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RURAL DEVELOPMENT IN THE EUROPEAN UNION

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1. THE CONCEPT OF RURALITY

1.1 Definitions of Rurality

Rurality is capable of many definitions. Those most usually quoted either include a number of descriptive terms indicative of rurality or reference to recognised administrative practices. Some of these descriptive terms frequently used include the level of population density, the rate of population loss or gain, settlement size, local economic structure and landscape. Population density is usually lower in rural areas, with population distributed over a larger areas. Population losses due to out-migration or very low rates of population growth are also signals of rurality. Settlement size is small with a large number of communities and villages distributed over the rural space. Some European countries have used the size of settlements as a key factor for the classification of area along the rural-urban spectrum. The structure of the rural economy is marked by the dominance of agricultural activities while other economic activities are less developed. This fact has been challenged recently, and there is a strong argument against the dominance of agriculture over the local rural economy in the light of growing non-agricultural sectors in many rural areas of Europe. Finally, landscape is a unique feature of rural areas marked by either man-made characteristics or unspoiled countryside.

Many European countries have used certain economic criteria that are boundary-specific in order to recognise and designate rural areas. These are criteria used for administrative purposes and lead to the administrative classification of areas along the rural-urban spectrum. Many European countries have used economic characteristics for the administrative classification of rural areas including unemployment rates, the range of employment opportunities, etc. Furthermore, a population structure that is 'top heavy' with the elderly has been used as an administrative indicator of rurality. Besides descriptive and administrative definitions of rurality other, non-economic definitions have been used; they view rurality as a way of life and a symbol. Such definitions have been used especially in sociology and anthropology.

1.2 Causes and Symptoms of Rural Underdevelopment

It is very difficult to distinguish between symptoms and causes of rural under-development as many causes may also be regarded as symptoms and vice versa. In general, the harsh physical environment and restricted employment opportunities may be regarded as the basic causes of the high out-migration rates. In many southern European countries and in certain disadvantaged areas in northern European countries, the unfavourable agricultural structure is an important

cause of rural under-development. Out-migration is selective and concerns the young, active and most prominent part of the labour force. Generally speaking, the part of the labour force that remains in rural areas is of a lower educational level less skilled abilities and more conservative where the adoption of the new agricultural technology and modern production processes or to new policy measures is concerned; it is also less flexible in its adaptation to the continuously changing external environment. Furthermore, the low skills of the workforce constitute a barrier to any attempt at innovative activities or to adopt bottom-up rural development practices. The age structure of the rural population besides its impacts on the economic activities of the areas necessitates that special services be provided in these areas (health and care for the elderly, etc.).

A generally acknowledged symptom of rurality is that of inadequate infrastructure and the poor level of public service provision. Moreover, rural areas suffer from poor quality administration due to the absence of skilled personnel and the unwillingness of civil servants to live in rural areas. The aforementioned causes and symptoms are best described by the complex term "poor quality of life and deprivation". However, it should be pointed out that not all rural areas exhibit symptoms of deprivation. The economic activity, mainly agriculture, sometimes results to high incomes that bring wealth and prosperity. In most mountainous and less-favoured areas, however, agriculture does not offer a viable income due to low productivity, the absence of skilled labour, the low rate of private investment on new technology new production processes and new products, and low competitiveness in the sphere of new services and product differentiation.

2. RURAL DEVELOPMENT POLICY

2.1 The Rural Development Context

The capacity of a rural area for new functions and development is determined by many factors. These factors may characterise a specific rural area, 'internal factors' or they may be due to an external cause from outside the environment area, 'external factors'.

Internal factors include the location, economic diversification and structural characteristics of a rural area. Location refers mainly to the proximity of a rural area to an urban centre and thus to an urban market. Proximity is a critical factor and the demand of an area, the supply of inputs and the provision of services and amenities to the rural population. In general, rural areas that are situated close to an urban centre are more developed due to the positive influence of core effects. An important aspect of location is the dissemination and diffusion of information and the higher rate of innovative activities in areas that are close to urban centers.

