Planting seeds for rural futures

Rural policy perspectives for a wider Europe

Second European Conference on Rural Development
Salzburg Conference Centre

Salzburg, Austria
12–14 November 2003

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Luxembourg: Office for Official Publications of the European Communities, 2004

ISBN 92-894-7145-X

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Printed in Italy

PRINTED ON WHITE CHLORINE-FREE PAPER
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CLOSING PLENARY SESSION

Mr Franz Fischler
Member of the European Commission responsible for Agriculture, Rural Development and Fisheries

Mr Joseph Daul
President of the Commission for Agriculture and Rural Development, European Parliament

CONCLUDING PRESS CONFERENCE

Mr Franz Fischler
Member of the European Commission responsible for Agriculture, Rural Development and Fisheries

FINAL DECLARATION
Under the patronage of

His Royal Highness Prince D. Felipe de Borbón y Grecia, Prince of Asturias
In recent years issues such as environmental sustainability, the viability of rural economies, food quality and animal health and welfare standards have become more prominent. In response to the growing public concern on these points, the Council of Ministers reached a political agreement on further reform of the CAP in June 2003. For rural development, the main aim of this reform is to better target support on promoting food quality and high standards of environmental and animal welfare management on farm. For this purpose a new series of measures was introduced into the rural development menu.

However our task is far from being accomplished and many challenges still lie ahead of us. The question of solidarity and cohesion remains crucial. What should be done to counteract increasing depopulation in some rural areas and to ensure their economic, social and environmental viability for the future? How to further a balanced development of farming and non-farming activities? In what way could the implementation of the rural development programming be simplified?

The 2nd European conference on rural development provided an opportunity for all active players to have a deep discussion on the current and future generation of rural development programmes. This included five panel sessions structured around the following themes: a competitive agriculture, a diverse countryside, a living countryside, mobilising local actors and simplifying delivery.

I think that one thing was made very clear at the conference and that is that Europe’s rural areas are special and deserve to be cherished. It was agreed that rural development should, next to the continued emphasis on the competitiveness of the farming sector, also focus on the wider rural economy and provide answers to the needs of all rural areas. This demands an effective integrated policy that is transparent, simple and user-friendly, not only in terms of the financing mechanism but also on the programming level and that of the control system. The conference has also manifested a demand for a future policy with more and improved possibilities to encourage a bottom up involvement. Of course, all these ideas will need to be further developed but they give us a distinct indication of the direction we want rural development to take.

This 2nd European conference on rural development confirmed a strong interest and commitment by all active players to the further development of Europe’s rural areas and sowed the seeds of a new approach, of a policy focused on a diverse and living countryside and firmly grounded in our rural communities and heritage.

Franz Fischler

Foreword
Opening plenary session
Think art, music, novels, or poetry, and you will find that it is not hard to come up with at least one example of someone who has been inspired by one corner or another of Europe's rural landscape over the last millennium. And I only have to look at a panorama of my own country to see why this has been, and continues to be, the case. These are landscapes that are rich, not only in natural beauty, but also in assets and opportunity, whether you consider the biodiversity, culture, or heritage, our highly sophisticated agricultural system, the skills and attributes of the individuals living in rural areas, or the many traditional and speciality goods that they produce.

Of course, I should not imply that this description is limited only to Spain! I speak to you today as someone who is not only proud to come from a country that boasts a living and vibrant countryside, but also as someone who is proud to be part of a wider Europe, equally renowned for this reason. We have wines, beers, cheeses, olive oils, meats and pastries produced in these regions that are all famous worldwide — the list is endless. There is no doubt that they provide us, and our rural areas, with a number of competitive opportunities. But despite this, I am sure that one of the questions that will be dealt with over the next few days, is whether our rural development policy is doing enough to promote these chances, and if not, what else can be done.

Consider the challenges that remain. For example, I look at these areas and see that they are often inadequately provided for, or facing specific handicaps, whether it is because of the climate, a lack of new opportunities and a lack of infrastructure, or because of specific demographic reasons. Similarly, I look at these areas and see how important the role of the local people is. Farmers playing their part in land management and conservation in often fragile ecosystems, generations of families safeguarding, for example, certain handicraft skills and with it pieces of our history. But, as we are faced with growing problems of rural depopulation, these skills are draining away. Too many young people are being drawn away from the countryside by the bright lights of the city. Why is this, and how do we reverse, or at least slow down, the process? The landscape on its own is clearly not enough.

One answer is to put in place a policy framework that encourages opportunity. There is the clear need to give people, especially young people, a reason, and desire, to live and work in rural areas: we need to create and develop more openings where training and education are concerned, and we need to capitalise more on the assets I have mentioned, to overcome the weaknesses. Our rural development policy has brought us a long way over the last few years, but this conference provides an ideal opportunity for us to consider where we can still go further.

Ladies and gentlemen,

I am fortunate to have had many opportunities to witness the rural diversity of the European Union. I have seen for myself the importance of a comprehensive rural development policy, and I have seen some of the results that EU-funded projects in these regions have yielded. But for too many people this is not the case,
and when we consider sustainable development, we also need to consider how we can make the countryside — the inspirational landscape of the EU — more accessible to a wider public.

So for me, a sustainable rural development strategy has to be one that enshrines all these elements, one that integrates the many different facets and intricacies of our rural areas, and one that involves the many different parties that are affected by the process. And it is for this reason that I feel particularly honoured to have been invited to be patron of such an ambitious conference: one that valorises the role of rural people, and one that recognises the value of our rural areas, one that reflects, and one that looks forward. It is by giving stakeholders the opportunity to discuss the direction in which rural policy will be moving, and a chance to address the challenges that we are facing, that we will be able to find some of the answers needed to secure a more sustainable future for Europe’s rural areas.

I have no doubt that the next few days will render some very fruitful and interesting discussions and it gives me great pleasure to declare this conference open.

Thank you for your attention.
Introductory speeches
Ladies and gentlemen,

It is a great pleasure and honour for me to be able to welcome you here in Salzburg.

I welcome you to Austria as a country which is a pioneer of rural development.

I say that full of pride but without arrogance, because it is not my personal achievement as the minister currently responsible.

It was my predecessors Josef Riegler, Franz Fischler and Wilhelm Molterer who made possible Austria’s success story in supporting rural development under the second pillar of the CAP.

Austria opted early for multifunctional agriculture and forestry, expanding the support measures which now form part of the second pillar of the common agricultural policy.

Such orientation clearly entails corresponding financial effort at national level, since to a considerable extent the measures have to be nationally part-financed. That national part-financing was successfully put beyond dispute as part of Austria’s internal preparation for accession.

At the accession negotiations, Austria was then already able to obtain special consideration for supporting environment-friendly agriculture from the Community budget. Together with the usual allocations from the Structural Funds budget, from accession onwards it was possible both to launch a geographically comprehensive agri-environmental programme and to offer the other structural measures under Objectives 5(a) and 5(b).

On joining the EU, at the Council of Agriculture Ministers, Austria committed itself to further expansion of rural development measures. As early as 1996, Austria presented a memorandum on mountain farming, calling in particular for expansion of the compensatory allowance.

The European model of agriculture, drawn up in 1997 at the Council of Ministers and confirmed by the European Council as the future legitimation of EU agricultural policy, to a certain extent reflected the spirit of ecosocial agricultural policy.

Alongside competitiveness, it elevated sustainability and multifunctionality to the core elements of the CAP.

The final statement of account for the past programming period — our first as an EU member — shows that two thirds of all the public funding which Austria’s farmers received were for rural development, while only one third was for market organisation.

Against this background, I am particularly pleased that the Commission has chosen Salzburg as the venue for discussing the long-term future of rural development.

In the course of the excursion you can form your own picture of Austria’s success story. It encompasses
everything from holidays on the farm, direct sales and new building with wood to cooperation models, school milk communities and cultural ventures such as Mondsee Land Art.

This conference is intended to outline future rural development.

In five workshops, you will examine the prospects for rural development in Europe after enlargement. Just a few days ago, the Commission disseminated its initial ideas and in doing so raised a number of questions which it would like to see the conference discuss.

Since this will form the basis of legislative proposals for the period after 2006, I would like to take this early opportunity to comment on a number of key issues.

If we regard rural development as the second pillar of the CAP, the question of concentrating these measures on certain areas — described in the Commission paper as particularly poor — does not arise.

The Cork Declaration called for the rural development policy implemented through Agenda 2000 to be applied to all Europe’s rural areas. In Austria’s view, there is no going back on what was agreed at Cork.

The open Community framework for rural development policy set out in the Council regulation, and the subsidiarity-based approach to programming, enables each Member State to select and weight its own measures, subject to the financial resources available. This rural development policy principle must be upheld.

Only a few months ago, in the context of the 2003 agricultural reform, we supplemented the catalogue of measures to support the development of rural areas. The additions are:

- food quality;
- animal welfare;
- implementing new, stringent EU standards;
- providing more advisory services for farmers.

This has significantly expanded the range of measures available, taking full account of the European model of agriculture. These new options can be fully exercised only from 2005 onwards, however, once additional resources for rural development are available from modulation of the first pillar.

In the medium term, too, we should give our farmers the opportunity to choose, from the extensive menu now on offer, those measures most appropriate for their individual farms.

We should continue the catalogue for the period from 2007 onwards, including on grounds of programming reliability.

I look forward to our work together here in Salzburg opening up new prospects for rural development in Europe. Each new Member State now entering the common agricultural policy will have the opportunity to find an appropriate balance between the first and second pillars, without any great need to take into consideration its past agricultural policy commitments.

I am convinced that, through enlargement, Europe will change for the better. I eagerly await the results of this workshop and wish the conference every success.
Mr Robert Savy
President of the Regional Council of Limousin (F)
on behalf of the Committee of the Regions
of the European Union

1. In the institutional system of the European Union, the Committee of the Regions brings together elected representatives of territories. It expresses, at the same time, the diversity that these territories derive from their history, culture, economy and common aspiration towards ‘territorial cohesion,’ which is a major principle of European integration in the draft constitution. Territorial cohesion means that no part of European territory is abandoned, and that each area is put in a position to affirm its competitiveness by welcoming the activities and people that will make them come alive. It is therefore natural that the Committee of the Regions states its views on the way in which Community policy on rural development could, after 2006, contribute to this aim of territorial cohesion in an enlarged Europe.

2. The Cork Declaration noted, in November 1996, at the end of the first European Conference on Rural Development that: ‘A quarter of the population of the European Union lives in rural areas and ... these account for more than 80 % of the territory of the European Union’. After enlargement, this percentage will be even higher. While the arrival of the new Member States increases EU GDP by only 5 %, the EU’s population will increase by 28 % and its territory by 33 %. As economic and territorial cohesion and the balanced development of territories are at the heart of the concerns of the Committee of the Regions, it is delightful to see some reflections expressed on what a genuine Community rural development policy could be.

Of course, the Committee of the Regions has so far not adopted any specific position on rural development. However, through the opinions that it has issued on the common agricultural policy — and particularly its opinion CdR/66 of 2 July 2003 on the CAP review — one can get some idea of its objectives regarding (i) rural development, (ii) its possible contents and (iii) the means necessary for it to be a success.

I — The objectives of rural development

3. The objectives of a Community rural development policy are, firstly, those that the Treaties assign to all the policies of the Union: to promote balanced and sustainable economic and social progress, and strengthen economic, social and territorial cohesion. From this point of view, they had been defined perfectly in Cork seven years ago, and the 10 points of the final statement on ‘a living rural environment’ (rural preference, integrated approach, diversification, sustainability, subsidiarity, simplification, programming, financing, management and evaluation) have not withered with time. Unfortunately, they have not been achieved. There has certainly been progress as regards the environment, well-being and quality of life in rural areas. But rural development in the spirit of Cork has never been a priority of the European Union, and we are far from solving the main issues: reversing the rural exodus, combating poverty, boosting employment and equal opportunities, striking a more correct balance between rural areas and urban areas. Instead of approaching all the agricultural (and non-agricultural) issues in an integrated way — which a living rural environment needed — this policy has remained too tied to agricultural activity.

4. The objectives today have to be much more ambitious. It is not enough to accompany rural decline with policies to make it acceptable or painless. Rural development is at the service of territorial cohesion, which we can already regard as a constitutional objective. It has to be present in all sector policies; even if they have no direct contact with agriculture or the rural world, their effects can have negative consequences on it that must be known and measured. It must be particularly taken into account in policies devoted specifically to agriculture and to the economic development of predominantly rural regions. In his presentation
of the Salzburg conference, Commissioner Fischler has rediscovered the spirit of Cork in an opportune manner through the questions that he has proposed for our reflection, and that I take up again unchanged: “How should we act in the face of the desertification of certain rural areas, and ensure their economic, social and environmental viability in the longer term? How are we to achieve a balance in the development of agricultural and non-agricultural activities? To what extent could the urban and rural areas and the policies that have been put in place interact and complement each other?” This shows clearly what the objective of rural development policies is: it is not a question of assisting territories that are fragile or in difficulties, but of giving them the means of being, in their own manner, competitive in a context of competition between territories.

II — The content of rural development

5. If the objective is the competitiveness of each territory, and not just assistance or solidarity, then rural development policy must adapt its content. It cannot restrict itself to agriculture and its immediate environment; it has to open up to all the activities that the rural world may host, and take account of all the policies likely to weigh, either positively or negatively, on its destiny. The debate on the possible issues involved must follow various roads. Some are suggested here.

6. The impact of EU sectoral policies on rural areas is difficult to measure: the opening-up of services of general interest to competition weakens them in the most fragile areas; the major infrastructure networks ignore, and weaken, peripheral or land-locked regions; research policy leads to a concentration of laboratories when innovation should be spread throughout the economy. In this way competitiveness is increased in areas where population and activities are already concentrated, to the detriment of rural areas and the territorial balance generally. Hence there is a need for the territorial impact of the various policies to be permanently monitored, so as to limit their negative effects.

7. The common agricultural policy (CAP) is now likely to jeopardise the balance of the most fragile territories because of the new guidelines that have been laid down. In its opinion of 2 July 2003, the Committee of the Regions stressed, for example, that the decoupling of aid ‘could accentuate regional disparities, distort competition between producers or regions and result in the destabilisation of certain types of production’ and, more particularly, was likely to cause a race to expand, the disappearance of small farms, the abandonment of lower-quality and less fertile land, and make it difficult for young farmers to establish themselves. Hence there is a need to analyse the consequences in detail, region by region — and not only on a macroeconomic scale — to anticipate them and come up with some prospects for non-agricultural development in good time.

8. The competitiveness of rural areas, that is, their ability to retain or attract population and activities, depends on their accessibility (communication infrastructures) and on the way in which they are served — at a competitive cost and level of quality — by a network of general interest services which is not subject solely to the rule of the market place. Hence there is a need to temper the rules of competition so as to give rural areas a chance.

9. The current concept of rural development, which is considered simply as an extension of agricultural activities, is far too restrictive for the Committee of the Regions (see opinion referred to above). It has to include multi-activity farming, tourism, support for craft-based activities and for SMEs, access to the information society, services for businesses, the general public, a habitat policy, etc. Nothing much that is new: all that was already in the Cork Declaration which suggested using these various instruments in an integrated approach.

10. Finally, for the Committee of the Regions (see opinion referred to above) ‘there is real potential for developing new production and jobs in rural areas in the field of non-food crops’. One can think of biofuels, biomaterials or biomolecules for chemistry or health, renewable energy, and services. These subjects could be the subject of a long hard think about how to create jobs in rural areas, in liaison with energy policy (Kyoto Protocol, reflection on the future of nuclear power), the habitat (wood and new materials), indus-
trial policy (vegetable molecules) etc. Only a strong political will on a European scale can lead to such an effort of anticipation.

III — The means of rural development

The success of a rural development policy depends on it being financed properly and managed under conditions conducive to its greatest efficiency.

11. On financing, we have a right to be worried. The Committee of the Regions has already pointed out that the appropriations for the second pillar of the CAP were insufficient to deal with both the new expectations of society with respect to agriculture, and the need to finance non-agricultural activities. Only 6% of the appropriations released under the progressive modulation system of aid will go to rural development. In the future it is to be feared (CoR opinion, referred to above) that, in view of the capping of the first pillar at the level reached in 2006 and the priority given to Objective 1 regions in regional policy, the resources for Objective 2 and the second pillar are balancing items: it is on them that the financing of rural development depends. So, it is understandable that the CPMR, among others, wants a high level of budgetary priority to be maintained.

12. As regards the management of rural development, the principles of Cork are all the more valuable because they have never been applied. For the Committee of the Regions, this policy must apply to all EU rural areas, even if its intensity varies according to the situation of each region. It has to remain a Community policy, not be re-nationalised, and apply within a regional framework which will use the various instruments at its disposal in a consistent manner. Finally, using the very terms of the Cork Declaration, it must be "based on an integrated approach, encompassing within the same legal and policy framework: agricultural adjustment and development, economic diversification — notably small and medium-scale industries and rural services — the management of natural resources, the enhancement of environmental functions, and the promotion of culture, tourism and recreation". This requirement for a single instrument is not easy to satisfy, in an area on the borderline between the EAGGF and the ERDF. But it should not be more difficult to adapt Community instruments to the reality of the policy that needs to be followed than to admit 10 new Member States to the EU.

Such are the remarks that I wished to make on behalf of the Committee of the Regions. They do not commit the Committee, since it has not expressly discussed them. But I believe I have faithfully reflected its concerns and its wish to play a full part in the debate which is about to begin.
We have Franz Fischler and the Directorate-General for Agriculture to thank for bringing us all together on this occasion. This would not be possible, of course, without all of you, since you are the actors at political, professional, administrative and voluntary sector level for rural development. With the help of the common agricultural policy, it is you who develop traditional quality products, it is you who preserve the educational, cultural and natural environment and the services that farmers and their families need, and it is you who strengthen and diversify the rural economy. In short, you are the main hope for areas that feel that they are in decline or even abandoned altogether.

You are here, therefore, to reflect on the future of policy in this field, to tell us where it should be maintained and where it needs adapting or reforming.

I can assure you that we will take on board your ideas. Especially so since Franz Fischler and myself are now considering ways of simplifying and decentralising the policy, in particular, on how to improve its financial instruments and regulations. If we are to continue our work in a spirit of good cooperation, we need to draw more clearly the distinction between, on the one hand, what agriculture-based rural development involves (and so has to be managed alongside the common agricultural policy) and, on the other hand, what the economic and technological development in the countryside involves (and so needs to be managed under regional policy).

The major debate that I launched in 2002 on future cohesion policy in the Community is now reaching the critical stage. With Franz’s support and that of Anna Diamantopoulou, we propose to reform the policy along three lines:

- **convergence** for those Member States and regions whose development is most lagging behind. They will receive the lion’s share of this budget (and will include those regions hit by the statistical effect, that is, Objective 1 and 1a regions);

- **competitiveness** for the other regions through a new, more focused Objective 2, concentrating more on the priorities decided at Lisbon and Gothenburg (employment, accessibility, the information society, the environment and risk prevention);

- **cooperation** open to all the regions and to all sorts of ideas with a view to allowing local areas to work collectively or in groups, with no regard to borders.

Financial support for projects for rural diversification will thus be available under each of these headings. Account will naturally be taken of the long-term natural handicaps that hamper areas with low population densities, the mountain regions and islands. In my view, ways must be found to ensure sufficient funding for areas with a long-term natural handicap where costs are higher, which, as our studies confirm, is often the result of low population density. A further question is that of whether we should introduce higher Community cofinancing rates as a way of encouraging projects in difficult conditions, as the European Parliament has called for.
The tackling of rural issues must also be seen in a broader perspective and made central to the European project, since this is not just a challenge for farmers alone. The future of the countryside or its decline affects us all.

Lastly, we have arguments of our own to put forward, to show you why there will be an even greater need for the cohesion policy in the future.

With the accession of 10 new countries, the Union's population will increase on 1 May 2004 by 20%, its land area by 23%, but its wealth by only 4%. The number of farms will rise by 74% and the number of farmers by 56%!

And it is precisely then, when the inequalities and divisions are even greater than they are today, that we shall hear experts, professors and even political leaders say that the cohesion policy is antiquated and out-of-date by virtue of its age.

I do not agree, of course. Solidarity is not an old-fashioned idea in the Union. In addition, I do not believe that efforts to improve European competitiveness can succeed without the regions. They have to be partners, not just onlookers. European growth will not be built on a deserted countryside and social divisions in the cities.

If you believe the same, then you need to say so clearly here today, and say it again tomorrow to your ministers and members of parliament. That way you can help us to ensure that the policy ambitions and resources truly match up to the needs of the new reunited Europe.

The time to speak up has arrived.

I would now like to share one other strong belief of mine with you.

I have just spent 18 months as one of the labourers on the draft constitution for Europe, which is now being considered by our respective governments.

This text (‘imperfect but more than could be hoped for’) confirms the values and goals that unite us, including the goal of economic, social and territorial cohesion. It provides us with the tools to make our Union work, not just like a supermarket or an international forum, but as an interdependent community and a future political power.

Should this text be weakened or picked apart by the inclusion of vested national interests, then let us be under no illusion here, the first victims of such a move would be the Community's solidarity policies, and with them a certain vision of what Europe is all about. There would be nothing to stop these policies from being renationalised or gradually dismantled.

On the other hand, if — as the hard-working Italian Presidency wishes — the balance and policy proposals of the text are retained, then we will be able to operate an economic, social and cultural model for a Community of 25 or 27 (a much harder task than for a Community of 15), central to which will be the rural model from which our European identity is forged.

I am, of course, sharing these two beliefs with you in my role as a Member of the European Commission. But they are also the beliefs of an elected representative, who for more than 20 years represented a mountain region of Savoy very similar to this Austrian region of Salzburg. The local people there, just as here, want to move with the times without losing touch with where they came from.

Thank you for your kind attention and I wish you well in your work.
Ladies and gentlemen,

It is a great pleasure to be here today representing, as current President, the Council of Agriculture Ministers of the European Union.

I should like to thank the European Commission, in the person of the Commissioner for Agriculture Mr Franz Fischler, for organising this conference and the Austrian Government for allowing us to hold it in this splendid city, renowned for its architecture and for being the birthplace of one of the greatest musicians of all time.

Leaving aside for the time being the more pleasurable matters of music and culture, which we hope, providing Mr Fischler allows us, to have the opportunity of sampling at some point during our stay, I must remind everyone that we are here to discuss the future of rural development policy, at what is a particularly difficult moment for Community agricultural policy.

The recently concluded first phase of the reform of the CAP saw an agreement reached on the introduction of profound changes to Community policies, including the decoupling of aid and compulsory modulation, to name but two.

At the same time, an equally important phase is about to open for structural policies, as the Commission prepares to present the third cohesion report within the next few weeks, on the basis of which the financial perspectives for the 2007–13 period will be laid down.

In my opinion, rural society should expect at least two things:

• firstly, the financial resources allocated to rural development must be adequate to make policies really effective. The importance of this cannot be overstated, as the European Union prepares to resume negotiations in the WTO after the failure in Cancun;

• secondly, the various policies must be integrated, particularly rural development policy in the more general Structural Funds policy. That means that rural development policy must be one of the priorities under the future cohesion policy, which will affect a range of countries with radically differing socioecononomic situations.

Coming back to the more strictly rural theme of this conference, half-way through the current programming period, it is time to take stock of the situation and see whether the course we set in Cork is the right one or whether we need to change direction.

First of all, I think the rural development model that emerged in Cork, however well suited to the instruments available, is not yet capable of effectively supporting the reform of the CAP initiated by the agreement of last June.

I think attention still needs to be given to the excessive number of programmes, even though this has been considerably reduced in the current phase, and to the need for clearer, homogenous rules that apply throughout the Union.
Furthermore, the reform of the different CMOs, on which agreement was reached under the mid-term review, as well as the reforms undertaken in other sectors, are increasingly showing how many points of contact there are between the two pillars of the CAP and, at the same time, how fragile the structure that has been built on these two pillars is, when the results achieved are evaluated from the point of view of the synergies amongst the various instruments and the compatibility of the different forms of assistance.

As regards compatibility and coherence amongst the different forms of assistance, I think little progress has been made and much remains to be done.

Having said that, in order to focus the debate I feel I need to draw attention to certain points that need to be discussed in more detail. The progress made so far needs to be evaluated objectively and used as a springboard for achieving even more ambitious objectives.

I have already referred to the question of financial resources, which I am not going to return to but which I must stress are of fundamental importance for the reasons already stated.

As regards competitiveness, I believe that a strong emphasis must be placed on those instruments that can help improve the quality of food products.

It would be well to examine whether or not the new instruments made available by the mid-term review are suitable or whether new, more effective instruments need to be created.

With regard to possible synergies between agriculture and rural development, it must be clear to everyone that agriculture cannot be considered as just another production sector, but is rather an essential tool for increasing the competitiveness of rural areas. This also has important consequences for policy, which must not be restricted to sector-specific measures.

There will therefore need to be a shift from an agricultural policy to a rural development policy, renewed in terms of both its conception and the instruments available for its implementation.

The simplification of rural development policy remains one of most important aspects that must be dealt with if we are really to make the instruments available in the Community's rural areas more accessible and flexible.

Much work still needs to be done on this. At the same time, we must ensure that in simplifying the programming and management of rural development we do not sacrifice any of the important gains already made, the most important being the strong link established between rural development and the policy on economic and social cohesion.

As regards programming, the predefined menu of measures must be sufficiently broad as to leave sufficient margin for local planning and allow the possibility of implementing innovative measures based on the specific requirements of the areas concerned.

This approach involves the Member States being given more responsibility and the European Commission ensuring greater coordination.

I hope these observations will provide a basis for discussions over the next two days that, in accordance with the 'bottom up' approach used for the Leader programme and that will continue to be a feature of rural development programming in the near future, will help the Commission draw up new proposals for measures.

It is on this basis that we will together embark on the second phase of the current programming period and the period of profound changes for the new Europe that will begin after 2006.

I wish you success in your work.
Keynote speeches

The current economic situation and challenges facing rural areas in the EU-25
Mr John M. Bryden
Co-Director, The Arkleton Institute for Rural Development Research, Aberdeen University Chair, International Rural Network, United Kingdom

Why are 1,000 people here this week to talk about rural development? Only 500 came to Cork in 1996, and a mere 200 to the first EU rural development conference in Inverness in 1991. If you had tried to run a conference or more probably a seminar on European rural development in 1981, as I did, then you were lucky to get 30 people. The growth in interest in rural development has been exponential! Yet, if we look at rural areas beyond the commuting belt of cities and larger towns, this has been a period of tremendous change, huge challenges and all too often negative trends. Here, I am speaking about issues of social and economic cohesion, the survival of rural populations and cultures, equity and human rights issues, and the protection and creative use of our environment. Equally, and especially since the Structural Funds and CAP reforms of the late 1980s and early 1990s, it has been a period of rural policy experimentation.

As we enter the exciting and challenging period of this major enlargement, we must assess how far we have gone, as well as what we know, and what we do not. We must be modest about our achievements, and take a fresh look at where we should go. I believe you have come here because this is widely recognised in both the existing and new Member States.

