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The EU Agricultural Policy
An INSURED Case Study on Sustainable
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Contents

Preface

The present text has been written in the framework of the INSURED project. A summary of the INSURED project – which helps to understand the context of this study – is given in the Appendix

1 The importance of agriculture and rural development

The significance of agriculture and rural development in the EU is reflected in the allocation of almost sixty percent of the Community budget to this sector. While in the Community as a whole agriculture accounts for only about three percent of the GDP it is of much greater importance throughout most of the European periphery; for example, it accounts for over 10% throughout much of Ireland, Portugal, Spain and Greece. Another comparative indicator is the proportion of civilian employment engaged in agricultural production. While the proportion for the EU is about six percent it exceeds 20 percent in Greece and ranges between 15 and 20% throughout most of Ireland and Portugal. Additionally it is worth noting that agriculture and other rural activities account for 80% of the land area of the EU.

The single most important policy influence on agriculture and rural development throughout the European Union over the last thirty five years has been the EU Common Agricultural Policy. This analysis of the policy traces its evolution and adaptation to changing circumstances. In doing so the underlying model of development is examined from the perspective of sustainability.

At the outset it must be noted that the CAP is not the only influence on the development of agriculture and rural areas. A number of other more general processes are relevant such as those affecting the restructuring of primary production, the growth of the agribusiness sector, the increasing domination of retail food markets by a small number of international and national retail corporations, globalisation and Europeanisation, the spread of new technologies, and adjustments in the social order which affect the cohesiveness of rural society. While the origins of many of these processes per se are not located within the policy arena the direction and intensity of changes brought about by the general processes has been greatly influenced by the operating environment established under the CAP.

2 The evolution of the Common Agricultural Policy (CAP)

The historical evolution of the policy can be subdivided into a number of discrete phases.

Origins

The origins of the CAP can be traced back to the 1958 Stressa conference which set out a system for supporting European agriculture that was put into place by the Commission and the six national governments in the early 1960s (Bowler, 1985). The specific objectives of the policy are:

- to increase productivity by promoting technical progress and the rational development of agricultural production, with the optimum use of resources including labour,
- to ensure a fair standard of living for the agricultural community,
- to stabilize markets,
- to guarantee food supplies,
- to provide food for consumers at reasonable prices.

From its inception the policy has reflected the national interests of the most powerful member states with compromises arrived at through bargaining processes that have frequently been guided by short term considerations. Thus, the founding members decided for sound pragmatic reasons that the main instrument to support the policy should be a system of market price supports (Fennell, 1979). This did not require any fundamental departure from the systems in operation in each member state. However, in order to arrive at a consensus price supports were from the beginning pitched at high levels - in excess of those considered desirable by the Commission especially in the dairying and cereals sectors (Pinder, 1991). The economic efficiency interests of northern member states has continued to be a major influence on the evolution of the policy. This unsustainable strategy has had major implications for the Community budget (and therefore its ability to take initiatives in other areas), for international trade through the production of large amounts of surplus farm output, for regional development across the Community and for the diversity, resilience and aesthetic quality of the natural environment and the traditional character of rural landscapes.

Apart from relying heavily on a crude economic instrument to pursue goals of increased production and greater security in food supply the policy was guided by the then fashionable modernisation perspective on development. The focus was entirely on expansion of output through greater intensification and specialization with little attention to the uneven social impacts across farms of different sizes, the unequal distribution of benefits between regions, and virtually no concern for environmental impacts.

The limitations of the policy became evident at a very early stage. The combination of generous support prices and technological advances in crop cultivation and livestock husbandry which were diffused throughout the farming communities with the assistance of state-financed advisory services quickly led to significant growth in output. Within the first decade total farm output in the EEC increased by 30 percent and the Community became self-sufficient in many food products. The situation in regard to surplus production of milk and wheat was already serious by the late 1960s. Furthermore, by 1972 even though almost two-thirds of the Community budget was allocated to the Agricultural Fund the trend in farm incomes in real terms was not keeping pace with wages in the rest of the economy and disparities between large scale and small scale producers were widening. The basic mechanism of setting high

price supports to raise the income levels of producers on small farms was at the same time encouraging unrestrained production of surpluses from the sector in aggregate.

While there were a number of constraints that made it virtually impossible to reduce the levels of price supports, perhaps the most important was the level of political influence wielded by the farming communities through COPA (the umbrella body representing European farmers' organizations) and those involved in backward and forward linkages with primary food producers (Averyt, 1977; Bowler, 1987).

A radical attempt to accelerate the modernisation of farming was proposed by the European Commission in 1968, The Mansholt Plan, which sought to restore an equilibrium situation in a more market led and more competitive agriculture. The radical nature of the proposals which were judged to be aimed at undermining family farms proved to be politically unacceptable. Less controversial structural measures derived from the Plan were eventually introduced via three Directives in 1972 and supported from the Guidance part of the Agricultural Fund (Bowler, 1985). The most important of these, Directive 72/159, provided subsidies to assist modernization which were mainly taken up in the better structured farming regions in the northern part of the Community. Other measures aimed at encouraging farmer retirement and land reallocation were much less successful. 1973 -1983 Enlargement and broadening of concept of development The first real opportunity to reform the CAP came with the first enlargement of the Community in 1973. It was anticipated that the UK as a major net importer of food would be able to force down the level of price supports. The Commission also published a comprehensive and critical analysis of the policy in 1975 (CEC, 1975). However, major adjustments were not possible while the system of unanimity voting prevailed in the European Council. Instead high levels of price support persisted leading to further intensification and additional problems of surpluses and widening disparities between those who were on a modernization path and the remainder of farmers who were experiencing varying levels of marginalisation.

