

# **Rural Development and Agricultural Systems: Consequences of Nationalisation and Privatisation**

**By Linda Mauperon**

Ladies and Gentlemen, Honourable Guests, dear Andrä,

Let me start by saying what a pleasure it is to join you today at the prestigious University of Natural Resources and Applied Life Sciences. It would be difficult to find a more appropriate venue for a discussion on agriculture and forestry in the Balkan countries than here in Austria, a country that is both close to the Balkans and to the heart of Europe; a country that only a year ago, hosted the extremely successful Salzburg conference on the future of rural development in the EU and a country that is home to the most famous, some may say infamous, architect of agriculture and rural development policy in recent times, Franz Fischler.

His period as Commissioner saw many changes – the introduction of a consolidated and more efficient farm policy and a more comprehensive rural development package to name just two. He also set the ball in motion for a whole new rural development regulation and a new regulation for the financing of the CAP. Both are things that we are hard at work on now, and both will be introduced in the next framework period – 2007-2013 which will be the first complete programming period for the enlarged EU.

Many ask whether so many significant changes and proposals were really necessary in the relatively short period for which Franz was Commissioner. But the simple fact is that both the CAP and **rural development are cornerstones of European construction and integration.** “Reform to revitalise,” was one of his mottos, and he recognised that in order to support a diverse and varied rural Europe, the policy had to keep pace with the times.

What had applied in the 1950s was no longer an appropriate framework for the 21<sup>st</sup> century. The early CAP was essentially a stabilisation and market support mechanism, conceived by the six member states of the then European Community to generate stable prices for both farmers and consumers, a stable market supply and a

stable income for farmers. But since then, priorities have changed, and continue to change. Objectives and realities have also changed, not least through each successive enlargement, the most recent of which means that 90% of the total EU territory is now made up of rural areas.

What started out as a common policy, with common rules, regulations and financing – for reasons of simplicity and efficiency - for the original 6, has now been taken up by a further 19 member states with each successive enlargement. To keep up with a changing, modernising EU, the CAP had to do the same. It had to recognise the very varied and individual nature of different EU regions whilst continuing to provide the well-acknowledged benefits – support, consistency and reliability to name but a few – that have always been available under the common agricultural policy.

Ladies and gentlemen,

You all know what has changed. Support systems have evolved in order to better meet a wider range of priorities. The new, decoupled support regime in particular means we have been able to boost market orientation, and ensure that it better serves environmental maintenance; that it can meet consumer concerns and requirements, is more accessible to farmers and more easily accountable in the public domain.

But perhaps most important in the context of today's discussions is the fact that throughout the progress, rural development has become an increasingly important pillar of the CAP.

Our new Commissioner for Agriculture and Rural Development, Mrs Fischer Boel, has clearly announced that Rural Development is one of her priorities. The catalogue of available measures under the new Rural Development proposal provides the instruments for agriculture and forestry to actively contribute to achieving the Lisbon objectives.

The policy has been simplified and consolidated and the amount of available money has been increased thanks to modulation, a point I will come back to later on. And

the number of eligible measures has been increased – to include new measures to help farmers meet standards, to promote quality products and improve animal welfare beyond mandatory standards and to boost support to young farmers, forestry and the implementation of Natura 2000.

Equally significant is that each successive reform has reinforced the role that individual member states and regions play in determining their future, not by nationalising the policy, but by reinforcing the principle of subsidiarity, particularly where rural development is concerned. It has long been clear that Member State involvement at all levels is essential in getting the best results. But equally, it is also clear that decisions and choices must be made at the level at which they are most appropriate which often means defining the objectives and priorities at European/international level, but allowing individual countries and regions to implement them in the appropriate context.

This brings me to the debate over subsidiarity versus single national policies, and it will come as no surprise to you that I insist on subsidiarity as opposed to nationalisation for this very reason. I am convinced, as are all the consulted stakeholders – the Member States and the European Parliament, that a European Rural Development policy is not only a necessity that brings added value to Europe, its rural areas and the economy, but it is also the best and most efficient way of ensuring the sustainable development of agriculture and forestry in the changing world they have to compete in.

Equally, our approach recognises that it is at national, regional, and/or local level that the knowledge of the very different social, economic, climatic, environmental and geographical conditions lie, which is why we promote their involvement in the decision making process. And in particular, this is why we want to see local actions and priorities established within the overall framework of the rural development programmes. The rural development proposal, as it now stands, is designed to achieve precisely this: the necessary balance between national and European - it combines a European strategy with European objectives with national, regional and local action plans and implementation.

And this is why we believe it is so important to work together to define our common objectives, a principle that underpinned last year's Salzburg conference. This was specifically designed to give stakeholders the chance to provide their input for the future rural development policy. And the key messages that they delivered have all been incorporated into our proposals:

1. That it is essential to carry on helping farmers to perform their multifunctional role as producers and guardians of the countryside in all areas, particularly the most disadvantaged ones, of the EU.
2. That EU support is vital to the restructuring and sustainable development of rural areas.
3. That diversification plays a fundamental role in rural development and the creation of more prosperous, viable and sustainable rural communities.
4. That policy should be simpler and implemented in partnership with public and private organisations and civil society.
5. That the LEADER approach has emphasised the advantages of combining partnerships with a bottom-up approach, and should be continued. And finally
6. That rural development policy should be coherent and compatible with other EU cohesion policies.

In short, the Salzburg conference played a key role in helping us to develop a new rural development regulation that would support the changing face of rural Europe.

