The Common Strategic Framework and its Impact on Rural Development

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Foreword by Dacian CIOLOŞ

Policy
50
Paper

Policy
50
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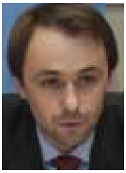

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Foreword

To the classic question "Does agriculture or non-agriculture receive too much of the money dedicated to rural development?", we can offer a provocative reply: to think in these terms is nonsensical. In fact, it would be contrived to separate the rural from agriculture. They are two sides of a single coin: agriculture has always been the central economic activity in rural areas. While it is certainly losing ground to other economic sectors, agriculture and the presence of farmers in rural areas are essential components of rural dynamics. This is why rural development policy falls under the Common Agricultural Policy (CAP).

However, the shift in the relation between rural and urban areas encourages a new approach, one which brings these two dimensions together to create greater overall development of the territory. The Common Strategic Framework is the best way to respond to this new reality. Rural development is inextricably linked to agriculture, which plays an essential role, but coordination with other territorial and economic development instruments must be ensured because the rural aspect cannot be separated from the rest of the territory in terms of infrastructure, the development of non-agricultural economic activity and services, or education.

The initiative of the Common Strategic Framework allows for agriculture to be managed with from a territorial point of view. In this way, the CAP makes use of instruments to deal with the issue of food from a territorial standpoint by integrating the economic, social and environmental dimensions. The investment required in rural areas can make use of the instruments provided by these two policies. The economic development of rural areas can be linked to that of urban areas. Furthermore, the regions need coordination to avoid having to choose to align their projects either with rural development or regional development policy. The Common Strategic Framework promotes the idea of coordinating these instruments: it facilitates the task for project leaders. Although these instruments have specific objectives, they follow from the Europe 2020 Strategy. This strategy increases the consistency of objectives from their conception to their realisation on all levels: community, national and regional. While it facilitates communication between the instruments, the Common Strategic Framework does not alter their specificity in order to ensure a certain degree of complementarity and adaptation to the urban and rural issues that are specific to each region.

This approach reinforces the strategic dimension because the Member States and the regions will have to think in terms of sectors as well as territories, for instance in the case of the CAP. By doing so, the most appropriate sector can be chosen for regional development, CAP objectives can be better met, and adjustments may be made to take into account the diversity of situations and agricultural production conditions within the European Union. Economic and agricultural activity may be maintained in numerous rural regions; economic activities, services and infrastructures may be developed in the zones where rural development instruments are unsuitable; and agricultural production may be better integrated into the broader question of economic activity in rural areas.

The Common Strategic Framework maintains consistency and complementarity between the first and second pillars of the CAP. Moreover, the recommended territorial approach strengthens the link between agricultural activity, non-agricultural economic activity, and social and environmental issues. It responds to the request for flexibility of regions and Member States with regards to the instruments available. Focus may be directed not on the instruments used but rather on the results achieved. The Commission wishes to move towards more coordination, consistency and results. To do so, we are establishing measurement indicators: while we wish to give the Member States flexibility in using these instruments, it is upon the condition that they commit to achieving results. This is why the Common Strategic Framework is linked to macroeconomic conditionality: it is impossible to take a macroeconomic approach without considering regional development; they are inseparable. Furthermore, the European budget must contribute to better macroeconomic balance as well as stimulate growth. The Common Strategic Framework promotes performance. It measures that performance using indicators, rewards those who perform well and reduces bureaucratic red tape. This should strengthen the absorption capacity of European funds and give greater visibility and transparency to the funds used for rural development. Integrating the instruments will show the contribution of rural development to overall economic development.

Supporting agriculture in rural areas remains a policy objective. All Member States have an interest in supporting their agriculture. We must not artificially separate agriculture from the rest of the economy: it goes hand in hand with developing the rural economy. With this new measure, the Member States and regions must now make the Commission's wish to simplify and give greater flexibility to the use of European funds dedicated for rural development a reality.

Dacian Cioloș, European Commissioner for Agriculture and Rural Development

Table of Contents

List of tables

Executive summary

The Common Strategic Framework (CSF) proposed on 5 October 2011 by the Commission aims to foster the coordination of five funds that will cover 42.2% of the EU budget 2014-2020: European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the future European Maritime and Fisheries Fund (EMFF). This Policy Paper – that benefited from the outcomes of a conference organised by *Notre Europe* and *Europuls*[1] in the European Parliament – gives an overview of the coordination of EU rural development instruments and funds until now, explains the innovative architecture of the CSF and analyses the added value and incertainties it implies for rural development policy.

1. 22 November 2011 conference, "The Common Strategic Framework: adding value to rural development? Bridging the gap between the CAP and the cohesion policy" with the participation of Dacian Cioloș, Commissioner for agriculture and rural development; Dirk Ahner, Director General of DG Regio; Britta Reimers, MEP; and Stefanos Loukopolous, ELARD representative. See Programme in annex 1.

1. How did the coordination of rural development funds work until the CSF? *(page 9 to 16)*

The CSF, characterised by a coordination effort between funds, is the fourth noticeable change in rural development policy of the EU.

- First from 1964 to the mid-80s, the EU only proposed some isolated measures for rural areas.
- Second, from 1986, the cohesion policy that had been initiated by the Single European Act launched a socio-structural policy for the rural areas.
- Third, rural development moved from cohesion policy to the 2nd pillar of the CAP within the MacSharry reform (1992). This was the first design of rural development policy in favour of a balanced development of these areas, under the agricultural policy.
- Fourth, from 2014 the CSF might prevent rural development instruments from a lack of consistency thanks to a better coordination of structural funds, EAFRD and EMFF. It seems to be a new instrument with the potential of creating a tool for an integrated rural development policy instead of sector-based policies, as described in the new rural paradigm.

2. The architecture of the Common Strategic Framework and its impact on rural development *(page 17 to 21)*

- The EU 2020 Strategy for a “smart, sustainable and inclusive growth” is the general objective of the CSF, translated through a set of 11 thematic objectives. Each of the CSF funds divide them into specific objectives related to their own specificities.
- The main innovation of the CSF mainly consists in the new coordination, evaluation and monitoring of funds.
- The key mechanism of the coordination within the Common Strategic Framework is the Partnership Contract (PC) elaborated by each Member State.

