

**THE SECOND PILLAR OF THE CAP TOWARDS 2020.
MISSION, OBJECTIVES AND PRIORITIES OF RURAL DEVELOPMENT**

Dr. Pablo Amat Llombart

Prof. of Civil Law. Universidad Politécnica de Valencia (Spain)

1. RURAL DEVELOPMENT IN THE CAP. CURRENT REGIME

The second pillar of the CAP (rural development), is currently ruled by Regulation 1305/2013 of 17 December 2013, on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation 1698/2005.

First, it can be said that rural development policy within the framework of the CAP, has established itself as a genuine common policy of strategic value for the EU. Indeed, within the relevance of future challenges for food security, the environment and territorial balance, we can say that rural development remains an strategic policy to ensure the most effective response to political challenges in the EU, emphasizing the more efficient use of budgetary resources. Common guidelines have been established to guide the second pillar of the CAP to the future.

The rural development support have a complementary nature to other CAP measures (first pillar). But a gradual increase is seen in its relevance and implementation, not free of some criticism by those who believe that some rural development measures have nothing to do with agriculture, putting into question the use of basically agricultural funds (form EAFRD) to not strictly agricultural or rural activities and projects.

2. MISSION OF RURAL DEVELOPMENT

Article 3 of Regulation 1305/2013 entitled "Mission", regarding both rural development policy and rural development measures and support. Reading this article, one can see a "triple mission" to meet:

a) Promotion of sustainable rural development throughout the Union.

The scope of the concept of sustainability should include the threefold sense commonly accepted. On one hand, the "economic sustainability", which involves the proper maintenance of productive activities traditionally linked to land and

rural areas, as agriculture, livestock and forestry. In this line, principles such as competitiveness, viability, innovation, modernization and restructuring of agriculture and agricultural holdings, remain fully in force, in order to promote successful economic development of rural areas. In addition, beyond the maintenance and defence of the traditional productive sectors in rural areas, it is necessary to encourage new economic and professional activities "not strictly agricultural" but sustainable, in order to diversify the possibilities of creating jobs and wealth, and the consolidation of companies, businesses and jobs in rural areas. On the other hand, we have "environmental sustainability", which involves the implementation of principles of ecological management of natural resources related to agriculture and rural areas; also respecting the principle of environmental protection of ecosystems, landscapes, nature, biodiversity, with special emphasis on mitigation and adaptation to climate change. Finally, the "social sustainability", which will be closely linked to the adoption of measures to promote the overall development of rural areas, improving the quality of life for rural population, reducing at the same time differences in quality of life and services with urban people, and implementing a local development approach of the communities involved.

b) Contribution to the development of a Union agricultural sector that is more territorially and environmentally balanced, climate-friendly and resilient and competitive and innovative.

This mission was absent in the Regulation 1698/2005. Now it simply anticipates the outlines of the overall objectives and priorities of the rural development policy. Such objectives should be the main action areas for the agricultural sector. It is logical the inclusion of this second specific mission, in light of the new guidelines and key policy priorities introduced in 2009 in the framework of the CAP and rural development, including the global fight against climate change in the planet as one of the primary objectives for the EU.

c) Contribution to the development of rural territories.

This mission implements the territorial approach to rural development, not only in the perspective of geographical location of the rural areas where measures and support should be implemented, but especially from the perspective of economic and social development of the countryside, which must be able to create decent living conditions for residents, to enable them to stay and take care of that territory, while it is reasonably exploited implementing long-term and sustainability criteria.

3. OBJECTIVES AND PRIORITIES OF RURAL DEVELOPMENT

Article 4 of Regulation 1305/2013 sets out the three general objectives should be achieved by rural development support. These objectives can be summarized in three words: **competitiveness, sustainability and balance**.

On the other hand, Article 5 defines the six priorities of rural development, establishing a vital link between those and the overall objectives. That is, the three broad strategic and long-term objectives for rural development are materialized into six specific priorities.

Finally, all those priorities shall contribute to three qualified cross-cutting objectives (art. 5, in fine).

