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# The European legal framework and rural development policies

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**Abstract.** The chapter offers a detailed examination of the legislation concerning EIPs. The European rural development policy integrates the rural knowledge system into the wider strategy for the consolidation of research and innovation in agriculture and forestry. Knowledge transfer and the dissemination of information in agriculture and forestry become priorities via the three key actions: strengthening of the human capital of the economic actors in rural areas, integration and networking between rural social and economic actors, and governance of the knowledge system involved in the “European Innovation Network” via networking and coordination. The EIPs follow the “interactive” innovation model, which concentrates on the creation of demand-driven partnerships, i.e. using a bottom-up approach, and bringing farmers, advisors, researchers, businesses and other actors (e.g. civil society, NGOs or government bodies) together in the so-called Operational Groups (OG). Since European legislation now appears to be more aware of the benefits deriving from investment in research and innovation, it would be desirable for the national and regional authorities to agree on a coordinated strategy to allow the many networks in the vast knowledge and innovation system to identify clear objectives and working methods.

**Keywords.** Innovation Partnerships (EIP) – Territory - Rural development – Local – European Union.

## **Le cadre réglementaire en Europe et les politiques de développement rural**

**Résumé.** Dans ce chapitre, nous allons parcourir la législation en matière de partenariat européen d'innovation (PEI). La politique européenne de développement rural inscrit le système de la connaissance en milieu rural dans une plus ample stratégie de renforcement de la recherche et de l'innovation pour les secteurs agricole et sylvicole. Le transfert de la connaissance et la diffusion de l'information dans le domaine agricole et sylvicole constituent donc un axe prioritaire autour duquel s'articulent trois actions principales : le renforcement du capital humain des acteurs économiques dans l'espace rural, l'intégration et la mise en réseau des acteurs socio-économiques ruraux et enfin, la gouvernance du système de la connaissance auquel est relié le “Réseau européen d'innovation”, ayant des fonctions de mise en relation et de coordination. Les PEI adhèrent au modèle “interactif” de l'innovation qui repose sur la formation de partenariats orientés vers la demande. Ce modèle utilise une approche de bas en haut et met en relation les agriculteurs, les consultants, les chercheurs, les entreprises et d'autres acteurs (par exemple, la société civile, les ONG ou les instances gouvernementales) au sein des Groupes opérationnels (GO). Si le législateur européen est aujourd'hui plus conscient des avantages découlant de l'investissement dans la recherche et dans l'innovation, il serait souhaitable qu'une stratégie commune et coordonnée soit élaborée aussi au niveau national et régional pour permettre aux nombreux réseaux dans le vaste monde de la connaissance et de l'innovation d'identifier clairement les objectifs et les pistes de travail.

**Mots-clés.** Partenariats européens d'innovation (PEI) – Territoire – Développement rural – Local – Union européenne.

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## **I – Introduction**

The European Union's renewed interest in agricultural knowledge and innovation has enlivened the debate surrounding the complexity and effectiveness of “national knowledge systems”. Their importance and re-emergence as a driving force for development are due to the challenges agriculture will face in the future: from climate change to protection of rural areas, from food security to biodiversity, efficient use of resources, ecological production methods and territorial planning<sup>1</sup>.

Since 2000, the European Union has directed its policy interventions towards promotion of the knowledge-based economy, seen as an important factor for the growth and development of all production sectors. More recently, it has decided to intensify this commitment by adding the concept of innovation to that of knowledge. Many studies support this emphasis on knowledge by demonstrating that investments in research and development have been responsible for an important share of the growth in agricultural productivity over the last fifty years. It is not possible here to discuss in detail the concept of innovation and its role, or that of research, but since many studies confirm the positive impact of research and development on agriculture, it is sufficient to recall that the concept of innovation has expanded far beyond the merely technical concept of “a new development produced by science”. It now embraces the surrounding social, economic and productive contexts in which it brings about changes<sup>2</sup>.

Both knowledge and innovation play a key role in achieving the objectives of the new European growth strategy delineated in “Europe 2020”, aimed at tackling the challenges of global development and competitiveness. The short-term objective is to “overcome the recession” but the long-term challenge is growth, which is “intelligent” in that it is based on competitiveness provided by knowledge, “sustainable” in that it respects the environment, and “inclusive” in terms of favouring employment and social cohesion<sup>3</sup>. The EU’s “Innovation Union” flagship initiative aims to direct implementation of the research, development and innovation strategy by strengthening all links in the knowledge chain, beginning with more theoretical research and continuing through to retail<sup>4</sup>.

The new CAP also intends to meet the food, natural resources and territorial challenges of the future<sup>5</sup>: therefore, the rural development policy incorporates the main priorities of Europe 2020 Strategy, which, as already said, aims to advance the EU economy in the next decade by achieving five ambitious objectives for employment, innovation, education, social integration, and climate/energy<sup>6</sup>. In particular, one strategic objective of the new Regulation no. 1305/2013 is to improve agricultural productivity through research, knowledge transfer and the promotion of cooperation and innovation.

