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New challenges for EU agricultural sector and rural areas.

Which role for public policy?

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**My neighbor is a farmer.
How much agriculture is there in the
ENPI CBC Programmes for the Mediterranean Basin?**

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My neighbor is a farmer. How much agriculture is there in the ENPI CBC Programmes for the Mediterranean Basin?

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Abstract

CBC programmes are a key pillar of the current neighbourhood policy of the EU, and will play an even stronger role in the next future. In this note a simple framework for the assessment of the relevance and impact of these programmes was proposed, and some preliminary findings were discussed, for the ENPI CBC programmes in the Mediterranean Basin.

The neighbour regions have been classified on the basis of structural heterogeneity and strength of economic cross border interactions. In this framework, the Mediterranean neighbourhood, could be classified as a system of “isolated neighbours” or “complementary competitors” with a high structural diversity, that generates intensive potential or actual interactions, and strong risks of tensions, or open crisis. Agriculture and rural economies are among the areas where these features appear with the greatest intensity.

In this scenario, CBC actions could contribute to the generation of a virtuous process of convergence, helping the reduction of structural dualism, and increasing synergic interactions across EU borders. This role seems not played, or at least not sufficiently performed yet by the ENPI CBC programmes.

The ENPI CBC strategy doesn't explicitly identify rural development issues as a major priority. The only two programmes activated in the Mediterranean Basin, MED and Italy Tunisia, show quite different focus on rural issues. In the ENPI MED, rural issues are still marginal, per quality and quantity of projects. The smaller of the two, the Italy-Tunisia, seems more focused on the theme, with a majority of projects directly targeting agro-food topics, but it's impact at the Basin level is obviously limited.

A stronger impact of Mediterranean CBC programmes on rural development seems opportune, specially after the structural changes brought by the Arab Spring, that demand a new model of integration, and a stronger effort for sustainable development in the South of Mediterranean. To achieve this objective, some changes in the strategy, and especially in the implementation of the CBC operations could be advisable in the next programming period 2014-2020

Key words: ENPI CBC Programmes, Rural development, Mediterranean Basin.

JEL classification: O19; R58

1 INTRODUCTION

The objective of this analysis is to evaluate how much agriculture and rural development issues are treated in the ENPI CBC Programmes for the Mediterranean Basin, in the strategies and priorities identified by the partners and in the actual projects that are being implemented.

Once achieved most of the objectives of the enlargement strategy, the European Neighbourhood Policy (ENP) become the main instrument for the enhancement of the relations with those countries, at the border of the Union, that will not join it in the foreseeable

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future. In the framework of the ENP, Cross-Border Cooperation (CBC) has been defined as one of the main components.

Since 1 January 2007, ENPI (European Neighbourhood and Partnership Instrument) has been operational as the main source of funding for development and institution building initiatives in the 17 neighbour countries. (ten Mediterranean and six Eastern European countries, plus Russia).

The main purpose of the ENP is to create an area of shared values, stability and prosperity, enhanced cooperation and deeper economic and regional integration by covering a wide range of cooperation areas (EU Commission, 2006). Among these, one of the most relevant is CBC.

The first objective of the CBC programmes, financed by ENPI, is to promote economic and social development in regions on both sides of common borders; other objectives refer to common challenges (environment, organized crime), security of borders, people to people cooperation.

In all countries in the South of the Mediterranean Basin agriculture still plays a major role in the economic structure and represents a key resource for the long term sustainability of economic development (European Economic and Social Committee, 2011). It is therefore logic to recognise the agricultural and rural systems at the centre of cross border interactions with the EU. In fact, rural areas are at the origin, or the main location, of at least two key processes that produce a direct impact on the European countries and in particular on the coastal regions in the Mediterranean Basin:

1-Migrations: most of the migrants from the South move from rural areas and once arrived in Europe, they look first for jobs in agriculture.

2 - Trade flows: large shares of potential and actual trade between EU and the Mediterranean neighbours consists of agricultural and food products.

Apart these two main dimensions, other interactions are worth to mention, like direct investments in the Southern agricultural sector by European companies, for the outsourcing of labour intensive agricultural productions, or the competition for natural and agricultural resources generated by the European demand for tourism services.

All these interactions generate frequent tensions and, time by time, severe, open crisis at the borders of the EU and in the coastal regions. CBC Policies can represent a strategic instrument for dealing with these crises.

