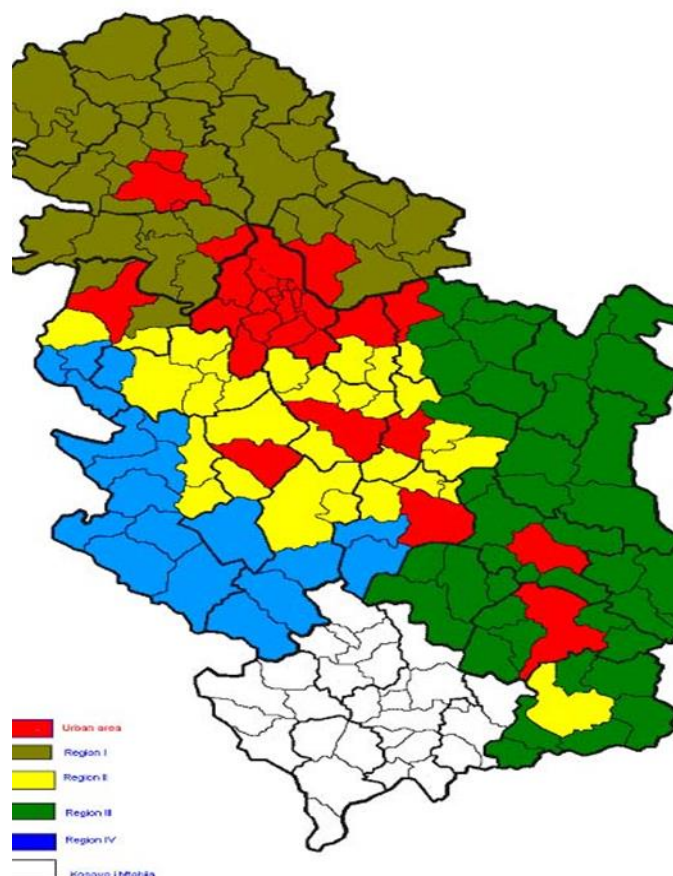
Rural areas in Serbia are significantly different in social, economic and demographic characteristics. The basic problems and trends faced by almost all rural areas are:

- migration,
- poor diversification of economic activities,
- extensive agriculture as the dominant economic activity,
- high unemployment rate,
- lack of employment opportunities,
- poor and underdeveloped infrastructure,
- low GDP per capita compared with urban regions and
- unpolluted environment, which is faced with potential threats.

In order to identify similarities and differences between rural areas in Serbia we can identify four different types of rural areas:

- Type 1: Highly productive agriculture and integrated economy;
- Type 2: Small urban economies with intensive agriculture;
- Type 3: Economies oriented towards natural resources, mainly mountainous areas;
- Type 4: Large tourist facilities and poor agricultural structure.

Figure 1 Urban and rural areas in Serbia



Type 1: Highly productive agriculture and integrated economy

This group of rural municipalities includes municipalities in the northern parts of Central Serbia (Vojvodina). In these areas a highly productive agriculture is present with a better structure of farms (larger farms with higher productivity of land) and vertical integration with agricultural and food sector. This region has favorable soil and climatic conditions and a quite appropriate structure of agricultural production with the intensive use of capital compared with the other rural areas in Serbia. Compared to the national level of the Republic of Serbia, services and industrial sector are better developed.

Type 2: Small urban economies with intensive agriculture

This region includes the municipalities in rural areas that are located along the river valleys and major regional roads in Central Serbia. In these areas the agricultural production is intensive (vegetables, vineyards and orchards) and market oriented, while their rural economy is diversified, with different services and the presence of small and medium enterprises. Productivity of agricultural land is at a similar level as in the rural areas of Vojvodina.



Type 3: Economies oriented towards natural resources, mainly mountainous area

This region includes the municipalities in the South-Eastern part of Serbia. Here, the GDP per capita is significantly lower than the national average. This region includes territory which has the highest rate of rural poverty and unemployment. This economic structure is associated with low productivity agriculture, a small number of industrial activities, the presence of a higher level of services and tourist potentials. This is essentially a rural area oriented towards natural resources and tourism potential with the possibility of using advantages of rural areas (natural resources, countryside surroundings, cultural heritage).

