

Understanding the Institutional Evolution of the European Rural Policy: A Methodological Approach

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1 ABSTRACT

Last decades have seen the development of a new rural policy. Different problems occurring in rural areas have pushed the EU Commission to draft policy instruments aiming to address them. However this rural policy path has not always been explicit neither has followed a continuous trend but rather has seen a series of forward and backward steps.

Given the lack of a method to establish the relevance and the level of political acceptance of EU rural policy, a methodology has been developed. This methodology has tried to identify the EU political procedure trend, though this is not a formal sequence, and to establish a classification of different events according to a proposed hierarchy.

Several EU documents, decisions, directives and financial resource allocations have been analysed. Within the review performed, each rural policy milestone has been classified following the proposed hierarchical chart. This has enabled the drawing of the different backs and forwards taken by this process. Besides, it has lead to the interpretation of the rural policy instruments current position in relation with other European policy instruments.

KEYWORDS: Rural development, policy analysis, institutional processes

2 INTRODUCTION

The importance of the farming sector in the construction of Europe is mirrored in the common nature of its agricultural policy and in the evolution of the funds designed to support the sector. While this common policy has been accepted by society, its development has been restricted to the search for technical solutions to the various problems facing the sector. However, successive enlargements and the adoption of different development processes by member States have gradually reduced the common objectives of the CAP and, consequently, the degree of social and political support for the policy. The current restrictions to which the agricultural budget is subject may be seen as an implicit manifestation of the weakening of this policy, particularly relevant when the European Union is facing the challenges of enlargement and the need to guarantee food safety within the scenario of liberalisation and competitiveness demanded by the WTO.

The crisis of legitimacy of the CAP (García Azcárate, 2001) has been seen as a constraint to the construction of Europe and to the EU's relations with the rest of the world (Grupo de Brujas, 1996). Therefore, there is a pressing need to define a new social role for agriculture. However, recovery of this lost common approach is no easy task: it requires new agreements on both, the definition of problems and the setting of objectives, and consequently on the resources to be used to meet these objectives.

In response to this need, a rural discourse has been developed since the 1980s, that advocates a multiple approach to the role of agriculture. This new approach aims to provide solutions to a number of rural problems that agricultural policy is unable to resolve, and to improve the negotiating position of the EU within the WTO. Questions such as the *multi-functionality* of agriculture, or the recent proposals of aid *modulation* or *cross compliance*, arise directly from this new discourse.

However, despite its relevance and the success of the pilot experiments performed so far, the degree of acceptance of rural policy is neither clear nor uniform. This is due to the diversity of

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conflicting national interests, to the lack of a sufficiently developed theoretical model to support the policy and, in particular, the risks which many consider attendant upon the removal of historical agricultural budget-sharing quotas among member States. Consequently, and as has been the case in other areas of European construction, development of rural policy has been marked by constant breakthroughs and setbacks.

Within this scenario of uncertainty and new challenges, the present study aims to examine the evolution of European rural policy. For this purpose, debates, decisions and regulations, etc. have been interpreted using an “ad hoc” classification system that enables to better understand how the European rural policy has been progressing and to chart its different steps.

3 METHODOLOGY

The first step in the research consisted in identifying the documents, decisions, regulations and budget allocations related to the specific problems involving rural areas, from the founding of the EEC until the present day. This was followed by an analysis of the “*institutional sequence*” or set of steps traditionally adopted by the EU in connection with new proposals or initiatives. At the same time, a “*classification system*” (typology of acts) was established, enabling analysis of the relative importance of the different events. The “*institutional sequence*” proposed here may be considered an informal working guideline followed by the Commission whenever a new relevant issue has been considered, but on which there was no certainty regarding either its scope or the stance of the member States.

The “*sequence*” usually begins with the perception of a problem. This may give rise to three types of analysis: 1) institutional analysis, performed by the technical services of the Commission; 2) external analysis performed by academic experts or consultants; and 3) indirect analysis, in the form of regular evaluations of policies and programmes, or including the issue amongst the priorities of the research framework programmes. These three levels of analysis are not necessarily mutually exclusive. When the results of analysis confirm the need to pursue an issue, a reflection document may be spread that gives rise to a broader social debate. Once the initial positions in this debate have been established, the Commission sounds out the opinion of the member States at three levels: 1) technical-academic; 2) professional and 3) political. The first two levels serve to create opinion and the third leads to the taking of decisions. The interaction of these three levels gives rise to a political negotiation process that may conclude with the taking of decisions. Three types of institutional decisions may be taken: a) permanent abandonment; b) stand-by and c) approval. Where approval is granted, and depending on the political consensus achieved, a new Regulation may be drawn up with either limited scope or general application to the whole of the EU.

The introduction or modification of institutional instruments is interpreted as a greater political will to progress in the new direction. The drafting of a Regulation represents a more thorough step forward in the process. Lastly, modifications to budgets and budget-management are the true expression of the institutional changes described.

The degree of progress and consensus achieved regarding a given issue within this *sequence* dictates in turn the importance of the decisions taken. Depending on the importance and the effects of each step, a hierarchical scale has been designed to classify the various events relating to rural policy. Graph 1 provides an outline of the steps in the *institutional sequence*, while the *scale or hierarchical classification* is shown in greater detail in Table 2.

For ease of understanding, the analysis was divided into the following four historical periods: 1) from the early days of the EEC until 1968; 2) from 1968 until 1988; 3) from 1988 until 1999; and 4) from 1999 until the present day. Analysis of the final period is necessarily less thorough, since decisions taken are still being implemented.

The results of applying this methodology are shown in Graph 3, which analyses the evolution of European rural policy and enables trends to be charted. This table draws a distinction between positions specifically involving rural areas (those coloured) and others that, though rooted originally in other policies, have affected these areas to a greater or lesser degree.

4 THE ABSENCE OF RURAL DEBATE: FROM THE ORIGINS OF THE CAP TO THE MANSHOLT PLAN.

The most pressing *problem* during this period was the need to guarantee reasonably-priced food for people. The social legitimacy of the CAP was fully ensured by matching it to contemporary European needs and by the relevance of the resources and measures devoted to the main objective.

During this period, all agriculture-related policies were managed by the EAGGF. Its division into two sections (EAGGF-Guarantee Section and EAGGF-Guidance Section) was prompted by the realisation that market and price policy, the integration of national agricultures and the development of intra-community exchanges were generating a process of specialisation that increasingly highlighted the structural differences between farming regions.

The first problems arose in the first ten years of implementation of the prices and market policy. An analysis of these problems made clear that the security of supplies was guaranteed, that markets enjoyed a fair degree of stability and that the food supply to consumers at reasonable prices was assured. However, it also revealed that costly surplus stocks were being accumulated and that farm incomes were still below those of other sectors. In other words, the structural problems of the sector were becoming apparent. The results of this analysis were included in the Commission's *proposal* known as The Mansholt Plan².