Economic diversification refers mainly to the ability of an area to recognise and realise new functions. Areas with concentrated activities are more vulnerable to changes in the external economic environment while diversified economies show stability of incomes and employment over time. The structural characteristics refer to various socio-economic features that reveal the area's ability and capacity to develop new economic activities and sustain existing ones. Among the social and demographic characteristics the most important are the quality of the human resources, the age structure, education, the quality of life and the existing forms of social organisation. Of the range of economic characteristics, the most important are the enterprise and

wealth creation mechanisms, the sources of household income and the demand for labour from the different sectors of the economy.

The external factors include forces in the international economic environment that influence the development process of a rural area and are not controlled or influenced by the area itself. One very important external factor concerns the technological developments in the agricultural sector, mainly development in biotechnology and agricultural engineering. These developments may change the position of an area in the international market and decrease or increase its comparative advantages. The present and future reforms of the Common Agricultural Policy (CAP), as linked to the future enlargement of the European Union (EU) through the accession of the East European countries, constitute a major external factor. Future reforms of the CAP, as has been variously stated in different official documents of the Community, will be along the lines of the 1992 McSharry reform with gradual reductions in price support and the transfer of payments via income support mechanisms. The future enlargement of the EU will have a profound impact on the budget and expenditure of the structural funds and the cohesion fund on rural areas in Europe.

Also to be included among the external factors are the General Agreement on Tariffs and Trade (GATT) and the newly created World Trade Organisation (WTO), certain national policies and observed macroeconomic trends. The impacts of the GATT on rural areas have not been fully investigated, however, it may be assumed that certain areas will experience a negative impact due to a decrease agricultural production and the decreased support to certain agricultural products. Out of the set of national policies the most important are the regional policies of the member countries and those which affect employment and production in rural areas (job creation policies, energy and industrial policies, environmental policies, etc.). The most important macroeconomic trends refer to the concentration of industry and the location of certain economic activities in major industrial areas within member countries and the consequent marginalisation of other areas. Finally, it should be noted that the demand for rural products has changed in the course of economic development and rising urban incomes. There is an increasing demand for quality products and services as well as for products of named origin and associated geographic identification. It is foreseen that quality products may assist rural development and form the core of economic activities in the future.

2.2 Aims and Objectives of Rural Development Policy

A rural development policy is a public policy. It is difficult to identify an overall aim for rural development policy across all the member states of EU. However, an acceptable, but arbitrarily set, goal for rural development policies is to maintenance of rural population. The underlying justification for such an aim varies from country to country but the strongest arguments include social, economic and cultural reasons. Rural out-migration is a socio-economic problem for both the rural and urban (recipient) areas. It is argued that rural out-migration is basically an urban problem in the sense that public funds should be directed to urban areas in order to develop appropriate infrastructure to facilitate and accept migration. Moreover, the social problems in urban areas associated with migration are very acute, while the problem of desertification in rural areas is the starting point for a series of obstacles to rural development. Desertification

increases the cost of public services in rural areas if certain thresholds of population are not maintained.

Rural development policy is a multi-objective policy, incorporating social and economic targets. In general, its objectives include the improvement of the income of rural households, an increase in the employment opportunities, diversification of the economic base of the rural area, improvement in the quality of life through the provision of infrastructure and services, and the promotion of the sense of identity among the rural population. These objectives are served by rural development strategies and actions. The rural development strategies are set of specific instruments and schemes designed to protect jobs in the primary and other sectors of the economy, create jobs in the processing, marketing and service sectors, assist market oriented production, create new businesses for existing and new enterprises and improve human capital. Rural development strategies are realised through different rural development actions and more specifically through the improvement of the efficiency of agricultural production, the diversification of on-farm production, the development of non-farm activities on the farm, the improvement of the processing and packaging of agricultural products, maintenance of incomes in the less-favored areas and advancement of local partnership.

The strategies and actions have been variously realised by the Commission of the EU, through different sectoral policies and initiatives, in a European wide rural development policy. The Commission of the EU understood at an early stage that all rural areas do not face the same development opportunities and constraints and thus, do not require for the same set of measures. In 1988, the reform of the three structural funds, i.e., the European Regional Development Fund (ERDF), European Agricultural Guidance and Guarantee Fund (EAGGF), and the European Social Fund (ESF), defined five priority areas (objectives), among which the following are relevant to rural development policy.