Type 4: Large tourist facilities and poor agricultural structure

The cluster of municipalities in a rural area is located in the western part of Serbia with large tourist facilities. The percentage of agricultural land and labour productivity is twice lower than the national level. This type of rural area has one of the lowest shares of GDP per capita in rural areas which is 54% of the national average GDP per capita.

Macroeconomic framework in rural areas

Regarding transition reforms the first decade of XXI century in Serbia can be divided into two phases. During the first phase the largest part of the process of privatization and restructuring of vital parts of the economy was conducted, macroeconomic stability was achieved, the liberalization of markets began, the banking sector was consolidated and privatized, the process of joining the EU was initiated and a significant progress in all aspects of legislative adjustments has been made.

The second phase of reforms emphasised on the creation of a good economic environment for investors, tax and public sector reforms, creation of conditions for the establishment public-private partnerships, reduction of the gray economy, and other activities to help strengthen the credibility of the state.

Since the second half of 2008, the Republic of Serbia began to deal with the negative spillover effects of the global crisis on domestic economic and financial flows. The effects of the crisis were manifested first in the slowing and then declining economic activity, whether as a result of a decline in demand on domestic and international markets, as well as of the reduced inflow of foreign capital. In 2013, there was a positive movement in the overall macroeconomic environment, primarily in the field of GDP growth, unemployment and budget deficit reduction, inflation growth stop and stabilization of the domestic currencies.

The industrial structure in rural areas of the Republic of Serbia is extremely dependent on the primary sector, particularly agriculture, and is still based on the exploitation of natural resources. The main characteristics of the rural economy of the Republic of Serbia are:

1. large share of agriculture, food industry and mining;
2. weak participation of the tertiary sector in GDP;



3. low level of entrepreneurship.

These characteristics reflect the under-developed structure of the rural economy.

The importance of agriculture in the national economy

From the beginning of the XXI century the contribution of agriculture to GDP has declined, primarily as a consequence of faster growth activities in the non-manufacturing sectors (primarily trade). However, the share of agriculture in the GDP structure of the Serbian economy is still very high. The high share Agriculture has in the basic macroeconomic indicators of the Republic of Serbia in comparison to other countries can be attributed to the rich natural resources and favorable climatic conditions for agricultural production on one side, and the slower process of structural reform of the rest of the economy and delays in this process on the other (see Table 1).

Table 1 Agricultural sector in basic macroeconomic indicators

	2008	2009	2010	2011	2012	2013*
GVA of agriculture, forestry, hunting and fishing (mil. RSD)	237.475	218.005	245.128	292.919	279.126	344.320
The share of agriculture in total GVA (%)	10,4	9,3	9,9	10,5	9,7	11,4
Employment in agriculture, forestry, Hunting and Fishing (ooo persons)	706,0	622,7	533,0	478,1	467,1	492,0
The share of agriculture in total employment (%)	25,0	23,8	22,2	21,2	21,0	21,3
foreign trade exchange						
Exports of agricultural and food products (mil. euros)	1.336	1.395	1.700	1.956	2.131	2.104
The share of agriculture in total export of goods (%)	18,0	23,4	23,0	23,2	24,1	23,4
Imports of agricultural and food products (mil. euros)	1.056	991	819	1.053	1.221	1.177
Share in total imports of goods (%)	6,5	8,7	6,6	7,4	8,3	8,2
Trade balance of agricultural and food products (mil. euros)	280	404	881	903	910	927
Export-import ratio (%)	126,5	140,8	207,6	185,8	174,5	178,8

Source: Preliminary data-Source: Statistical Office

The share of agriculture in the total employment in Serbia is still very high, among the highest in Europe, and is over 20%. This can be explained by the high proportion of employees doing seasonal and temporary jobs in agriculture, which during the crisis is very sensitive to fluctuations in the market.