As a one-time farmer, I make no apology for insisting that we take a territorial view of rural development, and a territorial view of rural policies. Farming on its own will not save rural places. However, the develop-
ment of rural places can save farming and farm families, as well as others who live, and seek livelihood in, rural places. That I believe to be a universal truth, whether farming accounts for 2% or 40% of rural employment. **Our main question at this conference must therefore be: what makes rural places economically, socially, culturally and environmentally healthy, and how can European and national policies best work together to achieve this?**

To my mind, healthy rural communities have at least seven key characteristics.

First and foremost, they are at least maintaining their population and within it a viable age structure. Usually this also means that they have a positive rate of net in-migration.

Secondly, healthy rural communities have diversified their economic base beyond the primary sector, maintaining or even increasing employment rates in the face of inevitable declines in primary sector jobs. These conditions would also tend to mean that poverty and unemployment rates are no worse than those in cities and larger towns.

Thirdly, the physical and mental health of the rural population is as good as it is elsewhere. Public health depends on socioeconomic determinants, especially poverty and major risk factors including high blood pressure and blood cholesterol, obesity, smoking and excessive alcohol, and exercise.

Forthly, healthy rural communities value their history, culture and environment and have a pride in their identity, and use these both to enhance the quality of life and develop new economic activities and improve the rewards to existing economic activities. The education system supports these values.

Fifthly, healthy rural communities have widespread property ownership, clear titles, and relatively high rates of locally financed and initiated new small enterprise start-ups. People have access to collateral,
hence loans at reasonable interest rates. The transactions costs of doing business are low. There are open and active networks with links across NGOs, business and the public sector, and good links with the outside world.

Sixthly, public agencies work together towards common goals and with an agreed value basis, and do not fight against each other. These goals and values are set through a local democratic and participatory process: that is, they are ‘bottom-up’. There is a lively and democratic local government, with reasonable fiscal and decision-making autonomy.

Lastly, and most important of all, healthy rural communities are doing their own development, and not having it done to them by others.

**So how well are our rural places doing in the Europe of 25 against these seven criteria?**

**Population and migration**

While most of our rural areas now have negative rates of change in the natural population, and relatively high rates of out-migration especially of youth, the maintenance of rural populations almost everywhere is now dependent on significant levels of inward migration. Only the more successful rural areas in western Europe have succeeded in achieving positive rates of net in-migration. The corollary is an ageing population. In the new Member States, crude death rates exceed crude birth rates in rural areas in four out of the five countries for which the data is available. In many but not all cases, there has been a migration from rural to urban areas and especially capital cities, for example, Slovakia and Hungary. However, in some, such as Romania, there has been a flow of migrants from urban to rural areas, often in search of subsistence in the face of industrial restructuring. Youth dependency rates in the new Member States are relatively high, age dependency is also high and the population in rural areas is usually older.
Population and migration in the EU-25

Generally...

• negative rates of change in natural population
  – more deaths than births;
• high rates of out-migration
  – especially amongst youth;
• rural populations depend upon inward migration
  – insufficient in-migration in many areas.

and specifically in the new Member States...

Population and migration in the new Member States...

• Crude death rates exceed birth rates in rural areas.
• There is a flow from rural to urban areas
  – especially to capital cities (Slovakia/Hungary).
• Elsewhere, however, there is a flow from urban to rural areas
  – in search of subsistence (Romania).
• Youth dependency rates are high.
• Age dependency is high.
• Rural population is usually older/ageing.
Economic diversification in the EU-25

- **Successful areas** have offset declines in the primary sector with:
  - tourism and recreation; new value-added/niche product activities; specialised manufacturing; ICT; health; etc.
- **Leader and Structural Funds are important.**
- **Local factors are crucial:**
  - local identity; place-based marketing; good governance; strong local entrepreneurship.

and specifically in the new Member States?

Economic diversification in the new Member States

- **High numbers are still employed in the primary sector:**
  - under considerable economic pressure.
- **Rural underemployment and unemployment are higher:**
  - especially amongst young people and women.
- **Small farms survive with help of off-farm earnings:**
  - as in the current EU-15!
- **Rural incomes per capita are lower:**
  - need economic diversification as in the current EU-15!
  - In Estonia rural GDP is 44% of national average; in Hungary it is 67%; in Slovenia it is 75%; in Slovakia it is 88%.
Economic diversification

In the EU-15, the situation is that some rural areas have done relatively well, while others have not done so. Both the Ruremploi and the DORA projects show that there is a differentiation between those areas that have been able to create employment and raise employment rates, and those that have not. Successful rural areas have managed to offset declining primary sector and related employment through new growth areas including tourism and recreation, new value-added and niche product activities, specialised manufacturing, health and social care, activities related to local culture and environment, and sometimes also activities based on ICT, including call centres. The Leader programme, and in some cases the Structural Fund programmes, have been important here. Local factors have been crucial and include a sense of local identity, place-based marketing, good governance, revitalisation of cultural and environmental assets, strong local entrepreneurship, appropriate and timely external support. Unfortunately, many rural areas have continued to lose employment.

In the new Member States, a high proportion of rural people are still engaged in the primary sector and traditional manufacturing activities which are usually under considerable economic pressure. Underemployment and unemployment is consistently higher in rural areas, especially among young people and women.

In both old and new Member States, families on small farms survive by a mixture of subsistence and off-farm earnings. Frequently this involves long distance commuting to urban and industrial centres at considerable cost.

In the EU-15, rural incomes per capita in areas beyond the commuting belt are generally lower than those in cities and larger towns. In the new Member States, the evidence is much clearer — rural GDP (PPP) per capita in Estonia is 44 % of national average, in Hungary it is 67 %, in Slovenia 75 %, in Slovakia 88 %.
seven of the 10 countries for which data is available, rural areas have a higher share of the population living in poverty. In eight of the 10 new Member States, rural–urban disparities are thought to have increased in the past five years.

The situation can only be solved by increasing rural employment and enterprise outside the primary sector.

Health

We cannot say with certainty what the rural health situation is in the EU-15, but in many of the more sparsely populated rural areas we know that there are considerable problems with poor diet, alcohol abuse, higher rates of smoking and, ironically, lack of exercise leading to health problems. We also know that there are problems in supplying quality health care in such areas, including problems of recruitment and retention of professionals. In the new Member States, the situation appears to be worse. In the Czech Republic, infant mortality is twice as high in the rural regions, and it is higher than urban rates in Slovakia, Slovenia, Romania and Bulgaria. A health impact assessment (HIA) of agriculture policy was recently carried out by the government of Slovenia. This HIA revealed that disparities such as level of unemployment; educational attainment; GDP; mortality rates and life expectancy are all worse in many rural areas. Cirrhosis of the liver, from alcohol abuse, was also highest in rural areas. Although data from other countries is lacking, since there is a generally accepted link between poverty and ill-health we can fairly safely infer that poor health is a greater problem in rural areas. We also know that there is a close link between unhealthy diets and food systems, especially the lack of affordable fresh vegetables and fruit and oversupply of subsidised butter and animal fats. Opportunities exist to improve this during the de-coupling process in CAP — especially to encourage more production and consumption of vegetables and fruit, and less of butter and animal fats. The siting of international supermarkets and closure of local fresh food markets (sometimes as a result of over-zealous application of EU regulations, for example, Lithuania) can have perverse results unless steps are taken to address the contradictions. This is an area where research and action should be a priority in the EU-25. The Slovenian health impact assessment provides a model that could easily be adopted by each EU-25 and carried out nationally at relatively little cost.

Value of rural identity, culture, history, environment, and education

In the existing Member States, the situation in rural areas is as ever highly variable. However, in some cases, creative use has been made of the Leader programme to develop activities around local culture, history and environment, essentially local public goods that enhance quality of life for local people and visitors and also provide hooks for economic activities. Place-based marketing has also developed around local and regional identity. There are also some outstanding projects in education to enhance and give value to young people's appreciation of local culture, history and environment. But these are far from being the norm; we need to make them so.

As to the quality of education, and life-long learning, much remains to be done to secure equality with urban areas in both existing and new Member States. Rural people's employment opportunities and future incomes will be increasingly restricted if they do not have equal educational and continuing learning opportunity from pre-school to retirement. The norm in the EU-25, and it is especially the case in the new Member States, is that educational attainment is lower in rural than in urban populations. This is especially true of higher education and continuing education.

Property ownership, clear title, access to credit

This has been a major issue in the new Member States and, although much progress has been made, problems with titles remain in some rural areas.

Access to credit has improved in the new Member States but interest rates remain high. Transactions costs, risk and uncertainty are generally higher than in EU-15, and these factors, combined with relative poverty,
Value of identity, history, culture, environment and education

• This is highly variable in the EU-15.
• In successful areas:
  – Leader has been particularly useful;
  – place-based marketing has helped;
  – there are a few excellent education projects.
• Education is extremely important for employment and income:
  – in the EU-25, and especially in the new Member States, rural educational access and attainment are lower.

Property ownership, clear titles and access to credit in the EU-25

• There is a variable picture in the EU-15.
• There are implications for local entrepreneurship.

and in the new Member States ...

• There are still problems with new titles.
• There are relatively high
  – interest rates;
  – risks and uncertainty;
  – transaction costs.
explain low rates of rural investment and low rates of local business start-ups relative to national averages (for example, Bulgaria, Romania).

In the EU-15 the picture is variable. Some rural communities have relatively vigorous local entrepreneurship, while others do not. The conditions which underpin such entrepreneurship, such as local institutional capacities, governance, the asset base, networking characteristics, property ownership, and local culture and history are also variable. There are sufficient cases of vigorous local entrepreneurship to argue that rural areas are not necessarily doomed to a slow death, and a good case for arguing that less successful rural areas can learn from their peers.

Institutional capacities and governance

Again, the situation in the EU-15 is highly variable, and determined by national and regional factors as well as local conditions. Relatively successful rural areas have better local government and governance, with public agencies working together and having good relations with the civic and private sectors, a relatively high degree of fiscal and decision-making autonomy. These are supported by national and regional fiscal equalisation schemes in countries such as Sweden and Germany. In others, local government and governance are both weak, and fiscal equalisation may be weak, obscure, or non-existent. Leader is generally seen to have strengthened local capacities in many rural areas during the last 13 years or so.

In the new Member States, local institutional structures and governance are generally weak. As in some existing Member States, they have a legacy of highly centralised government and low degrees of local decision-making and fiscal autonomy, leaving little room for local initiative.

Who is doing the rural development?

This is closely related to the previous issue. In general, one might say that considerable progress has been made in many of the existing Member States since the 1980s, both as a result of Leader and similar national schemes and initiatives to give rural people a greater say, and a greater role in their own development. Much has also be done in the new Member States to change the development paradigm, for example,
through activities of those such as the Carpathian Foundation in Slovakia, Hungary and elsewhere. However, much remains to be done in this regard. In the new Member States, local institutional weaknesses mean that the framework conditions for a more empowered rural population are weak, and need to be addressed.

**Conclusion**

The foregoing analysis suggests that there remains a good deal to be done to secure ‘healthy’ or ‘sustainable’ rural communities in the EU-25. It also suggests that there is a need for both EU and national policies to work in a more integrated way if the broader concerns of rural people in terms of jobs, incomes, employment, quality of life, health, education, etc. are to be addressed. We have made some progress, but significant challenges remain. Although many of these challenges are significantly greater in the new Member States, the situation is far from solved in the EU-15.

I do not, however, wish to end on a negative note. Although there are great challenges, there are also many and diverse opportunities. These opportunities, and the capacity to grasp them, have been demonstrated by rural people in many areas of Europe. We need to learn from these successes, and transfer experience between rural areas in the wider EU-25. Rural areas have learned — and will learn — best from their peers, and the kind of mechanisms for this developed in the 1990s under the European Leader Observatory must not be lost with enlargement. General de Gaulle is credited with the rhetorical question: how is it possible to govern a country with 500 different kinds of cheese? The enlarged EU may after all have 1 000 or more different kinds of cheese in 1 000 different rural areas. My response would be — let 1 000 cheeses bloom!
Conclusions

- Much work is needed to create ‘healthy’ or ‘sustainable’ rural communities.
- New policy approaches are needed!
- National and EU policies need to be integrated to address the broader concerns of rural people – for example, jobs, income, quality of life, health and education.

Many diverse opportunities exist!
Rural people only need the capacity to grasp them!

Principal references


Mr Franz Fischler
Member of the European Commission responsible for Agriculture, Rural Development and Fisheries

‘Europe’s rural areas — an invaluable asset for us all’

Your Royal Highness, Ministers, Honourable Members, Ladies and Gentlemen.

Good morning and a warm welcome to Salzburg!

Although I am naturally rather biased, I find it hard to imagine a more appropriate city in which to hold the second European conference on rural development. Prince Felipe spoke of Europe’s inspiring landscapes, of its spectacular and dramatic scenery, of its rich and diverse cultural heritage — we have all of this as an exemplary backdrop here in Salzburg. My thanks go out to the Austrian authorities for their help in organising this landmark conference.

Ladies and gentlemen,

We are all privileged to be involved in rural development, but it is also a great responsibility. Our rural areas are home to much of our population, innovation, expertise, as well as a rich and diverse cultural and environmental heritage. All of these provide invaluable assets from which we can draw great benefits.

But it is not this simple. Our rural areas are not only very valuable assets, they are also very fragile resources that have been considerably depleted. They face us, as Professor Bryden has illustrated, with considerable, and very complex, challenges. The landscape may be picturesque, but it is also often ecologically sensitive. The rural population may be talented, but it is also often restricted by a lack of infrastructure, services, and marketing opportunities. The heritage may be diverse, but it is sometimes in danger from depopulation and a loss of skills that move away with the people who own them.

It is clear that on the eve of the biggest enlargement the European Union has ever witnessed, our rural policy is facing new challenges and will need to evolve in order to accompany the ongoing CAP reform process effectively.

We are gathered here in Salzburg to discuss and assess our experience of European Rural Development over recent years, and to learn together what needs to be done to improve sustainable development in our rural areas.

Ladies and gentlemen,

When Agenda 2000 was decided four years ago, we stood at the cradle of what was meant to become one day a full-blown EU rural development policy. We are not yet there, but we have made progress. The publications included in your conference pack show the quite impressive rural development programming which has been set in place for the 2000–06 period. Take funding for example. This amounts to over EUR 60 billion for the period, if we include the new Member States, spread over 250 programmes. This amount doubles if we add the national co-financing. So we are talking about significant sums of money already being invested into the EU’s rural areas.

But are we getting the most from this money? How successful are we with our policy so far? Professor Bryden has shown us a quite diverse picture of rural realities and I agree with him that much still needs to be done. I am particularly concerned by the fact that, in a number of rural areas, de-population continues to
be an acute problem, linked to low birth and high mortality rates and to out-migration of young people. Fortunately, there are also other rural areas where the population is growing, but sometimes at the cost of profound changes in the social fabric.

I am also concerned by what Professor Bryden has told us about the lack of access to public services, to higher education and to life-long learning, about the lack of employment opportunities and, in more general terms, about a lower standard of living. Our network of central and east European country experts has recently undertaken work for us highlighting that these problems will be accentuated after enlargement. In a number of rural regions, there are a larger number of children of school age compared to towns and cities. This is often accompanied by a flow of workers back from towns. Both trends put additional pressure on education and training systems. At the same time, the poverty gap is increasing in many rural areas. As the experts conclude, 'off-farm employment and alternative income sources will become increasingly decisive for socioeconomic well-being in rural areas'.

But while I am seriously concerned about these problems and difficulties, I also believe there are reasons to be encouraged: Encouraged by what has been achieved so far, by the large and growing number of examples of progress and success, and above all by the commitment of individuals and organisations, by women and young people, to making a difference in rural areas, both in the future and current Member States.

I have no doubt that we should be optimistic about our rural areas. In our increasingly urbanised societies they play an indispensable role. Their agricultural landscapes and forests are a great asset for Europe. The cultural heritage they represent is a great asset. The people living and working there are a great asset, and the partnerships for rural development, many of whom are represented here today, are also a great asset.

The evidence is there for all to see throughout the EU. We have asked Member States to provide us with examples of their success stories, their best practices in rural development. The response we got is impressive. A first sample will be made available to you at this conference. And once we have gone through all this material, it will be put together in a publication. It will give a good indication of the wide range of activities being implemented and of how the money is being used to the benefit of rural areas. Take for instance the innovative projects involving employment of young people and the introduction of information technology in rural areas in Finland. Take the integrated approaches at the farm level in the UK, involving a combination of nature conservation and environmentally friendly production of quality meat products. Or take the agro-tourism projects in Greece, involving traditional olive growing, farm accommodation and traditional cooking.

These are just three examples out of many from north to south in very different domains. The field trips organised with the help of the Austrian and German authorities later in the conference will give us a further taste of what rural development means in practice.

Yes, there are many examples of good practice. And, fortunately, there are also a number of rural regions with highly dynamic developments: regions which enjoy not only economic and population growth, but which also achieve significant job creation. Changes in technology, in lifestyles and in consumer expectations offer new opportunities for the development of rural areas.

It would therefore be wrong to equate rural areas automatically with disadvantages in economic development and employment.

Of course, growth raises other problems of sustainability, the encroachment of urban development, the threats to landscape and habitats, the pressures on traditional structures and cultural heritage. But ask anyone living in one of these more dynamic areas: rurality is not a handicap. It is an asset!

We must ensure that growth is strong and sustainable, that local partnerships can build on their local strengths, and that our policy helps rural areas make the best of available opportunities. Such ambitions cannot be left to tomorrow. The future starts today.
And the purpose of having this conference in Salzburg, almost half way through the current programming pe-
riod, is not only to reflect and take stock of the experiences so far. We also want to look ahead, to decide on the
direction we want rural development policy to take and, to do this, we need the input of all key stakeholders.

But if we are to plant the seeds for a sustainable rural Europe, then we need to sift out some of the weeds
that risk impeding their growth. We have to consider the ‘whats’ and the ‘hows’ of our rural development
policy: firstly, our objectives, what we want to achieve, and secondly, how we want to achieve these objec-
tives, how we put policy into practice. And two of the key issues here are, of course, that of increasing the
focus on sustainability, that of making the policy simpler and more effective.

When I talk about what we want to achieve, it is important to remember that we are not starting from
scratch. In the previous programming period we had a set of separate instruments, which under Agenda
2000 were brought into a single regulation. In our current policy, we have a menu of 22 rural development
measures that has grown to 26 after our CAP reform from which Member States can design their pro-
grames. It is true, in their structure and aims, many of these measures reflect more their history and ori-
gins, rather than overarching policy objectives. But they are there and I think we can build on them.

We must also build on the recent decisions regarding the budgetary framework for the CAP. As you know,
the Brussels summit in 2002 agreed on the financial framework for the CAP — market policies and income
support — for an enlarged EU until 2013, thereby paving the way for the accession of the candidate coun-
tries. And although the total amount of funding for rural development was left open, the European Council
expressed itself in favour of maintaining multifunctional agriculture in all rural areas of Europe.

Now, against this background:

• How are we going to steer the policy towards a more sustainable future?

• How can we use support for restructuring to increase the competitiveness of the agricultural sector, and
boost the economic aspect of sustainability?

• How can support for land management promote preservation of both the rural environment and the
countryside?

• Finally, can we do more to reinforce the social fabric of rural areas? How, for example, can we improve
the quality of life for communities in rural areas? How can we promote diversification into other forms
of economic activity? In other words, how can we make sure that the rural dynamo generates its full
potential?

It is you, the stakeholders, who must tell us whether the objectives and instruments we currently have in
place remain relevant in answering these questions in the future context. My personal view is that these
three core areas of intervention — competitiveness, environment and the wider rural community — must
be at the heart of our approach to sustainable development in rural areas.

Of course there are many other related questions that I hope our speakers and you will raise and discuss
over the coming days: Where exactly do we put the priorities for EU co-financing? How do we adapt and
improve our rural development toolkit? Do we need a different toolkit in an enlarged EU? How do we take
into account questions of solidarity and cohesion? How do we ensure synergies and complementarities
with other EU and national policies?

Then there is the question of how we deliver rural development policy.

Here, I believe there is great scope for change in how we do things. Although we have examples of many
excellent projects — I mentioned a few before — I am certain that we can move up a further gear. The chal-
lenge lies in increasing the quality of what we do, how we combine measures to deliver real rural develop-
ment and how we tap into the potential that is there on the ground.
In part this is related to simplification. Many feel, and I think they are right, that our current policy delivery system is sometimes needlessly complicated and inflexible.

We need a new division of roles and responsibilities between the policy actors, in particular the Commission and the Member States. In my view, the Commission should be less involved in the detail of the implementation and the day-to-day management of the programmes and engage more in a policy dialogue with the Member States about goals and results. Member States should have greater flexibility, but must also carry more responsibility and be more accountable for the results of the programmes. I am certain that this would also make our programmes more effective.

If we want to increase the funding for rural development, we need to ensure that the extra money translates more easily into rural development on the ground. So what can we do in concrete terms to redefine the roles and to simplify programming, financial management and control systems?

A particular challenge as regards quality is marrying the more top-down approach of mainstream rural development programming with the bottom-up approach of Leader. Rural development at the end of the day is about people, of enabling rural actors, farmers and others to take charge of their own destiny, ‘owning’ the rural development process. How can we ‘ground’ our rural development policy? How can we make it not only an instrument for, but also of, our rural communities? How can we ensure an exchange of good ideas and best practices through networking? Helping our rural communities to help themselves to become thriving or ‘healthy’, in Professor Bryden’s words, will be the key to keeping the countryside alive and diverse.

Ladies and gentlemen,

I should stress that all these concerns and questions are not abstract or academic. Our discussions and ideas matter. Recent decisions on enlargement and reform have reshaped the broader context and, in the coming months, the Commission will be bringing forward important proposals on future policies.

We have the issue of the new financial perspectives to consider. What should be the Union's main policy priorities, post-2006? And how much money should be allocated to each policy area? This summer’s CAP reform agreement has already helped take us a step forward by including a significant shift in funding from market policies to rural development through modulation.

The Commission’s third cohesion report will also address the relationship between rural development and cohesion policy and will set out the main orientations for the future of the Structural Funds in the light of enlargement.

Ladies and gentlemen,

These are all-important decisions that will have a considerable impact on our rural areas. In this respect, I believe that this conference can give a strong positive signal in favour of rural development. It should not only assess what has been achieved so far, but also identify the needs, opportunities and challenges our rural areas in an enlarged Europe will face. And there is no doubt that we will need a sufficient level of funding to meet these challenges.

Just as importantly, the findings of the conference will be an important input for the Commission in preparing its proposals for the post-2006 policy and the successor to the current rural development regulation.

So to conclude, ladies and gentlemen, the Salzburg conference provides us with the chance to make a rural future a reality, inject new thinking, create new opportunities where they have been lost, and secure economic growth in areas that have for too long been considered rich in natural assets, but poor in pocket.

And when I talk about rural development, I am not just talking about making markets, services and opportunities more available to rural people. It is also about making the countryside more accessible to the
wider urban public, and here I agree with Prince Felipe when he says that we need to do more to make this possible. In Europe, we are privileged to have such a rich and diverse environment at our fingertips, and privileged to be able to see pieces of our history in the landscape in front of us. This is something that should neither be taken for granted, nor left to visit another time. Urban and rural areas are too often considered poles apart, but when I look at Salzburg the city, and Salzburg the region, I see that the divide is not as great as many think.

‘Look after the present, and the future will look after itself’ is how the saying goes. But is sustainable development really as simple as this? How do we integrate the many facets and intricacies of our rural areas into a comprehensive rural development policy? How can we preserve these areas without making them antiquated? How can we afford people in rural areas the same number of opportunities as their urban counterparts without compromising the other elements? How can we align our environmental and our economic objectives?

Rural development policy is not just about how farmers manage the countryside. It is not about creating a sort of open-air museum. It’s about real rural futures for real rural people.

I have taken the liberty of asking many questions and encourage you to work hard and fruitfully in the panels. I look forward very much to the reports of the discussions, the debate and the conclusions tomorrow, which I will hope will send a clear signal about the future of our policy. In short, I hope that this conference will help us to sow the seeds for a sustainable rural future throughout Europe.

Thank you for your attention.
Panel discussions
Introduction to the plenary floor debates 
and the panel discussions

The conference will be an important opportunity to debate with a wide range of rural stakeholders how they see current Community rural development policy for the period 2000–06, and what they consider are the priorities for the future development of the policy in the next programming period from 2007 onwards in a wider EU.

The conference is structured around two plenary sessions and five parallel panel sessions. The first opening plenary session on Thursday morning will serve to set the scene. The five parallel panels on Thursday afternoon will provide opportunity to discuss different aspects of the Community's rural development policy in detail. The first three panels focus on policy content, while panels 4 and 5 focus more on policy delivery. In the second closing plenary session on Friday morning, the main conclusions from the panels will be reported back and debated to arrive at the main findings and conclusions of the conference.

Potential issues for future policy

To help structure the debates and find answers during the conference, a number of general key questions for the future of Community rural development policy in an enlarged EU are proposed, which are worked out in more detail in questions per panel (see separate sheets). These questions are not meant to be exhaustive, but can serve as a starting point for the discussions. As background, the current policy context is presented in an annex to this document.

Key general questions:

1. What are the key challenges and opportunities facing Europe's rural areas in an enlarged EU which Community rural development policy should aim to assist? How can the policy adapt to these challenges?

2. What should be the role of Community rural development policy in an enlarged EU? Should it be focused on rural areas in poorest regions only or apply to all rural areas of the EU?

3. What should be the priorities for Community rural development policy post-2006? Should it focus primarily on measures targeted at restructuring and improving competitiveness in agriculture, on the environment and land management, or on measures which target the wider rural economy and community? If all three, how can the appropriate balance between them be secured?

4. Is the current menu of measures well adapted to the needs of rural areas? Are there additional measures needed? Are there measures which no longer respond to current needs and which should be abandoned or redeveloped?

5. Since its inception in 1991, the Community initiative Leader is widely recognised as having been a successful and innovative pilot instrument to promote bottom up and integrated approaches to local development in rural areas. How can the involvement of local groups and partnerships in rural development programmes be increased?
6. How can the way the policy is implemented be simplified? What should be the respective roles of the Commission and the Member States in the development and implementation of the rural development programmes? Can the definitions of measures and eligibility conditions for co-financing be simplified?

Annex
The current policy context

1. Policy content

Agenda 2000 established rural development policy as the second pillar of the CAP to support the sustainable development of all rural areas throughout the EU and to accompany and complement CAP market policies to develop a multifunctional model of agriculture.

The main instrument is the rural development regulation (Regulation (EC) No 1257/1999), which offers a menu of 22 co-financed measures to Member States and regions to draw up their rural development programmes. With the mid-term review CAP reform the scope has been further extended to include four new measures in the field of food quality and meeting standards and a sub-measure in the field of animal welfare under the agri-environment chapter.