In response to deepening social divisions within the farming communities which were particularly acute in areas of severe physical handicaps and in order to counteract the trend towards depopulation in sparsely settled areas the Commission in 1975 introduced a system of direct income aids to farmers in Less Favoured Areas (LFAs). Such aids are directly available to farmers in areas with infertile land, low productivity or rural depopulation. They also apply where high altitude or difficult weather conditions reduce the length of the growing season or where steep slopes prevent the use of conventional agricultural machinery. The measures contained in Directive 75/268 were particularly significant in that they introduced an alternative to price policy as a means of supporting incomes and they involved targeting of needy farmers in objectively defined areas of disadvantage. The adoption of Directive 75/268 was the first practical recognition of the limitations of the production-oriented modernization model based on the system of price supports.

In practice it is difficult to gauge how much the direct income payments have contributed to stabilizing population in the LFAs. For a start the amount of resources committed to direct income aid is extremely small, amounting to just over 800 ECU's per farm in all the EU LFAs in 1991. Their role has also been complicated by the subsequent introduction of other schemes to provide premia payments as a means of encouraging farmers to retain more of certain categories of livestock, e.g. sheep and suckler cows. In practice farmers in LFAs are now entitled to a very wide range of livestock premia or income aids (at least eight different schemes are available in Ireland) which are not delivered in any coordinated manner and do not take account of local or regional characteristics. One of the unanticipated outcomes has been that in some ecologically sensitive areas considerable environmental damage has been caused by overstocking and associated overgrazing. In some southern regions there has been widespread

desertification associated with loss of soil and water contamination. Thus what started as an attempt to sustain more people in marginal rural areas has in some cases led to a range of unsustainable outcomes (Kearney et al, 1995a).

By the late 1970s it had become necessary to consider means of reducing the level of price supports in response to budgetary pressures at Community level, and also in response to a gradual shift in the balance of influence exerted by representatives of farmers on the one hand and consumers on the other. By the early 1980s the influence of COPA had been greatly reduced due to its frequent inability to secure consensus across its members (Neville-Rolfe, 1984). At the same time it was estimated that the cost of the CAP to consumers were about double the budgetary costs of the CAP itself. Nevertheless, Commission proposals to introduce more prudent price support levels met with only limited success in the face of strong political opposition. Essentially, the basic model with its in-built unsustainability remained intact, subject to very minor modifications, up to 1983 as there was not enough political will nor the institutionalcapacity to embark on a more radical reform.

2.1 1983-1991 Attempts to adapt the CAP

Within individual member states a number of disparate pressures to adjustthe CAP were already gaining momentum in the early 1980s. The new righteconomic doctrine espoused by the Thatcher government scorned the statesupport of all industries including agriculture. Consumer interests becamemore vociferous in their criticisms of food prices and of the impacts oftechnological inputs on food quality and human health (Clutterbuck andLange, 1982). There were also criticisms of the implications of CAP exportrefund mechanisms for international food distribution and equity in worldtrade. As the environmental movement became more assertive and more broadlybased it developed a rigorous assessment of the impacts of the CAP on thenatural environment (Bowers and Cheshire, 1983; Lowe et al. 1986).Attention was drawn to impacts of modern farming, including factory farmingas practiced in the Netherlands, on the environment. These included excessive build up of phosphate concentrations in soils, and nitrates in ground and surface water; the widespread eutrophication of rivers, lakes and coastal waters; the depletion of oxygen levels in rivers leading to fish kills; waste disposal concerns; the disruption of habitats for wildlife through drainage programs and removal of hedgerows; and a reduction of the diversity in the traditional genetic base of European agriculture.

Between 1980 and 1984 an informal alliance of new right thinkers, environmentalists and consumer interests was taking root across the member states which was to effectively undermine the corporatist arrangement between the European Commission, the European Council and COPA (Winter, 1996). However, there remained some major obstacles at the highest levels to radical reform. Of particular importance was the notion of the national interest which for the majority of member states (those who are net food exporters) meant retaining the existing model based on high prices as it maximized the net inflow of EC transfers to their governments (Gardner, 1987). Furthermore, the view of the Commission was that the objectives of the CAP had been broadly achieved, and that it was neither possible nor desirable to abandon the basic mechanisms (CEC, 1980; 1981; 1982). In fact, it was at this time that the scope of the policy was extended to include sheep. This extension involved the introduction of premia payments to encourage expansion which was to subsequently lead to unsustainable grazing practices in some areas.

In the end the catalyst for introducing the first major shift in policy was the prospect of a budgetary crisis in 1984. The fact that it was the fiscal and the associated political considerations, rather than any other issue affecting the sustainability of the policy, that initiated change confirms that up this point there was still almost total confidence in the basic underlying

model. At this juncture the choice lay between a free market policy for agriculture as advocated by the UK government or the imposition of some restrictions on production in key sectors in order to keep the funding of the policy within politically acceptable levels. The latter route was chosen with the introduction of quota restrictions on milk production in March 1984 and in 1988 a voluntary set-aside scheme for cereal growers.

The introduction of milk quotas has been moderately successful in reducing production levels in the Community. From a sustainability perspective the milk quota regime can lead to some benign results in that farmers are likely to reduce their inputs, including fertilizers, in order to retain their profitability levels. On the other hand, farmers who wish to expand their dairy production are required to purchase quotas as they become available. This has led to a situation where the disparity between large scale and small producers is further widened as the latter are unable to compete in the market for quotas. Thus the quota regime has tended to fossilize the dominance of the sector by those farmers who were already advantaged and who are mostly concentrated in historically strong dairying regions. Small scale producers and the processing units which they supply are left in a more vulnerable situation.

