



EUROPE'S RURAL FUTURES

EMERGING MESSAGES FOR EU RURAL DEVELOPMENT POLICY



Background to Europe's Rural Futures – The Nature of Rural Development

Europe's Rural Futures – the Nature of Rural Development was commissioned by the Land Use Policy Group (LUPG)¹ of Great Britain's conservation, countryside and environment agencies and WWF Europe². It is the first major pan-European study³ of the planning and implementation of the EU Rural Development Regulation 1257/1999 (RDR) and SAPARD⁴ pre-accession instrument 1268/1999. This paper highlights the key policy messages identified by the LUPG and WWF Europe from the project. Annex 1 summarises our twelve key recommendations.

We strongly supported the creation of the RDR as part of Agenda 2000 and developed the project to identify best practice and ways to improve its effectiveness to promote more sustainable rural development in Europe. Our aim was also to

promote European debate on the policies needed to support sustainable rural development, and to inform and influence the mid-term evaluation of the RDR, further reform of the Common Agricultural Policy (CAP) and other policies relevant to sustainable rural development.

The project was guided by a concept of sustainable rural development which involves the protection and enhancement of environmental capital; the fostering of viable rural economies; and the strengthening of rural communities and the cultural values that they possess. Detailed research was undertaken in six Member States and two Candidate Countries in 2001-2. As well as the core research team, and consultants in each of the countries studied, advice was sought from experts in four more countries⁵. Further details will be available on: www.lupg.org.uk and www.panda.org/epo/agriculture.

¹ Countryside Agency, Countryside Council for Wales, English Nature, Scottish Natural Heritage and the Environment Agency, working with the Joint Nature Conservation Committee. These agencies have established the LUPG of agency policy directors to advise on policy matters of common concern related to agriculture and other land uses, to co-ordinate research and input into European and international policy-making.

² WWF Europe includes the WWF European Policy Office and a range of WWF National Organisations, including the UK, Germany, Austria, Switzerland, Sweden, Spain, Hungary, Poland, Latvia and Danube Carpathian Programme

³ The study was co-ordinated by the Institute of European Environmental Policy (IEEP), Centre for Rural Economy (CRE), Newcastle University & the Instituto de Desarrollo Rural Sostenible (IDRISI), working with independent consultants in 10 European countries.

⁴ Special Action for Pre-accession measures for Agriculture and Rural Development

⁵ Core countries: Austria, France, Germany, Spain, Sweden and the UK, and Poland and Hungary. Other countries: Ireland, Slovenia, Denmark and Italy.

The Second Pillar – its importance, potential and needs

The RDR is an innovative tool, with a broad menu of measures providing considerable potential to support sustainable rural development throughout Europe. In particular, it provides the basis for an integrated and multifunctional approach to rural land management, environmental integration and economic and community development. Its intention is that rural development support applied in one area should be integrated into a single plan. This provides a good framework for integrated planning of rural development across Europe. **WWF and the Land Use Policy Group strongly support the second pillar of the CAP and believe that it is the right way forward for the future of Europe's rural areas, in the context of agricultural policy reform.**

However, the study shows that at present its potential is not being fully realised. The reality of the RDR measures, plans and implementation need to better reflect the Commission's objectives for the purpose and value of the CAP's second pillar. This includes the desire to support sustainable rural development, not just agricultural development, as well as to promote environmental integration and help to sustain rural economies and communities.

The EU allocation to the RDR for the period 2000-2006 provided only a minor increase on the sums already spent on its constituent measures in 1998, and allowed limited scope for growth. This has constrained the programmes in most countries and has discouraged the development of new and more integrated and innovative approaches to sustainable rural development.