Income of rural households mainly (35-42%) derives from employment (regular and supplementary), followed by a very high percentage (about 30% in 2012) of income from pension funds. At the same time, natural consumption, which is mainly attributed to consumption of food produced on the farm, is stable at a level of 12-14%. However, income earned from agriculture is relatively low in comparison to income from other sectors and social benefits, which is a clear indicator of the low productivity of sectors.

Agricultural production

A dominant share in the structure of agricultural production has plant growing, which on the average is around 67%. Crop production is mostly represented by field crop and vegetable production, which make up more than a half of the value of agricultural production (approximately 56% in the period 2008-2012). Fruit growing is represented by 8-10%, and viticulture by about 2%. The share of livestock production in the total value of agricultural production is about 33% and declining, mainly due to trends in the production of meat.

The most common is cattle breeding, (13-16%), followed by pig breeding, which represents about 12% of the agricultural production. Poultry production (meat and egg production), participates with almost 5% of the value of agricultural production.

Condition of Resources and Environment

Land

Serbia is one of the European countries with favorable land resources, as it possesses 0.7 ha agricultural, or 0.46 ha of arable land per capita. The Republic of Serbia is in the possession of 5.06 million hectares of agricultural land, of which 71% is used in intensive mode (in the form of arable land, orchards and vineyards), while 29% of agricultural areas are natural grasslands (meadows and pastures).

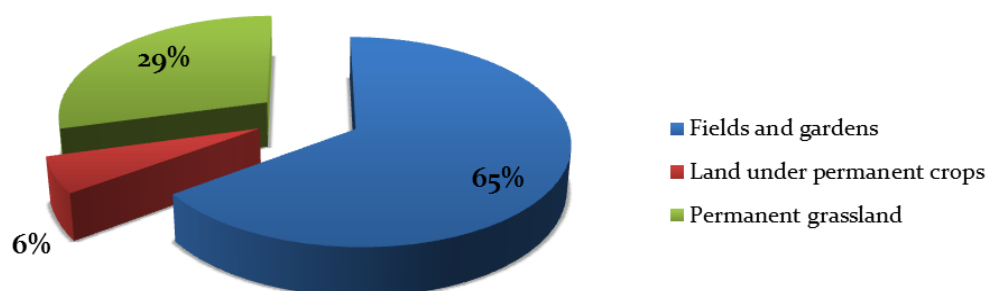
Table 2 Scope and structure of the agricultural areas of the Republic of Serbia (thousand ha)

	2008	2009	2010	2011	2012	2013
Agricultural land, total	5.056	5.058	5.052	5.056	5.053	5.069
Fields and gardens	3.302	3.301	3.295	3.294	3.282	3.298
Land under permanent crops	300	298	297	296	293	289
Permanent grassland	1.454	1.459	1.460	1.466	1.478	1.482

Source: Statistical Office



Figure 2 Scope and structure of the agricultural areas of the Republic Serbia (000 ha) in 2013



Source: Statistical Office

Ownership structure

According to the Census of Agriculture in 2012, the Republic of Serbia listed 631 522 farms, which use 3,437 million hectares of agricultural land. The average size of land used per farm is 5.4 ha. Among the listed farms 99.6% are held by individuals, and they use 82% of land. The average size of family farms is 4.5 ha, and significantly varies by region - from 2.1 ha in the Jablanica area, to over 10.0 ha in Srednjobanatska area. The remaining 0.4% of the agricultural holdings are held by legal entities, which use 16% of land and have an average size of 210 ha per farm. An important impediment for the efficient use of the land is the fragmentation of properties, which is reflected in the fact that the average number of parcels per farm is six.

Structure of the labour

According to the census of 2012, Serbia has a population of 7,199,077. In total, the number of members and full-time employees at farms in the Republic of Serbia is 1.44 million people. Of this number, about 98% are the owners of the farms and the members of their households, and only 1.9% of them are regularly employed in agriculture. The Results of the Census of Population, Households and Dwellings in the Republic of Serbia from 2011 show that the demographical trends in the Republic of Serbia, especially in rural areas, are more and more unfavorable. During the period 2002- 2013, the population of Serbia declined by 4.15%, while the rural population decreased by 10.9%. Šumadija and Western Serbia are the only ones where more people live in rural than in urban areas (52.6%).