Following a further review of the CAP by the European Commission in 1985 a second major initiative to curtail production was the introduction of a voluntary set-aside scheme in 1988 for cereals, wine and beef. The take up in the beef and wine sectors was minimal. The voluntary nature of the scheme for cereals and the relatively low rates of compensation especially for farmers on good land capable of producing the highest yields ensured that participation remained low. In the Community as whole the scheme resulted in a withdrawal from cultivation of about 2.4% of the arable area between 1988-93. The impact on production would have been lower due to the so-called slippage effect whereby only the more marginal low yielding parts of farms are set aside and the farmers continue to intensify on the better quality land (Ilbery, 1990). Thus the early experience of the set-aside strategy was that it was not an adequate response as a supply control measure - again it was a blunt instrument that did not address the fundamental problem in the sector, namely price support levels fixed at too high a level. Set-aside is an opportunity lost. Land taken out of intensive production could be put to other sustainable uses. Leaving land uncultivated led to serious concerns expressed by the French, Spanish and Italian governments about the possibilities of further degradation in environmentally fragile regions and about the acceleration of rural depopulation (Jones, 1991).

2.2 The 1992 Reform of the CAP

The pressures for a more radical reform of the CAP had intensified by 1992 as the need for a transition to a post-productivist model gradually began to gain more widespread acceptance (Ilbery and Bowler, 1998). The Commission's analysis in 1991 demonstrated that the financial basis for the policy was no longer sustainable (CEC, 1991). By this time the Commission had additional concerns: following the adoption of the Single European Act in 1987 the financing of the reformed structural funds was doubled leading to a reduction in the share of the total EU budget allocated to agriculture. Furthermore, in 1988 the Commission had set out a perspective on rural development in The Future of Rural Society which for the first time explicitly recognized the existence of interests other than those of farmers in rural areas. Additionally, the Commission perspective on the environment was moving in the direction of the sustainable development paradigm which was given its clearest expression in the EU Fifth Environmental Action Program, Towards Sustainability, adopted in 1992.

Notwithstanding the changing internal scenario for decision making within the Community, perhaps, the strongest catalyst for reform came from the external global level. The Uruguay Round of GATT negotiations had for the first time brought agricultural commodities into the

agreement. The preparation of the EU negotiating position for GATT was closely intertwined with the process of reforming the CAP. As one commentator has summarized the position, the CAP which had been a cornerstone of the Community had by the early 1990s become a stumbling block in the development of EU-US relations. The necessity for CAP reform had been shifted effectively to the level of high international strategic political analysis (Phillips, 1990).

The 1992 reform package involved a combination of supply control measures especially for cereals and dairying (price reductions, quotas and set-aside); compensatory payments to offset income losses arising from the supply control measures and additional premia to encourage extensification; and the introduction of a number of 'accompanying measures' including an agri-environment programme, an afforestation programme and an early retirement scheme. The package was regarded by the Commission as marking a decisive turning-point in the development of the CAP, and a break between the old development model for European agriculture which favoured intensification and the proposed post 1992 model which would encourage more extensive farming practices (Scott, 1995).

The positive aspects of the package are that it attempts to reorient primary agricultural production more towards the market, it biases direct payments towards smaller scale producers and its accompanying measures are broadly in accordance with principles of environmental sustainability and inter-generational equity by encouraging early retirement of elderly farmers so that younger farmers may acquire additional land in order to assist their economic and demographic viability.

However, the extent to which the reform package represents a radical departure is questionable. The supply control measures in relation to cereals, the key agricultural product as it is a major input to the livestock sector, are unlikely to bring about a significant reduction in output. A probable scenario is that the very large scale producers will counteract income losses arising from set-aside restrictions by further intensification on their lands that are not subject to set-aside. The environmental implications of set-aside have generated a considerable amount of controversy. As short term rotational set-aside is the norm in most regions where the scheme operates the likelihood of reestablishing wildlife habitats or restoring soil chemical composition is very low.

The likelihood of a more equitable distribution of benefits from direct payments will be constrained by the rules that payments are linked to historic yields and intensity of farming and also the fact that the maximum number of livestock or hectares that are reckoned in the calculation of direct payments for each farm are set at very high levels. Thus the regions where dependence on farming is greatest and farms are typically small and operating at lower levels of intensity the system of supply control measures and direct aids is unlikely to improve their relative economic position (Scott, 1995). Instead they are likely to become more dependent on income transfers while the more efficient and commercially focused farms will strengthen their relative position in the market place.

Agri-environmental schemes

The agri-environmental measures have been given much prominence as an indication of the EU commitment to a more environmentally sustainable model of farming (Hoggart et al, 1995). They represent a step in the right direction but it would be an exaggeration to claim that they signify a radical altering of the underlying policy framework (Maloney, 1994; Potter, 1998). The main limitation of this initiative is the paucity of resources that have been made available. At the EU level the budget for the agri-environmental measure amounts to less than one percent of the total CAP budget which can be contrasted with a little over forty percent allocated to compensatory payments (Scott, 1995). In Ireland the agri-environmental measure, the Rural

Environmental Protection Scheme (REPS), attracted 2.5% of total FEOGA expenditure in Ireland in 1995. Another problem associated with the very low level of resources for the measure is that the compensation payments or premia allowances available under other measures are often of a magnitude to discourage participation in the agri-environmental programme. This aspect highlights the failure to secure coordination and cross-compliance across objectives and measures.