What are the other specific aspects of our proposals? You will no doubt know that we foresee a system that is hugely simplified – one that merges the different elements of the existing system - by this I mean the three different management and control systems and the five different programming systems - into a single funding, programming and control framework. And it will function on the basis of three main axes or priority areas to ensure a more efficient use of funds, plus a fourth one which should specifically promote the bottom-up approach of the Leader initiative.

Axis 1 is aimed at increasing the competitiveness of the agriculture and forestry sectors, with specific measures designed to support the necessary restructuring following CAP reform. It also takes into account the needs of the new Member

States, as well as promoting the diversification and economic growth in rural areas and targeting 'added-value' farm and forestry products.

Axis 2 targets agri-environmental measures which promote the overall rural environment and includes specific aids to support growth and renewal in less favoured rural areas, while axis 3 provides the potential for innovation, change and initiative in the context of wider rural development. For example, it would support the establishment of tourism activities, business creation and development or basic services in villages and the protection and management of natural heritage. This is an axis where private initiative is encouraged be it on the part of the farmer or by other rural actors.

And as far as funding is concerned, a total of €13 billion per year is foreseen for the programming period 2007-2013, a substantial increase from the current one to take account of the recent and future enlargements. And Member States will be obliged to allocate a certain percentage of the available funds to each axis – a minimum of 15% should go to axis 1, 25% to axis 2, and 15% to axis 3, and at least 7% must be channelled into the Leader initiatives supported under the fourth axis.

Another important feature included in the proposal for the new rural development regulation is the creation of the new European Network for Rural Development, an initiative that will also serve to bring Europe's regions closer together. The network would collect, analyse and disseminate information on EU rural development measures, it would also organise meetings and seminars at EU level to promote the exchange of knowledge and expertise and it would support national and trans-national network creation.

One cannot speak about rural development, especially today, when the theme of this Symposium directly concerns the Balkan countries, without mentioning SAPARD, the Special Pre-Accession Programme for Agriculture and Rural Development. It was designed to support the efforts made by the Central and Eastern European Candidate Countries to prepare for their participation in the Common Agriculture Policy and the Single Market. It has had two major objectives: first, to implement what we call the "acquis", meaning the whole package of existing EU legislation, second to

solve priority problems in the field of agriculture and rural development. 36.603 projects have been or are being financed under SAPARD.

Bulgaria and Romania are still using this instrument as will Croatia in the very near future. As from 2007, the new Instrument for Pre-Accession will replace PHARE, ISPA and SAPARD.

Having said all this, ladies and gentlemen, can one imagine going towards nationalisation or privatisation in rural development? Few countries in the world have no agricultural policy at all. The European Common Agriculture Policy has justified its existence by showing what it is capable of delivering. Just recently our 10 new Members have taken it on board without ever contesting its existence, on the contrary. There is a place for private initiative in Rural Development, it is even encouraged. The programmes will continue to be the designed at national, regional and local levels. But the global framework and the political guidelines have to remain common and the management and funding also. Renationalisation of rural development policy with uncoordinated national subsidies would affect the functioning of the Single Market. Who would dare justify the cost of such a change by possible budget savings?

All this brings me to the question of how we finance Europe's rural growth, another point which has been under recent discussion. I have already mentioned that funding will be increased by CAP reform, the result of the introduction of a new system of compulsory modulation which shifts funds away from market support and into rural development. This of course only applies to the former EU-15 countries until the new member states reach the full level of direct payments after the completion of their phasing-in period. This will release about €1.2 billion extra, per year once it is fully in place, to reinforce already existing measures or finance the additional rural development measures that have been introduced with reform.

Another important aspect of this is co-financing, a partnership in which Member States share the cost of supporting their rural areas with the money from the EU budget and a policy that may not even exist were rural development policies to be nationalised. This principle was reinforced in the June reform, to provide a higher degree of co-financing throughout the EU for measures related to agri-environment

and animal welfare. For axes 1 and 3, it is now proposed that programmes will be co-financed by the EU at a rate of 50% for all regions, and 75% for the former Objective 1 areas. For the second axis, it will stand at 55% and 80% respectively. And for the outermost regions and Aegean islands, the rate is raised by another 5% again.

The new financial framework for Rural Development is also part of the proposal included in the new financial perspectives package which was adopted by the Commission in July this year. And here, for agriculture, and in particular for rural development, the Commission has sought to preserve the interests of all member states – old and new – and account for the sums that would be required for Bulgaria and Romania's accession too, without exceeding the Brussels' ceiling set in 2002. These proposals are now on the table in both the Council and the European Parliament; we sincerely hope that the result of their discussions will maintain the funds that we foresee for rural development, enable us to meet the objectives and priorities identified, and allow Member States enough time to develop comprehensive rural development programmes.

So, Ladies and Gentlemen, to come back to the question nationalisation or privatisation versus subsidiarity, I hope I have underlined just what an EU level policy is able to achieve, and the flexibility and opportunities it affords. There is no doubt over the fact that rural development is an essential part of the common agricultural policy, nor, in my mind at least, that it should continue to be designed and financed at European level. That is not to say it should be Brussels oriented – long gone are those days. Today's policy operates in partnership, not dictatorship, and looks out to the regions and enables them to take the parts of the policy that are necessary to them for their sustainable development and regeneration. Stakeholders play an essential role in helping us to establish the best path to take, and we in Brussels are able to offer the very valuable support, they, you, are the ones who are able to offer the very valuable experience and expertise to other producers and organisations throughout the EU.

The seeds of the rural future of an enlarged European Union are being planted. I am convinced that the renewed Common Rural Development Policy is the only way to

achieve the ambitious objectives we will all be working to meet for the benefit of all rural communities in the European Union.

Thank you.