The structure of employment of the rural population by sectors has dynamically changed in recent years. Employment in agriculture is still the highest in comparison with other sectors, and from 2004 to 2012 was in the range between 43% and 50%, which is very high compared to other European countries. Only every fourth inhabitant of a village works in the industry.

The unemployment rate (21.3%) and inactivity rate (39.1%) of the rural population in 2012 were below those of the urban population (26.9% and 40.5% respectively). However, other performance indicators of the rural labour market, especially the share of vulnerable employment and the professional status of employees etc., are significantly worse among the rural population. The higher percentages of vulnerable employment among the rural population are caused by the high percentage of farmers and unpaid family members and a smaller share of wage-earning employees in the rural population compared to urban.

The total employment in agriculture, forestry and fisheries for the working-age population is 18.3% and for the population over 15 years is 21.0%. The employment in agriculture for working-age population in rural areas in 2012 was 37.5%, which is much higher than in most other European countries. In 2012, the highest share of the people employed in rural areas were skilled workers in agriculture and fishing (34.8%), followed by crafts workers (13.8%), service providers and traders (11.7%), while employment in other occupations recorded significantly lower participation. According to the national accounts statistics, the share of agriculture, forestry and fishing in GDP in 2012 was 7.5% (9.7% of GVA).

The age and educational structure of the rural population

Serbia has a very unfavorable age structure - every fifth village inhabitant is older than 65 years, while in the region of Southern and Eastern Serbia is every fourth. The coefficients of age-dependency in rural areas, excluding the AP of Vojvodina, indicate that for each person older than 65 years, come three (in some areas even less) of those in the age group of 15-65 year-olds. On the other hand, the relationship between the young and old population shows that for every 100 people older than 65 years, there are only 69 of those younger than 15 years (in Southern and Eastern Serbia only 52). The educational structure of people older than 15 years in the Republic of Serbia, the most common are the high school graduates (47%), whose share has increased since the previous census 2002 by 5 percentage points. The same trend is also present in rural areas. However, a decrease of highly educated people is noticeable in the rural areas in all regions.

The modest knowledge and lack of additional skills are characteristics of the rural population in general, that are confirmed by data from the Living



Standards Survey for 2007, according to which 97% of the rural population did not attend additional training and educational courses, and 54% do not have any special knowledge or skills. As a result of the insufficient education and the insufficient level of training, knowledge and skills, the workforce in rural areas do not meet the requirements of modern technology and its overall capacity is adversely affected. The poor quality of the workforce can be considered as one of the factors that impede economic development in rural areas because investors generally avoid areas without quality and skilled workforce.

The unfavorable demographic trends have led to negative educational structure of the rural labor force. They also have determined certain gender imbalance in rural areas. The share of female population of reproductive and working age (20-59 years) in the total rural population is 48%, which is lower than the corresponding figures for the urban population (52%). The fall in the number of women in the rural population leads to a decline in the birth rate, which leads to changes in the structure of agricultural production (eg, reducing the production of vegetables, flowers and dairy products) and reduces the possibility of diversifying agricultural income through food processing.

Natural conditions and environment

The climate of the Republic of Serbia is temperate continental, with a more or less denominated local characteristics. Due to the high amount of annual rainfall, the Republic of Serbia is an area rich in resources and watercourses. According to the United Nations data, Serbia ranks 47th of all the countries in the world when it comes to reserves of healthy and potable waters.

Serbia is considered to be a medium-forested country. Out of the total area of Serbia's territory, 30.7% is covered by forests (2.7 million ha). The state-owned area is 1.4 million ha (51%), while the remaining 49% (1.3 million ha) are privately owned. The forests are managed by two Public Enterprises for Forest Management, "Srbijašume" and "Vojvodinašume", and also by 5 National Parks (Fruška Gora, Kopaonik, Tara, Đerdap, Šar Planina).