Increased funding for the second pillar is essential if its potential is to be fully tested and achieved. However, more funding alone will not be sufficient. A better balance of funding between the two pillars is also needed. The predominance of Pillar One direct payments continues to overshadow the RDR budget, and reduces the incentive to participate in Pillar Two schemes. The Commission's Mid-Term Review (MTR) proposals for 'dynamic modulation' would, if adopted, lead to increased funds, but only very gradually and only up to a maximum level of approximately 30 per cent of the total CAP budget. The study provides much evidence to suggest that this rate of growth and the eventual total sums will be too modest to meet the scale of needs across the EU. For example, valuable habitats continue to suffer from intensification and abandonment, the cultural resources and landscapes of marginal areas continue to decline and the economic base of many rural territories remains narrow and thus vulnerable as the importance of agriculture continues to decline within the wider economy.

The Commission's proposals for MTR of the CAP include the option of moving to a 'fully decoupled payment'

system for the majority of aids under Pillar One. These ideas remain controversial among the Member States. **However, if the eventual MTR agreement includes decoupling it is essential that the RDR is adequately resourced to provide support as farming and rural economies adjust to the new framework, and to secure environmental, economic and community benefits.**

Increased total EU spending for rural development would make the RDR a much more central policy for the long-term sustainable development of rural areas throughout Europe. It would provide improved support to help agricultural adjustment and to secure public benefits from sustainable land management. It would also be better able to provide complementary rural development support for Structural Fund targeted areas.

Achieving balanced programmes under the RDR and SAPARD

The Rural Development and SAPARD programmes have remained heavily focused on farming and farming-related activities as priorities for funding, even though economic and demographic statistics clearly show that rural development in many parts of Europe is no longer primarily driven by agriculture.

Currently too little support is available beyond the farm, particularly in marginal regions of Europe where agriculture is still a central activity, and key to social cohesion and environmental management, but not sufficient alone to ensure economic viability. It is important to encourage more diverse rural businesses that can help to support sustainable land management and provide viable supplementary or alternative employment, especially in areas where farm restructuring is taking place and agricultural employment is declining. Closer links are also needed between farming and rural businesses, such as tourism, that depend on the quality, and hence on the sustainable management of the landscape and nature.

There needs to be a better balance of funding between measures. There is a lack of motivation, and at times capacity, within countries to implement new measures. The reasons for this include, for example, that much RDR funding is locked into commitments from previous programming periods, and the short time period between planning, design and implementation led many countries to opt for the simplest and fastest measures that they could put in place.

Several of the new measures proposed in the MTR package duplicate existing possibilities. **Instead of adding new measures we believe that the Commission should tackle the root causes of a failure to use existing instruments. We are concerned that, without the allocation of significant extra funding for the RDR, adding new measures would, in effect, reduce funding for many existing measures which are already under-resourced.** The proposed compulsory

support for ‘food quality’ assurance, for example, sits uneasily within the second pillar framework. Unless carefully designed, it could do little to promote sustainable rural development and yet could absorb a significant proportion of the future RDR budget.

Moving from SAPARD to the RDR in Future Member States

WWF and LUPG strongly believe that rural development is the key to harnessing the long-term sustainable development of rural areas throughout Europe. This is especially true for the future Member States. In this context it is vital that decision-makers recognise the implications of agricultural reform for enlargement.

The SAPARD pre-accession instrument has helped to develop institutional capacity in the central administrations of Candidate Countries. However, it has not provided sufficient experience of implementation at local and regional levels, nor of monitoring, to prepare officials and rural communities to deliver the RDR. This will require further investment of time and resources at both EU and national levels.

The Commission’s proposals to allocate higher levels of CAP spending to rural development in the Future Member States are welcome. **The Council should support the Issues Paper proposed by the Commission. Furthermore, it should adopt modulation in the current Member States as a signal of support for rural development to the Candidate Countries.**

However, funding is not the only priority or solution. Future rural development programmes developed by Candidate Countries under the RDR will include a broader range of measures than under SAPARD programmes. Substantial agri-environment programmes need to be included in the new programmes. Despite their relative complexity compared with simple agricultural investments, measures for the broader rural economy and for social and environmental purposes must also be a significant part of these new plans.