In order to alleviate these problems, Mansholt proposed the re-launching of structural policy and the introduction of positive regional discrimination, concentrating resources in disadvantaged areas. In order to achieve this, the Report recommended the modernisation of farming, the reduction of the agricultural labour force and the conversion of farmers into well-trained and well-informed entrepreneurs.

However, due to lack of political support this Report became nothing more than a useful working document³. The reasons for such opposition included the worsening of the economic climate and the reluctance of the Member States to relinquish competencies in structural policy⁴ or to accept the linking of agricultural policy with regional and social policies (which would entail greater priority and increased funding for the latter), although the most serious concern was the high cost that this far-reaching European agricultural reform was expected to generate.

Accordingly, common structural policy during this period was limited to the coordination of some of the national policies of the then six member States and to the funding of individual projects aimed at improving farming structures. The only political stance was the Commission's awareness of the need to correct regional disparities.

By these reasons, at that time, rural debate in Europe was limited to concern regarding territorial imbalances. Under the proposed classification system, this may be classified as type E₂, which amounts to saying that there was no real rural policy during that period.

5 THE PERIOD OF IMPLICIT DEBATE: FROM 1968 TO 1988.

As a consequence of the *analysis* contained in The Mansholt Plan, and at the *proposal* of the Commission, in 1972 three Socio-Structural Directives were approved that reflected the ideas covered in the report, but failed to broach the in-depth reforms proposed⁵.

The limited financial funding for these Directives, coupled with the fact that member States were not bound to comply with their most controversial aspects (reduction of the surface area given over to farming, withdrawal from the sector of farmers whose conditions would never allow them to modernise, etc.), are a faithful reflection of the intense debate prompted by the reform of farming structures among member States and of a political reluctance to provide firm support to these proposals. These Directives were far from widely implemented, and did little to improve living

² *Memorandum on agricultural reform in the European Economic Community*. Document COM (68) 1000.

³ Nevertheless, time has shown the importance of The Mansholt Plan ideas.

⁴ There was tacit recognition that farming structures in each country were linked to the historical evolution and geographical diversity of social, agricultural and rural structures in each State. Structural policy was obliged to respect these specific national features (Coulomb, 1993).

⁵ EEC Directive 159/72 on the *Modernization of Farms*, EEC Directive 160/72 on *Measures to encourage the cessation of farming* and EEC Directive 161/72 on *Information and professional qualifications of farmers*. OJEC L 96 of 23 April 1972.

conditions in less favoured areas. The existence of a *technical and professional debate*, but *without political support*, means that these Directives can be classified as type D.

In 1975, EEC Directive 268/75⁶ on *Mountain and hill farming in less favoured areas* was approved. This Directive was the first to introduce objectives other than those concerned purely with production, such as “*safeguarding the natural space, responding to leisure needs or maintaining a minimum population*”.

This change of position heralded the introduction of two innovations of great importance to future rural policy: 1) clear territorial differentiation; and 2) the introduction of environmental, recreational and social functions associated with agriculture. For the first time consideration was given to the importance of recognising the social function of agriculture⁷. New concepts introduced by this Directive, and which later appeared in rural policy instruments, were: a) recognition of the regional dimension of agricultural policy; b) the establishment of a partnership between the Commission and the member States; and c) the introduction in the CAP of direct aid in the form of *compensation payments*⁸.

This Directive contained the embryo of future European rural development policy. Rural discourse, albeit incipient, appeared in a number of new concepts, as shown in Table 1.

Table 1: New concepts in Directive 286/75.

New concept	Precedent for rural policy
<ul style="list-style-type: none"> ❑ Territorial Discrimination 	<ul style="list-style-type: none"> • Recognition of a specific territory-related issue • Concentration of resources in the most disadvantaged areas
<ul style="list-style-type: none"> ❑ Institutional Partnership 	<ul style="list-style-type: none"> • Cooperation between different administration levels in order to address issues • First steps towards decentralisation
<ul style="list-style-type: none"> ❑ Compensatory aid (subsidies and others) 	<ul style="list-style-type: none"> • Recognition of the loss of income in marginal farming • Need to maintain populations in these areas • Commitment of society to maintain areas with socio-economic difficulties
<ul style="list-style-type: none"> ❑ Diversity of the functions of agriculture 	<ul style="list-style-type: none"> • Break with the purely productivist vision • Social, recreational and environmental functions of agriculture

Source: Authors.

Although the Directive marked a change in political direction, financial funding was limited and scope of application was restricted; however, the political commitment to a new approach for problematic rural areas justifies classification of this Directive as type C.

Successive changes in the socio-economic situation and the development of market- and price-policies prompted a new *analysis*, which led to the drafting of two new *working documents*, “*Un nouveau départ pour la PAC*”⁹ and “*Mandate of 30 May 1980*” for the drawing-up of a *Memorandum on guidelines for European agriculture*¹⁰. As a result, the Commission proposed three types of actions: 1) reform CMOs by introducing the principle of ‘*corresponsibility*’; 2) shift the focus of foreign agricultural policy, taking into account the international food market situation; and 3) reorientate structural policy in order to reduce inter-regional imbalances.

This modification of objectives clearly shows an attempt to adapt the CAP to prevailing circumstances, at a time when society’s concern with respect to the cost of surpluses and the lack of transparency in the use of public funds was becoming increasingly evident. In turn, the varying impact of this policy in different European regions, highlighted its inability to reduce territorial imbalances.

⁶ OJEC L 128 of 19 March 1975.

⁷ As will be seen later, these steps, initially introduced on a restricted basis in this Directive, were incorporated at a more general level in Agenda 2000.

⁸ The *compensation payments* introduced a new dimension related to the cost that society was prepared to pay in order to support activities in areas that would otherwise experience rapid and widespread economic, social and environmental decline. This issue remains wholly relevant today, given the doubt concerning society’s willingness to subsidise an agricultural system that currently does not produce what is required of it.

⁹ Document COM (81)300.

¹⁰ Document COM (81)608.

This document may be classified as type E₁, since it failed to achieve widespread political support, and did not lead to any specific political instruments, although its ideas were re-examined and built upon at a later stage. The modifications introduced are included in Table 2.

Table 2: *The new concepts contained in the Memorandum on guidelines for European agriculture (1980).*

New concept	Precedent for rural policy
❑ Better regional distribution of the benefits of the CAP	<ul style="list-style-type: none"> • Need to reduce territorial imbalances • Differential compensation to more disadvantaged areas
❑ Reorientate structural policy	<ul style="list-style-type: none"> • Inter-territorial equity
❑ Modulation	<ul style="list-style-type: none"> • Introduction of criteria other than productive criteria for compensation

Source: Authors.

