

## Rural development in EU policy: a retrospective



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The agricultural, demographic and industrial revolutions deeply changed the face of Europe over the 18th and 19th centuries, with major consequences for the continent's countryside. Indeed agriculture is above all an economic activity, but it has also shaped landscapes and given structure to societies for centuries. Urbanisation was a major phenomenon of 20th century in Western Europe, as a result of increased agricultural productivity and new jobs in the secondary and tertiary sectors. In 1915, less than 15% of the population was urban; this had become 63.8% in 1950 and 76.1% by 2005 [UN figures]. Rural regions have gradually stagnated, becoming areas of lower prosperity and even poverty, of de-population, and sometimes with major weaknesses in their natural assets. During the 1970s major new problems became rapidly more serious, de-

manding choices and collective responses to determine the future of these regions.

The history of European action in support of rural areas is one of slow, intermittent construction. Originally a part of cohesion policy, rural development policy today represents the *2nd pillar* of the common agricultural policy (CAP) and since 2007 it has benefited from a special fund, the EAFRD. Designed to be adaptable to the full range of rural situations, this *pillar* brings together diverse measures, including farmers' settlement aid, environmental protection and the development of rural tourism. This policy brief will review the steps by which the European rural development policy was created, and assess how firmly it is anchored among EU policies.

### The gradual formulation of the «rural question» in EU poli-

#### Rural dimension absent from the original CAP

The implementation of the agricultural common market was based on a policy centred on price, to the detriment of structural aspects, which were seen as important by France in particular. At the Stresa conference of 1958 a proposal to allocate a part of CAP funds to structural policies was not taken up, due to the financing needs of the common market organisations of the time [Berriet-Sollic, Daucé: 2002]. From then on the CAP objectives, as defined in article 39 of the Treaty, would focus on production: making Europe an agricultural power, self-sufficient in food, with reasonable prices for consumers and sufficient incomes for farmers. Faced with the needs of the lagging-behind regions, the price-support policy (EAGGF-Guarantee) was supplemented in 1964 by a modest structural fund (EAGGF-Orientation) intended to improve the competitiveness of agricultural and food

industries in these regions. The possibility of expanding the structural policy was firmly dismissed in the 1970s by President Georges Pompidou, who rejected the principle of a "*Brussels Commission correcting regional and structural disparities*" and the idea that "*considerable sums*" might serve this aim [Noël, Willaret: 2007].

The first measure tailored to the non-agricultural rural actors appeared in a 1973 directive concerning farming in mountainous regions and in certain areas disadvantaged by natural handicaps. The measure aimed to assure the maintenance of agriculture, avoid rural exodus and preserve the environment by means of specific assistance. It became effective on 28 April 1975 with the implementation of an annual European subsidy. This was designed to compensate productivity handicaps due to topography (slope and bearing), poor soil, lack of socio-economic development and the protection of

fragile natural environments. The Natural Handicap Payment (NHP) provides support for farms in these areas permanently affected by these additional costs, and where the maintenance of agricultural activity is recognised as contributing to a high-quality environment (the idea of the "lawn-mowing cow"). These measures still exist, retaining a specific place within an agricultural policy which is accused of neglecting the cohesion objective and fostering disparities between different areas of Europe.

### The Single European Act, the beginnings of a rural policy

Starting in the 1980s, rural areas were looked at more specifically and systematically – a reflection of their

changing image in politics and society. The cohesion policy initiated by the Single European Act (1986) was the first to evoke the notion of *rural areas*. This policy, which gave a central role in European integration to reducing imbalances between Member States, saw rural areas as a specific target. Rural development was designated in article 130A as one of the five objectives of cohesion policy. In his speech to the European Parliament, "*Making a success of the Single European Act*", Jacques Delors proposed to double structural funds as an accompaniment to the reforms completing the single market – including that of the CAP. It was in this context that action in support of rural areas would gain considerable means. In 1988 the change was confirmed by the explicit inscription of rural development in the programme of cohesion policy.