Objective 1 areas include regions whose development is lagging behind and are thus in need of development and structural adjustment. The regions in objective 1 were defined as those in which the per capita Gross Domestic Product (GDP) is less than the 75% of the Community average and include the whole of Greece, Portugal and Ireland, most of Spain, the South of Italy, Sardinia, Corsica and the French overseas departments. In objective 1 areas EAGGF finances improvements in rural infrastructure, irrigation and other agricultural plans, the ERDF finances investments for job creation, infrastructure, and support to local development initiatives and the ESF supports training activities.

Objective 5b areas are those presenting a high share of agricultural employment, a low level of agricultural income and a low level of socio-economic development assessed on the basis of GDP per inhabitant. In these areas the three funds contribute to development by granting priority to the diversification of agricultural production, the development of small and medium sized enterprises, the development of activities concern with tourism and environmental protection and training related to such measures. Objective 5a is not a specific regional measure; it addresses all areas in Community territory but regroups various rural development measures taken before the reform of the structural funds. The Community aim is to speed up the adjustment of agricultural structures, in particular with a view towards the reform of the CAP.

Under objective 5a , EAGGF is the fund which finances the actions in agriculture known as horizontal measures.

3. RURAL DEVELOPMENT UNDER THE CAP

3.1 Horizontal Measures

Horizontal measures are all these measures applicable on Community territory. Their nature is justified by the fact that, since the market organisations affect the whole of the Community, it is necessary to promote structural adjustment and assist all farms in all regions needing support due to changes in market situation. Under the horizontal measures, special schemes for farm modernisation, the installation of young farmers, support to farmers in the less-favored areas and support to the processing, packaging and marketing of agricultural and forestry products have been instituted.

Farm modernisation has been a continuous concern of European agricultural policy since the early 70s and following the Mansholt Plan. Directive 69/70 set the first scheme for farm modernisation followed by Regulation 797/85 and 2328/91 as amended by Regulation 2843/94. Farm modernisation schemes have been designed to improve the viability and competitiveness of European farms while pursuing the rational development of production with its focus on reducing costs, promoting quality, economising on energy, protecting the environment, advancing working conditions on the farm, promoting hygiene and animal welfare, and promoting farm diversification into non-agricultural activities on the farm. Many farms across Europe have been benefited from farm modernisation schemes. Recently, the focus of the farm modernisation scheme has been restricted to increase competitiveness and assist farm diversification into non-agricultural activities with the sole aim of reducing agricultural product surpluses.

Grant aid to young farmers was included for the first time under Regulation 797/85. The installation to young farmers is aimed at the reversal of the trend of ageing population and rejuvenation of the farming population. There is a general view that young farmers are more dynamic and receptive of new agricultural technology (machinery, new cultivation techniques, new methods of production, etc.), more vulnerable to migration and in need of capital stock to be able to remain in farming. Regulation 2328/91 grants aid to young farmers under articles 10 and 11, if a modernization plan is submitted. The scheme has assisted a large number of young farmers across Europe to either install as household heads and farm their own land (article 10) or modernize the farm enterprise they already own (article 11).

Aid to farmers in mountainous and the less-favored areas of the Community is granted with a view towards assisting these farmers to remain in farming and deal with the adverse economic conditions under which they usually operate. The intention of Regulation 2328/91 and other specific measures intend to compensate for the, generally, higher production costs in these areas. The Council of the European Union has adopted a list of mountainous and less-favored areas for each member country and directs compensatory allowances to more than 1.1 million farm households engaged in farming almost 55% of all agricultural area utilized by the Community.

As a result, compensatory allowances in mountainous and less-favored areas head the list of the European Agricultural Guidance and Guarantee Fund (EAGGF) commitments.

Measures designed to assist processing and marketing of agricultural and forestry products are provided under Regulation 866/90 and 867/90 with an aim to organize the way products are placed on the market, rationalize and modernize processing and marketing facilities without increasing their capacity, improve the quality of products and rationalize distribution networks. Measures designed to assist in the processing and marketing of agricultural and forestry products have been incorporated into Regional Operational Programs (ROP), that are dealt latter in this paper, for objective 1 areas.