The desire to maintain and stabilise the population in peripheral areas led in 1981 to the approval of a series of *Integrated Development Programmes (IDP)*¹¹ covering the various economic sectors. New concepts in these programmes, widely defended in the successive actions of the Commission, were the joint involvement of the three Structural Funds, concentration of resources in specific areas and the need to establish a multi-year programme for structural actions. The positive results of this experience led to extension of this initiative to Mediterranean areas affected by similar problems, in the so-called *Integrated Mediterranean Programmes (IMP)*¹².

The change in stance highlighted a specific and clearly-differentiated discourse for disadvantaged areas. Despite being treated as pilot experiments, they introduced several concepts that are now dominant criteria in the emerging rural development model in the European Union.

Both the IDPs and the IMPs are classified as type D, since they received more technical and professional support than political support, reflected mainly in the lack of financial resources and in the reduced scope of application, although many more areas were affected by the same problems.

Table 3: *The new concepts of the Integrated Programmes (1981).*

New concept	Precedent for rural policy
❑ Agriculture cannot be the only motor of rural development	<ul style="list-style-type: none"> • Diversification of the rural economy
❑ Integrated multi-sectorial approach	<ul style="list-style-type: none"> • Empowerment of the various sectors in the territory • Search for synergies and complementarities between sectors
❑ Joint Participation of the 3 SF	<ul style="list-style-type: none"> • Concentration of resources in areas with specific problems • Coordination of actions
❑ Multi-year Programming	<ul style="list-style-type: none"> • Continuity of actions undertaken • Possibility of medium-term planning

Source: Authors.

In 1985, the Commission took a further step forward with the presentation of a *CAP Perspectives Green Paper*¹³, which lay special stress on the EEC's previous lack of long-term vision. Imbalances such as the worsening of disparities, the uncontrolled increase in the cost of the CAP, the environmental damage and the risks to consumer health, heralded the *crisis of legitimacy of the CAP*.

Table 4: *The new concepts introduced by the Green Paper of 1985.*

New concept	Precedent for rural policy
❑ Recognition of a dual agriculture	<ul style="list-style-type: none"> • Different solutions for different problems

¹¹ These programmes were concentrated on the Western Isles of Scotland, the Department of Lozère in France and Disadvantaged Areas in Belgium (Regulations 1939/81, 1940/81 and 1941/81 of 30 June 1981, respectively, OJEC L 197 of 20 July 1981).

¹² Regulation 2088/85 of 23 July 1985 (OJEC L 197 of 27 July 1985). These IMP were implemented in Greece, the south of France and in parts of central and southern Italy¹² in 1985.

¹³ Perspectives for the common agricultural policy. Communication of the Commission to the Council and the Parliament COM(85)333 end.

<ul style="list-style-type: none"> ❑ Environmental problems caused by farming ❑ Land planning problems 	<ul style="list-style-type: none"> • Importance of environmental considerations • Introduction of sustainable practices in agriculture • Inter-territorial equality
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Source: Authors.

Although this second attempt to reform the CAP was also unsuccessful, it enabled approval of Regulation 797/85 governing the *Improvement of the efficiency of farming structures*¹⁴, which contained an updated version and better-funded version of the measures contained in the Socio-Structural Directives of 1972 and in the Hill and Mountain Farming Directive of 1975. For these reasons, the *Green Paper* of 1985 has been classified as a type E₁ document.

Regulation 797/85 did not represent any substantial change in structural-policy budgets or priorities, even was still more relevant in terms of structural policy than rural policy. However, it is worth highlighting that Article 19 reflected the growing concern for the degradation of the environment. This article established the conditions for the provision of national aid to *Environmentally Sensitive Areas* (ESAs), thus making explicit the link between agriculture and the environment and the desire to introduce compensation for loss of income caused by actions designed to protect the environment. Regulation 797/85 has thus been classified as type B.

The last milestone in this period was the approval of the Single European Act (SEA) in 1986. The SEA represented the first step towards the establishment of the Single European Market. Its introduction was dependent on the achievement of *economic and social cohesion*, and marked the starting point for a new community regional policy. It also meant official consideration of environmental issues in all EU policies. The SEA, given its importance, has been classified as a type A document.

This period saw the subtle moulding of a specific model of action for rural areas. Consideration was given to possibility of from an exclusively productivist approach to an approach able to recognise unequal conditions and intra-regional disparities, and to focus more on social and environmental concerns. The strategic lines of this rural model were based on the principle of positive discrimination for rural areas. At working level, the model establishes: a) the concentration of resources in areas with specific problems; b) medium-term planning; c) the concept of rural areas as more than simply production sites; d) the need to diversify the rural economy; and f) awareness of the fundamental role played by these areas in the attainment of economic, social, environmental and territorial equilibrium.

6 THE PERIOD IN WHICH RURAL DISCOURSE BECAME EXPLICIT: FROM 1988 TO 1999.

1988 saw a drastic change in the establishment of structural policy objectives and procedures. Debate on the effects of the CAP and the role of farming gave rise to a new approach to farming and the rural environment. Within the new dimension of this policy, the development of rural areas, in the broadest sense of the term, began to be considered as an explicit objective.

In 1988 the Commission presented the document *The Future of Rural Countryside*¹⁵, which raised for the first time the question of rural development in the EEC. Among its contributions, it is worth highlighting the definition of the term *rural area*. This definition contains a series of key ideas of major importance for the subsequent development of the rural policy instruments that were eventually implemented. Firstly, it recognised the multiplicity of functions present in rural areas. Secondly, it defended their importance for society as a whole. It argued that production was no longer the only function of rural areas, and that environmental protection and conservation should play a fundamental role in the new status of such areas. Finally, it recognised that the special characteristics of rural areas could offer new opportunities for development and diversification of activities, always within a context of sustainability.

¹⁴ OJEC L 93 of 30 March 1985. This was replaced in 1991 by Regulation 2328/91 (OJEC L 218 of 6 August 1991).

¹⁵ Document COM (88) 501 end.

This definition reflected the Commission's awareness that the far-reaching changes undergone by European rural communities jeopardised the balance between their different functions, and that there was therefore a need to implement actions that avoided, or at least mitigated, this situation.

Table 5: *The new concepts of The Future of Rural Countryside (1988).*

New concept	Precedent for rural policy
❑ Definition of rural space	<ul style="list-style-type: none"> • Recognition of the inherent characteristics and specific problems of rural areas
❑ Rural problem: general problem	<ul style="list-style-type: none"> • Need to integrate rural areas in the dynamic process of development and generation of employment pursued in the other sectors
❑ Rural/urban complementarity	<ul style="list-style-type: none"> • End the conceptual distinction between rural environment and urban environment • Recognition of a different function but capable of articulating balances and synergies between both spaces
❑ Multi-functionality	<ul style="list-style-type: none"> • Diversity of functions of farming (whether or not recognised by the market)
❑ New functions	<ul style="list-style-type: none"> • End sectorial and productivist conception of farming and of rural areas • Non-marketable goods produced by farming

Source: Authors.

