

ANNEX 2

A SUMMARY OF EU AGRICULTURE AND RURAL DEVELOPMENT POLICIES

The first move towards the introduction of an integrated approach to sustainable rural development as part of EU policy came with the 1988 paper "The Future of Rural Areas." It found expression in the LEADER Community Initiative and the Structural Fund reforms. The **1992 Common Agricultural Policy (CAP)** reform, together with the Treaty of Union ('Maastricht Treaty'), confirmed that the development of rural areas was to be included as part of the Community Policies for economic and social cohesion (Article 130a) (Bryden, 2001) and that the EU "shall aim at reducing the disparities between the levels of development of the various regions and the backwardness of the least-favoured regions." An important element of the new policy approach was the emphasis placed upon the environment and the protection of natural habitats. The measures accompanying the 1992 reform (in particular regulations 2078/92 on agri-environment and 2080/92 on afforestation of arable land) consolidated the redefinition of market policy. In particular, they responded to concerns on the relationship between the environment and the multi-purpose nature of agriculture. This so-called 'multifunctional' nature of agriculture has become a key factor in the EU's negotiating position in the Millennium Round of Trade Talks. In this respect, agriculture and forestry are considered key sectors (Hay, 2002).

In 1991, the EU launched the **LEADER** programme designed to support local rural partnerships with 'bottom-up', integrated rural development programmes in the priority regions. Priority regions were defined in the reform of the Structural and Cohesion Policies. The concept underlying the LEADER initiative reflected the new thinking on rural development that was contained within the document '*The Future of Rural Society*' (Hay, 2002).

The original objective of the LEADER initiative was to find innovative solutions which could serve as a model for all rural areas and ensure maximum integration between measures supporting rural areas and the various sectoral measures. The current LEADER + initiative (a follow-on from LEADER I in 1991-1994 and LEADER II in 1994-1999) will be delivered by partnerships based in clearly defined rural areas and made up of representatives of the public and private sectors (Local Action Groups – LAGs). It is the LAGs that are responsible for devising and implementing rural development strategies for their areas.

LEADER +, whose budget for 2000-2006 amounts to €5,046.5 million (EC, 2003a),¹ is structured around "three actions" designed to enhance local development through support for:

- Integrated territorial rural development strategies of a pilot nature based on a bottom-up approach and horizontal partnerships;
- Inter-territorial and transnational cooperation;
- Networking of all rural areas in the Community, whether or not they are beneficiaries under LEADER+, and all rural development actors (EC, 2005a).

In order to encourage 'bottom-up' development LEADER is largely based on local participation in both the design and implementation phases of projects which, amongst other things, aim to make the

¹ Of which €2,105.1 is funded by the European Agriculture Guidance and Guarantee Fund (EAGGF) Guidance section and the remainder by public and private contributions (European Commission, 2003).

products and services of rural areas more competitive, improve the quality of life in rural areas and add value to local products. In many respects LEADER has been, and remains, the only policy that is specifically directed at rural areas rather than being part of a wider agricultural policy (Hay, 2002).

In 1997, the CAP 2000 working document emphasised that issues of increasing importance to rural areas were economic diversification, quality of life and competitiveness. It emphasised that competitiveness itself depends on a range of crucial factors, including infrastructure, education, proximity of services and the capacity for innovation. Addressing such issues is a key objective of the emerging Community rural policy (Bryden, 2001).

The **Commission's Rural Development Regulation (RDR)** (Council Regulation (EC) No 1257/1999 and amendments in Council Regulation (EC) No. 1783/2003) and the **Structural Funds Regulation (SFR)** provide the framework for taking forwards the Community rural policy in the new millennium (Bryden, 2001). This was introduced as part of the **Agenda 2000** package agreed by Agricultural Ministers in 1999, in which rural development measures were brought together under a single regulation and became known as the 'second pillar' of the CAP (Hay, 2002).²

Agenda 2000 moved the focus more towards the environment, food quality and the vitality of rural life. The reformed CAP was a step towards supporting the broader rural economy rather than simply subsidising agriculture production (EU, 1999). Price support is replaced by direct payments for spatial development and nature conservation and by a consistent rural policy. In this new approach to rural economies there are three main objectives:

- To create a stronger agricultural and forestry sector;
- To improve the competitiveness of rural areas;
- To maintain the environment and preserve Europe's rural heritage (EU, 1999).

The targeting of financial resources is the watchword of regional policy reform under Agenda 2000. To this end it was decided to reduce the number of **priority objectives** from seven to three. These three priority objectives are:

- Objective 1: Regions whose development is lagging behind;
- Objective 2: Regions in structural crisis and assist them into growth and jobs;
- Objective 3: Regions needing support for education, training and jobs; helping people to adapt and prepare for change (EU, 1999).

Nearly 70% of total spending is directed to objective 1.

There are **four Structural Funds** which operate under a common set of rules:

- The European Regional Development Fund (ERDF);
- The European Social Fund (ESF);
- The Guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF);
- The Financial Instruments for Fisheries and Guidance (FIFG) (EU, 1999).

² Agenda 2000: For a stronger and wider Union [COM(97) 2000], presented 16 July 1997 by the Commission.