### FROM SCATTERED MEASURES TOWARDS A RURAL POLICY (1973-1991)

<p><b>1973</b> : AGREEMENT IN PRINCIPLE IN THE COUNCIL ON THE FIRST DIRECTIVE CONCERNING AGRICULTURE IN MOUNTAINOUS REGIONS AND IN CERTAIN LESS FAVOURED AREAS..</p> <p><b>1975</b> : CREATION OF THE ERDF, 18 MARCH 1975. ENTRY INTO FORCE OF DIRECTIVE 75/268/CEE ON AGRICULTURE IN MOUNTAINOUS REGIONS AND DISADVANTAGED ZONES, WHICH INTRODUCES THE NATURAL HANDICAP PAYMENT (NHP) THROUGHOUT THE COMMUNITY.</p> <p><b>1981</b> : INTEGRATED DEVELOPMENT PROGRAMMES FINANCED BY THE EAGGF-ORIENTATION.</p> <p><b>1985</b> : COMMISSION GREEN PAPER, «PERSPECTIVES FOR THE COMMON AGRICULTURAL POLICY», WHERE THE NOTION OF RURAL DEVELOPMENT APPEARS. CREATION OF MEDITERRANEAN INTEGRATED PROGRAMMES, WHICH SUPPORT AGRICULTURE AND FISHING, AND ENCOURAGE ECONOMIC DIVERSIFICATION IN SOUTHERN REGIONS «THREATENED» BY THE ENLARGEMENT TO SPAIN AND PORTUGAL.</p> <p><b>1986</b> : ON 16 DECEMBER THE COUNCIL ADOPTS THE SINGLE EUROPEAN ACT, WHICH INITIATES COHESION POLICY, AND IN THIS FRAMEWORK THE FIRST MEASURES FOR A SOCIO-STRUCTURAL POLICY FOR THE COUNTRYSIDE (ARTICLE 130A).</p> <p><b>1987</b> : «MAKING A SUCCESS OF THE SINGLE ACT», SPEECH OF THE PRESIDENT OF THE COMMISSION TO THE EUROPEAN PARLIAMENT ON 18 FEBRUARY. THIS «FIRST DELORS PACKAGE» EXPLAINS THE REASONS FOR COMMUNITY ACTION AIMING TO «GUARANTEE THE FOUNDATIONS OF RURAL DEVELOPMENT», AND RURAL DEVELOPMENT IS DESIGNATED ONE OF THE FIVE PRIORITY OBJECTIVES OF STRUCTURAL FUNDS REFORM.</p> <p><b>1988</b> : ADOPTION OF THE STRUCTURAL FUNDS REFORM BY THE FEBRUARY EUROPEAN COUNCIL. RURAL DEVELOPMENT BECOMES A PRIORITY OF THE COMMUNITY. // COMMUNICATION OF THE COMMISSION ON 29 DECEMBER CONCERNING THE FUTURE OF THE COUNTRYSIDE: CREATION OF OBJECTIVE 5B. EUROPE LAUNCHES SUPPORT FOR RURAL AREAS WITHIN THE FRAMEWORK OF THE COHESION POLICY INCEPTED BY THE SINGLE EUROPEAN ACT.</p> <p><b>1991</b> : IMPLEMENTATION OF THE LEADER I COMMUNITY INITIATIVE (1991-1994).</p>
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Support for the development of rural areas is initiated by the cohesion policy. In targeting "*lagging-behind regions*", objective 1 allows funding for rural areas in regions where GDP is less than 75% of the Community average. But objective 5b, intended to "*promote the development of vulnerable rural zones*", is the true founding act of a programme which places itself "*within the perspective of CAP reform*". These rural areas have poor socio-economic development and fulfil two of the following three criteria: a high rate of agricultural employment; low agricultural incomes; low population density or a depopulation trend. Since its creation this objective has concerned 8.2% of the European population (EU 12). In addition, rural areas outside objectives 1 and 5b may benefit from horizontal measures in accordance with cohesion policy objectives 2 (adaptation of regions in industrial decline), 3 (the fight against long-term unemployment), and 4 (facilitating youth integration into the workplace).