- The Commission has the power to sanction or reward the Member States according to the *ex-ante* evaluation as well as a performance – with quantifiable objectives – to be attained, chosen by each Member State (*ex-post* conditionality).
- Concerning the rural development and the CSF policy setting, EAFRD retains its autonomy as an integrated policy under the CAP heading. Member States identify their needs and establish their priorities in the area, taking into account the European objectives, when they draw their national strategic plans for rural development. Six EU-wide priorities steer the future EU rural development policy[2] instead of four axis.

3. The added value and uncertainties of a Common Strategic Framework for rural development *(page 23 to 31)*

Added value...

- On the one hand, the future CSF will have the potential to improve the way in which European funds are spent and targeted. On the other hand, the CSF may increase the efficiency of these funds which will now be pooled together, more coordinated, in order to serve common priorities and objectives, investment priorities and major challenges, in line with the Europe 2020 Strategy.
- Considering these improvements, the CSF might promote the visibility of rural development contribution to the EU growth strategy.
- As the CSF aims to improve the overall transparency in using EU funds at national, regional and local levels, it will imply management of all the funds, guided by simplified procedures, common principles and eligibility rules.

2. European Commission, Proposal for a Regulation of the EP and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), COM(2011) 627 final/2, 19.10.2011.

… but also uncertainties around the CSF proposal.

- These uncertainties mainly concern the definition of project priorities that could lead to a competition between urban and rural areas projects and a rising administrative burden for the beneficiaries due to the launch of a new institutional system.
- Debates confirm the key role national administrations will play in enacting the CSF priorities, adapting them to the local, regional and national needs and, on top of that, coordinating their ministries and administrations to implement the CSF. The uncertainties concerning the level of readiness of national institutions and their capacity to coordinate the funds and manage the new framework raises concerns among various stakeholders.
- Long discussions are expected in order to clarify many concrete details before the implementation of the CSF.

Introduction

While the Europe 2020 Strategy launches the European Economic Strategy and the long term EU budget is being discussed in a public debt crisis context, any proposal that improves the coherence and the efficiency of EU policies is welcomed. That is the case of the Common Strategic Framework (CSF) proposed by the European Commission as a Regulation of the European Parliament and the Council[3], when it tabled the new Cohesion Policy Regulations on 5 October 2011. The CSF will be part of the new toolkit of EU policies starting in 2014.

Considering the Multiannual Financial Framework (MFF) proposals, the five CSF funds – European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the future European Maritime and Fisheries Fund (EMFF) – will cover 42.2% of the EU budget *(see Table 1)*.

3. European Commission, Proposal for a Common Strategic Framework, COM(2011) 615 final, 06.10.2011.

In that, a major share of EU policy action and particularly its structural and territorial action will be concerned by the CSF. These figures should raise more the attention of experts community and decision-makers compared with the relatively confidential debate that has occured on the CSF since October 2011. Moreover, behind this apparently technical issue, the CSF deserves a serious discussion at least for two other reasons than its budgetary weight.

Table 1: Budget of the Common Strategic Framework (CSF) funds and share in the EU budget (2014-2020)

	2014-2020	2014-2020 (% of the EU budget)
European Agricultural Fund for Rural Development (EAFRD) = Pillar II	€89.9 bn	8.8%
European Maritime and Fisheries Fund (EMFF)	€6.7 bn	0.7%
Cohesion Fund (CS)	€68.7 bn	6.7%
European Regional Development Fund (ERDF) – Territorial cooperation – Extra allocation for outermost and sparsely populated regions	 €11.7 bn €0.9 bn	 1.1% 0.1%
ERDF + European Social Fund (ESF)[4]: – Convergence regions – Transition regions – Competitiveness regions	 €162.6 bn €39.0 bn €53.1 bn	 15.8% 3.8% 5.2%
TOTAL CSF Funds	€432.6 bn	42.2%
Total EU budget	€1,025.0 bn	100.0%

Source: Figures from COM(2011)500 final, "A budget for Europe 2020 – Part II: Policy fiches", and own calculation.

4. The figures available do not indicate separately the amount of the ERDF and ESF. The authors kept the different categories of regions used by the Commission.

First, this is an uncommon initiative of Commisionners, that gathered themselves[5] to propose the Common Strategic Framework (CSF) to President Barroso. This initiative is particularly welcomed because it avoids the useless debate of the former Multiannual Financial Framework discussions about which of the Common agriculture policy (CAP) or Cohesion policy is best suited to set rural development policy. By suggesting a better coordination between different policies the CSF adresses "the needs of rural zones (…) because these CAP and cohesion policy must be present in varying proportions depending on concrete situations, and adapted on a case-by-case basis"[6].

Second, the CSF could have a very substantial impact on the implementation of EU policies at national, regional and local levels, for Member States governements but mainly for beneficiaries of all these funds. It will particularly concern cohesion and rural development policies beneficiaries because of the required coordination of these funds. Overall, the CSF raises several big issues that this paper will introduce and the conference on the 22nd of November 2011 discussed: What are the reasons behind adopting the CSF? What is the added value of the CSF for rural development policy on three levels: European, national and local? Regarding the broader debate on the limits of rural development policy, will the CSF help improve this policy?

5. The CSF creation follows a letter sent to President Barroso by four Commissioners: Hahn, Damanaki, Andor and Cioloş, on 31st August 2010.
6. Jouen M., "The keys to a European strategy for rural development", *Note*, *Notre Europe*, 2009.

1. Chronology of the coordination of rural development funds until now[7]

The history of EU support to rural development is a long and consistent one, that one can distinguish in four different steps until the CSF.