In this note we will introduce first the research questions, that concern the role of ENPI CBC programmes versus agricultural and rural development in the Basin, then we will discuss a simple theoretical model for the analysis of the impact of the CBC programmes. Last we will present some preliminary findings about the ENPI CBC Programmes, and the current progress of the implementation in the Mediterranean Basin.

2 OBJECTIVES AND RESEARCH QUESTIONS

Key objective of this note is the analysis of the role of agricultural and rural development goals in objectives, strategies and financed operation of the CBC Programmes supported by ENPI in the Mediterranean Basin.

The EU and Mediterranean neighbours started a comprehensive strategy for the promotion of a peaceful and prosperous Mediterranean Basin with the Barcelona Declaration (1995), continued with the launch of the European Neighbourhood Policy in 2004, and the Union for the Mediterranean in 2008 (Union for the Mediterranean, 2012). The strategy, among other priorities, included the creation of a free trade area, opening access to EU markets to the Mediterranean neighbours, including for agricultural products, and the promotion of the South – South economic integration.

Agricultural and rural development have been constantly targeted by European Regional Cooperation policies in the Mediterranean Basin. The EU has financed bilateral or multilateral programmes for rural development, adjusted to the specificities of the national economies, last seen the launch of the ENPARD (High Representative of the Union for Foreign Affairs and Security Policy, 2011 a, b). Also, in 2000-2006 programming period, the EU financed CBC programmes have financed various projects on rural development themes.

In order to strengthen and to broaden quality and quantity of the ENP, in the current programming period 2007-2013, the single instrument ENPI was established. ENPI supports an unified CBC strategy for all EU borders.

The ENPI CBC strategy (EU Commission, 2006) identifies four main priorities:

- 1- Promote economic and social development in regions on both sides of the common borders;*
- 2- Address common challenges, in fields such as environment, public health and the prevention of and fight against organized crime;*
- 3- Ensure efficient and secure borders;*
- 4- Promote local cross-border “people-to-people” actions.*

All these four priorities were further elaborated by the programme partnerships, that where given the responsibility to design the 15 CBC Programmes, four of them planned for the Mediterranean countries.

3 RESEARCH QUESTIONS: CBC FOR AGRICULTURAL AND RURAL DEVELOPMENT IN THE FRAMEWORK OF THE EURO-MEDITERRANEAN STRATEGY

What is potential and actual impact of the current ENPI CBC Programmes, on the integration and coordination of agricultural and rural development actions in the neighbour regions at the EU borders in the Mediterranean Basin?

As we have discussed above, this question is surely relevant, considering the economic structure of these regions and the main challenges facing policymakers on the two sides of the

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Basin. At the same time, it is very difficult to answer, as it happens for all complex regional development policies (Bachtler J, Colin W., 2006):

First of all because of a scale factor. In fact, the financial size of the ENPI CBC programmes is very small, compared to the size and strength of external and internal factors, and to structural economic changes that could be observed in the region in the last years. Second, because of the extreme heterogeneity of structural conditions in the neighbour countries, and the variety of objectives pursued by the CBC Programmes.

Even if we should be relatively pessimistic on the possibility to achieve quantitative measures of this impact, a significant assessment can be carried out about the consistence of the strategic framework of the CBC programmes to the structural needs and constraints of the rural sectors in Mediterranean countries.

After the analysis of the role given to rural and agricultural development goals in the programme strategy, a key evaluation question can be asked about the translation of these goals in real and relevant projects, and on the efficiency of the implementation process.

After four years of implementation of the CBC Programmes (MED CBC and Italy-Tunisia), we have tried to evaluate the first results that can be observed in the calls launched and in the projects approved.

In this regard, the evaluation can be carried out in absolute and in relative terms, comparing the case of the ENPI MED programme, and the Italia-Tunisia one. This comparison can be especially useful to evaluate the attention paid to rural development by two substantially different CBC programmes: a large, multilateral one, and a tiny, bilateral one.

4 THE THEORETICAL FRAMEWORK

The impact of CBC policies on the border regions can be represented through the diagram drafted below:

Graph 1. structural framework of cross border cooperation.