In the same year a Structural Funds reform was introduced¹⁶, which involved a change in direction, from the sectorial approach to an approach based on interventions aimed at territories with socio-economic disadvantages. The reform encompassed the period 1989-1993 and doubled the financial resources allocated to these types of actions. In 1993, another Structural Fund reform was introduced which, broadly speaking, retained the main principles adopted in 1988, although it introduced certain changes aimed at improving the efficiency of Community structural actions¹⁷.

The 1988 reform represented an absolute change in terms of both objectives and the method of managing structural policy. One of its priority objectives was the promotion of *agricultural development* and the *development of rural regions and areas*. This was an important step forward in the concept of structural actions, and aimed to avoid previous discrepancies¹⁸. Given its relevance both reforms were thus classified as type A.

The next step in the sequence, the *Community Initiatives* (IC), represented an innovation of great importance in the move towards a new European rural discourse¹⁹. Each IC was designed to resolve a specific problem. Thus, a series of target territories were defined that, depending on the specific problem affecting each area, could enrol in one of these initiatives. These CI were implemented on an experimental basis, and the financial resources available were therefore limited.

The CI with the greatest impact on rural development²⁰ was the LEADER²¹ initiative. LEADER was conceived as a pilot experiment which objective was to boost socio-economic development in rural areas. One of its innovations was the creation of a *network of Local Action Groups* (LAG)²².

The launch of the LEADER initiative led to a clearly-defined *European model of rural development* based on the approach of this CI. The objectives and the method proposed in the LEADER initiative must be seen as the crystallisation of most of the ideas and concepts considered

¹⁶ Contained in the following regulations: Regulation 2052/88, Regulation 4253/88 and Regulations 4254/88, 4255/88 and 4256/88.

¹⁷ The most important were the launch of the Cohesion Fund (Regulation 2081/93), aimed at financing communications and environmental policies in the 4 Member States with GDPs below 90% of the Community average (Spain, Greece, Ireland and Portugal) and the Financial Instrument for Fisheries Guideline (FIFG), in order to support the modernization and restructuring of the fishing sector.

¹⁸ These discrepancies include: the dispersal of actions throughout the territory, lack of continuity or use of these instruments to replace policies that were the competency of national and regional authorities.

¹⁹ The legal framework in which these new financing instruments were established is contained in the section on financial intervention in support of rural areas of *The Future of Rural Countryside* and on the possibility introduced in the Structural Fund Reform of *financing projects of special interest not included in the development plans of the Member States, and presented by the latter* (Article 11 of the Council Regulation 4253/88).

²⁰ Other CI, such as INTERREG, ENVIRREG, NOW, YOUTHSTART, etc., have also influenced the development of rural areas

²¹ Communication to the member States published in the OJEC C 73 of 19 March 1991.

²² LAGs are groups of public and private intermediaries or agents who work together to define a strategy and a series of innovative measures for the development of a local rural territory (less than 100,000 inhabitants).

previously. Its main characteristics were: a) the *local approach*; b) the implementation of *bottom-up strategies*; c) the *integrated approach*; d) the formation of *Local Action Groups* and e) the *implementation of networks* (Table 6). Moreover, it incorporated environmental concerns and the new functions of rural areas as opportunities for territories in which farm sustainability was not guaranteed in a purely competitive context.

The launch of the LEADER initiative also entailed institutional innovations. The most significant was the transfer of power and public funds from the EU administration to the LAGs, although this has taken place with a varying degree of intensity in the different member States.

Table 6: The LEADER I approach.

Concepts	Implications for rural policy
<ul style="list-style-type: none"> <input type="checkbox"/> Local approach <input type="checkbox"/> Bottom-up approach 	<ul style="list-style-type: none"> • Identification of uniform territories with common characteristics • Involvement of the population in the development of their territories • Decentralisation
<ul style="list-style-type: none"> <input type="checkbox"/> Integrated approach <input type="checkbox"/> Participative approach 	<ul style="list-style-type: none"> • Multi-sectorial conception • Creation of a representative partnership between all the actors in the local society
<ul style="list-style-type: none"> <input type="checkbox"/> Network approach 	<ul style="list-style-type: none"> • Promotion of both internal and external interconnection of rural territories • Search for critical mass in order to take on more far-reaching actions

Source: Authors.

LEADER I enabled the definition and acceptance of a new approach to the development of rural areas. Its principles were the implementation of endogenous actions, structured around the evaluation of local resources, the integrated approach and the participation of the population in all the phases of the process.

There were also problems such as: a) the novelty of the approach for regional and national authorities; b) the haste with which the Commission demanded that the Development Plans be prepared (which meant that many of the most disadvantaged areas were unable to present applications); c) the lack of definition and precision of concepts in the Commission's Communication (which gave rise to different interpretations in the different States); d) the fact that the Commission did not foresee the needs arising from the implementation of the Initiative; or e) contradictions between some of the administrative procedures proposed initially and those already in force in the EU.

LEADER I may be classified as a type C document, since its funding and scope were limited. Nevertheless, and despite its limitations, it represented an important impulse in rural areas²³.

Due to the good response and results achieved by LEADER I, in 1994 the LEADER II²⁴ initiative was launched. This CI was designed as a clear continuation of the LEADER I initiative, although it was also intended to add '*something new*'. If *bottom-up and endogenous* approaches were the distinctive feature of LEADER I, *innovation* in all its aspects was the term that defined LEADER II.

The contributions of LEADER to the definition of a European rural model can be summarised in what has been called the "added value" or "specificities" of LEADER.

Table 7: The specificities of LEADER

Specificities	Importance of rural policy
<ul style="list-style-type: none"> <input type="checkbox"/> Territorial Approach 	<ul style="list-style-type: none"> • Recognition of the diversity and specificities of each area
<ul style="list-style-type: none"> <input type="checkbox"/> Horizontal Partnership 	<ul style="list-style-type: none"> • Cooperation between local interest groups
<ul style="list-style-type: none"> <input type="checkbox"/> Ascending Approach 	<ul style="list-style-type: none"> • Participation of the population and involvement in its own development
<ul style="list-style-type: none"> <input type="checkbox"/> Innovation 	<ul style="list-style-type: none"> • Specific and different solutions using endogenous resources
<ul style="list-style-type: none"> <input type="checkbox"/> Integrated Approach 	<ul style="list-style-type: none"> • Coordination of actions
<ul style="list-style-type: none"> <input type="checkbox"/> Decentralization 	<ul style="list-style-type: none"> • Transfer of competencies at local level
<ul style="list-style-type: none"> <input type="checkbox"/> Network Cooperation 	<ul style="list-style-type: none"> • External and internal interconnection of local areas

²³ Ex-post evaluation of LEADER I has highlighted its quantitative and qualitative achievements (CEMAC et al, 1999).

²⁴ Communication published in OJEC C 180 on 1 July 1994.

Source: Authors.

