MPRA
Munich Personal RePEc Archive

The EU proposals for rural development after 2013: A good compromise between innovation and conservative choices?

Mantino, Francesco

Notre Europe

January 2012

Online at https://mpra.ub.uni-muenchen.de/49296/
MPRA Paper No. 49296, posted 04 Oct 2013 12:51 UTC

Notre Europe
Thinking a united Europe
Penser l'unité européenne

Policy Brief
No. 31
January 2012

The EU proposals for rural development after 2013: A good compromise between innovation and conservative choices?

Francesco Mantino

Francesco Mantino is Senior Researcher at the National Institute of Agricultural Economics (INEA, Italy) on "Rural Development".

The new proposals concerning the Regulation on Rural Development (RD) policy[1] after 2013 is being discussed in EU institutions and Member States. In a previous paper[2], we put forward a series of proposals concerning the future of rural development policies after 2013. In particular, we outlined the importance of better integration of the Europe 2020 Strategy, a more coordinated and simplified programming system and finally a greater flexibility. This Policy Brief intends to further contribute to the present debate and clarify the main challenges ahead. It argues that the EU proposals move forwards in terms of relevant institutional innovations but move backwards by taking a more conservative stance. Four themes in the Commission's 2014-2020 proposals that were changed with regards to the current programming period will be analysed: strategic programming, programming design, implementing rules and funding rural development. The three other types of changes (Leader approach, innovation and networking) will be partly taken into consideration.

1. Strategic programming and the Partnership Contract: a better funds integration for rural development?

1.1. Overview of the Common Strategic Framework and Partnership Contracts

The present regulation proposal, which lays down common provisions for five funds (ERDF, ESF, Cohesion Fund, EAFRD and EMFF), brings all of them under a Common Strategic Framework (CSF) at the EU level, transposed at national level into a Partnership Contract (PC). The CSF and the PC provide new opportunities for coordination and integration and should be considered as two fundamental institutional innovations in the new EU policy framework. The PC's role will be critical, especially in all countries with a federal or decentralised institutional structure.

Figure 1 shows the main components of the Partnership Agreement, which could be summarized as follows:

- The PC translates Europe 2020 objectives into eleven thematic objectives and then into priorities for each fund at national level. The six new priorities for rural development are set out in the specific Rural Development Regulation: fostering knowledge transfer in agriculture and forestry; enhancing competitiveness in all types of agriculture and enhancing farm viability; promoting food chain organisation and risk management in agriculture; preserving and enhancing eco-systems dependent on agriculture and forestry; promoting resource efficiency and the transition to a low carbon economy in agriculture and forestry; and promoting social inclusion, poverty reduction and economic development in rural areas. The PC must find linkages between the Europe 2020 objectives and the above priorities.
- The PC should achieve the main indicators and quantify relevant targets to be met at the end of the 2014-2020 programming period as well as at intermediate steps (or "milestones", in 2016 and 2018). This should be done for each priority in order to assess the progress of the programmes over time and, more importantly,

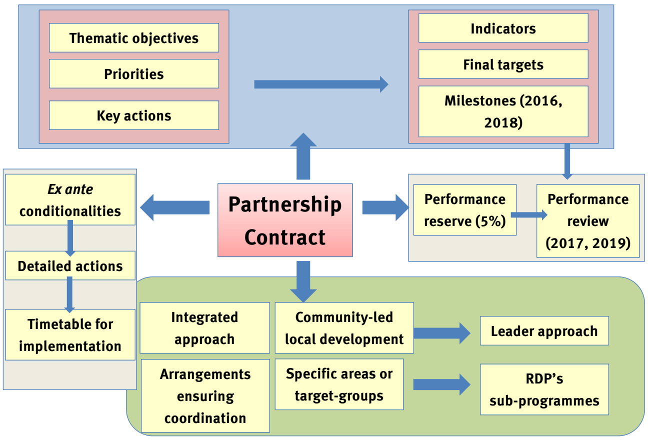
1. The main proposals to which we are referring concern the Regulation on support for rural development by European Agricultural Fund for Rural Development (EAFRD) (COM(2011)627/2) and the Regulation laying down common provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF), the EAFRD and the European Maritime and Fishery Fund (EMFF) covered by the Common Strategic Framework (CSF) (COM(2011) 615).

2. Francesco Mantino, "The Reform of EU Rural Development Policy and the Challenge ahead", *Policy Paper No. 40, Notre Europe*, October 2010.

to allocate the performance reserve of 5% for each Fund.