The forestry sector is a very important one for the development of country, and together with other complementary sectors (wood industry, agriculture, environmental protection, tourism, energy management), it significantly contributes to the country's gross national income though inter-sectoral aspects.



MAP OF RURAL ACTORS IN SERBIA

Over the past years a number of documents, strategies and laws, governing important issues related to agriculture and rural areas, were adopted in the Republic of Serbia. The Strategy for Agriculture and Rural Development of the Republic of Serbia determines the long-term directions for the development of agriculture for the period at least ten years and is conditioned by Section 4 of the Law of Agriculture and Rural Development. The same law (article 5 and 6) provides the adoption of two national programs, which should define ways of implementing strategic objectives, namely: the National Programme for Agriculture and the National Rural Development Programme. The Strategy is practically fully set of political and legal conditions for the preparation of national programs for the development of agriculture and rural areas, and IPARD program.

The main directions of development of the Republic of Serbia, including the framework for the development of agriculture and rural areas, are defined in the national strategic documents, including: the National Programme for adoption of the acquis, The first national report on social inclusion and Poverty Reduction in the Republic of Serbia, National Strategy for Sustainable Development, National Economic Development Strategy of the Republic of Serbia from 2006 to 2012, etc.. The main policy documents recognize the importance of the role of agriculture and rural areas in economic development and resource conservation and environmental protection.

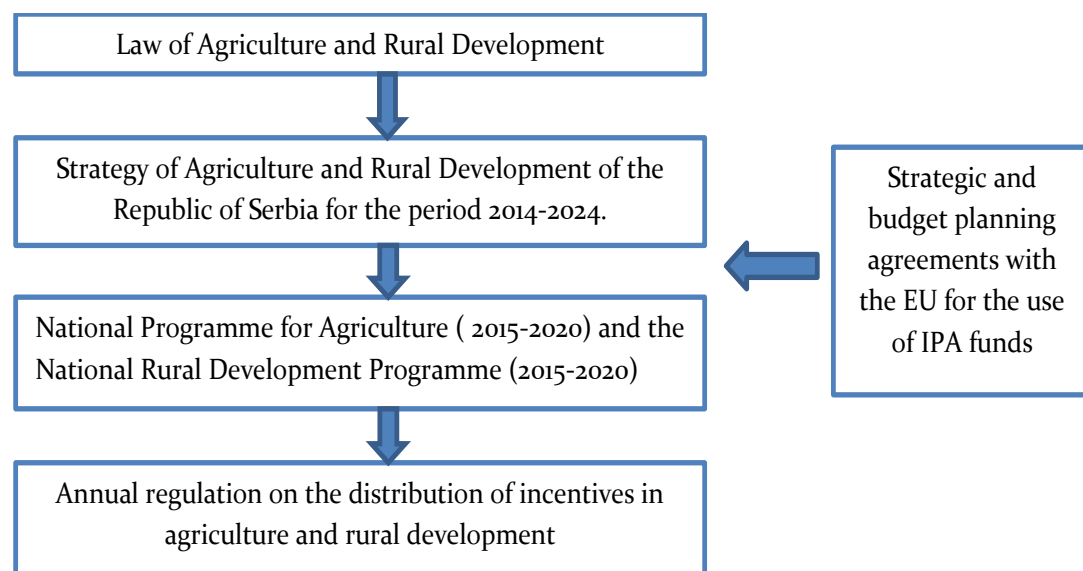
Rural development at the national level

Rural development policy of the Republic of Serbia is under the jurisdiction of the Ministry of Agriculture and Environment. The Law of Agriculture and Rural Development was adopted in May 2009. This law regulates the objectives and implementation of agricultural policies, forms of incentives in agriculture and rural areas, the conditions for eligibility for incentives, incentive beneficiaries, Registry of farms, recording and reporting in agriculture, as well as monitoring of this law.

The Ministry of Agriculture and Environment has initiated the preparation of a strategic document, the Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024, which as a fundamental and long-term strategic document defines the objectives, priorities and frameworks of policy and institutional reforms in the field of agriculture and rural development.