The Commission and Candidate Country governments should take particular care to ensure this can be achieved by:

- offering appropriate rates of Community co-financing;
- permitting simplified and devolved administrative and accounting arrangements. It could be particularly beneficial to consider promoting a LEADER style model more strongly;
- strengthening the capacity of local and regional actors to design and implement novel measures;
- fostering training to meet the requirements of EU environmental legislation.

Achieving better integration

Coherence, integration and consistence between the RDR and other EU and national development and environmental

land-use policies is needed to ensure the effectiveness of the second pillar. Evidence of implementation, however, shows that current programmes do not yet achieve integrated territorial approaches very often. Integration between the RDR and other EU-funded programmes, most notably those under the Structural Funds, is also very weak. The Commission’s proposals for additional measures under the RDR are unlikely to improve this.

Better integration will require increased cross-referral and links within the programmes and policies, and between the different competent authorities and complementary state aids. Furthermore, good practice should be shared between regions and countries.

There are many examples where Member States have been able to achieve an integrated approach, despite the difficulties of the RDR rules and conditions. For example: the Contrat Territorial d’Exploitation (CTE) in France combining agri-environment and socio-economic measures; Farming Connect in Wales, a farm business development scheme which draws funds from the RDR training measure, Structural Funds and domestic funds; and the project to save the Great Bustard in Austria’s Marchfeld region which combines several RDR measures. Such innovative initiatives are not easy to set up and often need time to develop successfully. Many more successful projects will emerge if there is the right framework to encourage and support such integration.

Much more thought urgently needs to be given to streamlining and simplifying the auditing and financial requirements applied across the RDR. The number of measures in the RDR needs to be streamlined (e.g. by treating Article 33 as a single measure) and, where necessary, their scope broadened, to enable Member States to use packages of appropriate measures in a more integrated way.

As regards the environment, there is much ‘green’ rhetoric in the current RDR and in the MTR proposals. However, in practice environmental objectives are still poorly defined. Overall there is little coherence between the RDR and EU environmental law. Monitoring and evaluation of the impact of measures is very limited and stakeholder participation generally constrained. **EU scrutiny of plans and programmes should place much more emphasis upon their ability to meet strategic goals in an effective way, and much less upon the detailed conditions of individual measures. To better integrate environmental aspects we recommend that the Commission ensures that:**

- all measures incorporate proper environmental safeguards (e.g. to prevent undue focus on potentially environmentally damaging infrastructure investments). At present, only the explicitly environmental measures and those with specific conditions take account of environmental impacts adequately;
- more emphasis is given to sustainable development, for

example by requiring closer links between farm production and market and consumer demand for quality food and a well managed environment;

- **rural development programmes (RDPs) contain clear targets** against which to monitor and evaluate, in partnership with stakeholders, progress made in environmental integration;
- **it evaluates and assesses the strategic impact of RDPs and their component measures more rigorously, in particular cross-referring to the plans and assessments required under other EU instruments** (e.g. Structural Funds, Water Framework Directive, Natura 2000 and Nitrates Directive).

Learning as we develop

The study indicates that most stakeholder involvement has been focused on agricultural interests and has been mainly in the early planning phase or limited to very informal contact at local level. This limits the scope for programmes to learn from stakeholder experience as they are implemented and reviewed. **Member States should ensure that all stages of rural development programmes include the participation of the full range of concerns and interests represented in rural areas.**

The Commission needs to emphasise capacity building and training as a core focus for support within the RDR. In addition, the Regulation needs to be changed to make the training measure available to all potential RDR beneficiaries, not just farmers and foresters, and to cover all priorities. Farmers and foresters need help to develop and diversify their businesses, to improve environmental performance and to manage land sustainably, but others need support too. For example, rural communities need help to improve their viability and identify how to diversify their local economies.