LEADER II is also classified in the C category. Although the financial framework is not substantial and it only affects a very small proportion of the policies applying to rural environment, it has meant the consolidation and acceptance by the EU of the model tested in LEADER I.

Its positive aspects include: a) the *inter-connections* between the Community and local bodies, that has eliminated the traditional alienation and regression of rural areas, fostered the participation citizens in the decision-making process *and* made them co-responsible for decisions; b) the creation of a *wake of optimism* in rural areas, that has gone beyond the boundaries of action of LEADER and enabled the revitalization of other activities; c) the increase in local *participation*; d) the increase in *territorial cohesion* thanks to the concentration of efforts; e) the improvement of interaction between *public and private levels*, which is creating a teamwork culture; f) the mobilisation of *endogenous resources*, including a major mobilisation of *local savings*; g) the *demonstrative effect* that has led to the adoption of the LEADER approach by other policy and financing instruments; or h) the contribution to the *conceptualisation* of a European rural development model.

A number of market and prices policy actions also influenced rural policy over this period. 1991 marked the beginning of a new period of *analysis*. Its results were described in the *reflection document* of the Commission known as the MacSharry Report²⁵, which revealed the negative effects caused by the failure to modify the CAP since the 1960s. The document can be classified in the E₁ category, as it was assumed at political level.

The report, the recognition that the existing farming crisis had its origin in the agricultural policies adopted after the Second World War and the need for a new international-relations framework within the GATT, prompted the adoption in 1992 of the most radical *CAP reform proposal* in its history. Its main contribution was the decoupling of income support from production.

This change represented a far-reaching restructuring of the productivist approach that had hitherto characterised the CAP. It enabled the albeit timid introduction in the CAP of regional, environmental and social perspectives inherent in structural and rural policies through *accompanying measures*. Its symbolic importance lay in the fact that, for the first time, the EAGGF-Guarantee Section financed structural policy measures. This enabled the creation of tangential planes between market and price policies, structural policy and the incipient rural policy.

Initially the aim was for the accompanying measures to lay the foundations for a different concept of the most representative traditional CMO management mechanisms. However, the amount of funding failed to make this possible. As a result, the measures have had limited impact, and are thus classified as type B documents.

The 1992 reform did much to stabilise farm incomes and ensure that farmers stayed in rural areas. Nevertheless, it has also had some negative effects, such as encouraging the 'deactivation' and 'de-professionalisation' of the sector. Regardless of other considerations, it cannot be denied that this reform shook the traditional assumptions underlying European agriculture. Its importance has led to classify it in the A category.

Growing awareness of the crisis of principles of the CAP led to a new *period of reflection and debate* described in the *Agricultural Strategy Paper*²⁶. In order to determine the limits and the scope of this debate, DG I ordered 4 reports to be drafted by different groups of European experts²⁷. These documents are classified as E₂, since they were not adopted by the Commission.

The *Agricultural Strategy Paper* considered three alternatives for the evolution of the CAP²⁸. The Commission, persisting with its continuist approach, opted for the third option (extension of the

²⁵ "Evolution and future of the CAP". Document COM (91) 100 end.

²⁶ Study of alternative strategies for the development of relations in the field of agriculture between the EU and associated countries with a view to future accession of these countries (*Agricultural Strategy Paper*). COM (95) 607 of 29 November 1995.

²⁷ These reports were: Buckwell et al. (1995): *Feasibility of an agricultural strategy to prepare the countries of central and eastern Europe for EU accession*; Mahé et al. (1995): *L'agriculture dans les PECO et l'Union Européenne: Quelle transition pour l'intégration?*; Tangermann and Josling (1995): *Pre-accession agricultural policies for Central Europe and the European Union* and Tarditi et al. (1995): *Agricultural strategy for CEEC-6 accession to the EU-15*.

²⁸ 1) maintenance of the *status quo*; 2) radical reform and 3) extension of the 1992 reform

1992 reform), which was finally approved. As every reflection document adopted by the Commission this document is classified as type E₁.

This period of reflection was also marked by other movements aimed at highlighting the need for an integrated rural policy in the EU. The sequence of steps, relatively linear until then, began to branch out and attracted different proposals from diverse scenarios.

One such stance was evident in the celebration of a European Conference on Rural Development in Cork in 1996. Its aim was to lay the foundations for an Integrated Rural Policy capable of coordinating the productive aspects of the CAP with social and environmental demands. As a result of the Conference, a document known as the "*Cork Declaration: For a living rural countryside*" was presented²⁹.

This Conference received widespread criticism, mainly from the most staunchly agrarian sectors, who feared that prioritisation of rural issues over agricultural issues could lead to a transfer of financial resources from the EAGGF-Guarantee Section towards rural development programmes. The pressure of these groups meant that these considerations were not adopted. This was therefore seen as another lost opportunity³⁰. Given the lack of political support, it was classified as type D.

Other initiatives aimed at enhancing rural policy have been the proposal of the European Parliament to create a '*European rural charter*'³¹ which would serve as a framework for the drafting of an integrated rural policy, or the report supervised by Buckwell in 1997, entitled *Towards a Common Agricultural and Rural Policy for Europe*³². These positions reveal growing awareness of the need to provide the CAP with more rural content.

A new step in the *sequence* was the holding of a wide-ranging debate in Brussels in November 1997, aimed at defining the future of a possible new Rural Development Initiative. This symposium, on the theme '*Towards a new community rural development initiative: the opinion of 800 leaders*', analysed the previous LEADER initiative, its achievements, the main problems and challenges that had been faced (many of them still present) and, most importantly, the proposals of rural development agents for the future CI within the framework of Agenda 2000.

One of the most notable achievements of this macro-conference was its huge success in terms of attendance, demonstrating that the rural community was present and ready to fight for its future. This debate has been classified as type E₁.

This period 1988-1999 was thus much more active than previous periods in terms of the progress of rural initiatives. In this period, the European rural development model has been fully identified with the *modus operandi* of LEADER and with its two driving principles: the principle of *subsidiarity* and the principle of *partnership*. Despite this progress, it would be misleading to speak of a true European rural policy, since the most relevant rural development measures (the LEADER I and II Initiatives) are classified as type C, thus testifying to their limited importance.

7 FROM AGENDA 2000 AND THE INSTITUTIONAL RECOGNITION OF RURAL DEVELOPMENT.

The start of a new programming period required a new *debate* on the directives to be adopted in order to address existing problems. Exogenous³³ and endogenous problems³⁴ occupied centre stage in this debate.

²⁹ The basic principles of the abovementioned Declaration were: a) *integrated approach*; b) *multi-functionality*; c) *consistency* between instruments; d) simplification and e) cooperation between European institutions and national and regional governments. It also revealed the need to extend rural development policies to the whole of rural Europe.

³⁰ Even so, the European Council in Luxembourg in December 1997 issued a statement on '*a multi-functional European agriculture covering the whole territory of the Union*', laying the foundations for the proposal on Agenda 2000, which would be presented in March 1998 and reiterating the concept of multi-functionality.