The 26 measures can be categorised into three groups underpinning the following main objectives:

• increasing the competitiveness of the agricultural sector through support for restructuring;

• enhancing the environment and countryside through support for land management;

• enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors.

The relative weight of each group in the planned expenditure (EAGGF) for 2000–06 (EU-15) is 38 % for ‘competitiveness’, 52 % for ‘environment’ and 10 % for measures targeting the wider rural areas and communities.

The full list of rural development measures is provided at the end of the annex for reference. The categorisation of each measure by main objective is indicative. In fact, a measure categorised in group 1, such as support for farm investments to underpin the competitiveness of the farm sector, can also contribute to the aims of the other groups, for example, investment aids to achieve higher environmental standards. Group 1 and 2 measures tend to have mainly farmers as beneficiaries, while group 3 measures also target other rural actors.

In addition to the mainstream rural development policy, there is the Leader+ Community initiative, which promotes integrated local development strategies designed and carried out by local action groups (broad partnerships of rural actors).

Community funding available for all rural development amounts to EUR 52.5 billion for the EU-15 for 2000–06, and to EUR 7.8 billion for the EU-10 for 2004–06 (see below).

2. Policy implementation

For the current programming period 2000–06, two funding sources are available for rural development (RD) measures: EAGGF Guarantee and EAGGF Guidance.

Outside of Objective 1 regions, RD is co-financed by EAGGF Guarantee under heading 1b of the financial perspectives. In Objective 1 regions, RD measures (except the eight so-called accompanying measures) are
co-financed by EAGGF Guidance as a Structural Fund (SF) and fall under heading 2 for structural actions. The Community initiative Leader+ is funded by Guidance and falls under heading 2.

Four types of programming for rural development can be distinguished, with two different financial management and control systems (the Guarantee system and the SF system).

- Guarantee rural development programmes (68 RDPs): outside of Objective 1 the RDPs can contain in principle all 26 RD measures, in Objective 1 regions they are limited to the eight accompanying measures (early retirement, less favoured areas, agri-environment, afforestation of agricultural land, two quality measures, two meeting standards measures).

- In Objective 2 regions, Member States have the option to integrate the non-accompanying RD measures in their Objective 2 programming, although they are co-financed by Guarantee which is not a SF and follow the Guarantee financial management and control rules. This is the case for 20 single programming documents (SPDs) of one Member State.

- In Objective 1 regions, the non-accompanying measures are integrated in the Objective 1 programming and co-financed by Guidance, following the SF financial management and control rules (69 programmes).

- The Community initiative Leader+ has its own separate programming and follows the SF rules (73 programmes).

For the new Member States, 10 RDPs and nine Objective 1 programmes (SPDs/SOPs, sectoral operational programmes) will be added for the programming period 2004–06. Leader+ will not have a separate programming, but can be integrated as a measure in the mainstream programmes under special transitional provisions in the Accession Treaty.

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<th>Programming types and co-financing EU-15, 2000–06</th>
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<tr>
<td>No of Programme &amp; Co-financed by EAGGF section &amp; Community contribution (bio EUR)</td>
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<td>Rural development programmes</td>
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<td>Objective 2 programmes with RD measures</td>
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<td>Leader+ programmes</td>
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<th>Programming types and co-financing EU-10, 2004–06</th>
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<td>Objective 1 programmes with RD measures</td>
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<td>Total</td>
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(*) Estimate.
List of rural development measures

The three main categories of rural development measures (based on Regulation (EC) No 1257/1999 as amended by the 2003 CAP reform):

I. Restructuring/competitiveness:

- investments in farms (Chapter I);
- young farmers (Chapter II);
- training (Chapter III);
- early retirement (Chapter IV);
- meeting standards — temporary support (Chapter Va);
- meeting standards — support farm advisory services (Chapter Va);
- food quality — incentive scheme (Chapter VIa);
- food quality — promotion (Chapter VIa);
- investments in processing/marketing (Chapter VII);
- land improvement (Article 33);
- reparcelling (Article 33);
- setting up of farm relief and farm management services (Article 33);
- marketing of quality agricultural products (Article 33);
- agricultural water resources management (Article 33);
- development and improvement of infrastructure related to agriculture (Article 33);
- restoring agricultural production potential damaged by natural disasters and appropriate prevention instruments (Article 33).

II. Environment/land management:

- less-favoured areas and areas with environmental restrictions (Chapter V);
- agri-environment/animal welfare (Chapter VI);
- afforestation of agricultural land (Chapter VIII);
- other forestry (Chapter VIII);
- environmental protection in connection with agriculture, forestry and landscape management and improving animal welfare (Article 33).
III. Rural economy/rural communities:

- basic services for the rural economy and population (Article 33);
- renovation and development of villages, protection and conservation of the rural heritage (Article 33);
- diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative sources of income (Article 33);
- encouragement for tourism and craft activities (Article 33);
- financial engineering (Article 33).

For the new Member States there are a number of specific measures for the 2004–06 period:

- producer groups;
- semi-subsistence farming;
- compliance with Community standards (to be merged with CAP reform meeting standards);
- complements to (market) direct payments;
- technical assistance (Guarantee);
- farm advisory and extension services;
- Leader+ type measures.
Panel 1

A competitive agriculture

Chairman: Mr Joseph Daul
Chairman of the Committee on Agriculture and Rural Development, European Parliament (F)

Expert rapporteur: Mr Laszlo Vajda
Assistant State Secretary, Ministry of Agriculture and Rural Development (HU)

Speakers: Mr Stefan Tangermann
Mr Peter Gaemelke
The role of rural development policy in the restructuring of agriculture — ‘How can the policy contribute to enhancing the competitiveness of the agricultural sector?’

1. Introduction

Although in most rural areas the primary sector has become less important in terms of its economic weight and share in employment, agriculture and forestry are the main land users and play a key role in the management of natural resources in rural areas and in shaping the rural landscape. Even with its reduced share in overall economic activities, these interdependencies mean that agriculture has a valuable contribution to make to the socioeconomic development of rural areas and full realisation of their growth potential.

The CAP involves much more than the payment of subsidies to farmers to encourage the production of food. Farmers are encouraged, via agricultural restructuring measures, to adjust their business management methods and agricultural practices to society's demands. Therefore, farming is important for the purpose of supplying consumers with food of high quality standards and keeping a living countryside.

For measures aiming at restructuring and increasing competitiveness of the agricultural sector, the planned expenditure for 2000–06 amounts to around EUR 18.5 billion, or 38 % of mainstream rural development spending (EU-15, EAGGF part). Although significant differences exist between Objective 1 and other regions with regard to the importance of agricultural restructuring in the programming documents (this share is

Under current legislation, the measures aiming at restructuring and increasing the competitiveness of the agricultural sector are the following:

- investments in farms;
- measures targeting humans resources: young farmers, training, early retirement;
- meeting standards — temporary support to farmers and farm advisory services (new measures);
- food quality — incentive scheme to farmers and promotion (new measures);
- investments in marketing/processing;
- land improvement;
- reparation;
- setting up of farm relief and farm management services;
- marketing of quality agricultural products;
- agricultural water resources management;
- development and improvement of infrastructure related to agriculture;
- restoring agricultural production potential damaged by natural disasters and appropriate prevention instruments.
45% in Objective 1 regions and 27% in the other regions), the above figures demonstrate the high importance Member States attach to agricultural restructuring in the period 2000–06.

In the enlarged EU, it is expected that the share of rural development funding in the Objective 1 regions will further increase, as well as the share of spending in the agricultural sector, due to the increased needs for agricultural restructuring in the new Member States.

2. Questions

1. Are the existing agricultural restructuring measures adequate to address the problems of the agricultural sector? Are there new agricultural measures that should be added, or existing measures that should be reconsidered, for example:
   - the human resources measures (early retirement, young farmers, training);
   - or the downstream measures such as support for processing/marketing? Should the whole food chain be targeted or the focus be more on local value added?
   - How can the synergy of group 1 measures (competitiveness) with the measures of the other two groups (environment, wider rural development) be increased?

2. Should the EU agricultural restructuring policy be adapted in the light of first pillar CAP reform? Can the coherence and complementarity of agricultural restructuring policy instruments (measures) with first pillar policies be increased?

3. What can be done to enhance the effectiveness and attractiveness of the agricultural restructuring measures? Are there alternative financing mechanisms to grant such as loans and revolving funds? How can the problems of access to credit for farmers and other rural actors be taken into account? Are there ways to encourage cooperation between farms in the use of agricultural machinery?

4. Is there a need to differentiate the EU policy instruments and measures for agricultural restructuring (for example, scope, level of public funding and co-financing rates) according to the needs of Member States?
Mr Stefan Tangermann
Director for Food, Agriculture and Fisheries, OECD (INT)
Outline

• What is competitiveness?

• How competitive is EU agriculture?

• What can policy do to improve competitiveness?

• Are existing measures adequate?

What is competitiveness?

Agriculture is competitive if it:

• is profitable, based on market returns;

• supplies products demanded by consumers;

• can dynamically adjust to market challenges.
Competitiveness and the role of government

• Farm income support can help farmers to survive, but ...
  ... such survival is not based on competitiveness.

• Policies to improve competitiveness should be transitory measures.

Competitiveness of EU agriculture

EU agriculture has many advantages over other parts of the world:

• climate;
• closeness to markets;
• quality, variety of products;
• value added in agriculture;
• well-educated farmers.
Bottlenecks to competitiveness

Major factors limiting competitiveness of Europe’s agriculture are:

- high land price: support capitalised;
- supply management (sugar, milk, set-aside);
- most importantly: low labour productivity (farm size structure/excess labour).

Farm receipts (without support) per farmer are low in Europe
Policy and competitiveness of agriculture

Policies enhance competitiveness of agriculture if they enhance:

- opportunity costs of farm labour;
- farmers’ ability to adjust;
- labour productivity in agriculture.

Raising the opportunity cost of farm labour

- Improving off-farm employment prospects in rural areas …

… is the most important contribution policy can make to improving well-being in agriculture.

- This requires rural development policy, not agricultural policy.
Enhancing farmers’ ability to adjust

- Improve labour mobility
  - education,
  - retraining, non-farm skills.

- Facilitate transition to new generation
  - assist retirement of old farmers.

Raising labour productivity in agriculture

- skills upgrading;
- technology improvement;
- farm advisory services;
- on-farm value added;
- pluri-activity.
Are existing measures adequate?

• Farm investment (10% of total RD 2000-06): questionable
  – essentially income support;
  – does not assist self-sustained competitiveness;
  – adds to overcapacity.

• Young farmers (4%): counter-productive
  – adds to excess farm labour;
  – reduction of land prices more sensible.

Are existing measures adequate?

• Training (1%): sensible, expand
  – enhances human capital;
  – should be extended to off-farm skills, re-training for non-farm activities.

• Early retirement (3%): sensible, expand
  – helps transfer to new generation;
  – reduces excess farm labour.
Are existing measures adequate?

- Investment in processing, marketing (8%): questionable (with one exception)
  - essentially income support;
  - does not assist self-sustained competitiveness;
  - assistance to development of new technologies makes sense.

Are existing measures adequate?

- Land improvement, re-parcelling: sensible
  - helps to overcome transaction costs.

- Improvement of infrastructure for agriculture: sensible
  - if well integrated into overall infrastructure.
Are new measures (MTR) adequate?

- Meeting standards: sensible
  - temporary nature important;
  - in the long run, responsibility of farmers;
  - advisory services useful;

- Food quality: sensible
  - temporary nature important;
  - in the long run, only institutional framework needed;
  - involvement of whole food chain desirable;
  - help to overcome transaction costs.

Which additional measures make sense?

- Farm advisory services
  - not only to meet new standards.

- Assistance for restructuring/liquidation of failing farms
  - helps to improve structures.

- Facilitating access to credit, improving infrastructure of rural finance
  - important for new Member States.

- Creation of non-farm jobs in rural areas (rural development!)
Concluding comments

- Enhancing competitiveness of agriculture must target long-term improvements.
- Farm income support undermines competitiveness.
- Improving labour mobility, non-farm employment opportunities are key.
- Sectoral measures have limited potential, territorial approach is crucial.
Mr Peter Gaemelke
President COPA (DK)

A competitive agriculture for the future in an enlarged Europe

Ladies and gentlemen,

A few months ago, the ministers adopted a fundamental reform of the common agricultural policy. The core of this reform, of course, is decoupling, whereby the link between support and production is broken. Together with reforms in, for instance, the rice and milk sector, this will in the future make farmers even more focused on the market than they are today. Increased market orientation is part of the future.

Let me say clearly, this is a challenge we as farmers are willing to meet.

We are going to meet it, using one thing that works to our advantage: The skill and the experience of the European farmer.

And we are going to meet this challenge by building on what has to be the backbone of European agriculture, the family farm. Not the family farm of yesterday, but the family farm of tomorrow. A modern and efficient operation where the farmer and his family retain control over decisions and continue to be directly involved in the work on the farm.

Economic and social changes influence agriculture like any other economic sector. We are influenced by changes in our economic environment and we respond to the economic policies aimed at our sector. With the vision of the family farm as a starting point, let us now look more closely at the economic changes that are about to influence our sector.

• First of all there is the reform of the common agricultural policy with its focus on doing away with market intervention.

• The competitive pressure is increased by ever more competition from abroad due to the reduction of Community preference, that is to say, our border protection. A number of decisions underline this trend. ‘Everything-but-arms’ is only one of them. And these decisions have already been taken now, even before coming to an agreement in the WTO.

• Europe is a high-cost area, both in terms of wages, goods and services. Therefore agriculture faces tough competition from low-cost producing areas in the world.

• European society continues to raise its demands on the way farming is carried out in Europe. This concerns food safety, animal welfare standards, environmental restrictions and wishes for landscape and nature. I do not criticise these concerns and the demands are not necessarily unjustified, but the bottom line is that they put European agriculture under competitive pressure.

• In a few months’ time, the EU will extend from the Scandinavian countries in the north to the Mediterranean countries in the south, from the shores of Ireland in the west to the Danube plains in the east. This will increase the diversity found within European agriculture and therefore also the remedies needed.
• The enlargement will also create a much bigger and a much more diverse market for food products in the EU. This will, in its turn, challenge the way we produce and market our production.

All these changes to the economic environment will lead to changes for European agriculture, both in terms of structure, production methods, and marketing.

Again, we are willing to face these challenges.

But we must demand that the politicians are consistent in their approach. They cannot adopt fundamental changes in agricultural policy, without also taking responsibility for their choices and adopting the necessary flanking policies, which will make it possible for farmers to face and meet the new economic environment and its challenges.

This is where rural development policy comes in. In my view we need policies and programmes in five areas:

First of all, we need policies to improve the farming structure and install modern techniques in order to create the family farm of tomorrow. This is not least relevant in the new member countries.

Secondly, we need policies that help farmers to stay competitive in light of the increasing demands made on agriculture from society. We would prefer if we, within the framework of the WTO, the SPS-agreement, Codex Alimentarius, could agree on the standards that producers need to respect, in Europe and elsewhere in the world, in order to feed the European consumer. If, however, and that seems to be the case at present, this is not possible, then we need programmes that compensate farmers for higher environmental restrictions and the up-keep of landscape values. Otherwise the concept of competitivety loses its meaning.

Thirdly, we need policies that contribute to improving the farmer's position in the market and vis-à-vis the food chain. I am thinking of programmes to help farmers meet high standards and to further develop the quality of the produce we place on the market.

Next, when we speak about the farmer's position in the market, I also want to highlight the role of competition regulation in the EU and in the Member States. This regulation must give equal chances to farmers and the players in the food chain by allowing farmers to improve their situation through producer groupings and cooperatives. Individual farmers must be organised in order to be equal partners in the food chain.

Finally, we need to focus on know-how. To continue to stay competitive, we need to continue to educate farmers, we need to innovate and we need to distribute information as quickly and thoroughly as possible. In short, public and private farm advisory services need to be part of the future.

I have now presented a number of demands to the content of rural development policies in the future, if European agriculture has to stay competitive in the long run. Let me also say a few words about the overall framework for rural policy needed:

• I believe that the farming sector should be both the core and the driving force of a rural development policy. One that promotes both a modern and competitive agriculture and an integrated and sustainable development of rural areas.

• Because rural development must be seen as flanking measure for the general agricultural policy, the existing structure of two pillars of the CAP must be retained in order to safeguard a coherent strategy for the agricultural sector.

• The principle of less-favoured-areas has to be maintained in order to deal with a variety of social, economic, natural and other handicaps in certain areas.
• Because of the diversity of European agriculture the policies and programmes need to be flexible and last but not least,

• It is necessary to simplify the administration of the rural development programmes both at EU, national and local level.

We European farmers follow very closely what goes on in the world. We know we have to open our markets, especially to the truly developing world. Let me underline here ‘truly developing’ in order not to confuse it with agriculturally developed countries like Brazil.

We accept this. What we want is the chance to feed the European consumer on an equal and fair basis. Same standards for the products. Same demands on production methods concerning environment, animal welfare and food safety. In many ways, Europe is in a strong position to produce food. We have fertile soil and a good climate. We have a long tradition to build on. And we have very skilled and experienced farmers.

We are willing to look to the future and face the challenge of more competition. We are willing to take advantage of progress and technology in a responsible way. We are willing to offer European society a great opportunity to have a multifunctional agriculture, producing with concern for the animals and the environment and maintaining the pleasant landscape that Europeans want and appreciate.

And there is no better place to show the possibilities than the area here around Salzburg.

Thank you very much for your attention.
Conclusions

Some of the main elements of the strength of EU agriculture:

- favourable climatic and soil conditions;
- closeness of markets;
- agronomic skills of farmers;
- traditions and experience;
- quality, variety and safety of products.
PANEL 1 (main conclusions)

Challenges that European agriculture is meeting when realising the criteria of competitiveness

At international level:
- different norms and standards on world markets.

At internal level:
- aspect of multi-functionality;
- respect for the environment;
- respect for animal welfare.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 1 (main conclusions)

Unanimous support for rural development measures addressing competitiveness, for example:

- training;
- farm advisory service;
- quality products;
- local marketing;
- adding value to on-farm products.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 1 (main conclusions)

New actions to be considered or strengthened:
- research and development;
- non-food production;
- renewable energy;
- to improve access to investment facilities;
- assistance to restructuring/liquidation of failing farms;
- planning of land use.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 1 (main conclusions)

Propositions:
- rural development measures are indispensable for the competitiveness of European agriculture;
- rural development policy shall take account of the diversity of regions;
- some new measures are also appropriate, especially for the new Member States;
- young farmers are our future, therefore they deserve special attention;
- we have to find means to manage crises (common markets, public health, natural disasters).

Salzburg Conference on Rural Development
12-14 November 2003
Panel 2

A diverse countryside

Chairman:  Mr Josef Riegler  
President of the Ökosozialen Forums (AT)

Expert rapporteur:  Mr Holger Magel  
Technical University of Munich, Director of Institute of Geodesy, GIS and Land Management, Chair of Land Tenure and Land Development, President of the Bavarian Academy for Rural Areas (DE)

Speakers:  Mr David Baldock  
Mr Pavlos D. Pezaros
The role of rural development policy in environmental and land management —
‘How can the policy contribute to maximising environmental benefits?’

1. Introduction

More than 80 % of the EU’s territory is under agricultural use or covered by forests and other wooded land. An appropriate use of this land is an essential contribution to sustainable development, to which the EU is strongly committed. The rural development measures addressing environmental and land management play a key role in achieving this objective. Land use in the EU has multiple functions and must contribute to or ensure simultaneously:

- the production of safe and healthy food;
- the production of non-food materials and renewable energy;
- high biodiversity;
- water quality;
- climate protection;
- diverse landscape;
- preservation of cultural heritage.

The rural development measures targeting environmental and land management support, in particular, those ways of land management for which there is no ‘market price’, but more a demand of society.

These measures comprise:

- the granting of compensatory allowances in less favoured areas suffering particularly from natural handicaps in order to ensure sustainable agricultural land use and to maintain the countryside;
- compensations in areas with environmental restrictions resulting from the implementation of the habitat and birds directives (Natura 2000);
- agri-environment and animal welfare support for agricultural production methods including animal husbandry that protect the environment and maintain the countryside and which go beyond usual good farming and husbandry practices. These measures contain, for example:
  - extensive farming and low-intensity pasture systems,
  - conservation of high nature-value farmed environment and genetic diversity,
  - upkeep of landscape and historical features,
  - improvement of animal welfare;
- the measures of the forestry chapter (afforestation, maintenance and improvement of the ecological stability of forests, fire-breaks, etc);
• environmental protection in connection with agriculture, forestry and landscape conservation as well as improvement of animal welfare (Article 33 11th indent).

More than 50% of rural development expenditure for 2000–06 or EUR 25.6 billion (EAGGF part) is foreseen for this group of measures in the EU-15, with the major part for agri-environment. About 56% of the EU’s agricultural land is classified as less favoured area (LFA).

2. Questions

1. One of the main objectives of the less favoured areas measure is to prevent the abandoning of agricultural land use. Should, for the next programming period, the criteria for classification and for fixing the level of compensatory allowance be reviewed? Should the co-financing limits be increased in areas facing particular natural or structural handicaps (for example, mountain or remote areas)?

2. Agri-environment: should this support be more targeted (for example, by offering a higher EU co-financing) or restricted to areas with particular environmental problems/opportunities and/or measures that contribute specifically to the implementation of EU-strategies and activities in the field of the environment (for example, water quality, biodiversity, soil protection, sustainable use of pesticides, Kyoto-Protocol, organic farming)?

3. Are there further ways to improve agri-environment’s efficiency, inter alia, in terms of:
   • defining and optimising environmental benefits;
   • better value for money (for example, using, where appropriate, tender procedures for the delivery of environmental services);
   • greater flexibility (for example, contract terms shorter than five years);
   • simpler management (for example, simplified premium calculations, simplified procedures for the providers of green services).

4. Afforestation of agricultural land originally was intended to reduce the agricultural production potential. Between 1992 and 1999, about one million hectares were afforested. The impact on agricultural production was, however, quite limited. Should this measure be re-targeted more explicitly towards environmental objectives such as to combat climate change, enhance biodiversity, reducing the risk or impact of natural disasters (such as flooding), or production of renewable energy? How can the other forestry measures be improved to achieve a sustainable forestry strategy?

5. More generally, what are the best ways to determine the demand for public goods and to organise the supply of public goods? How can public good benefits be measured?

6. Most of land management measures are targeted at farmers/forest owners. Should the range of potential beneficiaries be widened?

7. With the introduction by the CAP reform of cross compliance, the question arises if there should be a common baseline for the first and the second pillar (replacing good farming practice as currently defined in the rural development programmes for the agri-environment and LFA measures)?

8. Recent floods, droughts and forest fires have drawn attention also to the impact of different ways of land use on the risk of such events and the possibilities to reduce it. Should EU-cofinancing of RD-measures concerning land use be conditioned on a risk analysis and appropriate measures for prevention or reduction of such risks?
Mr David Baldock
Director of the Institute for European Environmental Policy
(UK/BE)

Panel 2: A diverse countryside
The role of rural development policy in environmental and land management: how can the policy contribute to maximising environmental benefits?

David Baldock
Institute for European Environmental Policy
Salzburg, 12-14 November 2003
Significance of environment and quality of life issues

- This has become an important aspect of rural development policy at EU and national level.
- This reflects priorities of ordinary people and elected authorities, in new as well as existing Member States.
- The economic importance of a well-managed environment for many rural activities including recreation, tourism, farming, water supply and some industries.
- Integrated planning and management need an environmental dimension.

Complying with legislation

- There are clear environmental obligations in the rural development regulation.
- There is a need to improve compliance with existing EU legislation in the countryside, for example the birds and habitats directives.
- New environmental measures, such as the water framework directive, will create significant obligations, for example, on farmers.
An expanding environmental agenda

- Growing to include renewable energy, carbon sequestration, diffuse water pollution, etc.

- New Member States have specific concerns, for example the abandonment of agriculture.

- Implications of decoupling and the new CAP, for example under-grazing.

Role of policy

- To encourage and, where necessary, support activities which contribute to sustainable rural management and development.

- To steer away from damaging projects/initiatives.

- To respond to local and EU objectives – diversity of Europe.
Experience under the RDR

- limited period since 1999 and few evaluations published;

- some evidence, for example, in ‘Europe’s rural futures’;

- importance of involving environmental institutions in development and implementation of measures.

Experience under the RDR (continued)

- variable outcomes of national measures, criticism of heavy infrastructure projects, benefits of good training;

- growing experience of agri-environment measures; assists progress, reveals weaknesses;

- Sapard – EU adaptation rather than environmental outcomes.
Taking stock

• the RDR ‘tool box’ has been expanded by the mid-term review;

• the budget expanded only modestly through modulation – what future?;

• example of Article 16 – compensation measures for farmers;

• still insufficient on outcomes; need strong monitoring and evaluation.

Less favoured areas

• In principle, support addresses questions of marginal farmland, undergrazing, etc., and is highly relevant to current concerns.

• Implementation in the Member States is extremely variable, reflecting political as well as farm and environmental realities.

• Classification of areas could be reviewed – Court of Auditors.
Less favoured areas (continued)

• Switch to area payments is potentially beneficial environmentally but sometimes undermined by defensive implementation.
• Stronger monitoring and reporting on outcomes are necessary.
• Good farming practice sets a baseline, but issues to be resolved, including the new baseline established under the mid-term review.
• Funding for compensatory measures?

Agri-environment policies

• Some fruits of experience, for example tendency to combine measures with wide appeal with highly targeted more demanding requirements.
• Operation of cross-compliance will set a firmer baseline; removes scope for paying for some current measures.
• But excessively stringent compliance requirements would narrow the potential for positive payments.
• Need to address growing concern about environmental benefits both by good scheme design and better monitoring.
Agri-environment policies (continued)

- Flexibility, good support and advice important in securing appropriate management.
- Need to compliment incentive measures with improved marketing, training, etc.
- Growing concern about adequacy of payments under profit foregone principle.
- Meeting the land abandonment challenge.

Forestry

- New, more multi-purpose role for forestry in most European countries.
- Measures need to reflect sensitivity of siting, species composition, establishment methods, fire prevention opportunities, ecological benefits of connectedness, etc.
- Potential new role for agro-forestry, wood pastures as well as conventional woods.
Forestry (continued)

- Importance of protecting high nature value farmland from inappropriate afforestation.

- Need to integrate forestry measures with appropriate enforcement of ‘good agricultural and environmental condition’.