The Commission and Member States should facilitate and encourage complex projects that integrate a number of RDR measures to generate 'added value' where possible. This is well-illustrated by the project to save the Great Bustard in Austria's Marchfeld region, which uses a broad combination of measures supported by strong project facilitation, to achieve a common aim.

An EU-level mechanism, which could promote the exchange of good practice and experiences of RDP implementation between countries, would be a key means to learn lessons and help the EU and Member States improve their use of the RDR's measures. We suggest that the Commission facilitates this. It might be coordinated by an independent agency with the aim of raising standards and thus improving sustainable rural development. Promotion of positive examples would also help to 'champion' the benefits of the RDR.

Addressing real needs

The original allocation of RDR budgets was largely based upon historic criteria, and Member States' pre-existing

commitments. This has led to significant under-allocation in some countries resulting in considerable unmet needs, such as environmental measures for the southern Member States and agri-environment and rural development measures in the UK.

The current historic basis for allocating the RDR budget between Member States should be changed to one which is based on agreed objective criteria that reflect the multifunctional nature of Europe's rural areas. These should be equitable and should enable each Member State to achieve a sustainable balance of objectives (social, environmental and economic) within each region or locality. The criteria should also take into consideration the measures that other European and national policies target and fund.

Europe's rural areas have very diverse environmental characteristics, communities and economies. It is important that Member States carefully assess and target the priority environmental, social and economic needs of their different regions. Strategic targets should be set that embrace the net effects of all programme expenditure, rather than being focused on single outputs from single measures, as is currently the case with many RDPs. **The Commission should require Member States to explicitly reflect their assessments of economic, social and environmental needs in their choice of measures and allocation of funding.** It should also more critically evaluate the priorities identified by the countries. The MTR of the RDR provides an opportunity to assess the results achieved and to re-evaluate priorities.

Action needed

The LUPG agencies and WWF Europe conclude that the RDR has great potential but that to date, this is far from being realised. There is a unique opportunity at the Mid-Term Review of CAP and the Mid-Term Evaluation of the RDR for the Commission and Member States to agree improvements that will help the RDR achieve its full potential. These are to:

- **allocate more funding for rural development and a better balance between funding for Pillar One and Pillar Two;**
- **use the full range of measures to meet wider rural development needs 'beyond the farm gate' and for capacity building to support agricultural adjustment, particularly in areas where farming is declining and landscape character, nature and public amenity depends on the continuation of farming;**
- **define simpler conditions and procedures to enable a more effective implementation of existing measures. This is a higher priority than introducing new measures;**
- **promote better integration with other European and national land-use policies and funds, in particular: between existing RDR measures; between the RDR and**

the Structural Funds, the Water Framework and Habitats Directives at EU level; and between the RDR and state aids at national level;

- ensure Member States meaningfully assess their environmental, social and economic needs and priorities, and properly tailor their RDR programmes to these. The Commission should critically assess the targets and measures selected by Member States, and the resources allocated to them, to ensure they are sufficient to address the priorities, and should monitor the strategic outcomes effectively;
- promote the exchange of lessons learnt and good practice between Member States, by means of an EU-level facility, to help the RDR achieve its best potential.

Annex I Summary of key recommendations for rural development policy and practice

LUPG and WWF Europe have identified 12 key recommendations from the findings of the Europe's Rural Futures project.