³¹ *Rapport sur la politique rurale européenne et la création d'une charte rurale européenne*, coordinated by Liam Hyland. Document A4-0301/96 of the European Parliament.

³² This report considered the problems and incongruities present in the CAP and proposed the change from the CAP to the CARPE (*Common Agricultural and Rural Policy for Europe*).

³³ Such as: a) the opening of the ninth round of multi-lateral trade negotiations under the WTO; b) world economic and agricultural prospects that seem to indicate a net growth of international demand for agricultural products; c) the future enlargement of the EU; or d) the policy of open regionalism with different countries and trade areas.

The *proposal* of the Commission to deal with the combined policies for the period 2000-2006, in this complex scenario, was contained in the document "*Agenda 2000: For a stronger and wider Europe*". The importance of the proposed changes, together with their repercussions, justify the classification of Agenda 2000 in the A category.

Agenda 2000 promotes a *multi-functional* approach to agriculture and *integrated* treatment of the problems affecting rural areas. It also aims to define '*the European agricultural model*' for the coming years. However, the EU's position is more a declaration of intent³⁵ than a real position. The Berlin Agreement, despite defending multi-functionality in its declaration of intent, has not clearly expressed this approach in the approved reform package.

One of the main new concepts proposed in Agenda 2000 has been the establishment of a system of *horizontal modulation* that enables the States to differentiate aid received according to the type of farm concerned. This could increase the *social legitimacy* of part of the public support for agriculture. However, this approach has not been made compulsory³⁶.

Agenda 2000 has also fails to define objectives to match the problems of specific areas³⁷. In contrast to what would have been desirable, the Berlin Summit Agreement offers no analysis of these issues, and therefore does not structure (with adequate funding) policies for areas (disadvantaged and marginalized) where agriculture is not competitive and where the market is clearly unable to generate non-agricultural sources of income³⁸.

The provisional political agreement reached in Berlin has failed to address the major conflicts and contradictions of the CAP, and has not incorporated the demand for an integral approach adapted to the needs of the 21st Century. From a rural standpoint, Agenda 2000 has not brought about huge changes with respect to the existing situation.

The most significant change with respect to the rural discourse has been the formal consideration of rural development as the *second pillar of the CAP*. This fact reflects the explicit admission that the CAP is in itself incapable of resolving all the problems affecting rural areas.

Table 8: The new concepts of Agenda 2000 (1999).

New concept	Precedent for rural policy
❑ Rural development as the second pillar of the CAP	• Institutional recognition of the importance of rural development
❑ Multi-functionality	• Recognition of the complementarity, links and synergies between agriculture and rural development
❑ Possibility of modulation	• Introduction of criteria of equity and sustainability linked to the allocation of CAP aid
❑ Role of agriculture in the maintenance of the rural fabric	• Approximation of the CAP to spatial realities and land planning
❑ Integrated approach to rural problems	• Interdependence of the problems of rural areas
❑ Rural-urban complementarity	• Strengthening the combination of strategies aimed at the different sectors
❑ Reduction in the number of CI	• Elimination of the rural/urban dichotomy
❑ Financing the single funding of the CI	• Establishment of synergies
	• Concentration of resources in areas with most serious problems
	• Extension of the scope of action of the funds
	• Simplification of the management and bureaucracy associated with it

³⁴ These include most notably: a) the need to progress in the UEM; b) the obligation to curb agricultural expenditure; or c) the innovations introduced by the Treaty of Amsterdam.

³⁵ Authors such as Massot (2000) assert that the multi-functionality argument is no more than a simple ideological pretext to be used against the main trade rivals at the Millennium Round negotiations.

³⁶ The fact that application of these measures is non-compulsory and that these must currently be co-financed by the member States in order to be applied, introduces elements of *re-nationalisation* of the CAP and discrimination against the poorer States, raising serious doubts as to their effectiveness.

³⁷ It bases its approach on two incorrect suppositions: that all the sectors to be reformed had the same capacity and experience in internationalisation and that all farmers have the same competitive capacity to face the new challenges of the more competitive and liberalised world market (Cunha, 1999).

³⁸ This situation is more common in Southern Europe where deep-rooted rurality is concentrated. In these areas the conditions of Agenda 2000 may be rendered even more traumatic by the difficulties involved in modernising their productive structures, their difficulty in adapting to the foreseeable deregulation of agricultural markets by the WTO or financial difficulties that may entail the need to co-finance rural development policies on the part of national and regional governments.

Source: Authors.

From an operational standpoint, rural development policy has taken the form of two types of actions in Agenda 2000: the approval of Regulations governing Rural (Regulation 1257/99³⁹) and Horizontal Development (Regulation 1259/99⁴⁰), generally applicable in Europe, and the launch of the LEADER+ initiative, with a more limited scope. The Regulations show a desire to provide a horizontal approach to rural policy, going beyond the initial approach of pilot experiments and positive discrimination that characterised LEADER I and II, and offering a wider perspective. LEADER+, which appears as a complementary instrument of this policy, aims to recover the *laboratory* approach adopted in LEADER I. Within the proposed hierarchy, the Regulations can be classified in the B category and LEADER+ in the C category.

Regulation 1257/99 brings together: a) *accompanying measures*⁴¹ and b) *modernization and diversification measures*⁴². Regulation 1259/99 enables Member States to adopt cross-compliance and modulation measures based on different criteria. Despite the initial intention to strengthen rural development policy by means of these measures, the fact that they are not obligatory means that their success will depend on the willingness of the Member States to implement them.

Finally, the new Community Rural Development initiative, LEADER+⁴³, has become a key instrument in rural development policy. The recognition that the problems facing rural areas are not limited to specific areas has prompted the general application of the new Initiative to all rural areas in the EU⁴⁴.

The need for LEADER+ to be more than simply a continuation of LEADER II emphasises the obligation to move forward. The aim is for the seven specific components of LEADER to represent added value with respect to LEADER II. The pilot nature of specific actions could be determined on the basis of the following functions: a) the appearance of new products and services incorporating local resources; b) the establishment of new methods that combine local resources, enabling more effective use of endogenous potential; c) the combination and liaison of sectors traditionally excluded from the economy; and d) the creation of original forms of organization and participation of the local population in the decision-taking process and in project management.

With the approval of Agenda 2000, a new Structural Fund reform has also been adopted. The principles of this reform are based on the decentralisation of responsibilities, flexibility and simplification both of legislation and of procedures. From a rural standpoint, this reform represents a greater concentration of resources in more underdeveloped areas and an increase (albeit relatively insignificant) in the total funds allocated for this purpose. By its relevance it is classed as type A.