Delivering environmental compliance

- Potential benefits of linking rural development plans to improved implementation, especially on farmland.
- Scope for transitional measures of assistance, if budget permits.
- Need to safeguard the polluter pays principle.
- Longer-term need to pay for environmental public goods, for example habitat management.
Final observations

- Substantial opportunities and challenges, implying increased budget.
- The need to tackle local issues within a consistent and supportive European framework.
- Harnessing local commitment; lessons from successful Leader projects.
- More stringent screening of potentially damaging projects.
- Greater connections between environmental and other measures, centrally and at point of delivery.
Mr Pavlos D. Pezaros
Director for Agricultural Policy, Ministry of Agriculture (EL)

A personal contribution to the maximisation of environmental benefits – the southern/Mediterranean dimension and perspectives

European Conference on Rural Development
Salzburg, 12-14 November 2003

Panel 2: A diverse countryside
The role of RD policy in environmental and land management

A contribution to the issue of maximising environmental benefits – The southern/Mediterranean dimension and perspectives

Pavlos D. Pezaros,
Director for Agricultural Policy,
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1. Introduction

Article 6 of the TEU (incorporated in 1992, as part of the Maastricht Treaty) explicitly states that ‘Environmental protection requirements must be integrated into the definition and the implementation of (all) the Community policies and activities ... in particular with a view to promoting sustainable development’. Due to the environmental significance of the agricultural activity, the CAP was obviously one of the first sectoral policies to be broadened by this perspective.

Indeed, following the so-called ‘Cardiff process’ (June 1998), the EU Council of Ministers for agriculture, working together with the Commission and the other involved EU institutions, started establishing its own strategy for giving effect to environmental integration and sustainable development within the CAP. By regulating several environmental aspects of programmes, measures and instruments applied in the sector, this strategy became part of a broader and more comprehensive framework for the development of rural areas, given that, in most of them, agricultural and forestry domains continue to be the main land users.

The Agenda 2000 CAP reform proved to be a turning point in the whole process of environmental integration. Several innovations related to environmental concerns were introduced and/or strengthened, while
new elements were included, the most important of which was the integration of rural development policy within the CAP, to form the ‘second pillar’ of it. Within this framework, there is no doubt that the establishment of the rural development regulation (Regulation (EC) No 1257/99), as a single legal instrument which also included targeted environmental measures to be provided for the sector, has a prominent role to play. It allows, among other things, to achieve a better coordination with other rural development measures, aiming to support the sustainable development of rural areas by pursuing, in particular, the multifunctional role of agriculture. However, it was widely realised that the overall objective of integrating the environmental concerns into the CAP could not be fully achieved by this action alone, but only if market policies were also compatible with the environmental protection requirements.

2. The concept of environmental benefits in EU agriculture in the framework of the 2003 CAP reform orientations

The last CAP reform agreement of June 2003, together with the ongoing second wave of the reform package, which includes the olive oil, tobacco, cotton, hops and sugar sectors into the same mainstream, is hopefully expected to almost complete this long process. Even if two, major for the South, production sectors (fruits and vegetables, and vines) have remained outside the general orientations and provisions, three crucial changes in the relevant market regimes brought about by the recent reform certainly have a strong environmental linkage.

- The decoupling of almost all the area and headage payments and their replacement by the single farm payment signals a decisive shift of most market measures from production to income support. The single payment is kept constant in time, while it does not depend on land allocations among the different cultures. This is expected to enhance the ability of the farming community to remain in the sector in more competitive conditions, to strengthen therefore the sustainability of rural areas, but also to benefit the environment, by lifting those factors (high prices and production-linked payments), which have represented an incentive to intensify production with consequent harmful effects to the environment. It
is therefore a sufficient condition for the CAP payments to become fully ‘green’, in accordance to the WTO classification.

• The compulsory application of the cross-compliance principle in any farming activity, under which all direct payments become conditional to specific environmental and land management requirements, represents a clear tendency of the CAP to become fully compatible with the citizens’ environmental concerns.

• The compulsory modulation of money from Pillar 1 to Pillar 2 measures, even if it is considered moderate at present, indicates a further shift of the available financial resources from market measures to measures that enhance the overall sustainability of the sector.

![Complementarities between the first and second pillars](image)

- **Innovations of the first pillar and environmental category of RD measures have or could have a dynamically structural incidence on a territorial basis.**
  - Examples:
    - decoupling: changing production patterns, depending on the land fertility;
    - cross-compliance: dynamic effect of standards and ‘good agricultural practice’, depending on the share of crop/livestock production in each area;
    - modulation: shift and distribution of available resources, partly on the basis of ‘cohesion’ criteria.
- **Both financed or co-financed by the Guarantee Section irrespective of Objective 1 or 2 regions:**
  - facilitating further the shift of funding towards strengthening RD: the example of recent proposals for establishing new product-specific (cotton and tobacco) funds;
  - how far are ‘structural dimensions’ losing their ‘cohesion’ potential?
- **Articles 16 and 159 of the TEU call for a more effective coordination of measures, to bring both pillars closer to territorial ‘cohesion’ objectives.**

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It is evident that, throughout this adjustment process, each policy pursued by the two pillars cannot be defined in an autonomous way. A large part of the continuing payments in Pillar 1, and the agri-environmental payments of the rural development regulation in Pillar 2, have the same prime justification. In other words, as it is the case for rural development policy in total, the role of the targeted environmental and land management measures pursued through the second pillar cannot be seen separately but only as accompanying and complementing those of the first pillar, and/or vice versa, when emphasis is given to the maximisation of environmental benefits.

Besides, the core of the measures included in the ‘environmental’ category of the rural development regulation (LFAs and areas with environmental restrictions, the agri-environmental package and afforestation) were, since their inception, characterised by definition as ‘accompanying measures’. This also justifies the fact that all these measures are co-financed by the Guarantee Section, irrespectively of Objective 1 or 2 regions, covering therefore ‘horizontal’ needs and not just problems of specific areas.
It should be stressed, however, that in theory and in practice, actual structural change is the outcome of measures which change incentives and patterns of behaviour and practices. This is the case of all the three innovations of the first pillar which, together with the environmental category of rural development measures, both have or could also have a dynamically structural incidence on territorial basis. If this is the case, one could consider that, by also bringing the rural development measures into the rules of Guarantee funding, these measures are losing part of their ‘cohesion’ dimension.

From another point of view, however, by fully integrating rural development policy within the CAP, a mechanism is set in place that may ‘facilitate’ even further the objective of gradual shift of financial resources from ‘pure’ market measures (Heading 1a) to rural development (Heading 1b), as it is the case of the recent proposals on the table for establishing new product-specific funds for the restructuring of cotton and tobacco cultivations.

In our opinion, therefore, this is not to say that such rural development measures should go back and be co-financed by Guidance Section in order to ‘safeguard’ their cohesion potential. By taking into account that cohesion is one of the fundamental objectives of the EU dictated by Article 159 of the TEU, under which ‘… the formulation and implementation of the EC policies and actions and the implementation of the internal market shall take into account the (cohesion) objectives set out in Article 158 and shall contribute to their achievement …’, one should consider that there is an actual need to incorporate and/or strengthen any ‘cohesion’ elements that should exist into the first pillar as well. Certainly, such a movement could also contribute to maximising environmental benefits. Modulation is an example of incorporating, even partly, certain cohesion elements, while decoupling stands at the opposite side. As it is based only on previous historical data, it represents an unbalanced pattern of income support between the EU territories. In fact, the unequal size of the single payment across the EU territories continues, to a certain extent, the differential treatment between the ‘northern’ and ‘southern’ products, expressed historically in the form of differences in the support and protection systems and levels established under each respective COAM. In our opinion, this differentiation has had and continues to have an environmental impact as well.

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**Major environmental risks of the 2003 reform innovations**

- **Intensification** in fertile areas is a potential outcome of farming tendency to maximise market returns.
- **Abandonment** of land in semi- or marginal areas is due to:
  - low yields;
  - high production costs;
  - poor performance of markets;
  - declining local societies.
- **Both risks are harmful to the environment.**
- **The degree of both risks depends on the specific characteristics (climate, geographical features, etc.) and the typology of each rural area.**

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In any case, the question today is actually how to achieve a joint and more effective coordination between the various activities and measures that will bring both pillars closer to the ‘cohesion’ objectives, including territorial cohesion (as it is also explicitly mentioned in Article 16 of the EC Treaty). The idea of having a separate set of programming, financial management and control provisions for rural development, by establishing a ‘Rural Fund’ in the future, looks to be a very promising perspective towards this direction.

3. The southern/Mediterranean dimension of land use and aspects of environmental protection

Under the new CAP, the implementation of the last reform is challenged by two major risks in terms of environmental and land management requirements:

- Intensification of production systems does not disappear by only making the payments production-neutral. It may still be present in practice, as a result of activities of well-established and competitive farms in fertile areas, aiming to maximise their overall market returns. Decoupling will sharpen farmers’ focus on profitability which should mean more switching between crops under a more intensive use of land for exploiting all the available factor endowments.

- Abandonment of land becomes even more threatening in the light of decoupling, in marginal areas in particular. Fears have been expressed that the abandonment will be a result of low yields and/or high production costs, both limiting market returns, which will not be a sufficient incentive for farmers to continue with their activity. In this sense, the degree of abandonment will crucially depend on the degree of performance of the markets. Therefore, poor performance of agricultural markets will result, not only in acute social and economic consequences threatening a further rural unemployment and remoteness, but also to severe impacts on landscape and bio-diversity, through a marginalisation of land, which will break the symbiotic relationship and interdependencies between agriculture, forestry, management of natural resources (including flora and fauna), rural landscape and cultural heritage.

**Main specific characteristics in southern/Mediterranean countries**

- predominantly mountainous areas (over 50% of Italy, Spain, Greece, Portugal and Austria as compared to a 30% EU average), most of them categorised as LFAs;
- lengthy coastlines and isolated small islands – many cases of water salinity in coastal areas;
- water shortage sharpens competition between various water uses;
- environmental damages caused by climate factors (forest fires, strong winds, torrential rainfalls, floods, landslides, mudflows) are increasingly frequent and intense in the south, sharpening soil erosion, impoverishing the land further and making farming more vulnerable;
- the richest bio-diversity in Europe – more than 50% of total European wild flora and fauna is concentrated in Spain and Greece alone.

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It seems that, due to their specific characteristics, most areas in southern Europe are much more exposed to both risks (depending on the typology of each rural area), but particularly to the second one.

Which are those characteristics that diversify the south from the north and make management of land more difficult, while boosting the cost of the necessary environmental protection? We think that no one can seriously deny that these characteristics, with the resulting deficiencies, are mostly linked to natural/geo-physical conditions, which could be, indicatively but not exhaustively, summarised as follows:

- geographical and landscape features;
- atmospheric and climate factors causing severe environmental damages (droughts, forest fires, strong winds, torrential rainfalls, floods, landslides, mudflows), which are increasingly frequent and intense in the south and have, among other things, a strong incidence in farming as well (soil erosion, impoverishing land further and making farming more vulnerable);
- shortage of water usually linked to the frequent phenomenon of extensive drought, which creates, among other things, acute competition between the various water users;
- the limited availability of all the factors of production, in particular of land use;
- higher dependency on agricultural activity, hidden unemployment in rural areas, ageing population, depopulation and remoteness;
- the much larger disparities in development between rural and urban regions of the Mediterranean countries;
- weak farm structures (small average size, dispersed holdings), the high fragmentation of which has called the economic viability of the existing farms into question;

**Main specific characteristics (contd.)**

- limited availability of all factors of production, in particular of land use;
- higher dependency on agricultural activity, hidden unemployment, ageing population, depopulation, remoteness;
- much larger disparities in development between rural and urban regions in the Mediterranean;
- weak farm structures – small average size, dispersed holdings;
- share of products in output – higher relation of crops/livestock;
- strong cultural and social traditions, increasing needs to preserve natural and cultural heritage.

**Some partial conclusions:**

*Risk of abandonment much greater than that of intensity – Greater needs for agri-environmental protection → less funding available in Mediterranean rural areas*

Pavlos D. Pezaros (EL)
Typology of rural areas in the south, with environmental incidences

- multiform agricultural/rural space:
  - island and upland regions suffer from permanent geographic disadvantages, no (or very limited) alternative sources of employment and income,
  - fertile lowlands limited to valleys of rather small total surface;

- dual pattern of RD in the south:
  - land abandonment, permanently threatening islands and uplands,
  - intensive cultivations in lowlands, frequently accompanied by an exhaustive use of natural resources;

- existing disadvantages and limited resources increase production costs to levels not covered by market prices alone.

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Basic rural categories and main RD needs

- Mountainous and semi-mountainous areas with unfavourable structures, including sensitive areas with environmental restrictions and islands
  - needs focused on environmental and landscape protection, upgrading cultural heritage, halting exodus, improvement of access to/from urban centres, social services, exploitation of comparative advantages in livestock, alternative tourist activities, promote organic production and quality products.

- Areas highly dependent on agricultural activity and/or areas of intensive agriculture
  - closer coordination of agri-environmental action with broader EU strategies (gas emission, nitrates, pesticides, etc.);
  - technical support to enforce sustainable management of natural resources (water, land);
  - upgrading and enforce product quality, linking supply with the demand of mountainous areas (feedingstuff) and/or nearby urban areas, creation of alternative or additional sources from non-farming activities.

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For reasons of emphasising certain incidences and the resulting deficiencies of the above characteristics, we should take into consideration the following aspects as well:

(a) The Mediterranean Member States are characterised by their lengthy coastlines but they are predominantly mountainous and semi-mountainous countries, most regions of which are justifiably categorised as less favoured areas. Mountain areas represent over 50% of the territories of Italy, Spain, Greece, Portugal (as well as Austria). In these territories, island and upland regions suffer from permanent geographic disadvantages, while fertile lowlands are limited to valleys, each one of rather small total surface area. Obviously, these features are the main reasons behind the observed dual pattern of rural development in the south. On the one hand, islands and uplands are permanently threatened by land abandonment, while, on the other hand, lowlands concentrate intensive cultivations, frequently accompanied with an exhaustive use of natural resources, which cause further environmental damage, as in the case, for instance, of the salinity of waters in coastal areas.

(b) In both cases, there is no doubt that the limited resources and the existing disadvantages increase production costs to levels that cannot be covered by the market prices alone. The additional cost attributed to irrigation needs is a characteristic example.

(c) In general, most of the Mediterranean regions have become environmentally fragile areas and environmental sustainability has become more prominent, requesting a bolstering of agri-environmental measures. This becomes even more necessary if we take into account that, at the same time, the Mediter-
ranean Member States are still privileged to have the richest concentration of flora and fauna in Europe. For instance, according to research calculations of botanists, out of 3,500 species of endemic wild flora in the whole of Europe, more than 50% are found in Spain and Greece alone. Some 944 species are found in Spain and 950 in Greece, representing 1.9 and 7.2 species per 1,000 square km. of their territory respectively, as compared to an average of 0.3 species in the whole of Europe (data obtained from the Hellenic Society for Nature protection).

(d) The young population is driven to the urban areas, due mainly to the lack of opportunities for profitable employment but also for social reasons, and this continual tendency limits even further the innovation potential of the regions. As a result, the ageing population rises in areas where the maintenance of the landscape is absolutely necessary, which naturally coincide with a large-scale of land abandonment. Further abandonment of land would create not only irreversible socioeconomic problems, but would also have severe environmental impacts.

(e) Agriculture still constitutes the full or partial occupation of the great majority if not of all the remaining population. The contribution of agriculture to local socioeconomic conditions is still quite high.

(f) Disparities in development are widened as they are particularly marked, on a regional basis, in indicators like per capita GDP, unemployment, demographic factor, accessibility, research, education and training.

(g) Given that fruit and vegetables, and vines are major sectors of production in the south, sectors that remain outside the current reform process, there is still a long way to go before the orientations and provisions of the recent CAP reform covers the total of their agricultural production. This is of crucial importance if we consider that the reform is beneficial not only to farmers but also to the agricultural environment.

4. Priorities for future development of environmental protection in the next programming period — Conclusions

To a certain extent, both the rural development policy and the reform of the CAP have contributed to slowing down or halting the conversion of environmentally fragile or ecologically valuable land to harmful agricultural uses. Contrary to this, however, it is the abandonment of land which constitutes the most environmental threat in the south. The gradual transformation of the CAP towards market orientation has worked as a sufficient disincentive, not only for potential expansion of farming in areas where the rules to respect the environmental requirements are enforced, but also in continuing with previous farming activities, given that the viability of holdings have become even more problematic.

4.1. Given that many of the positive and negative environmental effects of agriculture are spillovers to the rest of the economy or public goods (OECD, 2001), the LFA schemes should be reviewed in future, concerning both the criteria for their classification and the co-financing amounts for compensations, in a way that they become primarily (but not exclusively) an additional instrument of cohesion on a regional basis in the future.

Criteria for classification of LFAs should be enriched on the basis of regional/territorial dimension of cohesion, as long as development disparities are greater at regional rather than national level. Additional indicators can be elaborated and used for this purpose in the future, such as population density, age structure of active persons, education and training, availability of basic social services, accessibility, research and innovation potential; while the degree of remoteness should attract our special attention.

The amount of allowances in LFAs and Natura 2000 areas should be reviewed and go beyond the coverage of income loss and additional costs resulting from the environmental commitments. They should focus on the need to become real incentives sufficient to attract the youth to stay or return to their homeland.
Some agri-environmental priorities for the future – Conclusions (I)

1. LFAs schemes to be reviewed:
   - Classification criteria: Enriched on the basis of regional/territorial dimension of cohesion. Examples of additional indicators: degree of remoteness, population density, age structure, education and training, availability of basic social services, accessibility, research and innovation potential.
   - Amounts of allowances: Diversified on the basis of regional disparities, reviewed upwards beyond coverage of income loss to become incentives attracting youth to stay or return home.

2. Enforcing synergies with broader EU environmental strategies, other RD programmes and/or other sectoral policies. Examples of existing inconsistencies:
   - ‘Polluter pays’ principle and excessive use of nitrates indirectly subsidised;
   - sustainable share of scarce water uses: agro-tourism and irrigation programmes for farming;
   - protection of bio-diversity in fragile areas and ‘co-existence’ with GMOs.

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Some agri-environmental priorities for the future – Conclusions (II)

3. Ensure environmental functions of farming are maintained in both pillars:
   - promote work on agri-environmental indicators, to lift potential confusions between ‘minimum standards’ and baseline of ‘methods beyond good farming and husbandry practices’.

4. Afforestation to be re-targeted towards reducing impacts of natural disasters. Encourage farmers and local actors to be directly involved in afforestation of non-agricultural land.

5. Encouragement of multi-sectoral agriculture in fragile areas, to strengthen agricultural and forestry sectors when alternative income sources are limited. Enforce training of farmers on methods protecting the environment for their own farming benefit.

6. Lifting administrative problems due to complex multiplicity of funding lines:
   - a single financial instrument with common and simpler rules will contribute to better coordination and more emphasis on agri-environmental protection requirements;
   - enforce training and/or establish specific services in cases of lack of previous administrative experience.

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could only become effective if the financial incentive is related to the level of income disparities on regional basis.

4.2. It is obvious that agri-environmental action should go hand-in-hand with broader EU-strategies in the field of the general environment. Synergies with other rural development programmes and/or activities pursued by other sectoral policies should be carefully considered and safeguarded. Some examples might highlight the importance of this:

- The ‘polluter pays’ principle states that the polluter should be held responsible for environmental damage caused. It means that the polluter should bear the expenses for carrying out the measures decided by public authorities to ensure that the environment is in an acceptable state (OECD, 2001). If this is the case, then it looks ironic that sometimes the previous excessive use of nitrates is indirectly subsidised, instead of being penalised, through allowances to reduce nitrogen use, while there is no mechanism to reward areas that have been kept intact of this kind of pollution. In addition, the environmental importance of maintaining the traditional extensive methods of production has not attracted the special attention of the policy makers or the programming authorities.

- There is a growing competition for scarce water resources between agriculture and other users, the tourist industry in particular, which, in the case of southern economies is rather dominant. This reality has a broad environmental dimension, but it is more obvious in the agricultural domain itself, as far as agro-tourism is involved. Agro-tourist activities, which should always be channelled to attain the objective of indigenous development (widening the sphere of employment of persons truly engaged in agriculture, utilisation of local products, recreational activities linked with farming, etc.) cannot compete, in terms of water availability, with programmes promoting irrigation for farming.

- The scientific and social dispute concerning the issue of the potential environmental implications of GMOs is well-known and still on-going. The current EU dispute on regulating ‘co-existence’ necessitates our special attention. In our opinion, the ‘co-existence’ issue cannot be considered only on the basis of financial compensations to cover potential damages of the farmers with different plantations (GMO, conventional and organic farming). It is true that authorised GMOs guarantee the right of the consumer to choose between GM and GM-free foods. However, the use of GM material in environmentally fragile areas may still pose a threat to the environment and become an issue of high importance in cases of wild flora and fauna or of conventional farming, currently exercised by fragmented small holdings in mountainous or LFA regions. As long as scientific environment-related evidence and risk assessments on the incidence of releasing GM material have not been completed, the risk continues to exist for marginal areas. In this case, the ideal would be to define Community-wide which of these regions, under certain conditions, may be declared as GMO-free zones, even if this strips some farmers of their choice between GM and GM-free farming. Otherwise, it is fair and appropriate that current and future Member States, characterised by similar geographic deficiencies, have the choice to take measures, and perhaps the right to define GMO-free zones, ensuring that co-existence does not threaten seriously the local, usually rich, biodiversity (flora and fauna).

4.3. If our policy is indeed to be oriented towards maximising environmental benefits, there is no question of replacing one with another measure(s) included in both pillars, but rather enriching them in a way ensuring that environmental functions of farming are maintained in both pillars. It is a first priority, however, to promote the work on the agri-environmental indicators, the clear definition of which would allow distinguishing and lifting any potential confusion that might still exist between the measures taken in the framework of the first or second pillar. In our opinion, this is of crucial importance, particularly in the light of EU expansion with the 10 newcomers. A clear example of such a ‘might-be’ confusion can be taken from the definition, scope, and implementation of the cross-compliance minimum standards (included in Annexes III and IV of the horizontal regulation) and the production methods which go beyond usual good farming and husbandry practices (which are the baseline for support under the rural development regulation). The establishment of measurable EU-wide indicators at the earliest possible moment will contribute decisively to drawing a suitable and fair line between minimum statutory requirements and standards and require-
ments and standards that go beyond and imply an additional cost for the producers, which is not recovered by the market.

4.4. Afforestation of agricultural land cannot be linked any longer to the reduction of the production potential. This link is becoming unnecessary in the light of decoupling. In addition, it may be used as an excuse for further abandonment of land without keeping the required land management obligations and, therefore, become incompatible with the implementation of cross-compliance principles (Annex IV of the horizontal regulation). Afforestation should be re-targeted more to reduce the impact of natural disasters, which becomes extremely important in the light of forest fires. It should be considered, however, that the growing needs for afforestation, of non-agricultural land in particular, cannot be covered by public authorities alone. Local actors, the hardcore of which could be the remaining farmers, have a crucial role to play, in particular in taking care and maintaining the new forest plantations, on the assumption that they are compensated accordingly.

4.5. Irrespective of the objective to change the production pattern, this cannot be realised on a massive basis in LFAs in particular. Strengthening the agricultural and forestry sector (including fisheries) remains a target.

It is true that, in some cases (as it is the case of some remote Greek islands), the environmental performance of agriculture has deteriorated with the regional concentration of activities such as livestock farming. Taking into account that this may result in higher levels of nutrient surpluses and consequences in water pollution in some regions, measures should be taken to ease this pressure. In this respect, encouragement of a multi-sectoral agriculture in fragile areas might be the right balance between continuing agricultural activity and enriching, instead of impoverishing, the environmental dimension of farming.

4.6. The current administrative problems at all levels that appear as a result of the complex multiplicity of funding lines, certainly limit the effectiveness and innovation. Mechanisms and processes should be simplified. A better coordination with regional and urban policies is needed. Transfer of know-how to farmers in this area remains uncovered.

Agri-environmental measures in the south appear to have been effective when the environmental objectives were clearly specified and the actions required by farmers are closely targeted to the objectives. The case of building-up or repairing terraces in the mountains and the islands, an activity which certainly goes beyond ‘good farming practices’, is an obvious example.

It should be taken into consideration that for some of the existing Member States, particularly in the south, the agri-environmental action established in 1992 was a real innovation. From this point of view, lack of previous administrative experience in this field was usually a bottleneck to the conception and implementation of environmental programmes and, to a certain degree still is. This should be taken into consideration in the light of enlargement, as there are indications that this kind of action will also be an innovation for some, if not all, the new Member States. Lessons should be drawn, in particular, from the delays in submissions and approvals of agri-environmental programmes that were the most acute problem in the past.

In this respect, the integration of all the existing funding resources into a single financial instrument with common and simpler rules, would substantially improve the efficiency of delivering rural development policy on the ground and would offer additional opportunities to better coordinate and give more emphasis to agri-environmental protection requirements. The long ‘dispute’ between Guarantee and Guidance funding procedures, which currently try to reflect the difference between short- and long-run programming, will be raised. Community long-run programming might coincide with annual appropriations, as appears in the case of LFAs payments. A ‘rural fund’, therefore, could become the suitable instrument for the removal of the huge administrative problems that are created by the multiplicity of funding lines under the current system. At the same time, it may also contribute more decisively to touching on the existing disparities between the regions, with positive environmental effects.
4.7. It should be stressed that, thanks to the implementation of rural development programmes, as long as they were accompanied by appropriate compensations, the remaining farmers had an incentive to earn some additional income by widening their activities beyond their traditional production-oriented practices, although there was an underestimation of the necessity for targeted training in making farmers more sensitive to the importance of protecting the environment for their own benefit. Even so, it would be an exaggeration if the success of the specific agro-environmental programmes were to be called into question.

Concluding the abovementioned comments on the specific measures of the rural development regulation and the priorities for future programming, we should add that no one knows better than the local actors of the local necessities. Decentralisation of responsibility, flexibility of programming should be targeted and implemented in accordance with regional specific needs. Lessons can be drawn from the Leader+ approach.

Selected bibliography and references


Conclusions

PANEL 2: A diverse countryside (main conclusions)

- Rural development must be comprehensive; it includes a reasonable balance between farm viability, environmental protection objectives and the needs of the society (public goods) based on solid spatial and land-use planning.

Salzburg Conference on Rural Development
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PANEL 2: A diverse countryside (main conclusions)

- Maintenance of diverse countryside covers:
  - cultural heritage;
  - beauty of landscape;
  - recreation potential;
  - environmental protection;
  - sustainable farming and land management toward Kultur-landschaft;
  - more involvement of public actors.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 2: A diverse countryside (main conclusions)

- Importance of a constructive and structured dialogue between all levels (EU, national, local) and stakeholders involved in development and implementation of measures on the basis of partnership and democratic rules between farmers, citizens, local authorities and NGOs.

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PANEL 2: A diverse countryside (main conclusions)

- Simple wording, objectives and concepts understandable by farmers.
- Clear rules for environmentally positive incentives, more attractive for farmers.
- Environmental payments reward services delivered + incentive up to 20%.
- Measures should be optional and not compulsory.
- Clear principles and definitions on monitoring, evaluation and indicators.
- New requests and rules should be twinned with financial responsibility.
- Avoid policy of stop and go – updating of existing programmes for new programming period.
- Exchange of experience (networking of good practices).