Figure 1 Planning policy of support for the development of agriculture and rural areas in the Republic of Serbia



Source: The systematization is made on the basis of the Law of subsidy in agriculture and rural development; the Budget law of the Republic of Serbia and the Government act

Incentive policies in agriculture

The most important form of state support for agriculture and rural areas is achieved through the agricultural budget. The agricultural budget is part of the overall budget of the Republic of Serbia, which was introduced in the political practice of the Republic of Serbia in 1996, in order to ensure a stable financial resource to promote the development of agriculture and rural areas. Government determines for each budget year, the amount of funds, the types and maximum amounts for certain types of incentives, in accordance with the Law on incentives in agriculture and rural development and the law governing the budget of the Republic of Serbia. In addition to the general tendency of increase in the agricultural budget since 2008 its share since 2007 does not exceed 5% of the total budget of the Republic of Serbia.

All agricultural policy measures are grouped into three main pillars:

- 1) measures for market-price support and direct support to production;
- 2) structural measures and measures for rural development;
- 3) support for the general measures and services in agriculture.

The support for the first pillar consists of more than 80% of the total funds invested in the agriculture of the Republic of Serbia. The largest share of the support for rural development has assets held for investment incentives at the farm. Investments in agricultural holdings encouraged the grant for the renovation and construction of buildings, purchase of equipment and machinery, renovation and expansion of orchards.



Marketing and promotional activities, as well as business networking participants in the food chain, are not part of a regular practice, and only sporadically appear in the budgetary structure with negligible amounts. Such activities are generally more likely to be encouraged by donor project activities, budget funds of local governments and the activities of SIEPA..

Support for rural development has been actively implemented since 2004. The largest part of the funds was used to support the improvement of competitiveness of farms, a basic mechanism being the use of subsidized interest rates for loans for agricultural machinery and equipment and the distribution of grant incentives for rural development and agriculture. There are certain elements of support based on the model of the EU directives on "Less favored areas", but this kind of support was applied without clearly defined rules.

Regarding the LEADER approach, there was an initiative for the establishment of local partnerships and the preparation of the initial group for the process of selecting LAGs (potential Local Action Groups). It has been expected that at least 15-20 LAGs fulfill the criteria for selection. However, up to this point, none of these groups has experience in the design and programming of appropriate ideas for projects. Also, mechanisms, within the program for direct assistance for the development procedures for implementing the LEADER approach, have not been developed. This means that there remains a lot of work on building an institutional framework for the LEADER program. There is also a need for further technical support to ensure that there are fully developed LAGs able to prepare and implement the measures.

There has been some improvement in the area of building institutions and preparation of strategic documents and legislation regarding the use of pre-accession funds. This is particularly true for the agricultural sector and Rural Development, which operates in the context of adapting the EU acquis, the management of rural development activities and the establishment of structures for the IPA Rural Development (IPARD).

IPARD - Instrument for Pre-Accession Assistance in Rural Development- in Serbia

With the Rural Development component of the Instrument for Pre-accession Assistance - IPA, candidate countries will be assisted through a particular instrument called IPARD - Instrument for Pre-Accession Assistance in Rural Development. The objective of IPARD is two-fold:

- 1) to provide assistance for the implementation of the acquis concerning the Common Agricultural Policy
- 2) to contribute to the sustainable adaptation of the agricultural sector and the rural areas in the candidate country.

These objectives are to be met by implementation of 9 different measures under 3 priority axes:



Axis 1 - Improving Market Efficiency and Implementing Community Standards

Measures:

- 1) Investments in agricultural holdings to restructure and upgrade to the EU standards
- 2) Investments in processing and marketing of agriculture and fishery products to restructure and upgrade to the EU standards
- 3) Supporting the setting up of producer groups

Axis 2 - Preparatory actions for implementation of the agri-environmental measures and Leader

Measures:

1. Preparation for implementation of actions relating to environment and the countryside
2. Preparation and implementation of local rural development strategies

Axis 3 - Development of the Rural Economy

Measures:

1. Improvement and development of rural infrastructure
2. Development and diversification of rural economic activities
3. Training
4. Technical assistance