SIMILARITY IN THE ECONOMIC STRUCTURE. <i>Agro-economy share; GDP/per capita; Employment rate; Wage levels; Exports;</i>	High	D <u>Independent development patterns.</u> Limited flows due to border barriers or Potential competition on third markets	A <u>Synergic Competition</u> Integrated cross border markets and socio-economic systems Potential synergic development
	Low	C <u>Isolation, due to structural or political</u> barriers, tariffs. Potential Cross border tensions, traffics and black markets	B <u>Complementary competition</u> Integrated cross border markets. Potential for economic convergence, tensions generated by delocalization.
		Low STRENGTH OF CROSS BORDER INTERACTIONS <i>Migrations; Trade; Foreign direct investments</i>	High

Source: own elaboration

The structural framework for cross border interaction, and cooperation policies, has been sketched in a matrix with two qualitative and quantitative dimensions: on one side indicators of

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structural similarity, on the other side indicators of the intensity of economic cross border flows (actual or potential): labour, capitals, goods.

In this simplified framework, we can identify four cases:

A) Synergic Competition. The regions/countries on the two sides of the border have similar economic structure and cross border flows are strong, creating a competitive, integrated market.

B) Complementary Competition. Regions on the two borders, with high structural heterogeneity, generate strong complementary flows: migrations and commuting mobility between less developed and advanced regions, exports of goods due to comparative advantages, direct investments from the most advanced regions in the less developed neighbour regions, exploiting wage differentials. This case express the greater potential for a convergence development process but, at the same time, it can generate the strongest tensions and open crisis due to offshoring/outsourcing of productive activities in this case from north to south, that can create temporary or permanent unemployment in the wealthier regions, and price competition, that leads to fast market shares redistributions from one side to the other of the border.

C) Isolation,: the regions at the border show potential complementarities due to structural heterogeneity, but the cross border flows are limited or smaller then what could be possible, due to physical, cultural, economic barriers. This case presents the stronger risks of political and economic crisis, when exogenous or endogenous factors remove the barriers, like what has been happening recently with the Arab Spring revolutions.

D) Independent development patterns. High similarity, low interaction. Limited flows at the border can depend on barriers, but in this case the equilibrium can also be generated by a strategic orientation of these countries to other markets in non neighbour regions, to better exploit gradients and comparative advantages for products, and labour costs.

The CBC programmes, with their objectives and strategies, are supposed to support the positive adjustments of the equilibrium, reducing the negative impact of the borders on the development of the regional economies. The main direction of virtuous adjustment can be considered the move of the equilibrium from C, the most risky and unstable case, to A, the case of regions that have achieved a substantial convergence and developed competitive, well integrated cross border markets.

4.1 THE METHODOLOGY USED

The role of agricultural and rural development in the ENPI CBC Programmes for the Mediterranean Basin has been analyzed referring to three main criteria: Relevance, Effectiveness and Impact (EC DG External Aid, Guidelines for the evaluation of external aids) The core of the evaluation exercise has been the analysis of the relevance of the CBC programmes for the rural development objectives, through the analysis of the Programme documents, in particular the structural analysis, the SWOT, and the priorities in the CBC MED and CBC Italy - Tunisia. Second, a preliminary analysis of efficiency and impact has been

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carried out, using the information available from the first calls for projects of the two programmes, that were opened in the last two years, and on a subset of projects approved, and in progress, that are connected to the agricultural sector and / or based in rural areas, or involve rural development actors.

Finally the possible initiatives to move to more balanced partnerships and a stronger focus on Agriculture and Rural development in the ENPI CBC Programmes has been discussed.

5 THE RESULTS OBTAINED. RURAL ISSUES IN CBC PROGRAMMES. AN HETEROGENEOUS SCENARIO.

What is the position of Mediterranean countries in the matrix of cross border structural framework presented above? In particular, what is the relevance of agriculture and rural economies on the two sides of the borders? What is the actual and potential interaction of agriculture and rural economies on the two sides of the Basin?

We have discussed above how the neighborhood policy is currently based on a single instrument, the ENPI. The objectives, and the advantages of this approach were clear, but, on the other hand, the new approach had to deal with a substantial heterogeneity, between the Southern, maritime borders, and the Eastern, mainly land borders, where very different structural conditions and dynamics could be observed. In recent years, the differences have been deepening, and the consequences on the implementation of the CBC programmes can be clearly observed.

Referring to the Graph.1, we can observe that on the Eastern land borders of the EU the current equilibrium is better represented by the case D, that of a relative similarity of the economic structures and that of relatively low cross border interactions, apart the flows of migrants, and some commodities, that in any case are just crossing the border regions, as their final destination are the most developed countries in Centre and Western Europe.