- The RDR is an innovative tool with considerable potential to support sustainable rural development throughout Europe, particularly in promoting a more integrated and multifunctional approach to rural land management, environmental integration and, economic and community development. It provides a good framework for integrated planning of rural development across Europe and includes a broad menu of relevant measures.
- However, although there are some good examples, this potential is generally not yet being fully realised. Planning and implementation of the RDR and SAPARD do not reflect the ambitions of the Commission's objectives for the purpose and value of the CAP's second pillar. Reasons for this include: lack of time for planning; complex administrative procedures; inadequate funding; and limited incentives for countries to re-think and redesign existing policies to fully reflect the scope of this new instrument and its requirements.
- To deliver against their own broad set of objectives, the RDR and SAPARD need to be less focused on agriculture and should use the range of measures available more effectively. Given its origin within the CAP, the RDR will always have a strong role in supporting agricultural restructuring. But, currently the RDR and SAPARD are too focused on agriculture and, in most countries, implementation is controlled by agricultural interests. Broader rural, environmental, economic and community concerns need to be integrated. The full range of RDR measures should be used to support this.
- It is essential that RDR resources are increased and scope provided for significant growth. Without this the RDR will be unable to effectively support the range of objectives it has set itself, particularly in marginal areas, where agriculture faces sharp decline. Current RDR resources fall far short of needs. The huge scale of Pillar One funds overshadows the limited RDR resources and reduces the incentive to participate in Pillar Two schemes. This makes it difficult for many Member States to expand or develop RDR schemes to address priority needs.
- The Commission's Mid-Term Review proposals for compulsory dynamic modulation of Pillar One payments, if adopted, would help to increase RDR resources but would still be too modest, on their own, to address the needs identified. In addition, the proposals to add new RDR measures seem unlikely to improve its effectiveness. They would be likely to absorb significant funds for mainly agriculturally based measures and might deflect the RDR from its broader strategic goals. Some proposals might be pursued more effectively by better use, streamlining and, possibly, broadening the scope of the existing measures.
- The Commission and Council urgently need to redress the balance of funding between regions to more fully match the relative levels of economic, environmental and social needs across the varied territory of rural Europe. This implies adopting new objective criteria for allocating RDR resources at national and/or sub-national levels, based on sustainable development indicators. They should also ensure that the selection and balance between measures reflects the relative social, economic and environmental needs of each territory.
- The Commission urgently needs to enable a more flexible and strategic approach to planning, implementation, audit and ongoing development of RDR programmes. It should give more emphasis to achieving the overall goals of sustainable development and environmental integration. The Commission should aim to reduce the current detailed conditions for individual instruments, and enable and encourage Member States to use measures flexibly and innovatively to meet identified environmental, economic and social needs.
- The Commission should use the Mid-Term Review (MTR) and the RDR Mid-Term Evaluation processes to propose and encourage changes in the design and use of the RDR to address the above concerns. At present, the RDR's complexity is undermining the effective delivery of programmes to meet sustainable rural development goals.
- Better integration is needed between different RDR and SAPARD measures, and between the Rural

Development Programmes and other European and national legislation and instruments (e.g. the Structural Funds).

- **Candidate Countries should see the increased rural development spending proposed in the Issues Paper for the future Member States as an important opportunity to be grasped. The Council should lead the way by adopting compulsory modulation for current Member States and supporting the Commission's proposals for the Candidate Countries.** The SAPARD programmes have helped to develop central institutional capacity in Candidate Countries but have not given these countries sufficient regional and local experience of implementation or monitoring to prepare for delivering the RDR. This will require further investment of time and resources at EU and national levels.
- **The Commission and Candidate Countries should ensure that the rural development programmes developed for post-accession adopt a broader scope than has**

been achieved under SAPARD programmes and should include provision for effective facilitation and capacity building to enable EU funding to be used to its full potential. The programmes need to include substantial agri-environment programmes along with schemes for the broader rural economy and for social and environmental purposes. Significant support for facilitation, technical support and training are key to strengthening the capacity of local and regional actors to design and implement new measures and meet the requirements of EU legislation.

- **Existing Member States also need to prioritise facilitation, technical support and capacity building in their RDPs to ensure the effective and sustainable use of RDR funds.** In too many cases this support has not been given and, as a result, programmes are unlikely to deliver truly balanced and sustainable outcomes. We suggest that the Commission considers facilitating a mechanism for exchanging experience and good practice in implementation.



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