Agenda 2000 reduces **Community Initiatives** from thirteen to four, one of which is the LEADER for rural development. The four initiatives are due to receive 5.35% of total Structural Funds in 2000-2006

Total Community spending on rural development has been increasing and is expected to exceed €6 billion in 2003 (Guarantee and Guidance combined). On average, each Community euro is matched by a national euro so total rural development spending is double the above figure. For the period 2000-2006 total programme spending will amount to some €52.5 billion. There is a range of 22 measures, which are available to Member States in their rural development programmes. These measures can be grouped into three main categories:

- Group 1: restructuring/competitiveness;
- Group 2: environment/land management;
- Group 3: rural economy/rural communities (EC 2003a, 2003d).

About 52% of the Community contribution has been targeted to Group 2, followed by 38% for Group 1. Only 10% is allocated to Group 3. For the period 2007-2013, overall expenditures in nominal terms should be kept below the 2006 figure with respect to market-related expenditures and direct payments. However, an exception will be made for spending on rural development.

The source of EU funding varies according to the regions concerned:

- In Objective 1 regions (regions whose development is lagging behind) the source of funding is the EAGGF Guidance.
- Outside Objective 1 regions, the source of funding is the EAGGF Guarantee section. (EC, 2003a, 2003d).
- From 2007, rural development measures will be financed by the European Agricultural Fund for Rural Development (EAFRD) (EC, 2004). To ensure a balanced strategy a minimum funding for Group 1 (competitiveness) and Group 3 (wider rural development) of at least 15% of total EU programme funding will be required. For group 2 (land management) at least 25% of total EU programme funding is required. In addition, a minimum of 7% of the EU funding is reserved for the LEADER axis (EC, 2004).

On 26 June 2003, a fundamental **reform of CAP** was adopted which will completely change the way the EU supports its farm sector (EC, 2003c). The key elements of the new reformed CAP are:

- A single farm payment for EU farmers, independent of production (although some linkage to production may be maintained to avoid abandonment of agriculture land and to ensure that it is maintained in good agricultural and environmental condition).
- Payment will be linked to respect for environmental, food safety, animal and plant health and animal welfare standards as well as the requirement to keep farmland in good agricultural and environmental condition.
- A strengthened rural development policy with more EU money and new measures to promote animal welfare and to help farmers' meet EU production standards starting in 2004.
- A reduction in direct payments for bigger farms to finance new rural development policy.

- A mechanism for financial discipline to ensure that the farm budget (fixed until 2013) is not overshot.
- Revisions to the market policy of CAP concerning the milk, cereals, rice, durum wheat, nuts, starch potatoes and dried fodder sectors.

The 2003 amendments to the Rural Development Regulation reinforced the rural development policy by increasing the range of accompanying measures as provided for in the Regulations. In particular, chapters were introduced concerning standards required of farmers with regard to agri-environmental issues, animal welfare, and food quality (EC, 2003b).

All of the elements of the Community rural policy conform to one or more of the principles of EU operation, notably decentralization, devolution or subsidiarity. These include: an overarching goal of sustainable development including environmental, social and economic objectives; an 'integrated' and holistic approach to development at the territorial level; and recognition of the huge and increasing diversity of rural Europe and hence the need for policy flexibility at the EU level. This is an area of increasing co-regulation (Bryden, 2001).

In 1999, the EU Ministers responsible for Spatial Planning approved a **European Spatial Development Perspective (ESDP)**, which aims to ensure a balanced (equitable) and sustainable (efficient) development of the EU territory. The ESDP argues for integrated and diversified development of rural areas that can ultimately overcome the traditional dualism between the city and the countryside. Sustainable agriculture has been identified as one policy objective that can contribute to this goal. Integrating environmental concerns into wider agricultural policy has been emphasised so far in debates about rural development. However, a shift in emphasis from considering narrow agri-environmental issues towards wider issues of sustainable rural development at a territorial level is occurring. This will be encouraged by EU enlargement, where key priorities concern economic diversification, including the marketing and processing of a wide range of local produce, and service provision in rural regions. Environmental issues will remain very important, but will extend beyond the level of individual farmers to be considered as a pre-condition for sustainable development of rural areas, including the quality of life for those living in them (Bryden, 2001).

Arising from these policy developments is the need to be able to perform in-depth analysis of the regionally specific conditions and tendencies within rural areas as they undergo significant change. The data needs that arise from both recent policy development and current proposals relate to:

- The economic and social changes taking place in different types of rural areas, in different political contexts, information on which is essential for the monitoring of rural changes and the development of future policy approaches.
- The spatial levels that are necessary to reflect the diversity of rural Europe and at which policy is increasingly being implemented and devised (Bryden, 2001).

Although indicators have come to play a significant role with respect to environmental and other policy areas such as health and education, much less progress has been made with respect to rural development. In the past, rural development objectives were broad, multifaceted and subsumed within a range of other wider policy objectives. A variety of rural development issues, as highlighted in the CAP 2000 document, continue to be treated at the sectoral level rather than at the territorial level in Member States. The RDR provides a major opportunity for the development of policy (response) indicators yet there remains a need to identify descriptive and analytical indicators that can meet the data needs identified above.

There have been significant developments in rural policy in the past two decades at EU level. It is increasingly accepted that 'rural' is no longer synonymous with agriculture. Having said this, however, the maintenance of agricultural practice is still important even if it is often as much for the protection of the environment and natural heritage rather than as a direct employer and contributor to the rural economy. Nonetheless, policy is recognizing that rural areas are diverse, and that a territorial approach is required to deal with the changing nature of rural society (Hay, 2002).

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