We can now link **the main objectives of the rural development policy** with some specific targeted priorities:

Objective 1: "Fostering the competitiveness of agriculture", can be considered as a "classic" objective, having been present since the beginning of the agricultural structures reform policy to modern rural development policy of the CAP. It is clear that achieving a competitive and sustainable agricultural sector is essential to achieve sustainable development in rural areas. The problem is not the objective (very relevant) but in the means, measures and resources provided for this purpose. Looks like we can agree on the idea that if after several decades, CAP continues to insist in that objective, it is because it has not been able to achieve the goal with the adequacy or efficiency required.

The promotion of agricultural competitiveness **is linked to three specific priorities:**

1.1. Knowledge transfer and innovation in the agriculture, forestry and rural areas.

As in any other productive sector, research and innovation applied to the agricultural sector and rural areas are essential to achieve high levels of competitiveness. This is absolutely necessary in today's environment of exchanges more and more globalized, internationalized and demanding. For example, in the field of innovation in plant varieties more competitive, more productive and higher value-added market; or technological improvements to the service of agricultural production (modern and advanced agronomic techniques, more efficient irrigation systems, computerization of farms, etc.).

It also involves encouraging learning and continuous professional training of farmers.

1.2. Competitiveness of agriculture and farm viability.

Measures to restructuring and modernization of farms with problems should be applied (in the area of profitability, lack of diversification, low access to market...), and measures to facilitate the entry of new well-trained farmers into the agriculture sector, in the way to achieve an acceptable generational renewal. The ultimate goal is to improve the economic results of all farms.

All these measures are of a purely "business" aspect, in the sense of supporting the consolidation of structures and agricultural / rural companies that are viable both from an economic point of view (productivity and profitability) and social point of view (maintaining the livelihood of rural families, attachment to land, conservation of buildings, traditions and rural customs, etc.).

In this regard, the rules on the structures of farms in Spain is an outstanding chapter on the urgent need to act, because of serious shortcomings and obsolescence.

It is not acceptable that in this field is only the EU that points the way to go, regarding rural development as one of the essential policies, not only for the second pillar of the CAP but also for the first pillar. Meanwhile, in Spain remains in force preconstitucional legislation such as Law on agricultural reform and development passed on 1973, or even the Law on farms modernizing of 1995 (among others), both in any case clearly outdated in time, that do not meet the current needs or those considering the future and that this area should address.

It therefore requires an effort of "restructuring" not only farms but especially the legislation regulating the matter. So, legislative reform must pass by the progressive introduction of professional and business parameters in agriculture, the adoption of measures to increase the territorial base of farms, to facilitate and promote associations and cooperatives in agriculture, in order to create powerful structures and organizations able to grouping supply and to influence in agricultural trading prices, market conditions, etc.

Partly in that way the Law 13/2013 of 2 August, on promoting the integration of cooperatives and other agribusiness associating entities, because their purpose is to ensure the merger or integration of agricultural-cooperatives and other entities of associative nature, through the creation or expansion of agri-food associations of economically viable dimension, and whose field of

implementation and economic performance are of supra-regional scope. And also the Law 12/2013 on food chain operation improvements, that tries to reinforce the production sector into the food chain.

The same could be said about the generational change in agriculture. Today that relief is in serious danger. The farmer is a threatened and endangered species in the short and medium term, unless radical changes are not made in the conditions of living, working and profitability of their livelihood.

It is an obvious reality that today agriculture is not attractive to young people, who prefer other sectors to train or work, than working in the job of their parents or grandparents. The agricultural way of life is perceived by young people as painful, sacrificed, unstable, uneconomic and even marginal from a social point of view. Succession in many of today's active farms is really threatened. This problem is not too favoured by the law and legal system that regulates succession in Spain. Our legal system actually promotes the equal division and distribution of the property between the children and descendants of the deceased farmer. The law should try to maintain the integrity of farms, favouring at the same time the continuity of the agricultural exploitation, may be promoting the son or descendent that regularly worked, collaborated or contributed in the farm or agricultural work.

1.3. The third priority, certainly innovative, focuses on **two main aspects**:

a) Organization of the food chain (including the processing and marketing of agricultural products);

b) Risk management in agriculture.