On the contrary, in the South, the equilibrium is better represented by cases C or B, where extreme diversity of economic structures and development level is often combined with a very similar sector specialization of the UE and non UE Mediterranean regions for agricultural and services. therefore, potential (case C) and actual (case B) interactions and cross border flows are very significant both in labor market and goods and services markets, with the obvious risks of crisis, and demand for active policies.

5.1 RELEVANCE OF THE CMC PROGRAMMES IN THE FIELD OF RURAL DEVELOPMENT IN THE MEDITERRANEAN BASIN.

After the last enlargements of the EU in 2007 on the eastern side, that established the new EU border between countries very similar per development level and structural characters, the largest dualisms, and the strongest tensions, are concentrated in the South.

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In the South, the whole Euro-Mediterranean zone presents the largest structural dualism in all dimensions of economic development, between the regions inside the EU and those just outside the borders. Also in the agricultural sector, and in the rural areas, the differences between the European regions, and the others, are enormous.

The distance in the level of GDP per capita are the deepest. While on the eastern borders the GDP per capita of the EU regions is just close to 2 times that of the neighbor regions, in the Mediterranean Basin the proportion is larger than 7 times in favor of the EU regions (EU Commission, 2007). The comparison is even more alarming when rural incomes and wages are considered.

The level of internal dualisms is also extremely high. The economic and demographic structures of the countries on the South side are polarized between small overpopulated metropolitan areas, and large rural areas, where a substantial share and the poorest part of the population is still resident and dependent on agricultural activities.

These differences generate dramatic pressures at the Mediterranean borders of EU: large unemployment, extreme rural poverty, associated with enormous wage differential, create tumultuous flows of migration towards Europe and for most of the immigrants, agriculture is the natural first target sector for the search of jobs, especially for seasonal and low qualified ones (European Economic and Social Committee, 2011).

Differences in production costs generate a large potential for trade flows from the South to the European Markets, with dramatic, uncontrollable impacts on the EU regions, especially for the Mediterranean ones, in direct competition for low tech industrial products and for agricultural goods and commodities like olive oil, fruits and vegetables. The large difference in production costs can be explained first of all by labor costs, but also by substantial disparities in labor safety rules, environmental and food quality regulations.

Tourism, that represents a relevant source of jobs and revenues in the Mediterranean regions, is another field of direct competition between North and South. Also this market generates a substantial impact on agriculture and rural areas, not only because of the competition between maritime and rural tourism markets but most of all because of the strong interactions between agriculture and tourism within rural areas through the labor market and the markets for natural resources, like land and water.

5.2 RURAL DEVELOPMENT IN THE ENPI CBC PROGRAMMES FOR THE MEDITERRANEAN BASIN

Before drawing conclusions on the ENPI CBC strategy and about its capacity to tackle rural development issues, it should be noted that just two of the four programmes envisaged in the strategy were actually activated, and some of the potentially eligible countries didn't join the programme partnerships.

Two programmes involving Morocco were not activated, because of geopolitical constraints that were not solved during the preparatory negotiations. Three countries, Morocco,

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Libya, and Algeria, eligible in MED ENPI programme, did not sign the financing agreement with the EC, therefore are not involved in the implementation.

The result of these initial difficulties is that in the current period there are just two out of four programmes in progress in Mediterranean Basin: ENPI MED, involving 12 countries, and the bilateral Italy-Tunisie. Specially the exclusion of Morocco should be considered a relevant blow to the attention paid to agriculture and rural issues in the programming process, considering the size of this country in terms of agricultural resources and rural population.

The ENPI CBC strategy, (EU Commission, 2006) doesn't make explicit reference to agriculture and rural development, even if these topics could be elaborated from all the four priorities mentioned above, that can be properly adapted to specific goals of each programme, through their translation into measures.

The analysis of ENPI MED CBC programme confirms a low attention paid to rural development, just pointed out in ENPI CBC strategy, while much more explicit emphasis is given to coordination of migration policies, environment protection, de-pollution of the Mediterranean waters, sustainable development of tourism (ENPI MED CBC Programme). In the SWOT analysis of this programme, agricultural and rural development is not ranked as key topic for cross border cooperation and is mentioned just as one of the items in the list of weaknesses, "Low income in rural areas, which increases pressure on urban and coastal areas".

A stronger reference to the agricultural and rural issue can be found instead in the Italy Tunisia CBC programme, that involves just some regions in Sicily and North Tunisia (ENPI CBC Italy – Tunisia). In this programme a SWOT analysis is presented per topic, from the institutional framework, to demography, to single economic sectors. The SWOT analysis on agriculture discusses in detail strengths, weaknesses, threats and opportunities of the sector, and the relative importance assigned to the rural issues can be inferred from the specific measures targeting agriculture and food industries, both in the first (economic and social development) and second priority (promotion of environmental sustainability).