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PANEL 2: A diverse countryside (main conclusions)

- Training and capacity building for participation methods (e.g. bottom-up approach) and for technical assistance (e.g. skills in sustainable land management).

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 2: A diverse countryside (main conclusions)

Prerequisites for efficiency and simplified delivery
- review of classification of LFA areas;
- more flexibility for measures (five-year obligation should be softened for justified cases);
- clear definition of what is expected of the farmers and certification;
- better use of all financial opportunities offered by Community legislation;
- cross-compliance as common baseline for market payments, compensatory allowances and agri-environmental measures;
- less stringent calculation of income foregone or additional cost;
- refocusing of afforestation measures to strengthen multifunctionality and sustainability (e.g. risk management, improve environmental benefits and reduce fire risks);
- more coherence between the measures;
- overall concepts to avoid bi-polar discussions and to bring people together;
- more money for NGOs contributions and participation.

Salzburg Conference on Rural Development
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PANEL 2: A diverse countryside (main conclusions)

The role of the European Commission: to respond to EU, regional and local objectives, Commission defines the political framework to ensure consistency – Member States select the most efficient measures out of the menu in the sense of the principle of subsidiarity.

Salzburg Conference on Rural Development
12-14 November 2003
Panel 3

A living countryside

Chairman:  **Mr Paolo de Castro**  
Professor of Agricultural Policy, University of Bologna (IT)

Expert rapporteur:  **Mr Jerzy Wilkin**  
Professor at the Department of Economics, Warsaw University (PL)

Speakers:  **Mr Laurent van Depoele**  
**Ms Janet Dwyer**
The role of rural development policy in the rural economy and for rural communities — ‘How can the policy contribute to the development of rural areas?’

1. Introduction

A living countryside means rural areas having both a good quality of life and employment opportunities. Quality of life is achieved in the access of local population to different public and private services: healthcare, transport, education, entertainment, etc. On the other hand, agriculture increasingly represents a smaller part of rural employment and diversification is the keyword for opening new employment opportunities in rural areas (tourism, crafts, services, new activities related to the environment, etc.).

The rural development regulation (Regulation (EC) No 1257/1999) has tried to address these challenges by including a number of measures, used in the Member States’ rural development programmes, which have as a main objective promoting the adaptation and development of rural areas, and which can be classified under the general title of ‘rural economy and rural communities’.

In the 2000–06 programming period, current Member States (EU-15) have allocated approximately 10 % or EUR 5 billion (EAGGF part) of their rural development budgets to these measures (13.1 % in Objective 1 programmes and 6.6 % in rural development programmes, that is, non Objective 1).

These measures, included in Article 33 of the regulation, are the following:

- basic services for the rural economy and population;
- renovation and development of villages;
- diversification of agricultural activities to non-agricultural activities;
- encouragement for tourism and craft activities;
- financial engineering.

Leader+ programmes also finance these types of measures, focusing on four main subjects: use of know-how and new technologies, improving the quality of life in rural areas, adding value to local products, and making the best use of natural and cultural resources.

2. Questions

1. Are the current measures in this group considered sufficient to tackle the problems of rural areas? And if not, what specific additional needs should be covered?

2. Should Member States allocate a minimal percentage of their rural development budget to this type of measure, to contribute to the common agreed objective of the countryside as a better place to live and work in? Which specific weight should this group of measures have in the new Member States, given the ongoing restructuring of agriculture and the need to create jobs outside agriculture?
3. How could a higher take-up of these measures be promoted? Would a more detailed definition of the measures at EU level help to increase the use of these measures? Or should this definition be left to the Member States? Could the exchange of Member States’ best practices on the implementation of these measures help?

4. How could the integration between this group of measures (wider rural development) and the other groups (competitiveness, environment) be enhanced to achieve maximum effect?

5. How could the synergies and complementarity between this group of measures and other EU policies promoting growth and employment and national policies be better exploited?

6. Taking into account three of the main functions of rural areas (accommodation, employment and leisure/recreation), how could a more balanced rural–urban development be achieved?
The two speakers agreed to a common presentation. Laurent Van Depoele has given a general introduction and made some strategic points about the importance of a territorial and multisectoral rural development policy. Janet Dwyer presented examples of previous experiences illustrating uses and issues and drew some lessons from these experiences. Finally, both speakers raised some key issues for discussion and debate in the workshop.

**Mr Laurent van Depoele**

Professor of European Studies, Catholic University of Leuven, Vice-President of Study Group for European Policies, Brussels (BE)

I. Rural development is a territorial issue not a sectoral issue

Since the end of the 1980s and in particular since the communication of the European Commission on ‘The future of rural society’ in 1988, awareness was raised that if one should keep rural society as a fundamental part of the European model of society, a multitude of economic and social activities in rural areas had to be promoted beyond agriculture and forestry in order to contribute to sustainable development. Rural areas are described as territorial entities with a coherent economic and social structure of diversified economic activities and may include villages, small cities and regional centres.

The move to a single market made it more imperative than ever to reduce the disparities between backward regions facing structural handicaps and to create more successful and prosperous regions within the European Community and consequently the commitment to achieving cohesion was laid down in the Single European Act of 1987. The Maastricht Treaty (1993) not only strengthened this commitment but equally the legal basis for EU rural development policies, anchoring them firmly in the context of EU efforts to achieve economic and social cohesion by adding the words ‘including rural areas’ to Article 130A. In 1997, the Agricultural Council recognised that ‘the maintenance of a living rural fabric, which reflects the pattern of European society, is an important objective’. It should also be noted that, in the Draft Treaty establishing a European Constitution, the notion ‘economic and social cohesion’ has been enlarged to include also the notion ‘territorial cohesion’.

II. The economic structure of rural areas

The significance of agriculture as a source of employment and as a percentage of the national economy is declining, while agriculture remains the primary land use. Studies on regional and cohesion policies indicate that population and economic activity have moved to urban centres and that there is often an uneven distribution of economic activities over the EU’s territory. Hence the need for territorial cohesion or a more polycentric economic development.

Net population growth has been in urban places, while in rural areas the decline in farm population has, in many cases, been offset by an increase in a rural population who are not engaged in agriculture and, in some places, are not engaged in any economic activity at all (in-migration of retirees). Therefore, the shift

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(1) See also J. Bryden in ‘Europe, villes et territoires’, Conference on Spatial and Urban Development, Lille, 2 and 3 November 2000.


(3) Article 158 of the Amsterdam Treaty/Nice Treaty.
in the demographic structure of the rural population (ageing) not always reflects the growth of non-farm
employment opportunities in the manufacturing and service sector.

As long as agriculture was the dominant rural industry, support to agriculture was provided in the expecta-
tion that enhancing the sector would, in turn, create direct and indirect employment effects that would ben-
efit the rural population. Since agriculture is no longer the engine of economic development in rural areas,
the rural development policy needs a strong, direct focus on enhancing employment in off-farm and non-
farm activities. However, despite important economic and demographic challenges, sustainable develop-
ment has been observed in certain rural areas. Rurality is therefore not necessarily synonymous with
decline, and is also no longer synonymous with agriculture.

While there are many threats, there are also new opportunities for rural areas. For many of these economic
activities, such as tourism, food production and forestry, rural areas remain dependent on natural
resources and a healthy natural environment. Growing environmental concerns on the part of the popula-
tion could also bring new opportunities to the countryside. If we want to preserve a high diversity of plant
and animal species, we must not only set aside rural areas for natural parks and biosphere reserves, but
also develop viable economic solutions for the population living there. Rural areas might also benefit from
the growing need to develop renewable energy sources, from wind and solar parks, to biomass production.

The natural and cultural heritage of rural areas should also be a major objective of rural development policy.
Historic sites, cultural and social traditions, cultivated landscapes, wildlife and flora, recreational areas, eco-
systems and settlement patterns are all elements which cannot be transferred or recreated elsewhere and are
considered by OECD (1) as rural amenities. Some of these amenities are marketable, but most may be consid-
ered as public goods, which are provided by some rural inhabitants but used mainly by urban people.

Rural development is a multi-dimensional and multi-sectoral process. It not only includes the ongoing
changes in agriculture in forestry, but also the developments in rural industry. The changes in Europe's
economy from materials- and production-based industry, to information- and knowledge-based services
will bring new business to the countryside. Many jobs are becoming location-independent. In some parts
of the EU, we already see the introduction of a ‘new’ economy, such as micro-business, software business
and high-tech production sites. This kind of off-farm activity is extremely important for the new Member
States in the full process of the restructuring of their agricultural sector, in order to avoid depopulation of
their often beautiful countryside.

III. Key Issues

1. Rural development policy, which has to be regarded as a European priority, is designed to support the
rural communities in which agriculture, although no longer the dominant force in rural areas, still plays
an important role. Farmers should be helped in the adjustment process to the reformed CAP, in particu-
lar in the new Member States. A multisectoral rural development policy should not be separated from
the CAP but remain its second pillar, which will be growing in importance in the forthcoming years in
economic as well as in financial terms. Such a policy should be regarded as an investment in the rural
economy, which is essential for economic, social and territorial cohesion and no longer as a subsidy to
disadvantaged areas.

2. Taking into account the enlargement of the EU, a rural development policy should, even more than
before, be a horizontal policy applying to all rural areas and be implemented at regional level, in part-
nerships with regional/local authorities. A rural development policy that does not have a strong role for
regional/local actors is unlikely to be effective.

3. A horizontal rural development policy can only be managed effectively on the basis of a single rural
development fund. The principle of one goal (a living countryside), one policy (rural development) and
one fund should be applied.

4. So far, rural development policy, often in synergy with regional development policy, has not succeeded in bringing about uniform growth in all rural areas of the EU. The aims and means of rural development policy are insufficiently linked, the programmes are too close to agriculture (only some 10% of the rural development budget is spend for ‘Article 33’ measures), there is a lack of awareness of the stakeholders and there is a complicated financial management. There still remains the need, certainly in the light of enlargement, for territory-specific policies (including links with urban areas) and for adaptation of sectoral policies to the needs of rural areas.

5. Socioeconomic vitality of rural areas needs local employment beyond agriculture, such as micro-business, small and medium-sized enterprises, craftsmen and artisan activities. Europe’s emerging communication infrastructure also offers new possibilities in very remote rural areas. Information-related services, such as banking, high-quality health services, university education, and professional training (distance learning), might come to these areas and make them more attractive for young people and new businesses.
Ms Janet Dwyer
Reader in Rural Studies, University of Gloucestershire (UK)

Mr Laurent van Depoele
Professor European Studies, Catholic University of Leuven,
Vice-President Study Group for European Policies (Brussels) (BE)

Panel 3:
A living countryside

Dr Janet Dwyer,
Reader in Rural Studies, University of Gloucestershire (UK)
and
Professor Laurent van Depoele
Catholic University, Leuven (Belgium)

Rural Development in Europe, Salzburg, 13 November
Outline of presentation

1. Focus: why look beyond the farm gate?
2. Importance of a broader approach
3. Principles for the future
4. Are we maximising the potential? – Experience from Member States
5. Issues and key questions for discussion

Rural Development in Europe, Salzburg, 13 November

Rural development: a territorial issue

1. Rural society is part of the European model of society.

2. Rural areas are described as territorial entities with a coherent economic and social structure of diversified economic activities, and may include villages, small cities and regional centres. (Terluin)

3. Changing nature of rural areas:
   - rural areas no longer synonymous with agriculture and decline;
   - economic and social cohesion;
   - uneven distribution of economic activities;
   - many threats, but also new opportunities.

Rural Development in Europe, Salzburg, 13 November
The need to reconnect farming with the wider economy

1. Agriculture remains the primary land use.
2. There is no viable agriculture without a living countryside.
3. The socioeconomic vitality of rural areas needs local employment beyond agriculture, such as:
   - micro-business;
   - small and medium-sized enterprises;
   - crafts, artisan activities.

Rural amenities

1. What are they?
   - historical sites,
   - cultural and social traditions,
   - cultivated landscapes, wildlife and flora,
   - recreational areas,
   - eco-systems,
   - settlement patterns,
   are all elements which cannot be transferred or re-created elsewhere (OECD).

2. Some amenities are marketable but most may be considered as public goods.
Current approach to rural development

Positive:
The menu provides the scope to restore and enhance the competitiveness of rural areas, and to contribute to the maintenance and creation of employment in rural areas.

Negative:
- aims and means are insufficiently linked: lack of transparency;
- programmes are too close to agriculture;
- lack of awareness of stakeholders;
- complicated financial management.

Rural development in Europe, Salzburg, 13 November

Rural development policy

• Need for a horizontal rural development policy applying to ALL rural areas and managed on the basis of a single rural development fund.

• One goal (living countryside) – one policy – one instrument.

Rural Development in Europe, Salzburg, 13 November
Are we maximising the potential? – Experience from Member States

- Least-used group of measures, overall;
- significant differences in use between Member States;
- major users:
  - village renewal, Germany (up to 40% RDP funds),
  - farm tourism, diversification, the Netherlands,
  - Objective 1 areas, protected areas, Leader areas (local awareness is a key factor);
- real potential to generate rural economic activity and employment.

Rural Development in Europe, Salzburg, 13 November

Diversification beyond agricultural production

- Much less used than ‘conventional’ business aids – investment, processing and marketing – but may create more sustainable ‘business mixes’.

- May need to be ‘sold’ to farmers/farm families – advice and information key, skills gaps often an issue.

- Need to make linkages between farmers and other economic actors (e.g. food chain, local area).

Rural Development in Europe, Salzburg, 13 November
Opportunities for Farm Families programme, Ireland

Key features

- grew out of experimental programme, Leader II;
- designed to enhance viability of small farms;
- whole families targeted – involves women and young people;
- direct action approach;
- gradual, phased process:
  - stocktake,
  - consider options,
  - develop strategy,
  - implement plans.

Rural Development in Europe, Salzburg, 13 November
Lessons

- Farmers *and families* need to be made aware of options and opportunities.
- Support and review are critical in the early stages of business development – group focus helps.
- Needs to be integrated with training – to acquire new skills.
- Business planning often needs technical assistance.
- Create a learning and confidence-building environment – the ‘can do’ attitude is critical to success.

Rural Development in Europe, Salzburg, 13 November

Village renewal – community economic development, Germany

- long established, successful approach;
- expanded with reunification – special needs in eastern *Länder*;
- bottom-up, multisectoral planning and delivery;
- public-private partnership crucial;
- allocated around 40% of RDP resources in some areas.

Rural Development in Europe, Salzburg, 13 November
Village renewal – measures supported (*)

- concept discussion and planning;
- infrastructure (streets, playgrounds, communal building renovation/purchase);
- improved housing/living spaces;
- job retention and improved working conditions;
- environmental enhancements – ponds, waste management, local nature sites, parklands;
- culture – renovation of important features, village museums, traditional architecture.

(*) With thanks to Prof. H. Magel, Munich.

Rural Development in Europe, Salzburg, 13 November

Village renewal in Bavaria

Photographs reproduced with thanks to Prof. H. Magel, Munich

Rural Development in Europe, Salzburg, 13 November
Village renewal – Bavarian examples (*)

- Arnstorf, Bavaria – purchase, renovation and part re-sale of castle ruins: factory stayed open, new housing, new local market, annual festival.

- Thierhaupten, Swabia – bought and renovated derelict convent: new cultural centre for competence and education, valuable new business for local retail, hotel and catering providers.

- Bad Windsheim, Central Franconia – open-air museum: 40+ jobs created, 200 000 visitors/year.

- Leuchtenberg, Upper Palatinate – summer festival: raises EUR 255 000 annually for the village.

(*) With thanks to Prof. H. Magel, Munich.

Rural Development in Europe, Salzburg, 13 November

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Village renewal – key messages

- offers an opportunity to audit local resources (natural, built, human) and re-evaluate potential;

- provides a linking mechanism between actors, physical resources and funding;

- dependent upon the energy of local people – empowerment is essential;

- small ideas can grow into major sustainable development projects/outcomes;

- money can benefit the whole population, macro-scale.

Rural Development in Europe, Salzburg, 13 November
Tourism and crafts – examples and issues – Austria/France/Italy

- Effective rural tourism requires critical mass, links between businesses, effective marketing and a quality product.

- Important role of intermediaries: protected area administrations in France and Austria – building capacity and targeting markets effectively.

- Is it ‘close to farming’? Austrian nature parks do it with RDR, French regional parks don’t, Italians do but with conditions.

- Farm and other rural businesses clearly benefit.

Rural Development in Europe, Salzburg, 13 November

Sustainable tourism in protected areas

Rural Development in Europe, Salzburg, 13 November
Basic services for the rural economy and population, and financial engineering

- need to complement existing service provision – gap analysis important;
- can be important to facilitate uptake of other measures (e.g. diversification, tourism, etc.);
- must sensibly negotiate overlap with EU regional policy, Leader*, national economic assistance – avoid gaps, remember the smallest businesses;
- real value where part of a ‘package’ – integrated in a wider scheme.

England – Rural Enterprise Scheme

- covers most of Article 33;
- open to farmers, other rural businesses, partnerships, community groups;
- most uptake currently for farm diversification;
- problems of unfamiliarity/ awareness to overcome, to reach a wider community

West lodge rural centre and nursery, Northamptonshire, England
(image by kind permission of Defra)
Key issues and questions for discussion (1)

- Are the measures adequate? *(importance of links with other RDR measures)*
- What are the key challenges for existing Member States? *(remotest areas and counter-urbanised ones)*
- *What are the key opportunities and needs in the new Member States?*
- How do we define ‘beyond the farm gate’? – Why ‘close to agriculture’?*
- How can we realise their potential/encourage best use?

Key issues and questions for discussion (2)

- How to coordinate better with other policies? *(ERDF/ESF, Member State, region)*
- Should we broaden the second pillar?
- Could the second pillar be reformed into a single Rural Development Fund and be separated from the Regional Fund?
Conclusions

PANEL 3: A living countryside

Outline

- Growing diversity of rural Europe
- Rural development and cohesion
- Consolidation of public support for rural development
- Investing in rural development
- Stakeholders and actors of rural development
- Rural development and agriculture

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 3: A living countryside

Growing diversity of rural Europe

- Rural and agricultural diversity is a great asset of Europe and will increase after 1 May 2004.
- Rural diversity also means: diversity of needs, problems and applicable solutions.
- Addressing rural problems needs comprehensive policy, flexible instruments and appropriate resources.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 3: A living countryside

Rural development can significantly contribute to social-economic development and improve territorial, social and economic cohesion

- Living countryside = healthy countryside = good place to live and work.
- Rural development increases competitiveness of rural areas, reduces unemployment and stops migration towards cities.
- Rich rural amenities can serve the whole population including the urban population.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 3: A living countryside

Integrated, territorially oriented, rural development needs consolidation of public support

- Necessity to establish a single Rural Development Fund (flexibility, simplification, broader menu of measures and transparency).
- Rural policy shares common elements such as values, principles and budget.
- Rural policy needs innovative solutions at all levels (EU, national, regional and local).

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 3: A living countryside

Public support for rural development should be treated as an investment and not as a subsidy

- Investing in people and institutions increases developmental capacity.
- This includes lifelong education, building networks, and creation of better chances for women and young people.
- It also includes the changing of mentality of farmers and non-farmers.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 3: A living countryside

Rural development and agriculture

- Shifting emphasis inside the CAP from agricultural policy to rural policy should not lead to depreciation of agriculture in rural development.

- Rural development can be a decisive factor for the survival of farming in particular areas.

- Multifunctional agriculture is more and more requested by all stakeholders (rural and urban).

Salzburg Conference on Rural Development
12-14 November 2003
Panel 4

Mobilising local actors

Chairman: **Mr José María Sumpsi**
Rural Development Unit, Inter-American Development Bank (ES/INT), Professor of Agricultural Economics, Polytechnic University of Madrid (ES)

Expert rapporteur: **Mr Joseph Mannion**
Dean of Agriculture, University College Dublin (IRL)

Speakers: **Mr Eero Uusitalo**
**Mr Jan Douwe van der Ploeg**
**Stakeholder activities and networking in rural areas — ‘What lessons can we learn from the Leader approach?’**

1. **Introduction**

Since its inception in 1991, the Community initiative Leader is widely recognised as having been a successful and innovative pilot instrument to mobilise local actors in a bottom-up, territorial and integrated approach to pursue local development in rural areas.

In the current programming period, Leader+ is one of four Community initiatives financed by EU structural funds and is designed to help rural actors consider the long-term potential of their local region. Encouraging the implementation of high-quality and original strategies for sustainable development, it has a strong focus on partnership and networks of exchange of experience.

Leader+ is structured around three actions:

- **Action 1:** Support for integrated territorial rural development strategies of a pilot nature. A few thousand local action groups (LAGs) have been selected under Action 1 for this programming period.
- **Action 2:** Support for cooperation between rural territories (inter-territorial and transnational). Many of the LAGs selected under Action 1 will also be active under Action 2, setting up cooperation projects.
- **Action 3:** Support for (national) networking. In each Member State, a national network unit supports the LAGs in implementing their strategies under Actions 1 and 2.

In the programmes adopted under Leader+, the highest share goes to Action 1 (Integrated territorial rural development strategies), which accounts for 86.75% of planned spending. The next action (Cooperation) accounts for a further 10%. The third action (Networking and Technical assistance) account for respectively 1.36 and 1.89%.

A total of EUR 5 billion for the period 2000–06 is planned to be spent, of which EUR 2.1 billion is funded by the EAGGF Guidance Section and the remainder by public and private contributions.

2. **Questions**

1. What has been the experience of mobilising local actors in the current generation of programmes?

2. Leader is now in its third generation as a Community initiative. What have been its successes and failures and what lessons can be drawn?

3. Should Leader continue as a separate pilot instrument of rural development post-2006 or is it time to integrate this approach within ‘mainstream’ rural development programmes, where it can be applied on a wider scale and with increased financial resources?
4. What are the necessary conditions for successfully ‘mainstreaming’ Leader?

5. Could all the features of the Leader methodology be easily mainstreamed: bottom-up, territorial, partnership and integrated approaches? If the Leader approach is applied on a wide scale, how can financial accountability and sound financial management of very decentralised operations be ensured? How can the top-down approach of mainstream programming and the bottom-up approach of Leader programming be reconciled?

6. Could networking and cooperation between rural areas also be mainstreamed?

7. The quality of partnerships involved in local action groups (LAGs) has been identified as a key factor for success of local development strategies. How can the policy contribute to achieving the right mix of capacity building and institutional arrangements to enable local actors? How can the involvement of farmers in multi-sectoral local development strategies be increased? How can the sustainability of LAGs and other local partnerships beyond the period of public support be ensured? How can policy link into autonomous rural development?

8. Could the Leader approach or other forms of partnerships (for example, Leader II rural collective bodies like chambers of agriculture, industry, commerce, or crafts, cooperatives, business groups, groups of local authorities, non-profit making organisations) be used for group 1, 2 and 3 rural development measures (agricultural restructuring; land and environmental management; wider rural development)?

9. How could the target groups, such as women and young people, be associated to the process of making the countryside a better place to live and work in?
There are three parts to my speech and proposals.

1. I will convey our Finnish experience of the Leader method and some conclusions consisting of the process and results of mainstreaming. As you can see, we have a multi-coloured map of LAGs (local action groups) in Finland and four ways to finance LAG work.

2. Notice where it has happened: in wide, sparsely populated rural areas, in circumstances where we really need all powers and all actors, NGOs and GOs — whatever we have — to go towards rural development. There are many different reasons for there being few actors in rural areas, but this is common everywhere in Europe.

3. There are two parts to rural policy: broad (that is, the impact of sectoral administrations) and narrow (that is, EU programmes and national measures, which have only one main purpose: to develop rural areas). The rural policy is a matrix of these two dimensions.

Connections between broad and narrow rural policies need to be developed. The EU’s Structural Funds are very important instruments, but there is the risk that, in the future, the programme policy will disappear.
from the broad policy. At the same time, the results are diminishing. The other risk is that the funds are used for fulfilling and completing the earlier, normal tasks. That is why the role of the EU could be to help the empowerment of cross-sectoral work as one part of rural development programmes. This is the way to achieve more balance between broad and narrow policy. We need the Community's rural development policy in all rural areas of the EU: in the poorest regions to finance basic infrastructure and Leader-type measures; and Leader-type measures in the richer rural regions too, such as strengthening social welfare, partnership and many kinds of professional networks, to increase human and social capital and know-how. Leader methodology can be an integral part of all aspects of rural development, but it must be applied with caution. The soul of Leader is broad.

The will of the people should be used

The important balancing force is the will of the people. The mobilisation of will and activity call for local actions. In the EU, local opportunities have not yet been taken advantage of as strongly and widely as needed. Local initiative and people's experience, the feeling that they are working for their own cause, also increase the commitment of private capital and work for regional development measures. In the future we all need more of these characteristics in rural development. In Finland there is a saying that there is no point putting water down the well — it won't stay there anyway. We may hope that in the future such trends — of forcing from the top down — will decrease, and that results will be better.

In some countries, women have already taken an active part in rural development without any major efforts. This is possible with activities which respond to their needs. It is crucial that women and young people (or other groups concerned) can participate in planning and decision-making, instead of being the target of measures given from the top. Leader+ is a tool for all. This fact, and the bottom-up approach, encourage women and young people to start and implement projects. LAGs are close to local people.

Development work based on local initiative needs strong local actors, which in practice means powerful NGOs. In the regions, it means mobilising local actors for development work. However, in many countries,
the framework of Leader functions has generated positive experiences to mobilise local actors quickly and effectively. It is also real local democracy. This method brings the European Union closer to people's everyday life in a unique way. Leader gives room for the special needs of minorities. There really are many important reasons to trust in local actors.

**Resources need to be gathered**

But there are some preconditions for increasing the involvement of local groups in rural development programmes. These are also the necessary conditions for successfully 'mainstreaming' Leader.

1. A LAG is a mixed group of members from firms, farms, associations, individual persons and local authorities; broad tasks and broad structure.

2. People working in a LAG feel and know that they have real power and autonomy in decision-making. They can choose how to use public money with their own global grant money. It really works!

3. LAGs have their own plan and programme. It means a longer period for taking charge of the home region.

4. A wide range of projects — one structural fund or rural development regulation alone is not enough at all.

5. Very practical means are needed: the board of each LAG has its own quotas for different partners such as associations, local authorities and active local inhabitants. This three lag-system works too.

6. The goodwill of regional and national authorities — it takes three to four years, then the suspicions of authorities have disappeared.

7. LAG work will achieve good results on the basis of living civil society.
If there is no tradition of civil society or if it is weak, the first task is to create cross-functional local associations. In few years this will be possible.

When local work works smoothly, it will change the relationship between NGOs and GOs. The real power moves to the local level, while the need for proper guidance by the GOs increases.

The true Leader actor, the association which is responsible for the programme and its implementation, is a partnership unit of all local associations and other actors and local authorities too. The resources need to be gathered. The implementation of the projects can be carried out by a single association, enterprise or municipality.

