

Rural Development and Agenda 2000

Check Against Delivery

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European Rural Development policy is a living policy, born of political decision-making processes and of its implementation on the ground. The political and legal texts surrounding it reflect what can be done and what should be done rather than a detailed exposition of what it is. This reflects as well the diversity of approaches across the European Union.

For this reason, I would like to take a broad view of rural development and rural development policy in the European Union and identify a certain number of key features from the perspective of the European Commission rather than providing hard definitions and concepts.

1. THE DIVERSITY OF RURAL AREAS IN THE EU.

The term “rural area”, at least in the political discussion in Europe, covers a multiplicity of landscapes, activities and functions. There are natural and cultural landscapes, parks and wilderness, villages, market towns, small and medium sized regional development centres and commercial sites, mixed with highly varied agricultural areas and forests, ranging from intensive mono-culture to very extensive traditional pasture systems.

Yet, our understanding of rural areas reflects more than how land is covered by nature and man’s activity. It relates to economic and social structures, in which farming and forestry, handicraft, small, middle and large companies produce and

trade, where services from the most local to the most international such as tourism are provided. These interact, compete, create and evolve.

Beyond that rural areas provide living space, not only for the people who work there, but also for many commuters, who work in the city. They offer living space for flora and fauna and fulfil important balance functions for overloaded centres of dense development, particularly through the preservation of an ecological balance, as buffer zones and recreation areas. All these various structures and functions together make rural areas diverse and densely complex places, something that is often forgotten. This is nevertheless a key feature of European rural areas and plays an important role in shaping rural development policies.

2. THE DIVERSITY OF ECONOMIC PERFORMANCE IN RURAL AREAS

Many rural regions in the EU – and in particular the most rural ones - are more strongly affected by population declines than other types of region. In all member states of the EU their per capita income generally lies below the national average.

They suffer from high unemployment and low activity rates. Declines in agricultural employment are often accompanied by those in other traditional branches of industry and there is no or

only a very partial compensation through the creation of new jobs in other fields.

As a result of these developments, we observe an outmigration of qualified young people in many rural regions. This accelerates the ageing of the population and leads increasingly to skill shortages in the affected areas.

There are nevertheless a number of rural regions, which contradict this picture completely, which enjoy not only economic growth, but also achieve significant job creation. In particular, if one looks at GDP growth, it is notable that some rural regions rank among the most dynamic regions in Europe. It would be therefore wrong, to equate rural areas automatically with disadvantages in economic development and the labour market. [And it would, of course, be important to understand better what are the key factors explaining successor failure.]

Rural areas went through a profound change in the last decades in many parts of Europe. The development of the Common Agricultural Policy with its consequences for agriculture has been an important factor. But it is only one. Changes in technology, lifestyles, consumer expectations, communication have also profoundly changed rural areas. This is clear when we observe similar trends in other countries which have very different agricultural policies to our own.

This leads to two important conclusions. The first is that agricultural policy as a sectoral policy is more and more limited in scope in achieving broader goals such as employment, economic growth or environmental objectives in rural areas. We need increasingly to tackle the problems more directly through rural development policies and through the diversification of rural economies. Secondly, the forces driving change in rural areas are themselves increasingly diverse. In short, the need for locally tailored rural development is growing ever more important.

3. RURAL DEVELOPMENT POLICY HAS EVOLVED FROM DISTINCT POLICY CONCERNS

Rural development policy, as we know it today in the EU, essentially reflects three different concerns. The first is the need to restructure and accompany change in the agriculture sector, the second is the promotion of economic and social cohesion through regional development policy and the third is to integrate environmental concerns into the Common Agricultural Policy.

First systematic approaches to a common structural policy in the agricultural field were introduced at the beginning of the 1970s covering among other things investment grants for the modernisation of holdings and the training of holders, early retirement funds and retraining aids as well as start up support for young farmers. The model was the successful and

competitive family business. Measures were later added for the improvement of the processing and marketing structures.

In the middle of the 1970s special compensatory allowances for mountain regions and other disadvantaged areas were introduced, to help farmers overcome the economic consequences of natural handicaps. To some extent, this can be seen as a first territorial approach. It was supplemented at the end of the 1970s by some limited measures in favour of poorly developed rural regions, mainly to improve basic rural infrastructure.

In the meantime, in 1975, the regional fund had been created and the EU's regional policy started to develop. During some time structural policy for agriculture, regional policy and social policy coexisted in an often uncoordinated way. This appeared to be an increasingly unsatisfactory response to the growing development problems of many rural areas. In the early 1980s, first attempts were made to develop a more comprehensive approach. Measures co-financed by the EU in the three policy fields were combined in integrated development programmes with the aim to mobilise synergies between them and to stimulate and diversify the economic activities in the regions concerned. These integrated programmes were conceived and carried out in close partnership between the EU, Member States and regions.