- The PC describes how the main *ex-ante* conditionalities are fulfilled and, where they are not, which actions should be taken at the national and regional levels.
- Finally, the PC should define how an integrated approach at the territorial level should be adopted in urban, rural, coastal and fishing areas. This also includes the implementation of rules for the community-led local development initiatives, including the Leader approach in rural areas.

Figure 1 - Main components of the future Partnership Contract



1.2. New conditionalities but new opportunities for coordination and integration

The CSF (PCs at national level) defines a new system where the design and implementation of EU interventions have more conditions than before. However it will improve the coordination of funds in all countries, giving national and regional governments new responsibility in coordinating them. At the same time, new regulations maintain single and separate programmes for each Fund, including the EAFRD. This means that, unless they opt for a national programme, federal and decentralised countries will still have to prepare a great number of Rural Development Plans (RDPs) (as it is the case in Italy, Germany and Spain).

The PC can play an important role in coordination only if a series of governance conditions are verified. The first condition is that this programming document allows for specific needs and provides flexibility. At present, it appears to be very complex, requiring extreme effort from Member States in programming design. The ability of public administrations to make these new rules more effective and develop a sufficient level of spending efficiency is questionable. The second condition is that Member States and regions set up efficient institutional arrangements for implementing coordination among funds and policies. Third, this system can be effective if national and regional policies are taken into account within this general policy framework.

In conclusion, this new strategic approach that takes the form of a Partnership Contract at national level must be seen as a positive institutional change. However, it introduces new challenges for Member States and regions, which will necessitate greater efforts in coordination and strategic integration of funds than that required for the previous programming period. Similar efforts will have to be made between the Commission services, especially during the phase of defining the new Common Strategic Framework, going beyond the mere demarcation principle that has frequently been used in the recent past.

2. Programming design and implementation rules of the EAFRD: innovations and unsolved issues

2.1. A new programming design of the EAFRD

The main new points in the EAFRD programme design can be summarised as follows:

- In line with the Europe 2020 Strategy, eleven thematic objectives will guide the definition of Partnership Contracts and under this common heading, six new specific priorities will guide the Rural Development Plans *(see above)*.
- The previous system, organised around four axes, has been dropped; all measures now serve more than one objective or priority. Programming is expected to maintain a balance among the different priorities.
- A series of thematic sub-programmes can be identified within the same RDP, particularly to address the needs of young farmers, small farms, mountainous areas and short supply chains.
- The Leader approach is confirmed and strengthened, although it is not identifiable with a specific priority.
- A previous list of 40 measures has been streamlined and reduced to fewer than 20 measures. Furthermore, additional adjustments have been introduced to improve the implementation rules of individual measures.

In general, with the exception of the support to risk management, these changes meet concrete needs from the current implementation and are consistent with proposals raised in previous evaluation reports[3]. Nevertheless, some crucial issues remain unresolved.

First, RDP financial management is still too constrained by an overly rigid budget organisation. According to the proposed regulation, the future RDPs would contain a financial plan which sets out the types of operations and the total EAFRD contribution for the 20 new measures. Moreover, each change in the measures (introduction or withdrawal of measures, changes in their description) would be approved by the Commission via implementing acts. These rules tend to confirm the emphasis on the management of the single measure rather than overall priorities and make it impossible to reorganise the re-allocation over time of financial resources among measures without EC approval. There appears to be less flexibility than in the present programming period, if the many details needed to prepare and manage the RDPs are taken into account.

Second, the introduction of new objectives and functions, such as the stabilisation of farm incomes, to the RDP structure makes the role of rural development quite unclear. It tends to blur the line between Pillar 1, which provides support to agricultural markets and farm incomes, and Pillar 2, which is generally focused on the competitiveness of rural areas. Moreover, it imposes upon the RDP short-term objectives and tools while this policy has always featured long-term and structural aims. This makes planning extremely difficult for two reasons: 1) the need to include the annual fluctuations of farm incomes and the related support into a multi-annual financial plan for structural actions; 2) the need to justify the consistency between the stabilisation role of mutual funds and the Europe 2020 Strategy for smart, sustainable and inclusive economic development (there are serious doubts about the existence of this linkage).

Thirdly, the mainstreaming of the Leader approach into the Structural Funds programmes in the form of a community-led local development strategy is a very positive innovation. However it is implemented through unclear and inconsistent rules. Leader remains a mandatory approach in RDPs (with at least 5% of funds) and can cover all rural development priorities. But it is only an option for ERDF and ESF Operational Programmes and can only be financed under the thematic objective No. 9: “promoting social inclusion and combating poverty”. This rule will limit the potential room for manoeuvre of future local action groups as well as the possible integration of different funds in designing local development strategies. Some form of earmarking of funds for the Leader approach should also be introduced for Structural Funds, in addition to the broader possibility of combining them for local action groups.