In Leader, the most important starting point for success is the viewpoints of all village people, not only of one professional or hobby group. The main point is to get local people, associations and enterprises together into one development association or cooperative. They are all on an equal footing. Public and private are integrated, not only counterparts. This kind of coalition will take on other tasks, too, and the connections between different partners will become stable. Step by step, the LAG is better prepared to take charge of its own area.

Leader is now in its third generation as a Community initiative. In some countries, Leader is in its second generation. It seems that where the basic ideas of Leader are implemented, the results are very good. Giving Leader money to old associations means, in practice, additional money for their old tasks, which means that few real results are achieved.

**Horizontal counterparts between GOs and NGOs and wide tasks**

A successful rural policy needs cross-administrative organisations at all levels. In the same way, the NGOs need multi-organisational units as a counterpart to the GOs in planning, decision-making, implementation
and follow-up. Active connections, information, communication and key persons between the NGOs and GOs improve the tools of the rural policy and the results will improve. All too often, the word ‘rural’ is used without a clear definition of what it really means. The problem does not concern the areas as such, but the content. The right position for the word ‘rural’ in the policy, is in the context of cross-administrative and functional connections.

On the same grounds, the priorities of the Community’s rural development policy, as of 2006, should be targeted at measures which focus on the wider rural economy and community. These measures will bring new opportunities, work and income for farmers as well. We must increase rural employment and enterprise outside the primary sector. I would like to add two more measures for the EU:

1. small-scale contracts to small-scale jobs with flexible bureaucracy; small money for intensifying the third sector’s tasks used by local authorities; and

2. process aid and capacity building for cross-sectoral units (both NGOs and GOs).

**Leader is worth increased financial resources**

I see two alternatives for Leader:

1. Leader should continue as a separate instrument for rural development.

Without a separate Leader programme, the autonomy of local action groups might be endangered, as decision-making on the local level is not a popular idea in all European regions. The system is not yet strong enough to be left on its own completely. In Finland, for example, we have had some problems between the mainstreamed LAGs and local or regional authorities.

**or**

2. The other choice is: Leader-type, wide-range methods as a strictly defined part of a bigger rural programme. In this case, the fulfilling of the preconditions is still more necessary.

Leader is particularly important for the new Member States of the EU as it ensures the participation of rural people in the development process. The wide range of financing possibilities (including ERDF and ESF projects, as well as transnational cooperation) are invaluable elements of integrated rural development implemented through local action groups, which must be continued. The status of Leader is legally and politically clear.

On the other hand, most features of the Leader methodology can be mainstreamed, bottom up, territorial, partnership and integrated approaches, but all preconditions must be met.

Integrated approach is an essential part of Leader and must absolutely be mainstreamed. There is no mainstreaming at all, if the sphere of activities or cooperation is limited compared with the present system. Mainstreaming of the integrated approach requires an adequately flexible decision-making system.

In Finland, the achievements of the mainstreamed LAGs have mainly been good, but their financial frameworks are smaller than those available to Leader+ groups. Only three of the 26 mainstreamed groups can use funds from the ESF and ERDF, which means that most groups can finance only EAGGF projects.

We really have made some progress, but significant challenges remain. What I would like to say to the EU is: do not destroy this fine methodology by formal mainstreaming. Leader methodology is of high value, but it is weak in the middle of strong sectoral administration. Especially in the case of mainstreaming, LAG activities need a separate allocation of financing.

Mainstreaming has not meant a wider scope or more money for the groups. On the contrary, the mainstreamed groups have to compete with other applicants for financing within a main programme. Leader is
worth increased financial resources as a separate programme or as a strictly defined part of a bigger programme. Leader is no longer a pilot instrument.

Let's build up Leader or a Leader method into a new rural policy paradigm at EU, national, regional and local levels. As John Bryden says: ‘Let 1000 cheeses bloom!’.
1. The Leader lessons: building blocks for ‘rural futures’

It is widely acknowledged that the now considerable Leader experience (that accumulates Leader I, Leader II and Leader+) is a success story. The Leader programme has created, throughout Europe, a range of interconnected and often highly productive nurseries/laboratories, which together produced a considerable amount of novelties: new insights, new solutions, new arrangements, new networks, new models, new innovative trajectories, etc. The involvement of local actors, the mobilisation of local knowledge and the search for flexible public–private partnerships have all contributed to this success. Equally important (albeit less visible) is that the Leader programme has also had a highly positive effect on the underlying socioeconomic patterns on which the different projects are built. Cooperation, exchange of knowledge and experience (often at the community level), and learning trajectories, have increased significantly. Thus, Leader has contributed to the strengthening of social capital — and to the search for new forms of governance (1).

The principle of learning has also been applied to the Leader programme itself. Between Leader I and Leader II, and subsequently between Leader II and Leader+, there have been considerable improvements, within areas (2), but also at the level of the programme as a whole.

At the programme level, there are two other strategic features (or lessons) that should be brought to the fore. The first is that Leader has been shown to be an effective vehicle to come to grips with the impressive heterogeneity that characterises the European countryside. Flexibility and the ‘bottom-up approach’ have been crucial here. Secondly, the Leader experience shows that it is indeed possible to run a European-wide programme that emerges at grass roots level as a myriad of diversified and dynamic initiatives. ‘Europe’ does not have to be ‘a grey and uniform mass’ — it may, instead, be a colourful patchwork in which diversity can flourish. That is to say (to use more theoretical terms): a multi-actor, multi-level and multi-dimensional approach is feasible within Europe.

Of course, the Leader experience is a richly chequered whole. On some occasions, the local action groups (LAGs) have been ‘captured’ by interest groups and power elites that have biased the workings of these groups. Equally, Leader activities have, at some time and in some places, become too much entangled in, and frustrated by, bureaucratic procedures and timetables — although many such ‘deviations’ have been corrected in the course of time.

There is now an impressive range of scientific studies and solid evaluations of the Leader experience. One of the strategic elements that comes out, time and again, regards the quality of the partnerships involved in the LAGs (3). Another element concerns the inclusion of relatively disadvantaged social groups, such as, for example, rural women and young people. Initially, there was a low degree of participation of rural

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women — in, for example, the Netherlands, this was just 17% (1). Also, in this respect, there was considerable variation throughout Europe. In countries in which a loosely structured bottom-up approach dominated, the involvement of women was far higher. In countries where a bureaucratically structured implementation of Leader dominated and representatives for LAGs were appointed by vested interest groups, women were basically excluded. In Leader+ there is now the rule that special preference be given to women and youngsters, especially when they are functioning at the interface with employment creation. And, finally, it is often observed that the role of farmers is relatively modest if not marginal, not in all (2), but in many Leader projects. I will return to this issue later.

In short: there have been (and still are) several shortcomings. However, the overall impression is, I repeat, one of a highly needed and highly successful programme. This is also due, as I tried to make clear, to the built-in mechanisms for learning, correction and improvement.

2. Towards mainstreaming?

When reflecting on the possibility and desirability to ‘mainstream’ such a successful programme, it is worthwhile to critically examine the conditions of this success. Crucial in this respect, it seems, is that many projects generated by and through Leader have been successful due to their relatively modest scale. The Leader programmes generated a multitude of little projects — each project being interesting, innovative and sympathetic in itself — but none of these became a menace to others. Leader projects did not do any harm — not even when they failed (the more so since the risk of failure is intrinsic to innovativeness). In brief, Leader has been, and still is, at the margin of the main institutional structures through which the bulk of public funds for rural development is channelled. This is reflected in most institutional constellations in the Member States. The application of the rural development regulation (Regulation (EC) No 1257/1999) and the application of the Leader programme are mostly delegated to different, and often highly distant, segments of the national institutional structures. This implies that, in practice, the two are highly disconnected (3).

We can build here upon a much-used metaphor. If Leader is equated to, indeed, a laboratory in which research and development (R & D) are the central tasks, then there is to be as well the space where the outcomes of R & D are to be applied. Normally, an R & D division is part of a bigger industry. And once this division has produced a new design, a new artefact, or a new method for production, the industry as such is reorganised in order to apply the new design (or whatever it is) in the normal line of production. That is, Leader has produced new solutions and new designs, but a more general application is still missing. That is precisely what the whole debate on ‘mainstreaming’ is all about.

‘Mainstreaming’ is far from easy. The preconditions for the initial success of Leader (the modest scale and the relatively harmless nature) are, per definition, lacking when it comes to mainstreaming. Mainstreaming implies that institutionalised procedures and interests are to be changed; it implies also the possibility that certain well-established routines and roles are to be modified. And finally, it raises several new issues. How, for instance, are formal democratic procedures and a (generalised) LAG approach to be mediated or to be brought into line? And how to prevent existing lobbies and interest groups taking over (and sterilising) the functioning of LAGs through the ‘normal’ procedure of sending only their ‘delegates’ to such LAGs?

(1) Bettina Bock, Introduction to the Leader workshop ‘Involving the local population in a development programme’, Rodding, Denmark, September 2000.
References concerning other Member States can be found in Bettina Bock, Vrouwen en vernieuwing van landbouw en platteland; de kloof tussen praktijk en beleid in Nederland en andere Europese landen, Wageningen, 1998.

(2) For instance, the Prealpes Dromeoises, Sud Vendee and Pays d’Ardo represent, in this respect, notable exceptions.

(3) This, then, is one of the main arguments to encourage ‘mainstreaming’ of the Leader approach, as I will outline further on in this paper. The lack of articulation and coordination, in a given territory, between RDR measures and Leader projects is a considerable problem that must be solved. The mainstreaming of Leader methodology into RDR rules is likely to be the best way to do it.
3. Farmers: as yet a largely untapped reservoir

Recent research increasingly makes clear that agriculture is not anymore (if it ever was) a specialised sector (as assumed by the CAP), nor the dominant one in rural areas (a further assumption of the CAP) (1). It is, instead, becoming an integral (that is, not just an additional) part of a mixed rural economy. This is reflected on the meso-level: agriculture's contribution to employment and the production of value added does not exceed 25% in any of Europe's regions, even the most rural ones. This implies that the regional economy of Europe's rural regions is basically multi-sectoral. This same phenomenon is also reflected — and this is far less appreciated and taken into account in policy-making processes — at the micro-level, that is, at the level of the involved farm enterprises.

At this micro-level we note the emergence of new, polyvalent rural enterprises (see Figure 1). ‘Traditional’ agricultural activities are just one part of these enterprises. They are also characterised by pluri-activity, broadening and deepening. Pluri-activity refers to the phenomenon of one or more members of the farming family earning a considerable, if not decisive, part of the total family income outside the farm enterprise. Broadening refers to a quickly growing practice, that part of the income of the farming family is derived from non-agricultural activities realised within the farm. There are old forms of this (the farmer having, for example, a small construction or repair shop located on the farm), as well as a quickly expanding range of new forms, that are strongly associated with what is currently known as rural development (3). Deepening, finally, refers to the transformation of agricultural activities, in order to realise more value added per unit. Organic farming, the production of high-quality products and regional specialities, on-farm processing and marketing, as well as the creation of new short supply chains are expressions of this new deepening process. Importantly, all three processes imply that the borders of the classical, highly specialised agricultural enterprise are becoming blurred. That is, the newly emerging rural farm-based enterprise is, in itself, becoming a multi-sectoral enterprise which, through pluri-activity, broadening and deepening is also strongly linked to the rest of the regional rural economy.

In spring 2001, a survey was organised amongst more than 3,000 professional farmers in six European countries (2). A first important outcome is that the agricultural sector cannot be conceived as being composed of two contrasting segments: one of small, pluri-active farms and the other of highly specialised, professional farms. The survey shows that, of the professional farmers who derive their income mainly from agriculture, 27% are systematically involved in pluri-activity, 28% are active in some kind of broadening type of activity, whilst 38% are engaged in deepening (with especially high levels of involvement in quality production). There is considerable overlap, and differences between regions, but aggregating the data together we find that, in Europe as a whole, 63% of professional farmers are involved in broadening, deepening and/or pluri-activity. Only 37% of this representative sample was solely dependent on specialised farming. On these newly emerging multifunctional farms, an average of 34% of total farming family income derives from deepening, broadening and pluri-activity (4).

In theoretical and policy discussions, the ‘territorial’ and ‘multi-sectoral’ dimensions of rural development processes and, especially, of rural development policies, are often juxtaposed. The point here is that in

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(1) Reference can be made to the management of nature and landscape values, energy production, the supply of care facilities, agro-tourism, water-management, the creation of services, etc. For an extensive description and an analysis of their impact, see Van der Ploeg, Long and Banks, Living Countrysides: the state of art of rural development in Europe, Elsevier, Doetinchem, 2002.

(2) This survey was part into a wider inquiry into the socioeconomic impact of rural development practices in Europe (financed by the EC within the fifth framework (FAIR-CT-4288). The outcomes are discussed a.o. in special issues of Sociologia Rurale (Vol. 40, No 4, October 2000) and the Journal of Environmental Policy and Planning (Vol. 3, No 1, 2001). See also Van der Ploeg, Long and Banks, Living Countrysides. Specific information on the survey is to be found in Oostindie and Parrott, ‘Farmers attitudes to rural development: results of a transnational survey’ (working document, October 2001) on www.rural-impact.net

(3) Similar considerations can be found in the convincing working paper of Elena Saraceno on ‘Rural development policies and the second pillar of the common agricultural policy’.

(4) It is important to take into account that most actors engaged in deepening and broadening expect these fields of activity to grow considerably in the near future. Cooperation (between farmers as well as with other rural dwellers and entrepreneurs) is seen as a strategic element in further expansion. It is also important to add that interest in starting rural development activities is also high amongst farmers not yet involved in deepening and broadening.
practice the two are often combined. Through pluri-activity, deepening and broadening, the former farm enterprise is being reconstituted as a new rural enterprise which is:

- in itself multi-sectoral (or multifunctional, that is a multi-product enterprise, an expression of the search for economies of scope) (1);
- characterised by complex sets of relationships and networks which link it to the wider rural economy;
- dynamic, innovative and competitive due to its newly created activities and interlinkages (this is, to echo John Bryden, about ‘rural actors doing their own development’);
- again, strongly linked to the territory, its history, culture and environment: it makes *le terroir* (as the French say) re-emerge as a highly relevant, if not indispensable, feature.

The survey asked a range of questions on the reasons and motives of farmers for actively taking part in rural development practices. The main reasons given by those involved relate to notions of locality and its valorisation. 82 % indicated, as the main reason for their engagement in the building up of new activities, that the area is suitable for such activities. Other important factors include ‘personal concerns, interests and skills’ (80 %), the ‘availability of the required assets’ (80 %) and the availability ‘of market opportunities’ (79 %), which indicates that rural development is, to a considerable degree, a market-driven process.

In more general terms: rural development functions, in practice, as a new axis between markets and local resources (the area, personal skills, available assets) or, put more generally, between the global and the local. It is through rural development that the relevance, if not the centrality of the territory is re-emerging and, simultaneously, combined with multi-sectoral aspects and approaches.

4. The constraints

The burden of regulations (of whatever nature) is seen as the main obstacle for a further unfolding of farmers’ role in, and contribution to, rural development. When asked about the constraints for further development of their rural development activities, those already involved refer to ‘restrictive regulations’ (69 %). The same problem was also identified by those who have not (yet) entered the rural development trajectory: 55 % of whom refer to ‘regulations that are too bureaucratic or restrictive’. More appropriate forms of regulation (especially when they correspond with the specificity of local situations, that is, with the local eco-systems, local styles of farming, local interests and prospects and local knowledge) could further stimulate and facilitate interest in rural development activities among the farming population and simultaneously forge new and stronger coalitions between farmers and other rural inhabitants.

(1) That is, they actively broaden, expand and consolidate the diversified economic base of the rural economy as a whole, ref. John Bryden, keynote speech.
In this respect it is telling that, according to the survey, farmers perceive the EU as a favourable actor in rural development (75 %), whilst national governments are perceived mainly as a hindrance (only 26 % perceive national government as a favourable actor, 38 % see national government as a negative actor in rural development). As my colleague, Terry Marsden from the UK, concluded in his analysis of the survey data: 'the general perception of all farmers in the sample is that the major State institutions are seen as constraining their activities rather than facilitating them'. Thus, it appears that something is going wrong between policy formulation at the EU level and practice on the ground. That is, the favourably perceived EU policy is not ‘translated’ in an adequate way at the intermediate State level. There is, as yet, no convincing ‘vehicle’ to come to grips with local situations and with the overwhelming diversity within the implementation of the rural development regulation. What is lacking, in short, is the application of a kind of Leader methodology.

As yet the Leader programme has only rarely interacted with this endogenous potential for change (although there are highly promising exceptions, such as the global grant for endogenous development of rural areas — the 2000–07 Proder variant of Andalucia). This is largely due to the highly negative attitude of farmers unions throughout Europe towards the Leader programme and, more generally, to rural development: ‘Pillar 2’ was just perceived and represented as an ‘unjust’ deviation from ‘Pillar 1’.

Be that as it may, there is, I would argue, considerable possibility and need to extend Leader in order to also embrace those segments of the farming population (‘) that are, or are willing to be, active in rural development activities. The more so, since the farmers most active in rural development are not a marginal group of marginal people. They are, in general, larger farmers, younger and better educated than average. Last but not least, this group has a high proportion of female farmers and/or farmers' wives who play a crucial role in the creation and further unfolding of rural development activities. Cooperation plays a strategic role in these activities — cooperation with other farmers and especially with other social groups, such as city dwellers who ‘consume the countryside’. New networks emerge and new identities are thus created, as is illustrated among others by the wine routes in Italy, the Bauern Markten (farmers markets) in Germany, milieucooperaties (environmental cooperatives) in the Netherlands and producer–consumer associations in Andalucia, Spain (‘).

Beyond that, this particular farmer trajectory of rural development (a trajectory that intertwines with those of other actors) creates considerable additional employment, whilst the multiplier in the rest of the regional economy is far higher than the one of classical, highly specialised farming (‘). And finally, the recent Regionen Aktiv programme from Germany (see box 1) demonstrates, in a convincing way, that such a trajectory might very well be facilitated and accelerated through well-designed government programmes that incorporate the Leader methodology.

5. Scaling up, mainstreaming and improving Leader: going beyond the current limitations

As I have argued here before, many Leader experiences have proved to be highly productive laboratories in which promising and innovative solutions etc. have been designed. The point is, of course, that sooner or later the development of such new innovative solutions runs counter to the existing regulatory regimes, that is, they remain limited in time, space and impact and their further unfolding is blocked. The example (above) of farmers being confronted with regulations that block the further unfolding of rural development activities shows how such innovations run counter to centrally designed and bureaucratically implemented programmes, that do not allow for local redesign and adaptation, nor for any active involvement of the local actors. It is clear that such an active involvement and an adequate fine-tuning to local conditions would considerably improve the effectiveness of these programmes.

(‘) I am talking here on purpose of ‘those segments’, because there are as well other segments of the agricultural population that continue to reject the concept of rural development and the associated trajectory.

(‘) Detailed descriptions of these examples can be found in Van der Ploeg, Long and and Banks, 2002.

What is needed in the first place, then, is a scaling up of the Leader approach. The possibility of getting involved in the design of rural futures is to be opened to all rural actors who are willing to do so. In short, Leader is to cover all rural regions of Europe (which implies that, for the 2004–06 period, an extra effort is to be made for the 10 new Member States). Hence, a new measure within the rural development regulation is to be formulated that requires each regional and/or national rural development programme to provide for the creation and subsequent facilitation of local action groups.

The second, equally strategic, improvement regards mainstreaming. That is, that these LAGs are to be given the possibility to adapt the design, implementation, monitoring and evaluation of all other rural development measures to the local situation and the needs and prospects associated with it. That is, the Leader methodology should be integrated into the core of the rural development dynamics.

Box 1: Regionen Aktiv in Germany (derived from Kartheinz Knickel and Andreas Pölking, 2003)

Regionen Aktiv can be compared to the Leader approach. The main difference is the emphasis given to reorienting agriculture and a better reintegration of agriculture into regional economies. This pilot programme is promoting the realisation of development concepts that aim at quality production and environmental protection in the agricultural sector. The main idea is that, if companies within a region process the agricultural or forestry products of the area and these products are marketed independently and professionally within the region, in the tourism sector and in nearby urban areas, this results in an increase in economic power for the region.

In order to participate in the competition, micro-regions had to present plans which had been agreed upon with those who are actively involved and with local interest groups. More than 200 micro-regions prepared tenders for a national-level competition. At the beginning of 2002, 18 with the most convincing plans were selected to get a grant from the ministry over four years (2002–05). The annual grant can be up to a maximum of EUR 1.5 million per plan. For all 18 regions, an overall total of EUR 35 million was approved. Over the four-year period, the Federal Ministry (BMVEL) is providing a support framework backing up the implementation of particularly innovative projects (1).

In each pilot programme, a broad range of private and public bodies, companies and business sectors work together. In individual RA areas, the programme is handled by a group that is comparable to the local action groups (LAG) in Leader. Other parallels are the prior planning of an integrated development concept for the micro-region, decision-making by a panel representing all stakeholder interests, the employment of a small number of technical staff to support each programme (a regional management team), the importance given to the regular publication of results, and the emphasis upon public transparency in decision-making and programme operation.

It is too early to really assess the success of the programme. However, more than 200 innovative projects are being implemented across the 18 areas, and 25 have already been completed (Knickel et al., 2003).

(1) The Institute for Rural Development Research (IfLS) at Goethe University in Frankfurt (Main) is carrying out accompanying research and policy development for the pilot.
Solid experiences obtained within Europe during the last decade (such as Proder in Spain — see Box 2), illustrate that such a combination of upscaling (together, Proder and Leader now cover 70% of Spanish rural territory) and mainstreaming (Proder schemes include, in a purposeful way, farm-related actions as provided for in the various RDR measures), is very well feasible. Experiences from Sweden (1), Denmark (2) and Ireland (3) support this conclusion. Dwyer et al. (2003) conclude in a thorough overview: ‘from the experience demonstrated in the examples (…) we suggest that a future European rural development programme could reap important benefits if it incorporates a greater degree of devolution than exists in the current programme’. They add that ‘in some respects, (such mainstreaming) could be seen as involving taking more risks or having a more positive attitude towards risk-taking at central government level, because of the need to allow aids (for example, form, rate, desired outcomes) to be decided by local partnerships (…)’. On the other hand, the approach can reduce the likelihood of aid being offered in ways that are locally inappropriate or wasteful, and increase the local transparency of delivery processes, both of which might tend to reduce risks’.

Thirdly, some further improvement of the Leader methodology is needed (among others, to reduce the discussed potential risks). LAGs should perform as part of a triangular power arrangement that includes effective local governance (1) and strong local civil society organisations as the other two nodes. If these other two entities are in place, LAGs serve (as comparative studies show) as a place for consultation, coordination, and joint priority setting. Real participation can then happen — especially if (a) there is equal information and foresight across LAG members, (b) all LAG members have equal bargaining power and (c) there is a single overall budget constraint. Through such improvements, Leader can be expected to further strengthen participative culture, enhance local capacities in negotiation and collective action, increase self-esteem of local populations, improve access to information, and create a shared vision for local society on its possible future (1).

By taking scaling-up, mainstreaming and improvement together, the following dynamics would emerge. Following the general objectives as formulated at European, national and regional levels, the different LAGs define, at local level, a local plan for rural development. This plan specifies (a) the mix of measures to be applied in the locality concerned, and also (b) the specific modalities for the implementation of these measures. The local plan is then checked by regional, national and European authorities. If it is in line with the objectives at those levels, it is ready for funding and implementation. At the end of the plan period the normal evaluation will be organised. If the de facto impact of the local plan is in line with the initial objectives, funding will be continued. If the impact is highly positive, funding will be raised — and if final results are poor, funding will be decreased. Hence, ‘money’ will follow good rural development practices, rather than induce a somewhat standardised blueprint that is often at odds with local interests, prospects and potentials. At the same time, the ‘terms’ of rural development become more adaptable and more open to public debate — just as it ought to be in a democratic society.

(1) In Sweden, the RDP is nationally determined but locally delivered through the 21 county administrative boards. County boards have considerable discretion in how funds are allocated within the country but are still bound by the national schemes and categories. High-spending counties can draw from a redistributive reserve if there is some underspending elsewhere.

(2) In Denmark, there is a somewhat similar combination of policy frameworks set at national level, such as the new innovation law, and strong local influence over detailed design and delivery, by the county agriculture administrations, for most of the programme. However, in addition, Denmark operates a devolved approach using local authorities to deliver aids under Article 33 of the RDR.

(3) In Ireland, the programme’s main elements are centrally designed and delivered through the national ministry and its advisory service (Teagasc). Nevertheless, the strong influence of more devolved rural development schemes and initiatives under the Objective 1 Structural Funds programme and its predecessors, as well as the legacy of Leader I and II, mean that national programmes have been tailored to reflect local difference and adopt more flexible and bottom-up design features, over time. The extent of these former programmes was significant — for example, the scale of Leader I in Ireland was estimated to capture over 30% of the Irish population and cover 60% of Irish land, and Leader II doubled the number and spatial coverage of the Leader I groups. As a result of these experiences, within the ‘agricultural development’ sub-programme of the CAP rural development plan for Ireland (which also contains sub-programmes for forestry, agri-environment, LEAF support and early retirement), around 13% of public funds (EUR 76 million over seven years) are devoted to ‘area-based rural development initiatives’. These operate as Leader-style programmes and are explicitly intended to ‘mainstream’ Leader, complementing the more specific focus and limited coverage of the new Leader+ groups (Dwyer, J. et al., 2003, ‘Helping farmers adapt — a comparative study’, UK National Audit Office).

(4) This implies that public administration is working following principles of subsidiarity and ex-post rules of accountability.

(5) I am indebted to Jose Maria Sumpsi for his suggestions on these improvements.

- Proder is a good example of where a Member State has decided to use an established local delivery mechanism to implement various rural development regulation measures in a bottom-up and flexible way.

- The mechanism is like the EU Leader approach, where a ‘local action group’ is established involving relevant partners, and this group is given a budget (a kind of ‘global grant’) to deliver a range of local development aid in line with the overall scope and conditions permitted under the rural development regulation.

- Proder groups also give out other forms of rural development support — in particular, they have a role in spending EU Structural Funds as well as rural development regulation funds.

- Proder doesn’t deal with the full range of rural development regulation measures – its emphasis is upon business development and diversification rather than the land-based rural development regulation items (such as agri-environment and LFA supports), but it supports both farm businesses and other rural businesses and, in some regions, environmental actions related to agriculture.

- Unlike CTEs in France, where payments are still made from the central paying agency, Proder clearly involves delegated grant schemes delivered via local partnership organisations acting under authority from the Spanish paying agency of the Ministry of Agriculture.
Conclusions

1. Lessons from the Leader experience

The experience from three generations of Leader was generally positive, but there were also negative lessons of value for the future.

Among the positive lessons were:

- access and use of local information;
- real local participation on local problems/issues;
- empowerment of local society;
- forged new relationships between NGOs and GOs;
- balancing the centralising effects of sectoral policies;
• impact on social capital;
• tested new forms of governance;
• learning was in-built into the process.