An initial evaluation of the Agenda 2000 proposal for rural areas, and specifically for agriculture, casts doubts on its suitability in the current situation. The new regulation has failed to provide farmers with the most appropriate instruments for protecting their interests and those of rural areas against external and internal threats. It is likely that any continuation of the approach adopted in the 1992 reform will lead to a repetition of the problems posed by that reform. The failure to give due consideration to the new demands of society (in connection with the environment, health, social issues and consumption) will prevent this policy from attaining the desired legitimacy. Simplification has not been achieved. Instead, complexity and bureaucratisation prevail in procedures and regulations. The decision to maintain the system of aid linked to productivity continues to discriminate against less

³⁹ Regulation governing aid to rural development, the responsibility of the EAGGF. OJEC L 160 of 26 June 1999.

⁴⁰ Regulation 1259/99 establishing the common provisions applicable to the regimes of direct aid within the framework of common agricultural policy. OJEC L 160 of 26 June 1999.

⁴¹ Constant concern for the environment is highlighted by the fact that the agro-environmental measures are now the only obligatory element in the new generation of rural development programmes.

⁴² The first type of measures will be applied horizontally in all the regions of the EU and their Community co-financing will be the responsibility of the EAGGF-G. The financing of the second type of measures will be the responsibility of the EAGGF-G in regions outside objective 1 and EAGGF-O in the case of objective 1 regions. The fact that the EAGGF-G finances most rural development measures suggests the growing importance of this policy and represents a substantial shift in the approach of this body, although it also represents a certain sidelining of the EAGGF-O, which some analysts see as heralding the beginning of the end.

⁴³ Communication to the Member States, published in OJEC C 139 of 18 May 2000.

⁴⁴ This generalisation raises questions regarding the possibility that the richest countries and those with most social capital will more readily establish advanced partnership formulae that enable more viable management structures.

favoured farmers. Lastly, employment creation and protection criteria have not been fully incorporated. The reasons indicated above confirm the view that Agenda 2000 has failed to provide the necessary reform of the sector. It may therefore be predicted that the *state of permanent reform of the CAP* will continue.

Although it is too early to draw any firm conclusions, analysis of the positions and decisions taken seems to suggest that the current rural model will be structured around the integration of agriculture and rural development. In contrast to the antagonism of previous periods, at present the emphasis is on a search to achieve the complementarity of the two approaches. Proof of this is the recognition of rural development as the second pillar of the CAP and the commitment to the multi-functionality of agriculture.

It is also worth noting that this period saw the official introduction, in terms of both discourse and documents and regulations, of a terminology referring to a European rural policy and to a European rural development model.

Graph 3 shows the different achievements and setbacks that have affected the definition of the rural policy over the four periods studied, classified in accordance using the categories described earlier.

8 CONCLUSIONS

The evolution of the different policy instruments designed to resolve the problems affecting rural areas has been characterised by continual achievements and setbacks, in terms of both postures and their subsequent translation into concrete measures. As the changes and problems associated with these initiatives have become more apparent, policy instruments have been created to address them. The Commission has never anticipated events; instead, it has designed policy instruments whenever problems have become evident and widespread.

Although none of the rural policy instruments have been classified as type A in the proposed classification system, it is true that in recent years there has been a concentration of positions of greater relevance. It may therefore be concluded that the trend is positive and that despite numerous setbacks, there is genuine concern for the situation of rural areas.

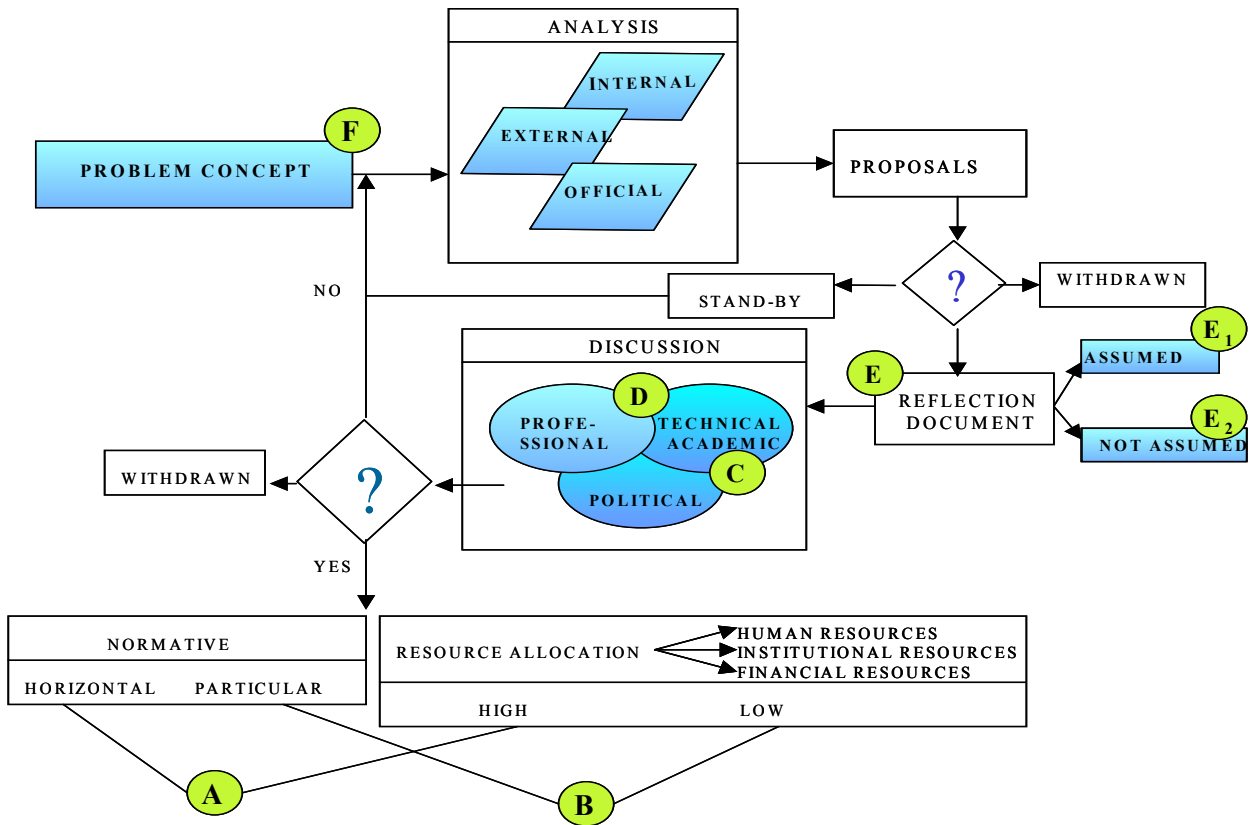
From the analysis of the different periods, it may be concluded that the mechanisms designed by the EU for rural areas have successfully addressed existing problems, at least as far as their conception and philosophy are concerned. However, insufficient funding has made it impossible to bring about the actions or changes intended.

