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Franco Sotte
(with the collaboration of Beatrice Camaioni)

The EU rural development policy

First part: the history of the EU rural development policy



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ALTAN
would need a program
do not start to panic

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The origins of the EU Rural development policy



- ❖ The "original sin" of the EU rural development policy
 - RDP is not the result of a general reflection on development issues and their specific configuration in rural areas
 - It is the consequence of the crisis of a sectorial policy, the CAP, whose original justifications have been weakened over time, while new expectations and new demands have emerged
 - **A difficult challenge:** *integrating the only sectorial traditional CAP into a new sectorial and territorial policy is a tricky task, because over time a strong conservative lobby has grown in defense of the traditional CAP measures*
 - **But also an opportunity:** *the CAP carries a substantial budget, which is obviously key resource for rural development policy as it would be extremely difficult to establish from scratch*
- ❖ There is therefore a complex transformation to be managed
 - To combine the sectorial agricultural objectives with the more general territorial ones
 - To integrate the CAP in the overall strategy of cohesion and balanced development of the EU (Lisbon and Gothenburg objectives)

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The old CAP between Guidance and Guarantee



- ❖ Aimed at sectorial concerns => agricultural policy
- ❖ Concentration on market policies (90-95% of expenditure)
 - So-called policies of "guarantee"
 - Each product a Common Market Organization (CMO)
 - Main objective: price support
- ❖ Little effort and funds for structural policies (5-10%)
 - So-called policies of "guidance"
 - Main objective: agricultural restructuring => maximum efficiency
- ❖ 1962: The European Agricultural Guidance and Guarantee Fund (EAGGF) was founded
 - two sections: Guarantee and Guidance
- ❖ Territorial issues and rural development are not in the old CAP

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Pros and cons of the old CAP

- ❖ Pros
 - Sectorial: Ensuring food security
 - General: the CAP as a crucial pillar of the European foundation
- ❖ Cons
 - It costs too much: CAP spending in 1985 = 73% EU budget
 - It produces surpluses in almost all products
 - It benefits the richest and most favored regions
 - It is a centralized policy
 - It does not bond with other EU policies
 - *Social Fund (ESF) since 1960*
 - Objective: Employment
 - *European Regional Development Fund (ERDF) since 1975*
 - Objective: Regional Development

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The origins of the EU rural development policy

- ❖ Sectorial reasons
 - The need
 - *to reform the CAP*
 - *to coordinate it with the other EU policies*
- ❖ General reasons
 - Reinforced engagement for the structural and cohesion policy
 - In the perspective of further enlargement it would become fundamental
 - Recognition of the role of the Regions (and other Local Institutions)



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Single European Act 1986 and Maastricht Treaty 1991

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- ❖ Establishment of the "European Union" and the "European Community"
- ❖ Added Title XVII, "Economic and social cohesion" to the Treaty of European Community
 - Art 158
 - *"to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas"*
- ❖ Art 161
 - Set up the Cohesion Fund
- ❖ Art 263
 - Established the Committee of Regions



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The reform of structural policies of 1988

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- ❖ Reg 2052/1988: reform of the Structural Funds
- ❖ Financial Perspectives 1988-1992
- ❖ Milestones
 - Subsidiarity (matters handled by the smallest, lowest or least centralized competent authority)
 - Partnership
 - Co-financing
 - Programming by objectives
 - *Objective 1: regions lagging behind*
 - *Objective 2: areas in industrial decline*
 - ...
 - *Ob.5-a: Agricultural Structural Adjustment*
 - *Ob.5-b. Rural development*
- ❖ Joint action of all funds (EAGGF, ERDF, ESF, EIB)
- ❖ Monitoring and evaluation

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The MacSharry reform of 1992

- ❖ Market support
 - Lower price support
 - *with the aim of bringing domestic prices closer to world ones*
 - Introduction of compensatory payments
 - *partial decoupling*
- ❖ But ...
- ❖ Accompanying measures (co-financed by the Member States)
 - Reg.2078/1992 Agro-environmental measures
 - *Reducing fertilizer*
 - *Extensification*
 - *Organic farming*
 - *Eco-friendly methods*
 - *Care of abandoned land*
 - *Set-aside 20 years*
 - *et al*
 - Reg.2079/1992 Early-retirement
 - Reg.2080/1992 Forestry



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The Community Initiative LEADER

