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The Reform of EU Rural Development Policy and the Challenges ahead

Francesco MANTINO

Policy Paper 40

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Foreword

If there is unanimity about one European issue, from Kerry to the Subcarpathian Voivodeship, and from Alentejo to Norrbotten County by way of Lorraine and the Tyrol, it is rural development. Even the most highly urbanised countries, such as the Netherlands or Malta, esteem that the quality of life and activities must be maintained in rural areas in the spirit of a certain European model. However, such consensus, which ultimately led the Common Agricultural Policy's second pillar to often be broadened in the last ten years, conceals many divergent interests and pretences.

The EU's rural development policy stems from the Cohesion Policy and now falls within the framework of the Common Agricultural Policy. It has often been hampered by misunderstandings about its purview and specificities, depending upon whether considered from an urban or agricultural vantage point. During the Council of Ministers' informal session of 21 September 2010 its firm foothold within the Common Agricultural Policy, as its Second

Pillar, has been reaffirmed. This renders all the more opportune a debate on the nature of this policy, its objectives and its instruments. For if agriculture is key to the equilibrium of rural areas, the latter's economic and social development also depends upon other factors. In this paper, Francesco Mantino presents an analysis of this complex issue which, to date, has been rarely addressed.

In his view, this policy can play a significant role in promoting the structural adjustment, and maintaining the visibility of rural areas. Yet a reform must make it possible to significantly improve the instruments' efficiency and effectiveness. At the same time, the scope of such instruments needs to be expanded in order to successfully meet major challenges such as climate change, renewable energies, water resources, biodiversity, competitiveness and social cohesion, and to avoid limiting this effort to a sectorial approach.

To achieve this, Mantino is not advocating an overhaul of the rural development policy, nor even changes in the CAP's two-pillar architecture. Rather, he believes that the aim should be to implement the principle of integrated rural development in a more substantial and concrete way than has already been done in the past. This objective should be attained by means of a better division of labour between the two pillars and a stronger integration with the cohesion policy. During the initiation phase of the Europe 2020 Strategy, which sets the course for the European Economy, his suggestion that Community policies be made more coherent is very timely. His highly operational proposals show that this is an accessible goal, provided that there is sufficient determination to reach it.

In publishing this paper, *Notre Europe* wishes to spearhead the opportunity for a genuine exchange of ideas and analyses on the EU's rural development policy. And perhaps, in so doing, help reconcile approaches which have so far left the CAP's two pillars back-to-back, facing in opposite directions.

Nadège Chambon & Marjorie Jouen

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Introduction[1]

The debate on the future of the Common Agricultural Policy (CAP) has intensified in the last two years and more recently the new Commissioner, Mr. Dacian Cioloş, has launched a public debate on the CAP after 2013. Many institutions, organisations and researchers have contributed to this debate, which has largely been focused on the main role and objectives of CAP, in particular with reference to the 1st pillar. This was due to several reasons:

- first, because the 1st pillar still takes up the greatest part of CAP financial resources and, consequently, it is strongly influenced by any change in budget allocation;
- second, because the future of the 2nd pillar seems less uncertain as far as its main functions are concerned;

1 I wish to thank Marjorie Jouen, Nadège Chambon, Janet Dwyer and Ken Thompson for their valuable comments and suggestions to the earlier version of the paper. The author takes full responsibility for the content of the paper.

- third, because the concept of rural development (RD) underpinning policies implemented in EU Member States is quite new and very differentiated among countries.

Rural development, in fact, is a relatively new policy in the context of CAP. Born within the context of a strong cooperation between agricultural structural policy and regional development policy (the reform of Structural Funds of the late mid-1980s), it was consolidated as a comprehensive policy only under Agenda 2000. In 1988 the "Future of Rural World" strategy set out one of the main rationales of a common RD policy: the extreme disparity between rural and non-rural areas in Europe. It implied the need to design better approaches and provide more adequate financial resources than that which single countries were able to meet alone.

Looking at the most recent positions of the various stakeholders, the importance of the 2nd pillar after 2013 is confirmed and there is a broad consensus about the relevance of its role in facing the future challenges. Commissioner Cioloş, in his opening speech at the European Parliament Hearings (15 January 2010), declared that:

> "*Rural Development policy will need to contribute to the restructuring and modernisation of farms .... it has to help agriculture to adjust to climate change and to contribute to the reduction in green-house gas emissions. The rural development policy will have to make better use of the European agriculture diversity; to promote public-private partnerships and innovation networks engaging the local actors of development, in close cooperation with the cohesion policy*"[2]

2 The future of European agricultural policy – Call for a public debate (European Parliament's Agricultural Committee, Brussels), in ec.europa.eu/commission_2010-2014/ciolos/headlines/speeches/index_eu.htm

More recently, at the informal Council of Ministers of Agriculture in Merida (Spain, 1st June), he outlined two further interesting concepts, which are very valuable in the context of this paper:

> *"It is important that we highlight ways in which the CAP can better provide the elements of EU 2020 strategy in the future....For rural development, we need to reinforce the measures available not only for agriculture and innovation, but also for the rural economy as a whole. We want also to do more to boost the link between rural areas and urban areas"*[3].

However if the future of RD is certain in respect of its role and content, it is uncertain in respect of its budgetary allocation.

The main objective of this paper is to provide proposals for a reform of the future EU Rural Development policy, in the context of the 2014-2020 programming period. To this end, it is necessary to take stock of the main progress achieved by this policy over the past years. Furthermore, this paper intends to discuss the role of the main variables which can influence the future debate on the reform of RD in Europe.

We think that, on the basis of the previous experience in EU Member States, this policy can play a significant role in promoting structural adjustment and maintaining viable rural contexts. But this role calls for a reform that significantly improves both the efficiency and effectiveness of policy instruments. At the same time, it is necessary to broaden the scope of the RD instruments to "the rural economy as a whole", as the new Commissioner rightly said, and avoid that only sectoral approaches prevail in the design and implementation of this policy. This does not require either a revolution in the RD policy or a revision of the present architecture of the pillars

3 The Common Agriculture Policy and the EU 2020 Strategy (summary of the speech) (see previous reference to EC website)

of CAP, but a substantial and concrete implementation of the principle of integrated rural development which has been already affirmed in the past reforms and a better division of labour between the 1st and the 2nd pillar, in order to improve integration and complementarity between them.

This paper is organised in three main sections. The first section summarises the main changes in RD since Agenda 2000[4] until the latest revision under the Health Check. This analysis seeks to highlight progress and weaknesses emerging from the main reviews carried out in the last decade. The second section is focused on the main variables of the policy context which might in one way or in another shape the content of RDPs after 2013, namely: the reform of the 1st pillar, the EUROPE 2020 strategy and the future of cohesion policy. These three elements are strictly interlinked with the budget reform. This section includes a final comment on the rationales for a common RD policy. The third section develops some proposals concerning the key issues for a more efficient and effective RD (new priorities, a different programming system, a delivery system more strongly based upon a territorial approach and fostering innovation).

4 The reasons why we start from Agenda 2000 are explained at the beginning of paragraph 2.1

I - Rural development post 2000 reforms, new wine in old bottles?

1.1. After Agenda 2000: a wider vision?

Agenda 2000 was conceived as a step towards significant changes in rural development approach.

When preparing Agenda 2000, the Commission organised a rural development conference in Cork, Ireland, where a "Declaration" identified desirable RD policies for the future (EC, 1996). In that occasion the integrated and territorial approach was assumed as the main leading principle and the "Leader model" based on Local Action Groups was considered a successful development model that could be extended to all rural areas. The main statements of the Declaration were: the relevance of rural areas in the framework of cohesion policies; the need for an integrated, multisectoral, bottom-up approach; the diversification of activities; the environmental sustainability; the extension of the partnership approach, programming and subsidiarity. These statements have been only partially

incorporated in the concrete design of the new regulations implementing Agenda 2000.

As we will see later, Agenda 2000 introduced Rural Development Programmes at national and regional level, broadening the scope of rural development from specific and limited territories (e.g. the previous declining rural areas eligible to the Objective 5b of the cohesion policy) to all rural areas. This was implemented through re-labelling previous sectoral interventions as rural development policies, eliminating the plethora of specific sectoral programmes for different measures and, finally, creating a new "recipient" (the 2nd pillar) for all measures not included in market support (the 1st pillar). For all these reasons Agenda 2000 is a turning point (although below the expectations generated by the Cork Declaration) in the design of a new and more comprehensive framework for EU Rural Development policies.

The main driving forces for these changes were identified as follows:

a) the simplification of tools for public interventions;
b) a clearer distribution of responsibilities between institutional actors involved in rural development programmes (RDPs);
c) a major emphasis on the subsidiarity principle, which implies a stronger decentralization in rural development implementation, towards regions and local communities;
d) the strengthening of all those tools used to improve the effectiveness and efficiency of RDPs (monitoring and evaluation, financial control).

The simplification process was translated by EU Regulations into the revision of the entire juridical framework, a common regulation for all measures supporting rural development, and just one rural development programme (RDP) integrating the different tools and financial resources under a consistent strategy. Each Member State identified the most appro-

priate level for the RDP. Actually, "the most appropriate level" was strictly dependent upon the administrative and institutional framework of each EU country. Some countries had just one plan at national level (France); some others chose the region as the most appropriate level for RDPs (Italy and Germany are the clearest cases). Consequently, the number of plans/ programmes dealing with structural and rural development measures have been substantially reduced (when compared with the pre-Agenda 2000 period). Within the 2000-2006 programming period RD policy in Europe was implemented by means of RDPs (at national and more often at regional level) and of a pilot and innovative initiative in the field of RD (LEADER).

RDPs and LEADER programmes were implemented in all rural areas. However, programming arrangements were implemented in lagging regions under the Structural Funds approach. In these regions (EU objective 1) rural development measures were partially implemented within the cohesion policy framework. The overall structure of programmes implemented under Agenda 2000 is described in table 1.

Table 1: Types of rural development programmes in EU-15 after Agenda 2000.

Eligible areas	Main programmes (Mainstream)	Pilot and innovative Programmes
A - All EU - 15 rural areas-	Rural development Plans (RDPs)	LEADER+ Programmes
B - Lagging Regions (Objective 1)	Rural development Plans (RDPs) Multifunds Operational Programmes (POPs)	LEADER+ Programmes

The distribution of the responsibilities between the European Commission and Member States was one of the main points of focus for Agenda 2000. The model proposed by Agenda 2000 gave the Commission the role of coordination, control and general evaluation of the RD policies co-financed by EU funds, while Member States and Regions gained a major role in defining programmes and in implementing RD measures. Actually, regulations approved after Agenda 2000 left a significant decision-making role in the Commission's hands. The Commission services have always had a strong influence on the quality and on the overall strategy of the RDPs. This is not only true in the programming, but also in the implementing phase.