In order to aid integration of the policies directed towards the shared objectives of the Europe 2020 Strategy, the EU *Horizon 2020* research and innovation programme for the same period indicates the means to support research and innovation in food security, bio-economics and sustainable agriculture, and other issues affecting agriculture (climate change, efficient use of natural resources, and safe, clean and efficient energy)<sup>7</sup>.

The new Framework Programme for Research and Innovation defines how the EU will support research, technological development and innovation to encourage industrial development in Europe and contribute to the construction of a knowledge-based economy. The challenge of *Horizon 2020* is to involve a wide range of connected sectors in order to enable interaction between researchers, businesses, producers, growers and consumers and ensure a cross-cutting approach in line with the principal European policies.

The programme has three priority aims: scientific excellence, industrial leadership, and societal challenges. Total investment is estimated at approximately €84 billion. The proposal emphasises the important role of research and innovation in agriculture, which has a specific dual objective. It must guarantee food security and develop competitive and efficient production systems to ensure supply, while promoting low carbon ecosystem services, to accelerate the transition towards a sustainable European bio-economy.

The agricultural innovation policies create a bridge between research policies and rural development policies. The establishment of the European Innovation Partnership (EIP) for agriculture specifically creates a link between research and the sector’s specific needs, by encouraging the implementation of new models for knowledge transfer based on collaboration and the co-production of innovation<sup>8</sup>.

## II – 2014-2020 reform: approach and interventions

As highlighted, the most frequent problem that emerges from studies of the agricultural sector is the weakness of the link between research and the level of implementation; this means that useful and interesting research results are often unavailable to potential users, who are often unaware of the new challenges dealt with by researchers.

The new European strategic agenda has therefore concentrated on the objective of enabling these innovation systems by creating a regulatory framework and operational context to encourage interactions between actors in the same systems. As already stated, starting with the “Europa 2020” strategy document, the European Union has confirmed its interest in the themes of knowledge and innovation by launching specific promotion and funding initiatives. The aim is to define a political and planning system to facilitate the effective diffusion of research and innovation results along the agrifood and forestry production chains. This will be achieved by 1) bringing research and business closer together through the creation of sustainable forms of cooperation that are widely representative of local actors, even if these are not directly involved in the sector economies; 2) redirecting research and innovation back to the real needs of the local production systems, and more generally those of the territories, and by differentiating research projects according to funding and themes; 3) giving consultants and trainers a central role in mediating relations and identification of needs, in learning and in the diffusion of innovative practices; 4) strategic use of monitoring at different levels of planning to identify and spread innovation and research actions and define *benchmarks*.

Starting with these premises, the rural development policy contained in Regulation no. 1305/2013 provides for an important reorganisation of the rural knowledge system, integrating it therefore within the wider strategy to consolidate agricultural and forestry research and development (in coordination with the *Horizon 2020* research framework). Knowledge transfer and the diffusion of agricultural and forestry information become a cross-cutting priority for completing all development interventions and a determining factor for achievement of the other five policy priorities. Knowledge system programming as outlined in the new regulation is based on the integration of three key actions

The first action is consolidation of the human capital of economic actors in rural areas, mainly through measures concerning (a) knowledge transfer, including training for entrepreneurs and technicians, and dissemination (art. 15)<sup>9</sup>; (b) farm management advisory, replacement and assistance services (art. 16), including support for advisory services regarding cross-compliance, and economic, agricultural and environmental performance, and support for the creation of advisory services and training of advisors.

The first element of note is a change in the role of interventions: training and advisory actions become cross-cutting, i.e. they serve the “macro” policy objectives (competitiveness, sustainability and local development). This involves expansion and diversification of training, improved funding conditions (refund of replacement expenses and demonstration projects) and expansion of the group of potential users (agrifood and forestry workers, SMEs, advisors and trainers, land managers, and other people working in the rural economy). Regarding the tools indicated: these are not only professional training courses and skills acquisition, but also *workshops*, *work experience*, pilot courses, and demonstrations. Articles 15 and 16 are aimed at service providers, not at entrepreneurs: trainers and advisors become proponents of services and acquire a central role in the learning processes and in knowledge transfer, ensuring that their own professional skills are continually updated.

The second key action is integration and *networking* between the rural socio-economic actors capable of encouraging the promotion and diffusion of business innovation. This action is linked to the measure regarding “Cooperation” (Art. 35), which supports every form of integration between the different production chain operators, including professional organisations, research bodies,

and providers of advisory and training services. This measure promotes *collective* innovation processes.