1.1. First step: the first measures for rural development

The first step can be identified from 1964 to the mid-80s, with only some isolated measures for rural areas. Initially, in 1962, the CAP and the European Agriculture Guidance and Guarantee Fund (EAGGF) mainly financed the common market organisations. But after only two years, in 1964, the fund was splitted in two parts (EAGGF-Guarantee and EAGGF-Guidance) in order to improve the competitiveness of agriculture and agri-food industries of lagging-behind regions. After refusing a strengthening of these structural measures of the CAP in the late 60's, European

7. For a more detailed history of EU rural development policy, see Chambon N., Tomalino C., "Rural development in EU policy: a retrospective", *Policy Brief No.14*, *Notre Europe*, 2009.

politicians finally adopted in 1973 the Natural Handicap Payments (NHP), which were the first structural measure for rural development designed for non-farmers. This was done through the directive concerning farming in mountainous regions, taking into account certain areas disadvantaged by natural handicaps. These measures were clearly inspired by the cohesion objective of the European Community.

1.2. Second step: rural development and the creation of the cohesion policy

The second step started from 1986 with the creation of the cohesion policy, initiated by the Single European Act. The first measures for a socio-structural policy for the countryside were included in the so-called "rural areas" of the Treaty. In 1988, in the reform of the structural funds, the Objective 5b launched the support to rural development as one of the five objectives of the Structural Funds Reform. The key idea of the policy consisted in considering rural areas as a critical target of the policy aiming to reduce imbalances between the Member States' regions. The cohesion policy offered back then differents ways to support rural areas:

- Objective 1 allowed funding for lagging-behind regions, then for rural and urban areas in regions where GDP/inhabitant was below 75% of the Community average.
- Objective 5b, intended to promote the development of vulnerable rural areas in other regions, is the true founding act of a programme which places itself within the perspective of CAP reform.
- Other rural areas may also have benefited 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 addition, in 1991, the first LEADER Community initiative was implemented (1991-1994). This programme introduced an innovation by stimulating endogeneous local development in rural areas[8].

These approaches can be qualified *ex-post* as pionneer as they adressed the multi-dimensions of rural development by offering diversified measures not sector-based (agriculture) but area-based. This meant a broad and complex scope of rural economy: investment in job-creating enterprises, development of rural infrastructures (road network, sanitation, etc.), and maintenance of natural landscapes. As a consequence three funds were used: the ESF (European Social Fund), the EAGGF-Guidance, and the ERDF (European Regional Development Fund). This was the beginning of an integrated rural policy that the Organisation for Economic Co-operation and Development (OECD) has theorised in the "New rural paradigm" in 2006, almost ten years later.

8. "Local development means territorial, integrated strategies which mobilise many local actors in the form of a partnership. Its short-term aim is to improve local living and working conditions, and its long-term ambition is structural change.(…)" Since 2000 two other European programmes support local development initiatives: URBAN for urban development in the regional policy and EQUAL for innovation and fight against discrimination in the employment and social policy. See Jouen M., "Local development in Europe: assessment and prospects after the economic crisis", *Policy Brief No. 21*, *Notre Europe*, 2011.

What is the new rural paradigm?

(...) Governments have moved away from a defensive attitude to rural policy, essentially focussed on trying to halt a decline, to concentrate more on seizing new opportunities. Some of these opportunities are linked to agriculture, but most will be in non-agricultural activities.

The question is how to adapt current rural strategies, which are often sector-based, to take into account the different development needs of rural regions, many of which are based on exploiting specific local resources – policies to encourage water-based activities such as fishing and sailing are clearly not suitable to all areas, for example. However, these new approaches to rural development have not yet been accompanied by a substantial reallocation of resources to integrated rural policy. Designing such policies for different communities or territories requires seeking more coherence among sectoral policies and the pooling of knowledge held by a wide variety of public and private actors. Traditional hierarchical administrative structures are likely to be inadequate to administer these policies effectively.

The New Rural Paradigm

	Old approach	New approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex. rural tourism, manufacturing, ICT industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

Source: "Reinventing Rural Policy", *Policy Brief*, OECD, November 2006.

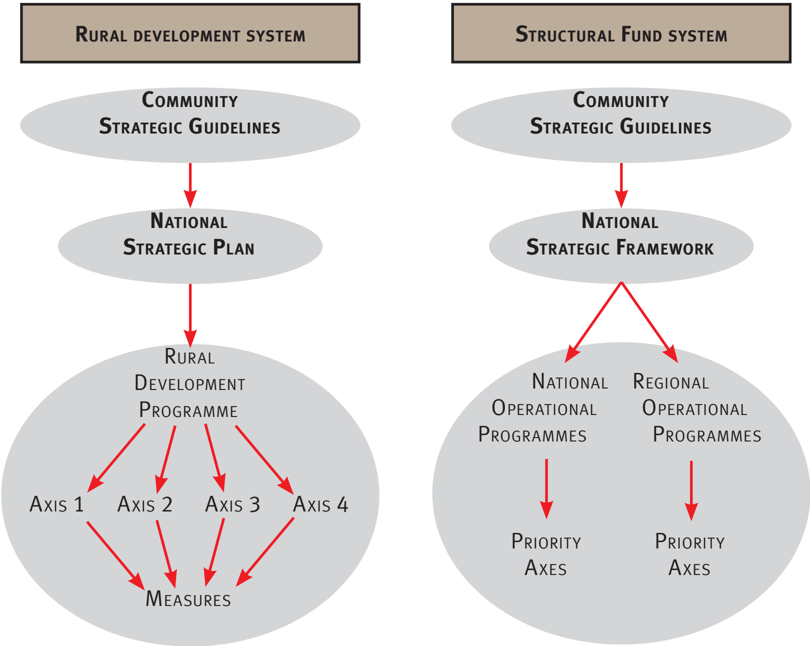
1.3. Third step: the 2nd pillar of the CAP

The third step is the move from cohesion policy to the 2nd pillar of the CAP. In 1992 with the MacSharry reform, a first rural development policy under the agricultural policy has been designed in favour of a balanced development of these areas. This operated a transition of rural development from cohesion policy to the CAP. However, part of cohesion policy measures remained available for rural areas. The philosophy of this policy changed with the introduction of broader concerns linked with European agriculture: rural development mainly focused on agri-environmental measures and introduced the idea of remuneration for services and stressed that to cope with long-term problems of rural communities an integrated policy that involves agricultural and broader objectives was necessary. This important change in the CAP concept – as a sector-centered policy – began a wider and slow evolution during 20 years. Until now, this has led to the implementation of a second pillar called "rural development" and the creation of a single fund in 2005[9], the "European Agricultural Fund for Rural Development (EAFRD)", separated from the European Agricultural Guarantee Fund (EAGF). As a single fund the EAFRD has specific rules for programming, financing, informing and monitoring aimed at simplifying the implementation of rural development policy. Nowadays, Pillar II of the CAP covers rural development, and Member States design their rural development programme under a common framework and co-finance it.