Rural development implementation under Agenda 2000 was strongly influenced by the administrative and institutional framework in each country. This period saw an increasing demand almost everywhere for more decentralised management of EU policies. "Decentralised management" in this context refers to management which is entrusted above all to Regions and local communities, in line with the assumption, by now largely accepted throughout Europe, that decentralisation should increase the effectiveness of development policies by bringing support measures closer to the needs and priorities expressed by local communities. This planning phase therefore should have enhanced the role of decentralised policy management much more than in previous periods. However, in reality, this process has met with remarkable resistance and conflicts, almost everywhere in Europe. Furthermore, it was decidedly partial. There was still a significant level of centralization in programming and managing rural development interventions at national level. Table 2 shows that there was a group of countries whose RDPs financed by the EAGGF-Guarantee section (for "accompanying measures") were designed and managed by central administrations: the centralised model had a North-European profile (in fact, it is mainly found in countries like Austria, Denmark, France, Ireland, Luxemburg, Netherlands and Sweden). The decentralised model was adopted, instead, in Germany and Italy. Some of northern EU countries are

quite small, so there was a certain justification for the central planning. But for the other countries (*e.g.* France, or those with a long tradition of decentralization, *e.g.* Austria and Sweden) the national plan was justified by the rationality of centralised management and a concept of equity in respect of access to measures and funding. It is worth noting that the degree of decentralization was higher for rural development supported under the EAGGF-Guidance section, which was still operating at that time within the Structural Funds.

Finally, Agenda 2000 has reinforced the role of monitoring, evaluation and financial control in programming. This process was strictly linked to the new role of the Commission (in the co-ordination and definition of the main strategies) and to the need of better accountability of European funds. The European Commission put more effort into these activities, providing guidelines on several methodological aspects (the intervention logic, indicators, report outlines, etc.). In reality, however, the monitoring and the evaluation systems did not work so well as the EU guidelines indicated.

Table 2: Number of programmes dealing with rural Development in EU-15 after Agenda 2000 (period 2000-2006)

Countries	EAGGF-Guarantee				EAGGF-Guidance			
	No. of Programmes	No. of Regional Programmes	Total of EU Expenditures (Mds euros)	% from Regional Programmes	No. of Programmes	No. of Regional Programmes	Total of EU Expenditures (Mds euros)	% from Regional Programmes
Austria	1	–	3 213,20	–	1	1	41,35	100,0
Belgium	3	2	360,20	79,9	1	1	41,57	100,0
Denmark	1	–	331,69	–	–	–	–	–
Finland	3	2	2 199,27	6,6	2	2	194,17	100,0
France	1	–	5 763,30	–	6	6	385,56	100,0
Germany	16	16	5 552,60	100,0	6	6	3 442,24	100,0
Greece	1	–	993,40	–	14	13	3 493,80	29,4
Ireland	1	–	2 388,90	–	3	2	182,00	93,1
Italie	21	21	4 512,20	100,0	7	7	2 982,70	100,0
Luxembourg	1	–	91,00	–	–	–	–	–
Netherlands	1	–	417,00	–	1	1	10,90	100,0
Portugal	3	2	1 516,80	9,5	=	7	2 117,35	48,2
United-Kingdom	4	4	1 754,97	100,0	7	6	298,32	89,2
Spain	8	7	3 084,67	27,9	11	10	3 342,41	99,7
Sweden	1	–	3 130,05	–	2	2	50,61	100,0
TOTAL	**66**	**54**	**33 308,25**	**39,8**	**69**	**64**	**16 582,98**	**100,0**

The Agenda 2000 reform, therefore, established two different systems within the EU rural policy: the first supported within regional development policy (or cohesion policy), the second supported within the CAP. The existence of these two systems was critical in determining the main differences between countries and regions in RD strategies and objectives [Mantino, 2003]. The two systems had very strong implications for both programming approaches and methods, on the one hand, and on the implementation procedures, on the other. RD supported under the Guarantee section appeared to exhibit some interesting advantages in terms of efficiency of spending and flexibility in the programming design and implementation. RD under the Guidance section, by contrast, seemed to generate positive effects on the quality of approach to rural areas, in particular in respect of:

a) spreading the participatory approach at local level (there were several examples of Leader-like experiences developed in the mainstream programmes);
b) integration between measures or between sectors (by contrast, rural development under the Guarantee system saw only limited experiences of this kind, such as the "Contrat Territorial d'exploitation" (CTE) in France);
c) design and preparation involving a broader economic and social partnership (whereas RD under the Guarantee system was frequently conceived and designed largely by agricultural administrations and sectoral pressure groups).

Agenda 2000 also contributed to consolidation of the so-called "menu approach" in formulating RDPs. The Council Regulation (EC) no. 1257/99, published after Agenda 2000, provided a series of standard measures defining the interventions from which Member State could select, in the design of its programme. It was a sort of "menu" from which Member States and Regions could choose to build their operational strategy. Table

3 gives a synthetic view of the "menu" of measures permitted by the EU RD Regulation and of the distribution of the financial resources between measures after the completion of the programming phase across the EU Member States as a whole.

Table 2: Distribution of the EU financial contribution by type of measure in Rural Development Programmes 2000-2006

Type of measure	Objective 1 regions EAGGF- Guarantee - Guidance	%	Other regions EAFFF-Guarantee - Guidance	%	Total EAGGF - Guarantee - Guidance	%
A) farm investments	3.350.757.399	12%	1.331.335.584	6%	4.682.092.923	9%
B) young farmers	870.945.553	3.%	952.941.384	4%	1.823.886.937	4%
C) training	141.472.759	1%	202.402.734	1%	343.875.493	1%
D) early retirement	1.124.286.173	4%	298.971.396	1%	1.423.257.569	3%
E) less favouread areas	2.112.606.011	8%	4.014.984.535	19%	6.127.590.546	12%
F) agri-environment	5.420.892.007	19%	8.059.310.751	37%	13.480.202.758	27%
G) processing and marketing	2.567.886.222	9%	1.192.571.595	6%	3.760.457.817	8%
H) afforestation	1.727.662.084	6%	659.109.919	3%	2.386.772.003	5%
I) oteher forestly measures i-v) measures for rural territories (art. 33 Of reg 1257/99)	1.616.075.418	32%	3.866.623.976	18%	12.648.801.184	26%
Other measures	160.546.369	1%	227.791.569	1%	388.337.938	1%
TOTAL	**27.875.307.144**	**100%**	**21.609.821.921**	**100%**	**49.485.129.064**	**100%**

Some of the types of measures described in the table were actually a composite set of different measures: for example, the group from l) to v) represented all those measures more addressed to rural territories and diversification and included a long list of eligible interventions (irrigation, rural villages, agri-tourism, rural tourism, rural infrastructures, etc.). These kinds of investments represented one third of the EU programmed expenditures

in Objective 1 regions, while their weight was substantially lower in the other regions. The weight of these measures might be considered to some extent, as a sort of proxy for the strategic importance given to the diversification of rural areas in the different countries and regions (although ignoring the potential role of other policies and funds in this process). Thus, RD policy after Agenda 2000 confirmed that a sectoral vision was still dominant within national and regional RDP strategies. A similar conclusion seems to have been reached by other researchers [Bryden 2000, Dwyer et al 2002, Saraceno 2002]. Nevertheless this vision was more open to the contributions from, and linkages with, other sectors within objective 1 regions and programmes.

1.2. A new financial architecture: the European Agricultural Fund for Rural Development (EAFRD)

During the completion of the Agenda 2000 cycle, a new reform of EU policies for the period 2007-2013[5] introduced some new features that have had an impact on RD design and implementation.

One of the leading priorities of this reform was the simplification of the funding, planning and management mechanisms. Inspired by the principle of "one fund, one programme", it has in fact led to different funding and planning channels, simplifying the management of the various EU support measures.

Regarding the "menu approach", the list of measures was confirmed and widened to include other types of measures in the field of quality production, Natura 2000 and Directive 2000/60/EC[6] payments, animal welfare payments, training and information for economic actors, skills acquisition

5 This reform was implemented by the Council Regulation (EC) no. 1698/2005.
6 Directive establishing a framework for Community action in the field of water policy.

and animation for local development projects, semi-subsistence farming, etc. Some of these new measures had already been introduced by the mid-term reform regulation (Council Reg. (EC) No. 1783/2003), or into the transitional RDPs of the new Member States for the period 2004-6, immediately following accession.

The second principle that permeated the new planning was a strengthened strategic approach, which has introduced a new way of setting up the programmes and even new roles and functions involving the principal institutional actors. These changes had important implications for RD policies which had already been an object of reform under Agenda 2000. In detail, they were as follows:

a) the introduction of separate channels for the funding of the programmes according to the "one fund, one programme" principle has increased the difficulty of co-ordination of EU Funds (both among the structural funds and between them and EAFRD). It therefore has legitimated the autonomy of the administrations holding the various funds and the different approaches and rules in implementing EU policies. In the interest of administrative simplification at the EU level, the principle of the integration of Funds was sacrificed, no longer being provided for within the legal framework of the EU (except for rather generic provisions) and in fact, being delegated to the Member States and Regions;

b) the strategic approach introduced new instruments, such as the Community Strategic Guidelines (CSG) and the National Strategy Plan (NSP, analogous to the National Strategy Framework of the Structural Funds), with a rather powerful and significant function of providing guidance for rural development policies. The National Strategy Plan thus introduced significant elements of novelty and even conflict in the relations between and among the various institutional subjects of governance, in countries with regional decen-

tralisation (Italy, Spain, Germany, UK, Belgium);

c) several innovations, again with the aim of simplifying and strengthening the RDP implementation were introduced particularly in the management phase of the programmes: (i) an even clearer separation (in comparison with planning for 2000-2006) of the roles of management, payment and audit; (ii) a further strengthening of the activities of monitoring and assessment; (iii) more flexibility in changing programmes in progress, in terms of both the possibility of revising the measures (with changes in the planned measure and/or the introduction of new measures) and the modification of the financial plan (bound by EU decision in respect of the priority Axes, and no longer on the detail of allocations to measures); (iv) finally, the obligation placed upon all Regions to have a paying agency (no longer just for regions outside Objective 1 and for former Guarantee-funded 'direct aid' measures);

d) last but not least, the mainstreaming of the LEADER approach, previously the object of a special programme, which was now included in the RDP structure.