It seems clear that any policy designed to gear rural areas for the new scenario and achieve their full integration in European and global socio-economic dynamics must receive greater financial support and include a sustainability factor that ensures longer-term planning and gives some continuity to the actions undertaken.

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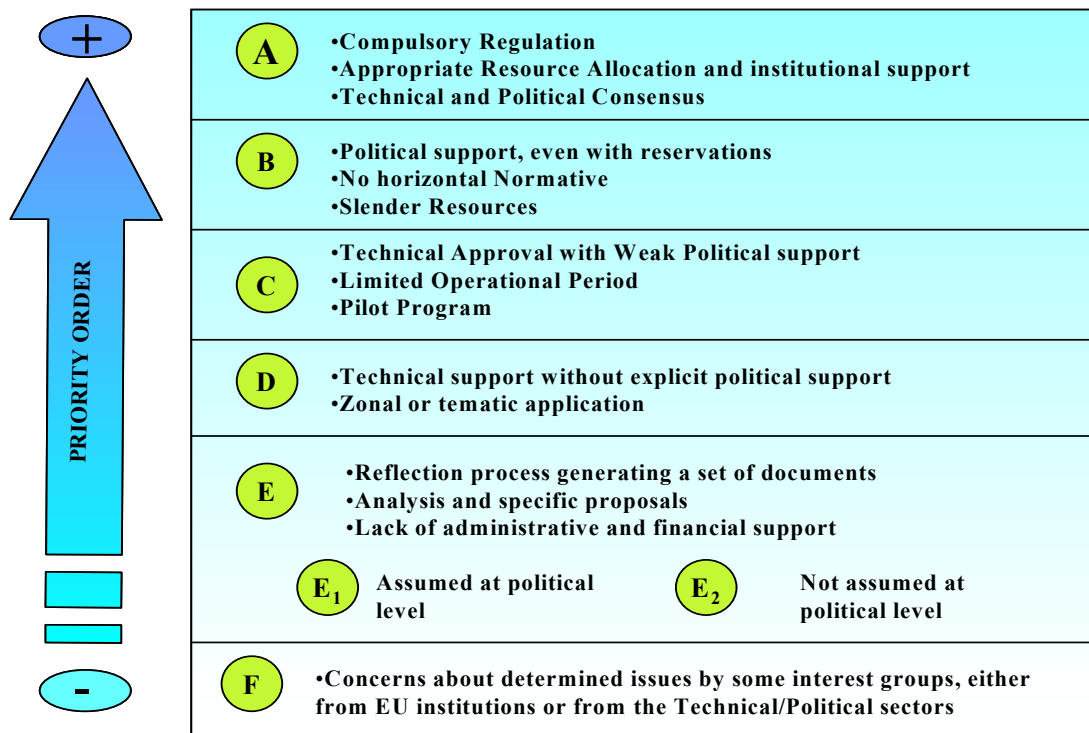
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Graph 1: Institutional sequence followed by the EU Commission



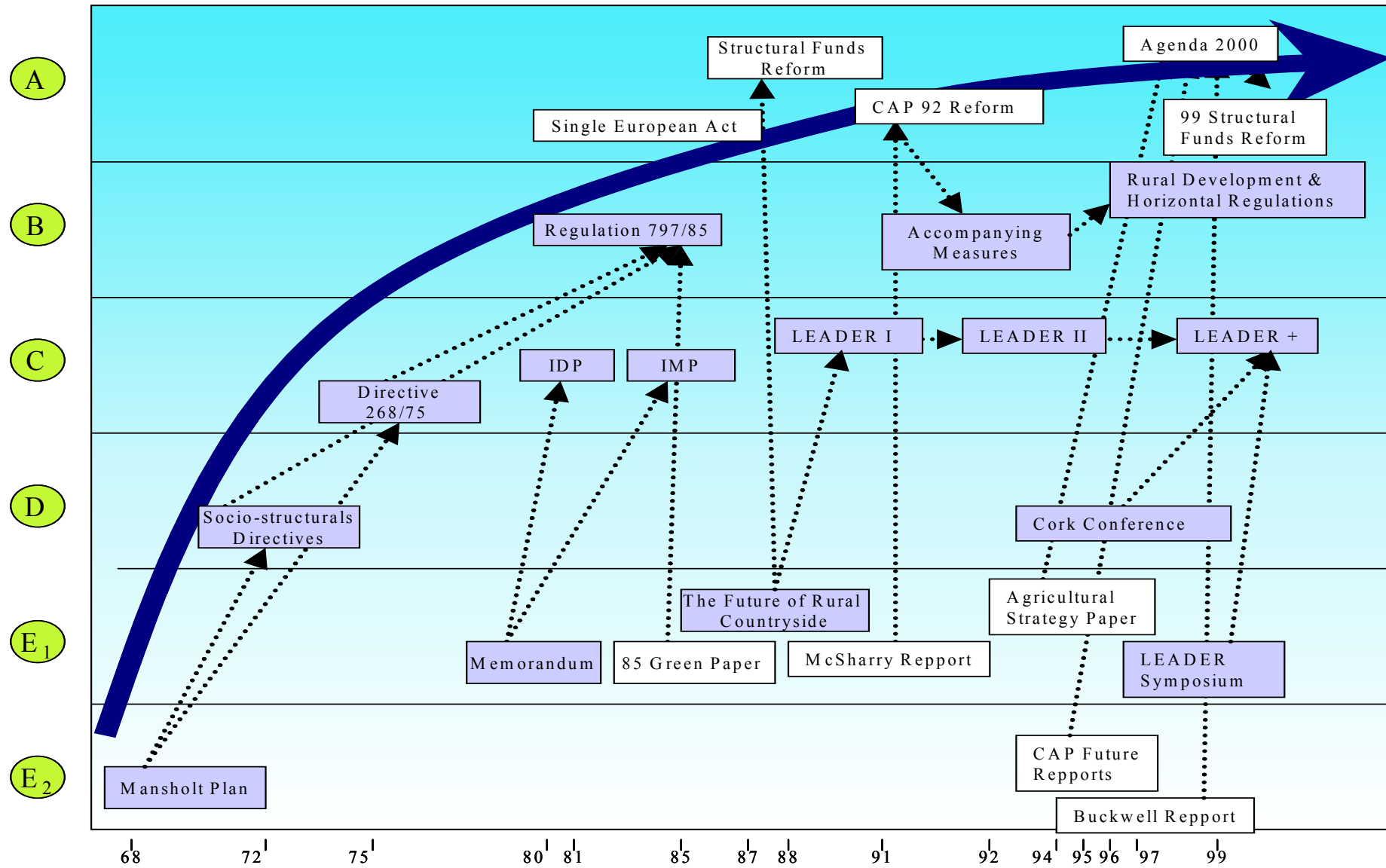
Source: Authors.

Graph 2: Hierarchical classification of events.



Source: Authors.

Graph 3: Classification of rural development events from the Treaty of Rome to present days.



Source: Authors.