In this way, rural policy as defined by the Single Act offers a kaleidoscope of measures, financed in accordance with different objectives and covering wide themes – such as the encouragement of farm businesses to wind up; the financing of investment in job-creating enterprises; the development of rural infrastructure (road network, sanitation, etc.); and the maintenance of natural spaces. This measures herald the beginning of an integrated rural policy, which takes into account

the complexity (economic, social, demographic) of these zones and proposes coordinated management of sectoral intervention across the whole of the place concerned. This is why three funds are called on: the ESF (European Social Fund), the EAGGF-Orientation, and the ERDF (European Regional Development Fund). This diversity of measures on offer, with accompanying funds, expresses a desire to address all the factors involved in rural development. But we would need to wait for the Cork conference in order to systematise this approach.

### The strengthening of rural development and its appropriation by the CAP

In 1992 CAP reform reached a new stage, with the definition of a EU rural development policy. The policy would strengthen the weighting of agro-environmental measures; partially compensate falls in agricultural prices with support measures, in particular aiming to "*guarantee the balanced development of the countryside*"; introduce the idea of remuneration for services (set-aside) [Communication – Maastricht Treaty]. Lastly, the policy made explicit the relationship between agriculture and the development of rural areas, emphasising that the long-term problems of rural communities "*demand a dynamic and integrated [...] policy which features a prosperous agricultural sector as well as wider objectives [...]*."

In a context of growing criticism – of an agricultural model focused more on quantity than quality, which generates pollution and health risks, and damages traditional landscapes – the Cork Conference (1996, Ireland) marked a turning point. During this first official conference dedicated to rural development, farmers were no longer considered as a particular social group but rather as rural stakeholders [Barthélemy, Nieddu: 2002]. Agriculture was examined from the perspective of its environmental and cultural role (the countryside),

and rural development appeared a means of adapting the CAP to new challenges – in particular the need to respond to the changed preferences of consumers.

By proposing an integrated and multi-sectoral approach to rural development, the reform was an attempt to create a non-agricultural vision of the CAP's measures. However, the proposition aroused the suspicions of farmers and the food industry, and in practice had a limited effect.

## Rural development, a fragile «second pillar»

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### The Agenda 2000 transition

CAP reform takes a new turn in the perspective of Agenda 2000, adopted in March 1999. The CAP's structure is formally divided into two *pillars*, one dedicated to the regulation of agricultural markets, the other to rural development. During this reform the term *rural development* is added to the treaties and the Rural Development Regulation, which fixes the objectives and determines policy instruments, is adopted. This change helps to improve the coherence of the measures directed towards rural areas. It appropriates for the CAP the currently popular thinking on agricultural multi-functionality. Agriculture is considered as a sector which produces commodities, but also landscapes, balanced land use, jobs, and a quality environment. This new direction is summed up by the DG Agriculture thus: "*The new CAP represents a step forward towards support for the rural economy, widely defined, rather than simply agricultural production, and it guarantees the remuneration of farmers, no longer simply for what they produce but also for the general contribution that they make to society.*"

For the second pillar, three forms of support are proposed: strengthening of the agricultural and forestry sector; improvement of the competitiveness of rural areas; preservation of the environment and Europe's rural heritage. The reform innovates by proposing a decentralised and flexibly managed policy. States and regions use a palette of measures on offer in the RDR to create a strategy adapted to the specificities of their area and their priorities. This change was intended to return to Member States a margin for manoeuvre with regard to an historically centralised CAP. Yet the majority of states would not subsequently make use of it. With the obligation to co-finance the measures, and the option of *modulating* expenses – the transfer of direct aid payments towards rural development, within a limit of 20% – States would rarely decide in favour of the second pillar. It was only with the 2003 reform and the implementation of compulsory modulation (5%) that second pillar instruments gained growing means. In financial terms, all regions of objective 1 continue to function according to the former model of objective 5b (integration of funds, including EAGGF-Orientation

and integrated programmes), whereas in all the others EAGGF-Guarantee is called on.