Even the programme structure was refocused around new priorities. RD priorities in the period 2007-2013 are identified with three key areas: the agro-food economy, the environment and the broader rural economy and population. The present generation of RD strategies and programmes is built around four axes, namely:

-axis 1, for improving the competitiveness of the agricultural and forestry sector;

-axis 2, for improving the environment and the countryside;

-axis 3, for enhancing the quality of life in rural areas and diversification of the rural economy;

-axis 4, for the Leader approach.

Reflecting the Salzburg conference conclusions (November 2003) and the strategic orientations of the Lisbon and Göteborg European Councils, each of the above axes identifies the major objectives of RD policy. These objectives[7] were set out in the Communication on the Financial Perspectives for the period 2007-2013 and have been confirmed within the Reg. (EC) 1698/2005. Within each objective then, Community Strategic Guidelines (CGS) identify priorities at the EU level and, for each set of priorities, illustrative key actions. On the basis of these guidelines, each Member State prepares its National Strategy Plan as the reference framework for the preparation of RDPs.

In each programming step (CSG, NSP, RDP) there must be clear linkage and consistency between objectives, axes, priorities and measures. This is conceived as an effective way to achieve a more strategic approach to RD. In this logic, however, axes are seen as a kind of building block, each containing a range of homogeneous measures, coherent with the main priorities of that particular axis. Under axis 1 a range of measures are to target human and physical capital in agriculture, food and forestry sectors and quality production. Axis 2 provides measures to protect and enhance natural resources, as well as preserving high natural value farming and forestry systems and cultural landscapes. Axis 3 helps to develop local infrastructure and human capital in rural areas, to improve the conditions for growth and job creation in all sectors and the diversification of economic activities. Finally axis 4, based on the Leader approach, introduces opportunities for innovative governance through locally based, bottom-up projects.

The main problems deriving from this structure by axis are that it creates rigidity both in the design and in the delivery. The strategic priorities identified for each axis are very often best pursued through a combination of measures, drawn from different axes. But this is hardly possible and

7 According to Reg. (EC) no. 1698/2008 "axis" is a coherent group of measures with specific goals and "measure" is a set of operations contributing to the implementation of an axis.

entails a very complicated process within the RDPs. The only opportunity to combine measures is mainly available within each axis or in using the Leader approach. However in most countries the opportunity to deliver through LEADER has been limited within RDPs to only few measures and in particular to measures of axis 3.

In addition, the framework assumes that each measure can only pursue objectives contained within its own axis and linkages or synergies between measures in one axis with the objectives of another axis are not acknowledged or promoted, due to the rigid interpretation applied by the European

Commission services[8], which is also emphasized within the common framework for programme evaluations. For example, the conservation of biodiversity is only recognised as being pursued by measures from axis 2, while local experience has shown that it can be strongly linked to quality of agricultural production (axis 1) and to the promotion of sustainable tourism in protected areas (axis 3) [see Mantino et al, 2010]. This implies that each measure can provide multiple contributions to the different axes goals, which contrasts with the formal requirements of the present RDP architecture.

Third, as we will see later on, this rigidity in RDP design is reflected in that of the delivery at sub-regional and local levels. Measures are conceived and designed using a similarly "partial" approach and they are also separately managed, as if they were isolated instruments. As a result a broader scope for more effective approaches is lost.

8 Despite the definition of the axis given by the Reg. No. 1698/2008: "a coherent group of measures with specific goals resulting directly from their implementation and contributing to one or more of the objectives set out in article 4".

In the present programming period it is becoming obvious that changes introduced by the most recent reform were not really capable of avoiding other relevant shortcomings in the delivery system. Some of the most relevant weaknesses are summarised briefly below.

The problem of co-ordination between RD and other policies. As we said earlier a significant problem of co-ordination was raised after the introduction of the principle "one fund, one programme". This problem was generated at all levels. On the one hand, the ERDF and ESF in fact are designed and operate separately from the EAFDR, with strategies that are either non-communicating or communicating at a very generic level of definition. On the other hand, in the subsequent phase of implementation of the programmes, appropriate forums for the ongoing co-ordination of strategies were lacking. Naturally the problem has been transferred from the regional to local level, where the local government and actors must not only try to pick their way among different channels and procedures in order to fund projects, but must also attempt to shape separate policies into a coherent system with great operational difficulties (in terms of time, eligible actions, etc.). Co-ordination has been mainly interpreted as a demarcation problem (*i.e.* no fund/scheme must invade the field of the other fund/scheme) and the notion of complementarity has been wholly ignored. The implementing and control of a demarcation system has generated high transaction costs for the administrations involved in the delivery.

The relations between the 1st and the 2nd pillars. Problems of co-ordination are not only true for the relationship between RD and cohesion policy but also for the relations with the 1st pillar. The reform designed to achieve improved market adaptability for some of the main CMOs (Common Market Organizations), such as fruit and vegetable, wine and oil have either introduced or strengthened structural measures concerning Rural Development within these regimes. At the same time, recognition of agricultural multi-

functionality and its ability to provide public goods and services have led to the incorporation of income support measures into the second pillar. These last measures also include support under the form of compensation which often overlap with measures found in the 1st pillar, such as those regarding support to specific forms of agriculture pursuing quality production or further environmental benefits (set out by Article 68 of Regulation No. 73/2009, on common rules for direct support schemes for farmers under the common agricultural policy).

The mainstreaming of Leader. Looking at the different situations of Leader delivery in Europe, it seems that in most cases the original model has been modified by rules which have severely restricted either the role of the Local Action Groups (LAGs) or its room for manoeuvre, or both [Mantino et al, 2009]. Undoubtedly these approaches to conceiving and delivering Leader derive from two main driving forces: i) firstly, the desire to set more boundaries and limits to the power/responsibilities of local partnerships, whose increasing role at local level is creating conflicts and competition with elected bodies and other agencies; ii) secondly, the need for a greater level of administrative and financial control of projects and actions promoted by LAGs at local level, in order to avoid inefficiencies and irregularities in public spending. This second issue seems more important than the first and it is essentially due to the extension of the role of the Paying Agency into administering the LAGs payments. Both driving forces have engendered a sort of increasing "bureaucratisation" of the Leader approach within the actual delivery of Axis 4. These changes have raised new tensions among LAGs, which voiced real concerns about the effectiveness of the new way of conceiving Leader approach by Managing Authorities of RDP.

1.3 Health Check: more wine in old bottles

The revision of the CAP deriving from the Health Check process had many implications for the 1st pillar, which was the main objective of the reform process. The 2nd pillar is considered as a recipient of the increased rates of modulation (+2% a year, making a total of +8% for the rest of the programming period). These additional funds are to reinforce RDPs in the field of new challenges: climate change, renewable energy, water management, biodiversity and innovation linked to the previous points. Modulation was also used for accompanying measures in the dairy sector and to increase investment aid for young farmers.

In announcing the Health Check in its conclusions of December 2005, the European Council declared that: "*The review will also be considered in the framework of work for the future financial perspectives*". Thus the implementation of the Health Check[9] did not introduce relevant changes in the structure of RDPs approved for the period 2007-2013. On the one hand the review was not important for short-term implications, at least for RD, but for its more long-term (after 2013) strategies, based on the new challenges. On the other hand the Health Check provided RD for new measures according to a mere logic of "stratification", insofar as the 2nd pillar is often seen as just a repository of financial resources to be maintained in agriculture and be provided through measures not really consistent with RD (as in the case of support to the dairy sector).

Nonetheless, the Health Check process, in its implications for the 2nd pillar, calls for a further review of the former RD objectives, after taking into account the new scenarios for the coming years. This task is carried out in the next section.

9 In 2009 the REG. (EC) no. 74 was approved, making amendments to the basic Regulation which constitutes the main legal basis for RD.

II - Political context for a new rural development policy

2.1. The reform of the first pillar: how can it influence the second pillar?

The CAP reform should be conceived in a coherent and comprehensive design, incorporating a clear complementarity between the first and second pillar, as it is necessary for the achievement of common objectives regarding competitiveness and quality of life, which together can manage to overcome disparities in the development of both agriculture and rural areas of Europe.

To this end in the last two years, various contributions have been presented both by academics and from institutions.

Bureau and Mahé (2008) have published an interesting proposal, with particular reference to the reform of direct payments. Their idea provides concrete suggestions on the basis of a three level of "contractual payment

scheme" (CPS): a) a first level (basic husbandry payment) would preserve farming landscape; b) the second level (natural handicap payment) would ensure the continuation of farming activity in areas and regions with natural handicaps; c) the third level (green points payments) would preserve and enhance natural resources in designated areas endowed with high nature value or with sensitive environmental attributes (environmentally sensitive areas).

A slightly different proposal has been set up within the Committee on Agriculture and Rural Development of the European Parliament and presented by George Lyon (2010). This proposal does not go into many details, but sets out a system of direct payments related to different conditions, including the presence of natural handicaps. It still maintains the two pillars as a leading structure of the CAP.

Environmental associations (Birdlife, European Environmental Bureau, European Forum on nature Conservation and Pastoralism, Organic Agriculture Movements, WWF) have published a "Proposal for a new EU Common Agricultural Policy" (2010) that defines five area based schemes (basic farm sustainability scheme, HNV system support scheme, organic system support scheme, targeted agri-environment scheme, Natura 2000 and water framework directive support scheme). These schemes would be accompanied by wider support measures for sustainable land management and rural development.

These proposals have in common some substantial revision of the Pillar 1 direct payment scheme, to make a stronger link between direct payment and the provision of environmental public goods, as well as some form of transfer of Less Favoured Area (LFA) compensatory support into the direct payment system. Also, the role of agri-environmental payments is confirmed or strengthened in order to be more effective and territorially-targeted.

These proposals also introduce some sort of territorial differentiation of the direct payment support. Territorial modulation of the support could represent a strong potential linkage between direct payments and rural development measures. This linkage would be relevant in improving the consistency and synergy between the 1st and the 2nd pillar measures. The main issue is how much the classification of areas into categories for differentiated direct payments can address the need for the territorial differentiation for the rural development goals. In this regard we can see two kinds of methodological problems. First, at the present moment, on the basis of the different proposals for territorialisation of the direct payment system, the classification of areas is mainly based on agricultural and environmental criteria. Rural development would require wider criteria (e.g. reflecting degrees of development, rural-urban relationships, relations between agriculture and other sectors, etc.) which address socio-economic development. In discussing their rules for zoning, Bureau and Mahé (2008) outlined that "*.the process [of definition] should draw from the experiences of naturally handicapped regions and Natura 2000*" (p.73). The second difficulty can derive from the degree of detail that could be needed for robust zoning, which should be not very fine in the case of direct payment reform in order to avoid complexity in the implementation and the political decision-making process.