This approach was further developed in the reform of the structural funds in 1988. In this new structural policy framework, it was applied to selected regions with specific development problems. Many of them were rural regions or comprised at least quite important rural sub-regions. In addition to these regionally concentrated integrated development programmes, a range of measures continued to apply also in the remaining regions or across the territory as a whole.

A third policy development linked to rural areas reflected growing environmental concerns. Agriculture manages almost 45 % of land in the EU. With forestry this rises to 80 %. These sectors together largely determine the character of the European landscapes and influence the quality of the environment.

By the end of the 1980s the public had become increasingly aware of the role – whether negative or positive - agriculture and farmers play or at least can play in environmental protection and in the preservation of rural landscapes. On one hand, intensive agriculture had become associated with a range of environmental risks and was increasingly subject to environmental constraints. On the other hand, it was becoming accepted that farmers could also be managers of natural resources and provide environmental services. Farmers are not normally paid by the market to provide such services. Where

society valued them, it became accepted that there was a case for public support.

The 1992 Reform of the Common Agricultural Policy provided the possibility of paying for these agri-environmental services as part of what was known as the accompanying measures.

4. AGENDA 2000: A REFORMED POLICY REFLECTING THE MULTIFUNCTIONAL CHARACTER OF EUROPEAN AGRICULTURE

By the middle of the 1990s then, we had a range of different tools and instruments that reflected these differing objectives of rural development – agricultural restructuring, regional development and environmental integration. However, these instruments had evolved over a long period and were in need of being put together into a more coherent framework. The pressure for change came from three sources:

??The first was from rural areas themselves. In Ireland in November 1996 the European Conference on Rural Development issued the Cork Declaration which among other things called for a simpler, more integrated rural development policy;

??The second pressure came in the form of the need for a further set of Reforms of the Common Agricultural Policy to increase

the competitiveness of European Agriculture, to integrate environmental concerns and to prepare for Enlargement.

?? A third, linked to the first two was a changing understanding of the role of agriculture in Europe. In short, European policies should specifically reflect the multifunctional role of agriculture. In addition to producing commodity outputs, agriculture also has an important role to play.

In part at least the reform decisions of Agenda 2000 can be seen as a response to these pressures. The Agenda 2000 reform concerns both agricultural and structural policies and it opens the way for enlargement. Pre-accession aid for the CEECs has been more than doubled and amounts for the years to come to some 3 Bio € per year. Part of it is reserved for the improvement of agricultural structures and rural development. Agenda 2000 also fixed a new financial perspective for the period 2000-2006.

In the discussions of the agricultural part of Agenda 2000 rural development was emphasised again and again as a core task of a future European agricultural policy. The goal was to create a coherent and solid framework for rural development policy, which would accompany and complement the reform of market policies. This would secure the development of a more competitive, multifunctional agricultural sector. Rural development policy should thus become the second pillar of the European agricultural policy.

Now, how far has this objective been reached? Let me first say a few sentences about the overall architecture for the use of Community funds for rural development after Agenda 2000, then go in some more detail into the measures that can be supported and co-financed through the agricultural fund, speak briefly about methods and procedures for implementation and finally end with a short overview of where we are today.

Let me start with the overall architecture. As I mentioned before, the Agenda 2000 reform concerns both the EU's structural policy and its agricultural policy. Interventions in the field of structural policy have been centred on 3 objectives. The first two are concentrated on specific problem regions and aimed at stimulating their economic development. The third one concerns more horizontal social policy interventions.

These regions, which benefit from support under the first two objectives, are called accordingly objective 1 and objective 2 regions. They include many of the most rural areas in the EU.

Objective 1 regions are regions lagging behind in terms of their economic development. They are characterised by a per-capita income of less than 75% of the EU average or by a remotest geographical situation or by extremely low population densities, in particular in the North of Finland and Sweden.

In general, Objective 1 regions are of a relatively large size, as for instance the new German Länder, Andalusia in Spain or Basilicata in Italy. Altogether, they comprise over 40% of the area of the EU

and some 22% of its population. Many of them are predominantly rural or comprise at least quite important rural sub-regions, with a relatively high share of agriculture and forestry in employment. As in the past, these Objective 1 regions will also, in the future, receive EU support through integrated development programmes of which rural development measures form an integral part.

Objective 2 regions are in general smaller areas outside the Objective 1 regions in need of economic restructuring. Among them there are also a number of rural areas with major difficulties of economic diversification and development. Here, too, integrated development programmes with the combined intervention of the agricultural, the regional and the social fund can be put in place.