Forestry and the Environment

Following the 1992 reforms funding for afforestation of agricultural land has been made available as an accompanying measure and as an operational programme in Objective 1 and Objective 5b regions. Afforestation is promoted as an alternative landuse with commercial considerations receiving the highest priority. Funding is available to farmers and other private legal entities to partially offset the initial planting and subsequent maintenance costs. Inevitably conflicts have arisen over the environmental impacts of tree planting with concerns expressed over the loss of semi-natural habitats and access to them, soil depletion related to inappropriate planting practices, damage to historic sites, acidification of water catchments, overuse of inappropriate species perpetuating unattractive landscapes, insensitive felling that detracts from the aesthetic quality of landscapes, expropriation of local land resources by outside commercial interests, and insufficient public access and social benefits from publicly subsidised forests. Many of these issues have been analysed in detail in the UK by Pryor et al. (1992) and for Ireland by Gillmor (1993) and Hickie et al . (1995).

Early retirement scheme

The early retirement programme is designed to encourage farmers aged over 55 years to release their land by retirement for the benefit of qualified younger farmers who may wish to expand. The rationale underlying this measure was first enunciated in the Mansholt Plan (1968). The objective is to ensure that previously underutilized land can be more productively farmed by younger farmers who are most likely to subscribe to the modernization model. At the local level amalgamation of farms consequent upon some participation in the retirement scheme may well result in practices such as removal of hedgerows and clearance of field boundaries, and extension of field drainage to new lands. These types of actions are unlikely to contribute to environmental sustainability goals.

EU Structural Funds

In addition to the measures related to the 1992 reform of the CAP it is necessary to consider briefly the impact of the EU Structural Funds on the sustainability of rural areas. Since 1989 the absolute amount and the share of the total EU budget allocated to Structural and Cohesion funds had increased significantly. Much of the expenditure under the first round of Structural Funds (1989-93) was guided by a modernization model that extended beyond agriculture and which assigned a role to the Funds of facilitating 'catching-up'. Under this guise many problems concerning environmental impacts and long term sustainability of projects arose - this has been well documented for Ireland (Meldon, 1992). In the current round of Funding (1994-1999) more attention is devoted to sustainability through greater emphasis on coordination and integration and a more informed policy making environment. The problems associated with weak coordination mechanisms have persisted in regions that are not eligible for Structural Funds.

Finally, it is important to note the importance of the EU LEADER (Links Between Actions for the Development of the Rural Economy) Initiative launched in 1991. This Initiative seeks to assist local action groups to devise and implement locally prepared plans for their own areas. Strong

emphasis is placed on finding innovative solutions which can be either of a product or process nature. The experience in many areas (there were 217 participating areas in the first phase of the Initiative) has been generally positive though there have been some criticisms (Kearney, *et al.,* 1995b; Barke and Newton, 1997; Shortall and Shucksmith, 1998). Genuine attempts have been made to facilitate the principle of subsidiarity and processes of animation and capacity building leading to local empowerment; to establish innovative social partnership structures to facilitate coordination and integration; and to promote the notion of development as a gradual process that has to be nurtured and supported at the local level. The second phase of the Initiative provides for a broader view of development embracing socio-cultural and environmental dimensions.

Prospects for the Future

The future direction of Agricultural and Rural Development policy is likely to be influenced by a few key considerations. Chief among these will be the negotiations commencing in 1999 to produce a Post-Uruguay Round Agreement on international trade. There will undoubtedly be further pressure to lower support prices and make agriculture more market led. A second factor of major importance will be the enlargement of the Community to the East. There will also be further pressure to reduce the size of the CAP budget with possibly greater responsibility for income supports passed back to member states. Environmental concerns will become more firmly part of the agenda though the proportion of public funds for agriculture that will be allocated to environmental protection is likely to remain small.

The first indication of the direction of policy in the medium term was contained in the so called *Cork Declaration on a Living Countryside* (1996a). This stated at the outset that "Sustainable development must be put at the top of the agenda of the European Union, and become the fundamental principle which underpins all rural policy in the immediate future and after enlargement". In went on to state that "the need to preserve and improve the quality of the rural environment must be integrated into all Community policies that relate to rural development". This was a very important statement of the priority objectives which if adequately resourced could have lead to a genuinely radical shift in policy.

The Cork Declaration includes several basic principles which if adopted and implemented could provide a framework for a sustainable approach to rural development which is taken to include both agricultural and non-agricultural activities. These principles include:

- integrated multidimensional and multi-sectoral approaches that have a clear territorial dimension,
- diversification of economic and social activity and strengthening the role of small towns as integral parts of rural areas,
- a perspective on sustainability that embraces the natural environment, biodiversity and cultural identity, and promotes inter-generational equity through a framework that recognizes locational interdependencies,
- promotion of subsidiarity through structures that facilitate participation,
- adoption of integrated programming approach to planning,
- greater use of local financial resources,
- enhancement of the administrative capacity and effectiveness of regional and local governments and community-based groups, and
- a strong commitment to monitoring, evaluation and research.

The principles set out above contain a basis for promoting a sustainable development approach to rural development. However, translating the rhetoric into reality must overcome the myriad of opposing vested interests, and furthermore it depends on sustainable development remaining above the bargaining processes that will inevitably lead to compromises over the larger political issues that will need to be resolved before the commencement of the next millenium. Much work is also required on the development and testing of sustainability indicators for agriculture and rural development (Lee, 1996).