2.2. Implementing rules of the EAFRD

Defining quantitative targets and related indicators is a crucial step in improving strategic programming. However there is still ambiguity – that could be clarified – regarding to which level targets and related indicators should be applied. The future debate on monitoring and evaluation will hopefully clarify these methodological issues, while at present the regulation should be re-oriented towards monitoring priorities rather than measures.

Moreover despite the harmonisation, the different funds maintain specificities in their working rules, which are occasionally unclear. For instance, the Structural Funds allow for the joint presence of national and regional programmes, while the EAFRD requires choosing a national or regional programme. Another difference concerns spending deadlines. In the Structural Funds regime, the first two years are more flexible in order to take into account the initial inertia of programmes, especially when new institutional arrangements are introduced by EU regulations. However, in the EAFRD, there is no difference in treatment between the initial and final years and spending deadlines are more rigid than for the Structural Funds. These types of differences in working rules should be further harmonised in order to facilitate rural development planning and management.

3. Funding rural development policy

3.1. The decline in real terms of the rural development budget

The financial resources that will be available for rural development interventions over the 2014-2020 period amount to €89.9 billion for rural development, which, in real terms, is less than the present period. This is due to the reduction of the whole Common Agricultural Policy (CAP) budget. The size of the budget reduction by Member States is still unknown. The likely decline in real terms of the rural development budget for 2014-2020 could be counterbalanced by a voluntary modulation (10%) of funds from Pillar 1 to Pillar 2. This is an option that, realistically, could only be adopted by few countries due to the slowed entrance into the implementation

3. See Dwyer J. *et al., Review of Rural Development Instrument*, DG-AGRI Project 2006-G4-10, July 2008.

www.notre-europe.eu / info@notre-europe.eu
19 rue de Milan - 75009 Paris - France
Tel.: 33 (0) 1 44 58 97 97 / Fax: 33 (0) 1 44 58 97 99

phase of Pillar 2. On the contrary a further transfer of funds from Pillar 1 to Pillar 2 can be gained from capping direct payments. The Commission proposes that the savings be recycled into the budgetary allocation for rural development and retained within the envelopes of the Member States from which they originate.

3.2. Cost of new functions

The rural development regulation toolkit introduces new functions. Indeed, the specific regulation on rural development introduces new measures: mutual funds for economic losses caused by animal and plant disease, environmental incidents or severe drops in farm incomes. These functions, which traditionally fell under Pillar 1, have the potential to reduce the available resources for the more typical rural development measures.

3.3. Earmarking of rural development funds

Previous earmarking of rural development funds has been eliminated by the new regulation under pressure from most Member States. Some degree of earmarking, however, will be still possible in fund allocation because RDPs must maintain 25% of their EAFRD budget for "climate change mitigation and adaptation and land management". A further 5% of EAFRD contributions would be earmarked for Leader measures. The justification for these minimum thresholds is that "Member States should maintain the level of efforts made during the 2007-2013 programming period". This seems true for Leader, but not for the three environmental measures covered by the regulation. For the 2007-2013 period the 25% minimum threshold identified a wider group of measures under axis 2 (improving the environment and the countryside). This implies that environmental constraints will surely hold a more significant place in future financial plans. Regardless, the choice for allocation among priorities and measures will depend on the Member States. The question that can now be raised is: what is the right balance between thematic objectives (including rural development priorities) and measures in order to pursue Europe 2020 objectives? There is a risk that the optimal allocation for Member States and regions is not consistent with Europe 2020 objectives, if a short-term income support strategy would prevail.

Conclusions

The proposed reform of Pillar 2 can be seen as a sort of compromise where innovation and conservative choices are combined in the same framework of rules. The inclusion of instruments designed to stabilise farm incomes to some extent gives the impression that Pillar 2 is not a consistent rural development policy oriented by strong policy challenges but rather by a financial rationale (to keep a sufficient amount of financial resources within the Pillar 1). Contrarily, the introduction of a Common Strategic Framework and the Partnership Contract, the further mainstreaming of the Leader approach into the Cohesion programmes and funds, the introduction of the European Innovation Partnership, the strengthening of the network approach, etc., are all signals that non-sectoral interests and wider visions are being consolidated over time. But the central question is now the following: Does this new compromise create a better governance system capable of improving policy effectiveness? The answer to this question cannot be definitive: the negotiation process should involve the European Parliament, and further discussion must take place not only about implementing rules after the approval of the general Regulation, but also about the Common Strategic Framework and the Partnership Contract ■

With the support of the European Commission
Europe for Citizens Programme

© *Notre Europe*, January 2012
design: *Notre Europe*
ISSN 2105-7885