Rural development is focused around four thematic axes, mainly broad objectives that aim at improving: competitiveness, environment, quality of life and economic diversification in rural areas and local development through axis 4 (LEADER). Between 2007 and 2013, Member States have minimum thresholds to respect for each axe in their rural development plan (respectively 10%-25%-10% and 5%) but it is their main responsibility to design their rural development strategies, in order to: "ensure consistency with other EU policies, in particular those for economic cohesion and the environment"[10]. Therefore, the option of streamlining rural development funds with other funds has been opened, however, non-mandatory for Member States.

9. Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy.
10. European Commission, European Network for Rural Development, EU Strategic Guidelines for Rural Development.

Table 2 – Programming systems of EAFRD and Structural Funds before the CSF



Source: Extract from Mantino Francesco, "The Reform of EU Rural Development Policy and the Challenges ahead", *Policy Paper No. 40, Notre Europe*, 2010, p. 47.

1.4. A fourth step: beyond 2014, EU policies in line with the new rural paradigm?

Until today there has been a lack of consistency in any attempt to coordinate cohesion and rural development policy. This has sparked two main criticisms on the lack of coordination between these funds. These criticisms relate on the one hand to "the gaps in coordination between cohesion policy and agricultural rural development (*i.e.* emanating from the 2nd pillar), which have repercussions for national and regional funding by means of partnership co-financing"[11]. On the other hand the criticisms

11. Jouen M., *op. cit.*, 2009.

relate to "the lack of coherence between sectoral policies that have a major impact on rural areas – in particular, policies concerning major transport infrastructure, communication and energy, health, education, training and research". A rationalisation of the entire set of instruments was necessary and pleaded for a while[12].

The changes needed to respond to these criticisms of EU rural development policy are analysed in a broader context by the OECD in its "new rural paradigm". Indeed it implies to change many policies in which a better coordination of the different measures to rural areas is only part of broader and deeper changes. The latters consist in implementing an area-based approach instead of a sectoral approch to rural policy; it also recommends to conceive differently the policy, "to include a cross-cutting and multi-level governance approach. Traditional hierarchical administrative structures are likely to be inadequate to administer these policies effectively and adjustments are thus needed along three key governance dimensions: horizontally at both the central and the local levels and vertically across levels of government".

Table 3 - Summary of key coordination challenges and solutions

Governance challenge	Solution
Persistent sectoral approach	Address central as well as local co-ordination
Lack of implementation mechanisms	Look at good practice, *e.g.*, LEADER
Partners must take partnership seriously	Legislation and incentives
Weakening of local government	Restore powers to local levels
Local government too small	Incentives to co-operate
Ex ante control and approval	Control by results
Difficulties in evaluating policy impacts	Develop and combine "soft" and "hard" indicators
Ineffective local planning	Establish performance reserves and reward mechanisms

Source: *The New Rural paradigm*, **OECD, 2006.**

12. Bureau J.C., Mahé L.P., "CAP reform beyond 2013: An idea for a longer view", *Study No. 64, Notre Europe*, 2008; Lyon G., "Report on the future of the Common Agriculture Policy after 2013", European Parliament, A7-0204/2010, 21.06.2010; Mantino F., *op. cit.*

Hence, the CSF seems to be the new expected instrument, with the potential of creating a tool for an integrated rural development policy. Furthermore, this opens up an important point related to how an enhanced coordination between these financial instruments can lead to a better targeted use of European funds.

2. The architecture of the Common Strategic Framework and its impact on rural development

2.1. General architecture of the CSF

The layout of the Common Strategic Framework (CSF) relies on adjusting and implementing at a national, regional and local level the key priorities of the Europe 2020 Strategy, which aims to transform the Union into a space of "smart, sustainable and inclusive growth"[13]. As far as the CSF is concerned this general objective is translated through a set of 11 thematic objectives, divided in turn into other specific objectives related to each of the CSF funds. However, the main innovation of the new Common Strategic Framework consists more in the new mechanisms for coordination, concentration of funds and evaluation and monitoring of performances to be applied to all structural funds as well as EAFRD and EMFF.

13. Information about the Europe 2020 Strategy: http://ec.europa.eu/europe2020/index_en.htm

The key mechanism through which the Common Strategic Framework will implement this coordination is the Partnership Contract (PC). This contract will commit the European Commission and each of the Member States and it will ensure that each State implements the thematic objectives of the CSF in accordance with its own development level and macro-economic status[14]. Accordingly, the national auhorities, together with interested actors from regional and local levels, will set a series of national investment objectives and priorities which follow the general thematic objectives. These national priorities will be transposed through precise allocations of funds and concrete implementation milestones via operational programmes divided in prioritary action axes. One of the fundamental innovations of the CSF is that an operational programme will be financed through several CSF funds – as the two first generations of LEADER programmes – in order to achieve integrated territorial and thematic investments. Moreover, regions and Members States are encouraged to implement part of the operational programmes using community-led local development and local strategic development on which local communities and authorities will cooperate with the NGO sector in order to set integrated development strategies with the contribution of several CSF funds.

The fulfillment of the milestones set by the Parnership Contracts will be monitored closely by the Commission, which will have the power to sanction or reward the Member States according to results. Each Partnership Contract will have a strict evaluation of the departure conditions (*ex-ante* evaluation) as well as a performance framework with quantifiable objectives to be attained, chosen by each Member State (*ex-post* conditionality). The Partnership Contracts are also submittted to a series of macro-economic conditionalities such as maintaining the state budget in equilibrium, controling the deficit or implementing structural reforms.