Negative lessons included:
• clientelism and local elites dominated in some cases;
• unrepresentative representation on some LAG boards;
• poor administrative capacity for some LAGs;
• Leader did not deal with disadvantage;
• Leader isolated from mainstream programmes and institutions;
• LAGs with limited ability to absorb money.

2. Future of Leader

(a) Mainstream the Leader approach for all rural policy delivery

(b) Mainstream Leader as a separate programme with its experimental element

3. Application of the Leader approach

Issues arising from mainstreaming the Leader approach to rural policy delivery include:
• adaptation of the rural development regulation;
• LAGs must be part of a triangular partnership arrangement with local governance sector and local civil society organisations;
• application of the approach should apply to all rural regions of the EU;
• LAG then has the possibility to contribute to the design, implementation, monitoring, and evaluation of rural measures appropriate to the local situation;
• LAGs are thus involved in defining a local plan for rural development set in the EU, national and regional framework;
• quality of LAGs is crucial to mainstreaming;
• capacity building to enhance management competencies and management processes is essential.

As a result of mainstreaming the Leader approach to rural development policy delivery, funding will follow good practice, not a set standardised blueprint.

4. Cooperation for rural territories

Cooperation between rural territories in Member States in order to share experiences in effective rural development programmes and practice.

5. Accession countries and Leader

The situation in the applicant countries demands a Leader-style approach to help in developing their rural areas and also to develop their civil society.
Panel 5

Simplifying delivery

Chairman:  
Mr Dirk Ahner  
Deputy Director-General for Agriculture, European Commission

Expert rapporteur:  
Mrs Milena Vicenova  
Head of EU Relations Department, Ministry of Agriculture (CZ)

Speakers:  
Mr Ludger Schulze Pals  
Mr André Barbaroux
The implementation of rural development policy —
‘How can the delivery system, that is, programming, financial management and control, be simplified? What should be the respective roles of the Commission and the Member States in the implementation of the policy?’

1. Introduction

The mid-term review CAP reform, agreed in June 2003, provides for a shift in funding from the first to the second pillar through modulation, that is, first pillar direct aids will be reduced and the savings made available for rural development. Although in the discussions all Member States and most stakeholders came out in favour of strengthening the second pillar, many Member States made the point that more money for rural development would have to be accompanied by more simple and flexible ways of delivering the policy. A first simplification exercise was already undertaken at the level of the current implementing rules, providing more flexibility for Member States in how they run their rural development programmes, but still within the same Council regulation framework (Regulation (EC) No 1257/1999). The challenge for the next programming period will be how to simplify the successor regulation to No 1257/1999 in all aspects, that is, programming, financial management and control systems.

For the current programming period 2000–06, the set-up for rural development policy is quite complicated. Expenditure is split between Heading 1 (CAP) and Heading 2 (Structural actions) of the financial perspectives:

- outside of Objective 1 regions all rural development measures are co-financed by EAGGF Guarantee. In Objective 1 regions, only the so-called accompanying measures are co-financed by EAGGF Guarantee. For Guarantee expenditure on rural development, a ceiling is fixed under sub-heading 1b;
- in Objective 1 regions, the non-accompanying measures are co-financed by EAGGF Guidance and fall under the ceiling for structural actions under heading 2. Also the Community initiative Leader+ is funded by Guidance and falls under heading 2.

Four types of programming for rural development exist with two different financial management and control systems (the Guarantee system and the Structural Funds system):

- the Guarantee rural development programmes (RDPs): outside of Objective 1 the RDPs can contain, in principle, all rural development measures, in Objective 1 regions they are limited to the accompanying measures (early retirement, less favoured areas, agri-environment, afforestation of agricultural land and the new food quality and meeting standards measures);
- in Objective 2 regions, Member States have the option to integrate the non-accompanying rural development measures in the Objective 2 programming, although they are co-financed by Guarantee (which is not a Structural Fund) and follow the Guarantee financial management and control rules. This is the case for 20 French single programming documents;
- in Objective 1 regions, the non-accompanying measures are integrated in the Objective 1 programming and co-financed by Guidance, following the Structural Funds financial management and control rules;
- the Community initiative Leader+ has its separate programming and follows the Structural Funds rules.

The new Member States will have two types of programming for their short programming period, RDPs and Objective 1 programmes. There will be no separate programming for Leader+, although a Leader-type measure can be integrated in the mainstream programme.
Each delivery system (Guarantee or Guidance) has its advantages and drawbacks.

The Guarantee financial management and control system with its strict annuality (commitment appropriations=payment appropriations, n+0) and clearance of accounts procedure was originally designed for the 100 % Community financed market policies. Many view the Guarantee system as too much of a straitjacket and not adapted to multiannual programming. On the other hand, the overall underspending on rural development programmes has so far remained limited.

The Guidance or Structural Funds financial management and control system is more flexible (differentiated appropriations: n+2 for payments, no annual clearance of accounts), but tends to lead to a backlog of payments (the so called RAL, reste à liquider) or underspending when the automatic decommitment is applied and problems with the closure of programmes at the end of the programming period.

2. Questions

1. What can be done to simplify programming in terms of types and number of programmes, for example, move to one programming, financial management and control system for rural development?

2. What can be done to simplify the programming content: can the number of co-financed rural development measures be streamlined or reduced; that is, a smaller menu, while still meeting the needs of the very diverse rural areas in the EU? Is there a need for a differentiated menu of co-financed measures, depending on the needs of the Member State and/or according to a typology of rural areas? Can the programming cycle (currently seven years) be adapted?

3. What can be done to simplify eligibility conditions at the level of individual measures and improve access to measures for beneficiaries? How much scope is there for an integrated approach combining several measures (within or between the three groups of rural development measures)?

4. What adaptations can be made to the financial management and control system to minimise the drawbacks of the current systems and still ensure a sound financial management?

5. To what extent can the Member States take more responsibility for the implementation of programmes and for the control of expenditure and the Commission still meet its Treaty obligations for the execution of the budget? Is there a need for new legal instruments (for example, contrat de confiance, control benchmarking and certification)?

6. As a counterpart to less involvement of the Commission in the implementation and management of rural development programmes, how can the discussion on the strategy, content and performance of programmes be strengthened?
I. Introduction

When shaping future policy on support for rural development, the Commission’s requirements and needs must be brought into line with Member States’ and regions’ requirements and possibilities. From the Commission’s viewpoint, it is essential to support the development of rural areas in all the EU Member States while taking into account specific structural and economic differences. In doing so, programmes must be structured and administered such that their objectives are achieved in accordance with financial limits and the proper use of funding is ensured.

From the Member States’ and regions’ viewpoint, and in accordance with the subsidiarity principle, programmes need to be structured so as to allow sufficient flexibility for regional priorities and specific features as well as sufficient scope for adjustment within the programming period if economic circumstances change.
It cannot be denied that these differing requirements lead to conflicting objectives, at least in some cases. When policy on support for rural development is realigned from 2007 onwards, solutions must therefore be found which — at least in general — meet both the Commission’s and the Member States’ requirements. Only by finding viable compromises can the financial basis for future EU policy on support for rural areas be secured and hence the foundations laid for the further development of these areas in Europe.

In this context, it is important to devise and implement programmes as efficiently and simply as possible. To that end, experience from the current programming period should be drawn on. Four aspects in particular need to be examined with a view to possible simplification:

- existing structure of support for rural development;
- programming and content requirements;
- financial management structure; and
- determining the monitoring system.

From a Member State or regional viewpoint, ideas and suggestions for simplifying all four aspects are set out below.
Funding sources for rural development

Actual situation, EU-15, 2000-06

- Outside Obj. 1
  - Accompanying measures
  - Non-accompanying measures
  - EAGGF-Guarantee
- Objective 2
  - Non-accompanying measures
- Objective 1
  - Accompanying measures
- Whole EU
  - Leader+
  - EAGGF-Guidance

Actual situation, EU-10 (new Member States), 2004-06

- Outside Objective 1
  - Accompanying measures
  - Non-accompanying measures
  - EAGGF-Guarantee
- Objective 1
  - Accompanying measures
  - Non-accompanying measures
  - Leader-type measures
  - EAGGF-Guidance
II. Simplifying the structure of support for rural development

CURRENT SITUATION

Following the accession of 10 central and eastern European countries, there will be a total of 249 programmes in the EU which wholly or at least partly support rural development. Statistically, that amounts to 10 programmes per Member State — with Germany having the widest variety of programmes due to its federal structure. Anyone who has ever had the opportunity or burden of describing the EU regional development support structure to an outsider will know how difficult it is to explain the various support programmes, eligibility criteria and funds. It is particularly difficult to demonstrate comprehensibly the need for such a differentiated approach to support.

What are the consequences? Programming is complex and costly for Member States and regions. Several comprehensive programming documents have to be drawn up, particularly in the event of eligibility under Objective 1 and/or Objective 2. As a result, the approval process is complex and costly for the Commission. Several programmes with the same or similar support content, which essentially differ in terms of eligibility criteria and the fund involved, thus tie up significantly more staff than a single programme — both in the Member States and at the Commission. Programmes must be closely coordinated with one another in order to establish the necessary consistency between them. In addition, different financial management and monitoring system requirements apply to each individual programme. These make the system opaque and error-prone.

Overall, the existing support structure can scarcely be imparted to citizens. It is too complex and insufficiently transparent. If the present rural development support structure continues, there is a risk that — particularly in the 10 accession countries — programming and implementation will be delayed. As a result, the intended aims will be achieved late if at all. The earmarked EU funding will not flow on time. This is not in the interests of the Commission or Member States.
SUGGESTIONS FOR THE FUTURE

Based on experience to date, it would be logical in future to implement only one rural development support programme per Member State or region and to finance that programme from one fund. Initial steps in that direction are already being taken in the 10 accession countries. For the remainder of the current programming period up to 2006, there will be a maximum of two rural development support programmes per Member State: a programme for the whole territory, financed from the EAGGF Guarantee Section; and a programme for Objective 1 regions, financed from the EAGGF Guidance Section. For Leader+ objectives, there will be no separate programme in the accession countries. Those support objectives can be integrated into the mainstream programmes.

The approach adopted for the new Member States should be resolutely expanded. From 2007 onwards, there should be only one support programme per Member State and region. Because of differing structural and economic conditions in the Member States, however, two prerequisites must be established for this:

1. EU-wide support must be available with a broad spectrum of measures. Differentiating support according to area categories is not appropriate. Member States and regions are best placed to select the components needed for each set of circumstances. In order to do justice to this approach, the existing regulation on support for rural development through the EAGGF would therefore have to be supplemented and extended.

2. There must be differing maximum part-financing rates throughout the EU. In the enlarged EU, Member States’ and regions’ need for support and their efficiency will vary greatly. To that extent, granting Objective 1 regions in particular higher EU part-financing rates is justified.
III. Simplification of programming

CURRENT SITUATION:

The EU legislative provisions on programming are very detailed. This gives rise to very voluminous programming documents and, under the Structural Funds, supplementary documents as well. Voluminous and complex programming documents make the Commission's approval procedure all the more complex, costly and protracted.

The Commission's extensive approval prerogative also makes programme adjustments in subsequent years difficult and costly. In addition, they are restricted to one amendment per year under the EAGGF Guarantee Section and one amendment per programming period under the Structural Funds. Hence Member States and regions risk having insufficient scope to react quickly and flexibly to changing circumstances. In Germany, there were two occurrences during the current programming period which caused circumstances to change drastically: the first BSE case in November 2000 and the flood disaster in south-eastern Germany in August 2002. Both instances illustrated the point exactly: the respective support programmes needed to be adjusted quickly and some of their priorities changed, but this was possible to only a limited extent.

The Commission states that detailed programming is necessary because it has to be in a position to monitor how programmes' implementation is progressing. From the Commission's viewpoint, programme adjustments must be limited in order to ensure the binding character of programming. The Commission's argument is conclusive. The question arises, however, whether the Commission's aims can be achieved only via detailed programming, or whether there are other ways of doing so.
SUGGESTIONS FOR THE FUTURE

From a Member State’s or a region’s viewpoint, programming documents should become less detailed and hence much clearer. For example, why is it necessary for the programme to detail the requirements and premiums through which specific agri-environmental or nature conservation objectives are to be achieved? Why, for example, does the Commission insist on knowing whether contractual nature conservation requires a pollarded tree to be tended in the second or third year of the contract? After all, it is much more important for the Commission to know exactly which objectives a Member State or region is setting itself, what the reasons for those objectives are and whether the Member State or region actually achieves them through implementing the programme.

In other words, detailed programming can be dispensed with if Member States’ and regions’ programmes place greater emphasis on quantification and qualification of objectives. Member States and regions are free to determine for themselves how they achieve those aims through implementing the programme. They are more conversant than the Commission with local circumstances and requirements and should decide for themselves which instruments to use. In compliance with relevant EU legislation (for example, on competition), of course. Initial steps in this direction are being taken in Leader+ programming. These programmes are considerably less detailed than those for implementing Regulation (EC) No 1257/1999.

Less detailed programming also gives Member States and regions more scope to react to changes in circumstances. They can adjust their support measures without having to go through complex and costly approval procedures with the Commission. Commission approval would be necessary only if the programme objectives changed.

However, the Commission’s dispensing with detailed programming must be accompanied by strict requirements on programme monitoring and evaluation. This applies right from the programming stage. Here,
great importance is to be attached to a well-founded ex-ante evaluation examining the programme priorities, strategic approach and aims. It should be considered whether the existing ex-ante evaluation requirements need to be further developed in order to further improve the quality of ex-ante evaluations as the key basis for Commission approval of programming.

There is no doubt that, in order to assess programme implementation and completion, regular evaluations are necessary and important in addition to monitoring — particularly if detailed programming is dispensed with. The evaluation intervals are to be chosen so as to allow for an initial start-up phase and then evaluate at regular intervals. It is important to take the evaluation as the basis for the next programming period. The earliest at which an initial evaluation is appropriate is therefore after the first two years of the programme. In any event, one year before the end of the programming period current evaluation findings should be available as input to the programming for the next period. By contrast, ex-post evaluation is of limited value because, by the time it is available, the new programming period has already started and the findings cannot therefore be implemented directly. From the Member States’ and regions’ viewpoint, a mid-term evaluation (after three years of programme operation) and an update evaluation (after five years of programme operation) are to that extent more important.

At the planning stage, nobody can anticipate with sufficient accuracy actual development over the seven-year programming period. Programme changes will therefore always be necessary, particularly after an evaluation. It is also important to be able to react to abrupt changes in circumstances by altering programmes quickly. It should not be possible to make programme changes whenever desired, however, otherwise the programme's strategic approach would no longer be discernible. It should therefore not be possible to make more than one alteration on average per year of the programme's operation. Member States and regions should be free to choose when to exercise their amendment options.
IV. Simplifying financial management

Current situation:

At present, under the various EU rural development support programmes, different financial management rules apply. All programmes financed from the EAGGF Guarantee Section are subject to the strict annual principle (n + 0), that is, funding earmarked for a given financial year but not spent is cancelled at the end of that financial year. It can no longer be spent in the following financial year. Applying the annual principle poses no problem in the case of support measures which can be precisely scheduled and paid for at a specific time. This holds good inter alia for all area- and livestock-based support measures, for example, agri-environmental measures or the compensatory allowance. Applying the annual principle is difficult in the case of investment measures, however. Construction delays, which may not fall within the support beneficiary’s responsibility, may cause problems with the annual principle. If a project cannot be successfully completed by the end of the financial year, completion will require the use of additional funding from the new financial year. Efficient financial management is therefore not possible.

Under the EAGGF Guidance Section, that is, in the Structural Funds sphere, there is comparatively more flexibility. Here the n+2 rule applies, whereby funding committed in a given financial year is also allowed to be spent in the two following financial years.

The limited scope for reallocation between support spheres also makes financial management difficult. For example, in the case of support programmes under Regulation (EC) No 1257/1999, during the whole programming period only 20% of public expenditure relative to the total amount may be reallocated within the financial plan. This limit is too narrow. Priority must be given to meeting the programme objectives, and reallocations in the financial plan undertaken to that end if necessary. Rigid limits are unhelpful.
In Member States with a federal structure, such as Germany, there also has to be scope for reallocation between regions (Länder). Restricting scope for reallocation between regions makes efficient financial management more difficult in federally-structured Member States. If the annual principle is applied, such restriction may mean that a Member State’s national limit cannot be fully utilised — which clearly places federally-structured Member States at a disadvantage.

Additional administrative complexity and cost are also caused by the non-concurrence of financial years in the EU and in individual Member States. For example, the EU financial year runs from 16 October of one year to 15 October of the next. By contrast, the German financial year coincides with the calendar year. This makes entering and allocating national part-financing resources in the national and regional budgets considerably more difficult.

Last but not least, for individual measures the Commission stipulates multiannual commitment periods (for example, five years for agri-environmental measures) which may extend beyond the programming period and hence beyond the approved financial framework. This means, for example, that even one year before the end of the programming period Member States and regions are forced to enter into financial commitments which in some cases may extend far beyond the end of programming. There is no corresponding funding commitment by the Commission for this period, however. Strictly speaking, therefore, the Member States and regions cannot grant any further approvals for these measures unless they finance them without an EU contribution.

The four aspects described make financial management under the rural development support programmes more difficult. This applies particularly to programmes under Regulation (EC) No 1257/1999. As a result, Member States and regions are permanently at risk of not being able to spend in time funding provided and approved by the EU.
With a view to efficient financial management, the strict annual principle governing implementation of rural development support programmes needs to be relaxed in future — including as regards the EAGGF Guarantee Section. In a similar way to the Structural Funds, under the EAGGF Guarantee Section the n+2 rule could be introduced for the second pillar. Alternatively, consideration could be given to creating limited scope for funding which has not been fully utilised to be carried over into the next financial year. The carry-over could be restricted to 5% of the annual limit for the programme concerned.

Member States and regions would gain considerable flexibility in financial management if the financial tables were structured more simply. For example, Member States or regions wishing to implement an approved programme might receive the financial allocations in the form of an overall contribution. Alternatively, from the Member States’ viewpoint it would also be possible to confine the financial tables to the programme’s priorities. Then in future Commission approval would be required only if reallocation between priorities was planned. If necessary, it would be justifiable to limit reallocation to a certain percentage relative to the total amount of the programme’s public expenditure. Within priorities, Member States act on their own responsibility.

In principle, reallocations of funding between regions within a federally-structured Member State should be possible without mandatory Commission approval. Otherwise federally-structured Member States would be placed at a disadvantage as regards financial management, resulting in an unacceptable distortion of competition.

If the Commission requires Member States to observe longer commitment periods in respect of certain measures, then it must enter into corresponding commitments to part-finance those measures for the com-
mitment periods falling outside the programming period. There is no justification for Member States or regions having to bear sole financial responsibility for funding the completion of those measures outside the programming period.

V. Simplification of the monitoring system

Current situation:

The administration and control systems applicable to the various rural development and support programmes under the EAGGF Guarantee Section and the EAGGF Guidance Section derive either directly from the administration and control system created for direct payments (area and livestock premiums) under the first pillar, or — as in the case of the Structural Funds — are based very much on those structures. That system was developed for standard, EU-wide area and livestock payments, and is therefore not adapted to the complex structure of rural development support. As a consequence, administration costs for implementing the system are higher for the second pillar than for the first pillar.

Suggetions for the future:

Based on past experience, a separate administration and control system needs to be devised for the varied measures of rural development. The system must take account of the fact that Member States contribute up to 50 or 75 % of funding to the programmes’ individual measures. Hence checks and controls also come
under the national monitoring bodies. It therefore seems appropriate to integrate the checks and controls at national level into the European monitoring system, in order to avoid duplication of effort. This will entail harmonising EU and Member State/region monitoring standards (inspection quotas, inspection intensity), however.

Irrespective of that, monitoring intensity should be made dependent on the absolute amount of support. The various support options result in widely differing amounts of rural development support. Very large absolute amounts are not uncommon under market structure support, whereas diversification support often involves small amounts. Simplified monitoring procedures should therefore be introduced for small amounts of support, whereas large absolute amounts should remain subject to the standard procedure.

**VI. Conclusions**

The existing rules are in major need of simplification for future rural development support. They must be made more straightforward, transparent and flexible.

Over the past few years, the Commission has already taken initial steps in that direction by

- making the EAGGF Guarantee Section programme implementation requirements more flexible;
- simplifying EAGGF Guidance Section programme management; and
- revising the monitoring indicators for annual reporting.
Conclusion

The broader the range of rural development support measures is, the more simple, transparent and efficient the provisions for implementation have to be.

First steps:
The Commission launched three simplification initiatives in 2001-03:
- reviewing implementation rules for the second pillar to make the procedure more flexible;
- simplifying procedures for management of Structural Fund programmes;
- streamlining the monitoring indicators for annual reporting.

Summary
key proposals

- One single rural development programme per Member State or region.
- Rural development plans have the character of framework regulations with adequate setting of qualitative and quantitative targets and strict monitoring and evaluation requirements.
- Financial management with flexible transfer possibilities between annual budgets, measures and regions in federal Member States.
- Development of an autonomous administration and control system designed for rural development policies.
This must be built on.

In the next programming period, existing possibilities should be used to concentrate the hitherto fragmented structure of rural development support and to considerably simplify programming and implementation. There are four starting points for this:

1. Combining the various rural development support programmes into a single support programme per Member State or region, and financing that programme from a single fund.

2. Improving the quantification and qualification of objectives in programming. Member States and regions are to ensure that the objectives are achieved. Subject to compliance with EU legislation, they are free to choose the instruments for doing so. Detailed programming can therefore be dispensed with. As a counterbalance, strict monitoring and evaluation requirements are to be laid down.

3. Making financial management more flexible by creating scope for (limited) reallocation between financial years, expanding scope for reallocation between the various spheres of measures, and allowing scope for reallocation between regions in federally-structured Member States. If the Commission requires commitments which extend beyond the programming period, then it must also contribute towards financing the completion of those measures.

4. Adapting the administration and control system to the requirements of rural development. Inspection quotas and inspection intensity should be based on the absolute amount of support. Monitoring work being undertaken at national level should be integrated into the EU controls.
The objective of simplifying rural development is largely shared by the Commission, the Member States and all the managers involved in implementing RDR-related procedures (1).

What is effectively at stake is a better image of rural development initiatives among the rural European beneficiaries and players at the time they are called upon to develop.

**Preamble: a heritage of management tools that are not always suited to rural development**

Most of the current difficulties faced by RDR managers and beneficiaries today stem from the fact that the establishment of the second pillar of the CAP has not given rise to the design of specific tools, but to transfers of rules from the first pillar.

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(1) Rural development regulation.
Plan of the presentation

→ Programming
→ Financial management
→ Controls

Preamble

→ Agenda 2000 has consolidated all the rural development actions within one regulation (RDR).

→ But no effort of specific conception has been made:
  - for a new definition of measures previously existing in several devices;
  - for adapting modes of financial management of the EAGGF Guarantee Section whose use has been enlarged.
Furthermore, while simplification is a laudable objective, the priority is to make the system more satisfying, more acceptable both for the managers and the beneficiaries, and this does not systematically occur through a simplification. For we can indeed conceive of a very simple management system that is completely unacceptable to the beneficiaries.

The main objective of the proposed presentation is to initiate the discussion of this workshop and to bring about a debate concerning the three following points: planning, financial management and checks. Out of numerous points, these are the proposals offered for discussion.

This presentation expresses the views of its author, the general director of a French payer agency, only and not of the Member State to which he belongs.

1. Planning

- Restructuring the regulation:

The structure of the RDR as it was defined by Agenda 2000, results, as we all remember, from a consolidation of 10 prior regulations that came either under Objective 5a, Objective 5b or CAP accompaniment measures. No reorganisation work was undertaken at that time.

We may therefore legitimately wonder whether it would be advisable to restructure the 22 measures currently proposed in the Member States’ planning. The main interest would be to make the privileged focuses, the form of the interventions and the budgets actually assigned to a given objective more legible.
At present, for example, the measures in favour of the environment are disseminated in measures a, f, t, l and j, and it is therefore virtually impossible to determine the real effort made by a Member State in favour of the environment. The CNASEA was confronted with this problem at the time of different comparative studies of the implementation of the RDR in the European States (1).

The restructuring of the RDR can be undertaken simply. This involves identifying different sectors of intervention making up rural development (so at most):

- the transfer of rural enterprises, the establishment of young farmers and the influx of new assets;
- protection of the environment and of natural resources;
- adaptation of agricultural production systems;
- compensation of natural handicaps;
- rural tourism and the promotion of the rural heritage;
- forestry operations;
- land development;
- rural infrastructure projects and the development of communication technologies.

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— CNASEA, April 2003, The CNASEA papers, the application of the rural development regulation in Europe (a comparative study).
For each sector of intervention, the regulation will identify the main conditions of eligibility, the rules for
community intervention, and the different modes of intervention authorised:

- investment assistance
- loan subsidies;
- flat rate aid;
- training assistance;
- multi-year assistance granted in exchange for specifications, help
  with facilitation and technical assistance, etc.

The new regulation should be a tool box sufficient to
carry out the programming.

For each sector of intervention, the regulation will identify the main conditions of eligibility, the rules for
community intervention, and the different modes of intervention authorised:

- investment assistance
- loan subsidies;
- flat rate aid;
- training assistance;
- multi-year assistance granted in exchange for specifications;
- help with facilitation and technical assistance.

A Member State will thus be able to choose different formulas to support its youth establishment policy:
flat-rate aid, subsidised loans, but also preparatory training and network facilitation. At the present time,
the RDR offers support for this establishment only through the first two modes.

These different elements also make it possible to plan the different rural development actions clearly and
offer the possibility of comparing the priorities and the intervention modes preferred by the Member
States.
More subsidiarity in planning

At the planning level, one of the observations we were able to make by comparing the different forms of planning within the European area is the great diversity of the planning levels (national, regional, combined with a dominant regional or national focus, not to mention the great diversity of the national financial arrangements). The departments of the Commission also rightly complain of having to follow at present 89 rural development plans distributed within the 15 Member States.

So, one proposal would consist in establishing a single planning document at the Member State level (NUTS 1) that we will call the national master plan. This master plan would be the only contractual document between the State and the Commission, comparable to a ‘Docup’ (single planning document) (Structural Funds). This reduction in the number of planning documents to a single document per State seems to be the only reasonable solution in a Europe of 25.

It would present the major rural development objectives in the Member State, the major focuses of national intervention (see the intervention sectors mentioned earlier), the division between the State and the different administrative echelons, the overall financial model at the Member State level and its indicative breakdown in the different operational programmes (see infra).

This national master plan would be developed for each Member State through rural development operational plans (sectoral or territorial), which, like the planning supplements used for the structural funds, are not contractual documents with the European level and would be transmitted to the Commission for information purposes.

They will provide clarifications for the implementation of the master plan for the measures implemented at the national or regional level: the Member State can thus establish a national operational plan for certain
application measures that are homogeneous over the entire territory completed by regional operational plans (NUTS 2) for other measures. This complementary approach was used by the majority of Member States during the planning period underway.