3.2 Accompanying Measures

Accompanying measures commonly known as 'structural stabilizers' have been adopted with the purpose of limiting the increase in agricultural production but they have significant impacts on rural areas, offering new opportunities for development. The accompanying measures include an environmental scheme, an aid scheme for early retirement, forestry measures in agriculture, the set-aside of arable land and the extensification of agricultural production program.

Environmental measures were introduced under Regulation 797/85 concerning the establishment and operation of Environmentally Sensitive Areas (ESAs). Regulation 2078/92 continued and extended the measures provided by Regulation 2328/91. Member countries submit national plans under which farmers, voluntarily agree to adopt environmental production methods or take steps to safeguard nature and the landscape, for a period of at least 10 years. The amount of the aid is established in relation to the area covered and the type of crop to be produced. By the end of 1995, the Community had accepted 160 agri-environmental programs submitted by all Member -States. Environmental measures now incorporate a long term environmental set-aside scheme whereby farmers withdraw land from production for a period of at least 20 years.

Early retirement aims to encourage younger farmers, who can improve the viability of the remaining holding, to take over from elderly farmers. With the exception of Luxembourg, the Netherlands and the UK all other member countries applied this aid scheme in the form of national or regional multi-annual programs and aim to the retirement of 205,000 farmers and 7,500 farm workers while the area expected to be released will amount to almost four million hectares and will partly be used for forest, recreational and ecological purposes thus, protecting and enhancing the rural landscape.

Forestry measures for agricultural holdings were adopted in 1989 by Regulation 1609/89 and modified by Regulation 2080/92. These measures provide aid for afforestation of agricultural land, and for the upkeep of plantations; they also provide annual premiums to compensate for the loss of income due to the foregoing of agricultural activities and aid for woodland improvements, thus assisting rural areas in the diversification of their economic activities into the sector of wood production, if such activities are regarded as appropriate and suitable for an area. Furthermore, aid is provided for the improvement of the processing and marketing of wood and cork products.

The annual and multi-annual set-aside schemes were very successful in reducing surpluses in cereals and were also among the first successful income measures adopted by the Commission in relation to cuts in price support. Extensification of agricultural production was a measure to limit production and affected certain rural areas in Germany, France and Italy where it was applied either qualitatively, by adopting a less intensive production method, or quantitatively reducing produced quantities by 20%.

4. RURAL DEVELOPMENT UNDER THE COMMON SUPPORT FRAMEWORK

4.1 Operational Programs

Rural development policy is implemented through measures financed by the three structural funds in the objective 1, 5b and 6 regions. Each objective 1 region draws up a project for regional development that includes a very strong agricultural and rural development element, usually financed by the EAGGF. These regional development plans are called Regional Operational Programs (ROPs). ROPs are multi-funded and sometimes are called Multi-fund Operational Programs (MOPs) as opposed to single funded national operational programs (OPs). By the end of 1995, the Commission had approved 48 operational programs for implementing the Community Support Framework in objective 1 regions. Regulation 2081/93 amended older legislation on the reform of the structural funds and widened the scope of the EAGGF into fields such as improvement of rural living conditions, the renovation of villages, a policy for quality products and product promotion, support for applied research and others. The measures included in each Regional Operational Program are very varied and are adapted to meet the specific conditions and production systems of each individual region. The measures aim to meet local needs in the fields of rural infrastructure, crop conversion, improvements to production conditions, afforestation, etc.

In objective 5b areas, the Community follows an integrated multi-sector approach to draw up programs that are monitored and assessed in the framework of partnership. These programmes aim to maintain and develop viable rural communities, while priority objectives include the diversification of the primary sector, the development of the non-agricultural sectors, development of tourism activities, conservation and protection of the natural environment, and development of human resources. Objective 5b programs stress the need for representatives of social and economic interest groups to be full members of the committees responsible for the evaluation and monitoring of the programs. Finally, objective 6 programs for Sweden and Finland specifically, concern with sparsely populated areas of the Nordic region. Priority objectives for these programs include the development of trade and competitiveness, the development of human resources, agricultural and rural development, forestry, fishing, the promotion of know-how and the development of employment in trade and industry.