The revision of the direct payment system into a system differentiated according to natural handicap and environmental value and attributes, poses some key issues about the justification and the maintenance, within the 2nd pillar, of LFA, agri-environmental and Natura 2000 payments. On this regard these measures have been strongly criticised. A report by the RISE task force (2009) states that to justify LFA measures, it would be necessary "*to switch to positive designation of the environmental qualities of marginal areas, or the farming systems practised*" (p.66). Firm supporters of LFA measure, instead, argue that this instrument has acted in several

zones in the direction of preserving landscape and providing eco-system services.

As for the agri-environmental measures Bureau and Mahé said that "*in most cases agri-environmental measures had doubtful positive impacts, save for the premium on permanent pastures and less-favoured area schemes.... This lack of effectiveness is attributed to the contradiction between pillar I (large payments per hectare) and pillar II (smaller payments)....Another major shortcoming of the agri-environmental measures was indicated in the evaluations: the insufficient or mediocre targeting of zones endowed with environmental qualities...*"(2008, p. 50).

On the opposite side, environmental associations strongly support the maintenance and improvement of agri-environmental measures, as the English countryside and environmental agencies unified under the Land Use Policy Group [LUPG, 2009]: "...*as the shift towards full decoupling of the SPS [Single Payment System] continues, this needs to be accompanied by the continued expansion of funding for targeted agri-environment measures*" (p.20). They also advocate a major role for integrated and local approaches: "...*new mechanisms are needed to ensure that integrated local delivery frameworks can help meet the environmental targets... Single local integrated frameworks should determine how environmental standards and targets are delivered. These should ensure coherence and co-ordination between different EU funding streams....*" (p.20).

In conclusion, it seems that two different visions are emerging on these measures under RDP:

a) the first seems to support a transfer of direct payments which are currently part of RDP (LFAs and/or AEM) under the pillar 1 umbrella or under a single pillar;

b) the second supports their maintenance and strengthening under the RD programming system.

The first could have significant implications for the design, implementation and financial resources of the two pillars. Maybe an intermediate scenario would be more effective and politically acceptable, which still maintains in the RDP system agri-environmental measures particularly with the view to provide very specific and targeted commitments that are tailored towards clearly identified problems [as in the proposal made by Birdlife and other associations, 2010[10]].

The reform of the 1st pillar instruments can influence the role of the 2nd pillar not only through the revision of the direct payments but also through the revision of some measures such as those regarding support on the basis of specific forms of agriculture (foreseen by Article 68 of Regulation No. 73/2009, establishing common rules for direct support schemes for farmers under the common agricultural policy).

2.2. Europe 2020 Strategy a new framework for rural development policies

Europe 2020 is the broad and common vision which should underpin all EU policies, including CAP. Any proposal about future objectives of RD should take this new frame into account. Europe 2020 has been strongly criticised for having neglected the role of agricultural and rural policies in its design and rhetoric. This is true not only in respect of CAP issues, but also for other "sectoral" policies. Actually, when we look more carefully at the

10 In this proposal Birdlife and other associations say that "commitments will be identified in Member States plans and tailored to local conditions. However, these must be very specific and should not duplicate the commitments of other schemes" (p. 26).

Europe 2020 document, the distance between the strategy and the needs of rural areas appears less marked.

Europe 2020 can provide a wider vision of needs and strategies for the rural world. This implies new opportunities for change in the design of RD policies, for setting new challenges and seeking greater co-ordination with other policies.

Europe 2020 sets three main priorities for the future of the European economy [EC, 2010]:

- *Sustainable Growth*: promoting a more resource efficient, greener and more competitive economy;
- *Smart Growth*: developing an economy based on knowledge and innovation;
- *Inclusive Growth*: fostering a high-employment economy delivering social and territorial cohesion.

To guide actions that are consistent with these priorities Europe 2020 strategy sets a limited number of headline targets, which should be translated into national targets "*to reflect the current situation of each Member State and the level of ambition it is able to reach as part of a wider EU effort to meet these targets*" [EC, 2010, p. 13]. Furthermore, seven flagship initiatives are put forward by the Commission to catalyse efforts under each priority theme.

Each of three priorities implies actions in specific fields of intervention, which are illustrated in figure1.

Figure 1. EUROPE 2020 priorites

2.3. Potential impact of a reform of the cohesion policy

The debate on the cohesion policy reform has some relevance for two reasons:

- first, it has considerable relevance for the issues of co-ordination between RD and cohesion objectives and scope (due to difficulties in setting out precise boundaries between them), integration between funds and implementation rules;
- second, it raises the question of a potential competition for the future allocation of financial resources between common policies.

In the first phase of the debate on cohesion policy, relations between RD and cohesion were strongly influenced by the orientations paper (2009) of the former DG Regio Commissioner and by the Barca Report (2009), both recommending the transfer of axes 3 and 4 of EAFRD to the cohesion policy. As was rightly said at the time [Jouen, 2009], this proposal was developed

within a false debate concerning the question of whether support for RD should arise from agricultural policy alone or from regional policy.

In reality, the relations between the two policies must be considered from a different perspective. In the most recent phase of discussion, the debate was more properly focused on co-ordination between policies and on which operational solutions could be identified in order to avoid overlap and duplication and foster synergy. It is quite clear now that ideas and proposal for reform of the two policies are proceeding in parallel and are mutually influencing each other. Both policies are seen as "traditional policies" within the debate on the budget review and their financial share is particularly at risk due to the pressures to radically alter the budget priorities.

2.4. The reasons of a common rural development policy beyond 2013

RD rationales over time have become more complex than in the initial phase, for the following reasons:

- disparities have been increasing and not generally in favour of rural areas;
- continuing structural adjustments in agriculture called for both more effective policy instruments than the traditional agricultural structural policies, and also targeted more at the diversification of rural economies, not focused only on one sector;
- experience has time and again demonstrated that rural development needs a policy approach characterised by innovation, community participation, cooperation, networks, multi-level governance, etc. These ingredients are strongly in contrast with the more

consolidated approach adopted towards structural policy by many countries that have used it to deliver funds to rural areas;

- new environmental challenges have emerged over time, which require cross-border solutions, policy instruments and resources that individual Member State are not best able to achieve.

These emerging trends have provided new rationales for an EU RD policy which can seek to achieve some degree of consistent action across the whole territory. The lack of a common RD policy would probably broaden the performance gap between those Member States and regions, on the one hand, which are unable to set up their autonomous policies, on the other, and those Member States and regions which have already designed and implemented appropriate policies.

These arguments have been recently mentioned by the European Commission in its website in a section on "Rural Development policy 2007-2013", seeking to explain "Why should we have a common rural development policy?"[11]:

> "*Theoretically, individual Member States could decide and operate completely independent rural development policies. However, this approach would work poorly in practice. Not all countries in the EU would be able to afford the policy which they need. Moreover, many of the issues addressed through rural development policy do not divide up neatly at national or regional boundaries, but affect people further afield (for example, pollution crosses borders all too easily; and more generally, environmental sustainability has become a European and international concern). Also, rural development policy has links to a number of other policies set at EU level. Therefore, the EU has a common rural development policy, which nonetheless places considerable control in the hands of individual Member States and regions*".

11 http://ec.europa.eu/agriculture/rurdev/index_en.htm

The role of RD, in particular, as a common policy with an environmental rationale has been stressed by Cooper et al (2010), and concerns especially biodiversity, climate change and parts of the water system as priority areas having strong cross-boundary elements.

In a recent discussion paper the EC (2009) advocates two further elements for a Community approach towards supporting agriculture and rural development: first, mutual learning and experience deriving from a common set of objectives, principles and rules; and second, the existence of trans-national objectives (cohesion, preservation of common natural and cultural heritage, climate change, water management and biodiversity).

III - Proposals for a reform

3.1. For a better integration of the Europe 2020 Strategy

The recent debate on the role of CAP for the coming years has highlighted some possible objectives of a future rural development policy. We are mainly referring to official documents set out by the European Commission and formal (and more informal) meetings of the EU Ministers of Agriculture. The Commission has fostered a debate on the CAP reform at different levels. The Council Presidencies have also promoted a discussion among Member States since the second half of 2008. In particular, on 23rd September 2008, Member States had a first exchange of views on the "best way to prepare for the CAP of the future" during the informal meeting of Agricultural Ministers in Annecy (France). On the basis of the national positions as expressed on this occasion, the Presidency submitted draft Council conclusions on the "Future of the CAP after 2013", which were discussed by delegations at the Special Committee on Agriculture at its meeting on 17th and 24th November 2008.

In December 2009, the European Commission produced a Discussion Paper[12] in which four main challenges were outlined:

- food security;
- land management;
- viable rural areas;
- competitiveness in a global market.

Three months later, the new member States issued a "Declaration on the future of Common Agricultural Policy beyond 2013", where it is stated that the development of rural areas under the CAP should be supported also beyond 2013 with a view to:

- accelerate structural changes, modernisation and improvements in competitiveness;
- providing environmental public goods;
- reducing disparities in development inside the enlarged EU.

On the whole, these positions do not propose radical changes in the role and objectives of EU RD policy. They may be interpreted as a strong defence of the present objectives against the proposal of a pure and simple transfer of axes 3 and 4 of EAFRD to cohesion policy and also of the central importance of farm incomes in the current economic crisis. The competitiveness of the agro-food system is always seen as one of the most important objectives, but the wider rural context is also confirmed as a relevant field of interest for EU interventions.

More recently, the debate has been enriched by a discussion on the relationship between CAP and the Europe 2020 strategy. According to the conclusions of the European Council of 25-26 March 2010 "*all common*

12 "Why do we need a Common Agricultural Policy?"; http://ec.europa.eu/agriculture/cap-post-2013/reports/why_en.pdf

policies, including the common agricultural policy and cohesion policy, will need to support the strategy. A sustainable, productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition".