In this context, the concept of innovation is wide and extensive in terms of the possible forms of cooperation and participants, so that it includes aspects regarding the environment, competitiveness and territorial reorganisation. In fact, “although the spirit of the concept has remained the same, i.e. the (successful) practical application of a new idea, innovation today is quite different from ten years ago. The principal features of the current concept of innovation use: a clearer distinction (which is not however a distance) between innovation and research; a new interaction between subjects (heterogeneous) involved in creating and implementing innovation; innovation with a wider and more articulated content” (Lattanzi and Trapè, 2013).

In particular, the Commission distinguishes between two forms of innovation: “linear” and “interactive”. The “linear” form of innovation is led by science and research, which produce new ideas that must then be applied in a concrete way, while the interactive “system” means a bottom-up process in which the actors in the system, including farmers, take a leading role. This participatory system is considered more efficient and effective because it can accelerate acceptance, introduction and diffusion of new ideas, and at the same time it generates wider innovation, since it also includes knowledge that is not purely scientific<sup>10</sup>.

Besides envisaging different forms of cooperation (economic, environmental and social) between many types of beneficiaries, transregional and transnational cooperation are also expressly included. The action also contributes to the expenses involved in carrying out pilot projects and innovative development and revolves around the operational groups that are central to EIP implementation (Art. 55). The European Commission envisages that these will become the driving force for local innovation and research processes and catalyse a series of actors considered important for these processes to be effective<sup>11</sup>.

A typical example of interactive innovation is the European Innovation Partnerships. In particular, the EIP-AGRI, which aim to bring agriculture and research together at the regional, national and European levels, are an important factor in improving the effectiveness of actions connected with the innovation supported by rural development programmes, and the research and innovation supported by the European Union. There are two primary objectives: to promote agricultural productivity and efficiency and to promote agricultural sustainability. “Operational objectives of the EIP include successful bridge-building between cutting-edge research and technology and stakeholders, including farmers, businesses, industry, advisory services and NGOs. This should help to translate research results into actual innovation and to transfer innovation into practice more rapidly, to give systematic feedback from practice to science about research needs, to enhance the exchange of know-how, and to raise awareness about the need for joint efforts to invest in sustainable innovation.”<sup>12</sup>

The third key action regards knowledge system governance. This involves the “European Innovation Partnership network” (Art. 53) in networking and coordination of the operational groups and the EIP to coordinate rural development policy with the EU research programme (*Horizon 2020*), and to disseminate research and innovation actions at the European, national and local levels. The objective is to promote competitive and sustainable agriculture and forestry “which can produce more using less, and in harmony with the environment” (Zanni, 2012).

Among the tools to make this possible: encouragement of more widespread diffusion of available innovative measures; promotion of putting innovative solutions into practice on a wider scale and more rapidly; providing more widespread information to the scientific community about the research needs of agriculture (Art. 55). In this sense, the EIP follows the “interactive” innovation model, which concentrates on creating partnerships led by demand, i.e. using a bottom-up approach to bring farmers, advisors, researchers, businesses and other actors (e.g. society, NGOs or government bodies) together in the so-called Operational Groups (OG), formed in

member States and consisting of entrepreneurs, advisors and researchers. The EIP will work to achieve its objectives with the help of the OGs and the European Innovation network (which will facilitate an effective flow of information).

### III – Conclusions

New competitive challenges mean that the effectiveness of traditional business organisation and production is being questioned, and innovation is now driving revision of the current agricultural knowledge and innovation systems. The relationship between research, innovation and productivity – but also between research and safeguarding resources - has become increasingly important in the European policies of the last decade, up until the most recent policies which focus on the objectives and on the means to achieve them, e.g. with new initiatives like the EIP.

It can be said that new needs and emerging challenges demand a new role and a new mission for the agricultural knowledge systems. New and growing numbers of actors are interested in approaching innovation (e.g. private sector participation is growing), there is a new agenda, and financiers are more interested in seeing concrete results of their investments. All these contextual factors invite reflection on the economic role of the State. The most extreme version of neo-classical economics maintains the superiority of the market in allocating resources and resolving economic problems, maintaining that the State is principally concerned with ensuring a stable legislative framework, enforcing its laws and making sure that contracts are respected, and becomes “the enemy of its citizens” when it becomes involved in economic questions. According to the most extreme neo-classical paradigm, this is best left to private enterprise; private operators must discover and exploit entrepreneurial opportunities, because they know if a venture will be profitable or not, and businesses which are profitable at market prices are the only ones that maximise individual and collective well-being.

The non-extremist version of the neoclassical paradigm admits “grey areas” in the workings of market economies, areas where the market “fails” in a certain sense, e.g. activities generating non-appropriable value, such as national defence. Non-extremist neoclassical economists will accept, and often call for, State control and investment in national defence. However, this is the age of the free market, and the prevailing idea is that the way to overcome a serious recession like the current crisis is for the State to withdraw from the economic situation, i.e. by reducing the public debt and public spending.