14. Europe 2020 national targets: http://ec.europa.eu/europe2020/pdf/targets_en.pdf

The Commission will carefully monitor both the fulfillment of the *ex-ante* conditions (2016) and the implementation of the performance framework (2017 and 2019), as well as the macro-economic conditionalities and will be drafting recommendations if any objective is not met. If a Member State persists in not fulfilling its self-assumed milestones, the European Commission will be able to suspend financing or to apply financial corrections. On the other hand, if the self-assumed milestones have been succesfully met, the Member Sates can accede a supplementary performance reserve which will contain 5% of each CSF fund. Each Operational Programme will be reviewed. Within the same success-oriented logic, concerning the macro-economic stability milestones, a Member State may receive a 10% co-financing increase from the European Union. These different issues are currently discussed by the Council of Ministers.

2.2. Rural development and the CSF policy setting

The recent CAP proposals take a step forward by laying down various synergy mechanisms between rural development and European regional and fisheries policies. "On the basis of the proposal of 6 October 2011 that sets out common rules for all funds operating under the CSF, Pillar II of the CAP should work in a coordinated and complementary manner with Pillar I, as well as with other EU funds"[15]. The CSF will replace the current EU Strategic Guidelines for rural development and will be transposed through Partnership Contracts, signed with each Member State, which will include common objectives and management rules. All in all, the Commission argues that establishing these common rules will "make projects easier to handle for both beneficiaries and national authorities and will also facilitate the implementation of integrated projects"[16].

15. European Commission, COM(2011) 627 final/2, *op. cit.*
16. European Commission, COM(2011) 627 final/2, *op. cit.*

Without any doubt, rural development retains its autonomy as an integrated policy under the CAP heading. In this respect, the CSF clearly stipulates that the already obtained harmonisation between the two CAP pillars, as well as their strong links and structures, "will be maintained and sustained". Thus, the CSF will provide the new European policy settings for all the funds, including rural development, which will draw all the coordination elements needed for an enhanced use of these funds.

The objectives present in the new Rural Development Commission proposal are closely linked with the overall thematic objectives set out in the CSF. However, it is up to the Member States to identify their needs and establish their priorities in the area, taking into account the European objectives, when they draw their national strategy plans for rural development. Six EU-wide priorities will steer the future EU rural development policy[17]:

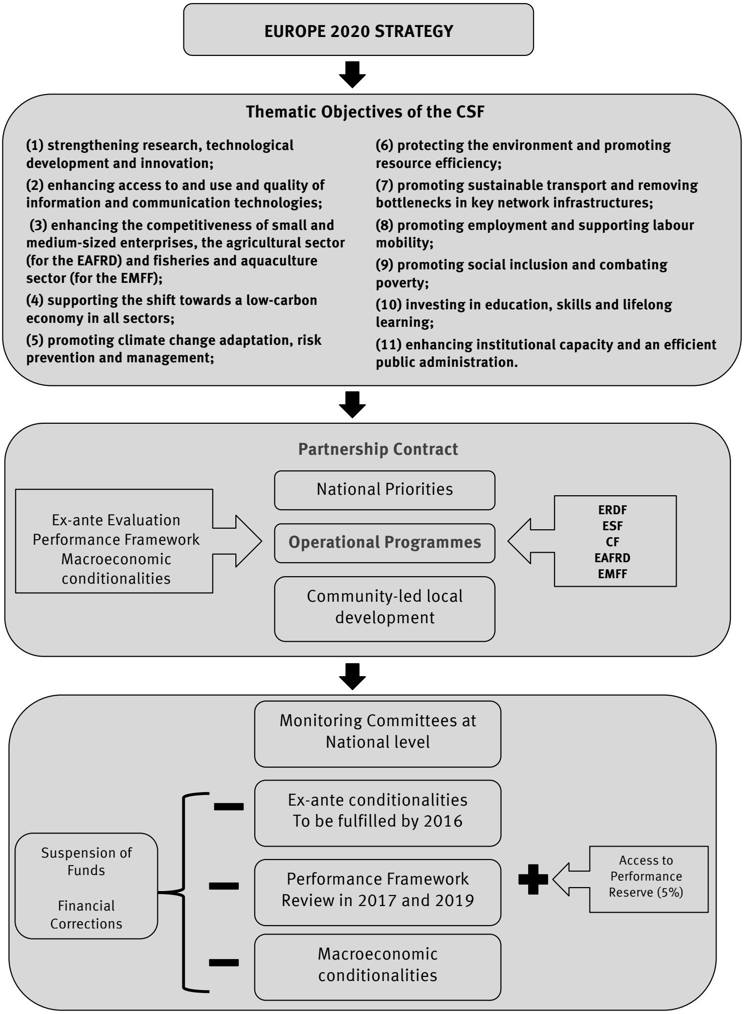
(1) Transfer of knowledge and innovation;
(2) Competitiveness and farm viability;
(3) Food chain organisation and risk management;
(4) Preserving and enhancing ecosystems dependant on agriculture and forestry;
(5) Resource efficiency, low carbon and climate-resilient economy;
(6) Social inclusion, poverty reduction and economic development in rural areas.

The first objective is a general one and tends to focus on innovation and the transferability of skills, while the second and third objectives are actually focused on the food supply chain and on the agricultural sector. The fourth and fifth represent the environmental component of the new CAP proposal, which according to one Commission official translate the need for sustainable rural development and for maintaining the rural sites as attractive places to work and to live in. Lastly, the sixth objective focuses on rural areas economy and

17. European Commission, COM(2011) 627 final/2, *op. cit.*

particularly, the stimulation of employment and the need of developing basic services for the inhabitants of rural areas such as healthcare institutions for the ageing population, kindergartens for parents and better schools for pupils.

Table 4 - How will rural development policy work with the CSF?



3. The added value and uncertainties of a Common Strategic Framework for rural development[18]

Considering the limits here above mentionned, will the Common Strategic Framework (CSF) improve the efficiency of rural development policy?