- ❖ The Community Initiatives are EU innovative programs
- ❖ "LEADER" = Liaison Entre Actions de Développement Rural
 - Leader 1: 1991-93, Leader 2: 1994-99, Leader +: 2000-2006
- ❖ LEADER peculiarities
 - A defined rural area
 - A Local Action Group (LAG) between subjects and institutions both public and private
 - A Local Development Programme (LDP)
- ❖ The main features of a LDP
 - Demonstrative initiatives of Rural Development
 - Public / Private partnerships
 - Innovative solutions
 - Synergies between economic sectors
 - Repeatable practices (possibly shared with other LAGs)
 - Co-operation between rural areas in different countries
- ❖ Results
 - 893 LAG in Europe
- ❖ A positive assessment

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The situation in the mid-90s

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- ❖ Still evident: a deep gap between the CAP and all other EU policies
- ❖ The EU has opened a broad debate in the mid-nineties
 - international conflicts under the WTO aimed at abolishing the agricultural protectionism and fostering market liberalization
 - Next EU enlargement to countries lagging behind (cohesion)
- ❖ Buckwell Report
 - transition from CAP to CARPE (Common Agricultural and Rural Policy for Europe)
 - combining sectorial issues with territorial ones in a rural development policy

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**1st Conference on Rural Development
Cork - November 1996**

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- ❖ THE CORK DECLARATION
 - 1. **Rural preference:** rural development a priority
 - 2. **Integrated approach:** multidisciplinary and multisectoral policy
 - 3. **Diversification:** economic and social
 - 4. **Sustainability:** integrate short-long term, responsibility to link local-global
 - 5. **Subsidiarity:** decentralization and bottom-up approach
 - 6. **Simplification:** of the rules, flexibility, decentralization
 - 7. **Programming:** a rural development program in each MS/region
 - 8. **Finance:** synergy between public and private funds
 - 9. **Management:** networks, communications, exchange of experience, partnership
 - 10. **Evaluation and Research:** monitoring, transparency, participation

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The failure of the Cork conference

❖ The three "Cork Fears"

- Farmers against other rural categories
 - *"The CAP funds to the hairdressers ..."*
- Clash between Member States
 - *the opposing French and German positions*
- Institutional Clash
 - *DG-Agri versus DG-Regio*

❖ Consequences

- Cork: a "non-event"
 - *Debasement of commitment to Rural Development*
 - *Vivification and postponement of a substantial reform of the CAP*

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Agenda 2000

❖ The CAP reorganized around two pillars

- Pillar 1 - Market policy and direct payments (90% expenditure)
- Pillar 2 - Rural development policy (only 10% of expenditure)

❖ What does the 2nd Pillar comprise?

- Long list of measures
 - *In addition to the old structural measures: setting up of young farmers, early retirement, training, support to less favored areas, processing and marketing, agri-environmental aid, forestry, modernization of rural areas*

❖ In short, three directions

- Structural improvement
- Agri-environment
- Diversification and quality of life

❖ Each Member State (Region) defines a Rural Development Program (integrated in the Regional Operational Program in the lagging regions)

❖ National and regional Co-financing

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The Fischler reform from the point of view of rural development

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- ❖ **Mid-term review and Fischler reform**
 - Agenda 2000: a disappointing compromise
 - Mid-term review programmed in 2002
 - The Fischler reform (June 2003)
 - More reform content in the Mid Term Review than in Agenda 2000
- ❖ **The main novelty**
 - Decoupling and Single Farm Payment (SFP)
 - Mandatory cross-compliance
 - New additional measures added in Pillar 2
 - *Adaptation to standards and compliance with EU regulations*
 - *Animal welfare*
 - *Food quality*
 - Modulation (phased funds transfer from 1st to 2nd Pillar)
 - *20% in the Fischler's original proposal, reduced to only 5% in the final agreement*
 - *Result: the expenditure of 2nd / 1st Pillar still 20% / 80%*

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2nd Conference on Rural Development Salzburg November 2003

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- ❖ **The final statement**
 - Rural development: a matter for everybody
 - Agriculture plays a vital role
 - Diversification and multifunctionality
 - Rural Development Policy for all of EU rural areas
 - It must contribute to the economic and social cohesion
 - It must be based on public-private cooperation and local partnerships
 - Bottom-up approach: mainstreaming the LEADER experience
 - Creating networks and exchange best practices
- ❖ **The advantages and limitations of Salzburg 2003 compared to Cork 1996**
 - Agreement between DG Agri and DG Regio: less courage compared to Cork, but more realism
 - A more "agricultural" approach to rural development?
 - *The word "agricultural" or "agriculture" appears 11 times in the Salzburg statement versus twice in that of Cork*

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