5.3 EFFECTIVENESS OF PROGRAMMES OPERATIONS IN THE FIELD OF AGRICULTURAL AND RURAL DEVELOPMENT

ENPI CBC programmes envisage the setting up of two different kinds of actions: standard projects, proposed by local actors organised in partnerships, following the calls for proposals, and strategic projects, whose sectors are identified beforehand by the Programme Joint Monitoring Committee (JMC).

At the moment, just standard projects have been approved and financed in both programmes, while strategic projects are being selected, and just for the ENPI MED the first results of the selection are available.

The analysis of the standard projects already financed by the ENPI MED programme confirms the relative marginality of the rural themes in this programme.

In the first call for standard projects only 3 projects, out of 30 approved, focus on agriculture and rural development, and 2 more have secondary connections with this theme. The

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quantity and quality of projects referring to agriculture and rural issues, in the framework of the four priorities, seem to represent more the structural features, and the development objectives of the EU regions than those of the Neighbour countries.

Also in the call for strategic projects, even if the Joint Monitoring Committee has chosen rural development as one of the specific priorities, the preliminary results show the presence of a limited number of proposals, just 6 on 50 preselected concept notes, much lower than the number of projects concerning other themes surely relevant, but not concerning a comparable share of population and economic activities, and most of all, probably not equally impacting on the improvement of the cross border interaction: 11 projects on Tourism, 17 project on solar energy, 9 projects on waste treatment.

Much larger attention to rural issues seems to emerge in the Italy-Tunisia programme. In the first call for proposal, 9 of 13 projects focus on rural development and agricultural issues, using roughly 65% of the total budget. Some of these projects target objectives that are strongly related to the improvement of the cross border cooperation, in particular projects for the development of quality control systems for the Mediterranean products, for the promotion of sustainable agriculture technologies, innovations for the packaging of agro food products.

6 CONCLUDING REMARKS

CBC programmes are a key pillar of the current neighbourhood policy of the EU, and will play an even stronger role in the next future. In this note a simple framework for the assessment of the relevance and impact of these programmes was proposed, and some preliminary findings were discussed, for the ENPI MED and the Italy –Tunisia programmes

The neighbour regions were classified on the basis of structural heterogeneity and strength of interactions. In this framework, the Mediterranean partners could be classified as “isolated” or “Complementary competitors”. In both cases, their extreme structural diversity, and the distance in development levels, generates a intensive potential for interaction, with strong risks of tensions and open crisis. Agriculture and rural areas are among the sectors where these features appear with the greatest intensity.

In this scenario, CBC actions could contribute to the generation of a virtuous process of convergence, in the direction of declining structural dualisms, and increasing synergic flows. This role is not played, or at least is not appearing yet in the ENPI CBC strategy which doesn't identify rural development issues as a main priority.

One reason of these low ranking of rural issues could be identified in the single framework of ENPI, that includes all the very heterogeneous areas from the western Mediterranean borders to the eastern and northern borders of the EU, where structural interactions are substantially different, and agricultural and rural issues are not as relevant as in the Mediterranean Basin.

In any case, the two programmes that were approved for this area are showing quite different performances in this field, at least in the first years of implementation. While ENPI MED CBC is giving very limited room to the agricultural and rural development issues, the

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smaller and bilateral Italy-Tunisia Programme is proving much more effective in the promotion of projects on relevant issues for the improvement of the quality of rural development, and of the North South interaction in this field.

One of the hypothesis on the causes of this different performance, could be the difficulty of large, multilateral programmes like the MED CBC, including very heterogeneous countries, to focus on rural issues. These issues, in the programming process and in project generation, could be marginalized by others that attract much more public and political concern, like environmental protection or migration. Also, the bodies dealing with rural issues could be less competitive, in the tendering process, then the entities active in urban and industrial areas, where most of the technical capacities, and the political influences, are concentrated.

Specially after the Arab Spring of the recent years, the EU is encouraging new cooperation initiatives in the Mediterranean Basin, to promote peace, internal and regional stability. Among these initiatives a relevant room is given to rural development (High Representative of the Union for Foreign Affairs and Security Policy, 2011 b). It is desirable that in the next programming period also CBC programmes will pay more attention to these themes.

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