During the preparation for the use of the fifth component of IPA (IPARD) in Serbia, were established the command and control system, as well as the operational structure. The management and control system consists of parts of the Ministry of Finance (National Authorising Officer and the National Fund) that were appointed during the year 2009, in preparation for the accreditation of the first and second components of IPA. The first preparations of the part related to the establishment of the Operating Structure (Managing Authority and IPARD Agency) started in 2008. In 2009, a project started on the development of sectoral analysis of selected sectors of agricultural production, which will be the subject of support of IPARD funds (milk, meat, fruits and vegetables). These analyzes were completed in 2010, when Serbia became part of the draft IPARD program.

In 2010, the first draft of the IPARD program, with three selected measures - investments in agricultural households (measure 101), investments in the capacity of manufacturing (measure 103) and technical assistance - began to operate. The National Rural Development Programme for the period 2011-2013 was adopted by the Government in early 2011. The Directorate of Agricultural Payments (IPARD Agency) was established as a body within the Ministry of Agriculture, Forestry and Water Management.

During the preparation for IPARD began the application of two pilot IPARD measures, financed by the national budget. The first was support for investments in agricultural households in the sector of meat and milk (equivalent to IPARD measure 101), while the other was to support investments in the manufacturing sector



processing meat and milk (equivalent to IPARD measure 103). The aim of this activity is to prepare for the implementation of IPARD and habituate potential beneficiaries to the new more stringent EU requirements.

The European Commission adopted the Program for Rural Development in Serbia (IPARD on 20 January 2015). IPARD Program for the Republic of Serbia is the main instrument of EU support to Serbian agriculture and rural development sector worth 175 M€ for the next 6 years.

Farmers will be able independently to apply with their projects for these grants and thus enhance production and raise the level of competitiveness of their products. The main objectives of the program are to increase food security in Serbia and improve the competitiveness of the agricultural production and processing, as well as help Serbia to progressively harmonize with the EU standards. The total amount of 175 million euros will be available to Serbian farmers in the form of grants for co-financing of appropriate investments with a maximum public contribution of 70% of the eligible costs. Based on a detailed and objective analysis of the sector and after proper consultation, the following measures are selected:

- a) Investments in agricultural households - grants will be given to producers of milk, meat, fruits and vegetables and other crops;
- b) Investments related to the processing and marketing of agricultural products - designed for micro, small and medium-sized enterprises for the processing of milk, meat, fruits and vegetables;
- c) Organic production - support will be provided to agricultural producers who introduce organic production methods;
- d) Implementation of local development strategies - within the so-called "leadership" approach, local action groups (especially established public-private partnerships) will receive support for the implementation of local rural strategies;
- e) Diversification of activities in rural areas and business development - these measures will help to develop individual capacities for rural tourism, as well as
- f) Technical assistance - experts from the European Union will assist the national authorities in the implementation of the program.

Rural development at the local level in Serbia

Local governments in Serbia mainly have active Offices that assist villages and / or support agriculture in different organizational forms. However, there is no correlation between the degree of development of LG and the existence of the Office helping the village. After adopting the Law on agriculture and rural development, local governments have begun with the establishment of local funds for agricultural development, which usually have some measures to support rural development. Most local governments in Serbia have strategic plans for development in which agriculture and rural development are recognized as a priority.



In Serbia, it is obvious that not only the development of the village but of the entire state is still based on agriculture. Thus, in 2012 the new government identified agriculture as a priority sector which should bring about development. Therefore, it is considered that investments in agriculture, which are understood as investments in the village, should have priority. However, investments in agriculture do not necessarily imply investments in the village. Agriculture is low accumulative activity which unquestionably can contribute to an increase in the wealth of Serbia, but cannot carry on the development of a country. Also, agriculture cannot employ rural population, or even the majority of the rural population if it wants to be competitive in the production of food.

Social networks in rural areas

Owing to the support of international donors from 2000 to 2012 a large number of civil society organizations was formed in the Republic of Serbia, among which are those dealing with certain aspects of Rural Development. However, the development of social capital and networks in the rural areas of Serbia is relatively low in terms of the number and types of civil companies that are present in these areas. During this period special activity demonstrated the organizations dealing with issues such as poverty and vulnerable social groups in rural environment (refugees and displaced persons, women and young people), environmental protection issues and preservation of cultural heritage.