The more recent proposals from the European Commission contained in *Agenda 2000* are less encouraging (CEC, 1998). The proposals in relation to agriculture and rural development envisage a continuation of the adjustments introduced in the 1992 reforms of the CAP and greater emphasis on the accompanying measures, especially the agri-environmental schemes. There is also provision for the various policy measures to be combined under a single Regulation which will help efforts to improve co-ordination. Member States may also be granted flexibility and autonomy.

Agenda 2000 can be criticised for placing too much emphasis on an agri-centred approach to rural development. The proposed funding arrangements are not conducive to supporting an integrated multi-sectoral approach to rural development. Conflicts of interest between Member States related to differences in the relative importance of agriculture, and resistance to overcoming jurisdictional boundaries between Commission Directorates have resulted in a significant move away from the principles that were advocated in the Cork Declaration. For the time being the pursuit of a more sustainable approach to agriculture and rural development remains largely rhetorical.

3 Conclusions on Sustainability of European Agriculture and Rural Development Policy

Here we examine the Agriculture and Rural Development Policy against the criteria of completeness, consistency and concreteness. Completeness is assessed against the ten dimensions of sustainability identified in the literature review. These are grouped into sectoral, systemic and equity categories.

3.1 Completeness

Sectoral concerns

1. ***Consideration of environmental impact***. For most of its history agriculture policy has treated the environment as an externality. The modernisation model which encouraged intensification and specialisation has resulted in serious environmental damage in many areas throughout the Community. Recent attempts to promote alternative landuses such as forestry and measures to assist environmental conservation and protection are very poorly resourced and in some cases have lead to new environmental concerns. The rural environment continues to be regarded by many as an externality.
2. ***Consideration of economic welfare***. The CAP was established to address a key issue in the welfare of European citizens in the late 1950s, namely security of food supply. This objective has been achieved. Other concerns at the outset were the provision of adequate incomes for farmers. The experience has been that for the majority of farmers their incomes have not kept pace with those in other sectors of the economy. The underlying model has placed them on a treadmill with a minority managing to remain viable while the majority have become economically and socially marginalised. Attempts to address welfare issues through direct payments in Less Favoured Areas have only been partially successful - over the longer term they are likely to lead to an increase in dependency as well as causing adverse environmental impacts in some areas. On the other hand a minority of farmers have received most of the economic benefits from the policy. Other substantial beneficiaries have been the suppliers of production inputs including fertilizers, chemicals, machinery and other equipment.
3. ***Consideration of socio-cultural aspects***. The transition to modern production techniques has been accompanied by a loss of traditional farming practices (some of which were more sustainable), landscape features and components of the rural heritage in some countries. It has also contributed to a breakdown of informal local community structures, and in many cases a disruption of the local social system through out-migration of adults for which there was no future on small farms and through a relatively high incidence of celibacy leading over the longer term to terminal households. Some have adapted to their new circumstances by obtaining off-farm employment, though this has been mostly within the commuting hinterlands of towns. This in turn has led to increased differentiation between rural households in areas proximate to urban centres and those in remote locations. On the other hand, some rural areas have autonomously generated their own prosperity to rank among the most dynamic areas in Europe, having retained their social cohesion and been supported by other policies.

Systemic concerns

1. ***Diversity***. Intensive farming practices have led to a reduction in ecological diversity in many areas through the destruction of habitats, excessive use of nitrogenous and phosphate fertilizers, contamination of food and water supplies, and inappropriate drainage or irrigation schemes. On the other hand, there has been an increase in social diversity through the expansion of pluri-activity households and the attraction into the countryside of non-farming households. In some areas of high in-migration of settlers with different value systems there have been difficulties of assimilation which can further undermine the social cohesion of the local community.

2. ***Subsidiarity.*** The decision making framework for agriculture policy has been for the most part distinctly devoid of subsidiarity. Decisions have been made at EU level with little local differentiation allowed. Where a degree of subsidiarity has been allowed as in the case of establishing set-aside compensation payments it has served to reinforce historical patterns of inequality. One of the outcomes from the absence of subsidiarity has been poor targeting and a lack of co-ordination between policies. The LEADER Initiative represents a welcome effort to give some practical expression to the principle of subsidiarity.

3. ***Participation****.* Given the absence of subsidiarity it is not difficult to conclude that there has been little direct participation by producers, consumers and environ-mentalists in agriculture policy decision-making. However, there has been intensive lobbying which in the early years gave farmers an enormous amount of influence through COPA. This has been replaced in recent years by consumer and environmental interests which, however, tend to be more urban based. One consequence is that it is difficult to establish a social consensus that will gain widespread acceptance across rural and urban populations.

4. ***Partnership.*** It is only in recent years that models have been developed to facilitate partnership. Recent experiments under the LEADER Initiative and other programmes have been favourably commented upon by the OECD. However, much work is required in order to transform partnerships into dynamic, robust and sustainable social organisational models.

Equity concerns

1. ***Social Equity****.* The modernisation model is inherently inequitable in terms of the likely social outcomes. Disparities between rich and poor farm households have widened, with much of the incidence of rural poverty remaining hidden. Direct income aids are an attempt the ameliorate the effects of modernisation on farm households in disadvantaged areas. Better targeting of income supports and a proactive approach to overcoming social exclusion in rural areas is required (NESF, 1997).