Outside Objective 1 and Objective 2 regions, rural development is mainly supported through the agricultural fund. In particular, the regional fund with its investment aids to improve regional infrastructures and promote the creation of new jobs in the industrial and the service sectors does not intervene in these regions outside Objectives 1 and 2. This limits the scope of what can be done to diversify and develop the rural economies concerned, although it has to be said that even the agricultural fund alone offers already quite a broad range of measures that can be used in favour of rural development.

Before I come to these measures, let me just mention as a last point in the context of the overall architecture Leader+, the new Community initiative for the development of rural areas. It pursues

above all two goals: the development of local action groups to support innovative pilot projects and the promotion of exchange of experience as well as the co-operation between countries.

5. THE FOCUS FOR MEASURES

This is what I wanted to say about the overall architecture for the use of Community funds and instruments as regards more specifically rural development. Let me now come back to the agricultural fund and the measures it foresees for rural development as the second pillar of the EU's Common Agricultural Policy.

In the framework of Agenda 2000 all measures that already existed in this context, but sometimes in a quite dispersed way, were brought together into a single legal framework based on the principle of rural development programmes. In doing so, efforts were undertaken to simplify the measures, to avoid overlapping and to improve coherence between them. They were meant to accompany CAP reform by operating across the whole of the European territory and to complement geographically targeted regional development policy as well as national employment strategies. Last, but not least, the link between agri-environmental measures in rural development programmes and more general environmental requirements was made explicit. In particular, the concept of good agricultural practice became a guiding principle in this context.

The main fields of intervention of this new rural development policy under the agricultural fund can be broadly summarised under three headings:

- Measures to help strengthen the competitiveness and viability of the agricultural sector;
- Measures to improve the quality of life and economic opportunities in rural areas, particularly for those communities closest to changes in agricultural structures;
- Measures to promote good environmental practices as well as the provision of services linked to the maintenance of habitats, biodiversity and landscape.

5.1. Promoting agricultural competitiveness and viability

Let me start with the measures to promote agricultural competitiveness and viability.

One of the most important measures for the improvement of the competitiveness of holdings is support for investment. This helps farmers to modernise buildings and equipment, improve the quality of management and develop alternative production potential on the farm, particularly in higher value added products. Investments to improve veterinary and phytosanitary hygiene, reduce environmental problems and promote animal welfare are also supported.

The conditions for EU support have been clarified and simplified. Part-time farmers are now fully eligible for support. Specific sectoral restrictions have been abolished. But the general principle remains that investment support is only possible in sectors where production has clear market outlets.

A second set of measures to improve competitiveness and develop new markets focus on the improvement of processing and marketing structures for agricultural products. Here again, there is scope to help farmers improve their orientation to consumer expectations particularly as regards quality, safety and traditional/organic production methods.

A further key area to strengthening competitiveness is human capital. Basic and advanced vocational training can be made available to farmers who wish to improve their expertise in business management, technology, or new production processes. This can help enhance productivity, production quality and, indeed, the environmental performance of their holdings. The possibility of vocational training has been extended to all persons active in the farming and forestry sector, and covers also forest management. Retraining measures for those leaving the profession are also possible.

The improvement of the age structure of the agricultural labour force can be supported further by early retirement programmes

and helping the establishment of younger farmers. These measures have been simplified and made more attractive.

Finally, a range of measures can be undertaken to improve land, to consolidate holdings, to manage water resources intended for agriculture, or to support infrastructure associated with the agricultural development. These are also intended to help strengthen the agricultural competitiveness.

Lying closer to questions of viability than competitiveness are the compensatory allowances for less favoured areas. These were fundamentally revised in the Reform and refocused. On one hand they remain the main instrument to compensate farmers for natural disadvantages in these areas. On the other side, the role of farming in providing non-commodity outputs such as landscape, agri-tourism or other rural amenities in less favoured areas is emphasised. Beyond this, compensatory allowances can also be granted to farms operating in [Natura 2000] areas subject to specific environmental constraints.

5.2. Improving quality of life and economic opportunities for rural communities

Turning now to the second group of rural development measures. These concern above all the improvement of the quality of life as well as economic opportunities for rural communities outside the core area of agricultural production and marketing. Support is therefore available for the

diversification of economic activities, both on and off-farm ranging from increasing the range of local products to the development of craft activities and agri-tourism.

Forestry is recognised as an important part of development in rural areas and is supported. In addition to traditional grants for afforestation and investment aids for modernisation and rationalisation new aids for the sustainable management of forests and forestry resources have been introduced. They are available for woodland which is owned by individuals, associations or local authorities.

An improvement of economic conditions and the quality of life in rural areas is also to be achieved by a better access to basic services and infrastructure facilities. Measures for this purpose can be co-financed by the agricultural fund, as can be measures for the redevelopment and renewal of villages and the maintenance of rural cultural heritage. This not only is intended to make rural areas more attractive to live in, but can also enhance new economic activity and support the further development of tourism.