### Anchoring of the CAP's second pillar and the creation of EAFRD

The RDR system – too complicated to coordinate because the funds do not respect the same accounting rules, and based on optional modulation – would quickly show its flaws. From these observations emerged the idea of a unique rural development fund, to simplify the policy and the modulation obligation for States. At the Salzburg Conference of 2003, attended by the principal political actors of European agriculture, rural development experienced fundamental innovations, with the splitting of the guarantee and orientation sections of the EAGGF into two distinct funds – the EAGF (European Agricultural Guarantee Fund) and the EAFRD (European Agricultural Fund for Rural Development). Under this new arrangement the EAFRD loses its status as a structural fund and there is no longer an obligation of integration with the other funds (ESF and ERDF). In return, the EAFRD is supposed to respond to all the needs of rural areas. This financial re-engineering helps improve the coherence of the different measures and places rural development principally under the aegis of the CAP – the regions being allowed to plan rural measures within the framework of their regional development programmes.

With €88m at its disposal for the 2007-2013 programming period, and structured into four axes, the second pillar today offers 26 measures qualified as "rural development". In the face of this ensemble, at first sight promising for the future anchoring of rural development within EU policy, M. Jouen [2007] underscores the fragility of the measures aimed at supporting economic and social development in rural areas – the measures of axes 3 and 4 representing only 19% of the total budget of the EAFRD for the programming period 2007-2013. She also points out that "*the directions taken [...] have led to an increase of the relative share of the CAP 2nd pillar, from 12% in 2000-2006 to 20% in 2007-2013, but that its budget has moved from 10% of the total EU budget to 8%, due to the decision to place an upper limit on the weight of the CAP within the general budget.*"