2. ***Interregional Equity***. The system of price supports linked to volume of production and the share of the EU budget allocated to the CAP have contributed to a further widening of regional disparities (Franzmeyer *et al*., 1991). The large scale intensive farming regions where proportionately fewer of the population depend directly on farming have benefited most while the majority of small holders in the south of the Community have benefited least. Over recent years the pattern of inter-regional transfers associated with the CAP has been more favourable for the poorer regions of the EU (CEC, 1996b)

3. ***Intertemporal Equity***. This issue is not well documented. However, it may be argued that the emphasis on price supports to the extent that relatively little resources have been directed towards structural reform of land distribution has further disadvantaged small scale efficient farmers and reduced their temporal viability. Some of the production practices have been guided by short term considerations that have depleted the current stock of natural

resources and therefore restricted the opportunities for future generations. Measures to maintain the maximum number of farm households may not be equitable in intergenerational terms in that they ignore the needs and aspirations of farmers' children. Recent attempts at local integrated planning are focusing on strategies for empowerment which may contribute to an improvement in the relative position of some rural dwellers.

3.2 Consistency

The targets of Agriculture policy can be identified at a number of different scales. At EU level a target at the outset was security of food supply. This was achieved quickly in respect of a number of commodities. As the Community enlarged supplies could be guaranteed for an increased number of food items. However, the expansion of domestic supplies lead to conflicts between agriculture policy objectives and other political objectives at EU level, e.g., conflict with objectives to facilitate market opportunities for developing countries, or more recently EU-US political relations in the post Cold War era where tensions in regard to international trade in agriculture almost destabilised the EU-US security alliance in the early 1990s.

The EU level objectives for the CAP have not always been entirely consistent. The objectives of guaranteeing high prices to farmers and at the same time ensuring a supply of reasonably priced high quality food to consumers are likely to be contradictory. Concerns about maintaining a vibrant rural population do not fit easily within the modernisation model which encourages increases in scale of production and thereby contributes to the marginalisation of low volume producers. Similarly, recent efforts to promote more environmentally sustainable farming practices are often frustrated by the levels at which compensation and premia payments are pitched. The instruments used to achieve the economic objective of encouraging extra output in the sheep sector has in some areas led to serious problems of overgrazing and soil degradation. Elsewhere intensive farming practices have resulted in contamination of ground water and distortions of soil composition.

There has also been inadequate coordination at EU level between agriculture policy and those development for regional development, the environment and social progress. There is also an absence of responsibility for landuse policy and spatial planning at EU level.

Within member states there have been problems due to inconsistencies between objectives for landuse, land mobility, income supports and population retention. These difficulties have arisen due to the fragmentation of the administrative system and a tendency to address problems in isolation which is sometimes encouraged by the compartmentalised manner in which assistance is made available from the EU to member state administrations.

3.3 Concreteness

The basic principles underlying European agriculture policy have shifted enormously from the early production-focused model guided by modernisation principles such as intensification and specialisation to the recently published Cork Declaration on a Living Countryside. Sustainable development principles are given the highest priority in the Cork Declaration. However laudable the sentiments contained in the document the reality is that mainstream agriculture policy continues to encourage further intensification and that the measures aimed at orienting policy in a more sustainable direction are poorly resourced and at times counteracted by other measures when there is inadequate coordination. At a more fundamental level, shifting the paradigm from a modernisation to a sustainable perspective must also overcome the attitudes and value systems that have come to underpin the behavioural objectives of farmers and others concerned with rural development.

In summary, agricultural policy has been top-down, highly interventionist, insensitive to local differences and has not been either complementary to nor complemented by other policies. This has been particularly the situation in Less Favoured Areas. The 1992 reforms were a small step in the direction of a more sustainable model. However, the failure to radically alter the allocation of resources to rural development and the continuing lack of coordination across different policy fields has left an even greater challenge for those who promote sustainable rural development as envisaged in the Cork Declaration.

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Appendix: Summary of the INSURED project

Organisational framework

The INSURED project was funded by the European Commission – DG XII – within the Programme 'Environment and Climate 1994 – 1998'. Co-funding came from the Federal Government of Austria, the Government of Hessen / Germany and several local governments in Central Hessen, the Federal Government of Switzerland and the Region of Tuscany. The project began in April 1996 and ended in April 1998.

The project partners were: EURES, Freiburg, Germany (Ruggero Schleicher- Tappeser), co-ordinator of the European research team; ÖAR, Vienna, Austria (Robert Lukesch); SIASR, St. Gallen, Switzerland (Alain Thierstein); SICA, Dublin, Ireland (Gerry Sweeney); SRS, Florence, Italy (Filippo Strati). Associated with SICA was the Dublin Institute of Technology (Consultancy and Research Unit for the Built Environment) and St. Patrick's College Maynooth (Centre for Local and Regional Development, CLRD, Co. Kildare). Associated with SRS was the Department of Chemistry of the University of Siena (professors Enzo Tiezzi, Riccardo Basosi and Claudio Rossi).

The project was largely based on case studies in five European regions: Central Hessen – Germany; Lower Styria – Austria; Midwest – Ireland; Tuscany – Italy; St. Gallen /Appenzell – Switzerland. In each of these regions an advisory regional group was created with local experts and representatives of public and private agencies in order to support the research group through discussions and suggestions on the basic aims, orientations, methodologies and findings of the INSURED project.

INSURED objectives and main results

The original objectives of the INSURED project were:

- To develop a common evaluation framework for regional development policies and strategies in terms of sustainability using a set of qualitative indicators
- To draw on the experience gained from successful approaches to sustainable regional development in a variety of European countries
- To identify some "key factors of sustainability" including legal, institutional, cultural, financial and management aspects
- To work out a set of suitable policy tools for the promotion of sustainable regional development policies
- To make Recommendations for the different policy levels with regard to policy tools including improved instruments, appropriate institutions and effective implementation procedures.