In this situation dominated by the neoclassical paradigm, a radical proposal invokes an “innovator State”, i.e. a State which rather than compensating for market failures is actually an active driving force for development, and is innovative and entrepreneurial, taking courageous and far-reaching technological and entrepreneurial decisions. This is therefore a State that identifies and indicates the great areas of innovative research, and invites the universities and research centres to pursue these. This model was until recently identified with the US (and British) State, not with a European State. Nevertheless, it can now be said that the European Union has also begun to act as an “innovator State”, following the launch of its new growth strategy and research policy<sup>13</sup>.

The fact that these new policies are grafted onto fragmented knowledge and innovation systems that are disconnected from the production sector (which they support and which should provide their objectives) could make it difficult to exploit the opportunities offered by EU institutions, and could lead to further downscaling of what should be the driving force for agricultural development.

As said earlier, this implies that for an effective and efficient response to the current challenges facing agriculture, the agricultural knowledge and innovation systems must become innovative and adopt new operational methods. European regulations now appear more aware of the benefits deriving from investment in research and innovation (including dissemination), and there seems to be a desire to ensure constant and effective public intervention via long-term

commitments. Therefore, it would be advantageous for the national and regional authorities to agree on a coordinated strategy that would allow the many networks in the vast knowledge and innovation system to identify clear objectives and working methods.

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## Notes

- 1 European Commission, 2012. *Proposal for a regulation of the European Parliament and of the Council establishing Horizon 2020 - the framework programme for research and innovation (2014-2020) - Horizon 2020*. Brussels, COM (2011) 809 final 2011/0401; OCSE, 2011. Working Party on Agricultural Policies and Markets. *Summary of record of the OECD conference on Agricultural Knowledge Systems*, December 2011, Paris
- 2 Cf. European Commission, *Commission Communication "Innovation policy: updating the Union's approach in the context of the Lisbon strategy"* COM (2003) 112 final, 11 March 2003, which states that "innovation consists of the successful production, assimilation and exploitation of novelty in the economic and social spheres," and that "innovation is much more than the successful application of research results". In addition, research acquires value according to its capacity to modify the direction of development in its surrounding contexts and is subject to mediation involving not only those producing and adopting it, but also involving society surrounding the business and research body (Knickel et al. 2009)
- 3 European Commission, 2010. *Communication "Europe 2020 - A strategy for smart, inclusive and sustainable growth"*. Brussels, COM (2010) 2020 final.
- 4 Commissione Europea, 2010. *Communication to the European Parliament, the Council, the European economic and social committee of the regions – Europe 2020 Flagship Initiative: Innovation Union*. Brussels, COM (2010) 546 final.
- 5 European Commission, 2010. *Communication to the European Parliament, the Council, the European economic and social committee of the regions - The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future*. Brussels, COM (2010) 672 final.
- 6 EU 2013. Regulation no. 1305/2013 *On support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) no. 1698/2005*. In: OJEU, 20 December 2013, L 347, p. 487.  
Compared with previous rural development planning, interest focuses on a limited number of "essential objectives" (v. considering no. 4 of the regulation); apart from particular attention to improving the competitiveness of rural SMEs, it focuses on knowledge transfer and agricultural innovation, achieved also via collective and integrated processes.
- 7 European Commission, 2011. *Communication to the European Parliament, the Council, the European economic and social committee of the regions – Horizon 2020 – the framework programme for research and*, Brussels, COM (2011) 808 final.
- 8 European Commission, 2012. *Communication from the Commission to the European Parliament and the Council on the European Innovation Partnership "Agricultural Productivity and Sustainability"*. Brussels, COM (2012) 79 final.
- 9 Moreover, a single measure (Art. 15: knowledge transfer ) now contains the previous interventions regarding development of skills and vocational training for agricultural and forestry workers (Measure 111) and training and information for other economic operators in rural areas (Measure 331).
- 10 Cf. *Guidelines on programming for Innovation and the Implementation of the EIP for Agricultural Productivity and Sustainability, Programming period 2014-2020*, Version July 2014
- 11 European Commission, *Communication from the Commission to the European Parliament and the Council on the European Innovation Partnership "Agricultural Productivity and Sustainability"*, op.cit.
- 12 Ibid.
- 13 Cf. V. Mazzucato M., *Lo Stato innovatore* Laterza, Bari, 2014, which states that "...the proactive entrepreneurial State, capable of taking risks and creating a dense network of economic operators able to capitalise on the best of the private sector for the good of national society .... is the State, as the first investor and catalyser, which sparks this network to move and disseminate knowledge. The State must not only be a facilitator but must also be a creator of the economy and know-how" (p. 33).