## RURAL DEVELOPMENT, FROM COHESION TO CAP (1992-2009)

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<p><b>1992</b> : SIGNING OF THE TREATY OF MAASTRICHT, 7 FEBRUARY. FIRST APPEARANCE IN THE TREATIES OF THE NOTION OF RURAL DEVELOPMENT (ARTICLE 158). REFORM OF THE CAP: CHANGEOVER FROM A REGIME OF GUARANTEED PRICES WITHOUT LIMIT OR EXCEPTION TO THE QUANTITATIVE LIMITATION OF PRODUCTION, AND INCOME COMPENSATION. ENCOURAGEMENT OF EXTENSIVE AGRICULTURAL PRACTICES RESPECTFUL OF THE ENVIRONMENT AND BENEFICIAL TO LAND MANAGEMENT (AGRI-ENVIRONMENTAL MEASURES).</p> <p><b>1994</b> : CREATION OF THE LIST OF «VULNERABLE RURAL AREAS», CORRESPONDING TO OBJECTIVE 5B OF THE «DELORS PACKAGE», WHICH PROMOTES THE DEVELOPMENT OF RURAL AREAS. LEADER II (1994-1999).</p> <p><b>1996</b> : CORK CONFERENCE (IRELAND) DEDICATED TO RURAL DEVELOPMENT. AFFIRMATION OF AN INTEGRATED AND MULTI-SECTORAL RURAL DEVELOPMENT POLICY INVOLVING ALL THE RURAL ACTORS.</p> <p><b>1999</b> : BERLIN COUNCIL. POLITICAL ACCORD ON AGENDA 2000, WHICH INCLUDES A NEW REFORM OF THE CAP. EMERGENCE OF THE «2ND PILLAR», APPEARANCE OF THE RURAL DEVELOPMENT REGULATION (RDR) AND OF «MODULATION». CREATION OF SAPARD: INSTRUMENT TO ASSIST THE ADAPTATION OF THE AGRICULTURAL SECTOR AND RURAL AREAS OF CANDIDATE COUNTRIES.</p> <p><b>2000</b> : LEADER+ (2000-2006), THE PROGRAMME WHICH PROMOTES RURAL DEVELOPMENT BY INITIATIVES OF LOCAL ACTION GROUPS, IS ADDED TO THE GENERAL REGULATIONS OF THE STRUCTURAL FUNDS.</p> <p><b>2001</b> : THE GÖTEBORG EUROPEAN COUNCIL DEFINES THE EU'S SUSTAINABLE DEVELOPMENT STRATEGY, WHICH MANDATES THE CONTRIBUTION OF THE 2 PILLARS OF THE CAP TO SUSTAINABLE DEVELOPMENT.</p> <p><b>2003</b> : THE THESSALONIKI EUROPEAN COUNCIL CONFIRMS THESE PRINCIPLES: «THE NEW CAP AND RURAL DEVELOPMENT CONTRIBUTE DECISIVELY TO ECONOMIC COMPETITIVENESS AND TO SUSTAINABLE DEVELOPMENT.» 2ND EUROPEAN CONFERENCE ON RURAL DEVELOPMENT IN SALZBURG, «PERSPECTIVES FOR RURAL POLICY IN AN ENLARGED EUROPE». WITH THE LUXEMBOURG AGREEMENTS THE AGRICULTURAL COUNCIL OF MINISTERS SETS IN MOTION THE NEW CAP REFORM, WHICH STRENGTHENS THE 2ND PILLAR.</p> <p><b>2005</b> : COUNCIL REGULATION 1698/2005 GOVERNS RURAL DEVELOPMENT POLICY FOR THE PERIOD 2007-2013.</p> <p><b>2007</b> : REPLACEMENT OF EAGGF, WHICH HAD FINANCED THE CAP SINCE 1962, BY THE EAGF AND THE EAFRD.</p> <p><b>2008</b> : EUROPEAN CONFERENCE ON RURAL DEVELOPMENT AT LIMASSOL-CYPRUS, «EUROPEAN RURAL AREAS IN ACTION: FACING TOMORROW'S CHALLENGES».</p> <p><b>2009</b> : COUNCIL'S ADOPTION ON 19 JANUARY OF THE CAP HEALTH CHECK, WHICH MANDATES AN INCREASE IN OBLIGATORY MODULATION FROM 2010.</p>
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### An insecure policy?

While it is the longest-established of common policies, the CAP has become a more normal example of EU policy since the beginning of the 1990s. It resembles a sectoral policy contributing to the general strategy of the EU as defined by the Lisbon process and the Göteborg declaration. Rural development, a recent appearance within the spectrum of European action, is a particular factor working towards making the CAP's 1957 objectives coherent with today's EU objectives (cohesion, sustainable development). It assists the restructuring of the farming sector and the diversification of rural economies, drives measures to protect the environment and contributes to the maintenance of rural heritage. The policy became better anchored in 2007 with the creation of the EAFRD, but it is the object of growing pressure with the prospect of budgetary review, and in particular the risk of a budget cut for the 1st pillar.

With a possible post-2013 reworking of the common agricultural policy in prospect, different ideas compete as to the right level of governance for rural policy. The first school of thought, represented by Prof. D. R.

Harvey [Newcastle] argues in favour of essentially local governance (e.g., by environmental associations). Only this level would allow the provision of public goods – conservation, amenities, recreation and the environment – and the evaluation of agriculture's externalities. The second school of thought acknowledges the existence of *European public goods* in rural areas and the legitimacy of the cohesion principle. These two principles make a case for the maintenance of an extensive policy at European level and justify the provision of budget resources which remunerate services of social utility [Mahé-Bureau: 2008]. Both of these conceptions assume a reworking of the objectives and the mechanisms of CAP funding – in the first school's view, to remove the 2nd pillar from it; in the second one's view, in order to put in place contracts which remunerate the provision of European public goods financed by the common budget.

But before building on new foundations, the current rural development policy is open to improvements in at least two directions – the evaluation of measures in place, and the targeting of the rural areas concerned. ■