The main results of the project include:

- a conceptual framework for sustainable regional development which has proven useful for the regions themselves and in developing a European wide dialogue
- case studies from five European regions which aid in the understanding of the dynamics of SRD and which contain interesting examples of best practice

- a differentiated framework for the evaluation and monitoring of situations, actions and programmes as well as for the development of strategies, called a framework for quality management of SRD
- a series of examples of instruments, *i.e.* of options for action and support which comprise the most interesting lessons from the case studies
- a set of recommendations.

Comparing the results with the original objectives, most objectives have been met. A management framework has been developed which allows the assessment and the development of suitable policy tools adapted to specific situations. The results of this project are not easy-to-use checklists and simple recipes. The results form a conceptual framework for a challenging issue, the description of interesting experiences using a common 'language', and a management framework which should facilitate the work of actors, politicians and administrators at all levels.

These results will be explained in more detail in the following sections.

The course of research

The research basically proceeded in the following steps:

- elaboration of a provisional theoretical framework
- comparative description of the five European regions
- empirical analysis of experiences in the five European regions
- comparison of the experiences, revision of the framework, elaboration of a common practical integrated approach and formulation of recommendations.

The overall methodology was explorative and sufficiently flexible to discover new perspectives and to find new paths through uncharted territory, rather than being strictly oriented towards the verification or falsification of well-defined hypotheses.

Confronting different disciplines and cultures, experimenting with slightly differing approaches, feeding back results to local actors with very different backgrounds, were essential but not always easy elements of the approach.

Elaboration of a provisional theoretical framework

To develop a conceptual framework for this difficult issue, which would be practical and useful in a European context, was a task which needed intuitive creativity combined with a systematic approach. The elaboration of a provisional theoretical framework proved to be more difficult than was expected by most partners. The discussions of the last decades concerning sustainable development (SD) and regional development (RD) have been reviewed and brought together in a first outline of a common concept of sustainable regional development (SRD).

The original hope of agreeing on a rather short list of rather concrete criteria and indicators was not fulfilled. Instead, sustainability proved to be a very broad and fundamental concept which can be structured in several components which in turn must be interpreted in relation to the specific circumstances.

Confronted with different approaches, different interpretations and different emphases and perceptions across Europe, an effort was made to develop a broad framework - a common language that would facilitate mutual understanding and discussion. The formal result was a set of ten components of sustainability designed for a qualitative evaluation of programmes and

actions in regional development (see table below). Most helpful in the later stages of the work was the inclusion of four “systemic principles”: diversity, subsidiarity, networking and partnership, participation.

Comparative description of the five European regions

The first approach to the regions was a general description using a common framework which allowed for comparison. The ten components of sustainability were not yet used in this context. The description was quite extensive, following a structural model and combining sectoral with territorial approaches as well as analytical with holistic views. The 'snapshot' of the region was made more dynamic by considering the recent past and future trends as well as the relationships with the outside world. Each partner developed

- an appraisal of the state of the human, the man-made and the natural capital
- a collection of interesting innovative actions (bottom up) and supporting missions (top down)
- a regional SWOT analysis.

Empirical analysis of experiences in five European regions

The empirical analysis of regional experiences regarding Sustainable Development was designed as a twofold investigation: a top-down analysis examining selected policies, institutions and instruments provided by European, national and regional levels, and a bottom-up view looking at individual projects and development schemes in the regions analysed.

This two-fold approach was seen to be necessary in order to understand the interactions between policies, instruments and local actions.

The top-down analysis of the supporting missions was based on quite a broad methodological framework. The policy fields to be covered were

- structural and labour market policy
- agricultural and rural development policy
- one supplementary field where appropriate.

The individual policy programmes to be analysed were chosen by the individual research teams, often in collaboration with their regional advisory groups.

The top-down analysis showed very strong differences between the regions and presented difficulties in the direct comparison of policies. Therefore, the methodology was revised following this phase, shifting more towards an analysis of the interrelationships between supporting missions and innovative actions and an investigation of patterns of communication and cooperation. It was only in these areas that meaningful generalisations seemed possible.

The selection of innovative actions was also made by the individual research teams in cooperation with their regional advisory groups. The selection therefore reflects cultural backgrounds, the composition of the regional advisory groups and personal preferences of the researchers. This approach has the advantage of including different interpretations of what is most important and innovative, and corresponds to the explorative character of the INSURED project. On the other hand systematic comparisons of details will be difficult since the samples were not chosen on the basis of well-defined criteria. Similarly, the methodology used for the case studies has been only broadly defined in repeated and intensive discussions. Considerable leeway has been given in detail for exploring new approaches that eventually led

to a further refinement of the original framework. The result of the analysis of the local projects confirmed that programmes and actions are highly dependent upon the specific context.

Comparison of the experiences and enlargement of the framework

The common analysis framework for the empirical case studies was based on the ten sustainability components developed in the provisional theoretical framework complemented by some further categories and questions. This framework has proved to be useful for assessing the orientation towards sustainability and for raising the main issues about the key factors for success and the dynamics of change. However, a series of tentative additional concepts have been necessary for describing in detail the social dynamics that increasingly attracted our interest. It seemed desirable to systematically expand the framework.