Regarding the first question, it is really important to promote a greater participation of the primary production sector in agricultural products supply chains (especially in food). The key lies in the commitment to a high degree of 'integration' of the agricultural production sector in the 'food system', which in Spain is defined by Law 38/1994 on Agri-food Interbranch Organizations: "Set of agriculture, livestock, forestry and fisheries sectors, as well as the processing and marketing of those products" (art. 1.1).

The way to achieve this, as reflected in Regulation 1305/2013, is on one hand through producer organizations and interbranch organizations themselves, and on the other hand by quality systems, local markets and short supply circuits. The EU regulation itself defines "short supply chain": it is a supply chain involving a limited number of economic operators, committed to co-operation, local

economic development, and close geographical and social relations between producers, processors and consumers (art. 2.1.m).

In the Spanish law, we can cite here the Law 12/2013, of 2 August, on measures to improve the functioning of the food chain.

Moving now to the measures of risk management at the farm, we think they are welcome.

The reality is that the agricultural sector remains enormously strategic and essential to society, but however it is exposed to higher risks than other productive sectors. This happens because its own idiosyncrasies and nature, the conditions and means of production, the dependence on uncontrollable and fluctuating factors (like meteorological, biological, market ...), and finally by their high vulnerability.

That is way in countries like Spain we already have a great experience in the field of protection against several risks and exposures, for example, in the context of the Law of 1978 on combined agricultural insurance. Now even more it should be encouraged “voluntary subscription of such insurance” by farmers, as well as the creation of “mutual funds” to compensate economic losses, and even the creation of an “income stabilization tool” to alleviate the serious loss of income by farmers in certain circumstances. All these measures are welcome as long as the financial resources are enough to cover them.

<p>Objective 2: “Ensuring the sustainable management of natural resources, and climate action”.</p>
--

This goal of ecological, environmental and 'climate' scope, is representing one of the characterizing essences of EU rural development policy, as well as the practices and systems of agricultural production in recent times.

This objective is embodied by the **following priorities**:

2.1. Priority number four, focused on the restoration, preservation and enhancement of ecosystems related to agriculture and forestry.

Indeed, the EU is increasingly putting emphasis on identifying and strengthening the natural links between forestry-livestock-agricultural sector as a whole with protecting the environment, natural resources, animal and plant biodiversity, landscapes, etc. This ecological aspect of rural development, connects with the tendency to value and fund environmental goods and services of a public nature, that residents and workers of rural areas are able to provide in

the benefit of society. In fact, farmers and foresters, in its ongoing daily contact with the land and natural resources, are called to introduce and maintain, in their usual productive activity, sustainable management systems of land and water from the environmental point of view. Furthermore, this social function developed by farmers, legitimizes them more and more to receive the support, benefits and public funds for this purpose.

2.2. Priority number five, promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors.

This priority can be considered somewhat of a novelty, especially in its specific inclusion in the strategic priorities of the EU, but it is still consistent with the global commitments on climate change made by 2020 (EU strategies for mitigation and adaptation to climate change).

This priority is specified into **two major areas**:

a) On the one hand, the efficient use of productive resources in agriculture, with emphasis on water management, energy and the use of renewable sources.

b) On the other hand, the reduction of emissions of greenhouse gases and ammonia to the atmosphere, resulting from agricultural and livestock activities, and at the same time, promoting conservation and carbon sequestration in agriculture and forestry.

Objective 3: “To achieve a balanced territorial development of rural economies and communities, and the creation and maintenance of employment”.

This objective is linked to the priority number six: promoting social inclusion, poverty reduction and economic development in rural areas.

In particular, it is committed to diversification of activities, businesses and jobs in rural areas, by creating and developing small enterprises, promoting local development, and especially enhancing the accessibility, use and quality of information and communication technologies (ICT) in rural areas (broadband Internet, etc.).

It is a goal and a priority of strong social component. It puts the focus on the lives and work of people in rural areas, which can be defined as poorest, more marginal and underdeveloped compared to urban population way of life. We can

call this package of measures as 'socio-rural', with particular attention to local and endogenous approach of developing strategies implemented.

A 'sustainable' rural development (economic, environmental and social) and a rural development "held" in time (enduring medium / long term), will only be possible if the focus is placed on the welfare of people in charge of the management of areas, resources and means of production located in rural areas.