In fact, Europe 2020 is already influencing the debate on the content and the objectives of the CAP. The Agricultural Council on 29th March held a discussion emphasizing that agriculture and the CAP can contribute to the objectives and priorities of the Europe 2020 strategy and have the potential to contribute even more in the future. Clearly, these new elements were emphasized to remove agriculture and CAP from the very marginal role within which they had been placed by the design and early debate on EU 2020.

On 1st June the Ministers of Agriculture had an informal meeting in Mérida (Spain) to discuss a working document prepared by the Spanish Presidency on "Agriculture and reform of the CAP in the perspective of Europe 2020 strategy". According to this document, the CAP's actions could focus on the following challenges:

- economic growth and employment for the agro-food system;
- food security;
- green growth, based on agriculture's contribution to the provision of public goods, the preservation of biodiversity and the fight against climate change. The appropriate management of forested areas is also linked to this priority.

Taking stock of the debate under the various Presidencies, this document underlines that to respond effectively to these priorities, the CAP needs three types of instruments:

- rural development policies;
- market management instruments;
- direct aid systems.

As a consequence of the new priorities and the linkages with Europe 2020, we suggest that new objectives for RD should be as follows:

- more competitiveness through increased efficiency and innovation in the agricultural sector and the agro-food industry. Technology transfer should also be promoted;
- keeping rural areas viable and habitable, through support to young farmers, revaluation of the role of women and coping with demographic changes;
- fight against climate change and support for adaptation to its effects;
- sustainable management of natural resources and preservation of biodiversity.

Beyond these statements, it does not seem that the institutional debate has introduced very significant changes to the present objectives of RD policy. All objectives proposed in the Spanish Presidency's document were effectively incorporated in RD after the Health Check reform. But in order to cope effectively with them, a real change to the structure of main RD programmes could be necessary, as we will see later on, in the programming of the future RD strategies. In general, the aforementioned official documents show a predominant sectoral vision in the RD strategy, insofar it neglects the relations between Europe 2020 priorities and non sectoral objectives of RD.

3.2. Some leading principles for a reform

There is a need to revise globally the architecture of the RD policy in a direction that can improve its effectiveness and efficiency, strengthening its linkages and consistency with the 1st pillar and other policies.

The debate on the reform should preferably not be hindered by conflicts about financial issues. The discussion about the main objectives of the policy should come first and the implications in terms of financial resources should logically follow this.

The reform should be focused on the content of RD policy in the years ahead, and in particular on the following key principles.

A clear division of labour with the first pillar. The second pillar has undergone constant evolution throughout time, characterised by a steady increase in EU financial resources and accruing additional functions. These functions have not always been conceived in a way which is consistent with the role of RD as stated in the EU regulations. New functions, in fact, have been added over time to the 2nd pillar, by seeing it in some recent circumstances as a mere "repository" of interventions previously targeted to the support of the food production. So in that case the role of accompanying and complementing the market and income support policies has been interpreted very ambiguously, namely as a sort of "compensatory space" in which to retain, as far as possible the financial resources lost through 1st pillar reforms. This has recently happened with the introduction of support measures for the dairy sector within the Health Check process of revision.

The reform of RD policy should be designed within a consistent framework of functions, where the 1st pillar aims to support agricultural income under certain conditions (support for low farm incomes, maintaining of viable

production conditions in the most disadvantaged areas, provision of public goods) and the 2nd pillar should support structural and economic changes for long-term sustainability in rural areas (and not only in the agricultural sector). This approach prevents the 2nd pillar from being a mere "repository" of financial resources transferred by the 1st pillar in order to fund heterogeneous policy instruments and functions which cannot be financed any longer by the latter.

This approach also excludes a merging of the two pillars into one because of their different programming and implementing rules. The proposal of merging the two pillars has gained major attention in the most recent years. Some authors justify this idea through the extension of the co-funding principle to the 1st pillar. Other authors argue that merging two pillars can be the solution to overcoming inefficiency and reducing lack of transparency due to many duplications and overlapping between measures of the pillars.

Actually, there are significant differences in the ways the two pillars have been working until now:

- in the responsibilities of delivery: 1st pillar measures are usually under the responsibilities of national authorities, while 2nd pillar is very often under regional and sometimes also under sub-regional management authorities;
- in expenditure and programming procedures: 1st pillar is characterised by annual budget system, while 2nd pillar follows a multi-annual programming system;
- in criteria of fund delivery: 1st pillar measures are always allocated to single direct aid applications according to mere criteria of eligibility, while 2nd pillar measures are allocated to investment projects according to well-targeted and selection criteria. This implies that 1st pillar applications are collected and funded following a "cash

dispenser" approach, while in 2nd pillar a "project" approach prevails.

In conclusion, there are major differences between the 1st and 2nd pillars due to the different logic of design and implementation. This justifies the existence of two different pillars. This does not mean that the gap in co-ordination between the two pillars should not be filled in the future. But merging the two pillars into one does not ensure automatically avoiding overlap and duplication problems. To do this it would be necessary to revise some measures within the 1st pillar (e.g. those belonging to article 68 and structural measures under the Common Market Organisations framework).

Clear and strong linkages with the Europe 2020 strategy. RD policy should focus on those challenges that represent a common ground for all EU policies. The future reform must serve as an opportunity to reflect upon these challenges for the coming years and their capability to identify and target the emerging needs of populations and entrepreneurs operating in rural areas.

The significant challenges for RD are doubtless linked to both environmental issues (climate change, renewable energy, water resources, biodiversity) and to economic and social issues. It must be kept in mind that many European countries still have to address the challenges of competitiveness and employment, which must be tackled with proper means and instruments. After the economic crisis, furthermore, these challenges will have particular prominence.

Europe 2020 represents a wide vision in which RD policy can play a role, both in the environmental and economic/social dimensions. To this end, a thorough revision of the present EU priorities for RD policies is necessary, to be incorporated in the new Community strategic guidelines for the period 2014-2020. This also means the abandonment of the present architecture

of RDPs (based on four axes) and the proposal of a different strategic programming structure.

A new thematic and territorial focus. Impact evaluations of RD policies frequently underlined the fragmentation of financial support and the lack of well-targeted interventions to adequately respond to the diversity of rural areas in each country. Rural diversity should be properly adopted and confirmed as a leading principle within all RDPs, but in practice a territorial approach to rural areas is only implemented in some countries or regions. Thus an effort to reflect territorial diversity in RD programming, though noteworthy and relevant, is very unevenly demonstrated across Europe. A more effective and coherent legislative framework with specific support is required to ensure a clear thematic and territorial focus and innovative approaches to RDP design and delivery.

Improved co-ordination with other policies. The separation of the funds, on the one hand, and the frequent overlapping with 1st pillar provisions, on the other, call for improved co-ordination and integration between RD and other policies, both at EU and national level.

Co-ordination has been mostly interpreted as a demarcation problem and consequently it has led to growing proliferation of demarcation criteria, which only adds to administrative complexity and extra costs for policy management, without any improvement in effectiveness. In regards to the different components of the CAP, a rationalisation of the entire set of instruments is necessary, as proposed by some recent contributions we have examined earlier in this paper [Bureau and Mahé, 2008; Lyon, 2010; Birdlife and others, 2010]. Rationalisation is also needed of CAP structural support, including all those measures of the single Common Market Organisations (*e.g.* investment support for renovating olive cultivars or investment support for market promotion) which overlap with RDP goals and tools.

Furthermore, considering the cohesion policy, greater integration at all levels of planning must be sought (*e.g.* through a common strategic approach, the harmonisation of the implementation rules, etc) but without changing the current role and functions of the single Fund. In this logic, the transfer of broader RD measures from EAFRD into the sphere of the European regional Development Fund does not seem viable, as proposed in the first step of the debate by the previous European Commissioner in charge of regional policy. It is a solution that would lead to a reduction of funds for rural areas without any guarantee of this being compensated by the transfer of functions to ERDF.

In the realm of co-ordination greater importance should be given to relations between RD policies co-funded by EU and national policies affecting rural areas. This issue is particularly relevant in all those countries that have been funding their own RD policies through specific national funds and initiatives (*e.g.* Netherlands, England, Sweden).

A more simplified and harmonised management of RD programmes. Simplification is an issue that still attracts significant attention, not only among the Member States, but also among farmers and other operators in rural areas. A large group of countries[13] has recently proposed a series of actions, in particular in relation to the 1st pillar. A greater effort should be addressed to the 2nd pillar, much broader than that contained in this proposal, in order to make the following types of changes operational:

- flexibility in the implementation phase;
- harmonisation of rules, in order to eliminate unjustified differences among EU funds that hinder a rational and integrated utilization of EU policies;
- simplification of the legislative framework governing State aid.

13 The Paper 7771/09-COM (2009) Final was proposed by Denmark, Germany, Estonia, Ireland, France, Lithuania, Holland, Poland, Finland, Sweden and the United Kingdom.

3.3. A new strategy based on EU common priorities

As we said earlier, Europe 2020 is the broad and common vision for all EU policies, including CAP. How can this strategy be translated into the context of rural areas and structural and social change in agriculture? Which linkages can be identified between the three Europe 2020 priorities and RD objectives?

The current RD policy, in the aims declared by the regulation that set the rules of EAFRD, identifies two main roles:

- to accompany and integrate the income support and market policies of the CAP, therefore, contributing to the objectives that the Treaty assigns to the CAP;
- to take into account the general objectives of economic and social cohesion policy defined in the Treaty, helping to contribute to their pursuit. Furthermore, these objectives must be integrated with the priorities defined by the Council for the Lisbon and Göteborg agenda, for competitiveness and sustainable development.

After the introduction in the Treaty of the "territorial" dimension of the cohesion (along with "economic" and "social"), the concept of "territoriality" is linked to "*the formulation and implementation of the Unions' policies and actions and the implementation of the internal market*" (article 175).

In fact, the role of RD has been mostly interpreted by Ministries of agriculture in member states and by farmers' unions as a sort of instrument aimed at accompanying and linking to the income support and market policies of the CAP. The growing awareness of the complexity of rural diversity on the one hand, and the experiences gained throughout the years of RD

planning, in particular at the local level on the other hand, drive us towards a reconsideration of this narrow view of the policy objectives. A wider view is really required by the Europe 2020 strategy, as we will argue.

- Following a wider and multi-sectoral view of RD objectives implies that:
- previous objectives should be revised in their definition and contents;
- new important objectives should be taken into consideration;
- RD objectives (both revised and new) should be consistent with the Europe 2020 priorities.