The different operational plans that will determine the national master plan could also be implemented in specific territories and thus allow the implementation of Leader-type plans within the second pillar of the CAP.

The architecture of the operational plans will have to be presented in the national master plan.

2. Financial management

- Single Community funding for rural development

Consolidating the two funds currently used (the Guarantee Section and the Guidance Section) into a single management system devoted to rural development is one of the first simplifications to be made to the current mechanism.

In Objective 1 zones, rural development relies on two management and payment systems, which makes it difficult to read the Community policy and needlessly complicates the managers’ task.

- A budgetary period corresponding to the calendar year

The second simplification is to synchronise the EAGGF budgetary period with the calendar year (and no longer from 15 October to 15 October for the Guarantee Section). Since rural development must be co-

Financial management: priority evolutions

- a single Community financing for rural development;

- a budgetary period in respect of the calendar year (EAGGF-Guarantee).

NB: The conveyance of funds of the EAGGF Guarantee Section, which is very efficient, must be maintained: periodic calls for funds, monthly declarations of expenditures, reimbursement in m+2, etc.
Financial management: light adjustments?...

- introduce the possibility of carrying forward transfers in the management of the EAGGF Guarantee Section (more flexibility);

- regularly inform the Commission of financial commitments taken with beneficiaries for guaranteeing the Member States co-financing of multiannual files or with spread payments.

... more in-depth changes?

- create a true fund (and not anymore a budgetary line) for the financing of all the rural development;

- the fund would take up some provisions from the EAGGF Guidance Section (commitment by tranches, adapted automatically decommitment, etc.) and some provisions of the EAGGF Guarantee Section (paying agency, calls for funds, monthly declarations, reimbursement m+2, etc.).
funded, this provision will result in a considerable simplification for the managers (of the payment agencies) who must constantly, and for each co-funded action, double their projections and their tracking charts, making sure that the national and Community data is consistent.

**Maintenance of the provisions related to the management of payment credits by approved payment agencies**

The principal advantage of the Guarantee Section of the EAGGF is that it allows the payment agencies to mobilise funds within completely effective time frames. Much faster than the Structural Fund loop, this management system represents a considerable advantage for the Member States that have virtually no lead time to plan for with respect to the Community contribution.

So, the current provisions related to the conveyance of funds to the payment agencies of each Member State must be maintained: periodic calls for funds (in France, they are weekly), monthly declarations of expenditures, community reimbursement in m+2, etc.

**New budget management rules**

The current provisions based essentially on tracking expenditures for the fiscal year in progress (the Guarantee Section is a line of the European budget) are perfectly suited to annual measures like the compensatory assistance of the first pillar whose payment date offers little uncertainty.

On the other hand, they are poorly suited to second pillar assistance, most of which depends on projects whose completion date is more uncertain and whose payments will often be spread over several fiscal years.

Thus, the Commission does not have any element concerning the commitment made by the Member States regarding certain matters whose expenditures will affect future fiscal years (multi-year contracts, spread payments, etc.) or the subsequent planning periods. In this area it is necessary to give the Member States better guarantees concerning Community intervention for projects begun during one planning period and that will be paid for during the following period.

For these two main reasons, it is necessary to adapt the current annual budgeting rules. Several options can be mentioned at this stage:

- relaxing the annual budgeting rules by making it possible to carry forward to the next fiscal year;
- establishing commitment tracking that allows the Commission to get information with regular frequency.

More in-depth changes can also be cited by making sure that they effectively simplify or improve the system in force:

- create a true fund consolidating the two sections of the EAGGF fund, which would make it possible to exempt oneself from annual budgeting and to introduce tracking that is better suited to the rural development interventions;
- introduce commitment accounting that would steer the national programme.

**Checks**

The check system gives credibility to the contractual relationship. It is therefore a determining element of rural development policy. And the merit of Community policy is to have generalised these practices routinely in the Member States.

However, the application of the check methods is not completely satisfactory for the beneficiaries or the managers.
The beneficiaries see, here and there, a lack of legibility: will the rules that are going to be introduced by the CAP reform make it possible to inform each beneficiary clearly of the different check points to which it may be subject?

Indeed, the list of Community regulations with which all beneficiaries are supposed to comply is growing. The payment agencies themselves are beginning to encounter problems in ensuring the training of versatile checkers in the different check areas. How, therefore, under these conditions, can we require beneficiaries to have an exhaustive knowledge of the regulations to which they are subject?

Improvement of the check system is indispensable if Europe does not want to permanently exasperate European beneficiaries and managers. This is a subject of great importance.

The following proposals could guide our thought with respect to improving the checks:

• Reduce in a general way the number of checks for which the payment agencies are responsible, particularly for the multi-year measures for which the application of the annual rate of 5 %, in fact, corresponds to a rate of 25 % for contracts that take place over five years.

• Prioritise the content of the checks and limit the list of check points to be performed for the beneficiary, because the multiplicity of check points often results in not focusing on what is essential.

• To do this, limit the scope of Community control to the scope of the European rules defined in the rural development regulation. The Member State must have all latitude to evaluate the management of its own additional regulatory scope, which should be considered more like an instrument for regulating its priorities within a limited financial framework.
Establish a stay system similar to the practices of our national legal systems. The stay would be applicable to all or part of the sanction and would be left to the discretion of the decision-making authority. This practice would make it possible to introduce a more pedagogical relationship in performing the check. Quite obviously, this would introduce a new risk analysis parameter for determining the beneficiary samplings to be checked.

All these provisions should be the subject of a check regulation specific to rural development that would make it possible to do away with certain rules once again borrowed from the first pillar.
Conclusions

PANEL 5 – Main conclusions

Panel 5 – Simplified delivery

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 5 – Main conclusions

- Simplified delivery
- simplification is necessary;
- simplification should not wait until the new programming period;
- simplification not only for the administrations, but also for the farmer – the beneficiary.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 5 – Main conclusions

- Simplified delivery
- simplification of programming;
- simplification of financial management;
- simplification of controls.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 5 – Main conclusions

- Simplification of programming

- one single programming system as a framework for the Member State:
  - broad range of measures available in all rural areas;
  - regrouping of measures into main axes;
  - technical assistance, networking and exchange of best practices.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 5 – Main conclusions

- Simplification of programming

- coordination with the Objective 1 programming in the regions concerned

(coordination between Structural Fund programmes and the rural development programmes in order to ensure coherence.)

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 5 – Main conclusions

- Simplification of programming

- flexibility between measures;

- flexibility between priorities (groups of measures);

- flexibility between the regional operation programme within the framework national programme.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 5 – Main conclusions

- Simplification of financial management

- one source of financing for rural development;

- only using the calendar year;

- n+2 rule for payments is better adapted to the multiannual programming.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 5 – Main conclusions

- Simplified control

- tailor-made control system;

- specific piece of legislation for rural development controls (different from first pillar support):
  - clear rules with solid legal status,
  - no changes during the implementation period.

Salzburg Conference on Rural Development
12-14 November 2003

PANEL 5 – Main conclusions

- Simplified control

- controls more outcome oriented and based on evaluation approach:
  - harmonisation of baseline requirements (cross-compliance and good farming practice);

- Community implementing rules sufficiently defined before the beginning of the new programming period.

Salzburg Conference on Rural Development
12-14 November 2003
PANEL 5 – Main conclusions

- Simplified control

- Increased coordination of Member State and EU controls;

- Contract of confidence based on agreement on the Member State’s control system;

- This should allow reduction of number of EU controls.

Salzburg Conference on Rural Development
12-14 November 2003
Closing plenary session
Mr Franz Fischler
Member of the European Commission responsible for Agriculture, Rural Development and Fisheries

Ladies and gentlemen,

It is a difficult but deeply encouraging task to summarise the work of the last two days:

- difficult — because I can in no way do justice to the richness, diversity and commitment that I have heard from many of you;
- deeply encouraging — because it is this richness, diversity and commitment that is the strength of our rural areas and communities.

The Commission came here to listen and to learn from your experience of rural development over the past years. However, as I said in my introduction yesterday, we must look ahead and decide on the direction we want rural development policy to take, on the symphony we want to play in the years to come. To do this, we need the input of all key stakeholders, of all the instruments of our rural orchestra, the violins as well as the trumpets and the triangle. I think we have heard them all during our conference in Salzburg.

Here, I would like to thank the experts, panellists and all of you who participated in our discussions for having brought your knowledge and expertise. In particular, I would like to thank the chairmen, speakers and the rapporteurs for ensuring that the productive work of the panels brought clear and relevant conclusions.

Of course, discussion and debate do not take place in a vacuum. We have enjoyed the excellent atmosphere and the spirit of musicality here in Salzburg which allowed such a smooth-running organisation. I think you would all join me in thanking our Austrian hosts, as well as all those involved in making our conference function so well. Finally, can I thank both the Austrian and German authorities for ensuring that we will keep our feet on the ground. The field trips of this afternoon will show us the wide range of what rural development is really about.

Now, let me summarise in a few words the messages I have heard from you here.

- Europe’s rural areas are special. We value them for their contribution to our food, our landscape, our environment, our heritage and our recreation. We value them for their diversity and for the communities they sustain.

- We share a clear view of what is needed to ensure the future of our rural areas — a competitive agricultural sector, the preservation and enhancement of the rural landscape and the reinforcement of the social fabric — a living and diverse countryside.

- We can be proud of what we have achieved over recent years with our rural development policy, but we know we can do better. We need a simpler, more flexible policy that builds on partnership. We must also take account of the lessons we have learnt from Leader, our laboratory for new ideas in rural development.

- We are all aware of the challenges that face us in the new Member States. But we can only be heartened by what has already been put in place by Sapard, and by the enthusiasm and commitment to rural development that we have heard over the past days.
Many important debates lie ahead of us in the coming months as the European Union shapes its policies for the next financial perspective. We will all need to work to ensure that the shaping of the new rural development policy meets the needs and expectations of rural areas and communities.

Ladies and gentlemen,

I would like to explore in greater detail what needs to be done, particularly from the perspective of the Commission. Let me start with the aims of our policy, which we must clarify and strengthen.

Future EU rural development policy must promote the sustainable development of our rural areas. And it is the development of the broader rural economy and rural communities which is essential for a living countryside. This will be essential to increase the attractiveness of rural areas, promote sustainable growth and generate new employment opportunities, particularly in the new Member States, but also in the old Member States.

To achieve this, we must build upon the full range of development potential of our rural areas and communities and take into account their specific needs. We will need to think at the level of the Commission, the Member States, regional and local authorities as well as local groups about how we can do more and do better in the next programming period.

Your contributions were quite clear that preserving the diversity of our countryside is of ever-growing importance. The sustainable development of over 80% of the EU's territory is, of course, not possible without the essential contribution of agriculture and forestry. And this is right — as I said yesterday, our farmed areas are not a theme park, or a nature reserve, they are places where men and women work the land. This we must say loud and clearly. They will have to continue to make a vital contribution to our rural landscapes and we will have to provide the right incentives that they continue to deliver this service to society as a whole and that they take into account the ever-growing environmental concerns.

Here we will find ways of strengthening the contribution of our policy. This will be of particular importance in more remote rural areas with their sites of high value.

We have heard from many delegates that the competitiveness of the farming sector must remain a key aim of our policy. Restructuring of the farm sector is of particular importance for the new Member States, given the significant further agricultural restructuring anticipated in these countries. But in both new and old Member States the opportunities for growth will come increasingly through diversification and the production of the high-quality products demanded by society. In this way, our policy must better contribute to the sustainable growth that is Europe's ambition for all sectors of activity.

Finally, our goal must be to see the sustainable development of all rural areas. Society expects all farmers, regardless of where they are, to take on new roles and responsibilities. The ongoing restructuring of the agricultural sector, the effects of CAP reform and changing patterns of agricultural trade affect all rural areas across the EU. Rural development policy is the key Community instrument to help all farmers and other rural actors face these challenges.

We have had many excellent contributions from representatives of the new Member States. We have heard a clear message that I think we should all take to heart — we must avoid sterile debates that set rural development against cohesion policy. Our enlarged Union needs both a strong rural development and a strong cohesion policy — the two are mutually supportive.

Ladies and gentlemen,

As I said in my opening speech yesterday, it is not enough to know what we want to, we must also think carefully about how best to achieve our aims. The aims of our policy are closely interlinked. Only an integrated policy can deliver effectively the wider goal of revitalising the economic, environmental and social fabric of Europe's rural areas. We will reap the full benefits of our policy only if we can make use of what
we have at hand in a simple and effective manner. Let me start with the most important ingredient in the successful delivery of our programmes — people.

- Farmers must continue to occupy a central role in and be significant beneficiaries of Community rural development support. But rural development policy also serves the needs of broader civil society in rural areas. Strengthening the links between the agricultural sector and the wider rural community will promote the sustainable development of rural areas sought by all rural stakeholders.

- I hope that many of you will have taken the opportunity here in Salzburg to make new contacts and discover new ideas and approaches, particularly as regards projects aimed at rural communities. We can certainly do more to foster these types of projects at a local, national and EU level. I am certain that we can all strengthen our commitment to learning from each other and encourage the exchange of experience and good practice through networking.

- To respond effectively to local and regional needs, it is essential to bring in a broad range of rural stakeholders with their expertise in the drawing-up and subsequent implementation of programmes. Capacity building continues to be a key challenge. As we have learnt over the last few days, there are many ways of involving the public, private organisations and civil society. Here again, I hope this conference gives a new impetus to the sharing of good practices.

- In this context, future policy must include wider and improved possibilities to encourage bottom-up local partnerships. We have learned from Leader that the bottom-up approach is an excellent tool to mobilise local actors. We must use this experience for our future programmes.

Turning now to the question of the nuts and bolts of our programmes. Here, in my view, the conference has provided us with a clear message about how we run rural development. And it is a simple message — we must ensure that the work of those involved in our programmes is not frustrated by unnecessary complexity and bureaucracy. Here, perhaps more than anywhere, we need to take forward a positive agenda.

- Clearly, a significant simplification of the delivery system for Community rural development policy is required. This means one programming, financing and control system tailored to the needs of rural development. In my view, we also need to reflect on the balance of responsibilities between the Commission and Member States, so that we can all do our job better.

- Europe’s rural areas and their needs are becoming more diverse. We need to work out how to balance European priorities, such as maintaining multifunctional agriculture in all parts of Europe, and local needs. Taking the principle of subsidiarity seriously, we need more flexibility and freedom for partnerships, but with flexibility comes responsibility and accountability.

- When we really want to shift from controlling expenditure to verifying outcomes, we need better rural development strategies with clearer aims, better targets and monitoring and evaluation. I know we are confident enough to set ambitious targets for our policy, we should also be confident enough to put these down on paper and stick to them. This will help us to show that the money invested in rural development is well spent.

Ladies and gentlemen,

We need a strong and forward-looking EU rural development policy to mobilise the full potential of all rural areas and communities. Thanks to your contributions, the seeds of a new approach have been sown here in Salzburg, of a policy focused on a diverse and living countryside and firmly grounded in our rural communities and heritage.

The aspirations for our rural development policy were born in Cork, let us all ensure that the Salzburg Conference signals the coming of age of a rural development policy — a ‘symphonie rurale’ — for the 21st century.

Thank you
Mr Joseph Daul  
President of the Commission for Agriculture and Rural Development, European Parliament

Thank you very much, dear Franz.

It was a pleasure and an honour for me to chair one of the panel sessions. I have now been given a task which is a distinct honour, not only for the Chairman of the Committee on Agriculture, but also for the Institution I represent, the Parliament elected by the citizens of Europe. That task is to sum up two days of intense and fruitful discussions on the future of rural development in an enlarged Europe.

I would be failing in my task if I didn't thank all of you, stakeholders in our rural areas, who have contributed to the construction of a rural development policy that will measure up to our ambitions. I want to offer particular thanks to those who took part in the panels, chairpersons, speakers and rapporteurs. I am also relying on the summary reports on the proceedings which we have just heard and on the discussions we held yesterday and this morning to draw conclusions together from this second conference on the future of European rural development.

Ladies and gentlemen,

In a Europe expanded to include 27 Member States, the future of rural areas, which make up the largest share of Europe's territory and will be home to a very large number of people, is of vital concern to all our citizens.

We acknowledge the wide diversity of Europe's rural areas, from the point of view of the natural landscapes, their agricultural production systems, their ability to hold on to and attract people and the role agriculture and diversification play in the local economy.

We have seen the essential role that agriculture and forestry continue to play in developing the countryside and in preserving viable rural communities.

But our rural areas have to keep pace with the reform of the common agricultural policy and the changes taking place in world trade. There is a need therefore to assist European farmers in performing their multifunctional role as guardians of the countryside and producers.

It has become abundantly clear that the development of rural areas can no longer depend solely on agriculture and that diversification, both within and beyond the agricultural sector, is essential if sustainable and viable rural communities are to be encouraged.

I am convinced, however, that public support for European rural development policy is solidly justified by the encouragement given to the ongoing process of restructuring agriculture, the sustainable development of rural areas, and the balance of relations between the countryside and cities.

It is not enough, however, to find satisfactory objectives. It is necessary also to be concerned about implementation. We have heard many times these past few days about the difficulties caused by the complexity of the present arrangements for implementing European rural development policy, with its different
sources of financing and procedures depending on whether assistance is being granted in Objective 1 areas or elsewhere.

We will allow ourselves to draw some conclusions therefore from this conference on rural development:

A living countryside is not only in the interests of people living in our rural communities but of the whole of society. Investment in a broader rural economy and community is essential for making rural areas more attractive, promoting sustainable growth and creating new job opportunities, especially for young people and women. This will have to be based on the specific needs of different areas and rely entirely on the potential of local areas and rural populations. A living countryside is essential for agriculture, just as farming is essential for a living countryside.

Safeguarding the diversity of Europe's countryside and promoting the services provided by multifunctional agriculture are increasingly important. The management, by agricultural holdings, of their environment as well as of woodlands are going to be used to preserve and make a positive contribution to the natural landscape and the diversity of Europe's cultural heritage, in particular in more remote rural areas with their high-value natural locations.

The competitiveness of the agricultural sector has to remain a key objective, reflecting the diversity of the agricultural potential in the different rural areas. This will be especially important in the new Member States, bearing in mind the considerable needs linked with the continuing restructuring of agriculture expected in those countries. In all the Member States, diversification, innovation and the production of goods with value added demanded by the consumer should help to stimulate sustainable economic growth in the agricultural sector.

Rural development policy will have to apply in all rural areas of the enlarged Europe, in order that farmers and the other actors in rural life can meet the challenges of the ongoing restructuring of the farming sector, the impact of CAP reform and the changes in the structure of agricultural trade.

Rural development policy should serve the needs of a wider range of people in rural areas and contribute to cohesion. Strengthening the broader rural community will make it possible to promote the sustainable development of rural areas which is sought by all stakeholders there.

Rural development policy should be implemented in the form of a partnership between public and private organisations and civil society, in accordance with the principle of subsidiarity. In order to respond effectively to local and regional needs, a wide-ranging dialogue with all the stakeholders in rural areas will be essential both when programmes are being drawn up and implemented and during their monitoring and evaluation. The future policy will have to include in its mainstream the implementation of EU support for rural areas through bottom-up local partnerships, based on lessons drawn from the Leader model. A margin will have to be left for exploring new and innovative approaches at local level.

Greater responsibility will have to be given to the partnerships envisaged in the programmes, in order to develop and apply a strategy based on anticipated goals and results that are clearly defined. This will require greater visibility and transparency, based on monitoring and evaluation. For this it will be necessary to envisage the strengthening of institutional capacities. In addition, partnerships will have to develop mutual learning opportunities through networks and exchanges of best practice.

A significant simplifying of European rural development policy is both necessary and urgently required. Implementation will have to be based on a single system of programming, financing and control, tailored to the needs of rural development.
Mr Fischler, Ministers,

Ladies and gentlemen,

To conclude,

I can understand that some of you perhaps think that we do not go far enough in our analysis, while others will miss the contributions they have made; but a record has been kept of everything said and more thought will be given to it.

It is necessary that rural development be devised together with the men and women who live their daily lives there and that they should benefit from innovations and new technologies like every other European citizen.

Open-mindedness and training for young farmers, young craftsmen and trades people and the debate with civil society will make it possible to find this new equilibrium and use its strength to maintain and reinforce rural development and environment policy.

Mr Fischler,

Study days like these in Salzburg bring countries and regions in Europe closer together in order to defend and respect our values, traditions, and quality products.

Our thanks to Minister Pröll for his reception.

I will end by underlining that it is thanks to the CAP and rural development that Europe has made progress despite the difficult discussions, that we have been able to live for 60 years in peace, and that the CAP and rural development and other policies too (foreign, defence and social policy) will make it possible for our children and grandchildren to enjoy another 60 years of peace and prosperity.
Concluding press conference
Mr Franz Fischler
Member of the European Commission responsible for Agriculture, Rural Development and Fisheries

Ladies and gentlemen,

First of all I would like to give a very warm welcome to the Ministers and the chairpersons of the working groups.

Before handing over to Mr Daul, let me say a few words to sum up this conference.

I will make this brief since you already have the text of my speech to the plenary and the Salzburg final conclusions.

I believe we can say with a good conscience that this conference has been a success. The number of participants has been high, the work intensive, the discussions lively, the mood positive; but most importantly:

Here in Salzburg we have managed to send a very clear signal about how we envision an up-to-date, effective and sustainable policy on rural development, just as I hoped at the outset of the conference.

This Salzburg conference is broadcasting some very clear messages:

Rural development is not a weekend allotment in which academics can play at farming. Rural development concerns us all, whether farmer, rural community or city-dweller. Without a living countryside, farming has no future, and without farmers the rural areas do not have one either.

Which is why we have agreed here in Salzburg that it is not enough to focus rural development entirely on agriculture.

A meaningful rural development policy should of course improve the competitiveness of agriculture, in particular in the new Member States.

But it has also become clear in our discussions that we need diversification, modernisation, investment and jobs outside the farming sector if we want to have living and sustainable rural communities.

There is also complete agreement that the effectiveness and transparency of rural development policy must be improved.

The policy must become substantially simpler and more user-friendly.

In the debates over the coming months it will be our goal to find out how we can translate all that into practice.

I personally intend to put my weight behind a single ‘countryside fund’ which will finance the whole of rural development policy at European Union level.

Programming, funding, controls. That is the way to go in future.
Programmes will set out what the regions want and need, i.e. ‘bottom-up’ and not ‘top-down’. Local actors, and civil society itself, must be more closely involved.

And let me remind you: Salzburg has not been the finishing line, but the starting gun for intensive discussions at regional, national and EU level from which to make a new beginning.

It remains for us to spread the word about the ‘Salzburg experience’, to start to convince others that we need a strong rural development policy, and one which benefits farmers, consumers and taxpayers equally.
Final declaration

Planting seeds for rural futures — building a policy that can deliver our ambitions

The European Conference on Rural Development,

Having met in Salzburg on 12 to 14 November 2003 to assess the implementation of EU rural development policy since Agenda 2000 and to look ahead to future needs;

Representing a wide range of stakeholders with an active interest in ensuring that the economic, environmental and social development of Europe’s rural areas is sustainable;

Believing that, in an enlarged Union of 27 Member States, the future of rural areas, which will represent most of its territory and will be home to much of its population, is of vital concern to all European citizens;

Recognising the diversity of Europe’s rural areas as regards their natural landscapes, their agricultural production systems, their capacity to retain and attract population, and the role of agriculture and diversification in the local economy;

Concerned that in a number of rural areas poor access to public services, the lack of alternative employment and the age structure significantly reduce the development potential, particularly as regards opportunities for women and young people;

Noting the increasing importance European citizens attach to the safety and quality of their food, to the welfare of farm animals, and to the preservation and enhancement of the rural environment;

Persuaded that agriculture and forestry continue to play an essential role in shaping the rural landscape and in maintaining viable rural communities;

Conscious of the ongoing common agricultural policy reform process and changing patterns of world trade and the need to help European farmers take up their multifunctional role as custodians of the countryside and market oriented producers in all of the EU, including disadvantaged areas and remote regions;

Recognising that the development of rural areas can no longer be based on agriculture alone, and that diversification both within and beyond the agricultural sector is indispensable in order to promote viable and sustainable rural communities;

Welcoming the strengthening of EU rural development policy under Agenda 2000 and the widening of its scope and the reinforcement of its financing agreed more recently under the 2003 CAP reform;

Recalling that EU rural development policy already makes an important contribution to economic and social cohesion and that this must be reinforced in an enlarged EU;

Convinced that there is strong justification for public support for EU rural development policy to facilitate the on-going process of agricultural restructuring, the sustainable development of rural areas and a balanced relationship between the countryside and urban areas;

Concerned at the complexity of the current delivery system for EU rural development policy, with different funding sources and procedures according to whether an intervention is implemented within or outside Objective 1 regions.
Considers that the following principles must guide the future of rural development policy:

- **A living countryside** is not only in the interests of the rural society but also of society as a whole. Investment in the broader rural economy and rural communities is vital to increase the attractiveness of rural areas, promote sustainable growth and generate new employment opportunities, particularly for young people and women. This must be based on the specific needs of different areas and build upon the full range of potential of local rural areas and communities. A living countryside is essential for farming, as agricultural activity is essential for a living countryside.

- **Preserving the diversity of Europe's countryside** and encouraging the services provided by multifunctional agriculture is of ever growing importance. Managing the farmed environment and forests will serve to preserve and enhance the natural landscape and Europe’s diverse cultural heritage, particularly in more remote rural areas with their sites of high nature value.

- The **competitiveness of the farming sector** must be a key aim, taking into account the diversity of agricultural potential in different rural areas. This is of particular importance for the new Member States, given the significant further agricultural restructuring expected in these countries. In all Member States, sustainable economic growth of the agricultural sector must come increasingly through the diversification, innovation and value added products that consumers demand.

- **Rural development policy must apply in all rural areas of the enlarged EU** in order that farmers and other rural actors can meet the challenges of on-going restructuring of the agricultural sector, the effects of CAP reform and changing patterns of agricultural trade.

- **Rural development policy must serve the needs of broader society in rural areas** and contribute to cohesion. Strengthening the wider rural community will promote the sustainable development of rural areas sought by all rural stakeholders.

- **Rural development policy should be implemented in partnership between public and private organisations and civil society in line with the principle of subsidiarity**. To respond effectively to local and regional needs, a full dialogue between rural stakeholders in the drawing up and subsequent implementation, monitoring and evaluation of programmes is needed. Future policy must mainstream EU support for rural areas through **bottom-up local partnerships** by building on the lessons learnt from the Leader approach. Scope must be left for exploring new and innovative approaches at local level.

- **More responsibility must be given to programme partnerships** to define and deliver comprehensive strategies based on clearly defined objectives and outcomes. These will require increased transparency and accountability through monitoring and evaluation. In this respect, capacity building is essential. Moreover, partnerships must have greater possibilities to learn from each other through networking and exchange of best practices.

- **A significant simplification** of EU rural development policy is both necessary and urgent. Delivery must be based on one programming, financing and control system tailored to the needs of rural development.