It should be promoted among rural people a sense of belonging to the territory, of rooting in it. It must also be recognized, openly and clearly, the relevant function carried out by rural population, which should be properly appreciated and recompensed. Those are the "positive externalities" or "positive benefits" rural people generate, just staying in the territory and maintaining the activities alive.

In sum, a balanced rural development must achieve a decent and attractive standard of living and work, involving an incentive for people already living in rural areas, and for people who may wish to settle in these areas.

Critical voices were heard, pointing that the current CAP does not improve fixation of the population, has no positive effect on the development of infrastructure of all kinds and does not substantially improve the quality of life of rural residents. In that sense, it is well known the gradual aging and masculinization of agrarian and rural population in Spain. It is also apparent, from a comparative point of view, the higher standard of living of the people of the city compared to which they have rural people, reflecting the obvious disadvantages for people living in rural areas.

Many of the shortcomings pointed, could be alleviated fostering a "territorial approach" of rural development policy. Rural development policy should not only focus almost exclusively on the agricultural and food sector. It should encourage a more global view of rural areas, based on the various activities that take place in them, on the needs of the population as well as the relevant values treasured. There must be attended an "increasingly territorial logic" than an exclusively "agricultural sector logic".

In fact, some extreme position affirmed the need to create "a third pillar of the CAP", intended to promote and fund non-agricultural needs of rural areas, in the sense of promoting an important "rural" shift to the CAP, in order to redirect a policy that exclusively attends the "agriculture" interests.

In the opposite position, we can find a great reluctance to the CAP, manifested by representatives of the agricultural sector. They say that if CAP is a predominantly agricultural policy, it just should fund projects and actions that directly improve agriculture and farmers.

In relation to the "territorial approach", in Spain the Law 45/2007 on sustainable development of rural areas, noted the importance of introducing a "territorial approach" to the Spanish rural development policy, while intended to generate our own rural policy, adapted to the Spanish economic, social and environmental conditions.

Indeed, in this area is necessary to maintain and promote the process of development and implementation of the system established by Law 45/2007 and Royal Decree 1336/2011, regulating the so called "territorial contract" (if necessary with the appropriate adjustments and improvements that were be introduced). It is important not to lose the opportunity to have a differentiated national rural policy, but agreed, coordinated and managed by the Autonomous Communities. This national policy should be used to foster rural development based on territorial criteria (eg, prioritizing actions and support in certain disadvantaged areas or zones), with inclusive and balanced spirit. Therefore, this national policy together with the regular programs of rural development funded by the second pillar of the CAP, could pursue the overall goal of achieving alive and active rural areas, with dynamic and stable population, which allows decent living conditions for its inhabitants, and ultimately a sustainable rural environment in terms of economic productivity, and from the environmental and social point of view.

Finally, with respect to **cross-cutting objectives** included at the end of Article 5 of Regulation 1305/2013, it is said that "all these priorities (the six previously analysed) shall contribute to the cross-cutting objectives of **innovation, environment, climate change mitigation and adaptation**".

This is a clear example of the new character presiding philosophy of the current rural development Regulation: priorities and measures funded must be multifunctional, that is, they are intended to achieve one or more of the strategic objectives of the European Union for rural development.

That is why the three cross-cutting objectives (innovation, environment and climate change) will be achieved by several priorities and specific measures, adding synergies and increasing its efficiency, in order to obtain verifiable results.

To conclude, just let me notice the difference of current Regulation 1305/2013 in relation to the repealed Regulation 1698/2005.

Measures and support of rural development are no longer grouped around specific "thematic axes" as before.

Now a "single list" of specific measures is established. Many of these measures are cross-cutting, i.e., likely to contribute to both the achievement of several priorities and objectives of rural development. Indeed, Regulation 1305/2013 presents an exhaustive list of possible specific actions, to be taken and implemented (arts. 14 to 39). This is intended to provide greater flexibility and to simplify the system, allowing the programming of rural development measures by the Member States (with subsequent monitoring of Brussels) is oriented to the achievement of one or more of the priorities discussed. These priorities are the reference for the specific measures to be implemented.

In Annex VI of the Regulation is included an indicative list of relevant measures to get each of the priorities. Moreover, the Regulation provides a section dedicated to the LEADER initiative by the local action groups (arts. 42 to 44).