In the period from February 2011 to February 2013, supported by the instrument for Pre-Accession (IPA), the project LIS was implemented. During the process the creation of 24 local rural development strategies was supported. In simulating the IPARD evaluation process, it was estimated that 21 local rural development strategies meet the LEADER program correctness criteria, which included 8% of the population and 15% of the territory of the Republic of Serbia.

Agricultural cooperatives and farmers' associations

The cooperative sector in Serbia has remained outside the focus of the new institutional and economic reform, and the transitional political solutions do not sufficiently meet the specifics of the Cooperative sector, particularly in the field of agricultural cooperatives.

Agricultural cooperatives in Serbia have 31000 members. It is estimated that farms that are part of some type of cooperation with the Cooperative own about half of the livestock and agricultural land. The nature of the business relationship between cooperatives and agricultural producers is such that cooperatives finance initial investment cooperatives, which practically take a double risk: as suppliers of raw materials on one hand, and as creditors of liabilities to suppliers, on the other.

The period from 2000 to 2013 was characterized by an accelerated process of privatization of social capital and implementation of a series of systemic reforms, which mostly bypassed cooperatives. Agricultural cooperatives were exempt from the privatization process, which is supposed to give them an additional stimulus for strengthening and development. However, the unresolved issue of property relations, the unequal access to the capital market and the devastating effect of the shadow



economy, influenced the slowdown of reform of the cooperative movement. Under the influence of these trends the cooperative system lost identity and confidence. Unique mechanisms for monitoring the co-operative sector have not been established and no ministry has a precise and reliable data on the situation in the sector. Supporting activities for the cooperative sector are inconsistent and systematically unregulated.

Some of the key issues that paralyze the effective transformation of the cooperative sector are:

1. unresolved property issues and the question about cooperative property as a form of collective private property;
2. cooperatives in Serbia do not have their own manufacturing capacity, which would be particularly useful in the processing of milk and meat, fruits and vegetables, industrial crops, the confectionery industry etc. Therefore, cooperatives are excluded from the market of the final food products. In addition, a great deal of storage capacity is meanwhile technologically obsolete due to lack of investment in maintenance and new equipment;
3. the cooperatives have faced a more difficult access to the capital market for too long, and in this respect are in a worse position compared to small and medium-sized enterprises.
4. For a long period cooperatives were not allowed to be users of any development incentives for their production. In 2011, cooperatives could for the first time since 2004 use milk premiums and premiums for genetic improvement of livestock for their own production under the same conditions as individual farmers and business entities with majority state capital.
5. In the existing system other ministries do not recognize the specificity cooperatives have and do not provide special solutions to help their revitalization;
6. the international cooperation is undeveloped and cooperatives mostly subsist in the narrower local environment.

In Serbia there is a Cooperative Association which is helping cooperatives in the following area:

- Provides technical and other assistance in the establishment of cooperatives and in the course of their work - if necessary making normative acts and supporting documents for registration;
- Represents the interests of cooperatives and other provincial and district associations in the governmental bodies and organizations of the Republic of Serbia through its management bodies and authorized representatives;
- Participates in making laws and other regulations in the field of agro-industrial production and cooperatives;



- Engages in reaching measures of economic and agricultural policy, assesses their impact on developments in the agro-industrial production;
- Helps cooperatives in connecting and working with financial institutions;
- Protects the interests of cooperatives from monopoly in the manufacturing industry that uses raw materials from agriculture;
- Analyzes operations of agricultural cooperatives, helping them in material and financial consolidation;
- Organizes symposia, conferences, seminars discussing important issues in the field of agriculture and cooperatives;
- Organizes publishing and marketing activities of cooperatives.

Associations of producers are poorly developed, and their role and activities are humble. Most of the associations of producers are at a low level of organization, which, is indicated by the low level of professionalism and the lack of management personnel.

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