3.1. Adapting our policies to the Europe 2020 Strategy and to new urban-rural relations

As underlined by Dirk Ahner "territorial cohesion was made explicit by the Lisbon Treaty and the question was how Europeans can pragmatically and practically achieve it". The CSF provides a tool to make territorial cohesion and the Europe 2020 Strategy particularly effective for most funded EU policies. Indeed, the CSF will oblige to translate the Europe 2020 objec-

18. This chapter benefits from the contributions of the 22 November 2011 conference, "The Common Strategic Framework: adding value to rural development? Bridging the gap between the CAP and the cohesion policy" with the participation of Dacian Cioloș, Commissioner for agriculture and rural development; Dirk Ahner, Director General of DG Regio; Britta Reimers, MEP; and Stefanos Loukopolous, ELARD representative. See Programme in annex 1.

tives into national and regional plans. All the specific objectives of rural development and cohesion policies will have to be consistent with the broader EU 2020 objectives (*e.g.* innovation, competitiveness of SME's, renewable resources, energy, infrastructure, etc.).

The CSF also provides a framework to adapt EU structural policies to a new reality, described by Commissioner Dacian Cioloș as "a growing complexity of relationships between rural and urban areas". Thus, nowadays there is a need to transform our policies into territorial strategies corresponding to these new realities. The terms *rural* and *urban* areas have become obsolete, and it is more and more difficult to make a clear distinction between the areas that separate them. Approaching in an accurate manner territorial development is of utmost importance, as 60% of the EU population lives in rural or intermediate regions and 90% of the territory is rural or intermediate, according to the General Director of DG Regio.

Table 5 - Common Strategic Framework – Main steps to come

Common Strategic Framework - future timeline -	
October 2011	Regulation on the Common Strategic Framework (CSF) including the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).
January 2012	European Commission will publish as a Delegated Act the new Common Strategic Framework for all the funds. This will replace the "EU Strategic Guidelines 2007-2013".
Spring 2012	Public Consultation on the CSF Commission Proposal.
By the end of 2012	The European Parliament and Council of the European Union will negotiate and adopt the Regulation laying down the common provisions for all the funds.
Beginning of 2013	Adopting the CSF – three months after the Regulation has been adopted.
Spring 2013	Signing Partnership Contracts with Member States, in parallel with the adoption of Implementing Acts.
Spring 2013	Adopting the Operational Programmes. Programmes will be based on priority axes, each one representing a thematic objective, which will be financed by one of the funds. The CSF grants the possibility to mobilise several funds to finance one programme.
2017 and 2019	Preliminary evaluations of the results of the programmes and of the use of funds.

Source: the table is based on various primary and secondary sources[19], including interviews with European Commission officials. The dates are not completely accurate and are based on predictions and on the preliminary European agenda on adopting the CSF.

19. Isabelle Smets, "Du cadre stratégique aux programmes opérationnels", *Europolitics*, 6 October 2011.

3.2. A key factor in the success of the CSF: coordination at the national level

Indicating investment priorities, the CSF will force an improvement in coordination between sectoral and territorial policies including: transport, agricultural, research, climate change, employment and education. This raises the attention on the decisive role of national and regional governments and their efficiency during the whole process, and especially with regards to rural development policy. All in all, the Commission considers that the success of the CSF depends on how well Member States will manage to coordinate the use of multiple European funds at the national level and involve partners from all economic sectors (e.g. representatives from the farming as well as the craft or the services sectors). Given the current gap between Member States regarding funds absorption, one can fear that with the CSF there will be even more demand for coordination and this will lead to a growing diversity between national management types. Dirk Ahner explained that the "accent will be put on functional areas – either areas which have common struggles or areas with common opportunities (*e.g.* mountainous areas). However, in his view practice tends to show that "functional areas are extremely unfriendly towards administrations".

Member States will have more flexibility to devise their own strategies. They will be able to respond to their own national and local specificities and better focus on results. The CSF fixes objectives and indicators (*ex-ante* and *ex-post* conditionalities) which insist on performance. The CSF provides a common overarching structure encouraging an enhanced integration and coordination between the funds, something that national administrations will not be able to ignore and have to implement. Indeed, in order to reach their territorial strategy and define their priorities, Member States will have to combine their sectoral strategies. This will translate in a higher degree of national inter-departmental coordination, in order to improve the use of their budgets and funds. Simply said by Dirk Ahner, "national ministries will have to work together, and ministries that did not discuss together before will have to do it now (*e.g.* Ministries of agriculture and economy, transports, climate change).” Nevertheless, some actors question the success of coordination of the funds under the CSF mainly due to potential interpretation problems, as well as with “the level of readiness of national administrations – in terms of adapting rapidly and enacting the changes present in the CSF”. In this respect, Stefanos Loukopolous, representative of the European Leader Association for Rural Development (ELARD), stressed the need that the CSF should be implemented in a way that will not cause confusion for local actors.

In order to ensure an efficient coordination, the Commission will assess how Member States coordinate their ministries and services, as to tackle major challenges and investment priorities: competitiveness, energy efficiency and renewable resources. This part of the monitoring will be decisive as DG Regio’s General Director has already seen in the past “regions [that] had problems with the implementation of regional and rural development funds, because of the lack of coordination at national and regional levels”. Considering that at all levels, including the EU level, stakeholders will need to move beyond the demarcation trend between the funds. Until now it existed due to the fear of double financing from more than one programme (either the EAFRD or structural funds). In order to accommodate to these changes, MEP Britta Reimers agreed that the CSF could build a bridge between all these funds. However, discussions are now in their preliminary stage and an appeal has been made for more debates on how exactly this should be done. As a Member of the European Parliament, Ms. Reimers considers that the CSF may answer to the need of enhanced cooperation between farming, SME’s and other economic sectors, which will ultimately lead to cost and resource savings.

3.3. Reducing or increasing the administrative burden of European programmes?

Commissioner Cioloș stressed that thanks to the CSF the funds might have less reasons to be frozen for red tape. But the Commission's concerns about the administrative burdens faced by beneficiaries when accessing funds will probably not disappear under the CSF rule. Many stakeholders now fear that current administrative costs and control systems will actually increase under the CSF.