The discussion of new RD objectives seeks to follow the three main priorities defined by Europe 2020: sustainable, inclusive and smart growth. These distinctions are very helpful in interpreting how RD can contribute to the European strategy.

Sustainable growth. According to Europe 2020, sustainable growth means "*...building a resource efficient, sustainable and competitive economy*". To this aim, this priority has been built around the concepts of competitiveness, combating climate change and clean and efficient energy. The concept of sustainable growth in rural areas, albeit not new, has rarely been considered as requiring combined actions in the environmental, economic and social domains. This priority could be pursued through a series of policies that seek to promote the following objectives:

- Competitiveness in agro-food and forestry systems;
- Food quality and safety;
- Combating climate change;
- Improving management of natural resources (biodiversity, water resources and soil protection).

Competitiveness continues to assume a central role in future policies for rural development, as we have seen throughout the institutional debate which has taken place since the second half of 2008. Nevertheless, it must be underlined that pursuit of competitiveness, in the agriculture, agro-food industry and forestry sectors, calls for a sharp change of direction in comparison to the types of strategy adopted to date. Competitiveness must be linked, through appropriate criteria, with "green technologies", innovation, training and empowering of human resources, and sustainable growth. In coherence with the guidelines of Europe 2020, it is necessary to avoid environmental degradation, loss of biodiversity, non-sustainable use of resources and the adoption of energy-intensive technologies. This implies that support to investment must be anchored to selection criteria that are highly demanding in this regard. Moreover the concept of competitiveness should be seen within a territorial logic, widening the concept of farm price-competitiveness. Indeed, the combination of production techniques, values, relations between enterprises and institutional actors, the image of the territory, local culture and heritage can truly enable agro-food competitiveness on the global market.

Food quality has had important potential when linked with support to competitiveness, but very frequently it has been pursued as a separate objective. Nowadays, quality is increasingly adopted as a fundamental approach to wider markets and requires adequate public support, in particular for infrastructures and market strategies.

Combating climate change and improving the management of natural resources merit a specific consideration. The priority related to the management of the environment and rural areas, currently focused around Axis 2 of the RDP, is no longer sufficient to reflect the great challenges of the future. The emphasis placed by the Health Check on environmental challenges and the following re-programming of RDPs suggest that these chal-

lenges cannot be incorporated into only one specific Axis. Furthermore, it seemed rather clear that the challenge of climate change takes on a greater degree of generality and importance than all other priorities (management of water resources, development of alternative energy and energy savings, preservation of bio-diversity). Therefore, it seems most suitable to identify some form of selection of environmental priorities in relation to the needs of the Member States. The choice of the most appropriate measures should be made by each single State, thereby abandoning the logic of grouping homogeneous measures by type of Axis. Interventions addressing environmental conservation and enhancement should not be limited to only a sub-group of measures (*e.g.* agri-environmental payments, Natura 2000, etc.) but should be extended to all measures of the future menu. Sustainable management of resources should not be limited to the present Axis 2. In future RDPs' new environmental priorities should be taken into consideration and all measures can be addressed to them.

Smart growth. This is a priority that received very little attention in the previous programming periods. The support of the research projects is beyond the scope of EAFRD. Training is limited to farmers and foresters and to their activities of production (vocational training), no lifelong learning is included among eligible activities for funding. Innovation is fostered in agriculture mainly by agro-industry and industries producing inputs for agriculture, with a minor role of advisory services and the farm management services supported by RDP measures. The new programming has introduced a specific support to cooperation for development of new products, processes and technologies in the agricultural, food and forestry sector, but this measure was scarcely applied. More recently, the European Recovery Plan has provided RDPs with further resources for the diffusion of broad-band in rural areas and this could be considered a significant effort, but much still has to be done to fill the communication gap between rural and urban areas. In conclusion, significant effort should be made on the following objectives:

- Improving the knowledge transfer of R&D to agro-food and forestry systems, with particular reference to innovation and technologies compatible with a sustainable agriculture;
- Ensuring wider access to digital society to the population and farmers operating in rural areas

Inclusive growth. The importance of objectives linked to a wider vision encompassing the totality of rural areas and the territory must be re-emphasized. These represent fundamental landmarks in the evolution of the EU's original structural policies. However, these objectives must be integrated, in so far as the social inclusion of the weaker part of rural population is concerned, not only in the remote but also in the peri-urban rural areas. Agriculture can play a relevant role in promoting social inclusion in rural areas, as recent research has highlighted [Di Iacovo-O'Connor, 2009]: positive effects can arise from combining the production of food with social functions, such as providing space for recreation, care of landscape, and the provision of care for those with disabilities. Social farms use natural assets as a way to care or to employ people with disabilities. They can also contribute to the care of healthy nature and landscape by "additional manpower" (service-users) and less economic pressure (additional income). That makes social farming a win-win situation, integrating functions such as caring for people with disabilities and contributing to the development of rural landscape.

In addition, new instruments should be introduced to foster entrepreneurship in rural areas, not only in activities linked to farming, but also in other sectors. This objective should also be developed together with other Funds. A specific effort must be devoted to protecting and enhancing social public goods, such as local capacity for development strategy design and implementing, trust and cooperation in governance and more effective networks. Local integrated projects can be more effective when a series of public investment in human and social capital has been promoted,

creating external conditions for innovation and high-quality projects. These external conditions are predominantly local public goods which are of significant value for the success of local economies, but for which there is no private incentive to invest.

A fundamental role in this respect could be played by networks. They can allow a real interchange between actors beyond the local level, encourage local knowledge to be combined with global knowledge, promote the transfer of good practices, avoid the risk that local coalitions being dominated by only some particular groups, for instance local elites, obtain more complete information about development opportunities, etc. Networks, in other words, can facilitate the progress towards the territorial cohesion objective set by the EU Treaty.

In conclusion, the main objectives on which RD for inclusive growth should focus are:

- Diversification and vitality of rural areas;
- Social inclusion;
- Local capacity building and governance;
- Promoting effective networks.

Figure 2. Linkages between EU 2020 and future rural development priorities

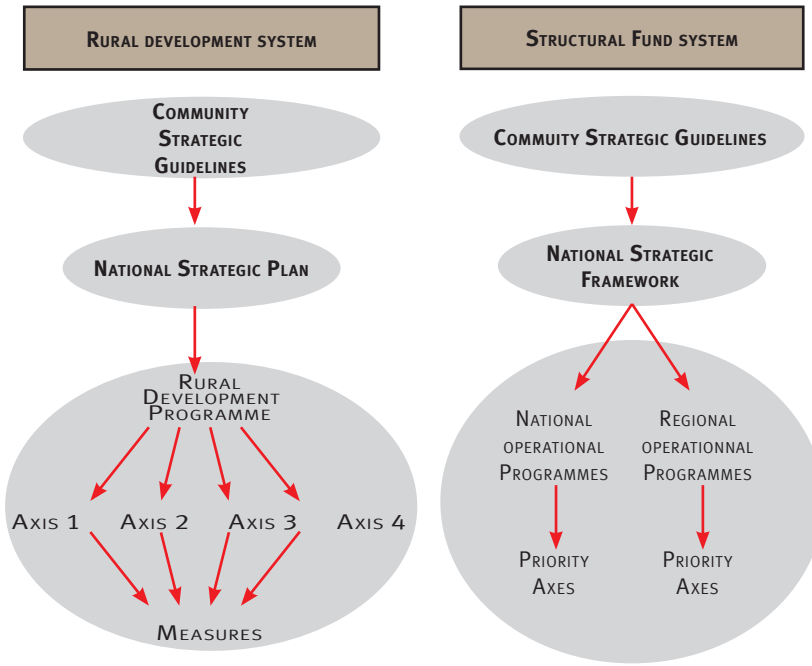
3.4. A more coordinated and simplified programming system

New objectives and programming structure should be accompanied by a renovated programming system. This should be simpler and more co-ordinated with cohesion and national policies.

Programming systems of RD and cohesion appear very similar (figure 3): community strategic guidelines (CSG), national strategy (NSP for EAFRD; National Strategic Framework-NSF for ERDF, ESF and EFF) and operational programmes (RDP for EAFRD; Operational Programmes for ERDF, ESF and EFF) are the three fundamental phases that EU Funds have in common. Even programmes are broken down in axes in both cases, the only difference being lexical: Structural Funds identify axes with priorities, while RD axes are identified with objectives. In particular the relevant differences lie in the type of programmes and the detail of a single programme.

The current regulation for RD admits national or regional programmes that define a global strategy for the national or regional territory. There is no possibility to design RD national and regional programmes in one country, as in the Structural Funds case (National Operational Programmes-NOPs and Regional Operational Programmes-ROPs). The only exception to this rule has been admitted in RD for France, where actually six RDPs were approved: one for the continental country (the so-called "hexagonal" RDP) and the other five for Corsica, Guadelupe, Guyane, Martinique and Réunion. In all countries with a regionalised structure (Italy, Germany, Spain, UK and Belgium) only regional RDPs were approved and co-funded.

Figure 3. Different programming systems



The second important difference lies in the detail of programmes: while RDPs, as said earlier, describe the strategy through measures and sometimes actions, Operational Programmes deriving from cohesion do not go beyond priority axes and at most contain "*for information only, an indicative breakdown by category of the programmed use of contribution from ERDF to the operational programme* ...." (article 12 of the ERDF Regulation). This diversity in the programming systems does not seem really justified by any substantial reason and brings about difficulties in co-ordination and synergy between Funds.

Proposals of change in programming systems should deal separately with the EU and the national level.

Strengthen the strategic guidelines at EU level. RD and cohesion policies should have a common framework in a joint strategy at EU level that is able to define key objectives and actions for each Fund, but also the linkages with Europe 2020 main priorities. Key objectives at EU level should be the basic structure for designing national and regional programmes, substituting the present axes of RDPs. EU strategic guidelines should also give general orientations on how to strengthen complementarity between Funds at national level.

At National levels, improve the coordination of RD and cohesion strategies. How should the common strategic guidelines be translated at national level? To respond to this question two main issues have to be considered:

a) the co-ordination at national level between Funds;
b) the role of the national strategic plan.

The co-ordination at the national level between Funds is called for to ensure that all policies can contribute consistently to Europe 2020 main priorities. This common and joint effort does not only include EU funds but

also the contribution of national policies and public expenditures over the entire period. As at EU level, also at national level a joint strategy should be designed in order to ensure that this common effort of EU Funds and national budget (including those programmed according to the additionality principle) is targeted at Europe 2020 main priorities. The national strategy has to set targets for national policies and to specify how the different Funds can contribute to them. The joint national strategy does not substitute NSP for RD and NSF for Structural Funds and does not deal with operational aspects.