Having concluded the empirical case studies, the project partners identified approximately 60 key factors for successful sustainable development in a joint 'brainstorming' session. Later, these were reworked, regrouped and systematised into 16 factors capable of expressing the „regional social potential“. The 16 "key regional factors“ represent qualities of a regional context which favour sustainable regional development; they are simultaneously *common*, *diverse* and *original*. *Common*, because they are relevant in each local context examined; *diverse*, because they act in different ways depending on the specific context; *original*, because they are combined in different ways by the local actors.

This means that there is no standardised way or model for using them, but that a creative mix of them is dependent upon the capacity for innovation expressed by the social capital of local and regional communities. Therefore, any actor planning a support programme or a local action would have to consider to which extent these potentials are present, on which elements he can rely and which ones would most urgently need to be developed. Behind the concept of "regional potential“ lies the idea that some degree of "self-governance“ in a territory is necessary in order to move towards sustainable regional development. Many of the key regional factors point in this direction.

Good strategies start off from a broad view but concentrate on a few key issues. During the case studies it emerged that it was not only necessary to look at static "preconditions“ for successful SRD but also to consider the dynamics of transformation which often occurred in several phases. Looking at the basic strategies which can be adopted (and combined) in this context one is left with a quite small number. After long discussions the research partners identified six basic "transformation levers“.

The INSURED framework for quality management of SRD

The original theoretical framework of ten components of sustainability which essentially represented the ORIENTATION towards sustainability was expanded by adding 16 factors expressing the regional social POTENTIAL and 6 levers (basic strategy elements) which bring about transformation DYNAMICS.

Altogether these three main elements of the INSURED framework contain 32 quite different aspects of Sustainable Regional Development. Within this integrated framework it seems to be possible to structure all kinds of discussions and actions related to SRD.

Instead of developing a specific set of instruments for sustainable development, the INSURED project has thus developed a framework for the Quality Management of Sustainable Regional Development.

Quality is something that is difficult to grasp. It should improve, but for every product different aspects are important in differing combinations, different companies and different customers

would not share the same interpretation and even minimum standards will change over time. The approach of quality management therefore starts at a meta-level and does not prescribe fixed standards. It only deals with the methods and procedures with which set quality targets can bet met or exceeded. The task is to ensure optimal and transparent management in the fulfilment of very complex objectives. Setting the objectives is something that can be supported and structured with the help of a differentiated management tool. The decisions themselves, however, are political or strategic ones.

This framework can be used for assessing and developing an endless series of instruments which are adequate to specific situations. Some interesting instruments emerged from the case studies, using this framework, but they are not a complete set for all circumstances. They can only be considered as interesting examples.

Detailed objectives for Sustainable Regional Development will have to be set in a political process based on the sustainability principle. At the European level consensus may grow on some minimum requirements. Nations, regions and local communities will need to specify their own more specific goals. The INSURED framework may be helpful in this context. The INSURED framework is not limited to the perspective of one kind of actor, it can be interpreted from very different points of view. Moreover, the fact that the framework allows for different interpretations is not only useful in the sense that it can be applied in different situations. It also encourages the viewing of an issue from different angles. It offers the opportunity of understanding the different roles and positions of different actors in one situation – an essential condition for good negotiations and "sustainable" solutions. Furthermore the INSURED framework should help different kinds and levels of actors in performance of the following tasks:

1. to assess situations
2. to develop strategies
3. to assess programmes, measures and actions *ex ante*
4. to monitor and to support programmes and actions
5. to evaluate programmes and actions *ex post*
6. to transfer experiences from one context to another

The ORIENTATION and the POTENTIAL part can be used for analysing a situation and for monitoring and evaluating the impact of actions or programmes. The TRANSFORMATION levers in conjunction with a preceding analysis can be used for designing strategies. And the whole combination can be used for assessing the most varied instruments. Local actors involved in a specific project should be able to make use of this tool as well as administrators at the EU level planning a support programme.

The INSURED framework for the quality management of SRD

Sustainable Development ORIENTATION **SD Components**	**Regional Social POTENTIAL** **Key Regional Factors**	**Transformation DYNAMICS** **Transformation Levers**
development	***linked to diversity*** [1]	D1. Enhancing problem understanding
O1. Environmental	P1. Perception of a variety of development approaches	D2. Open collective learning
O2. Economic	P2. Creativity and innovation in an entrepreneurial culture which emphasises responsibility towards the community	D3. Negotiation and co-decision
O3. Socio-cultural	P3. Capacity to cope with complexity and ambiguity and to anticipate change	D4. Creation of a shared vision
	P4. Openness to enrich the own culture and enhance multicultural cohesion	D5. Service orientation
equity	P5. Discovery and re-encoding of territorial specificities & local knowledge	D6. Self-governance
O4. Inter-personal equity	***linked to subsidiarity*** [1]	
O5. Spatial equity	P6. Ability of each to reach their optimum level of attainment and fulfilment	
O6. Inter-temporal equity	P7. Fractal distribution of competence using the counterflow principle	
	P8. Autonomy of strategic decision making within a facilitating infrastructure	
systemic	P9. Primary reliance on own resources without compromising the ones of the others	
O7. Diversity	***linked to networking / partnership*** [1]	
O8. Subsidiarity	P10. Shared value system taking into account environmental, socio-cultural and economic interdependencies	
O9. Networking and partnership	P11. Social cohesion	
O10. Participation	P12. Opportunities and room for equitable interaction	
	P13. Capacity of creating shared visions	
	P14. Integration of social & technical skills into the innovation process	
	linked to participation [1]	
	P15. Access to information and to the arena of dialogue and debate	[1]The links indicated by these headings are not the only possible ones
	P16. Multiplicity of interactions, enhanced by local animators	