5.3. Promoting Sustainable Agriculture

The third group of measures concerns agricultural environmental protection and the preservation of the countryside. Behind this lies the goal of sustainable agriculture

and forestry, which reflects the broader concern of sustainable development in rural areas.

The core of the Community's agri-environmental strategy within the CAP is therefore targeted agri-environmental measures, which reward farmers for environmental services in rural areas, over and above good agricultural practice and the respect of environmental legislation. These are compulsory in all rural development programmes. They include for example measures to promote an environmentally favourable extensification of farming and aids for the management of low-intensity pasture systems, the conservation of high nature-value farmed environments or the upkeep of landscape and historical features on agricultural land.

In addition to this core of agri-environmental measures, environmental concerns play also a role in the context of other rural development measures in particular those in favour of less favoured areas or in the context of investment aids or training programmes.

6. IMPLEMENTING RURAL DEVELOPMENT POLICY.

Let me finish here the overview of the main rural policy measures that can be supported financially by the agricultural fund throughout the EU. As mentioned earlier, it is essential to ensure that in those areas eligible for support in the form of

regional development programmes, the so-called Objective 1 and Objective 2 regions, rural development and regional development measures work effectively together. Furthermore, we should not forget that even in those areas, which are not eligible under European regional policy, there are a range of other policies of the EU as well as of Member States that apply in a horizontal way and can complement rural development programmes, if the necessary coordination is undertaken.

This leads me to the question of how the EU's rural development policy is implemented and managed. There are a number of principles, which govern this process. They can be summarised as programming, partnership, decentralised management, monitoring and evaluation.

In a first stage, plans are prepared by each Member State or competent region. They are based on an ex ante evaluation of the strengths and weaknesses, opportunities and threats to the rural areas concerned and should be elaborated after consultation with the local competent authorities, organisations and socio-economic partners. Member States or regions are relatively free to choose between the different support measures available and to put them together for their development plan. The main obligation is to include agri-environmental measures.

The next stage is for the European Commission to assess the proposed plans and to ensure, in close collaboration with the Member State or the relevant region that all regulatory requirements are met. At the end of this process, a rural development programme will be elaborated on the basis of the initial plan and be approved by the Commission. The programme is co-financed by the European Union and public authorities in the Member State.

Once the programme has been approved, the responsibility for selecting actual projects falls exclusively to the competent national and regional authorities, based on fair and transparent selection procedures. Those wishing to run projects must therefore present their proposals to these authorities.

After the projects have started national authorities and the Commission will monitor the initiatives together. Where necessary specific monitoring committees can be set up for this purpose. In addition to this monitoring process and the ex ante evaluation used for preparing the original plans, the programmes must be subject to mid-term and ex-post evaluation to be carried out by independent evaluators.

7. CURRENT STATE OF PLAY.

At present most programmes for the period 2000-2006 have been adopted. Altogether there will be about 160 programmes covering rural areas. In addition, there will be about 70

Leader+ initiatives. On the basis of the present information, which is not yet complete, a number of tendencies can be seen.

- (1) To a large extent the programmes continue rural policy measures already undertaken in the past;
- (2) Many Member States have not fully exploited the possibilities to decentralise rural development policy and to shift associated competencies to the regional level.
- (3) The predominant part of the financial resources have been directly concentrated on agriculture. Important other areas of rural development have therefore not always received the support they warrant.
- (4) Revenue support and compensation measures have been preferred to investment aids. Long-term investments for the improvement of competitiveness are still relatively infrequent.

The somewhat one-sided orientation of the development programmes may be partly attributed to a lack of financial means. However, many Member States and regions have told us that they would have liked to go much farther.

Indeed the resources available in the Community Budget for rural development would appear to stay below the ambitions of many Member States. They therefore may have concentrated

their efforts on those measures they considered to be most urgent in the years to come, and in this context, the wish to help agriculture in the ongoing reform process may have played a prominent role in many cases. If this is correct it would tend to support those who see an even greater role for rural development in the coming years.

But before it comes to the next step, thorough analysis and evaluation will be needed to learn the lessons from the implementation of Agenda 2000 and to draw the right conclusions for the future. What do successes and what do failures teach us? Are the regulatory and financial structures that have been put in place best suited to meet our ambitions? Do we need additional or different support measures to promote rural development? Are the concepts of programming, decentralisation and partnership applied in the right way and how can they be improved further?

These are some questions. There are certainly many others. They all need further examination and clarification. It is therefore good to know that rural development is not only a key theme on the political agenda, but that it is also on the research agenda and that we can count on help and assistance from the scientific community.