The role of a national strategic plan for RD deserves further discussion in relation to the institutional structure of each Member State.

In member States with a unique national programme. In countries adopting a national RDP there is no reason to duplicate the strategy design both in NSP and in RDP. In that case it is necessary to simplify the design in just one step (the national RDP).

In member States with regional programmes. In regionalised countries there is need for a national strategic document working as a sort of general framework for regional RDPs. This framework would need more instruments to effectively co-ordinate and harmonise the regional strategies than the NSP can have at its disposal in the present programming period. Actually, the RD national framework is admitted by the Reg. (EC) 1698/2005 (article 15[14]), but this possibility is only used by Spain in order to prioritise RD measures and horizontal rules for the measures' implementation [Cores Garcia, 2008]. On the whole, NSP can be considered as a relatively weak programming instrument for designing a national strategy[15]. This is the reason why in some countries NSP has actually failed to represent a sub-

14 This article states that "Member States with regional programmes may also submit for approval a national framework containing common elements for these programmes"
15 It must be outlined that NSP is only approved by national authorities, while the National Framework is approved through an EC decision, as a normal programme.

stantial strategic guideline (see the case of UK and Germany). In some of these countries, furthermore, the devolution of power in agricultural and rural policies to regions, set out in the constitutional law, does not give any legitimate role to the central administration (Ministry of Agriculture) in designing a strong and valuable strategy for rural development.

It would be opportune, in order to strengthen and improve the national strategy, to provide regionalised countries with a real programming instrument, by merging in just one document the strategic approach of NSP and the common elements required by the National Framework. This document has to contain the following provisions:

- definition of rural areas and territorial priorities;
- priorities, objectives and targets at national level;
- a list of national/regional programmes;
- measures/actions to be prioritised by operational programmes and co-funding rules;
- indicative financial plans;
- basic rules for programmes implementation and management, including monitoring and evaluation.

Furthermore, the rule that in the present Regulation on rural development excludes the co-existence of national and regional programmes does not make any sense. As we outlined earlier some environmental challenges typically have a cross-border and trans-regional nature (climate change, biodiversity, water resources). This is also true for other non-environmental challenges (*e.g.* networks, marketing infrastructures, etc.). In all these cases there could be the need (and the rationale) for a specific national programme (concerning only one priority), in order to generate a more efficient use of financial resources and no duplication of effort by neighbour regions.

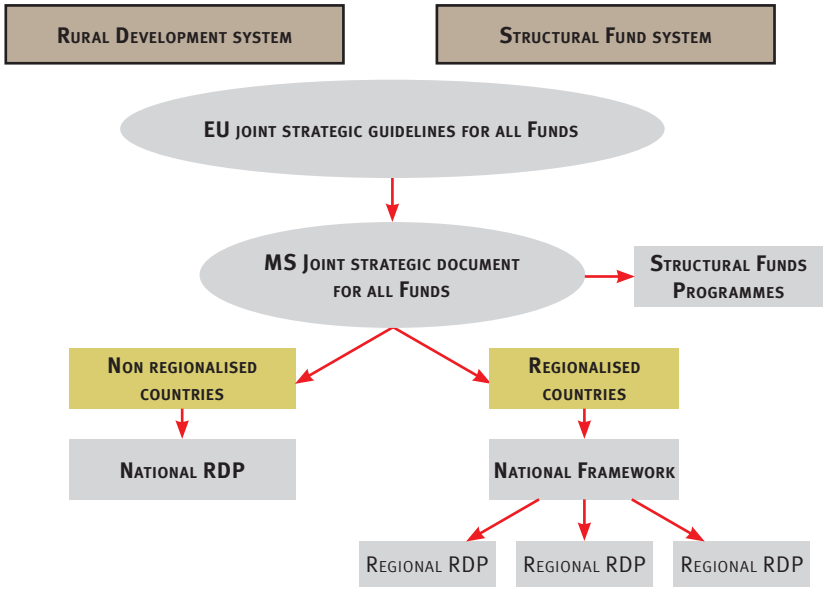
Improve the coordination between RD and cohesion policy at the level of national and regional programmes. At the operational level (RDP), if programmes are kept separate for each EU Fund, the design should be based on a clear identification of the following common elements:

- Definition of rural areas and linkages with urban areas;
- Territorial priorities;
- Complementarity between objectives and measures funded by EARDF, ERDF, ESF, EEF
- Thematic priorities and selection criteria for local development projects, to be funded by different Funds;
- Characteristics of the common system of evaluation.

In order to make this co-ordination more stringent, specific structures should be set up and described inside each programme. In some countries the present programmes have been co-ordinated by joint management structures (see the case of Mecklenburg-Western Pomerania in Germany). It would be suitable to leave to Member States and regions the room for manoeuvre to define the organisation that fits the specific institutional situation of the country/region.

Summing up the above considerations, the figure 4 can provide some clearer insights to illustrate the possible revisions of the RD programming system.

Figure 4. Proposal for a new programming system



Base the RDP on priorities instead of four axes. The rigid structure of the present axes in RDP has provoked widespread criticism for the reasons described in section 2 of this paper (see in particular sub-section 2.2). In the recent debate in informal meetings of Ministries of Agriculture, there was a plea to remove the notion of axes in favour of the concept of priorities. Further, in recent informal seminars, researchers and practitioners in the rural development field have underlined the need to remove axes and leave the room to group different measures according to their specific linkages with priority targets [Dwyer, 2010].

Removal of axes means that a measure may prove functional in achieving several priorities (see figure 5). The choice of the best-suited measures for the pursuit of the strategic priorities must be adopted by the program

managing authority and cannot be defined upstream in the EU guidelines or the general regulation.

This approach presents the following advantages:

- it allows a more rational aggregation of measures, which is organised according to national/regional strategies;
- the content of measures is not defined in an undifferentiated way as often happens, but it is defined in relation to the specific priority. This implies that actions and selection criteria of each measure can be defined very differently in relation to priority.

However it must be outlined, for the sake of transparency, that removing axes in favour of priorities does not imply giving up the accountability of RDP in terms of:

- financial plan by priority;
- description of measures involved in the implementation of each priority;
- indicative amount of public fund (EU + national) planned by type of measure.

There is a need to find the right balance between the simplification of programming and the appropriate financial management of RDP, in order to avoid the present rigidity. This appropriate financial management of RDP calls necessarily for a description of the above information, which is needed for monitoring and evaluation purposes. Financial plan should allocate EU and national funds by single priority and RDP should describe which measures are used for each priority. This does not exclude that a measure is aimed at pursuing different priorities at the same time. The support to farm investments, for example, could be functional to the "Competitiveness in agro-food and forestry systems" priority, as well as to

the “Social inclusion” priority or the “Combating climate change” priority. This is due to different reasons: eligible operations, selection criteria, potential beneficiaries, etc., could usually be different according to the nature of the objectives (priority) which they are functional to. So the distinctive characteristics of the same type of measure vary according the priority, These differences should be described in the RDP because they are helpful to clarify the RDP strategy. The description of measures should be simplified and follow common guidelines to all RDPs. Much more attention should be devoted to the description of the single priority and in particular to the specific objectives, targets, delivery system that is used, beneficiaries and types of measures.

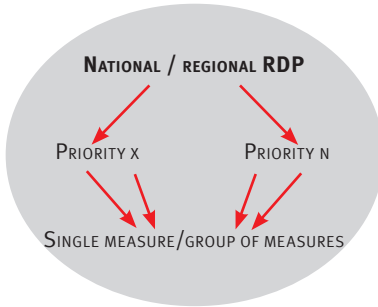
The delivery system deserves a particular attention (Mantino et al, 2009). The concept of delivery system includes administrative and technical structures, development agencies, NGOs, etc. involved in the RDP implementation, monitoring, control and evaluation. These structures could be public or private. Their role and the relationships between them should also be described in preparing the RDP: in particular description should be focused on the types of functions performed, the collaboration/co-ordination procedures, the institutional maps indicating phases and functions involved, etc.). Moreover, the delivery modes should be carefully identified under various aspects (*e.g.* centralised or devolved, single or combined measures) and the choices made by RDP authorities should be connected to specific goals or to the needs of local context. The use of combined measures (integrated approach) should be properly incentivised and should not only be limited to Leader-like projects.

In conclusion there is the need for a better specification of the programme strategy and thus a choice of the type of delivery which is more consistent with the strategy. This implies that the content of the RD plans which describes the delivery system should be sufficiently detailed to allow

assessment of whether what is proposed is likely to meet the conditions of efficiency and effectiveness. In particular these sections of RDPs could be more detailed:

- analysis of the current situation in terms of strengths and weaknesses, where specific attention could be devoted to analysing the existent delivery system;
- the ex-ante evaluation of the consistency between the strategy proposed and the existing and proposed delivery system;
- a full description of organisations and structures involved in the implementation phase, going beyond the description of the main authorities involved and established by the present regulation (Managing Authority, Paying Agency, Audit Authority, Monitoring Committee);
- a description of the approaches used to integrate measures, not simply under Leader;
- a description of how national/regional programmes funded by Member States resources are implemented, and how this is complementary to EU-funded measures.

Figure 5. Create new relations between measures and priorities



Determine minimum thresholds, improve the balance between priorities and financial plan. A specific discussion is needed on the minimum thresholds at the level of EU objectives. This is a crucial issue in the definition of the RD strategy. Nevertheless, at the same time, it could generate several constraints in implementing the EU strategy at national and in particular at regional level.

Despite this controversial argument, minimum thresholds have provided two important outcomes in the present programming period:

a) they have ensured a sufficiently balanced approach to EU objectives in all NSPs and RDPs, and consequently have established the conditions for a common RD policy at EU level;
b) in particular, they have ensured that RDPs might also be focused on wider territorial needs of rural areas, insofar as they have prevented a dominant sectoral vision of rural areas prevailing in the design and delivery of measures. These results have been confirmed by a series of research programmes carried out in the last few years, within an EU-wide comparison. According to a research project funded by DG AGRI [Dwyer et al, 2008], the minimum spending thresholds are designed to ensure that each programme gives due consideration to each of these main EU priorities for RD, and there is evidence from this study that the thresholds may have had beneficial effects, both within RDPs and at the EU level. In a recent analysis of the balance between planned expenditure on "sectoral" and "territorial" measures it has been shown that the former is dominant in all Member States. However, some countries (*i.e.* Netherlands and Malta) stand out, allocating around 40% of planned expenditures to territorial measures. Other countries (*i.e.* Estonia, Latvia and Germany) plan to spend 25% or more on territorial measures. At the other extreme, Belgium and Luxemburg allocate more that 90% to sectoral measures. On average the EU27 allocate 18% to

territorial measures, the EU15 a little over 15% and the new Member States 12 21.5% [Copus, 2010].