Nevertheless, the CSF will harmonise the eligibility rules of all these funds and simultaneously manage to keep the specific rules of each fund, which will be detailed in the funds specific regulations. Administrative costs are a key issue in order to ensure the efficiency of spending CSF funds. As statistics show the total amount of public expenditures engaged for 2007-2013[20] reaches on average around 30% of the total public expenditures programmed for this period. The figure gets worst as far as LEADER programmes are concerned. In France, in 2010, only 9% of payments appropriations have been covered for the LEADER programme. Beyond the average rate, strong differences exist between Member States. This invites for a further clarification of the position and role of Member States and local stakeholders in the future rural development policies before reforming the current funding architecture. Overall, the Commission suspects that a strategic targeting of the use of funds will temporarily generate the need to establish new institutional systems which will add additional administrative burden for the beneficiaries.

20. European Commission, European Network for Rural Development, *op. cit.*

3.4. Will rural areas benefit or be weakened under the CSF?

The CSF will provide a common chapeau to five funds but each of them, including EAFRD, will maintain its own specific objectives. According to Dirk Ahner, this will allow the policy to remain ajusted “to the differences of development processes between urban and rural areas, with rural areas developing more slowly than cities”. Moreover these policies need to address in a suitable way the big contrasts between European rural areas, with some areas being very innovative and with others (particularly in Eastern Europe) being undermined by poverty. Given these contrasts, the CSF aims to highlight much better the convergence objectives of the Union and to address discrepancies between its regions.

However there are fears concerning a potential unbalanced allocation of these funds, under the CSF, between regions and countries. It is unclear under what circumstances and criteria, priorities will be given to some projects in spite of others. Furthermore, while the CSF regulation presents how structural funds will be allocated to each sub-programme, there is yet no clear “financial earmarking” for rural development funds, in sharp contrast to structural funds. This uncertainty leads rural development stakeholders to wonder how their priorities and their financing will fit in the CSF. With regards to this issue, Britta Reimers underlines an existing common problem in accessing funds at the rural level – *e.g.* credits for SME’s are hard to obtain in rural areas – in comparison with measures devoted to urban areas. The MEP notes that “it is important that urban doesn’t dwarf the importance of rural – *e.g.* one meter of road (infrastructure) is much more expensive in rural areas than in urban areas – and thus, we have to develop equal standards in both areas”.

On this particular issue, speakers agree that more attention should be paid to funding small projects in rural areas which are obviously disadvantaged in comparison with large urban plans. Thus, the outcome of both financial and technical discussions on the CSF is crucial.

3.5. The CSF and its benefits for local stakeholders

The CSF initiative indicates the Commission's recognition of the positive impact of bottom-up methods and approaches upon the regeneration of low-growth economies and the renovation of rural areas as a whole. Indeed Article 110.5 of the CSF regulation about co-financing rates of ERDF, ESF and cohesion fund plans that "the maximum co-financing rate (...) shall be increased by ten percentage points, where the whole of a priority axis is delivered through (...) community-led local development." This incentive given to local development does not seem foreseen for EARDF but generally, this shows as for the Commission that growth and development start from local areas.

On this point, Mr. Loukopolous considers that the CSF will improve the role of local stakeholders in implementing bottom-up approaches through the LEADER programme, in a way in which the CSF will be the common platform for the future of local development: "Under the new regulation, and specifically the CSF, the Local Action Groups will gain further responsibilities and weight but also more room for manoeuvre and an upgraded role as a one-stop-catering-shop for communities through multiple policy fields and funds."

Indeed, both representatives of the Commission stress that stakeholders consultation will be obligatory for Member States, in order to come up with the best priorities and solutions present in Partnership Contracts. Currently the efficiency of the programmes is limited because of too much scattering but more discussions between governments and project leaders should help to improve the process. For instance, there will be a harmonisation between these funds. Regional policies will be subject to harmonised calculations. A similar concern has been raised by the Committee of the Regions[21], pointing out the need to consult local actors prior to establishing these priorities. Concerning monitoring, different programmes will have different evaluations. Concretely, this means that each programme will have its own evaluation indicators according to the specificity of the programme and to the results which it needs to achieve.

Any of the specific points and problems that stakeholders have at this particular point can be emphasized in the upcoming public consultation. ELARD considers that a definitely fruitful coordination at national level will exist only if the European Commission provides the Members States with guidelines allowing them to re-adjust in good time; and civil society organisations at local, national and European level contribute to inform local stakeholders on the process and potential benefits of the CSF.

21. Speech by Mercedes Bresso, President of the Committee of the Regions, Seminar of the French Assembly of Regions and of the Auvergne Regional Council, 22 November 2011, Clermont-Ferrand.

Concluding remarks

Taking into account the conference results, it can be concluded at this stage that the future Common Strategic Framework will have the potential to, on the one hand, improve the way in which European funds are spent and targeted. On the other hand, the CSF may increase the efficiency of these funds which will now be pooled together, more coordinated, in order to serve common priorities and objectives, investment priorities and major challenges, in line with the Europe 2020 Strategy. Considering these improvements, the CSF might promote the visibility of rural development contribution to the EU growth strategy. As the CSF aims to improve the overall transparency in using EU funds at national, regional and local levels, it will imply management of all the funds, guided by simplified procedures, common principles and eligibility rules.

However, several uncertainties on the CSF proposal remain, mainly concerning: the definition of project priorities that could lead to a potential competition between urban and rural areas projets; a rising administrative burden for the beneficiaries due to the new institutional system required at the begining. Debates confirm the key role national administrations will play in enacting the CSF priorities, adapting them to the local, regional and national needs and, on top of that, coordinating their ministries and administrations to implement the CSF. The uncertainties concerning the level of readiness of national institutions and their capacity to coordinate the funds and manage the new framework swiftly raises concerns among various stakeholders. As many concrete details are yet to be finalised before a clear picture will emerge by the end of 2012, long discussions are expected.

Opening up the potential for a better use of European finances in line with the Europe 2020 Strategy for a smart, sustainable and inclusive growth, the CSF might also contribute to what the European Union advocates for through its rural and cohesion policy, namely a balanced territorial development comprising reduction of economic and social disparities between Europe's regions.