It is worth of note that in 1985, under the Community Support Framework I, the Community adopted Regulation 2088/85, which launched the Integrated Mediterranean Programs (IMPs). Their aim was to improve the socio-economic structures of the Mediterranean regions of France, Italy and Greece and enable them to adapt as smoothly as possible to the new situation resulting from the accession of Spain and Portugal. The Commission agreed that regional and national

programs to be financed under the IMPs and more specifically by EAGGF. The measures taken related to the development of agricultural advisory services, irrigation in conjunction with the reorientation of production, the provision of rural infrastructure (particularly in island areas), forestry measures and assistance to farmers for the processing and marketing of certain types of product.

4.2 Community Initiatives

Community initiatives and innovative measures are special actions taken by the Commission in the form of multi- or single-funded programs whose aim is to introduce innovative actions, confront special problems and assist specific regions. Closely related to the scope and aim of rural development are LEADER, INTERREG, REGIS and ENVIREG initiatives and the innovative measures under article 8 of Regulation 4256/88.

The LEADER (liaison Entre Sections de Development de l' Economie Rurale) initiative was launched in 1991 and provided direct assistance to rural development initiatives undertaken by local communities or associations. The Commission itself describes the basic concept of the LEADER initiative as follows: '... Its innovative nature resides in its methodological approach, based on programming and management carried out by those concerned at local level, development of endogenous resources, integration of projects and the demonstration value of networking the local groups participating in the program'. Before launching the second phase of the LEADER initiative (LEADER II), the Commission proposed that rural areas should begin a new stage in looking for fresh solutions to their problems. In all areas involving rural development, this means giving priority actions and investment programs that fulfil criteria such as innovation, transferability and have tangible results. By 1996, a total of 67 multi-fund LEADER II programs had been approved by the Commission of which 30 in objective 1 areas and 37 in objective 5b areas. The Commission also established a network at European level for rural development measures, with a view to assist and enable the transfer of practical experience and promising innovations throughout Europe. The European Observatory for Innovation and Rural Development (AEIDL) spreads the idea of bottom-up/partnership approach to rural development.

Other initiatives include INTERREG which is concerned with cross-border co-operation between regions located on internal frontiers and the economic revitalisation of regions located on the Community's external frontiers, REGIS initiative on the socio-economic integration of the most remote areas, and ENVIREG dealing with the improvement of the environment in coastal areas. Finally, innovative measures including pilot and demonstration projects, technical assistance, assessment studies and measures for disseminating results are implemented in rural areas of the Community within the framework of article 8 of Regulation 4256/88 on innovative measures as amended by Regulation 2085/93.

5. THE FUTURE OF EUROPEAN RURAL DEVELOPMENT POLICY

The future development towards an integrated European Rural Development Policy will be based on certain principles already reflected in Commission papers and intentions. The future rural development policy will be characterised by a strong territorial dimension and focus, a

multi-sectoral approach, targeting to the endogenous potential, gearing the partnership among the public, private and institutional sectors at all possible territorial levels, and use instruments tailored to meet the specific needs and requirements of specific regions. The future rural development policy will encapsulate the current CAP in regions where agriculture still plays an important role, but will also spread its efforts to all sectors of the rural economy that have been neglected, more or less, by current approaches. A key factor in local development and the success of the European rural development policy is the capacity building, i.e. strengthening the knowledge, skills and attitudes of people (their capacity) for establishing and sustaining development within a specific region. Capacity building will be a decisive factor for all those involved in establishing and sustaining rural development including individuals and groups in local areas as well as institutional personnel.

The countryside of Europe will be managed in the future by an integrated rural development policy that will be founded on respect for socio-economic and environmental diversity, have as its basis the enhancement of economic opportunity and the well-being of the rural space, and respect subsidiary and solidarity among regions across and within European Union member countries. Rural development policy will take into account significant international changes and more specifically the process of globalisation and trade liberalisation in order to protect local distinctive nature of localities and the local character of the European countryside.