In conclusion, we think that is extremely important to keep this principle alive in the future RD policy, insofar as it ensures that common EU priorities are adopted in each Member State. The risk of non-adoption could generate very unbalanced RDP with a definitive sectoral approach. This principle should take into account not only EU funds but also national funds, through a sort of "thematic additionality": this means that if Member States/regions are pursuing RD priorities with national/regional funds, this should be taken into account in meeting the minimum thresholds. According to the definition of priorities for RD that was adopted in this paper, a proposal for indicative minimum thresholds is illustrated in figure 6. This proposal has been elaborated on the basis of the priorities considered and also on the "historical" thresholds set out in the present programming period.

Figure 6. Minimum thresholds for the future rural development priorities

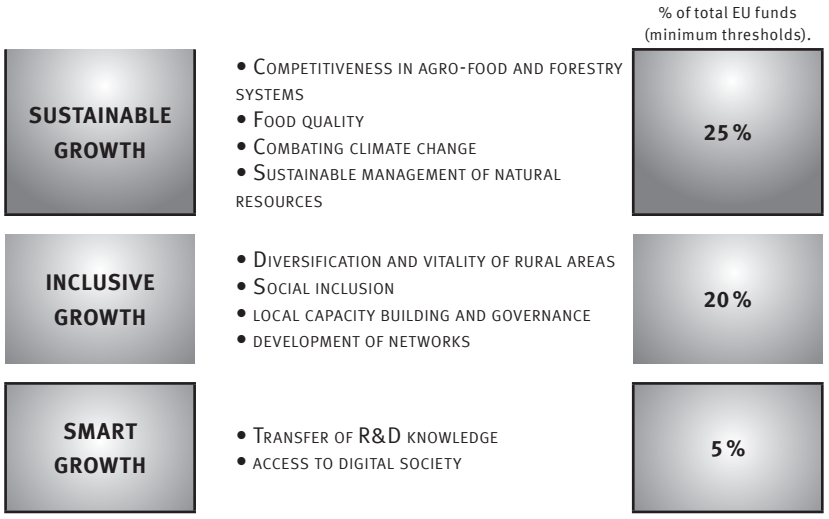


Figure 6 indicates three minimum thresholds at the level of Europe 2020 general priorities (sustainable, inclusive and smart growth). This should be the most appropriate level for setting minimum threshold by the EC. Member States and Regions should allocate funds among the 10 common RD priorities within the Europe 2020 general priorities.

This new structure and the minimum thresholds are quite different from the present situation and have several significant implications on the financial management of RDP:

a) in the 2007-2013 programming system the minimum spending thresholds have to be defined at the level of Axis, while in the future should be set at the level of EU 2020 general priorities or group of RD priorities;

b) within each general EU 2020 priority, Member States and Regions should adopt all the 10 common priorities which are established for RD, but they can allocate EAFRD total contribution among the specific RD priorities according to their strategy. This implies that there is a certain flexibility in EAFRD fund allocation, but this flexibility is framed by a common grid of EU specific priorities for rural development;

c) the financial plan in RDP and in the National Framework for rural development should include the total breakdown of EAFRD for each specific RD priority. This financial breakdown should be indicative, with the possibility of annual financial flexibility in the implementation of the priorities;

d) the monitoring and evaluation should mainly be of strategic nature. This means that they should aim to check and assess annual progresses in meeting the targets (financial, output and impacts) which have been set for each RD priority.

3.5. More room for a territorial approach and innovation

The Leader programme and other integrated policies (such as the European Territorial Pacts for Employment, for example) encompass a suite of ingredients which perhaps best serve to codify the territorial approach from a methodological point of view. These programmes, however, have evolved over time and there is a great deal of variation in the way in which the same Leader is implemented across Europe]Mantino et al, 2009]. The more general ingredients of the territorial approach may be defined as follows:

a) focus on specific places;
b) strategy which aims at supporting the provision of public goods and services within an integrated vision of all territorial resources;
c) need for multilevel governance, ensuring co-ordination and networking both in the vertical sense (relations between the different levels of government) and in the horizontal sense (relations between actors and stakeholders living and/or operating in the specific territory, codified through a public-private partnership, which in the case of Leader is the Local Action Group);
d) focus on investment in different sectors, rather than subsidy to agriculture.

Leader was not the only territorial programme to be implemented in rural areas in Europe. Other types of programmes have been designed and implemented in rural areas, both within the Structural Funds and the EAFRD. Some of these programmes were financed in the past through national budgets too, as a result of a process of mainstreaming by Member States and regions.

Some projects with a territorial approach have also been implemented within the present programming period in the RDPs. This is the case when the localised filière projects (agriculture, food processing and marketing)

are funded or when both measures and funds are managed through sub-regional programmes. The scale could be very small (single municipality or groups of municipalities) and in this case we could find projects linked to very local markets (niche products, high quality product -a PDO wine or a GOP cheese).

Another interesting case of territorial approach is when the decentralization process implies that the programming and implementation phases are delegated to a scale which can be considered to be lower than the regional scale (*i.e.* the Italian Provinces).

The current rural development programming period (2007-2013) is also characterised by a level of innovation in terms of integrated local development strategies. Certain Member States have strengthened the importance of this approach (Italy, Portugal, Ireland, some French regions); others, such as France, have strongly revised the previous approach. In general, interesting tendencies are emerging in the present programming phase and these can be summarised as follows:

- there is an increasing interest in designing and experimenting with territorial approaches within the RDPs in different Member States and regions;
- these approaches frequently involve protected areas, regional and national parks, etc. due to the need for and advantages of combining environmental, economic and social aspects in the local strategy;
- this logic is reflected in the mix of eligible measures for the local plans (they go from the typical Axis 2 measures to a wide range of Axis 3 measures and also to some Axis 1 measures);
- the model of partnership admitted by the Managing Authorities and selection criteria is different from the classical Leader model, and more flexibility is allowed for the relationship between individual partners and between partners and the management authority;

- finally in some cases, particular attention is given to the relations between these new partnerships and eventually the LAGs which are operating on the same territory, in order to foster synergy and avoid duplication.

In conclusion, it must be underlined that the new programming phase confirms the importance of the territorial approach in those countries which have already experimented in the past[16]. In the light of these interesting experiences that confirm the demand for a more territorial approach in several countries, it seems necessary that integrated local development strategies be confirmed as a fundamental instrument for the next programming period. They should be:

- based on the above mentioned general ingredients;
- funded by specific budget allocations;
- more oriented to innovation.

As for the specific budget allocation, territorial approaches could be funded by financial resources potentially addressed to all priorities and the running costs of the partnerships within the "local capacity building and governance".

Territorial approaches taking the form of Leader-like projects could be financed following two different options:

a) local integrated projects within the mainstream
b) local integrated projects outside the mainstream.

16 The diffusion of this approach seems to be less popular in the new Member States, where more traditional approaches have been adopted. This depends partly on strong pressure to follow a more traditional approach due to the fear of low rate of expenditure absorption over the period 2007-2013. And this also partly depends on the novelty of this approach in the Central-East administrative structures, largely centralised and based on the central structure of the Ministry of Agriculture.

In the first option local integrated projects could be financed by all measures of RDP (without any particular restriction by managing authority) or, as an alternative, by a combination of different funds in order to increase the room for manoeuvre of the local partnerships. Local integrated projects, in the first case, would be focused on filière, agro-tourism, ecotourism in protected areas, etc. Multi-sectoral projects, instead, would require merging different Funds. The combined use of different Funds in an integrated strategy at local level calls for two fundamental conditions:

- the harmonization of management rules set out by the different Funds, in order to permit an easy and efficient handling of the local interventions by the local partnerships;
- the setting up of an inter-departmental (inter-services) co-ordination structure at national/regional level that is capable of undertaking the functions of selection, approval and monitoring of local partnerships. This co-ordination structure should include officials of different administrations (operating in the fields of different Funds). This organization recalls the experience of Leader 1, where local development strategies were funded by three Structural Funds (EAGGF-Guidance included) and for this reason there were severe delays in setting up the needed ruling organization.

The ways these two conditions are faced and defined are crucial in order to choose the best approach to manage territorial approaches in the future.

The second option (outside the mainstream) is more radical, as it involves a very different design, management and funding of the local development strategies. In this case local strategies and partnerships would be selected, approved and financed directly by the European Commission under the form of innovative projects, without any national or regional filter. These innovative local development strategies would be selected on a competitive basis (without national pre-allocations) by the Commission services and would

be supported by some intermediate body (of public nature) for advice, animation, monitoring and control. The intermediate body should have the independence and the expertise to ensure an efficient and effective management of these tasks. A similar approach was suggested by the Barca Report (2009) to promote experimentalism and mobilize local actors.

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Dépôt légal

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Cooperation, Competition, Solidarity

The Reform of EU Rural Development Policy and the Challenges ahead

Born within the context of a strong cooperation between agricultural structural policy and regional development policy in the mid-80s, rural development was consolidated as a comprehensive EU policy only under Agenda 2000. For a decade, the so-called «second pillar» has undergone constant evolution throughout time, characterised by a steady increase in financial resources and accruing additional functions. These functions have not always been conceived in a way which is consistent with the role of rural development as stated in the EU regulations.

Considering the next programming period post-2013, this paper written by Franco Mantino aims at providing proposals for a reform of the future EU rural development policy.

In the author’s view, this policy can play a significant role in promoting structural adjustment and maintaining viable rural contexts. But this role calls for a reform that significantly improves both the efficiency and effectiveness of policy instruments. At the same time, it is necessary to broaden the scope of the rural development instruments in order to address major challenges, namely climate change, renewable energy, water resources, biodiversity, competitiveness and social cohesion, while avoiding that only sectoral approaches prevail in the design and implementation of this policy.

For Mantino, this does not require either a revolution in the rural development policy or a revision of the present architecture of the pillars of CAP, but a substantial and concrete implementation of the principle of integrated rural development which has been already affirmed in the past reforms. Thus, he urges both a clear division of labour between the 1st and the 2nd pillars, and a better integration with the cohesion policy.

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