Annex 1

The Common Strategic Framework: Adding value to Rural Development? Bridging the gap between the CAP and the Cohesion Policy

Final Agenda

Tuesday 22 November 2011

18h30 – 20h00

European Parliament, Room PHS07C050

18h30 Welcoming address by Mr. **Alin Cristian Mituța**, Director of Europuls

18h35 Mrs. **Nadège Chambon**, Senior Researcher, Notre Europe

18h45 Mr. **Dacian Cioloș**, European Commissioner responsible for Agriculture and Rural Development

18h55 Mr. **Dirk Ahner**, Director General, DG REGIO, European Commission

19h15 Ms. **Britta Reimers**, Member of the European Parliament, Rapporteur for CAP modulation

19h25 Mr. **Stefanos Loukopoulos**, European LEADER Association for Rural Development (ELARD)

19h35 Debate and questions from the public

20h00 Conclusions

Annex 2

Current Functionning of Rural Development

The EU Rural Development policy is implemented through Rural Development Programmes (RDPs) set out by Member States or Regions (in cases where powers are delegated to regional level). To ensure a coherent strategy of rural development across the EU, RDPs must be set out accordingly to the National Strategy Plan, defined by each Member State, which must be based on the Community Strategic Guidelines.

Legislative basis

- Community strategic guidelines for rural development (programming period 2007 to 2013): *2006/144/EC: Council Decision of 20 February 2006*
- Support for rural development by the European Agricultural Fund for Rural Development (EAFRD): *Council Regulation (EC) No 1944/2006 of 19 December 2006 amending Regulation (EC) No 1698/2005*

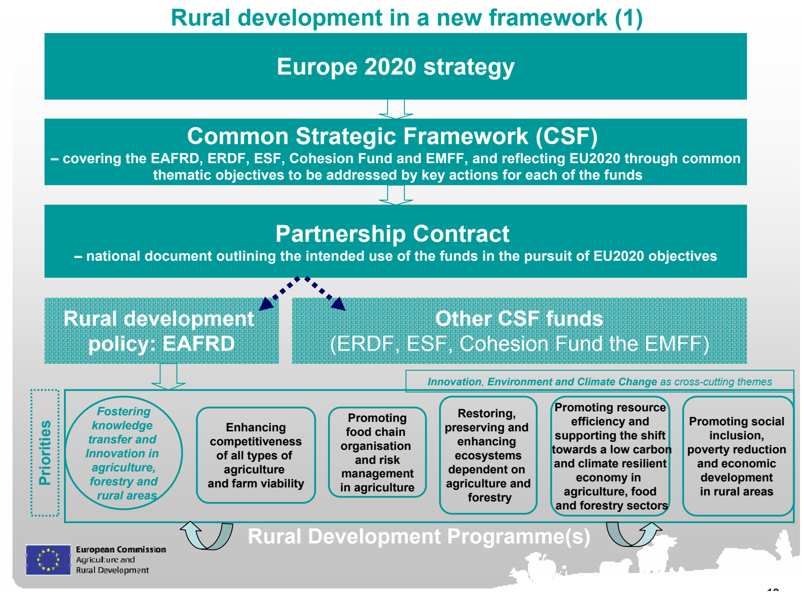
Legislative basis

Around EUR 226 billion can be spent by the RDPs during the period 2007-2013, of which EUR 90.8 billion (61% of public expenditure) is funded by the European Union through the EAFRD (European Agricultural Fund for Rural Development), and the remainder by national governments and the private sector.

Source: European Commission, European Network for Rural Development.

Annex 3

Rural Development after 2014



Source: European Commission, DG Agriculture and Rural Development, "The CAP towards 2020. Legal proposals".

Annex 4

The CSF: towards integrated local development strategies

In its proposals on future cohesion policy presented on 6 October 2011, the Commission suggested that integrated local development strategies should be implemented and local action groups set up, in a bid to find better ways of combining the various European funds [European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF)] at local level.[22]

The new Cohesion and Rural Development Regulations tabled on 6 October do include clear proposals for Community-led local development. The EC proposes: focus on specific sub-regional territories and community-led, by local action groups composed by local authorities and representatives of the public and private local socio-economic interests and development and implementation of integrated local development strategies. Local Development will also be integrated as it will be supported by the Structural Funds, EAFRD and EMFF, with one of them acting as lead fund.

The review of the pre-2006 and the evidence already gathered during this period showed that the mainstreaming of the local development initiatives into the operational programmes has not provided the expected results. Following the so-called Kiruna paper published in late 2009, a local

22. Inforegio Newsroom, Seminar on local development and EU territorial policies.

development study fleshed out this concept further in March 2010. This resulted in Local Development being proposed in the 5th Cohesion Report, alongside a new urban, rural-urban and functional area approaches as new drivers of the policy at sub-regional level.

DG REGIO has, however, continued working on this concept and is currently undertaking a study on Local Development to achieve a common and clear definition of local development and operational recommendations on how and when local development could be used to deliver Cohesion Policy and how to monitor and evaluate the effects of local development interventions on economic, social and territorial cohesion at regional and national level. Moreover, the case for Local Development now also extends to the European Social Fund. In fact, DG EMPL is carrying a similar policy scoping. Equally the existing provisions in the EAFRD Regulation on Local Development are reinforced.

Source: Council of European Municipalities and Regions (CEMR).

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Competition, Cooperation, Solidarity

The Common Strategic Framework and its Impact on Rural Development

In October 2011, in the context of the next financial programming discussions, the European Commission proposed a Common Strategic Framework for five EU funds that will cover 42% of the 2014-2020 budget (ERDF, ESF, Cohesion fund, EAFRD, EMFF).

This Policy Paper analyses this proposal which simultaneously aims to facilitate the programme management for the project leaders, to encourage States and regions to better coordinate their policies and to better implement the Europe 2020 Strategy. From a macroeconomic viewpoint, it aims to give a new approach of development within the EU, on the basis of local advantages and of the territorial reality rather than on the basis of categories that have become obsolete: rural *vs.* urban, industries and services *vs.* primary sector.

Development of rural areas should benefit greatly from this reform, as it will avoid too much scattering of the measures agreed within the 2nd pillar of the CAP (EAFRD) and the cohesion policy. However, before being implemented, the new architecture raises several questions which will have to be answered to guarantee its efficiency.

This Policy Paper benefited from the outcomes of a conference organised by *Notre Europe* and *Europuls* in the European Parliament on the 22 November 2011.

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